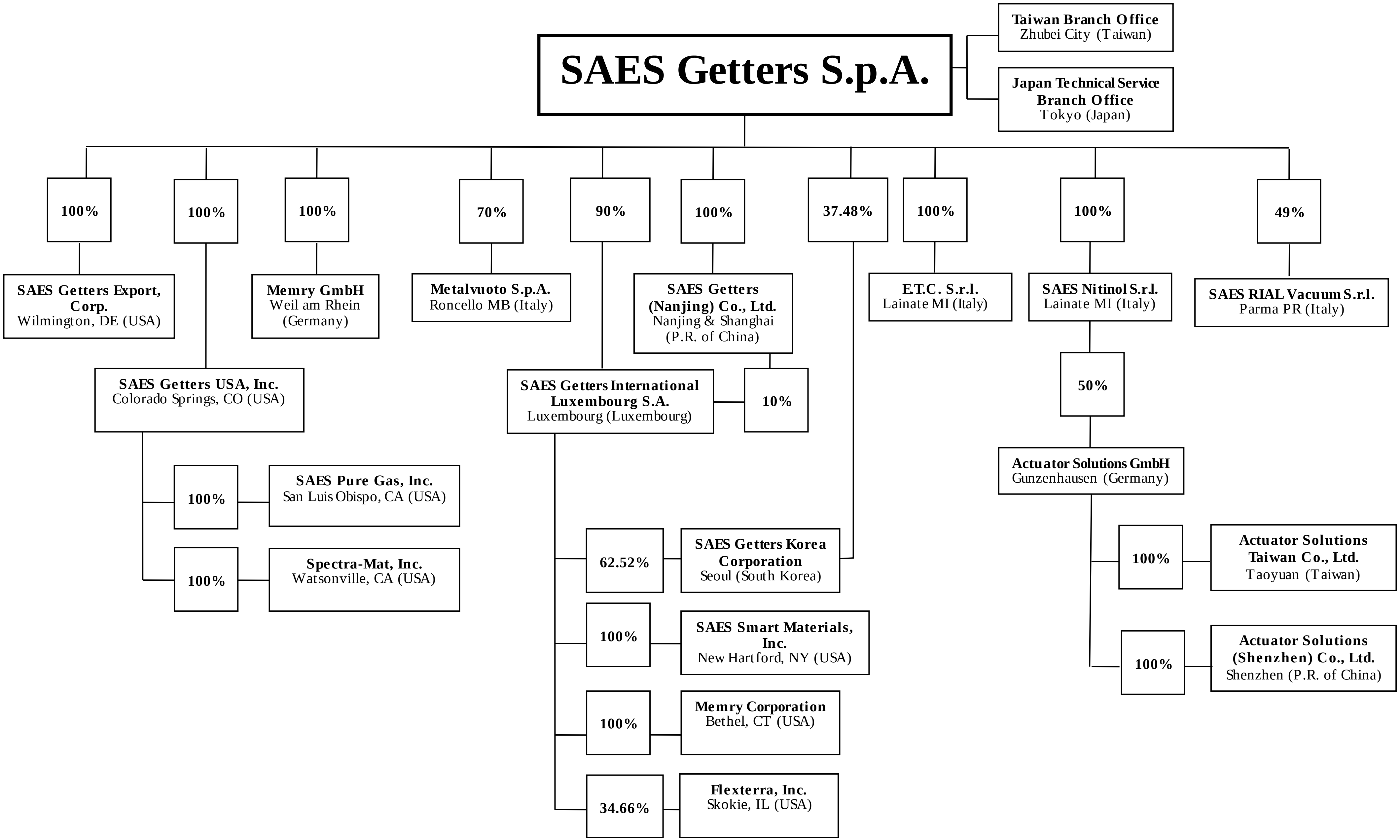
Consolidated Financial Statements 2016

saes group

2016

The present is an English translation of the Italian official report. For any difference between the two texts, the Italian text shall prevail.


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)
70%
Metalvuoto S.p.A.
Roncello MB (Italy)
90%
SAES Getters International Luxembourg S.A.
Luxembourg (Luxembourg)
62.52%
SAES Getters Korea Corporation
Seoul (South Korea)
100%
SAES Smart Materials, Inc.
New Hartford, NY (USA)
100%
Memry Corporation
Bethel, CT (USA)
34.66%
Flexterra, Inc.
Skokie, IL (USA)
100%
SAES Getters (Nanjing) Co., Ltd.
Nanjing & Shanghai (P.R. of China)
10%
37.48%
100%
E.T.C. S.r.l.
Lainate MI (Italy)
100%
SAES Nitinol S.r.l.
Lainate MI (Italy)
50%
Actuator Solutions GmbH
Gunzenhausen (Germany)
100%
Actuator Solutions Taiwan Co., Ltd.
Taoyuan (Taiwan)
100%
Actuator Solutions (Shenzhen) Co., Ltd.
Shenzhen (P.R. of China)
49%
SAES RIAL Vacuum S.r.l.
Parma PR (Italy)

Consolidated Financial Statements 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	Angelo Rivolta (*)
Statutory Auditors	Vincenzo Donnamaria (8) Sara Anita Speranza
Alternate Statutory Auditors	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 held 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 confirmed as Group Chief Executive Officer, with the meaning that such definition and role has in the English-speaking countries. The Vice President and Managing Director Giulio Canale has been confirmed in the role of Deputy Group Chief Executive Officer and Group Chief Financial Officer, with the meaning that such definitions and roles has in the English-speaking countries.

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(*) Following the decease of Dr Pier Francesco Sportoletti (Chairman of the Board of Statutory Auditors), appointed on the basis of the list proposed by the minority shareholder Equilybra Capital Partners S.p.A., on October 11, 2016 the Minority Deputy Statutory Auditor Dr Angelo Rivolta (named within the same list) inherited the responsibility, according to article no. 22 of the Company's By-Laws. The latter will remain in office until the next Shareholders' Meeting, according to article no. 2401, paragraph 1, of the Civil Code.

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LETTER TO SHAREHOLDERS

Dear Shareholders,

I write this letter with great satisfaction because it has only been a few years since the terrible 2009 and I am here to comment the year of record sales, both consolidated and total, with the latter that reached almost two hundred million euro.

A figure which is particularly significant when we consider that it was achieved thanks to the excellent performance of the gas purification systems and of the shape memory alloys, both areas in which the innovation efforts have been concentrating in the last few years and that are giving us great satisfaction.

The first ones were subject to a long re-launch process that, thanks to the development of a new and wider range of purifiers, allowed to enter markets and applications different from semiconductors, resulting in higher sales and less cyclicality.

The latter are the emblem of the turnaround of the last few years, which saw the group bringing a technological and market diversification that had been attempted in the past, but never completed. In 2016, thanks to the continuous growth of both medical and industrial applications, this new business has exceeded, in terms of turnover, both the historic getters and the purification systems.

In addition, these excellent results allowed to exceed the goals of profitability and cash generation that we had set at the end of the previous year.

We have completed the transformation of the Group, started in 2003, proving that a long-term strategy, based on innovation and diversification, has allowed to go through the deep economic crisis of the last few years unharmed and to return to grow.

The ended year also marked an important turning point for the new technology in which the Group has been investing for some years, that of functional polymers. This is an additional technological diversification achieved by grafting organic chemistry skills, a sector that has always seen Italy at the forefront. A very versatile technology, that can be used in applications ranging from the food packaging industry to the innovative display one, allowing the Group to accomplish two major investments in two companies that will contribute to a further sales' growth.

The first one, Metalvuoto S.p.A., is a leading company in the business of thin film metallization of plastic materials for the advanced packaging industry, that for some years has been investing in the plastic film coating technology through the use of lacquers. The technology of SAES functional polymers allows the development of lacquers with an advanced performance and will allow Metalvuoto S.p.A. to grow fast, in a rapidly developing market, namely that of "Active Packaging" in the food sector and other ones.

The second company, Flexterra, Inc., is a highly innovative startup, that owns a portfolio of patented materials similar to our functional polymers and that will be used in the next-generation flexible displays. The success of this initiative would bring the Group back in the display market, that for many years has determined its success.

2017 is expected to be a year of further growth and will see us engaged in the development of the new initiatives mentioned above, with the aim of providing SAES with the critical mass necessary to support both the huge operating expenses of a Group that operates on a global scale, and the investments in research and innovation that ensure its continuity.

A sincere thanks to all the employees that have enabled the achievement of these important goals and to you Shareholders who have believed in us.

Dr Ing. Massimo della Porta
SAES Group CEO

Group financial highlights

GROUP FINANCIAL HIGHLIGHTS

(thousands of euro)

Income statement figures	**2016**	**2015 (8)**	**Difference**	**Difference %**
NET SALES				
- Industrial Applications	113,076	102,011	11,065	10.8%
- Shape Memory Alloys	71,603	63,680	7,923	12.4%
- Business Development	4,352	1,223	3,129	255.8%
Total	**189,031**	**166,914**	**22,117**	**13.3%**
GROSS PROFIT (1)				
- Industrial Applications	55,346	48,142	7,204	15.0%
- Shape Memory Alloys	29,260	23,994	5,266	21.9%
- Business Development & Corporate Costs (2)	514	(52)	566	1088.5%
Total	**85,120**	**72,084**	**13,036**	**18.1%**
% on sales	*45.0%*	*43.2%*		
EBITDA (3)	**35,469**	**29,375**	**6,094**	**20.7%**
% on sales	*18.8%*	*17.6%*		
EBITDA *adjusted* (4)	**37,167**	**30,064**	**7,103**	**23.6%**
% on sales	*19.7%*	*18.0%*		
OPERATING INCOME (LOSS)	**26,156**	**20,499**	**5,657**	**27.6%**
% on sales	*13.8%*	*12.3%*		
OPERATING INCOME (LOSS) *adjusted* (5)	**27,854**	**21,188**	**6,666**	**31.5%**
% on sales	*14.7%*	*12.7%*		
Group NET INCOME (LOSS)	**14,082**	**8,820**	**5,262**	**59.7%**
% on sales	*7.4%*	*5.3%*		

Balance sheet and financial figures	**December 31, 2016**	**December 31, 2015**	**Difference**	**Difference %**
Tangible fixed assets	53,402	50,383	3,019	6.0%
Group shareholders' equity	134,831	126,485	8,346	6.6%
Net financial position	(33,776)	(17,280)	(16,496)	-95.5%

Other information	**2016**	**2015**	**Difference**	**Difference %**
Cash flow from operating activities	18,695	22,851	(4,156)	-18.2%
Research and development expenses	14,799	13,815	984	7.1%
Number of employees as at December 31 (6)	1,113	1,004	109	10.9%
Personnel cost (7)	70,877	62,262	8,615	13.8%
Disbursement for acquisition of tangible assets	8,663	5,017	3,646	72.7%

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

(thousands of euro)

	2016	2015
Net sales	**189,031**	**166,914**
Raw materials	(43,915)	(40,790)
Direct labour	(21,814)	(19,146)
Manufacturing overhead	(40,281)	(37,242)
Increase (decrease) in work in progress and finished goods	2,099	2,348
Cost of sales	**(103,911)**	**(94,830)**
Gross profit	**85,120**	**72,084**
% on sales	***45.0%***	***43.2%***

(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 (IFRS); 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)

	2016	2015
Operating income	**26,156**	**20,499**
Depreciation and amortization	(8,525)	(8,511)
Write-down of assets	(138)	(311)
Bad debt provision accrual (release)	(650)	(54)
EBITDA	**35,469**	**29,375**
% on sales	***18.8%***	***17.6%***

(4) Adjusted EBITDA is meant to be the EBITDA itself, further adjusted to exclude non recurring items or anyway considered as not indicating the current operating performance by the Management.
As its calculation is not ruled by the IFRS principles, the method applied by the Group may be not homogeneous, and so far not comparable, with the ones applied by other Groups.

(thousands of euro)

	2016	2015
EBITDA	**35,469**	**29,375**
% on sales	***18.8%***	***17.6%***
Settlement agreement Onondaga Lake	(440)	(689)
Layoffs costs Memry GmbH	(1,258)	0
EBITDA adjusted	**37,167**	**30,064**
% on sales	***19.7%***	***18.0%***

(5) Adjusted OPERATING INCOME is the operating income itself, further adjusted by excluding non-recurring amounts or anyway considered as not indicating the of the current operating performance by the Management.
As its calculation is not ruled by the IFRS principles, the method applied by the Group may be not homogeneous, and so far not comparable, with the ones applied by other Groups.

(thousands of euro)

	2016	2015
Operating income	**26,156**	**20,499**
% on sales	***13.8%***	***12.3%***
Settlement agreement Onondaga Lake	(440)	(689)
Layoffs costs Memry GmbH	(1,258)	0
Operating income adjusted	**27,854**	**21,188**
% on sales	***14.7%***	***12.7%***

(6) As at December 31, 2016 this item includes:
- employees for 1.081 units (962 units as at December 31, 2015);
- personnel employed with contract types other than employment agreements, equal to 32 units (42 units as at December 31, 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 77 units as at December 31, 2016 (49 units at the end of the previous year, always according to the percentage of ownership held by the Group).

(7) As at December 31, 2016 the severance costs included in the personnel costs are equal to 1,358 thousand euro (of which 1,258 thousand euro related to the decision of liquidating the German subsidiary Memry GmbH, after having moved its production and commercial activities to other companies of the Group; the use of the social security provisions in the Italian Group's companies has led to a reduction in the personnel costs equal to 1,604 thousand euro.
In the year 2015 the costs for staff reduction amounted to 137 thousand euro, while the use of the social security provisions led to a reduction in the personnel costs equal to 2,173 thousand euro.

(8) Please note that some revenues and costs of the year 2015 have been reclassified to enable a homogeneous comparison with 2016; in particular:
- the royalties on the licensing of the thin-film getter technology for MEMS of new generation (902 thousand euro) have been reclassified within the consolidated revenues;
- the engineering and industrialization costs of new products (805 thousand euro) have been reclassified and moved from the operating expenses (in particular, research and development expenses) to the cost of sales.

For more details please refer to the Note no. 1 and the paragraph "Reclassification on December. 31, 2015 income statement figures" in the notes to the financial statements.

Report on operations of the SAES Group

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 a technological platform which integrates getter materials in a polymeric matrix. These products, initially developed for OLED displays, are currently used in new application sectors, among which implantable medical devices and solid-state diagnostics imaging. Among the new applications, the advanced food packaging is a significantly strategic one, in which SAES aims to compete with an offering of new solutions for active packaging.

A total production capacity distributed in thirteen facilities, a worldwide-based sales & service network, about 1,100 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 in accordance with article 2497 of the Civil Code, for the reasons explained later in the Report on corporate governance and ownership.

The Group's business structure currently identifies two Business Units: Industrial Applications and Shape Memory Alloys. 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 organizational 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.
Please note that, following the acquisition[1] of the majority of the company Metalvuoto S.p.A., an established player in the advanced packaging industry, to ensure information transparency, starting from January 1, 2017, a third Business Unit called "Solutions for Advanced Packaging" will be established next to the "Industrial Applications" and "Shape Memory Alloys" Business Units.

Industrial Applications Business Unit

Electronic & Photonic Devices
SAES Group provides advanced technological solutions for electronic devices used in a wide range of markets, including the aeronautical, medical, industrial, security and defence sectors, as well as basic research.
The portfolio of products includes, among others, getters of different types and formats, alkaline metal dispensers, cathodes and materials for thermal management. The offered products are able to satisfy the most stringent application requirements and are employed in various devices such as X-ray tubes, microwave tubes, solid state lasers, electron sources, photomultipliers and radiofrequency amplification systems.

Sensors & Detectors
SAES Group provides advanced technological solutions for electronic devices used in a wide range of markets, including the aeronautical, industrial, security and defence sectors, as well as consumer electronics.
The portfolio of products includes mainly getters of different types and formats. The offered products are able to satisfy the most stringent application requirements in terms of the high quality of the guaranteed vacuum and are employed in various devices such as night vision devices based on infrared sensors, gyroscopes for navigation systems, pressure sensors and MEMS devices of variuos nature. In particular, for the MEMS market, SAES has developed a thin getter film that can be deposited directly on silicon slices used for the manufacturing of sensors; this allows the getter technology to be easily integrated in miniaturized systems of last generation.

Light Sources
SAES Group is the world leader in the supply of getters and metal dispensers for lamps. Its products work by preserving the vacuum and the purity of the refill gases, thereby maintaining optimum lamp operation conditions over time. SAES has also been involved for years in the development of mercury dispensers with a low environmental impact, in line with the stricter international legislation in force in this field.

Vacuum Systems
The skills acquired in the vacuum technology are the basis of the development of pumps based on non-evaporable getter materials (NEG), which can be applied in both industrial and scientific fields (as an example, in analytical instrumentation, in vacuum systems for research activities and in particle accelerators).
The family of high vacuum pumps NEXTorr®, welcomed in the already mentioned application markets, integrates in a single device, extremely compact and powerful, both the getter technology and the ionic one. This product line has most recently been joined by that of CapaciTorr® HV, high vacuum pumps that use an innovative alloy with a greater capacity to absorb gases and which have contributed to further strengthening the Group's position in its target markets.

Thermal Insulation

[1] The acquisition was finalized on October 10, 2016.

SAES solutions for vacuum thermal insulation include NEG products for cryogenic applications, for solar collectors both for home applications and operating at high temperatures and for thermos. In addition, SAES is particularly active in the development of innovative getter solutions (SMARTCOMBO®) for vacuum insulating panels for the white goods industry.

Pure Gas Handling
In the microelectronics market, SAES mission is to develop and sell advanced gas purification systems for the semiconductors industry and for other industries which use ultra-pure gases in their processes. Through the subsidiary SAES Pure Gas, Inc., the Group offers a full range of purifiers for bulk gases and special gases. The range of SAES purifiers, which covers the full spectrum of flows required and all gases normally used in the production processes, represents the market standard as regards the technology used, the totality of impurities removed and the lifespan of the purifiers.

Shape Memory Alloys (SMA) Business Unit

The SAES Group produces semi-finished products, components and devices in shape memory alloy, a special alloy made of nickel-titanium (Nitinol) characterized by super-elasticity (a property that allows the material to withstand even large deformations, returning then to its original form) and by the property of assuming predefined forms when subjected to heat treatment. The production process of SAES is vertically integrated (from the melting of the Nitinol alloy to the production of components) and allows a complete flexibility in the supply of products, together with a total quality control.

SMA Medical Applications
Nitinol is used in a wide range of medical devices, in particular in the cardiovascular field. In fact, its super-elastic properties are ideal for the manufacturing of the devices used in the growing field of non-invasive surgery, such as self-expanding devices (aortic and peripheral stents or heart valves) and catheters to navigate within the cardiovascular system. SAES, through its subsidiary Memry Corporation, offers to the end manufacturers of the medical device a full range of sophisticated Nitinol-based solutions.

SMA Industrial Applications
The shape memory alloy, in addition to being characterized by super-elasticity, has the property of assuming predefined forms when subjected to heat treatment and, by virtue of this characteristic, it is used in the production of a variety of devices (valves, proportional valves, actuators, release systems, mini-actuators) that exploit its distinctive characteristics (noiseless, compact, light, low power consumption, proportional control). The use of SMA devices in the industrial field goes across the board of many application areas such as domotics, the white goods industry, consumer electronics and the automotive business.

Business Development Unit – Functional Polymer Composites

The technology platform that integrates getter materials in polymer matrices, initially developed by the SAES Group to meet the protection needs of the rigid OLED (Organic Light Emitting Diodes) displays, has been enriched with new materials for flexible OLED applications, that represent the new development trend in the display field.
In addition to OLED applications, these functional polymer composites have been recently used also in other sectors, including implantable medical devices and new diagnostics for solid-state images.
An additional particularly promising application is that of innovative plastic films for food packaging, a field in which SAES has recently acquired the majority of the company Metalvuoto S.p.A., an established player in the advanced packaging industry Thanks to this acquisition, SAES aims to compete in the *active packaging* market, with a further significant expansion of the current perimeter of use of this technology.

Please note that some revenues and costs of the year 2015 have been reclassified to enable a homogeneous comparison with 2016; in particular:
- the royalties on the licensing of the thin-film getter technology for MEMS of new generation (902 thousand euro) have been reclassified within the consolidated revenues;

- the engineering and industrialization costs of new products (805 thousand euro) have been reclassified and moved from the operating expenses (in particular, research and development expenses) to the cost of sales.
For more details please refer to the Note no. 1 and the paragraph ”Reclassification on December. 31, 2015 income statement figures” in the notes to the financial statements.

Relevant events occurred in 2016

2016 was characterized by a strong organic growth in revenues both in the Shape Memory Alloys (SMAs) and in the Industrial Application Business Unit, the latter driven by the gas purification sector, as well as by the recovery in the security & defense market.

In 2016 the **consolidated revenues,** equal to 189 million euro, achieved their record level in the history of SAES Group. In particular, the organic growth equal to +11.1% compared to 2015, was mainly driven by the Shape Memory Alloys Business Unit (+12.2%), recording a significant organic growth in both segments: in the medical SMA segment, the organic growth (+11.8%) was favored by increased volumes of both the more traditional products and of the new medical devices recently introduced; in the industrial SMA segment, the organic growth was equal to +15.8%, thanks to increased sales of SMA wires and springs, in particular in the automotive and consumer sectors.
In the Industrial Applications Business Unit the organic growth (+10.4%) was instead driven by the excellent performance in the gas purification business (organic growth equal to +15.6%), as well as by the recovery in the security and defense sectors that, together, more than offset the structural decrease of the lamps business (penalized by the competition of the LED technology) and the decrease in the thermal insulation business (penalized by the negative trend in the refrigeration market and by the persistent weak demand of getter solutions for the oil drilling business). The vacuum pumps business showed a slight organic growth (+0.8%): in the fourth quarter of the year sales showed a turnaround, after nine months of weakness, thanks to the start of an important European research project.

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[2] were closed to 200 million euro (+13.4% compared to 2015).

The growth in consolidated revenues allowed for the significant improvement of the economic indicators.
In particular please note the increase in the EBITDA[3], driven by the gas purification sector and by the medical SMAs segment.

Finally, with regards to the financial management, please note that the net financial position (-33.8 million as at December 31, 2016) was strongly influenced by the investments made to support the future growth of the Group, including both the extraordinary operations undertaken during the year (in particular, the acquisition of Metalvuoto S.p.A. and the investment in the newco Flexterra, Inc.), as well as the *capex* for the expansion of the production capacity.

Here below the other significant events occurred in 2016.

[2] Total revenues of the Group are achieved by incorporating with the proportional method, instead of the equity method used in the financial statement, 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.
[3] EBITDA is not deemed as an accounting measure under International Financial Reporting Standards (IFRS); 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”.

On January 15, 2016 SAES Nitinol S.r.l. made a further capital injection, equal to 1 million euro, in favor of the joint venture Actuator Solutions GmbH, to support its investments. The same amount was paid by the 50% joint partner Alfmeier, 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%[4] of its share capital

On February 26, 2016 SAES Getters S.p.A. acquired the remaining 4% of the share capital of E.T.C. S.r.l. from the minority shareholder, for a consideration of 0,2 million euro. Following such acquisition, 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 Company.

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, with duration of ten years and 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, 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.

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 1,3 million USD[5], which were paid by SAES Getters USA, Inc. to the other party on September 13, 2016.

In July 2016 it was approved the transfer of the legal and operational offices of E.T.C. S.r.l from Bologna to Lainate, at the production site of the Parent Company. Such transfer was finalized by the end of 2016.

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 of the

[4] 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, without any change in the corporate governance.
[5] Equal to 1,129 thousand euro, of which 689 thousand euro already accounted for as a provision at the end of 2015, and the remaining 440 thousand euro recorded in the income statement for 2016.

signature of the contract (July 28, 2016), while the second tranche, equal to 1 million euro, was paid on September 28, 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%. The 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.

At the end of September 2016 it was approved the liquidation of the 100% owned subsidiary Memry GmbH, active in the sector of shape memory alloys, and the transfer of all its production and commercial activities into other Group's companies. This decision is in line with the corporate and organizational streamlining plan in place, aimed at increasing the efficiency of the Group's production activities on an international scale. This transaction resulted in extraordinary restructuring charges equal to 1.3 million euro in the fourth quarter of 2016. The completion of such transaction is expected by the end of the second half of 2017.

At the end of September 2016 it was established the company Actuator Solutions (Shenzhen) Co., Ltd., wholly owned by Actuator Solutions GmbH. The corporate scope of this new company is the technology development and the sale of actuators for the mobile market.
As at December 31, 2016 the controlling company didn't make any capital contribution yet, and therefore the new company is not operating.

Following the decease of Dr Pier Francesco Sportoletti, occurred in October 2016, Dr Angelo Rivolta (formerly Minority Deputy Statutory Auditor) is the new Chairman of the Board of Statutory Auditors, according to the Company's By-Laws.

On October 10, 2016 SAES Getters S.p.A., following the agreement signed on July, 29, 2016, acquired from Mirante S.r.l. a 70% 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 metalized and innovative plastic films for food preservation. Thanks to this acquisition, SAES, that already cooperated 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, through the development of high performance active plastics, characterized by transparency, biocompatibility and a reduced environmental impact.
SAES Getters S.p.A. acquired 70% of Metalvuoto S.p.A. for a price based on a multiple of the EBITDA, adjusted according to predefined financial parameters (including the net financial position and the value of the finished goods inventory), equal to around 5.1 million euro.
A *put* and *call* option between the shareholders have been provided, to be exercised starting from the twelfth month and within eighteen months from the date of the closing, for the acquisition of the remaining 30% of the share capital of Metalvuoto by SAES, for a predetermined price, calculated with a similar method as for the 70% first purchase. In case the option is not exercised within the agreed terms, SAES is committed to acquire the remaining 30% of the share capital of the company within twenty-four months.
As set out in the shareholders' agreements that govern the relationship between the parties of the company in its new shareholding structure, the new Board of Directors of Metalvuoto S.p.A is composed by three members, two of which nominated by the controlling company SAES, including the Managing Director; the minority shareholder, Mirante S.r.l., is represented by the third member, the Chairman of the Board itself, namely the founder Eng. Giovanni Ronchi.

On November 15, 2016 the corporate merger of the wholly owned subsidiary SAES Advanced Technologies S.p.A. into SAES Getters S.p.A was implemented, through the completion, signature and filing of the merger agreement in the Italian Business Register, by the two companies participating into the merger.
The merger produced its legal effects starting from December 31, 2016. For fiscal and accounting purposes only, the merger operation had been backdated at January 1, 2016.
The merger produced no equity, economic or financial effect into the SAES Group's consolidated financial statements, nor provided any share swap, being the incorporated company already wholly owned by SAES Getters S.p.A.
The transaction aims at optimizing the Group's industrial policy, as part of an aggregating process aimed at improving and integrating the Group's Italian manufacturing factories, simplifying their industrial 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.

On November 24, 2016 Actuator Solutions GmbH announced a restructuring plan, aimed at a cost reduction, which provides for the focusing of the German industrial site on the development, production and commercialization of devices mainly for the automotive sector.
The plan provides for a reduction in the workforce, already started at the end of 2016, that generated extraordinary expenses equal to around 50 thousand euro.

On November 28, 2016 SAES Nitinol S.r.l. signed a further loan contract in favor of Actuator Solutions GmbH, which granted for a loan to be provided in different tranches, for a maximum total amount of 4.5 million euro. The loan, aimed at financially supporting the joint venture's operations, 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%. The first tranche of the financing, equal to 1 million euro, was paid by SAES Nitinol S.r.l. on November 30, 2016. The contract provides for the priority reimbursement of such loan, compared to other loans granted to Actuator Solutions by its shareholders.

On December 15, 2016 the SAES Group announced that it has started a transaction aiming at the industrialization, production and commercialization of materials used in flexible organic transistors (OTFTs: Organic Thin Film Transistors) in partnership with Polyera, a company based in the USA and Taiwan, already active in the field of flexible thin film transistors for new generation displays and partner of SAES in the development of organic electronics applications.
The new materials related to the transaction will be developed by the newco Flexterra, Inc., based in Skokie (close to Chicago, Illinois, USA), dedicated to the manufacturing of materials and components for the manufacturing of truly flexible displays, with an enormous application potential in different sectors.
The development of these materials is based on the competences in organic chemistry and material sciences already present at SAES since 2008, gained with the development of its technological platform in the functional polymers for the organic electronics and advanced packaging industries, in combination with the expertise of Polyera in organic thin-film transistors.
The first products being made on the basis of the agreement will address the market of electrophoretic displays (EPDs), often indicated as e-paper[6], which, at present, are mainly used in e-books. The flexible display market is not limited to the mere substitution of current displays, but it opens a broad range of new applications, mainly still unexplored, in the field of "printed electronics", such as wearable devices, active signage, fully flexible OLEDs and OLETs, etc., addressing important emerging markets.
As at the end of December 2016, Flexterra was capitalized by Polyera and SAES Getters International Luxembourg S.A.
In particular, Polyera transferred to Flexterra tangible and intangible assets (including IPs and know-how) for an estimated value of 14 million USD and, against this contribution in kind, received Series A shares of Flexterra, privileged, among other things, in the distribution of profits and in case of the sale of Flexterra.
SAES Getters International Luxembourg S.A. provided Flexterra with contributions in cash, in different phases within the end of 2016, for a total capital contribution of 8.5 million USD, against which the company received in turn Series A privileged shares of Flexterra.
On the basis of the agreement, Polyera will grant the shareholding rights in Flexterra to its investors, among which there are two important Asian venture capital funds. These investors will also contribute in cash, with an amount that will be exactly defined in the first quarter of 2017, and that will be between a guaranteed minimum amount of 4.5 million USD, up to a maximum amount of 6 million USD.
SAES will transfer a further contribution of 4.5 million USD in capital – in addition to tangible and intangible assets (IPs) with an estimated value of around 3 million USD – in a second phase, to be finalized upon the achievement by Flexterra of technical and commercial objectives as set out in the agreement (namely, the signature of a binding agreement for the commercialization of Flexterra products – milestone) no later than March 31, 2018.

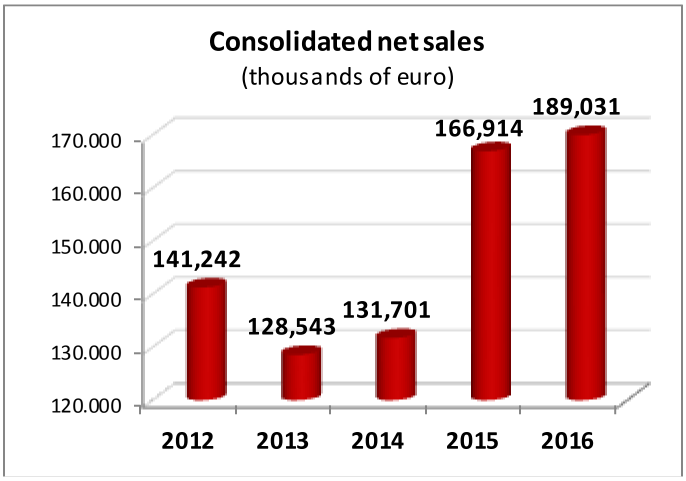
[6] The so-called 'electronic ink' reproduces the appearance of the real ink on a normal paper.

On the basis of the current evaluation, the contribution of SAES is equivalent to an equity participation representing around 35% of the share capital of Flexterra. Such participation is expected to increase up to around 45% with the contribution to be finalized by March 31, 2018, subsequent to the achievement of the above-mentioned milestone.
The transaction does not include any put & call option.
The Board of Directors of the new company will be composed of five members, two of which, including the Chief Executive Officer, appointed by SAES.

On December 21, 2016, SAES Getters S.p.A. signed a new loan agreement with Intesa Sanpaolo S.p.A., for a total amount of 10 million euro, with a duration of 6 years (expiring on December 21, 2022). The contract provides for an initial 12-month grace period, during which only the interest on the loan will be paid. The contract provides for the repayment of fixed principal amounts on a six-month basis and interests indexed to the six-month Euribor, plus a spread equal to 1.2%.
The loan provides for the activation of financial covenants that are standard for this type of transactions, calculated annually on consolidated economic and financial figures.

On December 22, 2016, SAES Getters S.p.A. signed a new loan agreement with Banco BPM, for a total amount of 5 million euro, with a duration of 5 years (expiring on December 31, 2021). The contract provides for an initial grace period lasting around 9 months, during which only the interest on the loan will be paid. The reimbursement is agreed through variable quarterly principal amounts and interests indexed to the three-month Euribor, plus a spread equal to 1%. The loan does not include any financial covenant.

Sales and economical results for the fiscal year 2016



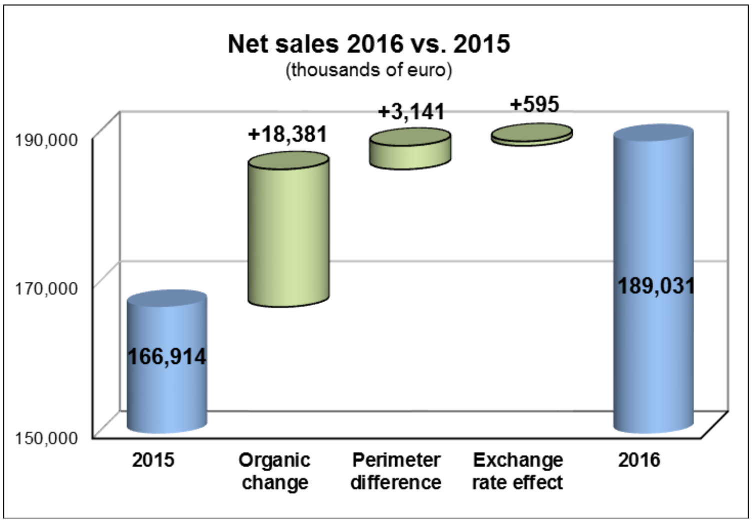
In the fiscal year 2016 **consolidated net revenues** were equal to 189,031 thousand euro, up by 13.3% compared to 166,914 thousand euro achieved in 2015.
The **exchange rate effect** was slightly positive (+0.4%), due to the strengthening both of the US dollar and of the Japanese yen against the euro, while the **organic growth** amounted to +11.1%, mainly driven by the shape memory alloys (SMAs) business both for medical and industrial applications, by the gas purification segment and by the recovery of the security and defense market (Sensors and Detectors Business and Electronic & Photonic Devices Business). Finally, please note that the **change in the scope of consolidation** following the acquisition of Metalvuoto S.p.A., has generated an increase in revenues equal to +1.8% 3,141 thousand euro in absolute terms).

Total revenues of the Group, achieved by incorporating the joint ventures with the proportional method, instead of with the equity method used in the financial statement would be equal to 198,384 thousand euro, up by 13.4% compared to 174,989 thousand euro in 2015: the growth was attributable, in addition to the increase in consolidated revenues (+13.3%), also to the increased revenues of the joint venture Actuator Solutions (+7.9%) 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) not yet operating at the end of the previous year.

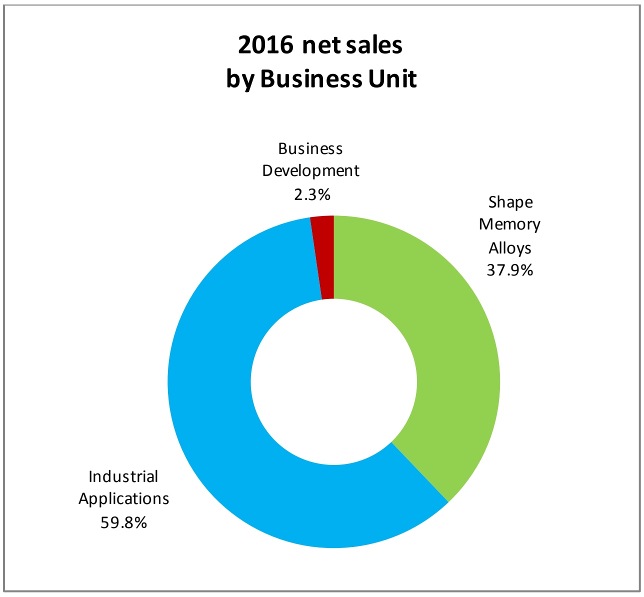
(thousands of euro)

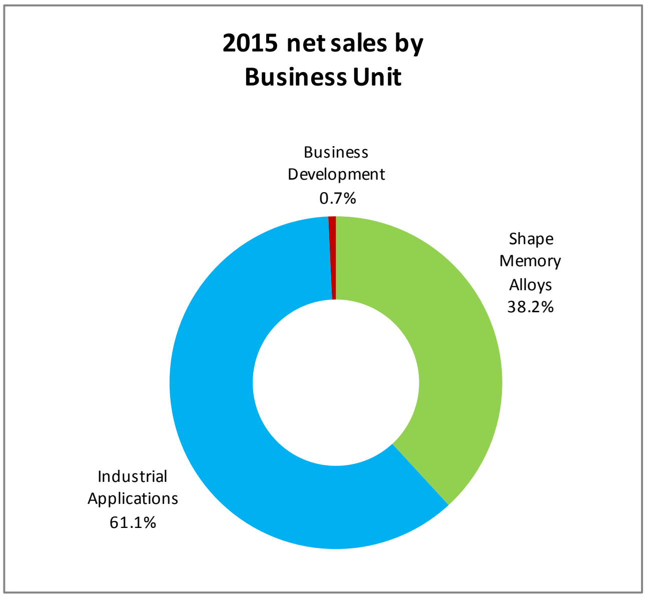
	2016	2015	Difference	Difference %
Consolidated net sales	**189,031**	**166,914**	**22,117**	**13.3%**
50% Actuator Solutions' sales	9,321	8,638	683	7.9%
49% SAES RIAL Vacuum S.r.l.' sales	773	0	773	n.a.
Eliminations	(799)	(636)	(163)	25.6%
Other adjustments	58	73	(15)	-20.5%
Total revenues of the Group	**198,384**	**174,989**	**23,395**	**13.4%**

The following chart shows the increase of consolidated net sales during the year 2016, highlighting the effect of exchange rates, the growth related to the change in the scope of consolidation and the variation due to the changes in selling prices and sales volumes.



Compared to the previous year, the consolidation in the last quarter of the revenues of Metalvuoto S.p.A., included in the Business Development Unit and then not allocated[7] in the 2016 consolidated financial statements, determined a reduction of the percentage weight of both the SMA Business Unit (from 38.2% to 37.9%) and the Industrial Applications Business Unit (from 61.1% to 59.8%).





The following table contains the breakdown of the consolidated net sales by business segment in 2016 and in 2015, along with the percent change at current and comparable exchange rates and shows the percent change related to the new scope of consolidation.

[7] The revenues of Metalvuoto S.p.A. will be classified into a new specific Business Unit starting from January 1, 2017.

(thousands of euro)

Business	2016	2015	Difference	Difference %	Exchange rate effect %	Organic change %	Perimeter difference effect %
Electronic & Photonic Devices	14,733	13,455	1,278	9.5%	0.8%	8.7%	0.0%
Sensors & Detectors	15,008	11,155	3,853	34.5%	-0.8%	35.3%	0.0%
Light Sources	7,791	9,234	(1,443)	-15.6%	0.9%	-16.5%	0.0%
Vacuum Systems	8,737	8,593	144	1.7%	0.9%	0.8%	0.0%
Thermal Insulation	5,190	6,382	(1,192)	-18.7%	2.1%	-20.8%	0.0%
Pure Gas Handling	61,617	53,192	8,425	15.8%	0.2%	15.6%	0.0%
Industrial Applications	**113,076**	**102,011**	**11,065**	**10.8%**	**0.4%**	**10.4%**	**0.0%**
SMA Medical Applications	62,651	55,956	6,695	12.0%	0.2%	11.8%	0.0%
SMA Industrial Applications	8,952	7,724	1,228	15.9%	0.1%	15.8%	0.0%
Shape Memory Alloys	**71,603**	**63,680**	**7,923**	**12.4%**	**0.2%**	**12.2%**	**0.0%**
Business Development	**4,352**	**1,223**	**3,129**	**255.8%**	**0.0%**	**-1.2%**	**257.0%**
Total net sales	**189,031**	**166,914**	**22,117**	**13.3%**	**0.4%**	**11.1%**	**1.8%**

Consolidated revenues of the **Industrial Applications Business Unit** amounted to 113,076 thousand euro in 2016, up by 10.8% compared to 102,011 thousand euro in the previous year. The currency trend led to a positive exchange rate effect equal to +0.4%, net of which revenues increased by 10.4%.
The businesses showing a strong organic growth were the Pure Gas Handling Business (organic growth equal to +15.6%), whose positive performance was linked to the strong investments in silicon foundries and in memories in Asia, as well as in the display segment. Also the Sensors and Detectors Business (+35.3%) and the Electronic & Photonic Devices Business (+8.7%) recorded an organic growth, thanks to the recovery of investments in the security & defense area.
The Vacuum Systems Business recorded a slight organic growth (+0.8%): the sales of vacuum pumps, after nine months of weakness, marked a turnaround in the fourth quarter of 2016, thanks to the start of an important European research project.
On the other hand, despite the favorable exchange rate effect, the following segments decreased: the Light Sources Business (with an organic decrease of 16.5%), penalized by the technological competition of the LEDs towards the fluorescent lamps, and the Thermal Insulation Business (-20.8%), in which the good results of the vacuum bottle segment did not completely offset the weak demand of getter solutions for oil extraction (penalized by the decrease of the crude oil price), as well as the contraction of the sales in the refrigeration market (subject to a more and more increasing competitive pressure).

Sales of the *Electronic & Photonic Devices Business* were equal to 14,733 thousand euro in 2016, compared to 13,455 thousand euro in 2015 (+9.5%). Excluding the positive exchange rate effect (+0.8%), the price/quantity effect was equal to +8.7%.

Sales of the *Sensors & Detectors Business* were equal to 15,008 thousand euro in 2016, up by 34.5% compared to 11,155 thousand euro in 2015. Excluding the negative exchange rate effect (-0.8%, mainly due to the depreciation of the renminbi against the euro), the overall organic growth was equal to 35.3%.

Sales of the *Light Sources Business* amounted to 7,791 thousand euro, down by 15.6% compared to 9,234 thousand euro in 2015. Excluding the positive exchange rate effect (+0.9%), the lamps business showed an organic decrease of 16.5% compared to the previous year.

Sales of the *Vacuum Systems Business* were equal to 8,737 thousand euro in 2016, up by 1.7% compared to 8,593 thousand euro in 2015. Excluding the positive exchange rate effect (+0.9%), the overall organic growth was equal to 0.8%.

Sales of the *Thermal Insulation Business* were equal to 5,190 thousand euro in 2016, compared to 6,382 thousand euro in 2015 (-18.7%). The currency effect was positive and equal to +2.1%, while the overall organic decline amounted to -20.8%.

Sales of the purification sector (*Pure Gas Handling Business*) were equal to 61,617 thousand euro in 2016, compared to 53,192 thousand euro in 2015 (+15.8%). Excluding the positive exchange rate effect (+0.2%), the overall organic growth was equal to +15.6%.

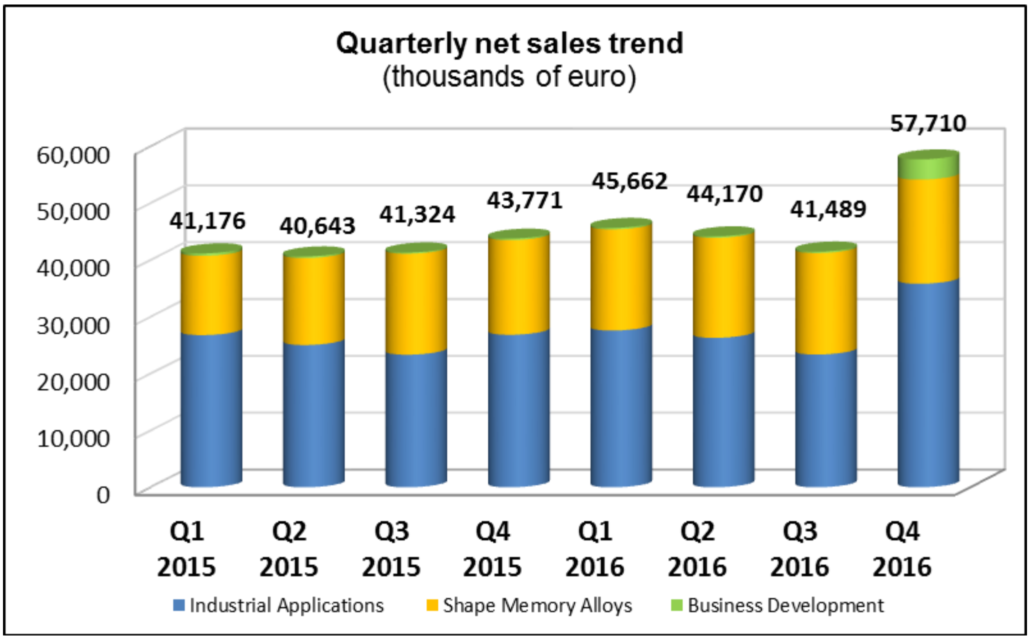
Consolidated revenues of the **Shape Memory Alloys Business Unit** were equal to 71,603 thousand euro in 2016, showing an increase (+12.4%) compared to 53,680 thousand euro in the previous year. The exchange rate effect was slightly positive and equal to +0.2%, net of which the organic growth was equal to +12.2%.
Both segments of this Business Unit recorded a two-digit growth.
The medical SMA segment (raw material and Nitinol components) recorded an organic growth equal to +11.8%, driven both by the new and more sophisticated Nitinol-based medical devices, which came into force during the year, and by the growth of the reference end-market.
Also the industrial SMA segment recorded a strong organic growth (+15.8%), thanks to the increased sales of SMA springs and trained wires, mainly for the automotive and consumer markets.

Sales of the *SMA Medical Applications Business* were equal to 62,651 thousand euro, up by 12% compared to 55,956 thousand euro in 2015. Excluding the positive exchange rate effect (+0.2%), the organic growth was equal to +11.8%.

Sales of the *SMA Industrial Applications Business* were equal to 8,952 thousand euro in 2016, up by 15.9% compared to 7,724 thousand euro in 2015. The exchange effect was slightly positive and equal to +0.1%, while the price/quantity effect was equal to +15.8%.

The **Business Development Unit** that includes projects of basic research or development, aimed at diversifying into innovative businesses, as well as revenues recorded by the newly acquired Metalvuoto S.p.A.[8], in the fourth quarter of 2016, closed the year 2016 with revenues equal to 4,352 thousand euro compared to 1,223 thousand euro in the previous year.
The increase is entirely attributable to the change in the scope of consolidation, while, in the business of OLED screens, the increase in the sales of moisture-absorbers functional polymers offset the lower sales of alkaline metals dispensers.

The following chart shows the **quarterly trend of revenues** in 2016, with evidence of the breakdown by Business Unit.



[8] As already mentioned. please note that, starting from January 1, 2017, revenues of Metalvuoto S.p.A will be attributed to a specific Business Unit.

In particular, please note that the increase in revenues in the fourth quarter of 2016 was driven by the excellent performance of the gas purification business, as well as by the first consolidation of the revenues of the newly acquired Metalvuoto S.p.A., that will be classified in a specific Business Unit starting from January 1, 2017. In the same quarter, finally please note the increase in revenues also in the vacuum pumps sector, thanks to the start of a major new European research project.

The following table contains the **quarterly net sales trend** in 2016 with evidence of the breakdown by Business.

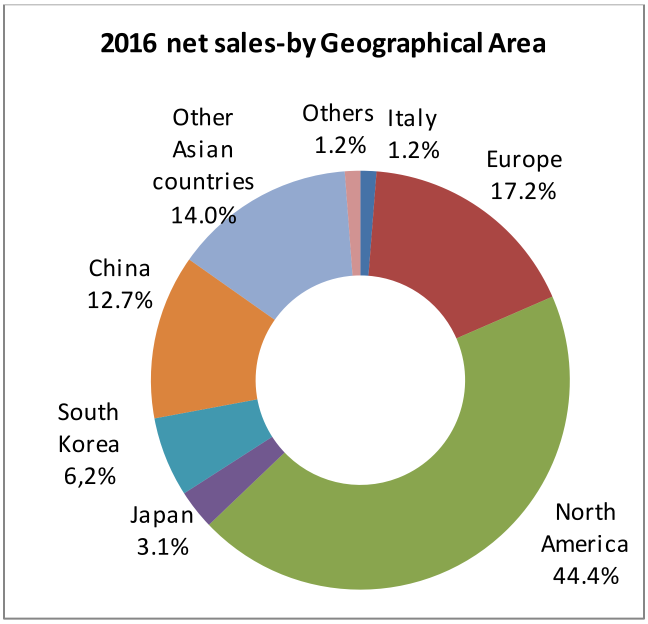
(thousands of euro)

Business	1st Quarter 2016	2nd Quarter 2016	3rd Quarter 2016	4th Quarter 2016
Electronic & Photonic Devices	3,411	3,853	3,843	3,626
Sensors & Detectors	3,653	3,744	3,500	4,111
Light Sources	2,081	1,886	1,786	2,038
Vacuum Systems	1,948	1,513	1,689	3,587
Thermal Insulation	1,390	1,052	1,500	1,248
Pure Gas Handling	15,104	14,250	11,050	21,213
Industrial Applications	**27,587**	**26,298**	**23,368**	**35,823**
SMA Medical Applications	15,427	15,054	15,800	16,370
SMA Industrial Applications	2,372	2,560	2,062	1,958
Shape Memory Alloys	**17,799**	**17,614**	**17,862**	**18,328**
Business Development	**276**	**258**	**259**	**3,559**
Total net sales	**45,662**	**44,170**	**41,489**	**57,710**

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

(thousands of euro)

Geographical area	2016	%	2015	%	Difference	Difference %
Italy	2,332	1.2%	1,924	1.2%	408	21.2%
Europe	32,584	17.2%	32,849	19.7%	(265)	-0.8%
North America	83,914	44.4%	74,940	44.9%	8,974	12.0%
Japan	5,769	3.1%	5,815	3.5%	(46)	-0.8%
South Korea	11,648	6.2%	11,883	7.1%	(235)	-2.0%
China	24,008	12.7%	16,832	10.1%	7,176	42.6%
Other Asian countries	26,528	14.0%	19,475	11.7%	7,053	36.2%
Others	2,248	1.2%	3,196	1.8%	(948)	-29.7%
Total net sales	**189,031**	**100.0%**	**166,914**	**100.0%**	**22,117**	**13.3%**



The main changes related to the **geographical distribution of revenues** refer to the gas purification sector, whose sales' decline in Europe, North America and Israel ("Others") was more than offset by higher sales in China, Taiwan and Singapore ("Other Asian countries").
The revenues' growth in China (+42,6%) was also supported by the higher sales of getter solutions in the Sensors & Detectors Business.
Sales in North America increased (+12%) thanks to the aforementioned growth in the SMA medical segment, while the first consolidation of Metalvuoto S.p.A. allowed to offset the decrease of the Pure Gas Handling Business in Europe.

Consolidated gross profit was equal to 85,120 thousand euro in 2016 compared to 72,084 thousand euro in 2015. The marked growth (+18.1%) was mainly attributable to the increase in revenues, as well as to the improvement in the gross margin[9] (up from 43.2% in 2015 to 45% in 2016), mainly driven by the gas purification business and the Shape Memory Alloys Business Unit. For further details, please refer to the Business Unit analysis.

The following table shows the 2016 consolidated gross profit by Business Unit, compared to the previous year and shows the change due to the acquisition of Metalvuoto S.p.A.

(thousands of euro)

Business Unit	2016	2015	Difference	Difference %	of which: Perimeter difference
Industrial Applications	55,346	48,142	7,204	15.0%	0
% on Business Unit net sales	*48.9%*	*47.2%*			
Shape Memory Alloys	29,260	23,994	5,266	21.9%	0
% on Business Unit net sales	*40.9%*	*37.7%*			
Business Development & Corporate Costs	514	(52)	566	1088.5%	307
% on Business Unit net sales	*11.8%*	*-4.3%*			
Gross profit	**85,120**	**72,084**	**13,036**	**18.1%**	**307**
% on net sales	***45.0%***	***43.2%***			***9.8%***

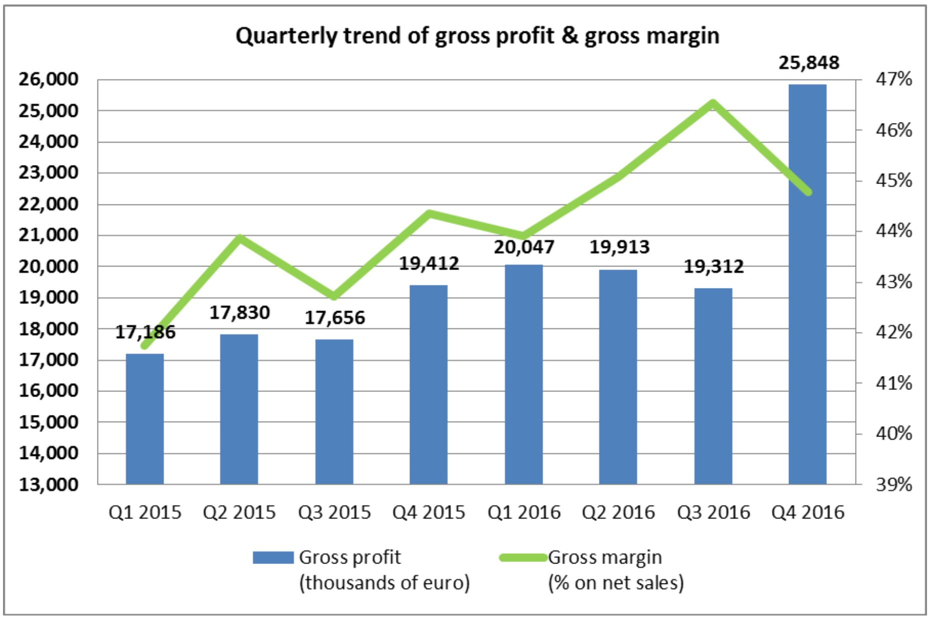
Gross profit of the **Industrial Applications Business Unit** was equal to 55,346 thousand euro in 2016, compared to 48,142 thousand euro in 2015. This increase (+15%) was attributable both to the increase in sales of this operating segment, and - to a lesser extent – to a different and more favorable product mix, as well as to the excellent contribution of the gas purification segment and of the security & defense related business.

In the **Shape Memory Alloys Business Unit** the increase in sales has allowed the strong growth both in the gross profit (+21.9%, from 23,994 thousand euro in 2015 to 29,260 thousand euro in 2016) and in the gross margin (from 37.7% in 2015 to 40.9% in 2016). In particular, the gross margin increased in both the business segments, the medical and the industrial one, as the result of the greater economies of scale and of the improved efficiency of the new productions, in addition to the higher proportion of sales for added value Nitinol components.

[9] Calculated as the ratio between the gross profit and the consolidated sales.

Gross profit of the **Business Development Unit & Corporate Costs** was equal to 514 thousand euro (11.8% of consolidated revenues), compared to a loss equal to 52 thousand euro in the previous year (-4.3% of consolidated revenues). The improvement was mainly attributable to the consolidation of the gross profit of Metalvuoto S.p.A. related to the fourth quarter of the year, whose acquisition was finalized on October 10, 2016.

The following chart shows the quarterly trend of both the consolidated gross profit and gross margin.
Please note that the continuous improvement in the gross margin during 2016 has been interrupted only in the last quarter, due to the dilutive effect of the initial consolidation of Metalvuoto S.p.A., whose gross margin is lower than the average one of the SAES Group.



Consolidated operating income amounted to 26,156 thousand euro in 2016, with a strong increase (+5,657 thousand euro, equal to +27.6%) compared to an operating income equal to 20,499 thousand euro in the previous year. In percentage terms, the operating margin was equal to 13.8%, compared to 12.3% in 2015.
The increase in revenues and in the gross margin enabled the improvement in the operating indicators compared to the previous year, despite the increase of operating expenses (increased consultant fees for corporate extraordinary projects developed during the year, in addition to the higher accrual for the variable remuneration of the Executive Directors, as well as higher costs for employed personnel).

The following table shows the operating result of the fiscal year 2016 by Business Unit, compared with the previous year and shows the effect related to the change in the scope of consolidation.

(thousands of euro) of which:

Business Unit	2016	2015	Difference	Difference %	Perimeter difference
Industrial Applications	31,191	27,460	3,731	13.6%	0
Shape Memory Alloys	17,244	13,561	3,683	27.2%	0
Business Development & Corporate Costs	(22,279)	(20,522)	(1,757)	-8.6%	(140)
Operating income (loss)	**26,156**	**20,499**	**5,657**	**27.6%**	**(140)**
% on net sales	***13.8%***	***12.3%***			***-4.5%***
Settlement agreement Onondaga Lake	(440)	(689)	249	36.1%	0
Costs for severance and for retention plan of Memry GmbH	(1,258)	0	(1,258)	n.a.	0
Operating income (loss) adjusted	**27,854**	**21,188**	**6,666**	**31.5%**	**(140)**
% on net sales	***14.7%***	***12.7%***			***-4.5%***

As shown in the above table, excluding the cost 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 paragraph "Relevant events occurred in 2016" and the Notes no. 7 and no.29), as well as the extraordinary costs for severance and for the strategic employees' retention plan, related to the transfer of the production activities of Memry GmbH and the subsequent liquidation of the German subsidiary, the **adjusted operating income** [10] was equal to 27,854 thousand euro (14.7% of consolidated revenues).

Operating income of the **Industrial Applications Business Unit** was equal to 31,191 thousand euro in 2016, up by 13.6% compared to 27,460 thousand euro in 2015: the increase in revenues and in the gross margin more than offset the increase in the operating expenses, in particular those items mostly related with the volumes of sales, such as commissions to agents and transport costs.

Operating income of the **Shape Memory Alloys Business Unit** amounted to 17,244 thousand euro, up by +27.2% compared to 13,561 thousand euro in the previous year. This increase was exclusively attributable to the strong increase in sales and in the gross margin; in fact, excluding the above-mentioned extraordinary personnel costs related to the liquidation of Memry GmbH (equal to 1,258 thousand euro), the operating expenses in 2016 were substantially in line with those of the previous year (10,919 thousand euro in 2016, against 10,528 thousand euro in 2015).

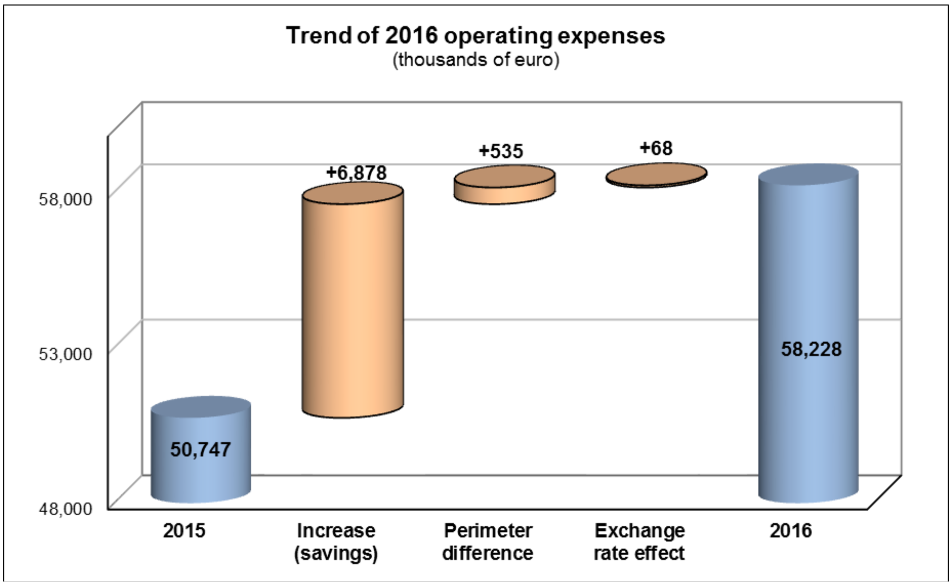
The operating result of the **Business Development & Corporate Costs** was negative and equal to -22,279 thousand euro and it included both the result of the Business Development Unit and the costs that cannot be directly attributed or reasonably allocated to any business sector but refer to the Group as whole; this figure compares to an operating loss of -20,522 thousand euro in 2015. The worsening was mainly due to higher corporate general and administrative expenses (higher costs for variable remuneration to Executive Directors and increased consultant fees for corporate extraordinary projects implemented during the year).

Consolidated operating expenses were equal to 58,228 thousand euro, compared to 50,747 thousand euro in the previous year. Excluding the extraordinary personnel costs related to the decision of liquidating the German subsidiary Memry GmbH, operating expenses were equal to 56,970 thousand euro and showed a physiological increase (+12.3%) related to the increase in revenues.
The increase mainly regarded the ***general and administrative expenses*** (+2,841 thousand euro, excluding the one-off costs for Memry GmbH). In particular, please note the increased consultant fees for corporate extraordinary projects developed during the year, in addition to higher costs for employed personnel, as well as the higher accrual for the variable remuneration of the Executive Directors.

[10] Adjusted operating income is the operating income itself, further adjusted by excluding non-recurring amounts, not considered as indicators of the current operating performance by the Management. As its calculation is not ruled by the IFRS principles, the method applied by the Group may be not homogeneous, and so far not comparable, with the ones applied by other Groups.

Within the ***selling expenses***, the increase (+2,398 thousand euro) mainly regarded variable costs in relation to sales volumes, as agent commissions and transport costs. In addition, please note the increase in personnel costs subsequent to the strengthening of the sales structure in the USA.
R&D expenses were substantially in line with those of the previous year.

The following chart shows the trend of consolidated operating expenses in the fiscal year 2016, including the increase related to the acquisition of Metalvuoto S.p.A.



In 2016 the total **labor cost** was equal to 70,877 thousand euro, compared to 62,262 thousand euro in 2015: excluding both the extraordinary costs for severance and for the strategic employees' retention plan of Memry GmbH (1,258 thousand euro), and the increase related to the change in the scope of consolidation (477 thousand euro), the growth (6,880 thousand euro) was due to the increase in the average number of the Group's employees concentrated in the shape memory alloys and in the purification business, as well as to higher accruals for the variable components of salaries, estimated to grow in line with the trend of the economic performance.

The result of the year included **depreciation and amortization** equal to 8,525 thousand euro, in line with the previous year (8,511 thousand euro).

Consolidated EBITDA was equal to 35,469 thousand euro (18.8% of consolidated revenues) in 2016, up by 20.7% compared to 29,375 thousand euro (17.6% of consolidated revenues) in 2015, mainly driven by the gas purification sector and by the medical SMAs segment.
As shown in the following table, excluding the cost related to the settlement agreement for the definition of the environmental dispute regarding the Onondaga Lake as well as the non-recurring costs for severance and for the retention plan dedicated to the strategic employees of Memry GmbH, the **adjusted EBITDA**[11] was equal to 37,167 thousand euro in 2016, equal to 19.7% of the consolidated revenues.
The following table shows the reconciliation between EBITDA, adjusted EBITDA and operating income, compared with the previous year.

[11] Adjusted EBITDA is meant to be the EBITDA itself, further adjusted to exclude non recurring items or anyway considered as not indicating the current operating performance by the Management. As its calculation is not ruled by the IFRS principles, the method applied by the Group may be not homogeneous, and so far not comparable, with the ones applied by other Groups.

(thousands of euro) | of which:

	2016	2015	Difference	Difference %	Perimeter difference
Operating income	26,156	20,499	5,657	27.6%	(140)
Depreciation and amortization	(8,525)	(8,511)	(14)	-0.2%	(149)
Write-down of assets	(138)	(311)	173	55.6%	0
Bad debt provision accrual (release)	(650)	(54)	(596)	-1103.7%	(48)
EBITDA	**35,469**	**29,375**	**6,094**	**20.7%**	**57**
% on sales	***18.8%***	***17.6%***			***1.8%***
Settlement agreement Onondaga Lake	(440)	(689)	249	36.1%	0
Costs for severance and for retention plan of Memry GmbH	(1,258)	0	(1,258)	n.a.	0
EBITDA *adjusted*	**37,167**	**30,064**	**7,103**	**23.6%**	**57**
% on sales	***19.7%***	***18.0%***			***1.8%***

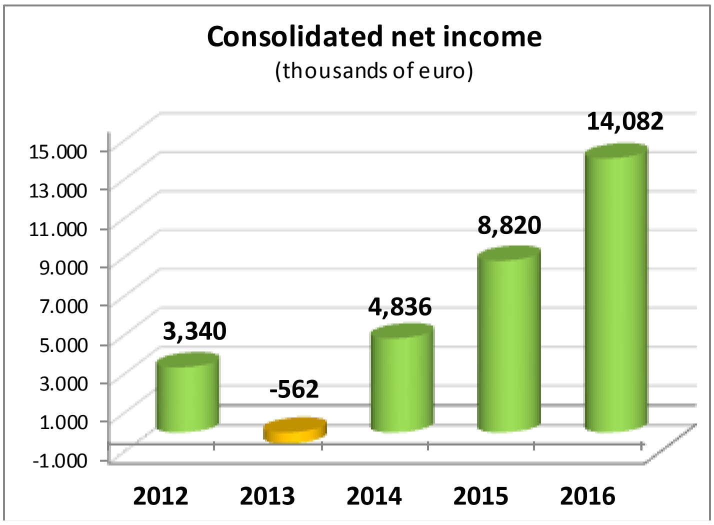
The net balance of **other income (expenses)** was negative and equal to 736 thousand euro, substantially in line with a negative balance of 838 thousand euro in 2015. This amount included, in both years, the cost related to the settlement agreement for the definition of the environmental dispute regarding the purification of the Onondaga Lake (689 thousand euro accounted for at the end of 2015 and 440 thousand euro recorded in the income statement in the first half of 2016). In addition, the 2016 figure included the cost for purchasing from Polyera Corporation a licensee on 50% of the OLET technology that the Group developed in partnership with Polyera itself (242 thousand euro).

The net balance of **financial income and expenses** was negative for 1,220 thousand euro (compared to a negative balance of 1,528 thousand euro in 2015) and it mainly included interest expenses on long term loans held by the Parent Company, by the newly acquired Metalvuoto S.p.A. 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. The decrease in financial expenses was related both to the decrease in the average net financial indebtedness in 2016 compared to the previous year, and to the reduction of the interest rates. In particular, the lower costs on loans in the form of "hot money" and on the use of bank credit lines were only partially offset by the increase in interests related to medium-long-term bank loans.

The loss deriving from the **evaluation with the equity method** of the joint ventures totally amounted to -3,325 thousand euro (compared to -1,843 thousand euro in the previous year) and it was mainly attributable to the joint venture Actuator Solutions. For more details on the composition of such loss, please refer to the Note no. 9 and the Note no. 16.
The sum of the **exchange rate differences** recorded a slightly positive balance for 52 thousand euro in 2016, compared to a positive balance of 694 thousand euro in 2015. The positive balance of 2015 was mainly due to foreign exchange gains (1,907 thousand euro) following the partial release into the income statement of the translation reserve generated by the consolidation of SAES Getters (Nanjing) Co., Ltd. and of SAES Getters Korea Corporation, following the partial reduction of the share capital of the two Asian subsidiaries. These gains were partially offset by the losses realized on forward contracts entered to hedge commercial transactions in dollars and yen (-986 thousand euro), in addition to foreign exchange losses (about -0.5 million euro) generated in the last part of the year from the conversion of the financial credit denominated in euro of the Korean subsidiary versus the Parent Company, only partially hedged by forward contracts.

Consolidated income before taxes amounted to 21,663 thousand euro (11.5% of consolidated revenues), showing an increase of +21.6% compared to an income before taxes of 17,822 thousand euro in the previous year (10.7% of consolidated revenues).

Income taxes amounted to 7,581 thousand euro in 2016, compared to 9,002 thousand euro in the previous year. The Group's ***tax rate*** was equal to 35%, significantly improved when compared to 50.5% of the previous year, as a result of lower tax losses realized by the Parent Company (on which deferred tax assets were prudentially not recognized), in addition to the release of the fiscal provision of 500 thousand euro related to the assessment on the fiscal declaration of the Parent Company for the year 2005, following the positive outcome of the existing dispute commenced by the Company.



Consolidated net income amounted to 14,082 thousand euro (7.4% of consolidated revenues) in 2016, strongly increased (+59.7%) compared to a consolidated net income of 8,820 thousand euro (5.3% of consolidated revenues) in 2015.

Net financial position – Investments – Other information

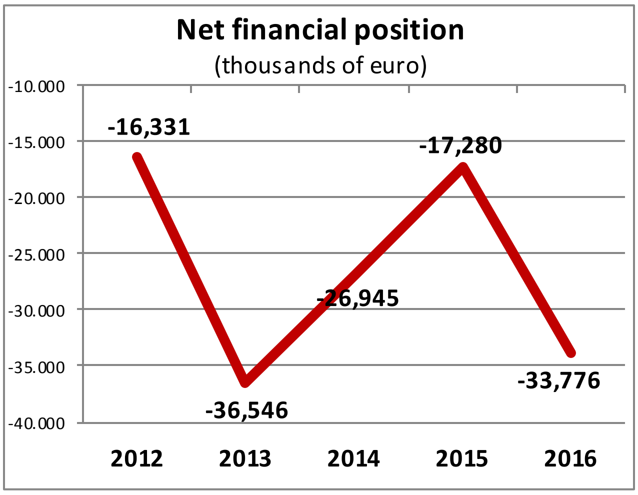
A breakdown of the items making up the consolidated net financial position is provided below.

(thousands of euro)

	December 31, 2016	June 30, 2016	December 31, 2015
Cash on hands	19	22	23
Cash equivalents	14,321	28,291	24,021
Cash and cash equivalents	**14,340**	**28,313**	**24,044**
Related parties current financial assets	565	437	555
Other current financial assets	1	0	0
Current financial assets	**566**	**437**	**555**
Bank overdraft	(6,847)	(16,504)	(5,012)
Current portion of long term debt	(8,239)	(7,252)	(7,136)
Other current financial liabilities	(1,100)	(801)	(1,957)
Current financial liabilities	**(16,186)**	**(24,557)**	**(14,105)**
Current net financial position	**(1,280)**	**4,193**	**10,494**
Related parties non current financial assets	**5,249**	**1,449**	**600**
Long term debt, net of current portion	(35,916)	(23,882)	(27,019)
Other non current financial liabilities	(1,829)	(1,271)	(1,355)
Non current liabilities	**(37,745)**	**(25,153)**	**(28,374)**
Non current net financial position	**(32,496)**	**(23,704)**	**(27,774)**
Net financial position	**(33,776)**	**(19,511)**	**(17,280)**

The **consolidated net financial position** as at December 31, 2016 was negative for 33,776 thousand euro (cash equal to +14,340 thousand euro and net financial liabilities of -48,116 thousand euro) compared to -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 net financial position was strongly influenced by the investments made to support the future growth, including both the extraordinary operations undertaken during the year (in particular, the acquisition of

Metalvuoto S.p.A. and the investment in the newco Flexterra, Inc.), as well as the *capex* for the expansion of the production capacity.



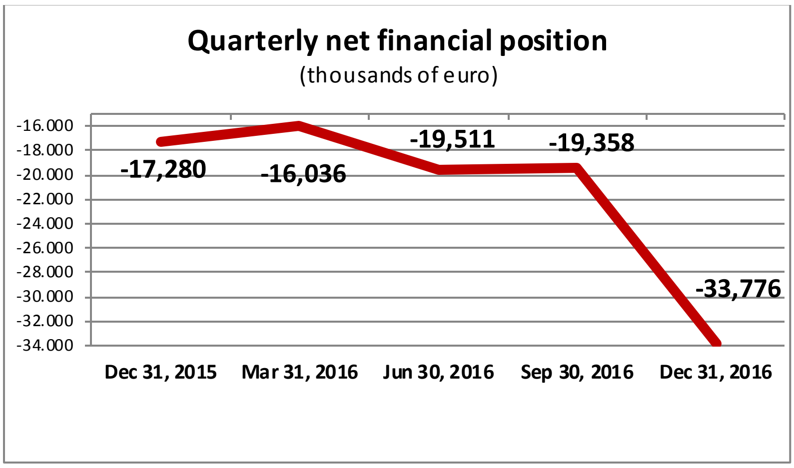
As at December 31, 2016, please note the strong increase in the net working capital. In fact, the self-financing was partially offset by the increase in trade receivables, as well as in the inventory of the gas purification sector, the former related to the sales increase recorded in the last period of 2016, while the latter in anticipation of the sales of the beginning of 2017. The operating cash flows still supported both the payment of dividends and the above mentioned disbursement for investment activities.

In particular, the payments for the purchase of tangible and intangible assets, net of proceeds deriving from the sale of such assets, amounted to -8,860 thousand euro. Still within the investment activities, it must also be included the purchase of the minority interest in E.T.C. S.r.l. (-249 thousand euro), the capital contribution made during the year in favor of the joint venture Actuator Solutions GmbH (-1,000 thousand euro), the capitalization of the new company Flexterra, Inc. (-8,146 thousand euro) as well as the purchase of Metalvuoto S.p.A. (7,888 thousands euro, inclusive of an acquired net debt of -1,444 thousand euro and of 652 thousand euro related to the debt for the purchase of the remaining 30% by the end of 2018).

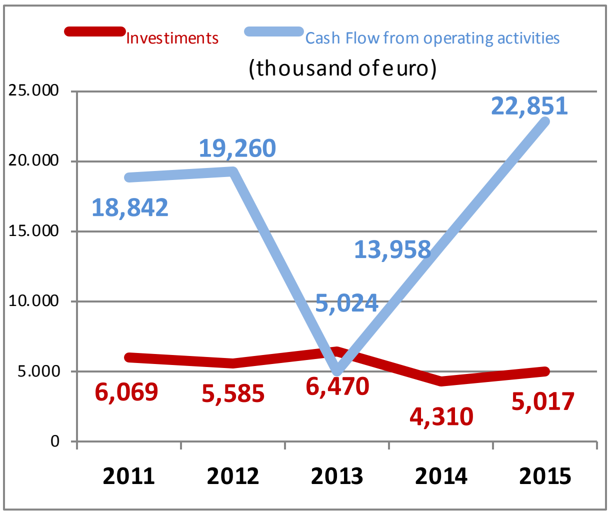
With regard to financing activities, the expenses for dividend payments amounted to 8.5 million euro.

The exchange rate impact on the net financial position has been slightly negative (-0.2 million euro), mainly due to the negative effect generated by the revaluation of the US dollar on the indebtedness in dollars, only partially offset by the positive effect on the cash in the same currency.

The chart below shows the quarterly amount of the net financial position during the year 2016.



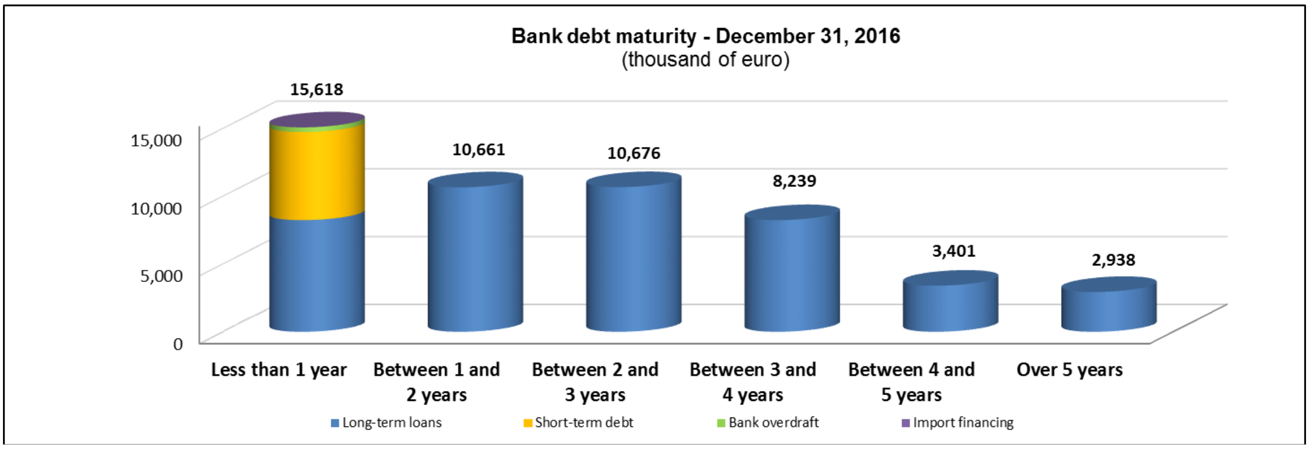
Please note that the decline in net financial position in the fourth quarter of 2016 was attributable, as well as to the increase in net working capital above mentioned, even to the extraordinary transactions carried out during the last quarter (in particular, the acquisition of Metalvuoto S.p.A. and the investment in the newco Flexterra, Inc.), despite the strong operating cash generation, related to the increase in both sales and earnings.



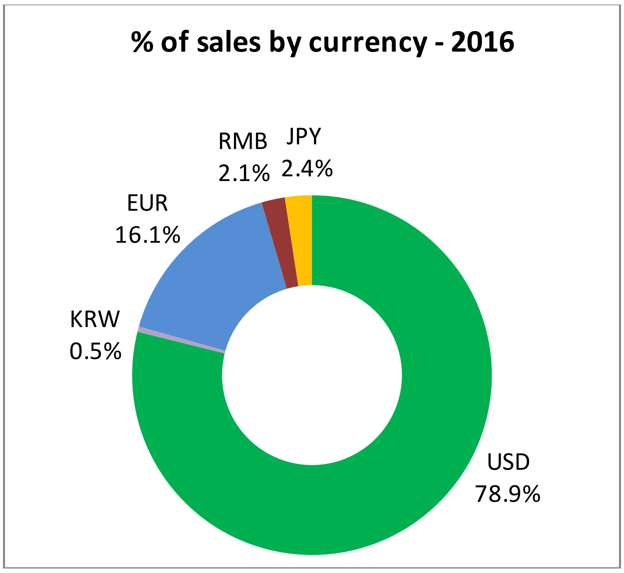
The **cash flow from operating activities** was positive and equal to 18,695 thousand euro (9.9% of consolidated revenues), compared to 22,851 thousand euro in 2015 (13.7% of revenues). As already mentioned, despite a higher self-financing, related to the growth in revenues and operating results, the operating activities were penalized by the strong increase in the net working capital in the gas purification segment at the end of 2016 (increase in both trade receivables, related to the increase in the sales recorded in the last period of 2016, and the inventory, in anticipation of the sales at the beginning of 2017).

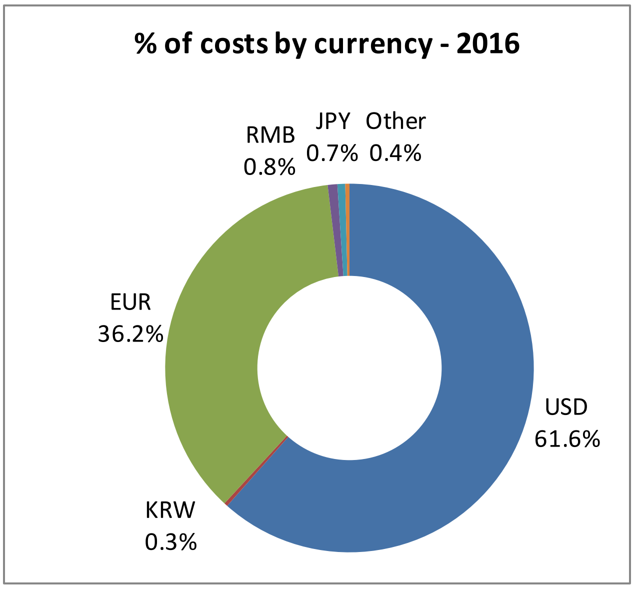
In 2016 the monetary disbursements for **investments in tangible assets** amounted to 8,663 thousand euro, compared to 5,017 thousand euro in the previous year. Instead, the investments in intangible assets were not significant (202 thousand euro, compared to 42 thousand euro in 2015). For more details on the capex of the year, please refer to the notes no 14 and no 15.
Always within 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 of 4% of the share capital of ETC S.r.l., for a consideration of 249 thousand euro, the capital contribution of 1,000 thousand euro in favor of the joint venture Actuator Solutions, as well as the investment in Flexterra, Inc. (8,146 thousand euro) and the payment for the purchase of 70% of Metalvuoto S.p.A. (5,825 thousand euro, inclusive of the negative net cash of the latter).
Finally, within the investment activities there is also the payment for the earn-out related to the technological upgrading of the purification business carried out during 2013 (254 thousand euro in 2016).

The following table shows the maturity profile the consolidated bank debt as at 31 December 2016.

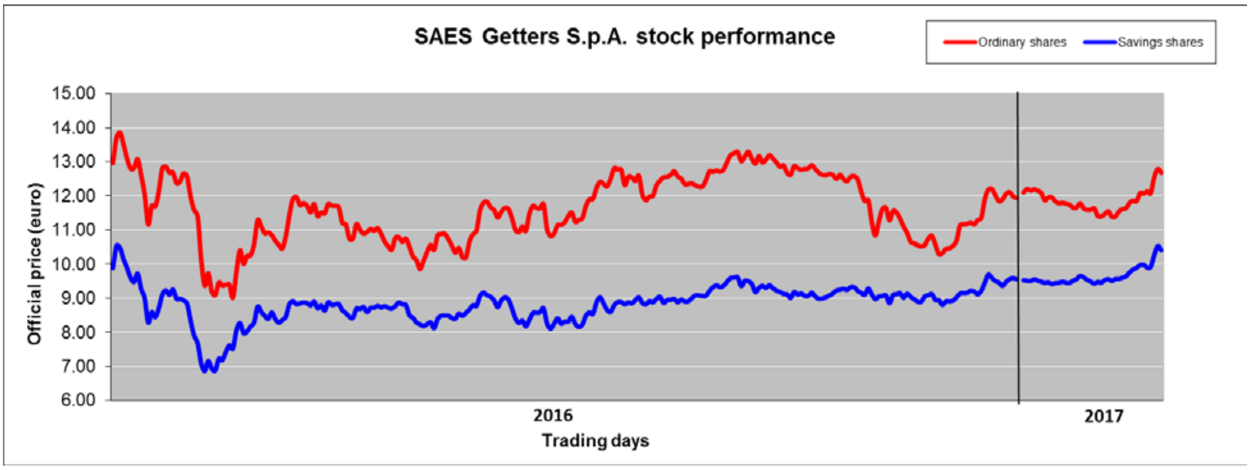


The composition of net sales and costs (cost of sales and operating expenses) by currency in 2016 is provided below.





The official price trend for ordinary and savings shares during the year 2016 and the first months of 2017 is given below.



The value of ordinary shares, listed on the STAR segment of Mercato Telematico Azionario of Borsa Italiana, decreased by 7.9% in 2016, while the saving shares recorded a decrease in their value of -3.3%, compared with a decrease of 8.3% recorded by the FTSE MIB index and an increase of 5.8% recorded by the FTSE Italia Star index.

The following table shows the main accounting ratios.

Ratios		2016	2015	2014
Operating income/Total net sales	%	13.8	12.3	9.9
Income before taxes/Total net sales	%	11.5	10.7	7.8
Net income from continued operations/Total net sales	%	7.4	5.3	2.6
Net income from continued operations/Average shareholders' equity (ROAE)	%	11.7	7.8	3.3
Research expenses/Total net sales	%	7.8	8.3	10.9
Depreciation of tangible assets/Total net sales	%	3.8	4.3	5.4
Cash flows from operating activities/Total net sales	%	9.9	13.8	10.6
Taxes/Income before taxes	%	35.0	50.5	66.6
Total net sales/Average number of employees (*)	k euro	186	177	147
Accumulated depreciation/Tangible assets	%	71.8	71.1	69.8

(*) Calculated without considering the employees of the joint ventures, evaluated using the equity method.

Performance of SAES Getters S.p.A.'s subsidiaries in 2016

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

On November 15, 2016 the corporate merger of the wholly owned subsidiary SAES Advanced Technologies S.p.A. into SAES Getters S.p.A was implemented, through the completion, signature and filing of the merger agreement in the Italian Business Register, by the two companies participating into the merger.
The merger produced its legal effects starting from December 31, 2016, while for fiscal and accounting purposes, the merger operation had been backdated at January 1, 2016. Therefore, with regard to the performance of SAES Advanced Technologies S.p.A. in 2016, please refer to the Report on operations of SAES Getters S.p.A.

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

The company reported consolidated revenues equal to 90,443 thousand USD in 2016 (81,708 thousand euro at the average exchange rate of 2016), compared to 79,515 thousand USD (71,667 thousand euro at the average exchange rate of 2015) in the previous year and a consolidated net income of 4,592 thousand USD (4,148 thousand euro), compared to a consolidated net income of 7,130 thousand USD (6,426 thousand euro) in 2015.

Further notes are provided below.

The US parent company ***SAES Getters USA, Inc.,*** which operates primarily in the Industrial Applications Business Unit, recorded sales of 15,205 thousand USD, compared to 13,831 thousand USD recorded in the previous year: the increase in the sales in the Electronic & Photonic Devices Business and in the Sensors & Detectors one (favored by the recovery of the security and defense sectors) more than offset the decrease in sales of getter components for fluorescent lamps and getter solutions for thermal insulation used in the oil extraction business.
The company ended the year with a net income of 4,592 thousand USD, down compared to a net income of 7,130 thousand USD in 2015: despite the increase of the sales and the gross margin, the net income decreased as a consequence of both the cost related to the signature of a settlement agreement for the definition of the environmental dispute related to presumed harmful emissions of mercury in the Onondaga Lake (1,250 thousand USD), and the lower earnings deriving from the evaluation with the equity method of the shareholding in the subsidiary SAES Pure Gas, Inc., that ended the current year with a net income lower than that of the previous year.

Finally, the tax rate, that in 2015 was positively affected by some effects related to the final calculation of the taxes of the previous year, came back in line with the standard rates in the USA (from 29.3% in 2015 to 38.8% in 2016) .

The subsidiary ***SAES Pure Gas, Inc.*** based in San Luis Obispo, CA (USA), active in the Pure Gas Handling Business, achieved sales of 67,708 thousand USD, up by 15.6% compared to 58,582 thousand USD in the previous year. Despite the growth in sales (favored by increased investments in the factories of microprocessors, mainly in the Asian market) and in the gross margin (thanks to a more favorable product mix, with a lower consumption of raw materials), the increase in selling expenses (in particular, higher commissions to agents and to the subsidiary SAES Getters Export, Corp.) and the higher charge-backs of the Parent Company following the review of the service contracts, reduced the net income from 4,699 thousand USD in 2015, to 3,102 thousand USD in 2016.

The subsidiary ***Spectra-Mat, Inc.***, Watsonville, CA (USA), operating in the Electronic & Photonic Devices Business, achieved revenues of 7,530 thousand USD in 2016, compared to 7,101 thousand USD in the previous year, and a net income of 574 thousand USD, compared to a net income of 365 thousand USD in 2015. The recovery of the US military spending, together with the strong demand for industrial goods, helped to boost the sales in 2016 (+6%); the increase in sales, together with a more favorable product mix, allowed to close the year with a result almost doubled compared to 2015 .

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 all US Group's companies. In particular, starting from 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 2016 it achieved a net income of 12,228 thousand USD (11,047 thousand euro), substantially in line with 12,567 thousand USD (equal to 11,327 thousand euro) in the previous year.

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

The company manages the commercial activities of the Group in the Republic of China.
SAES Getters (Nanjing) Co., Ltd. ended 2016 with revenues equal to 37,983 thousand RMB (5,166 thousand euro), up by 26.5% compared to 30,035 thousand RMB (4,307 thousand euro) in 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 year with a net income of 4,488 thousand RMB (610 thousand euro), compared 190 thousand RMB (27 thousand euro) as at December 31, 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 manufactures and markets shape memory alloy components for both medical and industrial applications in the European market. At the end of September 2016 it was approved the liquidation and the transfer of all the production and commercial activities of the German subsidiary into other Group's companies. This transaction resulted in extraordinary restructuring charges[12] equal to 1,258 thousand euro in the fourth quarter of 2016. The completion of such transaction is expected by the end of the second half of 2017.

[12] In particular, costs for severance and for the strategic employees' retention plan.

In 2016 the company achieved sales equal to 7,519 thousand euro, substantially in line with 7,573 thousand euro in the previous year. The net income was equal to 418 thousand euro, substantially in line with the previous year (1,386 thousand euro), excluding the above mentioned non-recurring restructuring charges.

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 next paragraph and to the Notes no. 9 and no. 16 of the Consolidated financial statement).
SAES Nitinol S.r.l ended 2016 with a net loss equal to 8,520 thousand euro (in 2015 the loss was equal to -73 thousand euro), almost exclusively due to the devaluation (-8,400 thousand euro) of the entire value of the investment in Actuator Solutions GmbH recorded following the continued net loss in Actuator Solutions.
Please refer to the section "Significant events occurred in 2016" for the detailed description of the sequence of capital contributions and loans granted by SAES Nitinol S.r.l. to the subsidiary Actuator Solutions GmbH during 2016.

E.T.C. S.r.l., Lainate, MI (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, and it is now the sole shareholder of E.T.C. S.r.l.
E.T.C. S.r.l. ended the 2016 with a net loss of 2,202 thousand euro[13], compared to a loss of -1,586 thousand euro in the previous year. The increased loss was due by the increase in consultancy expenses, by the lower contributions accrued on research projects in progress and by the recharge by the Parent Company of the cost of the purchase of a OLET license from Polyera Corporation (for further details please refer to Note no. 7). Finally, please note lower tax revenues arising from the membership of tax consolidation program.[14]

METALVUOTO S.p.A. – Roncello, MB (Italy)

On October 10, 2016 SAES Getters S.p.A. acquired from Mirante S.r.l. a majority interest (70%) 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 metalized and innovative plastic films for food preservation. Thanks to this acquisition, SAES, that already cooperated 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, through the development of high performance active plastics, characterized by transparency, biocompatibility and a reduced environmental impact.
For the operation details, please refer to Note no. 3 "Business Combinations". Please note that, given that there is a put option for the minority shareholder on the remaining 30% of the share capital, the company is 100% consolidated without recognition of minority interests, starting from the date on which the Group acquired its control (that means October 10, 2016).
In the fourth quarter of 2016, Metalvuoto S.p.A. achieved revenues of 3,141 thousand euro and an overall result substantially at breakeven of +13 thousand euro.

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

[13] Result of the reporting prepared for the consolidation purposes according to the International Accounting Standards.
[14] The company resulting from the merger, having a negative taxable income, cannot pass its fiscal gain to the other participants of the tax group consolidation (in particular, E.T.C. S.r.l. and SAES Nitinol S.r.l.).

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.
In 2016, the company recorded a net income of 2,982 thousand euro, compared to 371 thousand euro in 2015: the improvement was exclusively attributable to the dividends received in the current year[15] 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 2016 the company recorded revenues equal to 1,180 million KRW (919 thousand euro), substantially unchanged compared to 1,190 million KRW (947 thousand euro) in the previous year. The period ended with a net loss of 442 million KRW (-344 thousand euro), compared to a loss of 771 million KRW (-613 thousand euro) in 2015: the improvement of the result was due to the lower foreign exchange losses deriving from the conversion of the financial receivable in euro that the Korean subsidiary holds in respect of the Parent Company, following 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).

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 16,125 thousand USD (14,568 thousand euro) in 2016, slightly down compared to 17,506 thousand USD (15,778 thousand euro) in 2015. Despite the reduction in revenues, the net income increased by 12.3% (from 3,726 thousand USD - amounting to 3,358 thousand euro - in 2015, to 4,186 thousand USD - amounting to 3,781 thousand euro - in 2016), thanks to the improved gross margin, the latter favored by a sales mix with a lower consumption of raw materials.

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 56,696 thousand USD (51,220 thousand euro) in 2016, showing an increase (+19.8%) compared to 47,345 thousand USD (42,672 thousand euro) in 2015, thanks to the combined effect of the increased sales of the current customers and of the contribution of both new products and new customers. The net income amounted to 6,744 thousand USD (6,092 thousand euro) in 2016, with a strong increase compared to a net income of 2,654 thousand USD (2,392 thousand euro) in the previous year, thanks to the increased revenues, the favorable product mix and the reduction of the incidence of fixed costs
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 to expand the production plant in Bethel (for further details please refer to the section "Main events occurred in 2016" and to the Note no. 26).

[15] Please note that no dividend was received in the previous year from SAES Getters International Luxembourg S.A.

Performance of the joint venture companies in 2016

ACTUATOR SOLUTIONS GmbH, Gunzenhausen (Germany)

Actuator Solutions GmbH is headquartered in Gunzenhausen (Germany) and it is 50% jointly controlled 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 subsidiaries Actuator Solutions Taiwan Co., Ltd. and Actuator Solutions (Schenzen) Co., Ltd.[16] is focused on the development, production and commercialization of actuators using shape memory alloys in place of the engine.

Actuator Solutions recorded net revenues equal to 18,642 thousand euro in 2016; its turnover, mainly generated by the seat comfort business (valves exploiting the SMA technology and used in lumbar control systems of the seats of cars), increased by 7.9% compared to 17,275 thousand euro in 2015, thanks to the extension of the lumbar control system to an increasing number of cars. In addition, please note that, in the second half of 2016, the AF (autofocus) system for application in high-end action cameras recorded its first sales, with initial revenues equal to around 0.4 million euro, but for which Actuator Solutions secured a considerable contract during the next twelve months.
The net result of the period was negative for -6,747 thousand euro, compared to a loss of -3,687 thousand euro in the previous year. 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 reduction of the production costs that were at full operating speed only since the last quarter of 2016) and to higher research, development and prototyping expenses for autofocus (AF) actuators, to be applied mainly in the mobile sector.
In addition, in 2016, it has been prudently decided to write-down the deferred tax assets recognized in previous years on the negative taxable income of Actuator Solutions Taiwan Co., Ltd., following the company's continuing tax loss situation. The related cost was approximately equal to 778 thousand euro.

Please note that, in November 2016, Actuator Solutions GmbH announced a restructuring plan, aimed at cost reduction, which provides for the focusing of the German industrial site on the development, production and commercialization of devices mainly addressed to the automotive sector. The plan provides for a reduction in the workforce, already started at the end of 2016, which generated extraordinary severance costs equal to around 50 thousand euro.

(thousands of euro)

Actuator Solutions	2016	2015
	100%	100%
Total net sales	18,642	17,275
Cost of sales	(20,318)	(17,728)
Gross profit	**(1,676)**	**(453)**
% on sales	*-9.0%*	*-2.6%*
Total operating expenses	(5,345)	(4,237)
Other income (expenses), net	127	125
Operating income (loss)	**(6,894)**	**(4,565)**
% on sales	*-37.0%*	*-26.4%*
Interest and other financial income, net	(309)	(327)
Foreign exchange gains (losses), net	243	64
Income taxes	213	1,141
Net income (loss)	**(6,747)**	**(3,687)**

[16] Mission of the new company, established in September 2016 in the People's Republic of China, is the technology development and commercialization of actuators for the mobile market. Please note that this company was not yet operating as at December 31, 2016.

The share of the SAES Group in the 2016 result of the joint venture amounted to -3,373 thousand euro (-1,843 thousand euro in the previous year), but the negative evaluation of the investment using the equity method accounted for in the income statement has been lower (-3.188 thousand euro), as the additional losses subsequent to the write-off of the consolidated participation have not been recorded, since there is no legal or implied obligation of recapitalization by the SAES Group towards Actuator Solutions to date.

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 2016 with sales equal to 1,578 thousand euro and a net loss equal to -280 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.	2016
	100%
Total net sales	1,578
Cost of sales	(1,522)
Gross profit	**56**
% on sales	*3.5%*
Total operating expenses	(274)
Other income (expenses), net	(49)
Operating income (loss)	**(267)**
% on sales	*-16.9%*
Interest and other financial income, net	(15)
Foreign exchange gains (losses), net	0
Income taxes	2
Net income (loss)	**(280)**

The share of the SAES Group in the result of this joint venture amounted to -137 thousand euro in 2016.

FLEXTERRA, Inc., Skokie, IL (USA)

On December 15, 2016 the SAES Group has started a transaction aiming at the industrialization, production and commercialization of materials used in flexible organic transistors (OTFTs: Organic Thin Film Transistors) in partnership with Polyera, a company based in the USA and Taiwan, already active in the field of flexible thin film transistors for new generation displays and partner of SAES in the development of organic electronics applications.
The development of these materials is based on the competences in organic chemistry and material sciences already present at SAES since 2008, gained with the development of its technological platform in the

functional polymers for the organic electronics and advanced packaging industries, in combination with the expertise of Polyera in organic thin-film transistors.

The new materials will be developed by the newco Flexterra, Inc., based in Skokie (near Chicago, Illinois, United States), dedicated to the production of materials and components for the realization of truly flexible displays, with a huge application potential in various sectors.
At the end of December 2016, Flexterra, Inc. was capitalized by Polyera and SAES Getters International Luxembourg S.A. In particular, Polyera transferred to Flexterra tangible and intangible assets (including IPs and know-how) for an estimated value of 14 million USD and, against this contribution in kind, received Series A shares of Flexterra, privileged, among other things, in the distribution of profits and in case of sale of Flexterra.
SAES Getters International Luxembourg S.A. provided Flexterra with contributions in cash, in different phases within the end of 2016, for a total capital contribution of 8.5 million USD, against which the company received in turn Series A privileged shares of Flexterra.

On the basis of the agreement, Polyera will grant the shareholding rights in Flexterra to its investors, among which there are two important Asian venture capital funds. These investors will also contribute in cash, with an amount that will be exactly defined in the first quarter of 2017, and that will be between a guaranteed minimum amount of 4.5 million USD, up to a maximum amount of 6 million USD.
SAES will transfer a further contribution of 4.5 million USD in capital – in addition to tangible and intangible assets (IPs) with an estimated value of around 3 million USD –to be finalized upon the achievement by Flexterra of technical and commercial objectives as set out in the agreement (namely, the signature of a binding agreement for the commercialization of Flexterra products – milestone) no later than March 31, 2018.
On the basis of the current evaluation, the contribution of SAES is equivalent to an equity participation representing around 34,66% of the share capital of Flexterra. Such participation is expected to increase up to around 45% with the contribution to be finalized by March 31, 2018, subsequent to the achievement of the above-mentioned milestone.

The Board of Directors of the new company will be composed of five members, two of which, including the Chief Executive Officer, appointed by SAES.
Based on the Board's composition and the shareholders agreements that provide that the decisions on some relevant matters are taken with the unanimous consent of all the shareholders, Flexterra, Inc. has been qualified as a joint venture and therefore it is accounted for using the equity method.

Please note that as at December 31, 2016 the company Flexterra, Inc. was not yet operative.
For the detail of its net assets at the end of 2016, please refer to the Note no. 16.

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)	2016 Consolidated statement of profit or loss	50% Actuator Solutions	Intercompany eliminations & other adjustments	49% SAES RIAL Vacuum S.r.l.	Intercompany eliminations & other adjustments	Total Group's statement of profit or loss
Total net sales	**189,031**	**9,321**	**(715)**	**773**	**(26)**	**198,384**
Cost of sales	(103,911)	(10,159)	715	(746)	25	(114,076)
Gross profit	**85,120**	**(838)**	**0**	**27**	**(1)**	**84,308**
% on sales	*45.0%*					*42.5%*
Total operating expenses	(58,228)	(2,673)	0	(134)	(28)	(61,063)
Other income (expenses), net	(736)	64	0	(24)	29	(667)
Operating income (loss)	**26,156**	**(3,447)**	**0**	**(131)**	**0**	**22,578**
% on sales	*13.8%*					*11.4%*
Interest and other financial income, net	(1,220)	(155)	0	(7)	0	(1,382)
Income (loss) from equity method evalueted companies	(3,325)		3,188		137	0
Foreign exchange gains (losses), net	52	122		0		174
Income (loss) before taxes	**21,663**	**(3,480)**	**3,188**	**(138)**	**137**	**21,370**
Income taxes	(7,581)	107		1		(7,473)
Net income (loss) from continued operations	**14,082**	**(3,373)**	**3,188**	**(137)**	**137**	**13,897**
Income (loss) from assets held for sale and discontinued operations	0	0		0		0
Net income (loss) before minority interest	**14,082**	**(3,373)**	**3,188**	**(137)**	**137**	**13,897**
Net income (loss) pertaining to minority interest	0					0
Net income (loss) pertaining to the Group	**14,082**	**(3,373)**	**3,188**	**(137)**	**137**	**13,897**

Certification pursuant to article 2.6.2, sub-paragraph 12, of the Regulations of Markets organized and managed by Borsa Italiana S.p.A.

In relation to article 36 of the Consob Market Regulations no. 16191 dated 10/29/2007, regarding the conditions for the listing of shares of companies with control over companies established or regulated under the law of non-EU countries and significant for the purposes of the consolidated financial statements, please note that (i) the Group's companies listed below fall within this regulatory provision, (ii) appropriate procedures have been adopted to ensure the full compliance with the above-mentioned regulations and (iii) the conditions laid down in the said article 36 exist.

The following companies are considered important as, with reference to December 31, 2016, they exceed the individual significance parameters provided for in article 151 of the Issuer Regulation:
- SAES Getters USA, Inc. – Colorado Springs, CO (USA);
- SAES Pure Gas, Inc. – San Luis Obispo, CA (USA);
- Spectra-Mat, Inc. – Watsonville, CA (USA);
- SAES Smart Materials, Inc. – New Hartford, NY (USA);
- Memry Corporation – Bethel, CT (USA);
- SAES Getters Export, Corp. – Wilmington, DE (USA);
- SAES Getters (Nanjing) Co., Ltd. – Nanjing & Shanghai (P.R. of China).

Research, Development and Innovation activities

Research and development expenses amounted to 14,799 thousand euro in 2016 and increased in absolute terms compared to 2015 (13,815 thousand euro), but decreased as a percentage of consolidated revenues, thanks to the strong growth of the latter (7.8% in 2016, compared to 8.3% in the previous year).

2016 saw the organic materials laboratory strongly committed in the activity of identification of new application areas for the technology of functional polymers, namely polymers in which micro or nano structured powders of active materials are dispersed in a controlled way, mainly composed of zeolites, suitably treated with functionalization technologies developed over the years and protected by patents.

This technology was developed for its application in new generation OLED displays, with the function of protecting the delicate organic layers that constitute the screen from the water that penetrates through the joints, in the case of displays that are encapsulated through two glass sheets glued each other at the edges. The

OLED technology has not yet fully established itself in the television market, because of its high costs; despite this, its development proceeds in a very intense way, with the aim of producing flexible OLED screens, or even that can be rolled up, which would open new application fields, such as that of the wearable display or the development of electronic devices, very compact but with large displays, that can be rolled up or folded. This objective can be achieved by using plastic materials instead of the glass currently used and implementing fully flexible electrical circuits; however, both solutions are very complex and require considerable research efforts, but they represent excellent opportunities for SAES. In fact, the plastic is full of defects, namely micro channels that allow the passage, although in very small quantities, of atmospheric gases (among which oxygen and water) that are extremely harmful to the organic material layers that constitute the screen. The problem can be solved in two ways: either by producing plastic without defects, that means "plugging" the holes of the plastic, or by inserting inside the screen one layer of organic material, fully compatible with those that constitute the screen itself, with the function of absorbing the gaseous substances that permeate it.
The products developed by SAES in the last few years carry out exactly this function and will be used with the development of the flexible OLEDs, given that the solution to make plastics little permeable is very expensive.

The delay in the market development of OLEDs has prompted us to seek other application fields, as we always do when we have a new technology and product platform. The study, which already started in 2015, was completed in 2016 and allowed to verify the potential of the technology of functional polymers in the advanced packaging industry. In particular, we have identified the innovative film coating technique, that means the deposition of lacquers on the surface of the plastic film, as a very promising one for our products. The deposition of lacquers on the surface of plastic films allows to modify the characteristics of the plastic to improve its performance in terms of gas barrier properties or to make it active in respect of the latter. The packaging market is moving along two directions: more and more ecological materials (compostable and recyclable ones), for example by removing the multi-layer materials, and advanced packaging solutions able to control the gases present in the package, in order to preserve its content longer (active packaging). Our products have been conveniently adjusted to better meet the cost needs of the end application and some new features, in addition to the gas absorption, have been added to meet the market needs. This work was done in collaboration with a company very active in this area since several years, Metalvuoto S.p.A., a leading company in the metallization of plastic films, through a vacuum deposition of thin layers of aluminum, films used in the production of multiple layers to obtain waterproof plastics. In the last few years, Metalvuoto S.p.A. has been investing in the technology of lacquers deposition on plastic films, the coating film technology, and has developed significant expertise and cutting-edge equipment, as well as some lacquers developed in collaboration with the Politecnico of Milan. As part of this collaboration we have been able to verify the applicability and economic compatibility of our functional polymers, in the form of lacquers, for the production of functionalized films. The collaboration has immediately highlighted the great benefits of combining the expertise developed by the two companies and was then transformed into an increasingly close partnership, that led to the acquisition of a majority stake in Metalvuoto S.p.A. by SAES. This acquisition will enable the Group to better exploit the competitive advantages of the functional polymers technology and to quickly offer highly innovative products in the market, leveraging on the technological expertise and on the commercial network of Metalvuoto S.p.A.

A second big opportunity in the organic materials sector has matured during 2016. For some years the Group had a structured collaboration with a very innovative startup, Polyera, Inc., based in Chicago, a spin-off of the Northwestern University specialized in the development of active organic materials for the production of displays. Also in this case the synergies between the two companies were very clear and this has led to the creation of a new corporate vehicle, Flexterra, Inc., in which the skills and the portfolio of patents of the two companies were brought together. The new company will be focused in the next few months to develop, in the context of an important cooperation with an end user, organic materials for the production of OTFTs (Organic Thin Film Transistors), namely flexible devices that will be used to operate the future flexible electrophoretic displays.

The central laboratory has successfully continued its basic research activities in the field of Shape Memory Alloys regarding new alloys formulations and the improvement of the existing production processes, to support applications in both the medical segment and in the industrial one. The research activities were focused on the development of new formulations that will allow to raise the transformation temperature of the alloys up to about 200°C. A material able to operate at temperatures significantly higher than the current ones (the limit is about 100°C) would open the way to important new applications in the automotive field. Another important business is the one that sees the laboratory engaged in developing new production processes of shape memory alloys, with the aim of getting processes "targeted" to the final applications, that means large volumes for the medical sector and small volumes for the industrial one.

The joint venture Actuator Solutions has continued its activities related to the development, prototyping and production of SMA actuators for different applications, and particularly intense were the activities for the development of autofocus (AF) systems for micro cameras. In 2016, this activity made it possible the market introduction of a first model of AF actuator, that today is already in production and is used on drones. A second model of AF actuator, much more compact than the first one, developed in the second half of 2016, should be employed in the mobile phone sector, characterized by high volumes.

Research and innovation activities in other areas of the company continued along the direction already shown in the 2016 half-year report.

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.

Group's main risks and uncertainties

In accordance with the requirements of Legislative Decree no. 32/2007, the following is a brief account of the primary risks and uncertainties to which the Group is exposed and the primary mitigating actions implemented in order to deal with said risks and uncertainties.

Strategic Risk

Industry Risk

Some of the SAES Group's businesses are more sensitive to the performance of some macroeconomic indicators (GDP trend, consumer confidence level, availability of liquidity, etc.). In particular, some sectors, such as the lighting one, the vacuum pumps and the applications for the defense market, have been affected, also in 2016, by the evolution of the political decisions regarding public investments. The effect on the Group has been the decline in the demand of getter solutions for fluorescent lamps and the postponement of some research projects, which envisaged the use of vacuum systems. Instead the sales of getters for the security & defense sector recorded a strong growth compared to the previous year, thanks to the recovery of the investments in this business.
Also the Pure Gas Handling Business is particularly exposed to the cyclical nature of some of the markets in which the "Gas Purification" technology is used, first of all the semiconductors industry.

The SAES Group has reacted by seeking to diversify and evolve into markets less dependent on the economic cycle, in particular the medical and food industry, and at the same time by rebalancing and rationalizing its fixed costs structure, however maintaining those functions (engineering, applied research, etc.) necessary to ensure a rapid reaction of the production structures when the suffering areas show some signs of recovery.
With particular reference to the recalled example of the semiconductors industry, in recent years the Group has seen a decrease in the weight of that industry in the end markets, making the fluctuation of revenues less obvious than in the past, thanks to the widening of the product range and to the characteristics of excellence of the proposed solutions.

Another external factor that cannot be influenced by the Group is the evolution of the legislation in the countries in which the Group sells its products or in those countries that represent the end markets for SAES' customers: the rules and the resulting operating practices are of particular importance in the industrial lamps business, where the market is often influenced by environmental requirements, or with respect to the applications for the medical business: let's think, for example, at the indirect impact on the customers that buy these applications originated by the laws on welfare, or to the frequent need for qualification by some institutional bodies of those products of the customers in which the technologies of the Group, or the products themselves as components, are applied. Please consider also the eventuality in which the qualifications mentioned above are actually achieved, but later than expected, with the effect of delaying the payback of the Group's investments made to support the development and industrialization of new products.

The Group seeks to mitigate the risks associated with changes in the regulations by monitoring the legislative and macroeconomics trends where possible with the aim of anticipating the effects of any news and keeping the focus on the product development activities, in order to be able to innovate the product range when needed and anticipate the market trends; as mentioned above, the attention is also on responding rapidly and adapting the production structure through the engineering functions.

Competition risk

The Group is active in the upstream segment of the value chain and the production process of the industrial sectors in which it operates (B2B, i.e. Business-to-Business), often as tier 2 or 3, and thus it does not sell to end consumers.
This decreases the SAES Group's capacity to anticipate and steer the evolution of the end demand for its products, which depends more on the success and ability of its customers.
Aggressive competitors have emerged in recent years and these competitors target those customers and industries that are most price-sensitive and most mature, with the consequent risks of decreased margins.

The SAES Group has adopted various response strategies to deal with this risk. In particular, where possible and in accordance with the current regulations, long-term supply agreements are signed, through the development of new solutions and services, new products of higher quality have been offered and there has been a focus on the repositioning of the product range along several phases of the value chain.
In addition, as mentioned above, the Group aims at diversifying its target markets in order to reduce its dependency on markets characterized by a rising level of competition.
In parallel, the Group has continued with market researches aimed at anticipating the evolution of the demand, also through alliances and agreements with leading specialized centers of study.
Finally, also with the development of the activity of the joint ventures Actuator Solutions and SAES RIAL Vacuum S.r.l., the Group intends to pursue the goal of changing its position in the value chain, moving from the production of simple components to the production of more complex devices, real systems that can be sold directly to their end users, with the possibility, thanks to the greater closeness to the customers, to better face the competition.

Risks related to technological and technical trends

A typical risk of the companies that operate in the consumer electronic industry is the accelerated technological obsolescence of applications and technologies in the market. It may also happen, as mentioned above, that the replacement of one technology or particular peculiarity by another is also driven by changes in the law in target countries. In particular, during the year, the market of fluorescent lamps, in which the getter solutions of the Group are used, has been under stress, penalized by the technological competition of the LED lamps.

This risk is mitigated through constant market analyses and the screening of emerging technologies both to identify new development opportunities and to seek to avoid being caught unprepared by the phenomenon of technological obsolescence.
In addition, as mentioned above, the Group seeks to reduce its dependence on a single industry/application by diversifying the markets in which it operates.

Risks of catastrophic events

This risk refers to the possibility of occurrence of accidents or natural events (natural disasters, terrorism, earthquakes, etc.) that can lead to the damage or destruction of the industrial facilities and, therefore, may have an impact on the business continuity.

The presence of some of the Group's plants in earthquake-prone areas (for example, Abruzzo and California) is managed by adopting specific devices of risk mitigation such as: adoption of certified anti-seismic plants; existence of specific emergency management procedures; performing of regular controls of the plants conducted by the relevant authorities; signature of insurance policies to cover the assets and the interruption of the business for the Italian factories and the foreign production subsidiaries; evacuation drills for employees.

Operational risks

Uncertainty concerning the success of research and development projects

The SAES Group, both on its own initiative or in cooperation with its customers and partners, works with the aim of developing innovative products and solutions, which are often on the cutting edge and intended to generate returns in the long term.
The risk of failure does not depend solely on our ability to provide the requested products in terms of form, schedule and cost. SAES has the control neither over its customers' ability to succeed in implementing the content of their business plans nor over the timing for the new technologies to take root in the market.
Examples include, but are not limited to, the emergence of competitive technologies that do not require the use of the Group's products and know-how, or the development timeframe may be so long as to make it no longer profitable to continue the project, or in any case the time-to-market is delayed, with a negative effect on the return of the investment.

This risk is mitigated through periodic and structured revisions of the project portfolio managed by the Innovation Committee.
Wherever and whenever possible, the Group seeks access to public funding, obviously only if they are intended to achieve goals that are perfectly consistent with the development project in question. The Group makes increasingly frequent use of "open" forms of cooperation with external centers of excellence in order to reduce the development timeframe.

A further cause of failure of the research and development projects can be found in the difficulty to transfer their results in the industrialization stage and this may limit the ability to switch to a mass production.

To mitigate this risk, the Group's organization has promoted the contiguity of the R&D and engineering functions, in order to encourage a greater interaction in managing the projects and to limit the timing dilution in switching to mass production.

Protection of intellectual property

The SAES Group has always sought to develop an original knowledge and, where possible, to protect this knowledge using patents. Please note that there is an increasing difficulty in defending patents, also due to the uncertainties relating to the legal systems of some countries in which the Group operates.
The risks in question are the loss of market shares and margins due to fake products, in addition to incurring enormous expenses for lawsuits.

The Group reacts to these risks by seeking to increase the quality and completeness of its patents, as well as by reducing the number of its published patents and closely monitoring the commercial initiatives of other industrial and commercial operators, in order to promptly identify potential prejudices to the value of these patents.

Risks associated with the definition of the business requirements

The rationalization of the Group's manufacturing and marketing structures implemented during the last years and currently ongoing, has lead to an increasing polarization, between Italy, and in particular the Avezzano facility, being the sole manufacturing center for traditional getter metal alloys, and the USA, with some sub-specialized facilities, as the base of production addressed to the pure gas handling materials, the Nitinol raw material and the medical SMA devices (stents). Instead, the training process of the SMA wires for their use in industrial applications is carried out exclusively in the factory of the Parent Company in Lainate. Finally, the active packaging business will be concentrated in the plant of the newly acquired Metalvuoto S.p.A.
The primary risks are associated with the greater distance from some customers, with possible consequences in the service level, in addition to the increase in transportation and insurance costs.

The Group has reacted by seeking to maintain the service level high and a direct customer relationship, also through an improved inventory management, compensating any production peak using temporary workers, with the aim of enhancing efficiency in delivering orders.

Moreover, following the mentioned exposure of the Group to the external context, the risk of a shortage in the production capacity may occur for specific markets/product lines, in case of particularly positive unforeseen changes in demand, to which the Group's factories may not be able to respond with the necessary promptness.

In order to limit the potential effects of such risk, the Group has tried to increase the integration between its sales departments and the operations one, in order to anticipate as much as possible the evolution of the demand and to carry out an intensive monitoring of the production process. In addition, the main factories have sought to maximize the flexibility of its structures, with particular regards to indirect activity centers.

Risks related to dealings with suppliers

This risk refers to the possibility that limited sources of key resources and/or difficulty in accessing such resources could jeopardize the ability to manufacture quality products at competitive prices and in a timely manner.
We believe that the Group's exposure to this risk is limited. The risk associated with the procurement of the major raw materials used by the Group is low, even in periods of growing demand.

Nevertheless, the Group always seeks to diversify its sources (double supplier policy/ continuous scouting of potential best suppliers) and, when possible, to enter into agreements with prices fixed over the medium/long-term, in order to mitigate the volatility of purchase prices.

Risks related to customers concentration

This risk refers to the possibility that revenues are concentrated in a small number of customers in some businesses, with the result that the Group's results are too much dependent on the financial performance of these customers or on their strategic decisions: for example, please consider the possibility that one or more customers decide to integrate vertically, inside their factories, the production of semi-finished goods or components that they currently buy from the Group.

The Group seeks to mitigate the potential consequences of this risk as much as possible by widening the customer base, both through new prospects and diversifying the range of products offered to individual customers. In addition, the Group aims at strengthening the partnership with its major customers, also sharing, where appropriate, the specific technical skills, within the constraints arising from the defense of intellectual property and trying to obtain and renew medium and long-term contracts that ensure less volatility in invoiced volumes and unit prices.

Risks related to dealings with suppliers

This risk refers to the possibility that limited sources of energy and other key resources and/or difficulty in accessing such resources could jeopardize the ability to manufacture quality products at competitive prices and in a timely manner.
We believe that the Group's exposure to this risk is limited. The risk associated with the procurement of the major raw materials used by the Group is low, even in periods of growing demand.

Nevertheless, the Group always seeks to diversify its sources and, when possible, to enter into agreements with prices fixed over the medium/long-term, in order to mitigate the volatility of purchase prices.

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Risks related to the location of production

This risk refers to the fact that the Parent Company from 2009 to 2013[17] has recognized deferred tax assets on its tax losses.
The maintenance of such deferred tax assets is motivated by the expected growth in the production activities of the Italian plants of the Group, together with any implementing decisions to rationalize the organizational structure, in accordance with the assumptions of the business plan. However, it is possible that future strategic decisions or some business opportunities, or even the evolution of the markets in which the Group operates, may lead to a geographical distribution of the production, and consequently a composition of the financial results, different from the expected one, or that there may be some delays compared to what was planned, with the result that the recoverability of the tax losses carried forward may fail by the Parent Company.

The Group periodically checks the tenability of the assumptions underlying the recognition of deferred tax assets on unused tax losses: more specifically, the estimates related to the achievement of a positive taxable income in the future years and the related assumptions are an integral part of the planning process and are subject to the specific approval by the Board of Directors.

Transport Risk

This risk is related to the transport of materials and products and the resulting deterioration of the relationship with the end customer.

The possible application of customs duties could have a negative impact on the receipt of goods by the customer (increased costs) and delays in the shipment to customers based in foreign countries, resulting in the deterioration of the relationship with them. To this end, the Group has adopted some risk mitigation systems through the continuous monitoring of customs duties, the use of different forwarders and the application of delivery terms suitable for and agreed with the customer, in order to strengthen the shipping process.

[17] Please note that in 2014, 2015 and 2016 it has been prudently decided to suspend the recognition of deferred tax assets on the tax losses realized by SAES Getters S.p.A.

Risk of IT business continuity

This risk refers to the possibility of interruption of the IT systems, with impacts on the production and/or on the Group's activities, due to external or internal events and/or inadequate recovery plans.

In order to strengthen the current IT infrastructure, the Company has planned the implementation of a business continuity plan in relation to the IT systems. Within this process it will be included the formalization of a specific disaster recovery procedure, aimed at defining roles, responsibilities and operating procedures in the management of risk events that could potentially have an impact on the operation of the corporate IT systems.

Financial and reporting risks

Risk of budget and planning

The frequent business changes such as tier 2 or 3, the subsequent re-organizational adaptation and a reduced future visibility of the different businesses in which the Group operates, are risk events on the budget and planning process.

In order to mitigate this risk, the Group involves in the forecast process all the corporate areas and makes use, under specific circumstances, of third parties evaluation reports; in the event of changes in the assumptions originally used, it prepares and implements additional periodic reports, involving the different actors in the process.

Financial risks

The SAES Group is also exposed to some risks having a financial nature, and in particular:
- *Interest-rate risk*, associated with the volatility of interest rates, which may influence the cost of the use of debt financing or the return on 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 according to the currency of denomination of accounting transactions and may thus have an impact on the Group’s net result; the value of the exchange rates also affects the amount of financial receivables/payables denominated in currencies other than the euro, with a potential effect both on the net income and on the net financial position;
- *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;
- *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).

With reference to financial risks, the Board of Directors periodically re-examines and sets the related risk-management policies, as described in detail in the Note no. 37, to which the reader may also refer for the associated sensitivity analysis.

Subsequent events

On January 10, 2017 the company Flexterra Taiwan Corporation Ltd., wholly owned by Flexterra, Inc. (USA), was established. The new company is headquartered in Zhubey City (Taiwan).

On January 19, 2017 SAES Nitinol S.r.l. paid a second tranche of the financing in favor of the joint venture Actuator Solutions GmbH, equal to 1 million euro, on the basis of the loan contract signed on November 28, 2016.

On March 10, 2017, the Board of Directors of Metalvuoto S.p.A. approved to propose to the shareholders SAES Getters S.p.A. and Mirante S.r.l. a payment of 302 thousand euro in favor of Metalvuoto S.p.A., to cover the loss related to the fiscal year 2016[18], as well as the reconstitution of a share capital equal to 100 thousand euro, fully eroded by such loss. The payment will be made by each shareholder, in proportion of its equity share.

On March 15, 2017 SAES Getters S.p.A. approved a payment in favor of E.T.C. S.r.l. of 768 thousand euro, equal to the difference between the total loss (-2,218 thousand euro[19]) recorded by E.T.C. S.r.l. in 2016 and the one estimated for the same year at the beginning of 2016 (-1,450 thousand euro) and already covered by the payment made by the Parent Company on March 14, 2016.
At the same time, the Parent Company provided for a further capital contribution equal to 1,450 thousand euro, to cover the expected losses for the year 2017.

On March 15, 2017 SAES Getters S.p.A. approved the partial waiver of the financial receivable claimed by the same towards SAES Nitinol S.r.l. for an amount of 8,380 thousand euro in favor of SAES Nitinol S.r.l., equal to the difference between the total loss (-8,520 thousand euro) recorded by SAES Nitinol S.r.l. in 2016 and the one estimated for the same year at the beginning of 2016 (-140 thousand euro) and already covered by the payment made by the Parent Company on March 14, 2016.
At the same time, the Parent Company provided for a further capital contribution in cash equal to 140 thousand euro in favor to SAES Nitinol S.r.l., to cover possible future losses.

Business outlook

In the **first two months of 2017**, **consolidated net revenues** were equal to 34,745 thousand euro, up by 24.8% compared to 27,832 thousand euro in the corresponding period of the previous year. The exchange rate effect was positive and equal to +3.2% while the change in the scope of consolidation (the acquisition of Metalvuoto S.p.A. completed in the last quarter of 2016) has generated an increase in consolidated net revenues equal to 2,259 thousand euro (+8.1%).Excluding these effects the organic growth was equal to 13.5%.

[18] The loss related to the full year 2016, resulting from the financial statements written according to National Accounting Principles, is equal to -1,920 thousand euro.
[19] According to the National Accounting Principles.

(thousands of euro)

Business	Feb-17	Feb-16	Total difference	Total difference (%)	Exchange rate effect (%)	Organic change (%)	Perimeter difference effect (%)
Security & Defense	1,870	1,676	194	11.6%	2.3%	9.3%	0.0%
Electronic Devices	974	1,307	-333	-25.5%	1.7%	-27.2%	0.0%
Thermal Insulation	761	911	-150	-16.5%	2.3%	-18.8%	0.0%
Healthcare Diagnostics	721	599	122	20.4%	2.2%	18.2%	0.0%
Systems for UH Vacuum	1,531	1,356	175	12.9%	2.4%	10.5%	0.0%
Getters & Dispensers for Lamps	1,172	1,291	-119	-9.2%	1.4%	-10.6%	0.0%
Sintered Components for Electronic Devices & Lasers	1,122	1,160	-38	-3.3%	3.1%	-6.4%	0.0%
Systems for Gas Purification & Handling	11,069	7,951	3,118	39.2%	4.4%	34.8%	0.0%
Industrial Applications	**19,220**	**16,251**	**2,969**	**18.3%**	**3.3%**	**15.0%**	**0.0%**
Nitinol for Medical Devices	11,600	9,813	1,787	18.2%	3.5%	14.7%	0.0%
SMAs for Thermal & Electro Mechanical Devices	1,380	1,581	-201	-12.7%	0.9%	-13.6%	0.0%
Shape Memory Alloys	**12,980**	**11,394**	**1,586**	**13.9%**	**3.1%**	**10.8%**	**0.0%**
Solutions for Advanced Packaging	**2,259**	**0**	**2,259**	**100.0%**	**0.0%**	**0.0%**	**100.0%**
Business Development	**286**	**187**	**99**	**52.9%**	**5.8%**	**47.1%**	**0.0%**
Total Net Sales	**34,745**	**27,832**	**6,913**	**24.8%**	**3.2%**	**13.5%**	**8.1%**

Consolidated revenues of the Industrial Applications Business Unit were equal to 19,220 thousand euro, compared to 16,251 thousand euro in the corresponding period of 2016. The increase (+18.3%) was the result of the excellent performance of the gas purification business in the first two months of 2017.
The Shape Memory Alloys Business Unit ended the first two months of 2017 with revenues equal to 12,980 thousand euro (11,394 thousand euro in the first two months of 2016), showing a significant organic growth in the medical segment.
The newly established Solutions for Advanced Packaging Business Unit recorded revenues equal to 2,259 thousand euro the first two months of 2017, completely attributable to the consolidation of Metalvuoto S.p.A.

Total revenues of the Group were equal to 36,607 thousand euro in the **first two months of 2017**, showing an increase (+25.4%) compared to 29,202 thousand euro in the corresponding period of 2016; the revenues of the joint ventures Actuator Solutions and SAES RIAL Vacuum S.r.l. increased by 35.8%, while consolidated revenues increased by 24.8%, as previously mentioned.

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Following the acquisition of the majority of the company Metalvuoto S.p.A., an established player in the advanced packaging industry, to ensure information transparency, it was set up a third Business Unit called "Solutions for Advanced Packaging". The figures related to 2016 (in particular, subsequent to October 10, the date in which the acquisition was finalized) will be reclassified accordingly, for a homogeneous comparison.
In addition, please note the new segmentation of the Industrial Applications Business Unit and the new name of some existing operating areas, to better respond to the organizational structure of the Group.

***

2017 is expected to be a year of further growth. SAES will be committed in the integration and development of the new initiatives in Metalvuoto S.p.A. and Flexterra, Inc., with the objective of achieving the critical mass necessary to support both the operating expenses of a Group that operates on a global scale, as well as the investments in research and innovation, which ensure its continuity over time.

Going concern

The financial statements have been prepared on an ongoing concern basis because, despite a difficult economic and financial environment, we believe that there aren't any significant uncertainties (as defined in paragraph no. 25 of IAS 1 - *Presentation of Financial Statements*) surrounding the business continuity. This context, as previously highlighted in the paragraphs related to the risks to which the Group is subject, can be only partially influenced by the Management of the Company, being it mainly the result of external variables.

Based on the best estimates available to date, the Company has approved a three-years business plan that includes the strategies envisaged by the Company's Management in order to succeed in achieving the defined business goals in this difficult economic environment. These strategies, that include also an increase in the production activities undertaken in Italy, will allow the full recovery of the corporate assets and, in particular, of the deferred tax assets recognized in the balance sheet.

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 year is provided in the Note no. 39 of the consolidated financial statements.

Consob regulatory simplification process

Please note that, on November 13, 2012, the Board of Directors approved, pursuant to article no. 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 and capital increases by contributions in kind, acquisitions and disposals.

Consolidated Financial Statements
for the year ended on December 31, 2016

Consolidated statement of profit or loss

(thousands of euro)	Notes	2016	2015 (*)
Total net sales	4	**189,031**	**166,914**
Cost of sales	5	(103,911)	(94,830)
Gross profit		**85,120**	**72,084**
Research & development expenses	6	(14,799)	(13,815)
Selling expenses	6	(15,612)	(13,214)
General & administrative expenses	6	(27,817)	(23,718)
Total operating expenses		**(58,228)**	**(50,747)**
Other income (expenses), net	7	(736)	(838)
Operating income (loss)		**26,156**	**20,499**
Interest and other financial income	8	278	293
Interest and other financial expenses	8	(1,498)	(1,821)
Share of result of investments accounted for using the equity method	9	(3,325)	(1,843)
Foreign exchange gains (losses), net	10	52	694
Income (loss) before taxes		**21,663**	**17,822**
Income taxes	11	(7,581)	(9,002)
Net income (loss) from continued operations		**14,082**	**8,820**
Net income (loss) from assets held for sale and discontinued operations		0	0
Net income (loss) for the period		**14,082**	**8,820**
Minority interests in consolidated subsidiaries		0	0
Group net income (loss) for the period		**14,082**	**8,820**
Net income (loss) per ordinary share	12	0.6331	0.3944
Net income (loss) per savings share	12	0.6497	0.4111

Consolidated statement of other comprehensive income

(thousands of euro)	Notes	2016	2015
Net income (loss) for the period		**14,082**	**8,820**
Exchange differences on translation of foreign operations	25	3,434	10,458
Exchange differences on equity method evaluated companies	25	(188)	(51)
Total exchange differences		3,246	10,407
Total components that will be reclassified to the profit (loss) in the future		**3,246**	**10,407**
Actuarial gain (loss) on defined benefit plans	25	(306)	(21)
Income taxes	25	74	(22)
Actuarial gain (loss) on defined benefit plans, net of taxes - SAES Getters S.p.A. and subsidiaries		(232)	(43)
Actuarial gain (loss) on defined benefit plans on equity method evaluated companies	25	(3)	0
Income taxes	25	1	0
Actuarial gain (loss) on defined benefit plans, net of taxes - equity method evaluated companies		(2)	0
Total components that will not be reclassified to the profit (loss) in the future		**(234)**	**(43)**
Reversal of currency conversion reserve after the reduction of the share capital of the subsidiaries	25	0	(1,907)
Total components that have been reclassified to the profit (loss)		**0**	**(1,907)**
Other comprehensive income (loss), net of taxes		**3,012**	**8,457**
Total comprehensive income (loss), net of taxes		**17,094**	**17,277**
attributable to:			
- Equity holders of the Parent Company		17,094	17,277
- Minority interests		0	0

(*) Some amounts shown in the column do not correspond to the 2015 financial statements because they reflect the reclassifications detailed in Note no. 1, paragraph "Reclassifications on December 31, 2015 income statement figures".

Consolidated statement of financial position			
(thousands of euro)	Notes	December 31, 2016	December 31, 2015
ASSETS			
Non current assets			
Property, plant and equipment, net	14	53,402	50,383
Intangible assets, net	15	58,984	52,322
Investments accounted for using the equity method	16	9,621	3,990
Deferred tax assets	17	15,073	14,064
Tax consolidation receivables from Controlling Company	18	272	272
Financial receivables from related parties	19	5,249	600
Other long term assets	20	435	456
Total non current assets		**143,036**	**122,087**
Current assets			
Inventory	21	38,233	32,534
Trade receivables	22	39,282	23,366
Prepaid expenses, accrued income and other	23	9,691	10,593
Derivative financial instruments evaluated at fair value	33	1	0
Cash and cash equivalents	24	14,340	24,044
Financial receivables from related parties	19	565	555
Total current assets		**102,112**	**91,092**
Total assets		**245,148**	**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		42,664	42,826
Other components of equity		22,301	19,055
Net income (loss) of the period		14,082	8,820
Group shareholders' equity	25	**134,831**	**126,485**
Other reserves and retained eanings of third parties		0	3
Minority interests in consolidated subsidiaries	25	**0**	**3**
Total equity		**134,831**	**126,488**
Non current liabilities			
Financial debts	26	35,916	27,019
Other non current financial debts towards third parties	27	1,829	1,355
Deferred tax liabilities	17	6,733	6,526
Staff leaving indemnities and other employee benefits	28	10,173	7,856
Provisions	29	918	814
Total non current liabilities		**55,569**	**43,570**
Current liabilities			
Trade payables	30	20,048	13,675
Other payables	31	12,498	9,203
Accrued income taxes	32	1,034	1,060
Provisions	29	3,370	3,530
Derivative financial instruments evaluated at fair value	33	51	22
Current portion of medium/long term financial debts	26	8,239	7,136
Other current financial debts towards third parties	27	1,049	1,935
Bank overdraft	34	6,847	5,012
Accrued liabilities	35	1,612	1,548
Total current liabilities		**54,748**	**43,121**
Total equity and liabilities		**245,148**	**213,179**

Consolidated cash flow statement

(thousands of euro)	2016	2015
Cash flows from operating activities		
Net income (loss) from continued operations	14,082	8,820
Net income (loss) from discontinued operations	0	0
Current income taxes	8,158	7,244
Changes in deferred income taxes	(578)	1,758
Depreciation	7,170	7,147
Write-down (revaluation) of property, plant and equipment	138	123
Amortization	1,355	1,364
Write-down (revaluation) of intangible assets	0	188
Net loss (gain) on disposal of fixed assets	11	(95)
Interest and other financial (income) expenses, net	4,545	3,371
Other non-monetary costs (revenues)	0	(1,869)
Accrual for termination indeminities and similar obligations	1,384	1,037
Changes in provisions	552	1,390
	36,817	**30,478**
Working capital adjustments		
Cash increase (decrease)		
Account receivables and other receivables	(13,154)	(3,156)
Inventory	(3,172)	(46)
Account payables	4,284	2,628
Other current payables	2,837	357
	(9,205)	**(217)**
Payment of termination indemnities and similar obligations	(127)	(74)
Interests and other financial payments	(396)	(414)
Interests and other financial receipts	116	139
Taxes paid	(8,510)	(7,061)
Net cash flows from operating activities	**18,695**	**22,851**
Cash flows from investing activities		
Disbursements for acquisition of tangible assets	(8,663)	(5,017)
Proceeds from sale of tangible and intangible assets	5	156
Disbursements for acquisition of intangible assets	(202)	(42)
Consideration for the acquisition of minority interests in subsidiaries	(249)	0
Price paid for acquisition of shareholding in subsidiaries, net of cash acquired	(5,825)	0
Price paid for the acquisition of businesses	(254)	(1,884)
Consideration for the acquisition of investments in joint ventures	(9,430)	(330)
Capital injection into joint ventures	(1,000)	(2,900)
Net cash flows from investing activities	**(25,618)**	**(10,017)**
Cash flows from financing activities		
Proceeds from long term financial liabilities, current portion included	15,626	19,282
Proceeds from short term financial liabilities	1,500	0
Dividends payment	(8,502)	(3,477)
Repayment of financial liabilities	(7,394)	(33,303)
Interests and other costs paid on financial liabilities	(930)	(1,185)
Financial receivables repaid (granted) from related parties	(3,490)	1,700
Interests receipts on financial receivables from related parties	155	62
Other financial payables	(830)	0
Other financial receivables	0	159
Payment of finance lease laibilities	(8)	(18)
Net cash flows from financing activities	**(3,873)**	**(16,780)**
Net foreign exchange differences	752	2,916
Net (decrease) increase in cash and cash equivalents	**(10,044)**	**(1,030)**
Cash and cash equivalents at the beginning of the period	**24,041**	**25,071**
Cash and cash equivalents at the end of the period	**13,997**	**24,041**

Consolidated statement of changes in equity as at December 31, 2016

(thousands of euro)	Capital stock	Share issue premium	Treasury shares	Legal reserve	Other components of equity		Other reserves and retained earnings	Net income (loss)	Group shareholders' equity	Minority interests	Total equity
					Currency conversion reserve	Currency conversion reserve from discontinued					
December 31, 2015	**12,220**	**41,120**	**0**	**2,444**	**19,055**	**0**	**42,826**	**8,820**	**126,485**	**3**	**126,488**
Distribution of 2015 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)								**14,082**	**14,082**	**0**	**14,082**
Other comprehensive income (loss)					3,246		(234)		3,012		3,012
Total comprehensive income (loss)					**3,246**	**0**	**(234)**	**14,082**	**17,094**	**0**	**17,094**
December 31, 2016	**12,220**	**41,120**	**0**	**2,444**	**22,301**	**0**	**42,664**	**14,082**	**134,831**	**0**	**134,831**

Consolidated statement of changes in equity as at December 31, 2015

(thousands of euro)	Capital stock	Share issue premium	Treasury shares	Legal reserve	Other components of equity		Other reserves and retained earnings	Net income (loss)	Group shareholders' equity	Minority interests	Total equity
					Currency conversion reserve	Currency conversion reserve from discontinued operations					
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)								**8,820**	**8,820**	**0**	**8,820**
Reversal of currency conversion reserve after the reduction of the share capital of the subsidiaries					(1,907)				(1,907)		(1,907)
Other comprehensive income (loss)					10,407		(43)		10,364		10,364
Total comprehensive income (loss)					**8,500**	**0**	**(43)**	**8,820**	**17,277**	**0**	**17,277**
December 31, 2015	**12,220**	**41,120**	**0**	**2,444**	**19,055**	**0**	**42,826**	**8,820**	**126,485**	**3**	**126,488**

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, industrial 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.
Finally, SAES has recently developed a technological platform that integrates getter materials in a polymeric matrix transverse to numerous fields of application (OLED displays, implantable medical devices and food packaging).

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, it is not considered to exist significant uncertainties (as defined in paragraph no. 25 of IAS 1 - *Presentation of Financial Statements*) on 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[20], which does not exercise management and coordination activity.
The Board of Directors approved and authorized the publication of the 2016 consolidated financial statements in a resolution passed on March 15, 2017.

The 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".

The consolidated financial statements for the year ended December 31, 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 Regulation. The abbreviation "IFRS" includes also 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").
In the interest of comparability, the comparative figures for 2015 have also been presented in application of the requirements of IAS 1 - *Presentation of Financial Statements*.

Accounting schemes

The presentation adopted is compliant with the provisions of IAS 1-revised, that provides 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.

[20] Based in Milan at Via Vittor Pisani, 27.

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, it is compliant with internal reporting procedures and in line with 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 permitted by IAS 7.

In addition, as required by Consob resolution no. 15519 of July 27, 2006, in the consolidated statement of profit or loss by allocation, 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 and their effects are stated separately at the main interim result levels.
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 actions (mergers, de-mergers, acquisitions and other corporate actions);
- income/expenses arising from discontinued businesses.

During the year 2016 the Group did not carry out any unusual or non-recurring transaction having a significant impact on the economic situation 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.

This financial report also takes into account the indications given by Consob communication no.0031948 of 10 March 2017 concerning guidance on the most important issues of financial relations as at December 31, 2016.

Reclassifications on December 31, 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[21] have been reclassified accordingly, for a homogeneous comparison (in 2015 this income was classified in a separate item of Consolidated statement of profit or loss that did not contribute to the formation of the consolidated revenues)..

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.

[21] In 2015 the royalties amounted to 902 thousand euro (of which 177 thousand euro deriving from lump-sums related to the technology transfer), compared to 1,400 thousand euro as at December 31, 2016 (of which 362 thousand euro deriving from lump-sums related to the technology transfer).

The following table shows the effects of these reclassifications on the consolidated statement of profit (loss) as at December 31, 2015.

Thousands of euro

	2015	Royalties reclassification	Industrialization costs reclassification	2015 reclassified
Total net sales	**166,012**	**902**		**166,914**
Cost of sales	(94,025)		(805)	(94,830)
Gross profit	**71,987**	**902**	**(805)**	**72,084**
R&D expenses	(14,620)		805	(13,815)
Selling expenses	(13,214)			(13,214)
G&A expenses	(23,718)			(23,718)
Total operating expenses	(51,552)	0	805	(50,747)
Royalties	902	(902)		0
Other income (expenses), net	(838)			(838)
Operating income (loss)	**20,499**	**0**	**0**	**20,499**
Interest and other financial income, net	(1,528)			(1,528)
Income (loss) from equity method evaluated companies	(1,843)			(1,843)
Foreign exchange gains (losses), net	694			694
Income (loss) before taxes	**17,822**	**0**	**0**	**17,822**
Income taxes	(9,002)			(9,002)
Net income (loss) from continued operations	**8,820**	**0**	**0**	**8,820**
Income (loss) from assets held for sale and discontinued operations	0			0
Net income (loss) before minority interest	**8,820**	**0**	**0**	**8,820**
Net income (loss) pertaining to minority interest	0			0
Net income (loss) pertaining to the Group	**8,820**	**0**	**0**	**8,820**

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		
	2015	Reclass.	2015 reclass.	2015	Reclass.	2015 reclass.	2015	Reclass.	2015 reclass.	2015	Reclass.	2015 reclass.
Total net sales	**101,109**	**902**	**102,011**	**63,680**	**0**	**63,680**	**1,223**	**0**	**1,223**	**166,012**	**902**	**166,914**
Gross profit	**47,496**	**646**	**48,142**	**24,230**	**(236)**	**23,994**	**261**	**(313)**	**(52)**	**71,987**	**97**	**72,084**
% on net sales	*47.0%*		*47.2%*	*38.0%*		*37.7%*	*21.3%*		*-4.3%*	*43.4%*		*43.2%*
Total operating expenses	(21,021)	256	(20,765)	(10,764)	236	(10,528)	(19,767)	313	(19,454)	(51,552)	805	(50,747)
Royalties	902	(902)	0	0	0	0	0	0	0	902	(902)	0
Other income (expenses), net	83	0	83	95	0	95	(1,016)	0	(1,016)	(838)	0	(838)
Operating income (loss)	**27,460**	**0**	**27,460**	**13,561**	**0**	**13,561**	**(20,522)**	**0**	**(20,522)**	**20,499**	**0**	**20,499**
% on net sales	*27.2%*		*26.9%*	*21.3%*		*21.3%*	*n.s.*		*n.s.*	*12.3%*		*12.3%*
Interest and other financial income (expenses), net										(1,528)	0	(1,528)
Share of result of investments accounted for using the equity method										(1,843)	0	(1,843)
Foreign exchange gains (losses), net										694	0	694
Income (loss) before taxes										**17,822**	**0**	**17,822**
Income taxes										(9,002)	0	(9,002)
Net income (loss) from continued operations										**8,820**	**0**	**8,820**
Net income (loss) from discontinued operations										0	0	0
Net income (loss)										**8,820**	**0**	**8,820**
Minority interests in consolidated subsidiaries										0	0	0
Group net income (loss)										**8,820**	**0**	**8,820**

Segment information

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

- Industrial Applications;
- Shape Memory Alloys.

This structure is unchanged compared to the previous year.

Please note that, following the acquisition[22] of the majority of the company Metalvuoto S.p.A., an established player in the advanced packaging industry, to ensure information transparency, starting from January 1, 2017, a third Business Unit called "Solutions for Advanced Packaging" will be established next to the Business Units "Industrial Applications" and "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 December 31, 2016.

Company	*Currency*	*Capital Stock*	*% of Ownership*	
			Direct	*Indirect*
Directly-controlled subsidiaries:				
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	90.00	10.00*
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. Lainate, MI (Italy)	EUR	75,000	100.00	-
SAES Nitinol S.r.l. Lainate, MI (Italy)	EUR	10,000	100.00	-
Metalvuoto S.p.A. Roncello, MB (Italy)	EUR	2,100,000	70.00**	-
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 Getters (Nanjing) Co., Ltd. (10.00%).
** Metalvuoto S.p.A. is 100% consolidated without recognition of minority interests, since the acquisition contract signed on October 10, 2016 provides for a put option for the minority shareholder, to be exercised starting from the twelfth month and within eighteen months from the closing date, for the full value of the stake held by the latter.

The following table shows the companies included in the scope of consolidation according to the equity method as at December 31, 2016.

[22] Acquisition completed on October 10, 2016

Company	Currency	Capital Stock	% of Ownership Direct	Indirect
Actuator Solutions GmbH Gunzenhausen (Germania)	EUR	2,000,000	-	50.00*
Actuator Solutions Taiwan Co., Ltd. Taoyuan (Taiwan)	TWD	5,850,000	-	50.00**
Actuator Solutions (Shenzhen) Co., Ltd. Shenzhen (P.R. of China)	RMB	0****	-	50.00***
SAES RIAL Vacuum S.r.l. Parma, PR (Italy)	EUR	200,000	49.00	-
Flexterra, Inc. Stokie, IL (USA)	USD	24,524,638	-	34.66*****

* % 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.).
*** % indirect ownership held by the joint venture Actuator Solutions GmbH (which holds a 100% interest in Actuator Solutions (Shenzhen) Co., Ltd.).
**** Please note that as at December 31, 2016 the controlling company Actuator Solutions GmbH didn't make any capital contribution yet, and therefore the new company is not operating.
***** % of indirect ownership held by SAES Nitinol S.r.l. SAES Getters International Luxembourg S.A.

The changes occurred in the scope of consolidation 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% of its share capital.

For completeness please note that on the basis of the substantial interpretation of the purchase agreement, the acquisition of 39% completed in January 2016 had already been considered in the financial statements as at December 31, 2015; therefore, this acquisition has not brought any period effect resulting from changes in the scope of consolidation.
Please also note the contract includes a put and call option among the shareholders, according to an agreed schedule. In particular, Rodofil will have the right to exercise a put option, by selling to SAES a minimum of 2% up to a maximum of 51% of its shares of SAES RIAL Vacuum S.r.l., through a one-off operation between May 1, 2020 and May 31, 2020, at a predetermined price related to the performance of the new company at the date of the sale; if Rodofil does not exercise its put option, SAES will have the right to exercise a call option through a one-off operation between June 1, 2020 and June 30, 2020, for a percentage equal to 30% of the share capital, at a price calculated with a similar method.

- 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.

- During the 2016, the legal and operational offices of E.T.C. S.r.l were transferred from Bologna to Lainate, at the production site of the Parent Company.

- At the end of September 2016 it was established the company Actuator Solutions (Shenzhen) Co., Ltd., wholly owned by Actuator Solutions GmbH. The corporate scope of this new company is the technology development and the sale of actuators for the mobile market.

Please note that as at December 31, 2016 the controlling company Actuator Solutions GmbH didn't make any capital contribution yet, and therefore the new company is not operating.

- On October 10, 2016 SAES Getters S.p.A. acquired from Mirante S.r.l. a majority interest (70%) 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 metalized and innovative plastic films for food preservation. The contract signed by the shareholders includes a put and call option, to be exercised starting from the twelfth month and within eighteen months from the date of the closing, for the acquisition of the remaining 30% of the share capital of Metalvuoto by SAES. In case the option is not exercised within the agreed terms, SAES is committed to acquire the remaining 30% of the share capital of the company within twenty-four months.

- On November 15, 2016 the corporate merger of the wholly owned subsidiary SAES Advanced Technologies S.p.A. into SAES Getters S.p.A was implemented.
The merger produced its legal effects starting from December 31, 2016. For fiscal and accounting purposes only, the merger operation had been backdated at January 1, 2016.
The merger produced no equity, economic or financial effect into the SAES Group's consolidated financial statements, nor provided any share swap, being the incorporated company already wholly owned by SAES Getters S.p.A.

- On December 2016, the SAES Group has established in partnership with Polyera a joint venture, Flexterra, Inc., based in Skokie (close to Chicago, Illinois, USA) dedicated to the manufacturing of materials and components for the manufacturing of truly flexible displays.
As at the end of December 2016, Flexterra, Inc. was capitalized by Polyera and SAES Getters International Luxembourg S.A. In particular, Polyera transferred to Flexterra, Inc. tangible and intangible assets (including IPs and know-how) for an estimated value of 14 million USD and, against this contribution in kind, received Series A shares of Flexterra, privileged, among other things, in the distribution of profits and in case of the sale of Flexterra. SAES Getters International Luxembourg S.A. provided Flexterra, Inc. with contributions in cash, in different phases within the end of 2016, for a total capital contribution of 8.5 million USD, against which the company received in turn Series A privileged shares of Flexterra.
On the basis of the agreement, Polyera will grant the shareholding rights in Flexterra to its investors, among which there are two important Asian venture capital funds. These investors will also contribute in cash, with an amount that will be exactly defined in the first quarter of 2017, and that will be between a guaranteed minimum amount of 4.5 million USD, up to a maximum amount of 6 million USD.
On the basis of the current evaluation, the contribution of SAES is equivalent to an equity participation representing equal to 34.66% of the share capital of Flexterra, Inc.

2. MAIN ACCOUNTING PRINCIPLES

Consolidation principles

The consolidated financial statements include the financial statements of SAES Getters S.p.A. and the financial statements of all the subsidiaries, effective from the date on which their control is assumed and until such control ceases to exist.
Control exists when the Group is exposed or has rights to variable returns from its involvement with the investee and, at the same time, has the ability to affect those returns through its power over the investee.
Specifically, the Group controls a subsidiary if it simultaneously has the following:
• the decision power, that means the ability to manage the relevant activities of the subsidiary, in particular those activities that have a significant influence on the results of the subsidiary itself;
• the right to the (positive or negative) variable results deriving from the investment in the entity;
• the possibility to use its own decision power to determine the "relevant activities" in the subsidiary.
When the Group holds less than the majority of the voting rights (or similar rights) it has to consider all the relevant facts and circumstances to determine whether it controls the entity object of investment, including:
• contractual agreements with other holders of voting rights;

• rights deriving from contractual agreements;
• voting rights and potential voting rights of the Group.

In preparing the consolidated financial statements, the assets, liabilities as well as costs and revenues of the consolidated companies are added up line by line in their total amount, attributing to minority-interest shareholders their portion of net equity and net income or loss for the period in specific items in the statement of financial position and in the statement of profit or loss.

The carrying value of the equity investment in each of the subsidiaries is eliminated towards the corresponding share of net equity, including any adjustment to the fair value on the date of acquisition; any resulting positive difference is recognized among intangible assets as goodwill, as illustrated below, whereas any negative difference is charged into the statement of profit or loss.

In preparing the consolidated financial statements, all balance sheet, income statement and cash flow balances among the Group companies have been eliminated, as well as unrealized gains and losses on infra-group transactions.

Associates are defined as those companies in which the Group is able to exercise a significant influence. A significant influence is the power to participate in determining the financial and operating policies of the associate without holding its control or joint control.

A joint venture is instead a joint agreement on an entity whereby the parties that have the joint control have rights to the net assets of that entity. Joint control is the sharing, established by an agreement, of the control of an economic activity, that exists only when the unanimous consent of all parties sharing control is required for decisions on those activities.

Joint ventures are different from joint operations that are instead agreements that give the parties of the agreement, which have joint control of the entity, rights over the individual assets and obligations for the liabilities relating to the agreement.

Investments in associates and joint ventures are accounted for using the equity method. In the case of joint operations, assets and liabilities, costs and revenues related to the agreement are recognized based on the relevant accounting standards.

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 date (current exchange rate method), whereas the associated revenues and costs are converted at the average exchange rates for the year. 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 year.

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 year 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	December 31, 2016		December 31, 2015	
	Average rate	Final rate	Average rate	Final rate
US dollar	1.1069	1.0541	1.1095	1.0887
Japanese yen	120.1970	123.4000	134.3100	131.0700
South Korean won	1,284.1800	1,269.3600	1,256.5000	1,280.8000
Renminbi (P.R. of China)	7.3522	7.3202	6.9733	7.0608
Taiwan dollar	35.6892	33.9995	35.2501	35.7908

During the first-time adoption of IFRSs, the cumulative translation differences generated by the consolidation of foreign companies operating outside of the euro area were reduced to zero, as permitted by IFRS 1 (*First-time adoption of International Financial Reporting Standards*). Consequently, only translation differences accumulated and recognized after January 1, 2004 are considered in determining any capital gains or losses arising from the sale thereof.

Business combinations and Goodwill

Business combinations are recognized according to the purchase method. According to this method, the identifiable assets (including previously unrecognized intangible assets), liabilities and contingent liabilities (excluding future restructuring) acquired are recognized at their current values (fair values) at the date of the acquisition. The positive difference between the purchase cost and the Group's interest in the fair value of such assets and liabilities is classified as goodwill and recognized among intangible assets. Any negative difference (badwill) is charged to the statement of profit or loss at the time of the acquisition.

Any consideration subject to specific conditions in the business combination contract is measured at fair value at the acquisition date and included in the value of the consideration transferred in the business combination for the purposes of calculating the goodwill. Any subsequent changes in the fair value, which can be classified as adjustments arising during the measurement period, are included in the goodwill retrospectively. The changes in the fair value classified as adjustments in the measurement period are those resulting from additional information about facts and circumstances that existed at the acquisition date, obtained during the measurement period (which cannot exceed the period of one year from the business combination).

If the purchase cost and/or the value of the assets and liabilities acquired may only be determined on a provisional basis, the Group recognizes the business combination using the provisional values, that will be definitively determined within 12 months from the date of the acquisition. Any use of this accounting method will be mentioned in the explanatory notes.

The costs related to the acquisition are recognized in the statement of profit or loss when they are incurred.

Goodwill is not amortized, but rather tested for impairment on an annual basis, or more frequently if specific events or particular circumstances indicate that impairment may have occurred, according to IAS 36 – *Impairment of assets*. After its initial recognition, goodwill is measured at cost, less any impairment recognized. Goodwill, once impaired, may not be recovered.

For the purposes of congruity analysis, the goodwill acquired in a business combination is allocated, at the date of acquisition, to the Group's individual cash-generating units (CGUs) or to groups of cash-generating units that should benefit from the synergies of the combination, regardless of whether other Group's assets and liabilities have been allocated to such units or groups of units. Each CGU or group of CGUs to which goodwill is allocated, represents the lowest Group's level at which goodwill is monitored for internal management purposes.

When goodwill represents a part of a CGU and a part of the assets internal to that unit is sold, the goodwill associated with the assets sold is included in the carrying value of the assets in order to determine the gain or loss on the sale. The goodwill transferred in such circumstances is measured on the basis of the figures for the transferred assets and the portion of the unit retained.

When all or part of a previously acquired company, the acquisition of which had generated goodwill, is disposed of, the residual share of goodwill is considered when calculating the effects of the sale. The difference between the sale price and net assets, plus any accumulated translation differences and goodwill is recognized into the statement of profit or loss. Retained earnings or losses entered directly in the shareholders' equity are transferred to the statement of profit or loss at the time of the sale.
Where options do not grant effective access to the results associated with the ownership of minority interests, the shares or units referring to these options are recognized at the date of the acquisition of the control as "minority interests"; the share of the net income and losses (and other changes in equity) of the entity acquired are attributed to the minority interests after the business combination is completed. The minority-interest share is eliminated as of each balance sheet date and classified as a financial liability at its fair value (equal to the current value of the strike price of the option), as if the acquisition had occurred on that date. The Group has opted to recognize the difference between the financial liability at fair value and the minority-interest share eliminated as of the balance sheet date as goodwill (Parent entity extension method).

Intangible assets

Development expenses

Internally incurred costs for the development of new products and services constitute, depending on the circumstances, internally produced intangible or tangible assets and are recognized as assets solely if the costs can be reliably measured and the technical feasibility of the product, the expected volumes and prices indicate that the costs incurred in the development phase will generate future economic benefits.
Capitalized development costs consist solely of effectively incurred expenses that may be directly allocated to the development process.
Capitalized development costs are systematically amortized starting from the year of production throughout the estimated useful life of the product/service.

Other intangible assets with finite useful life

Other purchased or internally produced intangible assets with finite useful lives are recognized as assets, in accordance with the provisions of IAS 38 – *Intangible assets*, when it is likely that the use of the assets will generate future economic benefits and that the determination of their cost is reliable.
Such assets are recognized at the cost of purchasing or producing them and are amortized on a straight-line basis over their estimated useful lives. Intangible assets with finite useful life are also assessed for impairment annually, or whenever there is an indication that the assets may have become impaired.
Amortization is calculated on a straight-line basis over the estimated useful lives of the assets; amortization rates are revised annually and are amended if the current estimated useful life differs from the previous estimate. The effects of such changes are recognized prospectively in the statement of profit or loss.
Intangible assets are amortized according to their estimated useful lives, where finite, as follows.

Industrial and other patent rights	3/15 years/duration of the contract
Concessions, licenses, trademarks and similar rights	3/25 years/duration of the contract
Other	5/15 years/duration of the contract

Property, plant and equipment

Owned property, plant and equipment are recognized at the cost of purchase or production, or, where such assets were carried as of January 1, 2004, at deemed cost, which, for some assets, is represented by their revalued cost. Costs incurred subsequent to the purchase are capitalized only if they increase the future economic benefits deriving from the asset to which they refer. All other costs are charged into the statement of profit or loss when they are incurred. The cost of the assets

also includes the projected costs of dismantling the asset and restoring the site, where there is a legal or implicit obligation to do so. The corresponding liability is recognized at its net present value during the period in which the obligation arises as a provision among the liabilities within the provisions for risks and contingencies. The capitalized expense is recognized into the statement of profit or loss over the useful life of the associated property, plant and equipment through the depreciation process.
Depreciation is calculated at constant rates over the estimated useful life of the assets.
Land, including that annexed to buildings, is not depreciated.
Depreciation rates are revised annually and are amended if the current estimated useful life differs from the previous estimate. The effects of such changes are recognized prospectively into the statement of profit or loss. The minimum and maximum depreciation rates are listed below.

Buildings	2.5% - 20%
Plant and machinery	6% - 33%
Industrial and commercial equipment	3% - 40%
Other assets	3% - 25%

Leasing contracts that substantially transfer to the Group all the risks and benefits of the leased item are considered as financial leases.
The leased assets are capitalized at the beginning of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and they are depreciated over the estimated useful life of the asset.
The liability due to the lessor is classified as a financial liability in the statement of financial position. Lease payments are apportioned between principal and interest in order to obtain the application of a constant interest rate on the remaining balance of the liability. Interests are recognized in the financial costs of the statement of profit or loss.

Leasing contracts in which the lessor does not transfer all the risks and benefits related to the ownership are considered as operating leases. The operating lease payments are charged into the statement of profit or loss on a straight-line basis over the term of the contract.

Impairment

At the end of each reporting period, the Group assesses whether there is any indication that the intangible assets and property, plant and equipment might have suffered an impairment.
Goodwill and intangible assets with an indefinite useful life are subjected to an impairment test at least once a year, or more frequently whenever there is an indication that the asset may have suffered an impairment.

Goodwill
Goodwill is assessed for impairment at the balance sheet date or during the fiscal year if there are indicators of criticality. The goodwill acquired and allocated during the year is assessed for impairment before the end of the year in which it was acquired and allocated.
For the purposes of impairment testing, goodwill is allocated, as of the date of acquisition, to each cash-generating unit or group of cash generating units that benefit from the acquisition, regardless of whether other Group's assets and liabilities have been allocated to such units.
If the carrying value of the cash-generating unit (or group of units) exceeds its recoverable value, the difference is recognized into the statement of profit or loss as an impairment loss.
The impairment loss is charged into the statement of profit or loss, initially by decreasing the carrying value of the goodwill allocated to the unit (or group of units), and only then is charged to the unit's other assets in proportion to their carrying value, up to a maximum of the recoverable value of assets with finite useful lives. The recoverable value of a cash-generating unit or group of cash-generating units to which the goodwill is allocated is the greater of the fair value, less selling costs, and the value in use of the unit itself.

The value in use of an asset consists of the current value of expected cash flows, calculated by applying a discount rate that reflects current market valuations of the value of money over time and the specific risks of the asset. Future explicit cash flows normally cover a period of three years and they are projected along a defined period between 5 and 12 years, except for projections that require longer periods, such as in the case of initiatives in the start-up phase. The long-term growth rate used to estimate the terminal value of the unit (or group of units) cannot exceed the average long-term growth rate for the industry, country or market in which the unit (or group of units) operates.
The value in use of cash-generating units in foreign currencies is estimated in the local currency discounting such cash flows at a rate appropriate to the currency itself. The current value obtained through this process is translated into euro at the spot exchange rate as of the date of the impairment test (which, in our case, is the balance sheet date).
Future cash flows are estimated by referring to the cash-generating unit's current conditions and consequently do not contemplate either the benefits of future restructuring operations to which the entity is not yet committed or future investments to improve or optimize the unit.
For impairment testing purposes, the carrying value of a cash-generating unit is determined in accordance with the criteria according to which the cash-generating unit's recoverable value is determined, excluding surplus assets (i.e. financial assets, deferred tax assets, and net non-current assets held for sale).
After having conducted an impairment test on the cash-generating unit (or group of units) to which the goodwill is allocated, a second level impairment test is conducted that includes also centralized assets with auxiliary functions (corporate assets) that do not generate positive cash flows and cannot be allocated to the individual units according to a reasonable and consistent criterion. At this second level, the recoverable value of all units (or groups of units) is compared with the carrying value of all units (or groups of units), including those units to which no goodwill has been allocated and corporate assets.
Where the conditions that had previously required the recognition of impairment cease to apply, the original value of the goodwill is not restored, according to IAS 36 - *Impairment of assets*.

Tangible and intangible assets with finite useful life

During the year, the Group verifies whether there are indications that tangible and intangible assets with finite useful lives may have become impaired. Both internal and external sources of information are considered in this process. These internal sources include: the obsolescence or physical deterioration of the asset, any significant changes in the use of the asset and the economic performance of the asset with respect to projections. The external sources include: the trend in the market prices of assets, any discontinuities of technology, market, or legislation, the trend in market interest rates and the cost of capital used to assess investments, and, lastly, whether the carrying value of the Group's net assets exceeds its market capitalization.
If there are indications that tangible or intangible assets with finite useful lives have become impaired, the carrying value of the assets is reduced to their recoverable value. The recoverable value of an asset is defined as the greater of its fair value, net of selling costs, and its value in use. The value in use of an asset consists of the current value of expected cash flows, calculated by applying a discount rate that reflects current market valuations of the value of money over time and the specific risks of the asset. When it is not possible to determine the recoverable amount of an individual asset, the Group estimates the recoverable value of the asset's cash-generating unit.
Impairment is charged into the statement of profit or loss.
If the reasons that led to impairment subsequently cease to apply, the carrying value of the asset or cash-generating unit is increased up to the new estimate of the recoverable value, which, however, may not exceed the value that would have resulted if no impairment had been recognized. Reversals are recognized into the statement of profit or loss.

Investments in associates and joint ventures

Investments in associates and joint ventures are evaluated using the equity method. According to this method, the investment is initially recognized at cost and then it is adjusted to recognize the

Group's share of its net equity changes. The share of net result deriving from the application of this consolidation method is recognized into the statement of profit or loss, under the item "Share of result of investments accounted for using the equity method".
Losses of associates in excess of the Group's share are not recognized, unless the Group has assumed any obligation to cover them.
The positive difference between the purchase price and the Group's interest in the fair value of the assets, liabilities and contingent liabilities of the associate at the date of acquisition represents the goodwill and it is included in the carrying value of the investment.
Any negative difference between the purchase price and the Group's interest in the fair value of assets, liabilities and contingent liabilities of the associate is charged into the statement of profit or loss once the acquisition method process is completed within twelve months from the date of the acquisition.
When there has been a change recognized directly in the equity of the associate or of the joint venture and in its statement of comprehensive income, the Group recognizes, if applicable, its share of any changes and discloses this in the statement of changes in equity and in the consolidated statement of comprehensive income.
The consolidated net income is adjusted to delete the positive and negative economic effects arising from intercompany transactions with the associate or the joint venture and not yet realized with third parties at year end.
Annually the Group verifies whether there are indications of impairment, by comparing the value of the investment according to the equity method and its recoverable value. Any impairment loss is allocated to the investment and charged into the statement of profit or loss.
Following the loss of a significant influence over an associate or of the joint control of a joint venture, the Group measures and recognizes the residual interest at fair value. The difference between the carrying value of the investment at the date of the loss of the significant influence or of the joint control and the fair value of the residual interest and of the compensations received is recognized into the income statement.

Receivables

Receivables generated by the company are initially recognized at their nominal value and subsequently measured at their estimated realizable value.
Receivables with maturities over one year, which do not bear interest or bear interest at below-market rate, are discounted using market rates.

Cash and cash equivalents

Cash and cash equivalents are recognized, according to their nature, at their nominal value.
Cash equivalents consist of highly liquid short-term investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

Financial liabilities

Financial liabilities include financial payables and other financial liabilities, including derivative instruments. Under IAS 39, they also include trade and other nature payables.
Non-derivative financial liabilities are initially recognized at fair value, less transaction costs, and are subsequently measured at amortized cost, i.e. the amount initially recognized less any repayments of principal, positively or negatively adjusted based on the amortization (using the effective interest method), of any difference between the initial value and the value at maturity.
Financial liabilities hedged by derivative instruments aimed at covering the risk of changes in the value of the liability (fair value hedge derivatives) are measured at their fair value according to the hedge accounting methods set out in the IAS 39 for the hedge accounting: gains and losses arising from subsequent adjustments to fair value, limited to the hedged component, are recognized into the statement of profit or loss and offset by the portion of the loss or gain arising from subsequent measurements of the hedging instrument at fair value.

Derivative financial instruments

The derivatives transactions undertaken by the SAES Group are aimed at hedging its exposure to exchange-rate and interest-rate risks and diversifying debt parameters in order to reduce the cost and volatility of debt within pre-determined management limits.
According to the requirements of IAS 39, hedging instruments are accounted according to the hedge accounting methods only when:
a) at inception, they are formally designated as a hedge and the hedge relationship is documented;
b) the hedge is expected to be highly effective;
c) the effectiveness of the hedge can be reliably measured;
d) the hedge is highly effective in each designated accounting period.

All derivative instruments are measured at their fair value according to IAS 39.

Where derivatives satisfy the requirements for their treatment under hedge accounting rules, the following accounting standards are applied:

- *Fair value hedges* - If a derivative financial instrument is designated as a hedge of the exposure to the changes in the fair value of an asset or liability attributable to a particular risk, the gain or loss resulting from subsequent changes in the fair value of the hedging instrument is recognized into the statement of profit or loss. The gain or loss arising from the fair value adjustment of the hedged item attributable to the hedged risk is recognized as an adjustment to the carrying value of the item itself and entered in the statement of profit or loss.
- *Cash flow hedges* - If a derivative financial instrument is designated as a hedge of the exposure to the changes in the cash flows of an asset or liability carried on the balance sheet or of a highly probable planned transaction, the effective portion of the gains or losses arising from the fair value adjustment of the derivative instrument is recognized in a specific shareholders' equity reserve (cash flow hedge reserve). The cumulative gain or loss is reversed from the shareholders' equity reserve and recognized in the statement of profit or loss during the same years in which the effects of the hedged transaction are recognized in the statement of profit or loss.

The gain or loss associated with the ineffective portion of the hedge is immediately recognized in the statement of profit or loss. If the hedged transaction is no longer deemed highly probable, the unrealized gains or losses recognized in the shareholders' equity reserve are immediately entered in the statement of profit or loss.

Gains and losses arising from the fair-value measurement of derivatives not designated as hedges are directly recognized in the statement of profit or loss.

Inventory

Inventory, which consists of raw materials, purchased products, semi-finished, work in progress and finished products, is measured at the lesser of the cost of purchase and production and the estimated realizable value. Costs are determined according to the FIFO method. The measurement of inventory also includes direct material and labor costs and indirect production costs (both variable and fixed).
In addition, provisions for impairment are allocated for materials, finished products, spare parts and other articles deemed obsolete or with a slow rotation, on the basis of their expected future use and estimated realizable value.

Assets held for sale/Discontinued operations

Ceased assets, Assets held for sale and Discontinued operations refer to lines of business and assets (or groups of assets) that have been sold or are in the process of being sold, the carrying value of which have been, or will be, recovered primarily through their sale rather than their continuing use.

These conditions are met when the sale or discontinuity of the group of assets held for sale are highly probable and the assets and liabilities are immediately available for sale at their current state.
Assets held for sale are measured at the lesser of their net carrying value and fair value, net of selling costs.
Where such assets have originated in recent business combinations, they are measured at their current value, net of disposal costs.
In accordance with IFRSs, the figures for discontinued operations and/or assets held for sale are presented as follows:

- in two specific items of the balance sheet: Assets held for sale and Liabilities held for sale;
- in a specific item of the statement of profit or loss: Net income (loss) from assets held for sale.

Staff leaving indemnity and other employee benefits

Staff leaving indemnity
The staff leaving indemnity, which is compulsory for Italian companies according to article 2120 of the Civil Code, is a deferred benefit and is correlated to the length of each employee's term of employment and the compensation received during the period of service.
In application of IAS 19, the staff leaving indemnity calculated as indicated above is a "Defined-benefit plan" and the associated obligation to be recognized (Staff leaving indemnity debt) is determined through an actuarial calculation by using the Projected Unit Credit Method. As required by the revised version of IAS 19, gains and losses arising from the actuarial calculation are fully recognized in the comprehensive income in the period in which they occur. These actuarial differences are entered immediately on the retained earnings and are not classified in the statement of profit or loss in the following periods.
The costs associated with the increase in the current value of the staff leaving indemnity obligation arising from the proximity of the moment in which benefits are to be paid are included among "Personnel costs".
Effective from January 1, 2007, the 2007 Finance Law and related implementation decrees have introduced significant changes to staff leaving indemnity rules, including the employees' right to choose whether to allocate the not accrued portion of their leaving indemnity to complementary pension funds or the "Treasury Fund" managed by INPS.
It follows that the obligation to INPS, as well as contributions to complementary pension schemes, acquire the status of "Defined-contribution plans" in accordance with IAS 19, whereas the amounts recognized in the Staff leaving indemnity debt continue to be considered "Defined-benefit plans".
The amendments to the law enacted in 2007 have consequently entailed the redetermination of actuarial assumptions and the ensuing calculations employed to determine the staff leaving indemnity.

Other long term benefits
Anniversary or other seniority bonuses and long-term incentive plans are discounted back in order to determine the present value of the defined-benefit liability and the cost relating to the current employment services. As required by the revised version of IAS 19, gains and losses arising from the actuarial calculation are fully recognized in the comprehensive income in the period in which they occur. These actuarial differences are entered immediately on the retained earnings and are not classified in the statement of profit or loss in the following periods.

Provisions for contingencies and obligations

Group companies recognize provisions for contingencies and obligations when there is a current, legal or implicit, obligation to a third party as the result of a past event and it is likely that the Group will be required to spend resources in order to fulfill this obligation and the amount of the obligation may be reliably estimated.
Changes in estimates are reflected in the statement of profit or loss for the year in which they occur.

Treasury shares

Treasury shares are deducted from the shareholders' equity.

Transactions in foreign currencies

Transactions in foreign currencies are entered at the exchange rate in force on the transaction date. Monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate in effect at the balance sheet date. Exchange differences resulting from the discharge of monetary items or the conversion of such items at rates differing from those at which they were initially recognized during the year or at those of the end of the previous year are recognized in the statement of profit or loss.
Non-current items measured at historical cost in a foreign currency (including goodwill and fair value adjustments generated in the allocation of the acquisition cost 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 year end.

Revenue recognition

Revenues are recognized to the extent that it is probable that the Group will receive the economic benefits and the amount of such benefits may be reliably determined. Revenues are represented net of discounts, allowances and returns.
Revenues from the sale of goods are recognized when the risks and benefits related to the ownership of the goods are transferred to the buyer.

Cost of sales

The cost of sales includes the cost of production or purchase of the products and goods that have been sold. It includes all the costs of materials, the manufacturing ones and the general expenses directly associated with the production, including the depreciation of the assets used for their production and the write-downs of inventory.

Research and development costs and promotion expenses

Research and promotion expenses are charged directly to the statement of profit or loss during the year in which they are incurred. Development expenses are capitalized if the conditions set out in IAS 38 are met, as already described in the paragraph on intangible assets. If the requirements for the mandatory capitalization of development expenses are not met, the expenses are charged to the statement of profit or loss for the year in which they are incurred.

Government grants

Government grants are recognized in the financial statements in accordance with IAS 20, that means when there is a reasonable certainty that the Company will comply with all the required conditions to receive such grants and that the grants will be received. Grants are recognized in the statement of profit or loss over the period in which the costs related to them are recognized.

Income taxes

Income taxes include all taxes calculated on the taxable income of the Group's companies.
Income taxes are recognized into the statement of profit or loss, with the exception of taxes pertaining to items directly charged or entered in a shareholders' equity reserve, in which case the associated tax effect is recognized directly in the respective shareholders' equity reserves.

Accruals for taxes that could be generated by the transfer of the undistributed earnings of subsidiaries are made solely where there is an effective intention to transfer such earnings.
Deferred tax liabilities/assets are recognized according to the balance sheet liability method. They are calculated on all temporary differences that arise between the taxable base of the assets and liabilities and the carrying values of these assets/liabilities in the consolidated financial statements, with the exception of goodwill that is not tax-deductible.
Deferred tax assets on tax-losses carried forwards are recognized to the extent that there is likely to be a future taxable income against which they may be recovered.
Current and deferred tax assets and liabilities are offset where the income taxes are applied by the same tax authority and there is a legal right to offset them.
Deferred tax assets and liabilities are determined by applying the tax rates expected to be applied under the tax codes of the various countries in which Group companies operate during the years in which the temporary differences will be eliminated.

Earnings per share

Basic earnings per ordinary share is calculated by dividing the Group's net income for the year attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares). In a like manner, basic earning per savings share is calculated by dividing the Group's net income for the year attributable to savings shares by the weighted average number of savings shares outstanding during the year.

Use of estimates and subjective assessments

In order to prepare the consolidated financial statements and the related notes in accordance with IFRSs, the management is required to make estimates and assumptions that have an effect on assets and liabilities as well as on the information about contingent assets and liabilities at the balance sheet date. In the future, should such estimates and assumptions, based on the best currently available assessment, differ from the actual circumstances, they will be amended accordingly when the circumstances change. Estimates and subjective assessments are employed to determine the recoverable value of non current assets (including goodwill), revenues, accruals to provisions for receivables, obsolete and slow-rotation inventory, depreciation and amortization, employees' benefits, taxes, restructuring provisions and other accruals and provisions. Estimates and assumptions are reviewed periodically and the effects of all changes are immediately reflected in the statement of profit or loss. In the absence of a standard or interpretation specifically applicable to a transaction, the Group's management decides, through subjective assessments, which accounting methods to adopt in order to provide relevant and reliable information so that the financial statements:

- are a faithful representation of the Group's financial position, net result and cash flows;
- reflect the economic substance of transactions;
- are neutral;
- are drafted on a prudential basis;
- are complete in all significant aspects.

The balance sheet items that require more than others a subjective judgment on the part of the directors in the preparation of the estimates and for which a change in the underlying assumptions could have a significant impact on the financial statements are the following ones: goodwill, impairment of fixed assets, depreciation of assets, deferred tax assets, bad debt provisions, inventory write-downs, risk provisions, pension plans and other post-employment benefits.
With regard to the main assumptions and sources used in making such estimates, please refer to the relevant sections of the notes to the financial statements.

Standards, interpretations and amendments effective from January 1, 2016

Accounting standards used to prepare the consolidated financial statements as at December 31, 2016 are consistent with those applied in the consolidated financial statements as at December 31, 2015, except for the adoption of 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 recording 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 (in 2011), according to which such contributions are to be interpreted as part 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 had no 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 changes 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 this changes had no 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 had no 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 had no 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 changes 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. These amendments specify that the breadth of the market for high quality corporate bonds to be considered is the one related to the involved currency 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 amendments had no 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:

- 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.
- Statement of financial position and statement of profit or loss and other comprehensive income: it clarifies that the list 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.
- Presentation of the elements of Other Comprehensive Income ("OCI"): it clarifies that the share of OCI of associates 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.
- 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 had no 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 adoption of this amendment had no impact on the Group's consolidated financial statements.

Accounting standards, amendments and interpretations of IFRS and IFRIC already validated by the European Union, but not yet applicable if not in advance

The following standards and amendments are approved by the European Union, but not yet mandatorily applicable and not yet adopted by the Group in advance as at December 31, 2016.

IFRS 15 - *Revenue from contracts with customers*
On May 28, 2014 the IASB issued IFRS 15 - *Revenue from contracts with customers* that, together with further clarifications published on April 12, 2016, 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:

- the identification of a contract with the customer;
- the identification of the performance obligations of the contract;
- the determination of the price;
- 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. Instead, the amendments to IFRS 15, *Clarifications to IFRS 15 - Revenue from Contracts with Customers*, published by the IASB in April 2016, have not been yet endorsed by the European Union.
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 summarizes the results of the IASB project aimed at replacing IAS 39. The new standard will have to be applied to financial statements beginning on January 1, 2018 or after that date.
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 accounting standards, amendments and interpretations not yet validated by the European Union

At the date of these 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 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.

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.

Applying IFRS 9-Financial Instruments with IFRS 4-Insurance Contracts

On September 12, 2016 the IASB published the document "*Applying IFRS 9-Financial Instruments with IFRS 4-Insurance Contracts*". For entities whose business consists mainly of insurance activities, the amendments seek to clarify the concerns arising from the application of the new IFRS 9 to financial assets, before the replacement by the IASB of the current IFRS 4 with the new standard currently under preparation, on the basis of which financial liabilities are valued.
The amendments introduce two possible approaches:

- *overlay approach;*
- *deferral approach.*

These approaches will allow:

- the possibility to recognize in the other comprehensive income (that means in the OCI statement), rather than in the income statement, the effects deriving from the application of IFRS 9 instead of IAS 39 to certain designated financial assets before the application of the new standard concerning insurance contracts (overlay approach);
- the possibility of a temporary exemption from the application of IFRS 9 until the earlier between the application date of the new standard on insurance contracts and the annual period beginning on January 1, 2021. The entities that defer the application of IFRS 9 will continue to apply the current IAS 39 (deferral approach).

The adoption of these amendments is not expected to have any significant impact on the consolidated financial statements of the Group.

Annual Improvements to IFRSs: 2014-2016 Cycle

On December 8, 2016 the IASB published the document "*Annual Improvements to IFRSs: 2014-2016 Cycle*" that incorporates the amendments to some standards as part of the annual process to improve them. The main changes concern the following ones:

- IFRS 1 *First-Time Adoption of International Financial Reporting Standards - Deletion of short-term Exemptions for first-time adopters.* The amendment of this standard is effective at the latest for annual periods beginning on January 1, 2018 and concerns the elimination of some short-term exemptions provided by paragraphs E3-E7 of Appendix E of IFRS 1, as the benefit of such exemptions is deemed outdated;
- IAS 28 *Investments in Associates and Joint Ventures - Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice.* The amendment states that the option for a venture capital organization or another entity qualified as such (for example, a mutual fund or a similar entity) to measure investments in associates and joint ventures measured at fair value through profit or loss (rather than by applying the equity method) is carried out for each investment at the time of its initial recognition. This amendment shall apply starting from January 1, 2018;
- IFRS 12 *Disclosure of Interests in Other Entities - Clarification of the scope of the Standard.* The amendment clarifies the scope of IFRS 12, specifying that the information required by the standard, except for that envisaged by paragraphs B10-B16, is applied to all equity interests that are classified as held for sale, held for distribution to shareholders or as discontinued operations in accordance with IFRS 5. The amendment shall apply starting from January 1, 2017.

The adoption of these amendments is not expected to have any significant impact on the consolidated financial statements of the Group.

Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)

On December 8, 2016 the IASB published the document "*Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)*". The interpretation aims at providing guidelines for foreign exchange transactions if non-cash advances or down payments are recognized in the

accounts, prior to the recognition of the related assets, costs or revenues. This document provides guidance on how an entity should determine the date of a transaction, and as a result, the spot exchange rate to be used when there are foreign currency transactions in which the payment is made or received in advance.
The interpretation clarifies that the transaction date is the earlier between:
a) the date on which the advance payment or the down payment received are recorded in the financial statements;
b) the date on which the asset, the cost or the income (or part of it) is recognized in the balance sheet (with the cancellation of the advance or down payment received).
If there are a number of advance or down payments received, a transaction date for each of them must be identified. IFRIC 22 is applicable starting from January 1, 2018, but an earlier adoption is allowed.
The adoption of these amendments is not expected to have any significant impact on the consolidated financial statements of the Group.

***Transfers of Investment Property* (Amendments to IAS 40)**
On December 8, 2016 the IASB published the document "*Transfers of investment property (amendments to IAS 40)*" that contains some changes to IAS 40. These amendments clarify the transfer of a property to, or from, an investment property. In particular, an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in its use. Such a change must be related to a specific event that happened and therefore should not be limited to a change in the intentions of the management of an entity. These amendments will apply starting from January 1, 2018, but an earlier adoption is allowed.
The adoption of these amendments is not expected to have any significant impact on the consolidated financial statements of the Group.

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 any significant impact on the Group's consolidated financial statements.

3. BUSINESS COMBINATIONS

Acquisition of a majority interest (70%) in the share capital of Metalvuoto S.p.A.

On October 10, 2016 SAES Getters S.p.A. acquired from Mirante S.r.l. a majority interest (70%) 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 metalized and innovative plastic films for food preservation. Thanks to this acquisition, SAES, that already cooperated 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, through the development of high performance active plastics, characterized by transparency, biocompatibility and a reduced environmental impact.

SAES Getters S.p.A. acquired 70% of Metalvuoto S.p.A. for a price based on a multiple of the EBITDA, adjusted according to predefined financial parameters (including the net financial position and the value of the finished goods inventory), equal to 5,128 thousand euro.
The contract signed between the parties provides that such price can be adjusted at the time of the purchase of the additional 30% (please refer to the next paragraph), should occur in Metalvuoto S.p.A. some commercial and/or investment operations related to the previous management; such operations have been assessed as not likely to occur and, therefore, they have not been valued at December 31, 2016 for the determination of the purchase price.

A put and call option between the shareholders have been provided, to be exercised starting from the twelfth month and within eighteen months from the date of the closing, for the acquisition of the remaining 30% of the share capital of Metalvuoto by SAES, for a predetermined price, calculated with a similar method as for the 70% first purchase. In case the option is not exercised within the agreed terms, SAES is committed to acquire the remaining 30% of the share capital of the company within twenty-four months.

As set out in the shareholders' agreements that govern the relationship between the parties of the company in its new shareholding structure, the new Board of Directors of Metalvuoto S.p.A is composed by three members, two of which nominated by the controlling company SAES, including the Managing Director; the minority shareholder, Mirante S.r.l., is represented by the third member, the Chairman of the Board itself, namely the founder Eng. Giovanni Ronchi.
Based on the provisions included in IFRS 10, the SAES Group considers to have the control of Metalvuoto S.p.A. Therefore, the financial statements of the latter were included in the consolidated financial statements from the date on which SAES Getters S.p.A. acquired its control (on October 10, 2016).

Since there is a put option for the minority shareholder for the remaining shares in the share capital, the company is 100% consolidated without recognition of minority interests. The financial liability for the purchase of the remaining shares, which was estimated to be equal to 652 thousand euro, has been recorded in the non current financial debt of the Group.

The following table shows the historical book value of the assets and liabilities acquired and the reconciliation with the goodwill arising from the operation.

(thousands of euro) Figures as at October 10, 2016

Metalvuoto S.p.A.	Book value
	100%
Property, plant and equipment, net	1,012
Intangible assets, net	68
Deferred tax assets	186
Other long term assets	4
Total non current assets	**1,270**
Inventory	1,494
Trade receivables	1,923
Prepaid expenses, accrued income and other	107
Financial receivables from related parties	1,159
Cash and cash equivalents	1
Total current assets	**4,684**
Total assets	**5,954**
Financial debts	899
Staff leaving indemnities and other employee benefits	701
Total non current liabilities	**1,600**
Trade payables	2,088
Other payables	171
Accrued liabilities	133
Current portion of medium/long term financial debts	417
Other financial debts towards third parties	1,254
Bank overdraft	698
Total current liabilities	**4,761**
Total equity	**(407)**
Total equity and liabilities	**5,954**
Goodwill arising on acquisition	6,187
Total net assets and goodwill	**5,780**
Price paid for acquisition of 70% shareholding	5,128
Actual value of purchase obligation of further 30% shareholding	652
Total	**5,780**

The following table shows the financial consideration, net of cash and cash equivalents acquired (negative for 697 thousand euro).

(thousands of euro)

Price paid for acquisition of 70% shareholding	5,128
Cash and cash equivalents net acquired	(697)
Price paid net of cash and cash equivalents net acquired	**5,825**

The process of determining the current values of the assets and liabilities acquired is still in progress. The difference between the price paid and the net value of the assets acquired on the basis of the historical values as of the date of the acquisition has been provisionally allocated to the item goodwill and, in accordance with IFRS 3 revised, the definitive treatment of this difference will be finalized within twelve months from the operation.

In accordance with IFRS 3 revised, the supplementary expenses related to the acquisition were charged in 2016, the year in which they incurred.

Please note that the assets and liabilities associated with Metalvuoto S.p.A., fully consolidated in the Group’s financial statements as at December 31, 2016 on a line-by-line basis, consist of the carrying values disclosed in the subsidiary's financial statements, converted according to international accounting standards, as of the date of the acquisition, including the changes occurred between the date of the acquisition and December 31, 2016.

4. NET SALES

In 2016 consolidated net sales were equal to 189,031 thousand euro, up by 13.3% compared to 166,914 thousand euro in 2015. Excluding the positive exchange rate effect (slightly positive and equal to 0.4%) and the change in the scope of consolidation (+1.8%, following the acquisition of Metalvuoto S.p.A., finalized on October 10, 2016) the organic growth was equal to +11.1%, mainly driven by the shape memory alloys (SMAs) business both for medical and industrial applications, by the gas purification segment and by the recovery of the security and defense market (Sensors and Detectors Business and Electronic & Photonic Devices Business).

The following table shows a breakdown of revenues by Business.

(thousands of euro)

Business	2016	2015	Difference	Difference %	Exchange rate effect %	Organic change %	Perimeter difference effect %
Electronic & Photonic Devices	14,733	13,455	1,278	9.5%	0.8%	8.7%	0.0%
Sensors & Detectors	15,008	11,155	3,853	34.5%	-0.8%	35.3%	0.0%
Light Sources	7,791	9,234	(1,443)	-15.6%	0.9%	-16.5%	0.0%
Vacuum Systems	8,737	8,593	144	1.7%	0.9%	0.8%	0.0%
Thermal Insulation	5,190	6,382	(1,192)	-18.7%	2.1%	-20.8%	0.0%
Pure Gas Handling	61,617	53,192	8,425	15.8%	0.2%	15.6%	0.0%
Industrial Applications	**113,076**	**102,011**	**11,065**	**10.8%**	**0.4%**	**10.4%**	**0.0%**
SMA Medical Applications	62,651	55,956	6,695	12.0%	0.2%	11.8%	0.0%
SMA Industrial Applications	8,952	7,724	1,228	15.9%	0.1%	15.8%	0.0%
Shape Memory Alloys	**71,603**	**63,680**	**7,923**	**12.4%**	**0.2%**	**12.2%**	**0.0%**
Business Development	**4,352**	**1,223**	**3,129**	**255.8%**	**0.0%**	**-1.2%**	**257.0%**
Total net sales	**189,031**	**166,914**	**22,117**	**13.3%**	**0.4%**	**11.1%**	**1.8%**

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

5. COST OF SALES

The cost of sales amounted to 103,911 thousand euro in 2016, compared to 94,830 thousand euro in the previous year.

A breakdown of the cost of sales by category is provided below, compared with the figure of the previous year.

(thousands of euro)

Cost of sales	2016	2015	Difference	of which: Perimeter difference
Raw materials	43,915	40,791	3,124	2,138
Direct labour	21,815	19,146	2,669	186
Manufacturing overhead	40,281	37,242	3,039	538
Increase (decrease) in work in progress and finished goods	(2,100)	(2,349)	249	(28)
Total cost of sales	**103,911**	**94,830**	**9,081**	**2,834**

Excluding the effect of Metalvuoto S.p.A. consolidation (+2,834 thousand euro) and the exchange rate effect (+194 thousand euro), the percentage change in the cost of sales (+9.4%) is in line with the organic sales' growth (+11.1%).

In particular, the organic percentage change in the cost of raw materials (+8.5% also including the change in inventories of semi-finished and finished products) is aligned to that of the manufacturing overhead (+8%); instead the direct labour costs increased more than proportionally compared to revenues (organic change equal to +13.8%), following the shift in the sales mix towards more technologically sophisticated products, characterized by a higher absorption of qualified direct labour.

6. OPERATING EXPENSES

Operating expenses were equal to 58,228 thousand euro in 2016, compared to 50,747 thousand euro in the previous year.

A breakdown by function of operating expenses, compared with the previous year, is given below.

(thousands of euro) | of which:

Operating expenses	2016	2015	Difference	Perimeter difference
Research & development expenses	14,799	13,815	984	36
Selling expenses	15,612	13,214	2,398	323
General & administrative expenses	27,817	23,718	4,099	176
Total operating expenses	**58,228**	**50,747**	**7,481**	**535**

Excluding the change in the scope of consolidation following the acquisition of Metalvuoto S.p.A., the increase mainly regarded the **general and administrative expenses** (+3,923 thousand euro); in particular, please note the increased consultant fees for corporate extraordinary projects developed during the year, higher costs for fixed compensation to employed personnel and for the variable remuneration of the Executive Directors, in addition to the extraordinary personnel costs equal to 1,258 thousand euro related to the announced liquidation of Memry GmbH.
Always excluding the effect of the consolidation of Metalvuoto S.p.A., starting from the fourth quarter of 2016, the increase in **selling expenses** (+2,075 thousand euro) is mainly related to agent commissions and transport costs, namely variable costs, an increase in which is strictly related to the increased sales volumes.
The slight increase in **R&D expenses** (+948 thousand euro, excluding the research costs of Metalvuoto S.p.A.) is attributable to the increase in the average number of personnel employed in research activities, particularly in the gas purification sector.

The exchange rats effect on operating expenses has been substantially null (+68 thousand euro).

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

(thousands of euro)

Total costs by nature	2016	2015	Difference	of which: Perimeter difference	
Raw materials	43,915	40,791	3,124	2,138	
Personnel cost	70,877	62,262	8,615	477	
Corporate bodies	4,057	3,218	839	0	
Travel expenses	1,828	1,676	152	4	
Maintenance and repairs	3,120	2,886	234	58	
Various materials	8,733	8,175	558	3	
Transports	2,193	1,868	325	118	
Commissions	1,559	1,040	519	0	
Licenses and patents	1,178	1,366	(188)	3	
Consultant fees and legal expenses	5,902	4,585	1,317	70	
Audit fees (*)	508	470	38	30	(**)
Rent and operating leases	2,431	2,127	304	66	
Insurances	1,185	1,108	77	7	
Promotion and advertising	479	427	52	34	
Utilities	3,110	2,957	153	117	
Telephones and faxes	420	412	8	3	
General services (canteen, cleaning, vigilance, etc.)	1,401	1,314	87	9	
Training	186	178	8	1	
Depreciation	7,170	7,147	23	134	
Amortization	1,355	1,364	(9)	15	
Write-down of non current assets	138	311	(173)	0	
Provision (release) for bad debts	650	54	596	48	
Other	1,844	2,190	(346)	62	
Total costs by nature	**164,239**	**147,926**	**16,313**	**3,397**	
Increase (decrease) in work in progress and finished goods	(2,100)	(2,349)	249	(28)	
Total cost of sales and operating expenses	**162,139**	**145,577**	**16,562**	**3,369**	

(*) Of which 83 thousand euro as out of pocket expenses incurred in 2016 and -2 thousand euro as balance on out of pocket expenses related to the previous year (in 2015, the out of pocket expenses were 86 thousand euro and the recovery of out of pocket expenses related to the previuos year was -16 thousand euro).
(**) Of which 8 thousand euro related to the revision on the opening balance sheet of Metalvuoto S.p.A. and 2 thousand euro for expenses incurred in the fourth quarter of 2016 related to Metalvuoto S.p.A

The items “Raw materials”, “Various materials”, “Transports” and “Commissions”, which are strictly connected to the production cycle, increased for the increase in sales, mainly in the gas purification sector.

The increase in “Personnel cost” was due, in addition to the change in the scope of consolidation, to the growth in the average number of the Group’s employees, to salary increases linked to meritocratic policies and to higher accruals for the variable compensation of the employees, estimated to be growing in line with the trend of the economic results. Finally, please note that this item included the extraordinary costs for severance and for the strategic employees’ retention plan of Memry GmbH (1,258 thousand euro), related to the decision to transfer the production activities of the latter in the US and to liquidate the German subsidiary by the end of next year.

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 standards defined with the three-year renewal of the corporate bodies. The increase compared to the previous year is mainly due to the higher accruals for the variable component of the remuneration of the Executive Directors.
For the details on the 2016 remunerations and the comparison with the previous year, please refer to the Note no. 39 and to the Report on the remuneration.

The increase of the item “Consultant fees and legal expenses” is related to the corporate extraordinary projects developed during the year 2016.

The change of the item “Write-down of non current assets” was mainly related to the fact in 2015 it was included the devaluation of the know-how related to a specific getter for lamps, that was suffering a growing competitive pressure.

The increase in “Provision for bad debts” is mainly due to the impairment of some trade receivables of the subsidiary SAES Pure Gas, Inc. following the application of contractual penalties for delays in the delivery of purifiers to customers.

The decrease in the item “Other” is mainly related to the internalization of some manufacturing phases in the industrial SMA productions and the consequent lower recourse to external productions.

7. OTHER INCOME (EXPENSES)

This item recorded a net loss of -736 thousand euro as at December 31, 2016, compared with -838 thousand euro in the previous year. The change compared to 2015 is primarily due to the consolidation of the newly acquired company Metalvuoto S.p.A. (+88 thousand euro).
The breakdown is provided below.

(thousands of euro)				of which:
	2016	**2015**	**Difference**	**Perimeter difference**
Other income	535	370	165	97
Other expenses	(1,271)	(1,208)	(63)	(9)
Total other income (expenses)	**(736)**	**(838)**	**102**	**88**

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, net of the change in the scope of consolidation, it is in line with the previous year.

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.
In both years, this item includes a cost for the definition of the environmental dispute regarding the purification of the Onondaga Lake[23] (689 thousand euro accounted for at the end of 2015 and 440 thousand euro recorded in the income statement of the first half of 2016); the 2016 figure includes also 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 (242 thousand euro).

8. FINANCIAL INCOME (EXPENSES)

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

[23] Please refer to the Note no. 29 for further details about the definition of the environmental dispute.

(thousands of euro)

Financial income	2016	2015	Difference	of which: Perimeter difference
Bank interest income	63	101	(38)	0
Other financial income	214	192	22	0
Realized gains on derivative financial instruments	0	0	0	0
Gains from derivative financial instruments evaluation at fair value	1	0	1	1
Total financial income	**278**	**293**	**(15)**	**1**

The reduction of the item "Bank interest income" was due to the lower cash and cash equivalents of the 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 increase of the item "Other financial income" was due to the interest income matured on the additional interest-bearing loans granted by the subsidiary SAES Nitinol S.r.l. to the joint venture Actuator Solutions GmbH during 2016 (for further details please refer to the Note no. 19).

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

(thousands of euro)

Financial expenses	2016	2015	Difference	of which: Perimeter difference
Bank interests and other bank expenses	1,403	1,618	(215)	17
Other financial expenses	49	181	(132)	32
Realized losses on derivative financial instruments	17	0	17	0
Losses from derivative financial instruments evaluation at fair value	29	22	7	0
Total financial expenses	**1,498**	**1,821**	**(323)**	**49**

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, by the newly acquired company Metalvuoto S.p.A. 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 2015, the decrease in this item was related both to the decrease in the average net financial indebtedness in 2016 compared to the previous year, and to the reduction of the interest rates. In particular, the lower costs on loans in the form of "hot money" and on the use of bank credit lines were only partially offset by the increase in interests related to medium-long-term bank loans.

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. 27).

The items "Gain and losses from IRS evaluation at fair value" are the effect on the income statement of the fair value measurement of the hedge contracts, included the implied ones, on long-term variable rate loans held by the Parent Company and by Metalvuoto S.p.A. The item "Realized losses on IRS" includes the interest differences actually paid to the bank in respect of these contracts during the fiscal year 2016.

9. 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[24] and SAES RIAL Vacuum S.r.l.[25], both evaluated with the equity method.
Please note that as at December 31, 2016 the joint venture Flexterra, Inc. was not yet operative and therefore it did not contribute to the result of the SAES Group.

(thousands of euro)

	2016	2015	Difference
Actuator Solutions	(3,188)	(1,843)	(1,345)
SAES RIAL Vacuum S.r.l.	(137)	0	(137)
Flexterra, Inc.	0	n.a.	n.a.
Total income (loss) from equity method evaluated companies	**(3,325)**	**(1,843)**	**(1,482)**

In 2016, the loss deriving from the evaluation with the equity method amounted to -3,325 thousand euro (compared to -1,843 thousand euro in the previous year) and it was mainly attributable to the joint venture Actuator Solutions.
For further details on the performance of the two joint ventures please refer to the Report on Operations, paragraph "Performance of the joint ventures in 2016" and to the Note no 16.

10. FOREIGN EXCHANGE GAINS (LOSSES)

In 2016 the exchange rates management recorded a substantially breakeven balance (positive for 52 thousand euro) compared to a positive balance of 694 thousand euro in the previous year.
The 2016 result close to zero confirms the overall effectiveness of the hedging policies adopted by the Group, which were adopted precisely in order to limit the impact of currency fluctuations.

The breakdown of foreign exchange gains and losses as at December 31, 2016 compared to the previous year is given below.

(thousands of euro)

Foreign exchange gains and losses	2016	2015	Difference	of which: Perimeter difference
Foreign exchange gains	1,078	3,164	(2,086)	0
Foreign exchange losses	(738)	(1,311)	573	(1)
Foreign exchange gains (losses), net	**340**	**1,853**	**(1,513)**	**(1)**
Realized exchange gains on forward contracts	37	35	2	0
Realized exchange losses on forward contracts	(325)	(1,156)	831	0
Gains (losses) from forward contracts evaluation at fair value	0	(38)	38	0
Gains (losses) on forward contracts	**(288)**	**(1,159)**	**871**	**0**
Total foreign exchange gains (losses), net	**52**	**694**	**(642)**	**(1)**

[24] Please note that Actuator Solutions GmbH consolidates its wholly owned subsidiaries Actuator Solutions Taiwan Co., Ltd. (established in June 2013) and Actuator Solutions (Shenzhen) Co., Ltd. (established in September 2016 in P.R. of China and not yet operative as at December 31, 2106).
[25] 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.

The item “Foreign exchange gains (losses), net” shows a positive balance of 340 thousand euro, compared with a positive balance equal to 1,853 thousand euro in the previous year. This change was due to the fact that, in the previous year, the item included the foreign exchange gains (1,907 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., and SAES Getters Korea Corporation following the partial reduction of the share capital of the two Asian commercial subsidiaries.
The item also included, in both fiscal years, the differences deriving from the fluctuations of the Korean won on the financial credit in euro held by the Korean subsidiary towards the Parent Company (-6 thousand euro in 2016, versus -462 thousand euro in 2015), as well as those related to the conversion of commercial items in dollars and yen (+346 thousand euro in the current year, versus +408 in the previous year).

The item “Gains (losses) on forward contracts” recorded a negative balance of 288 thousand euro, compared to a negative balance of 1,159 thousand euro as at December 31, 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[26].
In both years this item also included the realized gains or losses (+21 thousand euro in 2016 against -136 thousand euro in 2015) related to the forward sales 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”).

11. INCOME TAXES

In 2016 income taxes amounted to 7,581 thousand euro, with an decrease of 1,421 thousand euro compared to the previous year.

The related breakdown is given below, with evidence of the effect attributable to the consolidation of the newly acquired Metalvuoto S.p.A.

(thousands of euro)	2016	2015	Difference	of which: Perimeter difference
Current taxes	8,158	7,244	914	0
Deferred taxes	(577)	1,758	(2,335)	(200)
Total	**7,581**	**9,002**	**(1,421)**	**(200)**

Despite the increase of the income before taxes, the tax expenses decreased compared to the previous year due to some non-recurring adjustments. In particular, in 2015 the taxes included a negative adjustment of 1,692 thousand euro, as a consequence of the redetermination of deferred tax assets and liabilities of the Group's Italian companies, by applying the new IRES[27] tax rate, equal to 24%, which will come into force starting from 2017; instead in 2016, the item taxes included a positive adjustment related to the release of the fiscal provision of 500 thousand euro related to the assessment on the fiscal declaration of the Parent Company for the year 2005, following the positive outcome of the existing dispute commenced by the Company (for further details please refer to the Note no. 29).

[26] Please note that in 2016 the economic impacts arising from the fair value evaluation were null, since there were no outstanding contracts as at December 31, 2016, nor at the end of the previous year.
[27] Article 1, paragraphs 61-64, of the 2016 Italian Stability Law modified the corporate tax rate (IRES) of the Italian companies, providing for its reduction. Namely, paragraph 61 provides for a reduction of the IRES tax rate from the current 27.5% to 24%, effective from January 1, 2017.

The Group’s tax rate was equal to 35% significantly improved when compared to 50.5% of the previous year[28], as a result of the above mentioned non recurring, as well as lower tax losses realized in 2016 by the Parent Company (3,623 thousand euro on which deferred tax assets were prudentially not recognized).

The following table shows the reconciliation of the theoretical tax charges, on the basis of the tax rates in force in Italy (IRES), and the effective tax charges according to the consolidated financial statements.

(thousands of euro)

	2016		2015	
Income before taxes		**21,663**		**17,822**
Theorical tax rate and tax charges	**27.50%**	**5,957**	**27.50%**	**4,901**
Effect of different tax rates	12.63%	2,736	12.14%	2,163
Non deductible costs/non taxable income	-16.01%	(3,468)	-19.14%	(3,412)
Taxes on subsidiaries' accumulated profits	8.34%	1,806	11.68%	2,081
Unrecognition (recognition) of deferred tax assets on fiscal losses	5.00%	1,084	9.85%	1,755
Unrecognition (recognition) of deferred tax assets on temporary differences	0.00%	0	0.70%	124
R&D credits and other tax credits	-4.33%	(939)	-3.11%	(554)
Redetermination of deferred tax assets and liabilities following the tax rate variation	1.13%	244	9.49%	1,692
Other permanent differences	1.66%	360	-1.77%	(316)
IRAP and other local taxes	-0.92%	(199)	3.19%	568
Effective tax rate and tax charges	**35.00%**	**7,581**	**50.51%**	**9,002**

In 2016 the fiscal losses of the Parent Company and of its subsidiaries were equal to 7,189 thousand euro compared to tax losses equal to 6,425 thousand euro as at December 31, 2015. The increase was mainly attributable to the tax losses of the newly acquired Metalvuoto S.p.A., the only company of the Group that has recognized deferred tax assets on the negative taxable income of the current year.

12. EARNING (LOSS) PER SHARE

As indicated in the Note no. 25, SAES Getters S.p.A. 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 earning 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 earning (loss) per share in the fiscal year 2016, compared with the corresponding figure in 2015.

[28] Excluding the aforementioned effect of the change of IRES tax rate recorded in 2015, the Group tax rate of previous year would have equal to 41%.

Earning (loss) per share	2016			2015		
	Ordinary shares	Savings shares	Total	Ordinary shares	Savings shares	Total
Profit (loss) attributable to shareholders (thousands of euro)			**14,082**			**8,820**
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)	9,288	3,772	13,060	5,787	2,011	7,798
Total profit (loss) attributable to the different categories of shares (thousands of euro)	**9,288**	**4,794**	**14,082**	**5,787**	**3,033**	**8,820**
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)	**0.6331**	**0.6497**		**0.3944**	**0.4111**	
- from continued operations (euro)	*0.6331*	*0.6497*		*0.3944*	*0.4111*	
- from discontinued operations (euro)	*0.0000*	*0.0000*		*0.0000*	*0.0000*	
Diluted earning (loss) per share (euro)	**0.6331**	**0.6497**		**0.3944**	**0.4111**	
- from continued operations (euro)	*0.6331*	*0.6497*		*0.3944*	*0.4111*	
- from discontinued operations (euro)	*0.0000*	*0.0000*		*0.0000*	*0.0000*	

13. SEGMENT INFORMATION

For management purposes, the Group is organized into two Business Units based on the type of products and services provided. As at December 31, 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 two Business Units separately in order to make 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, foreign exchange performance and income taxes are measured at the overall Group level and thus they are not allocated to 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 into innovative businesses (Business Development Unit).

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

(thousands of euro)

Consolidated statement of profit or loss	Industrial Applications		Shape Memory Alloys		Non allocato		Total	
	2016	2015 (*)	2016	2015 (*)	2016	2015 (*)	2016	2015 (*)
Total net sales	**113,076**	**102,011**	**71,603**	**63,680**	**4,352**	**1,223**	**189,031**	**166,914**
Gross profit	**55,346**	**48,142**	**29,260**	**23,994**	**514**	**(52)**	**85,120**	**72,084**
% on net sales	*48.9%*	*47.2%*	*40.9%*	*37.7%*	*11.8%*	*-4.3%*	*45.0%*	*43.2%*
Total operating expenses	(24,269)	(20,765)	(12,177)	(10,528)	(21,782)	(19,454)	(58,228)	(50,747)
Other income (expenses), net	114	83	161	95	(1,011)	(1,016)	(736)	(838)
Operating income (loss)	**31,191**	**27,460**	**17,244**	**13,561**	**(22,279)**	**(20,522)**	**26,156**	**20,499**
% on net sales	*27.6%*	*26.9%*	*24.1%*	*21.3%*	*n.s.*	*n.s.*	*13.8%*	*12.3%*
Interest and other financial income (expenses), net							(1,220)	(1,528)
Share of result of investments accounted for using the equity method							(3,325)	(1,843)
Foreign exchange gains (losses), net							52	694
Income (loss) before taxes							**21,663**	**17,822**
Income taxes							(7,581)	(9,002)
Net income (loss) from continued operations							**14,082**	**8,820**
Net income (loss) from discontinued operations							0	0
Net income (loss)							**14,082**	**8,820**
Minority interests in consolidated subsidiaries							0	0
Group net income (loss)							**14,082**	**8,820**

(*) Some amounts shown in the column do not correspond to the 2015 financial statements because they reflect the reclassifications detailed in Note no. 1, paragraph "Reclassifications on December 31, 2015 income statement figures".

The following table shows the breakdown of the main balance sheet figures by operating segment.

(thousands of euro)

	Continued operations						Discontinued operations		Total	
	Industrial Applications		Shape Memory Alloys		Not allocated					
	31 dic. 2016	31 dic. 2015	31 dic. 2016	31 dic. 2015	31 dic. 2016	31 dic. 2015	31 dic. 2016	31 dic. 2015	31 dic. 2016	31 dic. 2015
Assets and liabilities										
Non current assets	37,935	36,888	66,184	61,414	38,917	23,785	0	0	143,036	122,087
Current assets	55,194	42,182	22,181	17,908	24,737	31,002	0	0	102,112	91,092
Total assets	**93,129**	**79,070**	**88,365**	**79,322**	**63,654**	**54,787**	**0**	**0**	**245,148**	**213,179**
Non current liabilities	6,898	6,407	1,258	756	47,413	36,407	0	0	55,569	43,570
Current liabilities	18,509	14,540	7,487	6,749	28,752	21,832	0	0	54,748	43,121
Total liabilities	**25,407**	**20,947**	**8,745**	**7,505**	**76,165**	**58,239**	**0**	**0**	**110,317**	**86,691**
Other segment information										
Capital expenditure	3,820	1,217	4,124	3,091	921	751	0	0	8,865	5,059
Depreciation & amortization	3,148	3,400	3,489	3,305	1,888	1,806	0	0	8,525	8,511
Other non cash expenses	603	212	102	124	83	29	0	0	788	365

Information on geographical areas

The following table provides the non-current assets by geographical area.

(thousands of euro)

	Italy	Europe	United States	Asia	Total non current assets (*)
2016	40,043	11,124	71,415	132	**122,714**
2015	34,985	3,050	69,216	172	**107,423**

(*) It includes: tangible fixed assets, intangible fixed assets, investments in joint ventures, other long term assets and the non current part of the tax consolidation receivables from the Controlling Company.

Please refer to the table shown in the Report on operations for the breakdown 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	2016	%	2015	%	Difference
Italy	36,284	19.2%	31,803	19.1%	4,481
Europe	6,964	3.7%	7,032	4.2%	(68)
North America	140,831	74.5%	123,527	74.0%	17,304
South Korea	907	0.5%	926	0.6%	(19)
China	3,974	2.1%	3,611	2.2%	363
Other Asian countries	71	0.0%	15	0.0%	56
Others	0	0.0%	0	0.0%	0
Total net sales	**189,031**	**100%**	**166,914**	**100%**	**22,117**

14. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net of accumulated depreciation, amounted to 53,402 thousand euro as at December 31, 2016, with an increase of 3,019 thousand euro compared to December 31, 2015.

The following tables show the changes occurred during the current and the previous year.

(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	791	4,611	3,261	**8,663**
Disposals	0	0	(16)	0	**(16)**
Reclassifications	0	422	2,690	(3,112)	**0**
Change in consolidation area	0	208	804	0	**1,012**
Depreciation	0	(1,397)	(5,773)	0	**(7,170)**
Write-downs	0	(8)	(85)	(45)	**(138)**
Revaluations	0	0	0	0	**0**
Translation differences	113	163	346	46	**668**
December 31, 2016	**4,182**	**21,371**	**25,578**	**2,271**	**53,402**
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**
December 31, 2016					
Historical cost	4,182	45,322	137,306	2,493	**189,303**
Accumulated depreciation and write-downs	0	(23,951)	(111,728)	(222)	**(135,901)**
Net book value	**4,182**	**21,371**	**25,578**	**2,271**	**53,402**

(thousands of euro)

Tangible fixed assets	Land	Building	Plant and machinery	Assets under construction and advances	Total
December 31, 2014	**3,758**	**21,418**	**22,623**	**2,885**	**50,684**
Additions	0	379	2,464	2,174	**5,017**
Disposals	(49)	0	(12)	0	**(61)**
Reclassifications	0	313	2,699	(3,012)	**0**
Depreciation	0	(1,389)	(5,758)	0	**(7,147)**
Write-downs	0	0	(102)	(21)	**(123)**
Revaluations	0	0	0	0	**0**
Translation differences	360	471	1,087	95	**2,013**
December 31, 2015	**4,069**	**21,192**	**23,001**	**2,121**	**50,383**
December 31, 2014					
Historical cost	3,758	41,474	119,627	3,041	**167,900**
Accumulated depreciation and write-downs	0	(20,056)	(97,004)	(156)	**(117,216)**
Net book value	**3,758**	**21,418**	**22,623**	**2,885**	**50,684**
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**

As at December 31, 2016 land and buildings were not burdened by mortgages or other guarantees.

In 2016 investments in tangible assets amounted to 8,663 thousand euro and they included the purchases made by the Parent Company for the setting up of a new production line at the plant in Avezzano, as well as the purchases always by SAES Getters S.p.A., of machinery for the improvement of the industrial SMA production lines and of laboratory equipment for the development of products in the purification and in the vacuum systems businesses, at the plant in Lainate.

Please also note the investments in the SMA area made by the subsidiaries Memry Corporation and SAES Smart Materials, Inc., 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 disposals (16 thousand euro in 2016) were mainly related to the sale of a work station owned by Parent company.

The item “Change in the scope of consolidation” refers to the tangible assets of Metalvuoto S.p.A. as at October 10, 2016, the date on which the acquisition by SAES Getters S.p.A. was finalized. As reported in the Note no. 3 and in accordance with IFRS 3, the tangible assets associated with Metalvuoto S.p.A. were provisionally recorded in the consolidated financial statements on the basis of the historical values entered in the financial statements of the subsidiary at the date of the acquisition.

The item “Depreciation” for the year 2016 equal to 7,170 thousand euro, was substantially aligned with those of the previous year.

The write-downs, equal to 138 thousand euro, were mainly related to the write-off of the residual value of some equipment and machinery no longer used by the US subsidiary SAES Smart Materials, Inc.

The translation differences (+668 thousand euro) were related to assets of the US companies and linked to the revaluation of the US dollar as at December 31, 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)

	December 31, 2016			December 31, 2015		
	Owned assets	**Finance leased assets**	**Total**	**Owned assets**	**Finance leased assets**	**Total**
Land and building	25,553	0	25,553	25,261	0	25,261
Plant and machinery	25,578	0	25,578	22,994	7	23,001
Assets under construction and advances	2,271	0	2,271	2,121	0	2,121
Total	**53,402**	**0**	**53,402**	**50,376**	**7**	**50,383**

No financial leasing contract was in place as at December 31, 2016 (for further details please refer to the Note no. 27)

15. INTANGIBLE ASSETS, NET

Intangible assets, net of accumulated amortization, amounted to 58,984 thousand euro as at December 31, 2016, and they recorded an increase of 6,662 thousand euro compared to the previous year.

The following tables show the changes occurred during the current and the previous year.

(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, 2014	**44,414**	**0**	**2,834**	**601**	**4,472**	**1**	**52,322**
Additions	0	0	5	108	0	89	**202**
Disposals	0	0	0	0	0	0	**0**
Reclassifications	0	0	0	0	0	0	**0**
Change in consolidation area	6,187	0	63	0	5	0	**6,255**
Amortization	0	0	(402)	(440)	(513)	0	**(1,355)**
Write-downs	0	0	0	0	0	0	**0**
Revaluations	0	0	0	0	0	0	**0**
Translation differences	1,364	0	74	1	122	(1)	**1,560**
December 31, 2015	**51,965**	**0**	**2,574**	**270**	**4,086**	**89**	**58,984**
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**
December 31, 2016							
Historical cost	57,242	183	7,364	10,390	25,578	828	**101,585**
Accumulated amortization and write-downs	(5,277)	(183)	(4,790)	(10,120)	(21,492)	(739)	**(42,601)**
Net book value	**51,965**	**0**	**2,574**	**270**	**4,086**	**89**	**58,984**

(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, 2014	**40,124**	**0**	**2,895**	**1,007**	**4,650**	**29**	**48,705**
Additions	0	0	0	0	2	40	**42**
Disposals	0	0	0	0	0	0	**0**
Reclassifications	0	0	23	17	0	(40)	**0**
Amortization	0	0	(403)	(436)	(525)	0	**(1,364)**
Write-downs	0	0	0	0	(160)	(28)	**(188)**
Revaluations	0	0	0	0	0	0	**0**
Translation differences	4,290	0	319	13	505	0	**5,127**
December 31, 2015	**44,414**	**0**	**2,834**	**601**	**4,472**	**1**	**52,322**
December 31, 2014							
Historical cost	45,401	183	6,544	8,437	20,660	740	**81,965**
Accumulated amortization and write-downs	(5,277)	(183)	(3,649)	(7,430)	(16,010)	(711)	**(33,260)**
Net book value	**40,124**	**0**	**2,895**	**1,007**	**4,650**	**29**	**48,705**
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**

The yearly increase was mainly due to the first consolidation of the intangible assets of the newly acquired Metalvuoto S.p.A. (item “Change in the scope of consolidation”), provisionally recorded at the net value as of the date of the acquisition, pending the completion of the process to determine their current value.

In 2016, investments in intangible assets were equal to 202 thousand euro and they refer to the purchases made by the Parent Company of new software licenses.

The translation differences (positive for 1,560 thousand euro), related to the intangible assets of the US companies of the Group, were partially offset by the amortization of the period (-1,355 thousand euro), aligned with those of the previous year.

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 every period to account for their expected residual use.
Goodwill is not amortized and 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 specifies the Cash Generating Unit to which the goodwill has been allocated.

(thousands of euro)

Business Unit	December 31, 2015	Change in consolidation area	Write-downs	Other movements	Translation differences	December 31, 2016
Industrial Applications	5,811	0	0	0	160	5,971
Shape Memory Alloys	38,603	0	0	0	1,204	39,807
Non allocato	0	6,187	0	0	0	6,187
Total goodwill	**44,414**	**6,187**	**0**	**0**	**1,364**	**51,965**

The increase of the year was due both the to the consolidation of the newly acquired Metalvuoto S.p.A. and to the exchange rate effect on the goodwill amounts denominated in currencies other than euro.
Please note that the goodwill deriving from the acquisition of Metalvuoto S.p.A. (6,187 thousand euro) was calculated as the difference between the book value of the net assets of the company at the date of the acquisition (-407 thousand euro) and the total price for the acquisition of that company (5,780 thousand euro) , including both the consideration paid in cash for the purchase of the first 70% (5,128 thousand euro) and the financial debt incurred for the commitment to purchase the remaining 30% (equal to 652 thousand euro). This value has to be considered provisional, pending the completion of the process to determine the current value of net assets acquired (for further details on the calculation, please refer to Note no. 3).

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

(thousands of euro)

Business Unit	December 31, 2016			December 31, 2015		
	Gross value	Write-downs	Net book value	Gross value	Write-downs	Net book value
Industrial Applications (*)	6,034	(63)	5,971	5,874	(63)	5,811
Shape Memory Alloys (*)	43,207	(3,400)	39,807	42,003	(3,400)	38,603
Not allocated (**)	6,545	(358)	6,187	358	(358)	0
Total goodwill	**55,786**	**(3,821)**	**51,965**	**48,235**	**(3,821)**	**44,414**

(*) The difference between the gross value as at December 31, 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.

(**) The difference between the gross value as at December 31, 2016 and the gross value as at December 31, 2015 is due to the consolidation of the newly acquired Metalvuoto S.p.A.

Impairment test

Pursuant to IAS 36, goodwill is not amortized, but is rather assessed for impairment annually or more frequently where specific events or circumstances indicate that it may have become impaired. For the purposes of impairment testing, goodwill is allocated to Cash Generating Units (CGUs) or groups of units, which may be no larger than the segments identified for management reporting purposes pursuant to IFRS 8. In particular, the CGUs identified by the SAES Group for the impairment test coincide with the following operating segments:

- Industrial Applications;
- Shape Memory Alloys;
- Solutions for Advanced Packaging.

Compared to what indicated in the Note no. 13 "Segment information", please note that, following the acquisition[29] of the majority of the company Metalvuoto S.p.A., an established player in the

[29] The acquisition was finalized on October 10, 2016.

advanced packaging industry, in the three-years 2017-2019 plan an additional Business Unit called "Solutions for Advanced Packaging" will be established next to the "Industrial Applications" and "Shape Memory Alloys" Business Units starting from January 1, 2017. For impairment testing purposes, the goodwill generated by the acquisition of Metalvuoto S.p.A. has been reclassified into this new operating segment.

Impairment testing consists in estimating the recoverable amount of each Cash Generating Unit (CGU) and comparing it with the net carrying amount of the associated assets, including goodwill.
The recoverable amount is estimated by determining the value in use, which corresponds to the present value of the future cash flows that are expected from each Cash Generating Unit according to the most recent three-years 2017-2019 plan developed by the top management and approved by the Board of Directors on February 16, 2017.
In making these projections, the management made many assumptions, including an estimate of future sales volumes, price trends, gross margin, operating expenses, changes in working capital and investments. The expected sales growth is based on the management's projections, while the margins and operating expenses of the various businesses were estimated on the basis of historical data, adjusted to account for the expected results and the projected market price trends. The value of investments and working capital was determined taking into account various factors, such as the expected future growth rates and the products development plan.
The discount rate applied in discounting cash flows represents the estimate of the expected rate of return of each Cash Generating Unit in the market. In order to select an appropriate discount rate to be applied to future cash flows, the indicative interest rates that would be applied to the Group in case of a subscription of a new medium-long term loan, the long-term government bond yield curve and the perspective Group's equity/debt structure were taken into consideration.
The weighted average cost of capital (WACC) applied to future cash flows was estimated to be 6.3%, and it is deemed to be representative of all of the Group's CGUs. The WACC used is net of taxes, in accordance with the involved cash flows.
The model used to discount future cash flows considers a terminal value, which reflects the residual value that each Cash Generating Unit is expected to generate beyond the three-year period covered by the plans. This value was estimated by conservatively assuming a growth rate equal to zero and a timeframe deemed representative of the estimated duration of the various businesses, as reported in the table below.

	Industrial Applications	**Shape Memory Alloys**	**Solutions for Advanced Packaging**
Estimated years after the three years plan	9 (*)	12	12

(*) Calculated as the average of:
- 12 years assumed for Pure Gas Handling Business e Vacuum Systems Business;
- 10 years, assumed for Electronic & Photonic Devices Business and Sensors & Detectors Business;
- 6 years, assumed for Thermal Insulation Business;
- 4 years, assumed for Light Sources Business.

This first grade testing didn't show any potential impairment.
In addition, a sensitivity analysis of up to 1 percentage point of the WACC value employed by the Group didn't show any criticality with reference to the net assets reported in the balance sheet as of December 31, 2016.

A second level of verification was then carried out, including also the costs related to corporate offices in the recoverable amount, as well as those economic values that cannot be allocated univocally or through reliable drivers to the major sectors, among which basic research expenses incurred by the Group to identify innovative technical solutions are of great importance. Also this second grade of testing did not show any potential impairment of the assets.

The estimation of the recoverable amounts of the various Cash Generating Units required the management to use its discretion and to prepare estimates. Accordingly, the Group cannot guarantee that impairment losses will not be incurred in future periods. In fact, several factors, including those associated with the future development of the current market scenario and of the demand, could require asset values to be re-determined in future periods. The Group will constantly monitor the circumstances and events that could require further testing of impairment losses.

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

As at December 31, 2016 this item included the share of the net assets attributable to the Group in the joint ventures Actuator Solutions GmbH[30], SAES RIAL Vacuum S.r.l. and Flexterra, Inc.

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

(thousands of euro)

Investments accounted for using the equity method	December 31, 2015	Capital payments	Share of the net result	Share of other comprehensive income (loss)	Dividends paid	Disposals	Other	December 31, 2016
Actuator Solutions	2,376	1,000	(3,188)	(188)	0	0	0	0
SAES RIAL Vacuum S.r.l.	1,614	0	(137)	(2)	0	0	0	1,475
Flexterra, Inc.	0	8,146	0	0	0	0	0	8,146
Total	**3,990**	**9,146**	**(3,325)**	**(190)**	**0**	**0**	**0**	**9,621**

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 3,188 thousand euro) relates to the adjustment of the value of the investment held by the Group in relation to the results achieved by the joint venture in 2016.
Please note that this amount is less than the actual share pertaining to the Group in the 2016 loss of joint venture (-3,373 thousand euro), since, in accordance with IAS 28, the investment was reduced to zero and the loss exceeding the investment (amounting to -185 thousand euro) was not recognized as a liability since there is no legal or implied obligation of recapitalization by the SAES Group towards Actuator Solutions to date.

The item “Share of other comprehensive income (loss)" (-188 thousand euro) refers to the share of the Group in the currency translation difference reserve arising from the conversion of the financial statements of the subsidiary Actuator Solutions Taiwan Co., Ltd. for consolidation purposes.

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

[30] Please note that Actuator Solutions GmbH, consolidates its wholly owned subsidiaries Actuator Solutions Taiwan Co., Ltd. and Actuator Solutions (Shenzhen) Co., Ltd., the latter established at the end of September and not yet operating as at December 31, 2016.

(thousands of euro)

Actuator Solutions	December 31, 2016	December 31, 2015
Statement of financial position	**50%**	**50%**
Non current assets	5,143	4,130
Current assets	1,931	2,448
Total assets	**7,074**	**6,578**
Non current liabilities	4,248	740
Current liabilities	3,011	3,462
Total liabilities	**7,259**	**4,202**
Capital stock, reserves and retained earnings	3,376	4,270
Net income (loss) for the period	(3,373)	(1,843)
Other comprehensive income (loss) for the period	(188)	(51)
Total equity	**(185)**	**2,376**

(thousands of euro)

Actuator Solutions	December 31, 2016	December 31, 2015
Statement of profit or loss and of other comprehensive income	**50%**	**50%**
Net sales	9,321	8,638
Cost of sales	(10,159)	(8,864)
Gross profit	**(838)**	**(226)**
Total operating expenses	(2,673)	(2,119)
Other income (expenses), net	64	63
Operating income (loss)	**(3,447)**	**(2,282)**
Interest and other financial income, net	(155)	(164)
Foreign exchange gains (losses), net	122	32
Income taxes	107	571
Net income (loss)	**(3,373)**	**(1,843)**
Exchange differences	(188)	(51)
Total comprehensive income (loss)	**(3,561)**	**(1,894)**

Overall Actuator Solutions recorded net revenues equal to 18,642 thousand euro in 2016 to be compared with 17,275 thousand euro in the corresponding period of the previous year; these revenues, almost totally generated by the seat comfort business (valves exploiting the SMA technology and used in lumbar control systems of the seats of cars) increased thanks to the extension of the lumbar control system to an increasing number of cars.

The net result of the period was negative for -6,747 thousand euro, compared to a loss of -3,687 thousand euro in the previous year. 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 reduction of the production costs that were at full operating speed only since the last quarter of 2016) and to higher research, development and prototyping expenses for autofocus (AF) actuators. In fact, please note that all research expenses of the joint venture are charged directly into the income statement in the period in which they occurred as they do not qualify for capitalization.

Finally, in 2016, it has been prudently decided to cancel the deferred tax assets recognized in previous years on the negative taxable income of Actuator Solutions Taiwan Co., Ltd., following the company's continuing tax loss situation. The related cost was approximately equal to 778 thousand euro.

Despite the value of the investment in Actuator Solutions GmbH as at December 31, 2016 has been reduced to zero, an impairment test was carried out in order to detect possible losses on receivables, in particular the financial ones, held by the Group towards the joint venture (for more details on these financial receivables please refer to Note no. 19).To this end, the value in use was determined with the Free Operating Cash Flow method, on the basis of the most recent plans prepared by the management and approved by the Supervisory Committee of the Company, and by using a WACC of 4.4%, which considers the structure of the capital/debt of the joint venture and the long-term German government bond yields curve. The analysis did not show any potential impairment of the assets existing between the Group and the joint venture.
A sensitivity analysis was also performed by increasing the discount rate to bring it in line with that used by the Group for impairment test purposes (6.3%); also in this case there wasn't any criticality.

The following table provides the number of employees of the joint venture Actuator Solutions as at December 31, 2016 split by category, based on the percentage of ownership held by the Group (equal to 50%).

Actuator Solutions	December 31, 2016	December 31, 2015
	50%	50%
Managers	9	5
Employees and middle management	39	26
Workers	20	9
Total (*)	**68**	**40**

(*) The figure excludes the personnel employed with contract other than salaried employment, equal to 2 units as at December 31, 2016 and equal to 6 unit at December 31, 2015 (according to the percentage 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 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 December 31, 2016 the value of the joint venture (1,475 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 2016 (-137 thousand euro) and in the other components of comprehensive income, net of taxes [31] (-2 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 at the acquisition date (221 thousand euro) represents the goodwill that is included in the carrying value of the investment.

Finally, please note that among the shareholders SAES Getters S.p.A. and Rodofil S.r.l exists 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., again through a one-off operation between May 1, 2020 and May 31, 2020, at a predetermined price related to the performance of the new company at the date of the sale; if Rodofil does not exercise its put option, SAES Getters S.p.A. will have the right to exercise a call option through a one-off operation between June 1, 2020 and June 30, 2020, for a percentage equal to 30% of the share capital, at a price calculated with a similar method. Please note that as at December 31, 2016 the Management did not have enough information in order to perform an accurate assessment of the fair value of the above options, the latter are not valued in the financial statements.

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

(thousands of euro)

SAES RIAL Vacuum S.r.l.	December 31, 2016	December 31, 2015
Statement of financial position	**49%**	**49%**
Non current assets	150	47
Current assets	518	239
Total assets	**668**	**286**
Non current liabilities	148	0
Current liabilities	438	65
Total liabilities	**586**	**65**
Capital stock, reserves and retained earnings	221	221
Net income (loss) for the period	(137)	0
Other comprehensive income (loss) for the period	(2)	0
Total equity	**82**	**221**
Goodwill arising on acquisition	1,393	1,393
SAES Group Investment	**1,475**	**1,614**

(thousands of euro)

SAES RIAL Vacuum S.r.l.	December 31, 2016
Statement of profit or loss and of other comprehensive income	**49%**
Net sales	773
Cost of sales	(746)
Gross profit	**27**
Total operating expenses	(134)
Other income (expenses), net	(24)
Operating income (loss)	**(131)**
Interest and other financial income, net	(7)
Foreign exchange gains (losses), net	0
Income taxes	1
Net income (loss)	**(137)**
Actuarial gain (loss) on defined benefit plans, net of taxes	(2)
Total comprehensive income (loss)	**(139)**

[31] Please note that the Other comprehensive income (loss) item derives from the accounting of the actuarial differences on the employee severance indemnities (TFR) in accordance with the revised IAS 19.

SAES RIAL Vacuum S.r.l. ended the 2016 with sales equal to 1,578 thousand euro and a net loss equal to -280 thousand euro, the latter related to some organization and integration expenses that are typical of any company in its start-up phase.

The value of the investment in SAES RIAL Vacuum S.r.l. was subjected to the impairment test. To this end, the value in use was determined with the Free Operating Cash Flow method, on the basis of the most recent plans prepared by the management using the business forecast approved by the Board of Directors on December 23, 2016, and using a WACC of 3.5%, which considers the cost of debt, the structure of the capital/debt of the joint venture as well as the long-term Italian government bond yield curve.
The analysis did not show any potential impairment of the asset.
A sensitivity analysis was also performed by increasing the discount rate to bring it in line with that used by the Group for impairment test purposes (6.3%); also in this case there wasn't any criticality.

The following table provides the number of employees of the joint venture SAES RIAL Vacuum S.r.l. as at December 31 split by category, based on the percentage of ownership held by the SAES Group (49%).

SAES RIAL Vacuum S.r.l.	December 31, 2016	December 31, 2015
	49%	49%
Managers	0	0
Employees and middle management	3	0
Workers	2	3
Total (*)	**5**	**3**

(*) The figure excludes the personnel employed with contract other than salaried employment, equal to 2 units as at December 31, 2016, according to the percentage held by the Group (no unit at December 31, 2015).

Flexterra, Inc.

On December 15, 2016 the SAES Group has started a transaction aiming at the industrialization, production and commercialization of materials and components used in flexible organic transistors, thought the establishment of the newco Flexterra, Inc., (near Chicago, Illinois, United States), in partnership with Polyera, a company already active in the field of flexible thin film transistors for new generation displays and partner of SAES in the development of organic electronics applications.

At the end of December 2016, la newco Flexterra, Inc. was capitalized by Polyera and SAES Getters International Luxembourg S.A. In particular, Polyera transferred to Flexterra, Inc. tangible and intangible assets (including IPs and know-how) for an estimated value of 14 million USD and, against this contribution in kind, received Series A shares of Flexterra, privileged, among other things, in the distribution of profits and in case of sale of Flexterra.
SAES Getters International Luxembourg S.A. provided Flexterra with contributions in cash, in different phases within the end of 2016, for a total capital contribution of 8.5 million USD, against which the company received in turn Series A privileged shares of Flexterra.
On the basis of the agreement, Polyera will grant the shareholding rights in Flexterra, Inc. to its investors, among which there are two important Asian venture capital funds. These investors will also contribute in cash, with an amount that will be exactly defined in the first quarter of 2017, and that will be between a guaranteed minimum amount of 4.5 million USD, up to a maximum amount of 6 million USD.

SAES will transfer a further contribution of 4.5 million USD in capital – in addition to tangible and intangible assets (IPs) with an estimated value of around 3 million USD –to be finalized upon the achievement by Flexterra of technical and commercial objectives as set out in the agreement (namely, the signature of a binding agreement for the commercialization of Flexterra products – milestone) no later than March 31, 2018.

The contribution of SAES is equivalent to an equity participation representing around 34,66% of the share capital of Flexterra. Such participation is expected to increase up to around 45% with the contribution to be finalized by March 31, 2018, subsequent to the achievement of the above-mentioned milestone.

The Group's equity investment is accounted for using the equity method since, irrespective of their ownership percentage in the share capital, the operation consists of a joint control agreement and, specifically, a joint venture, based on the Board's composition (five members, two of which appointed by SAES, including the CEO) and the shareholders agreements (that provide that the decisions on some relevant matters are taken with the unanimous consent of all the Board members).

The value of the investment as at December 31, 2016 (8,146 thousand euro, equal to 8,500 thousand USD) is the overall contribution of SAES Getters International Luxembourg S.A. in the share capital Flexterra, Inc. The following table provides a breakdown of the contributions made in December 2016 aimed at the capitalization of the newco Flexterra, Inc.

Description	thousands of USD	thousands of euro
Contribution 1 (through the transfer of a financial receivable to Polyera)	1,000	959
Contribution 2	3,000	2,879
Contribution 3	4,500	4,308
Total	**8,500**	**8,146**

Please note that as at December 31, 2016 the company Flexterra, Inc. was not yet operative and the only operation performed by the company, as per the contractual agreements between the shareholders, in the period between its establishment date and December 31, 2016, was the use of 4 million USD in cash for the acquisition of additional intangible assets of Polyera.
Given the above, it was not necessary to adjust the value of the investment for the share of the SAES Group in the 2016 result.
In addition, being the acquisition just completed as at December 31, 2016 and since there were no objective signs of impairment, no impairment test was performed on the investment.

The table below shows the SAES Group interest in Flexterra, Inc.'s assets as at December 31, 2016.

Flexterra, Inc.	**December 31, 2016**		
	thousands of USD	thousands of USD	thousands of euro
	100%	**34.66%**	**34.66%**
Property, plant and equipment, net	870	302	286
Intangible assets, net	16,632	5,765	5,469
Inventory	498	173	164
Cash and cash equivalents	6,525	2,261	2,145
Total assets	**24,525**	**8,500**	**8,064**
Capital stock and other reserves	24,525	8,500	8,064
Net income (loss) of the period	0	0	0
Total equity	**24,525**	**8,500**	**8,064**

The difference between the total consideration of the acquisition (8,146 thousand euro) and the value of the assets attributable to the Group at 31 December 2016 (8,064 thousand euro) is solely due to the effect of the conversion of Flexterra activities, Inc. at the year-end exchange rate.

17. DEFERRED TAX ASSETS AND LIABILITIES

As at December 31, 2016 the net balance of deferred tax assets and deferred tax liabilities was positive and equal to 8,340 thousand euro, with an increase of 802 thousand euro compared to December 31, 2015 (of which 186 thousand euro related to the consolidation of the newly acquired Metalvuoto S.p.A.).

The related details are provided below.

(thousands of euro)

Deferred taxes	December 31, 2016	December 31, 2015	Difference
Deferred tax assets	15,073	14,064	1,009
Deferred tax liabilities	(6,733)	(6,526)	(207)
Total	**8,340**	**7,538**	**802**

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	December 31, 2016	December 31, 2015	Difference
Deferred tax assets	19,787	18,667	1,120
Deferred tax liabilities	(11,447)	(11,129)	(318)
Total	**8,340**	**7,538**	**802**

The following tables provide a breakdown of the temporary differences that comprise deferred tax assets and liabilities by their nature, compared with the figures of the previous year.

(thousands of euro)

Deferred tax assets	December 31, 2016		December 31, 2015	
	Temporary differences	Fiscal effect	Temporary differences	Fiscal effect
Intercompany profit eliminations	1,627	565	1,625	591
Differences on depreciation/amortization and write-downs	6,103	1,658	6,467	1,758
IAS 19 effect	267	71		
Bad debts	439	169	480	182
Inventory write-down	6,132	2,200	6,043	2,149
Provisions	3,768	1,352	4,051	1,378
Cash deductable expenses	8,956	2,496	6,367	1,823
Deferred taxes on recoverable losses	46,114	11,065	44,818	10,756
Exchange differences and other	290	211	114	30
Total		**19,787**		**18,667**

The increase in the deferred tax assets compared to the previous year (+1,120 thousand euro) was mainly due to higher tax deductible costs on a cash basis rather than on an accrual basis[32], as well as to deferred tax assets on tax losses carried forward of the newly acquired company Metalvuoto S.p.A., recognized following the reasonable certainty that they are recoverable in future years (311 thousand euro as at December 31, 2016). However, please note that, not having the group yet determined the fair value of the assets and liabilities of Metalvuoto S.p.A. at the acquisition date, deferred tax assets of that company, accounted for in the consolidated financial statements, are recorded at their historical values in the financial statements of the subsidiary at the acquisition date, including the changes occurred from the date of the acquisition to December 31, 2016.

The Group had 123,948 thousand euro in tax losses eligible to be carried forward as at December 31, 2016, 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 46,114 thousand euro.

Deferred tax assets on past tax losses of the Parent Company were recorded only on the losses incurred by that company itself until December 31, 2013. These assets were recognized in the financial statements based on the recoverability analysis made by Directors that, considering the forecast included in the plans approved by the Board of Directors, have considered as probable the recovery of these assets recognized in the balance sheet over a period slightly longer than that of the plan. These analysis have been updated based on the most recent corporate plans approved by the Board of Directors, confirming, despite the risks associated with this type of activities and reported in the Report on operations, the substantial recovery of the aforementioned deferred tax assets within the analysis horizon considered.

(thousands of euro)

Deferred tax liabilities	December 31, 2016		December 31, 2015	
	Temporary differences	Fiscal effect	Temporary differences	Fiscal effect
Tax due on distribution of earnings accumulated by the sub	(46,342)	(3,354)	(55,928)	(3,044)
Differences on depreciation/amortization and fair value reva	(23,107)	(7,976)	(23,128)	(7,933)
IAS 19 effect	(423)	(101)	(431)	(103)
Other	(65)	(16)	(66)	(49)
Total		**(11,447)**		**(11,129)**

The deferred tax liabilities recorded in the consolidated financial statements as at December 31, 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 was the main reason for the increase in the deferred tax liabilities compared to December 31, 2015 (+318 thousand euro).

Please note that, pursuant to 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.

[32] In particular, higher accrual for annual variable remunerations and long-term incentives.

18. TAX CONSOLIDATION RECEIVABLES/PAYABLES FROM/TO THE CONTROLLING COMPANY

The item "Tax consolidation receivables from the Controlling Company" (272 thousand euro) refers to the receivable of SAES Advanced Technologies S.p.A. towards S.G.G. Holding S.p.A., following a request for refund that the latter had presented as consolidating entity of the tax consolidation program in place until December 31, 2014. This receivable collectable after the end of the year has been classified among non-current assets.

Starting from January 1, 2015[33] the Italian companies of the Group[34] joined a new tax consolidation program with the Parent Company as consolidator.
Since this new tax consolidation showed a tax loss as at December 31, 2015, 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 taxable income generated by SAES Advanced Technologies S.p.A. The related credits were offset against the corresponding debt of SAES Advanced Technologies S.p.A.
As at December 31, 2016, following the merger of SAES Advanced Technologies S.p.A. into SAES Getters S.p.A., all the companies in the tax consolidation program had a negative taxable income and, therefore, no credit/debit was entered in the annual balance sheet.

19. FINANCIAL RECEIVABLES FROM RELATED PARTIES

The item "Financial receivables from related parties" amounted to 5,814 thousand euro as at December 31, 2016 compared to 1,155 thousand euro as at December 31, 2015 and it mainly included the interest-bearing loans granted by SAES Group to the joint ventures Actuator Solutions GmbH and SAES RIAL Vacuum S.r.l.
The share whose repayment by the joint ventures is expected within one year was included in the current assets (561 thousand euro compared with 555 thousand euro as at December 31, 2015), while the remaining portion was classified as non-current asset (5,249 thousand euro compared with 600 thousand euro as at December 31, 2015).

Actuator Solutions GmbH

Description	Currency	Principal (thousands of euro)	Timing of capital reimbursement	Interest rate	Value as at December 31, 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	86 (**)
Loan granted in October 2014	EUR	1,200	flexible, with maturity date April 2018 (°)	6% annual fixed rate	648	1,069
Loan granted in April 2016	EUR	1,000	flexible, with maturity date April 2019	6% annual fixed rate	1,040	0
Loan signed in July 2016 (first tranche granted in July 2016 & second tranche granted in September 2016)	EUR	2,000	flexible, with maturity date April 2019	6% annual fixed rate	3,067	0
	EUR	1,000				
Loan granted in November 2016 (first tranche)	EUR	1,000	flexible, with maturity date April 2019	6% annual fixed rate	1,005	0
Totale		**7,700**			**5,760**	**1,155**

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

33 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").
34 SAES Getters S.p.A., SAES Advanced Technologies S.p.A. (merged into SAES Getters S.p.A. with accounting effect from January 1, 2016), SAES Nitinol S.r.l. and E.T.C. S.r.l.

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 (86 thousand euro), were paid by the joint venture in January 2016, and, therefore, the value of the financial credit as at December 31, 2016 was zero.

The loan granted in October 2014 was still be partially opened as at December 31, 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 year (equal to 48 thousand euro), while the remaining 200 thousand euro were recorded as non-current.

The following is the detail of the new loans granted from SAES Group to Actuator Solutions GmbH during 2016:

- At the end of April 2016 SAES Nitinol S.r.l. granted a loan of 1 million euro to Actuator Solutions GmbH. A loan of the same amount and conditions was granted by the 50% joint partner Alfmeier, through the company SMA Holding GmbH.
- On July 28, 2016 SAES Nitinol S.r.l. signed a loan contract 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 of the signature of the contract, while the second tranche, equal to 1 million euro, was paid on September 28, 2016. 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 November 28, 2016 SAES Nitinol S.r.l. signed a loan contract which granted a loan to be provided in different tranches, for a maximum total amount of 4.5 million euro. The first tranche of the financing, equal to 1 million euro, was paid by SAES Nitinol S.r.l. on November 30, 2016. The contract provides for the priority reimbursement of such loan, compared to other loans granted to Actuator Solutions by its shareholders.

All loans granted in the current year expire on April 30, 2019 and provide for a flexible repayment schedule within the maturity date and a fixed annual interest rate equal to 6%. The principal amount (5 million euro) was rated as collectable beyond 12 months and, therefore, has been entirely recorded in the non-current assets. The interests accrued in 2016 (112 thousand euro) have been recorded in the current assets.

SAES RIAL Vacuum S.r.l.

Description	Currency	Principal (thousands of euro)	Timing of capital reimbursement	Interest rate	Value as at December 31, 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	50	0

(*) Interests included.

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., in order to financially support the newly established Company's operations. This loan doesn't have any predefined expiration date, but 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 principal amount was rated as collectable beyond 12 months; the related interests accrued in 2016 (1 thousand euro) have been recorded in the current assets.

Finally, the item "Financial receivables from related parties" includes 4 thousand euro claimed by Metalvuoto S.p.A. towards Metalvuoto Lux S.r.l. (a wholly owned subsidiary of Mirante S.r.l., the latter being a minority shareholder of Metalvuoto S.p.A.) and originated from the transfer of the "Holography" business, prior to the acquisition of the SAES Group.
The repayment is expected within the year and therefore the receivable has been recorded in the current assets.

20. OTHER LONG TERM ASSETS

The item “Other long term assets” amounted to 435 thousand euro as at December 31, 2016, compared to 456 thousand euro as at December 31, 2015 and included the caution money given by the companies of the Group for their operating activities.
The effect on the item resulting from the change in the scope of consolidation (that means the consolidation of Metalvuoto S.p.A.) was equal to 4 thousand euro.

21. INVENTORY

Inventory amounted to 38,223 thousand euro as at December 31, 2016, with an increase of 5,699 thousand euro compared to December 31, 2015.

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

(thousands of euro)

Inventory	December 31, 2016	December 31, 2015	Difference
Raw materials, auxiliary materials and spare parts	16,281	13,856	2,425
Work in progress and semi-finished goods	15,846	14,682	1,164
Finished products and goods	6,106	3,996	2,110
Total	**38,233**	**32,534**	**5,699**

Excluding the positive exchange rate effect (equal to +1,036 thousand euro) mainly related to the US dollar revaluation and the effect of the inclusion of Metalvuoto S.p.A., in the scope of consolidation (+1,494 thousand euro), the inventory increased by 3,169 thousand euro compared to the previous year: this increase was due to the higher volumes of the raw materials, work in progress and finished goods in the pure gas handling business, that were necessary to meet the increasing orders of products with delivery planned in the first months of 2017, as well as to the increasing volumes of the work in progress and finished goods in the shape memory alloys business, linked to the growing trend of the revenues of this operating segment.

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

(thousands of euro)

Inventory provision	
December 31, 2015	**4,861**
Accrual	1,264
Release into income statement	(89)
Utilization	(1,251)
Translation differences	91
December 31, 2016	**4,876**

The accrual (+1,264 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 SMA and lamps businesses.

The utilization (-1,251 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, SAES Smart Materials, Inc. and Spectra-Mat, Inc.

22. TRADE RECEIVABLES

Trade receivables, net of bad debt provision, were equal to 39,282 thousand euro as at December 31, 2016 and were up by 15,916 thousand euro compared to the previous year.
The increase, excluding the exchange rate effect (+1,021 thousand euro) and the change in the scope of consolidation (+1,923 thousand euro), was closely related to the strong growth recorded by the turnover of the purification business by the US subsidiary SAES Pure Gas, Inc in the last part of the year 2016, compared to the last months of the previous year. In addition, please note the contribution of the Parent Company, mainly in the vacuum systems business.

The breakdown of the item is shown in the following table.

(thousands of euro)

Trade receivables	December 31, 2016	December 31, 2015	Difference
Gross value	39,721	23,695	16,026
Bad debt provision	(439)	(329)	(110)
Net book value	**39,282**	**23,366**	**15,916**

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

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

(thousands of euro)

Bad debt provision	December 31, 2016	December 31, 2015
Opening balance	**329**	**297**
Accrual	737	54
Release into income statement	(87)	0
Utilization	(685)	(51)
Change in consolidation area	146	0
Translation differences	(1)	29
Closing balance	**439**	**329**

The increase of the bad debt provision compared to the previous year was mainly due to the inclusion of Metalvuoto S.p.A., in the scope of consolidation (146 thousand euro was the amount of the provision for bad debt of Metalvuoto S.p.A. as at October 10, 2016, the date in which the acquisition was finalized by Parent Company).

The accrual (+737 thousand euro) was related to the write-down of some trade receivables of the subsidiary SAES Pure Gas, Inc. following the application of contractual penalties for some delays in the delivery of the products.

The release into the income statement (-87 thousand euro) was mainly due to a receivable of the subsidiary SAES Pure Gas, Inc., accrued in the previous year, but collected in October 2016.

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

(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	
December 31,2016	39,721	23,076	9,040	3,583	2,280	778	525	439
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, are constantly monitored. The increase of their percentage on the total receivables (from 8% as at December 31, 2015 to 18% as at December 2016) was mainly due to some specific receivables of the subsidiary SAES Pure Gas, Inc., the collection of which was finalized in early 2017.

Please refer to the Note no. 37 for the credit risk on trade receivables, in order to understand how the Group detects and manages the credit quality, in case the related trade receivables are neither past due nor written down.

23. 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 9,691 thousand euro as at December 31, 2016, compared to 10,593 thousand euro as at December 31, 2015. The effect of the change in the scope of consolidation of this item was equal to 107 thousand euro (in detail, “Income tax and other tax receivables” equal to 15 thousand euro, “VAT receivables” equal to 69 thousand euro and “Prepaid expenses” equal to 23 thousand euro).

A breakdown of this item is provided below.

(thousands of euro)

Prepaid expenses, accrued income and other	December 31, 2016	December 31, 2015	Difference
Income tax and other tax receivables	1,480	1,661	(181)
VAT receivables	5,735	5,816	(81)
Social security receivables	75	398	(323)
Personnel receivables	5	109	(104)
Receivables for public grants	455	714	(259)
Other receivables	183	153	30
Total other receivables	**7,933**	**8,851**	**(918)**
Accrued income	1	24	(23)
Prepaid expenses	1,757	1,718	39
Total prepaid expenses and accrued income	**1,758**	**1,742**	**16**
Total prepaid expenses, accrued income and other	**9,691**	**10,593**	**(902)**

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 decrease compared to the previous year (-196 thousand euro, excluding the effect due to the change in the scope of consolidation) was mainly due to some tax credits claimed by the US subsidiaries and arose from the restatement of the previous year taxes as at December 31, 2015.

The decrease in the “VAT receivables” was due to the refunds received in the year 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 generated by the Parent Company and the subsidiary E.T.C. S.r.l. 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 2016 by the Parent Company of the receivables of the incorporated SAES Advanced Technologies S.p.A. related to the use of the defensive job-security agreements.

The decrease in “Receivables from employees” was due to the collection of the receivables from the Abruzzo region during 2016 for the training funded by the latter and carried out by the merged SAES Advanced Technologies S.p.A. in 2015.

Please note that the item “Receivables for public grants” is mainly composed of credits matured by the Parent Company and by the subsidiary E.T.C. S.r.l. as of December 31, 2016 as a result of contributions for outstanding research projects.
In 2016, income from government grants amounted to 148 thousand euro (300 thousand euro in 2015).

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

24. CASH AND CASH EQUIVALENTS

The item includes the liquid funds for the cash flow management necessary for their operating activities.

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

(thousands of euro)

Cash and cash equivalents	**December 31, 2016**	**December 31, 2015**	**Difference**
Bank accounts	14,321	24,021	(9,700)
Petty cash	19	23	(4)
Total	**14,340**	**24,044**	**(9,704)**

The item “Bank accounts” consists of short-term deposits with some leading financial institutions, denominated primarily in US dollars, Chinese renminbi and euro.

For the analysis of the changes occurred in cash and cash equivalents during the year please refer to the comments on the Cash flow statement (Note no. 36). Please note that the effect arising from the consolidation of the newly acquired Metalvuoto S.p.A. is substantially null (1 thousand euro).

As of December 31, 2016, the Group has unused credit lines equal to 38.8 million euro, an amount substantially in line with that at December 31, 2015 (40 million euro).

25. SHAREHOLDERS’ EQUITY

The Group shareholders' equity amounted to 134,831 thousand euro as at December 31, 2016, with an increase of 8,346 thousand euro compared to December 31, 2015, mainly due to the net income realized in the year (+14,082 thousand euro) and to the exchange rate differences arising from the translation of the financial statements in foreign currencies (+3,246 thousand euro), partially offset by the dividends distribution (-8,502 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 2016” of the Report on operations): the difference between the carrying value of the minority interests and the amount paid for their purchase generated a decrease in the 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 December 31, 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 December 31, 2016, unchanged from December 31, 2015.

Please refer to the Report on corporate governance and ownership structure 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 December 31, 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 Parent Company SAES Getters S.p.A. Pursuant to Law no. 342 of 2000, the revaluation reserve has been stated net of the related lieu tax of 370 thousand euro. Compared to December 31, 2015, the reserves of the subsidiary SAES Advanced Technologies S.p.A. were reconstituted in SAES Getters S.p.A. following the

merger by incorporation of the subsidiary in the Parent Company (for further details please refer to the Separate Financial Statements);

- 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 well as the actuarial gains and losses on defined benefit plans arising from the application of the revised version of IAS 19, net of the related fiscal effect (-234 thousand euro), both of the subsidiaries and the companies accounted for using the equity method.

As reported in the Report on corporate governance and ownership enclosed to the 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 income 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 financial statements in foreign currencies. The translation reserve had a positive balance of 22,301 thousand euro as at December 31, 2016, compared to a positive balance of 19,055 thousand euro as at December 31, 2015. The increase of 3,246 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 (3,434 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 (-188 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.

The reconciliation between the net income and the shareholders' equity of SAES Getters S.p.A. and the consolidated net income and the consolidated shareholders' equity as at December 31, 2016 and December 31, 2015 is set out below.

(thousands of euro)	December 31, 2016		December 31, 2015	
	Net income	Shareholders' equity	Net income	Shareholders' equity
SAES Getters S.p.A. - Parent Company	**6,164**	**75,494**	**5,859**	**69,716**
Shareholders' equity and net result of consolidated subsidiaries, net of dividends distribution and write-downs of investments in share capital	11,705	162,933	6,167	167,184
Book value of investments in share capital		(90,078)		(100,857)
Consolidation adjustments:				
Elimination of profit arising from intercompany transaltions, net of the related tax effect	(154)	(1,298)	(485)	(1,157)
Accrual of deferred taxes on equity distributable of consolidated subsidiaries	(310)	(3,354)	(872)	(3,044)
Equity evaluation of joint venture	(3,325)	(8,539)	(1,843)	(5,024)
Other adjustments	2	(327)	(6)	(333)
Consolidated financial statements	**14,082**	**134,831**	**8,820**	**126,485**

26. FINANCIAL DEBTS

As at December 31, 2016, the financial debts amounted to 44,155 thousand euro, with an increase of 10 million euro compared to December 31, 2015.
This increase was due to the new medium-long term financings signed mainly by the Parent Company during the year (for a total amount equal to about 16 million euro), in order to have a correct balance of the financial indebtedness, with a higher percentage of medium-long term loans, compared to short-term bank debt. Please also note the receipt of the second and last tranche, equal to 711 thousand euro, of the soft financing granted by the State of Connecticut to Memry Corporation at the end of 2014. To the subscription of the new loans, it must be added the effect of the change in the scope of consolidation (that means the consolidation of the newly acquired Metalvuoto S.p.A.) that generated an increase in the Group's financial debt equal to 1,316 thousand euro. Finally, the loans denominated in US dollars, held by the subsidiary Memry Corporation, equal to 24.1% of the Group's financial debt, generated a positive exchange rate effect equal to 313 thousand euro, as the equivalent amount in euro has increased following the revaluation of the US dollar as at December 31, 2016 compared with the end of the previous year.
These increases were partially offset by the repayments of the principal amounts made during the year and equal to about 7.4 million euro.

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

(thousands of euro)

Financial debt	
December 31, 2015	**34,155**
Proceeds	15,626
Change in consolidation area	1,316
Amortization of fees and interests	1,058
Repayments	(7,394)
Interest payments	(919)
Translation differences on loans in foreign currencies	313
December 31, 2016	**44,155**

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

(thousands of euro)

Financial debt	December 31, 2016	December 31, 2015	Difference
Less than 1 year	8,239	7,136	1,103
Current portion of financial debt	**8,239**	**7,136**	**1,103**
Between 1 and 2 years	10,661	7,151	3,510
Between 2 and 3 years	10,676	7,111	3,565
Between 3 and 4 years	8,239	7,152	1,087
Between 4 and 5 years	3,401	4,793	(1,392)
Over 5 years	2,939	812	2,127
Non current financial debt	**35,916**	**27,019**	**8,897**
Total	**44,155**	**34,155**	**10,000**

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 December 31, 2016 (thousands of euro)	Value as at December 31, 2015 (thousands of euro)
Memry Corporation *Unicredit*	USD	11 (millions of USD)	half-yearly with maturity date December 31, 2020	Half -yearly	Six-months USD Libor plus 2.70% spread (*)	3.52%	8,349	10,105
SAES Getters S.p.A. *Unicredit*	EUR	7 (millions of USD)	quarterly with maturity date December 31, 2019	Half -yearly	Three-months Euribor plus 2.25% spread	2.57%	4,187	5,578
SAES Getters S.p.A. *EIB - Tranche A*	EUR	5 (millions of USD)	half-yearly with maturity date May 29, 2020	Half -yearly	Six-months Euribor plus 2.997% spread	4.67%	3,414	4,359
EIB - Tranche B (secured by SACE)	EUR	5 (millions of USD)			Six-months Euribor plus 3% running remuneration to SACE	4.75%	3,406	4,347
SAES Getters S.p.A. *Intesa Sanpaolo*	EUR	8 (millions of USD)	half-yearly with maturity date July 31, 2020	Yearly	Six-months Euribor plus 2.25% spread	2.74%	6,415	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 (millions of USD)	Timing of capital reimbursement	Timing of covenants calculation	Interest rate	Effective interest rate	Value as at December 31, 2016 (thousands of euro)	Value as at December 31, 2015 (thousands of euro)
Memry Corporation *Soft financing granted by the State of Connecticut*	USD	1st *tranche* = $2 millions 2nd *tranche* = $0,8 millions	monthly with maturity date March 1, 2025	n.a.	2%	2%	2,281	1,684

The following table shows the details of the new loans signed by the Parent Company during the year 2016:

Description	Currency	Principal (millions of euro)	Timing of capital reimbursement	Timing of covenants calculation	Interest rate	Effective interest rate	Value as at December 31, 2016 (thousands of euro)
SAES Getters S.p.A. *Intesa Sanpaolo*	EUR	10	half-yearly (with fixed principal amounts) with maturity date December 21, 2022	Yearly	Six-months Euribor plus 1.20% spread	1.18%	9,931
SAES Getters S.p.A. *Banco BPM*	EUR	5	quarterly (with variable principal amounts) with maturity date December 31, 2021	n.a.	Three-months Euribor plus 1% spread	1.11%	4,985

The following table shows the details of the loans held by the subsidiary Metalvuoto S.p.A.

Description	Currency	Principal (thousands of euro)	Timing of capital reimbursement	Timing of covenants calculation	Interest rate	Effective interest rate	Value as at December 31, 2016 (thousands of euro)
Banco BPM - MIUR loan	EUR	319	half-yearly with maturity date December 31, 2018	n.a.	0.50%	0.50%	115
Intesa Sanpaolo	EUR	300	quarterly with maturity date June 30, 2020	n.a.	Three-months Euribor plus 2.25% spread	1.95%	263
Banco BPM	EUR	231	half-yearly with maturity date June 30, 2020	n.a.	Three-months Euribor plus 2.799% spread	2.59%	203
Banco BPM - MIUR loan	EUR	231			0.50%	0.50%	203
Intesa Sanpaolo	EUR	400	quarterly with maturity date December 31, 2020	n.a.	Three-months Euribor plus 1.50% spread	1.20%	337
Banco BPM	EUR	100	quarterly with maturity date June 30, 2017	n.a.	Three-months Euribor plus 1.75% spread	1.75%	67

Finally, please note that the loan held by the subsidiary Memry GmbH (residual value equal to 80 thousand euro as at December 31, 2015) was fully repaid during 2016.

Covenants

With the exception of the loan signed with Banco BPM on December 22, 2016, all the loans held by the Parent Company are subject to the compliance with covenants calculated on some Group's economic and financial figures and verified every semester (on June 30 and December 31 of each year) or annually (on December 31).

As showed in the table below, as at December 31, 2016, all the covenants were met.

			Unicredit loan with nominal value equal to €7 millions (*)	*EIB loan with nominal value equal to €10 millions (*)*	*Intesa Sanpaolo loan with nominal value equal to €8 millions (**)*	*Intesa Sanpaolo loan with nominal value equal to €10 millions (***)*
		Covenant	**Value as at December 31, 2016**	**Value as at December 31, 2016**	**Value as at December 31, 2016**	**Value as at December 31, 2016**
Net equity	k euro	≥ 94,000	134,831	134,831	n.a.	n.a.
Net financial position / Net equity	%	≤ 1.0	0.29	0.29	0.25	0.29
Net financial position / EBITDA	%	≤ 2.5	1.06	1.06	0.95	1.10
Total financial debt of the subsidiaries	k euro	≤ 25,000	n.a.	15,029	n.a.	n.a.
EBITDA / Financial expenses	%	> 5.0	n.a.	n.a.	23.68	23.68

(*) Net financial position calculated excluding financial receivables from related parties and receivables (payables) for derivative financial instruments evaluated at fair value; EBITDA adjusted, namely adjusted in order to exclude non-recurring values.

(**) Net financial position calculated excluding receivables (payables) for derivative financial instruments evaluated at fair value.

(***) Net financial position calculated excluding financial receivables from related parties and receivables (payables) for derivative financial instruments evaluated at fair value.

With regards to the loans held by Memry Corporation, please note that the soft financing granted by the State of Connecticut is not subject to the compliance with any covenant, while the loan

granted by Unicredit S.p.A. provide for the compliance with the warranty provisions calculated on some economic and financial figures of the US company (instead of consolidated ones) and verified every semester (on June 30 and December 31 of each year).
The following table shows that all covenants were met at the reporting date.

			loan Unicredit
		Covenant	**Value as at December 31, 2016**
Net financial position (°) / Net equity	%	≤ 1	0.10
Net financial position (°) / EBITDA	%	≤ 2.25	0.35

(°) Net financial position calculated excluding financial receivables from other Group's companies.

Please note that the loans signed by Metalvuoto S.p.A. are not subject to the compliance with economics and financial covenants.

On the basis of the future plans, the Group is expected to be able to comply with the covenants reported above also in the next years.

27. OTHER FINANCIAL DEBTS TOWARDS THIRD PARTIES

As at December 31, 2016, the item “Other financial debts towards third parties” was equal to 2,878 thousand euro, compared to 3,290 thousand euro as at December 31, 2015, and it was split in a long-term portion (1,829 thousand euro, to be compared with 1,355 thousand euro as at December 31, 2015) and a short-term portion (1,049 thousand euro, to be compared with 1,935 thousand euro as at December 31, 2015).

The decrease compared to December 31, 2015 (-412 thousand euro) was mainly due to the expiration in January 2016 of 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 2016” of the 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 (254 thousand euro[35]).Please note that, following the revaluation of the dollar as at December 31, 2016 compared to December 31, 2015, the residual debt towards Power & Energy, Inc. has increased by 50 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 10 thousand euro.

Compared to December 31, 2015, also the 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 December 31, 2016 there are no debts related to any financial lease contract.

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

(thousands of euro)

	December 31, 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**

The above-mentioned reductions were partially offset by the financial liability related to the valuation of the put option held by the minority shareholder on the remaining 30% of Metalvuoto S.p.A.: as a result of this option, the company was 100% consolidated without creation of any minority interest and the financial liability to purchase the remaining 30% stake, estimated at 652 thousand euro (for more information on the option please see Note no. 3). was recorded in the item "Other financial liabilities towards third parties".

Finally, the change in the scope of consolidation, following the acquisition of the control of Metalvuoto S.p.A., led to an increase in the financial debts towards third parties equal to 1,254 thousand euro, related to some short-term loans, intended for the import of goods, signed by the subsidiary with primary financial institutions in order to have more financial resources to facilitate its procurement activities.
As at December 31, 2016, the financial debt for similar operations was equal to 532 thousand euro.

28. 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.

(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)	103	1,281	1,384
Indemnities paid	(108)	(19)	(127)
Change in consolidation area	701	0	701
Other changes	276	30	306
Translation differences	0	53	53
December 31, 2016	**5,770**	**4,403**	**10,173**

The amounts recognized in the income statement may be broken down as follows.

(thousands of euro)	2016	2015	
Financial expenses	98	122	
Current service cost	1,286	952	
Release into the statement of profit (loss)	0	0	
Expected return on plan assets	0	0	
Recognized past service costs	0	(37)	(*)
Total cost	**1,384**	**1,037**	

(*) Since January 1, 2015, the tax on staff leaving indemnities revaluation has been increased from 11% to 17%, and this change has generated in 2015 a positive past service cost on the income statement equal to 37 thousand euro.

The split between the obligations under defined-contribution and defined-benefit plans and the related changes occurred during the year 2016 are shown below.

(thousands of euro)

	December 31, 2015	Financial expenses	Current service cost	Benefits paid	Actuarial gains (losses)	Change in consolidation area	Exchange differences	December 31, 2016
Present value of defined benefit obligations	6,856	98	1,195	(127)	306	701	18	9,047
Fair value of plan assets	0	0	0	0	0	0	0	0
Costs non yet recognized deriving from past obligations	0	0	0	0	0	0	0	0
Defined benefit obligations	**6,856**	**98**	**1,195**	**(127)**	**306**	**701**	**18**	**9,047**
Defined contribution obligations	1,000	0	91	0	0	0	35	1,126
Staff leaving indemnities and similar obligations	**7,856**	**98**	**1,286**	**(127)**	**306**	**701**	**53**	**10,173**

The item "Actuarial gains (losses)" refers to the differences on the amounts due for defined benefit plans resulting from the actuarial calculation, which are immediately recognized in the shareholders' equity among the retained earnings.
The item "Change in the scope of consolidation" refers to the liabilities for staff leaving indemnities transferred to the Group following the acquisition of Metalvuoto S.p.A.

Please note that, when referred to the Group's Italian companies, the 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, 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 obligations under defined-benefit plans are measured by independent actuarial consultants annually according to the projected unit credit method, applied to each plan separately.
The following table shows the main assumptions employed in the actuarial assessments of the defined-benefit plans as at December 31, 2016 and December 31, 2015, respectively.

	Italy				
	December 31, 2016		**December 31, 2015**		
Average duration of the employees subject to actuarial evaluation	**> 10 years**	**1-3 years**	**> 10 years**	**7-10 years**	**1-3 years**
Discount rate	1.30%	0.00%	2.00%	1.35%	0.24%
Inflation rate	1.50%		1.50%		
Expected annual salary increase rate (*)	3,50% (**)		3.50%		

(*) Factor not considered in the actuarial appraisal of the staff leaving indemnity of the Parent Company, company with more than 50 employees.
(**) The expected annual salary increase rate of Metalvuoto S.p.A. is equal to 2.00%

Please note that, regarding the choice of the discount rate, the reference index used is the one for the Eurozone *Iboxx Corporate AA*, with a term consistent with the average financial duration of the benefit and of the collective being evaluated at the end of 2016.

With reference to the demographic assumptions, the ISTAT 2004[36] mortality tables and the INPS disability/invalidity tables were used.

[36] For the staff leaving indemnity actuarial evaluation of Metalvuoto S.p.A. the ISTAT 2011 mortality tables were used.

With regards to the probability of employees leaving for reasons other than death, we have used employee turn-over probabilities consistent with previous assessments and identified in the companies being evaluated over a representative period of observation. In particular, an average turnover rate equal to 1.7% was used.

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 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 are usually discounted. The discount rates used for the plans signed by strategic employees of the US subsidiaries of the Group, reflecting the rates of return of government bonds, taking into account the different duration of the plans, are shown below.

Year	Discount rate
2017	0.85%
2018	1.20%

Please note that, as at December 31, 2016, the long term cash incentive plans of the Parent Company have not been discounted, as the rates of return of the Italian government bonds were negative.

The following table shows the breakdown of the actuarial differences related to the year 2016.

(thousands of euro)	Staff leaving indemnities	Other defined benefit obligations Italy	Long term incentive plan	Total
Actuarial differences:				
Changes in financial assumptions	132	13	0	145
Changes in other assumptions (demographic assumptions, remuneration assumptions, etc.)	0	0	0	0
Other	145	17	0	161
Actuarial gains (losses)	**276**	**30**	**0**	**306**

With regards to defined-benefit plans, the following table shows the effect of an increase or a decrease of half a percentage point in the discount rate on the obligation, as calculated by the independent actuarial consultant.

(thousands of euro)	Discount rate	
	+0.5%	**-0.5%**
Effect on the defined benefit obligation	(328)	348

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

Group's employees	December 31, 2016	December 31, 2015	Average 2016	Average 2015
Managers	84	77	83	78
Employees and middle management	407	370	386	365
Workers	590	515	549	494
Total (*)	**1,081**	**962**	**1,018**	**937**

(*) It does not include the employees of the joint ventures for which please refer to the Note no. 16.

The workforce amounted to 1,081 units (of which 626 were employed outside of Italy) as at December 31, 2016, and recorded an increase of 119 units compared to December 31, 2015, mainly related to the increase in the workforce engaged in production activities related to the SMA business (in particular, increase in the workforce in Memry Corporation) and to the gas purification business. The acquisition of Metalvuoto S.p.A. brought a staff increase of 29 units.
This figure does not include the personnel employed at the Group companies with contract types other than employment agreements, equal to 32 units (42 units as at December 31, 2015).

29. PROVISIONS

Provisions amounted to 4,288 thousand euro as at December 31, 2016.
The following table shows the composition of and the changes in these provisions compared to the previous year.

(thousands of euro)

Provisions	December 31, 2015	Increase	Utilization	Release into income statement	Reclassifications	Translation differences	December 31, 2016
Warranty provisions on product sold	431	295	(175)	0	0	18	569
Bonus	2,276	3,523	(2,464)	0	(219)	78	3,194
Other provisions	1,637	101	(38)	(500)	(689)	14	525
Total	**4,344**	**3,919**	**(2,677)**	**(500)**	**(908)**	**110**	**4,288**

The item “Bonus” includes the accrual of bonuses to the Group’s employees related to the year 2016 (mainly referring to the Parent Company and the US subsidiaries). The change compared to December 31, 2015 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 “Reclassifications” (219 thousand euro) refers to bonuses paid in January 2017, the amount of which was therefore reclassified under “Other liabilities towards employees”, being these debts certain both in terms of amount and timing.
The increase compared to 31 December 2015, equal to 918 thousand euro, is in line with the improvement of the consolidated economic results.

The increase of the item “Other provisions” includes the best estimate, equal to 100 thousand euro, of the expenditure required to settle the obligation existing at the balance sheet date and related to an incident occurred at the plant of the Parent Company in Avezzano.

The fiscal provision, equal to 500 thousand euro, related to the dispute relating to the IRES and the IRAP of the Parent Company for the year 2005, has been released (see the column "Release into income statement" in the item "Other provisions") following the positive outcome of the dispute commenced by SAES Getters S.p.A.
In particular, in 2008 the 2005 income tax return of SAES Getters S.p.A. 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). Being elapsed at December 31, 2016 the deadline for the submission of an appeal by the Inland Revenue Agency against the decision of the RTC in favour of SAES Getters S.p.A., the tax provision, previously entered for 500 thousand euro, has been released.

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 "Relevant events occurred in 2016" of the Report on operations and to the Note no. 7.

Finally, the item "Other provisions" includes the implicit obligations of Spectra-Mat, Inc. in connection with the expenses to be incurred to monitor the pollution levels at the site in which it operates (419 thousand euro as at December 31, 2016 and 444 thousand euro at the end of the previous year). The value of this liability has been calculated on the basis of the agreements reached with the local authorities.

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

(thousands of euro)

Provisions	Current provisions	Non current provisions	December 31, 2016	Current provisions	Non current provisions	December 31, 2015
Warranty provisions on product sold	76	493	569	65	366	431
Bonus	3,194	0	3,194	2,276	0	2,276
Other provisions	100	425	525	1,189	448	1,637
Total	**3,370**	**918**	**4,288**	**3,530**	**814**	**4,344**

30. TRADE PAYABLES

Trade payables were equal to 20,048 thousand euro as at December 31, 2016, with an increase equal to 6,373 thousand euro compared to December 31, 2015.
This difference is related to the higher investments made in the last part of 2016 by the Parent Company for the setting up of a new production department in the plant of Avezzano and for the increased supplies, especially in the purification business, in order to satisfy the increase in sales, as well as to the effect resulting from the change in the scope of consolidation, which has generated an increase in the Group's commercial debt equal to 2,088 thousand euro. The appreciation of the US dollar against the euro instead generated an increase of the debt equal to 311 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 December 31, 2016, compared with the previous year.

(thousands of euro)

Ageing	Total	Not yet due	Due				
			< 30 days	30 - 60 days	60 - 90 days	90 - 180 days	> 180 days
December 31, 2016	**20,048**	10,865	7,676	1,075	297	131	4
December 31, 2015	**13,675**	8,248	2,691	2,046	529	73	88

31. OTHER PAYABLES

The item “Other payables” includes amounts that are not classified as trade payables and amounted to 12,498 thousand euro as at December 31, 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 previous year.

(thousands of euro)

Other payables	December 31, 2016	December 31, 2015	Difference
Employees payables (vacation, wages, staff leaving indemnity, etc.)	5,855	4,364	1,491
Social security payables	1,754	1,476	278
Tax payables (excluding income taxes)	1,322	1,134	188
Other	3,567	2,229	1,338
Total	**12,498**	**9,203**	**3,295**

The effect of the change in the scope of consolidation of this item was equal to 171 thousand euro (in detail, “Employee payables” equal to 51 thousand euro, “Social security payables” equal to 30 thousand euro and “Tax payables” equal to 30 thousand euro and “Other” equal to 60 thousand euro).

The item “Employees payables” is mainly made up of the provision for holidays accrued but not taken during the year and of the salaries for the month of December 2016. At year-end 2016 this item also included payables to employees related to the future liquidation of the German subsidiary Memry GmbH, to which is mainly attributable the increase compared with December 31, 2015.
Please note that as at December 31, 2015 the item included also the long-term incentive plans’ share paid in the first half of 2016, amounting to 679 thousand euro. As already mentioned, no long-term incentive plans expired at the end of the current year and, therefore it was classified in this item.

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. It also includes payables to the treasury fund operated by the INPS and to the pension funds under the reformed staff leaving indemnity legislation.

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.

Finally, the item “Other” mainly includes payables of the Parent Company for both fixed and variable Directors’ compensations (1,987 thousand euro), for commissions to agents of the purification business (678 thousand euro) and for the down payment on public grants received for research activities (422 thousand euro).
The increase compared to the previous year was mainly due to higher payables towards Executive Directors for the variable component of the remuneration for the year and to the higher commissions to agents mainly related to the purification business, in line with the increase of sales in the Asian market.

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

32. ACCRUED INCOME TAXES

This item consists of payables for taxes associated with the Group's foreign subsidiaries. The Italian companies have elected to participate in the national tax consolidation program with the Parent Company as consolidator but, since the latter shows a tax loss, the net debt towards the Treasury was equal to zero as at December 31, 2016 (please refer to the Note no. 18 for further information).

Accrued income taxes amounted to 1,034 thousand euro as at December 31, 2016 and included the tax obligations accrued in the year, net of advance payments. The value as at December 31,2016 was substantially aligned with that at the end the previous year, amounting to 1,060 thousand euro.

33 DERIVATIVE FINANCIAL INSTRUMENTS EVALUATED AT FAIR VALUE

As at 31 December 2016, the item "Derivative instruments evaluated at fair value" recorded an overall negative net balance of 50 thousand euro and represents the fair value of contracts signed by the Group with the aim of fixing the interest rate on long-term bank loans and the fair value of the embedded derivatives included in the same loan agreements.

The positive component of the "Derivative instruments evaluated at fair value" (equal to 1 thousand euro) refers to derivative instruments held by the newly acquired Metalvuoto S.p.A., transferred to the Group following the change in scope of consolidation. The table below shows the contractual details and the related fair value.

	Subscription date	Currency	Notional amount (thousands of euro)	Maturity	Interest rate	Timing	Fair value December 31, 2016 (thousands of euro)	
Interest Rate Cap on Intesa Sanpaolo S.p.A. loan	March 31, 2016	EUR	400 (*)	December 31, 2020	Cap rate on three month Euribor: 0.0%	Quarterly	1	
Interest Rate Cap on Banco BPM loan	October 29, 2015	EUR	230 (*)	December 31, 2020	Cap rate on three month Euribor: 0.67%	Quarterly	0	(**)
Interest Rate Cap on Intesa Sanpaolo S.p.A. loan	November 2, 2015	EUR	300 (*)	September 15, 2020	Cap rate on three month Euribor: 0.25%	Quarterly	0	(**)
Interest Rate Floor on Banco BPM loan (derivative embedded in the loan agreement)	May 25, 2016	EUR	100 (*)	June 30, 2017	If three month Euribor <0, the financing variable rate is equal to the spread	Quarterly	0	(**)
Total							**1**	

(*) The reference amount is aligned with the amortization plan of the hedged long-term loan.
(**) Fair value lower than 1 thousand euro

The derivatives of Metalvuoto S.p.A. refer to interest rate options that fix, for each revision date of the interest rate, a maximum limit for the rate paid on the loan (Cap) or, conversely, a minimum limit for the same rate (Floor).

The negative component of the "Derivative instruments evaluated at fair value" (equal to 51 thousand euro) refers to derivative contracts entered by the Parent Company.

The following table provides a summary of these contracts and their fair value as at December 31, 2016 compared to December 31, 2015.

	Subscription date	Currency	Notional amount (thousands of euro)	Maturity	Interest rate	Timing	Fair value December 31, 2016 (thousands of euro)	Fair value December 31, 2015 (thousands of euro)
Interest Rate Swap (IRS) on Intesa Sanpaolo S.p.A. loan	September 25, 2015	EUR	3,600	July 31, 2020	Fixed rate paid: 0.285% Variable rate received: six-month Euribor	Half-yearly	(26)	(22)
Interest Rate Swap (IRS) on Unicredit S.p.A. loan	March 29, 2016	EUR	5.250 (*)	December 31, 2019	Fixed rate paid: 0.0% Variable rate received: three month Euribor (both positive, both negative**)	Quarterly	(10)	n.a.
Interest Rate Floor on Banco BPM loan (derivative embedded in the loan agreement)	December 22, 2016	EUR	5.000 (*)	December 31, 2021	If three month Euribor <0, the financing variable rate is equal to the spread	Quarterly	(15)	n.a.
Total							**(51)**	**(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%.

During the 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 (for further details please refer to the Note no. 26), 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).
In addition, the loan agreement signed by the Parent Company with Banco BPM at year-end 2016 (for more details please refer to Note no. 26) provides for a minimum limit of the interest rate applicable by the financial institution; in particular, the minimum interest rate will be equal to the measure of the spread even in the case in which the quarterly Euribor records values less than or equal to zero. Since the reference rate was negative at the subscription date, it has been assessed the fair value of the derivative embedded in the loan agreement.Those contracts are in addition to the IRS 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 calculation, carried out by an independent third party, was carried out at market rates, in a risk neutral environment and through the adoption of the rates trend models consistent with the best practice usually adopted.
In determining the fair value, the input information used are:
- the curve of interest rate swap rates divided by maturity;
- the credit rating migration matrices extracted from Moody's;
- the volatility range in interest rates extracted from Bloomberg.

The pricing was then corrected, in accordance with IFRS 13, using a component of Credit Value Adjustment (CVA, which is the correction related to the risk of the counterparty default) and of Debt Value Adjustment (DVA, that is the cost of the protection from the risk of default of the Company by the counterparty), calculated using the "Provision Model" method. In particular, for the purpose of determining the counterparty risk component in the fair value, for the calculation of the CVA, the rating issued by the rating agency Moody's issuer on the issuing financial institution has been used. In order to determine the DVA, given the impossibility of assigning a rating to the SAES Group, the lowest rating among those recorded for financial institutions has been prudently applied.

With regards to such contracts, the formal requirements to apply the hedge accounting method are not met, therefore they are evaluated at fair value and the profit or losses deriving from their evaluation are directly charged into the income statement.

As at December 31, 2016 the Group did not have any hedging contract against the exposure to the variability of future cash flows arising from commercial and financial transactions denominated in currencies other than the euro.

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 December 31, 2016 the derivative instruments held by the Group belonged to Level 2 of the fair value hierarchy: 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 year.

34. BANK OVERDRAFT

As at December 31, 2016 the bank overdraft amounted to 6,847 thousand euro and primarily consisted of short-term debts owed by the Parent Company in the form of "hot money" debt (6,504 thousand euro as at December 31, 2016 compared to 5,009 thousand euro as at December 31, 2015), whose average interest rate, spread included, was around 0.14%.
The difference consisted in the overdrafts on current bank accounts (343 thousand euro as at December 31, 2016, exclusively attributable to the newly acquired Metalvuoto S.p.A., compared to 3 thousand euro at the end of the previous year).

35. ACCRUED LIABILITIES

Accrued expenses and deferred income were equal to 1,612 thousand euro as at December 31, 2016.
This item may be broken down as follows.

(thousands of euro)

	December 31, 2016	December 31, 2015	Difference
Accrued expenses	320	369	(49)
Deferred income	1,292	1,179	113
Total	**1,612**	**1,548**	**64**

The increase compared to December 31, 2015 (+64 thousand euro) is mainly explained by higher commercial sales pertaining to future accounting periods received by customers during the current year compared to the previous year.

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

36. CASH FLOW STATEMENT

The cash flow from operating activities was positive and equal to 18,695 thousand euro (9.9% of consolidated revenues), compared to 22,851 thousand euro in 2015 (13.7% of revenues). Despite a higher self-financing (+20.8%), related to the growth in revenues and operating results, the operating activities were penalized by the strong increase in the net working capital in the gas purification segment at the end of 2016 (increase in both trade receivables, related to the increase in the sales recorded in the last period of 2016, and the inventory, in anticipation of the sales at the beginning of 2017).

Investing activities used liquidity for 25,618 thousand euro while 10,017 thousand euro was the cash absorption in the 2015.
In the 2016, the disbursements, net of the disposals, for purchases of tangible and intangible assets amounted to 8,860 thousand euro, to be compare with 4,903 thousand euro in the previous year.
Within 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 of 4% of the share capital of ETC S.r.l., for a consideration of 249 thousand euro;
- the capital contribution of 1,000 thousand euro in favor of the joint venture Actuator Solutions;
- the investment in Flexterra, Inc. for 8,146 thousand euro;
- the payment for the purchase of 70% of Metalvuoto S.p.A. (5,825 thousand euro, inclusive of the negative net cash of the latter at the date of the acquisition of the control by the SAES Group);
- the payment for the earn-out related to the technological upgrading of the purification business carried out during 2013 (254 thousand euro in 2016).

The balance of financing activities was negative and equal to 3,873 thousand euro against a balance, always negative, of 16,780 thousand euro in 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, as well as the cash-out for the loans granted to the joint ventures (for further details please refer to the Note no. 19).
These cash-out were only partially offset by the cash-in generated by the new loans, both long-term ones and in form of "hot money" debt held by the Parent Company (for further details please refer to the Notes no. 26 and no.34), 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. 26).

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)

	2016	2015
Cash and cash equivalents	14,340	24,044
Bank overdraft	(6,847)	(5,012)
Cash and cash equivalents, net - statement of financial position	**7,493**	**19,032**
Short term debt	6,504	5,009
Cash and cash equivalents, net - cash flow statement	**13,997**	**24,041**

37. FINANCIAL RISK MANAGEMENT

The Group's main financial liabilities, other than derivatives, include bank loans, both short and long term ones, and trade payables, as well as financial liabilities towards third parties related to the amount still to be paid for the acquisitions made during the 2013 with the aim of strengthening the hydrogen purification business and the commitment for the acquisition a further 30% of the share capital of Metalvuoto S.p.A (of which SAES Getters S.p.A. already owned 70% as at December 31, 2016; for further details please refer to the Note no. 3). The main objective of the financial liabilities is to finance the operating activities of the Group and to support future growth (both the organic one and that achieved through external acquisitions).
The Group also holds cash and cash equivalents and short-term deposits immediately convertible into cash as well as trade receivables deriving directly from its operating activities and financial receivables deriving from loans granted to related parties.

The derivative instruments used by the Group are primarily forward foreign currency contracts and Interest Rate Swaps (IRS). The purpose of these instruments is to manage the exchange-rate risk and the interest-rate risk arising from the Group's commercial and financing transactions.

The Group does not deal in financial instruments.

The Board of Directors periodically reviews and sets the policies for managing such risks, as summarized below.

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 variations is handled by way of entering into Interest Rate Swap or interest Rate Cap agreements, with a view to guarantee a level of financial expenditures which are sustainable by the SAES Group's financial structure.For details of the contracts as at December 31, 2016 please refer to the Note no. 33.
Please note that the Group also constantly controls the interest rate trend for the possible signing of further contracts to hedge the risk linked to the interest rate fluctuations on the loans on which no hedging contract has been signed.
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.

Interest-rate sensitivity analysis

The following table provides a sensitivity analysis of the financial assets (cash and cash equivalents, bank deposits and financial receivables towards related parties) related to the impact of changes in interest rates on the income before taxes and the Group's shareholders' equity, assuming that all the other variables remain unchanged.

		(%)	(thousands of euro)	(thousands of euro)
		Increase / Decrease	**Effect on result before taxes**	**Effect on net result and net equity**
2016	euro	+/- 1	+/- 83	+/- 80
	other currencies	+/- 1	+/- 190	+/- 131
2015	euro	+/- 1	+/- 50	+/- 41
	other currencies	+/- 1	+/- 193	+/- 145

The following table provides a sensitivity analysis of financial liabilities (both short and long term debts) related to the impact of changes in interest rates on the income before taxes and the Group's shareholders' equity, assuming that all the other variables remain unchanged.

		(%)	(thousands of euro)	(thousands of euro)
		Increase / Decrease	**Effect on result before taxes**	**Effect on net result and net equity**
2016	Euribor	+/- 1	-/+ 351	-/+ 349
	Libor	+/- 1	-/+ 113	-/+ 69
2015	Euribor	+/- 1	-/+ 333	-/+ 278
	Libor	+/- 1	-/+ 131	-/+ 80

With regards to Interest Rate Swaps and Interest Rate Cap, as well as Interest Rate Floor implicitly included in the long-term loan agreements, the table below provides a breakdown of the sensitivity of the income before taxes and the Group's shareholders' equity assuming the stability of all the other variables, following the shift of one percentage point of the spot rate curve (and, consequently, the variation of the forward rate curve associated with the spot rates).

Description	Notional amount (thousands of euro)	Fair Value (euro)	Estimated FV +1% (euro)	Difference in FV +1% (euro)	Estimated FV -1% (euro)	Difference in FV -1% (euro)
Saes Getters S.p.A. - Interest Rate Swap (IRS) on Intesa Sanpaolo S.p.A. loan	3,600	(25,437)	32,300	57,737	(84,956)	(59,519)
Saes Getters S.p.A. - Interest Rate Swap (IRS) on Unicredit S.p.A. loan	5,250	(10,373)	56,885	67,257	(54,568)	(44,195)
Saes Getters S.p.A. - Interest Rate Floor on Banco BPM loan (derivative embedded)	5,000	(14,914)	(4,011)	10,903	(148,623)	(133,709)
Metalvuoto S.p.A. - Interest Rate Cap on Intesa Sanpaolo S.p.A. loan	400	816	7,954	7,138	0	(816)
Metalvuoto S.p.A. - Interest Rate Cap on Banco BPM loan	230	50	2,328	2,278	0	(50)
Metalvuoto S.p.A. - Interest Rate Cap on Intesa Sanpaolo S.p.A. loan	300	57	3,823	3,766	0	(57)
Metalvuoto S.p.A. - Interest Rate Floor on Banco BPM loan (derivative embedded)	100	(108)	(446)	(338)	(53)	55
Total effect on result before taxes				**148,741**		**(238,292)**
Total effect on net result and net equity				**145,209**		**(238,053)**

Exchange-rate risk

The Group is exposed to the exchange rate risk on foreign commercial transactions.
Such exposure is mainly generated by sales in currencies other than the reference currency: in 2016 around 83.9% of the Group’s sales and only around 63.8% 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 versus the euro, primarily of the US dollar and of the Japanese yen, the Group has in place hedging contracts, whose values 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. The maturities of the hedging derivatives tend to coincide with the scheduled date of collection of the hedged transactions.

Moreover, the Group can occasionally hedge specific transactions in a currency other than the reference currency, to mitigate the effect of the exchange rate volatility on the profit and loss account, with reference to financial receivables/payables, including intercompany ones, denominated in a currency different from the one used in the financial statements, included those related to the cash pooling (held by the foreign subsidiaries but denominated in euro).

In order to hedge against the risk of exchange rate fluctuations on trade receivables denominated in foreign currencies for the year 2016, the Group signed at the beginning of the 2016 :
- forward contracts on the US dollar for a total notional value of 12,500 thousand dollar (average forward exchange rate USD/EUR equal to 1.1198);
- forward contracts on the Japanese yen for a total notional value of 340 million JPY (average forward exchange rate YEN/EUR equal to 126.5850);
These contracts were all expired as at December 31, 2016.

Finally, on January 4, 2016 the Group signed a forward sale contract in euro (for a notional value equal to 550 thousand euro and an average forward exchange rate KRW/EUR equal to 1,304.00) in order to mitigate the exchange rate risk deriving from the fluctuation of the Korean won on the balance of the financial credit in euro that the Korean subsidiary SAES Getters Korea Corporation has with the Parent Company. Also these contracts were expired as at December 31, 2016.

Exchange-rate sensitivity analysis

Exchange-rate risk – Sensitivity analysis – Trade receivables and payables

The following table provides a sensitivity analysis for the trade receivables and payables outstanding at year-end in terms of the impact of changes in the EUR/USD and EUR/JPY exchange rates on the consolidated income before taxes and Group's shareholders' equity, assuming that all the other variables remain unchanged.

US dollar	Increase / Decrease (%)	Effect on result before taxes (thousands of euro)	Effect on net result and net equity (thousands of euro)
2016	+ 5%	(188)	(186)
	- 5%	208	205
2015	+ 5%	(84)	(53)
	- 5%	93	58

Japanese YEN	Increase / Decrease (%)	Effect on result before taxes (thousands of euro)	Effect on net result and net equity (thousands of euro)
2016	+ 5%	(45)	(45)
	- 5%	49	49
2015	+ 5%	(34)	(24)
	- 5%	37	27

Exchange-rate risk – Sensitivity analysis – Cash, cash equivalents and cash pooling account receivables/payables

The following tables provide a sensitivity analysis of cash and cash equivalents and intercompany financial receivables/payables, including cash-pooling, outstanding at year-end, in terms of the impact of changes in exchange rates between the US dollar and euro and other currencies on the Group's income before taxes and Group's shareholders' equity, assuming that all the other variables remain unchanged. This analysis has been conducted as the subsidiaries have both cash and cash equivalents and receivables/payables from/to the Parent Company in euro, whose conversion may result in exchange rate gains or losses.

Euro	Increase / Decrease (%)	Effect on result before taxes (thousands of euro)	Effect on net result and net equity (thousands of euro)
2016	+ 5%	(54)	(24)
	- 5%	54	24
2015	+ 5%	31	34
	- 5%	(31)	(34)

US dollar	Increase / Decrease (%)	Effect on result before taxes (thousands of euro)	Effect on net result and net equity (thousands of euro)
2016	+ 5%	(30)	(28)
	- 5%	33	31
2015	+ 5%	(49)	(46)
	- 5%	54	51

Given that all forward contracts were expired as at December 31, 2016, a sensitivity analysis is not provided.

With reference to the Net Financial Position (NFP), please note that a depreciation of the US dollar by 5% would have had a positive impact of approximately 155 thousand euro on the net financial position as at December 31, 2016, whereas an appreciation of the same currency, always equal to 5%, would have had a negative impact of approximately 172 thousand euro.

	(%) Increase / Decrease USD	(thousands of euro) Effect on Net Financial Position
December 31, 2016	+5%	155
	- 5%	(172)
December 31, 2015	+5%	(130)
	- 5%	144

Commodity price risk

The Group's exposure to the commodity price risk is usually moderate. The procurement procedure requires the Group to have more than one supplier for each commodity deemed to be critical. In order to reduce its exposure to the risk of price variations, 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 predominantly with well-known and reliable customers. The Sales and Marketing Department assesses new customers' solvency and periodically verifies that credit limit conditions are met.
The balance of receivables is constantly monitored in order to minimize the risk of potential losses, particularly given the current 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 can arise from the incapacity to obtain the necessary financial resources to grant the continuity of the Group's 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) in euro which involves nearly all 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 about the Group's financial debts as at December 31, 2016 and about the maturity date of these debts please refer to the Note no.26.

As at December 31, 2016 the Group was not significantly exposed to a liquidity risk, also considering the unused credit lines to which it has access.

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 the equity management objectives or policies during the year 2016.
The Group periodically monitors some performance indicators, such as the debt-to-equity ratio, with the aim of keeping them at low levels in accordance with the agreements undertaken with its lenders.

38. POTENTIAL ASSETS/LIABILITIES AND COMMITMENTS

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

(thousands of euro)

Guarantees	December 31, 2016	December 31, 2015	Difference
Guarantees	19,346	20,119	(773)

The decrease compared to the previous year 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 year, only partially offset by the new guarantees signed in favour of the joint ventures (for the related amount, please refer to the Note no. 39).
At constant scope of consolidation, the guarantees granted by the Group would have been decreased to 878 thousand euro, as the guarantees underwritten by the newly acquired Metalvuoto S.p.A. were equal to 105 thousand euro.

The maturities of operating lease obligations outstanding as at December 31, 2016 are shown below.

(thousands of euro)

	Less than 1 year	1-5 years	Over 5 years	Total
Operating lease obligations	1,843	4,680	1,541	**8,064**

Please note that among the shareholders of SAES RIAL Vacuum S.r.l., SAES Getters S.p.A. and Rodofil S.r.l., there is a put & call option, according to a predefined schedule, that is detailed in the Note no. 16. Since at December 31, 2016 the Management did not have enough information to be able to make an accurate assessment of the fair value of the above options, the latter are not valued in the financial statements.

Finally, with regards to Flexterra, Inc., SAES Getters International Luxembourg S.A has a commitment to entrust an additional 4.5 million USD in capital – in addition to tangible and intangible assets (IPs) with an estimated value of around 3 million USD –subject to the achievement by Flexterra of predetermined technical and commercial objectives (namely, the signature of a binding agreement for the commercialization of Flexterra products – milestone) no later than March 31, 2018.

39. 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 Getters S.p.A. in relation to the application for a refund of the excess IRES paid in prior years by the merged SAES Advanced Technologies S.p.A., a request filed by S.G.G. Holding S.p.A. as the consolidator of national tax consolidation program in place until December 31, 2014[37] (see the Note no 18).

[37] Please note that on May 27, 2015, the tax consolidation among SAES Getters S.p.A., SAES Advanced Technologies S.p.A. (subsequently merged into SAES Getters S.p.A.), SAES Nitinol S.r.l., E.T.C. S.r.l. and S.G.G. Holding S.p.A.,

On May 4, 2016, S.G.G. Holding S.p.A. has collected dividends from SAES Getters S.p.A. totaling 2.6 million euro.

- **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.
- **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.
- **Actuator Solutions (Shenzhen) Co., Ltd.**, company established at the end of September 2016, wholly owned by Actuator Solutions GmbH for the technology development and the sale of actuators for the mobile market. Please note that as December 31, 2016 the new company was not operating.

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 (for further details please refer to the Note no 16). Finally, during 2016 SAES Nitinol S.r.l. granted several loans to Actuator Solutions GmbH, totalling 5 million euro, aimed at financially supporting the operating activities of the company. These loans, for the details of which please refer to the Note no. 19, are in addition to those granted in 2014 and still open as at December 31, 2016 for 2.7 million euro.

- **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 creating 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. 19).

- **Flexterra, Inc.**, *joint venture* of SAES Getters International Luxembourg S.A. based in Skokie (USA), established at the end of 2016 for the production and the commercialization of materials and devices used in flexible displays. In December 2016 SAES Getters International Luxembourg S.A. capitalized Flexterra, Inc. with contributions in cash, in different phases for a total capital contribution of 8.5 million USD (for further details please refer to the Note no. 16). Please note that as December 31, 2016 the company Flexterra, Inc. was not operating yet.
- **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.
- **Mirante S.r.l.**, a minority shareholder of SAES Getters S.p.A. in Metalvuoto S.p.A., with a percentage of the share capital of 30%. Between Metalvuoto S.p.A. and Mirante S.r.l. there is a real estate lease for a valuable consideration of the duration of five years.
- **Metalvuoto Lux S.r.l.**, a company wholly owned by Mirante S.r.l.

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with the latter company as consolidator, was interrupted with effect from January 1, 2015, following a reduction in the percentage of participation of S.G.G. Holding S.p.A. in SAES Getters S.p.A. below 50%, which resulted in the loss of control under the legislation on the national tax consolidation.

With regards to Metalvuoto Lux S.r.l., the SAES Group (through its subsidiary Metalvuoto S.p.A.) has a commercial relationship (sale of raw materials and semi-finished products); in addition, Metalvuoto Lux S.r.l. is the lessee of part of the property occupied by Metalvuoto S.p.A.
Finally, as already mentioned above, there is a financial receivable of Metalvuoto S.p.A., the repayment of which is expected within this year, originated from the transfer of the "Holography" business to Metalvuoto Lux S.r.l. prior to the acquisition by the SAES Group.
- **Metalvuoto Polska Sp. Z.o.o.**, a company 60% owned by Mirante S.r.l. with which the SAES Group has a commercial relationship.
- **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[38].
Their close relatives are also considered related parties.

The following table shows the total values of the related party transactions undertaken in 2016 and 2015.

(thousands of euro)

	December 31, 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	Financial receivables from related parties
S.G.G. Holding S.p.A.										272	
SAES RIAL Vacuum S.r.l.		(51)	(2)	53 (*)	8 (*)		1	73	(8)		50
Actuator Solutions GmbH	1,396		318 (*)	89 (*)	28 (*)	20	160	92			5,760
Actuator Solutions Taiwan Co., Ltd.	93							70			
Mirante S.r.l.					(60)						
Metalvuoto Lux S.r.l.	101				3 (*)	1		80			4
Metalvuoto Polska Sp. z.o.o.								24 (**)			
Total	**1,590**	**(51)**	**316**	**142**	**(21)**	**21**	**161**	**339**	**(8)**	**272**	**5,814**

(*) Costs recovery.
(**) Credit for advance on future supplies.

(thousands of euro)

	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	Financial receivables from related parties
S.G.G. Holding S.p.A.										272	
SAES RIAL Vacuum S.r.l.											
Actuator Solutions GmbH	1,202		152 (*)	172 (*)	28 (*)		155	111			1,155
Actuator Solutions Taiwan Co., Ltd.				(7)							
Total	**1,202**	**0**	**152**	**165**	**28**	**0**	**155**	**111**	**0**	**272**	**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. 38) in favour of the joint ventures.

(thousands of euro)

Guarantees	December 31, 2016	December 31, 2015	Difference
Guarantees in favour of the joint venture Actuator Solutions	3,124	2,984	140
Guarantees in favour of the joint venture SAES RIAL Vacuum S.r.l.	312	0	312
Total guarantees in favour of the joint ventures	**3,436**	**2,984**	**452**

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

[38] 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)

Total remunerations to key management	2016	2015
Short term employee benefits	3,811	3,137
Post employment benefits	0	0
Other long term benefits	743	490
Termination benefits	720	503
Share-based payments	0	0
Total	**5,274**	**4,130**

As at December 31, 2016 payables to Managers with Strategic Responsibilities, as defined above, were equal to 4,365 thousand euro, to be compared with payables of 3,120 thousand euro as at December 31, 2015.
The increase, both in the income statement and in payables, was mainly due to the higher remuneration of the Executive Directors (in particular, higher annual incentive and accrual for the three-year long-term incentive, in addition to the increase of the remuneration related to the end of their mandate).

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 2016 all related-party transactions fell within ordinary operations and were settled at economic and financial standard market conditions.

40. FEES PAID TO INDEPENDENT AUDITORS AND THEIR RELATED COMPANIES

Pursuant to article 149-*duodecies* of the Issuer Regulations ("Disclosure of Compensation"), which was introduced by the Consob resolution no. 15915 of May 3, 2007, the following table shows the remunerations of the independent auditors and of the entities belonging to the independent auditors' network for auditing engagements and for other services, broken down by type or category.

(thousands of euro)

Business services	Supplier	Customer	Fees	
Audit	Parent Company auditor	SAES Getters S.p.A.	119	
Tax and legal advices	Parent Company auditor	SAES Getters S.p.A.	0	
Other	Parent Company auditor	SAES Getters S.p.A.	0	
Audit	Parent Company auditor	Subsidiaries	155	(*)
Tax and legal advices	Parent Company auditor	Subsidiaries	0	
Other	Parent Company auditor	Subsidiaries	0	
Audit	Network of Parent Company auditor	Subsidiaries	153	
Tax and legal advices	Network of Parent Company auditor	Subsidiaries	0	
Other	Network of Parent Company auditor	Subsidiaries	0	

(*) Of which 8 thousand euro related to the audit of the opening figures of the balance sheet of Metalvuoto S.p.A.

41. EVENTS OCCURRED AFTER THE END OF 2016

For the events occurred after the end of period please refer to the paragraph " Subsequent Events" of the Report on operations.

Lainate (MI), March 15, 2017

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

Certification of the consolidated financial statements

Certification of the consolidated financial statements

pursuant to article no. 81-ter of CONSOB Regulation no. 11971 of May 14, 1999, as subsequently amended

1. The undersigned, Giulio Canale, in his capacity as Vice President and Managing Director, and Michele Di Marco, in his capacity as 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*, paragraphs 3 and 4, of the Legislative Decree no. 58 of February 24, 1998:

- the adequacy for the characteristics of the firm and

- the effective application

of the administrative and accounting procedures for the preparation of the consolidated financial statements during the period from January 1 to December 31, 2016.

2. The following remarks apply to this situation:

2.1 The Administrative and Accounting Control Model of the SAES Group

- On December 20, 2012, the Board of Directors of SAES Getters S.p.A. approved the update of the Administrative and Accounting Control Model, issued on May 14, 2007, the adoption of which is aimed at ensuring that SAES complies with the provisions of Law no. 262 of December 28, 2005 (hereinafter the "Savings Law"), implemented in December 2006 through the approval of the Legislative Decree no. 303/06, and, specifically, the obligations pertaining to the preparation of corporate accounting documents, as well as all documents and communications with a financial nature issued into the market.
- The Control Model, with reference to the organizational structure of SAES Group:
  - sets the roles and responsibilities of the entities involved in various capacities in the process of forming and/or controlling the financial information of the SAES Group and introduces the role of the Officer responsible for the preparation of the corporate financial reports (hereinafter the “Officer Responsible”);
  - describes the elements that comprise the administrative and accounting control system, citing the general control environment underlying the Internal Control System of the SAES Group, in addition to specific components pertaining to administrative and accounting information;
  - regarding the latter in particular, it calls for the integration of the Group Accounting Principles and IAS Operating Procedures with a system of matrices of administrative and accounting controls which describe the control activities implemented in each process;
  - establishes the conditions and frequency of the administrative and accounting risk assessment process in order to identify the processes of greatest relevance to the accounting and financial information.

2.2 Implementation of the Administrative and Accounting Control Model within SAES Getters S.p.A. and the results of the internal certification process

For further information on this issue, please refer to paragraphs 2.2, 2.3 and 2.4 of the Certification of the separate financial statements of SAES Getters S.p.A., which are of particular relevance in this regards in relation to the consolidation process.

2.3. Internal administrative and accounting control system of the subsidiaries of the SAES Group

- Following the administrative and accounting risk assessment conducted on the basis of the 2015 consolidated financial statements - the most significant administrative and accounting processes were selected, on the basis of their materiality, for each of the Group companies.
- In order to certify the consolidated financial statements, the Officer Responsible requested to each

of the companies subject to controls and affected by significant processes the dispatch of a representation letter prepared in the format attached to the Administrative and Accounting Model of the SAES Group and signed by the General Managers/Financial Controllers, certifying the application and adequacy of procedures ensuring the accuracy of company accounting and financial information and the correspondence of financial reports with company transactions and accounting records.

2.4. Results of the certification process by the subsidiaries of the SAES Group

As of today, the Officer Responsible, with the support of the Group Reporting and Consolidation Manager, has received all the twelve representation letters requested, signed by the General Managers/Financial Controllers of the subsidiaries affected by the processes deemed relevant after a risk assessment.

The result of the process was positive and no anomalies were reported.

3. Furthermore, we certify that:

3.1. The consolidated financial statements for the year ended December 31, 2016:

a) have been prepared in accordance with applicable international accounting standards recognized within the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and the Council of July 19, 2002;
b) correspond to the results of accounting records and books;
c) are suitable to providing a truthful, accurate representation of the earnings and financial position of the issuer and the companies included in the consolidation perimeter.

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

Lainate (MI), March 15, 2017

Vice President
and Managing Director
Dr Giulio Canale

Officer responsible for the preparation
of the corporate financial reports
Dr Michele Di Marco

Board of Statutory Auditors' Report to the Shareholders' Meeting

BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING
pursuant to article 153 of the Legislative Decree 58/1998 and article 2429, paragraph 3, of the Italian Civil Code

To the Shareholders' Meeting of SAES Getters S.p.A.

Dear Shareholders,

the Board of Statutory Auditors has been duly appointed by the Company's Shareholders' Meeting on April 28, 2015, also in compliance with article 22 of the By-laws. During 2016, following the decease of Dr Pier Francesco Sportoletti (Chairman of the Board of Statutory Auditors), appointed on the basis of the list proposed by the minority shareholder Equilybra Capital Partners S.p.A., on October 11, 2016 the Minority Deputy Statutory Auditor, Dr Angelo Rivolta, named within the same list, inherited the responsibility. The latter will remain in office until the next Shareholders' Meeting, according to article no. 2401, paragraph 1, of the Civil Code. Subject to the resolution by the Shareholders' Meeting on the confirmation in office of Dr Angelo Rivolta as Chairman of the Statutory Board, the Board of Statutory Auditors will end its mandate, in its current composition, with the Meeting for the approval of the financial statements as at December 31, 2017.

During the year ended on December 31, 2016, the supervisory of the Board of Statutory Auditors was conducted in accordance with the regulation of the "Consolidated Law on financial intermediation" enacted by the Legislative Decree 58/1998 and with the applicable provisions of the Italian Civil Code, taking into account also the Principles of Conduct recommended by the National Board of Chartered Accountants and Auditors in the version approved with the resolution of April 15, 2015, as well as Consob communications concerning the corporate governance and the activities of the Board of Statutory Auditors and, in particular, the communication no. DEM/1025564 dated April 6, 2001 and its subsequent amendments.

In addition, the Board of Statutory Auditors, in his role pursuant to article 19 of the Legislative Decree no. 39/2010, has carried out, during the year, the verification activities assigned to it by law.

Having acknowledged the foregoing, we report on the supervisory activities required by law and that we have carried out during the year ended on December 31, 2016 and, in particular:

- we ensure that we have verified the compliance with the law and the Company By-laws and the respect of the principles of proper administration, holding no. 5 meetings of the Board of Statutory Auditors during the year without considering other informal meetings;
- in these meetings, in the Board of Directors' meetings and, in any case, at least quarterly, we obtained information from the Directors and from the governing bodies of the Company on the general corporate management and its foreseeable outlook, as well as on the most significant transactions, because of their size or nature, carried out by the Company also in relation to its subsidiaries;
- in the calendar year 2016, the Statutory Auditors took part to no. 2 Shareholders' Meeting and to no. 16 meetings of the Board of Directors, held in accordance with the statutory rules and laws that regulate their operation and for which we can reasonably assure that the actions approved in these meetings were compliant with the law and the By-laws and were always in the corporate interest, including intra-group transactions, that were not manifestly imprudent, hazardous, atypical or unusual, or in potential conflict of interest or as such to compromise the integrity of the company's net assets. At these meetings it was possible to freely express considerations, views and opinions;
- we assessed and verified the adequacy of the organizational, administrative and accounting system and the reliability of said system in correctly representing the operating activities, by obtaining information from the department managers and through the analysis of corporate documents. In this respect, we have no particular remarks to report. Furthermore, having followed the work done by the Internal Audit Department, and by the Audit and Risk Committee, we can confirm that the internal control system adopted by the Company is fully adequate;
- we supervised, pursuant to article 19, paragraph 1, of the Legislative Decree no. 39/2010, the financial reporting process; the effectiveness of the internal control system, of the internal audit

system and of the risk management one; the audit of the annual accounts and consolidated accounts; the independence of the legal independent audit firm, in particular as regards the provision of non-auditing services to the Company;
- we also verified the adequacy of the instructions provided to subsidiaries in accordance with article 114, paragraph 2, of the Legislative Decree 58/1998;
- we read and obtained information on the organizational and procedural activities carried out pursuant to the Legislative Decree 231/2001 and subsequent additions, on the administrative responsibility of the entities for the offences envisaged by this regulation. The report of the Supervisory Body on the activities carried out during 2016 and the meetings of this Committee with the Board of Statutory Auditors did not point out any significant critical situation to be reported herein.

With reference to the provisions set forth in article 36 of the Market Regulation, issued by Consob, concerning relevant controlled companies, established and governed by the law of non-EU Countries, please note that the companies at issue were identified and their related administrative and accounting system is suitable for submitting on a regular basis all the economic and financial data required for the preparation of the consolidated financial statements to the Company and to the independent auditors.

Having acknowledged the foregoing, we would like to draw the attention of the Shareholders' Meeting to the following paragraphs.

Performance of the year

As illustrated by the Directors in the Annual Report, 2016 results, as well as the forecast for 2017, continue to show the strong growth of the Group; the 2016 results shown a significant increase in revenues, with the improvement in the economic indicators. These results were achieved also thanks to the excellent performance in the gas purification and in the shape memory alloys sectors, both areas in which the innovation efforts of the Group have been concentrating in the last few years.
Below the summary of the percentage changes on the main indicators taken from the 2016 consolidated figures compared to the corresponding figures of the previous year.

Consolidated revenues	+13.3%
Total revenues of the Group[1]	+13.4%
Consolidated gross profit	+18.1%; equal to 45.0% of consolidated revenues, compared to 43.2% in 2015
Consolidated operating income	+27.6%; equal to 13.8% of consolidated revenues, compared to 12.3% in 2015
Adjusted operating income[2]	14.7% of consolidated revenues
Consolidated EBITDA	+20.7%; equal to 18.8% of consolidated revenues, compared to 17.6% in 2015
Adjusted EBITDA[3]	19.7% of consolidated revenues
Consolidated net income	+59.7%

The **consolidated net financial position** was negative for -33.8 million euro, compared to -€17.3 million as at December 31, 2015 in line with the strategic choices made by the Administrative Body. The net financial position was strongly influenced by the important investments in Metalvuoto S.p.A. and Flexterra, Inc., as well as the investment for the residual share in E.T.C. S.r.l. made to support the future growth and – with regards to current assets - by the strong increase in the net working capital.

Most significant transactions undertaken during the year

Between the major transactions pointed out in the Report on operations, we highlight the following:

[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] Adjusted operating income is the operating income itself, further adjusted by excluding non-recurring amounts, not considered as indicators of the current operating performance by the Management.
[3] Adjusted EBITDA is meant to be the EBITDA itself, further adjusted to exclude non-recurring items or anyway considered as not indicating the current operating performance by the Management.

- on January 15, 2016 SAES Nitinol S.r.l. made a further capital injection, equal to 1 million euro, in favor of the joint venture Actuator Solutions GmbH, to support its investments. The same amount was paid by the 50% joint partner Alfmeier, 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% of its share capital;

- on February 26, 2016 SAES Getters S.p.A. acquired the remaining 4% of the share capital of E.T.C. S.r.l. from the minority shareholder, for a consideration of 0.2 million euro. Following such acquisition, 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;

- 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;

- 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 1.3 million USD[4], which were paid by SAES Getters USA, Inc. to the other party on September 13, 2016;

- 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 of the signature of the contract (July 28, 2016), while the second tranche, equal to 1 million euro, was paid on September 28, 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%. The 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.;

- at the end of September 2016 it was approved the liquidation of the 100% owned subsidiary Memry GmbH, active in the sector of shape memory alloys, and the transfer of all its production and commercial activities into other Group's companies. This decision is in line with the corporate and organizational streamlining plan in place, aimed at increasing the efficiency of the Group's production activities on an international scale. This transaction resulted in extraordinary restructuring charges equal to 1.3 million euro in the fourth quarter of 2016. The completion of such transaction is expected by the end of the second half of 2017;

[4] Equal to 1,129 thousand euro, of which 689 thousand euro already accounted for as a provision at the end of 2015, and the remaining 440 thousand euro recorded in the income statement in 2016.

- on October 10, 2016 SAES Getters S.p.A., following the agreement signed on July, 29, 2016, acquired from Mirante S.r.l. a majority interest (70%) 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 metalized and innovative plastic films for food preservation. SAES Getters S.p.A. acquired 70% of Metalvuoto S.p.A. for a price based on a multiple of the EBITDA, adjusted according to predefined financial parameters (including the net financial position and the value of the finished goods inventory), equal to around 5.1 million euro. A *put* and *call* option between the shareholders have been provided, to be exercised starting from the twelfth month and within eighteen months from the date of the closing, for the acquisition of the remaining 30% of the share capital of Metalvuoto by SAES, for a predetermined price, calculated with a similar method as for the first 70% purchase;

- on November 15, 2016 the corporate merger of the wholly owned subsidiary SAES Advanced Technologies S.p.A. into SAES Getters S.p.A was implemented, through the completion, signature and filing of the merger agreement in the Italian Business Register, by the two companies participating into the merger. The merger produced its legal effects starting from the date set in the agreement, that means from December 31, 2016. For fiscal and accounting purposes only, the merger operation had been backdated at January 1, 2016. The merger produced no equity, economic or financial effect into the SAES Group's consolidated financial statements, nor provided any share swap, being the incorporated company already wholly owned by SAES Getters S.p.A.;

- on November 28, 2016 SAES Nitinol S.r.l. signed a further loan contract in favor of Actuator Solutions GmbH, which granted for a loan to be provided in different tranches, for a maximum total amount of 4.5 million euro. The loan, aimed at financially supporting the joint venture's operations, 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%. The first tranche of the financing, equal to 1 million euro, was paid by SAES Nitinol S.r.l. on November 30, 2016. The contract provides for the priority reimbursement of such loan, compared to other loans granted to Actuator Solutions by its shareholders;

- on December 15, 2016 the SAES Group announced that it has started a transaction aiming at the industrialization, production and commercialization of materials used in flexible organic transistors (OTFTs: Organic Thin Film Transistors) in partnership with Polyera, a company based in the USA and Taiwan, already active in the field of flexible thin film transistors for new generation displays and partner of SAES in the development of organic electronics applications. The new materials related to the transaction will be developed by the newco Flexterra, Inc., based in Skokie (close to Chicago, Illinois, USA), dedicated to the manufacturing of materials and components for the manufacturing of truly flexible displays, with an enormous application potential in different sectors. Flexterra was capitalized by Polyera and SAES Getters International Luxembourg S.A. at the end of December 2016. In particular, Polyera transferred to Flexterra tangible and intangible assets (including IPs and know-how) for an estimated value of 14 million USD and, against this contribution in kind, received Series A shares of Flexterra, privileged, among other things, in the distribution of profits and in case of the sale of Flexterra. SAES Getters International Luxembourg S.A. provided Flexterra with contributions in cash, in different phases within the end of 2016, for a total capital contribution of 8.5 million USD, against which the company received in turn Series A privileged shares of Flexterra. On the basis of the agreement, Polyera will grant the shareholding rights in Flexterra to its investors, among which there are two important Asian venture capital funds. On the basis of the current evaluation, the contribution of SAES is equivalent to an equity participation representing around 35% of the share capital of Flexterra. Such participation is expected to increase up to around 45% with the further contribution (4.5 million USD in capital in addition to the assets and know-how with a value of around 3 million USD) to be finalized by March 31, 2018, subsequent to the achievement of some objectives agreed among the shareholders of the joint venture. The transaction does not include any put & call option.

The Board of Statutory Auditors, after being properly and promptly informed by the Directors, assessed the compliance of the foregoing transactions with the law, the Company's By-laws and the principles of proper administration, ensuring that said transactions were not manifestly imprudent, hazardous, or in conflict with the resolutions passed by the Shareholders' Meeting, or such as to compromise the integrity of the Company's net assets.

Most significant transactions occurred after the end of 2016

- On March 10, 2017, the Board of Directors of Metalvuoto S.p.A. approved to propose to the shareholders SAES Getters S.p.A. and Mirante S.r.l. a payment of 302 thousand euro in favor of Metalvuoto S.p.A., to cover the loss related to the fiscal year 2016[5], as well as the reconstitution of a share capital equal to 100 thousand euro, fully eroded by such loss. The payment will be made by each shareholder, in proportion of its equity share;

- on March 15, 2017 SAES Getters S.p.A. approved a payment in favor of E.T.C. S.r.l. of 768 thousand euro, equal to the difference between the total loss (-2,218 thousand euro[6]) recorded by E.T.C. S.r.l. in 2016 and the one estimated for the same year at the beginning of 2016 (-1,450 thousand euro) and already covered by the payment made by the Parent Company on March 14, 2016.
  At the same time, the Parent Company provided for a further capital contribution equal to 1,450 thousand euro, to cover the expected losses for the year 2017;

- on March 15, 2017 SAES Getters S.p.A. approved the partial waiver of the financial receivables claimed by the same towards SAES Nitinol S.r.l. for an amount of 8,380 thousand euro in favor of SAES Nitinol S.r.l., equal to the difference between the total loss (-8,520 thousand euro) recorded by SAES Nitinol S.r.l. in 2016 and the one estimated for the same year at the beginning of 2016 (-140 thousand euro) and already covered by the payment made by the Parent Company on March 14, 2016.
  At the same time, the Parent Company provided for a further capital contribution in cash equal to 140 thousand euro in favor to SAES Nitinol S.r.l., to cover possible future losses.

Atypical and/or unusual transactions, including infra-group and related-party transactions

Related-party transactions generally consist of intra-group transactions with subsidiaries, mainly of a commercial nature. In particular, these include the purchase and sale of raw materials, semi-finished products, finished products, tangible assets and various types of services. Cash-pooling and interest-bearing financing agreements are in force with some companies of the Group. Also some agreements for the provision of commercial, technical, information technology, administrative, legal and financial services and for the development of specific projects are in force with some subsidiaries. All these agreements were entered at arm's length economic and financial conditions.
With reference to the definition of "Related Party" included in the IAS 24 revised, the following related parties have been identified:
- **S.G.G. Holding S.p.A.**, the controlling company, which is debtor of SAES Getters S.p.A. in relation to the application for a refund of the excess IRES paid in prior years by the merged SAES Advanced Technologies S.p.A., a request filed by S.G.G. Holding S.p.A. as the consolidator of national tax consolidation program in place until December 31, 2014[7].
- **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.
- **Actuator Solutions Taiwan Co., Ltd.**, a Taiwan-based company entirely controlled by the joint

[5] The loss related to the full year 2016, resulting from the financial statements written according to National Accounting Principles, is equal to -1,920 thousand euro.
[6] According to the National Accounting Principles.
[7] Please note that on May 27, 2015, the tax consolidation among SAES Getters S.p.A., SAES Advanced Technologies S.p.A. (subsequently merged into SAES Getters 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 consolidator, was interrupted with effect from January 1, 2015, following a reduction in the percentage of participation of S.G.G. Holding S.p.A. in SAES Getters S.p.A. below 50%, which resulted in the loss of control under the legislation on the national tax consolidation.

venture Actuator Solutions GmbH, for the development and commercialization of SMA devices for the image focus and stabilization in tablet and smart-phone cameras.
- **Actuator Solutions (Shenzhen) Co., Ltd.**, a company established at the end of September 2016, wholly owned by Actuator Solutions GmbH for the technology development and the sale of actuators for the mobile market. As at December 31, 2016 the new company was not yet operating.
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. In addition, 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, during 2016 SAES Nitinol S.r.l. granted several loans to Actuator Solutions GmbH, totalling 5 million euro, aimed at financially supporting the operating activities of the company. These loans are in addition to those granted in 2014 and still open as at December 31, 2016 for 2.7 million euro.
- **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 creating 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. 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.
- **Flexterra, Inc.**, a *joint venture* of SAES Getters International Luxembourg S.A. based in Skokie (USA), established at the end of 2016 for the production and the commercialization of materials and devices used in flexible displays. Please note that as at December 31, 2016 the company Flexterra, Inc. was not yet operating. For a comprehensive and detailed explanation of the operation please see the press release issued on December 15, 2016.
- 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 party of SAES Group.
- **Mirante S.r.l.**, a minority shareholder of SAES Getters S.p.A. in Metalvuoto S.p.A., with a percentage of the share capital of 30%. Between Metalvuoto S.p.A. and Mirante S.r.l. there is a real estate lease for a valuable consideration of the duration of five years.
- **Metalvuoto Lux S.r.l.**, a company wholly owned by Mirante S.r.l.
With regards to Metalvuoto Lux S.r.l., the SAES Group (through its subsidiary Metalvuoto S.p.A.) has a commercial relationship (sale of raw materials and semi-finished products); in addition, Metalvuoto Lux S.r.l. is the lessee of part of the property occupied by Metalvuoto S.p.A.
Finally, as already mentioned above, there is a financial receivable of Metalvuoto S.p.A., the repayment of which is expected within this year, originated from the transfer of the "Holography" business to Metalvuoto Lux S.r.l. prior to the acquisition by the SAES Group.
Metalvuoto Polska Sp. Z.o.o., a company 60% owned by Mirante S.r.l. with which the SAES Group has a commercial relationship.

Financial receivables from related parties

The item "Financial receivables from related parties" amounted to 5,814 thousand euro as at December 31, 2016 compared to 1,155 thousand euro as at December 31, 2015 and it mainly included the interest-bearing loans granted by the SAES Group to the joint ventures Actuator Solutions GmbH and SAES RIAL Vacuum S.r.l. The share whose repayment by the joint ventures is expected within one year was included in the current assets (561 thousand euro compared with 555 thousand euro as at December 31, 2015), while the remaining portion was classified as non-current assets (5,249 thousand euro compared with 600 thousand euro as at December 31, 2015).

Actuator Solutions GmbH

Description	Currency	Principal (thousands of euro)	Timing of capital reimbursement	Interest rate	Value as at December 31, 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	86 (**)
Loan granted in October 2014	EUR	1,200	flexible, with maturity date April 2018 (°)	6% annual fixed rate	648	1,069
Loan granted in April 2016	EUR	1,000	flexible, with maturity date April 2019	6% annual fixed rate	1,040	0
Loan signed in July 2016 (first tranche granted in July 2016 & second tranche granted in September 2016)	EUR	2,000	flexible, with maturity date April 2019	6% annual fixed rate	3,067	0
	EUR	1,000				
Loan granted in November 2016 (first tranche)	EUR	1,000	flexible, with maturity date April 2019	6% annual fixed rate	1,005	0
Totale		**7,700**			**5,760**	**1,155**

(*) Interests included.
(**) 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 2015, were paid by the joint venture in January 2016, and, therefore, the value of the financial credit as at December 31, 2016 was zero.
The loan granted in October 2014 was still partially opened as at December 31, 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 related to the current year (equal to 48 thousand euro), while the remaining 200 thousand euro were recorded as non-current assets.
At the end of April 2016 SAES Nitinol S.r.l. granted a loan of 1 million euro to Actuator Solutions GmbH. A loan of the same amount and conditions was granted by the 50% joint partner Alfmeier, through the company SMA Holding GmbH.
On July 28, 2016 SAES Nitinol S.r.l. signed a loan contract 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 of the signature of the contract, while the second tranche, equal to 1 million euro, was paid on September 28, 2016. 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.
Finally, on November 28, 2016 SAES Nitinol S.r.l. signed a loan contract which granted a loan to be provided in different tranches, for a maximum total amount of 4.5 million euro. The first tranche of the financing, equal to 1 million euro, was paid by SAES Nitinol S.r.l. on November 30, 2016. The contract provides for the priority reimbursement of such loan, compared to other loans granted to Actuator Solutions by its shareholders.
All loans granted in the current year expire on April 30, 2019 and provide for a flexible repayment schedule within the maturity date and a fixed annual interest rate equal to 6%. The principal amount (5 million euro) was rated as collectable beyond 12 months and, therefore, has been entirely recorded in the non-current assets. The interests accrued in 2016 (112 thousand euro) have been recorded in the current assets.

SAES RIAL Vacuum S.r.l.

Description	Currency	Principal (thousands of euro)	Timing of capital reimbursement	Interest rate	Value as at December 31, 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	50	0

(*) Interests included.

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., in order to financially support the newly established Company's operations. This loan doesn't have any predefined expiration date, but 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 principal amount was rated as collectable beyond 12 months; the related interests accrued in 2016 (1 thousand euro) have been recorded in the current assets.

Finally, the item "Financial receivables from related parties" includes 4 thousand euro claimed by Metalvuoto S.p.A. towards Metalvuoto Lux S.r.l. (a wholly owned subsidiary of Mirante S.r.l., the latter being a minority shareholder of Metalvuoto S.p.A.) and originated from the transfer of the "Holography" business, prior to the acquisition of the SAES Group. The repayment is expected within the year and therefore the receivable has been recorded in the current assets.

The following table shows the total values of the related party transactions undertaken in 2016 and 2015.

(thousands of euro)

	December 31, 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	Financial receivables from related parties
S.G.G. Holding S.p.A.										272	
SAES RIAL Vacuum S.r.l.		(51)	(2)	53 (*)	8 (*)		1	73	(8)		50
Actuator Solutions GmbH	1,396		318 (*)	89 (*)	28 (*)	20	160	92			5,760
Actuator Solutions Taiwan Co., Ltd.	93							70			
Mirante S.r.l.					(60)						
Metalvuoto Lux S.r.l.	101				3 (*)	1		80			4
Metalvuoto Polska Sp. z.o.o.								24 (**)			
Total	**1,590**	**(51)**	**316**	**142**	**(21)**	**21**	**161**	**339**	**(8)**	**272**	**5,814**

(*) Costs recovery.
(**) Credit for advance on future supplies.

(thousands of euro)

	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	Financial receivables from related parties
S.G.G. Holding S.p.A.										272	
SAES RIAL Vacuum S.r.l.											
Actuator Solutions GmbH	1,202		152 (*)	172 (*)	28 (*)		155	111			1,155
Actuator Solutions Taiwan Co., Ltd.				(7)							
Total	**1,202**	**0**	**152**	**165**	**28**	**0**	**155**	**111**	**0**	**272**	**1,155**

(*) Costs recovery.

The following table shows the guarantees that the Group has granted to third parties in favour of the joint ventures.

(thousands of euro)

Guarantees	December 31, 2016	December 31, 2015	Difference
Guarantees in favour of the joint venture Actuator Solutions	3,124	2,984	140
Guarantees in favour of the joint venture SAES RIAL Vacuum S.r.l.	312	0	312
Total guarantees in favour of the joint ventures	**3,436**	**2,984**	**452**

The Directors has identified as additional related parties also the Managers with strategic responsibilities, in particular:

- the members of the Board of Directors, including non-executive directors, and their close family members;
- the members of the Board of Statutory Auditors and their close family members;
- the Corporate Human Resources Manager, the Corporate Operations Manager, the Group Legal General Counsel[8], the Corporate Research Manager and the Group Administration, Finance and Control Manager and their close family members.

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

[8] Please note that, with effect from February 2014 and until January 17, 2016, the role of Group Legal General Counsel was assumed ad interim by the Deputy CEO and Group CFO Dr Giulio Canale.

(thousands of euro)

Total remunerations to key management	2016	2015
Short term employee benefits	3,811	3,137
Post employment benefits	0	0
Other long term benefits	743	490
Termination benefits	720	503
Share-based payments	0	0
Total	**5,274**	**4,130**

As at December 31, 2016 payables to Managers with Strategic Responsibilities, as defined above, were equal to 4,365 thousand euro, to be compared with payables of 3,120 thousand euro as at December 31, 2015.
The increase, both in the income statement and in payables, was mainly due to the higher remuneration of the Executive Directors (in particular, higher annual incentive and accrual for the three-year long-term incentive, in addition to the increase of the remuneration related to the end of their mandate).

The above remarks on the transactions with related parties comply with the provisions of article 2391-*bis* of the Civil Code and with the Consob Notices dated February 20, 1997 and February 28, 1998, as well as with the revised IAS 24. In addition, as required by the Consob resolution no. 15519 dated July 27, 2006, the explanatory notes to the financial statements bear information on the amounts of positions or transactions with related parties, highlighting them separately from the related items.
The information disclosed by the Directors in their Report on the financial statements for the year ended on December 31, 2016 and in the related notes is complete and adequate with respect to the transactions undertaken with all the companies of the Group and with its related parties as well.
In this regard, the Board of Statutory Auditors acknowledges that, as appropriately indicated in the corporate governance report, the Company adopted the procedures for related-party transactions, in compliance with article 2391-*bis* of the Civil Code, as implemented by the Consob Regulation no. 17221 dated March 12, 2010, and with the Consob Regulation dated September 24, 2010, as well as article 9.C.I of the Code of Conduct for Listed Companies, aimed at ensuring the transparency and the substantial and procedural correctness of related-parties transactions, identified in accordance with the revised IAS 24.
The same report on the corporate governance, to which reference should be made, illustrates in detail the composition of the corporate officers, directors, members of committees other than the executive ones, Supervisory Board, in addition to the function of the Manager responsible for the preparation of the corporate accounting documents and the manager for the Internal Audit, following the new corporate appointments that took place during the of Shareholders' Meeting of April 28, 2015[9].

Independent audit firm

Deloitte & Touche S.p.A., the independent audit company, issued the audit reports on March 31, 2017, in which they expressed a judgment containing no remarks on either the consolidated or the Parent Company accounts for 2016.
We held meetings, including informal ones, with the representatives of Deloitte & Touche S.p.A., the audit firm in charge of reviewing the consolidated and SAES Getters S.p.A. financial statements, as well as the audit of the accounts pursuant to article 150, paragraph 3, of Italian Legislative Decree 58/1998. At these meeting there weren't any data or information that should be highlighted in this report.
The Board of Statutory Auditors acknowledges that it has received, pursuant to article 19, paragraph 3, of the Legislative Decree no. 39/2010, the report of the independent audit firm explaining the basic issues emerged during the audit and any significant deficiency recorded in the internal audit system in relation to the financial reporting process, on which no specific deficiencies were identified.

[9] Following the decease of Dr Pier Francesco Sportoletti (Chairman of the Board of Statutory Auditors), appointed on the basis of the list proposed by the minority shareholder Equilybra Capital Partners S.p.A., on October 11, 2016 the Minority Deputy Statutory Auditor Dr Angelo Rivolta (named within the same list) inherited the responsibility, according to article no. 22 of the Company's By-Laws. The latter will remain in office until the next Shareholders' Meeting, according to article no. 2401, paragraph 1, of the Civil Code.
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The Board also acknowledges that it has received from the audit firm, pursuant to article 17, paragraph 9 letter a), of the Legislative Decree no. 39/2010, the confirmation of its independence, the indication of the services other than the audit provided to the Company by any of the entities belonging to its network and, finally, that it has discussed with the legal audit firm the risks related to its independence as well as the measures taken to limit such risks, pursuant to the mentioned article 17, paragraph 9, letter b).

Indication of the assignment of additional mandates to the audit firm and/or parties bearing long-term relationships with the former

With regards to any additional mandates assigned to the audit firm and/or parties bearing long-term relationships with the former, please refer to the information provided by the Company in the Notes to the consolidated financial statements, pursuant to article 149-*duodecies* of the Issuers Regulations regarding the disclosure of compensations.

Indication of the existence of opinions issued in accordance with the law during the year

In 2016, the Board of Statutory Auditors was not asked to provide any opinion in accordance with the law, in addition to those mentioned in this report.

Filing of complaints pursuant to article 2408 of the Civil Code and of petitions

The Board of Statutory Auditors did not receive any complaints pursuant to article 2408 of the Italian Civil Code nor any kind of petition.

Proper administration - Organizational structure

The Company is competently administered in accordance with the law and the Company's By-laws. We attended the Shareholders' Meetings and the meetings of the Board of Directors as well as those meetings of the other Committees in which our presence is required. These meetings were held in accordance with the Company's By-laws and the regulations governing their operation.
The delegations and powers conferred were appropriate to the Company's needs and adequate for the evolution of the corporate management.
The Board of Statutory Auditors believes that the Company's overall organizational structure is appropriate to the Group's size.
Finally, the Statutory Auditors, in the periodic reviews made during the year, were able to observe the accuracy and timeliness of all the fulfillment of obligations and communications to Borsa Italiana and Consob, related to the listing of the Parent Company on the STAR segment of the Italian Stock Exchange.

Internal control and risk management system-Administrative and accounting system

The system of internal control and corporate risk management ("SCIGR"), which is the set of rules, procedures and organizational structures aimed at the identification, measurement, management and monitoring of the main risks in order to ensure the protection of the company's net assets, is managed and monitored by the Board of Directors, by the Director in charge of the internal control and risk management system, by the Audit and Risk Committee, by the Internal Audit Department, by the Supervisory Board and by the Board of Statutory Auditors, each one with specific tasks within the scope of its role and related responsibilities. The SIGCR system adopted by the Company is in line with the components of the "CoSO Framework" model, internationally recognized as a benchmark best practice for the representation and evaluation of the internal control system. In addition, please note that:

- the Chairman of the Board of Statutory Auditors joins the meetings of the Audit and Risk Committee, a non-executive organ that, also in 2016, has promoted and supported, with regards to the decisions taken by the Board of Directors, the adoption of Risk Management instruments and methods aimed at identifying, analyzing and understanding the level of mitigation of the corporate risk within the Company and the Group.

- A Statutory Auditor is a member of the Supervisory Board, the organ that, also for the year 2016, has promoted and supported at the correct implementation of the Organizational Model pursuant to Law 231/2001.

In addition to the aforementioned entities, also the Manager responsible for the preparation of the corporate accounting documents pursuant to the Legislative Decree no. 262/2005, the independent auditors and other internal control corporate functions are involved in this process.
During the year, the Board of Statutory Auditors, as part of its monitoring activity on the effectiveness of the system and the compliance with the law, also as a result of its regular meetings with the above-mentioned individuals, didn't find any particular issues or anomalies that require to be mentioned in this report.

Moreover, please note that the Board of Directors, gathered on March 15, 2017, following the proposal of the Audit and Risk Committee, after consulting the Board of Statutory Auditors, considered appropriate the internal control and risk management system adopted by the Company.
We had the knowledge and supervised the adequacy of both the Company's organizational structure and of its administrative and accounting system, as well as the reliability of the latter to accurately represent operating events, by obtaining the information from the heads of the respective offices, reviewing the corporate documents, through direct controls and exchanging information with the audit firm Deloitte & Touche S.p.A., in accordance with article 150 of the Legislative Decree 58/1998. We do not have any particular remarks to report in this regard.
The Company has adopted appropriate procedures to govern and monitor the disclosure to the market of data and transactions pertaining to the companies of the Group. In this regard, please note that the Company has a complex administrative and accounting control model, approved by the Board of Directors on May 14, 2007, adopted also following the obligations introduced by the Savings Law concerning the drafting of corporate accounting documents and of all the financial documents and communications intended for the market. This model, that puts into a legal form the system of corporate rules and procedures adopted by the Group, in order to identify and manage the principal risks associated with the preparation and dissemination of the financial information and thereby to achieve the Company's objectives of truthfulness and accuracy of such information, was subjected to an update process that led to the issue of a new release approved by the Board of Directors on December 20, 2012.

<u>Subsidiaries</u>

As required by the internal control model adopted by the Company, the Responsible Officer ensures the dissemination and the update of the rules for the control of the subsidiaries, ensuring their alignment with the principles of the Group. On this issue, the Board of Statutory Auditors refers to the details provided in the specific paragraph of the Report on corporate governance and ownership (*ex* article 123 of the Consolidated Finance Act), approved by the Board of Directors on March 15, 2017 and available on the Company's website.

<u>Code of Conduct for listed Companies</u>

The Corporate Governance system of the Company incorporates, in its essentials, the principles and recommendations contained in the "Code of Conduct for the corporate governance of listed companies", to which the Board of Directors has decided to adhere on February 23, 2012. The Board of Directors also approved, on March 15, 2017, the annual Report on corporate governance and ownership structure for the year 2016. The full text of this report, which can be consulted for a detailed information, is available to the public in the ways provided for by the current laws and regulations.

<u>Report on remuneration pursuant to article 123-*ter* of the Consolidated Finance Act and article 84-*quarter* of the Issuers Regulation and monetary incentive systems of strategic resources</u>

The Board of Statutory Auditors states that it has previously examined and expressed its favorable opinion, together with the Remuneration and Appointment Committee, also in accordance with the provisions set forth in article 2389, paragraph 3, of the Civil Code, on the policies and general guidelines for the remuneration of the administrative bodies and managers with strategic responsibilities of the Company and, in particular, on the Report on remuneration, drawn up pursuant to article 123-*ter* of the Consolidated Finance Act and 89-*quarter* of the Issuers Regulation, as well as with reference to the annual and three-year instruments of monetary incentive targeted to the strategic resources of the Company and of the SAES Group.

Independence

The Board of Statutory Auditors states that it has verified the accuracy of the criteria adopted by the Board of Directors in assessing the independence of its members, based on the requirements of the Code of Conduct and Articles 14-ter, paragraph 4 and 148 , paragraph 3 of the TUF taking note of the statements granted by the Directors and confirming the "independent" status of the directors Gaudiana Giusti (lawyer), Dr. Stefano Proverbio, Prof. Roberto Orecchia, Dr. Luciana Rovelli and, based solely on the requirements of independence referred to in Article 14-ter, paragraph 4, and 148, paragraph 3 of the TUF, the qualification as "Independent" of Prof. Adriano De Maio.
The Board of Statutory Auditors also supervises the conditions of independence and autonomy of its own members, pursuant to the Decree of the Ministry of Justice n. 162 dated March 30, 2000, , and pursuant to Article 148, paragraph 3, of the TUF and of the application criterion 8.C.1 of the Code of Conduct, and notifies the Board of Directors in time for the drafting of the corporate governance report. In particular, with regards to 2016, the Board of Statutory Auditors verified the continuing satisfaction of the independence requirements on February 16, 2017.

Consolidated and SAES Getters S.p.A. financial statements for the year ended on December 31, 2016

As we are not responsible for an analytical review of the contents of the financial statements, we certify that we have verified the general setting adopted for both the Consolidated and SAES Getters S.p.A. financial statements and its general compliance with the law in terms of form and structure. We further certify that the information contained therein corresponds to the facts and information in our possession.
As in previous years, we report that both the consolidated financial statements, following the entry into force of the European Regulation no. 1606/2002, and the financial statements of the Parent Company were drafted in accordance with the IAS/IFRS, which have been applied since January 1, 2005. Having acknowledged the foregoing, the financial statements of the Parent Company and the consolidated ones consist of the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the cash flow statement, the statement of changes in the shareholders' equity and the explanatory notes. The reporting formats adopted are compliant with the provisions of the IAS 1-revised.
The statement of financial position was prepared by distinguishing between current and non-current assets and liabilities, according to whether the assets and liabilities are likely to be realized within or beyond twelve months from the reporting date and stating under two separate items the "Assets held for sale" and the "Liabilities held for sale" as required by the IFRS 5.
In the statement of profit or loss, operating expenses are disclosed on the basis of their destination.
The cash flow statement has been prepared according to the indirect method, as allowed under the IAS 7.
In addition, as required by the Consob resolution no. 15519 dated July 27, 2006, in the statement of profit or loss by destination, revenues and costs derived from non-recurring transactions or events that do not occur frequently in the ordinary course of business have been specifically identified.
Always in accordance with this resolution, the amounts of positions or transactions with related parties have been presented separately from the applicable items in the explanatory notes.
With regards to the Financial statements of the Parent Company SAES Getters S.p.A., please note that on November 15, 2016 the corporate merger of the wholly owned subsidiary SAES Advanced Technologies S.p.A. into SAES Getters S.p.A was implemented, through the completion, signature and filing of the merger agreement in the Italian Business Register, by the two companies participating into the merger. The merger produced its legal effects starting from the date set in the agreement, that means December 31, 2016. For fiscal and accounting purposes only, the merger operation had been backdated at January 1, 2016.
The financial statements have been prepared on an ongoing concern basis because, despite a difficult economic and financial environment, we believe that there aren't any significant uncertainties surrounding the business continuity. This context can be only partially influenced by the Management

of the Company, being it mainly the result of external variables. Based on the best estimates available to date, the Company has approved a three-years business plan that includes the strategies envisaged by the Company's Management in order to succeed in achieving the defined business goals in this difficult economic environment. These strategies, that include also an increase in the production activities undertaken in Italy, will allow the full recovery of the corporate assets and, in particular, of the deferred tax assets recognized in the balance sheet.
With regards to the financial statements submitted for your review, we point out the following:

(thousands of euro)

<u>**Statement of profit or loss**</u>	*Separate financial statements*	*Consolidated financial statements*
Net revenues	44,509	189,031
Cost of sales	(23,442)	(103,911)
Gross profit	**21,066**	**85,120**
Total operating expenses	(30,687)	(58,228)
Other income (expenses), net	4,933	(736)
Operating income (loss)	**(4,688)**	**26,156**
Interest and other financial income(expenses)	11,022	(1,220)
Share of result of investments accounted for using the equity method	0	(3,325)
Foreign exchange gains (losses), net	(170)	52
Income (loss) before taxes	**6,165**	**21,663**
Income taxes	1[10]	(7,581)
Net income (loss) from continued operations	**6,164**	**14,082**
Net income (loss) from discontinued operations	0	0
Net income (loss) for the period	**6,164**	**14,082**
Minority interests in consolidated subsidiaries	0	0
Group net income (loss) for the period	**6,164**	**14,082**
<u>**Statement of financial position**</u>		
Tangible assets, net	30,727	53,402
Intangible assets, net	344	58,984
Other long term assets	75,311	30,650
Current assets	33,907	102,112
Total assets	**140,289**	**245,148**
Total equity	75,494	134,831
Non-current liabilities	34,789	55,569
Current liabilities	30,006	54,748
Total equity and liabilities	**140,289**	**245,148**

<u>The Parent Company</u> SAES Getters S.p.A. ended the year 2016 with revenues equal to 44.5 million euro and a net income equal to 6.2 million euro. In 2016 the EBITDA was negative for -462 thousand euro. The dividends, the net financial income, the net foreign exchange gains, and the write downs of intercompany investments were equal to 10,852 thousand euro in 2016. The income taxes recorded a total cost of 367 euro in 2016.

<u>At consolidated level,</u> in 2016 the SAES Group achieved consolidated net revenues equal to 189 million euro. Please note the effect (3.1 million euro) in the scope of consolidation following the acquisition of Metalvuoto S.p.A. Consolidated operating expenses were equal to 58.2 million euro. The net balance of financial income and expenses was negative for 1.2 million euro and it mainly included interest expenses on long term loans. Consolidated income before taxes amounted to 21.7 million euro (11.5%

[10] The taxes for the year 2016 recorded a total balance almost null – a cost of -367 euro - that was also positively influenced by the release of the risk provision of 500 thousand euro accounted for in 2014.

of consolidated revenues), up by 21.6% compared to the previous year. Income taxes amounted to 7.6 million euro in 2016,with a Group *tax rate* equal to 35%. In 2016 the net income per ordinary share and per savings share amounted respectively to €0.6331 (€0.3944 in the previous year) and €0.6497 (€0.4111 in 2015).

Analysis of net financial position of the Parent Company and of the consolidated one as at December 31, 2016

At the Parent Company level, the net financial position as at December 31, 2016 was negative for -30,139 thousand euro, and included cash and cash equivalents equal to 1,189 thousand euro and net financial debts of 31,328 thousand euro, compared with a negative net financial position of 23,431 thousand euro as at 31 December 2015. The balance at December 31, 2016 was affected by the presence of a provision for the write-down of financial receivables from subsidiaries equal to 8,380 thousand euro, recorded following the waiver, occurred in 2017,of the loans owed by the subsidiary SAES Nitinol Srl for the same amount, carried out in order to cover the losses of the subsidiary.
Net of this provision, the net financial position would have been equal to -21,759 thousand euro, and therefore better than that as at December 31, 2015. This improvement was as a result of the positive operating and financial cash flows, that would have enabled to support the equity investments (please refer to the details of the major events occurred in 2016), as well as to offset the outlay for the payment of dividends.
At consolidated level, the consolidated net financial position as at December 31, 2016 was negative for -33,776 thousand euro compared to -17,280 thousand euro as at December 31, 2015. The net financial position was strongly influenced by the investments made to support the future growth, including both the extraordinary operations undertaken during the year (in particular, the acquisition of Metalvuoto S.p.A. and the investment in the newco Flexterra, Inc.), as well as the *capex* for the expansion of the production capacity.
As at December 31, 2016, please note the strong increase in the net working capital. In fact, the self-financing was partially offset by the increase in trade receivables, as well as in the inventory of the gas purification sector. The operating cash flows still supported both the payment of dividends and the above mentioned disbursement for investment activities.
In particular, the payments for the purchase of tangible and intangible assets, net of proceeds deriving from the sale of such assets, amounted to -8,860 thousand euro. Still within the investment activities, it must also be included the purchase of the minority interest in E.T.C. S.r.l. (-249 thousand euro), the capital contribution made during the year in favor of the joint venture Actuator Solutions GmbH (-1,000 thousand euro), the capitalization of the new company Flexterra, Inc. (-8,146 thousand euro) as well as the purchase of Metalvuoto S.p.A. (7,888 thousands euro, inclusive of an acquired net debt of -1,444 thousand euro and of 652 thousand euro related to the debt for the purchase of the remaining 30% by the end of 2018). With regard to the financing activities, the expenses for dividend payments amounted to 8.5 million euro. The exchange rate impact on the net financial position has been slightly negative (-0.2 million euro), mainly due to the negative effect generated by the revaluation of the US dollar on the indebtedness in dollars, only partially offset by the positive effect on the cash in the same currency. in the quarterly trend of the net financial position showed a decline in the fourth quarter of 2016 due to both the increase in net working capital mentioned above and to the extraordinary transactions carried out during the last quarter (in particular, the acquisition of Metalvuoto S.p.A. and the investment in the newco Flexterra, Inc.), despite the strong operating cash generation, related to the increase in both sales and operating results. The cash flow from operating activities was positive and equal to 18,695 thousand euro (9.9% of consolidated revenues), compared to 22,851 thousand euro in 2015 (13.7% of revenues). As already mentioned, despite a higher self-financing, related to the growth in revenues and operating results, the operating activities were penalized by the strong increase in the net working capital in the gas purification segment at the end of 2016 (increase both in the trade receivables, related to the increase in the sales recorded in the last period of 2016, and in the inventory, in anticipation of the sales at the beginning of 2017).

Comments on the main items of the Balance Sheet

The accounting principles applied to the following have been highlighted:
- items related to intangible assets, presented in the balance sheet assets;

- items related to the tangible assets, presented in the balance sheet assets;
- items related to deferred tax assets (net) exposed to balance sheet assets, and subsequent impact on the items related to taxes recorded in the income statement;
- items related to the net equity, presented in the balance sheet liabilities.

Intangible assets recognized in the balance sheet assets

Business combinations and Goodwill

Business combinations are recognized according to the purchase method.

Impairment of assets

At the end of each year, the Company assesses, if there is any indication that the intangible assets and property, plant and equipment have suffered an impairment. Goodwill and intangible assets with indefinite useful lives are subject to an impairment test at least once a year or more frequently, whenever there is an indication that the asset may have become impaired.

Pursuant to IAS 36, goodwill is not amortized, but is rather assessed for impairment annually or more frequently where specific events or circumstances indicate that it may have become impaired.

The analysis of the Company did not show any potential impairment of the assets with indefinite useful life.

The evaluation of the recoverable amounts of the various Cash Generating Units required the management to use its discretion and to prepare estimates. Accordingly, the Group cannot guarantee that impairment losses will not be incurred in future periods. In fact, several factors, including those associated with the future development of the current market scenario and of the demand, could require asset values to be re-determined in future periods. The Group will constantly monitor the circumstances and events that could require further testing of impairment losses.

Development expenses

Internally incurred costs for the development of new products and services constitute, depending on the circumstances, internally produced intangible or tangible assets and are recognized as assets solely if the costs can be reliably measured and the technical feasibility of the product, the expected volumes and prices indicate that the costs incurred in the development phase will generate future economic benefits.

Capitalized development costs consist solely of effectively incurred expenses that may be directly allocated to the development process.

Capitalized development costs are systematically amortized starting from the year of production throughout the estimated useful life of the product/service.

Other intangible assets with finite useful life

Other purchased or internally produced intangible assets with finite useful lives are recognized as assets, in accordance with the provisions of IAS 38 – *Intangible assets*, when it is likely that the use of the assets will generate future economic benefits and that the determination of their cost is reliable. Such assets are recognized at the cost of purchasing or producing them and are amortized on a straight-line basis over their estimated useful lives. Intangible assets with finite useful life are also assessed for impairment annually, or whenever there is an indication that the assets may have become impaired.

Amortization is calculated on a straight-line basis over the estimated useful lives of the assets.

At the Parent Company level, the intangible assets, net of accumulated amortization, were equal to 344 thousand euro as at December 31, 2016.

At consolidated level instead, they amounted to 58,984 thousand euro.

Tangible assets

Owned property, plant and equipment are recognized at the cost of purchase or production, or, where such assets were carried as of January 1, 2004, at their deemed cost, which, for some assets, is represented by their revalued cost. Costs incurred subsequent to their purchase are capitalized only if they increase the future economic benefits deriving from the asset to which they refer. Depreciation is calculated at constant rates over the estimated useful life of the assets.

Land, including that annexed to buildings, is not depreciated.

At Parent Company level, in 2016 the increases in tangible assets were equal to 4,386 thousand euro. No financial charges on tangible assets were capitalized and there have been write downs for about 57 thousand euro, related to obsolete assets and no longer used in the production cycle.
At consolidated level, in 2016 investments in tangible assets amounted to 8,663 thousand euro and they included the purchases made by the Parent Company for the setting up of a new production line at the plant in Avezzano, as well as the purchases of machinery for the improvement of the industrial SMA production lines and of laboratory equipment for the development of products in the purification and in the vacuum systems businesses, at the plant in Lainate. Please also note the investments in the SMA area made by the subsidiaries Memry Corporation and SAES Smart Materials, Inc., 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 write-downs, equal to 138 thousand euro, were mainly related to the write-off of the residual value of some equipment and machinery no longer used by the US subsidiary SAES Smart Materials, Inc.

Equity investments and other financial assets

At the Parent Company level, at the of the year the equity investments amounted to 62,904 thousand euro. The value of the equity investments, evaluated at cost eventually adjusted in case of impairment, recorded at December 31, 2016 is shown in the following table:

(thousands of euro)

Investments	December 31, 2015	Merger effect	Chiusura 31.12.2015 pro-forma	Additions	Reclassifications to discontinued	Write down	Disposal	December 31, 2016
Directly-controlled subisdiaries:								
SAES Advanced Technologies S.p.A.	10,425	(10,425)	0	0	0	0	0	0
SAES Getters USA, Inc.	6,742	0	6,742	0	0	0	0	6,742
SAES Getters International Luxembourg S.A.	38,664	15	38,679	0	0	0	0	38,679
SAES Getters (Nanjing) Co., Ltd.	6,904	0	6,904	0	0	0	0	6,904
SAES Getters Export Corp.	2	0	2	0	0	0	0	2
Memry GmbH	3,100	0	3,100	0	0	0	0	3,100
Metalvuoto	0	0		5,128	0	0	0	5,128
E.T.C. S.r.l.	0	0	0	1,829	0	(1,829)	0	0
SAES Nitinol S.r.l.	381	0	381	170	0	0	0	551
Indirectly-controlled subisdiaries:			0					0
SAES Getters Korea Corporation	184	0	184	0	0	0	0	184
Total subsidiaries	**66,402**	**(10,410)**	**55,992**	**7,127**	**0**	**(1,829)**	**0**	**61,290**
Joint venture:								
SAES Rial Vacuum S.r.l.	1,614	0	1,614	0	0	0	0	1,614
Total joint ventures	**1,614**	**0**	**1,614**	**0**				**1,614**
Total associates	**0**	**0**	**0**	0	0	0	0	**0**
Total	**68,016**	**(10,410)**	**57,606**	**7,127**	**0**	**(1,829)**	**0**	**62,904**

Deferred tax assets (net) recorded in the balance sheet

At the Parent Company level, this item at 31 December 2016, recorded a net credit of 12,031 thousand euro, compared to 11,803 thousand euro as at December 31, 2015 and it is related to both the net balance of deferred taxes on temporary differences between the value attributed to the assets and liabilities according to statutory criteria and the value attributed to the same for tax purposes, the evaluation of the tax losses recorded in the years 2009-2013, for the part that has not already been recorded in the national tax consolidation program related to each year in which the losses were generated. The following tables shows the composition of active and passive deferred taxes recorded in the balance sheet respectively as at December 31, 2016 and December 31, 2015, according to the nature of the differences that have generated the deferred tax effects:

(thousands of euro)

	2016		2015	
	Temporary differences	Fiscal effect	Temporary differences	Fiscal effect
Deferred tax liabilities:				
- net gain on disposal of fixed assets	0	0	0	0
- IAS 19 effect	(485)	(116)	(309)	(74)
- fair value revaluations	(2,374)	(589)	(2,151)	(516)
Deferred tax assets:				
- deferred taxes on recoverable losses	44,667	10,720	44,667	10,720
- write-downs of assets	249	60	613	147
- amortization	259	59	232	56
- inventory write-down	1,236	349	129	31
- IAS 19 effect	1,082	260	660	158
- cash deductable expenses	5,154	1,237	3,085	740
- accruals for risk	100	29	689	165
- other	96	23	86	21
Total deferred tax effect		**12,031**		**11,448**

As already shown in the financial statements of the previous year, the recognition of deferred taxes on the tax losses, although supported by current legislation that allow to carry them forward fora n unlimited period of time, it was prudently suspended given the time extension of the recovery period provided for in the updated plans defined by the Management of the Company and given the difficult predictability of future results.
These assets were recognized in the financial statements based on the recoverability analysis made by Directors that, considering the forecast included in the plans approved by the Board of Directors, have considered as probable the recovery of these assets recognized in the balance sheet over a period slightly longer than that of the plan. These analysis have been updated based on the most recent corporate plans approved by the Board of Directors, confirming, despite the risks associated with this type of activities and reported in the Report on operations, the substantial recovery of the aforementioned deferred tax assets within the analysis horizon considered.
At consolidated level, as at December 31, 2016 the net balance of deferred tax assets and deferred tax liabilities was positive and equal to 8,340 thousand euro, with an increase of 802 thousand euro compared to December 31, 2015.
The related details are provided below.

(thousands of euro)

Deferred taxes	December 31, 2016	December 31, 2015	Difference
Deferred tax assets	15,073	14,064	1,009
Deferred tax liabilities	(6,733)	(6,526)	(207)
Total	**8,340**	**7,538**	**802**

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	December 31, 2016	December 31, 2015	Difference
Deferred tax assets	19,787	18,667	1,120
Deferred tax liabilities	(11,447)	(11,129)	(318)
Total	**8,340**	**7,538**	**802**

The following tables provide a breakdown of the temporary differences that comprise deferred tax assets and liabilities by their nature, compared with the figures of the previous year.

(thousands of euro)

Deferred tax assets	December 31, 2016 Temporary differences	December 31, 2016 Fiscal effect	December 31, 2015 Temporary differences	December 31, 2015 Fiscal effect
Intercompany profit eliminations	1,627	565	1,625	591
Differences on depreciation/amortization and write-downs	6,103	1,658	6,467	1,758
IAS 19 effect	267	71		
Bad debts	439	169	480	182
Inventory write-down	6,132	2,200	6,043	2,149
Provisions	3,768	1,352	4,051	1,378
Cash deductable expenses	8,956	2,496	6,367	1,823
Deferred taxes on recoverable losses	46,114	11,065	44,818	10,756
Exchange differences and other	290	211	114	30
Total		**19,787**		**18,667**

The increase in the deferred tax assets compared to the previous year (+1,120 thousand euro) was mainly due to higher tax deductible costs on a cash basis rather than on an accrual basis, as well as to deferred tax assets on tax losses carried forward of the newly acquired company Metalvuoto S.p.A., recognized following the reasonable certainty that they are recoverable in future years (311 thousand euro as at December 31, 2016). However, please note that, not having the group yet determined the fair value of the assets and liabilities of Metalvuoto S.p.A. at the acquisition date, deferred tax assets of that company, accounted for in the consolidated financial statements, are recorded at their historical values in the financial statements of the subsidiary at the acquisition date, including the changes occurred from the date of the acquisition to December 31, 2016.
The Group had 123,948 thousand euro in tax losses eligible to be carried forward as at December 31, 2016, 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 46,114 thousand euro.

(thousands of euro)

Deferred tax liabilities	December 31, 2016 Temporary differences	December 31, 2016 Fiscal effect	December 31, 2015 Temporary differences	December 31, 2015 Fiscal effect
Tax due on distribution of earnings accumulated by the subsidiaries	(46,342)	(3,354)	(55,928)	(3,044)
Differences on depreciation/amortization and fair value revaluations	(23,107)	(7,976)	(23,128)	(7,933)
IAS 19 effect	(423)	(101)	(431)	(103)
Other	(65)	(16)	(66)	(49)
Total		**(11,447)**		**(11,129)**

The deferred tax liabilities recorded in the consolidated financial statements as at December 31, 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 was the main reason for the increase in the deferred tax liabilities compared to December 31, 2015 (+318 thousand euro).

Income taxes in the profit & loss account

At the parent company level, income taxes for the year 2016 recorded a total balance almost null – a cost of 367 euro - that was also positively influenced by the release of the risk provision of 500 thousand euro recorded in 2014, and that compares with a negative balance of 3,157 thousand euro in 2015, which in turn included a negative adjustment (1,563 thousand euro), related to the recalculation of the advance and deferred tax assets of the Company, applying the new IRES rate of 24% that will come into effect starting from 2017.

At consolidated level, in 2016 income taxes amounted to 7,581 thousand euro, compared to 9,002 thousand euro in the previous year. The Group’s tax rate was equal to 35%, significantly improved when compared to 50.5% of the previous year, as a result of the lower tax losses realized by the Parent Company (on which deferred tax assets were prudentially not recognized) as well as the release of the fiscal provision of 500 thousand euro related to the assessment on the fiscal declaration of the Parent Company for the year 2005, following the positive outcome of the existing dispute commenced by the Company.

Shareholders' equity

At Parent Company level

Capital stock
As at December 31, 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.
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. As at December 31, 2016 it amounted to 41,120 thousand euro and it was unchanged compared to December 31, 2015.
Legal reserve
This item refer to the "legal reserve" of the Company equal to 2,444 thousand euro as at December 31, 2016 and it was unchanged compared to December 31, 2015, since the reserve had reached its legal limit.
Other reserves and retained earnings

- merger surplus reserve (principal amount): this item, equal to 11 thousand euro, consists of the share attributable to the capital reserve of the surplus deriving from the merger by incorporation of SAES Advanced Technologies S.p.A. into SAES Getters S.p.A.;
- revaluation reserves (amounting to 2,753 thousand euro, 1,727 thousand euro in the previous year) mainly constituted by the positive monetary revaluation balance resulting from the application of the laws no. 72 of March 19, 1983 (1,039 thousand EURO) and no. 342 of November 21, 2000 (1,576 thousand euro, compared to 688 thousand euro in 2015). The increase in the reserves in tax suspension was due to the priority allocation of the merger surplus to those reserves. Please refer to the table of tangible assets for further details;
- other reserves for a total amount of 10,782 thousand euro.

(thousands of euro)	**Amount ***
Revaluation reserve - Law no. 72 of March 19, 1983	1.039
Revaluation reserve - Law no. 342 of November 21, 2000	1.576
Other reserves	138
Reserve Law no. 576/75 included in the capital stock	419
Reserve Law no. 72/83 included in the capital stock	976
Total	**4.148**

* reserves subject to taxation upon distribution

However, it is important for the Board of Statutory Auditors to recall the resolution passed in the Extraordinary Shareholders' Meeting of March 3, 2016, regularly convened in order to deliberate on the following proposal, after taking into consideration the Explanatory Report of February 1, 2016 prepared by the Board of Directors and written pursuant to articles 125 *ter* of the Legislative Decree no. 58 and no. 72 dated February 24, 1998 of the Regulation adopted with the Consob resolution no. 11971 dated May 14, 1999 and subsequent amendments and additions:
"*Change of the article no. 11 of the By-laws with the introduction of the increase of the voting right pursuant to article 127 quinques of the TUF. Related and consequent resolutions*". Following the regular course of the Meeting, in which we participated, the majority of the Shareholders present, as required by article no. 13 of the By-laws, resolved to amend the article no. 11 of the current By-laws as indicated in the Report of Board of Directors, and allowed the President and the Managing Director, each of them separately, to take the necessary actions to implement the adopted resolution.

At consolidated level, the Group shareholders' equity amounted to 134,831 thousand euro as at December 31, 2016, with an increase of 8,346 thousand euro compared to December 31, 2015

Capital stock

As at December 31, 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.

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 December 31, 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 Parent Company SAES Getters S.p.A.;
- 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 well as the actuarial gains and losses on defined benefit plans arising from the application of the revised version of IAS 19, net of the related fiscal effect (-234 thousand euro), both of the subsidiaries and the companies accounted for using the equity method.

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 22,301 thousand euro as at December 31, 2016, compared to a positive balance of 19,055 thousand euro as at December 31, 2015. The increase of 3,246 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 (3,434 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 (-188 thousand euro).

Observations on the Reports submitted to the Shareholders

As envisaviged by the law, the Board of Directors submitted to the Shareholders' Meeting of SAES Getters S.p.A.:

- the first section of the Report on remuneration prepared pursuant to Article 123-ter, subsection 6 of Italian Legislative Decree no. 58/1998 and Article 84-quater and the related Appendix 3A, Scheme 7-*bis* of Consob resolution no. 11971 dated 05/14/1999 concerning the issuers regulation;
- the request of the authorization for the purchase and sale of treasury shares, pursuant to articles no. 2357 and following of the Civil Code, and article no. 132 of the D.Lgs. no. 58/1998, after the withdrawal of the authorization previously granted by the Shareholders' Meeting on April 28, 2016 that has not been used;
- to approve the integration of the Board of the Statutory Auditors following the decease of Dr Pier Francesco Sportoletti (Chairman of the Board of Statutory Auditors), appointed on the basis of the list proposed by the minority shareholder Equilybra Capital Partners S.p.A.; on October 11, 2016 the

Minority Deputy Statutory Auditor, Dr Angelo Rivolta, named within the same list, inherited the responsibility, according to article no. 22 of the Company's By-Laws. The latter will remain in office until the next Shareholders' Meeting, according to article no. 2401, paragraph 1, of the Civil Code.
It is therefore necessary that the Shareholders' Meeting approves the confirmation of Dr Angelo Rivolta in his office, as effective Statutory Auditor, as well as Chairman of the Board of Statutory Auditors. In addition, given the absence of indication for any further name of Deputy Statutory Auditors within the same proposed minority list, the Shareholders' Meeting will have to appoint a new Deputy Statutory Auditor, necessary to integrate the Board of Statutory Auditors. The newly appointed Statutory Auditors will be in charge together with the ones appointed by the Shareholders' Meeting of April 28, 2015 and currently in office until the approval of the financial statements of the fiscal year ending December 31, 2017;

- the modification of the Directors' Termination Indemnity (*TFM*), by proposing to increase - from 18% to 20% - the provision, calculated on both fixed and variable compensation paid to the entitled Directors, as resolved by the Board of Directors pursuant to article 2389 of the Civil Code. In consideration of the economic situation of the Company, of the activities of the beneficiary Directors and of the growing responsibilities related to their role, such provision of compensation aims at better guaranteeing, at the end of the mandate, a pension coverage in line with the Italian and international standards, today conventionally indicated in the measure of 50% of the last total remuneration received;
- to decide upon the appointment of the Common Representative of the Savings Shareholders for the three-year period 2017-2019, as well as on the determination of his annual remuneration, given the expiry of the mandate of the current representative, the lawyer Massimiliano Perletti, in office for the period 2014-2016.

Given the accompanying explanatory notes to the requets mentioned above, the Board of statutory auditors has no particular observations to propose, confirming that the system of Corporate Governance adopted by the Company is in line with the recommendations of the Corporate Governance Code of Conduct for listed companies approved by the Italian Stock Exchange S.p.A.

Opinion on the proposed dividend to the Shareholders' Meeting

The Board of Statutory Auditors takes note of the following:

- that the year 2016 recorded a net income from unrealized exchange rate differences equal to 12 thousand euro: this amount, pursuant to Article 2426, paragraph 8-bis of the Civil Code, has been accounted in a special reserve not distributable until it is realized.
- of the proposal of the Board of Directors:
    - to approve the financial statements of SAES Getters S.p.A. as at December 31, 2016, with a net income equal to 6,164,222.40 euro;
    - to entirely distribute the net income of the year, net of unrealized exchange rate gains pursuant to article 2426, paragraph 8-*bis*, of the Italian Civil Code, for a total amount of 6,152,000.39 euro, subject to rounding, and therefore attributing to the satisfaction of the rights of the savings shares and of the ordinary shares, as envisaged by article 26 of the By-laws: (i) a dividend of 0.290065 euro per savings share, including the preferred dividend of 0.138549 euro for the year 2016, as well as (ii) a dividend of 0.273439 euro per ordinary share, giving notice that in this way the rule of the minimum increase of 3% of the implied book value to which savings shares are entitled to compared to ordinary shares has been respected;
    - to distribute a portion of the available reserve "Retained earnings" equal to 6,098,161.48 euro, in equal measure to the ordinary shares and savings shares, giving a dividend of 0.276561 euro per savings share and per ordinary share.

In summary, the proposal of dividend distribution is as follows:

0.566626 euro per no. 7,378,619 savings shares	4,180,917.37 euro
0.550000 euro per no. 14,671,350 ordinary shares	8,069,242.50 euro
TOTAL	**12,250,159.87 euro**

On the basis of the foregoing, and in consideration of the results of our activity, we propose that the Shareholders' Meeting approve the consolidated financial statements and the financial statements of the Parent Company for the year ended on December 31, 2016, as prepared by the Directors.

March 31, 2017

Angelo RIVOLTA

Vincenzo DONNAMARIA

Sara Anita SPERANZA

Independent Auditors' report
on the consolidated financial statements

Deloitte.

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INDEPENDENT AUDITORS' REPORT
PURSUANT TO ART. 14 AND 16 OF
LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

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

Report on the consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Saes Getters Group, which comprise the statement of financial position as of December 31, 2016, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Company's Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11 of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Saes Getters Group as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the consolidated financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of Saes Getters S.p.A., with the consolidated financial statements of the Saes Getters Group as at December 31, 2016. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the consolidated financial statements of the Saes Getters Group as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

Signed by
Giovanni Gasperini
Partner

Milan, Italy
March 31, 2017

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

Report on operations of SAES Getters S.p.A.

FINANCIAL HIGHLIGHTS OF SAES GETTERS S.p.A.

(thousands of euro)

Income statement data	**2016**	**2015** (8)	**2015 Pro-forma** (*) (8)	**Difference**	**Difference %**
NET SALES					
- Industrial Applications	38.722	4.624	37.323	1.399	3,7%
- Shape Memory Alloys	4.645	4.162	4.162	483	11,6%
- Business Development	1.142	605	1.119	23	2,1%
Total	**44.509**	**9.391**	**42.604**	**1.905**	**4,5%**
GROSS PROFIT (1)					
- Industrial Applications	20.252	2.131	18.772	1.480	7,9%
- Shape Memory Alloys	682	973	954	(272)	-28,6%
- Business Development & Corporate Costs (2)	132	(665)	(169)	301	178,4%
Total	**21.066**	**2.439**	**19.557**	**1.509**	**7,7%**
% on sales	*47,3%*	*26,0%*	*45,9%*		
EBITDA (3)	**(462)**	**(14.512)**	**(2.410)**	**1.948**	**80,8%**
% on sales	*-1,0%*	*-154,5%*	*-5,7%*		
EBITDA adjusted (4)	**(1.151)**	**(13.823)**	**(1.721)**	**570**	**33,1%**
% on sales	*-2,6%*	*-147,2%*	*-4,0%*		
OPERATING LOSS	**(4.688)**	**(17.043)**	**(7.012)**	**2.324**	**33,1%**
% on sales	*-10,5%*	*-181,5%*	*-16,5%*		
OPERATING LOSS adjusted (5)	**(5.377)**	**(16.354)**	**(6.323)**	**946**	**15,0%**
% on sales	*-12,1%*	*-174,2%*	*-14,8%*		
NET INCOME	**6.164**	**5.859**	**6.610**	**(445)**	**-6,7%**
% on sales	*13,8%*	*62,4%*	*15,5%*		

Balance Sheet and Financial data	**2016**	**2015**	**2015 Pro-forma** (*)	**Difference**	**Difference %**
Property, plant and equipment, net	30.727	14.343	30.146	581	1,9%
Shareholders'equity	75.494	69.716	78.061	(2.567)	-3,3%
Net financial position	(30.139)	(26.324)	(23.431)	(6.707)	-28,6%

Other information	**2016**	**2015** (8)	**2015 Pro-forma** (*) (8)	**Difference**	**Difference %**
Cash flow from operating activities	1.007	(11.224)	(31)	1.038	3348,1%
Research & development expenses	8.047	7.292	7.875	172	2,2%
Number of employees as at 31 December (6)	442	213	438	4	0,9%
Personnel cost (7)	25.996	15.703	24.166	1.829	7,6%
Purchase of property, plant and equipment	4.386	1.334	1.686	2.700	160,2%

(*) Due to the merger in SAES Getters S.p.A.of the 100% subsidiary SAES Advanced Technologies SpA, carried out on November 15, 2016, backdated at accounting and tax purposes only on January 1, 2016, the figures for 2015 have been revised, including also those of the merged company, and shown in the "Pro-forma" column (see the detailed tables in the section "management Report"). In the annual management report, the processed data, which have not been audited, are reported as a comparative base for 2015. Therefore, unless otherwise indicated, the analysis of variations with respect to information on 31 December 2015 are calculated with reference to the "Pro-forma" data.

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

(thousands of euro)

	2016	2015 (8)	2015 Pro-forma (*) (8)
Net Sales	**44.509**	**9.391**	**42.604**
Raw materials	(6.589)	(1.704)	(6.389)
Direct labour	(5.718)	(1.137)	(5.294)
Manufacturing overhead	(11.614)	(4.277)	(11.301)
Semi finished and finished products Delta stock	478	166	(62)
Cost of goods sold	**(23.443)**	**(6.952)**	**(23.047)**
Gross Profit	**21.066**	**2.439**	**19.558**
% on sales	*47,3%*	*26,0%*	*45,9%*

(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 (IFRS); 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". In the below table, EBITDA is shown, calculated starting from the operating loss

(thousands of euro)

	2016	2015 (8)	2015 Pro-forma (*) (8)
Operating loss	**(4.688)**	**(17.043)**	**(7.012)**
Depreciation	4.150	2.479	4.391
write-down of fixed assets	57	52	211
Bad debt provision accrual (release)	19	0	0
EBITDA	**(462)**	**(14.512)**	**(2.410)**
% on sales	*-1,0%*	*-154,5%*	*-5,7%*

(4) Adjusted EBITDA is meant to be the EBITDA itself, further adjusted to exclude non recurring items or anyway considered as not indicating the current operating performance by the Management.
As its calculation is not ruled by the IFRS principles, the method applied by the Group may be not homogeneous, and so far not comparable, with the ones applied by other Groups.

(thousands of euro)

	2016	2015 (8)	2015 Pro-forma (*) (8)
EBITDA	**(462)**	**(14.512)**	**(2.410)**
% on sales	*-1,0%*	*-154,5%*	*-5,7%*
Provision for legal disputes (Onondaga Lake)	0	689	689
Release of provision for legal disputes (Onondaga Lake)	(689)	0	0
EBITDA *adjusted*	**(1.151)**	**(13.823)**	**(1.721)**
% on sales	*-2,6%*	*-147,2%*	*-4,0%*

(5) Adjusted OPERATING INCOME is the operating income itself, further adjusted by excluding non-recurring amounts or anyway considered as not indicating the of the current operating performance by the Management.
As its calculation is not ruled by the IFRS principles, the method applied by the Group may be not homogeneous, and so far not comparable, with the ones applied by other Groups.

(thousands of euro)

	2016	2015 (8)	2015 Pro-forma (*) (8)
Operating loss	**(4.688)**	**(17.043)**	**(7.012)**
% on sales	***-10,5%***	***-181,5%***	***-16,5%***
Provision for legal disputes (Onondaga Lake)	0	689	689
Release of provision for legal disputes (Onondaga Lake)	(689)	0	0
Adjusted operating loss	**(5.377)**	**(16.354)**	**(6.323)**
% on sales	***-12,1%***	***-174,2%***	***-14,8%***

(6) As at December 31, 2016 this item includes:
- employees for 430 units (426 units as at December 31, 2015, 208 as for SAES Getters S.p.A. standalone);
- personnel employed with contract types other than employment agreements, equal to 12 units (12 units as at December 31, 2015, 5 as for SAES Getters S.p.A. standalone).

(7) As at December 31, 2016 the severance costs included in the personnel costs are equal to 100 thousand euro (no severance costs in 2015), while the use of the social security provisions led to a reduction in the personnel costs equal to 1,604 thousand euro (2,173 thousand euro, all in the merged company SAES Advanced Technologies S.p.A.).

(8) Please note that some revenues and costs of the year 2015 have been reclassified to enable a homogeneous comparison with 2016; in particular:
- the royalties on the licensing of the thin-film getter technology for MEMS of new generation (902 thousand euro) have been reclassified within the consolidated revenues;
- the engineering and industrialization costs of new products (805 thousand euro) have been reclassified and moved from the operating expenses (in particular, research and development expenses) to the cost of sales.
For more details please refer to the Note no. 1 and the paragraph ”Reclassification on December. 31, 2015 income statement figures” in the notes to the Group financial statements.

Report on operations

On November 15, 2016 the corporate merger of the wholly owned subsidiary SAES Advanced Technologies S.p.A. into SAES Getters S.p.A was implemented, through the completion, signature and filing of the merger agreement in the Italian Business Register, by the two companies participating into the merger.
The merger produced its legal effects starting from December 31, 2016. For fiscal and accounting purposes only, the merger operation had been backdated at January 1, 2016.
The merger produced no equity, economic or financial effect into the SAES Group's consolidated financial statements, nor provided any share swap, being the incorporated company already wholly owned by SAES Getters S.p.A.
The transaction aims at optimizing the Group's industrial policy, as part of an aggregating process aimed at improving and integrating the Group's Italian manufacturing factories, simplifying their industrial 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.

According to IFRS accounting principles, to the instructions given in the Guidelines Preliminary Assirevi on IFRS (OPI 2 - revised), and in order to obtain a homogeneous basis for comparison with the first post-merger financial statements, the figures for 2015 shown in this report have been reworked, including even those of the merged company, and displayed in the "Pro-forma" column. The data so elaborated, that have not been audited, were used in this annual management report as a comparative basis for 2015. Therefore, unless otherwise indicated, the analysis of variations with respect to information on 31 December 2015 are calculated with reference to "Pro-forma" data.

The following tables show the calculation of the "Pro-forma" data for the year 2015:

Statement of Profit and Loss - "Pro-forma"

(amounts in euro)	SAES Getters S.p.A. 2015	SAES Advanced Technologies S.p.A. 2015	Eliminations / Adjustments	Fiscal Year 2015 Pro-forma
Third party net sales	7.807.984	24.132.135	(50.782)	31.889.337
Intercompany net sales	1.582.585	9.543.698	(411.907)	10.714.376
Total net sales	**9.390.569**	**33.675.833**	**(462.689)**	**42.603.713**
Third party cost of sales	(5.538.489)	(16.469.636)	551.950	(21.456.175)
Intercompany cost of sales	(1.413.344)	(489.365)	312.358	(1.590.351)
	(6.951.833)	(16.959.001)	864.308	(23.046.526)
Gross Profit	**2.438.736**	**16.716.832**	**401.619**	**19.557.187**
Research & development expenses	(7.291.924)	(600.114)	16.735	(7.875.303)
Selling expenses	(4.658.574)	(710.289)	(2.083)	(5.370.946)
General & administrative expenses	(12.757.643)	(2.480.072)	(2.322)	(15.240.037)
Total operating expenses	**(24.708.141)**	**(3.790.475)**	**12.330**	**(28.486.286)**
Royalties third party	0	0	0	0
Royalties Intercompany	1.565.193	0	(1.303.708)	261.485
Other third party income (expenses), net	(885.822)	54.002	0	(831.820)
Other intercompany income (expenses), net	4.547.183	(3.366.759)	1.307.279	2.487.703
Total other income (expenses), net	**5.226.553**	**(3.312.757)**	**3.571**	**1.917.368**
Operating income (loss)	**(17.042.852)**	**9.613.600**	**417.520**	**(7.011.731)**
Dividends	24.295.297	0	(5.500.000)	18.795.297
Third party financial income	33.529	517	(460)	33.586
Intercompany financial income	299.446	0	(49.073)	250.373
Total financial income	332.975	517	(49.533)	283.959
Third party financial expenses	(1.124.219)	(22.288)	(328)	(1.146.835)
Intercompany financial expenses	(222.787)	(49.273)	49.503	(222.557)
Total financial expenses	(1.347.006)	(71.561)	49.175	(1.369.392)
Foreign exchange gains (losses), net	1.173.001	(519.952)	1.043	654.092
Write down of intercompany investments and financial receivable from subsidiaries	(1.585.233)	0	(767)	(1.586.000)
Income before taxes	**5.826.182**	**9.022.604**	**(5.082.562)**	**9.766.225**
Income taxes	33.312	(3.061.739)	(128.173)	(3.156.600)
Current taxes	1.274.936	(3.107.000)	64	(1.832.000)
Deferred taxes	(1.241.624)	45.261	(128.237)	(1.324.600)
Net income (loss) from continuing operations	**5.859.494**	**5.960.865**	**(5.210.735)**	**6.609.625**
Net income (loss) from discontinuing operations	0	0	0	0
Net income (loss)	**5.859.494**	**5.960.865**	**(5.210.735)**	**6.609.625**

Statement of financial position - "Pro-forma"

(euro)	SAES Getters S.p.A. 2015	SAES Advanced Technologies S.p.A. 2015	Eliminations / Adjustments	Fiscal Year 2015 Pro-forma
ASSETS				
Non Current Assets				
Property, plant and equipment, net	14.342.745	15.803.392	188	30.146.325
Intangible assets, net	555.012	90	0	555.102
Investments and other financial activities	68.015.584	14.570	(10.424.450)	57.605.704
Intercompany financial receivables	0	0	0	0
Non current tax consolidation receivables	0	283.259	(11.123)	272.136
Deferred tax assets	11.448.464	355.611	2.925	11.807.000
Other long term assets	49.247	6.477	0	55.724
Total Non Current Assets	**94.411.052**	**16.463.399**	**(10.432.460)**	**100.441.991**
Current Assets				
Inventory	1.006.761	3.725.160	(15.776)	4.716.145
Third party trade receivables	1.378.519	3.268.601	0	4.647.120
Intercompany trade receivables	4.863.054	1.622.970	(1.869.731)	4.616.293
Trade receivables	6.241.573	4.891.571	(1.869.731)	9.263.413
Derivative instruments evalutated at fair value	0	0	0	0
Intercompany financial receivable	8.770.851	2.890.267	(2.890.118)	8.771.000
Tax consolidation receivables	2.585.056	0	(2.585.056)	0
Prepaid expenses, accrued income and other	6.063.398	755.128	17.779	6.836.305
Cash and cash equivalents	3.399.569	6.027	0	3.405.596
Total Current Assets	**28.067.208**	**12.268.153**	**(7.342.902)**	**32.992.459**
Total Assets	**122.478.260**	**28.731.552**	**(17.775.362)**	**133.434.450**

SHAREHOLDERS' EQUITY AND LIABILITIES				
Capital stock	12.220.000	2.600.000	(2.600.000)	12.220.000
Share issue premium	41.119.940	7.177.408	(7.177.408)	41.119.940
Tresury shares	0	0	0	0
Legal reserve	2.444.000	520.000	(520.000)	2.444.000
Sundry reserves and retained earnings	8.072.920	2.525.282	5.068.856	15.667.058
Net income (loss) for the period	5.859.494	5.960.864	(5.210.735)	6.609.623
Shareholders' Equity	**69.716.354**	**18.783.554**	**(10.439.287)**	**78.060.621**
Non Current Liabilities				
Non current financial liabilities	17.341.343	0	0	17.341.343
Staff leaving indemnity and other employee benefits	4.597.422	2.124.630	0	6.722.052
Provisions	0	5.023	0	5.023
Total Non Current Liabilities	**21.938.765**	**2.129.653**	**0**	**24.068.418**
Current Liabilities				
Third party trade payables	2.912.540	2.028.290	2.512	4.943.342
Intercompany trade payables	338.238	1.834.763	(1.867.135)	305.866
Trade payables	3.250.778	3.863.053	(1.864.623)	5.249.208
Derivative instruments evalutated at fair value	21.767	0	0	21.767
Intercompany financial payables	9.886.462	0	(2.890.462)	6.996.000
Other payables	4.058.138	1.368.202	(3.188)	5.423.152
Payables for income taxes	418.724	0	5.838	424.562
Tax consolidation payables	0	2.585.091	(2.585.091)	0
Current provision	1.941.546	0	349	1.941.895
Bank overdraft	5.008.897	1.999	1.102	5.011.998
Current financial payables	4.944.312	0	0	4.944.312
Other financial Debts	1.292.517	0	0	1.292.517
Total Current Liabilities	**30.823.141**	**7.818.345**	**(7.336.075)**	**31.305.411**
Total Liabilities and Shareholders' Equity	**122.478.260**	**28.731.552**	**(17.775.362)**	**133.434.450**

The Company's business structure currently identifies two Business Units: Industrial Applications and Shape Memory Alloys. 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 Company 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 organizational 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.

Please note that, following the acquisition[1] of the majority of the company Metalvuoto S.p.A., an established player in the advanced packaging industry, to ensure information transparency, starting from January 1, 2017, a third Business Unit called "Solutions for Advanced Packaging" will be established next to the "Industrial Applications" and "Shape Memory Alloys" Business Units.

Please note that some revenues and costs of the year 2015 have been reclassified to enable a homogeneous comparison with 2016; in particular:
- the royalties on the licensing of the thin-film getter technology for MEMS of new generation (902 thousand euro) have been reclassified within the consolidated revenues;
- the engineering and industrialization costs of new products (805 thousand euro) have been reclassified and moved from the operating expenses (in particular, research and development expenses) to the cost of sales.

For more details please refer to the Note no. 1 and the paragraph "Reclassification on December. 31, 2015 income statement figures" in the notes to the Group financial statements.

Net sales for the year 2016 amounted to 44,509 thousand euro, increased if compared to 2015 (+ 4.5%, net of the positive effect of exchange rates + 3.3%), thanks to higher sales volumes in some sectors of the Industrial Applications, in particular that of the Sensors & Detectors, as well as the growth of Business Unit Shape Memory Alloys (SMA) in the sector for industrial applications.

The improved product mix within the Industrial Applications Business Unit is the main reason of the increase in gross profit (equal to 21,066 thousand euro in 2016 compared with 19,557 thousand euro in the previous year), as shown also by the positive trend of the total gross margin (increased during the year from 45.9% to 47.3% for the Company, from 50.3% to 52.3% specifically for the Industrial Applications).

[1] The acquisition was finalized on October 10, 2016.

The gross profit improvement also led to an increase in operating profit for the year, despite the increase of certain items of operating expenses, which was more than offset by the positive performance of the "other net income” (higher recharges of costs to the subsidiaries, due to a review of service fees agreements), also influenced by the release of provisions for legal disputes accrued in 2015 (further details can be found at the Note no. 26).
The year 2016 recorded an **operating loss** of -4,688 thousand euro (compared to -7,012 thousand euro last year).

EBITDA for the year was negative at -462 thousand euro compared to a negative amount of -2,410 thousand euro in 2015.
Excluding the above mentioned release of the provision for legal disputes, the **adjusted EBITDA** for 2016 would have amounted to -1,151 thousand euro, anyway improving if compared to the adjusted figure of the previous year.

Dividends, net financial income, net exchange rate gains and write-downs of investment in subsidiaries amounted to 10,852 thousand euro in 2016, in decrease compared to 16,778 thousand euro of the previous year: despite having received higher dividends from subsidiaries (22,507 thousand euro in 2016 compared with 18,795 thousand euro in 2015), the Company has made higher write-downs of investments and financial receivables from subsidiaries for approximately 9.3 million euro, mainly with regard to the subsidiary SAES Nitinol Srl (Please refer for more details to the Notes n. 10 and n. 14).

The year 2016 closes with a **pre-tax profit** of 6,165 thousand euro, compared to 9,766 thousand euro last year.

Taxes for the year 2016 show a total balance near to zero - cost for -367 euros - which was also positively influenced by the release of the provision for tax risks of 500 thousand euro accrued in 2014 (see Note no. 26), and that is compared with a 2015 negative balance of -3,157 thousand euro, which in turn included a negative adjustment (1,563 thousand euro), related to the recalculation of deferred tax assets of the Company, applying the new IRES 24% rate, which will come into force starting from fiscal year 2017. Please refer to Note no. 11 for details.

Net income for 2016 was 6,164 thousand euro, compared with a profit of 6,610 thousand euro in 2015.

The Net Financial Position at 31 December 2016 shows a negative balance of -30,139 thousand euro, in decrease compared to a negative balance of -23, 431 thousand euro at 31 December 2015. The balance at December 31, 2016 includes a provision for bad financial credit of 8,380 thousand euro from the subsidiary SAES Nitinol Srl, to allow for the waiver of such credit approved by the Company with the aim of covering losses of the subsidiary.
Net of this provision, the net financial position would have amounted to -21,759 thousand euro, therefore improved compared to December 31, 2015, as the net movements of the operational and financial management would have allowed the funding of equity investments (refer to details with respect to relevant events of 2016) and the cash out for the dividend payment.

Relevant events occurred in 2016

On January 12, 2016 SAES Getters S.p.A. granted a loan to the joint venture SAES RIAL Vacuum srl for 49 thousand euro, with the aim of supporting from a financial perspective the newly created company. The loan does not have a default expiration date, but, according to the agreement in place, provides for a flexible repayment, to be carried out after a formal request of SAES Getters SpA, and it is bearing interest indexed to the Euribor three-month rate, plus a 2.50% spread, which will be paid by the joint venture on an annual basis.

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%[2] of its share capital

On February 26, 2016 SAES Getters S.p.A. acquired the remaining 4% of the share capital of E.T.C. S.r.l. from the minority shareholder, for a consideration of 0,2 million euro. Following such acquisition, 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 Company.

On March 29, 2016 SAES Getters S.p.A. entered into an IRS (interest rate swaps) agreement on long-term loan obtained from Unicredit S.p.A. at the end of 2014.
This agreement, whose amortization schedule and maturing date are aligned with those of the hedged loan, includes the three-months Euribor exchange (either positive or negative) with a fixed rate of 0.0%. For the three-months negative Euribor, a floor equal to -2.25% is provided by the contract (coinciding with the spread of the loan).

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 1,3 million USD, which were paid by SAES Getters USA, Inc. to the other party on September 13, 2016.
Following up this agreement, the Company released the provision for legal disputes, accrued in 2015 and amounting to 689 thousand euro (750 thousand dollars at the exchange rate of 2015 financial statement).

Following the decease of Dr Pier Francesco Sportoletti**,** occurred in October 2016, Dr Angelo Rivolta (formerly Minority Deputy Statutory Auditor) is the new Chairman of the Board of Statutory Auditors, according to the Company's By-Laws.

On October 10, 2016 SAES Getters S.p.A., following the agreement signed on July, 29, 2016, acquired from Mirante S.r.l. a 70% 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 metalized and innovative plastic films for food preservation. Thanks to this acquisition, SAES, that already cooperated with

[2] 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, without any change in the corporate governance.

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, through the development of high performance active plastics, characterized by transparency, biocompatibility and a reduced environmental impact.
SAES Getters S.p.A. acquired 70% of Metalvuoto S.p.A. for a price based on a multiple of the EBITDA, adjusted according to predefined financial parameters (including the net financial position and the value of the finished goods inventory), equal to around 5.1 million euro.
A *put* and *call* option between the shareholders have been provided, to be exercised starting from the twelfth month and within eighteen months from the date of the closing, for the acquisition of the remaining 30% of the share capital of Metalvuoto by SAES, for a predetermined price, calculated with a similar method as for the 70% first purchase. In case the option is not exercised within the agreed terms, SAES is committed to acquire the remaining 30% of the share capital of the company within twenty-four months.
As set out in the shareholders' agreements that govern the relationship between the parties of the company in its new shareholding structure, the new Board of Directors of Metalvuoto S.p.A is composed by three members, two of which nominated by the controlling company SAES, including the Managing Director; the minority shareholder, Mirante S.r.l., is represented by the third member, the Chairman of the Board itself, namely the founder Eng. Giovanni Ronchi.

On November 15, 2016 the corporate merger of the wholly owned subsidiary SAES Advanced Technologies S.p.A. into SAES Getters S.p.A was implemented, through the completion, signature and filing of the merger agreement in the Italian Business Register, by the two companies participating into the merger.
The merger produced its legal effects starting from December 31, 2016. For fiscal and accounting purposes only, the merger operation had been backdated at January 1, 2016.

According to OPI 2 Revised, the merger, which has nature of restructuring and not of acquisition, has been carried out according to the principle of continuity of values, giving relevance to the earlier control relationship between SAES Getters S.p.A. and SAES Advanced Technologies S.p.A. Therefore, entry into SAES Getters S.p.A financial statement. of assets and liabilities arising from SAES Advanced Technologies S.p.A. did not result in higher current values of such assets compared to those in the financial statements of the subsidiary nor in any goodwill. Following up this transaction a merger surplus reserve (share gains) amounted to 8.965 thousand euro was recognized in equity, consisting of the share of surplus emerging from the merger by incorporation of SAES Advanced Technologies S.p.A. into SAES Getters S.p.A. not allocated to other reserves. In addition, although their effect was not significant, the elimination of the higher values resulting from the supply of goods carried out before the merger was performed.

The transaction aims at optimizing the Group's industrial policy, as part of an aggregating process aimed at improving and integrating the Group's Italian manufacturing factories, simplifying their industrial 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.

On December 21, 2016, SAES Getters S.p.A. signed a new loan agreement with Intesa Sanpaolo S.p.A., for a total amount of 10 million euro, with a duration of 6 years (expiring on December 21, 2022). The contract provides for an initial 12-month grace period, during which only the interest on the loan will be paid. The contract provides for the repayment of fixed principal amounts on a six-month basis and interests indexed to the six-month Euribor, plus a spread equal to 1.2%.
The loan provides for the activation of financial covenants that are standard for this type of transactions, calculated annually on consolidated economic and financial figures.

On December 22, 2016, SAES Getters S.p.A. signed a new loan agreement with Banco BPM, for a total amount of 5 million euro, with a duration of 5 years (expiring on December 31, 2021). The contract provides for an initial grace period lasting around 9 months, during which only the interest on the loan will be paid. The reimbursement is agreed through variable quarterly principal amounts and interests indexed to the three-month Euribor, plus a spread equal to 1%. The loan does not include any financial covenant.

Research, Development and Innovation activities

Research and development expenses amounted to 8,047 thousand euro in 2016, slightly increasing (+2.2%) as compared to prior year.

2016 saw the organic materials laboratory strongly committed in the activity of identification of new application areas for the technology of functional polymers, namely polymers in which micro or nano structured powders of active materials are dispersed in a controlled way, mainly composed of zeolites, suitably treated with functionalization technologies developed over the years and protected by patents.

This technology was developed for its application in new generation OLED displays, with the function of protecting the delicate organic layers that constitute the screen from the water that penetrates through the joints, in the case of displays that are encapsulated through two glass sheets glued each other at the edges. The OLED technology has not yet fully established itself in the television market, because of its high costs; despite this, its development proceeds in a very intense way, with the aim of producing flexible OLED screens, or even that can be rolled up, which would open new application fields, such as that of the wearable display or the development of electronic devices, very compact but with large displays, that can be rolled up or folded. This objective can be achieved by using plastic materials instead of the glass currently used and implementing fully flexible electrical circuits; however, both solutions are very complex and require considerable research efforts, but they represent excellent opportunities for SAES. In fact, the plastic is full of defects, namely micro channels that allow the passage, although in very small quantities, of atmospheric gases (among which oxygen and water) that are extremely harmful to the organic material layers that constitute the screen. The problem can be solved in two ways: either by producing plastic without defects, that means "plugging" the holes of the plastic, or by inserting inside the screen one layer of organic material, fully compatible with those that constitute the screen itself, with the function of absorbing the gaseous substances that permeate it.
The products developed by SAES in the last few years carry out exactly this function and will be used with the development of the flexible OLEDs, given that the solution to make plastics little permeable is very expensive.

The delay in the market development of OLEDs has prompted us to seek other application fields, as we always do when we have a new technology and product platform. The study, which already started in 2015, was completed in 2016 and allowed to verify the potential of the technology of functional polymers in the advanced packaging industry. In particular, we have identified the innovative film coating technique, that means the deposition of lacquers on the surface of the plastic film, as a very promising one for our products. The deposition of lacquers on the surface of plastic films allows to modify the characteristics of the plastic to improve its performance in terms of gas barrier properties or to make it active in respect of the latter. The packaging market is moving along two directions: more and more ecological materials (compostable and recyclable ones), for example by removing the multi-layer materials, and advanced packaging solutions able to control the gases present in the package, in order to preserve its content longer (active packaging). Our products have been conveniently adjusted to better meet the cost needs of the end application and some new features, in addition to the gas absorption, have been added to meet the market needs. This work was done in collaboration with a company very active in this area since several years, Metalvuoto S.p.A., a leading company in the metallization of plastic films, through a vacuum deposition of thin layers of aluminum, films used in the production of multiple layers to obtain waterproof plastics. In the last few years, Metalvuoto S.p.A. has been investing in the technology of lacquers deposition on plastic films, the coating film technology, and has developed significant expertise and cutting-edge equipment, as well as some lacquers developed in collaboration with the Politecnico of Milan. As part of this collaboration we have been able to verify the applicability and economic compatibility of our functional polymers, in the form of lacquers, for the production of functionalized films. The collaboration has immediately highlighted the great benefits of combining the expertise developed by the two companies and was then transformed into an increasingly close partnership, that led to the acquisition of a majority stake in Metalvuoto S.p.A. by SAES. This acquisition will enable the Company to better exploit the competitive advantages of the functional polymers technology and to quickly offer highly innovative products in the market, leveraging on the technological expertise and on the commercial network of Metalvuoto S.p.A.

A second big opportunity in the organic materials sector has matured during 2016. For some years the Group had a structured collaboration with a very innovative startup, Polyera, Inc., based in Chicago, a spin-off of the Northwestern University specialized in the development of active organic materials for the production of displays. Also in this case the synergies between the two companies were very clear and this has led to the creation of a new corporate vehicle, Flexterra, Inc., in which the skills and the portfolio of patents of the two companies were brought together. The new company will be focused in the next few months to develop, in the context of an important cooperation with an end user, organic materials for the production of OTFTs (Organic Thin Film Transistors), namely flexible devices that will be used to operate the future flexible electrophoretic displays.

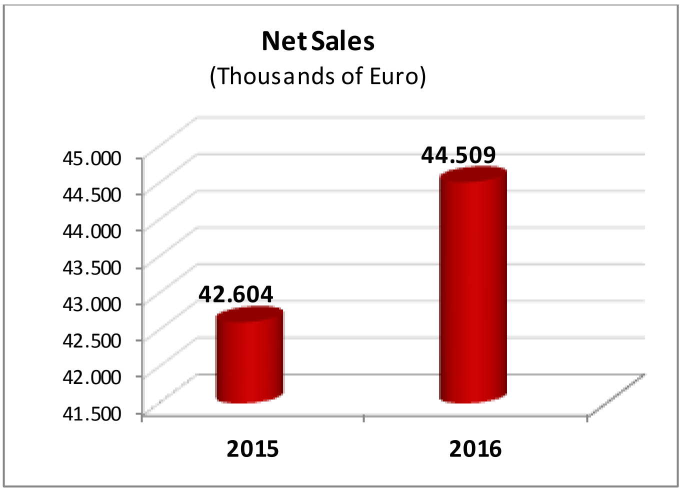
The Company laboratory has successfully continued its basic research activities in the field of Shape Memory Alloys regarding new alloys formulations and the improvement of the existing production processes, to support applications in both the medical segment and in the industrial one. The research activities were focused on the development of new formulations that will allow to raise the transformation temperature of the alloys up to about 200°C. A material able to operate at temperatures significantly higher than the current ones (the limit is about 100°C) would open the way to important new applications in the automotive field. Another important business is the one that sees the laboratory engaged in developing new production processes of shape memory alloys, with the aim of getting processes “targeted” to the final applications, that means large volumes for the medical sector and small volumes for the industrial one.

Research and innovation activities in other areas of the Company continued along the direction already shown in the 2016 half-year report.

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.

Sales and results for the year 2016

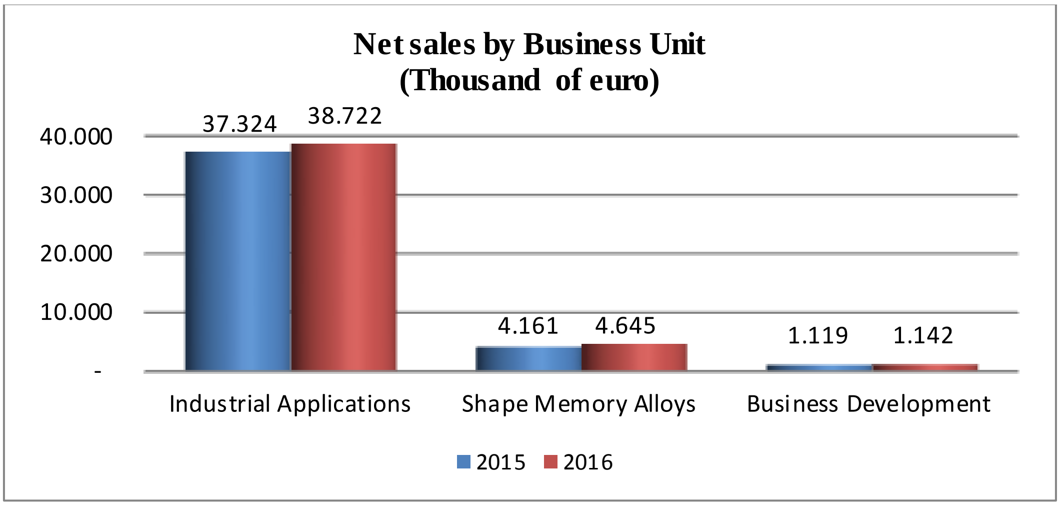
Net sales for the year 2016 amounted to 44,509 thousand euro, with an increase (+ 4.5%) compared to 42,604 thousand euro in the previous year. Excluding the exchange rate effect, positive + 1.2%, organic growth amounted to + 3.3%, thanks to the results of some of the Industrial Applications segments, in particular the one of the Sensors & Detectors, and to the improvement of sales in the Shape Memory Alloys (SMA) Business Unit in the industrial applications sector.



The following table shows the 2016 turnover and the one of the previous year. With reference to 2015, the table includes both approved data and Pro-forma data, for which reference should be made to what previously stated. The data are displayed for each business sector and the related difference, calculated both in absolute value and percentage always compared to Pro-forma data, has been divided into the component attributable to the exchange rate effect and in that due to the volume effect:

(thousands of euro)

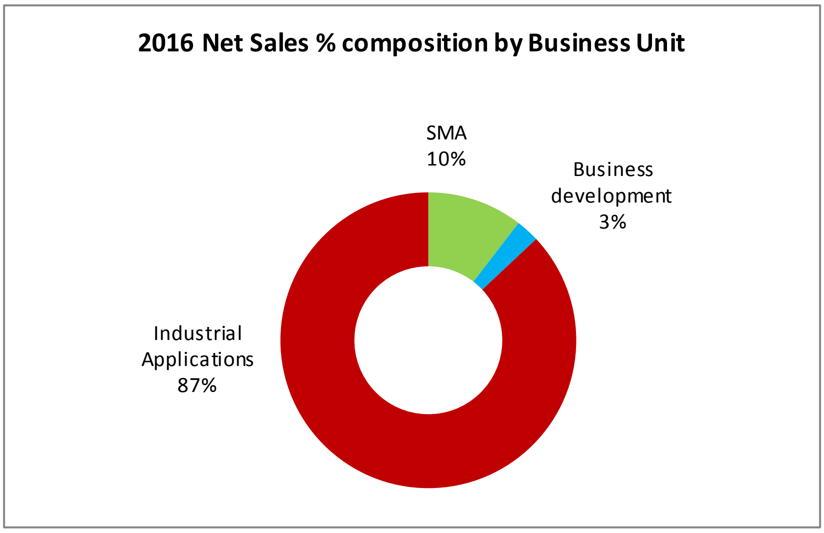
Business Unit	2016	2015	2015 Pro-forma	Total Difference	Total difference %	Exchange rate effect %	Price/quantity effect %
Electronic & Photonic devices	5.287	48	4.902	385	7,9%	1,8%	6,1%
Sensors & Detectors	11.295	3.845	7.936	3.359	42,3%	0,4%	41,9%
Light Sources	7.300	0	8.735	(1.435)	-16,4%	1,5%	-17,9%
Vacuum Systems	7.911	375	7.685	226	2,9%	1,1%	1,9%
Thermal Insulation	5.136	83	5.815	(679)	-11,7%	2,9%	-14,6%
Pure gas Handling	1.793	273	2.251	(458)	-20,3%	0,3%	-20,6%
Subtotale Industrial Applications	**38.722**	**4.624**	**37.324**	**1.398**	**3,7%**	**1,4%**	**2,3%**
SMA Medical Applications	1	6	6	(5)	-77,8%		-77,8%
SMA Industrial Applications	4.644	4.155	4.155	489	11,8%	0,1%	11,7%
Subtotale Shape Memory Alloys	**4.645**	**4.161**	**4.161**	**484**	**11,6%**	**0,1%**	**11,5%**
Business Development	**1.142**	**605**	**1.119**	**23**	**2,1%**	**0,9%**	**1,2%**
Total Net Sales	**44.509**	**9.390**	**42.604**	**1.905**	**4,5%**	**1,2%**	**3,3%**



The turnover of the **Industrial Applications Business Unit** amounted to 38,722 thousand euro, with an increase of + 3.7% (+ 2.3% at constant exchange rates) compared to 2015. The increase in sales of porous getters, besides the confirmation of the positive trend regarding the volumes of the thin film getter that can be deposited directly on silicon wafers used for the manufacture of sensors for the MEMS market (PageWafer® technology), has led to a significant growth of Sensors & Detectors Business (+41.9 % at constant exchange rates), which was accompanied by a positive trend in the Electronic & Photonic Devices Sector, influenced by the recovery of investments in security and defense: reductions recorded in other businesses were thus more than offset, in particular in Light Sources, (organic decrease of -17.9%), penalized by the technological competition of LEDs on the fluorescent lamps.

The turnover of the **Business Unit Shape Memory Alloys (SMA)** was equal to 4,645 thousand euro, registering an increase (+ 11.6%, including a substantially neutral exchange rate effect, equal to + 0.1%) compared to the previous year. The increase is due both to the higher revenue from the resale of raw materials and semi-finished goods towards the joint venture Actuator Solutions GmbH, and to the increase in sales volumes of the products of the factory in Lainate.
The turnover of the **Business Unit Business Development** amounted to 1,142 thousand euro, stable compared to 1,119 thousand euro in 2015. The sales are mainly concentrated in the business of OLED screens, where the increase in sales of moisture absorbers functional polymers has offset lower sales of dispensers of alkali metals.

The following picture shows the percentage of sales by Business Unit:



The following table shows the breakdown of revenues by geographic area of destination registered in 2016 and 2015, with reference to the approved values and the Pro-forma ones, with indication of changes in this period with respect to these latest data:

(thousands of euro)

Geographical Area	2016	%	2015	%	2015 Pro-forma	%	Total difference	Total difference %
Italy	**1.120**	2,5%	262	2,8%	1.180	2,8%	(60)	-5,1%
Other EU and Europe	**18.854**	42,4%	5.740	61,1%	18.699	43,9%	155	0,8%
North America	**8.028**	18,0%	1.786	19,0%	8.113	19,0%	(85)	-1,1%
Japan	**3.460**	7,8%	87	0,9%	3.285	7,7%	175	5,3%
P. R. of China	**6.639**	14,9%	72	0,8%	5.422	12,7%	1.217	22,4%
South Korea	**796**	1,8%	131	1,4%	710	1,7%	86	12,2%
Taiwan	**1.445**	3,2%	1.053	11,2%	964	2,3%	481	49,9%
Other Asian	**4.022**	9,0%	255	2,7%	3.986	9,4%	36	0,9%
Other	**145**	0,3%	4	0,0%	245	0,6%	(100)	-40,8%
Total Net Sales	**44.509**	**100,0%**	**9.390**	**100,0%**	**42.604**	**100,0%**	**1.905**	**4,5%**

The following table shows the breakdown by Business Units of the gross profit, with indication of the incidence on revenues, for the years 2016 and 2015, with reference to the approved values and the Pro-forma ones, with changes occurred in the period for some data:

(thousands of euro)

Business Unit	2016	2015	2015 Pro-forma	Difference	Difference %
Industrial Applications	20.252	2.131	18.772	1.480	7,9%
% on Business Unit sales	*52,3%*	*46,1%*	*50,3%*		
Shape Memory Alloys	682	973	954	(272)	-28,6%
% on Business Unit sales	*14,7%*	*23,4%*	*22,9%*		
Business Development & Corporate Costs	132	(665)	(169)	301	178,4%
% on Business Unit sales	*11,6%*	*-109,9%*	*-15,1%*		
Gross Profit	**21.066**	**2.439**	**19.557**	**1.509**	**7,7%**
% on sales	***47,3%***	***26,0%***	***45,9%***		

The **gross operating profit** was positive and amounted to 21,066 thousand euro in 2016 compared to 19,557 thousand euro in the previous year, due to sales growth and to the improvement of the overall product mix. It should be noted that the total gross margin has grown during the year from 45.9% to 47.3%.

In the **Industrial Applications Business Unit**, the greater relative weight of the Sensors & Detectors segment, characterized by products with higher profitability compared to other sectors of the Business Unit, has led to an increase in the average margins (52.3% compared to 50.3%).

The **Shape Memory Alloys Business Unit**, despite revenue growth, recorded a decline in gross profit and gross margin, mainly because of the competitive dynamics of the main market (automotive) of finished goods using SMA Technology, a market characterized by strong competitive pressures, which end up to penalize the suppliers of raw materials and components.

The result of the **Business Development & Corporate Costs Business Unit** is greatly improved, registering a gross operating profit of 132 thousand euro (against a loss of EUR -169 thousand in 2015): this figure still remains in line with the activity of the sector, characterized by development projects and productions on pilot lines, with frequent interaction with the research.

The following table shows the operating loss registered in 2016 and 2015 with reference to approved values and to Pro-forma ones, with changes occurred in the period for some data:

(thousands of euro)

Business Unit	2016	2015	2015 Pro-forma	Difference	Difference %
Industrial Applications	10.826	(2.702)	10.369	457	4,4%
Shape Memory Alloys	(490)	(438)	(438)	(52)	11,8%
Business Development & Corporate Costs	(15.024)	(13.902)	(16.943)	1.919	11,3%
Operating Loss	**(4.688)**	**(17.043)**	**(7.012)**	**2.324**	**33,1%**
% on sales	*-10,5%*	*-181,5%*	*-16,5%*		
Provision for legal disputes (Onondaga Lake)	0	(689)	(689)	689	
Release of provision for legal disputes (Onondaga Lake)	689	0	0	689	
Operating loss adjusted	**(5.377)**	**(16.354)**	**(6.323)**	**946**	**15,0%**
% on sales	*-12,1%*	*-174,2%*	*-14,8%*		

The year 2016 recorded an **operating loss** of -4,688 thousand euro, with an improvement compared to the loss of -7,012 thousand euro last year. The change is in line with the gross profit growth, despite the increase of certain items of the operating expenses, which was more than offset by the positive performance of the "other net income" (more costs recharged to subsidiaries, after a review of service contracts).
As already mentioned, the result is also positively influenced by the release of litigation provisions made in 2015 (we refer for further details to the Note no. 26): a comparison on the basis of adjusted data remains positive anyway.

The **research and development expenses** amounted to 8,047 thousand euro, substantially in line with the previous year (+ 2.2%): the increase in personnel costs due to the need to strengthen some laboratories, was in fact partially offset by a decrease in consulting expenses, as well as by lower costs for the management of intellectual property.
Both **selling expenses**, and even more, **general and administrative expenses** increased, particularly in staff costs – mainly due to wage increases aimed at the recovery of inflation and to the cost of the management bodies. For these items are particularly significant higher accruals for the variable components of salaries and fees, estimated growing, in line with the trend of economic performance. Important Corporate projects managed during the fiscal year have also determined a significant increase in consulting and legal fees.

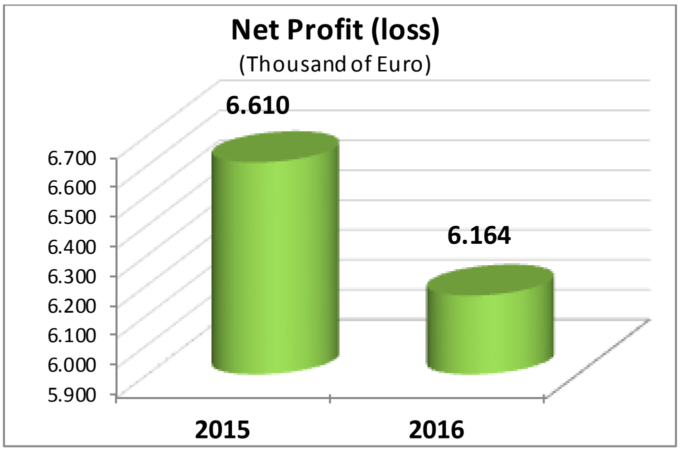
Dividends, net financial income, net exchange gains and write-downs of investments in subsidiaries were totaling 10,852 thousand euro in 2016, showing a decrease compared to 16,778 thousand euro in the previous year: despite having received higher dividends from subsidiaries (22,507 thousand euro in 2016 compared with 18,795 thousand euro in 2015), the Company actually has performed higher write-downs of equity investments and financial receivables from subsidiaries for approximately 9.3 million euro, mainly with regard to the subsidiary SAES Nitinol Srl (Please refer for more details to the Notes n. 10 and n. 14).

The year 2016 closes, therefore, with a **pre-tax profit** of 6,165 thousand euro, compared to 9,766 thousand euro last year.

Taxes for the year 2016 show a total balance near to zero - cost for -367 euros - which was also positively influenced by the release of the provision for tax risks of 500 thousand euro accrued in 2014 (see Note no. 26), and that is compared with a 2015 negative balance of -3,157 thousand euro, which in turn included a negative adjustment (1,563 thousand euro), related to the recalculation of deferred tax assets of the Company, applying the new IRES 24% rate, which will come into force starting from fiscal year 2017. Please refer to Note no. 11 for details.
Lastly, the Company, in light of the Group's organizational structure, has prudently decided, as well as other members of the Italian national tax consolidation subsidiaries, to suspend the recognition of deferred tax

assets on tax losses recorded in 2016, in line with what has already happened in previous years. Please refer for further details to the Note no. 11.

The following table shows the net profit (loss):



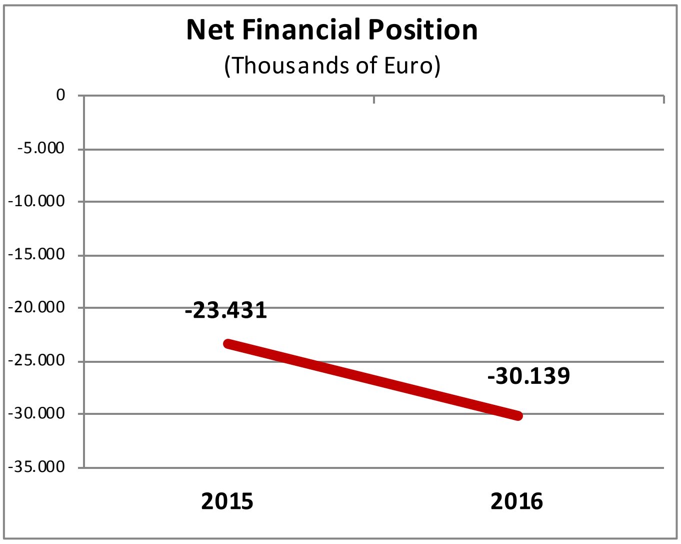
Net income for 2016 was 6,164 thousand euro compared with a profit of 6,610 thousand euro in 2015.
The increase in operating profit and higher dividends received from subsidiaries compared to the previous year were in fact more than offset by write-downs of equity investments and financial receivable.

Net Financial Position – Investments – Other Information

Here below the table that shows the composition of the Net financial position:

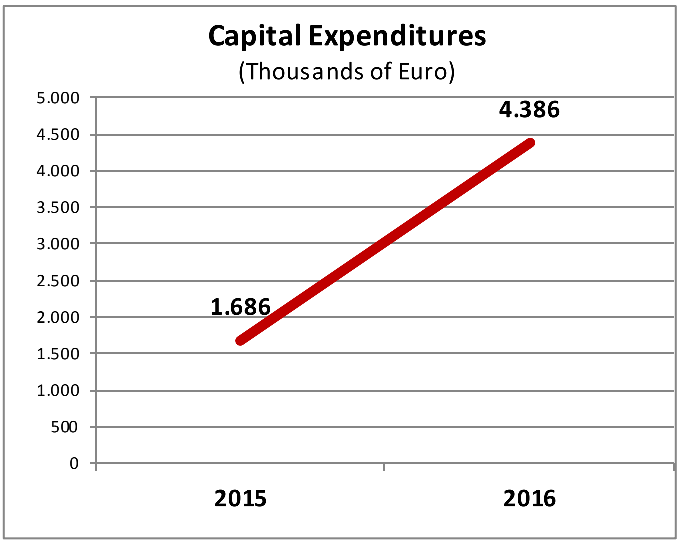
(thousands of euro)

	December 31 2016	December 31 2015	December 31 2015 Pro-forma	Difference
Cash on hand	11	8	14	(3)
Cash equivalents	1.178	3.392	3.392	(2.214)
Total cash and cash equivalents	**1.189**	**3.400**	**3.406**	**(2.217)**
Current financial assets*	**8.460**	**8.771**	**8.771**	**(311)**
Bank overdraft	(6.504)	(5.009)	(5.012)	(1.492)
Current portion of long term debt	(5.483)	(4.944)	(4.944)	(539)
Other current financial liabilities*	(937)	(9.908)	(7.018)	6.081
Other financial debt	(8)	(1.293)	(1.293)	1.285
Total current liabilities	**(12.932)**	**(21.154)**	**(18.267)**	**5.335**
Current net financial positions	**(3.283)**	**(8.983)**	**(6.090)**	**2.807**
Long term debt, net of current portion	(26.856)	(17.341)	(17.341)	(9.515)
Total non current liabilities	**(26.856)**	**(17.341)**	**(17.341)**	**(9.515)**
Net financial position	**(30.139)**	**(26.324)**	**(23.431)**	**(6.708)**



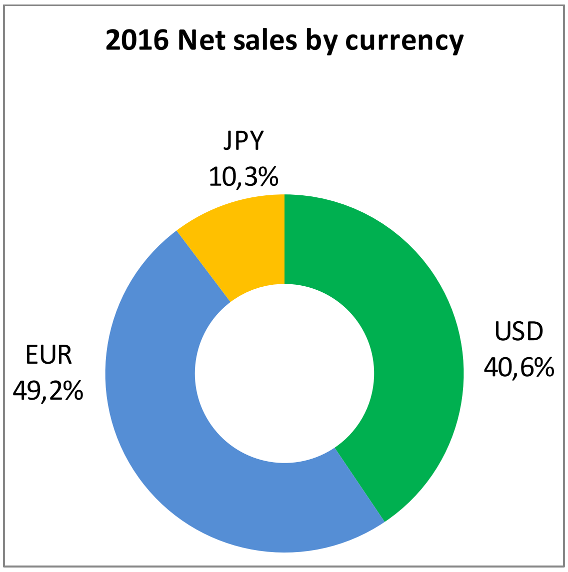
The **Net Financial Position** at 31 December 2016 is negative for -30 139 thousand euro, and includes cash and cash equivalents for an amount of 1,189 thousand euros and net financial debt of 31,328 thousand euro, compared with a negative net financial position of -23,431 thousand euro at 31 December 2015. The balance at December 31, 2016 is affected by a financial bad debt provision amounted to 8,380 thousand euro, booked against the waiver of financial receivable, which took place in 2017 for the same amount, due from the subsidiary SAES Nitinol Srl and carried out in order to cover losses of the subsidiary.

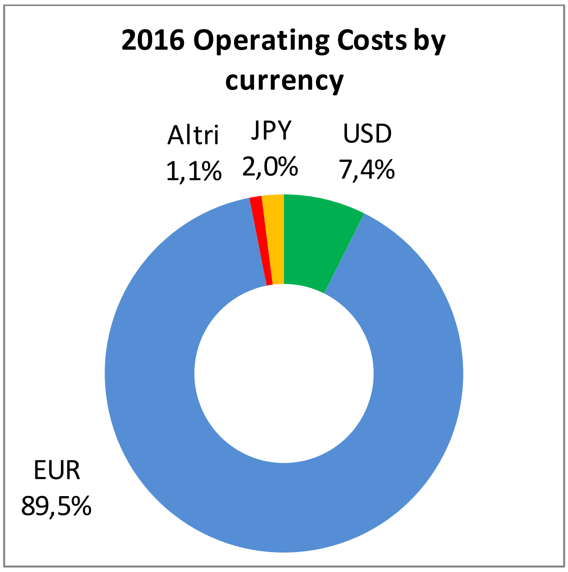
Excluding this provision, the net financial position was of -21,759 thousand euro, and therefore better than the one on December 31, 2015. This improvement is the result of positive operating cash flow, which could allow the sustenance of equity investments (refer to the details regarding the relevant events of 2016), as well as compensate for the outlay due to dividend payments.



In 2016 fiscal year the increases in tangible fixed assets amounted to 4,386 thousand euro, significantly increasing compared to 1,686 thousand euro in 2015: most expenses incurred are due to the installation of a new production line at Avezzano factory and to the purchase of machinery for the expansion of SMA industrial production lines and laboratory instruments for the development of products both in the business of purification, and of vacuum systems at Lainate Plant.

The table below shows the composition of the turnover and costs (cost of goods sold and operating costs) by currency:





Transactions with Group Companies

Transactions with Group companies are identified on the basis of IAS 24 *revised* and article 2359 of the Italian Civil Code. Transactions with subsidiaries continued in 2016. Transactions were undertaken with such counterparties as part of the Company's ordinary operations. They were predominantly commercial in nature and involved the purchase and sale of raw materials, semi-finished goods, finished goods, machinery, tangible assets and services of various kind: interest-bearing cash pooling agreements and loan agreements are in force with several Group companies.

The main transactions with the subsidiaries, associates or joint ventures of the SAES Group were the following:

SAES GETTERS USA, Inc., Colorado Springs, CO (USA)
Getter sales; purchases of finished products; charge-back of centrally managed insurance costs; charge-back of centrally managed audit costs; revenue for charge-back of centralized group services and revenue for the use of SAES "brand" and royalties for the licensing of the *PageLid*® and *PageWafer*® technology. In addition, an interest-bearing cash-pooling agreement is existing.

SAES PURE GAS, Inc., San Luis Obispo, CA (USA)
Revenues on licensing rights for purifier sales; charge-back of centrally managed insurance costs; charge-back of centrally managed audit costs; revenue for charge-back of centralized group services, including the patents management, and the commercial activities support; revenues for the use of "SAES" brand.

SAES SMART MATERIALS, Inc., New Hartford, NY (USA)
Revenues deriving from charge-back of centrally managed insurance costs; revenues on charge-back of centralized group services, including patent management; revenues for the use of "SAES" brand.

SPECTRA-MAT. INC., Watsonville, CA (USA)
Revenues deriving from charge-back of centrally managed insurance costs; charge-back of centrally managed audit costs; revenues on charge-back of centralized group services, including patent management; revenues for the use of "SAES" brand.

MEMRY CORPORATION, Bethel, CT (USA)
Purchase of raw materials; revenues on charge-back of centralized group services; charge-back of centrally managed insurance costs; revenues for the use of "SAES" brand.

SAES GETTERS KOREA Corporation, Seoul (Corea del Sud)
Revenues arising from the charge-back of centrally managed insurance costs; revenues on charge-back of centralized group services; commission expenses related to commercial transactions. In addition, an interest-bearing financing through borrowing is in place.

SAES GETTERS (NANJING) CO., LTD. – Nanjing (Repubblica Popolare Cinese)
Revenues on charge-back of centralized group services; charge-back of centrally managed insurance costs.

MEMRY GmbH, Weil am Rhein (Germania) (ex Dr.-Ing Mertmann Memory-Metalle GmbH)
Purchases of raw materials; charge-back of centralized group services. In addition, an interest-bearing financing through borrowing is in place.

SAES GETTERS INTERNATIONAL LUXEMBOURG S.A., Luxembourg (Lussemburgo)
An interest-bearing loan agreement is existing. The Company also received a mandate conferred for the management of derivative transactions for hedging on the Korean Won currency.

E.T.C. S.r.l., Lainate (Italia)
Revenues on charge-back of general and administrative services, including management of patents. In addition, an interest-bearing cash-pooling agreement is in place. The Company has leased to the subsidiary some specific equipment for research and development projects. We highlight that on September 30, 2015, the option to join a new tax consolidation program between SAES Getters S.p.A., SAES Advanced Technologies S.p.A., E.T.C. S.r.l. and SAES Nitinol S.r.l., with the Parent Company as consolidator, was exercised. This new tax consolidation has been valid starting from January 1, 2015.

SAES Nitinol S.r.l. – Lainate (Italia)
An interest-bearing cash-pooling agreement is existing with the Company.
We highlight that on September 30, 2015, the option to join a new tax consolidation program between SAES Getters S.p.A., SAES Advanced Technologies S.p.A., E.T.C. S.r.l. and SAES Nitinol S.r.l., with the Parent Company as consolidator, was exercised. This new tax consolidation has been valid starting from January 1, 2015.

METALVUOTO S.p.A. – Roncello, MB (Italia)
Revenues on charge-back of general and administrative services.

SAES GETTERS EXPORT CORP. – Wilmington, DE (USA)
No transactions.

To clarify what above, it should be noted that the Company has entered into agreements for the provision of commercial, technical, information technology, legal, and financial services and the study of specific projects with the following subsidiaries: E.T.C. S.r.l., MEMRY GmbH, SAES Getters USA, Inc., SAES Pure Gas, Inc., SAES Getters Korea Corporation, SAES Getters (Nanjing) Co., Ltd., Spectra-Mat, Inc., SAES Smart Materials, Inc., Memry Corporation.

The Company manages and coordinates E.T.C. S.r.l., Metalvuoto S.p.A. and SAES Nitinol S.r.l., pursuant to Article 2497 et seq. of the Italian Civil Code.

The Company provides bank guarantees to its subsidiaries, as described in the note concerning contingent liabilities and commitments.

Comments on the most significant transactions carried out during 2016 are given in the Explanatory Notes, as part of the analysis on the composition of the individual items of the Financial Statements.

Financial transactions with the subsidiaries, associates or joint ventures of the SAES Getters Group are summarized below:

(thousands of euro)

Legal Entity	Reiceivables 2016	Payables 2016	Revenues 2016	Expenses 2016	Memorandum accounts 2016 *
S.G.G. Holding SpA	272				
SAES Getters USA, Inc.	2.976	0	6.441	863	4.000
SAES Pure Gas, Inc.	2.295	63	4.290	156	0
Spectra-Mat, Inc.	60	0	106	0	0
SAES Getters Export, Corp	0	0	0	0	0
SAES Smart Materials, Inc.	65	158	148	868	0
Memry Corporation	129	65	410	172	8.348
SAES Getters Korea Corporation	168	572	726	25	0
SAES Getters (Nanjing) Co.Ltd.	731	34	3.226	154	0
Memry GmbH	675	5	188	113	0
SAES Getters International S.A.	380	138	1	138	0
E.T.C. S.r.l.	1.693	297	1.388	1	7
SAES Nitinol S.r.l.	5.793	0	273	0	0
Metalvuoto S.p.A.	3	0	3	0	0
SAES RIAL Vacuum S.r.l.	123	(8)	61	(53)	312
Actuator Solutions GmbH	272	0	1.908	0	3.124
Actuator Solutions Taiwan Co., Ltd	70	0	93	0	0
Total	**15.705**	**1.324**	**19.262**	**2.437**	**15.791**

*includes guarantees issued by SAES Getters S.p.A.

With reference to IAS 24 *revised*, the following Related Parties other than subsidiaries, associates or joint ventures are identified:

- S.G.G. Holding S.p.A., the controlling company. It is the Company's majority shareholder. As of the reporting date, it helds 6,638,023 ordinary shares, representing 45.244% of ordinary capital with voting rights.
As regards the majority interest held by S.G.G. Holding S.p.A., we highlight that said company does not manage or coordinate SAES Getters S.p.A. pursuant to Article 2497 of the Italian Civil Code. On the basis of the assessments conducted by the Board of Directors, it was determined that S.G.G. Holding S.p.A. does not play any role in defining the annual budget, long-term strategic plans or investment choices, does not approve specific significant transactions undertaken by the Company and its subsidiaries (acquisitions, disposals, investments, etc.) and does not coordinate business initiatives and actions in the sectors in which the Company and its subsidiaries act. Furthermore, SAES Getters S.p.A. is entirely independent in its organization and decision-making and acts in an independent negotiating capacity in its dealings with customers and suppliers.
It should further be noted that, pursuant to article 2428, paragraphs 3 and 4, of the Italian Civil Code, the Company does not own shares of the controlling company, either directly or through trusts or intermediaries. During 2016, no transactions were undertaken involving the purchase or sale of shares of the controlling company.

Please note that on May 27, 2015, the tax consolidation among SAES Getters S.p.A., SAES Advanced Technologies S.p.A. (subsequently merged into SAES Getters 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 consolidator, was interrupted with effect from January 1, 2015, following a reduction in the percentage of participation of S.G.G. Holding S.p.A. in SAES Getters S.p.A. below 50%, which resulted in the loss of control under the legislation on the national tax consolidation.
The Company recorded a net credit towards S.G.G. Holding S.p.A. related to the request of refund of the excess Ires (Income Tax) paid by the merged company SAES Advanced Technologies S.p.A. in previous

years: the request was filed by S.G.G. Holding S.p.A. as consolidator for the abovementioned national tax consolidation in place until December 31, 2014.

- **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.
- **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.
- **Actuator Solutions (Shenzhen) Co., Ltd.**, company established at the end of September 2016, wholly owned by Actuator Solutions GmbH for the technology development and the sale of actuators for the mobile market. Please note that as December 31, 2016 the new company was not operating.

The economics and financial transactions with Actuator Solutions GmbH and its subsidiary Actuator Solutions Taiwan Co., Ltd include income from the sale of semi-finished goods; an agreement for charge-back of commercial services, research, development and administrative costs is in place.

- **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 creating 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 Company 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 the Company 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. 19).

- **Flexterra, Inc.**, *joint venture* of SAES Getters International Luxembourg S.A. based in Skokie (USA), established at the end of 2016 for the production and the commercialization of materials and devices used in flexible displays. Please note that as December 31, 2016 the company Flexterra, Inc. was not operating yet.

- **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.

- **Mirante S.r.l.**, a minority shareholder of SAES Getters S.p.A. in Metalvuoto S.p.A., with a percentage of the share capital of 30%. As for December 31, 2016, the company has no relationship with the related party.

- **Metalvuoto Lux S.r.l.**, a company wholly owned by Mirante S.r.l.
As for December 31, 2016, the company has no relationship with the related party.

- **Metalvuoto Polska Sp. Z.o.o.**, a company 60% owned by Mirante S.r.l.
As for December 31, 2016, the company has no relationship with the related party.

- **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[3].
Their close relatives are also considered related parties.

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[3] 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.

The following table shows the total values of the related party transactions undertaken in 2016 and 2015:

(thousands of euro)

December, 31 2016	Net sales	Cost of goods sold	Research and development expenses	General and administrative expenses	Expense recharge: Spese di ricerca e sviluppo	Expense recharge: Selling expenses	Expense recharge: General and administrative expenses	Other income (expenses)	Financial Income (expenses)	Trade receivables	Trade payable	Tax consolidation receivables from Parent Company	Tax consolidation payables from Parent Company	Financial receivable Intercompany
S.G.G. Holding S.p.A.												272		
SAES RIAL Vacuum S.r.l.	0	51	2			53	8	0	1	73	8	0	0	50
Actuator Solutions GmbH	1.454	0			318	89	28	20	0	272	0	0	0	0
Actuator Solutions Taiwan Co., Ltd	93	0			0	0	0	0	0	70	0	0	0	0
Totale	**1.547**	**51**	**2**	**0**	**318**	**141**	**35**	**20**	**1**	**415**	**8**	**272**	**0**	**50**

(thousands of euro)

December 2015 Pro-forma	Net sales	Cost of goods sold	Research and development expenses	General and administrative expenses	Expense recharge: Spese di ricerca e sviluppo	Expense recharge: Selling expenses	Expense recharge: General and administrative expenses	Other income (expenses)	Financial Income (expenses)	Trade receivables	Trade payable	Tax consolidation receivables from Parent Company	Tax consolidation payables from Parent Company	Financial receivable Intercompany
S.G.G. Holding S.p.A.												272		
Actuator Solutions GmbH	1.275	0			153	172	28	0	0	233	0	0	0	0
Actuator Solutions Taiwan Co., Ltd.	0	0		7	0	0		0	0	0	3	0	0	0
Totale	**1.275**	**0**	**0**	**7**	**153**	**172**	**28**	**0**	**0**	**233**	**3**	**272**	**0**	**0**

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

(thousands of euro)	Fiscal Year 2016	Fiscal Year 2015	Fyscal Year 2015 pro-forma
Short term employee benefits	3.812	3.102	3.102
Post employment benefits	0	0	0
Other long term benefits	743	490	490
Termination benefits	720	503	503
Payments in shares	0	0	0
Other benefits	0	0	0
Total remuneration provided to managers with strategic responsibilities	**5.275**	**4.095**	**4.095**

As at December 31, 2016 payables to Managers with Strategic Responsibilities, as defined above, were equal to 4,364 thousand euro, to be compared with payables of 3,085 thousand euro as at December 31, 2015.

According to Consob notices of February 20, 1997 and February 28, 1998 and IAS 24 revised, we highlight that also in 2016 all related party transactions were performed within the Company's ordinary operations and at arm's-length conditions

Other Information related to the Company

For information related to the performance of subsidiaries, reference is made to the Consolidated Financial Statement and to the "Summary of main data of subsidiaries' Financial Statements".

The Company has two branch offices, one in Taoyuan City (Taiwan) and one in Tokyo (Japan).

The disclosures concerning ownership structure required under paragraph 1 of article 123-*bis* of Italian Legislative Decree No. 58/98 (Consolidated Finance Act) are provided in the Company's Corporate Governance Report, which is included in the financial statement package and has been published in the Corporate Documentation area of the Investor Relations section of the Company's website, www.saesgroup.com.

Going concern

The financial statements have been prepared on an ongoing concern basis because, despite a difficult economic and financial environment, we believe that there aren't any significant uncertainties (as defined in paragraph no. 25 of IAS 1 - *Presentation of Financial Statements*) surrounding the business continuity. This context, as previously highlighted in the paragraphs related to the risks to which the Company is subject, can

be only partially influenced by the Management of the Company, being it mainly the result of external variables.
Based on the best estimates available to date, the Company has approved a three-years business plan that includes the strategies envisaged by the Company's Management in order to succeed in achieving the defined business goals in this difficult economic environment. These strategies, that include also an increase in the production activities undertaken in Italy, will allow the full recovery of the corporate activities and, in particular, of the deferred tax assets recognized in the balance sheet.

Subsequent events

On March 10, 2017, the Board of Directors of Metalvuoto S.p.A. approved to propose to the shareholders SAES Getters S.p.A. and Mirante S.r.l. a payment of 302 thousand euro in favor of Metalvuoto S.p.A., to cover the loss related to the fiscal year 2016[4], as well as the reconstitution of a share capital equal to 100 thousand euro, fully eroded by such loss. The payment will be made by each shareholder, in proportion of its equity share.

On March 15, 2017 SAES Getters S.p.A. approved a payment in favor of E.T.C. S.r.l. of 768 thousand euro, equal to the difference between the total loss (-2,218 thousand euro[5]) recorded by E.T.C. S.r.l. in 2016 and the one estimated for the same year at the beginning of 2016 (-1,450 thousand euro) and already covered by the payment made by the Company on March 14, 2016.
At the same time, the Company provided for a further capital contribution equal to 1,450 thousand euro, to cover the expected losses for the year 2017.

On March 15, 2017 SAES Getters S.p.A. approved the partial waiver of the financial receivable claimed by the same towards SAES Nitinol S.r.l. for an amount of 8,380 thousand euro in favor of SAES Nitinol S.r.l., equal to the difference between the total loss (-8,520 thousand euro) recorded by SAES Nitinol S.r.l. in 2016 and the one estimated for the same year at the beginning of 2016 (-140 thousand euro) and already covered by the payment made by the Company on March 14, 2016.
At the same time, the Company provided for a further capital contribution in cash equal to 140 thousand euro in favor to SAES Nitinol S.r.l., to cover possible future losses.

[4] The loss related to the full year 2016, resulting from the financial statements written according to National Accounting Principles, is equal to -1,920 thousand euro.
[5] According to the National Accounting Principles.

Proposal of approval of the Financial Statements and of dividend distribution

Dear Shareholders,

We hereby submit the following proposed resolution for your approval:

"The Ordinary Shareholders' Meeting,

- having examined the figures of the Financial Statements of SAES Getters S.p.A. at December 31 2016, together with the Management Report of the Board of Directors, the Report of the Board of Statutory Auditors, the Report of the Auditing Firm as well as the other documents required by law;

- having noticed that the legal reserve has reached 20% of the share capital;

- having taken note of the results of the year ended on December 31, 2016, given the high capital base of the Company;

Resolves the following:

- to approve the Financial Statements of SAES Getters S.p.A. at December 31, 2016, which report a net income of 6,164,222.40 euro;

to entirely distribute the net income of the year, net of unrealized exchange rate gains pursuant to art. 2426 c. 8-bis of the Italian Civil Code, for a total amount of 6,152,000.39 euro, subject to rounding, and therefore attributing to the satisfaction of the rights of the savings shares and of the ordinary shares, pursuant to Article 26 of the By-laws: (i) a dividend of 0.290065 euro per savings share, including recognition of the full preferred dividend for the year 2016, equal to 0.138549 euro, and (ii) a dividend of 0.273439 euro per ordinary share, giving notice that in this way the rule of the minimum increase of 3% of the implied book value to which savings shares are entitled to compared to ordinary shares has been respected;

- to distribute a portion of the available reserve "Retained earnings" equal to 6,098,161.48 euro, in equal measure to the ordinary shares and savings shares, giving a dividend of 0.276561 euro per savings share and per ordinary share;

			euro
Net income for the period			**6,164,222.40**
(Net exchange gains - unrealised and undistributable)			(12,222.01)
Utile netto di esercizio distribuibile			**6,152,000.39**
From distributable Net income:			
To savings shares only, pursuant to art. 26 of the By-laws			
- euro	0.290065	(including the increase of euro 0.016626 and of euro 0.138549 as full recognition of preferred dividend for the year 2016) for each	
n.	7,378,619	savings shares	2,140,279.12
To ordinary shares only pursuant to art. 26 of the By-laws			
- euro	0.260173	for each	
n.	14,671,350	ordinary shares	4,011,719.27
- euro		roundings	2.00
			6,152,000.39
From Retained earnings:			
in equal measure to ordinary shares and savings shares			
- euro	0.276561	for each	
n.	7,378,619	savings shares	2,040,638.25
- euro	0.276561	for each	
n.	14,671,350	ordinary shares	4,057,523.23
			6,098,161.48
For a total dividend of:			
- euro	0.566626	for each	
n.	7,378,619	savings shares	4,180,917.37
- euro	0.550000	for each	
n.	14,671,350	ordinary shares	8,069,242.50
For a total maximum distribution of euro:			**12,250,159.87**

- to pay such amounts in favor of the entitled ordinary shares and savings shares that will be outstanding at the date of May 3, 2017 (Record date) with effect from May 4, 2017, with the detachment of the coupon no. 33; the share will trade ex-dividend starting from May 2, 2017;

- to allocate any rounding in the payment to the Retained earnings reserve;

- to grant the Chairman, the Vice Chairman and the Chief Executive Officer separately, all the powers necessary for the implementation of this resolution".

Lainate (MI), March 15, 2017

per the Board of Directors

Dr Eng. Massimo della Porta
Chairman

Separate financial statements of the SAES Getters S.p.A.
for the year ended December 31, 2016

Statement of Profit and Loss

(euro)	Notes	2016	2015
Third party net sales		33.272.305	7.807.984
Intercompany net sales		11.236.396	1.582.585
Total net sales	4	**44.508.701**	**9.390.569**
Third party cost of sales		(21.537.898)	(5.538.489)
Intercompany cost of sales		(1.904.365)	(1.413.344)
Total cost of sales	5	(23.442.263)	(6.951.833)
Gross profit		**21.066.438**	**2.438.736**
Research & development expenses	6	(8.047.270)	(7.291.924)
Selling expenses	6	(5.583.098)	(4.658.574)
General & administrative expenses	6	(17.056.804)	(12.757.643)
Total operating expenses		**(30.687.172)**	**(24.708.141)**
Royalties Intercompany		1.120.105	1.565.193
Other third party income (expenses), net		186.519	(885.822)
Other intercompany income (expenses), net		3.626.227	4.547.183
Total other income (expenses), net	7	**4.932.851**	**5.226.553**
Operating income (loss)		**(4.687.883)**	**(17.042.852)**
Dividends	8	22.506.846	24.295.297
Third party financial income		52.325	33.529
Intercompany financial income		310.995	299.446
Total financial income	8	363.320	332.975
Third party financial expenses		(873.603)	(1.124.219)
Intercompany financial expenses		(130.361)	(222.787)
Total financial expenses	8	(1.003.964)	(1.347.006)
Foreign exchange gains (losses), net	9	(169.694)	1.173.001
Write down of intercompany investments	10	(10.844.036)	(1.585.233)
Income before taxes		**6.164.589**	**5.826.182**
Income taxes	11	(367)	33.312
Current taxes		(149.779)	1.274.936
Deferred taxes		149.412	(1.241.624)
Net income (loss) from continuing operations		**6.164.222**	**5.859.494**
Net income (loss) from discontinuing operations		0	0
Net income (loss)		**6.164.222**	**5.859.494**

Statement of comprehensive income

(euro)	Notes	2016	2015
Net income (loss) for the period		**6.164.222**	**5.859.494**
Income (loss) from transactions with Group Companies	23		(419.933)
Actuarial gain (loss) on defined benefit plans	25	(302.278)	(31.425)
Income tax		72.547	(14.450)
Actuarial gain (loss) on defined benefit plans, net of taxes		(229.731)	(45.875)
Total components that will not be reclassified to the profit (loss) in subsequent periods		**(229.731)**	**(465.808)**
Other comprehensive income (loss), net of taxes		**(229.731)**	**(465.808)**
Total comprehensive income (loss), net of taxes		**5.934.491**	**5.393.686**

Statement of Financial position

(Amounts in euro)	Note	31 dicembre 2016	31 dicembre 2015
ASSETS			
Non Current Assets			
Property, plant and equipment, net	12	30.726.671	14.342.745
Intangible assets, net	13	343.905	555.012
Investments and other financial activities	14	62.903.637	68.015.584
Intercompany financial receivables	19	49.000	0
Non current tax consolidation receivables	20	272.136	0
Deferred tax assets	15	12.031.467	11.448.464
Other long term assets	16	55.239	49.247
Total Non Current Assets		**106.382.055**	**94.411.052**
Current Assets			
Inventory	17	5.099.450	1.006.761
Third party trade receivables		6.496.464	1.378.519
Intercompany trade receivables		6.539.536	4.863.054
Trade receivables	18	13.036.000	6.241.573
Derivative instruments evalutated at fair value	31	0	0
Intercompany financial reveivables	19	8.410.605	8.770.851
Tax consolidation receivables	20	0	2.585.056
Prepaid expenses, accrued income and other	21	6.172.098	6.063.398
Cash and cash equivalents	22	1.189.197	3.399.569
Total Current Assets		**33.907.350**	**28.067.208**
Total Assets		**140.289.405**	**122.478.260**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Capital stock		12.220.000	12.220.000
Share issue premium		41.119.940	41.119.940
Tresury shares		0	0
Legal reserve		2.444.000	2.444.000
Sundry reserves and retained earnings		13.545.967	8.072.920
Net income (loss) for the period		6.164.222	5.859.494
Shareholders' Equity	23	**75.494.129**	**69.716.354**
Non Current Liabilities			
Non current financial liabilities	24	26.856.201	17.341.343
Staff leaving indemnity and other employee benefits	25	7.927.128	4.597.422
Provisions	26	6.195	
Total Non Current Liabilities		**34.789.524**	**21.938.765**
Current Liabilities			
Third party trade payables		8.326.113	2.912.540
Intercompany trade payables		543.713	338.238
Trade payables	27	8.869.826	3.250.778
Derivative instruments evalutated at fair value	31	50.724	21.767
Intercompany financial payables	28	886.000	9.886.462
Other payables	30	6.483.945	4.058.138
Payables for income taxes	32	0	418.724
Current provisions	26	1.720.659	1.941.546
Bank overdraft	33	6.503.919	5.008.897
Current portion of long term debt	24	5.482.530	4.944.312
Other Financial Debts	29	8.149	1.292.517
Total Current Liabilities		**30.005.752**	**30.823.141**
Total Liabilities and Shareholders' Equity		**140.289.405**	**122.478.260**

Cash flow Statement

(Amounts in euro)		2016		2015
Cash flows provided from operating activities				
Net income from continuing operations		6.164.222		5.859.494
Net income from discontinuing operations		0		0
Current income taxes		149.779		(1.274.936)
Change in deferred income taxes		(149.412)		1.241.624
Depreciation of property, plant and equipment		3.737.319		2.064.915
Amortization of intangible assets		413.112		414.168
Capital gains (losses) on sales of intangible assets		9.962		(34.691)
Write down of assets		56.623		52.226
Income (Cost) from investments		(11.662.810)		(22.710.064)
Financial revenues (expenses), net		640.644		(158.970)
Accrual for termination indemnities		1.024.289		693.726
Accrual (utilization) for risk and contingencies, net		(355.037)		941.471
		28.691		**(12.911.037)**
Change in operating assets and liabilities				
Cash increase (decrease) in :				
Account receivables and other receivables	(3.010.723)		220.961	
Inventory	(383.305)		(311.303)	
Trade account payables	3.620.617		637.070	
Other current payables	1.640.333		954.161	
		1.866.922		**1.500.889**
Payments of termination indemnities and similar obligations		(121.488)		(30.748)
Payments of debit interest and other financial expenses		(117.760)		(825.700)
Interest and other financial receipts		325		47
Income taxes received (paid)		(649.779)		1.042.955
Cash flows from operating activities		**1.006.910**		**(11.223.594)**
Cash flows used by investing activities				
Purchase of property, plant and equipment		(4.386.570)		(1.334.000)
Proceeds from sales of property, plant and equipment		2.320		37.399
Dividends received net of witholding tax		21.403.743		23.400.532
Purchase of intangible assets		(201.915)		(459.473)
Capital contributions to subisdiaries		(8.410.838)		6.033.871
Decrease (increase) of current financial assets		28.957		23.657
Cash flows from investing activities		**8.435.696**		**27.701.986**
Cash flows used by financing activities				
Proceeds from / (repayments of) short term financial debts		1.492.095		(23.715.673)
Proceeds from long term financial debts		15.053.077		17.513.472
Proceeds from short term financial debts		(5.000.000)		(2.400.000)
Proceeds from / (repayments of) Intercompany financial debts		(14.179.000)		(988.214)
Interest paid on loans		(523.382)		(311.000)
Dividends paid		(8.501.665)		(3.476.674)
Purchase of treasury shares		0		0
Repayments of financial debts		(131)		(20.396)
Cash flow from financing activities		**(11.659.006)**		**(13.398.485)**
Exchange gains (losses) from balances conversion into foreign currencies		0		0
Increase (decrease) in cash equivalents, net		**(2.216.399)**		**3.079.907**
Cash and equivalents at the beginning of the period		**3.399.569**		**319.662**
Cash and cash equivalent, net - Sub total		**1.183.169**		**3.399.569**
Variance of the final net cash on hand and banks - Merger effect		**6.027**		
Cash and cash equivalent, net, at the end of the period		**1.189.197**		

Statement of Changes in the shareholders' equity as at December 31,2016

(Amounts in euro)

	Capital stock	Share issue premium	Treasury shares	Legal reserve	Sundry reserves and retained earnings: Reserve for treasury shares	Cash flow hedge reserve	Revaluation reserve	Other	Total	Net income (loss) for the period	Total shareholders' equity
Balance at December 31, 2015	12.220	41.120	0	2.444	0	0	1.727	6.346	8.073	5.859	69.716
Merger effect								8.346	8.346		8.346
Allocation Fiscal year 2015 net profit								5.859	5.859	(5.859)	0
Dividends paid								(8.502)	(8.502)		(8.502)
Revocation of treasury shares									0		0
Income (loss) from transactions with Group companies									0		0
Net income for the period									0	6.164	6.164
Other comprehensive income (loss)								(230)	(230)		(230)
Balance at December 31, 2016	12.220	41.120	0	2.444	0	0	1.727	11.819	13.546	6.164	75.494

Statement of Changes in the shareholders' equity as at December 31,2015

(Amounts in euro)

	Capital stock	Share issue premium	Treasury shares	Legal reserve	Sundry reserves and retained earnings: Reserve for treasury shares	Cash flow hedge reserve	Revaluation reserve	Other	Total	Net income (loss) for the period	Total shareholders' equity
Balance at December 31, 2014	12.220	41.120	0	2.444	0	0	1.727	8.811	10.538	1.477	67.799
Allocation Fiscal year 2014 net profit								1.477	1.477	(1.477)	0
Dividends paid								(3.476)	(3.476)		(3.476)
Revocation of treasury shares									0		0
Income (loss) from transactions with Group companies								(420)	(420)		(420)
Net income for the period									0	5.859	5.859
Other comprehensive income (loss)								(46)	(46)		(46)
Balance at December 31, 2015	12.220	41.120	0	2.444	0	0	1.727	6.346	8.073	5.859	69.716

Summary of main data of subsidiaries' Financial Statements as of December 31,2016

2016 Balance Sheet

	SAES Getters USA, Inc.	SAES Getters Korea Corporation	SAES Getters International Luxembourg S.A.	SAES Getters (Nanjing) Co., Ltd.
	(U.S Dollars)	(Thousands of Won)	(Thousands of Euro)	(Chinese Renminbi)
Property, plant and equipment, net	1.184.247	1.192	0	128.373
Intangible assets, net	9.738	0	0	0
Other non current assets	66.783.579	143.629	39.970	31.823.003
Current assets	4.588.814	1.977.878	60	34.205.445
Total Assets	**72.566.379**	**2.122.699**	**40.030**	**66.156.821**
Shareholders' equity	21.698.853	1.849.030	39.745	58.487.250
Non current liabilities	1.747.130	0	0	0
Current liabilities	49.120.264	273.669	285	7.669.571
Total Liabilities and Shareholders' Equity	**72.566.247**	**2.122.699**	**40.030**	**66.156.821**

2016 Income Statement

	SAES Getters USA, Inc.	SAES Getters Korea Corporation	SAES Getters International Luxembourg S.A.	SAES Getters (Nanjing) Co., Ltd.
	(U.S Dollars)	(Thousands of Won)	(Thousands of Euro)	(Chinese Renminbi)
Total net sales	**15.204.634**	**1.179.740**	**0**	**37.982.599**
Cost of sales	(9.323.874)	(880.749)	0	(23.403.441)
Gross profit	**5.880.760**	**298.991**	**0**	**14.579.158**
Research & development expenses	(93.049)	0	0	0
Selling expenses	(2.008.692)	(181.877)	0	(7.134.977)
General & administrative expenses	(600.828)	(534.611)	(96)	(3.116.172)
Total operating expenses	(2.702.569)	(716.488)	(96)	(10.251.149)
Other income (expenses), net	(1.560.639)	(40.042)	0	(548.883)
Operating Income (loss)	**1.617.552**	**(457.539)**	**(96)**	**3.779.126**
Interest and other financial income (expenses), net	5.966.418	32.607	3.114	646.911
Foreign exchange gain (loss), net	(77.408)	(17.410)	158	62.947
Income before taxes	**7.506.562**	**(442.342)**	**3.176**	**4.488.984**
Income taxes	(2.914.830)	0	(194)	(928)
Net income (loss) from continuing operations	**4.591.732**	**(442.342)**	**2.982**	**4.488.056**
Net income (loss) from discontinuing operations	0	0	0	0
Net income (loss)	**4.591.732**	**(442.342)**	**2.982**	**4.488.056**

2016 Balance Sheet

SAES Getters Export, Corp.	Memry GmbH	Metalvuoto S.p.A.	E.T.C. S.r.l.	SAES Nitinol S.r.l.
(U.S. Dollars)	(Thousands of Euro)	(Thousands of Euro)	(Thousands of Euro)	(Thousands of Euro)
0	994	923	0	0
0	5	54	0	0
0	66	384	8	5.239
34.323.950	3.406	3.509	1.564	568
34.323.950	**4.471**	**4.870**	**1.571**	**5.807**
11.961.490	2.142	(382)	(696)	(8.370)
0	33	1.477	73	0
22.362.458	2.296	3.775	2.195	14.177
34.323.948	**4.471**	**4.870**	**1.571**	**5.807**

2016 Income Statement

SAES Getters Export, Corp.	Memry GmbH	Metalvuoto S.p.A.	E.T.C. S.r.l.	SAES Nitinol S.r.l.
(Thousands of Euro)	(Thousands of Euro)	(Thousands of Euro)	(Thousands of Euro)	(Thousands of Euro)
0	**7.519**	**3.141**	**0**	**0**
0	(4.027)	(2.831)	0	0
0	**3.492**	**310**	**0**	**0**
0	(243)	(36)	(891)	0
9.200.899	(570)	(323)	(0)	0
0	(2.341)	(177)	(34)	(7)
9.200.899	(3.154)	(536)	(924)	(7)
3.037.715	278	88	(1.281)	(0)
12.238.614	**616**	**(138)**	**(2.206)**	**(7)**
(10.470)	(23)	(48)	(1)	(8.513)
0	2	(1)	0	0
12.228.144	**595**	**(187)**	**(2.207)**	**(8.520)**
0	(177)	200	5	(0)
12.228.144	**418**	**13**	**(2.202)**	**(8.520)**
0	0	0	0	0
12.228.144	**418**	**13**	**(2.202)**	**(8.520)**

Certification of the Financial Statements of the Parent Company

CERTIFICATION OF THE FINANCIAL STATEMENTS OF SAES GETTERS S.p.A.
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 as Vice President and Managing Director, and Michele Di Marco, in his capacity as 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*, paragraphs 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 formation of the Company Financial Statements during the period from January 1 to December 31, 2016.

2. The following remarks apply to this situation:

<u>2.1 The Administrative and Accounting Control Model of the SAES Group</u>

- On December 20, 2012, the Board of Directors of SAES Getters S.p.A. approved the update of the Administrative and Accounting Control Model, issued on May 14, 2007, the adoption of which is aimed at ensuring that SAES Getters complies with the provisions of Law no. 262 of December 28, 2005 (hereinafter the "Savings Law"), implemented in December 2006 through the approval of Legislative Decree no. 303/06, and, specifically, obligations pertaining to the preparation of corporate accounting documents and all documents and communications of a financial nature disseminated to the market.
- The Control Model, which refers to the organizational structure of the SAES Group:
    - sets the roles and responsibilities of the entities involved in various capacities in the process of forming and/or controlling the financial information of the SAES Group and introduces the role of manager in charge of the preparation of corporate accounting documents (hereinafter the “Officer Responsible”);
    - describes the elements that comprise the administrative and accounting control system, citing the general control environment underlying the Internal Control System of the SAES Group, in addition to specific components pertaining to administrative and accounting information;
    - regarding this latter aspect in particular, calls for the integration of the Group Accounting Principles and IAS Operating Procedures with a system of administrative and accounting procedures and the related control matrices, which describes the controlling activities implemented in each process;
    - establishes the conditions and frequency of the administrative and accounting risk assessment process in order to identify the processes of greatest relevance to accounting and financial information.

<u>2.2. Matrices of administrative and accounting controls of SAES Getters S.p.A.</u>

- On December 20, 2012, 9 Matrices of administrative and accounting controls were issued, related to the most significant processes of SAES Getters S.p.A., selected after the risk assessment conducted on the basis of the 2011 financial statements.
- The controls described in these matrices were shared with the process owners - according to the current organization chart - of the audited processes, and a process of continuous monitoring and alignment of these matrices to the effective operations has been established, requiring each owner to verify the implementation of the controls and to confirm their adequacy and effectiveness, and to report non-operating controls, or inadequate ones, or controls made obsolete by the evolution of the internal organization. This process was implemented in 2016, with reference to the results of the monitoring activities related to the 2015 financial statements and to the 2015 consolidated financial

statements, and led to the review of the controls whose description was not consistent with the operating activities.

2.3. Results of the internal certification process of SAES Getters S.p.A.

- The process owners have signed and submitted to Officer Responsible its own "internal certification letters" in which they confirmed that they had verified the activities /processes forming the object of the controls for which they were responsible and deemed them suitable and operationally effective to ensuring the reliability of the corresponding information flows and the processing of the associated data in accordance with the administrative and accounting procedures adopted by SAES Getters S.p.A.
- As of today, the Officer Responsible, with the support of SAES Getters S.p.A. Administration Department manager, has received all the 13 letters of internal declaration required to the process owners of SAES Getters S.p.A.;
- The results of the process were positive and no anomalies were reported.

2.4. Results of the review by the Internal Audit Department of SAES Getters S.p.A.

- The Officer Responsible requested the support of the Internal Audit Department for verification of part of the controls included in administrative and accounting procedures by a department independent from the offices responsible for the controls.
- With regards to this review, the Internal Audit Department, through its own assessment of critical situations, selected n. 3 administrative and accounting processes and it verified with its related managers the proper operation of controls within the processes themselves, collecting the supporting documentation where necessary.
  The results of the reviews were positive according to the report prepared by the Head of Internal Audit Department.

3. Furthermore, we certify that:

3.1. the Financial Statements of the Parent Company for the year ended December 31, 2016:

a) have been prepared in accordance with applicable international accounting standards recognized within the European Union pursuant to Regulation (EC) 1602/2002 of the European Parliament and the Council;
b) correspond to the results of accounting records and books;
c) are suitable to providing a truthful, accurate representation of the issuer's earnings and financial position.

3.2. the Report on Operations includes a reliable analysis of operating performance and income, as well as the issuer's situation, along with a description of the primary risks and uncertainties to which it is exposed.

Lainate, (MI), March 15, 2017

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