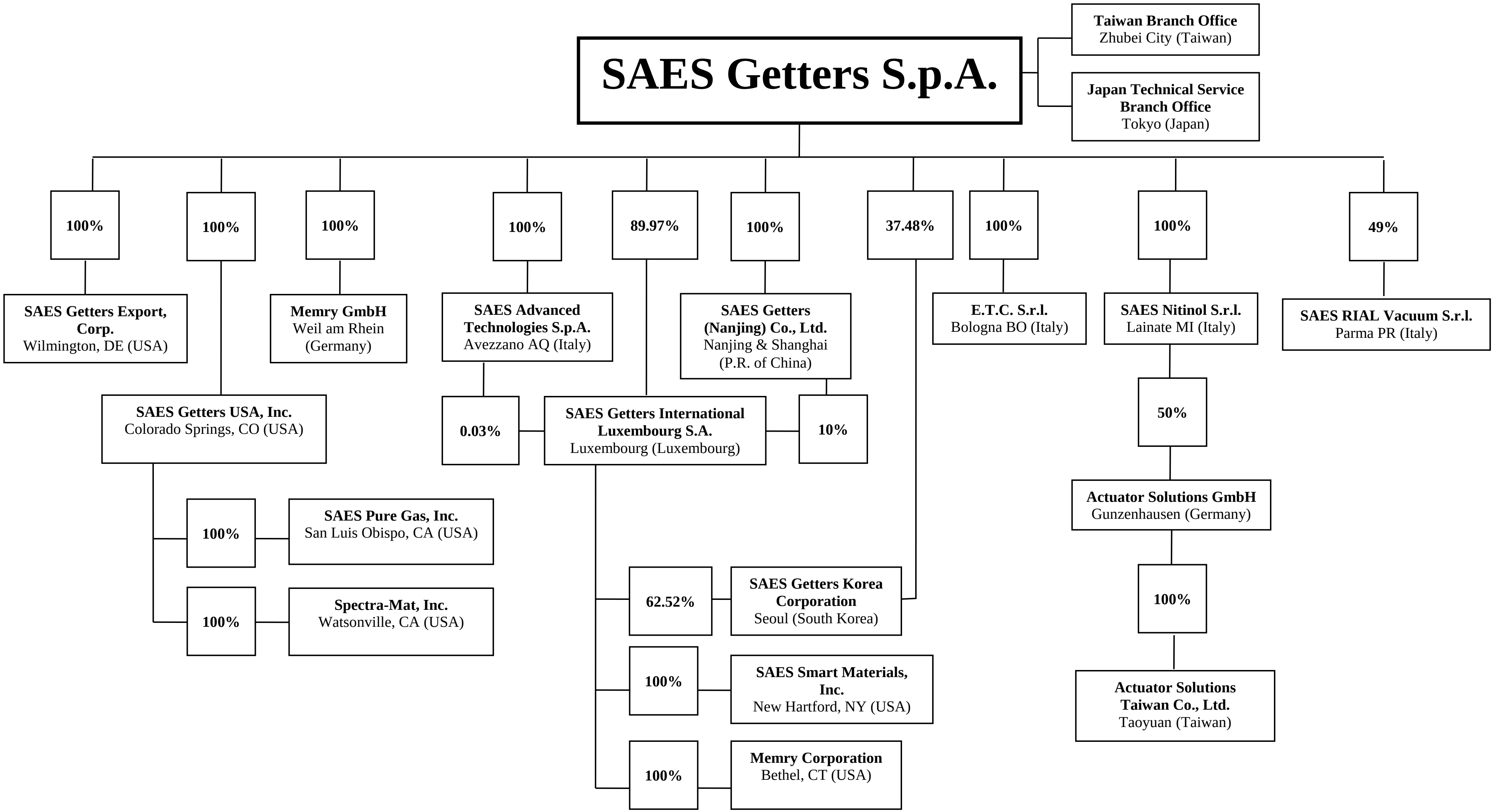
Interim Consolidated Financial Statements 2016



SAES Getters S.p.A.
Taiwan Branch Office
Zhubei City (Taiwan)
Japan Technical Service Branch Office
Tokyo (Japan)
100%
SAES Getters Export, Corp.
Wilmington, DE (USA)
100%
SAES Getters USA, Inc.
Colorado Springs, CO (USA)
100%
SAES Pure Gas, Inc.
San Luis Obispo, CA (USA)
100%
Spectra-Mat, Inc.
Watsonville, CA (USA)
100%
Memry GmbH
Weil am Rhein (Germany)
100%
SAES Advanced Technologies S.p.A.
Avezzano AQ (Italy)
0.03%
89.97%
SAES Getters International Luxembourg S.A.
Luxembourg (Luxembourg)
10%
62.52%
SAES Getters Korea Corporation
Seoul (South Korea)
100%
SAES Smart Materials, Inc.
New Hartford, NY (USA)
100%
Memry Corporation
Bethel, CT (USA)
100%
SAES Getters (Nanjing) Co., Ltd.
Nanjing & Shanghai (P.R. of China)
37.48%
100%
E.T.C. S.r.l.
Bologna BO (Italy)
100%
SAES Nitinol S.r.l.
Lainate MI (Italy)
50%
Actuator Solutions GmbH
Gunzenhausen (Germany)
100%
Actuator Solutions Taiwan Co., Ltd.
Taoyuan (Taiwan)
49%
SAES RIAL Vacuum S.r.l.
Parma PR (Italy)

Interim Condensed Consolidated Financial Statements as at June 30, 2016

SAES Getters S.p.A.

Capital Stock of 12,220,000 fully paid-in

Corporate Headquarters:
Viale Italia, 77 – 20020 Lainate (Milan), Italy

Registered with the Milan Court
Companies Register no. 00774910152

Board of Directors

President	Massimo della Porta
Vice President and Managing Director	Giulio Canale
Directors	Alessandra della Porta (1) Luigi Lorenzo della Porta (1) Andrea Dogliotti (1) Roberto Orecchia (1) (2) (5) (6) (7) Luciana Rovelli (1) (2) (4) (6) (8) Pietro Alberico Mazzola (1) Adriano De Maio (1) (3) (4) Stefano Proverbio (1) (2) (5) (6) (8) Gaudiana Giusti (1) (2) (4) (5) (6) (8)

Board of Statutory Auditors

President	Pier Francesco Sportoletti
Statutory Auditors	Vincenzo Donnamaria (8) Sara Anita Speranza
Alternate Statutory Auditors	Angelo Rivolta Anna Fossati
Audit Firm	Deloitte & Touche S.p.A. (9)

Representative of holders of savings shares	Massimiliano Perletti (10) (e-mail: massimiliano.perletti@roedl.it)

(1) Non-executive Director
(2) Independent Director, pursuant to the criteria of the Code of Conduct of the Italian Stock Exchange
(3) Independent Director, pursuant to the combined provisions of article 147-*ter*, paragraph 4, and article 148, paragraph 3, of Legislative Decree 58/1998
(4) Member of the Remuneration and Appointment Committee
(5) Member of the Audit and Risk Committee
(6) Member of the Committee for Transactions with Related Parties
(7) Lead Independent Director
(8) Member of the Supervisory Body
(9) Appointed for the years 2013-2021 by the Shareholders' Meeting held on April 23, 2013
(10) Appointed for the years 2014-2016 by the Special Meeting of Holders of Savings Shares on April 29, 2014

The mandate of the Board of Directors and of the Board of Statutory Auditors, elected on April 28, 2015, will expire on the same date of the Shareholders' Meeting in which the financial statements for the year ended December 31, 2017 are approved.

Powers

Pursuant to article 20 of the Articles of Association, the President and the Vice President and Managing Director are each of them separately entrusted with the legal representation of the Company, for the execution of Board of Directors' resolutions, within the limits of and for the exercise of the powers attributed to them by the Board itself.

Following the resolution adopted on April 28, 2015, the Board of Directors granted the President and the Vice President and Managing Director the powers of ordinary and extraordinary administration, with the exception of the powers strictly reserved to the competence of the Board or of those powers reserved by law to the Shareholders' Meeting.

The President Massimo della Porta is also Group Chief Executive Officer. The Vice President and Managing Director Giulio Canale is also Deputy Group Chief Executive Officer and Group Chief Financial Officer.

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Interim Group Financial Highlights

INTERIM GROUP FINANCIAL HIGHLIGHTS

(thousands of euro)

Income statement figures	**1st Half 2016**	**1st Half 2015 (6)**	**Difference**	**Difference %**
NET SALES				
- Industrial Applications	53,885	51,827	2,058	4.0%
- Shape Memory Alloys	35,413	29,250	6,163	21.1%
- Business Development	534	742	(208)	-28.0%
Total	**89,832**	**81,819**	**8,013**	**9.8%**
GROSS PROFIT (1)				
- Industrial Applications	25,714	24,867	847	3.4%
- Shape Memory Alloys	14,166	10,068	4,098	40.7%
- Business Development & Corporate Costs (2)	80	58	22	37.9%
Total	**39,960**	**34,993**	**4,967**	**14.2%**
% on sales	*44.5%*	*42.8%*		
EBITDA (3)	**16,113**	**13,245**	**2,868**	**21.7%**
% on sales	*17.9%*	*16.2%*		
OPERATING INCOME (LOSS)	**11,926**	**8,790**	**3,136**	**35.7%**
% on sales	*13.3%*	*10.7%*		
Group NET INCOME (LOSS)	**5,470**	**4,088**	**1,382**	**33.8%**
% on sales	*6.1%*	*5.0%*		

Balance sheet and financial figures	**June 30, 2016**	**December 31, 2015**	**Difference**	**Difference %**
Tangible fixed assets	49,825	50,383	(558)	-1.1%
Group shareholders' equity	121,169	126,485	(5,316)	-4.2%
Net financial position	(19,511)	(17,280)	(2,231)	-12.9%

Other information	**1st Half 2016**	**1st Half 2015**	**Difference**	**Difference %**
Cash flow from operating activities	11,993	7,935	4,058	51.1%
Research and development expenses	7,302	7,022	280	4.0%
Number of employees as at June 30 (4)	1,054	982	72	7.3%
Personnel cost (5)	34,220	31,059	3,161	10.2%
Disbursement for acquisition of tangible assets	3,344	2,436	908	37.3%

(1) This item is calculated as the difference between the net sales and the industrial costs directly and indirectly attributable to the products sold.

(thousands of euro)

	1st Half 2015	1st Half 2014
Net Sales	**89,832**	**81,819**
Raw materials	(18,491)	(20,248)
Direct labour	(10,525)	(9,347)
Manufacturing overhead	(19,639)	(18,214)
Increase (decrease) in work in progress and finished goods	(1,217)	983
Cost of sales	**(49,872)**	**(46,826)**
Gross profit	**39,960**	**34,993**
% on net sales	***44.5%***	***42.8%***

(2) This item includes costs that cannot be directly attributed or allocated in a reasonable way to the Business Units, but which refer to the Group as a whole.

(3) EBITDA is not deemed as an accounting measure under International Financial Reporting Standards (IFRSs); however, we believe that EBITDA is an important parameter for measuring the Group's performance and therefore it is presented as an alternative indicator. Since its calculation is not regulated by applicable accounting standards, the method applied by the Group may not be homogeneous with the ones adopted by other Groups. EBITDA is calculated as "Earnings before interests, taxes, depreciation and amortization".

(thousands of euro)

	1st Half 2016	1st Half 2015
Operating income	11,926	8,790
Depreciation and amortization	4,150	4,167
Write-down of assets	37	11
Bad debt provision accrual (release)	0	277
EBITDA	**16,113**	**13,245**
% on sales	***17.9%***	***16.2%***

(4) As at June 30, 2016 this item includes:
- employees for 1,010 units (931 units as at June 30, 2015);
- personnel employed in the Group's Italian companies with contract types other than employment agreements, equal to 44 units (51 units as at June 30, 2015).

This figure does not include the personnel (employees and temporary workers) of the joint ventures amounting, according to the percentage of ownership held by the Group, to 64 units as at June 30, 2016 (41 units at the end of the first half of the previous year, always according to the percentage of ownership held by the SAES Group).

(5) As at June 30, 2016 the severance costs, included in the personnel costs, are equal to 100 thousand euro; instead, the use of social security provisions in the Group's Italian companies has led a reduction in the personnel cost equal to 1,107 thousand euro.
In the first half of 2015 the severance costs were equal to 131 thousand euro, while the use of social security provisions led a reduction in the personnel cost equal to 1,195 thousand euro.

(6) Please note that the revenues and costs of the first half of 2015, shown for comparative purposes, have been reclassified to enable a homogeneous comparison with 2016. In particular:
-the royalties for the licensing of the thin film getter technology for MEMS of new generation have been reclassified within the consolidated revenues (331 thousand euro);
-the engineering and industrialization costs of the new products (416 thousand euro) have been reclassified from operating expenses (in particular, research and development expenses) to cost of sales.
For further details please refer to the Note no. 1 "Reclassifications of the income statement figures as at June 30, 2015"

Interim Report on Operations of SAES Group

INTERIM REPORT ON OPERATIONS

A pioneer in the development of getter technology, the Company SAES Getters S.p.A., together with its subsidiaries (hereinafter "SAES® Group"), is the world leader in a variety of scientific and industrial applications where stringent vacuum conditions or ultra-pure gases are required. In more than 70 years of activity, the Group's getter solutions have been supporting innovation in the information display and lamp industries, in sophisticated high vacuum systems and in vacuum thermal insulation, in technologies spanning from large vacuum power tubes to miniaturized silicon-based microelectronic and micromechanical devices. The Group also holds a leading position in ultra-pure gas refinement for the semiconductor and other high-tech markets.

Starting in 2004, by leveraging the core competencies in special metallurgy and in the materials science, the SAES Group has expanded its business into the advanced material markets, in particular the market of shape memory alloys, a family of materials characterized by super elasticity and by the property of assuming predefined forms when subjected to heat treatment. These special alloys, which today are mainly applied in the biomedical sector, are also perfectly suited to the realization of actuator devices for the industrial sector (domotics, white goods industry, consumer electronics and automotive sector).

More recently, SAES has expanded its business by developing components whose getter functions, traditionally obtained from the exploitation of the special features of some metals, are instead generated by chemical processes. Thanks to these new developments, SAES is evolving, adding to its competencies in the field of special metallurgy also those of organic chemicals.

A total production capacity distributed in twelve facilities, a worldwide-based sales & service network and more than 1,000 employees allow the Group to combine multicultural skills and expertise to form a truly global enterprise.

SAES Group is headquartered in the Milan area (Italy).

SAES Getters S.p.A. is listed on the Italian Stock Exchange Market, STAR segment, since 1986.
The Parent Company is controlled by S.G.G. Holding S.p.A., which does not exercise any management and coordination activity towards Saes Getter S.p.A. in accordance with article 2497 of the Civil Code (as better explained in the Report on corporate governance and ownership for the year 2015).

Group's structure

The Group's business structure identifies two Business Units: the Industrial Applications Business Unit and the Shape Memory Alloys Business Unit. The corporate costs, that means those expenses that cannot be directly attributed or allocated in a reasonable way to the business units, but which refer to the Group as a whole, and the costs related to the basic research projects or undertaken to achieve the diversification into innovative businesses (Business Development Unit) are shown separately from the two Business Units.

The following table illustrates the Group's business structure.

Industrial Applications Business Unit	
Electronic & Photonic Devices	Getters and metal dispensers for electronic vacuum devices
Sensors & Detectors	Getters for microelectronic and micromechanical systems (MEMS)
Light Sources	Getters and metal dispensers used in discharge lamps and fluorescent lamps
Vacuum Systems	Pumps for vacuum systems

Thermal Insulation	Products for thermal insulation
Pure Gas Handling	Gas purifier systems for semiconductor industry and other industries
Shape Memory Alloys (SMA) Business Unit	
SMA Medical applications	NiTinol shape memory alloys for the biomedical sector
SMA Industrial applications	SMA actuator devices for the industrial sector (domotics, white goods industry, consumer electronics and automotive sector)
Business Development Unit	
Functional Polymer Composites	Innovative technologies that integrate getter materials in polymer matrices

This structure is unchanged compared to the previous year.

Main events of the semester (January 1 – June 30, 2016)

The first half of 2016 confirmed the continuous growth of the Shape Memory Alloys Business Unit for both medical and industrial applications; in addition, the first six months of the year recorded the recovery of some application sectors in the more traditional segment of getters (Industrial Applications Business Unit).

The revenues recorded in the first half of 2016, equal to 89.8 million euro, are the highest ever achieved in the history of the SAES Group. In particular, the organic growth of the net consolidated revenues was equal to +9.8% compared to the corresponding period of the previous year, mainly driven by the Shape Memory Alloys Business Unit (+21.1%), that recorded a strong organic growth in both its segments: the medical SMAs segment (organic growth equal to +17.5%), mainly thanks to the sales of the most recently introduced innovative devices, continuing the trend already started in the previous year; in the industrial SMAs segment the organic growth amounted to +49.1%, across all the sectors in which the Group operates (in particular, the automotive and the luxury goods ones).
The Industrial Applications Business Unit recorded an organic growth of 4%, favored by the recovery of the security and defense sectors and by increased sales in the gas purification segment (+6.2%) that, together, more than offset the by now structural decrease in the lighting business (penalized by the competition of the LED technology), as well as the decrease in the thermal insulation segment (penalized by the Asian competition). The first six months of 2016 recorded a slowing down also in the vacuum pumps, mainly related to the current economic situation.

Including the share of the revenues of the joint venture Actuator Solutions and SAES RIAL Vacuum S.r.l., the total revenues of the Group[1] increased to 94.2 million euro (+10.2% compared to the first half 2015).

The increase in the consolidated revenues allowed the strong improvement of all the key economic indicators. In particular, please note the strong increase in the EBITDA%[2], mainly driven by the shape memory alloy business.

Finally, despite the payment of dividends (equal to about 8.5 million euro), please note the substantial stability of the net financial position, thanks to the cash flows generated from the operating activities, continuing the positive trend of 2015.

[1] Total revenues of the Group are achieved by incorporating with the proportional method, instead of the equity method, the 50% joint venture Actuator Solutions, as well as the new joint venture SAES RIAL Vacuum S.r.l., of which SAES currently owns 49% of the share capital.
[2] EBITDA is not deemed as an accounting measure under International Financial Reporting Standards (IFRSs); however, we believe that EBITDA is an important parameter for measuring the Group's performance and therefore it is presented as an alternative indicator. Since its calculation is not regulated by applicable accounting standards, the method applied by the Group may not be homogeneous with the ones adopted by other Groups. EBITDA is calculated as "Earnings before interests, taxes, depreciation and amortization".

Here below the significant events occurred in the first half of 2016.

On January 12, 2016 SAES Getters S.p.A. granted a 49 thousand euro loan to the joint venture SAES RIAL Vacuum S.r.l., aimed at financially supporting the newly established company's operations. This loan, that doesn't have any predefined expiration date, but, based on the contract, allows for a flexible reimbursement upon a formal request of SAES Getters S.p.A., earns an interest indexed to the three months Euribor rate, plus a spread of 2.50%, to be paid by the joint venture on an annual basis.

On January 15, 2016 SAES Nitinol S.r.l. made a further capital injection in favor of the joint venture Actuator Solutions GmbH equal to 1 million euro to support its investments. The 50% joint partner Alfmeier paid the same amount through the company SMA Holding GmbH.

On January 19, 2016, as envisaged by the contract signed on December 23, 2015 between SAES Getters S.p.A. and Rodofil s.n.c., the Parent Company acquired a further 39% of the joint venture SAES RIAL Vacuum S.r.l. for a pre-determined price equal to 1.3 million euro. The total investment of SAES Getters S.p.A. in the joint venture is currently equal to 49%[3] of its share capital.

On February 26, 2016 SAES Getters S.p.A. acquired the residual 4% of the share capital of E.T.C. S.r.l. from the minority shareholder, for a consideration of 249 thousand euro. Following such purchase, SAES Getters S.p.A. is now the sole shareholder of E.T.C. S.r.l.

On March 3, 2016 the Extraordinary Shareholders' Meeting of SAES Getters S.p.A. approved the amendment to article 11 of the Company's By-Laws, with the introduction of the increase of the voting right and the assignment of two votes for each ordinary share of the Company held for a period of at least 24 months on a continuous basis. This increase is not extended to the holders of savings shares, as they do not have any voting right, or the right to attend the shareholders' meetings.
The introduction of the increase of the voting right will help to support the Company's growth by encouraging the medium-long term investment in the share capital of the Company and thus the stability of the shareholding structure, which has always been a strength and it is in line with the mid-long term interests of the Group.

On March 29, 2016 SAES Getters S.p.A. signed an IRS (Interest Rate Swap) contract on the long-term loan obtained by Unicredit S.p.A. at the end of 2014.
This contract, whose amortization plan and expiration date are aligned with the hedged long-term loan, provides for the exchange of the three months Euribor (either positive or negative) with a fixed rate of 0.0%. In case of a negative three months Euribor, the contract provides for a floor equal to -2.25% (equal to the spread applied to the loan).

At the end of April 2016 SAES Nitinol S.r.l. granted an additional 1 million euro loan to Actuator Solutions GmbH, aimed at financially supporting the operating activities of the joint venture. The loan expires on April 30, 2019 and provides for a flexible repayment schedule within the maturity date and a fixed annual interest rate equal to 6%. A loan of the same amount and conditions was granted by the 50% joint partner Alfmeier, through the company SMA Holding GmbH.

At the end of 2014 Memry Corporation had officially signed an agreement with the State of Connecticut to obtain a soft financing in several tranches, for a total amount of 2.8 million USD. The loan, having a duration of ten years with an annual subsidized interest rate of 2%, was used to purchase new machinery and equipment necessary to expand the production plant in Bethel. The first tranche of the soft financing,

[3] Please note that this percentage had already been used for consolidation purposes as at December 31, 2015, representing the substantial interpretation of the purchase agreement signed on December 23, 2015, which provided for the mutual commitment of the parties to increase the investment of SAES Getters S.p.A. in SAES RIAL Vacuum S.r.l. of an additional 39% by the end of January 2016.

equal to 2 million USD, was paid by the State of Connecticut to the US subsidiary on February 20, 2015, while the second and last tranche, equal to 0.8 million USD, was paid on June 10, 2016.

On June 23, 2016 the terms of the corporate merger of the wholly owned subsidiary SAES Advanced Technologies S.p.A., based in Avezzano (Aquila), into SAES Getters S.p.A were approved.
The transaction aims at optimizing the SAES Group's industrial policy, as part of an aggregating process aimed at improving and integrating the Group's Italian manufacturing factories, simplifying their business processes and R&D activities. At the same time, the merger aims at the optimization of the financial flows and at the improvement of the equity structure, thanks to the streamlining of the corporate structure, as well as to the strengthening of the market presence and of the competitiveness of the Parent Company.
The merger will produce its legal effects starting from December 31, 2016. For fiscal and accounting purposes only, the merger operation will be backdated at January 1, 2016. The merger will produce no equity, economic or financial effect into the Group's consolidated financial statements, nor will provide any share swap, being the incorporated company already wholly owned by SAES Getters S.p.A.

Sales and economic results of the first half of 2016

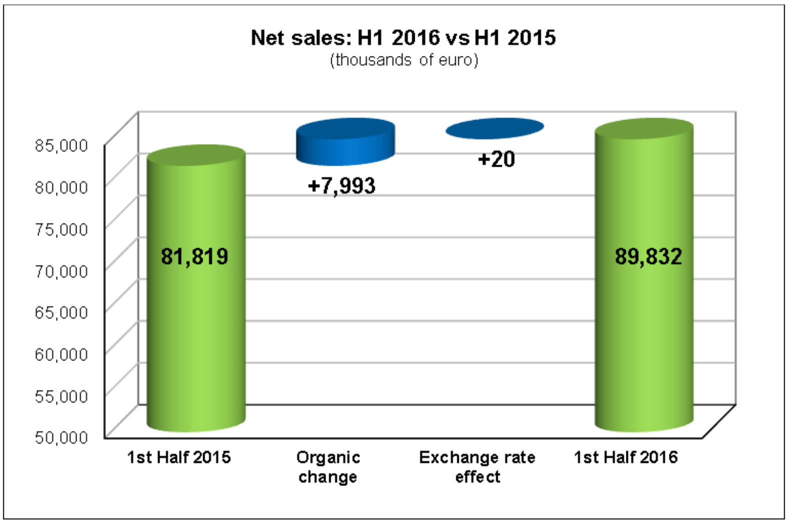
In the first half of 2016 the SAES Group achieved **consolidated net revenues** equal to 89,832 thousand euro, up by 9.8% compared to 81,819 thousand euro achieved in the corresponding period of 2015. The **exchange rate effect** was substantially null and therefore the growth has to be considered mainly as **organic growth**, mainly driven by the Shape Memory Alloys (SMAs) segment, both for medical and industrial applications, by the gas purification sector, as well as by the recovery in the security & defense market (Business Electronic & Photonic Devices and Business Sensors & Detectors).

Total revenues of the Group, achieved by incorporating the joint ventures with the proportional method instead of the equity method, were equal to 94,244 thousand euro, compared to 85,510 thousand euro in the first half of 2015: the growth, equal to +10.2%, was attributable, in addition to the increase in the consolidated revenues (+9.8%), also to the higher revenues of the joint venture Actuator Solutions (+13.7%) and to the consolidation of the new joint venture SAES RIAL Vacuum S.r.l., of which SAES currently owns 49% of the share capital.

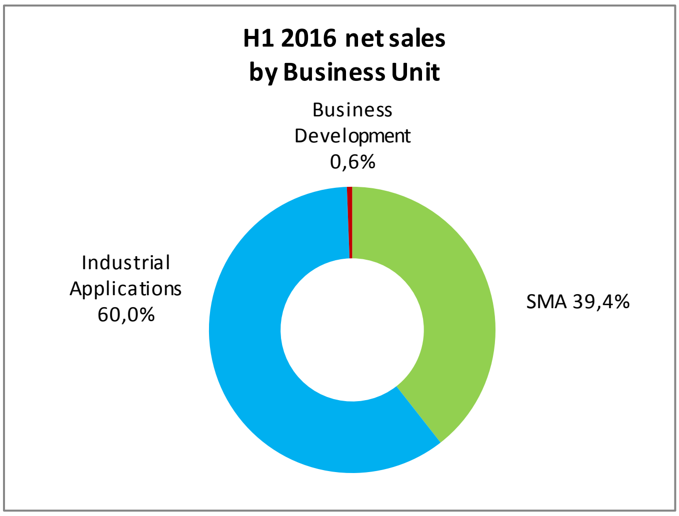
(thousands of euro)

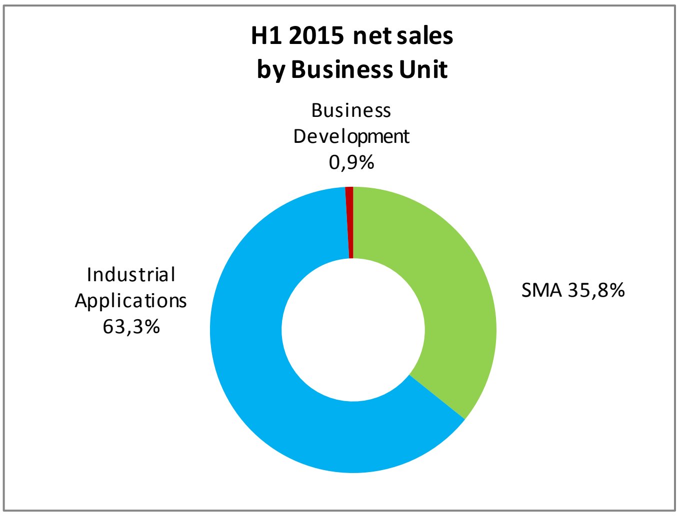
	1st Half 2016	1st Half 2015	Difference	Difference %
Consolidated net sales	**89,832**	**81,819**	**8,013**	**9.8%**
50% Actuator Solutions' sales	4,494	3,952	542	13.7%
49% SAES RIAL Vacuum S.r.l.' sales	273	0	273	n.a.
Eliminations	(332)	(290)	(42)	-14.5%
Other adjustments	(23)	29	(52)	-179.3%
Total revenues of the Group	**94,244**	**85,510**	**8,734**	**10.2%**

The following chart shows the consolidated net sales of the first half of 2016, compared with the corresponding period of 2015, highlighting the effect of exchange rates and the variation due to the changes in selling prices and sales volumes.



Compared to the first half of 2015, the strong sales' growth recorded in both segments of the **SMA Business Unit** (+21.1 compared to previous year) led to the increase of the **percentage** of this operating segment (from 35.8% to 39.4%), compared to that of the **Industrial Applications Business Unit** (down from 63.3% to 60%), the latter operating in more traditional business sectors.





The following table contains a breakdown of the consolidated net revenues, in the first half of 2016 and in the same period of 2015, by business segment, along with the percent change at current and comparable exchange rates.

(thousands of euro)

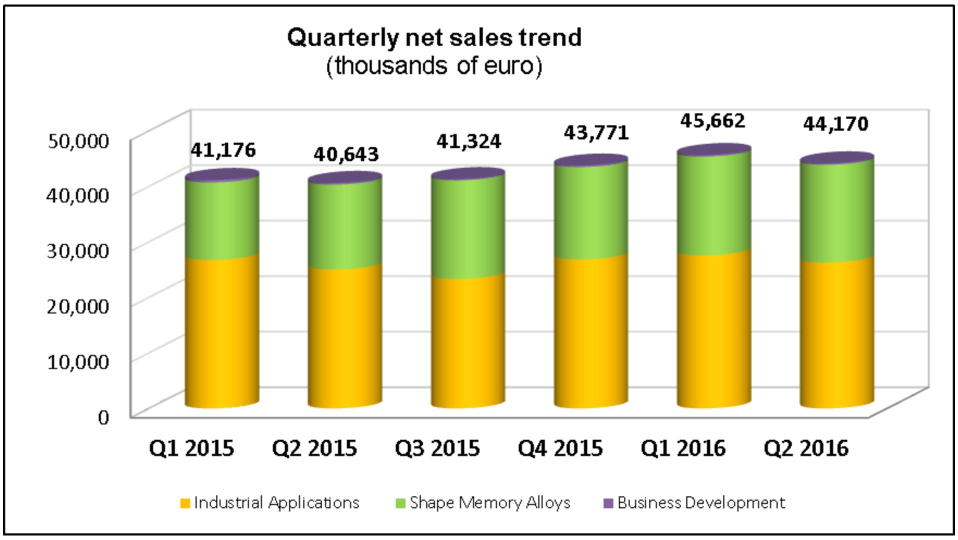
Business	1st Half 2016	1st Half 2015	Difference	Difference %	Exchange rate effect %	Organic change %
Electronic & Photonic Devices	7,264	6,563	701	10.7%	0.3%	10.4%
Sensors & Detectors	7,397	5,375	2,022	37.6%	-0.9%	38.5%
Light Sources	3,967	5,020	(1,053)	-21.0%	0.3%	-21.3%
Vacuum Systems	3,461	4,090	(629)	-15.4%	0.4%	-15.8%
Thermal Insulation	2,442	3,149	(707)	-22.5%	1.2%	-23.7%
Pure Gas Handling	29,354	27,630	1,724	6.2%	0.0%	6.2%
Industrial Applications	**53,885**	**51,827**	**2,058**	**4.0%**	**0.0%**	**4.0%**
SMA Medical Applications	30,481	25,942	4,539	17.5%	0.0%	17.5%
SMA Industrial Applications	4,932	3,308	1,624	49.1%	0.0%	49.1%
Shape Memory Alloys	**35,413**	**29,250**	**6,163**	**21.1%**	**0.0%**	**21.1%**
Business Development	**534**	**742**	**(208)**	**-28.0%**	**-0.2%**	**-27.8%**
Total net sales	**89,832**	**81,819**	**8,013**	**9.8%**	**0.0%**	**9.8%**

Consolidated revenues of the **Industrial Applications Business Unit** amounted to 53,885 thousand euro in the first half of 2016, up by +4% compared to 51,827 thousand euro in the corresponding period of 2015. The exchange rate effect was equal to zero, therefore the recorded growth was fully organic.
Compared to the first half of the previous year, please note the strong increase in the sales of the Sensors and Detectors Business (organic growth of +38.5%), as well as of the Electronic & Photonic Devices Business (organic growth of +10.4%), thanks to the recovery of the investments in the security and defense sector: such growth was spread across all the geographic areas and involved products for both military and consumer applications. An organic growth was recorded also by the Pure Gas Handling Business (+6.2%), whose outstanding performance was linked both to the investments for foundries in the semiconductor sector and to new investments in the display market in Asia.
In line with the last figures of 2015, the following segments decreased: the Light Sources Business (with a structural decrease of 21.3%, spread across all geographic areas) penalized by the technological competition of LEDs towards fluorescent lamps, and the Thermal Insulation Business (organic decrease of -23.7%), that suffered from the weak sales of getters for insulation panels in the refrigeration market. Also the Vacuum Systems Business decreased (organic decrease equal to -15.8%), due to a slowing down related to the current economic situation.

Consolidated revenues of the **Shape Memory Alloys Business Unit** were equal to 35,413 thousand euro in the first half of 2016, showing a significant increase (+21.1%) compared to 29,250 thousand euro in the corresponding period of 2015. Here again, the exchange rate effect was equal to zero and the recorded growth was fully organic.
In particular, in both segments of this Business Unit recorded a strong growth. The medical SMAs segment (Nitinol raw material and components) recorded an organic growth of 17.5%, continuing the positive trend that has characterized the previous year, driven by the increased sales of more sophisticated Nitinol-based medical devices recently introduced, accompanied by substantially stable sales of more consolidated products. Also the industrial SMAs segment recorded a strong organic growth (equal to +49.1%), thanks to the increased sales of springs, wires and other SMA components, across all the sectors in which the Group operates (in particular, the automotive and the luxury goods markets).

The **Business Development Unit,** that includes projects of basic research or under development aimed at diversifying into innovative businesses, ended the first half of 2016 with revenues equal to 534 thousand euro, compared to 742 thousand euro in the corresponding period of the previous year: revenues were substantially in line with the figure recorded in the second half of 2015, while their decrease compared to the first half (organic decrease equal to -27.8%) was due to lower sales of alkaline metal dispensers for OLEDs, following the decision of a technological repositioning taken by the main customer, only partially offset by the excellent sales of moisture absorber functional polymers for the same applications.

The quarterly trend of the net consolidated revenues, with evidence of the details by Business is provided in the following chart and in the table below.



(thousands of euro)

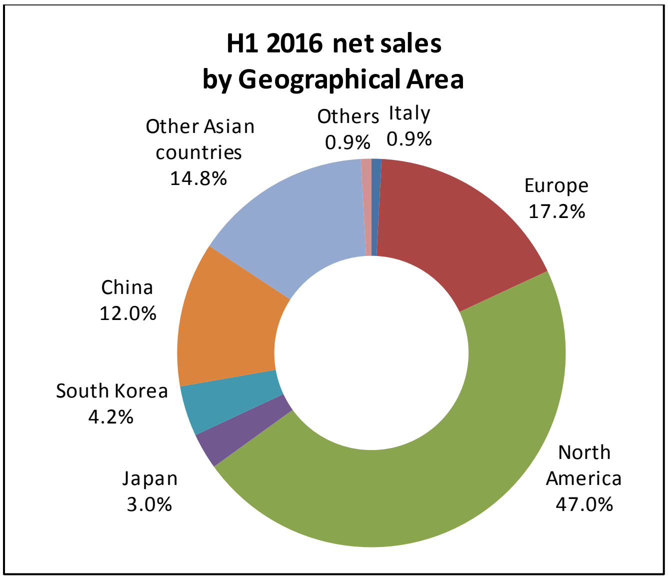
Business	2nd Quarter 2016	1st Quarter 2016	4th Quarter 2015	3rd Quarter 2015	2nd Quarter 2015	1st Quarter 2015
Electronic & Photonic Devices	3,853	3,411	3,469	3,423	3,386	3,177
Sensors & Detectors	3,744	3,653	2,881	2,899	2,747	2,628
Light Sources	1,886	2,081	2,073	2,141	2,521	2,499
Vacuum Systems	1,513	1,948	2,424	2,079	2,173	1,917
Thermal Insulation	1,052	1,390	1,829	1,404	1,615	1,534
Pure Gas Handling	14,250	15,104	14,167	11,395	12,601	15,029
Industrial Applications	**26,298**	**27,587**	**26,843**	**23,341**	**25,043**	**26,784**
SMA Medical Applications	15,054	15,427	14,608	15,406	13,450	12,492
SMA Industrial Applications	2,560	2,372	2,049	2,367	1,850	1,458
Shape Memory Alloys	**17,614**	**17,799**	**16,657**	**17,773**	**15,300**	**13,950**
Business Development	**258**	**276**	**271**	**210**	**300**	**442**
Total net sales	**44,170**	**45,662**	**43,771**	**41,324**	**40,643**	**41,176**

In the **Shape Memory Alloys Business Unit** please note the continuing and progressive growth of the Industrial SMAs segment (increased by +7.9% in the second quarter of 2016, compared to the first one), as well as the excellent results achieved by the Medical SMAs segment in both quarters of 2016. In the **Industrial Applications Business Unit** please note the outstanding performance of the gas purification business (Pure Gas Handing Business) in both quarters of 2016, as well as the progressive growth in the security and defense sector (Sensors & Detectors Business and Electronic & Photonic Devices Business).

A breakdown of **revenues by geographical location of customers** is provided below.

(thousands of euro)

Geographical area	1st Half 2016	%	1st Half 2015	%	Difference	Difference % %
Italy	752	0.9%	674	0.8%	78	11.6%
Europe	15,479	17.2%	14,968	18.3%	511	3.4%
North America	42,200	47.0%	36,795	45.0%	5,405	14.7%
Japan	2,702	3.0%	2,611	3.2%	91	3.5%
South Korea	3,765	4.2%	6,813	8.3%	(3,048)	-44.7%
China	10,818	12.0%	6,135	7.5%	4,683	76.3%
Other Asian countries	13,329	14.8%	11,439	14.0%	1,890	16.5%
Others	787	0.9%	2,384	2.9%	(1,597)	-67.0%
Total net sales	**89,832**	**100%**	**81,819**	**100%**	**8,013**	**9.8%**



The main changes related to the **geographical distribution of sales** refer to the gas purification segment, whose sales' decline in South Korea and Israel ("Others") was more than offset by higher sales in China, Taiwan and Singapore ("Other Asian Countries").
The revenue growth in China (+76.3%) was also supported by the higher sales of getter solutions in the Sensors & Detectors Business.
Sales in North America increased (+14.7%) mainly thanks to the aforementioned growth in the medical SMA sector, while the increase in the geographical area "Europe" (+3.4%) was supported by the higher sales of SMA springs and trained wires for industrial use.

Consolidated gross profit amounted to 39,960 thousand euro in the first half of 2016, compared to 34,993 thousand euro in the first half of 2015. The growth (+14.2%) was mainly due to increased sales, in addition to the improvement of the gross margin (from 42.8% in the first semester of 2015 to 44.5% in the current period), mainly driven by the Shape Memory Alloys Business Unit.
In particular, the gross profit of the **Industrial Applications Business Unit** was equal to 25,714 thousand euro in the first half of 2016, compared to 24,867 thousand euro in the corresponding semester of 2015. The growth (+3.4%) was entirely due to the increased sales, while the gross margin was substantially stable (from 48% to 47.7%) despite the different product mix.
In the **Shape Memory Alloys Business Unit**, the increase in revenues has allowed the strong growth in the gross profit (+ 40.7%, from 10,068 thousand euro in the first half of 2015 to 14,166 thousand euro in the current semester) and in the gross margin (from 34.4% in 2015 to 40%). In particular, the gross margin has increased in both segments, the medical and the industrial one, as the result of the greater economies of scale and the improved production efficiency.

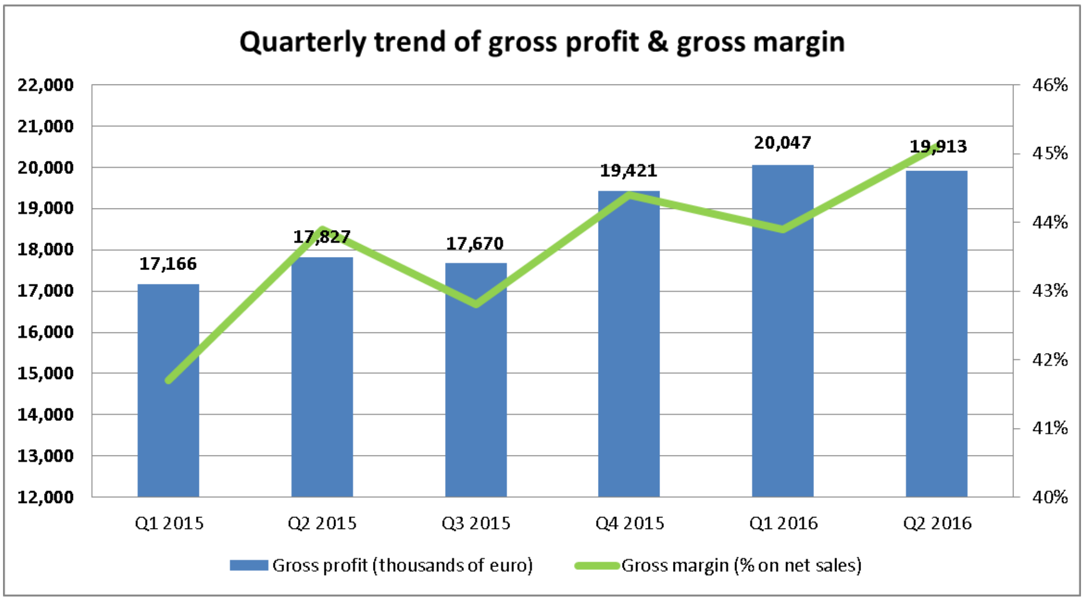
The **Business Development Unit and Corporate Costs** ended the first half of 2016 with a gross profit of 80 thousand euro (15% of revenues) substantially unchanged when compared to the corresponding period of 2015 (58 thousand euro, equal to 7.8% of revenues).

The following table shows the consolidated gross profit for the first half of 2016 by Business Unit, compared with the corresponding period of the previous year.

(thousands of euro)

Business Unit	1st Half 2016	1st Half 2015	Difference	Difference %
Industrial Applications	25,714	24,867	847	3.4%
% on Business Unit net sales	*47.7%*	*48.0%*		
Shape Memory Alloys	14,166	10,068	4,098	40.7%
% on Business Unit net sales	*40.0%*	*34.4%*		
Business Development & Corporate Costs	80	58	22	37.9%
% on Business Unit net sales	*15.0%*	*7.8%*		
Gross profit	**39,960**	**34,993**	**4,967**	**14.2%**
% on net sales	***44.5%***	***42.8%***		

The following chart shows the quarterly trend of both the consolidated gross profit and gross margin. Together with a substantial stability of the gross profit, please note the improvement in the gross margin in the current period (from 43.9% in the first quarter to 45.1% in the second quarter), favored by the continuous increase of the production efficiency of the SMA segment for medical applications.



Consolidated operating income amounted to 11,926 thousand euro (13.3% of consolidated revenues) in the first half of 2016, showing a strong growth (+35.7%) compared to 8,790 thousand euro (10.7% of revenues) in the corresponding period of the previous year: the increase in revenues and in the gross margin, together with the reduction of the operating expenses in percentage terms (from 31.9% to 30.3%) enabled the strong improvement in the operating indicators compared to the previous year.

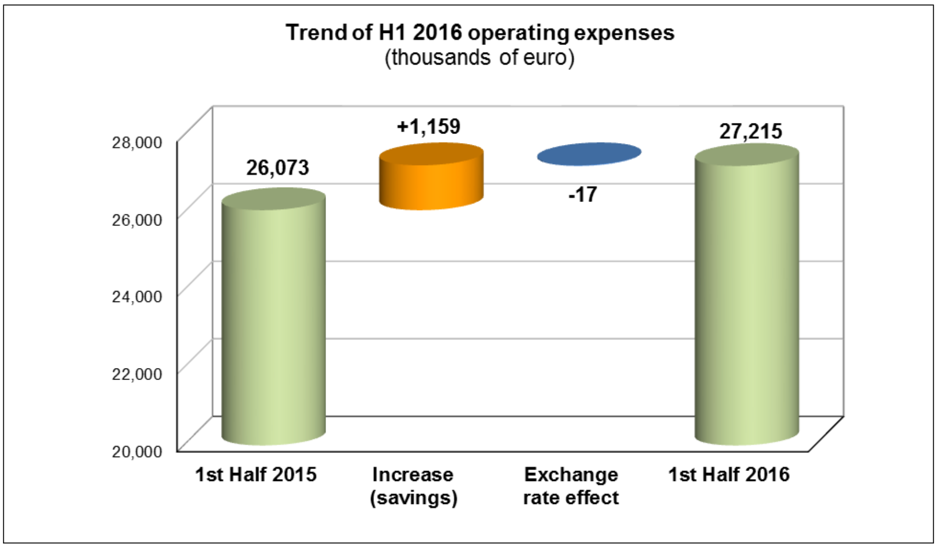
The following table shows the consolidated operating income of the first half of 2016 by Business Unit, compared with the corresponding period of the previous year.

(thousands of euro)

Business Unit	1st Half 2016	1st Half 2015	Difference	Difference %
Industrial Applications	14,029	14,001	28	0.2%
Shape Memory Alloys	8,753	4,747	4,006	84.4%
Business Development & Corporate Costs	(10,856)	(9,958)	(898)	9.0%
Operating income (loss)	**11,926**	**8,790**	**3,136**	**35.7%**
% on net sales	***13.3%***	***10.7%***		

Consolidated operating expenses were equal to 27,215 thousand euro (30.3% of revenues), compared to 26,073 thousand euro in the corresponding period of 2015 (31.9% of revenues), showing a physiological growth related to the increase in sales.
The increase mainly regarded the **general and administrative expenses** (in particular, increased consultant fees for corporate extraordinary projects developed during the semester, in addition to the higher accrual for the variable remuneration of the Executive Directors). Instead, both the **R&D expenses** and the **selling expenses** were substantially in line with those of the first half of the previous year.

The following chart shows the trend of the consolidated operating expenses in the first half of 2016.



The total **labor cost** was equal to 34,220 thousand euro, compared to 31,059 thousand euro in the corresponding period of the previous year: the growth (+3,161 thousand euro) was due to the increase in the average number of the Group's employees concentrated in the shape memory alloys (SMAs) and in the pure gas handling businesses, as well as to higher accruals for the variable components of salaries, estimated to grow in line with the trend of the economic results.

The result of the semester includes **depreciation and amortization** equal to 4,150 thousand euro, in line with the first half of 2015 (4,167 thousand euro).

Consolidated EBITDA was equal to 16,113 thousand euro (17.9% of revenues) in the first half of 2016, up by 21.7% compared to 13,245 thousand euro (16.2% of consolidated revenues) in the corresponding semester of 2015, mainly driven by the shape memory alloys sector.
As shown in the table below, excluding the cost of 413 thousand euro[4], following the signature of a settlement agreement for the definition of the environmental dispute regarding the compensation for the

[4] In addition to the accrual of 689 thousand euro accounted for at the end of 2015.

environmental damages and the water and below sediment purification of the Onondaga Lake (for more details please refer to the section "Subsequent events" and to the Note no. 6 and to the Note no. 30), the **adjusted EBITDA**[5] was equal to 16,544 thousand euro, or 18.4% of consolidated revenues.
The following table shows the reconciliation related to the first half of 2016 between EBITDA, adjusted EBITDA and operating income, together the comparison with the corresponding period of the previous year.

(thousands of euro)

	1st Half 2016	1st Half 2015	Difference	Difference %
Operating income	11,926	8,790	3,136	35.7%
Depreciation and amortization	4,150	4,167	(17)	-0.4%
Write-down of assets	37	11	26	236.4%
Bad debt provision accrual (release)	0	277	(277)	-100.0%
EBITDA	**16,113**	**13,245**	**2,868**	**21.7%**
% on sales	***17.9%***	***16.2%***		
Settlement agreement Onondaga Lake	431	0	431	n.s.
EBITDA *adjusted*	**16,544**	**13,245**	**3,299**	**24.9%**
% on sales	***18.4%***	***16.2%***		

The balance of the **other net income (expenses)** was negative and equal to 819 thousand euro, compared to a negative net balance of 130 thousand euro in the first half of 2015. The decrease was mainly due to the above mentioned cost related to the signature of a settlement agreement for the purification of the Onondaga Lake (413 thousand euro) and to the cost related to the purchase, from Polyera Corporation, of a license on 50% of the OLET technology jointly developed by the Group with Polyera itself (245 thousand euro).

The net balance of **financial income and expenses** was negative and equal to 737 thousand euro (substantially in line with -771 thousand euro in the corresponding period of 2015) and it mainly included interest expenses on loans, both short and long term ones, held by the Parent Company and by the US subsidiary Memry Corporation, as well as the bank fees related to the credit lines held by SAES Getters S.p.A. Compared to 30 June, 2015, following the change in the financial indebtedness, with a higher percentage of medium-long term loans compared to short term bank debt, the increase in interests on long-term loans was offset by lower costs on loans in the form of "hot money" and on the use of bank credit lines.

The loss deriving from the **evaluation with the equity method** of the joint ventures amounted to -1,178 thousand euro (compared to -933 thousand euro in the corresponding period of the previous year) and was mainly attributable to the joint venture Actuator Solutions. For further details on the composition of this loss please refer to the Note no.8 and to the Note no. 15.

The sum of the **exchange rate differences** recorded a negative balance equal to -224 thousand euro in the first six months of 2016, compared to a positive balance equal to 1,114 thousand euro in the first half of 2015. The positive balance of the previous year was mainly due to foreign exchange gains (1,877 thousand euro) following the partial release into the income statement of the translation reserve generated by the consolidation of SAES Getters (Nanjing) Co., Ltd., following the partial reduction of the share capital of the Chinese subsidiary and its reimbursement to the Parent Company. Instead, the negative balance in the current semester was mainly due to the losses related to the fair value evaluation of forward

[5] For Adjusted EBITDA we intend EBITDA rectified in order to exclude the non-recurring items considered by the management as not meaningful with reference to the current operating performance.
Since its calculation is not regulated by applicable IFRS standards, the method applied by the Group may not be homogeneous with those adopted by other Groups.

contracts entered into to hedge business transactions in dollar and yen scheduled for the second part of the year.

Consolidated income before taxes amounted to 9,787 thousand euro in the first semester of 2016, up by 19.4% compared to an income before taxes of 8,200 thousand euro in the first half of 2015.

Income taxes amounted to 4,317 thousand euro in the first half of 2016, compared to 4,112 thousand euro in the corresponding semester of the previous year. The Group's tax rate was equal to 44.1% compared to 50.1% in the corresponding period of 2015: the improvement of the tax rate was due to some positive and recurring effects related to the US subsidiaries' tax calculations, as well as to some tax refunds received by the Italian companies and related to taxes expensed in previous years.

Consolidated net income was equal to 5,470 thousand euro in the first half of 2016 (6.1% of consolidated revenues), significantly increased (+33.8%) compared to a consolidated net income equal to 4,088 thousand euro in the first half of 2015.

Net financial position – Investments – Other information

A breakdown of the items making up the consolidated net financial position is provided below.

(thousands of euro)

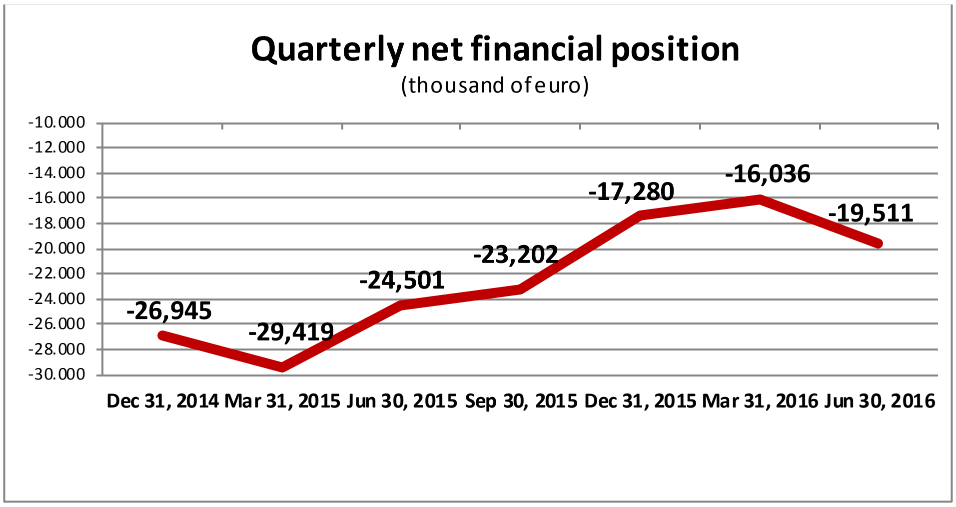
	June 30, 2016	March 31, 2016	December 31, 2015
Cash on hands	22	24	23
Cash equivalents	28,291	26,697	24,021
Cash and cash equivalents	**28,313**	**26,721**	**24,044**
Related parties current financial assets	437	463	555
Other current financial assets	0	134	0
Current financial assets	**437**	**597**	**555**
Bank overdraft	(16,504)	(9,504)	(5,012)
Current portion of long term debt	(7,252)	(7,235)	(7,136)
Other current financial liabilities	(801)	(460)	(1,957)
Current financial liabilities	**(24,557)**	**(17,199)**	**(14,105)**
Current net financial position	**4,193**	**10,119**	**10,494**
Related parties non current financial assets	**1,449**	**500**	**600**
Long term debt, net of current portion	(23,882)	(25,359)	(27,019)
Other non current financial liabilities	(1,271)	(1,296)	(1,355)
Non current liabilities	**(25,153)**	**(26,655)**	**(28,374)**
Non current net financial position	**(23,704)**	**(26,155)**	**(27,774)**
Net financial position	**(19,511)**	**(16,036)**	**(17,280)**

The **consolidated net financial position** was negative and equal to 19,511 thousand euro as at June 30, 2016 (cash equal to 28,313 thousand euro and net financial liabilities of 47,824 thousand euro), compared to a net financial position negative for 17,280 thousand euro as at December 31, 2015 (cash equal to 24,044 thousand euro and net financial liabilities of 41,324 thousand euro).

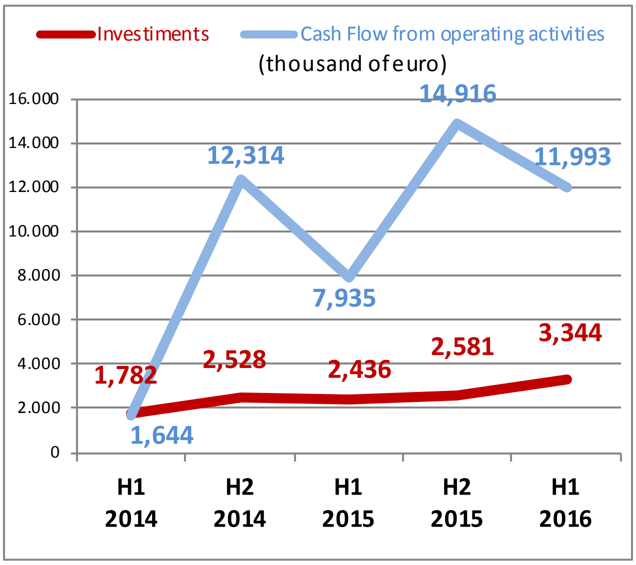
The substantial stability compared to the figure as at December 31, 2015 (the difference in the net financial position was -2,231 thousand euro) despite the payment of dividends occurred at the beginning of May (-8,502 thousand euro), was attributable to the incoming cash-flow generated from the operating activities and related to the increase in both revenues and economic results.
The outflows for investments in tangible and intangible assets were equal to -3,449 thousand euro; the investment activities included also the acquisition of the minority interest of E.T.C. S.r.l. (-249 thousand euro), as well as the capital injection made to support the operations of the joint venture Actuator Solutions GmbH (-1,000 thousand euro).

The exchange rate effect on the net financial position was almost null (-169 thousand euro): the positive effect of the slight devaluation of the US dollar compared to December 31, 2015 on the debt denominated in dollars was more than offset by the negative effect on the cash denominated in that currency and held by the US subsidiaries.

The chart below shows the quarterly trend of the net financial position during the two last years.



The chart shows the continuous improvement in the net financial position from the beginning of 2015, thanks to the quarterly self-financing, on which the changes in the working capital have played a key role. Only the last quarter recorded a turnaround, due to the cash-out, equal to 8,502 thousand euro, related to the payment of dividends at the beginning of May 2016.



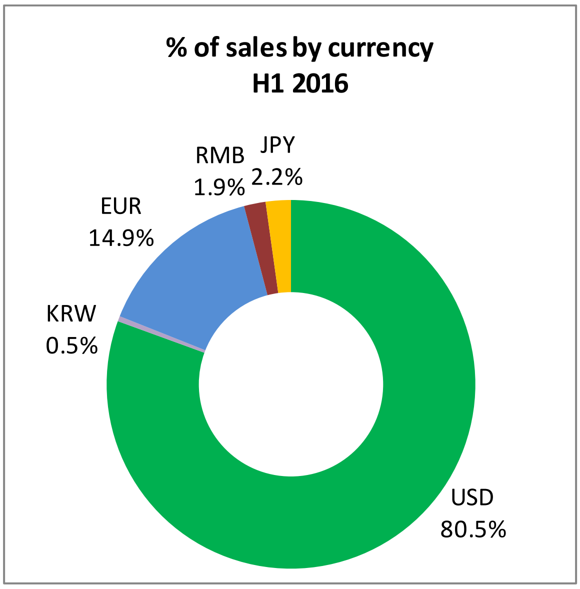
The **cash-flow generated from the operating activities** was positive and equal to 11,993 thousand euro in the first half of 2016, strongly increased (+51.1%) compared to a still positive figure of 7,935 thousand euro in the corresponding period of the previous year, thanks to the cash flows mainly generated by the shape memory alloys business.
In both the semesters, the operating cash flow was fully attributable to the self-financing, together with a substantial stability of the net working capital.

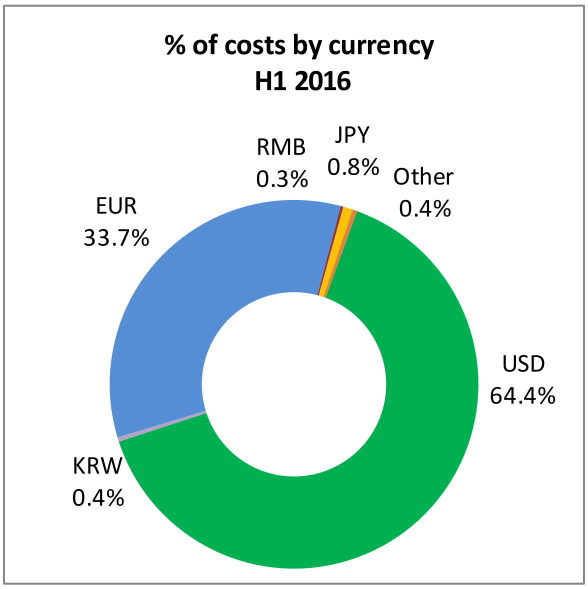
In the first half of 2016 the cash out for **investments in tangible assets** was equal to 3,344 thousand euro (2,436 thousand euro in the corresponding period of 2015); instead, the investments in intangible assets were not significant (105 thousand euro compared to 23 thousand euro as at June 30, 2015). For further details on the capital expenditure of the semester, please refer to the Note no. 13 and to the Note no. 14.

With regards to the investment activities, please note also the payment of 1,284 thousand euro for the purchase of the additional 39% of the share capital of the joint venture SAES RIAL Vacuum S.r.l., the

purchase, for a consideration of 249 thousand euro, of 4% of the share capital of E.T.C. S.r.l., as well as the capital contribution of 1,000 thousand euro in favor of the joint venture Actuator Solutions.
Finally, an investment activity was also the payment for the earn-out related to the technological upgrading of the purification business carried out during 2013 (82 thousand euro in first half of 2016).

The **composition of net sales and costs** (cost of sales and operating expenses) **by currency** is provided below.





Performance of SAES Getters S.p.A. and its subsidiaries during the first half of 2016

SAES GETTERS S.p.A. – Lainate, MI (Italy)

In the first half of 2016 the Parent Company reported revenues of 5,322 thousand euro, increased by 1,018 thousand euro (+23.6%) compared to the corresponding period of the previous year (4,304 thousand euro[6]) mainly thanks to the higher sales of shape memory alloy components for industrial applications (SMA springs and trained wires for the automotive market) and of getter solutions for electronic devices used in the security and defense sectors.
Despite the aforementioned increase in revenues and the consequent improvement in the gross margin (from 18.6% in the first half of 2015 to 28.6% in first half 2016), the current semester ended with a net income equal to 1,118 thousand euro , down from 10,132 thousand euro in the corresponding period of the previous year due to lower dividends from subsidiaries. In addition, please note that in the first half of 2015 the net income included foreign exchange gains equal to 1.9 milion euro, following the reduction of the share capital of the Chinese subsidiary SAES Getters (Nanjing) Co., Ltd.

SAES ADVANCED TECHNOLOGIES S.p.A., Avezzano, AQ (Italy)

In the first half of 2016 the company achieved revenues equal to 16,411 thousand euro, substantially in line with 16,990 thousand euro in the corresponding period of the previous year: the increase of revenues in the Sensors & Detectors business have offset the decrease of sales in the getter pumps for particle accelerators and in getter components for the fluorescent lamps.

[6] The amount does not coincide with what is reported in interim financial report 2015 following the reclassification within the revenues of the royalties on the licensing of the thin-film getter technology for MEMS (331 thousand euro).

The net income for the semester amounted to 3,188 thousand euro, up by 12.2% compared to 2,842 thousand euro in the corresponding period of the previous year thanks to a sales mix shift towards products with a higher gross margin, together with lower losses, both monetary and unrealized, arising from the foreign exchange management policy.
Finally, please note, a tax refund of 260 thousand euro related to taxes expensed in previous fiscal years.
The use of defensive job-security agreement led to a reduction in personnel costs equal to 1,107 thousand euro in the semester (in the first half of 2015, the reduction was equal to 1,195 thousand euro).
With refer to the corporate merger of SAES Advanced Technologies S.p.A. into SAES Getters S.p.A., please see to the section "Main events of the semester".

SAES GETTERS USA, Inc., Colorado Springs, CO (USA)

The company reported consolidated revenues equal to 43,514 thousand USD (38,994 thousand euro at the average exchange rate of the period) in the first half of 2016, compared to 41,378 thousand USD (37,084 thousand euro at the average exchange rate) and a consolidated net income of 1,734 thousand USD (1,554 thousand euro), compared to a consolidated net income of 3,327 thousand USD in the corresponding period of 2015 (2,982 thousand euro).

Further notes are provided below.

The US parent company ***SAES Getters USA, Inc.,*** which operates primarily in the Industrial Applications Business Unit, reported sales of 7,236 thousand USD, compared to 7,457 thousand USD in the first half of the previous year: the slightly decrease was concentrated in the business of getter components for fluorescent lamps, and of getter solutions for thermal insulation used in the oil extraction business.
The company ended the semester with a net income of 1,734 thousand USD, down compared to a net income of 3,327 thousand USD in the first half of 2015: despite the increase in gross margin favored by a different sales mix (higher percentage of production activities than distribution ones), the net income decreased as a consequence of both the evaluation of the equity method of the shareholding in the subsidiary SAES Pure Gas, Inc., that ended the current semester with a net income lower than that of the previous year and of the cost related to the signature of a settlement agreement for the definition of the environmental dispute regarding the Onondaga Lake (for further details please refer to paragraph " Subsequent events").

The subsidiary ***SAES Pure Gas, Inc.*** based in San Luis Obispo, CA (USA) active in the Pure Gas Handling Business, achieved sales of 32,482 thousand USD (compared to 30,589 thousand USD in the first half of 2015) and a net income equal to 1,497 thousand USD (compared with a net income of 2,330 thousand USD as at June 30, 2015). Despite the growth in sales (favored by increased investments in the factories of microprocessors, as well as by the new investments in the display segment) and the substantial stability of the gross margin, the increase in the operating expenses (in particular, higher transport costs and higher sales commissions, as well as higher expenses for product development) and the increase in the service costs charged by the Parent Company have caused the decrease in the net income compared to the first half of 2016.

The subsidiary ***Spectra-Mat, Inc.***, Watsonville, CA (USA), operating in the Electronic & Photonic Devices business, achieved revenues of 3,796 thousand USD in the first half of 2016 (3,332 thousand USD in the corresponding period of the previous year) and a net income of 284 thousand USD (compared to 86 thousand USD at June 30, 2015). The recovery of the defense sector, together with the strong demand for industrial goods, helped to boost the sales of the first half of 2016 (+13.9%)and allowed to close the first semester with a net income more than tripled compared to the previous year.

SAES GETTERS EXPORT Corp., Wilmington, DE (USA)

The company, which is owned directly by SAES Getters S.p.A., operates with the object of managing the exports of some US Group's companies. In particular, starting from the second half of 2015, SAES Getters Export, Corp. began to operate also on behalf of Memry Corporation and SAES Smart Materials, Inc. while in the past it had only managed the export activities of SAES Getters USA, Inc. and its subsidiaries.
In the first half of 2016 it achieved a net income of 6,272 thousand USD (5,621 thousand euro), up by 25.8% when compared to the corresponding period of 2015 (4,986 thousand USD, equal to 4,469 thousand euro) thanks to the higher commissions collected following the above-mentioned extension of its services to Memry Corporation and SAES Smart Materials, Inc.

SAES GETTERS (NANJING) Co., Ltd., Nanjing (P.R. of China)

The company manages the commercial activities of the Group in the Republic of China.
SAES Getters (Nanjing) Co., Ltd. ended the first half of 2016 with revenues equal to 16,218 thousand RMB (2,223 thousand euro), up by 30.9% compared to 12,387 thousand RMB (1,785 thousand euro) in the corresponding period of the previous year: the higher sales in the Chinese market of getter solutions for civil and industrial applications in the surveillance and security sectors and the increase in the commission income collected from the associated company SAES Pure Gas, Inc. for commercial assistance provided to the latter for sales of purifiers in the Chinese market, have more than offset the decrease in sales of getters for vacuum insulated panels for the refrigeration sector.
The company ended the period with a net income of 1,717 thousand RMB (235 thousand euro), compared to a net income of 180 thousand RMB (26 thousand euro) as at June 30, 2015: the increase in sales allowed the significant increase in the net income, despite the wage increases aimed at the recovery of inflation, the lower dividends received by SAES Getters International Luxembourg S.A. (in which SAES Getters (Nanjing) Co., Ltd. owns a 10%stake) and the lower interest income earned on the cash and cash equivalents (the latter decreased as a result of the partial repayment of the share capital to the Parent Company, completed in May 2015).

MEMRY GmbH, Weil am Rhein (Germany)

The company, which manufactures and markets shape memory alloy components for both medical and industrial applications in the European market, in the first half of 2016 achieved sales equal to 4,109 thousand euro, up by 12.9% compared to 3,641 thousand euro in the corresponding period of the previous year.
Despite the decrease in the gross margin, as result of the different product mix, the sales increase in semi-finished products of Nitinol for consumer applications allowed an increase of 13.5% in the net income (653 thousand euro as at June 30, 2016 compared to 575 thousand euro in the first half of 2015).

SAES NITINOL S.r.l., Lainate, MI (Italy)

The company, 100% owned by SAES Getters S.p.A., has as its business purpose the design, the production and the sale of shape memory alloy instruments and actuators, getters and any other equipment for the creation of high vacuum, either directly or by means of interests and investments in other companies. In order to achieve its corporate purpose, on July 5, 2011, the company established the joint venture Actuator Solutions GmbH, together with the German group Alfmeier Präzision (for further details on the joint venture, please refer to the Notes no. 8 and no. 15 of the Interim condensed consolidated financial statements).
SAES Nitinol S.r.l. ended the first half of 2016 with a net loss equal to 75 thousand euro (in the first half of 2015 the loss was equal to -27 thousand euro), primarily consisting in the cash pooling interest expenses charged by the parent company SAES Getters S.p.A., partially offset by the interest income on interest-bearing loans granted to the joint venture Actuator Solutions GmbH (for further details on the loans please refer to the Note no. 18). In particular, please note that in April 2016 SAES Nitinol S.r.l. granted a loan amounting to 1 million euro to the joint venture Actuator Solutions GmbH (for details please refer to the Note no. 18), in addition to the capital injection equal to 1 million euro made on January 15, 2016.

Finally, please note that, on March 14, 2016 SAES Getters S.p.A. approved a capital contribution equal to 30 thousand euro in favor of SAES Nitinol S.r.l. to cover the loss made by the Company in 2015 and to reconstitute its integrally eroded share capital. At the same time, the Parent Company approved a further capital contribution in favor of SAES Nitinol S.r.l., equal to 140 thousand, to cover the Company's possible future losses.

E.T.C. S.r.l., Bologna, BO (Italy)

The company, a spin-off supported by the National Research Council (CNR), has as its purpose the development of functional materials for applications in the Organic Electronics and in the Organic Photonics, as well as the development of integrated organic photonic devices for niche applications.
The company operates exclusively as a research center for the above mentioned developments, until February 26, 2016 it was 96% controlled by the Parent Company; on that date SAES Getters S.p.A. acquired from the minority shareholder the residual 4% of the share capital. SAES Getters S.p.A. is now the sole shareholder of E.T.C. S.r.l.
E.T.C. S.r.l. ended the first half of 2016 with a net loss of 1,159 thousand euro, with a slightly worsing compared to a loss of 906 thousand euro in the first half of 2015, due to higher consultant fees (the latter incurred by the Parent Company and recharged to E.T.C. S.r.l.).
Please note that, on March 14, 2016, SAES Getters S.p.A. approved a capital contribution of 130 thousand euro in favor of E.T.C. S.r.l., equal to the difference between the loss made by E.T.C. S.r.l. in the fiscal year 2015 (-1,580 thousand euro[7]) and that estimated for the same period at the beginning of the year (-1,450 thousand euro) and already covered by the Parent Company on March 11, 2015. Simultaneously, the Parent Company approved an additional capital contribution of 1,450 thousand euro aimed at covering the losses expected in the fiscal year 2016.

SAES GETTERS INTERNATIONAL LUXEMBOURG S.A., Luxembourg (Luxembourg)

The company's main objectives are the management and the acquisition of investments, the optimal cash management, the grant of intra-group loans and the coordination of the Group services.
As at June 30, 2016, the company recorded a net income of 2,821 thousand euro, compared to a net loss of 39 thousand euro in the first half of 2015: the improvement was exclusively attributable to the dividends received in the first half of 2016[8] by the subsidiaries (in particular, SAES Smart Materials, Inc. and SAES Getters Korea Corporation).

Some notes on the performance of the subsidiaries of SAES Getters International Luxembourg S.A. are provided below.

> ***SAES Getters Korea Corporation***, Seoul (South Korea) is 62.52% owned by SAES Getters International Luxembourg S.A., whereas the remainder of the capital stock is held directly by the Parent Company SAES Getters S.p.A. In 2011 the company ceased the production activities and now operates only as a distributor of products made by other Group's companies in the Korean market.
> In the first half of 2016 the company recorded revenues equal to 554 million KRW (420 thousand euro), down compared to 637 million KRW (519 thousand euro) in the first half of 2015 following the lower sales in the field of thermal insulation products. The period ended with a loss of 287 million KRW (-218 thousand euro), compared to a loss of 731 million KRW (-596 thousand euro) as at June 30, 2015: the improvement of the result of the period was due to the lower unrealized foreign exchange losses deriving from the conversion of the financial receivable in euro that the Korean subsidiary holds in respect of the Parent Company, linked the fluctuation of the Korean won against the euro (please note that the related forward sale contract was signed by SAES Getters S.p.A. and the intra-group financial credit was significantly lower at the end of the year 2015, following the reduction of the share capital of SAES Getters Korea Corporation).

[7] Resulting from the financial statements prepared according to the National Accounting Principles.
[8] Please note that no dividend was received in the first half of 2015 from SAES Getters International Luxembourg S.A.

The company ***SAES Smart Materials, Inc.***, based in New Hartford, NY (USA), active in the development, production and sale of shape memory alloy semi-finished products, recorded revenues equal to 8,529 thousand USD (7,643 thousand euro) in the semester, up by 8.3% compared to 7,873 thousand USD (7,056 thousand euro) in the corresponding period of the previous year. Thanks to the increase in revenues and in the gross margin (the latter favored by the sales mix with a lower absorption of raw materials) the period ended with a net income of 2,055 thousand USD (1,842 thousand euro), up by 5.1% compared to 1,956 thousand USD (1,753 thousand euro) in the previous year.

Memry Corporation, Bethel, CT (USA), is a technological leader in the new generation medical devices with high engineering value sector, made of Nitinol shape memory alloy.
The company achieved sales equal to 27,381 thousand USD (24,538 thousand euro) in the first half of 2016, with a strong increase (+22.1%) compared to the corresponding period of the previous year (22,418 thousand USD, equal to 20,091 thousand euro) thanks to the contribution of both new products and new customers. The net income amounted to 3,040 thousand USD (2,724 thousand euro), almost doubled compared to a net income of 1,587 thousand USD (1,423 thousand euro) in the first half of 2015: the strong increase was mainly due to the growth of sales and to the improvement of the production yield of the new product lines.
Finally, please note that, on June 10, 2016, Memry Corporation collected the second and last tranche, equal to 0.8 million USD, of the soft financing granted by the State of Connecticut with the aim to purchase new machinery and equipment necessary to expand the production plant in Bethel (for further details please refer to the section "Main events of the semester" and to the Note no. 25).

Performance of the joint ventures in the first half of 2016

ACTUATOR SOLUTIONS GmbH, Gunzenhausen (Germany)

Actuator Solutions GmbH based in Gunzenhausen (Germany) and it is 50% jointly owned by SAES and Alfmeier Präzision, a German group operating in the fields of electronics and advanced plastic materials. The joint venture, which consolidates its wholly owned subsidiary Actuator Solutions Taiwan Co., Ltd., is focused on the development, production and distribution of actuators using shape memory alloys, in place of engines.

Actuator Solutions recorded net revenues equal to 8,988 thousand euro in the first half of 2016; its turnover, almost totally generated by the sales in the seat comfort business (valves based on the SMA technology and used in the lumbar control systems of car seats) increased by 13.7% compared to 7,904 thousand euro in the first half of 2015, thanks to the increasing use of lumbar control systems on an increasing number of car models.
The net income of the semester was negative for -2,184 thousand euro, compared to a loss of -1,866 thousand euro as at June 30, 2015: the worsening was due both to the decreasing gross margin in the seat comfort sector (in turn, due not only to decreasing unit prices, but also to the still low yield of the new lines related to the expansion of the production capacity, as well as to the planned reduction of the production costs, not yet at full operating speed) and to higher research, development and prototyping expenses for autofocus (AF) actuators. With reference to the latter, please note that, during the first semester of 2016, the autofocus system was qualified for its application in a high-end drone model and received its first commercial order; the production is currently in its starting phase and the first deliveries are expected after the summer. With regard to the mobile phones devices, both the systems for image focus (AF), as well as the infrared filters for the iris recognition are in an advanced qualification phase.

(thousands of euro)

Actuator Solutions	1st Half 2016	1st Half 2015
	100%	**100%**
Total net sales	8,988	7,904
Cost of sales	(9,659)	(8,393)
Gross profit	**(671)**	**(489)**
% on sales	*-7.5%*	*-6.2%*
Total operating expenses	(2,281)	(1,887)
Other income (expenses), net	132	80
Operating income (loss)	**(2,820)**	**(2,296)**
% on sales	*-31.4%*	*-29.0%*
Interest and other financial income, net	(93)	(159)
Foreign exchange gains (losses), net	35	198
Income taxes	694	391
Net income (loss)	**(2,184)**	**(1,866)**

The share of the SAES Group in the result of the joint venture amounted to -1,092 thousand euro in the first half of 2016 (the loss deriving from the evaluation with the equity method amounted to -933 thousand euro as at June 30, 2015).

SAES RIAL VACUUM S.r.l., Parma, PR (Italy)

SAES RIAL Vacuum S.r.l. was established at the end of 2015 through the transfer by Rodofil s.n.c. of the Rial Vacuum business (assets, trademark and customers list, as well as inventory and employed personnel), specialized in the design and manufacture of vacuum chambers for accelerators, synchrotrons and colliders, used in the major research laboratories worldwide.
In particular, on December 23, 2015 SAES Getters S.p.A. acquired by Rodofil s.n.c. a first tranche, equal to 10% of the newco SAES RIAL Vacuum S.r.l., while the acquisition of a further 39% was finalized on January 19, 2016.
The aim of the joint venture is to create an Italian technological and manufacturing hub of the highest level, for the design and production of integrated vacuum systems for accelerators, for the research field, as well as for industrial systems and devices. The joint venture will combine at the highest level the competences of SAES in the field of materials, vacuum applications and innovation, with the experience of Rial and Rodofil in the design, assembling and fine mechanical productions, with the aim of offering absolutely excellent quality products and of successfully competing in the international markets.

SAES RIAL Vacuum S.r.l. ended the first half of 2016 with sales equal to 558 thousand euro and a loss equal to -176 thousand euro, the latter related to some organization and integration expenses that are typical of any company in its start-up phase.

(thousands of euro)

SAES RIAL Vacuum S.r.l.	1st Half 2016
	100%
Total net sales	558
Cost of sales	(619)
Gross profit	**(61)**
% on sales	*-10.9%*
Total operating expenses	(113)
Other income (expenses), net	0
Operating income (loss)	**(174)**
% on sales	*-31.2%*
Interest and other financial income, net	(2)
Foreign exchange gains (losses), net	0
Income taxes	0
Net income (loss)	**(176)**

The share of the SAES Group in the result of this joint venture amounted to -86 thousand euro in the first half of 2016.

The following table shows the **Total Group's statement of profit or loss**, achieved by incorporating with the proportional method instead of the equity method the 50% joint venture Actuator Solutions, as well as the new joint venture SAES RIAL Vacuum S.r.l., of which SAES currently owns 49% of the share capital.

(thousands of euro)	1st Half 2016					
	Consolidated profit or loss	50% Actuator Solutions	Intercoy eliminations & other adjustments	49% SAES RIAL Vacuum S.r.l.	Intercoy eliminations & other adjustments	Total profit or loss of the Group
Total net sales	**89,832**	**4,494**	**(350)**	**273**	**(5)**	**94,244**
Cost of sales	(49,872)	(4,830)	350	(303)	5	(54,650)
Gross profit	**39,960**	**(336)**	**0**	**(30)**	**0**	**39,594**
% on sales	*44.5%*					*42.0%*
Total operating expenses	(27,215)	(1,141)		(55)		(28,411)
Other income (expenses), net	(819)	67		0		(752)
Operating income (loss)	**11,926**	**(1,410)**	**0**	**(85)**	**0**	**10,431**
% on sales	*13.3%*					*11.1%*
Interest and other financial income, net	(737)	(47)		(1)		(785)
Income (loss) from equity method evaluated companies	(1,178)		1,092		86	0
Foreign exchange gains (losses), net	(224)	18		0		(206)
Income (loss) before taxes	**9,787**	**(1,439)**	**1,092**	**(86)**	**86**	**9,440**
Income taxes	(4,317)	347		0		(3,970)
Net income (loss) from continued operations	**5,470**	**(1,092)**	**1,092**	**(86)**	**86**	**5,470**
Income (loss) from assets held for sale and discontinued operations	0	0		0		0
Net income (loss) before minority interest	**5,470**	**(1,092)**	**1,092**	**(86)**	**86**	**5,470**
Net income (loss) pertaining to minority interest	0					0
Net income (loss) pertaining to the Group	**5,470**	**(1,092)**	**1,092**	**(86)**	**86**	**5,470**

Research, Development and Innovation activities

Research and development expenses amounted to 7,302 thousand euro (8.1% of consolidated revenues) in the first half of 2016 and were substantially aligned, both in absolute terms and as a percentage of revenues, to those of the corresponding period of 2015, equal to 7,022 thousand euro (8.6% of consolidated revenues).

The first half of 2016 has seen the R&D laboratories strongly engaged in various innovative areas.

First of all, please note the development of products for food packaging, as part of a collaboration with Metalvuoto S.p.A., an Italian player already operating in this sector. The Group's products, namely lacquers composed of an organic matrix in which the active material in the form of micro or nano structured powder is dispersed, are deposited on plastic films made by Metalvuoto S.p.A., that is already active in the mass production of films for food coating. The technology developed by SAES allows to produce plastic films with a high performance, that means improving the properties of the current plastics of acting as a barrier to gases, typically water and oxygen, that must not come in contact with the food, to prevent its deterioration. In addition, the new SAES's materials allow the development of biodegradable packaging. The barrier properties and the biodegradability are two characteristics strongly required by the food market, that is looking on one side to lengthen the shelf life of food and on the other to reduce the environmental impact of existing packaging solutions.
In the next few months the Group will finalize some lacquers capable of removing, by absorbing them with suitable getters, the gases present in the packaging or modify the atmosphere of the packages by releasing gases, such as CO_2, that have an antimicrobial function. These lacquers will allow to enter in the active packaging market, with the possibility of their use also in other application areas, such as cosmetics or electronics ones, in addition to the food preservation sector.

The central laboratory has developed, in the wake of the basic research carried out during 2015, the industrial production of the new clean melt SMA alloy that, thanks to a major review of the transformation process and to a strict control of the production process parameters, guarantees a double life performance compared to standard materials. The new material has registered an immediate interest in the market and a significant commercial success and it has already been qualified by a major customer operating in the mobile phone business. The research activities were focused on the development of new high temperature formulations, that means alloys with a transformation temperature up to about 200°C, and they have achieved the first positive results. The introduction of this new material, expected by the end of 2016, will place SAES in a position of technological and commercial strength of absolute importance.

In addition, the efforts in the development of getters for LEDs and of new models of pumps for particle accelerators continued.

The joint venture Actuator Solutions has successfully completed the development of the first model of actuator for autofocus; the product has been qualified by a major manufacturer of high-end drones and its mass production is currently being launched. A second family of autofocus actuators is currently under qualification by some Asian mobile phone manufacturers, and also the infrared filters are being currently qualified. Finally, the development of devices for automotive and white good applications continued.

Please note that the basic research expenses incurred by the Group are charged directly into the income statement in the year in which they occurred as they do not qualify for capitalization.

Subsequent events

On July 18, 2016 a settlement agreement was signed to close the environmental dispute related to presumed harmful emissions of mercury in the Onondaga Lake (located in the city of Syracuse, NY-USA) by a company of the Group (King Laboratories, Inc., acquired by SAES Getters USA, Inc. in the eighties and no longer existing since decades), concerning the compensation for the environmental damages and the purification of the water and of the sediment below the lake. The total cost of the agreement, without the recognition of any liability for the SAES Group, amounted to 1,250 thousand USD[9], that will be paid by SAES Getters USA, Inc. to the other party within sixty days from the signing of the agreement.

[9] Equal to 1,120 thousand euro, of which 689 thousand euro already accounted for as a provision at the end of 2015, and the remaining 431 thousand euro recorded in the current semester.

On July 28, 2016 SAES Nitinol S.r.l. signed a new loan contract in favor of Actuator Solutions GmbH, aimed at financially supporting the operating activities of the subsidiary Actuator Solutions Taiwan Co., Ltd. The first tranche of the financing, equal to 2 million euro, was paid by SAES Nitinol S.r.l. on the day following the date of the signature (July 29, 2016), while the second tranche, equal to 1 million euro, will be paid within September 29, 2016. The loan expires on April 30, 2019 and provides for a flexible repayment schedule within the maturity date and a fixed annual interest rate equal to 6%. 50% of the loan is granted by a letter of patronage jointly signed by Alfmeier S.E. and SMA Holding GmbH, in favor of SAES Nitinol S.r.l.

On July 29, 2016 the related Board of Directors approved the corporate merger of the wholly owned subsidiary SAES Advanced Technologies S.p.A., into SAES Getters S.p.A. The resolutions related to the corporate merger had been made available to the public and deposited for their filing within the Italian Corporate Register of the two companies participating in the merger on August 24, 2016.

Always on July 29, 2016 SAES Getters S.p.A. signed an agreement with Mirante S.r.l for the acquisition of the majority interest in the share capital of Metalvuoto S.p.A., based in the province of Monza Brianza, a well-established player in the field of advanced packaging, producing metallized and innovative plastic films for food preservation. Thanks to such acquisition, SAES, that already cooperates with Metalvuoto S.p.A. in testing the application of SAES' functional polymer composites on the plastic films for food preservation made by Metalvuoto S.p.A., aims at competing in the smart food packaging sector, entering the market with a complete and innovative range of products, thanks to the development of high performance active plastics, characterized by biocompatibility and a reduced environmental impact.
The signed agreement provides for the acquisition of 70% of Metalvuoto S.p.A.by SAES Getters S.p.A. for a price based on a multiple of the EBITDA, adjusted according to some predefined financial parameters (including the net financial position and the value of the finished goods inventory at the date of the closing). The total consideration (expected to be in the range of 6 million euro), will be paid in cash in three tranches: the first one, equal to 1.5 million euro, was paid upon the signature of the agreement as advance payment; the second tranche, equal to 2 million euro, will be paid at the date of the closing, expected within the end of the year; the balance will be paid within one month after the closing of the acquisition, once the updated financial statements at the date of the closing, as well as the price adjustment related to the agreed parameters, have been defined.
The agreement is subject to a series of condition precedents for its execution, and as such also the closing of the transaction (with the transfer of the acquired equity participation).
In addition, the agreement includes a *put* and *call* option between the shareholders, to be exercised starting from the twelfth month and within eighteen months after the closing date, for the acquisition of the remaining 30% of the share capital of Metalvuoto S.p.A. by SAES Getters S.p.A., at a price calculated with a similar method applied to the first purchase. In case the options are not exercised within the agreed terms, SAES Getters. S.p.A. is in any case committed to acquire the remaining 30% of the share capital of the company within 24 months after the closing date.
Finally, the agreement includes the subscription of some shareholders' agreements that govern the governance of the company with its new shareholding structure, assigning the majority of the Board of Directors of Metalvuoto S.p.A to the controlling company SAES Getters S.p.A. (two members, with the right to appoint the Chief Executive Officer) and the appointment of one Director to the minority shareholder, Mirante S.r.l., namely the founder Eng. Giovanni Ronchi, that will be the Executive Chairman of the Board itself.

In July 2016 the transfer of the registered office and operational headquarters of E.T.C. S.r.l. from Bologna to Lainate, at the production site of the Parent Company, was approved. Such transfer will be finalized by the end of 2016.

Business outlook

In the remaining part of the year 2016, we expect results in line with those of the first half of the year. The future progressive growth will be possible also thanks to the contribution of the forthcoming acquisition of Metalvuoto S.p.A, active in the fast growing market of active packaging, leveraging on the know-how developed by the SAES laboratories in the organic electronics applications.

Related party transactions

With regard to the Group's related party transactions, please note that they fall within the ordinary operations and are settled at market or standard conditions.
Complete disclosure on related party transactions incurred during the semester is provided in the Note no. 37 of the Interim condensed consolidated financial statements.

Group's main risks and uncertainties

For the analysis of the Group's main risks and uncertainties and the related mitigation actions to face these risks and uncertainties please refer to the 2015 Consolidated financial statements.

In particular, with reference to the financial risks, the main financial risks for the SAES Group are the following ones:

- *Interest-rate risk*, associated with the volatility of interest rates, which may influence the cost of the use of debt financing and the return of temporary investments of cash;
- *Exchange-rate risk*, associated with the volatility of exchange rates, which may influence the related value of the Group's costs and revenues denominated in currencies different from the euro and may thus have an impact on the Group's net income or loss; also the amount of financial receivables/payables denominated in currencies other than the euro depends on the value of exchange rates, with potential effects both on the net income and on the net financial position;
- *The risk of changes in prices of raw materials*, which may affect the Group's product margins if these changes are not charged to the price agreed upon with customers;
- *Credit risk*, associated with the solvency of customers and the ability to collect receivables claimed from them;
- *Liquidity risk*, associated with the Group's ability to raise funds to finance its operating activities, or with the capacity of the sources of funding if the Group were to adopt strategic decisions involving some extraordinary expenditure (such as merger & acquisition transactions or organizational rationalization and restructuring activities).

Interest-rate risk
The Group's financial debts, both short and long-term ones, are mainly structured on a variable interest rate basis, therefore they are subject to the risk of interest rate fluctuations.
With regards to long-term financial debts, the exposure to interest rate variation is usually handled by way of entering into Interest Rate Swap (IRS) agreements, with a view to guarantee a level of financial expenditures which are sustainable by the SAES Group's financial structure.
In particular, please note that as at June 30, 2016 the Group has in place two IRS agreements in order to fix the interest rate on the long-term bank loans, for which details please refer to the Note no. 32.
Moreover, the Group constantly controls the interest rate trend for the signing of further Interest Rate Swap contracts to hedge the risk linked to the interest rate fluctuations related to loans on which no hedging contracts have been signed so far.
The funding for the working capital is managed through short-term financing transactions and, as a consequence, the Group does not hedge itself against the interest-rate risk.

Exchange-rate risk

The Group is exposed to foreign currency exchange risk on foreign commercial transactions.

Such exposure is generated predominantly by sales in currencies other than the reference currency: during the first half of 2016 around 85.1% of Group sales were denominated in a currency other than the euro, whilst only around 66.3% of the Group's operating costs were denominated in a currency other than the euro.

In order to manage the economic impact generated by the fluctuations in exchange rates, primarily EUR/USD and EUR/JPY, the Group enters into hedging contracts on these currencies, the values of which are periodically determined by the Board of Directors according to the net currency cash flows expected to be generated by SAES Getters S.p.A. and SAES Advanced Technologies S.p.A. The maturities of hedging derivatives tend to match the scheduled date of collection of the hedged transactions.

Moreover, occasionally, the Group also hedges specific transactions in a currency other than the reporting currency, to mitigate the effect on profits and losses of the exchange rate volatility, with reference to financial receivables/payables, also intercompany ones, denominated in a currency different from the one used in the financial statements (for example, executed by foreign subsidiaries, but denominated in euro).

Please refer to the Note no. 32 for further details on the derivative agreements in place as at June 30, 2016.

Risk of changes in prices of raw materials

Normally, the Group's exposure to commodity price risk is moderate. The procurement procedure requires the Group to have more than one supplier for each commodity deemed critical and, in order to reduce the exposure to the risk of price variations, where possible it enters into specific supply agreements aimed at controlling the commodity price volatility. The Group monitors the trends of the main commodities subject to the greatest price volatility and does not exclude the possibility of undertaking hedging transactions using derivative instruments with the aim of neutralizing the price volatility of its commodities.

Credit risk

The Group deals principally with well-known and reliable customers: the Sales Department assesses new customers' solvency and periodically verifies that credit limit conditions have been met. The balance of receivables is constantly monitored so as to minimize the risk of potential losses, particularly considering the difficult macroeconomic situation.

The credit risk associated with other financial assets, including cash and cash equivalents, is not significant due to the nature of the counterparties: the Group places such assets exclusively in bank deposits held with leading Italian and international financial institutions.

Liquidity risk

This risk could arise if the Group is not able to obtain the necessary financial resources to grant the continuity of its operations.

In order to minimize such risk, the Administration Finance and Control Division acts as follows:

- constantly monitors the Group's financial requirements in order to obtain credit lines necessary to meet such requirements;
- optimizes the liquidity management through a centralized management system of available liquidity (cash pooling) denominated in euro which involves nearly all of the Group's companies;
- manages the correct balance between short-term financing and medium/long-term financing depending on the expected generation of operating cash flows.

For further information on the Group's loans as at June 30, 2016 and their contractual maturity please refer to the Note no. 25.

As at June 30, 2016 the Group was not significantly exposed to liquidity risk, also considering the unused credit lines it has access to.

Equity management

The objective pursued by the Group is to maintain a solid credit rating and adequate capital ratios, in order to support operations and maximize the value for shareholders.

No changes were made to equity management objectives or policies during the first half of 2016.

Some performance indicators, such as the debt-to-equity ratio (defined as net debt to net equity), are periodically monitored with the aim of keeping them at low levels, and in any case lower than what is required by the contracts signed with the financial institutions.

Consob regulatory simplification process

Please note that, on November 13, 2012, the Board of Directors approved, pursuant to article 3 of Consob resolution no. 18079/2012, to adhere to the opt-out provisions as envisaged by article no. 70, paragraph 8, and no. 71, paragraph 1-*bis* of the Consob Regulation related to Issuer Companies, and it therefore avails itself of the right of making exceptions to the obligations to publish information documents required in connection with significant mergers, spin-offs, capital increases by contributions in kind, acquisitions and disposals.

Interim Condensed Consolidated Financial Statements as at June 30, 2016

Consolidated statement of profit or loss

(thousands of euro)	Notes	1st Half 2016	1st Half 2015 (*)
Total net sales	3	**89,832**	**81,819**
Cost of sales	4	(49,872)	(46,826)
Gross profit		**39,960**	**34,993**
Research & development expenses	5	(7,302)	(7,022)
Selling expenses	5	(7,185)	(7,067)
General & administrative expenses	5	(12,728)	(11,984)
Total operating expenses		**(27,215)**	**(26,073)**
Other income (expenses), net	6	(819)	(130)
Operating income (loss)		**11,926**	**8,790**
Interest and other financial income	7	67	157
Interest and other financial expenses	7	(804)	(928)
Share of result of investments accounted for using the equity method	8	(1,178)	(933)
Foreign exchange gains (losses), net	9	(224)	1,114
Income (loss) before taxes		**9,787**	**8,200**
Income taxes	10	(4,317)	(4,112)
Net income (loss) from continued operations		**5,470**	**4,088**
Net income (loss) from assets held for sale and discontinued operations		0	0
Net income (loss) for the period		**5,470**	**4,088**
Minority interests in consolidated subsidiaries		0	0
Group net income (loss) for the period		**5,470**	**4,088**
Net income (loss) per ordinary share	11	0.2425	0.1798
Net income (loss) per savings share	11	0.2591	0.1965

Consolidated statement of other comprehensive income

(thousands of euro)	Notes	1st Half 2016	1st Half 2015 (*)
Net income (loss) for the period		**5,470**	**4,088**
Exchange differences on translation of foreign operations	24	(2,027)	8,156
Exchange differences on equity method evaluated companies	24	(11)	(101)
Total exchange differences		(2,038)	8,055
Total components that will be reclassified to the profit (loss) in the future		**(2,038)**	**8,055**
Reversal of currency conversion reserve after the reduction of the share capital of the subsidiaries		0	(1,877)
Total components that have been reclassified to the profit (loss)		**0**	**(1,877)**
Other comprehensive income (loss), net of taxes		**(2,038)**	**6,178**
Total comprehensive income (loss), net of taxes		**3,432**	**10,266**
attributable to:			
- Equity holders of the Parent Company		3,432	10,266
- Minority interests		0	0

(*) Some amounts shown in the column do not correspond to those in the Interim financial statements as at June 30, 2015 because they reflect the reclassifications detailed in Note no. 1, paragraph "Reclassifications on June 30, 2015 income statement figures".

Consolidated statement of financial position			
(thousands of euro)	Notes	June 30, 2016	December 31, 2015
ASSETS			
Non current assets			
Property, plant and equipment, net	13	49,825	50,383
Intangible assets, net	14	50,819	52,322
Investments accounted for using the equity method	15	3,801	3,990
Deferred tax assets	16	13,926	14,064
Tax consolidation receivables from Controlling Company	17	272	272
Financial receivables from related parties	18	1,449	600
Other long term assets	19	424	456
Total non current assets		**120,516**	**122,087**
Current assets			
Inventory	20	31,227	32,534
Trade receivables	21	26,257	23,366
Prepaid expenses, accrued income and other	22	8,601	10,593
Derivative financial instruments evaluated at fair value	32	0	0
Cash and cash equivalents	23	28,313	24,044
Financial receivables from related parties	18	437	555
Total current assets		**94,835**	**91,092**
Total assets		**215,351**	**213,179**
EQUITY AND LIABILITIES			
Capital stock		12,220	12,220
Share issue premium		41,120	41,120
Legal reserve		2,444	2,444
Other reserves and retained earnings		42,898	42,826
Other components of equity		17,017	19,055
Net income (loss) of the period		5,470	8,820
Group shareholders' equity	24	**121,169**	**126,485**
Other reserves and retained eanings of third parties		0	3
Minority interests in consolidated subsidiaries	24	**0**	**3**
Total equity		**121,169**	**126,488**
Non current liabilities			
Financial debts	25	23,882	27,019
Other non current financial debts towards third parties	26	1,271	1,355
Deferred tax liabilities	16	6,711	6,526
Staff leaving indemnities and other employee benefits	27	8,546	7,856
Provisions	28	862	814
Total non current liabilities		**41,272**	**43,570**
Current liabilities			
Trade payables	29	11,836	13,675
Other payables	30	10,081	9,203
Accrued income taxes	31	724	1,060
Provisions	28	2,018	3,530
Derivative financial instruments evaluated at fair value	32	265	22
Current portion of medium/long term financial debts	25	7,252	7,136
Other current financial debts towards third parties	26	536	1,935
Bank overdraft	33	16,504	5,012
Accrued liabilities	34	3,694	1,548
Total current liabilities		**52,910**	**43,121**
Total equity and liabilities		**215,351**	**213,179**

Consolidated cash flow statement

(thousands of euro)	1st Half 2016	1st Half 2015
Cash flows from operating activities		
Net income (loss) from continued operations	5,470	4,088
Net income (loss) from discontinued operations	0	0
Current income taxes	3,958	4,138
Changes in deferred income taxes	359	(26)
Depreciation	3,492	3,492
Write-down (revaluation) of property, plant and equipment	37	11
Amortization	658	675
Write-down (revaluation) of intangible assets	0	0
Net loss (gain) on disposal of fixed assets	1	0
Interest and other financial (income) expenses, net	1,917	1,706
Other non-monetary costs (revenues)	191	(1,777)
Accrual for termination indeminities and similar obligations	761	467
Changes in provisions	(727)	(460)
	16,117	**12,314**
Working capital adjustments		
Cash increase (decrease)		
Account receivables and other receivables	(852)	(4,179)
Inventory	744	1,765
Account payables	(1,838)	815
Other current payables	2,337	654
	391	**(945)**
Payment of termination indemnities and similar obligations	(52)	(36)
Interests and other financial payments	(161)	(238)
Interests and other financial receipts	30	76
Taxes paid	(4,332)	(3,236)
Net cash flows from operating activities	**11,993**	**7,935**
Cash flows from investing activities		
Disbursements for acquisition of tangible assets	(3,344)	(2,436)
Proceeds from sale of tangible and intangible assets	0	0
Disbursements for acquisition of intangible assets	(105)	(23)
Consideration for the acquisition of minority interests in subsidiaries	(249)	0
Consideration for the acquisition of investments in joint ventures	(1,284)	0
Capital injection into joint ventures	(1,000)	0
Price paid for the acquisition of businesses	(82)	(1,742)
Net cash flows from investing activities	**(6,064)**	**(4,201)**
Cash flows from financing activities		
Proceeds from long term financial liabilities, current portion included	706	11,360
Proceeds from short term financial liabilities	11,500	0
Dividends payment	(8,502)	(3,477)
Repayment of financial liabilities	(3,567)	(19,449)
Interests and other costs paid on financial liabilities	(493)	(778)
Financial receivables repaid (granted) from related parties	(849)	0
Financial liabilities granted (reimburrsed) to, related parties	155	62
Other financial payables	(108)	0
Other financial receivables	0	163
Payment of finance lease laibilities	(8)	(9)
Net cash flows from financing activities	**(1,166)**	**(12,128)**
Net foreign exchange differences	(492)	2,657
Net (decrease) increase in cash and cash equivalents	**4,271**	**(5,737)**
Cash and cash equivalents at the beginning of the period	**24,041**	**25,071**
Cash and cash equivalents at the end of the period	**28,312**	**19,334**

Consolidated statement of changes in equity as at June 30, 2016											
(thousands of euro)					Other components of equity						
	Capital stock	Share issue premium	Treasury shares	Legal reserve	Currency conversion reserve	Currency conversion reserve from discontinued operations	Other reserves and retained earnings	Net income (loss)	Group shareholders' equity	Minority interests	Total equity
December 31, 2015	**12,220**	**41,120**	**0**	**2,444**	**19,055**	**0**	**42,826**	**8,820**	**126,485**	**3**	**126,488**
Distribution of 2014 result							8,820	(8,820)	0		0
Dividends paid							(8,502)		(8,502)		(8,502)
Purchase of minority interests							(246)		(246)	(3)	(249)
Net income (loss)								**5,470**	**5,470**	**0**	**5,470**
Other comprehensive income (loss)					(2,038)		0		(2,038)		(2,038)
Total comprehensive income (loss)					**(2,038)**	**0**	**0**	**5,470**	**3,432**	**0**	**3,432**
June 30, 2016	**12,220**	**41,120**	**0**	**2,444**	**17,017**	**0**	**42,898**	**5,470**	**121,169**	**0**	**121,169**

Consolidated statement of changes in equity as at June 30, 2015											
(thousands of euro)					Other components of equity						
	Capital stock	Share issue premium	Treasury shares	Legal reserve	Currency conversion reserve	Currency conversion reserve from discontinued operations	Other reserves and retained earnings	Net income (loss)	Group shareholders' equity	Minority interests	Total equity
December 31, 2014	**12,220**	**41,120**	**0**	**2,444**	**10,555**	**0**	**41,510**	**4,836**	**112,685**	**3**	**112,688**
Distribution of 2014 result							4,836	(4,836)	0		0
Dividends paid							(3,477)		(3,477)		(3,477)
Net income (loss)								**4,088**	**4,088**	**0**	**4,088**
Reversal of currency conversion reserve after the reduction of the share capital of the subsidiaries					(1,877)				(1,877)		(1,877)
Other comprehensive income (loss)					8,055		0		8,055		8,055
Total comprehensive income (loss)					**6,178**			**4,088**	**10,266**	**0**	**10,266**
June 30, 2015	**12,220**	**41,120**	**0**	**2,444**	**16,733**	**0**	**42,869**	**4,088**	**119,474**	**3**	**119,477**

1. BASES OF PREPARATION AND ACCOUNTING POLICIES

Bases of preparation

SAES Getters S.p.A., the Parent Company, and its subsidiaries (hereinafter "SAES Group") operate both in Italy and abroad in the development, manufacturing and marketing of getters and other components for applications where stringent vacuum conditions or ultra-pure gases are required (electronic devices, lamps, vacuum systems and thermal insulation solutions), as well as in the gas purification industry. The Group also operates in the field of advanced materials, particularly in the business of shape memory alloys for both medical and industrial applications.

The preparation of the financial statements is in compliance with the historical cost criterion, except when specifically required by the applicable standards, as well as on the going concern assumption; in spite of a difficult economic and financial environment, there aren't any significant uncertainties (as defined in paragraph no. 25 of IAS 1 - *Presentation of Financial Statements*) regarding the business continuity.

The Parent Company SAES Getters S.p.A., based in Lainate (Italy), is controlled by S.G.G. Holding S.p.A.[10], which does not exercise any management and coordination activities.
The Board of Directors approved and authorized the publication of the 2016 interim condensed consolidated financial statements with the resolution passed on September 14, 2016.

The interim condensed consolidated financial statements of the SAES Group are presented in euro (rounded to the nearest thousand), which is the Group's functional currency.
Foreign subsidiaries are included in the consolidated financial statements according to the standards described in the Note no. 2 "Main accounting principles".

Accounting schemes

The presentation adopted is compliant with the provisions of IAS 1 – revised, that provides for the consolidated statement of profit (loss) and of other comprehensive income (the Group elected to present two different statements) and a statement of consolidated financial position that includes only the details of operations on the Group's shareholders' equity, while changes in the minority interests are presented in a separate line.

Moreover we report that:

- the consolidated statement of financial position has been prepared by classifying assets and liabilities as current or non-current and by stating "Assets held for sale" and "Liabilities held for sale" in two separate items, as required by IFRS 5;
- the consolidated statement of profit or loss has been prepared by classifying operating expenses by allocation, inasmuch this form of disclosure is considered more suitable to represent the Group's specific business, is compliant with the internal reporting procedures and in line with the standard industry practice;
- the consolidated cash flow statement has been prepared by stating cash flows provided by operating activities according to the "indirect method" as allowed by IAS 7.

In addition, as required by Consob resolution no. 15519 of July 27, 2006, income and expenses arising from non-recurring transactions or from events that do not recur frequently during the normal conduct of operations are specifically identified in the consolidated statement of profit or loss and their effects are stated separately at the main interim result levels.

[10] Based in Milan, Via Vittor Pisani no. 27.

Non-recurring events and transactions are identified primarily on the basis of the nature of the transactions. In particular, non-recurring income/expenses include cases that by their nature do not occur consistently in the course of normal operating activities. In further detail:
- income/expenses arising from the sale of real property;
- income/expenses arising from the sale of business divisions and equity investments included among non-current assets;
- income/expenses arising from reorganization processes associated with extraordinary corporate transactions (mergers, de-mergers, acquisitions and other corporate transactions);
- income/expenses arising from discontinued businesses.

During the first half of 2016 the Group did not carry out any unusual or non-recurring transaction having a significant impact on the economic situation, on the equity and the financial position.

On the basis of the aforementioned Consob resolution, the amounts of positions or transactions with related parties have been highlighted separately from the related items in the Explanatory Notes.

Reclassifications on June 30, 2015 income statement figures

Please note that, following the completion of the transfer of the PageWafer® technology related to the last contract signed at the end of 2014, the technology licensing activity can be considered as a core business of the Group; therefore, starting from January 1, 2016, the royalties for the licensing of the thin film getter technology for MEMS of new generation are classified within the consolidated revenues. The figures related to 2015[11] have been reclassified accordingly, for a homogeneous comparison.

Furthermore, following a change in the organizational structure of the Parent Company, as well as for a better representation of the costs by allocation, starting from 2016 the engineering and industrialization costs of the new products are classified as cost of sales, instead of being recorded as operating expenses. Also the figures related to the previous year, presented for comparative purposes, have been reclassified.

The following table shows the effects of these reclassifications on the consolidated statement of profit (loss) as at June 30, 2015.

[11] In the first half of 2015 the royalties amounted to 331 thousand euro, compared to 607 thousand euro as at June 30, 2016 (of which 180 thousand euro deriving from lump-sums related to the technology transfer).

Thousands of euro

	1st half 2015	Royalties reclassification	Industrialization costs reclassification	1st half 2015 reclassified
Total net sales	**81,488**	**331**		**81,819**
Cost of sales	(46,410)		(416)	(46,826)
Gross profit	**35,078**	**331**	**(416)**	**34,993**
R&D expenses	(7,438)		416	(7,022)
Selling expenses	(7,067)			(7,067)
G&A expenses	(11,984)			(11,984)
Total operating expenses	(26,489)	0	416	(26,073)
Royalties	331	(331)		0
Other income (expenses), net	(130)			(130)
Operating income (loss)	**8,790**	**0**	**0**	**8,790**
Interest and other financial income, net	(771)			(771)
Income (loss) from equity method evaluated companies	(933)			(933)
Foreign exchange gains (losses), net	1,114			1,114
Income (loss) before taxes	**8,200**	**0**	**0**	**8,200**
Income taxes	(4,112)			(4,112)
Net income (loss) from continued operations	**4,088**	**0**	**0**	**4,088**
Income (loss) from assets held for sale and discontinued operations	0			0
Net income (loss) before minority interest	**4,088**	**0**	**0**	**4,088**
Net income (loss) pertaining to minority interest	0			0
Net income (loss) pertaining to the Group	**4,088**	**0**	**0**	**4,088**

The following table shows the effects of these reclassifications on the income statement figures by operating segment.

(thousands of euro)

Consolidated statement of profit or loss	Industrial Applications			Shape Memory Alloys			Not allocated			Total		
	1st Half 2015	Reclass.	1st Half 2015 reclass.	1st Half 2015	Reclass.	1st Half 2015 reclass.	1st Half 2015	Reclass.	1st Half 2015 reclass.	1st Half 2015	Reclass.	1st Half 2015 reclass.
Total net sales	**51,496**	**331**	**51,827**	**29,250**	**0**	**29,250**	**742**	**0**	**742**	**81,488**	**331**	**81,819**
Gross profit	**24,678**	**189**	**24,867**	**10,178**	**(110)**	**10,068**	**222**	**(164)**	**58**	**35,078**	**(85)**	**34,993**
% on net sales	*47.9%*		*48.0%*	*34.8%*		*34.4%*	*29.9%*		*7.8%*	*43.0%*		*42.8%*
Total operating expenses	(11,043)	142	(10,901)	(5,452)	110	(5,342)	(9,994)	164	(9,830)	(26,489)	416	(26,073)
Royalties	331	(331)	0	0	0	0	0	0	0	331	(331)	0
Other income (expenses), net	35	0	35	21	0	21	(186)	0	(186)	(130)	0	(130)
Operating income (loss)	**14,001**	**0**	**14,001**	**4,747**	**0**	**4,747**	**(9,958)**	**0**	**(9,958)**	**8,790**	**0**	**8,790**
% on net sales	*27.2%*		*27.0%*	*16.2%*		*16.2%*	*n.s.*		*n.s.*	*10.8%*		*10.7%*
Interest and other financial income (expenses), net										(771)	0	(771)
Share of result of investments accounted for using the equity method										(933)	0	(933)
Foreign exchange gains (losses), net										1,114	0	1,114
Income (loss) before taxes										**8,200**	**0**	**8,200**
Income taxes										(4,112)	0	(4,112)
Net income (loss) from continued operations										**4,088**	**0**	**4,088**
Net income (loss) from discontinued operations										0	0	0
Net income (loss)										**4,088**	**0**	**4,088**
Minority interests in consolidated subsidiaries										0	0	0
Group net income (loss)										**4,088**	**0**	**4,088**

Segment information

The Group's financial reporting is broken down into the following business segments:

- Industrial Applications;
- Shape Memory Alloys.

Seasonality of operations

Based on historical trends, the revenues of the different businesses are not characterized by significant seasonal circumstances.

Scope of consolidation

The following table shows the companies included in the scope of consolidation according to the full consolidation method as at June 30, 2016.

Company	*Currency*	*Capital Stock*	*% of Ownership Direct*	*Indirect*
Directly-controlled subsidiaries:				
SAES Advanced Technologies S.p.A. Avezzano, AQ (Italy)	EUR	2,600,000	100.00	-
SAES Getters USA, Inc. Colorado Springs, CO (USA)	USD	9.250.000	100.00	-
SAES Getters (Nanjing) Co., Ltd. Nanjing & Shanghai (P.R. of China)	USD	6,570,000	100.00	-
SAES Getters International Luxembourg S.A. Luxembourg (Luxembourg)	EUR	34,791,813	89.97	10.03*
SAES Getters Export, Corp. Wilmington, DE (USA)	USD	2,500	100.00	-
Memry GmbH Weil am Rhein (Germany)	EUR	330,000	100.00	-
E.T.C. S.r.l. Bologna, BO (Italy)	EUR	75,000	100.00	-
SAES Nitinol S.r.l. Lainate, MI (Italy)	EUR	10,000	100.00	-
Indirectly-controlled subsidiaries:				
Through SAES Getters USA, Inc.:				
SAES Pure Gas, Inc. San Luis Obispo, CA (USA)	USD	7,612,661	-	100.00
Spectra-Mat, Inc. Watsonville, CA (USA)	USD	204,308	-	100.00
Through SAES Getters International Luxembourg S.A.:				
SAES Getters Korea Corporation Seoul (South Korea)	KRW	524,895,000	37.48	62.52
SAES Smart Materials, Inc. New Hartford, NY (USA)	USD	17,500,000	-	100.00
Memry Corporation Bethel, CT (USA)	USD	30,000,000	-	100.00

* % of indirect ownership held by SAES Advanced Technologies S.p.A. (0.03%) and by SAES Getters (Nanjing) Co., Ltd. (10.00%).

The following table shows the companies included in the scope of consolidation according to the equity method as at June 30, 2016.

Company	*Currency*	*Capital Stocke*	*% of Ownership Direct*	*Indirect*
Actuator Solutions GmbH Gunzenhausen (Germany)	EUR	2,000,000	-	50.00*
Actuator Solutions Taiwan Co., Ltd. Taoyuan (Taiwan)	TWD	5,850,000	-	50.00**
SAES RIAL Vacuum S.r.l. Parma, PR (Italy)	EUR	200,000	49.00	-

* % of indirect ownership held by SAES Nitinol S.r.l.
** % of indirect ownership held by the joint venture Actuator Solutions GmbH (which holds a 100% interest in Actuator Solutions Taiwan Co., Ltd.).

The changes occurred in the consolidation area compared to December 31, 2015 are listed below.

- On January 19, 2016, as envisaged by the contract signed on December 23, 2015 between SAES Getters S.p.A. and Rodofil s.n.c., the Parent Company acquired a further 39% of the joint venture SAES RIAL Vacuum S.r.l. for a pre-determined price equal to 1.3 million euro. The total investment of SAES Getters S.p.A. in the joint venture is currently equal to 49%[12] of its share capital.
- On February 26, 2016 SAES Getters S.p.A. acquired the residual 4% of the share capital of E.T.C. S.r.l. from the minority shareholder, for a consideration of 249 thousand euro. Following such purchase, SAES Getters S.p.A. is now the sole shareholder of E.T.C. S.r.l.

2. MAIN ACCOUNTING PRINCIPLES

Consolidation principles

Following the entry into force of the European Regulation no. 1606/2002, the SAES Group adopted the IAS/IFRS accounting standards starting from January 1, 2005.
The interim condensed consolidated financial statements for the six months ended June 30, 2016 have been prepared in accordance with the IFRSs issued by the International Accounting Standards Board ("IASB") and approved by the European Union ("IFRS"), CONSOB resolutions no. 15519 and no. 15520 of July 27, 2006, CONSOB communication no. DEM/6064293 of July 28, 2006 and article 149-*duodecies* of the Issuers Regulations. The abbreviation "IFRS" includes all revised international accounting standards ("IAS") and all interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), included those previously issued by the Standing Interpretations Committee ("SIC").

The interim condensed consolidated financial statements for the period ended June 30, 2016 were prepared according to IAS 34 revised - *Interim financial reporting*, applicable to interim reporting and therefore has to be read jointly with the consolidated financial statements as at December 31, 2015, since they do not include all the disclosures required for the annual financial statements prepared according to IAS/IFRS.
For comparison purposes also 2015 comparative figures have been presented, in application of IAS 1- *Presentation of financial statements.*

New standards, amendments and interpretations effective from January 1, 2016

Accounting standards used to prepare the interim condensed consolidated financial statements as at June 30, 2016 are consistent with those applied in the consolidated financial statements as at December 31, 2015, except for the adoption of the following new standards and interpretations applicable starting from January 1, 2016.
The following accounting standards, amendments and interpretations are applicable for the first time from January 1, 2016.

IAS 19 - *Defined benefit plans: employee contributions* (amendment)
On November 21, 2013 the IASB issued an amendment to IAS 19 - *Defined benefit plans*: *employee contributions*, which aims at presenting the contributions (relating only to the service provided by the employee during the year) made by employees or third parties to defined benefit plans as a reduction of the service cost for the year in which the contribution is paid. The need for this proposal arose with the introduction of the new IAS 19 (2011), according to which such contributions are to be interpreted as part

[12] Please note that this percentage had already been used for consolidation purposes as at December 31, 2015, representing the substantial interpretation of the purchase agreement signed on December 23, 2015, which provided for the mutual commitment of the parties to increase the investment of SAES Getters S.p.A. in SAES RIAL Vacuum S.r.l. of an additional 39% by the end of January 2016.

of a post-employment benefit, rather than a short-term benefit and, therefore, that this contribution should be spread over the years of service of the employee.
The adoption of this amendment didn't have any impact on the Group's consolidated financial statements.

Annual improvements to IFRSs: 2010-2012 cycle

On December 12, 2013 the IASB published the document "*Annual improvements to IFRSs*: *2010-2012 cycle*" which incorporates the changes to some standards as part of the annual process to improve them. The main changes include the following ones:

- IFRS 2 - *Share-based payments - definition of vesting conditions*. Some changes have been made to the definitions of "vesting condition" and "market condition" and the definitions of "performance condition" and "service condition" have been added (previously included in the definition of "vesting condition").
- IFRS 3 - *Business combination - accounting for contingent consideration*. The amendment clarifies that a contingent consideration in a business combination classified as a financial asset or liability (differently from what envisaged for that classified as an equity instrument) shall be re-measured at fair value at each balance sheet closing date and the changes in the fair value are recognized in the income statement or among the items of the other comprehensive income based on the requirements of IAS 39 (or IFRS 9).
- IFRS 8 - *Operating segments - aggregation of operating segments*. The amendments require an entity to provide disclosures about the assessments made by the management in applying the criteria of aggregation of operating segments, including a description of the aggregated operating segments and of the economic indicators that have been taken into account to decide whether such operating segments have similar economic characteristics as such to allow their aggregation.
- IFRS 8 - *Operating segments - reconciliation of total of the reportable segments' assets to the entity's assets*. The amendments clarify that the reconciliation between the total assets of the operating segments and the total assets as a whole of the entity must be submitted only if the total assets of the operating segments are regularly reviewed by the chief operating decision makers.
- IFRS 13 - *Fair value measurement - short-term receivables and payables*. The basis for conclusions of this principle have been changed in order to clarify that with the issuance of IFRS 13, and the consequential amendments to IAS 39 and IFRS 9, the option of accounting current trade receivables and payables without detecting the effects of their discounting, where such effects are not significant, remains valid.
- IAS 16 - *Property, plant and equipment and IAS 38 - Intangible assets - revaluation method: proportionate restatement of accumulated depreciation/amortization*. The changes have eliminated the inconsistencies in the recognition of depreciation when a tangible or intangible asset is re-valued. The new requirements clarify that the gross carrying value is appropriate consistently with the revaluation of the carrying value of the asset and that the accumulated depreciation is equal to the difference between the gross carrying value and the carrying value net of any recognized impairment.
- IAS 24 - *Related parties disclosures - key management personnel*. It is clarified that in case the services of key management personnel are provided by an entity (and not by a person), that entity has to be considered as a related party.

The adoption of these changes did not have any impact on the Group's consolidated financial statements.

IFRS 11 - *Joint arrangements - accounting for acquisitions of interests in joint operations* (amendment)

On May 6, 2014 the IASB issued some amendments to IFRS 11 - *Joint arrangements - accounting for acquisitions of interests in joint operations* related to the accounting of the purchase of interests in a joint operation whose activity constitutes a business in accordance with what envisaged by IFRS 3. The changes require that in these cases the principles set out in IFRS 3 relating to the effects of a business combination shall be applied.
The adoption of this amendment did not have any impact on the Group's consolidated financial statements.

IAS 16 - *Property, plant and equipment* and IAS 38 - *Intangibles assets - clarification of acceptable methods of depreciation and amortisation* (amendments)

On May 12, 2014 the IASB issued some amendments to IAS 16 - *Property, plant and equipment* and to IAS 38 - *Intangibles assets - clarification of acceptable methods of depreciation and amortisation.*
The amendments to IAS 16 - *Property, plant and equipment* establish that the depreciation method based on revenues is not appropriate. The amendment clarifies that the revenues generated by an activity that includes the use of an asset subject to depreciation generally reflect several factors that differ from the solely consumption of the economic benefits of that asset, a condition that is instead required for the depreciation.
The amendments to IAS 38 - *Intangibles assets* introduce a relative assumption that a depreciation method based on revenues is inappropriate for the same reasons stated by the amendments made to IAS 16 - *Property, plant and equipment*. In the case of intangible assets, this assumption can be rebutted only in limited and specific circumstances.
The adoption of these amendments did not have any impact on the Group's consolidated financial statements.

Annual improvements to IFRSs: 2012-2014 cycle
On September 25, 2014 the IASB published the document "*Annual improvements to IFRSs: 2012-2014 cycle*".
The document introduces some amendments to the following standards:
o IFRS 5 - *Non-current assets held for sale and discontinued operations*. The amendment introduces specific guidance when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution (or *vice versa*), or when the requirements for the classification of an asset as held-for-distribution cease to exist. The amendments state that: (i) for such reclassifications should be considered valid the same classification and evaluation criteria; (ii) assets that no longer meet the criteria for held for distribution should be treated in the same way as assets that cease to be classified as held for sale.
o IFRS 7 - *Financial instruments: disclosure*. The amendments provide additional guidance to clarify whether a servicing contract represents a residual involvement in a transferred asset for the purposes of the disclosure required in relation to transferred assets. In addition, it is clarified that the disclosure on the compensation of financial assets and liabilities is not explicitly requested for interim financial statements, except in the case this represents a significant information.
o IAS 19 - *Employee benefits*. The document introduces some changes to IAS 19 in order to clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. The amendments specify that the scope of the high quality corporate bond market to be considered is the one at the currency level and not the country of the entity subject to reporting.
o IAS 34 - *Interim financial reporting*. The document introduces some amendments to clarify the requirements to respect when the required information is presented within the interim financial report but outside the interim financial statements. The amendment specifies that such information has to be incorporated by way of a cross-reference from the interim financial statements to the other parts of the interim financial report and that such document must be available to the readers of the financial statements with the same terms and same timing as the interim financial statements.
The adoption of these changes did not have any impact on the Group's consolidated financial statements.

IAS 1 - *Disclosure initiative* (amendment)
On December 18, 2014 the IASB issued an amendment to IAS 1 - *Disclosure initiative*. The objective of the amendments is to provide some clarifications regarding some elements of disclosure that may be perceived as impediments to a clear and understandable preparation of the financial statements. The changes are the following ones:
o Materiality and aggregation: it clarifies that a company should not obscure information by aggregating or disaggregating it and that materiality considerations apply to the primary financial statements, notes and any specific disclosure requirement of IFRSs. The disclosures specifically required by IFRSs need to be provided only if the information is material.
o Statement of financial position and statement of profit or loss and other comprehensive income: it clarifies that the list of items specified by IAS 1 for these statements can be disaggregated and aggregated on a case by case basis. It is also included an additional guidance on the presentation of subtotals in these statements.

o Presentation of the elements of Other Comprehensive Income ("OCI"): it clarifies that the share of OCI of associate and joint ventures consolidated with the equity method should be presented in aggregate as a single line item, with the latter divided in components respectively subject or not subject to reclassifications in the income statement.

o Explanatory notes: it clarifies that entities have flexibility when designing the structure of the notes and it provides a guidance on how to determine a systematic order of the notes themselves, for example:

- giving priority to those that are most relevant to the understanding of the financial position (for example, gathering information on particular activities);
- grouping elements measured with the same criteria (for example, assets measured at fair value);
- following the order of the items presented in the tables.

The adoption of this amendment did not have any impact on the Group's consolidated financial statements.

IFRS accounting standards, amendments and interpretations not yet validated by the European Union

At the date of these interim consolidated financial statements, the competent bodies of the European Union have not yet completed the endorsement process necessary for the adoption of the amendments and the principles described below.

IFRS 15 - *Revenue from contracts with customers*

On May 28, 2014 the IASB issued IFRS 15 - *Revenue from contracts with customers* that replaces IAS 18 - *Revenues* and IAS 11 - *Construction contracts*, as well as the interpretations IFRIC 13 - *Customer loyalty programmes*, IFRIC 15 - *Agreements for the construction of real estate*, IFRIC 18 - *Transfers of assets from customers* and SIC 31 - *Revenues - barter transactions involving advertising services*. The new model of revenue recognition established by the new standard will apply to all contracts with customers except those that fall within the scope of other IAS/IFRSs such as leases, insurance contracts and financial instruments. The basic steps for the recognition of revenues under the new model are the following ones:

o the identification of a contract with the customer;

o the identification of the performance obligations of the contract;

o the determination of the price;

o the allocation of the price to the performance obligations of the contract;

o the criteria of recognition of the revenue when the entity satisfies each performance obligation.

The standard is applicable starting from January 1, 2018, but an earlier application is allowed.

The possible impacts of these changes on the Group's consolidated financial statements are currently being assessed.

IFRS 9 - *Financial instruments*

On July 24, 2014 the IASB published the final version of IFRS 9 - *Financial instruments*.

The document includes the results of the phases relating to Classification and measurement, Impairment and Hedge accounting, of the IASB project aimed at replacing IAS 39. The new standard, which replaces the previous versions of IFRS 9, must be applied to financial statements beginning on or after January 1, 2018.

The standard introduces new requirements for the classification and measurement of financial assets and liabilities. In particular, for financial assets, the new standard uses a single approach based on the management of financial instruments and the contractual cash flow characteristics of the financial assets themselves in order to determine the evaluation criterion, replacing the many different rules envisaged by IAS 39. Instead, for financial liabilities, the main change regards the accounting treatment of the changes in the fair value of a financial liability designated as a financial liability evaluated at fair value in the income statement, if these changes are due to changes in the creditworthiness of the issuer of the liability itself. Under the new standard, these changes must be recognized in the other comprehensive income and not in the income statement.

With reference to the impairment model, the new standard requires that the estimate of credit losses is made on the basis of the expected losses model (and not of the incurred losses model used by IAS 39)

using concrete information, available without unreasonable effort or expenses, which include historical, current and future data. The standard requires that this impairment model applies to all financial instruments, namely to financial assets measured at amortized cost, to those measured at fair value through other comprehensive income, to receivables deriving from lease contracts and to trade receivables.
Finally, the standard introduces a new hedge accounting model in order to adapt the requirements of the current IAS 39 that sometimes were considered too stringent and unsuitable to reflect the risk management policies of the company. The main novelties of the document include the following ones:

- o increase in the types of transactions eligible for hedge accounting, including also the risks of non-financial assets/liabilities eligible to be managed in hedge accounting;
- o change in the accounting method for forward contracts and options when included in a hedge accounting relation in order to reduce the volatility of the income statement;
- o changes in the effectiveness test by replacing the current model based on the 80-125% parameter with the principle of the "economic relationship" between the hedged item and the hedging instrument; moreover, a retrospective evaluation of the effectiveness of the hedging relationship will be no longer requested.

The greater flexibility of the new accounting rules is offset by additional requests of information on the risk management activities of the company.
The possible impacts of the introduction of IFRS 9 on the Group's consolidated financial statements are currently being assessed.

IFRS 16 - *Leases*

On January 13, 2016 the IASB issued IFRS 16 – *Leases*, which is intended to replace IAS 17 - *Leases*, and the interpretations IFRIC 4 - *Determining whether an arrangement contains a lease*, SIC 15 - *Operating leases incentiv*es and SIC 27 - *Evaluating the substance of transactions involving the legal form of a lease.*
The new standard provides for a new definition of lease and introduces a criterion based on control (right of use) of an asset to distinguish the lease contracts from the contracts for services, by identifying the following discriminating factors: the identification of the asset, the right to replace it, the right to substantially obtain all the economic benefits arising from the use of the asset and the right to direct the use of the underlying asset of the contract.
The standard establishes a single model of recognition and measurement of the lease agreements for the lessee which provides for the record of the lease asset, including an operating lease, among the assets with a financial debt as counterpart, while providing also the possibility not to recognize as leases those contracts which refer to "low-value assets" and those leases with a duration of the contract equal to or less than 12 months. In contrast, the standard does not include significant changes for the lessors.
The principle applies starting from January 1, 2019 but an early application is allowed, only for those companies that have chosen an early adoption of IFRS 15 - *Revenue from contracts with customers.*
It is expected that the application of IFRS 16 may have a significant impact on the accounting treatment of leases and the related disclosure reported in the Group's consolidated financial statements. However, it is not possible to provide a reasonable estimate of its effect until the Group has completed a detailed analysis of the related contracts.

IFRS 10 and IAS 28 - *Sales or contribution of assets between an investor and its associate or joint venture* (amendment)

On September 11, 2014 the IASB published an amendment to IFRS 10 and IAS 28 - *Sales or contribution of assets between an investor and its associate or joint venture*. The document was published in order to solve the current conflict between IAS 28 and IFRS 10.
According to IAS 28, the gain or loss resulting from the sale or transfer of a non-monetary asset to a joint venture or associate in exchange of a share in the share capital of the latter is limited to the stake held in the joint venture or associate by the other investors not involved in the transaction. In contrast, IFRS 10 requires the recording of the entire gain or loss in the event of loss of the control of a subsidiary, even if the entity continues to hold a non-controlling stake in it, including in this case also the sale or transfer of a subsidiary to a joint venture or to an associate. The introduced changes provide that in case of a sale/transfer of an asset or a subsidiary to a joint venture or an associate, the measure of the gain or loss to

be recognized in the balance sheet of the assignor/transferor depends on the fact that the sold/transferred assets or subsidiary constitute or not a business, as envisaged by IFRS 3. In the event that the sold/transferred activities or subsidiary represent a business, the entity shall recognize the gain or loss on the entire investment previously held; while, in the opposite case, the portion of gain or loss related to the share still held by the entity should be eliminated.
At the moment, the IASB has suspended the application of this amendment.
The adoption of these changes is not expected to have a significant impact on the Group's consolidated financial statements.

***Investment entities: applying the consolidation exception* (amendments to IFRS 10, IFRS 12 and IAS 28)**
On December 18, 2014 the IASB published the document "*Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)*", containing amendments related to issues raised as a result of the application of the consolidation exception granted to investment entities. The changes introduced by the document must be applied for periods beginning on or after January 1, 2016; however, an earlier application is allowed.
The adoption of these changes is not expected to have a significant impact on the Group's consolidated financial statements, since the company does not meet the definition of investment company.

Recognition of Deferred Tax Assets for Unrealised Losses (*amendments to IAS 12*)
On January 19, 2016 the IASB published the document "*Recognition of Deferred Tax Assets for Unrealised Losses (amendments to IAS 12)"* that contains some changes to IAS 12. The document aims at providing some clarifications on the recognition of deferred taxes on unrealized losses upon the occurrence of certain circumstances and on the estimate of the taxable income in the future years.
The changes will apply starting from January 1, 2017, but an early adoption is allowed.
The Directors are currently considering the possible impacts of these amendments on the Group's consolidated financial statements.

Disclosure Initiative (*amendments to IAS 7*)
On January 29, 2016 the IASB published the document "*Disclosure Initiative (amendments to IAS 7)*" that contains some changes to IAS 7. The document aims at providing some clarifications to improve the disclosure on financial liabilities. In particular, the amendments require to disclose information that enables users of the financial statements to understand the changes in liabilities arising from financing operations, including changes resulting from monetary movements and changes resulting from non-monetary movements. The amendments do not provide any specific format to be used for such information. However, the introduced amendments require an entity to provide a reconciliation between the initial balance and the final balance for the liabilities arising from financial transactions.
The changes will apply starting from January 1, 2017, but an early application is allowed. It is not required to present any comparative information related to the previous years.
The adoption of these changes are not expected to have any significant impact on the Group's consolidated financial statements.

***Classification and measurement of share-based payment transactions* (amendments to IFRS 2)**
On June 20, 2016 the IASB published the document "*Classification and measurement of share-based payment transactions (amendments to IFRS 2)*" that contains some changes to IFRS 2. The amendments provide some clarifications on the accounting treatment of the effects of vesting conditions in the presence of cash-settled share-based payments, on the classification of share-based payments with net settlement characteristics and on the accounting of the changes to the terms and conditions of a share-based payment that alter its classification from cash-settled to equity-settled one.
The changes will apply starting from January 1, 2018, but an early application is allowed.
The adoption of these changes are not expected to have any significant impact on the Group's consolidated financial statements.

Use of estimates

The preparation of the interim condensed consolidated financial statements requires the use of estimates and assumptions from the Management that have an effect on the values of revenues, costs, assets and liabilities, as well as the disclosure of contingent assets and liabilities at the interim financial statements date. If such estimates and assumptions, which are based on the best evaluation currently available, should differ from the actual circumstances in the future, they will be modified accordingly during the period in which said circumstances change.
In particular, estimates are used to recognize revenues, accruals to provision for receivables, obsolete and slow-rotation inventory, depreciation and amortization, write-downs of current and non-current assets, employees' benefits, taxes and other accruals to provisions. Estimates and assumptions are reviewed periodically and the effects of all changes are reflected on the statement of profit or loss.
Moreover, we report that some evaluation processes, particularly the most complex ones, such as the determination of impairment of non-current assets, are generally conducted in complete form solely for the preparation of the annual report, when all the required information is available, except in circumstances where there are indicators of impairment that require an immediate assessment of impairment.
In a likely manner, the actuarial valuations required to determine the provisions for employee benefits are normally conducted for the preparation of the annual report.
At the reference date of these interim condensed consolidated financial statements there were no changes in the estimates and assumptions used during the closing process of the financial statements as at December 31, 2015.

Criteria for converting items expressed in foreign currencies

The consolidated financial statements are presented in euro, which is the functional currency of the Group.
Each company of Group defines the functional currency for its financial statements. Transactions in foreign currencies are initially recorded at the exchange rate (related to the functional currency) at the date of the transaction.
All of the assets and liabilities of foreign companies in currencies other than the euro that fall within the scope of consolidation are converted by using the exchange rates in force as of the balance sheet data (current exchange rate method), whereas the associated revenues and costs are converted at the average exchange rates for the period. Translation differences resulting from the application of this method are classified as a shareholders' equity item until the equity investment is sold. In preparing the consolidated cash flow statement, the cash flows of consolidated foreign companies expressed in currencies other than the euro are converted by using the average exchange rates for the period.
Non-current items measured at historical cost in a foreign currency (including goodwill and adjustments to the fair value generated during the purchase price allocation of a foreign company) are converted at the exchange rates at the date of their initial recording. At a later stage, these figures are converted at the exchange rate at period end.

The following table shows the exchange rates used for the conversion of the foreign financial statements.

expressed in foreign currency (per 1 euro)

Currency	June 30, 2016		December 31, 2015		June 30, 2015	
	Average rate	Final rate	Average rate	Final rate	Average rate	Final rate
US dollar	1.1159	1.1102	1.1095	1.0887	1.1158	1.1189
Japanese yen	124.4100	114.0500	134.3100	131.0700	134.2000	137.0000
South Korean won	1,318.9200	1,278.4800	1,256.5000	1,280.8000	1,227.3000	1,251.3000
Renminbi (P.R. of China)	7.2965	7.3755	6.9733	7.0608	6.9408	6.9366
Taiwan dollar	36.5468	35.7658	35.2501	35.7908	34.8158	34.5487

3. NET SALES

Consolidated net sales of the first half of 2016 were equal to 89,832 thousand euro, up by 9.8% compared to 81,819 thousand euro achieved in the corresponding period of 2015. The exchange rate effect was substantially null and therefore the above mentioned growth has to be considered mainly as organic growth, mainly driven by the Shape Memory Alloys (SMAs) segment, both for medical and industrial applications, by the gas purification sector, as well as by the recovery in the security & defense market (Business Electronic & Photonic Devices and Business Sensors & Detectors).

The following table shows a breakdown of revenues by Business.

(thousands of euro)

Business	1st Half 2016	1st Half 2015	Difference	Difference %	Exchange rate effect %	Organic change %
Electronic & Photonic Devices	7,264	6,563	701	10.7%	0.3%	10.4%
Sensors & Detectors	7,397	5,375	2,022	37.6%	-0.9%	38.5%
Light Sources	3,967	5,020	(1,053)	-21.0%	0.3%	-21.3%
Vacuum Systems	3,461	4,090	(629)	-15.4%	0.4%	-15.8%
Thermal Insulation	2,442	3,149	(707)	-22.5%	1.2%	-23.7%
Pure Gas Handling	29,354	27,630	1,724	6.2%	0.0%	6.2%
Industrial Applications	**53,885**	**51,827**	**2,058**	**4.0%**	**0.0%**	**4.0%**
SMA Medical Applications	30,481	25,942	4,539	17.5%	0.0%	17.5%
SMA Industrial Applications	4,932	3,308	1,624	49.1%	0.0%	49.1%
Shape Memory Alloys	**35,413**	**29,250**	**6,163**	**21.1%**	**0.0%**	**21.1%**
Business Development	**534**	**742**	**(208)**	**-28.0%**	**-0.2%**	**-27.8%**
Total net sales	**89,832**	**81,819**	**8,013**	**9.8%**	**0.0%**	**9.8%**

Please refer to the Interim report on operations for further details and comments.

4. COST OF SALES

The cost of sales amounted to 49,872 thousand euro in the first half of 2016, compared to 46,826 thousand euro in the corresponding period of the previous year.

A breakdown of the cost of sales by category is provided below, compared with the actual figure of the first half of 2015.

(thousands of euro)

Cost of sales	1st Half 2016	1st Half 2015	Difference
Raw materials	18,491	20,248	(1,757)
Direct labour	10,525	9,347	1,178
Manufacturing overhead	19,639	18,214	1,425
Increase (decrease) in work in progress and finished goods	1,217	(983)	2,200
Total cost of sales	**49,872**	**46,826**	**3,046**

The percentage change in the manufacturing overhead (+7.8% excluding the exchange rate effect) is in line with the organic sales' growth (+9.8%).
Instead, the change in the cost of direct labor and of the raw materials (also including the change in inventories of semi-finished and finished products) recorded an opposite trend compared to revenues: in particular, the direct labor costs increased more than proportionally compared to revenues (+12.6%), while the raw materials increased less in percentage terms (+2.1% was the organic growth), following the shift in the sales mix towards more technologically sophisticated products, characterized by a higher absorption of qualified direct labor but a lower use of raw materials.

5. OPERATING EXPENSES

Operating expenses amounted to 27,215 thousand euro in the first semester of 2016, with an increase of 4.4% compared to 26,073 thousand euro in the same period of the previous year.

(thousands of euro)

Operating expenses	1st Half 2016	1st Half 2015	Difference
Research & development expenses	7,302	7,022	280
Selling expenses	7,185	7,067	118
General & administrative expenses	12,728	11,984	744
Total operating expenses	**27,215**	**26,073**	**1,142**

The increase mainly regarded the **general and administrative expenses** (in particular, increased consultant fees for corporate extraordinary projects developed during the semester, in addition to the higher accrual for the variable remuneration of the Executive Directors). Both the **R&D expenses** and the **selling expenses** were instead substantially in line with those of the first half of 2015.

A breakdown by nature of the total expenses included in the cost of sales and operating expenses, compared with the first half of the previous year, is given below.

(thousands of euro)

Total costs by nature	1st Half 2016	1st Half 2015	Difference
Raw materials	18,491	20,248	(1,757)
Personnel cost	34,220	31,059	3,161
Corporate bodies	1,727	1,545	182
Travel expenses	793	834	(41)
Maintenance and repairs	1,533	1,369	164
Various materials	4,222	3,970	252
Transports	951	969	(18)
Commissions	720	531	189
Licenses and patents	574	696	(122)
Consultant fees and legal expenses	2,796	2,268	528
Audit fees	248	221	27
Rent and operating leases	1,164	1,022	142
Insurances	601	570	31
Promotion and advertising	277	262	15
Utilities	1,432	1,479	(47)
Telephones and faxes	208	222	(14)
General services (canteen, cleaning, vigilance, etc.)	698	687	11
Training	100	68	32
Depreciation	3,492	3,492	0
Amortization	658	675	(17)
Write-down of non current assets	37	11	26
Provision (release) for bad debts	0	277	(277)
Other	928	1,407	(479)
Total costs by nature	**75,870**	**73,882**	**1,988**
Increase (decrease) in work in progress and finished goods	1,217	(983)	2,200
Total cost of sales and operating expenses	**77,087**	**72,899**	**4,188**

The increase in "Personnel cost" was due to the growth in the average number of the Group's employees and to salary increases linked to meritocratic policies and to regulatory increases, as well as to higher accruals for the variable compensation of the employees, estimated to be growing in line with the trend of the economic results.

The item "Corporate bodies" included the remuneration of the members of the Board of Directors, both executive and non-executive, and of the Board of Statutory Auditors of the Parent Company. Please note that, starting from the end of April 2015, this remuneration was calculated according to the new values defined with the three-year renewal of the corporate bodies. The increase compared to June 30, 2015 is mainly due to the higher accruals for the variable component of the remuneration of the Executive Directors.

The increase in "Maintenance and repairs" and "Rent and operating leases" was mainly linked to the expansion of the production facility of the subsidiary Memry Corporation located in Bethel (CT - USA), completed in September 2015.

The items "Various materials" and "Commissions", which are strictly connected to the production cycle, increased for the increase in sales, mainly in the shape memory alloys business and in the purification sector.

The item " Consultant fees and legal expenses" increased of 528 thousand euro following the corporate extraordinary projects developed during the semester.

The provisions for bad debts, null as at June 30, 2016, in the first half of 2015 were related to the write-down of a single trade receivable, estimated as unrecoverable by the management of the subsidiary SAES Pure Gas, Inc.

The decrease of the item “Other” is referred to the fact that in the first half of 2015 this item included a non-recurring cost for the write-off made by the Parent Company of an advance payment estimated as irrecoverable.

6. OTHER INCOME (EXPENSES)

The item “Other income (expenses)” as at June 30, 2016 recorded a negative balance of -819 thousand euro compared to -130 thousand euro in the corresponding period of the previous year.
The breakdown is provided below.

(thousands of euro)

	1st Half 2016	1st Half 2015	Difference
Other income	183	154	29
Other expenses	(1,002)	(284)	(718)
Total other income (expenses)	**(819)**	**(130)**	**(689)**

The item "Other income" includes all those revenues that do not fall within the ordinary operations of the Group, such as, for example, the proceeds from the sale of scrap materials and it is in line with the first half of 2015.

The item "Other expenses" is mainly composed by the property taxes and other taxes, other than income taxes, paid by the Italian Group’s companies.
The increase compared to June 30, 2015 is primarily due to the fact that, during the current semester, the item also includes a cost (431 thousand euro, in addition to the accrual of 689 thousand euro accounted for at the end of 2015) following the signature of a settlement agreement for the definition of the environmental dispute regarding the compensation for the environmental damages and the water and below sediment purification of the Onondaga Lake (for further details please refer to the “Subsequent events” paragraph of the Interim report on operations and to the Note no. 30) and to the cost (245 thousand euro) related to the purchase, from Polyera Corporation, of a license on 50% of the OLET technology jointly developed by the Group with Polyera itself .

7. FINANCIAL INCOME (EXPENSES)

The following table shows the financial income breakdown in the first half of 2016, compared to the previous year.

(thousands of euro)

Financial income	1st Half 2016	1st Half 2015	Difference
Bank interest income	29	74	(45)
Other financial income	38	83	(45)
Total financial income	**67**	**157**	**(90)**

The reduction of the item “Bank interest income” was due to the lower cash and cash equivalents of Asian subsidiaries as a result of the partial repayment of the share capital of these companies of the Group, completed at the end of 2015.

The decrease of the item “Other financial income” was mainly due to the lower interest income accrued on the interest-bearing loans granted by the subsidiary SAES Nitinol S.r.l. to the joint venture Actuator Solutions GmbH, being the amount of the repaid share of the principal amount higher than the new loan granted in January 2016 (for further details please refer to the Note no. 18).

The breakdown of financial expenses is given below.

(thousands of euro)

Financial expenses	1st Half 2016	1st Half 2015	Difference
Bank interests and other bank expenses	713	883	(170)
Other financial expenses	36	45	(9)
Realized losses on IRS	3	0	3
Losses from IRS evaluation at fair value	52	0	52
Total financial expenses	**804**	**928**	**(124)**

The item “Bank interests and other bank expenses” includes the interest expenses on loans, both short and long term ones, held by the Parent Company and by the US subsidiaries Memry Corporation, as well as the bank fees related to the credit lines held by SAES Getters S.p.A.
Compared to June 30, 2015, following the different breakdown of the financial debt, with a progressive increase of the incidence of medium to long term loans, compared to the short-term bank debt, the increase in interests on the long term financing was offset by lower costs for loans such as “hot money” and for the use of bank credit lines.

The item “Other financial expenses” was mainly composed by the effect of the adjustment of the time horizon used in the calculation of the present value of the financial debt deriving from the acquisition of the “hydrogen purifiers” business from Power & Energy, Inc. in the income statement (for further details please refer to the Note no. 26).

Finally, the item “Losses from IRS evaluation at fair value” is the effect on the income statement of the fair value measurement of the interest rate swap (IRS) contracts held by the Parent Company, while the item “Realized losses on IRS” includes the interest differences actually paid to the bank in respect of these contracts during the current semester.

8. SHARE OF RESULT OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

This item includes the Group’s share in the result of the joint ventures Actuator Solutions GmbH[13] e SAES RIAL Vacuum S.r.l.[14], both evaluated with the equity method.

[13] Please note that Actuator Solutions GmbH consolidates its wholly owned subsidiary Actuator Solutions Taiwan Co., Ltd.
[14] SAES RIAL Vacuum S.r.l. was included in the scope of consolidation starting from December 2015, but it has started to be operating in January 2016, therefore it didn’t contribute to the 2015 result of the SAES Group.

(thousands of euro)

	1st Half 2016	1st Half 2015	Difference
Actuator Solutions	(1,092)	(933)	(159)
SAES RIAL Vacuum S.r.l.	(86)	n.a.	n.a.
Total income (loss) from equity method evaluated companies	**(1,178)**	**(933)**	**(159)**

In the first half of 2016, the loss deriving from the evaluation with the equity method amounted to -1,178 thousand euro (compared to -933 thousand euro in the corresponding period of 2015) and it was mainly attributable to the joint venture Actuator Solutions, while the joint venture SAES RIAL Vacuum S.r.l. ended the semester substantially at breakeven.
For further details on the performance of the two joint ventures please refer to the Interim Report on Operations, paragraph "Performance of the joint venture companies in the first half of 2016" and to the Note n. 15.

9. FOREIGN EXCHANGE GAINS (LOSSES)

In the first half of 2016 the exchange rates management recorded a negative net balance equal to -224 thousand euro, compared to a positive balance equal to +1,114 thousand euro in the corresponding period of the previous year.

The breakdown of foreign exchange gains and losses as at June 30, 2016 compared to the previous year is given below.

(thousands of euro)

Foreign exchange gains and losses	1st Half 2016	1st Half 2015	Difference
Foreign exchange gains	374	2,805	(2,431)
Foreign exchange losses	(414)	(1,107)	693
Foreign exchange gains (losses), net	**(40)**	**1,698**	**(1,738)**
Realized exchange gains on forward contracts	8	0	8
Realized exchange losses on forward contracts	(1)	(483)	482
Gains (losses) from forward contracts evaluation at fair value	(191)	(101)	(90)
Gains (losses) on forward contracts	**(184)**	**(584)**	**400**
Total foreign exchange gains (losses), net	**(224)**	**1,114**	**(1,338)**

The item "Foreign exchange gains (losses), net" shows a slightly negative balance of -40 thousand euro, compared with a positive balance equal to +1,698 million as at June 30, 2015. This change was due to the fact that, in the previous year, this item included the foreign exchange gains for 1,877 thousand euro resulting from the release into the income statement of part of the translation reserve generated by the consolidation of SAES Getters (Nanjing) Co., Ltd., following the partial reduction of the share capital of the Chinese subsidiary and the related repayment to the Parent Company. This item also included, in both semesters, the differences deriving from the conversion of the Korean won of the financial credit in euro held by the Korean subsidiary towards the Parent Company (-1 thousand euro as at June 30, 2016, versus -507 thousand euro in the first semester of 2015), as well as those related to the conversion of commercial items in dollars and yen (-39 thousand euro versus +328 thousand euro).

Finally, the item "Gains (losses) on forward contracts" recorded a negative balance of -184 thousand euro, versus a negative balance of -584 thousand euro as at June 30, 2015. This balance included both the

gains or losses realised when forward contracts on transactions in dollars and yen are unwound, as well as the impact of their fair value evaluation in the income statement.
In both semesters, this item included the fair value evaluation (positive and equal to +7 thousand euro in the first semester 2016, compared to +323 thousand euro in the corresponding period of 2015) of the forward sale contracts of euro entered into by the Group with the objective of limiting the currency risk on the balance of the aforementioned financial credit in euro of the Korean subsidiary (included in the item "Foreign exchange gains (losses), net").

10. INCOME TAXES

As at June 30, 2016 income taxes amounted to 4,317 thousand euro, with an increase of 205 thousand euro compared to 4,112 thousand euro in the corresponding period of the previous year.

The related breakdown is given below.

(thousands of euro)

	1st Half 2016	1st Half 2015	Difference
Current taxes	3,958	4,138	(180)
Deferred taxes	359	(26)	385
Total	**4,317**	**4,112**	**205**

The increase of tax expenses, compared to the first semester of the previous year, is the effect of the increase in the income before taxes.

The *Group's tax rate* was equal to 44.1% compared to 50.1% in the corresponding period of 2015: the improvement of the tax rate was due to some positive and recurring effects related to the US subsidiaries' tax calculations, as well as to some tax refunds received by the Italian companies and related to taxes paid in previous fiscal years.

As already happened in the previous year, the Group's companies did not recognize deferred tax assets on the fiscal losses realized in the first semester of 2016. These total fiscal losses were equal to 4,458 thousand euro compared to tax losses equal to 3,406 thousand euro as at June 30, 2015.

11. EARNING (LOSS) PER SHARE

As indicated in the Note no. 24, SAES Getters S.p.A.'s capital stock is represented by two different types of shares (ordinary shares and savings shares) which bear different rights with regards to the distribution of dividends.

The pro-quota earning attributable to each type of shares is determined on the basis of the respective rights to receive dividends. Therefore, in order to calculate the earnings per share, the value of the preferred dividends contractually assigned to savings shares has been deducted from the net income of the period, assuming the theoretical distribution of the latter.
The value obtained is divided by the average number of outstanding shares in the relevant time-period.

If the period ended with a loss, the latter would be instead allocated equally to each type of shares.

The following table shows the result per share in the first half of 2016, compared with the figure of the first half of 2015.

Earning (loss) per share	1st Half 2016			1st Half 2015		
	Ordinary shares	**Savings shares**	**Total**	**Ordinary shares**	**Savings shares**	**Total**
Profit (loss) attribuitable to shareholders (thousands of euro)			**5,470**			**4,088**
Theoretical preference dividends (thousands of euro)		1,022	1,022		1,022	1,022
Profit (loss) attributable to the different categories of shares (thousands of euro)	3,558	890	4,448	2,638	428	3,066
Total profit (loss) attributable to the different categories of shares (thousands of euro)	**3,558**	**1,912**	**5,470**	**2,638**	**1,450**	**4,088**
Average number of oustanding shares	14,671,350	7,378,619	22,049,969	14,671,350	7,378,619	22,049,969
Basic earning (loss) per share (euro)	**0.2425**	**0.2591**		**0.1798**	**0.1965**	
- from continued operations (euro)	*0.2425*	*0.2591*		*0.1798*	*0.1965*	
- from discontinued operations (euro)	*0.0000*	*0.0000*		*0.0000*	*0.0000*	
Diluted earning (loss) per share (euro)	**0.2425**	**0.2591**		**0.1798**	**0.1965**	
- from continued operations (euro)	*0.2425*	*0.2591*		*0.1798*	*0.1965*	
- from discontinued operations (euro)	*0.0000*	*0.0000*		*0.0000*	*0.0000*	

12. SEGMENT INFORMATION

For management purposes, the Group is organized into two Business Units based on the type of products and services provided. As at June 30, 2016 the Group's operations were divided into two primary operating segments:

- **Industrial Applications** – getters and dispensers used in a wide range of industrial applications (lamps, electronic devices, MEMS, vacuum systems, vacuum thermal insulation solutions, semiconductors and other industries that use pure gases in their processes);
- **Shape Memory Alloys** – shape memory alloy raw materials, semi-finished products, components and devices for both medical and industrial applications.

The Top Management monitors the results of the various Business Units separately in order to take decisions concerning the allocation of resources and investments and to determine the Group's performance. Each sector is evaluated according to its operating result; financial income and expenses, exchange rate effects and income taxes are measured at the overall Group level and thus they are not allocated to the operating segments.
Internal reports are prepared in accordance with IFRSs and no reconciliation with the carrying amounts is therefore necessary.

The columns "Not allocated" include corporate income statement and financial position amounts that cannot be directly attributed or allocated to the business units on a reasonable basis, but which refer to the Group as a whole, and the amounts related to the basic research projects or undertaken to achieve the diversification in innovative businesses (Business Development Unit).

The following table shows the breakdown of the main income statement figures by operating segment.

(thousands of euro)

Prospetto dell'utile (perdita) consolidato	Industrial Applications		Shape Memory Alloys		Not allocated		Total	
	1st Half 2016	1st Half 2015 (*)	1st Half 2016	1st Half 2015 (*)	1st Half 2016	1st Half 2015 (*)	1st Half 2016	1st Half 2015 (*)
Total net sales	**53,885**	**51,827**	**35,413**	**29,250**	**534**	**742**	**89,832**	**81,819**
Gross profit	**25,714**	**24,867**	**14,166**	**10,068**	**80**	**58**	**39,960**	**34,993**
% on net sales	*47.7%*	*48.0%*	*40.0%*	*34.4%*	*15.0%*	*7.8%*	*44.5%*	*42.8%*
Total operating expenses	(11,702)	(10,901)	(5,478)	(5,342)	(10,035)	(9,830)	(27,215)	(26,073)
Other income (expenses), net	17	35	65	21	(901)	(186)	(819)	(130)
Operating income (loss)	**14,029**	**14,001**	**8,753**	**4,747**	**(10,856)**	**(9,958)**	**11,926**	**8,790**
% on net sales	*26.0%*	*27.0%*	*24.7%*	*16.2%*	*n.s.*	*n.s.*	*13.3%*	*10.7%*
Interest and other financial income (expenses), net							(737)	(771)
Share of result of investments accounted for using the equity method							(1,178)	(933)
Foreign exchange gains (losses), net							(224)	1,114
Income (loss) before taxes							**9,787**	**8,200**
Income taxes							(4,317)	(4,112)
Net income (loss) from continued operations							**5,470**	**4,088**
Net income (loss) from discontinued operations							0	0
Net income (loss)							**5,470**	**4,088**
Minority interests in consolidated subsidiaries							0	0
Group net income (loss)							**5,470**	**4,088**

(*) Some amounts shown in the column do not correspond to those in the Interim financial statements as at June 30, 2015 because they reflect the reclassifications detailed in Note no. 1, paragraph “Reclassificaions on June 30, 2015 income statement figures”.

Information on geographical areas

Please refer to the table and the comments in the Interim report on operations for the split of consolidated net sales by customer’s location.

The split of consolidated net sales based on the countries where the Group’s companies that generated the revenue are based, is provided below.

(thousands of euro)

Country in which the Group entity is located	1st Half 2016	%	1st Half 2015	%	Difference
Italy	15,983	17.8%	15,358	18.8%	625
Europe	3,855	4.3%	3,344	4.1%	511
North America	67,859	75.5%	61,084	74.7%	6,775
South Korea	412	0.5%	508	0.6%	(96)
China	1,703	1.9%	1,518	1.9%	185
Other Asian countries	20	0.0%	7	0.0%	13
Others	0	0.0%	0	0.0%	0
Total net sales	**89,832**	**100%**	**81,819**	**100%**	**8,013**

13. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net of accumulated depreciation, amounted to 49,825 thousand euro as at June 30, 2016, with a decrease of 558 thousand euro compared to December 31, 2015.

The following tables show the changes occurred during the semester.

(thousands of euro)

Tangible fixed assets	Land	Building	Plant and machinery	Assets under construction and advances	Total
December 31, 2015	**4,069**	**21,192**	**23,001**	**2,121**	**50,383**
Additions	0	20	651	2,673	**3,344**
Disposals	0	0	(1)	0	**(1)**
Reclassifications	0	392	1,779	(2,171)	**0**
Depreciation	0	(709)	(2,783)	0	**(3,492)**
Write-downs	0	0	0	(37)	**(37)**
Revaluations	0	0	0	0	**0**
Translation differences	(69)	(90)	(185)	(28)	**(372)**
June 30, 2016	**4,000**	**20,805**	**22,462**	**2,558**	**49,825**
December 31, 2015					
Historical cost	4,069	43,318	124,726	2,298	**174,411**
Accumulated depreciation and write-downs	0	(22,126)	(101,725)	(177)	**(124,028)**
Net book value	**4,069**	**21,192**	**23,001**	**2,121**	**50,383**
June 30, 2016					
Historical cost	4,000	43,489	125,588	2,772	**175,849**
Accumulated depreciation and write-downs	0	(22,684)	(103,126)	(214)	**(126,024)**
Net book value	**4,000**	**20,805**	**22,462**	**2,558**	**49,825**

As at June 30, 2016 land and buildings were not burdened by mortgages or other guarantees.

In the first half of 2016 investments in tangible assets amounted to 3,344 thousand euro and they included the purchases made by the Parent Company of machinery for the improvement of the industrial SMA production lines, of laboratory equipment for the development of products in the purification and in the vacuum systems businesses. Please also note the investments in the SMA area made by the subsidiaries Memry Corporation, SAES Smart Materials, Inc. and Memry GmbH, aimed both at increasing the production capacity of the existing lines and at creating new production departments both in the medical segment and in the industrial one.

The translation differences (-372 thousand euro) were related to assets of the US companies and linked to the devaluation of the US dollar as at June 30, 2016 compared to the exchange rate of December 31, 2015.

The following table shows the composition of tangible fixed assets based on their related ownership rights.

(thousands of euro)

	June 30, 2016			December 31, 2015		
	Owned assets	Finance leased assets	Total	Owned assets	Finance leased assets	Total
Land and building	24,805	0	24,805	25,261	0	25,261
Plant and machinery	22,462	0	22,462	22,994	7	23,001
Assets under construction and advances	2,558	0	2,558	2,121	0	2,121
Total	**49,825**	**0**	**49,825**	**50,376**	**7**	**50,383**

No financial leasing contract was in place as at June 30, 2016 (for further details please refer to the Note no. 26)

14. INTANGIBLE ASSETS, NET

Intangible assets, net of accumulated amortization, amounted to 50,819 thousand euro as at June 30, 2016, and they recorded a decrease of 1,503 thousand euro compared to December 31, 2015.

The changes occurred during the semester are shown below.

(thousands of euro)

Intangible fixed assets	Goodwill	Research and development expenses	Industrial and other patent rights	Concessions, licenses, trademarks and similar rights	Other intangible assets	Assets under construction and advances	Total
December 31, 2015	**44,414**	**0**	**2,834**	**601**	**4,472**	**1**	**52,322**
Additions	0	0	4	59	0	42	**105**
Disposals	0	0	0	0	0	0	**0**
Reclassifications	0	0	0	0	0	0	**0**
Amortization	0	0	(193)	(211)	(254)	0	**(658)**
Write-downs	0	0	0	0	0	0	**0**
Revaluations	0	0	0	0	0	0	**0**
Translation differences	(804)	0	(55)	(3)	(87)	(1)	**(950)**
June 30, 2016	**43,610**	**0**	**2,590**	**446**	**4,131**	**42**	**50,819**
December 31, 2015							
Historical cost	49,691	183	7,091	10,133	24,653	740	**92,491**
Accumulated amortization and write-downs	(5,277)	(183)	(4,257)	(9,532)	(20,181)	(739)	**(40,169)**
Net book value	**44,414**	**0**	**2,834**	**601**	**4,472**	**1**	**52,322**
June 30, 2016							
Historical cost	48,887	183	6,998	10,281	24,586	781	**91,716**
Accumulated amortization and write-downs	(5,277)	(183)	(4,408)	(9,835)	(20,455)	(739)	**(40,897)**
Net book value	**43,610**	**0**	**2,590**	**446**	**4,131**	**42**	**50,819**

The decrease of the semester was due to the translation differences (-950 thousand euro) related to the intangible assets of the Group's US companies and to the amortization of the period (-658 thousand euro), only partially offset by the investments made by the Parent Company for the purchase of new software licenses (105 thousand euro).

With regards to the changes of the item "Goodwill", please see the section below.

All intangible assets, except for goodwill, are considered to have finite useful lives and are systematically amortized to account for their expected residual use.
Goodwill is not amortized; rather, on an annual basis (or more frequently if there are impairment losses indicators), its recoverable value is periodically reviewed on the basis of the expected cash flows of the related Cash Generating Unit - CGU (impairment test).

Goodwill

The following table shows the changes in the item "Goodwill" and it specifies the Cash Generating Unit to which the goodwill is allocated.

(thousands of euro)

Business Unit	December 31, 2015	Additions	Write-downs	Other movements	Translation differences	June 30, 2016
Industrial Applications	5,811	0	0	0	(94)	5,717
Shape Memory Alloys	38,603	0	0	0	(710)	37,893
Not allocated	0	0	0	0	0	0
Total goodwill	**44,414**	**0**	**0**	**0**	**(804)**	**43,610**

The decrease of the period was entirely due to the exchange rate effect on the goodwill amounts denominated in currencies other than euro.

The following table shows the gross book values of goodwill and their accumulated write-downs for impairment from January 1, 2004 to June 30, 2016 and to December 31, 2015.

(thousands of euro)

Business Unit	June 30, 2016			December 31, 2015		
	Gross value	Write-downs	Net book value	Gross value	Write-downs	Net book value
Industrial Applications (*)	5,780	(63)	5,717	5,874	(63)	5,811
Shape Memory Alloys (*)	41,293	(3,400)	37,893	42,003	(3,400)	38,603
Not allocated	358	(358)	0	358	(358)	0
Total goodwill	**47,431**	**(3,821)**	**43,610**	**48,235**	**(3,821)**	**44,414**

(*) The difference between the gross value as at June 30, 2016 and the gross value as at December 31, 2015 is due to the translation differences on goodwill amounts denominated in currencies other than euro.

Pursuant to IAS 36, goodwill is not amortized but rather is tested for impairment annually at the end of each financial year or more often should any specific event take place that may lead to the assumption that there has been a reduction in the value of goodwill. No recoverability analysis was carried out as at June 30, 2016 as there wasn't any indicator of impairment such as to show durable value losses in relation to the goodwill recorded in the financial statements.
Also the estimates concerning the recoverable amount of other tangible and intangible assets made in the financial statements as at December 31, 2015 are still valid today.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

As at June 30, 2016 the item includes the share of the net assets attributable to the Group in the joint venture Actuator Solutions GmbH[15] and in the joint venture SAES RIAL Vacuum S.r.l.

The following table shows the changes in this item during the current semester.

(thousands of euro)

Investments accounted for using the equity method	December 31, 2015	Additions	Capital payments	Share of the net result	Share of other comprehensive income (loss)	Dividends paid	Disposals	Other	June 30, 2016
Actuator Solutions	2,376	0	1,000	(1,092)	(11)	0	0	0	2,273
SAES RIAL Vacuum S.r.l.	1,614	0	0	(86)	0	0	0	0	1,528
Total	**3,990**	**0**	**1,000**	**(1,178)**	**(11)**	**0**	**0**	**0**	**3,801**

Actuator Solutions

The item "Capital payments" refers to the capital contributions made on January 15, 2016 by SAES Nitinol S.r.l. in favor of the joint venture Actuator Solutions GmbH. Please note that the 50% joint partner Alfmeier paid the same amount through the company SMA Holding GmbH.

The item "Share of the net result" (negative for 1,092 thousand euro) relates to the adjustment, in connection with the percentage of ownership, of the value of the investment held by the Group in relation to the results achieved by the joint venture in the first half of 2016.

Instead, the item "Share of other comprehensive income (loss)" (-11 thousand euro) refers to the share of the Group in the currency translation differences reserve arising from the conversion of the financial statements of the subsidiary Actuator Solutions Taiwan Co., Ltd. for consolidation purposes.

[15] Please note that Actuator Solutions GmbH fully consolidates its wholly owned subsidiary Actuator Solutions Taiwan Co., Ltd.

The table below shows the SAES Group interest in Actuator Solutions' assets, liabilities, revenues and costs.

(thousands of euro)

Actuator Solutions	June 30, 2016	December 31, 2015
Statement of financial position	**50%**	**50%**
Non current assets	4,626	4,130
Current assets	2,839	2,448
Total assets	**7,465**	**6,578**
Non current liabilities	1,694	740
Current liabilities	3,498	3,462
Total liabilities	**5,192**	**4,202**
Capital stock, reserves and retained earnings	3,376	4,270
Net income (loss) for the period	(1,092)	(1,843)
Other comprehensive income (loss) for the period	(11)	(51)
Total equity	**2,273**	**2,376**

(thousands of euro)

Actuator Solutions	June 30, 2016	June 30, 2015
Statement of profit or loss and of other	**50%**	**50%**
Net sales	4,494	3,952
Cost of sales	(4,830)	(4,196)
Gross profit	**(336)**	**(244)**
Total operating expenses	(1,141)	(944)
Other income (expenses), net	67	40
Operating income (loss)	**(1,410)**	**(1,148)**
Interest and other financial income, net	(47)	(80)
Foreign exchange gains (losses), net	18	99
Income taxes	347	196
Net income (loss)	**(1,092)**	**(933)**
Exchange differences	(11)	(101)
Total comprehensive income (loss)	**(1,103)**	**(1,034)**

Overall, Actuator Solutions recorded net revenues equal to 8,988 thousand euro in the first half of 2016, to be compared with 7,904 thousand euro in the corresponding period of the previous year; these revenues, almost totally generated by the sales in the seat comfort business (valves based on the SMA technology and used in the lumbar control systems of car seats) increased thanks to the spread of the lumbar control systems of an increasing number of car models.
The net income of the semester was negative and equal to -2,184 thousand euro, compared to a loss of -1,866 thousand euro as at June 30, 2015: the worsening was due both to the decreasing gross margin in the seat comfort sector (in turn, due not only to decreasing unit prices, but also to the still low yield of the new lines related to the expansion of the production capacity, as well as to the planned reduction of the production costs, not yet at full operating speed) and to higher research, development and prototyping expenses for autofocus (AF) actuators. In fact, please note that all research expenses are charged directly into the income statement in the period in which they occurred as they do not qualify for capitalization.

For further details on the developments in Actuator Solutions, please refer to the paragraph dedicated to the joint venture in the interim report.

As already mentioned before, the share of the SAES Group (equal to 50%) in the result of the joint venture amounted to -1,092 thousand euro in the first half of 2016, to which you must add the other components of comprehensive income, negative and equal to -11 thousand euro, represented by the conversion differences arising from the consolidation of Actuator Solutions Taiwan Co., Ltd. in Actuator Solutions GmbH.

Since the plans and the other indicators used to estimate the recoverable amount of the investment as at December 31, 2015 are still valid, no impairment test was carried out as at June 30, 2016.

The following table provides the number of employees of the joint venture Actuator Solutions as at June 30, 2016 split by category, based on the percentage of ownership held by the Group (equal to 50%).

Actuator Solutions	June 30, 2016	December 31, 2015
	50%	50%
Managers	7	5
Employees and middle management	31	26
Workers	12	9
Total (*)	**49**	**40**

(*) This figure does not include the temporary workers equal to 9 units as at June 30, 2016 and to 6 units as at December 31, 2015 (according to the percentage of ownership held by the Group).

SAES RIAL Vacuum S.r.l.

SAES RIAL Vacuum S.r.l. was established at the end of 2015 through the transfer by Rodofil s.n.c. of the Rial Vacuum business (assets, trademark and customers list, as well as inventory and employed personnel), specialized in the design and manufacture of vacuum chambers for accelerators, synchrotrons and colliders, used in the major research laboratories worldwide.
In particular, on December 23, 2015 SAES Getters S.p.A. acquired by Rodofil s.n.c. a first tranche, equal to 10% of the newco SAES RIAL Vacuum S.r.l., while the acquisition of a further 39% was finalized on January 19, 2016.
The aim of the joint venture is to create an Italian technological and manufacturing hub of the highest level, for the design and production of integrated vacuum systems for accelerators, to be used for the research field, as well as for industrial systems and devices combining the highest level the competences of SAES in the field of materials, vacuum applications and innovation, with the experience of Rial and Rodofil in the design, assembling and fine mechanical productions, with the aim of offering absolutely excellent quality products and of successfully competing in the international markets.

The Group's equity investment is accounted for using the equity method since the operation consists of a joint control agreement and, specifically, a joint venture. With this regard, please note that a key factor in qualifying the agreement is the subscription of shareholders’ agreements that provide that the decisions on some significant activities are taken with the unanimous consent of the parties, irrespective of their ownership percentage in the share capital.

As at June 30, 2016 the value of the joint venture (1,528 thousand euro) was the total price for the acquisition of 49% of the share capital of SAES RIAL Vacuum S.r.l. (1,614 thousand euro) adjusted for the SAES Group's share in the result of the first half of 2016 (-86 thousand euro).
Please note that the difference, equal to 1,393 thousand euro, between the total consideration of the acquisition (1,614 thousand euro) and the net value of the assets acquired on the basis of historical values at the acquisition date (221 thousand euro) represents the goodwill that is included in the carrying value of the investment. The allocation of this difference as goodwill has to be considered provisional and will be finalized by the end of the current fiscal year (or rather, within one year from the acquisition date).

Finally, please note that among the shareholders SAES Getters S.p.A. and Rodofil S.r.l. exist a put and call option, according to an agreed schedule. In particular, Rodofil S.r.l. will have the right to exercise, through a one-off operation, a put option, by selling to SAES Getters S.p.A. a minimum of 2% up to a maximum of 51% of its shares of SAES RIAL Vacuum S.r.l., at a predetermined price related to the performance of the new company at the date of the sale; if Rodofil S.r.l. does not exercise its put option, SAES Getters S.p.A. will have the right to exercise a call option for a percentage equal to 30% of the share capital through a one-off operation between June 1and June 30, 2020, , at a price calculated with a similar method. Please note that since at June 30, 2016 the Management did not have enough information in order to perform an accurate assessment of the fair value of the above options, they have not been valued in the financial statements.

The table below shows the SAES Group interest in the assets, liabilities, revenues and costs of. SAES RIAL Vacuum S.r.l.

(thousands of euro)

SAES RIAL Vacuum S.r.l.	June 30, 2016	December 31, 2015
Statement of financial position	**49%**	**49%**
Non current assets	47	47
Current assets	398	239
Total assets	**445**	**286**
Non current liabilities	86	0
Current liabilities	224	65
Total liabilities	**310**	**65**
Capital stock, reserves and retained	221	221
Net income (loss) for the period	(86)	0
Total equity	**135**	**221**
Goodwill arising on acquisition	*1,393*	*1,393*
SAES Group Investment	***1,528***	***1,614***

(thousands of euro)

SAES RIAL Vacuum S.r.l.	June 30, 2016
Statement of profit or loss and of other comprehensive income	**49%**
Net sales	273
Cost of sales	(303)
Gross profit	**(30)**
Total operating expenses	(55)
Other income (expenses), net	0
Operating income (loss)	**(85)**
Interest and other financial income, net	(1)
Foreign exchange gains (losses), net	0
Income taxes	0
Net income (loss)	**(86)**

SAES RIAL Vacuum S.r.l. ended the first half of 2016 with sales equal to 558 thousand euro and a loss equal to -176 thousand euro, the latter related to organization and integration expenses that are typical of any company in its start-up phase.

The share of the SAES Group in the result of the joint venture amounted to -86 thousand euro in the first half of 2016.

The following table provides the number of employees of the joint venture SAES RIAL Vacuum S.r.l. as at June 30, 2016 split by category, based on the percentage of ownership held by the SAES Group (49%).

SAES RIAL Vacuum S.r.l.	June 30, 2016	December 31, 2015
	49%	49%
Managers	0	0
Employees and middle management	2	0
Workers	1	3
Total (*)	**4**	**3**

(*) This figure does not include the temporary workers equal to 2 units as at June 30, 2016 (according to the percentage of ownership held by the Group).

16. DEFERRED TAX ASSETS AND LIABILITIES

As at June 30, 2016 the net balance of deferred tax assets and deferred tax liabilities was positive and equal to 7,215 thousand euro, with a decrease of 323 thousand euro compared to December 31, 2015.

The related details are provided below.

(thousands of euro)

Deferred taxes	June 30, 2016	December 31, 2015	Difference
Deferred tax assets	13,926	14,064	(138)
Deferred tax liabilities	(6,711)	(6,526)	(185)
Total	**7,215**	**7,538**	**(323)**

Since deferred tax assets and liabilities have been recognized in the consolidated financial statements by setting off the figures attributable to the various legal entities against one another when appropriate, the following table shows deferred tax assets and liabilities before the offsetting process.

(thousands of euro)

Deferred taxes	June 30, 2016	December 31, 2015	Difference
Deferred tax assets	18,610	18,667	(57)
Deferred tax liabilities	(11,395)	(11,129)	(266)
Total	**7,215**	**7,538**	**(323)**

The following tables provide a breakdown of the temporary differences that comprise deferred tax assets and liabilities by their nature, compared with the figures as at December 31, 2015.

(thousands of euro)

Deferred tax assets	June 30, 2016		December 31, 2015	
	Temporary differences	Fiscal effect	Temporary differences	Fiscal effect
Intercompany profit eliminations	1,843	626	1,625	591
Differences on depreciation/amortization and write-downs	6,245	1,686	6,467	1,758
Bad debts	426	163	480	182
Inventory write-down	6,445	2,291	6,043	2,149
Provisions	3,363	1,210	4,051	1,378
Cash deductable expenses	6,165	1,792	6,367	1,823
Deferred taxes on recoverable losses	44,818	10,756	44,818	10,756
Exchange differences and other	315	86	114	30
Total		**18,610**		**18,667**

The Group had 121,592 thousand euro in tax losses eligible to be carried forward as at June 30, 2016 most of which were attributable to the subsidiary SAES Getters International Luxembourg S.A. and to the Parent Company (tax losses eligible to be carried forward amounted to 117,653 thousand euro as at December 31, 2015).
The tax losses eligible to be carried forward that were taken into account when determining deferred tax assets were equal to 44,818 thousand euro (unchanged from December 31, 2015).

(thousands of euro)

Deferred tax liabilities	June 30, 2016		December 31, 2015	
	Temporary differences	Fiscal effect	Temporary differences	Fiscal effect
Tax due on distribution of earnings accumulated by the subsidiaries	(61,604)	(3,362)	(55,928)	(3,044)
Differences on depreciation/amortization and fair value revaluations	(22,669)	(7,801)	(23,128)	(7,933)
IAS 19 effect	(431)	(103)	(431)	(103)
Other	(202)	(129)	(66)	(49)
Total		**(11,395)**		**(11,129)**

The deferred tax liabilities recorded in the consolidated financial statements as at June 30, 2016 included not only the fiscal provision on the temporary differences on the plus-values identified during the purchase price allocation of the US companies acquired in the past years, but also taxes due in the event of distribution of the net income and of the reserves of the subsidiaries for which a distribution is expected in a foreseeable future.

The increase of the latter is the main reason for the increase in deferred tax liabilities compared to December 31, 2015 (+266 thousand euro).

Please note that, applying the article 1, paragraph 61, of the 2016 Italian Stability Law that provides for a reduction of the IRES tax rate of the Italian Companies from the current 27.5% to 24%, effective from January 1, 2017, the Group's Italian companies restated the deferred tax assets and liabilities applying the new IRES tax rate of 24%.

17. TAX CONSOLIDATION RECEIVABLES FROM THE CONTROLLING COMPANY

The Italian companies [16] of the Group, until December 31 2014, had joined the national tax consolidation program with S.G.G. Holding S.p.A. as consolidating company and the associated tax balance accrued up to that date but not yet paid was included in the item "Tax consolidation receivables from the Controlling Company". This receivables collectable after the end of the year have been classified among non-current assets.

Starting from the year 2015[17] the same Italian companies of the Group joined a new tax consolidation program with the Parent Company as consolidator. Since this new tax consolidation showed a tax loss as at June 30, 2016 SAES Getters S.p.A., SAES Nitinol S.r.l. and E.T.C. S.r.l. recognized as income the taxes on income (IRES) corresponding only to the tax losses generated by SAES Advanced Technologies S.p.A. and recoverable with the consolidation mechanism, while, prudently, the deferred taxes on the fiscal losses exceeding this amount have not been recognized.
As a result of this, the new tax consolidation reported a net balance equal to zero, as receivables and payables have been offset against one another.

[16] SAES Getters S.p.A., SAES Advanced Technologies S.p.A., SAES Nitinol S.r.l. and E.T.C. S.r.l.
[17] On May 27, 2015, following the decrease of the stake of S.G.G. Holding S.p.A. in SAES Getters S.p.A. below the threshold of 50%, the prerequisite to access to the tax consolidation program with S.G.G. Holding S.p.A. as consolidating company ended, as envisaged by the combined provisions of articles 117 and 120 of the Income Tax Code ("TUIR").

18. FINANCIAL RECEIVABLES FROM RELATED PARTIES

The item "Financial receivables from related parties" included the interest-bearing loans granted by SAES Group to the joint ventures Actuator Solutions GmbH and SAES RIAL Vacuum S.r.l., and amounted to 1,886 thousand euro as at June 30, 2016 compared to 1,155 thousand euro as at December 31, 2015.
The share whose repayment by the joint ventures is expected within one year was included in the current assets (437 thousand euro compared with 555 thousand euro as at December 31, 2016), while the remaining portion was classified as non-current asset (1,449 thousand euro compared with 600 thousand euro as at December 31, 2016).

The related details are provided in the two tables below.

Actuator Solutions

Description	Currency	Principal (thousands of euro)	Timing of capital reimbursement	Interest rate	Accrued interests as at June 30, 2016 (thousands of euro)	Value as at June 30, 2016 (*) (thousands of euro)	Value as at December 31, 2015 (*) (thousands of euro)
Loan granted in February 2014	EUR	1,500	flexible, with maturity date December 2016 (**)	6% annual fixed rate	0	0	86 (***)
Loan granted in October 2014	EUR	1,200	flexible, with maturity date April 2018 (°)	6% annual fixed rate	27	827	1,069
Loan granted in April 2016	EUR	1,000	flexible, with maturity date April 2019	6% annual fixed rate	10	1,010	0
Total		**3,700**			**37**	**1,837**	**1,155**

(*) Interests included.
(**) Totally repaid in December 2015.
(***) Interest accrued during the year 2015.
(°) Extendable on an annual basis.

The loan granted in February 2014 was fully repaid in December 2015, in advance of the contractual due date. The related interest costs accrued during the 2015, were paid by the joint venture in January 2016, and, therefore, the value of the financial credit as at June 30, 2016 was zero.

Instead, the loan granted in October 2014 was still be partially opened as at June 30, 2016. Since the repayment is monthly for fixed principal amounts equal to 33 thousand euro, 400 thousand euro were classified as current assets, together with the interests relating to the current semester (equal to 27 thousand euro), while the remaining 400 thousand euro were recorded as non-current.

Finally, please note that at the end of April 2016 SAES Nitinol S.r.l. granted an additional loan of 1 million euro to Actuator Solutions GmbH. The loan expires on April 30, 2019 and provides for a flexible repayment schedule within the maturity date and a fixed annual interest rate equal to 6%. This loan (both the principal amount, and the interests accrued at June 30, 2016) was rated as collectable beyond 12 months and, therefore, has been entirely recorded in the non-current assets.

SAES RIAL Vacuum S.r.l.

Description	Currency	Principal (thousands of euro)	Timing of capital reimbursement	Interest rate	Accrued interests as at June 30, 2016 (thousands of euro)	Value as at June 30, 2016 (*) (thousands of euro)	Value as at December 31, 2015 (thousands of euro)
Loan granted in January 2016	EUR	49	flexible	Three-months Euribor plus 2.50% spread	0	49	0

(*) Interests included.

On January 12, 2016 SAES Getters S.p.A. granted a loan equal to 49 thousand euro to the joint venture SAES RIAL Vacuum S.r.l., aimed at financially supporting the newly established company's operations. This loan, that doesn't have any predefined expiration date, but, based on the contract, allows for a flexible reimbursement upon a formal request of SAES Getters S.p.A., earns an interest indexed to the three months Euribor rate, plus a spread of 2.50%, to be paid by the joint venture on an annual basis. The financial receivable of SAES Getters S.p.A. was rated as collectable beyond 12 months and, therefore, has been entirely recorded in the non-current assets.

19. OTHER LONG TERM ASSETS

The item "Other long term assets" amounted to 424 thousand euro as at June 30, 2016, compared to 456 thousand euro as at December 31, 2015 and includes the caution money given by the companies of the Group for their operating activities.

20. INVENTORY

Inventory amounted to 31,227 thousand euro as at June 30, 2016, with a decrease of 1,307 thousand euro compared to December 31, 2015.

The following table shows the breakdown of inventory as at June 30, 2016 and December 31, 2015.

(thousands of euro)

Inventory	June 30, 2016	December 31, 2015	Difference
Raw materials, auxiliary materials and spare parts	14,126	13,856	270
Work in progress and semi-finished goods	13,109	14,682	(1,573)
Finished products and goods	3,992	3,996	(4)
Total	**31,227**	**32,534**	**(1,307)**

Excluding the negative exchange rate effect (equal to -563 thousand euro), mainly related to the US dollar devaluation as at June 30, 2016 compared to December 2015, the inventory decreased of 744 thousand euro: the decrease was mainly due to the reduction in the stock of raw materials and semi-finished products in the gas purification business, particularly high at the end of the previous year to cope with the significant number of orders of purifiers to be delivered at the beginning of 2016. This decrease was only partially offset by the higher volumes of finished products in the security and defense sector, related to trend of increasing revenues of this sector.

Inventory is stated net of any provision for depreciation, which, during the first six months of 2016, recorded the changes shown in the table below.

(thousands of euro)

Inventory provision	
December 31, 2015	**4,861**
Accrual	1,005
Release into income statement	(37)
Utilization	(336)
Translation differences	(93)
June 30, 2016	**5,400**

The accrual (+1,005 thousand euro) was mainly related to the write-down of the semi-finished products and finished goods characterized by slow-moving or no longer used in the production process, in particular in the lamps and SMA businesses.

The utilization (-336 thousand euro) was a consequence of the scrapping of some items already written-down in the previous years, in particular by the subsidiaries Memry Corporation and Spectra-Mat, Inc.

21. TRADE RECEIVABLES

Trade receivables, net of bad debt provision, were equal to 26,257 thousand euro as at June 30, 2016 and were up by 2,891 thousand euro compared to December 31, 2015.
The increase was mainly due to the growth recorded by the turnover in the first half of 2016 compared to the last period of the previous year, in particular in the gas purification and in the shape memory alloys businesses.

The breakdown of the item as at June 30, 2016 and as at December 31,2015 is shown in the following table.

(thousands of euro)

Trade receivables	June 30, 2016	December 31, 2015	Difference
Gross value	26,488	23,695	2,793
Bad debt provision	(231)	(329)	98
Net book value	**26,257**	**23,366**	**2,891**

Trade receivables do not bear interests and generally are due after 30-90 days.

The bad debt provision showed the following changes during the semester.

(thousands of euro)

Bad debt provision	June 30, 2016	December 31, 2015
Opening balance	**329**	**297**
Accrual	0	54
Release into income statement	0	0
Utilization	(90)	(51)
Translation differences	(8)	29
Closing balance	**231**	**329**

The use (-90 thousand euro) refers to the write-off of some trade receivables estimated as irrecoverable already at December 31, 2015 by the Management of the Chinese subsidiary SAES Getters (Nanjing) Co., Ltd.

The following table provides a breakdown of trade receivables by those not yet due and past due as at June 30, 2016 compared with December 31, 2015.

(thousands of euro)

Ageing	Total	Not yet due	Due not written down					Due written down
			< 30 days	30 - 60 days	60 - 90 days	90 - 180 days	> 180 days	
June 30,2016	**26,488**	18,337	4,753	1,789	985	351	42	231
December 31,2015	**23,695**	18,236	3,325	748	603	366	88	329

Receivables past due more than 30 days and not written down as deemed to be recoverable represent a minor percentage when compared to the total trade receivables and they are constantly monitored.
The increase of this percentage compared to December 31, 2015 (from 8% to 12%) was mainly due to some specific receivables of the subsidiary SAES Pure Gas, Inc., the collection of which will be finalized by the end of the year 2016.

Please refer to the Report on operations for the credit risk management on trade receivables.

22. PREPAID EXPENSES, ACCRUED INCOME AND OTHER

This item, which includes current non-trade receivables from third parties, along with prepaid expenses and accrued income, showed a balance of 8,601 thousand euro as at June 30, 2016, compared to 10,593 thousand euro as at December 31, 2015.

A breakdown of this item is provided below.

(thousands of euro)

Prepaid expenses, accrued income and other	June 30, 2016	December 31, 2015	Difference
Income tax and other tax receivables	1,676	1,661	15
VAT receivables	4,546	5,816	(1,270)
Social security receivables	149	398	(249)
Personnel receivables	23	109	(86)
Receivables for public grants	455	714	(259)
Other receivables	157	153	4
Total other receivables	**7,006**	**8,851**	**(1,845)**
Accrued income	2	24	(22)
Prepaid expenses	1,593	1,718	(125)
Total prepaid expenses and accrued income	**1,595**	**1,742**	**(147)**
Total prepaid expenses, accrued income and other	**8,601**	**10,593**	**(1,992)**

The item "Income tax and other tax receivables" includes the receivables for advance corporation taxes and other tax credits of the Group's companies with local authorities. The amount of this credit was substantially unchanged compared to December 31, 2015.

The decrease in the "VAT receivables" was due to the refunds received in the semester by the Parent Company on credits accrued respectively in 2014 (1,266 thousand euro) and in 2007/2008 (502 thousand euro). In addition, please note that the credit accrued during the first half of 2016, generated by the Parent Company and due to the excess of passive taxable transactions compared to active ones, was greater than the portion of the credit generated in previous years, and has been used to offset other taxes and contributions.

The decrease in the item "Social security receivables" compared to December 31, 2015 was due to the refunds received in the first half of 2016 by the subsidiary SAES Advanced Technologies S.p.A. in respect of those receivables related to the use of the defensive job-security agreements.

Please note that the item "Receivables for public grants" was mainly composed of credits matured by the Parent Company and by the subsidiary E.T.C. S.r.l. as at June 30, 2016 as a result of contributions for outstanding research projects.
During the semester, income from government grants amounted to 65 thousand euro (160 thousand euro in the first half of 2015).

The decrease in the item "Prepaid expenses" compared to December 31, 2015 was mainly due to all the cost items (particularly, insurance costs) which were paid in advance at the end of the last year but which refer to the current period.

Please note that there are no receivables due after more than five years.

23. CASH AND CASH EQUIVALENTS

The following table shows a breakdown of this item as at June 30, 2016 and December 31, 2015.

(thousands of euro)

Cash and cash equivalents	June 30, 2016	December 31, 2015	Difference
Bank accounts	28,291	24,021	4,270
Petty cash	22	23	(1)
Total	**28,313**	**24,044**	**4,269**

The item "Bank accounts" consists of short-term deposits with some leading financial institutions, denominated primarily in US dollars and Euro.

The item includes the liquid funds mainly held by the US subsidiaries as well as by the Parent Company, for the cash flow management necessary for their operating activities.

For the analysis of the changes occurred in cash and cash equivalents during the period please refer to the comments on the Cash flow statement (Note no. 35).

As at June 30, 2016 the Group has unused credit lines equal to 33.1 million euro compared to 40 million euro as at December 31, 2015. The decrease was mainly the result of the greater use by the Parent Company of debt in the form of "hot money".

24. SHAREHOLDERS’ EQUITY

The Group shareholders' equity amounted to 121,169 thousand euro as at June 30, 2016, with a decrease of 5,316 thousand euro compared to December 31, 2015, mainly due to the dividends distribution by the Parent Company (-8,502 thousand euro) and to the exchange rate differences arising from the translation of the financial statements in foreign currencies (-2,038 thousand euro) partially offset by the net income realized in the semester (+5,470 thousand euro). Among the decreases please note also the one related to the purchase of share of the minority shareholder in the subsidiary E.T.C. S.r.l. (for more details on this, see the paragraph “Relevant events occurred in the first half of 2016” of the Interim Report on operations): the difference between the carrying value of the minority interests and the amount paid for their purchase generated a decrease in Group’s net assets equal to -246 thousand euro.
A summary of the changes occurred is provided in the Statement of changes in the shareholders’ equity.

Capital stock

As at June 30, 2016 the capital stock, fully subscribed and paid-up, amounted to 12,220 thousand euro and consisted of no. 14,671,350 ordinary shares and no. 7,378,619 savings shares, for a total of no. 22,049,969 shares.
The composition of the capital stock was unchanged compared to December 31, 2015.
The implicit book value per share was 0.554196 euro as at June 30, 2016, unchanged from December 31, 2015.

Please refer to the Report on corporate governance and ownership structure, enclosed in the 2015 Consolidated financial statements, for all of the information required by article 123-*bis* of the Consolidated Finance Act (TUF).

All the Parent Company’s securities are listed on the segment of the *Mercato Telematico Azionario* known as “STAR” (Securities with High Requirements), dedicated to small and medium caps that meet specific requirements with regard to reporting transparency, liquidity and corporate governance.

Share issue premium reserve

This item includes amounts paid by the shareholders in excess of the par value for new shares of the Parent Company subscribed in capital issues.
This item was unchanged compared to December 31, 2015.

Legal reserve

This item corresponds to the Parent Company's legal reserve of 2,444 thousand euro as at June 30, 2016 and it was unchanged compared to December 31, 2015, since the reserve had reached its legal limit.

Other reserves and retained earnings

This item includes:
- the reserves (totalling 2,615 thousand euro) represented by the positive monetary revaluation balances resulting from the application of Law no. 72 of March 19, 1983 (1,039 thousand euro) and Law no. 342 of November 21, 2000 (1,576 thousand euro) by the Italian companies of the Group. Pursuant to Law no. 342 of 2000, the revaluation reserve has been stated net of the related lieu tax of 370 thousand euro;
- the other reserves of subsidiaries, the retained earnings, and other shareholders’ equity items of the companies of the Group which were not eliminated during the consolidation process.

The change in the item “Other reserves and retained earnings” includes the distribution to the shareholders of the 2015 dividends, approved by the Parent Company’s Shareholders’ Meeting (-8,502 thousand euro), the carry forward of the 2015 consolidated income (+8,820 thousand euro) and the aforementioned difference (-246 thousand euro) between the carrying value of the minority interests in the subsidiary E.T.C. S.r.l. and the amount paid for their purchase by the Parent Company.

As reported in the Report on corporate governance and ownership structure enclosed to the 2015 Consolidated financial statements, each share is entitled to a proportional part of the net income that it is decided to distribute, except the rights attached to savings shares.
More specifically, as described in article no. 26 of the By-laws, savings shares are entitled to a preferred dividend equal to 25% of their implied book value; if in one financial year a dividend of less than 25% of the implied book value has been allocated to savings shares, the difference will be made up by increasing the preferred dividend in the following two years. The remaining profit that the Shareholders' Meeting has resolved to distribute will be allocated among all shares in such a way to ensure that savings shares are entitled to a total dividend that is 3% of the implied book value higher than that of ordinary shares. In case of distribution of reserves, shares have the same rights irrespective of the category to which they belong.

Other components of the shareholders' equity

This item includes the exchange rate differences arising from the translation of the financial statements in foreign currencies. The translation reserve had a positive balance of 17,017 thousand euro as at June 30, 2016, compared to a positive balance of 19,055 thousand euro as at December 31, 2015. The decrease of 2,038 thousand euro was due both to the overall impact on the consolidated shareholders' equity of the conversion into euro of the financial statements of foreign subsidiaries expressed in currencies other than the euro and the respective consolidation adjustments (-2,027 thousand euro), and to the share of the Group in the currency translation reserve arising from the consolidation of Actuator Solutions Taiwan Co., Ltd. into Actuator Solutions GmbH, both accounted for using the equity method (-11 thousand euro).

Please note that the Group exercised the exemption allowed under IFRS 1 - First-time adoption of International Financial Reporting Standards, regarding the possibility of writing-off the accumulated translation gains or losses generated by the consolidation of foreign subsidiaries as of January 1, 2004. Consequently, the translation reserve includes only the translation gains or losses generated after the date of transition to IASs/IFRSs.

25. FINANCIAL DEBTS

As at June 30, 2016, the financial debts amounted to 31,134 thousand euro, with a decrease of 3,021 thousand euro compared to December 31, 2015.
The reduction was due to the repayments of the principal made during the semester (3,567 thousand euro) to which it must be added the fluctuations of the exchange rates which, as at June 30, 2016, generated a decrease in the Group's financial debt equal to 232 thousand euro: 36% of the Group's financial debt is composed by loans denominated in US dollars, held by the subsidiary Memry Corporation, whose equivalent amount in euro has decreased following the devaluation of the US dollar as at June 30, 2016 compared to December 31, 2015. These decreases were only partially offset by the receipt of the second and last tranche, equal to 706 thousand euro, of the soft financing granted by the State of Connecticut to Memry Corporation at the end of 2014.

The following table shows the changes in the financial debts during the first half of 2016.

(thousands of euro)

Financial debt	
December 31, 2015	**34,155**
Proceeds	706
Amortization of fees and interests	557
Repayments	(3,567)
Interest payments	(485)
Translation differences on loans in foreign currencies	(232)
June 30, 2016	**31,134**

The following table shows the breakdown of the item by contractual maturity.
Please note that the debt with a maturity of less than one year is included among the "Current portion of medium/long term financial debts".

(thousands of euro)

Financial debt	June 30, 2016	December 31, 2015	Difference
Less than 1 year	7,252	7,136	116
Current portion of financial debt	**7,252**	**7,136**	**116**
Between 1 and 2 years	7,125	7,151	(26)
Between 2 and 3 years	7,167	7,111	56
Between 3 and 4 years	6,511	7,152	(641)
Between 4 and 5 years	2,052	4,793	(2,741)
Over 5 years	1,027	812	215
Non current financial debt	**23,882**	**27,019**	**(3,137)**
Total	**31,134**	**34,155**	**(3,021)**

The following table shows the details of the loans held by the Parent Company and by the subsidiary Memry Corporation which were already signed as at December 31, 2015.

Description	Currency	Principal	Timing of capital reimbursement	Timing of covenants calculation	Interest rate	Effective interest rate	Value as at June 30, 2016 (thousands of euro)	Value as at December 31, 2015 (thousands of euro)
Memry Corporation *Unicredit loan*	USD	11 (millions of USD)	half-yearly with maturity date December 31, 2020	Half - yearly	Six-months USD Libor plus 2.70% spread (*)	3,53%	8.918	10.105
SAES Getters S.p.A. *Unicredit loan*	EUR	7 (millions of euro)	quarterly with maturiry date December 31, 2019	Half- yearly	Three-months Euribor plus 2.25% spread	2,57%	4.883	5.578
SAES Getters S.p.A. *EIB - Tranche A*	EUR	5 (millions of euro)	half-yearly with maturity date May 29, 2020	Half- yearly	Six-months Euribor plus 2.997% spread	4,67%	3.888	4.359
EIB - Tranche B (secured by SACE)	EUR	5 (millions of euro)			Six-months Euribor plus 3% running remuneration to SACE	4,75%	3.878	4.347
SAES Getters S.p.A. *Intesa Sanpaolo loan*	EUR	8 (millions of euro)	half-yearly with maturity date July 31, 2020	yearly	Six-months Euribor plus 2.25% spread	2,74%	7.209	8.002

(*) The spread will be reduced to 2.20% in case the ratio between the net financial position and the EBITDA of Memry Corporation is lower than 1.50.

As already reported in the 2015 Consolidated financial statements, at the end of 2014 Memry Corporation had officially signed an agreement with the State of Connecticut to obtain a soft financing in several tranches, for a total amount of 2.8 million USD. The first tranche of the soft financing, equal to 2 million USD, was paid by the State of Connecticut to the US subsidiary on February 20, 2015; the second and last tranche, equal to 0.8 million USD, was paid on June 10, 2016.
This loan, which has a duration of ten years and an annual subsidized fixed interest rate of 2%, will be used to purchase new machinery and equipment in order to expand the production plant in Bethel. The

agreement provides for a monthly repayment, according to a French amortization schedule with increasing principal amounts.
50% of the financing might be converted into a non-refundable grant provided that, by November 2017, Memry Corporation increases its staff of at least 76 employees in Bethel and has kept the created jobs for at least one year, in addition, the employees in Bethel will have to earn an average annual salary of not less than a specific threshold established by the agreement. If the labour force increased of a number of units between 38 and 76 by the due date, the grant would be halved. Currently there is no basis for the recognition of this income, since the achievement of the above objectives is not certain.

Description	Currency	Principal (milioni di dollari)	Timing of capital reimbursement	Timing of covenants calculation	Interest rate	Effective interest rate	Value as at June 30, 2016 (thousands of euro)	Value as at December 31, 2015 (thousands of euro)
Memry Corporation Soft financing granted by the State of Connecticut	USD	1ª *tranche* = 2 millions of USD 2ª *tranche* = 0.8 millions of USD	monthly with maturity date March 1, 2025	n.a.	2%	2%	2,278	1,684

Covenant

The loans held by SAES Getters S.p.A. and granted by Unicredit S.p.A. and by the European Investment Bank (EIB) are subject to the compliance with covenants calculated on some Group's economic and financial figures and verified every semester.
As showed in the table below, as at June 30, 2016, the covenants were met.

		Covenants	*loan Unicredit (*)* **Value as at June 30, 2016**	*loan EIB (*)* **Value as at June 30, 2016**
Net equity	k euro	≥ 94,000	121,169	121,169
Net financial position / Net equity	%	≤ 1.0	0.17	0.17
Net financial position / EBITDA	%	≤ 2.5	0.66	0.66
Total financial debt of the subsidiaries	k euro	≤ 25,000	n.a.	13,076
EBITDA / Financial expenses	%	> 5	n.a.	n.a.

(*) Net financial position calculated excluding financial receivables from related parties and receivables (payables) for derivative financial instruments evaluated at fair value; EBITDA calculated from July 1, 2015 to June 30, 2016.

Also the loan held by Memry Corporation and granted by Unicredit S.p.A. is subject to the compliance with covenants calculated every semester, on June 30 and December 31 of each year, on some economic and financial figures of the US company (instead of consolidated ones).
The following table shows that all covenants were met at the reporting date.

		Covenants	*loan Unicredit* **Value as at June 30, 2016**
Net financial position (°) / Net equity	%	≤ 1	0,07
Net financial position (°) / EBITDA (°°)	%	≤ 2,25	0,32

(°) Net financial position calculated excluding financial receivables from other Group's companies.
(°°) EBITDA calculated from July 1, 2015 to June 30, 2016.

On the basis of the future plans, the Group is expected to be able to comply with the covenants reported above at December 31, 2016 and in the next years.

26. OTHER FINANCIAL DEBTS TOWARDS THIRD PARTIES

As at June 30, 2016, the item “Other financial debts towards third parties” was equal to 1,807 thousand euro, compared to 3,290 thousand euro as at December 31, 2015, and it was split in a long-term portion (1,271 thousand euro, to be compared with 1,355 thousand euro as at December 31, 2015) and a short-term portion (536 thousand euro, to be compared with 1,935 thousand euro as at December 31, 2015).

The decrease compared to December 31, 2015 (-1,483 thousand euro) was mainly due to the expiration in January 2016of the financial debt, amounting to 1,284 thousand euro, arising from the commitment of the Parent Company to acquire the additional 39% of the share capital of the joint venture SAES RIAL Vacuum S.r.l (for more details on the operation, see the paragraph “Relevant events occurred in the first half of 2016” of the Interim Report on operations).

In addition, please note the reduction of the financial debt towards the US company Power & Energy, Inc. related to the amount still to be paid for the acquisition completed in the hydrogen purification business, following the payments made as envisaged by the contract (82 thousand euro[18]).
Please note that, following the devaluation of the dollar as at June 30, 2016 compared to December 31, 2015, the residual debt towards Power & Energy, Inc. has decreased by 37 thousand euro; the adjustment made by applying the amortized cost in the calculation of the present value of the payments still to be paid has instead generated an increase of that debt of 35 thousand euro.

Compared to December 31, 2015, also the residual debts resulting from the acquisition, , of the subsidiary Memry Corporation (57 thousand euro) finalized in 2008 and from the repayment plan revision of the loan held by the subsidiary Memry Corporation (51 thousand euro) were discharged following the payment of the amounts due respectively to the state of Delaware (USA) and the lending bank.

As the table below shows, as at June 30, 2016 there are no debts related to any financial lease contract.

(thousands of euro)

	June 30, 2016	December 31, 2015
Less than 1 year	0	8
Between 1 and 5 years	0	0
Over 5 years	0	0
Total	**0**	**8**

27. STAFF LEAVING INDEMNITIES AND OTHER EMPLOYEE BENEFITS

Please note that this item includes liabilities to employees under both defined-contribution and defined-benefit plans existing in the companies of the Group in accordance with the contractual and legal obligations in place in the various countries.

The following table shows a breakdown of this item and the related changes occurred during the period.

[18] This amount refers to the payment of the earn-out for the period.

(thousands of euro)

Staff leaving indemnities and other employee benefits	Staff leaving indemnities	Other employee benefits	Total
December 31, 2015	**4,798**	**3,058**	**7,856**
Accrual (release)	92	669	761
Indemnities paid	(46)	(6)	(52)
Other changes	0	0	0
Translation differences	0	(19)	(19)
June 30, 2016	**4,844**	**3,702**	**8,546**

The split between the obligations under defined-contribution and defined-benefit plans and the related changes occurred during the semester are shown below.

(thousands of euro)

	December 31, 2015	Financial expenses	Current service cost	Benefits paid	Exchange differences	June 30, 2016
Present value of defined benefit obligations	6,856	92	599	(52)	(1)	7,494
Fair value of plan assets	0	0	0	0	0	0
Costs non yet recognized deriving from past obligations	0	0	0	0	0	0
Defined benefit obligations	**6,856**	**92**	**599**	**(52)**	**(1)**	**7,494**
Defined contribution obligations	1,000	0	70	0	(18)	1,052
Staff leaving indemnities and similar obligations	**7,856**	**92**	**669**	**(52)**	**(19)**	**8,546**

The obligations under defined-benefit plans are measured annually, at the end of each fiscal year, by independent actuarial consultants according to the projected unit credit method, separately applied to each plan.

When referred to the Group's Italian companies, staff leaving indemnity consists of the obligation, estimated according to actuarial techniques, related to the sum to be paid to the employees of the Italian companies when employment is terminated.
Following the entry into force of the 2007 Budget Act and associated implementation decrees, in the company with a number of employees above 50, the liability associated with past years staff leaving indemnity continues to be considered a defined-benefit plan and is consequently measured according to actuarial assumptions. The portion paid to pension funds is instead considered a defined-contribution plan and therefore it is not discounted.

The item "Other employee benefits" includes the provision for long-term incentive plans, signed by the Executive Directors and by some employees of the Group identified as particularly important for the achievement of the medium to long term corporate objectives. The three-year plans provide for the recognition of monetary incentives proportional to the achievement of specific personal and Group's objectives.
The aim of these plans is to further strengthen the alignment over time of individual interests to corporate interests and, consequently, to the shareholders' interests. The final payment of the long-term incentive is always subject to the creation of value in a medium to long-term period, rewarding the achievement of performance objectives over time. The performance review is based on multi-year indicators and the payment is always subject, in addition to maintaining the employer-employee relationship/position with the company for the duration of the plan, also to the presence of a positive consolidated income before taxes at the expiry date of the plan.
Such plans fall into the category of defined benefit obligations and therefore they are discounted back on a yearly basis, at the end of each fiscal year.

The following table shows the Group's employees split by category.

Group's employees	June 30, 2016	December 31, 2015	Average June 30, 2016	Average June 30, 2015
Managers	83	77	82	78
Employees and middle management	384	370	377	363
Workers	543	515	530	482
Total (*)	**1,010**	**962**	**989**	**923**

(*) It does not include the employees of the joint venture Actuator Solutions and SAES RIAL Vacuum S.r.l., for which please refer to the Note no. 15.

The workforce amounted to 1,010 units as at June 30, 2016 (of which 592 were employed abroad), to be compared with 962 units as at December 31, 2015 (of which 541 were employed abroad): the growth (+48 units) was mainly due to the increase in the workforce engaged in production activities related to the shape memory alloys (SMAs) business (in particular, increase in the workforce in Memry Corporation).

28. PROVISIONS

The item “Provisions” amounted to 2,880 thousand euro as at June 30, 2016.
The following table shows the composition and the changes in these provisions compared to December 31, 2015.

(thousands of euro)

Provisions	December 31, 2015	Increase	Utilization	Release into income statement	Reclassifications	Translation differences	June 30, 2016
Warranty provisions on product sold	431	154	(75)	0	0	(8)	502
Bonus	2,276	1,398	(2,213)	0	0	(32)	1,429
Other provisions	1,637	31	(22)	0	(689)	(8)	949
Total	**4,344**	**1,583**	**(2,310)**	**0**	**(689)**	**(48)**	**2,880**

As at June 30, 2016, the item “Bonus” included the accrual of bonuses to the Group’s employees (mainly referring to the Parent Company and the US subsidiaries) related to the first half of 2016. The change compared to the previous year was due to both the accrual of bonuses matured during the period and the payment of the bonuses of the previous year, settled during the first half of 2016.

The item “Other provisions” includes 500 thousand euro related to the potential risk estimated in relation to the assessment on the 2005 income tax return of SAES Getters S.p.A. In particular, in 2008 the 2005 income tax return of the Parent Company was assessed by the Italian Revenue Agency, as a result of which notices of assessment for IRAP (on July 16, 2010) and IRES (on November 22, 2010) purposes were notified to the Company. The additional assessed corporate taxes amounted to 41 thousand euro (IRAP) and 290 thousand euro (IRES), plus penalties and interests. The Provincial Tax Commission of Milan, to which the Company had appealed, at the end of 2014 confirmed almost entirely (regarding IRES) and partially (regarding IRAP) the findings contained in the notice of inspection while both appeals (IRAP and IRES) against the judgments of the CTP of Milan, discussed by the Regional Tax Commission (“RTC”) respectively on October 29, 2015 and on February 22, 2016, were accepted by the RTC with favourable judgements issued on January 20, 2016 (IRAP) and on February 29, 2016 (IRES). However, since the litigation started by the Company has not resulted in definitive judgments, although the course has been in favour of SAES so far, the risk provision of 500 thousand euro was unchanged from the previous year.

The item “Other provisions” also includes the implicit obligations of Spectra-Mat, Inc. in connection with the expenses to be incurred to monitor pollution levels at the site in which it operates (414 thousand euro). The value of this liability has been calculated on the basis of the agreements reached with the local authorities.

Finally, the item “Other provisions” includes the settlement offer of 30 thousand euro presented by SAES Advanced Technologies S.p.A., with the sole purpose of avoiding the occurrence of a dispute, and therefore regardless of any worth assessment, in response to the summons received following the incident occurred at the plant of the third party company that handles the waste material of the same controlled subsidiary. The recorded value is the best estimate of the expenditure required to settle the obligation existing at the balance sheet date.

The risk provision (689 thousand euro) accrued at the end of the year 2015 following the contribution of the SAES Group (through the subsidiary SAES Getters USA, Inc.) for the compensation for the environmental damages and the water and below sediment purification of the Onondaga Lake (Syracuse, NY-USA) has been reclassified to “Other debts”, following the signature of a settlement agreement for the early definition of the dispute.
For more details on this litigation for environmental damages and its resolution, please refer to the paragraph “Subsequent events” of the Interim Report on operations and to the Notes no. 6 and no. 30.

A breakdown of provisions by current and non-current portion is provided below.

(thousands of euro)

Provisions	Current provisions	Non current provisions	June 30, 2016	Current provisions	Non current provisions	December 31, 2015
Warranty provisions on product sold	59	443	502	65	366	431
Bonus	1,429	0	1,429	2,276	0	2,276
Other provisions	530	419	949	1,189	448	1,637
Total	**2,018**	**862**	**2,880**	**3,530**	**814**	**4,344**

29. TRADE PAYABLES

Trade payables were equal to 11,836 thousand euro as at June 30, 2016, with a decrease equal to 1,839 thousand euro compared to 13,675 thousand euro as at December 31, 2015.
The decrease, mainly concentrated in the gas purification segment and in the shape memory alloys sector, was due to the different timing of the purchases of the raw materials and their related payments, as well as to the effect generated by the devaluation of the US dollar against the euro (-134 thousand euro).

Trade payables do not bear interests and are due within twelve months.
There are no trade payables in the form of debt securities.

The following table provides a breakdown of trade payables by those not yet due and past due as at June 30, 2016, compared with December 31, 2015.

(thousands of euro)

Ageing	Total	Not yet due	Due				
			< 30 days	30 - 60 days	60 - 90 days	90 - 180 days	> 180 days
June 30, 2016	**11,836**	8,536	2,802	466	25	3	4
December 31, 2015	**13,675**	8,248	2,691	2,046	529	73	88

30. OTHER PAYABLES

The item “Other payables” includes amounts that are not classified as trade payables and amounted to 10,081 thousand euro as at June 30, 2016, compared to 9,203 thousand euro as at December 31, 2015.
The table below shows the detail of the other payables, compared with the end of the previous year.

(thousands of euro)

Other payables	June 30, 2016	December 31, 2015	Difference
Employees payables (vacation, wages, staff leaving indemnity, etc.)	5,160	4,364	796
Social security payables	1,017	1,476	(459)
Tax payables (excluding income taxes)	778	1,134	(356)
Other	3,126	2,229	897
Total	**10,081**	**9,203**	**878**

The item "Employees payables" is mainly made up of the provisions for holidays accrued but not taken during the period and for the additional monthly salaries, as well as of the June 2016 salaries, accounted but not yet paid as at June 30. Please note that as at December 31, the item included also the long-term incentive plans' share (Note no. 27) paid in the first half of 2016, amounting to 679 thousand euro.
The increase compared to December 31, 2015 was mainly due to the increased holiday provisions that will be used during the summer, as well as the higher accruals for the additional monthly salaries of the Group's Italian companies.

The item "Social security payables" includes the payables owed by the Group's Italian companies to the INPS (Italy's social-security agency) for contributions to be paid on wages as well as the payables to the treasury fund operated by the INPS and to the pension funds under the reformed staff leaving indemnity legislation.
The decrease was mainly due to the fact that as at December 31, 2015 this item included also the liability for the social security (INPS) retentions on the thirteenth month's pay, paid in January 2016.

The item "Tax payables" primarily consists of the payables owed by the Italian companies to the Treasury in connection with the withholding taxes on the wages of employees and consultants.
Similarly to the previous item, the decrease was mainly due to the fact that as at December 31, 2015 this item included also the liability for the withholding tax (IRPEF) retentions on the thirteenth month's pay, paid in January 2016.

The item "Other" includes the payables of the Parent Company for Directors' compensations, for commissions to agents and for the down-payment on public grants received for research activities.
As at June 30, 2016 this item also includes a debt of 1,126 thousand euro (equal to 1,250 thousand USD) generated by the signature of a settlement agreement indemnifying the SAES Group from any involvement for the definition of the environmental dispute regarding the compensation for the environmental damages and the water and below sediment purification of the Onondaga Lake (for further details on the agreement please refer to the section "subsequent events" of the Interim report on operations).

Please note that there are no payables due after more than five years.

31. ACCRUED INCOME TAXES

This item consists of payables for taxes associated with the Group's foreign subsidiaries and only the IRAP debt of the Italian companies. With reference to the IRES tax, the Italian companies have elected to participate in the national tax consolidation program with the Parent Company as a consolidator, but, since the latter is at a loss, the net debt towards the Tax Authorities was equal to zero as at June 30, 2016, as the negative taxable incomes were offset by the positive ones (please refer to the Note no. 17 for further information).

Accrued income taxes amounted to 724 thousand euro as at June 30, 2016 (1,060 thousand euro as at December 31, 2015) and included the tax obligations accrued in the first half of 2016, net of the advances already paid.

32. DERIVATIVE FINANCIAL INSTRUMENTS EVALUATED AT FAIR VALUE

As at June 30, 2016 the item "derivate financial instruments evaluated at fair value" was negative for 265 thousand euro, compared to a negative balance of 22 thousand euro as at December 31, 2015.

This item includes the assets and liabilities arising from the measurement at fair value of the hedging contracts against the exposure to the variability of future cash flows arising from sales and financial transactions denominated in currencies other than the euro, as well as, the fair value measurement of the *Interest Rate Swap* (*IRS*). The purpose of these contracts is to protect the Group's margins from respectively the exchange rate and the interest rate fluctuations.
With regards to such contracts, the accounting requirements to apply the hedge accounting method are not met, therefore they are evaluated at fair value and the profits or losses deriving from their evaluation are directly charged into the income statement.

As at June 30, 2016 the Group held forward contracts on the US dollar and on the Japanese yen, in order to hedge against the risk of fluctuation in the exchange rates on current and future trade receivables denominated in these foreign currencies.
With reference to the US dollar, the forward contracts (for a notional value of 7.5 million USD) have an average forward exchange rate equal to 1.1213 against the euro and they will extend throughout the remainder of the year 2016. The relative fair value as at June 30, 2016 was negative for 45 thousand euro.
In relation to the Japanese yen, the forward contracts (for a notional value of 178.8 million JPY) have an average forward exchange rate equal to 125.43 against the euro and they will extend until the end of 2016. The relative fair value as at June 30, 2016 was negative for 154 thousand euro.
Finally, on January 2016, the Group signed a forward sale contract in euro, in order to mitigate the risk linked to the fluctuation of the Korean won on the balance of the financial credit in euro which the Korean subsidiary SAES Getters Korea Corporation has with the Parent Company. This contract, with a notional value of 550 thousand euro, expires on December 27, 2016 and provides for a forward exchange rate equal to 1,304.00 against the euro. The relative fair value as at June 30, 2016 was positive for 7 thousand euro.

The following table provides a breakdown of the forward contracts entered into and their fair value as at June 30, 2016.

Currency	June 30, 2016		December 31, 2015	
	Notional (in local currency)	**Fair value** (thousands of euro)	**Notional** (in local currency)	**Fair value** (thousands of euro)
thousands of EUR	550	7	0	0
thousands of USD	178,800	(154)	0	0
thousands of JPY	7,500	(45)	0	0
	Total	**(192)**	**Total**	**0**

The following table provides a summary of the Interest Rate Swap contracts and their fair value as at June 30, 2016 compared to December 31, 2015.

	Subscription date	Currency	Notional amount (thousands of euro)	Maturity	Interest rate	Timing	Fair value June 30, 2016 (thousands of euro)	Fair value December 31, 2015 (thousands of euro)
Interest Rate Swap (*IRS*) on Intesa loan	September 25, 2015	EUR	3,600	July 31, 2020	Fixed rate paid: 0.285% Variable rate received: six-month Euribor	Half-yearly	(41)	(22)
Interest Rate Swap (*IRS*) on Unicredit loan	March 29, 2016	EUR	5.250 *	December 31, 2019	Fixed rate paid: 0.0% Variable rate received: six-month Euribor (both positive, both negative**)	Half-yearly	(32)	n.a.
Total							**(73)**	**(22)**

* The reference amount is aligned with the amortization plan of the hedged long-term loan.

** In case of a negative three months Euribor, the contract provides for a floor equal to -2.25%.

On March 29, 2016 SAES Getters S.p.A. signed also an IRS (Interest Rate Swap) contract on the long-term loan obtained by Unicredit S.p.A. at the end of 2014.
This contract, whose amortization plan and expiration date are aligned with the hedged long-term loan (for further details please refer to the Note no. 25), provides for the exchange of the three months Euribor (either positive or negative) with a fixed rate of 0.0%. In case of a negative three months Euribor, the contract provides for a floor equal to -2.25% (equal to the spread applied to the loan).
This contract is in addition to the one signed at the end of last year in order to fix the interest rate on the loan granted by Intesa San Paolo S.p.A.
The fair value of the two contracts as at June 30, 2016 was negative for 73 thousand euro to be compared with a value always negative for 22 thousand euro at the end of 2015.

The Group enters into derivative contracts with various counterparties, primarily leading financial institutions and it uses the following hierarchy to determine and document the fair value of its financial instruments:
Level 1 – (unadjusted) prices listed on an active market for identical assets or liabilities;
Level 2 – other techniques for which all inputs with a significant effect on the fair value reported may be observed, either directly or indirectly;
Level 3 – techniques that use inputs with a significant effect on the fair value reported that are not based on observable market data.
As at June 30, 2016 all the derivative contracts held by the Group belonged to Level 2: in fact, the fair value was calculated by an independent third party on the basis of market data, such as interest rate curves and exchange rates curves.
No instruments were transferred from one level to another during the semester.

33. BANK OVERDRAFT

As at June 30, 2016 the bank overdraft amounted to 16,504 thousand euro and primarily consisted of short-term debt owed by the Parent Company in the form of "hot money" debt (16,503 thousand euro as at June 30, 2016 compared to 5,009 thousand euro as at December 31, 2015), whose average interest rate, spread included, was around 0.02%.
The difference consisted in the overdrafts on current bank accounts (1 thousand euro as at June 30, 2016 compared to 3 thousand euro at the end of 2015).

34. ACCRUED LIABILITIES

Accrued expenses and deferred income were equal to 3,694 thousand euro as at June 30, 2016.
This item may be broken down as follows.

(thousands of euro)

	June 30, 2016	December 31, 2015	Difference
Accrued expenses	258	369	(111)
Deferred income	3,436	1,179	2,257
Total	**3,694**	**1,548**	**2,146**

The increase compared to December 31, 2015 (+2,146 thousand euro) is mainly explained by the higher commercial revenues attributable to future accounting periods received by customers in the pure gas handling segment.

Please note that there are no accrued liabilities due after more than five years.

35. CASH FLOW STATEMENT

The cash-flow generated from the operating activities was positive and equal to 11,993 thousand euro in the first half of 2016, strongly increased (+51.1%) compared to a still positive figure of 7,935 thousand euro in the corresponding period of 2015, thanks to the cash flows mainly generated by the shape memory alloys business. In both the semesters, the operating cash flow was fully attributable to the self-financing, together with a substantial stability of the net working capital.

Investing activities used liquidity for 6,064 thousand euro (4,201 thousand euro was the cash absorption in the first semester 2015).
The outflows for investments in tangible and intangible assets were equal to 3,449 thousand euro (2,459 thousand euro as at June 30, 2015). The investment activities included also the payment of 1,284 thousand euro for the purchase of the additional 39% of the share capital of the joint venture SAES RIAL Vacuum S.r.l., the purchase, for a consideration of 249 thousand euro, of 4% of the share capital of E.T.C. S.r.l., as well as the capital contribution of 1,000 thousand euro in favor of the joint venture Actuator Solutions. Finally, an investment activity was also the payment for the earn-out related to the technological upgrading of the purification business carried out during 2013 (82 thousand euro in first half of 2016).

The balance of financing activities was negative and equal to 1,166 thousand euro against a balance, always negative of 12,128 thousand euro in the first half of the previous year.
The financial management of the period was characterized by the financial disbursements for the payment of dividends (equal to 8,502 thousand euro), by the repayments of long-term loans and by the payment of the related interests. These cash-out were partially offset by the cash-in generated by the short-term debt owed by the Parent Company in form of “hot money” debt (for further details please refer to the Note no. 33), as well as the receipt of the second tranche of the soft financing granted by the State of Connecticut (please refer to the Note no. 25).
Finally, please note, inside the financing activities, the cash-out for the loans granted to the joint ventures, net of the repayment of the principal amounts and the previous year interests paid by Actuator Solutions GmbH (for further details please refer to the Note no. 18).

The following is a reconciliation of the net cash and cash equivalents shown in the statement of financial position and in the cash flow statement.

(thousands of euro)

	1st Half 2016	1st Half 2015
Cash and cash equivalents	28,313	19,336
Bank overdraft	(16,504)	(14,831)
Cash and cash equivalents, net - statement of financial position	**11,809**	**4,505**
Short term debt	16,503	14,829
Cash and cash equivalents, net - cash flow statement	**28,312**	**19,334**

36. POTENTIAL ASSETS/LIABILITIES AND COMMITMENTS

The guarantees that the Group has granted to third parties are the following ones.

(thousands of euro)

Guarantees	June 30, 2016	December 31, 2015	Difference
Guarantees	19,875	20,119	(244)

The decrease compared to December 31, 2015 was mainly explained by the partial expiration of some guarantees provided by the Parent Company to secure the long-term loan undertaken by Memry Corporation, consistent with the repayment of the principal amounts during the semester, only partially offset by the new guarantees signed in favor of the joint venture Actuator Solutions (for the related amount, please refer to the Note no. 37).

The maturities of operating lease obligations outstanding as at June 30, 2016 are shown below.

(thousands of euro)

	Less than 1 year	1-5 years	Over 5 years	Total
Operating lease obligations	1,913	3,846	1,463	**7,222**

37. RELATED PARTY TRANSACTIONS

Related Parties are identified in accordance with IAS 24 revised.

Related Parties include the following ones:
- **S.G.G. Holding S.p.A.**, the controlling company, which is debtor of SAES Advanced Technologies S.p.A. in relation to receivables for taxes transferred by the latter in relation to the national tax consolidation program in place until December 31, 2014[19].
In addition, please note that S.G.G. Holding S.p.A. receives dividends from SAES Getters S.p.A.
- **Actuator Solutions GmbH**, a joint venture, 50% jointly owned by SAES and Alfmeier Präzision Groups, focused on the development, manufacturing and marketing of actuators based on the SMA technology.

[19] Please note that, on May 27, 2015, the tax consolidation program between SAES Getters S.p.A., SAES Advanced Technologies S.p.A., SAES Nitinol S.r.l., E.T.C. S.r.l. and S.G.G. Holding S.p.A., with the latter company as consolidating company, was interrupted starting from January 1, 2015, following the decrease of the stake of S.G.G. Holding S.p.A. in SAES Getters S.p.A. below the threshold of 50% which determined the loss of control under the rules of the national fiscal consolidation program.

- **Actuator Solutions Taiwan Co., Ltd.**, a Taiwan-based company entirely controlled by the joint venture Actuator Solutions GmbH, for the development and commercialization of SMA devices for the image focus and stabilization in tablet and smart-phone cameras.
With regards to Actuator Solutions GmbH and its subsidiary Actuator Solutions Taiwan Co., Ltd., the SAES Group has a commercial relationship (sale of raw materials and semi-finished products) and performs various services (in particular, commercial activities, development services and legal services) that are recharged on the basis of a service contract. Finally, as already mentioned before, please note that, on January 15, 2016, SAES Nitinol S.r.l. made a further capital injection to support the investments of the joint venture Actuator Solutions GmbH equal to 1 million euro. Finally, at the end of April 2016 SAES Nitinol S.r.l. granted an additional loan to Actuator Solutions GmbH, equal to 1 million euro, aimed at financially supporting the operating activities of the company. This loan is in addition to that granted in 2014. The same amount was granted by the 50% joint partner Alfmeier, through the company SMA Holding GmbH (for further details on this capital injection and on this loan please refer respectively to the Note no. 15 and no. 18).
- **SAES RIAL Vacuum S.r.l.**, a joint venture between SAES Getters S.p.A. and Rodofil s.n.c., established at the end of 2015, with the aim of the creation of an Italian technological and manufacturing hub of the highest level, for the design and production of integrated vacuum components and systems for accelerators, for the research, as well as for industrial systems and devices, combining at the highest level the competences of SAES in the field of materials, vacuum applications and innovation, with the experience in the design, assembling and fine mechanical productions of Rodofil.
With regards to SAES RIAL Vacuum S.r.l. the SAES Group has a commercial relationship (purchase of components for the creation of vacuum systems) and performs various services, mainly commercial ones. Finally, as already mentioned before, on January 12, 2016 SAES Getters S.p.A granted a loan to the joint venture of 49 thousand euro, aimed at financially supporting the newly established company's operations (for further details please refer to the Note no. 18).
- **Dr Michele Muccini**, the minority partner of SAES Getters S.p.A. in E.T.C. S.r.l., until February 26, 2016, the date on which SAES Getters S.p.A. acquired the minority interests from Dr Muccini becoming the sole shareholder of E.T.C. S.r.l.; following such purchase, Dr Muccini has ceased to be a related parties of SAES Group.
- **Managers with Strategic Responsibilities**, these include the members of the Board of Directors, including non-executive directors, and the members of the Board of Statutory Auditors.
Moreover, the Corporate Human Resources Manager, the Corporate Operations Manager, the Group Administration, Finance and Control Manager and the Group Legal General Counsel are considered managers with strategic responsibilities[20].
Their close relatives are also considered related parties.

The following table shows the total values of the related party transactions undertaken as at June 30, 2016 compared with those at June 30, 2015 and December 31, 2015.

[20] Please note that, during the full year 2015 and until January 17, 2016, the role of Group Legal General Counsel was assumed *ad interim* by Dr Giulio Canale, Deputy CEO and Group CFO.

(thousands of euro)

	1st Half 2016							June 30, 2016				
	Total net sales	Cost of sales	Research & development expenses	Selling expenses	General & administrative expenses	Other income (expenses)	Other financial income (expenses)	Trade receivables	Trade payables	Tax consolidation receivables from Controlling Company	Tax consolidation payables to Controlling Company	Financial receivables from related parties
S.G.G. Holding S.p.A.										272		
SAES RIAL Vacuum S.r.l.		(10)		35 (*)	5 (*)			40	(2)			49
Actuator Solutions GmbH	678		150 (*)	70 (*)	14 (*)	2	37	329				1,837
Actuator Solutions Taiwan Co., Ltd.	1											
Total	**679**	**(10)**	**150**	**105**	**19**	**2**	**37**	**369**	**(2)**	**272**	**0**	**1,886**

(*) Costs recovery.

(thousands of euro)

	1st Half 2015							December 31, 2015				
	Total net sales	Cost of sales	Research & development expenses	Selling expenses	General & administrative expenses	Other income (expenses)	Other financial income (expenses)	Trade receivables	Trade payables	Tax consolidation receivables from Controlling Company	Tax consolidation payables to Controlling Company	Financial receivables from related parties
S.G.G. Holding S.p.A.										272		
SAES RIAL Vacuum S.r.l.												
Actuator Solutions GmbH	551		77 (*)	86 (*)	14 (*)		80	111				1,155
Actuator Solutions Taiwan Co., Ltd.				(6)								
Total	**551**	**0**	**77**	**80**	**14**	**0**	**80**	**111**	**0**	**272**	**0**	**1,155**

(*) Costs recovery.

The following table shows the guarantees that the Group has granted to third parties (and, therefore, included in the detail reported in the Note no. 36) in favor of the joint ventures.

(thousands of euro)

Guarantees	June 30, 2016	December 31, 2015	Difference
Guarantees in favour of the joint venture Actuator Solutions	3,577	2,984	593
Guarantees in favour of the joint venture SAES RIAL Vacuum S.r.l.	0	0	0

The following table shows the remunerations to managers with strategic responsibilities as identified above.

(thousands of euro)

Total remunerations to key management	**1st Half 2016**	**1st Half 2015**
Short term employee benefits	1,644	1,573
Post employment benefits	0	0
Other long term benefits	372	167
Termination benefits	313	218
Share-based payments	0	0
Total	**2,329**	**1,958**

The increase compared to June 30, 2015 was mainly due to the higher remuneration (in particular, accrual for the variable component of the remuneration) of the Executive Directors.

As at June 30, 2016 payables to Managers with strategic responsibilities, as defined above, were equal to 2,714 thousand euro, to be compared with payables of 3,120 thousand euro as at December 31, 2015.

Pursuant to the Consob communications of February 20, 1997 and February 28, 1998, as well as to IAS 24 revised, we report that also in the first half of 2016 all related-party transactions fell within ordinary operations and were settled at economic and financial standard market conditions.

Lainate (MI), September 14, 2016

On behalf of the Board of Directors
Dr Eng. Massimo della Porta
President

Certification of the Interim Condensed Consolidated Financial Statements as at June 30, 2016

CERTIFICATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
pursuant to article no. 81-*ter* of Consob Regulation no. 11971 of May 14, 1999 as amended

1. The undersigned, Giulio Canale, in his capacity of Vice President and Managing Director, and Michele Di Marco, in his capacity of Officer responsible for the preparation of the corporate financial reports of SAES Getters S.p.A., hereby certify, pursuant to the provisions of article 154-bis, subsections 3 and 4, of Legislative Decree no. 58 of February 24, 1998:

- the adequacy for the characteristics of the enterprise and
- the effective application

of the administrative and accounting procedures for the preparation of the interim condensed consolidated financial statements, during the period from January 1 to June 30, 2016.

2. The following remarks apply to this situation:

- With respect to the SAES Group's Administrative and Accounting Control Model and the implementation thereof, we confirm the contents of paragraph 2 of the Certification of the consolidated financial statements of the SAES Group for the year ended December 31, 2015, inasmuch as no changes have been made.
- In regard to the results of the internal certification process for the accounting period from January 1 to June 30, 2016, we confirm that the control activities detailed in the above mentioned paragraph were also applied to the interim condensed consolidated financial statements and that the associated controls were performed.
- As at today's date, the Officer responsible has received all representation letters required, signed by the General Managers/Financial Controllers of the subsidiaries affected by the processes selected as relevant after a risk assessment.
  The proper application of the administrative and accounting control system has been confirmed by the positive outcome of the assessments conducted by the Internal Audit Function in support of the Officer responsible for the preparation of corporate financial reports.

3. Furthermore, it is hereby attested that:

3.1. The interim condensed consolidated financial statements as at June 30, 2016:
a) have been prepared in accordance with applicable International Accounting Standards recognized within the European Union pursuant to EC Regulation no. 1602/2002 of the European Parliament and the Council of July 19, 2002, and, in particular, IAS 34 revised – *Interim Financial Reporting*;
b) correspond to the results of accounting records and books;
c) are suitable to provide a truthful and accurate representation of the earnings and financial position of the issuer and the companies included in the consolidation perimeter.

3.2. The interim management report includes a reliable analysis of operating performance and results, as well as the situation of the issuer and the companies included in the consolidation area, along with a description of the primary risks and uncertainties to which they are exposed.

Lainate (MI), September 14, 2016

Vice President and Managing Director	Officer responsible for the preparation of the corporate financial reports
Dr Giulio Canale	Dr Michele Di Marco

Independent Auditors' Report on the Interim Condensed Consolidated Financial Statements as at June 30, 2016

Deloitte.

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Saes Getters S.p.A.

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Saes Getters S.p.A. and subsidiaries (the "Saes Getters Group"), which comprise the consolidated balance sheet as of June 30, 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six-month period then ended, and the related explanatory notes. The Directors are responsible for the preparation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("CONSOB") for the review of the half-yearly interim financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of the Saes Getters Group as of June 30, 2016 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Giovanni Gasperini
Partner

Milan, Italy
September 15, 2016

This report has been translated into the English language solely for the convenience of international readers.

SAES Getters S.p.A.
Viale Italia, 77 - 20020 Lainate (MI), Italy - Tel. + 39 02 931 78 1 - Fax + 39 02 931 78 250
www.saesgetters.com