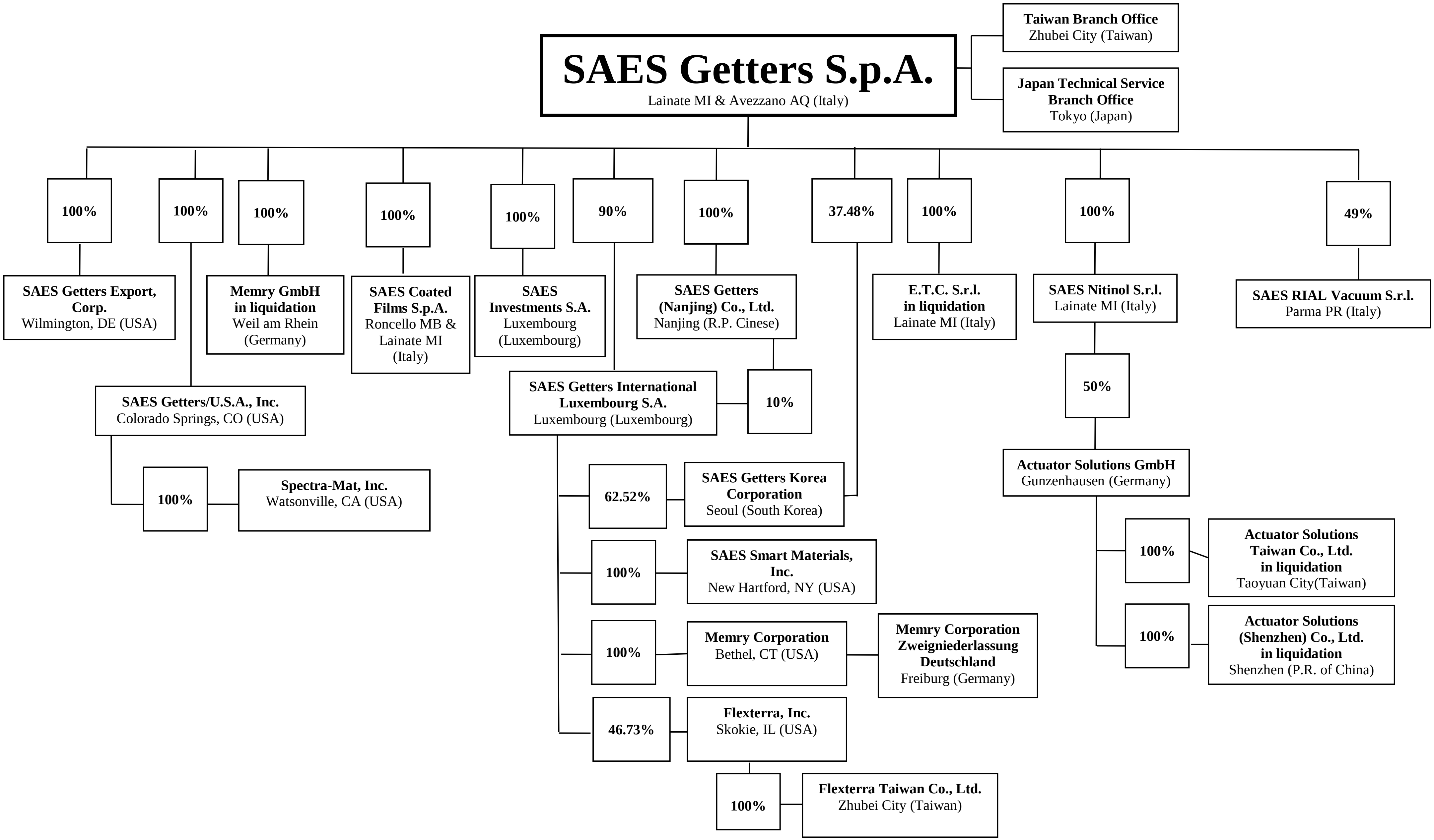
2019 Annual Financial Report

saes group

2019


SAES Getters S.p.A.
Lainate MI & Avezzano AQ (Italy)
Taiwan Branch Office
Zhubei City (Taiwan)
Japan Technical Service Branch Office
Tokyo (Japan)
100%
SAES Getters Export, Corp.
Wilmington, DE (USA)
100%
SAES Getters/U.S.A., Inc.
Colorado Springs, CO (USA)
100%
Spectra-Mat, Inc.
Watsonville, CA (USA)
100%
Memry GmbH in liquidation
Weil am Rhein (Germany)
100%
SAES Coated Films S.p.A.
Roncello MB & Lainate MI (Italy)
100%
SAES Investments S.A.
Luxembourg (Luxembourg)
90%
SAES Getters International Luxembourg S.A.
Luxembourg (Luxembourg)
10%
62.52%
SAES Getters Korea Corporation
Seoul (South Korea)
100%
SAES Smart Materials, Inc.
New Hartford, NY (USA)
100%
Memry Corporation
Bethel, CT (USA)
Memry Corporation Zweigniederlassung Deutschland
Freiburg (Germany)
46.73%
Flexterra, Inc.
Skokie, IL (USA)
100%
Flexterra Taiwan Co., Ltd.
Zhubei City (Taiwan)
100%
SAES Getters (Nanjing) Co., Ltd.
Nanjing (R.P. Cinese)
37.48%
100%
E.T.C. S.r.l. in liquidation
Lainate MI (Italy)
100%
SAES Nitinol S.r.l.
Lainate MI (Italy)
50%
Actuator Solutions GmbH
Gunzenhausen (Germany)
100%
Actuator Solutions Taiwan Co., Ltd. in liquidation
Taoyuan City(Taiwan)
100%
Actuator Solutions (Shenzhen) Co., Ltd. in liquidation
Shenzhen (P.R. of China)
49%
SAES RIAL Vacuum S.r.l.
Parma PR (Italy)

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

2019 Annual Financial Report

SAES Getters S.p.A.

Capital Stock of Euro 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) Luciana Rovelli (1) (2) (4) (5) (6) (8) Adriano De Maio (1) (3) (4) Stefano Proverbio (1) (2) (5) (6) (7) (8) Gaudiana Giusti (1) (2) (4) (5) (6) (8)

Board of Statutory Auditors

Chairperson	Vincenzo Donnamaria
Standing Auditors	Maurizio Civardi Sara Anita Speranza (8)
Alternate Auditors	Massimo Gabelli Mara Luisa Sartori

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 and according to article 147-*ter*, paragraph 4 and article 148, paragraph 3 of Legislative Decree 58/1998
(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 and Sustainability 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 2017-2019 by the Special Meeting of Holders of Savings Shares on April 27, 2017

The mandate of the Board of Directors and the Board of Statutory Auditors, elected on April 24, 2018, will expire on the same date as the Shareholders' Meeting in which the financial statements for the year ended December 31, 2020 will be approved.

Powers of the company bodies

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 have in 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 have in English-speaking countries.

The present is the English translation of the Italian official report approved by the Board of Directors on March 12, 2020. For any difference between the two texts, the Italian text shall prevail.

SAES GETTERS S.p.A.

Registered office Lainate (Milan), Viale Italia, 77

Fully paid-up share capital Euro 12,220,000.00

Companies Registry of Milan, Tax Code and VAT No. 00774910152

Company website: www.saesgetters.com

Call of ordinary and extraordinary shareholders' meeting

The Shareholders are convened to the ordinary and extraordinary Shareholders' Meeting in single call also via audio-video conference at the offices in Viale Italia 77, Lainate, on 21 April 2020, at 10:30 a.m., to resolve upon the following

Agenda:

Ordinary Part

1. Report of the Board of Directors for the year ended 31 December 2019; financial statements as at 31 December 2019; related resolutions; presentation of the consolidated financial statements as at 31 December 2019; resolutions on allocation of the profit/loss for the year;
2. Report on Remuneration Policy and the compensation paid:
   - 2.1. approval of the remuneration policy pursuant to art. 123-ter, paragraph 3-bis, of Legislative Decree no. 58/1998;
   - 2.2. resolutions on the "second section" of the report, pursuant to art. 123-ter, paragraph 6, of Legislative Decree no. 58/1998;
3. Supplement of Deloitte & Touche S.p.A.'s fee for the audit assignment for the year 2019; supplement of Deloitte & Touche S.p.A.'s fee for the assignment for limited review of the consolidated non-financial statement for the year 2019; consequent and related resolutions.

Extraordinary Part

1. Adjustment of art. 11 of the articles of association in accordance with Consob (Communication no.0214548 of April 18, 2019);

It is to be noted that by reason of COVID-19 emergency, therefore pursuant to fundamental principles to safeguard the health of shareholders, employees, managers and consultants of the Company, in addition to Law Decree no. 18 of 17 March 2020, the meeting will take place by allowing the attendance of the individuals admitted also by audio-video conferencing tools and that the capital will be able to attend only through the Appointed Representative as per article 135-undecies Italian Legislative Decree 24 February 1998, no. 58 (Consolidated Finance Law), with the technicalities indicated below, being forbidden to shareholders or representative different from the Appointed Representative the access to the facilities where the meeting takes place.

Presentation of draft resolutions/additions to the agenda

Shareholders who, individually or jointly, represent at least one fortieth of the share capital with voting rights can request, within ten days from the publication of this notice (i.e. no later than 30 March 2020), to add points to the agenda, specifying in the request the additional points proposed, or submit draft resolutions on points already on the agenda of the Meeting.

The request, together with the communication certifying ownership of the aforesaid stake issued by the intermediaries who keep the accounts on which the shares are recorded, must be submitted in an original signed copy, by the aforesaid deadline, at the Company's registered office (Viale Italia, 77, Lainate (Milan) – for the attention of the Legal Department) or sent to the certified electronic mail address saes-ul@pec.it., together with information that allows the proposing Shareholders to be identified (in this regard, please also provide a reference telephone number). By the aforesaid deadline and using the same procedures, a report must be sent by the proposing Shareholders, stating the reasons for the draft resolutions on the new points whose discussion is proposed as an addition to the agenda or the reasons for the further draft resolutions submitted on points already on the agenda. Any addition to the list of points on the Meeting's agenda or presentation of further draft resolutions on points already on the agenda will be notified by the Company, in the same form required for the publication of this notice of call, at least fifteen days prior to the date set for the Meeting in single call. Together with the publication of the notice of additions to the agenda or of the presentation of further draft resolutions on the points already on the agenda, the above draft resolutions/additions, as well as their reports prepared by the Shareholders, accompanied by any assessment of the Board of Directors, will be made available to the public as indicated in Article 125-*ter* para 1 of Italian Legislative Decree no. 58/1998.

The addition to the agenda is not allowed for the points on which the Shareholders' Meeting deliberates, in accordance with the law, on a proposal by the directors or on the basis of a project or report prepared by them (other than the one on the points on the agenda required by Article 125-*ter* of Italian Legislative Decree no. 58/1998).

Right to ask questions on the items on the agenda

Those entitled to vote can ask questions on the points on the agenda by the end of the fifth market trading day before the date scheduled for the Meeting in single call (i.e. no later than 14 April 2020), by sending a registered letter with return receipt to the Company's registered office (Viale Italia, 77, Lainate (Milan) – for the attention of the Legal Department) or by certified electronic mail to the following address: saes-ul@pec.it.

The questions must be accompanied by documentation that allows identification of the Shareholder and by certifications establishing the right to vote; if the Shareholder requested his/her intermediary for the notice to attend the Shareholders' Meeting, the request must indicate the references of the notice or at least the name of the intermediary.

The requests received before the Shareholders' Meeting will be answered at the latest during the Shareholders' Meeting, specifying that the answers made available on the Company's website before the beginning of the Meeting are deemed to be provided during the Meeting.

The right to speak and to vote in the Shareholders' Meeting

Those holding voting rights at the close of the accounting day of the seventh market trading day before the date scheduled for the Shareholders' Meeting in single call, i.e. 8 April 2020 (referred to as the "record date"), and for which the Company received the related notification from the intermediary, have the right to speak and to vote in the Shareholders' Meeting. Therefore, those who will be holders of shares after 8 April 2020 will not have the right to attend and vote at the Shareholders' Meeting.

The notification from the intermediary above must be received by the Company by the close of the third market trading day before the date scheduled for the Shareholders' Meeting in single call (16 April 2020). However if the notification is received by the Company after the above deadline, the person will still have the right to speak and to vote in the Meeting provided that the notification arrives by the beginning of the Meeting in single call. It is to be noted that the notification to the Company is provided by the intermediary at the request of the person entitled to vote.

Attendance and voting by proxy - Appointed Representative

Those holding voting rights at the close of the accounting day of 8 April 2020 (referred to as the "record date"), and for which the Company received the related notification from the intermediary, have the right to attend the Shareholders' Meeting.

Pursuant to article 106 to Law Decree no. 18 of 17 March 2020 (so called "Cura Italia" Decree), the Meeting will take place also by audio-video conference tools and the attendance to the Meeting by the vote-holders is allowed exclusively by mean of the Appointed Representative.

Therefore the Company asked Computershare S.p.A. - with registered offices at Via Lorenzo Mascheroni 19, 20145 Milan – to represent shareholders pursuant to Article 135-*undecies* of Italian Legislative Decree no. 58/1998 and the above mentioned Law Decree acting as sole Appointed Representative. Shareholders who then want to participate to the Meeting will have to give proxy to the Appointed Representative, with voting instructions on all or some of the proposals concerning the points on the agenda, by using the specific proxy form available, also available in an electronic version, as prepared by the Appointed Representative in agreement with the Company, available on the website www.saesgetters.com where a link to a procedure to send it electronically is posted too.

The proxy with voting instructions will have to be sent in compliance with the instructions included in the proxy form and on the Company website by the close of the second market trading day before the date scheduled for the Shareholders' Meeting in single call (i.e. no later than 17 April 2020). The proxy and the voting instructions may be revoked within the same deadline above. The proxy is effective only if voting instructions are given.

Pursuant to law, the shares for which the proxy was granted, partial or otherwise, are counted to determine whether the Meeting is quorate and, if no voting instructions have been given, the shares are not counted in the calculation of the majority and of the capital share required for the approval of resolutions.

It must be clarified that the Appointed Representative can be entrusted with proxies or sub-proxies pursuant to article 135-novies of Consolidated Finance Law, notwithstanding article 135-undecies, paragraph 4 of Consolidated Finance Law with the technicalities and within the terms indicated in the above mentioned Company's website.

The Appointed Representative is available for clarification and information at phone no. +39 02 46776826 or ufficiomi@computershare.it

Shareholders are kindly informed that the Company reserves the right to amend and/or change the instructions above in case of need due to the epidemic situation "COVID-19" and its developments, currently unforeseeable.

Share capital and shares with voting rights

The share capital amounts to Euro 12,220,000.00 divided into 14,671,350 ordinary shares, and 7,378,619 saving shares, all without par value. Each ordinary share is assigned one vote, or two votes, as provided for in Article 11 of the Company By-Laws in relation to the "increased vote", where all the conditions of law and of the same Article 11 have been met by the right holder.

As at the date of publication of this notice the total number of voting rights that can be exercised is equal to 17,491,919.

Shareholders' Meeting documents

The following documents will be made available to the public at the Company's registered office (Viale Italia, 77 – Lainate, Milan) as well as at the website www.saesgetters.com and in the 1Info storage system at the address www.1info.it:

I. from 20 March 2020:

the Board of Directors' report and attached substantiated proposal of the Board of Statutory Auditors regarding Supplement of Deloitte & Touche S.p.A.'s fee for the audit assignment for the year 2019; supplement of Deloitte & Touche S.p.A.'s fee for the assignment for limited review of the consolidated non-financial statement for the year 2019; consequent and related resolutions;

II. from 30 March 2020:

i) the annual financial report and the other documents referred to in Article 154-*ter* of Italian Legislative Decree no. 58/1998 and therefore, the draft financial statements and the consolidated financial statements as at 31 December 2019, accompanied by the reports of the Board of Directors, the Board of Statutory Auditors and the Auditing firm Deloitte &Touche S.p.A.;

ii) the annual report on corporate governance and ownership structures;

iii) the report on Remuneration Policy and the compensation paid;

iv) the report on non-financial information;

v) the Board of Directors' report on the Adjustment of art. 11 of the articles of association in accordance with Consob (Communication no.0214548 of April 18, 2019);

III. from 6 April 2020 the documentation relating to the financial statements of the subsidiary companies referred to in Article 77(2-*bis*) of Consob Regulations the following will be available only at the Company's registered office.

The instructions to attend the Meeting in audio-video conference will be provided by the Company to its directors, statutory auditors and Computershare, and to any other individual entitled to be present different from the vote-holders.

The Company would like to thank in advance the shareholders who will cooperate to the exact execution of the present notice and of the regulations, even special ones, that caused it.

The Company will communicate any further change or supplement of information included in the present notice, to meet new provisions of laws or regulations, and in any event in the interest of the Company and of its shareholders.

Lainate, 20 March 2020

The Chairman of the Board of Directors

Mr. Massimo della Porta

The present is the English translation of the Italian official report approved by the Board of Directors on March 12, 2020. For any difference between the two texts, the Italian text shall prevail.

SAES GETTERS S.p.A.

Registered office Lainate (Milan), Viale Italia, 77

Fully paid-up share capital Euro 12,220,000.00

Companies Registry of Milan, Tax Code and VAT No. 00774910152

Company website: www.saesgetters.com

Call of Special Meeting of Holders of Savings Shares

Holders of saving shares are convened to the Special Meeting that will take place in single call also via audio/video conference at the offices in Viale Italia 77, Lainate, on 21 April 2020, at 12:00 a.m. (and in any case at the end of the Ordinary and Extraordinary Shareholders' Meeting called, in single call, on the same date), to resolve upon the following

Agenda:

1. Appointment of the common representative for holders of savings shares for the period 2020-2021-2022 and establishing his/her compensation.

It is to be noted that by reason of COVID-19 emergency, therefore pursuant to fundamental principles to safeguard the health of shareholders, employees, managers and consultants of the Company, in addition to Law Decree no. 18 of 17 March 2020, the meeting will take place by allowing the attendance of the individuals admitted also by audio/video conferencing tools and that the capital will be able to attend only through the Appointed Representative as per article 135-undecies Italian Legislative Decree 24 February 1998, no. 58 (Consolidated Finance Law), with the technicalities indicated below, being forbidden to shareholders or representatives different from the Appointed Representative the access to the facilities where the meeting takes place.

<u>Presentation of draft resolutions/additions to the agenda</u>

Shareholders who, individually or jointly, represent at least one fortieth of the share capital with voting rights can request, within ten days from the publication of this notice (i.e. no later than 30 March 2020), to add points to the agenda, specifying in the request the additional points proposed, or submit draft resolutions on points already on the agenda of the Meeting.

The request, together with the communication certifying ownership of the aforesaid stake issued by the intermediaries who keep the accounts on which the shares are recorded, must be submitted in an original signed copy, by the aforesaid deadline, at the Company's registered office (Viale Italia, 77, Lainate (Milan) – for the attention of the Legal Department) or sent to the certified electronic mail address saes-ul@pec.it., together with information that allows the proposing Shareholders to be identified (in this regard, please also provide a reference telephone number). By the aforesaid deadline and using the same procedures, a report must be sent by the proposing Shareholders, stating the reasons for the draft resolutions on the new points whose discussion is proposed as an addition to the agenda or the reasons for the further draft resolutions submitted on points already on the agenda. Any addition to the list of points on the Meeting's agenda or presentation of further draft resolutions on points already on the agenda will be notified by the Company, in the same form required for the publication of this notice of call, at least fifteen days prior to the date set for the Meeting in single call. Together with the publication of the notice of additions to the agenda or of the presentation of further draft resolutions on the points already on the agenda, the above draft resolutions/additions, as well as their reports prepared by the Shareholders, accompanied by any assessment of the Board of Directors, will be made available to the public as indicated in Article 125-*ter* para 1 of Italian Legislative Decree no. 58/1998.

The addition to the agenda is not allowed for the points on which the Shareholders' Meeting deliberates, in accordance with the law, on a proposal by the directors or on the basis of a project or report prepared by them (other than the one on the points on the agenda required by Article 125-*ter* of Italian Legislative Decree no. 58/1998).

Right to ask questions on the items on the agenda

Those entitled to vote can ask questions on the points on the agenda by the end of the fifth market trading day before the date scheduled for the Meeting in single call (i.e. no later than 14 April 2020), by sending a registered letter with return receipt to the Company's registered office (Viale Italia, 77, Lainate (Milan) – for the attention of the Legal Department) or by certified electronic mail to the following address: saes-ul@pec.it.

The questions must be accompanied by documentation that allows identification of the Shareholder and by certifications establishing the right to vote; if the Shareholder requested his/her intermediary for the notice to attend the Shareholders' Meeting, the request must indicate the references of the notice or at least the name of the intermediary.

The requests received before the Shareholders' Meeting will be answered at the latest during the Shareholders' Meeting, specifying that the answers made available on the company's website before the beginning of the Meeting are deemed to be provided during the Meeting.

The right to speak and to vote in the Shareholders' Meeting

Those holding voting rights at the close of the accounting day of the seventh market trading day before the date scheduled for the Shareholders' Meeting in single call, i.e. 8 April 2020 (referred to as the "record date"), and for which the Company received the related notification from the intermediary, have the right to speak and to vote in the Shareholders' Meeting. Therefore, those who will be holders of shares after 8 April 2020 will not have the right to attend and vote at the Shareholders' Meeting.

The notification from the intermediary above must be received by the Company by the close of the third market trading day before the date scheduled for the Shareholders' Meeting in single call (16 April 2020). However if the notification is received by the Company after the above deadline, the person will still have the right to speak and to vote in the Meeting provided that the notification arrives by the beginning of the Meeting in single call. It is to be noted that the notification to the Company is provided by the intermediary at the request of the person entitled to vote.

Attendance and voting by proxy - Appointed Representative

Those holding voting rights at the close of the accounting day of 8 April 2020 (referred to as the "record date"), and for which the Company received the related notification from the intermediary, have the right to attend the Shareholders' Meeting.

Pursuant to article 106 to Law Decree no. 18 of 17 March 2020 (so called "Cura Italia" Decree), the Meeting will take place also by audio-video conference tools and the attendance to the Meeting by the vote-holders is allowed exclusively by mean of the Appointed Representative.

Therefore the Company asked Computershare S.p.A. - with registered offices at Via Lorenzo Mascheroni 19, 20145 Milan – to represent shareholders pursuant to Article 135-*undecies* of Italian Legislative Decree no. 58/1998 and the above mentioned Law Decree acting as sole Appointed Representative. Shareholders who then want to participate to the Meeting will have to give proxy to the Appointed Representative, with voting instructions on all or some of the proposals concerning the points on the agenda, by using the specific proxy form available, also available in an electronic version, as prepared by the Appointed Representative in agreement with the Company, available on the website www.saesgetters.com where a link to a procedure to send it electronically is posted too.

The proxy with voting instructions will have to be sent in compliance with the instructions included in the proxy form and on the Company website by the close of the second market trading day before the date scheduled for the Shareholders' Meeting in single call (i.e. no later than 17 April 2020). The proxy and the voting instructions may be revoked within the same deadline above. The proxy is effective only if voting instructions are given.

Pursuant to law, the shares for which the proxy was granted, partial or otherwise, are counted to determine whether the Meeting is quorate and, if no voting instructions have been given, the shares are not counted in the calculation of the majority and of the capital share required for the approval of resolutions.

It must be clarified that the Appointed Representative can be entrusted with proxies or sub-proxies pursuant to article 135-novies of Consolidated Finance Law, notwithstanding article 135-undecies, paragraph 4 of Consolidated Finance Law with the technicalities and within the terms indicated in the above mentioned Company's website.

The Appointed Representative is available for clarification and information at phone no. +39 02 46776826 or ufficiomi@computershare.it

Shareholders are kindly informed that the Company reserves the right to amend and/or change the instructions above in case of need due to the epidemic situation "COVID-19" and its developments, currently unforeseeable.

Share capital and shares with voting rights

The share capital amounts to Euro 12,220,000.00 divided into 14,671,350 ordinary shares, and 7,378,619 saving shares, all without par value. Each saving share gives one voting right in the Meeting. Each ordinary share is assigned one vote, or two votes, as provided for in Article 11 of the Company By-Laws in relation to the "increased vote", where all the conditions of law and of the same Article 11 have been met by the right holder.

As at the date of publication of this notice the total number of voting rights that can be exercised is equal to 17,491,919.

Shareholders' Meeting documents

The report of the Board of Directors on the single item on the Agenda will be made available to the public at the registered office of the Company as well as at the website www.saesgetters.com at least thirty days prior to the date set for the Meeting in single call.

The instructions to attend the Meeting in audio-video conference will be provided by the Company to its directors, statutory auditors and Computershare, and to any other individual entitled to be present, different from the vote-holders.

The Company would like to thank in advance the shareholders who will cooperate to the exact execution of the present notice and of the regulations, even special ones, that caused it.

The Company will communicate any further change or supplement of information included in the present notice, to meet new provisions of laws or regulations, and in any event in the interest of the Company and of its shareholders.

Lainate, 20 March 2020

The Chairman of the Board of Directors

Mr. Massimo della Porta

INDEX

LETTER TO SHAREHOLDERS

Dear Shareholders,

The year 2019 was one of great satisfaction for the excellent results of the consolidated businesses and one of intensive efforts in the area of development and growth of the most innovative activities.

The continued affirmation in the medical market, which drove a result of close to 100 million dollars for the medical division, and the success of shape memory alloys, assiduously pursued for years, including in the market of mobile phone cameras, have made us proud. We have always believed in the potential of this alloy for industrial use and the results posted this year prove it; now efforts must be focused on distributing this as yet little-known material in other areas, both in studies and academic research as well as in industrial applications. The success of chemical compounds in different application areas is also a source of pride, demonstrating the Group’s ability to diversify and the excellent stability of the company’s historical products, getters, a mature technology that, thanks to a remarkable application longevity, still supports the Group’s results.

The excellent commercial results were followed by outstanding financial results: consider that the 2019 results are very similar, both in terms of sales revenues and EBITDA, to those of 2016, the year in which the gas purification business, sold in the middle of last year, had sales of more than 60 million euro.

The Group's diversification and growth activity was also intense during 2019, particularly in the sectors of packaging and vacuum systems.

In the packaging sector, we signed two important strategic partnerships, the first with Novamont, a global leader in the production of bioplastics, and the second with Sacchital, leader in the paper-based packaging market, not just for food. As a result of these partnerships, innovative packaging structures have been developed, presented at the 2019 Cibus Tec in Parma, one of the most important trade shows in the sector, which generated strong market interest. The new structures meet the increasingly urgent demand to replace traditional packaging for food preservation, typically achieved by combining different materials to obtain the necessary characteristics for the oxygen and water barrier (the factors that deteriorate food) with eco-sustainable solutions. The most innovative product on the market, a biodegradable packaging with high barrier characteristics, is currently being tested by numerous potential customers. The first commercial results are expected in the first half of 2020, with high growth potential in the subsequent years.

In the vacuum systems sector, we launched an expansion project that should conclude in 2020.

The year 2020 began with an unexpected and dramatic event, the coronavirus, whose effects on the global economy and, in particular, our activities, are still uncertain and will depend heavily on the time needed to resolve the problem. For the Group, however, it will be a very important year, which we hope will mark a new important turning point for SAES.

Massimo della Porta
SAES Group CEO

Group financial highlights

GROUP FINANCIAL HIGHLIGHTS

(thousands of euro)

Income statement figures		2019		2018 (1)	Difference	Difference %
NET SALES						
- Industrial		87,366		77,836	9,530	12.2%
- Medical		84,979		70,968	14,011	19.7%
- Packaging		10,007		11,480	(1,473)	-12.8%
Total		**182,352**		**160,284**	**22,068**	**13.8%**
GROSS PROFIT (2)						
- Industrial		42,174		38,277	3,897	10.2%
- Medical		35,601		31,074	4,527	14.6%
- Packaging		598		1,181	(583)	-49.4%
- Not Allocated Costs (3)		0		(280)	280	-100.0%
Total		**78,373**		**70,252**	**8,121**	**11.6%**
	% on net sales	*43.0%*		*43.8%*		
EBITDA (4)		**36,502**		**26,279**	**10,223**	**38.9%**
	% on net sales	*20.0%*		*16.4%*		
OPERATING INCOME (LOSS)		**26,772**		**15,066**	**11,706**	**77.7%**
	% on net sales	*14.7%*		*9.4%*		
NET INCOME (LOSS) from continued operations		**19,685**		**(7,680)**	**27,365**	**-356.3%**
	% on net sales	*10.8%*		*-4.8%*		
NET INCOME (LOSS) from discontinued operations		**152**		**240,013**	**(239,861)**	**-99.9%**
	% on net sales	*0.1%*		*149.7%*		
Group NET INCOME (LOSS)		**19,837**		**232,333**	**(212,496)**	**-91.5%**
	% on net sales	*10.9%*		*145.0%*		
Balance sheet and financial figures		**December 31, 2019**		**December 31, 2018**	**Difference**	**Difference %**
Tangible fixed assets		70,893		53,832	17,061	31.7%
Group shareholders' equity		252,530		341,220	(88,690)	-26.0%
Net financial position (5)		115,316		223,310	(107,994)	-48.4%
Other information		**2019**		**2018**	**Difference**	**Difference %**
Cash flow from operating activities		24,424	(*)	20,604	3,820	18.5%
Research and development expenses		11,052		10,988	64	0.6%
Number of employees as at December 31 (6)		1,080		1,020	60	5.9%
Personnel cost (7)		77,638		72,348	5,290	7.3%
Disbursement for acquisition of tangible assets		23,706	(**)	14,410	9,296	64.5%

(*) The figure related to the 2018 included 11,000 thousand euro from discontinued operations.

(**) The figure related to the 2018 included 168 thousand euro from discontinued operations.

Starting from January 1, 2019, the SAES Group adopted the new standard **IFRS 16** on an amended retrospective basis (i.e. without recalculating the figures from the period being compared). The main effects at December 31, 2019 resulting from application of the new standards are as follows:

- lower leasing costs of 1,632 thousand euro;
- increase in depreciation of 1,539 thousand euro;
- increase in interest expense of 55 thousand euro;
- recording a Right of use of 4,617 thousand euro under non-current assets;
- recording Financial debts of 4,586 thousand euro, with a consequent worsening of the net financial position by the same amount.

The main indicators at December 31, 2019 would have been as follows without application of the new standard IFRS 16:

(thousands of euro)		December 31, 2019
EBITDA ***without IFRS 16 adoption***		34,870
	% on net sales	*19.1%*
OPERATING INCOME ***without IFRS 16 adoption***		26,679
	% on net sales	*14.6%*
INCOME BEFORE TAXES ***without IFRS 16 adoption***		29,889
	% on net sales	*16.4%*
NET FINANCIAL POSITION ***without IFRS 16 adoption***		119,902

***

(1) The revenues and costs by Business Unit at December 31, 2018 presented for comparative purposes do not coincide with what is set out in the 2018 Annual Financial Report, since they were reclassified to allow for a like-for-like comparison with December 31, 2019; in order to better reflect the SAES organizational management structure in place during 2019, revenues and costs for the shape memory alloy for the industrial applications sector (previously SMAs for Thermal & Electro Mechanical Devices), along with those of the Functional Chemical Systems sector (previously Organic Electronics) were reclassified in the Industrial Business Unit. All the operating sectors were also renamed to provide greater clarity.

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

(thousands of euro)

	2019	2018
Net Sales	**182,352**	**160,284**
Raw materials	(32,008)	(28,311)
Direct labour	(28,334)	(22,962)
Manufacturing overhead	(44,779)	(39,623)
Increase (decrease) in work in progress and finished goods	1,142	864
Cost of sales	**(103,979)**	**(90,032)**
Gross profit	**78,373**	**70,252**
% on net sales	***43.0%***	***43.8%***

(3) 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.

(4) EBITDA is not deemed an accounting measure under International Financial Reporting Standards (IFRSs); however, it is believed 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)

	2019	2019 ***without application IFRS 16***	2018
Operating income	**26,772**	**26,679**	**15,066**
Depreciation and amortization	(7,907)	(7,907)	(7,588)
Right of use amortization	(1,539)	0	0
Write-down of assets	(310)	(310)	(3,417)
Bad debt provision (accrual) release	26	26	(208)
EBITDA	**36,502**	**34,870**	**26,279**
% on net sales	***20.0%***	***19.1%***	***16.4%***

The first application of IFRS 16 generated a positive effect on the EBITDA for 2019 of 1,632 thousand euro, net of which the consolidated EBITDA would have been 34,870 thousand euro (19.1% of the consolidated sales).

(5) As noted above, the first application of IFRS 16 led, at December 31 2019, to the recording of Financial debts (against the recording of a Right of use under Non-current assets) of 4,586 thousand euro, with a consequent worsening of the net financial position by the same amount.

(thousands of euro)

	December 31, 2019	December 31, 2019 *without application IFRS 16*	December 31, 2018
Net financial position	**115,316**	**119,902**	**223,310**

(6) As at December 31, 2019 this item includes:
- employees for 987 units (933 units as at December 31, 2018);
- the personnel employed at the Group companies with contract types other than employment agreements, equal to 93 units (87 units as at December 31, 2018).

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 45 units as at December 31, 2019 (57 units at the end of the previous year, again according to the percentage of ownership held by the Group).

(7) At December 31, 2019, the severance costs, included in personnel costs, amounted to 763 thousand euro, and are mainly related to the finalization of the staff reduction process in the Parent Company which began at the end of the previous year, following the sale of the gas purification business as well as the phase-out of metallized products in the packaging sector. In 2018, severance costs amounted to 2,704 thousand euro, mainly related to the Parent Company's aforementioned staff reduction process.

SAES Group Report on Operations

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 are required. In 80 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 (MEMS) devices.

Starting in 2004, by leveraging its core competencies in special metallurgy and in the materials sciences, 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 heated. 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, automotive sector and luxury goods).

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, including implantable medical devices and solid-state diagnostics imaging. Among the new applications, advanced food packaging is a particularly strategic sector, where SAES offers new sustainable packaging products and intends to compete with completely recyclable and biodegradable solutions.

A total production capacity distributed in ten facilities, a global sales and service network, and over 1,000 employees allow the Group to form a truly worldwide enterprise.

SAES Group is headquartered in Lainate, in the Milan area.

SAES Getters S.p.A. is listed on the Italian Stock Exchange Market, STAR segment, since 1986.

S.G.G. Holding S.p.A. is a relative majority shareholder and does not exercise any management and coordination activity towards SAES Getters S.p.A. pursuant to Article 2497 of the Italian Civil Code, for the reasons illustrated subsequently in the Report on corporate governance and ownership structure.

The Group’s organization structure has three Business Units: Industrial, Medical and Packaging. The corporate costs, i.e. 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 aimed to diversify into innovative businesses, are shown separately from the three Business Units (Non-Allocated Costs).

The following table illustrates the Group’s business structure.

Industrial Business Unit	
Security & Defence	Getters and metal dispensers for electronic vacuum devices
Electronic Devices	Getters for microelectronic, micromechanical systems (MEMS) and sensors
Healthcare Diagnostics	Getters for X-ray tubes used in image diagnostic systems
Thermal Insulated Devices	Products for thermal insulation

Lamps	Getters and metal dispensers used in discharge lamps and fluorescent lamps
Solutions for Vacuum Systems	Getter pumps for vacuum systems with applications in the industrial sector, in research and in particle accelerators
Sintered Components for Electronic Devices & Lasers	Cathodes and materials for thermal dissipation in electronic tubes, lasers and solid-state devices
Functional Chemical Systems	Getter materials integrated into polymeric matrices for organic and hybrid electronic applications, photonics and implantable medical devices.
SMA Industrial	Shape Memory Alloy actuator devices for the industrial sector (domotics, white goods industry, consumer electronics, automotive sector and luxury goods)
Medical Business Unit	
Nitinol for Medical Devices	Nitinol raw material and components for the biomedical sector
Packaging Business Unit	
Solutions for Advanced Packaging	Advanced plastic films for the sustainable packaging sector

In order to reflect the internal SAES organizational management structure, from January 1, 2019, revenues and costs for the shape memory alloy (SMA) for industrial applications sector (previously SMAs for Thermal & Electro Mechanical Devices), along with those of the Functional Chemical Systems sector (previously Organic Electronics) were classified in the Industrial Business Unit. The residual revenues from the gas purification sector (previously Systems for Gas Purification & Handling), by now immaterial following the transfer of the gas purification business half-way through the previous financial year, was added to that of the Electronic Devices Business, within the Industrial Business Unit.
Finally, the operating sectors were also renamed to provide greater clarity.
The figures for 2018 have been reclassified to enable a like-for-like comparison with 2019.

Industrial Business Unit

Security & Defence
The SAES Group provides innovative technological solutions for electronic devices used in the defence sector, such as thermal sensors for night vision, inertial navigation systems, microwave tubes and radio-frequency amplification systems. The portfolio of products includes, among others, getters of different types and shapes, as well as alkaline metal dispensers.

Electronic Devices
The SAES Group provides advanced solutions for electronic devices used in consumer electronics, photonics, infrared sensors, inertia sensors and pressure sensors. In addition, SAES components are used in more traditional applications, such as signal amplifier and photomultiplier tubes for research. The product portfolio includes getters of different types, including thin film getters for MEMS applications and other more traditional getters, together with alkali metal dispensers.

Healthcare Diagnostics
The SAES Group offers the market a portfolio of getters in various types and shapes, as well as alkali metal dispensers used in electronic devices for medical imaging diagnostic applications, such as X-ray tubes and image intensifiers.

Thermal Insulated Devices
SAES solutions for vacuum thermal insulation include NEG products for cryogenic applications, for solar collectors used in both home applications and those operating at high temperatures, for vacuum insulating panels used in the white goods industry and for thermoses.

Lamps
The 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. For some years SAES has also been involved in the development of mercury dispensers with a low environmental impact, in line with the stricter international legislation in force in this field.

Solutions for Vacuum Systems
The skills acquired in vacuum technology are the basis for the development of pumps based on non-evaporable getter materials (NEG), with both industrial and scientific applications (for example in analytical instrumentation, in vacuum systems for research purposes and in particle accelerators).
The NEXTorr® family of high-vacuum pumps, well received in the application markets previously mentioned, integrates both getter technology and ionic technology in a single device that is extremely compact and high performing. This line has more recently been joined by the CapaciTorr® HV line, high-vacuum pumps that use an innovative alloy with greater gas absorption capacity and which have contributed to further strengthening the Group's position in its reference markets.

Sintered Components for Electronic Devices & Lasers
Through its subsidiary Spectra-Mat, Inc., the SAES Group provides advanced technological solutions for a wide range of markets including avionics, medical, scientific instruments for various industrial applications, telecommunications and security and defence.
The product portfolio includes electron sources based on dispenser cathodes for a wide variety of microwave tubes, X-ray tubes, and gas lasers, for the most advanced applications. In addition, SAES provides advanced materials and solutions for the thermal management of high-power solid state lasers and advanced semiconductor devices for radio-frequency and microwave systems.

Functional Chemical Systems
The technology platform that integrates getter materials into polymer matrices, which was initially developed by the SAES Group to meet the protection needs of rigid OLED (Organic Light Emitting Diodes) displays, has been enhanced with new materials for flexible OLED applications that represent a new development trend in the display field. SAES is consolidating its position in the dispensing getters business for passive-matrix OLED (particularly in China and Taiwan) and is also targeting the active-matrix OLED market, particularly with new dispensers for ink-jet applications.
In addition to OLED applications, SAES polymeric composites are also gradually strengthening in other sectors, such as opto-electronic devices, implantable medical devices, lasers, semi-hermetic packaging in electronics and photonics, sensors and CMOS camera modules (especially in Japan, US and Europe).

SMA Industrial
The SAES Group produces semi-finished products, components and devices in shape memory alloy, a special alloy made of nickel-titanium (Nitinol) characterised by super-elasticity (a property that enables the material to withstand even large deformations and then return to its original form) and by the property of assuming predefined forms when heated.
Precisely by virtue of this latter characteristic, the shape memory alloy is used in producing various industrial devices (open and close valves, proportional valves, actuators, release systems, mini-actuators and dispensers) that take advantage of its distinctive characteristics (noiseless, compact, light, low power consumption, speed, and precision of proportional control). SMA devices are used across the board in the industrial field, in areas of application such as domotics, the white goods industry, consumer electronics, the automotive business and luxury goods.

Medical Business Unit

Nitinol for Medical Devices
Nitinol is used not only in the industrial sector but especially in a wide range of medical devices, particularly in the cardiovascular field. Its super-elastic properties are ideal for manufacturing 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's production process is vertically integrated (from the melting of the Nitinol alloy to the manufacture of components) and allows full flexibility in the supply of products, together with total quality control. Specifically, through its subsidiary Memry Corporation, SAES offers a full range of sophisticated Nitinol-based solutions to the end manufacturers of the medical device.

Packaging Business Unit

Solutions for Advanced Packaging

The functional chemicals technological platform has been used to develop innovative plastic films for food packaging. It was in this context that SAES acquired SAES Coated Films S.p.A. (formerly Metalvuoto S.p.A.), a well-established player in the advanced packaging sector. Following this acquisition, SAES began its own sustainable packaging business, where it competes today with innovative recyclable and biodegradable solutions, particularly in terms of environmental sustainability and improving the performance of flexible packaging, in an expanding market with excellent opportunities for growth.

Main events in 2019

The annual results highlight the Group's solidity even after the sale of the gas purification business and the new operations in progress in the most recently introduced sectors confirm the potential of future developments.

Revenues for 2019 showed sustained organic growth (+9.5%), driven by the Medical Business Unit (double-digit organic growth, equal to +13.6%) and the Industrial Business Unit (organic growth equal to +9%). In the packaging segment, on the other hand, the negative performance, attributable to the change in the product portfolio that began at the end of 2018, with phase-outs of non-strategic products and those with lower margins, while sales of the new lacquered products, with greater added value, began only in the last months of 2019.

The highest growth in absolute values was recorded in the Nitinol medical device business (higher volumes distributed across various product lines and various application markets), in SMAs for industrial applications (sales of trained wires for consumer electronics applications and components for luxury applications), and in electronic devices (higher sales of both getter components for thermal sensors for surveillance and industrial applications as well as advanced getters for the consumer electronics market). Finally, the Sintered Components for Electronic Devices & Lasers business also recorded organic growth, driven by applications related to defence and avionics.

Total revenues of the Group for 2019, including the portion of revenue from joint ventures[1], amounted to 194 million euro, up by 12.7% on the 172.2 million euro in 2018, mainly thanks to the increase in consolidated sales revenue and the increase in revenue from the joint venture SAES RIAL Vacuum S.r.l.

The rise in consolidated revenues meant that the **economic indicators** improved. Note, in particular, the **consolidated EBITDA**[2] **percentage**, which rose from 16.4% in 2018 to 20%[3] in the year just concluded. The **consolidated net profit from continuing operations** shows very strong growth (from a negative value of -7.7 million euro to a positive value of 19.7 million euro), including due to both consolidated income from a related party[4], equal to 1.2 million euro, for the sale to the Flexterra Inc. joint venture of the OLET patents owned by E.T.C. S.r.l. in liquidation, and to the financial income (about 7.3 million euro) on securities purchased between the end 2018 and the beginning of 2019 to invest the liquidity deriving from the extraordinary sale of the gas purification business. In addition, in the previous year there were non-recurring costs (severance and impairment write-downs) totalling 19.2 million euro[5], while severance costs and impairment write-offs in 2019 were only [6]roughly 2.4 million euro.

The following are the significant events that occurred in 2019.

On January 15, 2019, SAES Nitinol S.r.l. irrevocably **waived** the right to the **guarantee** granted jointly by Alfmeier S.E. and SMA Holding GmbH via a letter of patronage, **over 50% of the loan** that, on July 28,

---

[1] Actuator Solutions (50%), SAES RIAL Vacuum S.r.l. (49%) and Flexterra (46.73%).

[2] EBITDA is not deemed an accounting measure under International Financial Reporting Standards (IFRSs); however, it is believed 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, write-downs depreciation and amortization".

[3] In order for the consolidated EBITDA percentage to be comparable with that of 2018, the gain resulting from the first application of IFRS 16 must be excluded, without which the EBITDA percentage for 2019 would have been 19.1%.

[4] Gain recognized limited solely to minority interests in the joint venture, in accordance with IAS 28.

[5] Severance costs of 2,656 thousand euro and write-downs of 16,539 thousand euro.

[6] Extraordinary costs for severance of 485 thousand euro and write-downs of 1,942 thousand euro.

2016, SAES Nitinol S.r.l. had signed **in favour of Actuator Solutions GmbH** (total value of the loan 3 million euro).

In January 2019, the **duration** of all the **loans** in place (capital share of 8 million euro) granted by SAES Nitinol S.r.l. **to Actuator Solutions GmbH** was **extended by five years**, extending the pay-back date from April 30, 2019 to April 30, 2024. All financial receivables (both principal and interest) that the Group is owed by the joint venture were fully written off at the end of the previous year, following the letter of postponement issued by SAES Nitinol S.r.l. in order to guarantee business continuity for Actuator Solutions. Moreover, at December 31, 2019, the receivable for the interest accrued throughout all of 2019 (480 thousand euro) was written off, as it was determined not to be recoverable following another letter of postponement.

On March 13, 2019, **SAES Getters S.p.A.** approved the **total waiver of the right to the financial receivables** owed to it at the end of 2018 **from SAES Nitinol S.r.l.**, for an amount of 8,905 thousand euro. At the same time, the Parent Company decided to make an **additional capital payment** of 100 thousand euro to SAES Nitinol S.r.l., with 65 thousand euro to make up for the difference between the overall loss suffered by the subsidiary in 2018 (-8,969 thousand euro) and the above-mentioned waiver of the right to the financial receivables (8,905 thousand euro) and 35 thousand euro to build up a capital reserve.

On March 18, 2019, the Ordinary Shareholders' Meeting of SAES Getters S.p.A., following a proposal by the Board of Directors of February 14, 2019, authorized a **partial, voluntary Public Tender Offer** for a maximum of **3,900,000 ordinary shares** of SAES Getters (equal to 17.7% of the total shares and 26.6% of the ordinary shares), for an amount of 23 euro per share (ex-dividend 2018) up to a maximum total amount of 89.7 million euro.
The Document relating to the tender offer was approved by Consob on April 30, 2019 and published on May 2, 2019. The subscription period for the tender offer started on May 6, 2019 and ended on May 24, 2019. By the closing date, a total of 6,475,263 ordinary shares had been subscribed to under the tender offer, equal to about 166% of the shares offered in the tender offer, 44.1% of the ordinary shares and 29.4% of the capital stock of SAES Getters S.p.A. for a total amount, before applying the distribution coefficient, of 148.9 million euro. A distribution coefficient was applied to the shares offered for subscription, equal to 60.2% and the total disbursement, of 89.7 million euro, was made on May 31, 2019.
By the closing of the tender offer, SAES Getters held 3,900,000 ordinary shares, equal to about 26.6% of the ordinary shares and about 17.7% of the capital stock of the Company.
This treasury stock represents a medium and long-term investment in the Company, which can also be used as a guarantee for loans, for any extraordinary transactions and/or to develop alliances in line with the Group's strategies. The Company intends to keep the treasury stock acquired in portfolio until the opportunity arises to use it.

For the purpose of issuing the guarantee to ensure precise fulfilment of the tender offer obligations and to cover the expenditure for the purchase of the ordinary shares, in addition to the commissions and expenses connected to the tender offer, on April 17, 2019, the Parent Company took out a **medium/long-term loan** for an amount of 92.7 million euro with Mediobanca - Banca di Credito Finanziario S.p.A. The loan has a maximum duration of five years and calls for quarterly interest payments at the annual fixed rate of 1.2%. The loan can be repaid in a single solution at the expiry date, or it can be done at any time, by voluntary partial repayments for a minimum amount of 5 million euro and multiples of 1 million euro. In the case of early repayments, the Parent Company will have to pay Mediobanca the amount that has to be repaid and any mark-to-market amount - if negative - of the IRS derivative agreed by the lending entity to cover the risk of fluctuating interest rates; if the mark-to-market is positive, Mediobanca will pay this amount to SAES.
There will be a single financial covenant (net consolidated positive financial position) subject to half-yearly checks. The loan is guaranteed by liens on financial assets of the Group.

In the first quarter of 2019, a further 100 million euro in cash and cash equivalents, in addition to the 100 million euro previously allocated at December 31, 2018, were invested in the construction of a **portfolio with a conservative investment profile** and mainly with **high flexibility and liquidity**, in order to promptly deal with any future Group requirements (please refer to Note no. 18 for further information).

With reference to the scope of consolidation, in March 2019, the **liquidation process of Actuator Solutions (Shenzhen) Co., Ltd. began**, a wholly owned subsidiary of the joint venture Actuator Solutions GmbH. The liquidation is expected to conclude in the initial months of 2020 and has not resulted in material negative effects on the joint venture's consolidated statement of profit or loss at December 31, 2019.

On April 4, 2019, following the loss recorded in 2018, the Shareholders' Meeting of **SAES Coated Films S.p.A.** decided to **establish a reserve of 5 million euro** to cover any future losses, with a capital payment by the Single Shareholder SAES Getters S.p.A.

On May 1, 2019, with the positive result of the due diligence and environmental assessment, Memry Corporation finalized **acquisition of the property located in Bethel (CT)** for a value of 5.8 million dollars. At the end of the 2018 financial period, Memry Corporation had already paid an advance of 0.3 million dollars.

In May 2019, **OLET-related patents** of E.T.C. S.r.l. in liquidation **were sold to the joint venture Flexterra, Inc.** Since this intellectual property was not measured in the assets of E.T.C. S.r.l., the transaction gave rise to extraordinary revenue from related parties in the consolidated financial statements of 1.2 million euro[7].

On July 1, 2019, the subsidiary **Memry Corporation** signed a contract to **lease additional production space** of more than 63,000 sq. ft. (equivalent to 5,900 sq. m) located in Bethel (CT). The lease contract has a duration of five years and six months at an annual cost of 7.25 dollars per sq. ft.

On August 7, 2019, **S.G.G. Holding S.p.A.** obtained the **majority of voting rights** for an additional 1,465,731 ordinary shares of SAES Getters S.p.A. As a result of this transaction, the ordinary shares owned by S.G.G. Holding on which there is an effective majority amounted to 2,819,773, and it holds **voting rights equal to 44.81%** at December 31, 2019 (including in the calculation the treasury stock held by SAES Getters S.p.A.).
On September 4, 2019, S.G.G. Holding registered in the List for the attribution of increased voting rights on its remaining ordinary shares that still have single votes (equal to 2,198,713). These shares will accrue increased voting rights twenty-four months from the registration date, only if S.G.G. Holding maintains uninterrupted ownership for that period.

On September 20, 2019, the shareholders SAES Getters S.p.A. and Rodofil S.r.l., owners of 49% and 51%, respectively, of **SAES RIAL Vacuum S.r.l.**, signed an agreement to **postpone for one year** (from mid-2020 to mid-2021) **the terms for exercising the put & call options** subscribed by both parties when the company was established (at the end of 2015). The agreement also provides for redefining the calculation methodologies for the exercise price, solely for the put option, using *pro forma* figures for the company's performance at the sale date for any extraordinary costs and non-recurring investments, identified as profits for the company's future growth.

With reference to the scope of consolidation, on October 1, 2019, the **liquidation process of Actuator Solutions Taiwan Co., Ltd. began**, a wholly owned subsidiary of the joint venture Actuator Solutions GmbH. The liquidation is expected to conclude no later than the end of 2020 and no extraordinary additional costs of a material amount are estimated, other than those already included at December 31, 2019.

On October 22, 2019, as part of the **Cibus Tec** trade show, an annual trade show held in Parma dedicated to technological innovation in the food sector, SAES Group, through SAES Coated Films S.p.A., which specializes in functional coating technologies, launched the new Coathink® coating technology, a water-based deposition that provides high barrier properties to packaging surfaces, in line with the fundamental principles of the circular economy.

[7] Gain recognized limited solely to minority interests in the joint venture, in accordance with IAS 28.

On December 17, 2019, SAES Nitinol S.r.l. and **Actuator Solutions GmbH** signed an agreement to **postpone** until December 31, 2020 **the payment of all interest accrued from 2016 to 2019** (1.6 million euro) on loans granted by SAES, in several tranches, to the joint venture.
As previously noted, the receivable related to this interest was the subject of a letter of postponement to SAES Nitinol S.r.l. to guarantee business continuity for Actuator Solutions and, therefore, was entirely written off[8], as it was considered irrecoverable.

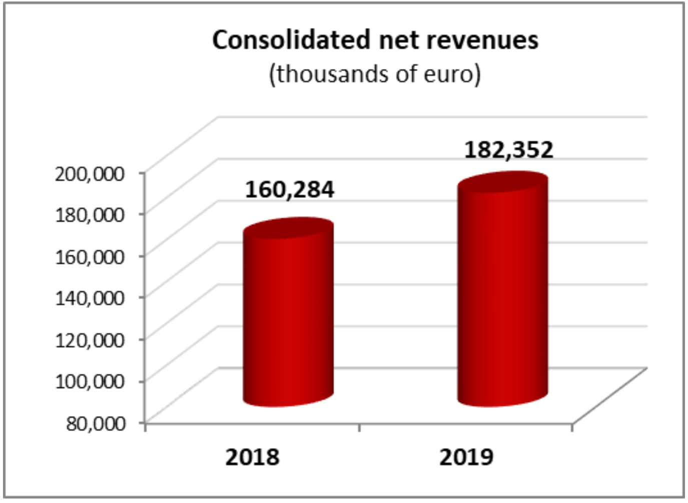
As of the end of December 2019, the **reduction in share capital** of the subsidiary **SAES Investments S.A.**, approved by the Shareholders' Meeting of the Luxembourg company held on November 13, 2019, became legally effective. The share capital, initially equal to 40 million euro, was reduced to 30 million euro.

***

The 2019 statement of profit or loss reflects the **application of the new accounting standard IFRS 16 - Leases**, on the basis of which the accounting on a straight line basis of the operating leasing costs are replaced by the amortization of the right of use and the borrowing costs on the liabilities recorded against this. Starting from January 1, 2019, the Group began to apply the new standard on an amended retrospective basis, without recalculating the figures from the period being compared. Please refer to Note no. 2 for further details on the new standard and on the effects of initial application.
With reference to the main levels of operating profitability, the introduction of new methods to present the leasing operations led to the following in 2019:
- a non-significant gain of 93 thousand euro in consolidated operating profit;
- a gain of 1,632 thousand euro on the consolidated EBITDA;
- a non-significant gain of 38 thousand euro in profit before consolidated taxes.

[8] The receivable for interest accrued from 2016 to 2018, completely written off at the end of last year, was equivalent to 1,139 thousand euro. The receivable for interest accrued during the current year, written off at December 31, 2019, was equivalent to 480 thousand euro.

Sales and economic results of 2019



Consolidated net revenues for 2019 were equal to 182,352 thousand euro, double-digit growth (+13.8%) compared to 160,284 thousand euro in 2018.

The **exchange rate effect** was positive and equal to +4.3%, mainly related to the revaluation of the US dollar against the euro. Excluding the positive exchange rate effect, **organic growth** stood at 9.5%, mainly driven by the Nitinol medical device business (higher volumes distributed across various product lines and various application markets), in SMA segments for industrial applications (sales of trained wires for consumer electronics applications and components for luxury applications), and in electronic devices (higher sales of both getter components for thermal sensors for surveillance and industrial applications as well as advanced getters for the consumer electronics market). Finally, the Sintered Components for Electronic Devices & Lasers business also recorded organic growth, driven by applications related to defence and avionics.

Including the share of the joint ventures' revenue[9], **total revenues of the Group** in 2019 was equal to 194,040 thousand euro, an increase of 12.7% compared to 172,213 thousand euro in 2018, mainly due to the higher consolidated turnover and the increase in revenues of the SAES RIAL Vacuum S.r.l. joint venture. In the Actuator Solutions joint venture, revenues decreased by 7.5%, penalized by the slowdown in the automotive sector, only partially offset by income from developments in the telecom sector.

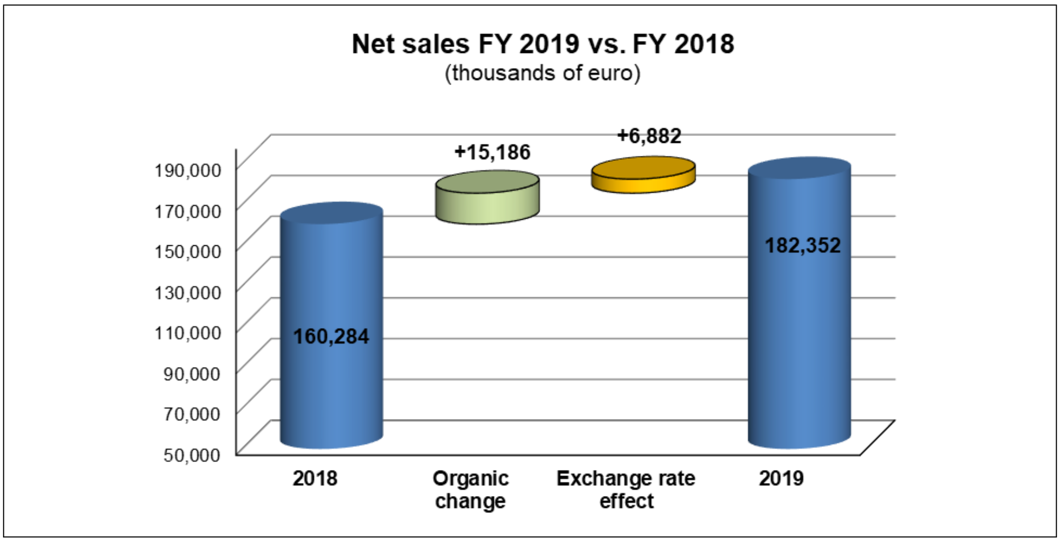
(thousands of euro)

	2019	2018	Total difference	Total difference %
Consolidated net sales	**182,352**	**160,284**	**22,068**	**13.8%**
50% Actuator Solutions' net sales	10,601	11,461	(860)	-7.5%
49% SAES RIAL Vacuum S.r.l.'s net sales	1,680	1,292	388	30.0%
Pro-quota Flexterra's net sales	7	13 (*)	(6)	-46.2%
Intercompany eliminations	(567)	(830)	263	-31.7%
Other adjustments	(33)	(7)	(26)	371.4%
Total revenues of the Group	**194,040**	**172,213**	**21,827**	**12.7%**

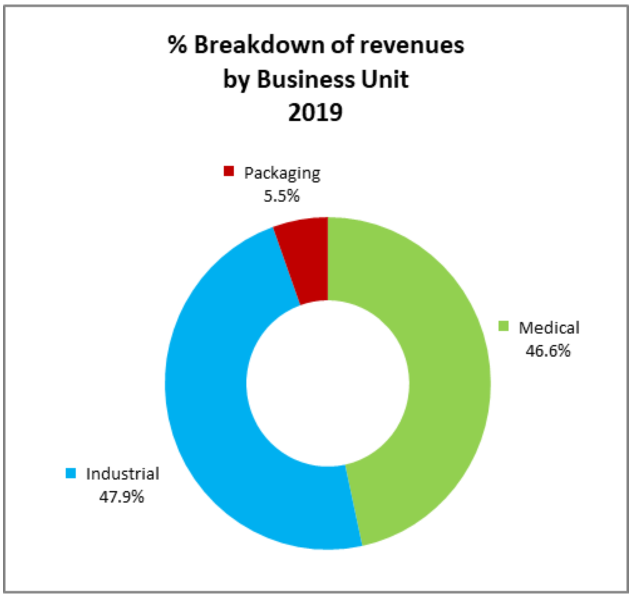
(*) During 2018, the percentage of SAES in the share capital of Flexterra, Inc. gradually increased from 33.79% to 46.73%, following the capital increases subscribed by SAES Getters International Luxembourg SA, to which the other members did not participate, or contributed only partially. The pro-quota turnover for 2018 was therefore calculated taking into account these progressive increases in the equity investment.

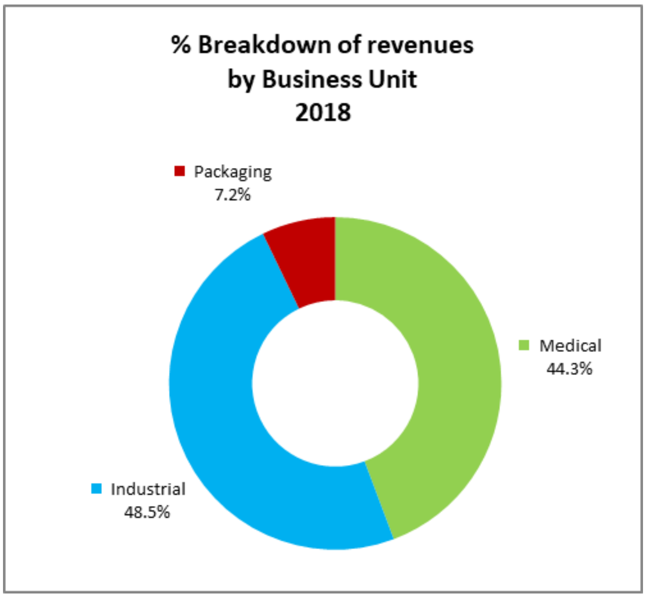
The following chart shows details of the increase of consolidated revenues in 2019, highlighting the effect of exchange rates and the variation due to the changes in sales prices and volumes sold (organic growth).

9 Actuator Solutions (50%), SAES RIAL Vacuum S.r.l. (49%) and Flexterra (46.73%).



The following graph shows the **percentage weight** of the **revenues of each Business Unit** both for 2019 and for the previous year.
The percentage effect of the divisions is line with that of 2018. In particular, note the slight increase in the percentage weight of the **Medical** Business Unit, which drove the growth in revenues in absolute value, against a slight decrease in the **Industrial** Business Unit, whose growth in absolute value was lower than that of Medical, and the **Packaging** Business Unit, penalized by the aforementioned phase-out of non-strategic metallized products with lower margins and for which the sales of the new lacquered products with higher added value began only in the last months of 2019.





The following table contains the breakdown of consolidated net revenues by business sector in 2019 and in 2018, along with the percentage change at current and comparable exchange rates.

(thousands of euro)

Business	2019	2018	Total difference	Total difference %	Exchange rate effect %	Organic change %
Security & Defense	12,778	12,595	183	1.5%	3.6%	-2.1%
Electronic Devices	25,636	21,106	4,530	21.5%	1.8%	19.7%
Healthcare Diagnostics	4,438	4,578	(140)	-3.1%	2.6%	-5.7%
Lamps	4,073	4,901	(828)	-16.9%	2.7%	-19.6%
Thermal Insulated Devices	3,377	3,566	(189)	-5.3%	5.0%	-10.3%
Solutions for Vacuum Systems	10,592	11,183	(591)	-5.3%	2.5%	-7.8%
Sintered Components for Electronic Devices & Lasers	8,452	7,350	1,102	15.0%	6.0%	9.0%
Functional Chemical Systems	1,051	1,075	(24)	-2.2%	5.1%	-7.3%
SMA Industrial	16,969	11,482	5,487	47.8%	4.3%	43.5%
Industrial	**87,366**	**77,836**	**9,530**	**12.2%**	**3.2%**	**9.0%**
Nitinol for Medical Devices	84,979	70,968	14,011	19.7%	6.1%	13.6%
Medical	**84,979**	**70,968**	**14,011**	**19.7%**	**6.1%**	**13.6%**
Solutions for Advanced Packaging	10,007	11,480	(1,473)	-12.8%	0.0%	-12.8%
Packaging	**10,007**	**11,480**	**(1,473)**	**-12.8%**	**0.0%**	**-12.8%**
Total net sales	**182,352**	**160,284**	**22,068**	**13.8%**	**4.3%**	**9.5%**

The consolidated revenues from the **Industrial Business Unit** amounted to 87,366 thousand euro, up by 12.2% compared to 77,836 thousand euro in the previous year. The currency trend led to a positive exchange rate effect of +3.2%, net of which revenues organically increased by 9%.
The organic growth was primarily driven by shape memory alloys for industrial applications (SMA Industrial Business +43.5%), due to sales of trained wire for consumer electronics applications and sales of SMA components for luxury applications. Double-digit growth (+19.7%) was also recorded in the electronic devices sector (Electronic Devices Business) thanks to higher sales of getter components for thermal sensors for surveillance and industrial applications, as well as advanced getters for the consumer electronics market. Lastly, the Sintered Components for Electronic Devices & Lasers Business also showed organic growth (+9%) due to the higher sales of heat dissipation devices used in semiconductor lasers in defence-related applications. The electron emitter segment also recorded slight growth, especially in the avionics and power tube sectors.
Instead, there was an organic reduction in the following businesses:
- Solutions for Vacuum Systems Business (-7.8%), penalized by delays in the implementation of large projects in the particle accelerator sector; the drop in this segment was only partially offset by higher sales of pumps for analytical instruments and for research laboratories.
- Security & Defence Business, whose slight organic reduction (-2.1%) is mainly attributable to the postponement of some deliveries relating to night-vision applications. However, the trend in the market continues to grow.
- Healthcare Diagnostics Business (-5.7%) which, after high demand at the beginning of the year, saw a slowdown mainly due to overstocking by customers. The 2020 outlook remains stable.
- Functional Chemical Systems Business (-7.3%), down due to weakness in sales of new-generation dispensing products for OLED displays in the first part of the year, which became evident only in the second half of the year. Again in the last part of 2019, sales of functional chemicals for semi-hermetic electronic devices in photonics and automotive applications also provided a positive contribution.
- In line with 2018, the organic drop in the thermal insulation (Thermal Insulated Devices Business) and lamp (Lamps Business) sectors continued. In the former, the decline is mainly due to decrease in demand in the vacuum bottles segment; in the latter, the decline is due to the technological competition in LEDs for fluorescent lamps and high-intensity discharge lamps.

The consolidated revenues of the *Security & Defence Business* amounted to 12,778 thousand euro in 2019, up 1.5% compared to 12,595 thousand euro in 2018. Excluding the positive exchange rate effect (+3.6%), the organic reduction was -2.1%.

The consolidated revenues of the *Electronic Devices Business* amounted to 25,636 thousand euro in 2019, considerably higher (+21.5%) compared to 21,106 thousand euro in 2018. Excluding the positive exchange rate effect (+1.8%), the price/quantity effect was positive at 19.7%.

The consolidated revenues of the *Healthcare Diagnostics Business* amounted to 4,438 thousand euro in 2019, a decline of 3.1% compared to 4,578 thousand euro in 2018. Excluding the positive exchange rate effect (+2.6%), the organic reduction was -5.7%.

The consolidated revenues of the *Lamps Business* was 4,073 thousand euro, a decline of -16.9% compared to 4,901 thousand euro in 2018. Excluding the positive exchange rate effect (+2.7%), the lamps segment showed an organic reduction of -19.6%, which should be considered structural.

The consolidated revenues of the *Thermal Insulated Devices Business* in 2019 was 3,377 thousand euro, compared to 3,566 thousand euro recorded in 2018 (-5.3%). Exchange rates had a positive impact of +5%, while the organic decrease was -10.3%.

The consolidated revenues of the Solutions for *Vacuum Systems Business* in 2019 was 10,592 thousand euro, down -5.3% compared to 11,183 thousand euro recorded in 2018. Excluding the positive exchange rate effect (+2.5%), the organic decrease was -7.8%.

The consolidated revenues of the *Sintered Components for Electronic Devices & Lasers Business* in 2019 were 8,452 thousand euro, up (+15%) compared to 7,350 thousand euro recorded in 2018. Excluding the positive exchange rate effect (+6%), organic growth was +9%.

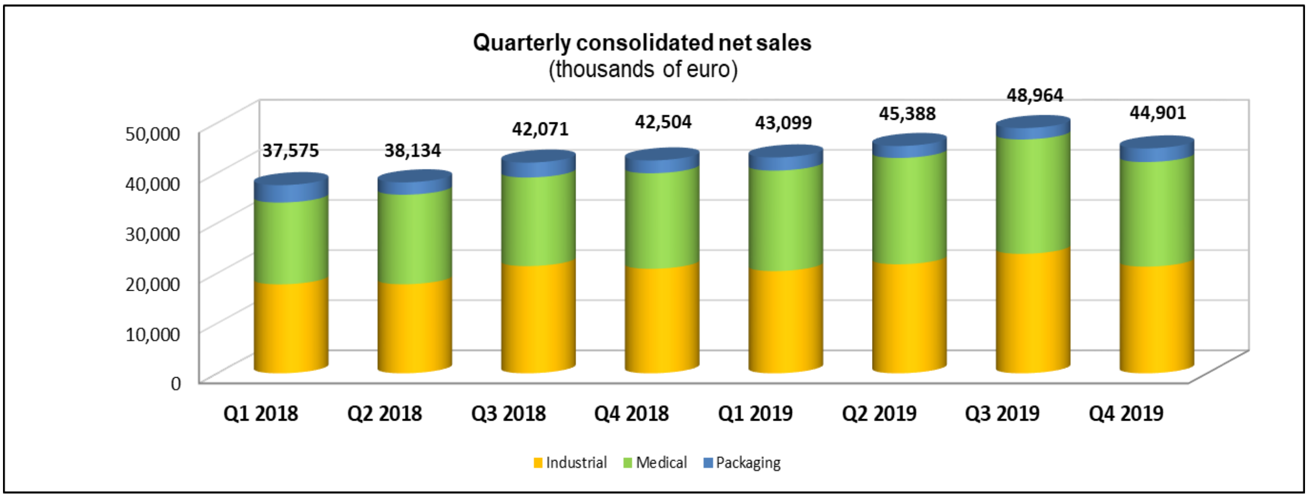
The consolidated revenues of the *Functional Chemical Systems Business* in 2019 was 1,051 thousand euro, down (-2.2%) compared to 1,075 thousand euro recorded in 2018. Excluding the positive exchange rate effect (+5.1%), the organic decrease was -7.3%.

The consolidated revenues of the *SMA Industrial Business* amounted to 16,969 thousand euro in 2019, considerably higher (+47.8%) compared to 11,482 thousand euro in 2018. Excluding the positive exchange rate effect (+4.3%), organic growth was +43.5%.

The consolidated revenues of the **Medical Business Unit** amounted to 84,979 thousand euro, significant growth (+19.7%) compared to 70,968 thousand euro in the prior year. Exchange rates had a positive impact of +6.1%, net of which organic growth was in the double digits (+13.6%), distributed across various product lines, customers and market segments.

The consolidated revenue from the **Packaging Business Unit** in 2019 amounted to 10,007 thousand euro compared to 11,480 thousand euro in 2018. Sales are exclusively denominated in euro.
The decrease (-12.8%) reflected the rationalization of the product portfolio, started in the second half of 2018 and still in progress, designed to reduce the impact of metallized products compared to lacquered ones (the latter with greater margins), while sales of new lacquered products with greater added value started only in the last months of 2019, as a result of commercial policies aimed at promoting the most innovative products.

The **quarterly performance of the net consolidated revenues** in 2019, with the details by Business, is provided in the following chart and the table below.



(thousands of euro)

Businesses	4th quarter 2019	3rd quarter 2019	2nd quarter 2019	1st quarter 2019	4th quarter 2018	3rd quarter 2018	2nd quarter 2018	1st quarter 2018
Security & Defense	2,908	3,505	2,732	3,633	3,037	3,411	3,173	2,974
Electronic Devices	6,834	8,270	6,257	4,275	6,700	6,671	4,418	3,317
Healthcare Diagnostics	965	1,023	1,248	1,202	1,368	1,048	1,139	1,023
Lamps	804	995	1,204	1,070	1,008	1,271	1,192	1,430
Thermal Insulated Devices	847	697	888	945	864	911	875	916
Solutions for Vacuum Systems	3,046	2,024	2,453	3,069	2,885	2,879	2,245	3,174
Sintered Components for Electronic Devices & Lasers	2,091	1,819	2,149	2,393	1,954	1,842	1,795	1,759
Functional Chemical Systems	275	340	254	182	200	301	236	338
SMA Industrial	3,537	5,186	4,591	3,655	2,856	3,079	2,709	2,838
Industrial	**21,307**	**23,859**	**21,776**	**20,424**	**20,872**	**21,413**	**17,782**	**17,769**
Nitinol for Medical Devices	20,871	22,836	21,220	20,052	19,073	17,688	17,879	16,328
Medical	**20,871**	**22,836**	**21,220**	**20,052**	**19,073**	**17,688**	**17,879**	**16,328**
Solutions for Advanced Packaging	2,723	2,269	2,392	2,623	2,559	2,970	2,473	3,478
Packaging	**2,723**	**2,269**	**2,392**	**2,623**	**2,559**	**2,970**	**2,473**	**3,478**
Total net sales	**44,901**	**48,964**	**45,388**	**43,099**	**42,504**	**42,071**	**38,134**	**37,575**

After a progressive increase in quarterly consolidated revenues, which continued until the end of September 2019, mainly driven by medical sales and those of industrial SMAs and advanced components for consumer electronics market (Electronic Devices Business), these sectors showed a reversal in the fourth quarter due to both postponements in deliveries, excess stock and cyclical effects in the procurement timing by some large customers.

The following table shows the details of the **consolidated revenues** for each business sector **for the fourth quarter of 2019 and compared with the previous quarter of the same year**, with data on the percentage change at current and comparable exchange rates.

(thousands of euro)

Businesses	4th quarter 2019	3rd quarter 2019	Total difference	Total difference %	Exchange rate effect %	Organic change %
Security & Defense	2,908	3,505	(597)	-17.0%	0.3%	-17.3%
Electronic Devices	6,834	8,270	(1,436)	-17.4%	0.1%	-17.5%
Healthcare Diagnostics	965	1,023	(58)	-5.7%	0.2%	-5.9%
Lamps	804	995	(191)	-19.2%	-0.1%	-19.1%
Thermal Insulated Devices	847	697	150	21.5%	0.0%	21.5%
Solutions for Vacuum Systems	3,046	2,024	1,022	50.5%	0.4%	50.1%
Sintered Components for Electronic Devices & Lasers	2,091	1,819	272	15.0%	0.5%	14.5%
Functional Chemical Systems	275	340	(65)	-19.1%	0.1%	-19.2%
SMA Industrial	3,537	5,186	(1,649)	-31.8%	0.2%	-32.0%
Industrial	**21,307**	**23,859**	**(2,552)**	**-10.7%**	**0.2%**	**-10.9%**
Nitinol for Medical Devices	20,871	22,836	(1,965)	-8.6%	0.4%	-9.0%
Medical	**20,871**	**22,836**	**(1,965)**	**-8.6%**	**0.4%**	**-9.0%**
Solutions for Advanced Packaging	2,723	2,269	454	20.0%	0.0%	20.0%
Packaging	**2,723**	**2,269**	**454**	**20.0%**	**0.0%**	**20.0%**
Total net sales	**44,901**	**48,964**	**(4,063)**	**-8.3%**	**0.3%**	**-8.6%**

The comparison of consolidated revenues for the fourth quarter of 2019 to the previous quarter shows an overall organic reduction of -8.6%. Organic reductions are mainly concentrated in the following sectors:

- Electronic Devices Business (organic reduction of -17.5%), due to the postponement of some deliveries of advanced components for the consumer electronics market to the initial months of 2020;
- SMA Industrial Business (-32%), due to cyclical effects in the procurement timing of SMA products for consumer electronics and automotive applications;
- Nitinol for Medical Devices Business (-9%), which, after an especially positive third quarter that benefitted from the postponement of previous deliveries, in the last quarter saw a slowdown from a large customer due to overstock problems.

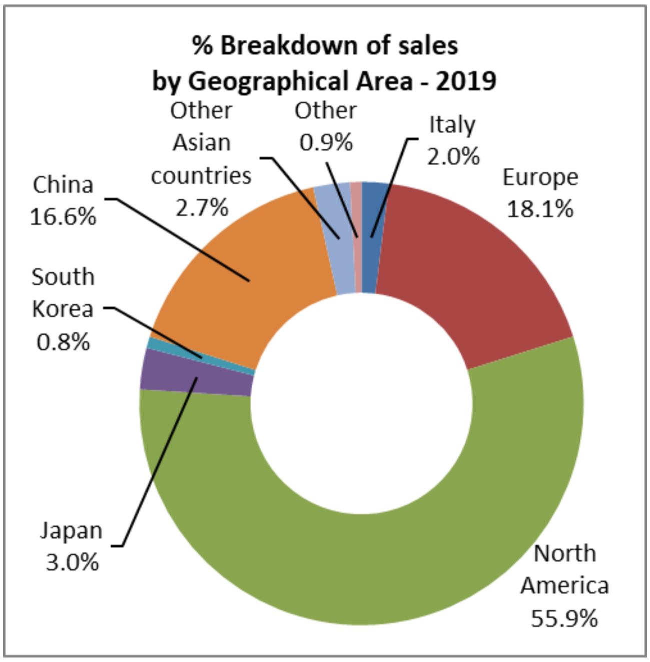
By contrast, some segments show a positive reversal in the trend. In particular:

- Solutions for Vacuum Systems Business (organic growth of +50.1%), supported by the recovery in sales of pumps for particle accelerators;
- Solutions for Advanced Packaging Business (+20%), attributable to the first sales of new-generation lacquered films, in line with the commercial policy aimed at promoting the most innovative products.

The **breakdown of the consolidated revenue by geographic location of customers** is provided below.

(thousands of euro)

Geographic area	2019	%	2018	%	Total difference	Total difference %
Italy	3,624	2.0%	4,260	2.7%	(636)	-14.9%
Europe	33,054	18.1%	38,889	24.3%	(5,835)	-15.0%
North America	101,943	55.9%	86,363	53.9%	15,580	18.0%
Japan	5,528	3.0%	5,783	3.6%	(255)	-4.4%
South Korea	1,509	0.8%	1,170	0.7%	339	29.0%
China	30,323	16.6%	16,591	10.4%	13,732	82.8%
Other Asian countries	4,879	2.7%	5,687	3.5%	(808)	-14.2%
Others	1,492	0.9%	1,541	0.9%	(49)	-3.2%
Total net sales	**182,352**	**100.0%**	**160,284**	**100.0%**	**22,068**	**13.8%**



With regard to the **geographic distribution of the revenue**, 2019 showed strong growth in **North America**, mainly driven by sales in the Nitinol sector for medical applications and in the security and defence business. Revenue in **China** was considerably higher thanks to the sales of the SMA trained wire for electronic consumer applications and those in the Electronic Devices Business.
On the other hand, revenue in **Europe** was down, due to lower sales in the packaging sector and in vacuum systems for particle accelerators, as well as the structural crisis in the lamp business. There was also a fall in the Security & Defence Business in Europe, more than offset by the above-mentioned sales in the United States.

Consolidated gross profit[10], amounted to 78,373 thousand euro in 2019, compared to 70,252 thousand euro in 2018. This growth (+8,121 thousand euro in absolute value and +11.6% in percentage terms), also favoured by the exchange rate effect +3,394 thousand euro, was exclusively due to the increase in sales, mainly in the Nitinol medical device sector (Medical Business Unit) as well as electronic devices and SMAs for industrial applications (Industrial Unit Business). The **gross margin**[11] is slightly lower (from 43.8% of consolidated revenues in 2018 to 43% in 2019), attributable to the Medical operating segment, where there were temporary production inefficiencies at Memry Corporation.
Please refer to an analysis on the operating sector for further details.

The adoption of the new accounting standard for operating leases starting from January 1, 2019 (**IFRS 16**) did not have any significant effect on the consolidated gross profit.

The following table shows the consolidated gross profit or loss for 2019 by Business Unit, compared with the previous year.

(thousands of euro)

Business Unit	2019	2018	Total difference	Difference %
Industrial	42,174	38,277	3,897	10.2%
% on the Business Unit net sales	*48.3%*	*49.2%*		
Medical	35,601	31,074	4,527	14.6%
% on the Business Unit net sales	*41.9%*	*43.8%*		
Packaging	598	1,181	(583)	-49.4%
% on the Business Unit net sales	*6.0%*	*10.3%*		
Not Allocated Costs	0	(280)	280	-100.0%
% on the Business Unit net sales	*n.a.*	*n.a.*		
Gross profit	**78,373**	**70,252**	**8,121**	**11.6%**
% on net sales	***43.0%***	***43.8%***		

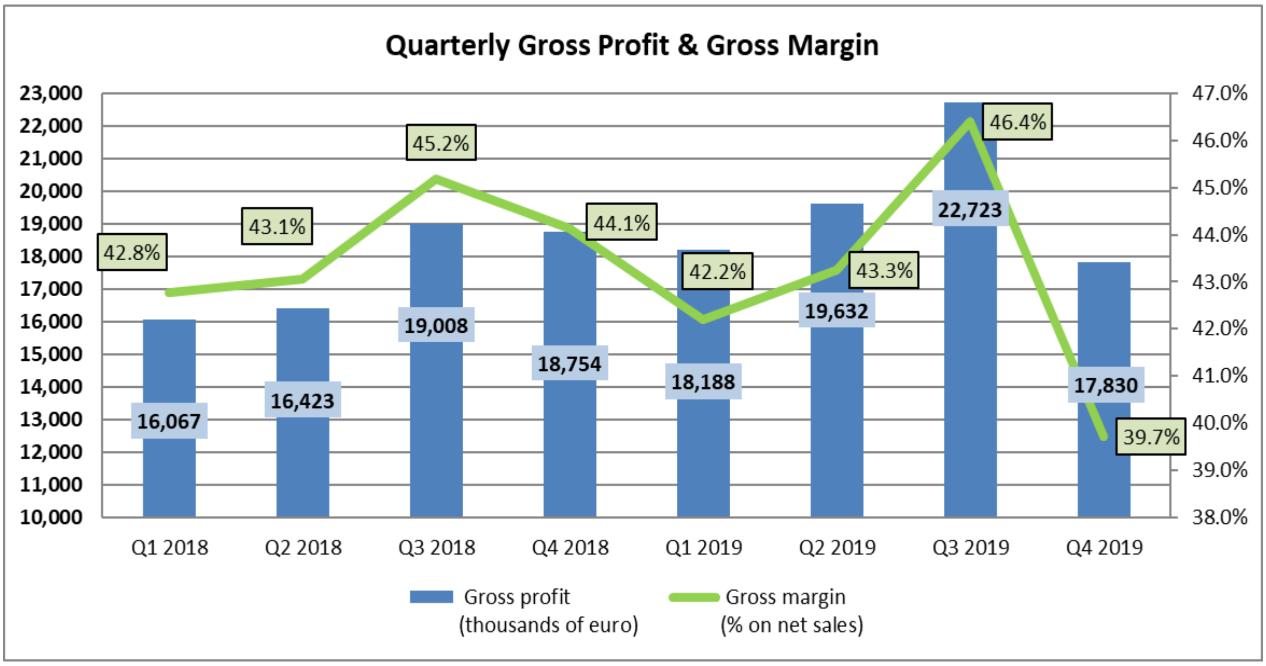
10 Calculated as the difference between consolidated net revenues and industrial costs directly and indirectly attributable to the products sold.
11 Calculated as the ratio between the gross profit and the net consolidated revenue.

The gross profit of the **Industrial Business Unit** was 42,174 thousand euro in 2019, compared to 38,277 thousand euro in 2018. The growth (+10.2%) was mainly related to the excellent performance of sales in the segments of electronic devices and SMAs for industrial applications. The gross margin fell from 49.2% to 48.3%, penalised by the disposal of non-compliant products[12] (578 thousand euro) in the electronic devices business. Even excluding this cost, the reduction in gross margin[13] is mainly attributable to lower sales and the less favourable product mix in the defence and vacuum pumps sectors, only partially offset by the increase in margins of SMAs for industrial applications, the latter characterized instead by a considerable increase in revenues.

The gross profit in the **Medical Business Unit** amounted to 35,601 thousand euro in 2019 compared to 31,074 thousand euro in 2018 (+14.6%): the increase in revenue more than offset the fall in profit margins (from 43.8% to 41.9%), penalized by temporary production inefficiencies in Memry Corporation.

The **Packaging Business Unit** closed the current year with gross profit of 598 thousand euro (6% of revenues), compared to 1,181 thousand euro in 2018 (10.3% of revenues): the decrease, both in absolute value and as a percentage of revenues, is mainly attributable to the aforementioned reduction in sales. The phase-out process of non-strategic products with lower margins has not yet fully shown its effects due to the fact that volumes are still low, with fixed costs substantially unchanged.
Note that the gross profit for the year 2019 is also penalized by a non-recurring write-down of 307 thousand euro (costs expensed in the statement of profit or loss for a project to extend the Lainate plant, subsequently suspended because it was decided to make the production investment in Roncello). Net of this extraordinary cost, the gross margin would have been 9%.

The following chart shows the **quarterly trend** of both the **consolidated gross profit and gross margin**.



The current year show a progressive quarterly increase in both gross profit and gross margin, with a peak in results in the third quarter, which was then interrupted in the fourth quarter due to the aforementioned slowdown in sales, mainly in the electronic device sectors, shape memory alloys for industrial applications and medical applications.

[12] Note that, against this disposal of non-compliant products for reasons that cannot be attributed to SAES (total cost of 578 thousand euro), the Group received a compensation of a nearly equivalent amount, recognized in the item "Other net income (expenses)".
[13] Excluding the cost for the disposal of non-compliant products, the gross margin for 2019 would have been 48.9%.

The **consolidated operating income** amounted to 26,772 thousand euro in 2019 (14.7% of consolidated revenue), with strong growth (+77.7%) from 15,066 thousand euro in the corresponding period of the previous year (9.4% of consolidated revenue): excluding the positive effect of the exchange rates (+2,740 thousand euro), organic growth (+8,966 thousand euro, equal to +59.5%) is due to the increase in gross profits, which in turn benefitted from higher sales, as well as non-recurring statement of profit or loss items, detailed below, with a positive sign in the current year (+404 thousand euro) and a negative sign in 2018 (-4,592 thousand euro).
In particular, the current year, under the item "Other net income (expenses)", includes the consolidated gain of 1,208 thousand euro[14] for the sale of the OLET patents owned by E.T.C. S.r.l. in liquidation to the joint venture Flexterra, Inc. and the aforementioned compensation of 566 thousand euro for the non-compliance of some products recognized as not attributable to SAES. These positive values were only partially offset by the write-downs already mentioned in the comment on gross profit (totalling 885 thousand euro), and extraordinary operating costs for severance of 485 thousand euro, related both to the conclusion of the staff reduction process of the Parent Company, which began in 2018 after the sale of the purification business, as well as the phase-out of metallized products in the packaging sector.
Operating expenses in 2018 were instead penalized by the Parent Company's severance costs of 2,656 thousand euro, as well as the write-down of 3,100 thousand euro relating to impairment testing on the Advanced Packaging operating segment, which led to the full write-off of goodwill arising from acquisition of SAES Coated Films S.p.A. (formerly Metalvuoto S.p.A.), which amounted to 2,409 thousand euro, and the write-off of other intangible assets and property, plant and equipment totalling 691 thousand euro. Revenue of 1,164 thousand euro was instead accounted for under "Other net income (expenses)" for a non-repayable grant contributed by the State of Connecticut to Memry Corporation.
Please refer to an analysis on the operating sector for further details.

The adoption of the new accounting standards for operating leases starting from January 1 2019 (**IFRS 16**) did not have any significant effect on the operating indicators (without application of IFRS 16, the consolidated operating profit for 2019 would have been 26,679 thousand euro, equal to 14.6% of the consolidated revenue).

The following table shows consolidated operating income for 2019 by Business Unit, compared with the previous year.

(thousands of euro)

Business Unit	2019	2018	Total difference	Difference %
Industrial	26,086	20,561	5,525	26.9%
Medical	26,161	23,652	2,509	10.6%
Packaging	(3,238)	(5,872)	2,634	-44.9%
Not Allocated Costs	(22,237)	(23,275)	1,038	-4.5%
Operating income (loss)	**26,772**	**15,066**	**11,706**	**77.7%**
% on net sales	***14.7%***	***9.4%***		

The operating income of the **Industrial Business Unit** was 26,086 thousand euro in 2019, compared to 20,561 thousand euro in 2018: the rise in revenues led to a significant increase of operating parameters, both in absolute terms (+26.9%), and as a percentage of revenues (from 26.4% to 29.9%). The decrease in operating expenses (-668 thousand euro) is due to the recognition in 2018 of severance costs of 717 thousand euro. In the current year, the aforementioned extraordinary costs for scrapping non-compliant stock (578 thousand euro) were offset by compensation of approximately the same value (566 thousand euro), recognized in the item "Other net income (expenses)".

[14] Gain recognized limited solely to minority interests in the joint venture, in accordance with IAS 28.

The operating income of the **Medical Business Unit** was 26,161 thousand euro (30.8% of consolidated revenues), up by 10.6% compared to corresponding figure for last year of 23,652 thousand euro (33.3% of consolidated revenues). The increase is attributable to the considerable growth in gross profit, which more than absorbed the increase in operating expenses (in particular G&A expenses for consulting), also penalized by the negative exchange rate effect. Lastly, note the non-repayable grant contributed in 2018 by the State of Connecticut to Memry Corporation (1,164 thousand euro) accounted for under the item "Other net income (expenses)".

The operating income of the **Packaging Business Unit** was -3,238 thousand euro, compared to -5,872 thousand euro in the previous year. Excluding extraordinary costs (in 2019, 307 thousand euro for the aforementioned suspension of the Lainate production expansion project and 180 thousand euro for staff reduction; in 2018, 3,100 thousand euro for the write-down of intangible assets and property, plant and equipment from impairment testing), the operating result is aligned (-2,772 thousand euro in 2018, against -2,751 thousand euro in the current year): the drop in the gross result was offset by lower G&A expenses (in particular, lower consulting costs).

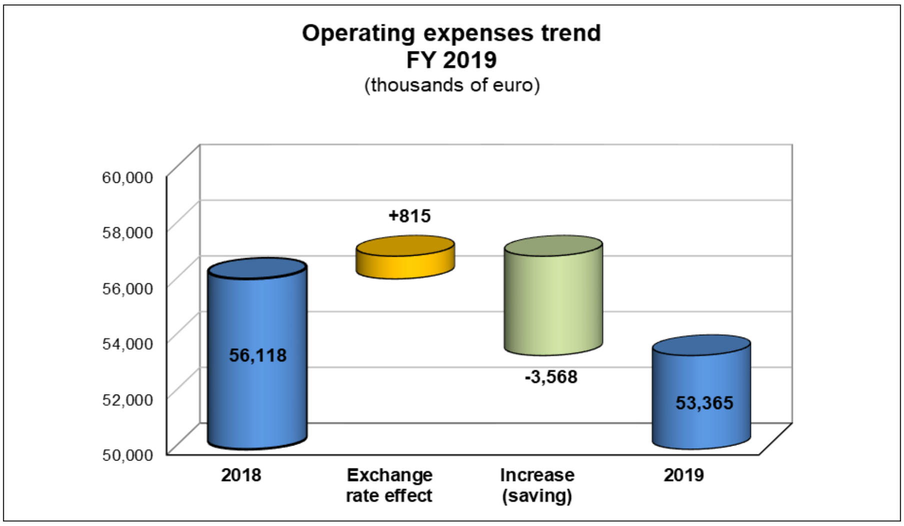
The unallocated costs (**Not Allocated Costs**) amounted to 22,237 thousand euro, compared to 23,275 thousand euro in 2018, and include both costs that cannot be directly attributed or reasonably allocated to any business sector, but that refer to the Group as a whole, as well as costs relating to basic research projects or aimed at diversification into innovative businesses. Excluding extraordinary items (in 2019, gain from the sale of IP to the Flexterra joint venture of 1,208 thousand euro and severance costs of 305 thousand euro; in 2018, severance costs of the Parent Company of 1,940 thousand euro), not allocated costs increased by 1,805 thousand euro (from 21,335 thousand euro in 2018 to 23,140 thousand euro in 2019): the increase was primarily related to consulting expenses for strategic projects, as well as higher costs for remuneration of Executive Directors.

The **consolidated operating expenses** were 53,365 thousand euro (29.3% of revenues), compared to 56,118 thousand euro (35% of revenues) in the previous year. Excluding the exchange rate effect (+815 thousand euro) and non-recurring costs (485 thousand euro[15] in 2019 and 5,756 thousand euro[16] in 2018), the change in operating expenses was +1,703 thousand euro: in particular, the increases involved **sales costs** (commissions paid on sales of SMA trained wire for consumer electronics applications) and **general and administrative expenses** (consulting expenses for strategic projects and higher costs for remuneration of Executive Directors). Instead, **research and development expenses** did not post significant changes.

The following chart shows the trend of the consolidated operating expenses in 2019, also showing the impact of exchange rates.

[15] Severance costs.

[16] 3,100 thousand euro for write-downs of property, plant and equipment and intangible assets and 2,656 thousand euro for severance costs.



Overall, **labour costs** were 77,638 thousand euro in 2019 (of which 763 thousand euro[17] in severance costs, compared to 72,348 thousand euro (of which 2,704 thousand euro[18] in severance costs) in 2018. Excluding the aforementioned severance costs and the exchange rate effect (+2,216 thousand euro), the increase in labour costs (+5,015 thousand euro) is due to greater use of temporary workers, especially in the shape memory alloy segment and in the Parent Company's Avezzano plant, in addition to the increase in the average number of employees at the US subsidiaries and the strengthening of the workforce within SAES Coated Films S.p.A. Furthermore, note the higher provision for variable incentives by the Parent Company. These increases were partly offset by the savings on labour costs as a result of the reduction of staff at the Parent Company, implemented from the end of 2018.

The profit for the year period takes account of the **amortization/depreciation of tangible and intangible assets** (including **rights of use**, resulting from the application of IFRS 16) of 9,446 thousand euro, compared to 7,588 thousand euro in the previous year: the increase is mainly related to the application, starting from January 1, 2019, of the new **IFRS 16**, which led to the recognition of amortization of rights of use for 1,539 thousand euro in 2019.

Consolidated EBITDA was 36,502 thousand euro in 2019 (20% of consolidated revenues), compared to 26,279 thousand euro in 2018 (16.4% of revenues). Net of the positive effect related to the first-time adoption of IFRS 16, consolidated EBITDA would have been 34,870 thousand euro (19.1% of revenues), again showing strong growth (+32.7%) compared to 2018, in line with operating results.
Even excluding all non-recurring revenues and costs (net revenues of +711 thousand euro[19] in the current year and net costs of -1,492 thousand euro[20] in the previous year), 2019 EBITDA would have been 35,791 thousand euro (19.6% of revenues), up sharply from 27,771 thousand euro (17.3% of revenues) in 2018, mainly driven by electronic devices, shape memory alloys for industrial applications and Nitinol for medical applications.

The table below shows the reconciliation of EBITDA and operating income in 2019, together with a comparison with last year.

---

[17] Of which 485 thousand euro is considered extraordinary because it is related both to the conclusion of the Parent Company's staff reduction process that began in 2018 after the sale of the purification business as well as the phase-out of metallized products in the packaging sector.
[18] Of which 2,656 thousand euro is considered extraordinary because it is related to the 2018 phase of the aforementioned staff reduction process in the Parent Company.
[19] +1,208 thousand euro, equivalent to the consolidated gain realized on the sale of IP to the Flexterra joint venture; -485 thousand euro of severance costs; -12 thousand euro of costs for the disposal of non-compliant stock, net of the compensation received.
[20] +1,164 thousand euro for the non-repayable grant to Memry Corporation and -2,656 thousand euro for severance costs.

(thousands of euro)

	2019	2019 *without IFRS 16 adoption*	2018
Operating income	26,772	26,679	15,066
Property, plant and equipment depreciation & intangible assets amortization	(7,907)	(7,907)	(7,588)
Right of use amortization	(1,539)	0	0
Write-down of assets	(310)	(310)	(3,417)
Bad debt provision (accrual) release	26	26	(208)
EBITDA	**36,502**	**34,870**	**26,279**
% on net sales	*20.0%*	*19.1%*	*16.4%*

The balance of **other net income (expenses)** was positive for 1,764 thousand euro, compared to a positive balance of 932 thousand euro in 2018.
The change was due to the consolidated income from the related party, equal to 1,208 thousand euro[21] for the sale of the OLET patents owned by E.T.C. S.r.l. in liquidation to the joint venture Flexterra, Inc. In the current year, other income also includes other extraordinary revenues, equal to approximately 249 thousand euro, for insurance reimbursements and a favourable settlement of legal disputes, as well as the compensation received by the Parent Company (566 thousand euro) for the disposal of finished products that were not compliant for reasons not attributable to SAES but to a sub-supplier.
In 2018, the item included income of 1,164 thousand euro, accounted for by the US subsidiary Memry Corporation following the transformation of 50% of the loan granted by the State of Connecticut (CT) at the end of the 2014 financial period to a non-repayable grant.

The net balance of **financial income (expenses)** was positive for 6,585 thousand euro, against a negative balance of -246 thousand euro in 2018.
The positive variation is mainly due to the financial income from securities acquired at the end of 2018 and the beginning of 2019 to invest the cash from the extraordinary sales transaction of the purification business (overall income of 7,045 thousand euro in the current year, of which 5,092 thousand euro for the fair value measurement of securities and 1,953 thousand euro from coupons and disposal of securities, net of the management commissions, compared to a negative value of -157 thousand euro as at December 31, 2018 related solely to the fair value measurement).
Moreover, the item includes the interest expense on long-term loans granted to the Parent Company, to SAES Coated Films S.p.A. and to the US subsidiary Memry Corporation, as well as the bank fees related to the credit lines held by the Italian companies of the Group. With regard to interest on long-term bank loans, the cost increased from 481 thousand euro in 2018 to 843 thousand euro in the current year, mainly following the signing by the Parent Company of the new loan to cover the payment to acquire treasury shares (for details on the loan, see Note no. 28).
The first application of the new **IFRS 16** led to the recognition in 2019 of an immaterial amount of interest expense (55 thousand euro).

The **write-downs of financial receivables and other financial assets** amounted to -414 thousand euro in 2019, compared to -9,283 thousand euro in the prior year and, in both years, refer mainly to the write-down of the Group’s financial receivable from Actuator Solutions GmbH against interest-bearing loans that SAES Nitinol S.r.l. granted to the joint venture during the previous years (from 2014 to 2018). In particular, at December 31, 2018 the principal portion of the loan and the receivable for interest accrued in the 2016-2018 period had been written off (totalling -9,139 thousand euro); during the current year, the receivable relating to interest accrued in 2019 was then written off (480 thousand euro).
During the year, the restructuring operation continued, aimed at a greater focus by the German joint venture on its core business (in particular, production in the automotive business and product developments in the

[21] Income recognized limited solely to minority interests in the joint venture, in accordance with IAS 28.

telecom sector). The extraordinary costs[22] related to this operation, which also resulted in the liquidation of the subsidiaries in China and Taiwan, had a considerable impact on the joint venture's financial structure and balance sheet. For this reason, in order to ensure the operational continuity of Actuator Solutions, SAES deemed it necessary, once again in 2019, to postpone the interest accrued on the aforementioned loans, writing off the related financial receivable because it was deemed unlikely to be recovered, also in light of the review of the five-year plan[23] carried out by the management of Actuator Solutions and presented to shareholders at the Extraordinary Shareholders' Meeting on February 18, 2020.

The result deriving from **measurement using the equity method of the jointly controlled companies** is overall negative for -1,757 thousand euro, of which -1,955 thousand euro[24] attributable to the Flexterra joint venture and +198 thousand euro referring to SAES RIAL Vacuum S.r.l. This value compares with a cost of -1,473 thousand euro in the previous year, almost exclusively attributable to Flexterra. For further details, please refer to the paragraph entitled "Performance of the joint ventures in 2019" and to Notes no. 8 and no. 17.

The **write-downs of investments accounted for using the equity method** amount to -1,155 thousand euro at December 31, 2019 and include the write-down, equal to -555 thousand euro, which emerged as a result of the impairment test carried out on the investment in Flexterra (see Note no. 17 for details), as well as a provision for risks for the investment in Actuator Solutions, equal to -600 thousand euro (see Note no. 32 for details).
With regard to the first joint venture, during 2019 the Flexterra project made further progress. In particular, during the year, the joint venture continued to develop its organic materials and its formulations were qualified by an important Taiwanese producer of OTFT (Organic Thin Film Transistor). The activities to industrialize OTFTs is at an advanced stage and, although it has taken longer than initial estimates, should be completed by summer 2020, while the start of the actual production and sales activities by Flexterra is expected for the second half of the year (for further details, see the paragraph "Performance of the joint ventures in 2019"). Due to delays with respect to initial forecasts, using the five-year plans approved by the Board of Directors of Flexterra, Inc. on February 12, 2020 and a WACC of 30%, consistent with the joint venture' current pilot production phase, the impairment test identified the need to write-down the investment for -555 thousand euro.
With regard to Actuator Solutions, as previously noted, given the joint venture's difficult financial situation following the restructuring operation that continued during the current year and as the SAES investment in Actuator Solutions has already been completely written off, a provision for risks of 600 thousand euro was allocated, equal to the *pro-quota* financial resources necessary for the company to continue its operating activities over the next twenty-four months, according to the revised version of the five-year plan presented to shareholders during the Extraordinary Shareholders' Meeting on February 18, 2020. This provision is added to the aforementioned write-down of the financial receivable of -480 thousand euro.
In the previous year, the write-down from impairment tests amounted to -4,300 thousand euro, attributable exclusively to the Flexterra joint venture.

The algebraic sum of the **exchange rate differences** recorded a negative balance in 2019 of -104 thousand euro, compared to a positive balance of 523 thousand euro in the previous year. The change was mostly related to the release of a part of the translation reserve generated by the consolidation of SAES Getters/U.S.A., Inc. to the statement of profit or loss after the partial reduction of the share capital of the US subsidiary in October 2018 (+360 thousand euro). In 2018, the exchange rate gains were balanced out both by the losses realised on hedging derivatives; in the current year, no forward contracts were entered into in order to hedge exchange rate risk.

---

[22] Extraordinary costs includes the write-down for deferred tax assets for previous tax losses equivalent to 1.6 million euro, deemed unlikely to be recovered in the medium term, in light of the updated version of the five-year plan presented by management of Actuator Solutions to shareholders at the Extraordinary Shareholders' Meeting on February 18, 2020.
[23] The five-year plan was originally developed between October and November 2019 and was approved by the Supervisory Board on November 25, 2019.
[24] Obtained by adding the SAES Group's share of the joint venture's 2019 loss (-2,031 thousand euro), the cancellation of the amortization on the portion of the gain for the IP sold by E.T.C. S.r.l. a Flexterra, Inc. (+76 thousand euro) eliminated at consolidated level, in application of IAS 28.

The **consolidated income before taxes** amounted to 29,927 thousand euro (+16.4% of consolidated revenues) compared to income before taxes of 287 thousand euro in the previous year (0.2% of consolidated revenues).
Excluding severance costs related to both the conclusion of the Parent Company's staff reduction process and the phase-out of metallized products in the packaging sector (-485 thousand euro) and write-downs (totalling -1,942 thousand euro[25]) which penalized the current year, as well as the same extraordinary costs relating to the previous year (severance costs equal to -2,656 thousand euro and write-downs equal to -16,539 thousand euro[26]), the consolidated income before taxes would have amounted to 32,354 thousand euro (17.7% of consolidated revenues), a substantial increase compared to 19,482 thousand euro (12.2% of consolidated revenues), driven both by the growth in gross profit and by income (realized and unrealized) on securities.

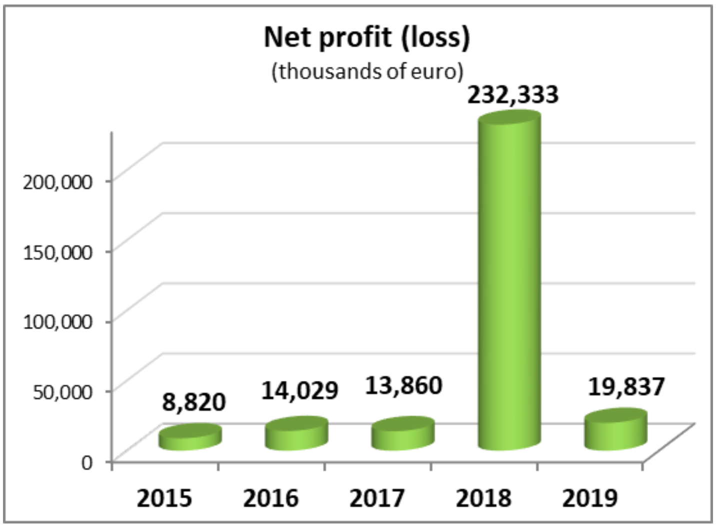
The adoption of the new accounting standards for operating leases starting from January 1, 2019 (**IFRS 16**) did not have a significant effect on the consolidated pre-tax profit (without application of IFRS 16, the pre-tax profit for 2019 would have been 29,889 thousand euro, equal to 16.4% of the consolidated revenue).

Income taxes amounted to 10,242 thousand euro in 2019, an increase compared to 7,967 thousand euro in 2018, as a result of the improvement in operating results.
The Group's tax rate was 34.2%, still significant since both the Parent Company and SAES Coated Films S.p.A. ended the current year with a negative taxable income, not valued as deferred tax assets.

The **net profit from operating activities** in 2019 was 19,685 thousand euro (10.8% of consolidated revenues), showing very strong growth compared to a loss of -7,680 thousand euro in 2018 (-4.8% of consolidated revenues).

The **profit from discontinued operations** amounted to 152 thousand euro, mainly comprising the positive adjustment of the price of selling the purification business due to the settlement of the effective value of the tax credit of the companies that were sold - SAES Getters USA, Inc. and SAES Pure Gas, Inc. - resulting from the tax return for the period January 1 – June 24, 2018, submitted in April 2019.
In 2018, the net profit from discontinued operations amounted to 240,013 thousand euro, mainly comprising the gross capital gain (262,439 thousand euro) generated from the sale of the gas purification business, from which the costs related to the transaction were deducted, amounting to -35,220 thousand euro (especially legal and consultation expenses, and for bonuses for both the staff affected by the sale and the corporate employees involved in the settlement of that extraordinary corporate transaction, and interest, differences in exchange rates and taxes). Finally, this item included the net profit generated by the purification business between January 1 and June 24, 2018 (actual date of sale) for 12,794 thousand euro.

[25] Costs, equivalent to -307 thousand euro, expensed in the statement of profit or loss for expansion of the Lainate plant, which was later suspended; write-down for impairment testing of the investment in Flexterra for -555 thousand euro; risk provision on the investment in Actuator Solutions of -600 thousand euro and write-down on the financial receivable from Actuator Solutions of -480 thousand euro.
[26] Write-down following impairment testing of the Solutions for Advanced Packaging Cash Generating Unit of -3,100 thousand euro; write-down of the financial receivable due from Actuator Solutions GmbH of -9,139 thousand euro, and write-down following impairment testing of the investment in Flexterra of -4,300 thousand euro.



The **consolidated net income** in 2019 was 19,837 thousand euro (10.9% of consolidated revenues), compared to net income of 232,333 thousand euro (145% of consolidated revenues) last year.

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, 2019	June 30, 2019	December 31, 2018
Cash on hands	11	9	9
Cash equivalents	48,623	41,792	170,592
Cash and cash equivalents	**48,634**	**41,801**	**170,601**
Related parties current financial assets	1	1	1
Securities - short term	70,779	71,312	0
Other current financial assets	0	32	0
Current financial assets	**70,780**	**71,345**	**1**
Bank overdraft	(27,195)	(27,002)	(27,353)
Current portion of long term debt	(5,365)	(5,544)	(5,438)
Financial payables to related parties	(50)	(82)	(48)
Other current financial liabilities	(900)	(35)	(1,001)
Current financial liabilities for leases (*)	(1,876)	(1,618)	0
Current financial liabilities	**(35,386)**	**(34,281)**	**(33,840)**
Current net financial position	**84,028**	**78,865**	**136,762**
Related parties non current financial assets	49	49	49
Securities - long term	134,673	131,263	99,843
Non current financial assets	**134,722**	**131,312**	**99,892**
Long term debt, net of current portion	(100,724)	(103,355)	(13,344)
Non current financial liabilities for leases (*)	(2,710)	(1,814)	0
Non current financial liabilities	**(103,434)**	**(105,169)**	**(13,344)**
Non current net financial position	**31,288**	**26,143**	**86,548**
Net financial position	**115,316**	**105,008**	**223,310**

(*) Financial payables related to the application, as of January 1, 2019, of the new IFRS 16 standard.

The **consolidated net financial position** at December 31, 2019 was positive for 115,316 thousand euro (cash equal to +48,634 thousand euro, securities portfolio of +205,452 thousand euro and net financial liabilities of -138,770 thousand euro) compared to a net financial position of +223,310 thousand euro as at December 31, 2018 (cash equal to +170,601 thousand euro, securities of 99,843 thousand euro and net financial liabilities of -47,134 thousand euro).

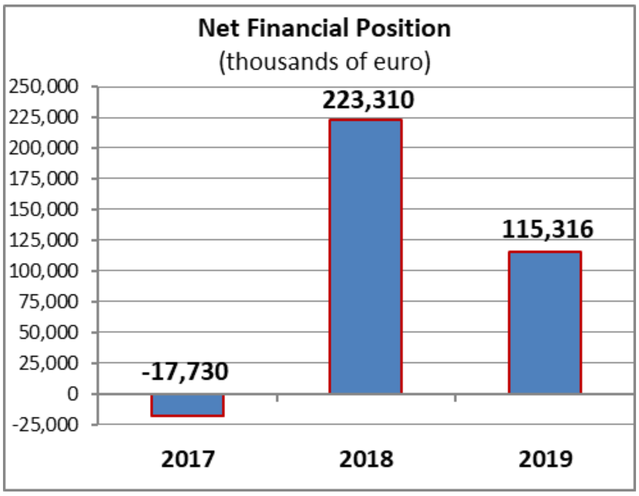
The amount at December 31, 2019 was negatively affected by the effects of adopting the new accounting standard **IFRS 16** which led to the recording of notional financial payables representing the current value of future debts and expense related to use of assets owned by third parties, for a total amount of 4,586 thousand euro.

The table below presents the net financial position at December 31, 2019, with and without application of IFRS 16 compared with that at December 31, 2018.

(thousands of euro)

	December 31, 2019	**December 31, 2019** ***without application IFRS 16***	**December 31, 2018**
Net financial position	**115,316**	**119,902**	**223,310**

Compared to December 31, 2018, the decrease in the net financial position (-107,994 thousand euro) is mainly due to both the above-mentioned notional effect[27] of application of IFRS 16, and the extraordinary transaction of acquiring treasury stock (total amount disbursed -93,382 thousand euro, including the accessory charges related to the Public Tender Offer). There were also dividends paid at the beginning of May (-16,580 thousand euro) and investments in property, plant and equipment and intangible assets (-24,167 thousand euro).

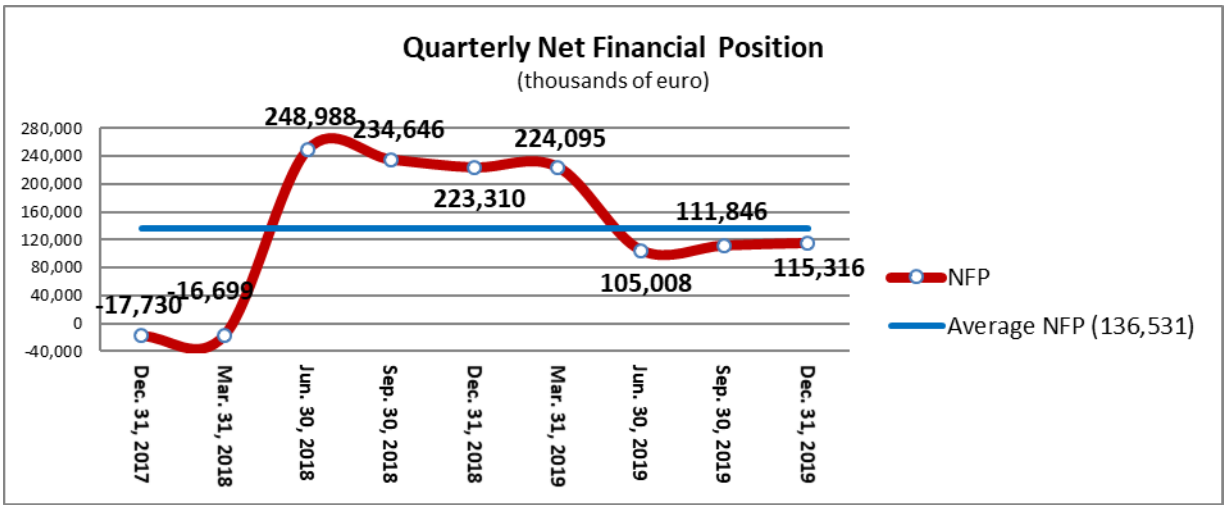


These outgoing flows were partially offset by the incoming flows generated by the operating activities and the sale of the patents of E.T.C. S.r.l. to the joint venture Flexterra, Inc. (+2,291 thousand euro) and the revaluation of the securities portfolio (+5,092 thousand euro), plus the coupons collected on these (+1,822 thousand euro, net of the management commissions for the securities portfolio).

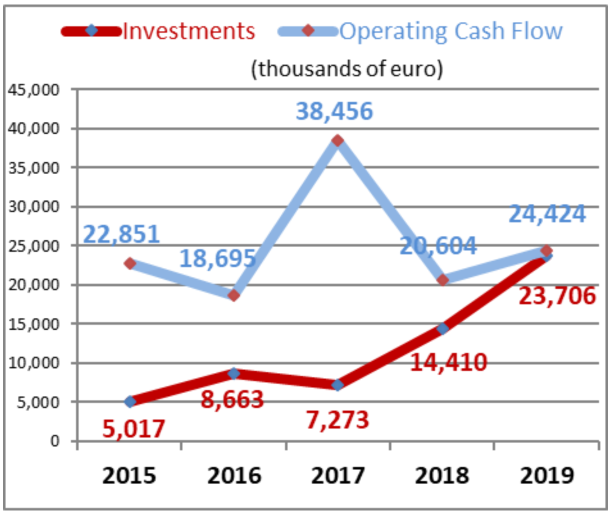
The exchange rate impact led to a gain of 376 thousand euro, mainly due to the appreciation of both the US dollar, and the Chinese renminbi as at December 31, 2019 compared to the end of the 2018 financial period, on the cash and cash equivalents in those currencies.

The chart below shows the **quarterly performance of the net financial position** in the current year and previous year.

[27] The adoption of the new accounting standard IFRS 16 - Leases resulted in an increase in the net Group financial debt in 2019 of 6,112 thousand euro, against a notional increase in property, plant and equipment due to accounting for rights of use to the leased assets.



The worsening of the net financial position in the second quarter of 2019 (-119,087 thousand euro) is mainly due to the above-mentioned payment to acquire treasury stock and the accessory expenses related to that extraordinary transaction on capital (-93,382 thousand euro), payment of the dividends at the beginning of May 2019 (-16,580 thousand euro) and the purchase, at the beginning of May, of the property of Memry Corporation (-4,984 thousand euro, net of the deposit of 260 thousand euro paid at the beginning of the previous financial period). In the two subsequent quarters (third and fourth quarter of 2019) the net financial position instead showed a progressive increase[28], mainly attributable to the positive cash flows from operational management and the securities portfolio, only partially reduced by the quarterly capex and the notional financial payables related to the new lease contracts (in particular, in the third quarter of 2019, Memry Corporation signed a new contract for the lease of an additional production space of approximately 60,000 sq. ft., which entailed the recording of notional financial payables of approximately 1.7 million euro).



The **cash flow from the operating activity** was positive for +24,424 thousand euro. In 2018, the operating cash flows amounted to +20,604 thousand euro, but included the cash flows from discontinued operations of +11,000 thousand euro (i.e. the cash flows generated by the purification business in the period January 1 - June 24, 2018), net of which the cash flows from continuing operations were +9,604 thousand euro.
Considering the cash flows relating only to operating activities (+24,424 thousand euro in 2019, compared to +9,604 thousand euro in 2018), the considerable growth is attributable to self-financing in the current year, mainly driven by electronic devices, shape memory alloys for industrial applications and Nitinol for medical applications, against net working capital that is essential stable.

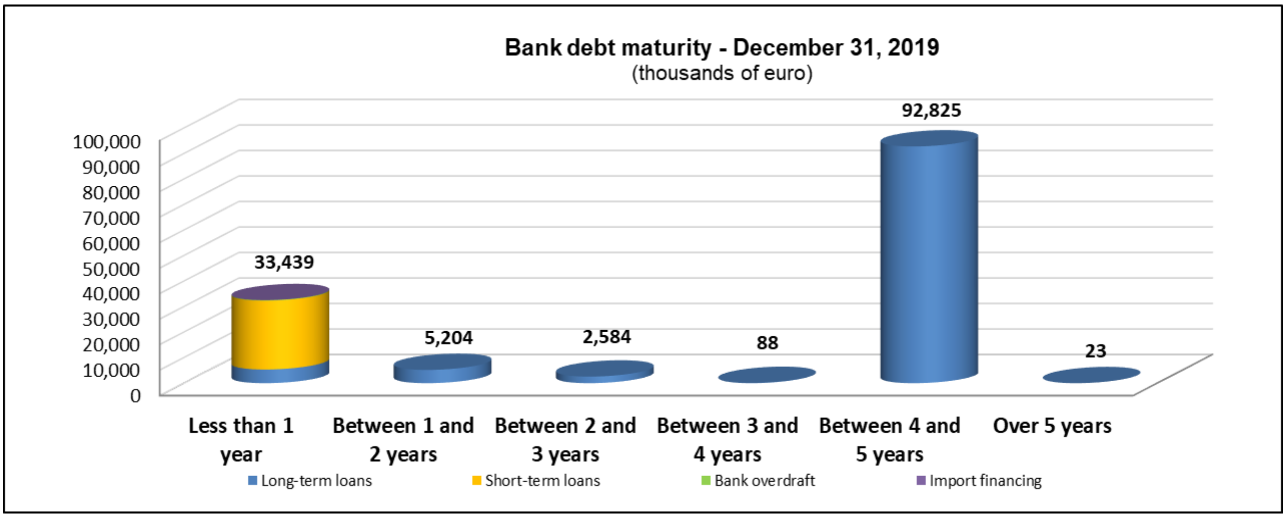
In 2019, the cash disbursed for **investments in tangible assets** was equal to 23,706 thousand euro (14,410 thousand euro in the previous year); instead, investments in intangible assets were not significant (461 thousand euro compared to 599 thousand euro as at December 31, 2018). The increase in capex in 2019 is mainly due to the purchase of the property, located in Bethel, where the Memry Corporation has its manufacturing headquarters (4,984 thousand euro net of the deposit of 260 thousand euro paid at the end of the previous financial period) and the creation, in Bethel, of a new department to manufacture pipes.
Furthermore, note that during the current year:

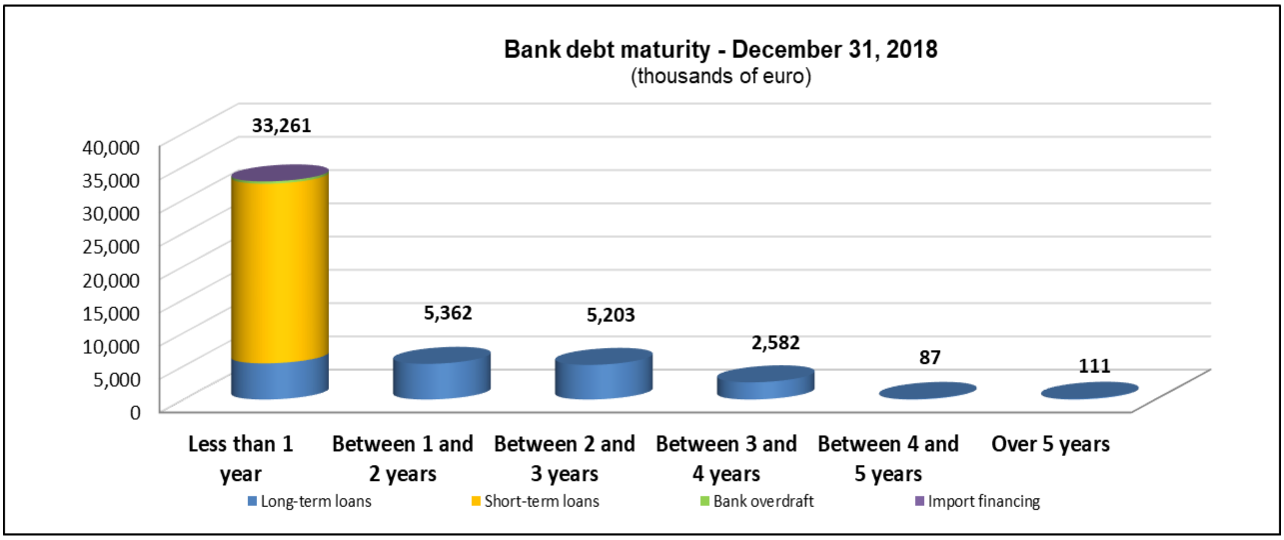
[28] +6,838 thousand euro in the third quarter of 2019 and +3,470 thousand euro in the fourth quarter.

- in the industrial SMA business, the installation of an additional line for the drawing of wires in shape memory alloys at the Avezzano plant;
- in the packaging business, the completion of the pilot line aimed at accelerating the development of products for flexible packaging, as well as the completion of the second lacquering line for plastic films and a new and more advanced metallizer, capable of combining the metallisation process with that of lacquering (the first line was tested in December, while the second line is expected to be tested by the end of the first quarter of 2020).

Instead in the previous year, recall the purchase of the land and building used for production by SAES Coated Films S.p.A., as well as the advances paid for the aforementioned investments in the packaging sector, which were then completed during 2019.
Please refer to Notes no. 14 and no. 15 for further details on the capex.
With respect to the **sale of fixed assets** , the above-mentioned payment was collected for **the sale to the joint venture Flexterra, Inc.** of **the intellectual property** developed in the area of OLET by E.T.C. S.r.l. in liquidation (2,291 thousand euro). Collections for the disposal of assets were not significant (only 29 thousand euro, compared to 248 thousand euro in the previous year).

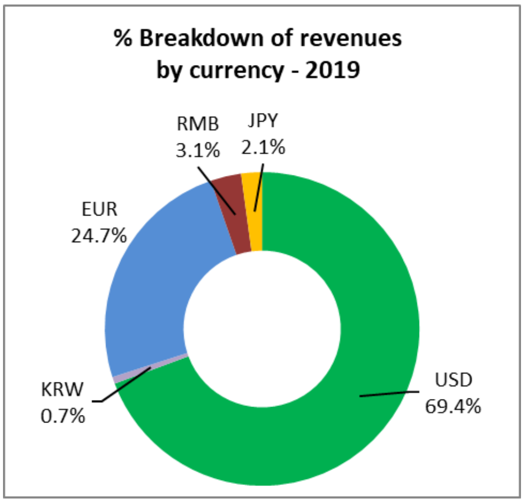
The following chart shows the **maturity profile** of the **consolidated bank debt** as at December 31, 2019 compared with the end of last year.

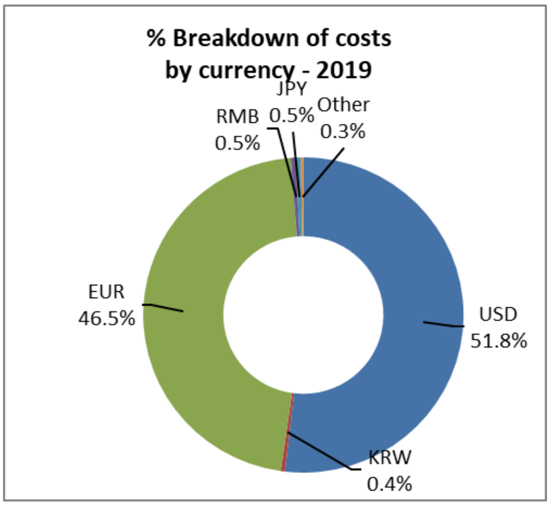




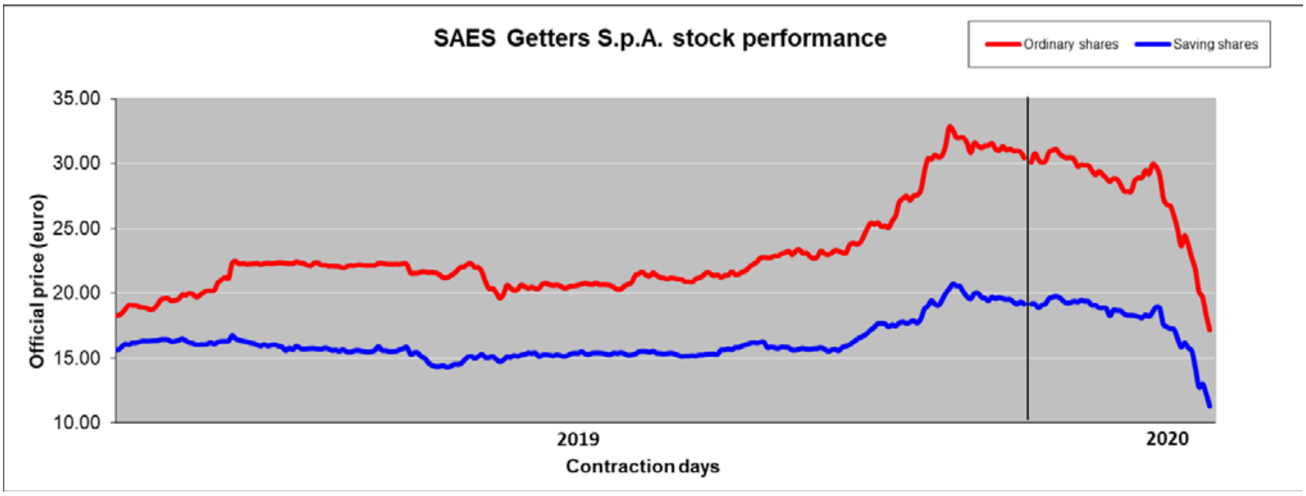
The significant increase in bank debt with 4- and 5-year maturity dates is related to the loan agreed to cover the disbursement to purchase the ordinary shares. That loan has a 5-year duration and is scheduled to be repaid on a lump-sum basis on the maturity date. For more details, please see the paragraph “Main events in 2019” and Note no. 28.

The **breakdown of revenues and costs** (cost of sales and operating expenses) **by currency** in 2019 is provided below.





The following chart shows the trend of the **official prices of ordinary and savings shares** in 2019 and in the first months of 2020.



The value of ordinary shares, listed on the STAR Segment of the Mercato Telematico Azionario (electronic equity market) of Borsa Italiana, increased by 66.5% in 2019, against an increase of 28.2% recorded by the FTSE MIB index and 26.8% recorded by the FTSE Italia Star index. Instead, the savings shares recorded a more contained increase in value, in line with the market, of 22.9%.

The following table shows the main **financial statement indicators**.

Ratios		2019	2018	2017
Opereting income (loss)/Net sales	%	14.7	9.4	6.2
Income (loss) before taxes/Net sales	%	16.4	0.2	3.4
Income (loss) from continued operations/Net sales	%	10.8	-4.8	-8.6
Income (loss) from continued operations/Avarage equity (ROAE)	%	7.0	-3.6	-11.0
R&D expenses/Net sales	%	6.1	6.9	8.7
Depreciation of tangible fixed assets/Net sales	%	3.6	4.1	4.7
Cash flow from operating activities/Net sales	%	13.4	12.9	26.1
Taxes/Income (loss) before taxes	%	34.2	2,776.0	355.6
Net sales/average number of staff (*)	k euro	189	174	161
Depreciation fund/Tangible fixed assets	%	65.6	70.7	73.6

(*) Data calculated without considering the employees of the joint ventures, consolidated using the equity method.
It should also be noted that the data relating to both 2017 and 2018 does not include employees of SAES Pure Gas, Inc. and the Shanghai-based commercial structure of SAES Getters (Nanjing) Co., Ltd., both subject to transfer on 24 June 2018.

Performance of the Parent Company and its subsidiaries in 2019

SAES GETTERS/U.S.A., Inc., Colorado Springs, CO (USA)

SAES Getters/U.S.A., Inc. was established in mid-May 2018 as part of the legal and corporate reorganization project aimed at selling the gas purification business, which was completed at the end of June 2018. On June 15, 2018, SAES Getters/USA, Inc. acquired all the assets (including the 100% stake in **Spectra-Mat, Inc.**) and the liabilities of **SAES Getters USA, Inc.**, not including the investment in **SAES Pure Gas, Inc.** Following that transfer, **SAES Getters USA, Inc.** and its subsidiary **SAES Pure Gas, Inc.** were sold to Entegris, Inc. on June 24, 2018.

The following paragraphs comment on the performance of SAES Getters/U.S.A., Inc. and Spectra-Mat, Inc. in 2019. With respect to the comment on SAES Getters/U.S.A., Inc., in order to provide greater clarity on the deviations, the revenue and costs relating to 2018 for SAES Getters/U.S.A., Inc.[29] were summed with those of SAES Getters USA, Inc.[30]

The US parent company ***SAES Getters/U.S.A., Inc.***, which operates primarily in the Industrial Business Unit, closed 2019 with revenues of 19,940 thousand USD (corresponding to 17,812 thousand euro) compared to 18,996 thousand USD (or 16,084 thousand euro) in 2018: this increase (+5%) was mainly concentrated in the security and defence sector, driven by higher investments in defence in the United States.
The company posted a net profit of 4,994 thousand USD (equal to 4,461 thousand euro) compared to a net profit of 17,436 thousand USD (14,764 thousand euro) in 2018: the change was due to the capital gain, after taxes, realised in the first half of 2018 from the above-mentioned transfer of the net assets of SAES Getters USA, Inc. to SAES Getters/U.S.A., Inc.

The subsidiary ***Spectra-Mat, Inc.***, in Watsonville, CA (USA), operating in the Business Sintered Components for Electronic Devices & Lasers, recognized revenues of 9,462 thousand USD in 2019 (corresponding to 8,452 thousand euro), an increase of 9% from 8,678 thousand USD in the prior year (corresponding to 7,348 thousand euro) as a result of higher sales of heat dissipation devices used in semiconductor lasers for defence-related applications. The electron emitter segment also recorded slight growth, especially in the avionics and power tube sectors.

[29] Revenues and costs relating to June 16 - December 31, 2018.
[30] Revenue and costs relating to the period January 1 - June 15, 2018.

The company closed 2019 with a net profit of 1,036 thousand USD (or 925 thousand euro), up 51% compared to 686 thousand USD (581 thousand euro) in 2018, due to both the increase in revenues and the improvement in gross margin.

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 the US Group's companies.
In 2019, it achieved a net profit of 4,095 thousand USD (3,658 thousand euro), down by 63.6% when compared to the prior year (11,255 thousand USD, equal to 9,530 thousand euro) due to the lower commissions received from the associate SAES Pure Gas, Inc., sold on June 25, 2018.

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

The company manages the commercial activities of the Group in the People's Republic of China. In the first half of 2018, as part of the sale of the gas purification business to Entegris, Inc., the Chinese subsidiary sold its sales office in Shanghai, which provided support to SAES Pure Gas, Inc. in the Asian market, making a net gain of 41,608 thousand RMB[31] (corresponding to 5,329 thousand euro).
Despite the fact that there was no commission income[32] recognized from the associate SAES Pure Gas, Inc. in 2019, recognized instead through June 24, 2018 (date of the aforementioned sale of the purification business), SAES Getters (Nanjing) Co., Ltd. closed 2019 with revenues of 48,067 thousand RMB (6,214 thousand euro), up 12.7% compared to 42,654 thousand RMB (5,463 thousand euro) in the previous year, due to growth in the Electronic Devices segment.
The elimination of this commission income, along with the aforementioned net capital gain made in the first half of 2018, resulted in a reduction of net profit (from 49,910 thousand RMB, equal to 6,392 thousand euro, to 10,534 thousand RMB, equal to 1,362 thousand euro), despite the higher dividends received by SAES Getters International Luxembourg S.A. (in which SAES Getters (Nanjing) Co., Ltd. owns a 10% stake), the higher bank interest income on cash and cash equivalents[33] and the savings related to the sale of the commercial office in Shanghai (especially labour costs, travel costs and leases costs).

MEMRY GmbH in liquidation, Weil am Rhein (Germany)

The company, which manufactured and sold shape memory alloy components for medical and industrial applications in the European market, in October 2017, after transferring all manufacturing and sales activities to other companies of the Group[34], started the liquidation process, which is expected to be finalized by the first half of 2020.
Following the start of the liquidation process, Memry GmbH closed the current year with a loss of -81 thousand euro, compared to an essentially break-even result (+16 thousand euro) in the prior year, due to some residual costs (in particular, consulting) in preparation for liquidation.

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

The corporate purpose of the company, wholly owned by SAES Getters S.p.A., is the design, production and sale of shape memory alloy instruments and actuators, getters and any other equipment for the creation of high vacuum devices, 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

[31] Gross capital gain of 53,517 thousand RMB and ancillary costs to the sale (including taxes) of 11,909 thousand RMB.
[32] Commissions receivable for the sales assistance provided by SAES Getters (Nanjing) Co., Ltd. - Shanghai office, to SAES Pure Gas, Inc. for the sales of purifiers in the territory of China.
[33] In particular, note that the cash and cash equivalents of SAES Getters (Nanjing) Co., Ltd. increased beginning from the second half of 2018 following the receipt of the consideration obtained against the sale of the purification business.
[34] Memry Corporation, SAES Smart Materials, Inc. and SAES Getters S.p.A. (Avezzano plant).

on the joint venture, please refer to following paragraph and to Notes no. 8 and no. 17 of the consolidated financial statements).
SAES Nitinol S.r.l. closed the current year with a loss of -815 thousand euro compared to a loss of -8,969 thousand euro in 2018. The current loss includes both the write-down (-480 thousand euro) of the financial receivable for interest accrued in 2019 on interest-bearing loans granted to the joint venture Actuator Solutions GmbH as well as the allocation of a risk provision[35], equivalent to -600 thousand euro, corresponding to the pro-quota financial resources[36] necessary for Actuator Solutions to continue its operating activities over the next twenty-four months. Instead, the loss for the prior year included the write-down of the financial receivable with Actuator Solutions GmbH corresponding to the principal of the loan (8,000 thousand euro) and the interest for the 2016-2018 period (1,139 thousand euro). Please refer to Note no. 21 of the consolidated financial statements for further details.
Finally on March 13, 2019, SAES Getters S.p.A. approved the total waiver of the right to the financial receivables owed to it at the end of 2018 from SAES Nitinol S.r.l., for an amount of 8,905 thousand euro. At the same time, the Parent Company decided to make an additional capital payment of 100 thousand euro to SAES Nitinol S.r.l., with 65 thousand euro to make up for the difference between the overall loss suffered by the subsidiary in 2018 (-8,969 thousand euro) and the above-mentioned waiver of the right to the financial receivables (8,905 thousand euro) and 35 thousand euro to build up a capital reserve.

E.T.C. S.r.l. in liquidation, Lainate, MI (Italy)

The company, a spin-off supported by the National Research Council (CNR), operated between 2010 and 2017 exclusively as a research center to develop 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. Following a review of the company's growth prospects and the suspension of the OLET (Organic Light Emitting Transistors) research project, on November 16, 2017, the Shareholders' Meeting of E.T.C. S.r.l. resolved to wind up the company in advance and place it in liquidation.
E.T.C. S.r.l. ended 2019 with a net profit of 1,970 thousand euro (compared to a loss of -45 thousand euro in 2018) mainly comprising the capital gain generated by the sale of the OLET-related intellectual property to the joint venture Flexterra, Inc. (for further details please refer to the paragraph "Main events in 2019").
As reported in the paragraph "Subsequent Events", on January 23, 2020, the Board of Directors of SAES Getters S.p.A. resolved to revoke the liquidation of E.T.C. S.r.l. and modify its corporate purpose by allowing the company to directly or indirectly take on investments or shareholdings in the packaging sector and the scouting of new technologies in that sector.

SAES COATED FILMS S.p.A. (formerly Metalvuoto S.p.A.) – Roncello, MB & Lainate[37], MI (Italy)

SAES Coated Films S.p.A. (formerly Metalvuoto S.p.A.[38]), based in the province of Monza Brianza, is a well-established player in the field of advanced packaging, producing metallised and innovative plastic films for food preservation. More specifically, SAES Coated Films S.p.A. intends to compete in the advanced food packaging sector, entering the market with a complete and innovative range of high performance active plastics, characterised by transparency, recyclability or compostability and therefore a low environmental impact.
In 2019, SAES Coated Films S.p.A. posted revenues of 10,007 thousand euro, a decrease compared to 11,480 thousand euro in the previous year: the reduction (-12.8%) reflected the rationalization of the product portfolio, started in the second half of 2018 and still in progress, designed to reduce the impact of metallized products compared to lacquered ones (the latter with greater margins), while sales of new

[35] As the equity investment in Actuator Solutions has already been completely written off, an allocation was made to a risk provision in balance sheet liabilities.
[36] Equal to 50%.
[37] On June 1, 2018, SAES Coated Films S.p.A. opened a unit at Lainate, at the premises of the Parent Company.
[38] On April 5, 2018, the Extraordinary Shareholders' Meeting decided to change the company name from Metalvuoto S.p.A. to SAES Coated Films S.p.A. to get greater market recognition.

lacquered products with greater added value started only in the last months of 2019, as a result of commercial policies aimed at promoting the most innovative products.
The current year closed with a net negative result of -2,893 thousand euro, compared to -2,847 thousand euro as at December 31, 2018: the decline in sales and the subsequent reduction in the gross profit was mainly offset by lower costs for services performed by the Parent Company and re-charged to SAES Coated Films S.p.A.
Finally, on April 4, 2019, following the loss recorded in 2018, the Shareholders' Meeting of SAES Coated Films S.p.A. decided to establish a reserve of 5 million euro to cover any future losses, by a capital payment by the Single Shareholder SAES Getters S.p.A.

SAES INVESTMENTS S.A., Luxembourg (Luxembourg)

SAES Investments S.A., with registered office in Luxembourg, fully controlled by SAES Getters S.p.A., was established on October 23, 2018, and its purpose is to manage the cash from the sale of the purification business with the goal of maintaining the capital in view of potential future commitments.
In the first quarter of 2019, the company invested a further 70 million euro in cash and cash equivalents, in addition to the 100 million euro previously allocated at December 31, 2018, in the construction of a portfolio with a conservative investment profile and with high flexibility and liquidity, in order to promptly deal with any future Group requirements.
The company closed the current year with net profit of 3,902 thousand euro (compared to a net loss of 250 thousand euro in the previous year), principally comprised of financial income on securities (+4,208 thousand euro for fair value measurement and +1,661 thousand euro from coupons), net of management fees (-239 thousand euro).
As of the end of December 2019, the reduction in share capital of SAES Investments S.A., approved by the Shareholders' Meeting of the Luxembourg company held on November 13, 2019, became legally effective. The share capital, initially equal to 40 million euro, was reduced to 30 million euro.

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

The company's main objectives are the management and the acquisition of investments, the optimal cash management, the grant of intra-group loans and the coordination of the Group services.
In 2019, the company recognized a net loss of 3,497 thousand euro compared to a profit of 8,616 thousand euro in 2018: the change is primarily due to the fact that during 2019 SAES Getters International Luxembourg S.A. did not receive dividends from its subsidiaries SAES Smart Materials, Inc. and Memry Corporation; conversely, in the current year, there was a lower write-down for impairment testing of the equity investment in Flexterra, Inc.

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., while the remainder of share capital is held directly by the Parent Company SAES Getters S.p.A. The company sold its production activities during 2011 and operates as the Korean distributor of products made by other Group companies.
In 2019, the company posted revenues of 1,711 million KRW (1,310 thousand euro), an increase from the 1,319 million KRW (1,015 thousand euro) recognized in the previous year, principally driven by the security & defence sector. The company recognized a loss of -358 million KRW (-274 thousand euro) in 2019 compared to a loss of -409 million KRW (-315 thousand euro) in 2018: this improvement is due to the increase in sales, despite a different product mix with a detrimental effect of gross margin.

The company **SAES Smart Materials, Inc.,** based in New Hartford, NY (USA), active in the development, production and sale of Nitinol semi-finished products, recorded revenue equal to 24,092 thousand USD (21,520 thousand euro) in 2019, up 22.1% on the figure of 19,724 thousand USD (16,701 thousand euro) in 2018, mainly driven by the medical sector. The increase in sales enabled the company to close the year with net profit that was 32.4% higher than the previous year (6,389 thousand USD, corresponding to 5,707 thousand euro, in 2019, against 4,827 thousand USD, corresponding to 4,087 thousand euro in 2018).

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 posted revenues in 2019 of 83,973 thousand USD (75,009 thousand euro) compared to 73,907 thousand USD (62,580 thousand euro) in the prior year: the double-digit growth of +13.6% is distributed across various product lines, customers and market segments.
The net profit amounted to 13,882 thousand USD (12,400 thousand euro), compared to profit of 14,229 thousand USD (12,049 thousand euro) in 2018: despite the increase in sales revenue, the result for the current year was penalized by temporary manufacturing inefficiencies that made it necessary to increase both the workforce and the total hours of overtime worked, with a consequent drop in the gross margin (drop from 41% to 37.7%). Moreover, there were higher costs for consulting related to recruiting activities as well as IT activities to update systems.
Lastly, note that 2018 benefitted from the extraordinary income of 1,375 thousand USD, recognized following the transformation of 50% of the loan granted by the State of Connecticut (CT) at the end of the 2014 financial year as a non-repayable grant.
On May 1, 2019, Memry Corporation finalized the acquisition of the property located in Bethel (CT) for a value of 5.8 million dollars, for which the company, at the end of 2018, had already paid a deposit of 0.3 million dollars.
Finally, on July 1, 2019, Memry Corporation signed a contract to lease additional production space of more than 63,000 sq. ft. (equivalent to 5,900 sq. m) located in Bethel (CT). The lease contract has a duration of five years and six months at an annual cost of 7.25 dollars per sq. ft.

Performance of the joint ventures in 2019

ACTUATOR SOLUTIONS GmbH, Gunzenhausen (Germany)

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

During 2019, the restructuring operation continued, aimed at a greater focus by the German joint venture on its core business (in particular, production in the automotive business and product developments in the telecom sector). This operation, which entailed the launch in March 2019 of the liquidation process of the Chinese subsidiary Actuator Solutions (Shenzhen) Co., Ltd. and at the beginning of October, the placing in liquidation of the Taiwanese subsidiary Actuator Solutions Taiwan Co., Ltd., generated extraordinary costs of 2,076 thousand euro[39], including the write-down of 1,560 thousand euro on deferred tax assets for previous tax losses of the German Parent Company, deemed unlikely to be recovered in the medium term, in light of the updated version of the five-year plan[40] presented by the management of Actuator Solutions to the shareholders during the Extraordinary Shareholders' Meeting on February 18, 2020.
However, the loss as at December 31, 2018 included extraordinary charges of 806 thousand euro, mainly related to the reorganization carried out last year at the Chinese subsidiary in order to outsource all of its production activities, in anticipation of the launch of the previously mentioned liquidation process.

[39] Of which -54 thousand euro for the liquidation of Actuator Solutions (Shenzhen) Co., Ltd. and -314 thousand euro for the liquidation of Actuator Solutions Taiwan Co., Ltd.
[40] The five-year plan was originally developed between October and November 2019 and was approved by the Supervisory Board on November 25, 2019.

Actuator Solutions recorded net revenues of 21,202 thousand euro in 2019, down by 7.5% compared to 22,922 thousand euro in 2018 due, to the slowdown in the automotive sector, only partly offset by the income for the development of telecom-related products.
The net result for 2019 was negative for -2,816 thousand euro, compared to a loss of -1,074 thousand euro in 2018. Excluding both the extraordinary charges related to the aforementioned restructuring process and the extraordinary cost of 362 thousand euro related to a computer fraud suffered by the German Parent Company in the first half of 2019, the current year would have closed with a net loss of -378 thousand euro, compared to a negative value of -268 thousand euro at the end of the previous year: the decrease is mainly attributable to the contraction in sales in the automotive sector, against a substantially unchanged gross margin.

(thousands of euro)

Actuator Solutions	2019	2018
	100%	100%
Total net sales	21,202	22,922
Cost of sales	(17,390)	(18,865)
Gross profit	**3,812**	**4,057**
% on net sales	*18.0%*	*17.7%*
Total operating expenses	(3,878)	(4,500)
Other income (expenses), net	(375)	384
Operating income (loss)	**(441)**	**(59)**
% on net sales	*-2.1%*	*-0.3%*
Interests and other financial income, net	(684)	(616)
Foreign exchange gains (losses), net	(55)	12
Income taxes	(1,636)	(411)
Net income (loss)	**(2,816)**	**(1,074)**

The portion pertaining to the SAES Group in the joint venture’s 2019 result is equal to -1,408 thousand euro (-537 thousand euro in 2018), but, similar to the previous year, since the investment of SAES in Actuator Solutions was already completely written off as at December 31, 2019, this *pro-rata* net loss was not recognized by the Group as a liability. However, given the joint venture’s difficult financial situation as at December 31, 2019 following the aforementioned restructuring operation, a provision for risks of 600 thousand euro was allocated, equal to the *pro-quota* financial resources necessary for Actuator Solutions to continue its operating activity over the next twenty-four months, in light of the update of the five-year plan of February 18, 2020 (see Note no. 32 for further details).

This provision is added to the write-down, equal to -480 thousand euro, of the financial receivable related to the interest accrued in 2019 on the interest-bearing loans granted by SAES Nitinol S.r.l. to the joint venture in previous years: in order to ensure the business continuity of Actuator Solutions, SAES has deemed it appropriate to postpone the interest accrued on the aforementioned loans also for 2019, writing down the related financial receivable as it is considered unlikely to be recovered (see Note no. 21 for further details).

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

SAES RIAL Vacuum S.r.l., established at the end of 2015, is jointly controlled by SAES Getters S.p.A. (49%) and Rodofil s.n.c. (51%). The company specialises in the design and manufacture of vacuum chambers for accelerators, synchrotrons and colliders and combines the expertise of SAES in the field of materials, vacuum applications and innovation, with the experience of 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. closed 2019 with revenues of 3,428 thousand euro, up by 30% compared to 2,637 thousand euro recorded in 2018, due to the recognised competitive advantage, including globally, of its offer in the field of vacuum chambers. The increase in sales enabled a substantial recovery in gross margins (from 19.4% to 27.9%) and the resulting marked increase in net profit, from 51 to 403 thousand euro.

(thousands of euro)

SAES RIAL Vacuum S.r.l.	2019	2018
	100%	100%
Total net sales	3,428	2,637
Cost of sales	(2,470)	(2,126)
Gross profit	**958**	**511**
% on net sales	*27.9%*	*19.4%*
Total operating expenses	(493)	(348)
Other income (expenses), net	126	(46)
Operating income (loss)	**591**	**117**
% on net sales	*17.2%*	*4.4%*
Interests and other financial income, net	(27)	(22)
Foreign exchange gains (losses), net	0	0
Income taxes	(161)	(44)
Net income (loss)	**403**	**51**

The share of the SAES Group in the 2019 net income of this joint venture amounted to +198 thousand euro (compared to +25 thousand euro last year).

FLEXTERRA, Inc., Skokie, IL (USA)

Flexterra, Inc. based in Skokie (close to Chicago, Illinois, USA), was established at the end of 2016 as a development start-up for the purpose of designing, manufacturing and selling materials and components for the production of truly flexible displays.
Flexterra, Inc. has full ownership of Flexterra Taiwan Co., Ltd.
As at December 31, 2019, SAES holds 46.73% of the share capital of the joint venture Flexterra, Inc.

During 2019, the Flexterra project made further advances, although with some delays from the initial projections. In particular, the joint venture continued to develop its organic materials and its formulations were qualified by an important Taiwanese producer of OTFT (Organic Thin Film Transistor). In November, a fully flexible electrophoretic display, which uses technology and materials developed by Flexterra, was presented at Touch Taiwan, a prestigious trade fair for the industry, and in December the joint venture received the first order for its formulations.
The activities to industrialize OTFTs is at an advanced stage and, although it has taken longer than initial estimates, should be completed by summer 2020, while the start of the actual production and sales activities by Flexterra is expected for the second half of the year.

Flexterra, which is qualified as a joint venture, closed 2019 with a net loss of -4,346 thousand euro compared to a loss of -4,153 thousand euro in the previous year (mainly costs for employees engaged in research and general and administrative activities, consulting, costs related to the management of patents and the amortization of intangible assets, including intellectual property). The biggest loss mainly relates to the amortization of the intellectual property sold[41] during the first half of 2019 to the joint venture by E.T.C. S.r.l. in liquidation. Furthermore, note the higher costs related to managing patents.

[41] Sale price of 2.6 million dollars.

(thousands of euro)

Flexterra	2019	2018
	100%	**100%**
Total net sales	16	35
Cost of sales	(1)	(7)
Gross profit	**15**	**28**
% on net sales	*93.8%*	*80.0%*
Total operating expenses	(4,474)	(4,161)
Other income (expenses), net	1	0
Operating income (loss)	**(4,458)**	**(4,133)**
% on net sales	*n.a.*	*n.a.*
Interests and other financial income, net	(1)	(8)
Foreign exchange gains (losses), net	77	(62)
Income taxes	36	50
Net income (loss)	**(4,346)**	**(4,153)**

The share of the SAES Group in the net income for 2019 of this joint venture amounted to -2,031 thousand euro (compared to -1,498 thousand euro[42] last year).

Lastly, note that impairment testing at December 31, 2019 led to a write-down of SAES's investment in Flexterra of -555 thousand euro, which was added to the valuation with the equity method, to calculate the final value of the investment. As at December 31, 2018, the write-down from impairment testing was -4,300 thousand euro. For further details on the impairment testing, please see Note no. 17.

The following table shows the **Total Group's profit (loss)**, obtained by incorporating the Group's joint ventures[43] with the proportional method instead of the equity method.

	2019							
(thousands of euro)	**Consolidated profit or loss**	**50% Actuator Solutions**	**Intercoy eliminations & other adjustments**	**49% SAES RIAL Vacuum S.r.l.**	**Intercoy eliminations & other adjustments**	**46.73% Flexterra**	**Intercoy eliminations & other adjustments**	**Total profit or loss of the Group**
Total net sales	**182,352**	**10,601**	**(481)**	**1,680**	**(119)**	**7**		**194,040**
Cost of sales	(103,979)	(8,695)	481	(1,210)	119	0		(113,284)
Gross profit	**78,373**	**1,906**	**0**	**470**	**0**	**7**		**80,756**
% on net sales	*43.0%*							*41.6%*
Total operating expenses	(53,365)	(1,939)	0	(242)	0	(2,091)	(479)	(58,116)
Other income (expenses), net	1,764	(188)		62		0		1,638
Operating income (loss)	**26,772**	**(221)**	**0**	**290**	**0**	**(2,084)**	**(479)**	**24,278**
% on net sales	*14.7%*							*12.5%*
Interest and other financial income, net	6,171	(342)	240	(13)		0		6,056
Income from equity method evalueted companies	(1,757)		0		(198)		1,955	0
(Loss) from equity method evalueted companies	(1,155)		600				555	0
Foreign exchange gains (losses), net	(104)	(27)		0		36		(95)
Income (loss) before taxes	**29,927**	**(590)**	**840**	**277**	**(198)**	**(2,048)**	**2,031**	**30,239**
Income taxes	(10,242)	(818)		(79)		17		(11,122)
Net income (loss) from continued operations	**19,685**	**(1,408)**	**840**	**198**	**(198)**	**(2,031)**	**2,031**	**19,117**
Income (loss) from assets held for sale and discontinued operations	152	0		0		0		152
Net income (loss) before minority interest	**19,837**	**(1,408)**	**840**	**198**	**(198)**	**(2,031)**	**2,031**	**19,269**
Net income (loss) pertaining to minority interest	0							0
Net income (loss) pertaining to the Group	**19,837**	**(1,408)**	**840**	**198**	**(198)**	**(2,031)**	**2,031**	**19,269**

[42] The *pro-rata* result for 2018 was calculated by taking the progressive increases of SAES's investment in Flexterra's share capital during 2018.
[43] Actuator Solutions (50%), SAES RIAL Vacuum S.r.l. (49%) and Flexterra (46.73%).

Certification pursuant to article 2.6.2, paragraph 12 of the Regulations for Markets Organized and Managed by Borsa Italiana S.p.A.

With regard to article 36 of Consob's Market Regulation no. 16191 of October 29, 2007, specifically the requirements for the listing of companies controlling companies incorporated or regulated according to the laws of countries that do not belong to the European Union and which are significantly relevant to the Consolidated financial statements, note that (i) the Group companies listed below are covered by the regulatory provision, (ii) adequate procedures have been adopted to ensure full compliance with the aforesaid regulation and (iii) the conditions set forth in article 36, cited, are met.

The following are considered companies of significant relevance, as at December 31, 2019, they exceeded the individual significance parameters envisaged by article 151 of the Issuers' Regulations:
- SAES Getters/U.S.A., Inc. – Colorado Springs, CO (USA);
- SAES Smart Materials, Inc. – New Hartford, NY (USA);
- Memry Corporation – Bethel, CT (USA);
- SAES Getters (Nanjing) Co., Ltd. – Nanjing (People's Republic of China).
- SAES Getters International Luxembourg S.A.;
- SAES Investments S.A.

Research, Development and Innovation

Research and development costs for 2019 totalled 11,052 thousand euro (6.1% of consolidated revenues) essentially in line with the absolute value of 2018, equal to 10,988 thousand euro (6.9% of consolidated revenues).

Functional Chemicals laboratories have pursued the development of innovative systems aimed at guaranteeing new functionalities. In particular, a new chemical process has been developed which is capable of producing both spheres made of a single material as well as capsules that can contain and stabilize a second material inside them.
The chemical system for manufacturing this process was designed in 2019 and will be installed in the second quarter of 2020 in the Lainate corporate research laboratories. This system will enable the production of spheres with oxygen barrier properties that can be used in the manufacturing of new barrier coatings at the production plants of SAES Coated Films S.p.A. In addition, capsules with antioxidant properties have been developed, which are currently in the process of being tested in food packaging applications, but whose use could also be extended to other industrial applications.

The new system opens the possibility of developing organic coatings with a high water barrier, aimed at the gradual replacement of aluminium films in food packaging. Also in the area of innovative coatings, activities have been launched to develop functional materials, to be applied directly on paper substrates, capable of imparting new barrier properties and, at the same time, maintaining the paper's recyclable characteristics.

The laboratories have also developed a getter for the absorption of amines, volatile substances typically released by food products such as fish and fresh meat. This getter, for which a new patent application was filed, was designed in order to absorb the quantity of amines released only in the first days of packaging, without reactions that would deteriorate the product. This functionality is able to prevent the packaging atmosphere from being altered, thus improving conservation, and, at the same time, avoiding a mistaken perception by the customer, with consequent reduction of waste.

In parallel with the development of new organic systems, the development of new dispensable getters also continued. This relates to a class of composite materials based on the combination of inorganic getter materials in polymeric organic matrices. In particular, the **chemical (organic) materials laboratories** have developed a new dispensable product, for which a new patent application has been filed, able to simultaneously guarantee the absorption of both hydrogen and water vapour. This product can be applied in optoelectronic devices such as, for example, modules for high-speed data transmission (5G). Validation tests of the new product in the devices of potential customers are currently in progress.

Finally, note that the installation of a **roll-to-roll pilot line** has begun, which is expected to be completed in the first quarter of 2020, which will allow the adoption of various wet deposition technologies for the construction of innovative flexible structures based on a combination of new SAES functional lacquers and different types of polymeric substrates, operating under the same operating conditions as an industrial line, but on a smaller scale. This line is one of the most advanced tools available in Europe for prototyping in the flexible packaging sector.

The activities of the **development laboratory of the subsidiary SAES Coated Films S.p.A.** focused on developing innovative structures for eco-sustainable packaging in collaboration with the partner Sacchital.
In particular, four structures have been developed:

- high-barrier mono-materials, consisting of two layers of polyethylene with metallization and lacquer-based coating in the middle, for use in fruit juice packs (pouch-type), which would eliminate the aluminium contained in current structures;
- high-barrier transparent mono-materials, obtained by placing aluminium oxide on polyethylene or other materials, for use in packaging of deli meats;
- paper-based structures coupled with low thicknesses of polypropylene, which are provided with a barrier function by our coating technology (metallization and lacquering), to make the paper packaging of biscuits or baked goods recyclable;
- a fully biodegradable structure according to UNI standards, obtained by coupling paper with biodegradable plastics, in particular Novamont MaterBi with barrier functions conferred by metallization and lacquer coating. Obviously, using bio-plastics and surface treatments gives the structure a higher cost than the standard product on the packaging market, but it is the only solution available that is both biodegradable and with a high barrier.

These structures have been sampled by customers and are currently in the qualification phase.

The **Flexterra** joint venture continued to develop its organic materials and its formulations were qualified by an important Taiwanese producer of OTFT (Organic Thin Film Transistor). Activities to industrialize these devices began a few months ago and should be completed by summer 2020, and which will be followed by marketing activities.

In the shape memory alloys area, the **metallurgy laboratories** continued their research on new alloys both at high transformation temperatures and zero hysteresis. As regards the activities for high temperature alloys, it was possible to optimize some parameters of the manufacturing processes so that the materials can be tested under new procedures. Zero-hysteresis systems are highly complex materials, for which it was also necessary to identify new compositions, in order to replace elements that can no longer be adopted for safety regulations. Development activities are now focused on quaternary alloys and the results of these activities are expected during 2020.
Furthermore, the development of thin-film shape memory continues and the configuration and processes for the production of a micro-actuator demonstrator are being studied.

Metallurgy laboratories also continued the development of bio-absorbable alloys. Some particularly interesting metallic systems have been identified, with mechanical and corrosion characteristics potentially useful for orthopaedic applications. This activity is allowing the development of expertise on this new class of metallic systems and has already enabled the filing of a first patent application. The issues related to corrosion in physiological conditions are undergoing in-depth studies and degradation tests in biological environments are being defined with the support of relevant international partners.

Research and development activities were reorganized in 2019, with the aim of allowing a greater focus of corporate research on medium/long-term projects to develop innovative technologies and materials.

Lastly, please note that the basic research costs incurred by the Group are charged directly to the statement of profit or loss in the year in which they occur as they do not qualify for capitalization.

Group’s main risks and uncertainties

Based on the requirements of Italian Legislative Decree 32/2007, a brief illustration of the main risks and uncertainties to which the Group is exposed is provided below, together with the main measures set in place to mitigate said risks and uncertainties.

Strategic risks

Sector risks

Some of the businesses in which the SAES Group operates are particularly sensitive to the trends of macroeconomic indicators (GDP trend, level of consumer confidence, availability of cash and of public funding, etc.). More specifically, some sectors, such as thermodynamic solar power, large-scale physics projects, technologies for low energy consumption lighting and applications for the defence market, have been influenced, also in 2019, by changes in political decisions regarding public investment. The impact on the Group has been a fall in demand for getter solutions for lamps and the temporary delay of several projects for the construction of both thermodynamic solar power stations as well as new particle accelerators. Conversely, the getter business for the security and defence sector maintains a positive outlook, thanks to the recovery in public investments in this area.

The SAES Group responds to these risks by seeking to diversify its product range and to expand into markets that are less dependent on the economic cycle, such as the medical and food industries, at the same time re-balancing and rationalising the structure of fixed costs, maintaining the departments (engineering, applied research etc.) that are needed to guarantee that production facilities can react quickly when sectors in difficult show signs of recovery.
The sale, finalised at the end of June 2018, of the gas purification business, exposed to the cyclical nature of the semiconductor industry, was also a part of a strategy to focus on businesses with a greater level of stability.

Another external factor that cannot be influenced by SAES is changing legislation in the countries in which the Group distributes its products or in those where SAES’ customers’ markets are located. This legislation and the consequent operating practices are particularly important in the industrial lamps business, where the market is often influenced by requirements regarding the environmental, or those regarding applications for the medical market: think, for example of the indirect impact of the welfare laws on the customers of these applications, or of the frequent need for institutional entities to certify the products of customers in which the technologies (or the products themselves as components) of the Group have been applied. Consider also of the case in which the above-mentioned certifications are awarded, but with a delay with respect to the timing envisaged, which delays the payback of the investments made by the Group to support the development and industrialisation of new products.
Another area in which legislative changes can influence market opportunities for SAES is the packaging industry. The functional polymer technology developed by SAES facilitates the development of recyclable plastic film as well as making the use of plastic film that does not originate from oil, and is therefore compostable, possible. The use of these materials on the market is therefore sensitive to the introduction of legislation that seeks greater eco-sustainability, at a time when the general public is increasingly focused on the environmental impact of plastic. The acceleration or large-scale implementation of these laws could have a positive impact on the success of the Group’s innovative food packaging products on the market.

SAES seeks to mitigate the risks relating to changes in legislation by monitoring, where possible, legislative and macroeconomic trends, also by joining national and transnational associations, to anticipate the impact of any changes, maintaining its focus on the development of its products, to be able to innovate the range when needed and to anticipate sector trends; as mentioned above, SAES seeks to respond quickly by adapting its production facilities through its engineering functions.

Another factor that may affect the Group is the presence of any customs duties resulting from global trade tensions and poor cooperation between national governments and supranational institutions (such as tensions between the US Government and the European Union), which could influence the sectors in which the Group operates, with a consequent impact on SAES products.

To mitigate this risk, the Group continually monitors the market.

Competitive risk

The Group is involved in the phases at the start of the value and production chains of the sectors in which it operates (B2B or Business to Business), often as tier 2 or 3, and therefore does not sell to the end consumer. This reduces the SAES Group's ability to anticipate or guide the trend of final demand of its products, which depends on the success or commercial skills of its customers.
In recent years, aggressive competitors have emerged, targeting customers and the most price-sensitive and mature industries, with consequent risks to profit margins.

To respond to these risks, the SAES Group has adopted a number of strategies. In particular, where possible and in compliance with governing regulations, long-term supply agreements are stipulated. Through the acquisition of technologies or the development of new solutions and services, work is being carried out to expand and complete the product portfolio, new higher quality products have been proposed, and product offerings are being repositioned along different stages of the value chain.
Furthermore, as also mentioned, SAES seeks to diversify its target markets with a view to reducing its dependence on markets characterized by an increasing level of competition.
In parallel, market research continues to anticipate changes in demand, also by using alliances and agreements with leading specialised centres.
Lastly, also by developing joint ventures, such as Actuator Solutions and SAES RIAL Vacuum S.r.l., the Group intends to pursue the objective of changing its positioning on the value chain, shifting from the production of simple components to more complex devices, of actual systems that can be sold directly to end users, which gives it the opportunity to handle the competition better due to the fact that it is closer to its customers.

M&A risk

As part of its growth strategies, the Group evaluates potential investments related to the purchase of equity investments/business units/joint ventures in order to strengthen its position in the sectors in which it operates.

For this purpose, the Group identifies, assesses and defines risk response actions by assessing the consistency of any opportunities with respect to its strategies and objectives, also involving prominent professionals supporting the M&A process.

Risk linked to technological and technical trends

One risk that companies operating in consumer electronics are exposed to is the rapid technological obsolescence of applications and technologies on the market. As already mentioned, the replacement of a technology or of certain specifications of a product with others may be triggered by legislative changes in target markets. More specifically, during the year, the market of fluorescent lamps, in which the Group's getter solutions are used, came under pressure and was penalised by the technological competition of LED lamps.

This risk is mitigated by continuous market analyses and by screening emerging technologies, both to identify new opportunities for development and to ensure that one is not prepared for the emergence of technological ageing.
Furthermore, as already mentioned, SAES seeks to reduce the importance of a single industry/application by diversifying the target markets.

Risk of catastrophic events

This risk regards the possibility that incidents or natural events may occur (natural disasters, terrorism, earthquakes etc.) which could lead to the damage or destruction of the industrial facilities and which, therefore could affect business continuity.

The presence of some of the Group’s production plants in areas at risk of earthquakes (for example, Abruzzo and California) is managed by adopting specific measures to mitigate said risk, such as: operating in certified earthquake-proof buildings; drawing up special procedures to manage emergencies; ensuring that the relevant authorities make periodic checks of the buildings; drawing up insurance policies to assets and for business interruption at Italian sites and for the production affiliates abroad; frequent evacuation drills for the employees that work there.

Investment risk

The risk refers - in general - to delayed definition of investment needs (e.g., technology and structural), failure to verify the economic-financial feasibility of the investment and/or failure to monitor its performance, with negative operational and financial consequences.

With reference to this risk, SAES has an investment plan that involves the operations areas of the Group companies (e.g., expansion of the production lines, plant modernization, etc.) in order to increase its production capacity to meet market demand, offering quality products and services, as well as making costs more efficient, consistent with the Group's mission to maintain a continuous approach to innovation and a focus on customer satisfaction.

In order to mitigate the risk at Group level, measures have been adopted which envisage a structured process of budget approval, *ex ante* and *ex post* assessments with key performance indicators (KPIs) that were defined in advance, as well as a process of strictly monitoring investments and their payback by the Management Control function. The new version of the Group's capex policy was updated and communicated during 2018.

<u>Operational risks</u>

Uncertainty regarding the success of R&D projects

The SAES Group, on its own initiative or in cooperation with its customers or partners, operates with the objective of developing innovative products or solutions, often “cutting-edge” and with returns in the long term.
The risk of failure does not just depend on our ability to provide the requested solution in the required form, time and costs. In reality, SAES has no control over the ability of its customers to develop that which is envisaged in their business plans, nor on the time for new technologies to be approved.
By way of example, but not limited to such, competitive technologies may emerge that do not require the use of the Group’s products or expertise, or development times could become so long that continuing with the project is no longer economically viable, or in any event delaying the time-to-market with negative effects on the return on investment.

The risk is mitigated through periodic and structured reviews of the project portfolio, managed by the Innovation Committee, which, as part of its support to the Chief Technology and Innovation Officer (CTIO), is responsible for: i) defining the priorities of for R&D projects; ii) proposing the annual budget for research and innovation in terms of costs and time; iii) preparing proposals for plans and budgets to be submitted for

approval by the Corporate Management Committee (CMC); iv) developing technological knowledge; v) assessing and proposing new technological solutions; and vi) developing and promoting a standardized and distinctive scientific approach for the Group's various areas.
Where and when possible, SAES seeks to access public funding, obviously if the objectives are perfectly in line with the R&D project in question. Furthermore, forms of "open" cooperation with external centres of excellence are being increasingly used, in order to reduce development times.

Another reason why R&D projects may be unsuccessful lies in the difficulty of transferring the results at the time of industrialisation, which may restrict the ability to move to mass production.

To mitigate this risk, the Group's organisation encourages the R&D and Engineering functions to work closely together, in order to achieve greater interaction in project management and to cut the time needed to move to production.

Protecting intellectual property

The SAES Group has always sought to develop original know-how, where possible protecting it with forms of industrial property rights, such as patents. It is becoming increasingly difficult to defend the same, also due to uncertainties relating to the legal systems in some of the countries in which the Group operates.
The risks are the loss of market share and margins taken by counterfeit products infringing the Group's intellectual property rights, as well as the need to cover significant legal expenses.

The Group responds to these risks by seeking to improve the quality and the completeness of the patents, also reducing the number published, and by monitoring the commercial initiatives of other industrial and commercial operators with a view to identifying potential adverse effects on the value of said patents as soon as possible.

Risks associated with production scheduling

In light of the events of the beginning of 2020 related to the spread of coronavirus, note that the Group is exposed to the risk that its production planning and scheduling may be delayed, following the suspension and/or delay of shipments due to the extraordinary (temporary) closure of Chinese companies ordered by the local government and the subsequent (temporary) closure of companies located in other countries operating within the Group's value chain.

In order to mitigate the risk - and consistent with the Group's priority of safeguarding the health and safety of its employees, counterparties and the general public - SAES has activated business continuity plans in order to guarantee operational continuity, both with reference to operations (e.g., drawing on warehouse stocks, previously supplied according to stock levels to meet operational continuity requirements), and with reference to the business in general, through smart working for staff not involved in production activities.

Customer concentration risk

This risk regards the case in which, for some businesses, revenues are generated by a small number of customers, meaning that the Group's results are overly dependent on the economic-financial performance of these customers or on their strategic decisions: consider, for example, a situation in which one or more customers intend to vertically integrate the production of the semi-finished goods or components that they now purchase from the Group.

The Group seeks to mitigate the potential consequences of this risk by extending the customer base as far as possible, both through new prospects, and by diversifying the range of products offered to individual customers. Furthermore, the Group aims to strengthen its partnerships with its key customers by sharing specific technical expertise where necessary, in accordance with intellectual property rights, and seeking to obtain and renew medium-long term contracts that guarantee less volatility of the volumes invoiced and of unit prices.

Risks linked to the recruitment process at US subsidiaries

In the American labour market, there are difficulties in the process of selecting qualified personnel for the operations areas, causing the recruitment process to take more time.

In order to mitigate the risk, continuous staff training activities are planned, as well as the structuring of specific retention plans.

IT business continuity risk

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

To strengthen the current IT infrastructure, the Company has envisaged the implementation of a business continuity plan for the IT systems. This process will include the formalisation of a specific disaster recovery procedure, with a view to defining roles, responsibilities and operating procedures to manage risk events that could potentially impact the functioning of the company's IT systems.

Climate change risks

The relevance of issues around climate change requires reflection on the possible consequences deriving from the physical damage that weather events - extraordinary and otherwise - could have on the Group's infrastructure and assets. The possibility that a significant weather event may occur could potentially lead to a period of unavailability for buildings and assets. The Group already has business continuity procedures in place that cover the primary areas of greater risk in relation to climate change.

From another perspective, it is necessary to analyse which activities the business carries out daily that may contribute negatively to climate change (e.g., emissions) and also have an impact in terms of legal liability for non-compliance with local and international environmental regulations (stringent and uncertain in some contexts). The Group constantly monitors reference environmental and product regulations, in the context of research projects, verifies the environmental impact of the product, adopts a code of conduct for suppliers at Group level that has relevance also on environmental issues, measures its performance as part of drafting the non-financial statement, and monitors any critical areas, including through compliance with the standards referred to in the ISO 14001 certification, where implemented.

Financial and reporting risks

Budget & planning risk

Frequent changes in business, as tier 2 or tier 3, the consequent organisational re-adaptation and limited forward-looking visibility as regards the different business the Group operates in, are risk events on the budget and planning process.

To mitigate this risk, the Group involves all relevant company departments in the forecasting process and, in specific circumstances and where available, uses assessments made by third parties or from collaborations with industry consultants to substantiate its estimates; if the assumptions initially used change, additional reports are prepared and implemented, involving the various parties involved in the process.

Financial risks

The SAES Group is also exposed to several financial risks, in particular:

- *Interest rate risk*, associated with the volatility of interest rates, which may influence the cost of the use of debt financing and the return of investments in cash and cash equivalents and the securities portfolio;

- *Exchange rate risk*, associated with the volatility of exchange rates, which may influence the related value of the Group’s costs and revenues denominated in currencies other than the euro as well as the amount of exchange differences, and may thus have an impact on the Group’s net income or loss; also the amount of financial receivables/payables denominated in currencies other than the euro depends on the value of exchange rates, with potential effects both on the net income and on the net financial position;
- *Risk of changes in prices of raw materials*, which may affect the Group’s product margins if the changes cannot be reflected in the price agreed with customers;
- *Credit risk*, associated with the solvency of customers and the ability to collect receivables claimed from them;
- *Liquidity risk*, associated with the Group’s ability to raise funds to finance its operating activities, or with the capacity of the sources of funding if the Group were to adopt strategic decisions involving some extraordinary expenditure (such as merger & acquisition transactions or organizational rationalization and restructuring activities).

With regard to financial risk, the Board of Directors periodically re-examines and defines the risk management policies, as illustrated in detail in Note no. 40, to which the reader should refer also for the relative sensitivity analyses.

Subsequent events

The process of reorganizing the Group’s internal management and divisional structure has continued. In particular, starting from January 1, 2020, the Group is organized in the following technological competency areas (or “Divisions”):
- Metallurgy Division (which coincides with the previous Industrial operating sector, excluding Solutions for Vacuum Systems, Functional Chemical Systems and advanced getters for the consumer electronics market, the latter previously classified within the Electronic Devices Business);
- Vacuum Technology Division (which coincides with the Solutions for Vacuum Systems Business, included in the Industrial operating segment);
- Medical Division (unchanged);
- Specialty Chemicals Division (i.e. advanced getters for the consumer electronics market, classified within the Electronic Devices Business as at December 31, 2019, in addition to the Functional Chemical Systems segment and Flexterra business, the latter previously unallocated);
- Advanced Packaging Division (unchanged).

The following tables present the consolidated revenues and the statement of profit or loss, both relating to 2019, shown according to the new divisional structure, highlighting the reclassifications with respect to the operating segments in place until December 31, 2019.

(thousands of euro)

Business	December 31, 2019	Reclassification	January 1, 2020
Security & Defense	12,778	0	12,778
Electronic Devices	25,636	(11,283)	14,353
Healthcare Diagnostics	4,438	0	4,438
Lamps	4,073	0	4,073
Thermal Insulated Devices	3,377	0	3,377
Solutions for Vacuum Systems	10,592	(10,592)	0
Sintered Components for Electronic Devices & Lasers	8,452	0	8,452
Functional Chemical Systems	1,051	(1,051)	0
SMA Industrial	16,969	0	16,969
Metallurgy Division	**87,366**	**(22,926)**	**64,440**
Solutions for Vacuum Systems	0	10,592	10,592
Vacuum Technology Division	**0**	**10,592**	**10,592**
Nitinol for Medical Devices	84,979	0	84,979
Medical Division	**84,979**	**0**	**84,979**
Functional Dispensable Products	0	12,334	12,334
Divisione Specialty Chemicals	**0**	**12,334**	**12,334**
Advanced Coatings	10,007	0	10,007
Advanced Packaging Division	**10,007**	**0**	**10,007**
Total revenues of the Group	**182,352**	**0**	**182,352**

(thousands of euro)

Consolidated statement of profit or loss	Division Metallurgy			Division Vacuum Technology			Division Medical			Division Specialty Chemicals			Division Advanced Packaging			Not Allocated Costs			Total		
	December 31, 2019	Reclass.	January 1, 2020	December 31, 2019	Reclass.	January 1, 2020	December 31, 2019	Reclass.	January 1, 2020	December 31, 2019	Reclass.	January 1, 2020	December 31, 2019	Reclass.	January 1, 2020	December 31, 2019	Reclass.	January 1, 2020	December 31, 2019	Reclass.	January 1, 2020
Total net sales	**87,366**	**(22,926)**	**64,440**	**0**	**10,592**	**10,592**	**84,979**	**0**	**84,979**	**0**	**12,334**	**12,334**	**10,007**	**0**	**10,007**	**0**	**0**	**0**	**182,352**	**0**	**182,352**
Cost of sales	(45,192)	14,460	(30,732)	0	(4,929)	(4,929)	(49,378)	0	(49,378)	0	(9,531)	(9,531)	(9,409)	0	(9,409)	0	0	0	(103,979)	0	(103,979)
Gross profit	**42,174**	**(8,466)**	**33,708**	**0**	**5,663**	**5,663**	**35,601**	**0**	**35,601**	**0**	**2,803**	**2,803**	**598**	**0**	**598**	**0**	**0**	**0**	**78,373**	**0**	**78,373**
% on net sales	*48.3%*		*52.3%*	*n.a.*		*53.5%*	*41.9%*		*41.9%*	*n.a.*		*22.7%*	*6.0%*		*6.0%*	*n.a.*		*n.a.*	*43.0%*		
Total operating expenses	(16,949)	5,664	(11,285)	0	(4,005)	(4,005)	(9,439)	0	(9,439)	0	(1,646)	(1,646)	(3,805)	0	(3,805)	(23,172)	(13)	(23,185)	(53,365)	0	(53,365)
Other income (expenses), net	861	(678)	183	0	100	100	(1)	0	(1)	0	1,782	1,782	(31)	0	(31)	935	(1,204)	(269)	1,764	0	1,764
Operating income (loss)	**26,086**	**(3,480)**	**22,606**	**0**	**1,758**	**1,758**	**26,161**	**0**	**26,161**	**0**	**2,939**	**2,939**	**(3,238)**	**0**	**(3,238)**	**(22,237)**	**(1,217)**	**(23,454)**	**26,772**	**0**	**26,772**
% on net sales	*29.9%*		*35.1%*	*n.a.*		*16.6%*	*30.8%*		*30.8%*	*n.a.*		*23.8%*	*-32.4%*		*-32.4%*	*n.a.*		*n.a.*	*14.7%*		*14.7%*
Interest and other financial income (expenses), net																			6,171	0	6,171
Share of result of investments accounted for using the equity method																			(2,912)	0	(2,912)
Foreign exchange gains (losses), net																			(104)	0	(104)
Income (loss) before taxes																			**29,927**	**0**	**29,927**
Income taxes																			(10,242)	0	(10,242)
Net income (loss) from continued operations																			**19,685**	**0**	**19,685**
Net income (loss) from discontinued operations																			152	0	152
Net income (loss)																			**19,837**	**0**	**19,837**
Minority interests in consolidated subsidiaries																			0	0	0
Group net income (loss)																			**19,837**	**0**	**19,837**

On January 23, 2020, the Board of Directors of SAES Getters S.p.A. resolved to revoke the liquidation of E.T.C. S.r.l. and modify its corporate purpose by allowing the company to directly or indirectly take on investments or shareholdings in the packaging sector and the scouting of new technologies in that sector. If it is not possible to revoke the liquidation status, the Board approved the establishment of a new company, entirely owned by SAES Getters S.p.A., with the same corporate purpose.

As part of the incentive plan based on phantom shares known as the “2018 Phantom Shares Plan”, approved by the Shareholders' Meeting of October 1, 2018, the Board of Directors of SAES Getters S.p.A. on February 13, 2020, upon the proposal of the Remuneration and Appointment Committee, assigned 195,618 phantom shares, from those still assignable pursuant to article 5 of the aforementioned plan, to Paolo Vacca, appointed Manager with Key Responsibilities effective January 1, 2020. The assignment value was calculated at 21.14 euro.

Note that, following the provisions and recommendations issued by the Lombardy Region for precautionary containment of the coronavirus epidemic, the Lainate offices of the Parent Company and the Roncello facility of SAES Coated Films S.p.A. were closed from the afternoon of February 24 to February 28, 2020. Where possible, remote smart working procedures were used. The Parent Company’s second production facility, in Avezzano, in the province of L’Aquila, was instead fully operational.
In the following days, given the persistence and worsening of the emergency, with the aim of preventing the spread of the disease, management agreed with the union representatives to use up to 70 employees “seconded" at the Lainate site, in order to ensure business continuity, adopting the appropriate measures to

protect their health. All other employees, in accordance with the emergency measures issued by the Council of Ministers, are working in agile mode from their homes.
Currently all Italian plants are in operation, obviously applying the procedures recommended by experts for the protection of health and the instructions of the Italian authorities through March 12, 2020.
The regular resumption of business activities at Lainate will depend on further emergency measures that will be issued as the current situation evolves.

On March 12, 2020, SAES Group decided to donate 0.5 million euro to research institutes working on the front lines against the coronavirus, as well as to Civil Protection personnel. SAES is thus offering its contribution to overcome the emergency that the whole country is facing. The donation will be specifically directed to the specialized research institutes IRCCS Ca' Granda Ospedale Maggiore Policlinico Foundation and the IRCCS Policlinico San Matteo di Pavia Foundation, as well as to Civil Protection.

On March 6, 2020, SAES Getters S.p.A. signed a new line of credit with Unicredit S.p.A. for a maximum amount of 30 million euro as a revolving line, intended for general corporate, capex and acquisition uses. The duration of the credit line is set at thirty-six months. SAES may request its use in tranches of not less than 0.5 million euro and with a duration of one to three months. The contract provides for the payment of interest indexed at the one/three month Euribor rate, increased by a spread of 1.2%. The contract provides for only one financial covenant (positive consolidated net financial position) subject to half-yearly verification.

On March 12, 2020, SAES Getters S.p.A., as Single Shareholder, resolved a capital payment of 800 thousand euro in favour of SAES Nitinol S.r.l., aimed at covering the losses recognized during 2019 and establishing an available reserve equivalent to 21 thousand euro.

Business outlook

In the **first two months of 2020, consolidated net revenues** amounted to 32,417 thousand euro compared to 27,640 thousand euro in the corresponding period of 2019. Sales in the two-month period rose by 17.3%. Without the positive impact of exchange rates (+2.8%), organic growth was +14.5% (corresponding to 4,014 thousand euro in absolute terms).

(thousands of euro)

Divisions	February 20	February 19	Total difference	Total difference %	Exchange rate effect %	Organic change %
Security & Defense	3,510	2,556	954	37.3%	2.4%	34.9%
Electronic Devices	2,461	2,075	386	18.6%	2.0%	16.6%
Healthcare Diagnostic	1,059	735	324	44.1%	2.3%	41.8%
Lamps	595	737	(142)	-19.3%	1.3%	-20.6%
Thermal Insulated Devices	579	614	(35)	-5.7%	2.9%	-8.6%
Sintered Components for Electronic Devices & Lasers	1,472	1,587	(115)	-7.2%	3.1%	-10.3%
SMA Industrial	2,356	2,470	(114)	-4.6%	1.5%	-6.1%
Metallurgy Division	**12,032**	**10,774**	**1,258**	**11.7%**	**2.2%**	**9.5%**
Solutions for Vacuum Systems	1,495	1,874	(379)	-20.2%	1.3%	-21.5%
Vacuum Technology Division	**1,495**	**1,874**	**(379)**	**-20.2%**	**1.3%**	**-21.5%**
Nitinol for Medical Devices	15,299	12,826	2,473	19.3%	3.9%	15.4%
Medical Division	**15,299**	**12,826**	**2,473**	**19.3%**	**3.9%**	**15.4%**
Functional Dispensable Products	1,868	383	1,485	387.7%	1.0%	386.7%
Specialty Chemicals Division	**1,868**	**383**	**1,485**	**387.7%**	**1.0%**	**386.7%**
Advanced Coatings	1,723	1,783	(60)	-3.4%	0.0%	-3.4%
Advanced Packaging Division	**1,723**	**1,783**	**(60)**	**-3.4%**	**0.0%**	**-3.4%**
Total net sales	**32,417**	**27,640**	**4,777**	**17.3%**	**2.8%**	**14.5%**

The consolidated revenue from the **Metallurgy Division** amounted to 12,032 thousand euro compared to 10,774 thousand euro in the corresponding period of 2018. Organic growth (+9.5%) was mainly driven by the defence applications sector (Business Security & Defence), by electronic devices (Electronic Devices

Business) and by the sale of components for the medical diagnostics sector (Healthcare Diagnostics Business).
The **Vacuum Technology Division** record revenues of 1,495 thousand euro in the first two months of 2020, compared to 1,874 thousand euro in the corresponding period of 2019. The exchange rate effect was positive (+1.3%), while the organic reduction was -21.5%.
The **Medical Division** closed the two-month period with revenues of 15,299 thousand euro (12,826 thousand euro in the first two months of 2019). Excluding the positive exchange rate effect (+3.9%), organic growth was +15.4%.
The **Specialty Chemicals Division** realized revenues of 1,868 thousand euro in the first two months of 2020, compared to 383 thousand in the corresponding period of 2019. The exchange rate effect was positive (+1%), while the organic growth (+386.7%) is mainly driven by sales of advanced getters for the consumer electronics market.
The **Advanced Packaging Division** recorded revenues of 1,723 thousand euro in the first two months of 2020, compared to 1,783 thousand euro in the corresponding period of the prior year (-3.4%).

Including the Group revenues as well as the pertinent share of revenues of joint ventures[44], **total Group revenues** in the **first two months of 2020** were 33,925 thousand euro, up by 14.6% compared to 29,613 thousand euro in the corresponding period of 2019; the increase was mainly due to the rise in consolidated revenues (+17.3%, mentioned earlier).

***

As noted previously, effective January 1, 2020, the Group is organized into the following five Divisions, each characterized by its own specific technology:
- Metallurgy Division (metallic-based getters and metal dispensers, as well as SMA shape memory alloy components and devices for the industrial market);
- Vacuum Technology Division (getter pumps for vacuum systems with applications in the industrial sector, in research and in particle accelerators);
- Medical Division (semi-finished products and Nitinol components for the biomedical market);
- Specialty Chemicals Division (new generation polymeric composites, in which the getter materials are integrated into polymeric matrices);
- Advanced Packaging Division (innovative plastic films for the sustainable packaging sector, in particular for food use).

The 2019 figures have been reclassified to enable a like-for-like comparison with 2020.

***

As is well known, starting from January 2020, the national and international scenario has been characterized by the spread of coronavirus and the consequent restrictive measures for its containment, put in place by the public authorities of the countries concerned. These circumstances, extraordinary in nature and extent, will have direct and indirect repercussions on the business, as a context of general uncertainty has arisen, the evolution and relative impact of which cannot be predicted. The potential effects of this phenomenon on the financial statements cannot currently be determined and will be constantly monitored in the coming months. However, the Group's development strategy remains unchanged.
It should also be noted that the Group's global presence, both for manufacturing and sales, and its positioning in typically counter-cyclical businesses, most importantly medical devices, reduce the risk.

Business continuity

[44] Actuator Solutions (50%), SAES RIAL Vacuum S.r.l. (49%) and Flexterra (46.73%).

The financial statements are prepared on the going concern assumption, given that, despite a difficult economic and financial environment, further aggravated by the Covid-19 epidemic, there aren’t any significant uncertainties (as defined in paragraph no. 25 of IAS 1 - Presentation of Financial Statements) regarding business continuity.

The potential economic and financial effects from the spread of the coronavirus on a global scale cannot yet be determined, but the Group is monitoring the situation on a constant and ongoing basis.
However, it should also be noted that the Group's global presence, in terms of both manufacturing and sales, and its positioning in typically counter-cyclical businesses, most importantly medical devices and food packaging, reduce the risk. In addition, the positive Net Financial Position as at December 31, 2019 for 115.3 million euro constitutes a further guarantee of business continuity.

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 performed during the year is provided in Note no. 42 of the consolidated financial statements.

Consob regulatory simplification process

On November 13, 2012, the Board of Directors approved, pursuant to article 3 of Consob Resolution no. 18079/2012, to adhere to the opt-out provisions as envisaged by article 70, paragraph 8, and article 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 Non-Financial Statement

The 2019 Consolidated Non-Financial Statement of SAES Group, drafted pursuant to Legislative Decree 254/16 and approved by the Board of Directors on March 12, 2020, represents a separate report with respect to this Report on Operations, as envisaged in article 5, paragraph 3, letter b) of Legislative Decree 254/16 and is also available on the website *www.saesgetters.com*, in the “Investor Relations - Sustainability” section.

Consolidated Financial Statements as at December 31, 2019

Consolidated statement of profit or loss

(thousands of euro)	Notes	2019	2018 (*)
Total net sales	3	**182.352**	**160.284**
Cost of sales	4	(103.979)	(90.032)
Gross profit		**78.373**	**70.252**
Research & development expenses	5	(11.052)	(10.988)
Selling expenses	5	(13.033)	(12.451)
General & administrative expenses	5	(29.306)	(32.471)
Write-down of trade receivables	5	26	(208)
Total operating expenses		**(53.365)**	**(56.118)**
Other income (expenses), net	6	1.764	932
Operating income (loss)		**26.772**	**15.066**
Interests and other financial income	7	8.071	982
Interests and other financial expenses	7	(1.486)	(1.228)
Write-down of financial receivables and other financial assets	7	(414)	(9.283)
Share of result of investments accounted for using the equity method	8	(1.757)	(1.473)
Write-down of investments accounted for using the equity method	8	(1.155)	(4.300)
Foreign exchange gains (losses), net	9	(104)	523
Income (loss) before taxes		**29.927**	**287**
Income taxes	10	(10.242)	(7.967)
Net income (loss) from continued operations		**19.685**	**(7.680)**
Net income (loss) from discontinued operations	11	152	240.013
Net income (loss) for the period		**19.837**	**232.333**
Minority interests in consolidated subsidiaries		0	0
Group net income (loss) for the period		**19.837**	**232.333**
Net income (loss) per ordinary share	12	0,99693	10,53109
- from continued operations		*0,98925*	*(0,34830)*
- from discontinued operations		*0,00000*	*10,87939*
Net income (loss) per savings share	12	1,01356	10,54772
- from continued operations		*1,00588*	*(0,34830)*
- from discontinued operations		*0,02060*	*10,89602*

Consolidated statement of other comprehensive income

(thousands of euro)	Notes	2019	2018 (*)
Net income (loss) for the period from continued operations		**19.685**	**(7.680)**
Exchange differences on translation of foreign operations	27	1.638	4.130
Exchange differences on equity method evaluated companies	27	161	340
Total exchange differences		1.799	4.470
Equity transaction costs related to equity method evaluated companies	27	0	(15)
Total components that will be reclassified to the profit (loss) in the future		**1.799**	**4.455**
Actuarial gain (loss) on defined benefit plans related to SAES Getters S.p.A. and subsidiaries	27	(484)	21
Income taxes	27	116	(6)
Actuarial gain (loss) on defined benefit plans, net of taxes - SAES Getters S.p.A. and subsidiaries		(368)	15
Actuarial gain (loss) on defined benefit plans on equity method evaluated companies	27	5	(10)
Income taxes	27	(1)	2
Actuarial gain (loss) on defined benefit plans, net of taxes - equity method evaluated companies		4	(8)
Total components that will not be reclassified to the profit (loss) in the future		**(364)**	**7**
Reversal of currency conversion reserve after the capital stock reduction of the subsidiaries	27	0	(360)
Total components that will not be reclassified to the profit (loss) in the future		**0**	**(360)**
Other comprehensive income (loss), net of taxes - continued operations		**1.435**	**4.102**
Total comprehensive income (loss), net of taxes - continued operations		**21.120**	**(3.578)**
Net income (loss) for the period from discontinued operations		**152**	**240.013**
Exchange differences on translation of foreign operations	27	0	421
Reversal of currency conversion reserve after the disposal of the subsidiaries	27	0	(2.342)
Total exchange differences		0	(1.921)
Total components that have been reclassified to the profit (loss)		**0**	**(1.921)**
Other comprehensive income (loss), net of taxes - discontinued operations		**0**	**(1.921)**
Total comprehensive income (loss), net of taxes - discontinued operations		**152**	**238.092**
Total comprehensive income (loss), net of taxes		**21.272**	**234.514**
attributable to:			
- Equity holders of the Parent Company		21.272	234.514
- Minority interests		0	0

(*) The figures from the period being compared 2018 have not been modified with the application of new accounting standard IFRS 16, since the Group for the first application, adopted an amended retrospective method. Please refer to Note no. 2 for further details on the application of new standard IFRS 16.

Consolidated statement of financial position			
(thousands of euro)	Notes	December 31, 2019	December 31, 2018(*)
ASSETS			
Non current assets			
Property, plant and equipment	14	70.893	53.832
Intangible assets	15	45.216	45.290
Right of use	16	4.617	0
Investments accounted for using the equity method	17	4.800	8.006
Securities in the portfolio	18	134.673	99.843
Deferred tax assets	19	9.126	8.678
Tax consolidation receivables from the Controlling Company	20	272	272
Financial receivables from related parties	21	49	49
Other long term assets	22	1.528	396
Total non current assets		**271.174**	**216.366**
Current assets			
Inventory	23	25.547	23.482
Trade receivables	24	21.755	19.676
Other receivables, accrued income and prepaid expenses	25	4.677	4.634
Cash and cash equivalents	26	48.634	170.601
Financial receivables from related parties	21	1	1
Securities in the portfolio	18	70.779	0
Total current assets		**171.393**	**218.394**
Total assets		**442.567**	**434.760**
EQUITY AND LIABILITIES			
Capital stock		12.220	12.220
Share issue premium		25.724	25.724
Treasury shares		(93.382)	0
Legal reserve		2.444	2.444
Other reserves and retained earnings		273.599	58.210
Other components of equity		12.088	10.289
Net income (loss) of the period		19.837	232.333
Group shareholders' equity	27	**252.530**	**341.220**
Other reserves and retained eanings of third parties		0	0
Minority interests in consolidated subsidiaries	27	**0**	**0**
Total equity		**252.530**	**341.220**
Non current liabilities			
Financial debts	28	100.724	13.344
Financial liabilities for leases	29	2.710	0
Other non current financial payables toward third parties	30	0	0
Deferred tax liabilities	19	8.670	6.523
Staff leaving indemnities and other employee benefits	31	9.516	7.909
Provisions for risks and charges	32	1.001	411
Total non current liabilities		**122.621**	**28.187**
Current liabilities			
Trade payables	33	15.694	12.082
Other payables	34	9.868	12.533
Accrued income taxes	35	602	1.778
Provisions for risks and charges	33	5.368	4.640
Derivative financial instruments measured at fair value	36	50	48
Current portion of medium/long term financial debts	28	5.365	5.438
Financial liabilities for leases	29	1.876	0
Other financial debts to third parties	30	900	1.001
Bank overdrafts	37	27.195	27.353
Accrued expenses and deferred income	38	498	480
Total current liabilities		**67.416**	**65.353**
Total equity and liabilities		**442.567**	**434.760**

(*) The figures from the period being compared 2018 have not been modified with the application of new accounting standard IFRS 16, since the Group for the first application, adopted an amended retrospective method. Please refer to Note no. 2 for further details on the application of new standard IFRS 16.

Consolidated statement of cash flow

(thousands of euro)	2019	2018 (*)
Cash flows from operating activities		
Net income (loss) from continued operations	19.685	(7.680)
Net income (loss) from discontinued operations	152	240.013
Current income taxes	8.317	13.134
Changes in deferred income taxes	1.861	(4.499)
Depreciation of financial leased assets	1.539	0
Depreciation	6.651	6.764
Write-down (revaluation) of property, plant and equipment	310	712
Amortization	1.256	1.220
Write-down (revaluation) of intangible assets	0	2.705
Net loss (gain) on disposal of fixed assets	(1.231)	(141)
Net gain on purification business disposal	(152)	(227.219)
Interest and other financial (income) expenses, net	(3.859)	15.337
Write-down of trade receivables	(26)	123
Other non-monetary costs (revenues)	0	(1.524)
Accrual for investment provision for risks	600	0
Accrual for termination indeminities and similar obligations	1.652	255
Changes in provisions	659	(130)
	37.414	**39.070**
Working capital adjustments		
Cash increase (decrease)		
Account receivables and other receivables	(1.521)	1.009
Inventory	(1.790)	(4.460)
Account payables	3.612	(1.180)
Other current payables	(2.647)	(115)
	(2.346)	**(4.746)**
Payment of termination indemnities and similar obligations	(550)	(446)
Interests and other financial payments	(281)	(441)
Interests and other financial receipts	306	406
Taxes paid	(10.119)	(13.239)
Net cash flows from operating activities	**24.424**	**20.604**
Cash flows from investing activities		
Disbursements for acquisition of tangible assets	(23.706)	(14.410)
Proceeds from sale of tangible and intangible assets	29	248
Disbursements for acquisition of intangible assets	(461)	(599)
Sale of intellectual property to related parties	2.291	0
Purchase of securities, net of disinvestments	(100.376)	0
Income from securities, net of management fees	1.822	0
Capital injection into joint ventures	0	(6.201)
Consideration for the acquisition of minority interests in subsidiaries	0	(75)
Price paid for the acquisition of businesses	0	(142)
Advances paid for the purchase of investments	(1.100)	0
Consideration for the purification business disposal, net of the disposed cash	0	301.059
Ancillary monetary charges for the purification business disposal	0	(37.562)
Adjustment on the consideration for the purification business disposal	(377)	0
Net cash flows from investing activities	**(121.878)**	**242.318**
Cash flows from financing activities		
Proceeds from long term financial liabilities, current portion included	92.735	0
Proceeds from short term financial liabilities	410	13.857
Dividends payment	(16.580)	(15.435)
Repayment of financial liabilities	(5.467)	(18.758)
Interests paid on long term financial liabilities	(815)	(487)
Interests paid on short term financial liabilities	(29)	(19)
Other costs paid	(36)	(54)
Financial receivables repaid (granted) from related parties	0	(225)
Interests receipts on financial receivables from related parties	1	1
Other financial payables	1	4
Securities in the portfolio	0	(100.000)
Repayment of financial liabilities for leased assets	(1.570)	0
Interests paid on leased assets	(55)	0
Purchase of treasury shares and related accessory costs	(93.382)	0
Net cash flows from financing activities	**(24.787)**	**(121.116)**
Net foreign exchange differences	367	1.277
Net (decrease) increase in cash and cash equivalents	**(121.874)**	**143.083**
Cash and cash equivalents at the beginning of the period	**170.395**	**27.312**
Cash and cash equivalents at the end of the period	**48.521**	**170.395**

(*) It should be noted that the amounts include both the cash flows generated by the gas purification business during the period 1 January - 24 June 2018, and the effects relating to its sale, finalized on June 25, 2018. For more details please refer to the Annual Financial Report 2019.

(**) In 2018, consideration equal to 303,765 thousand euro and cash sold equal to 2,706 thousand euro.

(***) The figure of 2018 does not include the non-monetary income related to the release into the income statement of the conversion reserve generated by the consolidation of the US companies sold (SAES Getters USA, Inc. and SAES Pure Gas, Inc.), equal to 2,342 thousand euro.

Consolidated statement of changes in equity as at December 31, 2019

(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, 2018(*)	**12,220**	**25,724**	**0**	**2,444**	**10,289**	**0**	**58,210**	**232,333**	**341,220**	**0**	**341,220**
Distribution of 2018 result							232,333	(232,333)	0		0
Dividends paid							(16,580)		(16,580)		(16,580)
Purchase of treasury shares			(89,700)						(89,700)		(89,700)
Accessory costs on purchase of treasury shares			(3,682)						(3,682)		(3,682)
Net income (loss)								**19,837**	**19,837**	**0**	**19,837**
Reversal of currency conversion reserve after the capital stock reduction of the subsidiaries									0		0
Reversal of currency conversion reserve after subsidiaries sale									0		0
Other comprehensive income (loss)					1,799		(364)		1,435		1,435
Total comprehensive income (loss)					**1,799**	**0**	**(364)**	**19,837**	**21,272**	**0**	**21,272**
December 31, 2019	**12,220**	**25,724**	**(93,382)**	**2,444**	**12,088**	**0**	**273,599**	**19,837**	**252,530**	**0**	**252,530**

Consolidated statement of changes in equity as at December 31, 2018 (*)

(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, 2017	**12,220**	**41,120**	**0**	**2,444**	**6,179**	**1,921**	**44,397**	**13,860**	**122,141**	**0**	**122,141**
Distribution of 2017 result							13,860	(13,860)	0		0
Dividends paid		(15,396)					(39)		(15,435)		(15,435)
Net income (loss)								**232,333**	**232,333**	**0**	**232,333**
Reversal of currency conversion reserve after the capital stock reduction of the subsidiaries					(360)				(360)		(360)
Reversal of currency conversion reserve after subsidiaries sale						(2,342)			(2,342)		(2,342)
Other comprehensive income (loss)					4,470	421	(8)		4,883		4,883
Total comprehensive income (loss)					**4,110**	**(1,921)**	**(8)**	**232,333**	**234,514**	**0**	**234,514**
December 31, 2018	**12,220**	**25,724**	**0**	**2,444**	**10,289**	**0**	**58,210**	**232,333**	**341,220**	**0**	**341,220**

(*)The figures from the period being compared 2018 have not been modified with the application of new accounting standard IFRS 16, since the Group for the first application, adopted an amended retrospective method. Please refer to Note no. 2 for further details on the application of new standard IFRS 16.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

SAES Getters S.p.A., the Parent Company with headquarters in Lainate, 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 are required (electronic devices, lamps, vacuum systems and thermal insulation solutions). 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 that spans numerous fields of application (advanced packaging, OLED displays, implantable medical devices and new diagnostics for solid state images).

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, given that, despite a difficult economic and financial environment, further exacerbated by the Covid-19 epidemic, there aren't any significant uncertainties (as defined in paragraph no. 25 of IAS 1 - Presentation of Financial Statements) regarding the business continuity.

S.G.G. Holding S.p.A.[45] is a relative majority shareholder[46] and does not exercise any management and coordination activity towards SAES Getters S.p.A. pursuant to Article 2497 of the Italian Civil Code (as specified in the Report on corporate governance and ownership).
The Board of Directors approved and authorised the publication of the 2019 annual consolidated financial statements with the resolution passed on March 12, 2020.

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 ending December 31, 2019 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 as well as article 149-duodecies of the Issuers' Regulations. The abbreviation "IFRS" includes all revised International Accounting Standards ("IAS") and all interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), included those previously issued by the Standing Interpretations Committee ("SIC").
For comparative purposes, the comparative figures for 2018 are also shown, in application of IAS 1- Presentation of Financial Statements.

Accounting schemes

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

Moreover, we report that:

---

[45] Based in Milan at Via Vittor Pisani, 27.
[46] As at December 31, 2018, S.G.G. Holding S.p.A. held 36.96% of the ordinary shares of SAES Getters S.p.A. and, taking into account the majority voting rights, it held 42.28% of all voting rights that could be exercised on that date.

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

In addition, as required by Consob resolution no. 15519 of July 27, 2006, significant income and expenses arising from non-recurring transactions or from events that do not recur frequently during the normal conduct of operations are specifically identified in the consolidated statement of profit or loss by allocation and their detailed information is provided in the Explanatory Notes to the consolidated financial statements.
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;
- income/expenses arising from reorganization processes associated with extraordinary corporate transactions (mergers, de-mergers, acquisitions and other corporate transactions);
- income/expenses arising from discontinued businesses.

As required by Consob resolution no. 15519 of July 27, 2006, the amounts of positions or transactions with related parties have been highlighted separately from the related items in the Explanatory Notes to the consolidated financial statements.

Segment information

The Group's financial reporting is broken down into the following business segments:
- Industrial;
- Medical;
- Packaging.

Compared to the previous financial period, in order to reflect the organizational structure of the SAES management in place starting from January 1, 2019, revenue and costs for shape memory alloys for the industrial applications sector, along with those of the Functional Chemical Systems sector (previously Organic Electronics), were classified in the Industrial Business Unit for the current year. All the operating sectors were also renamed to provide greater clarity.
The amounts for 2018 were **reclassified** (see the table below) so they are comparable with the 2019 figures.

(thousands of euro)

Consolidated statement of profit or loss	Industrial			Medical			Packaging			Not Allocated Costs			Total		
	2018	Reclass.	2018 reclassified	2018	Reclass. *"SMAs for Thermal & Electro Mechanical Devices"*	2018 reclassified	2018	Reclass.	2018 reclassified	2018	Reclass. *"Organic Electronics"*	2018 reclassified	2018	Reclass.	2018 reclassified
Total net sales	**65,279**	**12,557**	**77,836**	**82,450**	**(11,482)**	**70,968**	**11,480**		**11,480**	**1,075**	**(1,075)**	**0**	**160,284**	**0**	**160,284**
Cost of sales	(31,727)	(7,832)	(39,559)	(46,964)	7,070	(39,894)	(10,299)		(10,299)	(1,042)	762	(280)	(90,032)	0	(90,032)
Gross profit	**33,552**	**4,725**	**38,277**	**35,486**	**(4,412)**	**31,074**	**1,181**	**0**	**1,181**	**33**	**(313)**	**(280)**	**70,252**	**0**	**70,252**
% on net sales	*51.4%*		*49.2%*	*43.0%*		*43.8%*	*10.3%*		*10.3%*	*3.1%*		*n.a.*	*43.8%*		
Total operating expenses	(14,283)	(3,334)	(17,617)	(11,157)	2,515	(8,642)	(7,007)		(7,007)	(23,671)	819	(22,852)	(56,118)	0	(56,118)
Other income (expenses), net	4	(103)	(99)	1,114	106	1,220	(46)		(46)	(140)	(3)	(143)	932	0	932
Operating income (loss)	**19,273**	**1,288**	**20,561**	**25,443**	**(1,791)**	**23,652**	**(5,872)**	**0**	**(5,872)**	**(23,778)**	**503**	**(23,275)**	**15,066**	**0**	**15,066**
% on net sales	*29.5%*		*26.4%*	*30.9%*		*33.3%*	*-51.1%*		*-51.1%*	*-2211.9%*			*9.4%*		*9.4%*
Interest and other financial income (expenses), net													(9,529)	0	(9,529)
Share of result of investments accounted for using the equity method													(1,473)	0	(1,473)
Write-down of investments accounted for using the equity method													(4,300)	0	(4,300)
Foreign exchange gains (losses), net													523	0	523
Income (loss) before taxes													**287**	**0**	**287**
Income taxes													(7,967)	0	(7,967)
Net income (loss) from continued operations													**(7,680)**	**0**	**(7,680)**
Net income (loss) from discontinued operations													240,013	0	240,013
Net income (loss)													**232,333**	**0**	**232,333**
Minority interests in consolidated subsidiaries													0	0	0
Group net income (loss)													**232,333**	**0**	**232,333**

Seasonality of revenues

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, 2019.

Company	*Currency*	*Share capital Stock*	*% of Ownership Direct*	*Indirect*
Directly controlled subsidiaries:				
SAES Getters USA, Inc. Colorado Springs, CO (USA)	USD	33,000,000	100.00	-
SAES Getters (Nanjing) Co., Ltd. Nanjing (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 in liquidation Weil am Rhein (Germany)	EUR	330,000	100.00	-
E.T.C. S.r.l. in liquidation Lainate, MI (Italy)	EUR	75,000	100.00	-
SAES Nitinol S.r.l. Lainate, MI (Italy)	EUR	10,000	100.00	-
SAES Coated Films S.p.A. Roncello, MB & Lainate, MI (Italy)	EUR	50,000	100.00	-
SAES Investments S.A. Luxembourg (Luxembourg)	EUR	30,000,000**	100.00	-
Indirectly controlled subsidiaries:				
Through SAES Getters/U.S.A., Inc.:				
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) & Freiburg (Germany)	USD	30,000,000	-	100.00

* % of indirect ownership held by SAES Getters (Nanjing) Co., Ltd.
** As at the end of December 2019, the reduction in share capital of the subsidiary SAES Investments S.A. became legally effective. In particular, the share capital was reduced from 40 million euro to 30 million euro.

The following table shows the companies included in the scope of consolidation according to the equity method as at December 31, 2019.

Company	***Currency***	***Share capital Stock***	***% of Ownership Direct***	***Indirect***
Actuator Solutions GmbH Gunzenhausen (Germany)	EUR	2,000,000	-	50.00*
Actuator Solutions Taiwan Co., Ltd. in liquidation Taoyuan (Taiwan)	TWD	5,850,000	-	50.00**
Actuator Solutions (Shenzhen) Co., Ltd. in liquidation Shenzhen (P.R. of China)	EUR	760,000	-	50.00***
SAES RIAL Vacuum S.r.l. Parma, PR (Italy)	EUR	200,000	49.00	-
Flexterra, Inc. Stokie, IL (USA)	USD	(#) 33,382,842	-	46.73****
Flexterra Taiwan Co., Ltd. Zhubei City (Taiwan)	TWD	5,000,000	-	46.73*****

* % of indirect ownership held through SAES Nitinol S.r.l.
** % of indirect ownership held through the joint venture Actuator Solutions GmbH (which holds a 100% interest in Actuator Solutions Taiwan Co., Ltd. In liquidation).
*** % indirect ownership held through the joint venture Actuator Solutions GmbH (which holds a 100% interest in Actuator Solutions (Shenzhen) Co., Ltd. In liquidation).
**** % of indirect ownership held through SAES Getters International Luxembourg S.A.
***** % indirect ownership held through the joint venture Flexterra, Inc (which holds a 100% interest in Flexterra Taiwan Co., Ltd.).
(#) The share capital has increased compared to the value at December 31, 2018 (amounting to 33,358,815 USD) following the contributions by certain third party shareholders in the first half of the current financial period, to complete the payments made at the end of the 2018 financial period. Please refer to the 2018 Financial Report for further information.

With reference to the scope of consolidation, in March 2019, the liquidation process of Actuator Solutions (Shenzhen) Co., Ltd. began, a wholly owned subsidiary of the joint venture Actuator Solutions GmbH. The liquidation is expected to conclude in the initial months of 2020 and has not resulted in material negative effects on the joint venture's consolidated statement of profit or loss at December 31, 2019.

Lastly, on October 1, 2019, the liquidation process of Actuator Solutions Taiwan Co., Ltd. began, which was also a wholly owned subsidiary of the joint venture Actuator Solutions GmbH. The liquidation is expected to conclude no later than the end of 2020 and no extraordinary additional costs of a material amount are estimated, other than those already included at December 31, 2019.

2. MAIN ACCOUNTING PRINCIPLES

Consolidation principles

The consolidated financial statements contain the financial statements of SAES Getters S.p.A. and the financial statements of all of the subsidiaries starting from the date on which their control was taken over and until the time when said control ceased to exist.
Control exists when the Group is exposed or is entitled to varying yields arising from its relationship with the entity in which it has invested and, at the same time, it has the ability to affect these yields by exercising its power over the entity.
Specifically, the Group controls an investee if it simultaneously has:
- decision-making power, or the ability to manage the relevant activities of the investee, i.e. those activities that make a significant impact on the results of the same investee;
- the right to varying profits or losses coming from its investment in the entity;
- the possibility to use its decision-making power to determine the relevant activities of the investee.

When the Group holds less than the majority of voting rights (or similar rights), it considers all of the relevant events and circumstances to determine if it controls the investee, including:

- contractual agreements with other holders of voting rights;
- rights arising from contractual agreements;
- voting rights and potential voting rights of the Group.

When preparing the consolidated financial statements, the assets, liabilities and the costs and revenues of the subsidiaries are taken on a line by line basis in their total amount, assigning the Third-party Shareholders the share of the shareholders' equity and of the profit or loss for the year due to them in specific items of the statement of financial position and statement of profit or loss.
The book value of the investment in each of the subsidiaries is eliminated against the corresponding share of shareholders' equity including any adjustments to fair value as at the date of acquisition; the positive difference that emerges is recognized as goodwill under the intangible assets, as explained further below, while the negative difference is recognized in the statement of profit or loss.
When preparing the consolidated financial statements, all equity and financial balances between the Group companies and the profits and losses not realized on intercompany transactions are eliminated.

All companies over which the Group is able to exercise considerable influence are considered associated companies. Considerable influence means the power to take part in determining financial and management policies of the investee without having its control or joint control.
A joint venture, on the other hand, is an agreement to exercise joint control over an entity on the basis of which the parties holding the joint control enjoy rights to the net assets of the entity. Joint control is the sharing, established in an agreement, of the control of an economic activity that only exists when the unanimous consent of all parties sharing the control is required to take decisions regarding said activity.
Joint ventures differ from joint operations which are instead agreements that give rights to single assets and obligations for the single liabilities relating to the agreement to the parties of the agreement that have joint control over the initiative.
Equity investments in associates and joint ventures are measured using the equity method. In the case of a joint operation, the assets and liabilities, costs and revenues of the agreement based on the accounting standards of reference are instead recognized.

The consolidated financial statements are presented in euro, which is the functional currency of the Group.
Each Group company defines the functional currency for its financial statements. Transactions in foreign currencies are initially recorded at the exchange rate (related to the functional currency) at the date of the transaction.
All of the assets and liabilities of foreign companies in currencies other than the euro that fall within the scope of consolidation are converted by using the exchange rates in force as of the balance sheet data (current exchange rate method), whereas the associated revenues and costs are converted at the average exchange rates for the 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, 2019		December 31, 2018	
	Average rate	Final rate	Average rate	Final rate
US dollar	1.1195	1.1234	1.1810	1.1450
Japanese yen	122.0058	121.9400	130.3959	125.8500
South Korean won	1,305.3173	1,296.2800	1,299.0713	1,277.9300
Renminbi (P.R. of China)	7.7355	7.8205	7.8081	7.8751
Taiwan dollar	34.6057	33.7156	35.5864	35.0223

When the IFRS were first adopted, the combined conversion differences generated by the consolidation of foreign companies outside the Eurozone were set at zero, as allowed by IFRS 1 (First-time Adoption of International Financial Reporting Standards) and therefore only the conversion exchange rate differences accumulated and recognized after January 1, 2004 contribute to determining capital gains and losses generated by their transfer, if any.

Business combinations and Goodwill

Business combinations are recognized using the purchase method. According to this method, the assets (including intangible assets not previously recognized), liabilities and potential liabilities (excluding future restructuring) acquired and identifiable, are recognized at their fair value on the date of acquisition. The positive difference between the purchase cost and the Group's share of the fair value of said assets and liabilities is classified as goodwill and recognized as an intangible asset. Any negative difference ("negative goodwill") is instead recognized in the statement of profit or loss at the time of the acquisition.
Any considerations subject to conditions set out in the business combination contracts are measured at fair value as at the date of acquisition and are included in the value of the considerations transferred into the business combination in order to determine goodwill. Any subsequent changes in this fair value that can be put down as adjustments arising during the measurement period are retrospectively included in goodwill. The changes in fair value that can be put down as adjustments arising during the measurement period are those that derive from more information on events and circumstances that existed as at the date of acquisition, obtained during the measurement period (that cannot exceed the period of one year from the business combination).
If the acquisition cost and/or the value of the assets and liabilities acquired can be determined only temporarily, the Group will record the business combination using temporary values that will be determined definitively within 12 months from the date of acquisition. This accounting methodology, if used, will be reported in the Explanatory Notes.
The accessory transaction costs are recognized in the statement of profit or loss when they are incurred.
Goodwill is not amortized, but annually, or more frequently if certain specific events or particular circumstances indicate the possibility that it may be impaired, it is tested for impairment to identify any impairment losses, in accordance with IAS 36 - Impairment of Assets. After initial recognition, goodwill is valued at cost, net of any accumulated impairment losses. Once goodwill has been written down, impairment losses will not be reversed.
To assess consistency, the goodwill acquired in a business combination is allocated, on the acquisition date, to the Group's individual Cash Generating Units (CGU), or to groups of cash generating units, which should benefit from synergies of the business combination, regardless of the fact that other assets or liabilities of the Group are allocated to these units or groups of units. Each CGU or group of CGUs to which the goodwill is allocated, represents the lowest level, as regards the Group, at which goodwill is monitored for internal management purposes.
When the goodwill is part of a CGU and part of the internal business of said unit is sold, the goodwill associated to the business sold is included in the carrying amount of the asset to calculate the profit or loss resulting from the sale. The goodwill sold in these circumstances is measured on the basis of the relative values of the asset sold and of the portion of the unit maintained.
If the entire business or part of the same previously acquired is sold, and said acquisition had indicated goodwill, when establishing the impact resulting from said sale, the corresponding residual value of the goodwill is taken into account. The difference between the sale price and the net assets plus the accrued

conversion differences and the goodwill is booked to the statement of profit or loss. The accrued profits and losses recognized directly under shareholders' equity are transferred to the statement of profit or loss at the time of the sale.
In the case of options that give no actual access to the yields associated with ownership of the minority shares, the shares or quotas that the options concern are recognized as at the date control is acquired as "quotas attributable to third parties"; the portion of profits and losses (and other shareholders' equity movements) of the entity acquired following the business combination is attributed to the third-party quota. The third-party quota is reversed to each balance sheet date and reclassified as financial liability at its fair value (equal to the current value of the price for exercising the option), as if the acquisition were to occur on that date. The Group opted to recognize the difference between the financial liability at fair value and the third-party quota reversed to the balance sheet date as goodwill (Parent entity extension method).

Intangible assets

Development costs
Costs incurred internally to develop new products and services are considered, depending on the case, as intangible assets or property, plant and equipment generated internally and are recognized under assets only if the costs can be determined reliably and the technical feasibility of the product, the expected volumes and prices, indicate that the costs incurred during the development stage will generate future economic benefits.
Development costs capitalized only include expenses incurred that may be directly attributed to the development process.
Development costs capitalized are amortized systematically, starting from the start of production, for the estimated lifetime of the product/service.

Other assets with a finite useful life
Other intangible assets with a finite useful life purchased or produced internally are recognized under assets, in accordance with the provisions of IAS 38 - Intangible Assets, when it is likely that the use of the asset will generate future economic benefits and when the cost of the asset can be reliably determined.
These assets are recognized at purchase or production cost and amortized on a straight line basis for their estimated useful life. Intangible assets with a finite useful life are tested for impairment on an annual basis, or whenever there is any indication that the asset may be impaired.
Amortization is calculated on the basis of a straight-line criterion for the estimated useful life of the assets; the rates of amortization are reviewed annually and are changed if the current estimated life differs from that estimated previously. The impact of these changes is recognized in the statement of profit or loss on a forward-looking basis.
Intangible assets are amortized on the basis of their estimated useful life, if established, as follows.

Industrial patent rights and intellectual property rights	3-15 years/term of contract
Concessions, licenses, trademarks and similar rights	3-25 years/term of contract
Others	3-15 years/term of contract

Property, plant and equipment

Property, plant and equipment are recognized at purchase or production cost or, for those in place as at January 1, 2004 at deemed cost, which for some assets is represented by the revalued cost. The costs incurred after the purchase are capitalized only if they lead to an increase in future economic benefits inherent to the asset to which they refer. All other costs are recognized in the statement of profit or loss when incurred. The cost of the assets also includes the costs envisaged by the dismantling of the asset and the recovery of the site where a legal or implicit obligation is present. The corresponding liability is recognized, at its present value, in the period in which the obligation arises, in a fund recognized under liabilities as part of provisions for risks and charges; the recognition of the capitalized expense in the income statement is made over the useful life of the relative property, plant and equipment through the depreciation process of the same.
Depreciation is calculated on the basis of a straight-line criterion for the estimated useful life of the assets.
Land, including that relating to buildings, is not depreciated.

The rates of depreciation are reviewed annually and are changed if the current estimated life differs from that estimated previously. The impact of these changes is recognized in the statement of profit or loss on a forward-looking basis. The minimum and maximum rates of depreciation are shown below.

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

Lease contracts

Lease contracts are recognized by applying the IFRS 16 accounting standard, which establishes a single model of recognition and measurement of the lease agreements (including operating leases) for the lessee, with the lease asset recorded under assets (right of use) with an offsetting item under financial debt. The only exceptions are short-term lease contracts (i.e. lease contracts with a duration of twelve months or less) and those in which the underlying asset is considered a low-value asset (i.e., underlying assets that do not exceed the value of 5 thousand euro, when new), for which the Group continues to recognize the lease payments in the statement of profit or loss on a straight-line basis for the duration of the respective agreements, unless another systematic basis is more representative of time horizon in which the economic benefits of the leased assets are consumed.

The liabilities to the lessor are classified as financial liabilities in the balance sheet and are initially measured at the value of the payments required by the lease contract that were not already paid at the commencement date, discounted using the contract’s implicit rate. If this rate cannot be inferred from the contract, the lessee uses its effective borrowing rate.
The payments of the lease liabilities subject to measurement primarily include:
- fixed payments for the lease, net of any incentives;
- variable payments that are based on an index or rate, initially measured using the index or rate at the contract’s commencement date;
- the exercise price of the purchase options, if the lessee is reasonably certain that these options will be exercised; and
- penalties paid to terminate the lease contract, if the contract’s duration reflects the exercise of an option for resolution of the lease contract.

The book value of these liabilities is reduced to reflect the lease payments made during the year.

Rights of use refer to leased assets. These assets, representing the right of use of the asset, are recognized by the Group is a specific item of the consolidated balance sheet, broken down between property, plant and equipment and intangible assets. The right of use assets are initially equivalent to the corresponding lease liabilities, net of any incentives received and any initial direct costs. Subsequently, they are valued at cost less accumulated amortization and impairment. If the Group incurs an obligation for costs to dismantle and remove the leased asset, restore the site on which the asset was located or refurbish the underlying asset to conditions required in the terms and conditions of the lease contract, a provision is recognized and measured in accordance with IAS 37. Right of use assets are amortized over the duration of the lease contract. If the Group expects to exercise the purchase option, the right of use asset is amortized over the useful life of the underlying asset. The amortization begins on the contract’s commencement date.
The Group applies IAS 36 to determine if a right of use asset is subject to any impairment, as described in the paragraph “Impairment of assets”.

Amortization of the right of use asset and interest payable accrued on the lease liability are recognized in the statement of profit or loss.

The Group remeasures the lease liability (and makes a corresponding adjustment to the right of use) if:

- the duration of the lease changes or if there is a significant event or a change in the circumstances, with a resulting change in the valuation of the exercise of the purchase option; in this case, the lease liability is remeasured, discounting the modified future payments using a revised rate;
- the lease payments change due to variations in an index or rate or a variation of the payment based on a guaranteed residual value; in this case, the lease liability is recalculated by discounting the revised lease payments using an unchanged discount rate (unless the change in lease payments is due to a change in a variable rate, for which a revised discount rate is used);
- a lease contract is amended and therefore the liability is remeasured based on the modified lease duration, discounting the modified lease payments using a revised discount rate at the effective date of the amendment.

Impairment of assets

On each reporting date, the Group assesses if there are any indications that intangible assets with a finite useful life and property, plant and equipment may have suffered an impairment loss.
Goodwill and intangible assets with an indefinite useful life undergo impairment testing at least once a year, or, more frequently, whenever there is any indication that the asset may be impaired.
Rights of use referring to leased assets are included in the assets subject to impairment testing.

Goodwill
Goodwill undergoes impairment testing to identify its recoverable amount on the reporting date and whenever there are indicators of problems with said item during the year. The goodwill acquired and allocated during the year undergoes impairment testing to identify the recoverable amount before the end of the year in which the acquisition and allocation took place.
To assess its recoverable amount, the goodwill is allocated, on the acquisition date, to each Cash Generating Unit (CGU) or group of CGUs, which benefit from the acquisition, regardless of the fact that other assets or liabilities of the entity acquired are allocated to these units.
If the carrying amount of the Cash Generating Unit (or group of CGUs) exceeds the respective recoverable amount, an impairment loss is recognized in the statement of profit or loss corresponding to the difference.

The impairment loss is recognized in the statement of profit or loss, first by reducing the carrying amount of the goodwill allocated to the CGU (or group of CGUs) and only later to the other assets of the unit in proportion to their carrying amount up to the recoverable amount of the asset with a finite useful life. The recoverable amount of a Cash Generating Unit, or group of CGUs, to which the goodwill is allocated, is the higher between the fair value less selling costs, and the value in use of the same CGU.
The value in use of an asset is represented by the present value of expected cash flows calculated by applying a discounting rate that reflects current market valuations of the time value of money and of the specific risks of the asset. The explicit future cash flows cover a period of three years and are projected for a specific period of between 2 and 12 years, with the exception of cases in which the projections require longer periods as in the case of newly started businesses and start-ups. The long-term growth rate used to estimate the terminal value of the CGU (or group of CGUs)is assumed at a value not exceeding the average long-term growth rate of the sector, country or market in which the CGU (or group of CGUs) operates.
The value in use of Cash Generating Units in foreign currency is estimated in the local currency by discounting on the basis of an appropriate rate for said currency. The present value obtained in this way is converted into euro on the basis of the spot exchange rate on the reference date of the impairment test (in our case the reporting date of the financial statements).
Future cash flows are estimated by referring to the current conditions of the Cash Generating Unit and, therefore, neither the benefits resulting from future restructuring which the entity has not yet committed to, nor future investments to improve or optimise the CGU are considered.
For impairment testing purposes, the carrying amount of a Cash Generating Unit is calculated according to the criterion with which the recoverable amount of the Cash Generating Unit is determined, excluding surplus assets (namely financial assets, deferred tax assets and non-current assets held for sale).
After having conducted impairment testing of the Cash Generating Unit (or group of CGUs) to which the goodwill is allocated, a second-level impairment test is conducted also including centralised assets with accessory functions (corporate assets) that do not generate positive cash flows and that cannot be allocated

according to a criterion that is reasonable and consistent to the individual CGUs. At this second level, the recoverable amount of all of the CGUs (or groups of CGUs) is compared with the carrying amount of all of the CGUs (or groups of CGUs), also including those CGUs to which no goodwill has been allocated, and centralised assets.
If the conditions that led to the previously recognized impairment loss no longer apply, the original value of the goodwill is not reversed, in accordance with the provisions of IAS 36 - Impairment of Assets.

Intangible assets and property plant and equipment with a finite useful life
During the year, the Group checks whether there are indications that property, plant and equipment or intangible assets with a finite useful life may have suffered impairment losses. To this end, internal and external sources of information have been considered. As regards the former (internal sources) the following are considered: 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 that envisaged. As regards external sources, instead, the following are considered: the trend of the market prices of the assets, any negative changes in technology, markets or laws, the trend of market interest rates, the cost of capital used to value the investments and lastly, if the carrying amount of the net assets of the Group are higher than market capitalization.
If there are indications that both tangible and intangible assets with a finite useful life have suffered an impairment loss, the carrying amount of the asset is reduced to the relative recoverable amount. The recoverable amount of an asset is defined as the higher between the fair value, net of selling costs, and its value in use. The value in use of an asset is represented by the present value of expected cash flows calculated by applying a discounting rate that reflects current market valuations of the time value of money and of the specific risks of the asset. When the recoverable amount of a single asset cannot be estimated, the Group estimates the recoverable value of the Cash Generating Unit to which the asset belongs.
The impairment loss is recognized in the statement of profit or loss.
If, subsequently, the reasons that led to the impairment loss no longer exist, the carrying amount of the asset or of the Cash Generating Unit is increased up to the new estimated recoverable amount which, in any event, cannot exceed the amount that would have been determined if no impairment loss had been recognized. The reversal of the impairment loss is recognized in the statement of profit or loss.

Equity investments in associates and joint ventures

Equity investments in associates and joint ventures are measured using the equity method, on the basis of which the investment is recognized at cost at the time of acquisition, and is later adjusted for the fraction concerning the changes in the shareholders' equity of the same associate. The portions of profit or loss arising from application of this consolidation method are recognized in the statement of profit or loss under the item "Share of result of investments accounted for using the equity method".
The losses of the associates exceeding the portion the Group owns of them are not recognized unless the Group has undertaken an obligation to hedge them.
The surplus of the acquisition costs over and above the percentage of the current value of the assets, liabilities and potential identifiable liabilities of the associate as at the acquisition date pertaining to the Group is the goodwill and remains included in the book value of the investment.
The lesser acquisition book value compared to the percentage of the fair value of the assets, liabilities and potential identifiable liabilities of the associate as at the acquisition date pertaining to the Group is credited to the statement of profit or loss in the year as soon as the process of applying the acquisition method within the 12 months following the acquisition is completed.
If an associate or joint venture recognizes adjustments with direct recognition to shareholders' equity and the statement of comprehensive income, the Group in turn recognizes its portion in the shareholders' equity and, where applicable, represents it in the statement of changes in shareholders' equity and in the consolidated statement of comprehensive income.
The consolidated profit or loss is adjusted to eliminate the positive or negative economic effects arising from intercompany transactions with the associate or the joint venture and not yet realized with the third parties at the end of the year.

Every year the Group assesses the existence of any impairment indicators by comparing the value of the investment recognized with the equity method and its recoverable value. Any impairment is allocated to the investment as a whole with a balancing entry in the statement of profit or loss.
When considerable influence over an associate or joint control of a joint venture is lost, the Group assesses and recognizes the residual investment at fair value. The difference between the book value of the investment as at the date considerable influence or joint control is lost and the fair value of the residual investment and payments received is recognized in the statement of profit or loss.

Financial assets (other than trade receivables) and financial liabilities

Pursuant to IFRS 9, the classification and measurement of financial assets is made on the basis of the business model chosen by the Group for their management, as well as on the basis of the characteristics of the contractual cash flows of the financial assets in question.
The business models adopted by the Group are the following:
- Held to Collect: these are financial instruments used to absorb temporary cash surpluses; they are characterised by a low level of risk and mostly held to maturity. The measurement is made at amortized cost.
- Held to Collect and Sell: these are monetary instruments, bonds and equity trading instruments used for the dynamic management of cash surpluses; they are characterised by a low level of risk and usually held to maturity or sold to cover specific liquidity requirements. The measurement is made at fair value through profit and loss.

The impairment of financial assets other than trade receivables is carried out according to the expected loss model and, in particular using the general model that identifies the expected losses on receivables in the following 12 months, or over the entire residual life if the credit risk substantially deteriorates. Specifically, for cash and cash equivalents, expected losses are calculated in compliance with the default percentages associated with each credit institution at which the liquidity is deposited, obtained based on the ratings of each bank.

Financial liabilities include trade payables as well as financial liabilities, including therein financial derivatives. They also include trade payables and those of a miscellaneous nature.
Financial liabilities are measured at amortized cost. These liabilities are recorded according to the settlement date principle and initially recognized at fair value, which usually corresponds to the fee received, net of settlement costs directly attributable to the financial liability. After initial recognition, these instruments are measured at amortized cost, using the effective interest rate criterion.

Trade receivables

Group trade receivables are characterized by a low level of risk and are generally held to maturity; they are classified in the category "Held to Collect" and are measured at amortized cost.
Impairment testing on trade receivables is conducted using a simplified approach permitted by IFRS 9. This approach enables an estimate of the expected loss for the whole life of the receivable at the time of initial recognition and of subsequent measurements. The estimate is made mainly by calculating the average expected uncollectability, based on historic and geographical indicators. For some receivables characterised by specific risk, specific measurements of the single credit positions are made instead.

Financial derivatives

The financial derivatives set in place by the SAES Group seek to cover the exposure to exchange rate and interest rate risk and to a diversification of debt parameters, which enable the cost and the volatility to be reduced to within set operational thresholds.
The SAES Group has decided to defer the application of the hedge accounting model envisaged by IFRS 9 and to continue to apply the IAS 39 model.
Therefore, in accordance with the provisions of IAS 39, derivative hedges are recognized according to the procedures established for hedge accounting only when:
a) at the beginning of the hedge, there are the formal description and the documentation of the hedging relationship in question;

b) the hedge is expected to be highly effective;
c) the effectiveness can be reliably measured;
d) the hedge in question is highly effective during the different accounting periods to which it pertains.

All financial derivatives are measured at fair value, as established in IAS 39.

When derivative instruments have the characteristics to be measured according to hedge accounting criteria, the following accounting treatments are applied:

- Fair value hedge - If a financial derivative is designated to hedge exposure to changes in the fair value of an asset or liability, attributable to a specific risk, the profit or the loss resulting from subsequent changes in the fair value of the hedging derivative is recognized in the statement of profit or loss. The profit or loss resulting from the adjustment to the fair value of the item hedged, for the part attributable to the risk hedged, changes the carrying amount of said item and is recognized in the statement of profit or loss.
- Cash flow hedge - If a financial derivative is designated to hedge the exposure to the fluctuation of the cash flows of an asset or liability recognized in the financial statements or of a transaction deemed as highly likely, the effective portion of the profits or losses resulting from the adjustment to fair value of the derivative instrument is recognized in a specific equity reserve (Reserve for the fair value adjustment of hedging derivatives). The accrued profit or loss is reversed from the equity reserve and recognized in the statement of profit or loss in the same years in which the effects of the hedged transaction are recognized in the statement of profit or loss.

The profit or loss associated to that part of the ineffective hedge is immediately recognized in the statement of profit or loss. If the hedged transaction is no longer deemed likely, the profits or losses not yet realized, recognized in the equity reserve, are immediately recognized in the statement of profit or loss.

For derivatives for which no hedging relationship has been established, the profits or the losses resulting from their measurement at fair value are recognized directly in the statement of profit or loss.

Inventories

Inventories - represented by raw materials, products purchased, semi-finished goods, work in progress and finished products - are measured at the lower of purchase and production cost and assumed realizable value; the cost is calculated using the FIFO method. The measurement of inventories includes direct costs of materials and of labour and the indirect costs of production (variable and fixed).
In addition, provisions are allocated for materials, finished products, spare parts and other supplies considered obsolete or slow moving, taken their future expected use and their assumed realizable value into account.

Assets held for sale/Discontinued operations

Divested assets, Assets held for sale and Discontinued operations refer to those business lines and to those assets (or operations) sold or being disposed of, whose carrying amount has been or will be recovered mainly through the sale rather than its continuous use.
These conditions are considered to be met when the sale or the discontinuance of the disposal group is considered highly likely and the assets and liabilities are immediately available for sale in their current condition.
Assets held for sale are measured at the lower of their net carrying amount and fair value net of selling costs.
If these assets originate from recent business combinations, they are measured at their present value net off selling costs.
In compliance with IFRS, the date relating to the assets divested and/or held for sale are presented as follows:

- in two specific items on the statement of financial position: Assets held for sale and Liabilities held for sale;
- in a specific item of the statement of profit or loss: Income (loss) from discontinued operations.

Provisions relating to personnel

Staff Leaving Indemnities (TFR)

Staff Leaving Indemnities (TFR), mandatory for Italian enterprises pursuant to article 2120 of the Italian Civil Code, are a type of deferred remuneration and are correlated to the length of the employee's working life and to the remuneration received in the relative period of service.
In application of IAS 19, the TFR, calculated in this way, is considered a "Defined Benefits Plan" and the relative obligation to be recognized in the financial statements (Payable for TFR) is established by an actuarial calculation, using the Projected Unit Credit Method. As envisaged by the revised version of IAS 19, the profits and losses resulting from the actuarial calculation are fully recognized in the statement of comprehensive income in the period in which they arise. These actuarial differences are immediately recognized in profits carried forward and are not classified in the statement of profit or loss in later periods.
The costs relating to the present value of the obligation for TFR resulting from the approximation of the time at which the benefits will be paid, are included under "Personnel costs". From January 1, 2007, the 2007 Finance Law and relative implementing decrees introduced significant changes to the TFR scheme, including giving workers a choice as to the destination of their accruing TFR, to supplementary pension plans or to the "Treasury Fund" managed by INPS.
This therefore means that the obligation towards INPS and the contributions made to supplementary pension plans are considered, according to IAS 19, "Defined contribution plans", while the amounts recognized as payables for TFR continue to be considered "Defined benefit plans". The legislative changes that have been made since 2007 have therefore led to a redetermination of actuarial assumptions and of the consequent calculations used to establish the TFR.

Other long-term benefits

Bonuses for anniversaries or other benefits linked to length of service and long-term incentive plans are discounted to establish the present value of the obligation for defined benefits and the relative cost of current work performed. Any actuarial differences, as envisaged by the revised version of IAS 19, are fully recognized in the statement of comprehensive income in the period in which they arise. These actuarial differences are immediately recognized in profits carried forward and are not classified in the statement of profit or loss in later periods.

Provisions for risks and charges

The Group companies recognize provisions for risks and charges when, in the presence of a present, legal or implicit obligation towards a third party, resulting from a past event, it is likely that resources will be required to meet said obligation, and when a reliable estimate of the amount of said obligation can be made.
Changes in estimates are reflected in the statement of profit or loss for the year in which the same arose.

Treasury shares

Treasury shares are deducted from shareholders' equity.

Foreign currency transactions

Foreign currency transactions are recorded at the exchange rate in force on the date of the transaction. Monetary assets and liabilities in foreign currency are converted at the exchange rate in force on the reporting date of the financial statements. The exchange rate differences generated by the cancellation of monetary entries or by their conversion at rates different to those of their initial recognition in the year or to those at the end of the previous 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.

Recognition of revenues

Pursuant to IFRS 15, a contract with a customer is only recognized if it is likely that the Group will receive the consideration it will have a right to in exchange for goods and services that will be transferred to the customer.

Revenues from the sale of goods are recognized at the time at which the control of the good sold is transferred, while revenues resulting from the provision of services are recognized at the time the service is performed.
In addition, the Group recognizes revenues for those assets for which there is no alternative use and for which there is an unconditional right to be paid.
Revenues are recorded net of discounts, allowances and returns.

Cost of sales

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

Research and development and advertising costs

The research and advertising costs are charged directly to the statement of profit or loss in the year in which they occur. Development costs are capitalized if the conditions envisaged by IAS 38 are met, already illustrated in the paragraph on intangible assets. If the requirements for the mandatory capitalization of development costs are not met, the charges are booked to the statement of profit or loss of the year in which they were incurred.

Government grants

Government grants are recognized in the financial statements in accordance with IAS 20, namely when it is reasonably certain that the company will meet all of the conditions envisaged for the receipt of the grants and that the grants in question will be received. Grants are recognized in the income statements for the period in which the costs relating to the same are recorded.

Current and deferred taxes

Income taxes include all of the taxes calculated on the taxable income of the Group companies.
Income taxes are recognized in the income statement, with the exception of those relating to items that are directly debited from or credited to an equity reserve, in which case the relative tax is recognized directly in the respective equity reserve.
The provisions for taxes that might be generated by the transfer of non-distributed profits of the subsidiaries are made only where there is a real intention to transfer these profits.
Deferred tax assets/liabilities are recognized according to the balance sheet liability method. These are calculated on all temporary differences that emerge between the tax base of the assets and liabilities and their book values in the consolidated financial statements, except for the fiscally non-deductible goodwill.
Deferred tax assets on tax losses that may be carried forward are recognized to the extent to which future taxable income is likely to be generated against which they can be recovered.
Tax assets and liabilities for current and deferred taxes are offset when the income taxes are applied by the same tax authority and when there is a legal right to offset the same.
Deferred tax assets and deferred tax liabilities are calculated by adopting the tax rates that are expected to be applicable, in the respective systems of the countries where the Group companies operate, in the years in which the temporary differences will cancel each other out.

Earnings (loss) per share

The basic earnings (loss) per ordinary share is calculated by dividing the share of Group profit (loss) attributable to the ordinary shares by the weighted average of the ordinary shares outstanding during the year, except for the treasury shares. Likewise, the basic earnings (loss) per savings share is calculated by dividing the share of Group profit (loss) attributable to the savings shares by the weighted average of the savings shares outstanding during the year.

Use of estimates

The preparation of the consolidated financial statements and of the relative notes in application of IFRSs, requires the use of estimates and assumptions from management that have an effect on the values of financial statement assets and liabilities, as well as the disclosure of contingent assets and liabilities on the reporting date. If such estimates and assumptions, which are based on the best evaluation currently available, should differ from the actual circumstances in the future, they will be modified accordingly during the period in which said circumstances change.
Estimates and subjective valuations are used to recognize the recoverable amount of non-current assets (including goodwill), revenues, accruals to provision for receivables, obsolete and slow-rotation inventory, depreciation and amortization, employee benefits, taxes, restructuring provision as well as 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 an interpretation that applies specifically to a transaction, management makes weighted subjective valuations to establish which accounting methods it intends to adopt to provide relevant and reliable information so that the financial statements:

- truly reflect the equity/financial situation, the profit/loss and the cash flows of the Group;
- reflect the economic substance of the transactions;
- are neutral;
- are prepared on prudential bases;
- are complete in terms of all relevant aspects.

The financial statement items that require greater subjectivity by the directors in drawing up estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the financial statements are: goodwill, the write-down of fixed assets, the amortization/depreciation of fixed assets, deferred tax assets, the bad debt provision, the provision for obsolete inventory, the risks provision, pension plans and other post-employment benefits.
Please refer to the relative paragraphs of the Explanatory Notes for the main assumptions adopted and the sources used for making the estimates.

IFRS accounting standards, amendments and interpretations applicable from January 1, 2019

The accounting standards, amendments and interpretations which were applied for the first time starting from January 1, 2019 are set out below.

IFRS 16 - Leases
On January 13, 2016 the IASB issued IFRS 16 – Leases, which replaces IAS 17 – Leases, and the interpretations IFRIC 4 – Determining Whether an Arrangement Contains a Lease, SIC 15 – Operating Leases: Incentives and SIC 27 – Evaluating the Substance of Transactions in the Legal Form of a Lease.

The standard provides for a new definition of lease and introduces a criterion based on the notion of control (right of use) of an asset to distinguish the lease contracts from the contracts for the supply of services, by identifying the following discriminating factors of leases: 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 finally, the right to direct the use of the underlying asset of the contract.
The change in the definition of a lease is mainly related to the key criterion of control (right of use). According to IFRS 16, a contract contains a lease if the customer has the right to control the use of an identified asset for a period of time in exchange for payment. This notion is considerably different from the concept of “risks and benefits” that was emphasised in IAS 17 and IFRIC 4.

The standard establishes a single model of recognition and measurement of the lease agreements (including operating) for the lessee which provides for the recording of the lease asset under assets with an offsetting item under financial debt.
On the other hand, the standard does not include significant changes for the lessors.

Prior to January 1, 2019, the Group, in accordance with the former IAS 17 - Leases, classified, on the contract start date, each agreement for the use of leases as finance leases or operating leases. The contract was classified as a finance lease if it transferred substantially all the risks and benefits deriving from ownership of the leased asset; otherwise, the agreement would be classified as an operating lease. Finance leases were represented as investments at the beginning of the contract; with operating leases, the leased asset was not capitalized as an investment and the lease payments were recognized to profit or loss on a straight line basis for the duration of the agreement. The Group did not have any finance leases in place as at December 31, 2018, rather all the leasing agreements were classified as operating leases.

With regard to the initial application of the standard, the Group chose to apply the standard on a retrospective basis, however recognizing the cumulative effect of applying IFRS 16 in equity as at January 1, 2019 (not amending the comparative figures for 2018) in accordance with the provisions of paragraphs IFRS 16: C7-C13 (amended retrospective application). The Group accounted for the following with respect to the lease contracts that had previously been classified as operating:
a) a financial liability, equal to the current value of future residual payments as at the transition date, discounted back using the incremental borrowing rate for each contract that applies at the transition date;
b) a right of use equal to the value of the financial liabilities at the transition date, net of any accrued income and deferred charges/accrued liabilities and deferred income that refer to the lease and recognized in the balance sheet at the date of these financial statements.
The adoption of IFRS 16 therefore did not have any effect on the initial equity at January 1, 2019.
The table below reports the impacts resulting from adoption of IFRS 16 on the transition date.

(thousands of euro)	**Impacts at the transition date** (January 1, 2019)
ASSETS	
Non current assets	
Right of use - Buildings	3.070
Right of use - Office machines (*)	291
Right of use - Vehicles	410
Total non current assets	**3.771**
Total assets	**3.771**
EQUITY AND LIABILITIES	
Retained earnings	0
Total equity	**0**
Non current financial liabilities for leases	2.310
Total non current liabilities	**2.310**
Current financial liabilities for leases	1.461
Total current liabilities	**1.461**
Total equity and liabilities	**3.771**

(*) These are mainly computer equipment.

The average weighted incremental borrowing rate applied to the financial liabilities recognized at January 1, 2019 amounted to 3.96%.

In adopting IFRS 16, the Group used the exemption granted by IFRS 16:5(a) in relation to the short-term leases (i.e. contracts that last for less than 12 months).
Similarly, the Group used the exemption permitted under IFRS 16:5(b) concerning the lease contracts where the underlying asset is a low-value asset (i.e. the assets underlying the lease contract do not exceed the amount of 5 thousand euro when new). The contracts for which the exemption was applied mainly fall under the following categories:

- computers, telephones and tablets;
- printers;
- other electronic devices;
- various equipment and small items.

For these contracts, the introduction of IFRS 16 did not involve recognizing the financial liabilities of the lease and related right of use, but the lease payments are recognized to profit or loss on a linear basis for the duration of the respective contracts.

Additionally, with reference to the transition rules, the group used the following practical expedients available in the case of choosing the amended retrospective transition method:
- use of a single discount rate for lease portfolios with reasonably similar characteristics;
- use of the assessment made at December 31, 2018 in accordance with the rules of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets in relation to the accounting for onerous contracts as an alternative to application of the impairment test on the value of the right to use at January 1, 2019;
- classification of the contracts that expire within 12 months from the transition date as short-term leases; for these contracts, the lease payments are recognized to profit or loss on a linear basis;
- exclusion of the direct initial costs from measurement of the right of use at January 1, 2019;
- use of the information present at the transition date to determine the lease term, with specific reference to exercise of the options for extension or early termination.

The transition to IFRS 16 introduces certain elements of professional insight that involve the definition of certain accounting policies and the use of assumptions and estimates in relation to the lease term and the incremental borrowing rate. The main ones are summarized below:
- the Group decided not to apply IFRS 16 for contracts containing leases that have intangible assets as the underlying asset;
- lease term

The Group analysed all the lease contracts, defining the lease term for each of them, given from the “non-cancellable period”, along with the effects of any extension or early termination clauses which are reasonably certain to be exercised.
For properties where the lease contracts provide for an automatic annual renewal, an average duration of 3 years was used, based on the evaluation of the renewal period considered to be “reasonably certain” on the basis of the medium-long provisions term decided on by management. The lease term was only equated to the non-cancellable period where the non-cancellable period was more than 3 years, even if there is an extension clause.
With regard to the other categories of assets, mainly company cars and IT equipment, the exercise of any renewal options was considered not probable due to the standard Group practice.
- incremental borrowing rate (IBR)

Since there was no implicit interest rate in most of the lease contracts entered into by the Group, the discounting rate to apply to future payments of the lease instalments upon first application of IFRS 16 was determined as the actual loan rate of the Parent Company with an expiry which was similar to the agreements subject to measurement. This rate was duly reviewed to simulate a theoretical marginal rate in line with the contracts being evaluated. More specifically, the characteristics considered in order to estimate the IBR include the residual average duration of the agreements, the currency of the contract, the country where the asset being leased is located and the type of asset. Finally, for commercial Asian companies and the associated enterprises that carry out activities that are purely financial, a marginal interest rate was applied corresponding to that of the Parent Company.
The IBRs applied to discount back the lease payments at January 1, 2019 are reported below.

Currency	**Less than 5 years**	**Over 5 years**
EUR	1.50%	1.67%
USD	5.22%	5.22%

In order to help understand the impacts from initial application of the standard, the table below provides a reconciliation between future commitments relating to the lease contracts as at December 31, 2018 and the impact resulting from adoption of IFRS 16 as at January 1, 2019.

(thousands of euro)

Operating lease obligation as at December 31, 2018	**4,727**
Short term lease fees (exemption)	(152)
Low-value lease fees (expemption)	(137)
Non lease component fees (services)	(368)
Financial liabilities not discounted for leases as at January 1, 2019	**4,070**
Discounting effect	(299)
Financial liabilities for leases as at January 1, 2019	**3,771**
Present value of liabilities for financial leases at December 31, 2018	**0**
Financial liabilities for total leases as at January 1, 2019 following the transition to IFRS 16	**3,771**

The main effects resulting from the application of IFRS 16 as at December 31, 2019 are presented below.

- lower leasing costs of 1,632 thousand euro;
- increase in depreciation/amortization of 1,539 thousand euro;
- increase in interest expense of 55 thousand euro;
- recognition of a Right of use of 4,617 thousand euro under non-current assets;
- recognition of Financial debts of 4,586 thousands of euro.

The table below summarises the effects resulting from the application of IFRS 16 on consolidated operating profit and the pre-tax profit for 2019.

(thousands of euro)	**2019**		
	with application IFRS 16	**without application IFRS 16**	**Difference**
OPERATING INCOME (LOSS)	26,772	26,679	93
% on net sales	*14.7%*	*14.6%*	
INCOME (LOSS) BEFORE TAXES	29,927	29,889	38
% on net sales	*16.4%*	*16.4%*	

Prepayment Features with Negative Compensation (amendment to IFRS 9)

On October 12, 2017, IASB published the amendment to IFRS 9 - “Prepayment Features with Negative Compensation”. This document specifies that instruments that envisage an early repayment could comply with the Solely Payments of Principal and Interest test also in the event in which the “reasonable additional compensation” to be paid in the case of early repayment is a “negative compensation” for the lender.

This amendment was applied starting from January 1, 2019. The adoption of the amendment did not have any effects on the Group’s consolidated financial statements.

Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)

On June 7, 2017 the IASB published the interpretation “Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)”. The interpretation deals with the uncertainties on what tax treatment to apply with respect to income tax matters. The interpretation requires an entity to analyse the uncertain tax treatments (individually or together in accordance with their characteristics) assuming that the tax authorities will examine the tax position in question, with full awareness of all the relevant information. If the entity believes that it is improbable that the tax authorities will accept the tax treatment followed, the entity will have to reflect the effect of the uncertainty in the measurement of its current and deferred income taxes. In addition, the document does not contain any new disclosure requirement, but emphasizes that the entity should assess whether it is necessary to provide information on the management's considerations and related to the uncertainty inherent to the recognition of the income taxes, in accordance with what is provided by IAS 1.

This new interpretation was applied starting from January 1, 2019. The adoption of that change did not have any effects on the Group's consolidated financial statements.

Annual Improvements to IFRSs: 2015-2017 Cycle

On December 12, 2017, the IASB published the document "Annual Improvements to IFRSs: 2015-2017 Cycle" that incorporates the amendments to some standards as part of the annual process to improve them. The main changes concern the following:

- IFRS 3 - Business Combinations and IFRS 11 - Joint Arrangements: the amendment clarifies that when an entity obtains control of a business that represents a joint operation, it has to re-measure the interests previously held in said business. However, this process does not have to be followed if joint control is obtained.
- IAS 12 - Income Taxes: the amendment clarifies that all the tax effects linked to the dividends (including payments relating to financial instruments classified under equity) will have to be accounted for in a way that is consistent with the transaction that generated the profits (statement of profit or loss, other comprehensive income or equity).
- IAS 23 - Borrowing Costs: the amendment clarifies that if the loans that are still in place after the applicable qualifying asset is already ready for use or for sale, they become part of the set of loans used to calculate the loan costs.

These changes were applied from January 1, 2019 and their adoption did not have any effects on the consolidated Group financial statements.

Amendment to IAS 19 - Plant Amendment, Curtailment or Settlement.

The document, published on February 7, 2018, clarifies how an entity should display an amendment (i.e. a curtailment or a settlement) of a defined benefit plan. The amendments require an entity to update its assumptions and re-measure the net liabilities or assets that come from the plan. The amendments clarify that after the occurrence of that event, an entity will use updated assumptions to measure the current service cost and the interest for the rest of the applicable period following the event.

This amendment was applied starting from January 1, 2019. The adoption of the amendment did not have any effects on the Group's consolidated financial statements.

Long-term Interests in Associates and Joint Ventures (amendment to IAS 28)

On October 12, 2017, the IASB published the document "Long-term Interests in Associates and Joint Ventures (amendment to IAS 28)". This document clarifies the need to apply IFRS 9, including the requirements linked to impairment, to other long-term interests in associates and joint ventures where the equity method is not applied.

The amendment applies from January 1, 2019 but early application is permitted.

This amendment was applied from January 1, 2019 and its adoption did not have any effects on the consolidated financial statements of the Group.

IFRS and IFRIC accounting standards, amendments and interpretations endorsed by the European Union, but whose application is not yet mandatory and were not adopted in advance by the Group

Definition of Material (amendments to IAS 1 and IAS 8)

On October 31, 2018, the IASB published the document "Definition of Material (Amendments to IAS 1 and IAS 8)". The document introduced an amendment to the definition of "material" contained in standards IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The aim of this amendment is to make the definition of "material" more specific and introduces the concept of "obscured information" as being close to the concepts of omitted or erroneous information already in the two standards being amended. The amendment clarifies that information is "obscured" if it was described in a way that produces an effect similar to the effect that would be produced if that information had been omitted or erroneous for the main readers of financial statements.

The changes introduced by the document apply to all the transactions that will occur after January 1, 2020. No effects are expected in the Group's consolidated financial statements from the adoption of said amendments.

References to the Conceptual Framework in IFRS Standards (amendment)
On March 29, 2018, IASB published an amendment to "References to the Conceptual Framework in IFRS Standards". The conceptual framework defines the key concepts for financial disclosure and guides the Council in developing IFRS standards. The document helps to ensure that the standards are conceptually consistent and that similar transactions are handled in the same way, in order to provide useful information to investors, lenders and other creditors. The conceptual framework supports companies in developing accounting principles when no IFRS standard is applicable to a particular transaction and, more generally, helps the relevant parties to understand and interpret the standards.
The amendment is effective for periods that begin on or after January 1, 2020, but early application is permitted.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
On September 26, 2019, IASB published "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform". This amendment modifies IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. In particular, the amendment modifies some of the requirements for applying hedge accounting, envisaging temporary waivers to these requirements in order to mitigate the impact deriving from uncertainty regarding the IBOR reform (as yet ongoing) on future cash flows in the period preceding its completion. Moreover, the amendment imposes that companies provide additional information in financial statements regarding their hedge relationships that are directly affected by the uncertainties generated by the reform and to which the aforementioned waivers apply.
The amendments will become effective from January 1, 2020 but companies may opt for early application. No effects are expected in the Group's consolidated financial statements from the adoption of said amendments.

IFRS accounting standards, amendments and interpretations not yet endorsed 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 17 – Insurance Contracts
On May 18, 2017, IASB issued the IFRS 17 – Insurance Contracts that will replace IFRS 4 – Insurance Contracts.
The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents rights and obligations deriving from the insurance contracts it issues. The IASB developed this standard to eliminate inconsistencies and weaknesses in existing accounting practices, by providing a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts that an insurer holds.
The new standard also envisages some submission and reporting requirements to improve the comparability between the entities of this sector.
The new standard measures an insurance contract based on a General Model or a simplified version of it, called Premium Allocation Approach ("PAA").
The main features of the General Model are as follows:
- estimates and assumptions of future cash flows are always the current ones;
- the measurement reflects the time value of money;
- estimates provide for an extensive use of information available in the market;
- there is a current and explicit risk measurement;
- the expected profit is deferred and aggregated in groups of insurance contracts at the time of their initial recognition;
- the expected profit is recognized in the hedging period taking into account the adjustments resulting from variations in the assumptions related to the cash flows of each group of contracts.

The PAA approach envisages the measure of the liability for the residual coverage of a group of insurance contracts provided that, at its initial recognition, the entity provides that such a liability is reasonably an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. The simplifications arising from the application of the PAA method do not apply to the assessment of liabilities for existing claims that are measured with the General Model. However, it is not necessary to discount those cash flows if the balance to be paid or settled is expected to take place within one year from the date in which the claim was filed.
The new standard must be applied to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held and also to investment contracts with a discretionary participation feature (DPF).
This standard applies starting from January 1, 2021, but an early application is allowed only for entities applying IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers. The adoption of this standard is not expected to have any significant impact on the consolidated financial statements of the Group.

Definition of a Business (amendments to IFRS 3)
On October 22, 2018, the IASB published the document "Definition of a Business (Amendments to IFRS 3)". The document provides some clarifications on the definition of business in order to correctly apply the standard IFRS 3. More specifically, the amendment clarifies that while a business usually produces output, the presence of output is not strictly necessary to identify a business if there is an integrated set of activity/processes and assets. However, in order to meet the definition of business, an integrated set of activities/processes and assets must include, as a minimum, an input and a substantial process that together significantly contribute towards the capacity to create an output. To that end, the IASB replaced the term "capacity to create output" with "capacity to contribute towards the creation of output" to clarify that a business may also exist without the presence of all the inputs and processes needed to create output.
The amendment also introduced an optional test ("concentration test") for the entity to decide whether a set of activities /processes and assets acquired are not a business. If the test gives a positive result, the set of activities/processes and assets acquired do not constitute a business and the standard does not require further checks. If the test provides a negative result, the entity will have to carry out further analyses on the activities/processes and assets acquired to identify the presence of a business. To that end, the amendment added numerous examples of the standard IFRS 3 in order to make the practical application of the new definition of business understood in certain cases.
The amendments apply to all the business combinations and acquisitions of activities after January 1, 2020, but early application is permitted. Considering that said amendment will be applied to new acquisitions that will be finalized starting from January 1, 2020, the effects will be recognized in the consolidated financial statements that end after that date.

IFRS 10 and IAS 28 - Sales or contributions of assets between an investor and its associate or joint venture (amendment)
On September 11, 2014, IASB published an amendment to IFRS 10 and IAS 28 - Sales or contributions 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.

IFRS 14 – Regulatory Deferral Accounts

On January 30, 2014, IASB published IFRS 14 - Regulatory Deferral Accounts, which allows companies who adopt IFRS for the first time to continue recognizing the amounts for assets subject to regulated rates (“Rate Regulation Activities”), according to the previously adopted accounting standards.
As the Group is not a first-time adopter, this standard is not applicable.

3. NET SALES

In 2019 consolidated net sales were equal to 182,352 thousand euro, up by 13.8% compared to 160,284 thousand euro in 2018. Excluding the positive exchange rate effect (+4.3%), organic growth stood at +9.5%, mainly driven by the Nitinol medical device business (higher volumes distributed across various product lines and various application markets), in SMA segments for industrial applications (sales of trained wires for consumer electronics applications and components for luxury applications), and in electronic devices (higher sales of both getter components for thermal sensors for surveillance and industrial applications as well as advanced getters for the consumer electronics market). Finally, the Sintered Components for Electronic Devices & Lasers business also recorded organic growth, driven by applications related to defence and avionics.

The following table shows a breakdown of revenues by Business.

(thousands of euro)

Business (*)	2019	2018	Total difference	Total difference %	Exchange rate effect %	Organic change %
Security & Defense	12.778	12.595	183	1,5%	3,6%	-2,1%
Electronic Devices	25.636	21.106	4.530	21,5%	1,8%	19,7%
Healthcare Diagnostics	4.438	4.578	(140)	-3,1%	2,6%	-5,7%
Lamps	4.073	4.901	(828)	-16,9%	2,7%	-19,6%
Thermal Insulated Devices	3.377	3.566	(189)	-5,3%	5,0%	-10,3%
Solutions for Vacuum Systems	10.592	11.183	(591)	-5,3%	2,5%	-7,8%
Sintered Components for Electronic Devices & Lasers	8.452	7.350	1.102	15,0%	6,0%	9,0%
Functional Chemical Systems	1.051	1.075	(24)	-2,2%	5,1%	-7,3%
SMA Industrial	16.969	11.482	5.487	47,8%	4,3%	43,5%
Industrial	**87.366**	**77.836**	**9.530**	**12,2%**	**3,2%**	**9,0%**
Nitinol for Medical Devices	84.979	70.968	14.011	19,7%	6,1%	13,6%
Medical	**84.979**	**70.968**	**14.011**	**19,7%**	**6,1%**	**13,6%**
Solutions for Advanced Packaging	10.007	11.480	(1.473)	-12,8%	0,0%	-12,8%
Packaging	**10.007**	**11.480**	**(1.473)**	**-12,8%**	**0,0%**	**-12,8%**
Total net sales	**182.352**	**160.284**	**22.068**	**13,8%**	**4,3%**	**9,5%**

(*) In order to reflect the internal SAES organizational, from January 1, 2019, revenue for Shape Memory Alloys (SMA) for industrial applications sector (previously SMAs for Thermal & Electro Mechanical Devices), along with those of the Functional Chemical Systems sector (previously Organic Electronics) were classified in the Industrial Business Unit. The residual revenue from the gas purification sector (previously Systems for Gas Purification & Handling), by now irrelevant following the transfer of the purification business half-way through the previous financial period, was added to that of the Business Electronic Devices sector, within the Industrial Business Unit. The amounts of 2018 were reclassified so they can be compared on a like-for-like basis with the 2019 figures.

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

4. COST OF SALES

The cost of sales for 2019 amounted to 103,979 thousand euro, compared to 90,032 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	2019	2018	Difference
Raw materials	32,008	28,311	3,697
Direct labour	28,334	22,962	5,372
Manufacturing overhead	44,779	39,623	5,156
Increase (decrease) in work in progress and finished goods	(1,142)	(864)	(278)
Total cost of sales	**103,979**	**90,032**	**13,947**

Excluding the increase attributable to exchange rate trends (increase in costs of 3,488 thousand euro) and extraordinary costs that penalized 2019 (in total 885 thousand euro, of which 578 thousand euro for the disposal of non-compliant products in the electronic devices business and 307 thousand euro for the write-down of costs related to an expansion project at the Lainate facility, which was later suspended because it was decided to make the investment at Roncello), the percentage change in cost of sales (+10.6%) was essentially in line with the organic growth in revenues (+9.5%).
In particular, noting the individual components of cost of sales, again excluding the exchange rate effect and non-recurring costs, **indirect production costs** posted a lower increase (+8.6%) than the organic change in turnover thanks to the economies of scale related to the increase in volumes. The **cost of materials** also increased by a lower percentage (+6.7% organic change, including the change in inventories of semi-finished and finished products, as well as raw materials) as a result of both a different sales mix and growth in the turnover of those sectors marked by a lower absorption of raw materials. On the other hand, there was a higher percentage increase in the **cost of direct labour** (overall change of +18.9%) since it was penalized by certain temporary production inefficiencies in the medical sector (that caused an increase in both staff numbers and the total amount of overtime worked) and the different sales mix (especially the higher sales of advanced getters for the consumer electronics market, which led to greater use of temporary work in the Avezzano facility), as well as the reinforcement of production staff in the packaging business for the start-up of the production systems at Roncello.

The adoption of the new accounting standard for operating leases starting from January 1, 2019 (**IFRS 16**) did not have any significant effect on the cost of sales (the leasing costs were replaced by amortization of the right of use for essentially similar amounts).

5. OPERATING EXPENSES

Operating expenses in 2019 amounted to 53,365 thousand euro, compared to 56,118 thousand euro in the previous year.

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

(thousands of euro)

Operating expenses	2019	2018	Difference
Research & development expenses	11,052	10,988	64
Selling expenses	13,007	12,659	348
General & administrative expenses	29,306	32,471	(3,165)
Total operating expenses	**53,365**	**56,118**	**(2,753)**

Note that operating expenses for the current year include non-recurring severance costs of 485 thousand euro, of which 305 thousand euro related to the conclusion of the Parent Company's staff reduction process that began in 2018 after the sale of the purification business and 180 thousand euro for the phase-out of metallized products in the packaging sector.

Lastly, note that the prior year included extraordinary severance costs, related to the 2018 phase of the aforementioned staff reduction process at the Parent Company, equal to 2,656 thousand euro, as well as a write-down of 3,100 thousand euro related to the impairment test on the Packaging operating segment (full cancellation of the goodwill from the acquisition of SAES Coated Films S.p.A. - formerly Metalvuoto S.p.A. - equivalent to 2,409 thousand euro, and the write-off of other intangible assets and property, plant and equipment totalling 691 thousand euro).

Excluding both the penalizing effect of currency exchange rates (increase in costs of +815 thousand euro) as well as the aforementioned extraordinary costs in both year, the change in operating expenses was +1,703 thousand euro: the increase was particularly in relation to **cost of sales** (commissions paid on sales of trained wire SMA for consumer electronics applications) and **general and administrative costs** (consulting expenses for strategic projects and higher costs for compensation to Executive Directors). Instead, **research and development expenses** did not post significant changes.

The adoption of the new accounting standard for operating leases starting from January 1, 2019 (**IFRS 16**) did not have any significant effect on the operating expenses (the leasing costs were replaced by amortization of the right of use for essentially similar amounts).

A breakdown by nature of the 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	2019	2018	Difference	
Raw materials	32.008	28.311	3.697	
Personnel cost	77.638	72.348	5.290	
Corporate bodies	4.783	3.947	836	
Travel expenses	1.355	1.331	24	
Maintenance and repairs	3.824	3.733	91	
Various materials	8.784	7.349	1.435	
Transports	1.971	1.783	188	
Commissions	657	73	584	
Licenses and patents	792	879	(87)	
Consultant fees and legal expenses	6.124	5.702	422	
Audit fees (*)	627	689	(62)	
Rent and operating leases	651	2.311	(1.660)	
Insurances	1.035	1.083	(48)	
Promotion and advertising	455	369	86	
Utilities	4.261	3.118	1.143	
Telephones and faxes	339	324	15	
General services (canteen, cleaning, vigilance, etc.)	1.865	1.647	218	
Training	304	279	25	
Depreciation	6.651	6.516	135	(**)
Amortization	1.256	1.072	184	(**)
Right of use depreciation	1.539	0	1.539	
Write-down of non current assets	310	3.417	(3.107)	
Provision (release) for bad debts	(26)	208	(234)	(**)
Other	1.283	525	758	
Total costs by nature	**158.486**	**147.014**	**11.472**	
Increase (decrease) in work in progress and finished goods	(1.142)	(864)	(278)	
Total cost of sales and operating expenses	**157.344**	**146.150**	**11.194**	

(*) Of which 128 thousand euro for expenses incurred in 2019 and 12 thousand euro as adjustment on previous year expenses (in 2018, 130 thousand euro for expenses incurred in 2018 and 20 thousand euro as adjustment on previous year expenses).

(**) The amounts of 2018 do not correspond to the amounts shown in the Consolidated cash flow statement because they do not include the costs of SAES Pure Gas, Inc. reclassified into the item "Result from discontinued operations".

The items “Raw materials” and “Various materials”, which are strictly connected to the production cycle, increased in correlation with the increase in production activities and sales.

The increase in the item “Personnel costs” is primarily attributable to the penalizing effect of exchange rates (+2,216 thousand euro), as well as the greater use of temporary workers, especially in the shape memory alloy segment and in the Parent Company’s Avezzano plant, the increase in the average number of employees at the US subsidiaries and the strengthening of the workforce within SAES Coated Films S.p.A. Furthermore, note the higher provision for variable incentives by the Parent Company. These increases were partly offset by the savings on labour costs as a result of the reduction of staff at the Parent Company, implemented from the end of 2018.
This item also includes severance costs, equal to 763 thousand euro[47] in the current year, compared to 2,704 thousand euro[48] in 2018.

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. The increase over the prior year is due to the fact that the 2018 amount included a revenue component for the reversal of the 2015-2017 provisions for the non-competition agreement of Executive Directors, following the expiration of the three-year mandate without there being a need to paid this compensation. Moreover, note the higher costs for the incentive plan based on phantom shares, whose adoption was approved only at the end of 2018, offset by lower provisions for the variable component of compensation for Executive Directors.
For the details on the amounts paid in terms of remuneration in 2019 and the comparison with the previous year, please refer to Note no. 42 and to the Report on remuneration.

The increase in “Commissions” is related to the commissions paid in 2019 on the sales of SMA trained wire for consumer electronics applications.

The increase in “Technical, legal, tax and administrative consulting” is primarily linked to recruiting activities as well as IT consulting to update the business systems for shape memory alloys.

The change in “Rent and operating leases” and “Right of use amortization” is due to application of the new standard IFRS 16 - Leases (the leasing costs were replaced by the amortization of the right of use recorded under non-current assets).

The increase in “Utilities” is related to both the increase in production and sales as well as the costs recognized by the Parent Company against excessive subsidies received in previous years as an Italian company with a heavy consumption of energy (589 thousand euro).

The item “General services” increased mainly due to the expansion of the Bethel production site. In particular, recall the purchase of the property that was finalized on May 1, 2019 and the new lease contract for approximately 63,000 sq. ft. of additional production space that was signed at the beginning of July. For further details, see “Main events in 2019” in the Report on Operations.

The item “Write-down of non-current assets” includes the write-off of the costs for the Lainate expansion project, subsequently suspended because it was decided to make the production investment at Roncello (307 thousand euro).
In 2018 this item was mainly composed of the write-down of 3,100 thousand euro relating to impairment testing on the Advanced Packaging operating segment, which led to the total cancellation of the goodwill arising from acquisition of SAES Coated Films S.p.A. (formerly Metalvuoto S.p.A.),which amounted to 2,409 thousand euro, and the write-off of other property, plant and equipment and intangible assets totalling 691 thousand euro.

[47] Of which 485 thousand euro is considered extraordinary because it is related both to the conclusion of the Parent Company’s staff reduction process that began in 2018 after the sale of the purification business as well as the phase-out of metallized products in the packaging sector.
[48] Of which 2,656 thousand euro is considered extraordinary because it is related to the 2018 phase of the aforementioned staff reduction process in the Parent Company.

The change in the item “Provision for bad debts” (positive for 234 thousand euro) is linked to the write-down during last year of a specific credit position of the Parent Company toward a customer who declared bankruptcy.
Note that this item also include the generic write-down of trade receivables, including those not yet due, in application of the Expected Credit Losses Model envisaged in IFRS 9 (revenue of 6 thousand euro in the current year against a cost of 44 thousand euro in 2018).

The change in the item “Other” (+758 thousand euro) is primarily due to lower proceeds from government grants of SAES Getters S.p.A., as well as the fact that the 2018 amount included revenues for services performed for Entegris Inc. by the purification laboratory[49] of the Parent Company, re-charged based on a specific service agreement.

6. OTHER INCOME (EXPENSES)

The item “Other income (expenses)” as at December 31, 2019 recorded a positive balance of +1,764 thousand euro compared to the positive figure of 932 thousand euro in the previous year.

A breakdown of this item in both years is provided below.

(thousands of euro)

	2019	2018	Difference
Other income	2,280	1,643	637
Other expenses	(516)	(711)	195
Total other income (expenses)	**1,764**	**932**	**832**

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 the capital gains from the sale of assets.
The change was due to the consolidated income from the related party, equal to 1,208 thousand euro[50] for the sale of the OLET patents owned by E.T.C. S.r.l. in liquidation to the joint venture Flexterra, Inc. In the current year, other income also includes other extraordinary revenues, equal to approximately 249 thousand euro, for insurance reimbursements and a favourable settlement of legal disputes, as well as the compensation received by the Parent Company (566 thousand euro) for the disposal of finished products that were not compliant for reasons not attributable to SAES but to a sub-supplier. In 2018, the item included income of 1,164 thousand euro, accounted for by the US subsidiary Memry Corporation following the transformation of 50% of the loan granted by the State of Connecticut (CT) at the end of the 2014 financial period to a non-repayable grant.

The item “Other expenses”, instead, mostly includes the property taxes and other taxes, other than income taxes, paid by the Italian Group’s companies. The decrease from the previous year is mainly due to the fact that the 2018 amount included an allocation to the risk provision of 87 thousand euro for a labour-related dispute of the Parent Company with social welfare institutions (for more information refer to Note no. 32).

7. FINANCIAL INCOME (EXPENSES) AND WRITE-DOWN OF FINANCIAL ASSETS

[49] On June 24, 2018, SAES finalized the sale of the gas purification business to USA Entegris, Inc. The assets of the purification laboratory based in Lainate were also sold, while the laboratory continued to operate for four months from the closing date exclusively for Entegris, following a specific service agreement.
[50] Income recognized limited solely to minority interests in the joint venture, in accordance with IAS 28.

The following table shows the financial income breakdown in 2019, compared to the previous year.

(thousands of euro)

Financial income	2019	2018	Difference
Bank interest income	271	398	(127)
Other financial income	516	488	28
Gains from securities evaluation at fair value	5,092	84	5,008
Interest income and coupons received on securities	2,192	0	2,192
Gains for IRS fair value	0	12	(12)
Total financial income	**8,071**	**982**	**7,089**

The decrease in "Bank interest income" is primarily attributable to lower average balances of cash in current accounts during 2019, following the investment, at the beginning of the year, of the liquidity resulting from the sale of the purification business in a securities portfolio with a conservative investment profile. Please refer to Note no. 18 for further details on the investment.

The item "Other financial income" is mainly composed, in both years, of interest income accrued on interest-bearing loans granted by the Group to the Actuator Solutions GmbH and SAES RIAL Vacuum S.r.l. joint ventures.

"Gains from securities at fair value" (+5,092 thousand euro) comprises net revenues resulting from the measurement at fair value of the securities subscribed[51] at the end of 2018 and beginning of 2019 to invest the cash resulting from the extraordinary sale of the purification business completed half-way through the last financial period. Instead, income from collection of coupons and disposal of securities was 2,192 thousand euro (item "Other income and coupons collected on securities"). Please refer to Note no. 18 for further details on the securities subscribed to.
In the prior year, net expenses from the fair value measurement of securities was -157 thousand euro, while there was no income from coupons, as the securities for which coupons mature were acquired only at the beginning of 2019.

The breakdown of financial expenses in 2019, compared to the previous year, is given below.

(thousands of euro)

Financial expenses	2019	2018	Difference
Bank interests and other bank expenses	1,148	813	335
Other financial expenses	6	95	(89)
Financial expenses - securities fair value	0	241	(241)
Commissions and other securities costs	239	0	239
Interest on lease financial liabilities	55	0	55
Realized losses on IRS	36	79	(43)
Losses from IRS evaluation at fair value	2	0	2
Total financial expenses	**1,486**	**1,228**	**258**
Write-down of financial assets	414	9,283	(8,869)
Total financial expenses & write-down of financial assets	**1,900**	**10,511**	**(8,611)**

The item "Bank interest and other bank expenses" mainly included interest expenses on both short-term and long-term loans granted to the Parent Company, to SAES Coated Films S.p.A. and to the US subsidiary Memry Corporation, as well as the bank fees related to the credit lines held by the Italian companies of the

[51] Securities subscribed by the Parent Company and SAES Investments S.A.

Group. The increase over the previous year is related to the signing of a new loan by the Parent Company to cover the purchase of treasury shares.

The item “Commissions on securities” includes management fees for the aforementioned securities portfolio (239 thousand euro).

The interest on lease financial liabilities amounted to 55 thousand euro in the first half of 2019 and are a result of the initial application of the new IFRS 16.

The item “Income (expenses) from derivative valuation at fair value” is the effect on the statement of profit or loss of the fair value measurement of hedge contracts, including implicit hedges, on long-term variable rate loans held by the Controlling Company and by SAES Coated Films S.p.A. The item “Realised losses on derivatives” comprises the interest differences actually paid to the banks in respect of those contracts during 2019.

The item “Write-down of financial receivables and other financial assets” in both years is mainly made up of the write-down of the financial receivable that the Group granted to Actuator Solutions GmbH against interest-bearing loans that SAES Nitinol S.r.l. granted to the joint venture during previous years (from 2014 to 2018). In particular, at December 31, 2018 the principal portion of the loan and the receivable for interest accrued in the 2016-2018 period had been written off (totalling -9,139 thousand euro); during the current year, the receivable relating to interest accrued in 2019 was then written off (480 thousand euro).
During 2019, the restructuring operation that began in 2018 continued, aimed at a greater focus by the German joint venture on its core business (in particular, production in the automotive business and product developments in the telecom sector). The extraordinary costs[52] related to this operation, which also resulted in the liquidation of the subsidiaries in China and Taiwan, had a considerable impact on the joint venture’s financial structure and balance sheet. For this reason, in order to ensure the operational continuity of Actuator Solutions, SAES, which had already postponed the total amount of its financial receivable from the joint venture - both principal and interest - at the end of the prior year, deemed it necessary, once again in 2019, to postpone the interest accrued on the aforementioned loans, writing off the related financial receivable because it was deemed unlikely to be recovered, also in light of the review of the five-year plan[53] carried out by the management of Actuator Solutions and presented to shareholders at the Extraordinary Shareholders’ Meeting on February 18, 2020.
The item “Write-down of financial receivables and other financial assets” includes the write-downs of financial assets, in particular cash and cash equivalents, in application of IFRS 9. The expected losses were calculated in accordance with a default percentage associated with each bank where the cash and cash equivalents are deposited, obtained on the basis of the rating of each bank. Compared to December 31, 2018, despite the increase in the riskiness associated with some of the banks with which the Group has relationships, this calculation led to a reduction in the expected losses on cash and cash equivalents of 66 thousand euro, due to the lower cash held by the Group (48.6 million at December 31, 2019 compared to 170.6 million at December 31, 2018).

8. SHARE OF RESULT OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD & WRITE-DOWN OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

[52] Extraordinary costs includes the write-down for deferred tax assets for previous tax losses equivalent to 1.6 million euro, deemed unlikely to be recovered in the medium term, in light of the updated version of the five-year plan presented by management of Actuator Solutions to shareholders at the Extraordinary Shareholders’ Meeting on February 18, 2020.
[53] The five-year plan was originally developed between October and November 2019 and was approved by the Supervisory Board on November 25, 2019.

The item “Share of result of investments accounted for using the equity method” includes the Group’s share in the result of the joint ventures Actuator Solutions GmbH[54], SAES RIAL Vacuum S.r.l. and Flexterra, Inc.[55], consolidated with the equity method.

(thousands of euro)

	2019	2018	Difference
Actuator Solutions	0	0	0
SAES RIAL Vacuum S.r.l.	198	25	173
Flexterra	(1,955)	(1,498)	(457)
Total income (loss) from equity method evaluated companies	**(1,757)**	**(1,473)**	**(284)**

In 2019, the loss deriving from the valuation with the equity method amounted to -1,757 thousand euro and was mainly attributable to Flexterra (-1,955 thousand euro, obtained by adding the SAES Group’s share of the joint venture’s 2019 loss of -2,031 thousand euro and the cancellation of the amortization on the portion of the gain for the IP sold by E.T.C. S.r.l. to Flexterra, Inc., equal to +76 thousand euro, eliminated at consolidated level, in application of IAS 28). The company, which began as a technology start-up, continued to develop its organic materials in 2019 and its formulations were qualified by an important Taiwanese producer of OTFT (Organic Thin Film Transistor). The activities to industrialize OTFTs is at an advanced stage and, although it has taken longer than initial estimates, should be completed by summer 2020, while the start of the actual production and sales activities by Flexterra is expected for the second half of the year. Precisely because of the delays both in the material development projects of Flexterra and in the industrialization by the market, during 2019 the joint venture recorded revenues that are still close to zero (16 thousand euro), mainly due to sampling activities, against operating costs of around 4.5 million euros (in particular, research and development costs and, to a lesser extent, general and administrative expenses).

The share pertaining to SAES of the net loss of Actuator Solutions in 2019 (-1,408 thousand euro) was not recognised by the Group as a liability because, in accordance with IAS 28, the investment of SAES in Actuator Solutions had already been fully written off. However, given the joint venture’s difficult financial situation following the restructuring operation that continued during the current year, a provision for risks of 600 thousand euro was allocated, equal to the *pro-quota* financial resources necessary for the company to continue its operating activities over the next twenty-four months, according to the revised version of the five-year plan presented to shareholders during the Extraordinary Shareholders' Meeting on February 18, 2020. This provision, included in the item “Write-down of investments accounted for using the equity method”, is added to the aforementioned write-down for -480 thousand euro of the financial receivable of SAES from the joint venture for the interest accrued in 2019 on interest-bearing loans granted by SAES Nitinol S.r.l. to Actuator Solutions GmbH (please refer to Note no. 7 for more details).

Lastly, the item “Write-down of investments accounted for using the equity method” includes the write-down recognised following the impairment test on the equity investment in Flexterra. Due to the delays in the Flexterra project with respect to initial projections, using the five-year plans approved by the Board of Directors of the joint venture on February 12, 2020 and a WACC of 30%, consistent with the company’s current phase of pilot production, the impairment test identified the need to write-down the equity investment for -555 thousand euro.
See Note no. 17 for further details on the analysis conducted and on the assumptions used.
This write-off is therefore added to the measurement at equity in order to calculate the final value of the investment.
The write-down from impairment testing as at December 31, 2018 on the Flexterra equity investment was -4,300 thousand euro.

[54] Actuator Solutions GmbH consolidates its wholly owned subsidiaries Actuator Solutions Taiwan Co., Ltd. in liquidation (established in June 2013) and Actuator Solutions (Shenzhen) Co., Ltd., in liquidation (established in September 2016).
[55] Flexterra, Inc., in turn, consolidated the wholly owned subsidiary Flexterra Taiwan Co., Ltd. (established in January 2017).

(importi in migliaia di euro)

	2019	2018	Difference
Actuator Solutions	(600)	0	(600)
SAES RIAL Vacuum S.r.l.	0	0	0
Flexterra	(555)	(4,300)	3,745
Total writedowns of investments in equity method evalueted companies	**(1,155)**	**(4,300)**	**3,145**

For further details on the performance of the joint ventures please refer to the Report on Operations, paragraph "Performance of the joint ventures in 2019" and to Note no. 17.

9. FOREIGN EXCHANGE GAINS (LOSSES)

Exchange management for 2019 essentially showed a break-even balance (negative for -104 thousand euro) and compares to a positive balance of +523 thousand euro in the previous year.

The breakdown of foreign exchange gains and losses as at December 31, 2019 compared to the previous year is given below.

(thousands of euro)

Foreign exchange gains and losses	2019	2018	Difference
Foreign exchange gains	437	1,592	(1,155)
Foreign exchange losses	(541)	(915)	374
Foreign exchange gains (losses), net	**(104)**	**677**	**(781)**
Realized exchange gains on forward contracts	0	6	(6)
Realized exchange losses on forward contracts	0	(160)	160
Gains (losses) from forward contracts evaluation at fair value	0	0	0
Gains (losses) on forward contracts	**0**	**(154)**	**154**
Total foreign exchange gains (losses), net	**(104)**	**523**	**(627)**

The item "Foreign exchange gains (losses), net" recorded a negative balance equal to -104 thousand euro compared to a positive balance equal to +677 thousand euro in the previous year. The change was mostly related to the fact that the 2018 amount included the release of a part of the translation reserve generated by the consolidation of SAES Getters/U.S.A., Inc. to the statement of profit or loss after the partial reduction of the share capital of the US subsidiary in October 2018 (+360 thousand euro).

The item "Gains (losses) on forward contracts", which recognizes both the gain from the closure of forward contracts on transactions in dollars and yen, as well as the effect on the statement of profit or loss resulting from the fair value measurement of these contracts still in place, shows a zero balance at December 31, 2019 because the Group did not subscribe any currency derivatives during the current year.
As at December 31, 2018, the loss realised on forward contracts stipulated with the purpose of limiting the impact of currency fluctuation totalled -154 thousand euro.

10. INCOME TAXES

In 2019, income taxes amounted to 10,242 thousand euro, compared to 7,967 thousand euro in the previous year.

The related details are provided below.

(thousands of euro)

	2019		2018		Difference
Current taxes	8.381	(*)	12.545	(**)	(4.164)
Deferred taxes	1.861		(4.578)	(**)	6.439
Total	**10.242**		**7.967**		**2.275**

(*) The current taxes of 2019 do not correspond to the amounts shown in the Consolidated cash flow statement because they do not include the revenues for current taxes on adjustment on the consideration for the purification business disposal, classified under the item "Result from discontinued operations".

(**) The amounts of 2018 do not correspond to the amounts shown in the Consolidated cash flow statement because they do not include the costs of SAES Pure Gas, Inc. for the period January 1 - June 24, 2018, reclassified into the item "Result from discontinued operations".

The cost for 2019 was 10,242 thousand euro, up 2,275 thousand euro compared to the previous year as a result of the improvement in operating profits.

The Group's tax rate was 34.2%[56], still significant since both the Parent Company and SAES Coated Films S.p.A. ended the current year with a negative taxable income, not valued as deferred tax assets.

The reconciliation between the theoretical tax charge based on the current tax rates in Italy (IRES) and the actual tax charge recognised in the consolidated financial statements is shown below.

(thousands of euro)

	2019		2018	
Income (loss) before taxes		**29,927**		**287**
Taxes and theoretical rates	**24.00%**	**7,182**	**24.00%**	**69**
Different rates effect	0.30%	91	13.59%	39
Non-deductible costs/(Net sales) not taxable	-1.04%	(311)	303.83%	872
Provisions taxes on the profits of subsidiaries	8.88%	2,658	267.60%	768
Not recognized (recognized) deferred tax assets on tax losses	1.18%	354	1033.10%	2,965
Depreciation of prepaid taxes on tax losses	0.00%	0	0.00%	0
Writedown of deferred tax assets for sale of purification business	0.00%	0	285.71%	820
Not recognized (recognized) deferred taxes on temporary differences	0.00%	0	0.35%	1
R&D credits and other tax credits	-0.31%	(93)	-30.66%	(88)
Restatement of deferred taxation following a change in the tax rate	-1.03%	(307)	14.63%	42
Other permanent differences	0.78%	233	932.75%	2,677
IRAP and other local taxes	1.45%	435	-68.99%	(198)
Taxes and effective rates	**34.22%**	**10,242**	**2775.92%**	**7,967**

Similar to the prior year, no Group company recognized deferred tax assets on tax losses during 2019. These tax losses were equal to 6,904 thousand euro compared to tax losses of 8,274 thousand euro in 2018. The change is mainly attributable to SAES Getters International Luxembourg S.A. which closed the current year with a more limited tax loss, due to lower write-downs[57] from impairment testing of the equity investment in Flexterra, Inc. (for details on the results achieved by the subsidiary during the current year and the comparison

[56] Excluding write-downs that are not relevant or not deductible for tax purposes that had penalized the previous year for a total of -15,848 thousand euro (write-down following impairment testing of the goodwill allocated to the Advanced Packaging Cash Generating Unit of -2,409 thousand euro; write-down of the financial receivable due from Actuator Solutions GmbH of -9,139 thousand euro, and write-down following impairment testing of the investment in Flexterra of -4,300 thousand euro) the Group's tax rate at December 31, 2018 was 49.4%.

[57] Note that this write-down can be deducted for tax purposes, subject to a recapture if the equity investment is sold.

with the previous year, please refer to the paragraph "Performance of subsidiaries in 2019" in the Report on Operations).

11. INCOME (LOSS) FROM DISCONTINUED OPERATIONS

The net income from discontinued operations in 2019 amounted to 152 thousand euro, mainly comprising the positive adjustment of the sale price for the purification business due to the settlement of the effective value of the tax credit of the companies that were sold - SAES Getters USA, Inc. and SAES Pure Gas, Inc. - resulting from the tax return for the period January 1 – June 24, 2018, presented in April 2019.

In 2018, the net profit from discontinued operations amounted to 240,013 thousand euro, mainly comprising the gross capital gain (262,439 thousand euro) generated from the sale of the gas purification business, from which the costs related to the transaction were deducted, amounting to -35,220 thousand euro (especially legal and consultation expenses, and for bonuses for both the staff affected by the sale and the corporate employees involved in the settlement of that extraordinary corporate transaction, and interest, differences in exchange rates and taxes). This item included the net profit generated by the purification business between January 1 and June 24, 2018 (actual date of sale) for 12,794 thousand euro. Please refer to the 2018 Financial Report for further information on the amounts.

12. EARNINGS (LOSS) PER SHARE

As indicated in the Note no. 27, SAES Getters S.p.A.'s share capital is represented by two different types of shares (ordinary shares and savings shares) which bear different rights with regards to the distribution of dividends.

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

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

The following table shows the result per share in 2019, compared with the figure of 2018.

Earning (loss) per share	**2019**			**2018**		
	Ordinary shares	**Savings shares**	**Total**	**Ordinary shares**	**Savings shares**	**Total**
Profit (loss) attribuitable to shareholders (thousands of euro)			**19,837**			**232,333**
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 eur	12,358	6,456	18,815	154,505	76,805	231,311
Total profit (loss) attributable to the different categories of shares (thousands of euro)	**12,358**	**7,479**	**19,837**	**154,505**	**77,828**	**232,333**
Average number of oustanding shares	12,396,350	7,378,619	19,774,969	14,671,350	7,378,619	22,049,969
Basic earning (loss) per share (euro)	**0.99693**	**1.01356**		**10.53109**	**10.54772**	
- from continued operations (euro)	*0.98925*	*1.00588*	(*)	*(0.34830)*	*(0.34830)*	
- from discontinued operations (euro)	*0.00000*	*0.02060*		*10.87939*	*10.89602*	
Diluted earning (loss) per share (euro)	**0.99693**	**1.01356**		**10.53109**	**10.54772**	
- from continued operations (euro)	*0.98925*	*1.00588*	(*)	*(0.34830)*	*(0.34830)*	
- from discontinued operations (euro)	*0.00000*	*0.02060*		*10.87939*	*10.89602*	

(*) The sum of the earning per share from continued operations and that from discontinued operations differs from the basic earning per share because the net income from continued operations and the income from discontinued operations have been attributed considering both the preference dividend to savings shares and the higher dividend due to the latter (in accordance with article no. 26 of the By-laws).

The reduction in the average number of ordinary shares in issue in 2019 compared to the previous year (12,396,350 compared to 14,671,350) is due to the voluntary partial tender offer finalized by SAES Getters S.p.A. at the end of May 2019, the details of which can be found in the paragraph "Main events in 2019" in the Report on Operations.

The table below estimates the result per share with the assumption that the treasury stock was acquired at the beginning of the financial period and therefore with the average number of ordinary shares in issue in the current year corresponding to what was actually in issue at December 31, 2019.

Earning (loss) per share	2019		
	Ordinary shares	Savings shares	Total
Profit (loss) attribuitable to shareholders (thousands of euro)			**19,837**
Theoretical preference dividends (thousands of euro)		1,022	1,022
Profit (loss) attributable to the different categories of shares (thousands of eu	11,700	7,115	18,815
Total profit (loss) attributable to the different categories of shares (thousands of euro)	**11,700**	**8,137**	**19,837**
Average number of oustanding shares	10,771,350	7,378,619	18,149,969
Basic earning (loss) per share (euro)	**1.08619**	**1.10282**	
- from continued operations (euro)	*1.07781*	*1.09444*	(*)
- from discontinued operations (euro)	*0.00000*	*0.02060*	
Diluted earning (loss) per share (euro)	**1.08619**	**1.10282**	
- from continued operations (euro)	*1.07781*	*1.09444*	(*)
- from discontinued operations (euro)	*0.00000*	*0.02060*	

(*) The sum of the earning per share from continued operations and that from discontinued operations differs from the basic earning per share because the net income from continued operations and the income from discontinued operations have been attributed considering both the preference dividend to savings shares and the higher dividend due to the latter (in accordance with article no. 26 of the By-laws).

13. SEGMENT INFORMATION

For management purposes, the Group is organized into three Business Units based on the type of products and services provided, and the applicable markets. As at December 31, 2019 the Group's operations were divided into three primary operating segments:

- **Industrial** – getters and dispensers used in a wide range of industrial applications (electronic vacuum devices, MEMS, image diagnostic systems for images, products for thermal insulation, lamps and vacuum systems) and shape memory alloy components and devices for industrial applications (home automation, white goods industry, consumer electronics, the automotive sector and luxury goods) and polymeric composites for organic and hybrid electronic applications, photonics and implantable medical devices;
- **Medical -** raw materials, semi-finished products and super-elastic components in Nitinol alloy for medical applications, mainly in the non-invasive surgical sector;
- **Packaging -** advanced coating solutions for packaging, metallized films and innovative plastic films for the food packaging market, and more generally, for the sustainable packaging sector, also fully recyclable and biodegradable.

The Top Management monitors the results of the several 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 the operating segments.
Internal reports are prepared in accordance with IFRSs and no reconciliation with the carrying amounts is therefore necessary.

The columns "Not allocated" include corporate profit (loss) and equity 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.

The following table shows the breakdown of the main statement of profit or loss figures by operating segment.

(thousands of euro)

Consolidated statement of profit or loss	Industrial		Medical		Packaging		Not Allocated Costs		Total	
	2019	2018 (*)	2019	2018 (*)	2019	2018	2019	2018 (*)	2019	2018
Total net sales	**87.366**	**77.836**	**84.979**	**70.968**	**10.007**	**11.480**	**0**	**0**	**182.352**	**160.284**
Cost of sales	(45.192)	(39.559)	(49.378)	(39.894)	(9.409)	(10.299)	0	(280)	(103.979)	(90.032)
Gross profit	**42.174**	**38.277**	**35.601**	**31.074**	**598**	**1.181**	**0**	**(280)**	**78.373**	**70.252**
% on net sales	*48,3%*	*49,2%*	*41,9%*	*43,8%*	*6,0%*	*10,3%*	*n.a.*	*n.a.*	*43,0%*	*43,8%*
Total operating expenses	(16.949)	(17.617)	(9.439)	(8.642)	(3.805)	(7.007)	(23.172)	(22.852)	(53.365)	(56.118)
Other income (expenses), net	861	(99)	(1)	1.220	(31)	(46)	935	(143)	1.764	932
Operating income (loss)	**26.086**	**20.561**	**26.161**	**23.652**	**(3.238)**	**(5.872)**	**(22.237)**	**(23.275)**	**26.772**	**15.066**
% on net sales	*29,9%*	*26,4%*	*30,8%*	*33,3%*	*-32,4%*	*-51,1%*	*n.a.*	*n.a.*	*14,7%*	*9,4%*
Interest and other financial income (expenses), net									6.171	(9.529)
Share of result of investments accounted for using the equity method									(1.757)	(1.473)
Write-down of investments accounted for using the equity method									(1.155)	(4.300)
Foreign exchange gains (losses), net									(104)	523
Income (loss) before taxes									**29.927**	**287**
Income taxes									(10.242)	(7.967)
Net income (loss) from continued operations									**19.685**	**(7.680)**
Net income (loss) from discontinued operations									152	240.013
Net income (loss)									**19.837**	**232.333**
Minority interests in consolidated subsidiaries									0	0
Group net income (loss)									**19.837**	**232.333**

(*) In order to reflect the internal Group organizational structure, from January 1, 2019, revenue and costs for the Shape Memory Alloys SMA Industrial (previously SMAs for Thermal & Electro Mechanical Devices), along with those of the Functional Chemical Systems sector (previously Organic Electronics) were classified in the Industrial Business Unit. The revenue and cost figures for 2018 were reclassified so they can be compared on a like-for-like basis with the 2019 figures.

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

(thousands of euro)

	Industrial		Medical		Packaging		Not Allocated Costs		Total	
	Dec. 31, 2019	Dec. 31, 2018 (*)	Dec. 31, 2019	Dec. 31, 2018 (*)	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018 (*)	Dec. 31, 2019	Dec. 31, 2018
Assets and Liabilities										
Non current assets	32,439	30,379	68,296	53,008	17,154	11,715	153,285	121,264	271,174	216,366
Current assets	25,028	22,508	20,983	18,182	3,781	4,173	121,601	173,531	171,393	218,394
Total assets	**57,467**	**52,887**	**89,279**	**71,190**	**20,935**	**15,888**	**274,886**	**294,795**	**442,567**	**434,760**
Non current liabilities	5,264	4,406	2,148	0	928	694	114,281	23,087	122,621	28,187
Current liabilities	13,696	11,522	7,714	5,973	5,253	3,587	40,753	44,271	67,416	65,353
Total liabilities	**18,960**	**15,928**	**9,862**	**5,973**	**6,181**	**4,281**	**155,034**	**67,358**	**190,037**	**93,540**
Other information										
Fixed asset increases (**)	4,093	3,020	15,636	3,651	5,675	6,376	1,111	1,962	26,515	15,009
Depreciation	3,938	3,186	3,427	2,591	761	622	1,320	1,189	9,446	7,588
Other non-monetary costs	3	411	-9	-10	295	3,115	-5	109	284	3,625

(*) In order to reflect the internal Group organizational structure, from January 1, 2019, revenue and costs for the shape memory alloy SMA Industrial (previously SMAs for Thermal & Electro Mechanical Devices), along with those of the Functional Chemical Systems sector (previously Organic Electronics) were classified in the Industrial Business Unit. The revenue and cost figures for 2018 were reclassified so they can be compared on a like-for-like basis with the 2019 figures.

(**) The amount at December 31, 2018 includes 196 thousand euro relating to discontinued operations.

Information on geographical areas

The non-current assets broken down by geographical area follow.

(thousands of euro)

	Italy	Europe	United States	Asia	Total non current assets (*)
2019	48.765	4.920	73.463	178	**127.326**
2018	41.974	8.299	57.412	111	**107.796**

(*) This amount includes: tangible fixed assets, intangible assets, equity investments in *joint ventures* , other long-term assets and the long-term portion of the receivable from the parent company for tax consolidation.

Please refer to the table and the comments 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's entity is	2019	%	2018	%	Total difference
Italy	61,774	33.9%	58,981	36.8%	2,793
Europe	0	0.0%	0	0.0%	0
North America	113,473	62.2%	96,174	60.0%	17,299
South Korea	1,303	0.7%	1,005	0.6%	298
China	5,731	3.1%	4,089	2.6%	1,642
Other Asian countries	71	0.1%	35	0.0%	36
Others	0	0.0%	0	0.0%	0
Total net sales	**182,352**	**100%**	**160,284**	**100%**	**22,068**

As previously noted in the paragraph “Subsequent Events” in the Report on Operations, the Group’s internal management and divisional structure was reorganized in 2019. In particular, starting from January 1, 2020, the Group is organized in the following technological competency areas (or “Divisions”):

- Metallurgy Division (which coincides with the previous Industrial operating sector, excluding Solutions for Vacuum Systems, Functional Chemical Systems and advanced getters for the consumer electronics market, the latter previously classified within the Electronic Devices Business);
- Vacuum Technology Division (which coincides with the Solutions for Vacuum Systems Business, included in the Industrial operating segment);
- Medical Division (unchanged);
- Specialty Chemicals Division (i.e. advanced getters for the consumer electronics market, classified within the Electronic Devices Business as at December 31, 2019, in addition to the Functional Chemical Systems segment and Flexterra business);
- Advanced Packaging Division (unchanged).

The following table presents the 2019 statement of profit or loss shown according to the new divisional structure, highlighting the reclassifications with respect to the operating segments in place until December 31, 2019.

(thousands of euro)

Consolidated statement of profit or loss	Division Metallurgy			Division Vacuum Technology			Division Medical			Division Specialty Chemicals			Division Advanced Packaging			Not Allocated Costs			Total		
	December 31, 2019	Reclass.	January 1, 2020	December 31, 2019	Reclass.	January 1, 2020	December 31, 2019	Reclass.	January 1, 2020	December 31, 2019	Reclass.	January 1, 2020	December 31, 2019	Reclass.	January 1, 2020	December 31, 2019	Reclass.	January 1, 2020	December 31, 2019	Reclass.	January 1, 2020
Total net sales	**87,366**	**(22,926)**	**64,440**	**0**	**10,592**	**10,592**	**84,979**	**0**	**84,979**	**0**	**12,334**	**12,334**	**10,007**	**0**	**10,007**	**0**	**0**	**0**	**182,352**	**0**	**182,352**
Cost of sales	(45,192)	14,460	(30,732)	0	(4,929)	(4,929)	(49,378)	0	(49,378)	0	(9,531)	(9,531)	(9,409)	0	(9,409)	0	0	0	(103,979)	0	(103,979)
Gross profit	**42,174**	**(8,466)**	**33,708**	**0**	**5,663**	**5,663**	**35,601**	**0**	**35,601**	**0**	**2,803**	**2,803**	**598**	**0**	**598**	**0**	**0**	**0**	**78,373**	**0**	**78,373**
% on net sales	*48.3%*		*52.3%*	*n.a.*		*53.5%*	*41.9%*		*41.9%*	*n.a.*		*22.7%*	*6.0%*		*6.0%*	*n.a.*		*n.a.*	*43.0%*		
Total operating expenses	(16,949)	5,664	(11,285)	0	(4,005)	(4,005)	(9,439)	0	(9,439)	0	(1,646)	(1,646)	(3,805)	0	(3,805)	(23,172)	(13)	(23,185)	(53,365)	0	(53,365)
Other income (expenses), net	861	(678)	183	0	100	100	(1)	0	(1)	0	1,782	1,782	(31)	0	(31)	935	(1,204)	(269)	1,764	0	1,764
Operating income (loss)	**26,086**	**(3,480)**	**22,606**	**0**	**1,758**	**1,758**	**26,161**	**0**	**26,161**	**0**	**2,939**	**2,939**	**(3,238)**	**0**	**(3,238)**	**(22,237)**	**(1,217)**	**(23,454)**	**26,772**	**0**	**26,772**
% on net sales	*29.9%*		*35.1%*	*n.a.*		*16.6%*	*30.8%*		*30.8%*	*n.a.*		*23.8%*	*-32.4%*		*-32.4%*	*n.a.*		*n.a.*	*14.7%*		*14.7%*
Interest and other financial income (expenses), net																			6,171	0	6,171
Share of result of investments accounted for using the equity method																			(2,912)	0	(2,912)
Foreign exchange gains (losses), net																			(104)	0	(104)
Income (loss) before taxes																			**29,927**	**0**	**29,927**
Income taxes																			(10,242)	0	(10,242)
Net income (loss) from continued operations																			**19,685**	**0**	**19,685**
Net income (loss) from discontinued operations																			152	0	152
Net income (loss)																			**19,837**	**0**	**19,837**
Minority interests in consolidated subsidiaries																			0	0	0
Group net income (loss)																			**19,837**	**0**	**19,837**

14. PROPERTY, PLANT AND EQUIPMENT

Net property, plant and equipment amounted to 70,893 thousand euro as at December 31, 2019 and showed an increase of 17,061 thousand euro compared to December 31, 2018.

The changes that occurred during the year, compared with those of the previous year, are shown below.

(thousands of euro)

Property, plant and equipment	Land	Building	Plant and machinery	Assets under construction and advances	Total
December 31, 2018	**4,139**	**20,128**	**23,708**	**5,857**	**53,832**
Additions	662	4,838	6,641	11,565	**23,706**
Disposals	0	0	(6)	0	**(6)**
Reclassifications	0	975	3,579	(4,554)	**0**
Depreciation	0	(1,573)	(5,078)	0	**(6,651)**
Write-downs	0	(255)	(54)	(1)	**(310)**
Revaluations	0	0	0	0	**0**
Translation differences	50	34	197	41	**322**
December 31, 2019	**4,851**	**24,147**	**28,987**	**12,908**	**70,893**
December 31, 2018					
Historical cost	4,197	43,093	130,220	6,228	**183,738**
Accumulated depreciation and write-downs	(58)	(22,965)	(106,512)	(371)	**(129,906)**
Net book value	**4,139**	**20,128**	**23,708**	**5,857**	**53,832**
December 31, 2019					
Historical cost	4,909	48,760	139,034	13,280	**205,983**
Accumulated depreciation and write-downs	(58)	(24,613)	(110,047)	(372)	**(135,090)**
Net book value	**4,851**	**24,147**	**28,987**	**12,908**	**70,893**

(thousands of euro)

Property, plant and equipment	Land	Building	Plant and machinery	Assets under construction and advances	Total
December 31, 2017	**3,747**	**19,952**	**23,509**	**2,284**	**49,492**
Difference from the sale of the gas purification business	(564)	(1,824)	(913)	(93)	**(3,394)**
Additions	890	3,421	3,943	5,988	**14,242**
Disposals	0	(1)	(106)	0	**(107)**
Reclassifications	0	137	2,207	(2,344)	**0**
Depreciation	0	(1,420)	(5,096)	0	**(6,516)**
Write-downs	0	(62)	(167)	(86)	**(315)**
Write-downs relating to impairment testing on the Solutions for Advanced Packaging CGU	(58)	(197)	(142)	0	**(397)**
Revaluations	0	0	0	0	**0**
Translation differences	124	122	473	108	**827**
December 31, 2018	**4,139**	**20,128**	**23,708**	**5,857**	**53,832**
December 31, 2017					
Historical cost	3,747	44,404	136,566	2,569	**187,286**
Accumulated depreciation and write-downs	0	(24,452)	(113,057)	(285)	**(137,794)**
Net book value	**3,747**	**19,952**	**23,509**	**2,284**	**49,492**
December 31, 2018					
Historical cost	4,197	43,093	130,220	6,228	**183,738**
Accumulated depreciation and write-downs	(58)	(22,965)	(106,512)	(371)	**(129,906)**
Net book value	**4,139**	**20,128**	**23,708**	**5,857**	**53,832**

Note that, as at December 31, 2019, land and buildings were not burdened by mortgages or other guarantees.

In 2019, investments in property, plant and equipment amounted to 23,706 thousand euro and mainly include the purchase of a property, located in Bethel, where the Memry Corporation has its manufacturing headquarters (4,984 thousand euro, net of the deposit of 260 thousand euro paid at the end of the previous year) and the creation, in Bethel, of a new department to manufacture pipes. The item “Additions” also includes investments related to the advanced packaging business, both for the installation of a second production line for lacquering plastic films at the Roncello facility and a new, technologically more advanced metallization system, able to combine the metallization process with lacquering, as well as a the completion of a new pilot line at Lainate, designed to accelerate product development for flexible packaging. Lastly, note the investments to increase production capacity in the Electronic Devices segment, both at the American associate SAES Getters/U.S.A., Inc. and the Parent Company (Avezzano facility), as well as the installation, again at the Avezzano facility, of an additional line for the drawing of wires in shape memory alloys (shape memory allow business for industrial applications).

The depreciation for 2019, equal to 6,651 thousand euro, is essentially in line with the prior year (6,516 thousand euro) net of the effect of exchange rates (+145 thousand euro).

Write-downs, totalling 310 thousand euro, refer mainly to costs expensed in the statement of profit or loss by the Parent Company for a project to expand the Lainate facility, later suspended because it was decided to make the production investment at Roncello.

The translation differences (+322 thousand euro) related to assets of the US companies and are due to the revaluation of the US dollar as at December 31, 2019 compared to the exchange rate of December 31, 2018.

All the property, plant and equipment described in this paragraph is owned by the SAES Group. Please refer to Note 16 for more details on the leased assets as at December 31, 2019, where the right of use was recognised under balance sheet assets in application of the new IFRS 16 - Leases.

15. INTANGIBLE ASSETS

Net intangible assets amounted to 45,216 thousand euro as at December 31, 2019 and recorded a decrease of 74 thousand euro compared to December 31, 2018.

The changes that occurred during the year, compared with those of the previous year, are shown below.

(thousands of euro)

Intangible 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, 2018	**37,747**	**0**	**5,040**	**586**	**1,766**	**151**	**45,290**
Additions	0	0	6	433	10	12	**461**
Disposals	0	0	0	0	0	0	**0**
Reclassifications	0	0	6	0	0	(6)	**0**
Amortization	0	0	(521)	(330)	(405)	0	**(1,256)**
Write-downs	0	0	0	0	0	0	**0**
Revaluations	0	0	0	0	0	0	**0**
Translation differences	669	0	18	(3)	33	4	**721**
December 31, 2019	**38,416**	**0**	**4,549**	**686**	**1,404**	**161**	**45,216**
December 31, 2018							
Historical cost	45,433	183	10,313	10,871	22,421	890	**90,111**
Accumulated depreciation and write-downs	(7,686)	(183)	(5,273)	(10,285)	(20,655)	(739)	**(44,821)**
Net book value	**37,747**	**0**	**5,040**	**586**	**1,766**	**151**	**45,290**
December 31, 2019							
Historical cost	46,102	183	10,382	11,295	22,641	900	**91,503**
Accumulated depreciation and write-downs	(7,686)	(183)	(5,833)	(10,609)	(21,237)	(739)	**(46,287)**
Net book value	**38,416**	**0**	**4,549**	**686**	**1,404**	**161**	**45,216**

(thousands of euro)

Intangible 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, 2017	**42,994**	**0**	**6,605**	**359**	**3,187**	**30**	**53,175**
Difference from the sale of the gas purification business	(4,418)	0	(850)	0	(1,124)	0	**(6,392)**
Additions	0	0	6	391	27	147	**571**
Disposals	0	0	0	0	0	0	**0**
Reclassifications	0	0	52	0	(22)	(30)	**0**
Other movements	0	0	0	0	0	0	**0**
Amortization	0	0	(521)	(166)	(385)	0	**(1,072)**
Writedowns	0	0	0	(2)	0	0	**(2)**
Write-downs relating to impairment testing on the Solutions for Advanced Packaging CGU	(2,409)	0	(294)	0	0	0	**(2,703)**
Revaluations	0	0	0	0	0	0	**0**
Conversion differences	1,580	0	42	4	83	4	**1,713**
December 31, 2018	**37,747**	**0**	**5,040**	**586**	**1,766**	**151**	**45,290**
December 31, 2017							
Historical cost	48,271	183	11,840	10,551	23,498	769	**95,112**
Accumulated depreciation and write-downs	(5,277)	(183)	(5,235)	(10,192)	(20,311)	(739)	**(41,937)**
Net book value	**42,994**	**0**	**6,605**	**359**	**3,187**	**30**	**53,175**
December 31, 2018							
Historical cost	45,433	183	10,313	10,871	22,421	890	**90,111**
Accumulated depreciation and write-downs	(7,686)	(183)	(5,273)	(10,285)	(20,655)	(739)	**(44,821)**
Net book value	**37,747**	**0**	**5,040**	**586**	**1,766**	**151**	**45,290**

The investments of the period amounted to 461 thousand euro and mainly refer to the purchase of new software licenses by the Group's US companies Memry Corporation and SAES Smart Materials, Inc.

The amortization for the year, equal to 1,256 thousand euro, is slightly higher than the previous year (1,072 thousand euro) in addition to the effect of exchange rates (+36 thousand euro), mainly for higher amortization recognized by the Parent Company for the new software licenses acquired in the second half of the previous year.

The translation differences (+721 thousand euro) related to intangible assets of the US companies and are due to the revaluation of the US dollar as at December 31, 2019 compared to the exchange rate of December 31, 2018.

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

Goodwill

The changes in the item "Goodwill" and the Cash Generating Unit to which the goodwill is allocated is highlighted below.

(thousands of euro)

Business Unit	December 31, 2018	Change in consolidation area	Write-downs	Other movements	Translation differences	December 31, 2019
Industrial	945	0	0	0	0	945
Medical	36,802	0	0	0	669	37,471
Packaging	0	0	0	0	0	0
Not allocated	0	0	0	0	0	0
Total goodwill	**37,747**	**0**	**0**	**0**	**669**	**38,416**

The increase for the year is exclusively due to the effect of exchange rates (especially related to the revaluation of the dollar at December 31, 2019 compared to the end of the previous year) on the goodwill in currencies other than the euro.

The following table shows the gross carrying amounts of goodwill and the relative write-downs for impairment from January 1, 2004 to December 31, 2019 and to December 31, 2018.

(thousands of euro)

Business Unit	December 31, 2019			December 31, 2018		
	Gross value	Write-downs	Net book value	Gross value	Write-downs	Net book value
Industrial	1,008	(63)	945	1,008	(63)	945
Medical (*)	40,871	(3,400)	37,471	40,202	(3,400)	36,802
Packaging	2,409	(2,409)	0	2,409	(2,409)	0
Not allocated	358	(358)	0	358	(358)	0
Total goodwill	**44,646**	**(6,230)**	**38,416**	**43,977**	**(6,230)**	**37,747**

(*) The difference between the gross value as at December 31, 2019 and the gross value as at December 31, 2018 is due to the translation differences on goodwill amounts denominated in currencies other than euro.

The following table shows goodwill broken down into the new divisional structure effective from January 1, 2020 (for more details on this new structure, see the paragraph "Subsequent events" in the Report on Operations).

(thousands of euro)

Division	January 1, 2020		
	Gross value	Write-downs	Net book value
Metallurgy	1,008	(63)	945
Vacuum Technology	0	0	0
Medical	40,871	(3,400)	37,471
Specialty Chemicals	0	0	0
Advanced Packaging	2,409	(2,409)	0
Not allocated	358	(358)	0
Total goodwill	**44,646**	**(6,230)**	**38,416**

Impairment testing

Pursuant to IAS 36, goodwill is not amortized but is subject to testing for indicators of impairment at least annually and more frequently if specific events or circumstances occur that could be assumed to cause impairment. For the purpose of testing, goodwill is allocated to a Cash Generating Unit (CGU) or groups of CGUs, in accordance with the thresholds established by IFRS 8, according to which the latter may not be larger than an operating segment.
More specifically, the CGUs identified by the SAES Group for impairment testing coincide with the following divisions:

- Metallurgy;
- Vacuum Technology;
- Medical;
- Specialty Chemicals;
- Advanced Packaging.

Compared to the operating structure for 2019, described in Note 13 "Segment Information", note that, in continuation of the process to reorganize the Group's internal management and divisional structure, the CGUs used for impairment testing purposes were redefined in the 2020-2022 plan based on the following technology competency areas:

- Metallurgy (which coincides with the previous Industrial operating sector, excluding Solutions for Vacuum Systems, Functional Chemical Systems and advanced getters for the consumer electronics market, the latter previously classified within the Electronic Devices Business);
- Vacuum Technology (which coincides with the Solutions for Vacuum Systems Business, included in the Industrial operating segment);
- Medical (unchanged);
- Specialty Chemicals (i.e. advanced getters for the consumer electronics market, classified within the Electronic Devices Business as at December 31, 2019, in addition to the Functional Chemical Systems segment and Flexterra business, the latter previously unallocated);
- Advanced Packaging (unchanged).

The impairment testing, whose assumptions and procedures were approved by the Board of Directors on February 13, 2020 and whose results were approved by the same Board on March 12, 2020, involves

estimating the recoverable value of each Cash Generating Unit (CGU) and comparing it with the net book value of the property, plant and equipment and intangible assets allocated to that CGU, including goodwill.
The recoverable amount is verified by calculating the value in use, which corresponds to the present value of the future cash flows which are expected to be associated to each Cash Generating Unit on the basis of the most recent three-year plans drawn up by top management for the 2020-2022 period and approved by the Board of Directors on February 13, 2020, based on the medium-term forecasts prepared by management and based on the terminal value.
To make these forecasts, management use many assumptions, which are based on the following key variables:

- change in macroeconomic variables;
- estimate of future sales volumes by business area / product family / customer;
- price and profit margin trends;
- cost of materials and of sales by product family;
- cost of production, operating expenses and investment plan;
- discounting rates estimated by management.

The expected growth in sales is based on management forecasts, while the profit margin and the operating costs of the various businesses have been estimated based on historic series, adjusted to reflect the expected results and the expected dynamics of market prices. The value of investments and working capital has been calculated as a function of different factors, such as future expected growth levels and the product development plan. These assumptions are influenced by future expectations and market conditions.

The discounting rate used to discount the cash flows represents an estimate of the rate of return expected for each Cash Generating Unit on the market. To select an adequate discount rate to apply to future cash flows, an indicative interest rate was considered to calculate indebtedness, which would be applied to the Group in event that it requested new medium-long term loans and, to calculate the cost of own capital, the yield curve of long-term government bonds, both US and Italian, weighted by the geographical area that generating Group income was adopted. The capital structure was instead established by identifying specific comparable players for each business. The Weighted Average Cost of Capital (WACC) applied to future cash flows was estimated at 6.4% and is considered representative of all Group CGUs. The WACC used is net of taxes, consistent with the cash flows used.

In the discounting model of future cash flows, a terminal value is considered to reflect the residual value that each Cash Generating Unit should generate beyond the three years covered by the plans; this value has been estimated prudentially at a growth rate (g-rate) of zero and a time horizon considered representative of the estimated duration of the various businesses, as indicated in the following table.

	Metallurgy	**Vacuum Technology**	**Medical**	**Specialty Chemicals**
Year estimated after the three-year plans	10 (*)	12	12	12

(*) Calculated as a weighted average of the years assumed for each business on the estimated forward sales for 2020:

- 12 years for *SMA Industrial Business;*
- 10 years for *Security & Defense* , *Electronic Devices* , *Healthcare Diagnostics* and *Sintered Components for Electronic Devices & Lasers Business;*
- 6 years for Business *Thermal Insulated Devices Business* ;
- 2 years for Business *Lamps Business* .

For the Advanced Packaging operating segment, more recently introduced with respect to the others, an explicit forecasting period of 5 years covered by a more extended plan was used, and a time horizon estimated after the five years of the plan, of 10 years.

	Advanced Packaging
Years estimated after the five-year plan	10

No further potential impairment of assets was detected from this first level of testing.
Furthermore, conducting a sensitivity analysis by increasing the WACC by up to 1 percentage point over the Group's reference value, no critical issues were found in relation to the value of the net asset recognized in financial statements as at December 31, 2019.

Lastly, second-level testing was conducted, including both on the assets not allocated to any operating segment and, in the recoverable amount, the costs relating to corporate functions, as well as the economic values that cannot be uniquely allocated or allocated through reliable drivers to primary sectors, which include some of particular importance, such as the basic research costs, sustained by the Group to identify innovative solutions. No further potential impairment of assets emerged at this level.

For the disclosure on impairment testing for investments measured using the equity method, please refer to Note no. 17 “Investments accounted for using the equity method”. As illustrated more extensively below, impairment testing showed an impairment of the investment in Flexterra, Inc. of -555 thousand euro. Moreover, with reference to the investment in Actuator Solutions GmbH, which had already been completely written off in previous years, a write-down was recognized (-480 thousand euro) on the financial receivable for interest accrued in 2019 on interest-bearing loans granted by SAES Nitinol S.r.l. to the joint venture in previous years (for further details, refer to Note no. 21), as well as the recognition of a risk provision of -600 thousand euro, corresponding to the *pro-quota* financial resources necessary for the company to continue its operating activities for the next twenty-four months, in accordance with the updated version of the five-year plan presented to shareholders during the Extraordinary Shareholders’ Meeting of February 18, 2020 (for additional information, see Note no. 32).

The estimated recoverable amount of the various Cash Generating Units and of investments measured using the equity method required discretion and the use of estimates by management. The Group cannot therefore ensure that no impairment losses will emerge in the future. In fact, a number of different factors, also related to changes in the market and in demand, could require the value of the assets in future periods to be redetermined.
In particular, in relation to the Covid-19 epidemic, the plans used for purposes of impairment testing do not include the effects from the spread of the virus on a global scale, as these events took place after the close of the year. However, is it not currently possible to make any assessment regarding the economic impacts of the spread of the virus in Italy and around the world. The potential effects of this phenomenon on estimates of the Group’s future cash flows are not able to be determined as this time and will be continuously monitored over the coming months, including to identify any impairment to Group assets.

16. RIGHT OF USE

The assets for the right of use, resulting from lease, rental or use of third-party goods contracts, were recognized separately, and amounted to 4,617 thousand euro at December 31, 2019, while they stood at 3,771 thousand euro at January 1, 2019, the date of first application of the new IFRS 16 - Leases standard.

For further details on the initial application of the standard, please refer to the description contained in Note no. 2 “Main Accounting Principles”.

(thousands of euro)

Right of use	Building	Plant and machinery	Cars	Total
December 31, 2018	**0**	**0**	**0**	**0**
IFRS 16 first time adoption	3,070	291	410	**3,771**
January 1, 2019	**3,070**	**291**	**410**	**3,771**
New leases agreements subscribed in the period	1,854	13	481	**2,348**
Early termination of leases agreements	0	0	(7)	**(7)**
Reclassifications	0	0	0	**0**
Amortization	(1,090)	(178)	(271)	**(1,539)**
Translation differences	44	0	0	**44**
December 31, 2019	**3,878**	**126**	**613**	**4,617**
January 1, 2019				
Historical cost	3,070	291	410	3,771
Accumulated depreciation and write-downs	0	0	0	0
Net book value	**3,070**	**291**	**410**	**3,771**
December 31, 2019				
Historical cost	4,965	304	881	6,150
Accumulated depreciation and write-downs	(1,087)	(178)	(268)	(1,533)
Net book value	**3,878**	**126**	**613**	**4,617**

First application of IFRS 16

The initial application of the standard mainly related to the category of buildings, and in particular, to the lease contracts in place for the facilities and offices of the associate Memry Corporation and its German branch (total effect equal to 2,087 thousand euro). Furthermore, note the right of use on the representation office leased by the Parent Company (181 thousand euro) and on the spaces rented by the American associates Spectra-Mat, Inc. (255 thousand euro) and SAES Smart Materials, Inc. (151 thousand euro), as well as the commercial offices of the Asian associates and branches of the Parent Company (total value of rights of use as at January 1, 2019 equal to 353 thousand euro) and the subsidiaries in Luxembourg (43 thousand euro).

The category "Plants and machinery" is almost exclusively related to the contracts signed by the Parent Company for the use of third-party computer equipment (servers, memories, network components and printers).

Similarly, the category "Cars" mainly refers to the rental contracts for the car fleet of the Parent Company (321 thousand euro) and the subsidiary SAES Coated Films S.p.A. (59 thousand euro).

With regard to the movements during 2019, new contracts stipulated that fall under the scope of application of the IFRS 16 accounting standard principally refer to the new lease contract signed by the associate Memry Corporation in the second half of the year for approximately 60,000 sq. ft. (5,600 sq. m) of additional production space in Bethel (CT), as well as the Parent Company's car fleet.

The amortization for the year was 1,539 thousand euro.

Conversion difference (+44 thousand euro) refer to the rights of use pertaining to the American companies.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

As at December 31, 2019 the item includes the portion of shareholders' equity attributable to the Group in the joint ventures Actuator Solutions GmbH[58], SAES RIAL Vacuum S.r.l. and Flexterra, Inc.[59]

[58] Please note that Actuator Solutions GmbH, consolidates its wholly-owned subsidiaries Actuator Solutions Taiwan Co., Ltd. in liquidation and Actuator Solutions (Shenzhen) Co., Ltd. in liquidation.

The following table shows the changes of each investment in 2019.

Investments valued using the equity method	December 31, 2018	Additions	Capital payments	Share of the net result	Share of other comprehensive income (loss)	Dividends paid	Write-downs	Other variations	December 31, 2019
Actuator Solutions	0	0	0	0	0	0	0	0	0
SAES RIAL Vacuum S.r.l.	1,642	0	0	198	4	0	0	0	1,844
Flexterra	6,364	0	0	(2,031)	161	0	(555)	(983)	2,956
Total	**8,006**	**0**	**0**	**(1,833)**	**165**	**0**	**(555)**	**(983)**	**4,800**

The variation for the year (totalling -3,206 thousand euro) is the result of both the adjustment of the value of each investment to SAES's share of the result and of the other profits (losses) recorded as a whole by the joint ventures in 2019 (-1,668 thousand euro) as well as the write-down of the investment in Flexterra that emerged from impairment testing (-555 thousand euro).
Furthermore, in the column "Other variations", note the reversal (-1,059 thousand euro) of the unrealized *pro-quota* share of the Group's gain from the sale of OLET patents owned by E.T.C. S.r.l. in liquidation to the Flexterra, Inc. joint venture (in accordance with IAS 28, the income from the related party was recognized only for the portion pertaining to third parties in the joint venture; please refer to Note no. 6 for further details), as well as the reversal (+76 thousand euro) of the corresponding *pro-quota* share of amortization on the gain eliminated at consolidated level.

With regard to Actuator Solutions, note that as at December 31, 2019, the investment of SAES in Actuator Solutions had already been fully written off, in accordance with IAS 28, thus SAES's share of the net loss for 2019 (-1,417 thousand euro[60]) was not recognised by the Group.

Actuator Solutions

Actuator Solutions GmbH is based in Gunzenhausen (Germany) and is 50% jointly owned by SAES and Alfmeier Präzision, a German group operating in the fields of electronics and advanced plastic materials. This joint venture, which consolidates its wholly owned subsidiaries Actuator Solutions Taiwan Co., Ltd. in liquidation[61] and Actuator Solutions (Shenzhen) Co., Ltd. in liquidation[62], is focused on the development, production and commercialization of actuators using shape memory alloys in place of the engine.

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

---

[59] Flexterra, Inc. (USA), in turn, consolidates its wholly owned subsidiary Flexterra Taiwan Co., Ltd.
[60] Last year, the share of total losses not recognised, because it exceeded the investment, had been -561 thousand euro.
[61] The liquidation process of the Taiwanese subsidiary was launched at the beginning of October 2019 and is expected to be completed by the end of 2020.
[62] The liquidation process of the Chinese subsidiary began in March 2019 and is expected to be completed in the initial months of 2020.

(thousands of euro)

Actuator Solutions	December 31, 2019	December 31, 2018
Statement of financial position	**50%**	**50%**
Non current assets	3.488	3.510
Current assets	1.343	1.297
Total assets	**4.831**	**4.807**
Non current liabilities	4.625	4.000
Current liabilities	3.176	2.360
Total liabilities	**7.801**	**6.360**
Capital stock, reserves and retained earnings	(1.553)	(992)
Net income (loss) for the period	(1.408)	(537)
Other comprehensive income (loss) for the period (*)	(9)	(24)
Total equity	**(2.970)**	**(1.553)**

(*) Currency translation difference reserve arising from the conversion in euro of the financial statements of the subsidiary Actuator Solutions Taiwan Co., Ltd. in liquidation and Actuator Solutions (Shenzhen) Co., Ltd. in liquidation.

(thousands of euro)

Actuator Solutions	December 31, 2019	December 31, 2018
Statement of profit or loss and of other comprehensive income	**50%**	**50%**
Net sales	10.601	11.461
Cost of sales	(8.695)	(9.433)
Gross profit	**1.906**	**2.028**
Total operating expenses	(1.939)	(2.250)
Other income (expenses), net	(188)	192
Operating income (loss)	**(221)**	**(30)**
Interest and other financial income, net	(342)	(308)
Foreign exchange gains (losses), net	(27)	6
Income taxes	(818)	(205)
Net income (loss)	**(1.408)**	**(537)**
Exchange differences	(9)	(24)
Total comprehensive income (loss)	**(1.417)**	**(561)**

In total[63], Actuator Solutions recorded net revenues of 21,202 thousand euro in 2019, down by 7.5% compared to 22,922 thousand euro in 2018 due, to the slowdown in the automotive sector, only partly offset by the income for the development of telecom products.
The net result for 2019 was, on the whole, negative for -2,816 thousand euro and compares to a loss of -1,074 thousand euro in 2018: the contraction of sales in the automotive segment as well as the extraordinary charges (-2,076 thousand euro, including the write-down for -1,560 thousand euro of credits for deferred tax assets on previous tax loses of the German parent company, deemed unlikely to be recovered in the medium term) related to the continuation of the restructuring operation aimed at a greater focus by the German joint venture on its core business (specifically, production activities in the automotive business and development of telecom products). This operation includes the launch of the liquidation process for the Asian subsidiaries Actuator Solutions Taiwan Co., Ltd. and Actuator Solutions (Shenzhen) Co., Ltd. Lastly, note that the loss as at December 31, 2019 includes the extraordinary charges of -362 thousand euro for a computer fraud suffered in the first part of the year by the German parent company.
For further details on the developments in Actuator Solutions, please refer to the paragraph dedicated to the joint venture in the SAES Group Report on operations.

The share of SAES Group (equal to 50%) of the 2019 result of this joint venture amounted to -1,408 thousand euro (-537 thousand euro in 2018), to which are added other components of comprehensive income amounting to -9 thousand euro (-24 thousand euro in 2018), represented by the translation differences generated by the consolidation of Actuator Solutions Taiwan Co., Ltd. in liquidation and Actuator Solutions (Shenzhen) Co., Ltd. in liquidation into Actuator Solutions GmbH.
Similar to December 31, 2018, as the investment by SAES in Actuator Solutions had already been completely written off, in accordance with IAS 28, the *pro-quota* share of SAES in the total loss for 2019 was not recognised as a liability in the consolidated financial statements.

[63] Values at 100%.

Again, as the investment in Actuator Solutions had already been completely written off, no specific impairment test was performed as at December 31, 2019.
However, given the joint venture's difficult financial situation following the restructuring operation that continued during the current year, a provision for risks on equity investments of 600 thousand euro was allocated, equal to the *pro-quota* financial resources necessary for the company to continue its operating activities over the next twenty-four months, according to the revised version[64] of the five-year plan presented to shareholders during the Extraordinary Shareholders' Meeting on February 18, 2020 (for further details, see Note no. 32).

Please refer to Note no. 21 for information on the recoverability of the financial receivable owed to the Group by the joint venture. In particular, the extraordinary charges related to the aforementioned restructuring operation had a considerable effect on the financial structure and situation of Actuator Solutions and, to ensure its operating continuity, SAES decided that it was necessary to postpone, once again in 2019, the interest accrued on the interest-bearing loans granted in previous years, writing down the relative financial receivable as it was deemed unlikely to be recovered in light of the changes in the five-year plan presented by the management of Actuator Solutions to shareholders on February 18, 2020.
Recall that as at December 31, 2018 the principal on the loan had already been written down
(-8,000 thousand euro) as well as the receivable for interest accrued in the 2016-2018 period (-1,139 thousand euro).

The following table provides the number of employees of the joint venture Actuator Solutions as at December 31, 2019 by category, based on the percentage of ownership held by the Group (equal to 50%).

Actuator Solutions	December 31, 2019	December 31, 2018
	50%	**50%**
Managers	1	4
Employees and middle management	14	22
Workers	10	12
Totale (*)	**25**	**38**

(*) The figure excludes the personnel employed with contract other than salaried employment, equal to 1 unit as at December 31, 2019 and equal to 1 unit at December 31, 2018 (according to the percentage held by the Group).

The number of employees is down compared to the end of 2018, principally due to the subsidiary Actuator Solutions Taiwan Co., Ltd. being put into liquidation.

SAES RIAL Vacuum S.r.l.

SAES RIAL Vacuum S.r.l., established at the end of 2015, is jointly controlled by SAES Getters S.p.A. (49%) and Rodofil S.r.l. (51%). The company specialises in the design and manufacture of vacuum chambers for accelerators, synchrotrons and colliders and combines the expertise of SAES in the field of materials, vacuum applications and innovation, with the experience of 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. In this regard, please note that a key factor in qualifying the agreement is the signing of shareholders' agreements that envisage 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.

There is a put & call option in place between the shareholders SAES Getters S.p.A. and Rodofil S.r.l. for which, on September 20, 2019, the terms for exercise were redefined, delaying it by one year (from mid-2020

[64] The five-year plan was originally developed between October and November 2019 and was approved by the Supervisory Board on November 25, 2019.

to mid-2021) and, solely for the put option, the calculation methodologies for the exercise price were also redefined with respect to the agreement signed by both parties upon establishing the company (at the end of 2015).
In particular, in the period between May 1, 2021 and May 31, 2021, Rodofil S.r.l. will be able to sell its shares in a single tranche to SAES Getters S.p.A. by exercising the put option for a minimum of 2% up to 51% of the share capital of SAES RIAL Vacuum S.r.l. at a price set in relation to the company's performance at the sale date, estimated for any extraordinary costs and non-recurring investments, identified as useful for the future development[65] of the company[66].
If Rodofil S.r.l. does not exercise this put option, SAES Getters S.p.A. has the right to exercise, from June 1 - June 30, 2021, a call option in a single tranche for a percentage of shares equivalent to 30% of the share capital, at a price calculated with a similar mechanism, but without adjustments for any extraordinary costs or investments.
Note that, as management did not have enough information to be able to conduct an accurate assessment of the fair value of the above options at December 31, 2019, they were not included 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, 2019	December 31, 2018
Statement of financial position	**49%**	**49%**
Non current assets	325	161
Current assets	983	813
Total assets	**1,308**	**974**
Non current liabilities	192	151
Current liabilities	665	574
Total liabilities	**857**	**725**
Capital stock, reserves and retained earnings	249	232
Net income (loss) for the period	198	25
Other comprehensive income (loss) for the period (*)	4	(8)
Total equity	**451**	**249**
Goodwill arising on acquisition	1,393	1,393
SAES Group Investment	**1,844**	**1,642**

(*) Actuarial differences on the employee severance indemnities (TFR), in accordance with the IAS 19.

(thousands of euro)

SAES RIAL Vacuum S.r.l.	December 31, 2019	December 31, 2018
Statement of profit or loss and of other comprehensive income	**49%**	**49%**
Net sales	1,680	1,292
Cost of sales	(1,210)	(1,042)
Gross profit	**470**	**250**
Total operating expenses	(242)	(171)
Other income (expenses), net	62	(22)
Operating income (loss)	**290**	**57**
Interest and other financial income, net	(13)	(11)
Foreign exchange gains (losses), net	0	0
Income taxes	(79)	(21)
Net income (loss)	**198**	**25**
Actuarial gain (loss) on defined benefit plans, net of taxes	4	(8)
Total comprehensive income (loss)	**202**	**17**

[65] Understood as subsequent to 2020.
[66] Note that, following the redefinition of the procedures for calculating the exercise price of only the put option, the company's performance indicators (EBITDA and Net Financial Position) will be understood as net of any extraordinary costs and eliminating the effects from the financial realisation of investments (in property, plant and equipment and intangible assets) that SAES RIAL Vacuum S.r.l. will incur during 2020 but referring to future growth.

In total[67], SAES RIAL Vacuum S.r.l. closed 2019 with revenues of 3,428 thousand euro, up by 30% compared to 2,637 thousand euro recorded in 2018, due to the recognized competitive advantage, including globally, of its offer in the field of vacuum chambers. The increase in sales enabled a substantial recovery in gross margins (from 19.4% to 27.9%) and the resulting marked increase in net profit, from 51 to 403 thousand euro.

The share of SAES Group (49%) in the 2019 profit for the year of this joint venture amounted to +198 thousand euro, to which should be added the other components of comprehensive income, positive for 4 thousand euro, represented by the actuarial differences on defined benefit plans (in particular, Staff Leaving Indemnities), net of the relative tax (in total +17 thousand euro as at December 31, 2018).

The difference, equal to 1,393 thousand euro, between the investment value (1,844 thousand euro) and the value of the share of the SAES Group in the company's net assets (451 thousand euro) represents the goodwill that is included in the carrying value of the investment.

The value of the investment in SAES RIAL Vacuum S.r.l. underwent impairment testing as at December 31, 2019. To this end, the value in use was calculated using the Free Operating Cash Flow method, based on the three-year plan for 2020-2022 approved by the Board of Directors of the company on October 28, 2019, and using a WACC of 6.4%, in line with that of the Group.
In the model of discounting future cash flows, a terminal value was considered to reflect the residual value that the company should generate beyond the three years covered by the plans; this value was estimated prudentially at a growth rate (g-rate) of zero and a time horizon of 12 years estimated after the three years envisaged by the plan (time horizon in line with that used for the Solutions for Vacuum Systems business).
No potential impairment of assets emerged from the test conducted.
A sensitivity analysis was also conducted by increasing the discount rate by up to 1 percentage point more than the reference value; no material issues were identified from this.

The following table provides the number of employees of the joint venture SAES RIAL Vacuum S.r.l. as at December 31, 2019 by category, based on the percentage of ownership held by the SAES Group (equal to 49%).

SAES RIAL Vacuum S.r.l.	December 31, 2019	December 31, 2018
	49%	49%
Managers	1	0
Employees and middle management	5	4
Workers	4	4
Total (*)	**10**	**8**

(*) The figure excludes the personnel employed with contract other than salaried employment, equal to 1 unit as at December 31, 2019 and equal to 1 unit at December 31, 2018 (according to the percentage held by the Group).

The number of employees is essentially aligned with the end of 2018.

Flexterra

Flexterra originated from a technological partnership activated in the previous years between SAES and the US Company Polyera in the field of flexible thin film transistors for new generation displays. More specifically, Flexterra, Inc. based in Skokie (close to Chicago, Illinois, USA), was established at the end of 2016 as a development start up by SAES (through the subsidiary SAES Getters International Luxembourg S.A.) and the previous shareholders and lenders of Polyera, with the purpose of the design, manufacturing and sale of materials and components for the manufacture of flexible displays.
Flexterra, Inc. owns 100% of Flexterra Taiwan Co., Ltd.

During 2019, the Flexterra project made further advances, although with some delays from the initial projections. In particular, during the year, the joint venture continued to develop its organic materials and its formulations were qualified by an important Taiwanese producer of OTFT (Organic Thin Film Transistor). In

[67] Values at 100%.

November, a fully flexible electrophoretic display, which uses technology and materials developed by Flexterra, was presented at Touch Taiwan, a prestigious trade fair for the industry, and in December the joint venture received the first order for its formulations. The activities to industrialize OTFTs is at an advanced stage and, although it has taken longer than initial estimates, should be completed by summer 2020, while the start of the actual production and sales activities by Flexterra is expected for the second half of the year.

SAES currently holds 46.73% of the capital stock of Flexterra, Inc.
Note that SAES, which, at the beginning of 2018 held 33.79% of the share capital of the joint venture through the subsidiary SAES Getters International Luxembourg S.A., granted a further 4.5 million dollars in capital on October 5, 2018 and another 2.6 million dollars[68] in capital on December 12, 2018.
Following the increase in capital subscribed to by SAES Getters International Luxembourg S.A., in which the other shareholders did not take part, or only contributed partially, the investment stake of SAES in the share capital of Flexterra, Inc. increased progressively to 42.23% on October 5, 2018 and 46.73% on December 12, 2018.

The Group's equity investment is accounted for using the equity method since, irrespective of the ownership percentage in the share capital, the operation is classified as a joint control agreement and, specifically, a joint venture, based on the Board's composition (five members, two of which appointed by SAES) and the shareholder agreements (that provide that the decisions on relevant matters are taken with the consent of at least 4 of the 5 Board members).

The value of the investment as at December 31, 2019 is the initial overall contribution (8,146 thousand euro, equal to 8,500 thousand USD) of SAES Getters International Luxembourg S.A. in the share capital of Flexterra, Inc., increased by the above-mentioned share capital increases in the final part of the previous year (for a total value of 6,201 thousand euro, corresponding to 7,100 thousand dollars), adjusted for the SAES Group's share in the result and in the overall other profits (loss) from the previous years (2017 and 2018) and for 2019. The latter includes the expenses related to the issue of equity instruments, as well as the currency translation difference reserve arising from the conversion in euro of the financial statements of Flexterra, Inc. and its subsidiary Flexterra Taiwan Co., Ltd. (respectively expressed in US Dollars and Taiwanese Dollars). The relative write-downs for impairment are included for purposes of calculating the final value of the equity investment, recognized, respectively, at the end of the prior year (-4,300 thousand euro) and at December 31, 2019 (additional write-down of -555 thousand euro).
As stated previously, the investment had already reversed the unrealized *pro-quota* portion of the Group's gain from the sale of OLET-related patents owned by E.T.C. S.r.l. in liquidation to the joint venture Flexterra, Inc. (-1,059 thousand euro) as well as the reversal of the corresponding *pro-quota* share of amortization on the gain eliminated at consolidated level (+76 thousand euro).

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

[68] Contribution restricted to the purchase of OLET-related patents of E.T.C. S.r.l. in liquidation, completed in May 2019 (for further details, see "Main events in 2019" in the Report on Operations).

(thousands of euro)

Flexterra	December 31, 2019	December 31, 2018
Statement of financial position	**46,73%**	**46,73%**
Non current assets	6.837	6.140
Current assets	1.261	3.732
Total assets	**8.098**	**9.872**
Non current liabilities	92	47
Current liabilities	255	227
Total liabilities	**347**	**274**
Capital stock, reserves and retained earnings	9.465	10.628
Reserve for stock option plans	156	143
Net income (loss) for the period	(2.031)	(1.498)
Other comprehensive income (loss) for the period (*)	161	325
Total equity	**7.751**	**9.598**

(*) Currency translation difference reserve arising from the conversion in euro of the financial statements of Flexterra, Inc. and of Flexterra Taiwan Co., Ltd. and capital expenditure costs.

(thousands of euro)

Flexterra	December 31, 2019	December 31, 2018
Statement of profit or loss and of other comprehensive income	**46,73%**	(**)
Net sales	7	13
Cost of sales	0	(2)
Gross profit	**7**	**11**
Total operating expenses	(2.091)	(1.504)
Other income (expenses), net	0	(1)
Operating income (loss)	**(2.084)**	**(1.494)**
Interest and other financial income, net	0	(2)
Foreign exchange gains (losses), net	36	(20)
Income taxes	17	18
Net income (loss)	**(2.031)**	**(1.498)**
Exchange differences and capital expenditure costs	161	325
Total comprehensive income (loss)	**(1.870)**	**(1.173)**

(**) SAES share in the share capital of Flexterra, equal to 33.79% as at December 31, 2017, rose progressively to 46.73% as at December 31, 2018, following the share capital increases subscribed by SAES Getters International Luxembourg S.A. on October 5 and December 12, 2018 respectively, in which the other partners did not participate, or to which they only partially contributed.

In total[69], Flexterra closed 2019 with a net loss of -4,346 thousand euro compared to a loss of -4,153 thousand euro in the previous year (mainly costs for employees engaged in research and general and administrative activities, consulting, costs related to the management of patents and the amortization of intangible assets, including intellectual property). The higher loss was primarily due to amortization on the intellectual property sold[70] by E.T.C. S.r.l. in liquidation in the first half of the year to the joint venture (for further details, refer to the paragraph "Main events in 2019" of the Report on Operations), as well as higher costs related to patent management.

The portion pertaining to SAES Group of the joint venture's 2019 result was -2,031 thousand euro (-1,498 thousand euro as at December 31, 2018), which should be added to the other comprehensive income components, positive for 161 thousand euro, constituting the translation differences generated by the conversion into euro of the financial statements of Flexterra, Inc. and Flexterra Taiwan Co., Ltd. (+325 thousand euro in 2018).

The value of the investment underwent impairment testing as at December 31, 2019. To this end, the value in use was calculated using the Free Operating Cash Flow method, starting from the five-year plan drawn up by top management and approved by the Board of Directors of Flexterra, Inc. on February 12, 2020, which already included prudential elements deemed appropriate by the SAES Getters Board of Directors on February 13, 2020. The weighted average cost of capital (WACC) applied to future cash flows was 30%, in line with the joint venture's current pilot production phase.

In the discounting model of future cash flows, a terminal value was considered to reflect the residual value that the company should generate beyond the five years covered by the plans; this value was estimated

[69] Values at 100%.

[70] Sale price of 2.6 million dollars.

prudentially at a growth rate (g-rate) of zero and a time horizon of 10 years estimated after the five years envisaged by the plans.
From the analyses conducted, an impairment was identified in the consolidated investment equivalent to -555 thousand euro, primarily justified by the delays accumulated in the Flexterra project in relation to initial projections. This write-down is added to that recognized at the end of prior year, equal to -4,300 thousand euro.
In reference to the impairment testing conducted on the investment in Flexterra, note that the plans used for the test do not include the possible effects from the spread of the Covid-19 epidemic on a global scale, as these events occurred after the close of the year. However, the potential effects of this phenomenon on estimates of future cash flows are not able to be determined as this time and will be continuously monitored over the coming months, including to identify any impairment to the investment. On this matter it is worth noting that, as the company is a start-up whose cash flows are estimated over the medium term, any negative impact on future projections could result in impairment that is greater than that which is currently recognized, up to the entire value of the investment itself.

The following table provides the number of employees of the joint venture Flexterra by category, based on the percentage of ownership held by the Group as at December 31, 2019 (46.73%).

Flexterra	December 31, 2019	December 31, 2018
	46.73%	46.73%
Managers	3	3
Employees and middle management	6	5
Workers	0	0
Total	**9**	**8**

The number of employees was essentially the same as the end of the 2018 financial period.

18. SECURITIES IN THE PORTFOLIO

The “Securities in the portfolio” at December 31, 2019, amounted to a total of 205,452 thousand euro compared to 99,843 thousand euro at December 31, 2018.

The increase is mainly due to a further 100 million euro in cash and cash equivalents, in addition to the 100 million euro previously allocated at December 31, 2018, invested in building a portfolio with a conservative investment profile and mainly with high flexibility and liquidity, in order to promptly deal with any future Group requirements.

More specifically, in 2019, SAES Investments S.A. made a net investment of 70,376 thousand euro in a “Buy & Hold” bond portfolio, to be progressively developed, with a conservative investment profile that can provide returns on the cash, but with high flexibility and marketability. At December 31, 2019, the value of the bond portfolio amounted to 70,779 thousand euro and, compared to the initial investment, posted financial income for both the fair value measurement of securities (251 thousand euro) as well as disposal of securities (152 thousand euro).

Similarly, the Parent Company invested 30,000 thousand euro of cash in credit-linked certificates during 2019, which are due to mature at five years and representing financial instruments linked to the performance of underlying bonds and debt securities issued by leading Italian banks. The value of these financial instruments at December 31, 2019 amounted to 30,884 thousand euro (positive fair value measurement of 884 thousand euro in 2019).

Finally, a part of the cash from the sale of the gas purification business was already invested at the end of the 2018 financial period by SAES Investments S.A. by subscription to a Cardif Lux Vie Multiramo policy. The total initial investment amounted to 100,000 thousand euro, divided into two branches, more specifically:
- Branch I (initial investment of 40,000 thousand euro and fair value at December 31, 2019 of 40,665 thousand euro, compared to 40,084 thousand euro at December 31, 2018) at a minimum guaranteed rate (of 0.5%, net of the management fees, up to the end of 2019) and a return from the policy equal to the net return made by the separately managed General Fund if higher than the minimum guaranteed rate;
- Branch III (initial investment of 60,000 thousand euro and fair value at December 31, 2019 of 63,124 thousand euro, compared to 59,759 thousand euro at December 31, 2018) comprising a dynamic multi-line mandate, with the goal of conserving the invested capital value through a conservative volatility profile in the construction of the portfolio.

Apart from the "Buy & Hold" bond portfolio, classified under current assets, all the other financial assets of the Group were classified under non-current assets since they were the subject of a guarantee for the medium/long-term loan obtained by the Parent Company to cover the payment to acquire the ordinary shares under the partial voluntary tender offer finalized at the end of May 2019 (see Note no. 28 for the details on the loan).

With regard to the fair value measurement of the securities in the portfolio as at December 31, 2019, note that the fair value, calculated by an independent third party, coincides with the market prices on the reporting date for all securities listed in an active market (Level 1 of the fair value hierarchy) and, where there is no active market, the fair value has been calculated by using the most common measurement models and techniques available on the market or by referring to prices of comparable securities (Level 2 of the fair value hierarchy).

As a result of the Covid-19 epidemic and its effect on financial markets, note that the fair value of the Group's securities portfolio, consisting primarily of "Buy & Hold" assets, has decreased 1% at the present date compared to the value at December 31, 2019.

19. DEFERRED TAX ASSETS AND LIABILITIES

As at December 31, 2019 the net balance of deferred tax assets and deferred tax liabilities was positive for 456 thousand euro, compared to a positive amount of 2,155 thousand euro at December 31, 2018.

The related details are provided below.

(thousands of euro)

Deferred taxes	December 31, 2019	December 31, 2018	Difference
Deferred tax assets	9,126	8,678	448
Deferred tax liabilities	(8,670)	(6,523)	(2,147)
Total	**456**	**2,155**	**(1,699)**

Since deferred tax assets and liabilities have been recognized in the consolidated financial statements in consideration of the offsetting for legal entities, when appropriate, the following table shows deferred tax assets and liabilities before the offsetting process.

(thousands of euro)

Deferred taxes	December 31, 2019	December 31, 2018	Difference
Deferred tax assets	11,870	10,881	989
Deferred tax liabilities	(11,414)	(8,726)	(2,688)
Total	**456**	**2,155**	**(1,699)**

The following tables provide a breakdown of the temporary differences that comprise deferred tax assets and liabilities by their nature, compared with the figures as at December 31, 2018.

(thousands of euro)

Deferred tax assets	December 31, 2019		December 31, 2018	
	Temporary differences	Fiscal effect	Temporary differences	Fiscal effect
Intercompany profit eliminations	25,837	6,557	24,279	6,445
Differences on depreciation/amortization and write-downs	2,029	481	1,995	505
IAS 19 effect	220	64	227	65
Bad debts and financial assets write-down	503	125	595	149
Inventory provisions	4,024	961	3,609	932
Provisions	1,542	382	947	240
Cash deductable expenses	9,489	2,292	7,119	1,736
Deferred taxes on recoverable losses	1,673	401	1,673	401
Exchange differences and other	1,048	607	489	408
Total		**11,870**		**10,881**

The increase in deferred tax assets compared to the value at the end of the previous year (+989 thousand euro) is mainly related to the higher costs that are tax deductible in cash, rather than recorded in relation to the Parent Company, in particular, higher allocations for long-term incentives and the allocation for the phantom shares incentive plan.

The assessment of the recoverability of the deferred tax assets recognized in the financial statements results from specific analyses on the likelihood that the objectives indicated in the 2020-2022 plan are achieved and that, consequently, sufficient taxable income will be generated in future years to enable the use of said assets. These assumptions are based on estimates related to future economic and market forecasts, which may change depending on a number of factors, requiring a recalculation of these estimates.

As at December 31, 2019 the Group had 145,595 thousand euro in tax losses eligible to be carried forward, mainly related to the Parent Company, to the subsidiary SAES Getters International Luxembourg S.A. and to E.T.C. S.r.l. in liquidation (tax losses eligible to be carried forward amounted to 132,099 thousand euro as at December 31, 2018).
The tax losses eligible to be carried forward that were taken into account when calculating deferred tax assets were 1,673 thousand euro (essentially in line with those at December 31, 2018) and related exclusively to SAES Coated Films S.p.A. The deferred tax assets on these tax losses have been recognized on the reasonable certainty that they will be recovered in future years, in the light of the forecasts included in the three-year plan for 2020-2022.

(thousands of euro)

Deferred tax liabilities	December 31, 2019		December 31, 2018	
	Temporary differences	Fiscal effect	Temporary differences	Fiscal effect
Tax due on distribution of earnings accumulated by the subsidiaries	(52,835)	(4,277)	(29,308)	(2,731)
Differences on depreciation/amortization and assets fair value revaluations	(24,515)	(6,062)	(22,016)	(5,867)
Securities fair value revaluations	(3,795)	(947)	0	0
IAS 19 effect	(455)	(109)	(459)	(110)
IFRS 16 leasing effect	(31)	(8)	0	0
Other	(48)	(11)	(72)	(18)
Total		**(11,414)**		**(8,726)**

The deferred tax liabilities recorded in the consolidated financial statements as at December 31, 2019, in addition to the provision for taxes due in the event of distribution of the profits and the reserves of the subsidiaries for which a distribution is expected in a foreseeable future, also include the temporary differences on the gains identified at the time of the purchase price allocation of both the US companies acquired in the past years, and the more recently acquired company SAES Coated Films S.p.A.

The increase in deferred tax liabilities compared to December 31, 2018 (+2,688 thousand euro) is mainly due to the increase in the provision for taxes due in the case of distribution of profits and reserves of the subsidiaries (+1,546 thousand euro) and the recording at fair value of the securities portfolio held by SAES Investments S.A. (+947 thousand euro).

20. TAX CONSOLIDATION RECEIVABLES FROM THE CONTROLLING COMPANY

The item "Tax consolidation receivables from the Controlling Company" (272 thousand euro) refers to the receivable initially due to SAES Advanced Technologies S.p.A. and now due to the Parent Company[71], from S.G.G. Holding S.p.A., following a claim for a refund that the latter had presented as consolidating entity of the tax consolidation scheme in place until December 31, 2014. This receivable has been classified among non-current assets, as it is collectable after the end of the year.

Starting from January 1, 2015, following the decrease of the stake of S.G.G. Holding S.p.A. in SAES Getters S.p.A. below the threshold of 50%, the prerequisite to access to the tax consolidation scheme 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 Consolidated Law on Income Tax ("TUIR"). The Italian companies of the Group[72] currently belong to a new tax consolidation scheme with the Parent Company as consolidator.
There is no credit or debit balance with SAES Getters S.p.A. since the positive taxable income was offset with the negative income. For more details, please see Note no. 35.

21. FINANCIAL RECEIVABLES FROM RELATED PARTIES

The item "Financial receivables from related parties" amounted to 50 thousand euro as at December 31, 2019, and refers to the interest-bearing loan granted by SAES Group to the joint venture **SAES RIAL Vacuum S.r.l.** The portion expected to be repaid by the joint venture within one year is classified under current assets (1 thousand euro, equal to the interest accrued and not yet collected at December 31, 2019), while the remaining portion was recognized under non-current assets (49 thousand euro, equal to the principal portion).

The financial receivable, equal to a total of 9,619 thousand euro, which arose against the loans granted to the joint venture **Actuator Solutions GmbH**, was entirely written off since it is considered to be irrecoverable.

The related details are given in the tables below.

[71] Please note that SAES Advanced Technologies S.p.A. merged into SAES Getters S.p.A. effective from January 1, 2016 from an accounting point of view.
[72] SAES Getters S.p.A., SAES Nitinol S.r.l. and E.T.C. S.r.l. in liquidation. In October 2017, the option to also include Metalvuoto S.p.A. (later renamed SAES Coated Films S.p.A.) within the scope of the national tax consolidation was exercised, effective from January 1, 2017.

Actuator Solutions GmbH

Description	Currency	Principal (thousands of euro)	Timing of capital reimbursement	Interest rate	Value as at December 31, 2019 (*) (thousands of euro)	Value as at December 31, 2018 (*) (thousands of euro)	
Loan granted in October 2014	EUR	1,200	flexible, with maturity date October 2018 extended to December 2020 (°)	6% annual fixed rate	74	74	
Loan granted in April 2016	EUR	1,000	flexible, with maturity date April 2019 extended to December 2020 (°)	6% annual fixed rate	99	99	
Loan signed in July 2016: - first *tranche* granted in July 2016	EUR	2,000	flexible, with maturity date April 2019 extended to April 2024 (°°)	6% annual fixed rate	3,607	3,427	(#)
- second *tranche* granted in September 2016	EUR	1,000					
Loan signed in November 2016: - first *tranche* granted in November 2016;	EUR	1,000	flexible, with maturity date April 2019 extended to April 2024 (°°)	6% annual fixed rate	5,839	5,539	
- second *tranche* granted in January 2017;	EUR	1,000					
- third *tranche* granted in February 2017;	EUR	1,000					
- fourth *tranche* granted in March 2017;	EUR	1,000					
- fifth *tranche* granted in April 2017;	EUR	500					
- sixth *tranche* granted in February 2018.	EUR	500					
Total		**10,200**			**9,619**	**9,139**	
Financial receivables from related parties provision					**(9,619)**	**(9,139)**	
Total net of write-downs					**0**	**0**	

(*) Interests included; on December 17, 2019 SAES Nitinol S.r.l. and Actuator Solutions GmbH have signed an agreement under which the payment of all interest accrued from 2016 to 2019 has been postponed to December 31, 2020.
(°) The value includes only the portion of interest accrued in the 2016-2018 period.
(°°) In January 2019, the duration of the loan was extended by five years, delaying the expiry from April 30, 2019 to April 30, 2024.
(#) On January 15, 2019, SAES Nitinol S.r.l. irrevocably waived the guarantee granted jointly by Alfmeier S.E. and SMA Holding GmbH, by means of a letter of patronage, on 50% of the loan.

As shown in the previous table, note:

- in January 2019, the duration of all the loans in place (principal of 8 million euro) granted by SAES Nitinol S.r.l. to Actuator Solutions GmbH was extended by five years, extending the maturity date from April 30, 2019 to April 30, 2024.
- on December 17, 2019, SAES Nitinol S.r.l. and Actuator Solutions GmbH signed an agreement to postpone until December 31, 2020 the payment of all interest accrued from 2016 to 2019 (1,619 thousand euro) on loans granted by SAES, in several tranches, to the joint venture.

All financial receivables (both principal and interest) owed to the Group by the joint venture at December 31, 2018 (9,139 thousand euro) had already been fully written off at the end of the previous year, following the letter of postponement issued by SAES Nitinol S.r.l., in order to guarantee business continuity for Actuator Solutions.

During the year, the restructuring operation continued, aimed at a greater focus by the German joint venture on its core business (in particular, production in the automotive business and product developments in the telecom sector). The extraordinary costs related to this operation, which also resulted in the liquidation of the subsidiaries in China and Taiwan, had a considerable impact on the joint venture's financial structure and balance sheet. For this reason, in order to ensure the operational continuity of Actuator Solutions, SAES deemed it necessary, once again in 2019, to postpone the interest accrued on the aforementioned loans, writing off the related financial receivable because it was considered unlikely to be recovered, also in light of the review of the five-year plan[73] carried out by the management of Actuator Solutions and presented to shareholders at the Extraordinary Shareholders' Meeting on February 18, 2020.

SAES RIAL Vacuum S.r.l.

[73] The five-year plan was originally developed between October and November 2019 and was approved by the Supervisory Board on November 25, 2019.

Description	Currency	Principal (thousands of euro)	Timing of capital reimbursement	Interest rate	Value as at December 31, 2019 (*) (thousands of euro)	Value as at December 31, 2018 (*) (thousands of euro)
Loan granted in January 2016	EUR	49	flexibile	Three-months Euribor, plus 2.50% spread	50	50

(*) Interests included.

22. OTHER LONG-TERM ASSETS

The "Other long-term assets", at December 31, 2019, amounted to 1,528 thousand euro compared to 396 thousand euro at December 31, 2018.

This item, in addition to the deposits paid by the various Group companies, within the scope of its operating activities, includes the advance, of 1,100 thousand euro, for a potential minority investment currently being evaluated. If the negotiations are not successful, the advance will be returned to SAES Group no later than July 31, 2020.

23. INVENTORY

The inventory amounted to 25,547 thousand euro as at December 31, 2019, with an increase of +2,065 thousand euro compared to December 31, 2018.

The following table shows the breakdown of inventory as at December 31, 2019 compared with December 31, 2018.

(thousands of euro)

Inventory	December 31, 2019	December 31, 2018	Difference
Raw materials, auxiliary materials and spare parts	8,639	8,046	593
Work in progress and semi-finished goods	10,735	10,271	464
Finished products and goods	6,173	5,165	1,008
Total	**25,547**	**23,482**	**2,065**

Excluding the positive exchange rate effect (equal to +275 thousand euro), mainly related to the revaluation of the US dollar as at December 31, 2019 compared to the end of the previous year, the inventory would have increased by 1,790 thousand euro: the growing volumes of semi-finished and finished products at the Parent Company's plant in Avezzano, related to the advanced productions in the electronic devices sector and necessary to meet product order with delivery in the first half of 2020, should be added to the higher stock (raw materials, semi-finished and finished products) in the Medical SMA segment, related to the upward trend of revenues in this operating sector. This increase is only partially offset by the drop in raw material volumes in the advanced packaging business, due to better timing in managing procurement by the associate SAES Coated Films S.p.A., also made possible by the phase-out of metallized products that required higher levels of raw material stock to be maintained due to longer supply times.

Inventory is stated net of any provision for depreciation, which, in 2019, recorded the changes shown in the table below.

(thousands of euro)

Inventory provision	
December 31, 2018	**2,738**
Accrual	982
Release into income statement	(334)
Utilization	(489)
Translation differences	22
December 31, 2019	**2,919**

The accrual (+982 thousand euro) was mainly related to the write-down of the semi-finished products and finished goods characterized by slow turnover or no longer used in the production process, in particular by the Parent Company and by the US affiliates Spectra-Mat, Inc. and SAES Smart Materials, Inc.

The release into income statement (-334 thousand euro) was a consequence of a recall into production of warehouse codes that were written down in the previous year in the Nitinol division.

The utilization (-489 thousand euro) is related to the scrapping of items that had already been written down in previous years, especially by the Parent Company and the US company Spectra-Mat, Inc.

24. TRADE RECEIVABLES

Trade receivables, net of the bad debt provision, were equal to 21,755 thousand euro as at December 31, 2019 and increased by 2,079 thousand euro compared to December 31, 2018.
Eliminating the effect of fluctuations in exchange rates (+286 thousand euro), the increase (+1,793 thousand euro) was principally due to strong organic growth in revenues posted in the shape memory alloy business in the last quarter of 2019, compared to the corresponding period of the prior year.

The breakdown of the item as at December 31, 2019 and December 31, 2018 is shown in the following table.

(thousands of euro)

Trade receivables	December 31, 2019	December 31, 2018	Difference
Gross value	22,071	20,092	1,979
Bad debt provision	(316)	(416)	100
Net book value	**21,755**	**19,676**	**2,079**

Trade receivables are not interest-bearing and generally are due after 30-90 days.

The bad debt provision recorded the following changes during the period.

(thousands of euro)

Bad debt provision	December 31, 2019	December 31, 2018
Opening balance	**416**	**336**
Difference from the sale of the gas purification business	0	(128)
Accrual	6	211
Release into income statement	(32)	(3)
Utilization	(75)	(1)
Translation differences	1	1
Closing balance	**316**	**416**

The accrual (6 thousand euro) is mainly related to the write-down of a specific credit position by the Parent Company, which management considers non-collectable after the customer declared bankruptcy.

Release into income statement (32 thousand euro) are mainly a result of the partial collection of some receivables written down by SAES Coated Films S.p.A. in previous years; the remainder refer to the allocation of general provisions by the Group's US associates.
The item also includes the net use (-6 thousand euro) through the general write-down accounted for at December 31, 2018 according to the Expected Credit Loss model provided under IFRS 9 and based on the calculation of the average amount that will not be recovered on the basis of historic and geographic indicators. The general write-down accounted for in accordance with IFRS 9 in the previous financial period, amounted to 44 thousand euro (included in the line "Accrual").

The utilization (75 thousand euro) refers almost exclusively to the part that was not collected, and therefore definitively written off, of the above-mentioned receivables written down by the subsidiary SAES Coated Films S.p.A.

The following table provides a breakdown of trade receivables, by those not yet due and past due as at December 31, 2019 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, 2019	**22,071**	16,236	3,507	1,613	320	58	21	316
December 31, 2018	**20,092**	14,432	4,479	426	76	168	95	416

Receivables past due more than 30 days and not written down, since they are considered recoverable, represent an insignificant percentage if compared to the total trade receivables, and are constantly monitored. The higher percentage represented by these receivables on total trade receivables (from 4% as at December 31, 2018 to 9% as at December 31, 2019) was mainly due to some specific receivables of the American associate Memry Corporation, which were collected in early 2020.

See Note no. 40 regarding the credit risk of trade receivables in order to understand how the Group monitors and manages credit quality in the event that the relative trade receivables are not due or written down.

25. OTHER RECEIVABLES, ACCRUED INCOME AND PREPAID EXPENSES

This item, which includes current non-trade receivables from third parties, along with prepaid expenses and accrued income, showed a balance of 4,677 thousand euro as at December 31, 2019, compared to 4,634 thousand euro as at December 31, 2018.

A breakdown of this item is provided below.

(thousands of euro)

Prepaid expenses, accrued income and other	December 31, 2019	December 31, 2018	Difference
Income tax and other tax receivables	1,863	1,233	630
VAT receivables	1,236	1,737	(501)
Social security receivables	32	3	29
Personnel receivables	1	5	(4)
Receivables for public grants	63	23	40
Other receivables	5	95	(90)
Total other receivables	**3,200**	**3,096**	**104**
Accrued income	0	0	0
Prepaid expenses	1,477	1,538	(61)
Total prepaid expenses and accrued income	**1,477**	**1,538**	**(61)**
Total prepaid expenses, accrued income and other	**4,677**	**4,634**	**43**

The item "Income tax and other tax receivables" includes the receivables for tax advances paid and other tax credits of the Group's companies with local authorities. The increase over December 31, 2018 (+630 thousand euro) is mainly related to the tax advances paid by the associate SAES Getters/U.S.A., Inc. on its own behalf and on behalf of the other American associates (Spectra-Mat, Inc., Memry Corporation and SAES Smart Materials, Inc.). Moreover, note the Parent Company's higher tax credits for recoverable withholding taxes applied mainly on royalties and inter-company dividends.

The decrease in "VAT receivables" was mainly due to the refunds obtained by E.T.C. S.r.l. and the Parent Company on receivables accrued in 2017 (688 thousand euro) and the offsets made by the latter with the receivables generated in 2018 and other taxes and contributions. These decreases were only partially offset by the credit generated by both Group companies during the current year for the surplus on taxable debit transactions compared to the credit transactions and not already offset with other taxes and contributions.

Please note that the item "Receivables for public grants" was composed of credits matured by the Parent Company as at December 31, 2019 as a result of public funding for outstanding research projects.
Income from public grants included in the 2019 statement of profit or loss amounted to a total of 104 thousand euro (1,305 thousand euro in 2018, including revenue of 1,164 thousand euro recognized by the US Company Memry Corporation following the transformation of 50% of the loan granted by the State of Connecticut (CT) at the end of 2014 into a non-repayable grant).

Prepaid expenses and accrued income, totalling 1,477 thousand euro and in line with December 31, 2018 (1,538 thousand euro), include cost items (specifically, insurance expenses and costs for patent management) paid in advance at the end of 2019 by referring to the subsequent year.

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

Public grants - disclosure pursuant to law of August 4, 2017, no. 124, article 1, paragraphs 125-129

Law no. 124 of August 4, 2017 - article 1, paragraphs 125-129 - "Fulfilment of transparency and disclosure obligations" introduced, starting from the 2018 financial statements, a series of disclosure and transparency obligations by parties who have financial dealings with the Public Administration. In light of the guidelines expressed by industry sources, the disclosure requirement is not deemed to apply to:
• general measures that can be used by all companies that fall under the general structure of the applicable system defined by the State (e.g., ACE);
• selective economic benefits, received in application of an aid regime, accessible to all companies that meet certain conditions, on the basis of general pre-determined criteria (e.g., contributions for research and development products and tax incentives);

• public resources that can be related to public parties of other states (European or non-European) and European institutions;
• contributions for training received by inter-professional funds, since they are funds for association purposes and for entities governed by private law, funded with contributions paid by the companies themselves.
In accordance with the above, the analysis showed that, in 2019, similar to the previous year, the Group did not receive public grants that would fall under the application of Law no. 124/2017 (article 1, paragraphs 125-129) as amended.

26. CASH AND CASH EQUIVALENTS

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

The following table shows the balances as at December 31, 2019 and December 31, 2018.

(thousands of euro)

Cash and cash equivalents	December 31, 2019	December 31, 2018	Difference
Bank accounts	48,623	170,592	(121,969)
Petty cash	11	9	2
Total	**48,634**	**170,601**	**(121,967)**

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

"Bank accounts" are shown net of the write-down, amounting to -78 thousand euro, determined in application of IFRS 9. The expected losses were calculated on the basis of a default percentage associated with each bank where the cash and cash equivalents are deposited, obtained on the basis of the rating of each bank.
As at December 31, 2018, the write-down was -144 thousand euro and the reduction in expected losses compared to the end of the previous year (-66 thousand euro) is mainly the result of lower liquidity held by the Group.

The decrease in cash and cash equivalents is mainly due to the additional 100 million euro of cash, invested in the first quarter of 2019 in the securities portfolio, by the Parent Company and the affiliate SAES Investments S.A. (please refer to Note no. 18 for further details).

For a detailed analysis of the changes occurred in cash and cash equivalents during the period please refer to the comments on the cash flow statement (Note no. 39).

As at December 31, 2019 the Group has unused credit lines of 25.7 million euro compared to 21.7 million euro as at December 31, 2018. The increase is the result of the opening of a new line of credit by SAES Getters/U.S.A., Inc.

Reconciliation of net financial debt

Details on the Group's net financial debt are provided below, drafted in accordance with Consob Communication no. DEM/6064293 of July 28, 2006.

(thousands of euro)

		December 31, 2019	June 30, 2019	December 31, 2018
A.	Cash	11	9	9
B.	Other cash and cash equivalents	48,623	41,792	170,592
C.	Securities held for trading	70,779	71,312	0
D.	**Cash and cash equivalent (A)+(B)+(C)**	**119,413**	**113,113**	**170,601**
E.	**Current financial receivables**	**1**	**33**	**1**
F.	Bank overdraft	(27,195)	(27,002)	(27,353)
G.	Current portion of long term debt	(5,365)	(5,544)	(5,438)
H.	Other current financial liabilities	(2,826)	(1,735)	(1,049)
I.	**Current financial liabilities (F)+(G)+(H)**	**(35,386)**	**(34,281)**	**(33,840)**
J.	**Current net financial position (I)+(E)+(D)**	**84,028**	**78,865**	**136,762**
K.	Long term debt, net of current portion	(100,724)	(103,355)	(13,344)
L.	Bonds issued	0	0	0
M.	Other non-current payables	(2,710)	(1,814)	0
N.	**Non current financial liabilities (K)+(L)+(M)**	**(103,434)**	**(105,169)**	**(13,344)**
O.	**Net financial debt (J)+(N)**	**(19,406)**	**(26,304)**	**123,418**

The table below shows the reconciliation of the net financial debt in accordance with Consob Communication no. DEM/6064293 of July 28, 2006 and the net financial debt figure shown in the Report on Operations.

(thousands of euro)

	December 31, 2019	June 30, 2019	December 31, 2018
Net financial debt included in the Explanatory notes	**(19,406)**	**(26,304)**	**123,418**
Related parties non current financial assets	49	49	49
Securities - long term	134,673	131,263	99,843
Net financial position included in the Management Report	**115,316**	**105,008**	**223,310**

27. SHAREHOLDERS' EQUITY

The Group shareholders' equity amounted to 252,530 thousand euro as at December 31, 2019, with a decrease of 88,690 thousand euro compared to December 31, 2018, due to the acquisition of treasury stock as part of the partial voluntary tender offer finalized by the Parent Company at the end of May 2019 (-93,382 thousand euro
[74]) and the dividend distribution by SAES Getters S.p.A. (-16,580 thousand euro), partially offset by the profit for the year (+19,837 thousand euro) and the conversion differences for financial statements in foreign currencies (positive for +1,799 thousand euro). Lastly, note the negative actuarial differences on defined benefit plans recognized in equity among other comprehensive profits and losses, equal to -364 thousand euro.

A summary of the changes that occurred is provided in the Statement of Changes in Equity.

Capital stock

As at December 31, 2019 the capital stock, fully subscribed and paid-up, amounted to 12,220 thousand euro, comprising 22,049,969 shares. The composition of share capital was unchanged compared to December 31, 2018.
The implicit book value per share was 0.554196 euro as at December 31, 2019, unchanged from December 31, 2018.

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 Law (TUF).

All the Parent Company's securities are listed on the segment of the Mercato Telematico Azionario of Borsa Italiana, 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, 2018.

Treasury shares

The item amounted to -93,382 thousand euro at December 31, 2019 and refers to the ordinary shares acquired by SAES Getters S.p.A. as part of the voluntary partial public tender offer authorized by the Ordinary Shareholders' Meeting on March 18, 2019 following the proposal by the Board of Directors of February 14, 2019. On May 31, 2019, the Parent Company acquired 3,900,000 ordinary shares at a price of 23 euro per share.

The table below shows the breakdown of the share capital and the reconciliation between the number of shares in issue and the treasury stock at December 31, 2019 and at December 31, 2018.

---

[74] This amount includes both the amount paid by the Parent Company to acquire the ordinary shares (89,700 thousand euro) and the related purchase charges (3,682 thousand euro).

	December 31, 2018	Purchase of treasury shares	December 31, 2019
Ordinary outstanding shares	14,671,350	(3,900,000)	10,771,350
Savings outstanding shares	7,378,619	0	7,378,619
Treasury shares	0	3,900,000	3,900,000
Total shares	**22,049,969**	**0**	**22,049,969**

The percentage, at December 31, 2019, of treasury stock in portfolio to both the applicable category and the overall number of shares that constitutes the share capital is shown below in accordance with article 2357 of the Civil Code.

	December 31, 2019
Number of ordinary treasury shares	3,900,000
% on total ordinary shares	**26.6%**
% on share capital	**17.7%**

The payment to acquire the shares amounted to 89.7 million euro, to which the additional charges of 3.7 million euro should be added.
As provided by the international accounting standards, the overall cost (of 93.4 million euro) to acquire the treasury stock, including the additional charges, reduced the equity by the same amount.

Legal reserve

This item corresponds to the Parent Company's legal reserve of 2,444 thousand euro as at December 31, 2019 and it was unchanged compared to December 31, 2018, 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;
- the other reserves of subsidiaries, retained earnings, and other shareholders' equity items of Group companies 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 2018 dividends, approved by the Parent Company's Shareholders' Meeting (-16,580 thousand euro), the carry forward of the 2018 consolidated income (+232,333 thousand euro), and the actuarial differences on defined benefit plans of both the subsidiaries and the companies measured with the equity method, generated by applying the revised version of IAS 19, net of the relevant tax effect (-364 thousand euro).

As reported in the Report on corporate governance and ownership structure attached to these 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 26 of the By-laws, savings shares are entitled to a preferred dividend equal to 25% of their implied book value; if in one financial year a dividend of less than 25% of the implied book value has been allocated to savings shares, the difference will be made up by increasing the preferred dividend in the following two years. The remaining profit that the Shareholders' Meeting has resolved to distribute will be allocated among all shares in such a way to ensure that savings shares are entitled to a total dividend that is 3% of the implied book value higher than that of ordinary shares. In case of distribution of reserves, shares have the same rights irrespective of the category to which they belong.

Other components of 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 12,088 thousand euro as at December 31, 2019, compared to a positive balance of 10,289 thousand euro as at December 31, 2018.
The increase of 1,799 thousand euro was due both to the overall effect on the consolidated shareholders' equity of the translation into euros of the financial statements in the currencies of fully consolidated foreign subsidiaries and the respective consolidation adjustments (+1,638 thousand euro), and the share of the Group in the translation reserve arising from the consolidation of the companies[75] evaluated with the equity method (+161 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 the international accounting standards.

Reconciliation between the net profit and the shareholders' equity of SAES Getters S.p.A. with the net profit and consolidated shareholders' equity as at December 31, 2019 and December 31, 2018 is shown in the following table.

(thousands of euro)	December 31, 2019		December 31, 2018	
	Net income	Shareholders' equity	Net income	Shareholders' equity
SAES Getters S.p.A. - Parent Company	**14,416**	**207,231**	**258,234**	**303,043**
Shareholders' equity and net result of consolidated subsidiaries, net of dividends distribution and write-downs of investments in share capital	10,574	236,516	18,777	231,396
Book value of investments in share capital		(145,980)		(152,965)
Consolidation adjustments:				
Elimination of profit arising from intercompany transaltions, net of the related tax effect	(261)	(19,625)	(14,625)	(19,364)
Accrual of deferred taxes on equity distributable of consolidated subsidiaries	(1,546)	(4,277)	1,176	(2,731)
Equity evaluation of joint venture	(3,135)	(20,325)	(5,773)	(17,355)
Other adjustments	(211)	(1,010)	(25,456)	(804)
Consolidated financial statements	**19,837**	**252,530**	**232,333**	**341,220**

28. FINANCIAL DEBTS

As at December 31, 2019, the financial debts amounted to a total of 106,089 thousand euro, with an increase of 87,307 thousand euro compared to December 31, 2018.

The increase is a result of the new medium-long term loan obtained on May 30, 2019 by the Parent Company for an amount equal to 92,735 thousand euro. This loan was granted by Mediobanca - Banca di Credito Finanziario S.p.A. to guarantee due fulfilment of the obligations of the partial, voluntary tender offer finalized at the end of May and to cover the related amount spent to acquire the ordinary shares in addition to the related commissions and expenses.
The loan has a maximum duration of five years and calls for quarterly interest payments at the annual fixed rate of 1.2%. The loan can be repaid in a single solution at the expiry date, or it can be done at any time, by voluntary partial repayments for a minimum amount of 5 million euro and multiples of 1 million euro. In the case of early repayments, the Parent Company will have to pay Mediobanca the amount that has to be repaid and any mark-to-market amount - if negative - of the IRS derivative agreed by the lending entity to cover the

[75] Translation reserve deriving from the conversion in euro of the financial statements of Flexterra, Inc. and its subsidiary Flexterra Taiwan Co., Ltd.

risk of fluctuating interest rates; if the mark-to-market is positive, Mediobanca will pay this amount to SAES. There will be a single financial covenant (net consolidated positive financial position) subject to half-yearly checks. The loan is guaranteed by sureties on the Group's financial assets classified under non-current assets (for additional details, please refer to Note no. 18).

The following table shows the changes in the financial debts in 2019.

(thousands of euro)

Financial debts	
December 31, 2018	**18,782**
Proceeds	92,735
Amortization of fees and interests	843
Repayments	(5,467)
Interest payments	(815)
Conversion differences on loans in foreign currencies	11
December 31, 2019	**106,089**

During 2019 the Parent Company repaid 5,108 thousand euro of the principal. The difference of 359 thousand euro, corresponds to the repayment of principal by SAES Coated Films S.p.A. and Memry Corporation.

The effect of the currencies was almost nil (positive 11 thousand euro): only 0.4% of the Group's financial debt comprises loans in US dollars held by the US subsidiary Memry Corporation (the equivalent amount in euros of said payables has increased following the revaluation of the dollar at December 31, 2019 compared to December 31, 2018).

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

(thousands of euro)

Financial debts	December 31, 2019	December 31, 2018	Difference
Less than 1 year	5,365	5,438	(73)
Current portion of financial debts	**5,365**	**5,438**	**(73)**
Between 1 and 2 years	5,204	5,361	(157)
Between 2 and 3 years	2,584	5,203	(2,619)
Between 3 and 4 years	88	2,582	(2,494)
Between 4 and 5 years	92,825	87	92,738
Over 5 years	23	111	(88)
Non current financial debts	**100,724**	**13,344**	**87,380**
Total	**106,089**	**18,782**	**87,307**

The significant increase in the bank debt with 4- and 5-year maturity dates is related to the above-mentioned loan, signed by the Parent Company, to cover the amount needed to acquire the ordinary shares. That loan has a 5-year duration and is scheduled to be repaid on a lump-sum basis on the maturity date.

The following table shows the details of the loans held by the Group companies.

Description	Currency	Principal	Timing of capital reimbursement	Timing of covenants calculation	Interest rate	Effective interest rate	Value as at December 31, 2019 (thousands of euro)	Value as at December 31, 2018 (thousands of euro)
SAES Getters S.p.A. *Unicredit*	EUR	10 (millions of euro)	quarterly with maturiry date March 31, 2022	Half -yearly	Three-months Euribor plus 1% spread	0,90%	4.489	6.478
SAES Getters S.p.A. *Intesa Sanpaolo*	EUR	10 (millions of euro)	half-yearly (with fixed principal amounts) with maturity date December 21, 2022	Yearly	Six-months Euribor plus 1.20% spread	1,18%	5.980	7.966
SAES Getters S.p.A. *Banco BPM*	EUR	5 (millions of euro)	quarterly (with variable principal amounts) with maturity date December 31, 2021	n.a.	Three-months Euribor plus 1% spread	1,11%	2.247	3.353
Memry Corporation *Soft financing granted by the State of Connecticut (*)*	USD	1ª *tranche* = 2 millions of USD 2ª *tranche* = 0.8 millions of USD	monthly with maturity date March 1, 2025	n.a.	2%	2,00%	457	528
SAES Coated Films S.p.A. *Intesa Sanpaolo*	EUR	300 (thousand of euro)	quarterly with maturiry date June 30, 2020	n.a.	Three-months Euribor plus 2.25% spread	1,91%	38	112
SAES Coated Films S.p.A. *Banco BPM*	EUR	231 (thousand of euro)	half-yearly with maturity date June 30, 2020	n.a.	Six-months Euribor plus 2.75% spread	2,49%	30	90
Banco BPM - MIUR loan	EUR	231 (thousand of euro)			0.5%	0.5%	29	87
SAES Coated Films S.p.A. *Intesa Sanpaolo*	EUR	400 (thousand of euro)	quarterly with maturiry date December 31, 2020	n.a.	Three-months Euribor plus 1.50% spread	1,16%	84	168
SAES Getters S.p.A. *Mediobanca – Banca di Credito Finanziario*	EUR	92.7 (millions of euro)	single solution at the final date (April 17, 2024)	Half -yearly	1.2%	1,20%	92.735	0

(*) During 2018, 50% of the loan has been transformed in a non-repayable grant.

Covenants

With the exception of the loan signed with Banco BPM, all the loans held by the Parent Company must comply with covenants calculated on some Group's economic and financial figures. The loans granted by Unicredit and Mediobanca are checked to ensure compliance with the covenants every six months (at June 30 and December 31 every financial period) while the guarantee clauses for the loan granted by Banca Intesa Sanpaolo are only checked every year (at December 31).
As noted in the tables below, all the covenants were respected at December 31, 2019.

			loan Intesa Sanpaolo (*)	*loan Unicredit (**)*	*loan Mediobanca (***)*
		Covenant	**December 31, 2019**	**December 31, 2019**	**December 31, 2019**
Net equity	k euro	≥ 94,000	n.a.	252,530	n.a.
Net financial position	k euro	> 0	n.a.	n.a.	119,952
(Net financial position) / Net equity	%	≤ 1.0	0.1	(0.5)	n.a.
(Net financial position) / EBITDA (§)	%	≤ 2.25	0.4	(3.4)	n.a.
EBITDA (§) / Financial expenses (§§)	%	> 5.0	24.4	n.a.	n.a.

(*) Net financial position calculated excluding non current financial assets, receivables (payables) for derivative financial instruments evaluated at fair value and financial liabilities for leasing contracts pursuant to IFRS 16.
(**) Net financial position calculated excluding financial receivables from related parties, receivables (payables) for derivative financial instruments evaluated at fair value and financial liabilities for leasing contracts pursuant to IFRS 16.
(***) Net financial position calculated excluding receivables (payables) for derivative financial instruments evaluated at fair value and financial liabilities for leasing contracts pursuant to IFRS 16.
(§) EBITDA calculated without IFRS 16 application.
(§§) Financial expenses net of interests on financial liabilities for leasing contracts.

Please note that both the soft financing disbursed by the state of Connecticut to Memry Corporation and the loan agreements signed by SAES Coated Films S.p.A. contain no economic and financial covenants.

The extraordinary capital transaction (tender offer) finalized in the first half of the year meant that certain contractual terms were not honoured (negative pledge, *pari passu* and total net bank debt no higher than 100 million euro) on the loans signed by the Parent Company with Unicredit and Intesa Sanpaolo. The banks were promptly informed of the extraordinary transaction, and they expressed their prior agreement and decided not to use their right to terminate the loan contracts against payment of a waiver fee amounting to a total of 14 thousand euro.

Although there is a context of general uncertainty, further aggravated by the Covid-19 epidemic, management maintains that the Group will be able to respect the aforementioned covenants also in the coming years.

29. FINANCIAL LIABILITIES FOR LEASES

At December 31, 2019 the "Financial liabilities for leases" for a total of 4,586 thousand euro reflect the obligation to pay the lease payments and corresponds to the current value of future payments.

Debt with a maturity of less than one year is included under the current liabilities.

(thousands of euro)

	December 31, 2019	December 31, 2018	Difference
Financial liabilities for leases - current	1,876	0	1,876
Financial liabilities for leases - non current	2,710	0	2,710
Total Financial liabilities for leases	**4,586**	**0**	**4,586**

The change compared to the end of the last financial period is due to application of the new accounting standard IFRS 16 - Leases. Specifically, note that at December 31, 2018 the Group did not have debts deriving from the stipulation of financial lease agreements since the new IFRS 16 standard was applied by the Group using the modified retrospective method, i.e. by not modifying the comparative data as at December 31, 2018 (for further details on the first application of the IFRS 16, refer to Note no. 2).

As at December 31, 2018 there were no debts related to any financial lease contract.

The following table shows the breakdown of financial debt by contractual maturity.

(thousands of euro)

Financial liabilities for leasing	December 31, 2019
Less than 1 year	1,876
Financial liabilities for leasing - current	**1,876**
Between 1 and 2 years	1,425
Between 2 and 3 years	547
Between 3 and 4 years	418
Between 4 and 5 years	320
Over 5 years	0
Financial liabilities for leasing - non current	**2,710**
Financial liabilities for leasing	**4,586**

The average weighted incremental borrowing rate (IBR) applied to the financial liabilities recognized during 2019 amounted to 4.73%.

30. OTHER FINANCIAL DEBTS TO THIRD PARTIES

The item "Other financial debts to third parties" amounted to 900 thousand euro as at December 31, 2019 compared to 1,001 thousand euro as at December 31, 2018.

(thousands of euro)

	December 31, 2019	December 31, 2018	Difference
Other financial debts to third parties - current	900	1,001	(101)
Other financial debts to third parties - non current	0	0	0
Other financial debts to third parties	**900**	**1,001**	**(101)**

The following table shows the changes in the other financial debts to third parties in 2019.

(thousands of euro)	December 31, 2018	Collections (Payments)	Adjustment on the consideration for the	Other income statement accruals	Conversion differences	December 31, 2019
Financial receivables on adjustment on the consideration for the purification business disposal	521	(396)	(133)	0	8	0
Import financing	470	402	0	7	0	879
Other commissions	10	(218)	0	229	0	21
Other current financial debts to third parties	**1,001**	**(212)**	**(133)**	**236**	**8**	**900**

As at December 31, 2019, this item was composed of bank fees accrued and not yet paid (21 thousand euro), as well as financial debts of the associate SAES Coated Films S.p.A. (879 thousand euro as at December 31, 2019 to be compared with 470 thousand euro as at December 31, 2018) related to some short-term loans intended for the import of goods, signed with primary financial institutions in order to have more financial resources to facilitate its procurement activities.

On December 31, 2018, the item included the financial payable, equal to 521 thousand euro, related to the contractual adjustment of the sales price of the gas purification business. As established in the contract agreed between the parties, the price was calculated at the closing date, using estimated amounts of working capital, cash and tax receivables, while a financial liability was accounted for at December 31, 2018 for the difference between the estimated amounts and the actual amounts. In the current year, the Group paid that financial liability net of another positive adjustment to the price, recalculated following the definition of the actual value of the tax credit of the companies that were sold - SAES Getters USA, Inc. and SAES Pure Gas, Inc. - resulting from the tax return for the period January 1 - June 24, 2018, presented in April 2019 (please refer to Note no. 11 for further details).

31. 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 shows a breakdown and changes in this item during the period.

(thousands of euro)

Employee severance indemnities and other employee benefits	Employee severance indemnities	Other employee benefits	Total
December 31, 2018	**5,131**	**2,778**	**7,909**
Accrual (release)	137	1,515	1,652
Indemnities paid	(530)	(20)	(550)
Other changes	457	27	484
Conversion differences	0	21	21
December 31, 2019	**5,195**	**4,321**	**9,516**

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

(thousands of euro)	2019	2018
Financial expenses	88	74
Cost of current work performed	1,564	1,181
Released to the income statement	0	(1,000)
Expected return on plan assets	0	0
Recognized past service costs	0	0
Total cost to the income statement	**1,652**	**255**

The increase in the item “Cost of current work performed” is principally due to the allocation made during 2019 for the three-year, long-term incentive for certain Group employees entitled to such form of remuneration.

In the previous year, the item “Released to the income statement” included the reversal of allocations relative to the 2015-2017 three-year period for the non-competition agreement of Executive Directors, following the expiration of the mandate without there being a need to pay this compensation, as well as the release of provisions for the long-term monetary incentive plan of certain employees that left the Company prior to the plan reaching maturity and, therefore, they were no longer entitled to receive the incentive.

The breakdown of the obligations under defined contribution and defined benefit plans and the related changes occurred during the year 2019 are shown below.

(thousands of euro)

	December 31, 2018	Financial expenses	Current service cost	Benefits paid	Actuarial (gains) losses on obligations	Conversion differences	December 31, 2019
Present value of defined benefit obligations	6,700	88	1,479	(550)	484	(1)	8,200
Fair value of plan assets	0	0	0	0	0	0	0
Costs non yet recognized deriving from past obligations	0	0	0	0	0	0	0
Defined benefit obligations	**6,700**	**88**	**1,479**	**(550)**	**484**	**(1)**	**8,200**
Defined contribution obligations	1,209	0	85	0	0	22	1,316
Staff leaving indemnities and similar obligations	**7,909**	**88**	**1,564**	**(550)**	**484**	**21**	**9,516**

“Actuarial (gains) losses on the obligation” refers to the differences on the obligations relating to defined benefit plans resulting from the actuarial calculation, which are immediately recognised in shareholders’ equity under profits carried forward.

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

The obligations under defined benefit plans are measured annually by independent actuarial consultants according to the projected unit credit method, separately applied to each plan.
The main economic-financial assumptions used for the actuarial calculations of defined benefit plans as at December 31, 2019 and December 31, 2018 respectively are shown below.

	Italy	
	December 31,2019	December 31,2018
Average duration of the employees subject to actuarial evaluation	**> 10 years**	**> 10 years**
Discount rate	0.70%	1.55%
Inflation rate	1.50%	1.50%
Expected annual salary increase rate (*)	3.50%	3.50% (**)
Annual increase of staff leaving indemnities and similar obligations (*)	2.62%	2.62%

(*) Factor not considered in the actuarial appraisal of the staff leaving indemnity of the Parent Company, company with more than 50 employees.
(**) In 2018, the expected annual salary increase rate of SAES Coated Films S.p.A. is equal to 2.00%.

Note that, as regards the choice of the discounting rate, the reference index was the Eurozone Iboxx Corporate AA, the duration of which is consistent with the average financial duration of the collective amount under valuation at the end of 2019 and of the benefit under valuation.

With regard to the demographic assumptions, ISTAT 2004 mortality tables were used as well as INPS incapacity/invalidity tables.
As regards the likelihood of employees leaving their jobs for reasons other than death, turnover probabilities were used that were consistent with previous valuations, which adopt a time horizon deemed to be representative by the company under valuation. More specifically, an average turnover rate of 2% was used.

With regard to staff leaving indemnities, assumptions of an annual average rate of 3% and an average amount of 70% of the staff leaving indemnities accumulated by the companies under actuarial valuation were 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 consolidated 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, rewarding the achievement of performance objectives over time. The performance review is based on multi-year indicators and the payment is always subject, in addition to maintaining the employer-employee relationship/position with the company for the duration of the plan, also to the presence of a positive consolidated income before taxes at the expiry date of the plan.
Such plans fall into the category of defined benefit obligations and they are discounted. The discounting rates used for the plans subscribed by the strategic employees of the Group’s American companies are shown below, which reflect the rates of return of US government bonds, taking the different duration of the plans into account.

Year	Discount rate
2020	1.59%
2021	1.58%

Note that as at December 31, 2019, the long-term monetary incentive plans of the Parent Company (subscribed by both Executive Directors and employees) were not discounted, as the rates of return of Italian government bonds with maturities aligned to those of the plans were negative.

The following table shows a breakdown of the actuarial differences relating to 2019.

(thousands of euro)	Staff leaving indemnities	Other defined benefit obligations Italy	Long term incentive plan	Total
Actuarial differences:				
Changes in financial assumptions	459	48	0	507
Changes in other assumptions (demographic assumptions, remuneration assumptions, etc.)	0	0	0	0
Other	(1)	(21)	0	(23)
Actuarial (gains) losses	**457**	**27**	**0**	**484**

With regard to defined benefit plans[76], the following table shows the effect on the obligation of an increase or decrease of half a percentage point of the discounting rate, as calculated by the independent actuary.

(thousands of euro)	**Discount rate**	
	+0,5%	**-0,5%**
Effect on the defined benefit obligation	(306)	331

Instead, the table below shows the effect on the payable for three-year cash incentive plans (both of employees and the Executive Directors) of an increase or a decrease of half a percentage point of the discounting rate.

(thousands of euro)	**Discount rate**	
	+0,5%	**-0,5%**
Effect on the long-term incentive plans obligation	(12)	2

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

Group's employees	December 31, 2019	December 31, 2018	Average December 31, 2019	Average December 31, 2018
Managers	92	91	91	94
Employees and middle management	310	315	312	337
Workers	585	527	562	567
Total (*)	**987**	**933**	**965**	**998**

(*) It does not include the employees of the joint ventures for which please refer to the Note no. 17.

The workforce amounted to 987 units as at December 31, 2019 (of which 552 employed abroad), compared to 933 employees as at December 31, 2018 (of which 483 employed abroad): the increase was mainly in the workforce employed at the subsidiary Memry Corporation and the other US subsidiaries.

This figure does not include the personnel employed at the Group companies with contract types other than employment agreements, equal to 93 units (87 units as at December 31, 2018).

The reduction in the average number of employees at December 31, 2019 compared to the previous year is due to the exit of staff who worked in the gas purification division[77], sold on June 25, 2018.

32. PROVISIONS FOR RISKS AND CHARGES

The “Provisions for risks and charges” amounted to 6,369 thousand euro at December 31, 2019 compared to 5,051 thousand euro as at December 31, 2018.

[76] The long-term monetary incentive plans are not included in this calculation, and they are referred to in the following table.
[77] Employees of both the subsidiary SAES Pure Gas, Inc., and the sales office in Shanghai of the subsidiary SAES Getters (Nanjing) Co., Ltd.

(thousands of euro)

Provisions for risks and charges	December 31, 2019	December 31, 2018	Difference
Product warranty provision	71	74	(3)
Bonus	4,834	4,391	443
Phantom shares	413	70	343
Other provisions	1,051	516	535
Total	**6,369**	**5,051**	**1,318**

The following table shows the breakdown and the changes in these provisions compared to December 31, 2018.

(thousands of euro)

Provisions for risks and charges	December 31, 2018	Increase	Utilization	Released to the income statement	Conversion differences	December 31, 2019
Product warranty provision	74	0	0	(4)	1	71
Bonus	4,391	4,849	(4,461)	0	55	4,834
Phantom shares	70	343	0	0	0	413
Other provisions	516	601	(69)	0	3	1,051
Total	**5,051**	**5,793**	**(4,530)**	**(4)**	**59**	**6,369**

The item "Bonus" included the accrual of bonuses to the Group's employees (mainly referring to the Parent Company and the US subsidiaries[78]) related to the 2019. The change compared to December 31, 2018 was mainly due to both the accrual of bonuses matured during the period and payment of the variable remuneration for the previous year, which was made in the first half of 2019.

At the end of 2018, SAES Getters S.p.A. adopted a bonus plan based on phantom shares for Executive Directors and certain key managers. The plan involved the free assignment to the beneficiaries of a certain number of phantom shares which, under the terms and conditions of the plan, give the right to receive a money bonus, established in relation to the increase in the stock price of the shares on the date on which certain pre-established events occur, compared to the assignment value (determined as 16.451 euro[79] for each phantom share assigned). For example, events that could give the right to bonuses include: change of control of the Company; failure to renew the position as director at the end of the term of office; removing the position as director or a substantial change in the powers or the role, without there being just cause; resignation for just cause; dismissal for justified objective reason (only for Key Managers); reaching pension age; permanent invalidity; death; delisting. The plan aims to remunerate the beneficiaries in relation to the increased capitalization of the company, for retention purposes and a greater alignment between performance and the Company shareholders' interests.
There were no changes either in the collective number of beneficiaries or the number of phantom shares assigned in the current year.
The liabilities relating to the phantom shares plan (413 thousand euro at December 31, 2019 compared with 70 thousand euro at December 31, 2018) were evaluated by an independent actuary following the Risk Neutral approach required under IFRS 2. Specifically, the economic-financial assumptions adopted as at December 31, 2019 to estimate the fair value of the phantom shares were the following (unchanged from the prior year):
- unplanned vesting period for each beneficiary, with maximum term equal to the assumed pension date;
- probabilities of death and permanent invalidity calculated using the IPS55 tables and the INPS 2010 model, respectively;

[78] With respect to the US subsidiaries, the monetary bonus plan is related to reaching targets calculated on both the consolidated economic-financial results and the results obtained by the individual companies.
[79] Equal to the average weighted amount of the official prices of the ordinary shares of the Company recorded on the Italian Stock Market organised and managed by Borsa Italiana S.p.A. on the trading days falling in the 36 (thirty-six) months preceding October 17, 2018, the date of assignment of the phantom shares.

- a 2% annual flat probability of occurrence was considered for all the other events assigning the right to receive the incentive;
- a 1.50% annual flat probability of occurrence was considered for the events entailing forfeiture of the right to receive the incentive (this possibility was not contemplated for the Executive Directors);
- expected dividend rate of 2.89% for the entire term of the plan;
- the annual volatility of the share's yield was estimated at 4.69% (on the basis of the historic volatility).

The increase in the item "Other provisions" consists almost exclusively of the allocation for a risk provision of 600 thousand euro, equal to the *pro-quota* financial resources necessary for Actuator Solutions to continue its operating activity over the next twenty-four months, in light of the joint venture's difficult financial situation at December 31, 2019, following the restructuring operation which continued during the current year and which also includes the start of the liquidation process for its Asian subsidiaries Actuator Solutions Taiwan Co., Ltd. and Actuator Solutions (Shenzhen) Co., Ltd. (for further details, refer to the specific paragraph dedicated to the joint venture in the Report on Operations and Note no.17).

The item "Other provisions" also includes the implicit obligations of Spectra-Mat, Inc., calculated on the basis of the agreements made with the local authorities, in connection with the expenses to be incurred to monitor the pollution levels at the site in which it operates (267 thousand euro), and the improved estimate, of 100 thousand euro, of the total expenses to discharge the obligation existing at the date of the financial statements, and related to an incident that occurred at the Avezzano factory of the Parent Company.
Finally, the item includes the obligation (equal to 76 thousand euro at December 31, 2019) which arose in the previous year for a dispute in the labour area of the Parent Company with the social security institutions. The risk fund fell by 11 thousand euro compared to December 31, 2018 against the higher premiums paid pertaining to the previous financial period.

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

(thousands of euro)

Provisions for risks and charges	Current provisions	Non current provisions	December 31, 2019	Current provisions	Non current provisions	December 31, 2018
Product warranty provision	58	13	71	61	13	74
Bonus	4.834	0	4.834	4.391	0	4.391
Phantom shares	0	413	413	0	70	70
Other provisions	476	575	1.051	188	328	516
Total	**5.368**	**1.001**	**6.369**	**4.640**	**411**	**5.051**

33. TRADE PAYABLES

Trade payables amounted to 15,694 thousand euro as at December 31, 2019, marking an increase of 3,612 thousand euro compared to December 31, 2018.

(thousands of euro)

Trade payables	December 31, 2019	December 31, 2018	Difference
Trade payables	15,694	12,082	3,612
Total	**15,694**	**12,082**	**3,612**

The increase is mainly related to the investments made in the advanced packaging business (for the purchase of both a new production lacquering system as well as a new pilot line for the research laboratories), as well as in the SMA for industrial applications segment (to purchase a new drawing line for SMA wires).

Furthermore, note the payable recognized by the Parent Company against the surplus subsidies received in previous years as an Italian company with heavy energy consumption (417 thousand euro).

The effect of the dollar revaluation compared to December 31, 2018 generated an increase in this item of 86 thousand euro.

Trade payables do not bear interest 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, 2019 compared with December 31, 2018.

(thousands of euro)

Ageing	Total	Not yet due	Due				
			< 30 days	30 - 60 days	60 - 90 days	90 - 180 days	> 180 days
December 31, 2019	**15,694**	13,459	1,481	108	579	27	40
December 31, 2018	**12,082**	11,118	322	378	25	40	199

34. OTHER PAYABLES

The item "Other payables" includes amounts that are not classified as trade payables and amounted to 9,868 thousand euro as at December 31, 2019 compared to 12,533 thousand euro as at December 31, 2018.
The table below shows the details of the other payables compared with the end of the previous year.

(thousands of euro)

Other payables	December 31, 2019	December 31, 2018	Difference
Payables to employees (vacation, wages, staff leaving indemnity, etc.)	4,232	5,755	(1,523)
Social security payables	1,726	1,993	(267)
Tax payables (excluding income taxes)	1,340	1,686	(346)
Other	2,570	3,099	(529)
Total	**9,868**	**12,533**	**(2,665)**

The item "Payables to employees" is mainly comprised of the allocation for holidays accrued and not yet taken as well as the salaries for the month of December, not yet paid at the end of the year.
The decrease compared to December 31, 2018 was mainly due to the payment, in the first half of 2019, of both the payables related to the three-year monetary bonus plans expired at the end of the previous year (859 thousand euro) and the severance plans related to downsizing the workforce at the Parent Company (about 1.6 million euro at December 31, 2018).

The item "Social security payables" includes the payables owed by the Group's Italian companies to the INPS (Italy's social security agency) for contributions to be paid on wages as well as the payables to the treasury fund operated by the INPS and to the pension funds under the reformed staff leaving indemnity legislation.

The 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, the payable to the tax authorities for VAT to pay and the local tax payables by the US subsidiaries on top of income taxes. The reduction compared to December 31, 2018 is in line with the decrease in the item "Payables to employees".

The item "Other" mainly includes payables of the Parent Company for both fixed and variable remuneration of Directors (2,105 thousand euro).

The decrease compared to the previous year is mainly due to the lower payables to Executive Directors for variable compensation for the year, together with the fact that as at December 31, 2018 the item did not include advances received against public contributions for research activities (115 thousand euro).

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

35. ACCRUED INCOME TAXES

This item consists of payables for taxes associated with the Group's foreign subsidiaries and the IRAP (regional production tax) payable for the Italian companies. Instead with regard to the IRES (corporate income tax), the Italian companies engaged in national tax consolidation with the Parent Company in its position as consolidating company, and therefore, the positive taxable income is offset by both the negative amounts and the past tax losses carried forward; IRES only has to be paid on the remaining taxable amount, but since it was negative at the end of the current period, there are no payables to the tax authorities recognized in the financial statements for the period ended on December 31, 2019. For more details on the national tax consolidation, please see Note no. 20.
It is lastly reported that the item includes, if owed, the payable of the Parent Company to the tax authority for IRES on the income subject to separate taxation of the foreign subsidiary SAES Getters International Luxembourg S.A., in application of provisions regarding subsidiaries (known as "CFC Legislation" dictated by art. 167, paragraph 5-*bis et seq*. of the Consolidated Law on Income Tax).

Accrued income taxes amounted to 602 thousand euro as at December 31, 2019 and included the tax obligations accrued in the year, net of advance payments. The reduction from December 31, 2018 (tax payable of 1,778 thousand euro) is mainly due to payment of the tax payable of Memry GmbH, which arose at the end of 2017, before it went into liquidation, against the taxes due by the company on the capital gains made with the inter-company transfer of all its production and commercial activities. This decrease was only partially offset by tax payables of the Luxembourg-based subsidiary SAES Investments S.A. (330 thousand euro as at December 31, 2019, compared to a balance of zero at the end of the prior year, due to the tax loss recognized as at December 31, 2018).

36. DERIVATIVE FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

As at December 31, 2019 the item "Derivative financial instruments measured at fair value", which represents the fair value of agreements signed by the Group with a view to fixing the interest rate on long-term bank loans, as well as the fair value of the implicit derivatives included in said loan agreements, recorded a negative balance of 50 thousand euro compared to a negative net balance of 48 thousand euro as at December 31, 2018.

The following table provides details of these contracts and their fair value as at December 31, 2019 compared to December 31, 2018.

Description	Subscription date	Currency	Notional amount (thousands of euro)	Maturity	Interest rate	Timing	Fair value December 31, 2019 (thousands of euro)	Fair value December 31, 2018 (thousands of euro)
SAES Getters S.p.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	(3)	(8)
SAES Getters S.p.A. ***Interest Rate Swap (IRS)*** on Unicredit S.p.A. loan	April 7, 2017	EUR	10,000 (*)	March 31, 2022	Fixed rate paid: 0.0% Variable rate received: three month Euribor (**)	Quarterly	(23)	(21)
SAES Getters S.p.A. ***Interest Rate Swap (IRS)*** on Intesa Sanpaolo S.p.A. loan	April 19, 2017	EUR	5,000	December 21, 2022	Fixed rate paid: 0.16% Variable rate received: six month Euribor	Half-yearly	(24)	(19)
SAES Coated Films S.p.A. ***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	0 (#)	0 (#)
SAES Coated Films S.p.A. ***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 (#)	0 (#)
SAES Coated Films S.p.A. ***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 (#)	0 (#)
Totale							**(50)**	**(48)**

(*) 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 -1.00%.
(#) Fair value lower than 1 thousand euro.

During the year, the Group did not enter into any new IRS agreements.

As noted above, against the loan agreements signed in the first half of 2019 with Mediobanca, if the Parent Company makes early repayments of the loan instead of waiting until the maturity date (April 17, 2024), it must pay the repayment amount and any mark-to-market amount - if negative - of the IRS derivative agreed by the lending entity to cover the risk of fluctuating interest rates; if the mark-to-market is positive, Mediobanca will pay this amount to SAES. There were no assets or liabilities recognized at December 31, 2019 for that implicit derivative since no conditions occurred that would make that contract certain or payable.

The derivatives of SAES Coated Films 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 fair valuation, conducted by an independent third party, was made at market rates, in a risk neutral context and by using rate models that reflect the best practices usually adopted.
To determine the fair value, the input information used was:
- the Interest Rate Swap rate curve by maturity;
- the migration matrices of the credit rating extracted from Moody’s;
- interest rate volatility surfaces extracted from Bloomberg.

The pricing was adjusted, in accordance with IFRS 13, by means of a Credit Value Adjustment (CVA, namely the adjustment relating to the risk of default of the counterparty) and a Debt Value Adjustment (DVA, namely the cost of protecting against the risk of default of the Company by the counterparty), calculated using the “Provision Model” method. In particular, to determine the counterparty risk component in the fair value, the rating opinion issued by Moody’s rating agency on the issuing credit entity for the calculation of the CVA. To determine the DVA, given the objective impossibility of assigning a rating opinion for the SAES Group, the lowest rating opinion of those identified for credit entities was prudentially applied.

With regards to such contracts, the accounting requirements to apply the hedge accounting method are not met, as set out under IAS 39, therefore they are evaluated at fair value and the profits or losses deriving from their evaluation are directly charged into the statement of profit or loss.

In 2019, the Group did not sign any hedging contracts to cover exposure to fluctuations in the future cash flows originating from commercial and financial transactions carried out in different currencies to the euro, and there were no contracts of this type in place at December 31, 2018.

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, 2019 the derivative contracts held by the Group belonged to Level 2: in fact, the fair value was calculated by an independent third party on the basis of market data, such as interest rate curves and exchange rates curves.
No instruments were transferred from one level to another during the year.

37. BANK OVERDRAFTS

As at December 31, 2019 the amounts due to banks amounted to 27,195 thousand euro and primarily consisted of short-term debt owed by the Parent Company in the form of "hot money" debt (27,004 thousand euro as at December 31, 2019 compared to 27,003 thousand euro as at December 31, 2018), whose average interest rate, spread included, was around 0.07%.

Moreover, this item includes the overdrafts on current accounts, mainly in relation to the associate SAES Coated Films S.p.A. (186 thousand euro as at December 31, 2019, as compared to 350 thousand euro at the end of the previous year).

38. ACCRUED EXPENSES AND DEFERRED INCOME

Accrued expenses and deferred income amounted to 498 thousand euro as at December 31, 2019 comparing to a balance of 480 thousand euro at December 31, 2018.

This item may be broken down as follows.

(thousands of euro)

	December 31, 2019	December 31, 2018	Difference
Accrued expenses	149	334	(185)
Deferred income	349	146	203
Total	**498**	**480**	**18**

The "Accrued expenses" include the portion pertaining to future financial periods of the public capital grants granted in previous years to the Parent Company, in relation to the investments to develop the production lines of the Avezzano facility.

The item "Deferred income" is connected the commercial sales income pertaining to future collected by the customers. The increase over December 31, 2018 is mainly related to the higher advances collected by the Chinese subsidiary SAES Getters (Nanjing) Co., Ltd. and the Parent Company.

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

39. CASH FLOW STATEMENT

The cash flow from the **operating activity** was positive for +24,424 thousand euro. In 2018, the operating cash flows amounted to +20,604 thousand euro, but included the cash flows from discontinued operations of +11,000 thousand euro (i.e. the cash flows generated by the gas purification business in the period January 1 - June 24, 2018), net of which the cash flows from continuing operations were +9,604 thousand euro. Considering the cash flows relating only to operating activities (+24,424 thousand euro in 2019, compared to +9,604 thousand euro in 2018), the considerable growth is attributable to self-financing in the current year, mainly driven by electronic devices, shape memory alloys for industrial applications and Nitinol for medical applications, against net working capital that is essential stable.

Investing activities absorbed 121,878 thousand euro in liquidity (in 2018 on the other hand, it had generated 242,318 thousand euro in cash, of which 263,159 thousand euro[80] from discontinued operations and the negative difference of -20,841 thousand euro from operating activities).
In 2019, the cash disbursed for investments in property, plant and equipment was equal to 23,706 thousand euro (14,410 thousand euro in the previous year); instead, investments in intangible assets were not significant (461 thousand euro compared to 599 thousand euro as at December 31, 2018). The increase in capex in 2019 is mainly due to the purchase of the property, located in Bethel, where the Memry Corporation has its manufacturing headquarters (4,984 thousand euro net of the deposit of 260 thousand euro paid at the end of the previous financial period) and the creation, in Bethel, of a new department to manufacture pipes. Furthermore, note that during the current year:

- in the industrial SMA business, the installation of an additional line for the drawing of wires in shape memory alloys at the Avezzano plant;
- in the packaging business, the completion of the pilot line aimed at accelerating the development of products for flexible packaging, as well as the completion of the second lacquering line for plastic films and a new and more advanced metallizer, capable of combining the metallization process with that of lacquering (the first line was tested in December, while the second line is expected to be tested by the end of the first quarter of 2020).

Instead in the previous year, recall the purchase of the land and building used for production by SAES Coated Films S.p.A., as well as the advances paid for the aforementioned investments in the packaging sector, which were then completed during 2019.
Please refer to Notes no. 14 and no. 15 for further details on the capex.
With respect to the sale of fixed assets, the payment was collected for the sale to the joint venture Flexterra, Inc. of the OLET intellectual property by E.T.C. S.r.l. in liquidation (2,291 thousand euro). Collections for the disposal of assets were not significant (only 29 thousand euro, compared to 248 thousand euro in the previous year).
Within the scope of the investment activities, there were financial payments made to acquire securities by the Parent Company and the Luxembourg-based subsidiary SAES Investments S.A. (for further information on the securities acquired please see Note no. 18) which, net of the disinvestments made, amounted to a total of 100,376 thousand euro[81] and coupons collected of 1,822 thousand euro, net of the management commissions of the securities portfolio.
Finally, in the current year, an advance of 1,100 thousand euro was paid for a potential minority investment currently being evaluated, while the payment related to the adjustment of the sales price of the gas purification business amounted to 377 thousand euro.

With regard to the details of cash flows from discontinued operations during 2018, refer to the Annual Report as at December 31, 2018.

---

[80] The cash flows related to the extraordinary sale of the gas purification business amounted to +263,497 thousand euro (price collected, net of the cash and cash equivalents transferred, of +301,059 thousand euro, from which the additional charges paid in 2018 were deducted, amounting to -37,562 thousand euro).
[81] Financial payment made to acquire the securities portfolio of 105,479 thousand euro, net of the disinvestments of 5,103 thousand euro.

The balance of the **financing activities** was negative for 24,787 thousand euro compared to a negative balance of 121,116 thousand euro in the previous year.
The financial management for the period involved payments to acquire treasury stock (-93,382 thousand euro, including the additional charges related to the tender offer), the payment of dividends (-16,580 thousand euro), the repayment of both short- and long-term loans and the related interest (-6,311 thousand euro), and payment of the lease instalments and related interest (-1,625 thousand euro).
These payments were partially offset by incoming cash flows generated by a medium/long-term loan taken out by the Parent Company to cover the payment to acquire the ordinary shares (+92,735 thousand euro) and increased use, by the associate SAES Coated Films S.p.A., of short-term loan agreements for importing goods (+410 thousand euro). For more information on the new loan agreement signed by the Parent Company, please refer to Note no. 28.

The adoption of the new accounting standard **IFRS 16 - Leases** led to an increase in the net Group financial debt, against a notional increase in fixed assets due to accounting for the right of use to the leasing assets.
However, the notional financial payables, recorded to show future debts and expense related to transactions for the use of leased assets, did not have any impact on the actual Group cash flows, which are still tied to the contractual scheduling of the lease payments. Even at the level of flows from investment assets, the new way of presenting them did not lead to any real cash movements.

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)	2019	2018
Cash and cash equivalent	48,634	170,601
Bank borrowings	(27,195)	(27,353)
Cash and cash equivalent from Consolidated Statement of Financial Position	**21,439**	**143,248**
Write-downs of other financial assets (in application to IFRS 9)	78	144
Short-term borrowings	27,004	27,003
Cash and cash equivalent from Cash Flow Statement	**48,521**	**170,395**

The following table shows the reconciliation between the balances of the liabilities arising from financial transactions as at December 31, 2018 and December 31, 2019, with the changes arising from monetary movements and from non-cash flows.

(thousands of euro)	December 31, 2018	IFRS 16 first time adoption	January 1, 2019	Cash flows	Non-cash changes: Foreign exchange movement	Non-cash changes: Change in fair value	Non-cash changes: Other movements	Non-cash changes: Reclassifications	December 31, 2019
Financial debts	13,344		13,344	92,735	9			(5,364)	100,724
Financial liabilities for leasing contracts	0	2,310	2,310		22		2,213	(1,835)	2,710
Non current debt	**13,344**	**2,310**	**15,654**	**92,735**	**31**	**0**	**2,213**	**(7,199)**	**103,434**
Derivative financial instruments evaluated at fair value	48		48	(36)		2	36		50
Current portion of medium/long term financial debts	5,438		5,438	(6,282)	2		843	5,364	5,365
Other current financial payables to third parties	1,001		1,001	(212)	8		103		900
Financial liabilities for leasing contracts	0	1,461	1,461	(1,625)	22		183	1,835	1,876
Bank borrowings	27,353		27,353	(181)			23		27,195
Current debt	**33,840**	**1,461**	**35,301**	**(8,336)**	**32**	**2**	**1,188**	**7,199**	**35,386**

The column "Other movements" includes the provision for the interest accrued during 2019 on the loans (both short term and long term) and on the lease contracts, the new obligations that arose on the lease contracts entered into during the current year, and a further adjustment to the price of selling the gas purification business due to the settlement of the effective value of the tax credit of the companies that were sold - SAES Getters USA, Inc. and SAES Pure Gas, Inc., resulting from the tax return for the period January 1 – June 24, 2018, presented in April 2019 (see Note no. 11).

40. FINANCIAL RISK MANAGEMENT

The main financial liabilities of the Group other than derivatives include both the short-term and long-term bank loans and the trade payables, as well as the short-term loans for importing goods.

The main objective of the financial liabilities is to fund the Group's operations and to support its future growth (both organic and for external acquisitions).
The Group also has cash and cash equivalents and restricted deposits immediately convertible into liquidity, and trade receivables originating directly from operations, financial receivables for loans granted to related parties and securities in the portfolio.

The derivative instruments used by the Group are mostly forward contracts on foreign currencies and Interest Rate Swaps (IRS). Their purpose is to manage the exchange rate and interest risk arising from the Group's sales and financial transactions.

The Group does not trade in financial instruments.

The Board of Directors periodically re-examines and defines the risk management policies, as summarised 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 variation 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, 2019 please refer to Note no. 36.
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 variable interest loans on which no hedging contracts have been signed.
The funding for the working capital is managed through short-term financing transactions and, as a consequence, the Group does not hedge against the interest rate risk.

Sensitivity to interest rates

With regard to financial assets (cash and cash equivalents, bank deposits and financial receivables due from related parties), the table below provides details of the sensitivity of the Group's pre-tax profit and shareholders' equity, assuming that all other variables are stable when interest rates change.

		(%) **Increase / Decrease**	(thousands of euro) **Effect on result before taxes**	(thousands of euro) **Effect on net result and net equity**
2019	euro	+/- 1	+/-350	+/- 265
	other currencies	+/- 1	+/- 270	+/- 203
2018	euro	+/- 1	+/-1,323	+/- 997
	other currencies	+/- 1	+/- 331	+/- 248

With regard to financial liabilities (both short-term and long-term debts), the table below provides details of the sensitivity of the Group's pre-tax profit and shareholders' equity, assuming that all other variables are stable when interest rates change.

		(%)	(thousands of euro)	(thousands of euro)
		Increase / Decrease	**Effect on result before taxes**	**Effect on net result and net equity**
2019	Euribor	+/- 1	-/+ 1,056	-/+ 803
	Libor	+/- 1	-/+ 5	-/+ 4
2018	Euribor	+/- 1	-/+ 474	-/+360
	Libor	+/- 1	-/+ 35	-/+ 26

With regard to Interest Rate Swaps and Interest Rate Caps, and to Interest Rate Floors implicitly included in the long-term loan agreements, the table below provides details of the sensitivity of the Group's pre-tax profit and shareholders' equity, assuming all other variables remain stable, following a shift of one percentage point of the spot rate curve (and consequently, to changes of the relative forward rate curve).

Descrizione	**Notional amount** (thousands of euro)	**Fair Value** (euro)	**Estimated FV +1%**	**Difference in FV +1%**	**Estimated FV -1%**	**Difference in FV -1%**
Saes Getters S.p.A. - Interest Rate Swap (IRS) on Intesa Sanpaolo S.p.A. loan	5,000	(23,726)	2,053	25,779	(49,681)	(25,955)
Saes Getters S.p.A. - Interest Rate Swap (IRS) on Unicredit S.p.A. loan	10,000	(22,856)	57,826	80,682	(106,086)	(83,230)
Saes Getters S.p.A. - Interest Rate Floor on Banco BPM loan (derivative embedded)	5,000	(3,564)	0	3,564	(27,273)	(23,709)
SAES Coated Films S.p.A. - Interest Rate Cap on Intesa Sanpaolo S.p.A. loan	400	0	0	0	0	0
SAES Coated Films S.p.A. - Interest Rate Cap on Banco BPM loan	230	0	0	0	0	0
SAES Coated Films S.p.A. - Interest Rate Cap on Intesa Sanpaolo S.p.A. loan	300	0	0	0	0	0
		Total effect on result before taxes		**110,025**		**(132,894)**
		Total effect on net result and net equity		**83,619**		**(100,999)**

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: during 2019 around 75.3% of the sales was denominated in foreign currency, while only 53.5% of the Group's operating costs was 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 on profits and losses of the exchange rate volatility, with reference to financial receivables/payables, also inter-company ones, denominated in a currency different from the one used in the financial statements, including those relating to the cash pooling (executed by foreign subsidiaries, but denominated in euro).
Finally, the Group constantly monitors exchange rate trends in order to decide whether to enter into further risk hedging contracts linked to exchange rate fluctuations in the foreign currency takings from extraordinary company transactions or for funding needed to purchase in other currencies besides the euro.

Note that in the current year, the Group has not signed any forward contracts on foreign currencies.

Sensitivity to exchange rates

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

For the current trade receivables and payables outstanding at the end of each year, the following table provides detailed information on the sensitivity of the Group's pre-tax profit and shareholders' equity as the US dollar and Japanese yen exchange rates vary, maintaining all other variables fixed.

	(%)	(thousands of euro)	(thousands of euro)
US dollar	**Increase / Decrease**	**Effect on result before taxes**	**Effect on net result and net equity**
2019	+ 5%	(100)	(76)
	- 5%	106	79
2018	+ 5%	(117)	(89)
	- 5%	129	98

	(%)	(thousands of euro)	(thousands of euro)
Japanese YEN	**Increase / Decrease**	**Effect on result before taxes**	**Effect on net result and net equity**
2019	+ 5%	(19)	(15)
	- 5%	21	16
2018	+ 5%	(29)	(22)
	- 5%	32	25

Exchange-rate risk – Sensitivity analysis – Inter-company liquidity and financial receivables/payables

For the inter-company net cash and cash equivalents and financial receivables/payables, including those of cash pooling, outstanding at the end of each year, the following table provides detailed information on the sensitivity of the Group's pre-tax profit and shareholders' equity as the US dollar varies, maintaining all other variables fixed. These analyses also include cash and cash equivalents as well as financial receivables/payables to the Parent Company in euro from the foreign associates, whose conversion may result in exchange differences.

	(%)	(thousands of euro)	(thousands of euro)
US dollar	**Increase / Decrease**	**Effect on result before taxes**	**Effect on net result and net equity**
2019	+ 5%	(3)	(2)
	- 5%	10	7
2018	+ 5%	(30)	(23)
	- 5%	33	26

Since no forward contracts were signed in 2019, there are no analyses in this regard.

With reference to the net financial position (NFP), note that a 5% depreciation of the US dollar would have penalised the net financial position as at December 31, 2019 by about 779 thousand euro[82], while its 5% appreciation would have improved the position by about 861 thousand euro.

	(%)	(thousands of euro)
	Increase / Decrease USD	**Effect on Net Financial Position**
December 31, 2019	+5%	(779)
	- 5%	861
December 31, 2018	+5%	(836)
	- 5%	924

[82] The negative effect of the devaluation of the US dollar on the cash denominated in dollars was only partially offset by the positive effect on the debt denominated in that currency since the latter was clearly lower in absolute value than the cash and cash equivalents (20,282 thousand USD and debt 3,924 thousand USD as at December 31, 2019).

Commodity price risk

The Group's exposure to commodity price risks 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 price 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 neutralising 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 checks to ensure that credit limit conditions are met. The balance of receivables is constantly monitored so as to minimize the risk of potential losses, particularly given the current difficult macroeconomic situation, further aggravated by the Covid-19 epidemic.
The credit risk associated with other financial assets, including cash and cash equivalents and securities in the portfolio, is not significant due to the nature of the counterparties. In particular, the Group places such assets exclusively in bank deposits held with leading Italian and international financial institutions. Even with reference to the securities portfolio, investments are made with leading operators in the industry, mainly with the aim of maintaining capital in view of potential future loans.

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 of the Group's companies;
- manages the correct balance between short-term financing and medium/long-term financing depending on the expected generation of operating cash flows.

For further information about the Group's financial debts as at December 31, 2019 and their maturity dates, please refer to Note no. 28.

As at December 31, 2019 the Group was not significantly exposed to liquidity risk, owing to the availability of assets and bank deposits, and 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 maximise the value for shareholders.
No changes were made to equity management objectives or policies during 2019. Some performance indicators, such as the debt-to-equity ratio, defined as net debt to net equity, are periodically monitored with the aim of keeping them at low levels, and in any case lower than what is required by the contracts signed with the financial institutions.

41. POTENTIAL ASSETS/LIABILITIES AND COMMITMENTS

The table below shows the guarantees that the Group has granted to third parties.

(thousands of euro)

Guarantees	December 31, 2019	December 31, 2018	Difference
Guarantees	9,806	4,095	5,711

The increase over December 31, 2018 is mainly explained by the new guarantee given by the Parent Company for the new line of credit for the US subsidiary, SAES Getters/U.S.A., Inc. for a total value of 4 million euro (see Note no. 26).

The table below shows the information on the contractual commitments for the use of third-party assets that fall outside the range of application of IFRS 16.

(thousands of euro)

	Less than 1 year	1-5 years	Over 5 years	Total
December 31, 2019	342	315	0	**657**
December 31, 2018	1,219	945	31	**2,195**

The value at December 31, 2018 cannot be compared to the value at December 31, 2019 since it included the contractual debts and expense that subsequently came under the scope of application of lease accounting. Please refer to Note no. 2 for further details.
However, in order to provide support in understanding the impacts resulting from the first application of IFRS 16 and, more generally, of the future cash-out related to operating lease agreements in place as at December 31, 2019 and included in the scope of the new standard, the table below presents the details of the non-discounted future cash flows.

(thousands of euro)

Financial flow for leasing (not discounted)	December 31, 2019
Less than 1 year	2,202
Financial flow for leasing (not discounted) - current	**2,202**
Between 1 and 2 years	1,728
Between 2 and 3 years	704
Between 3 and 4 years	574
Between 4 and 5 years	481
Over 5 years	0
Financial flow for leasing (not discounted) - non current	**3,487**
Total	**5,689**

The shareholders of SAES RIAL Vacuum S.r.l., SAES Getters S.p.A. and Rodofil S.r.l. have a put & call option, according to a predefined schedule, set out in more detail in Note no. 17. Since as at December 31, 2019 management did not have enough information to be able to make an accurate assessment of the fair value of the above options, the latter were not included in the financial statements.

Lastly, in addition to that which is indicated in the initial table, note that the Group's financial assets classified under non-current assets (fair value of 134,673 thousand euro as at December 31, 2019) represent a guarantee on the medium/long-term loan obtained by the Parent Company to cover the disbursement to purchase ordinary shares as part of the partial, voluntary Public Tender Offer finalized at the end of May 2019 (for additional details, please refer to Notes no. 18 and no. 28).

42. RELATED PARTY TRANSACTIONS

Related Parties are identified in accordance with IAS 24 revised.

Related Parties as at December 31, 2019 include the following:
- **S.G.G. Holding S.p.A.**, a relative majority shareholder holding 34.21%[83] of the ordinary shares of SAES Getters S.p.A. at December 31, 2019, which has a payables balance with SAES Getters S.p.A. in relation to the application for a refund of 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 programme in place until December 31, 2014[84] (see the Note no. 20).
Please also note that, on May 2, 2019, S.G.G. Holding S.p.A. has collected dividends from SAES Getters S.p.A. totalling 3.8 million euro.
Finally, following the decision to subscribe to the voluntary partial Public Tender Offer in the first half of 2019 by SAES Getters S.p.A. on its ordinary shares, on May 31, 2019, S.G.G. Holding S.p.A. collected a consideration 9.3 million euro (against 403,537 ordinary shares withdrawn as part of the Public Tender Offer).
- **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. in Liquidation**, a Taiwan-based company entirely controlled by the joint venture Actuator Solutions GmbH, aimed at the development of SMA actuator devices mainly for the consumer electronics market and whose liquidation process was launched in October 2019.
- **Actuator Solutions (Shenzhen) Co., Ltd., in liquidation**, a wholly owned subsidiary of Actuator Solutions GmbH, initially involved in the technological development of actuators for the mobile market, and whose liquidation process was initiated in March 2019.
With regards to Actuator Solutions GmbH and its Taiwanese subsidiary, SAES Group had a commercial relationship (sale of raw materials and semi-finished products) and performed various services for the German company only (in particular, development services and accessory/administrative activities) that were charged back on the basis of a service contract. Additionally, SAES Nitinol S.r.l. granted several interest-bearing loans to the joint venture Actuator Solutions GmbH, for the details of which please refer to Note no. 21. As at December 31, 2019, the financial debt of Actuator Solutions GmbH towards SAES Nitinol S.r.l. was equal to 9.6 million euro, including 1.6 million euro of interest accrued and not yet paid[85]. The total amount of the financial receivable (both principal and interest) of SAES Nitinol S.r.l. due from the German joint venture was already completely written off at the end of the previous year; at December 31, 2019, an additional write-down was made on the financial receivable corresponding to the interest accrued during 2019 (0.5 million euro), as SAES management deemed that it was unlikely to be collected.
- **SAES RIAL Vacuum S.r.l.**, a joint venture between SAES Getters S.p.A. and Rodofil S.r.l., focused on 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., SAES Group has a commercial relationship (the purchase and sale of raw materials, components and processing for the creation of vacuum systems) and performs various services, mainly sales and marketing activities and administrative support. Finally, as already

[83] Following the decision to subscribe to the partial voluntary Public Tender Offer in the first half of 2019 by SAES Getters S.p.A. for its ordinary shares, the number of ordinary shares held by S.G.G. Holding S.p.A. decreased from 5,422,023 to 5,018,486 at the end of May 2019; consequently, the percentage of ordinary shares held by S.G.G. Holding dropped from 36.96% to 34.21%. With regard to voting rights, 2,819,773 of these ordinary shares had accrued voting rights at December 31, 2019 and therefore S.G.G. Holding held 44.81% of the voting rights (percentage calculated by also including the voting rights of the treasury stock held by SAES Getters S.p.A.).
[84] 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. in 2016), SAES Nitinol S.r.l., E.T.C. S.r.l. in liquidation 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.
[85] On December 17, 2019, SAES Nitinol S.r.l. and Actuator Solutions GmbH signed an agreement to postpone until December 31, 2020 the payment of all interest accrued from 2016 to 2019 on loans granted by SAES, in several tranches, to the joint venture.

mentioned, SAES Getters S.p.A granted a loan of 50 thousand euro, aimed at financially supporting SAES RIAL Vacuum S.r.l. (for further details, please refer to Note no. 21).

- **Flexterra, Inc.**, a joint venture of SAES Getters International Luxembourg S.A. based in Skokie (USA), established at the end of 2016 for the development, production and the commercialization of materials and devices used in flexible displays.
- **Flexterra Taiwan Co., Ltd.**, a company established at the beginning of 2017, wholly owned by joint venture Flexterra, Inc.

With regards to Flexterra, Inc. and its subsidiary, the SAES Group carries out some administrative activities, and provides a legal, financial and tax support, as well as assistance in joint venture research and development activities, including the management of patents.

Finally, as noted above in the paragraph on “Main events in 2019” in the Report on Operations, in May 2019, SAES finalized the sale to Flexterra, Inc. of the intellectual property developed in the OLET area by E.T.C. S.r.l. in liquidation. Since these patents were not valued in the assets of E.T.C. S.r.l., the transaction resulted in a consolidated gain from a related party of 1.2 million euro[86].

- **Managers with Key Responsibilities**, these include the members of the Board of Directors, including non-executive directors, and the members of the Board of Statutory Auditors.

The Group Human Resources Manager and the Group Legal/Compliance & Internal Audit Manager are also considered to be managers with key responsibilities[87]. Their close relatives are also considered related parties.

The following tables show the total values of related party transactions performed in 2019 and 2018:

(thousands of euro)

	December 31, 2019										
	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.	25	(204)	(15)	10 (*)	10 (*)		1	27	(92)		50
Actuator Solutions GmbH	924		40 (*)	1 (*)	42 (*)		480	41			0 (**)
Actuator Solutions Taiwan Co., Ltd.	7										
Flexterra, Inc.			42 (*)		123 (*)	1,208		166			
Total	**956**	**(204)**	**67**	**11**	**175**	**1,208**	**481**	**234**	**(92)**	**272**	**50**

(*) Costs recovery.
(**) Financial receivable (both principal and interest) fully written down.

(thousands of euro)

	December 31, 2018										
	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.	139	(167)		10 (*)	10 (*)	1	1	45	(44)		50
Actuator Solutions GmbH	1,360			1 (*)	40 (*)		479	82			0 (**)
Actuator Solutions Taiwan Co., Ltd.	7		63 (*)	9 (*)				24			
Mirante S.r.l.					(40)						
Flexterra, Inc.			55 (*)		161 (*)			215			
Totale	**1,506**	**(167)**	**118**	**20**	**171**	**1**	**480**	**366**	**(44)**	**272**	**50**

(*) Costs recovery.
(**) Financial receivable (both principal and interest) fully written down.

Until February 26, 2018 (the date on which SAES Getters S.p.A. exercised the call option to acquire the entire share capital of Metalvuoto S.p.A., subsequently renamed SAES Coated Films S.p.A.), **Mirante S.r.l.** was also considered a related party, which was former minority shareholder of SAES Getters S.p.A. in SAES Coated Films S.p.A. Specifically, there was a rental agreement between SAES Coated Films S.p.A. and Mirante S.r.l. for a property owned by Mirante S.r.l. in which the registered office and production facilities of SAES Coated Films S.p.A. were located (this property was then purchased by the Parent Company on April 6, 2018 for 3.5 million euro).

The following table shows the guarantees that the Group gave to third parties (and, therefore, included in the detail reported in the Note no. 41) in favour of the joint ventures.

---

[86] Gain recognized limited solely to minority interests in the joint venture, in accordance with IAS 28.

[87] From the end of January 2019, the Group Strategic Marketing & Planning Department came under the direct responsibility of Mr della Porta, engineer, while the position of Group Administration, Finance and Control Manager was taken over by Mr Giulio Canale at the beginning of 2019, as part of his role as Group Chief Financial Officer. Finally, the Corporate Operations Manager took over responsibility of the Industrial division from the beginning of the year, and is no longer classified as a manager with key responsibilities.

(thousands of euro)

Guarantees	December 31, 2019	December 31, 2018	Difference
Guarantees in favour of the joint venture Actuator Solutions	1,471	1,749	(278)
Guarantees in favour of the joint venture SAES RIAL Vacuum S.r.l.	0	0	0
Guarantees in favour of the joint venture Flexterra	0	0	0
Total guarantees in favour of the joint ventures	**1,471**	**1,749**	**(278)**

The following table shows the remuneration to Key Managers as identified above.

(thousands of euro)

Total remunerations to key management	2019	2018
Short term employee benefits	3,936	16,996
Post employment benefits	808	113
Other long term benefits	688	563
Termination benefits	273	714
Share-based payments	227	71
Total	**5,932**	**18,457**

The reduction from the 2018 figure in "Short-term employee benefits" is mainly due to the fact that the remuneration of both the Executive Directors and the employees of the Parent Company who can be classified as managers with key responsibilities was included in that line the previous year, paid following the sale of the gas purification business as part of the bonus plan known as Asset Sale Plan[88].

The increase in the item "Post employment benefits" is due primarily to the fact that the provision for the 2015-2017 three-year period for the non-competition agreement of Executive Directors was released during 2018, following the expiration of the mandate without there being a need to pay this compensation.

The increase in the item "Other long term benefits" is due to the fact that during 2018, the allocation for the long-term monetary incentive plan for one strategic employee of the Parent Company was released, as the employee left the Company prior to the plan reaching maturity and, thus, was no longer entitled to receive the incentive.

The item "Termination benefits" in both years consists of severance costs for Key Managers of the Parent Company who resigned.

The item "Share-based payments" includes the allocation of the phantom shares incentive plan (for further details, please see Note no. 32).

As at December 31, 2019 payables to Key Managers recorded in the financial statements, as defined above, were 4,090 thousand euro, against payables of 4,813 thousand euro as at December 31, 2018.
The reduction in the item is due to both severance payables and the three-year monetary incentive plan recognized at December 31, 2018 and paid in the first half of 2019.

Pursuant to the Consob communications of February 20, 1997 and February 28, 1998, as well as to IAS 24 revised, note that also in 2019 all related party transactions fell within ordinary operations and were settled at economic and financial standard market conditions.

[88] Monetary bonus plan for the Executive Directors, the managers who report on a direct hierarchical level to the Executive Directors and who are members of the Corporate Management Committee (a committee in which the Executive Directors provide guidelines and share targets with their direct hierarchical reports) and the other employees of the Parent Company considered to be particularly significant. The goal of the plan is to remunerate the beneficiaries in relation to extraordinary transactions involving the sale of investments, company branches, fixed assets and assets (in the specific case, the sale of the purification business), if these transactions create value and economic benefits for the Group, in order to ensure the retention of the beneficiaries and greater alignment between their performance and the corporate interests.

43. FEES TO THE INDEPENDENT AUDITORS AND TO ENTITIES BELONGING TO ITS NETWORK

Pursuant to article 149-*duodecies* “Disclosure of fees” of the Issuers’ Regulations, introduced by Consob with resolution 15915 of May 3, 2007, the fees that the independent auditors and the entities belonging to its network have received, separately, for the assignments of auditing and for the provision of other auditing services, tax consultancy services and other services other than the audit, indicated by type or category, are summarised in the table below:

(thousands of euro)

Business services	Supplier	Customer	Fees	
Audit	Parent Company auditor	SAES Getters S.p.A.	191	
Other auditing services	Parent Company auditor	SAES Getters S.p.A.	16	(*)
Tax consultancy services	Parent Company auditor	SAES Getters S.p.A.	0	
Other services	Parent Company auditor	SAES Getters S.p.A.	0	
Audit	Parent Company auditor	Subsidiaries	167	
Other auditing services	Parent Company auditor	Subsidiaries	0	
Tax consultancy services	Parent Company auditor	Subsidiaries	0	
Other services	Parent Company auditor	Subsidiaries	0	
Audit	Network of Parent Company auditor	Subsidiaries	114	
Other auditing services	Network of Parent Company auditor	Subsidiaries	0	
Tax consultancy services	Network of Parent Company auditor	Subsidiaries	0	
Other services	Network of Parent Company auditor	Subsidiaries	0	

(*) Specific activities designed to understand the effects of first-time adoption of the IFRS 16 standard.

44. SUBSEQUENT EVENTS

For the events that occurred after the end of financial period, please refer to the paragraph “Subsequent Events” in the Report on operations.

Lainate (MI), March 12, 2020

On behalf of the Board of Directors
Massimo della Porta
President

Certification of the consolidated financial statements

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

1. The undersigned Giulio Canale, as Deputy Chairman, Managing Director and as the Manager in charge of preparing the company's accounting documents, of SAES Getters S.p.A., hereby certifies, also in compliance with the provisions of article 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of February 24, 1998:

- the adequacy with respect to the type of enterprise, and
- the application

of the administrative and accounting procedures for the preparation of the consolidated financial statements, in the period January 1 - December 31, 2019.

2. To that end, note the following:

2.1 The Administrative-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-Accounting Control Model, issued on May 14, 2007, the adoption of which seeks to guarantee the alignment of SAES with the provisions introduced by Italian Law no. 262 of December 28, 2005 (hereinafter also the "Law on Savings") implemented in December 2006 with the approval of Italian Legislative Decree no. 303/06, with specific reference to obligations regarding the preparation of company accounting documents, as well as any document or disclosure of a financial nature released to the market.
- The Control Model, with reference to the organisation chart of the SAES Group:
  - defines the roles and the responsibilities of the individuals involved at various levels in the process of preparation and/or control of the financial disclosures of the SAES Group, introducing the figure of the Manager in charge of preparing the company's accounting documents (hereinafter the "Manager in Charge");
  - illustrates the elements comprising the administrative-accounting control system, referred to the general control environment underlying the Internal Control System of the SAES Group, as well as specific components relating to administrative-accounting disclosures;
  - with specific reference to the latter aspect, envisages the integration of the Group Accounting Principles and the IAS Operating Procedures with a system of administrative-accounting control matrices, which describe the control activities implemented in each process;
  - defines procedures and the frequency of the administrative-accounting risk assessment process, to identity the most relevant processes for the purposes of accounting and financial disclosures.

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

Refer in this regard 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 reported here with specific reference to the consolidation process.

2.3 Internal administrative-accounting control system of the subsidiaries of the SAES Group

- Following the administrative-accounting risk assessment conducted on the basis of the data of the 2018 consolidated financial statements - the most important administrative-accounting processes were selected, based on materiality criteria, for each of the Group companies.
- For the purpose of the certification of the consolidated financial statements, the Manager in Charge requested, for each of the subsidiaries that had important processes, to send a representation letter, drawn up in the format attached to the Administrative-Accounting Control Model of the SAES Group, signed by the General Manager/Financial Controller, that certified the application and adequacy of procedures that guarantee the correctness of the company's accounting and financial data and the consistency of the

financial reports with respect to the company’s transactions and relative accounting records.

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

- As at today’s date, the Manager in Charge, with the assistance of the Group Reporting and Consolidation Manager, has received all 12 representation letters requested, signed by the General Manager/Financial Controller of the subsidiaries with the processes selected as important following the risk assessment.

The result of the process was positive, no irregularities were identified.

3. The following is also confirmed:

3.1. The consolidated financial statements as at December 31, 2019:

a) have been prepared in compliance with the applicable international accounting standards recognised by the European Community in (EC) regulation no. 1606/2002 of the European Parliament and Council of July 19, 2002;
b) correspond to the accounting books and records;
c) provide a true and faithful account of the capital, financial position and operating results of the issuer and the group of enterprises included in the consolidation.

3.2. The Report on Operations contains a reliable analysis of performance and of the profit/loss of operations, as well as the issuer’s situation, and of the group of companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which it is exposed.

Lainate (MI), March 12, 2020

Deputy Chairman and Managing Director and
Manager responsible for the preparation of the corporate financial reports
Giulio Canale

Report of the Board of Statutory Auditors to the Shareholders' Meeting

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

PURSUANT TO ARTICLE 153 OF ITALIAN 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,

In its current formation, the Board of Statutory Auditors was duly appointed by the Shareholders' Meeting of the Company on April 24, 2018, also in observance of article 22 of the By-laws, and shall end its mandate with the Shareholders' Meeting called to approve the financial statements of the Company as at December 31, 2020.

During the year ended on December 31, 2019, the supervisory activity of the Board of Statutory Auditors was conducted in compliance with the legislation of the "Consolidated Finance Law" pursuant to Italian Legislative Decree 58/1998 and, for those provisions that are applicable, of the Italian Civil Code, also taking into account the Principles of Conduct recommended by the Italian accounting profession in the version approved with the resolution of April 26, 2018, and Consob communications on the subject of corporate controls and activities of the Board of Statutory Auditors and, more precisely, communication no. DEM/1025564 of April 6, 2001 and later updates. In its role established by article 19 of Italian Legislative Decree 39/2010, the Board of Statutory Auditors also performed an audit on itself during the year as required by law.

That being stated, we report on the supervisory activities required by law that we conducted during the year that ended on December 31, 2019, and more specifically:

- we can guarantee to have supervised compliance with the law and with the By-laws, and observance of the principles of proper administration, having held 6 meetings of the Board of Statutory Auditors for the year without considering additional informal meetings;
- on the occasion of these meetings, of the Board of Director meetings and in any case at least every three months, we obtained from the Directors and from the Company's management bodies information on the general course of operations and on its foreseeable development, and on the most important operations in terms of size or characteristics carried out by the Company, also regarding the subsidiaries;
- for calendar year 2019, the Board of Statutory Auditors - not always in its entirety - attended 2 Shareholders' Meetings and 12 Board of Directors meetings held in observance of the statutory and legislative rules governing their operation and for which we can reasonably ensure that the resolved actions comply with the law and with the By-laws, and always in the Company's interest, including the inter-company interests, and were not imprudent, risky, atypical or unusual, or in potential conflict of interest or such as to jeopardize the integrity of the shareholders' equity. Considerations, opinions and judgements could be expressed freely at these meetings;
- we assessed and supervised the adequacy of the organizational, administrative and accounting system, and the reliability of the latter in properly representing the operational transactions by obtaining information from the managers of the functions and by examining company documents and, to this regard, we have no particular comments to report. Moreover, having followed the activities carried out by the Internal Audit function and by the Control and Risk Committee, we can confirm that the internal control system adopted by the Company is entirely adequate;
- pursuant to article 19, paragraph 1, of Italian Legislative Decree 39/2010, we supervised the financial disclosure process; the effectiveness of the internal control, internal auditing and risk management system; the statutory audit of the annual accounts and of the consolidated accounts; the independence of the audit firm, particularly as concerns the provisions of non-auditing services to the Company;
- we also verified the adequacy of the instructions given to the subsidiaries pursuant to article 114, paragraph 2 of Italian Legislative Decree 58/1998;
- we examined and obtained information on the organizational and procedural activities initiated pursuant to Italian Legislative Decree 231/2001 as amended and on the administrative responsibility of the entities for the offences established by this legislation. No significant critical issues that must be reported herein emerged from the report of the Supervisory Body - in which one member of the Board of Statutory

Auditors has always taken part - on the activities carried out during 2019 or from the meetings of the Body with the Board of Statutory Auditors.

With reference to the provisions under article 36 of the Market Regulation issued by Consob relating to the subsidiaries of significant importance, formed and regulated by the law of non-European Union states, we report that the companies in question were identified and their administrative-accounting system appears sufficient for producing for the Company and the independent auditors the economic, equity and financial data necessary for drawing up the consolidated financial statements.

Having specified the above, we consider it appropriate to point out to the Shareholders' Meeting certain important aspects that emerge from the financial statements as described below.

Performance for the year

As described by the Directors in the Annual Financial Report, the results for 2019 continue to highlight the Group's strong growth. In particular, the results showed double-digit organic growth in revenues, with a considerable improvement in all economic and financial indicators. These results reflect the excellent trend in the shape memory alloy business, in both the medical area and in the market of cameras for mobile phones, as well as the confirmation in various application environments of chemical compounds and the renewed vitality of getter applications.

A summary of the percentage changes in the key indicators derived from the 2019 consolidated data compared to the corresponding data from the previous year, net of discontinued operations, is provided below:

Consolidated revenues	+13.8%
Consolidated gross profit	+11.6%
Consolidated EBITDA	+38.9%

Significant transactions during the year

Of the significant transactions pointed out in the Report on Operations of SAES Getters S.p.A. we highlight the following:

- On March 13, 2019, SAES Getters S.p.A. approved the total waiver of the right to the financial receivables owed to it at the end of 2018 from SAES Nitinol S.r.l., for an amount of 8,905 thousand euro. At the same time, the Parent Company approved an additional capital payment to SAES Nitinol S.r.l. for 100 thousand euro, 65 thousand euro of which to cover the difference between the total loss recorded by the subsidiary in 2018 (-8,969 thousand euro) and the above-mentioned waiver of financial receivables (8,905 thousand euro), and 35 thousand euro to set up a capital reserve.

- On March 18, 2019, the Ordinary Shareholders' Meeting of SAES Getters S.p.A., following a proposal by the Board of Directors of February 14, 2019, authorized a partial, voluntary Public Tender Offer for a maximum of 3,900,000 ordinary shares of SAES Getters (equal to 17.7% of the total shares and 26.6% of the ordinary shares), for an amount of 23 euro per share (ex-dividend 2018) up to a maximum total amount of 89.7 million euro.
  The Document relating to the tender offer was approved by Consob on April 30, 2019 and published on May 2, 2019. The subscription period for the tender offer started on May 6, 2019 and ended on May 24, 2019. By the closing date, a total of 6,475,263 ordinary shares had been subscribed to under the tender offer, equal to about 166% of the shares offered in the tender offer, 44.1% of the ordinary shares and 29.4% of the capital stock of SAES Getters S.p.A. for a total amount, before applying the distribution coefficient, of 148.9 million euro. A distribution coefficient was applied to the shares offered for subscription, equal to 60.2% and the total disbursement, of 89.7 million euro, was made on May 31, 2019.
  By the closing of the tender offer, SAES Getters held 3,900,000 ordinary shares, equal to about 26.6% of the ordinary shares and about 17.7% of the capital stock of the Company.
  This treasury stock represents a medium and long-term investment in the Company, which can also be used as a guarantee for loans, for any extraordinary transactions and/or to develop alliances in line with the Group's strategies. The Company intends to keep the treasury stock acquired in the portfolio until the opportunity arises to use it.

- On April 17, 2019, for purposes of issuing the guarantee to ensure precise fulfilment of the tender offer obligations and to cover the expenditure for the purchase of the ordinary shares, in addition to the commissions and expenses connected to the tender offer, SAES Getters S.p.A. took out a medium/long-term loan for 92.7 million euro with Mediobanca - Banca di Credito Finanziario S.p.A. The loan has a maximum duration of five years and calls for quarterly interest payments at the annual fixed rate of 1.2%. The loan can be repaid in a single solution at the expiry date, or it can be done at any time, by voluntary partial repayments for a minimum amount of 5 million euro and multiples of 1 million euro. In the case of early repayments, the Parent Company will have to pay Mediobanca the amount that has to be repaid and any mark-to-market amount - if negative - of the IRS derivative agreed by the lending entity to cover the risk of fluctuating interest rates; if the mark-to-market is positive, Mediobanca will pay this amount to SAES.
  There will be a single financial covenant (net consolidated positive financial position) subject to half-yearly checks. The loan is guaranteed by liens on financial assets of the Group.

As regards the other SAES Group companies, we point out the following:

- In January 2019, the duration of all the loans in place between SAES Nitinol S.r.l. and Actuator Solutions GmbH was extended by five years, moving the due date from April 30, 2019 to April 30, 2024. In December 2019, SAES Nitinol S.r.l. and Actuator Solutions GmbH signed an agreement to postpone until December 31, 2020 the payment of all interest accrued from 2016 to 2019 on loans granted by SAES to the joint venture.

- On April 4, 2019, following the loss recorded in 2018, the Shareholders' Meeting of SAES Coated Films S.p.A. decided to establish a reserve of 5 million euro to cover any future losses, with a capital payment by the Single Shareholder SAES Getters S.p.A.

- On August 7, 2019, S.G.G. Holding S.p.A. obtained the majority of voting rights for an additional 1,465,731 ordinary shares of SAES Getters S.p.A. As a result of this transaction, the ordinary shares owned by S.G.G. Holding on which there is an effective majority amounted to 2,819,773, and it holds voting rights equal to 44.81% at December 31, 2019 (including in the calculation the treasury stock held by SAES Getters S.p.A.).

- On September 4, 2019, S.G.G. Holding S.p.A. registered in the List for the attribution of increased voting rights on its remaining ordinary shares that still have single votes (equal to 2,198,713). These shares will accrue increased voting rights twenty-four months from the registration date, only if S.G.G. Holding maintains uninterrupted ownership for that period.

- On November 13, 2019, the Shareholders' Meeting of the subsidiary SAES Investments S.A. resolved to reduce the share capital from 40 million euro to 30 million euro.

Significant subsequent events

Of the significant events that occurred after the end of the year at December 31, 2019, we wish to point out the following:

- On January 23, 2020, the Board of Directors of SAES Getters S.p.A. resolved to revoke the wind up of E.T.C. S.r.l. and to place the company in liquidation and modify its corporate purpose by allowing the company to directly or indirectly take on investments or shareholdings in the packaging sector and the scouting of new technologies in that sector. If it is not possible to revoke the liquidation status, the Board approved the establishment of a new company, entirely owned by SAES Getters S.p.A., with the same corporate purpose.

- On February 13, 2020, as part of the incentive plan based on phantom shares known as the “2018 Phantom Shares Plan”, approved by the Shareholders' Meeting of October 1, 2018, the Board of Directors of SAES Getters S.p.A., upon the proposal of the Remuneration and Appointment Committee, assigned 195,618 phantom shares, from those still assignable pursuant to article 5 of the aforementioned plan, to Paolo Vacca, appointed Manager with Key Responsibilities effective January 1, 2020. The assignment value was calculated at 21.14 euro.

- On March 6, 2020, SAES Getters S.p.A. signed a new line of credit with Unicredit S.p.A. for a maximum amount of 30 million euro as a revolving line, intended for general corporate, capex and acquisition uses. The duration of the credit line is set at thirty-six months. SAES may request its use in tranches of not less than 0.5 million euro and with a duration of one to three months. The contract provides for the payment of interest indexed at the one/three month Euribor rate, increased by a spread of 1.2%. The contract provides for only one financial covenant (positive consolidated net financial position) subject to half-yearly verification.

The Board of Statutory Auditors, duly and promptly informed by the Directors, ascertained the compliance of the aforesaid transactions with the law, the By-laws and principles of correct administration, ensuring that they were not manifestly imprudent or risky, or conflicting with the resolutions passed by the Shareholders’ Meeting or such as to jeopardize the integrity of the company’s assets.

This Board acknowledges the responsiveness of the Company in confronting the serious problem of the coronavirus. Following the provisions and recommendations issued by the Lombardy Region, the Company’s offices and the Roncello facility of the subsidiary SAES Coated Films S.p.A. were closed from the afternoon of February 24 to February 28, 2020. The Company’s second production facility, in Avezzano, in the province of L’Aquila, was instead fully operational.
In the following days, given the persistence and worsening of the emergency, with the aim of preventing the spread of the disease, management agreed with the union representatives to use up to 70 employees “seconded" at the Lainate site, in order to ensure business continuity, adopting the appropriate measures to protect their health. All other employees, in accordance with the emergency measures issued by the Council of Ministers, are working in agile mode from their homes.
Currently all plants of the Company and the subsidiary SAES Coated Films S.r.l. are in operation, obviously applying the procedures recommended by experts for the protection of health and the instructions of the Italian authorities.

Atypical or unusual transactions, including inter-company or with related parties

Pursuant to the Consob communications of February 20, 1997 and February 28, 1998, as well as to IAS 24 revised, we report that in 2019 transactions with subsidiaries, associated companies or joint ventures and with other related parties of the SAES Group continued.
As regards the subsidiaries, these transactions were mostly commercial, and regarded purchases and sales of raw materials, semi-finished goods, finished products, tangible assets, royalties and various services. Cash-pooling agreements are in place with several Group companies as well as loan agreements. Agreements for the provision of commercial, technical, IT, administrative, legal and financial services for the study of specific projects are also in force with several subsidiaries. The Board of Statutory Auditors was informed that all contracts were concluded at economic and financial conditions considered arm’s length.
The equity and economic transactions with subsidiaries and jointly controlled companies of SAES Getters S.p.A. are summarized below.

(thousands of Euro)

Legal Entity	Reiceivables 2019	Payables 2019	Revenues 2019	Expenses 2019	Memorandum accounts 2019*
S.G.G. Holding SpA	272	0	0	0	0
SAES Getters/USA, Inc.	1,321	24	5,478	408	4,000
Spectra-Mat, Inc.	125	0	163	0	0
SAES Getters Export, Corp	0	0	0	0	0
SAES Smart Materials, Inc.	153	115	215	1,075	0
Memry Corporation	904	74	1,169	917	0
SAES Getters Korea Corporation	171	307	933	14	0
SAES Getters (Nanjing) Co., Ltd.	696	110	4,563	502	0
Memry GmbH in liquidazione	0	141	0	1	0
SAES Getters International S.A.	701	0	9	59	0
E.T.C. S.r.l. in liquidazione	219	2,648	85	0	448
SAES Nitinol S.r.l.	171	0	53	0	0
SAES Coated Films S.p.A.	4,479	163	1,393	0	297
SAES Investments S.A.	140,610	114	274	114	0
SAES RIAL Vacuum S.r.l.	77	92	46	219	0
Actuator Solutions GmbH	69	0	974	0	1,471
Actuator Solutions Taiwan Co., Ltd in liquidation	0	0	5	0	0
Flexterra, Inc.	130	0	130	25	0
Total	**150,096**	**3,789**	**15,490**	**3,334**	**6,216**

*It includes guarantees issued by SAES Getters S.p.A.

The Board of Statutory Auditors received information on the related party transactions; they fell within ordinary operations and were settled at economic and financial standard market conditions.
The information provided by the Directors in their Report on the financial statements of the year ended December 31, 2019 and in the relevant notes is complete and adequate for the transactions initiated with all Group entities and with those with other related parties.
In this regard, the Board of Statutory Auditors acknowledges that, as indicated in the Report on corporate governance, the Company adopted the procedures for the transactions with related parties - identified pursuant to the international accounting standard IAS 24 revised - aimed at ensuring their transparency and substantial and procedural correctness, in compliance with article 2391-*bis* of the Italian Civil Code, as implemented by Consob Regulation no. 17221 of March 12, 2010 and with the Consob Communication dated September 24, 2010, and also with article 9.C.I of the Corporate Governance Code of listed companies.
In connection with the transactions with related parties other than the subsidiaries as at December 31, 2019, the Directors identified the following in their Report:

- **S.G.G. Holding S.p.A.**, a relative majority shareholder holding 34.21%[1] of the ordinary shares of SAES Getters S.p.A. at December 31, 2019, which has a payables balance with 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., filed by S.G.G. Holding S.p.A. as the consolidator of national tax consolidation programme in place until December 31, 2014[2].

Please also note that, on May 2, 2019, S.G.G. Holding S.p.A. collected dividends from SAES Getters S.p.A. totalling 3.8 million euro.

[1] Following the decision to subscribe to the partial voluntary Public Tender Offer in the first half of 2019 by SAES Getters S.p.A. for its ordinary shares, the number of ordinary shares held by S.G.G. Holding S.p.A. decreased from 5,422,023 to 5,018,486 at the end of May 2019; consequently, the percentage of ordinary shares held by S.G.G. Holding dropped from 36.96% to 34.21%. With regard to voting rights, 2,819,773 of these ordinary shares had accrued voting rights at December 31, 2019 and therefore S.G.G. Holding held 44.81% of the voting rights (percentage calculated by also including the voting rights of the treasury stock held by SAES Getters S.p.A.).

[2] 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. in 2016), SAES Nitinol S.r.l., E.T.C. S.r.l. in liquidation 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.

Finally, following the decision to subscribe to the voluntary partial Public Tender Offer in the first half of 2019 by SAES Getters S.p.A. on its ordinary shares, on May 31, 2019, S.G.G. Holding S.p.A. collected a consideration 9.3 million euro (against 403,537 ordinary shares withdrawn as part of the Public Tender Offer).

- **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. in Liquidation**, a Taiwan-based company entirely controlled by the joint venture Actuator Solutions GmbH, aimed at the development of SMA actuator devices mainly for the consumer electronics market and whose liquidation process was launched in October 2019.
- **Actuator Solutions (Shenzhen) Co., Ltd. in liquidation**, a wholly owned subsidiary of Actuator Solutions GmbH, initially involved in the technological development of actuators for the mobile market, and whose liquidation process was initiated in March 2019.

With regards to Actuator Solutions GmbH and its Taiwanese subsidiary, SAES Group had a commercial relationship (sale of raw materials and semi-finished products) and performed various services for the German company only (in particular, development services and accessory/administrative activities) that were charged back on the basis of a service contract. Finally, please note that SAES Nitinol S.r.l. granted several loans to the joint venture Actuator Solutions GmbH. As at December 31, 2019, the financial debt of Actuator Solutions GmbH towards SAES Nitinol S.r.l. was equal to 9.6 million euro, including 1.6 million euro of interest accrued and not yet paid. The total amount of the financial receivable (both principal and interest) of SAES Nitinol S.r.l. due from the German joint venture was already completely written off at the end of the previous year; at December 31, 2019, an additional write-down was made on the financial receivable corresponding to the interest accrued during 2019 (0.5 million euro), as SAES management deemed that it was unlikely to be collected.

- **SAES RIAL Vacuum S.r.l.**, a joint venture between SAES Getters S.p.A. and Rodofil S.r.l., focused on the design and production of integrated vacuum components and systems for accelerators, for research as well as for industrial systems and devices.

With regards to SAES RIAL Vacuum S.r.l., SAES Group has a commercial relationship (the purchase and sale of raw materials, components and processing for the creation of vacuum systems) and performs various services, mainly sales and marketing activities and administrative support. Finally, as already mentioned, SAES Getters S.p.A granted a loan of 50 thousand euro, aimed at financially supporting SAES RIAL Vacuum S.r.l.

- **Flexterra, Inc.**, a joint venture of SAES Getters International Luxembourg S.A. based in Skokie (USA), established at the end of 2016 for the development, production and the commercialisation of materials and devices used in flexible displays.
- **Flexterra Taiwan Co., Ltd.**, a company established at the beginning of 2017, wholly owned by joint venture Flexterra, Inc.

With regards to Flexterra, Inc. and its subsidiary, the SAES Group carries out some administrative activities, and provides a legal, financial and tax support, as well as assistance in joint venture research and development activities, including the management of patents.

In May 2019, SAES finalized the sale to Flexterra, Inc. of the intellectual property developed in the OLET area by E.T.C. S.r.l. in liquidation. Since these patents were not valued in the assets of E.T.C. S.r.l., the transaction resulted in a consolidated gain from a related party, recognized solely in relation to the minority interests in the joint venture (pursuant to IAS 28), of 1.2 million euro.

- **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.

The Group Human Resources Manager and the Group Legal/Compliance & Internal Audit Manager are also considered to be managers with key responsibilities[3]. Their close relatives are also considered related parties.

The following table shows the total values of the transactions performed in 2019 with related parties other

[3] From the end of January 2019, the Group Strategic Marketing & Planning department came under the direct responsibility of Mr della Porta and from the beginning of April 2019, the position of Group Administration, Finance and Control Manager was taken over by Mr Giulio Canale within the scope of his position as Group Chief Financial Officer. Finally, the Corporate Operations Manager took over responsibility of the Industrial division from the beginning of the year, and is no longer classified as a manager with key responsibilities.

than the subsidiaries, as reported in the separate financial statements of SAES Getters S.p.A.

(thousands of Euro)

December 31, 2019	Net sales	Cost of goods sold	Research and development expenses	Selling expenses	General and administrative expenses	Expense recharge: Research and development expenses	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	Financial receivables
S.G.G. Holding S.p.A.													272	
SAES RIAL Vacuum S.r.l.	25	204	15				10	10		1	27	92		50
Actuator Solutions GmbH	891					40	1	42			69			
Actuator Solutions Taiwan Co., Ltd in liquidation	5													
Flexterra, Inc.						42		88	(25)		130			
Total	**921**	**204**	**15**	**0**	**0**	**82**	**11**	**140**	**(25)**	**1**	**225**	**92**	**272**	**50**

(thousands of Euro)

December 31, 2018	Net sales	Cost of goods sold	Research and development expenses	Selling expenses	General and administrative expenses	Expense recharge: Research and development expenses	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	Financial receivables
S.G.G. Holding S.p.A.													272	
SAES RIAL Vacuum S.r.l.	139	167					11	10	1	1	45	44		50
Actuator Solutions GmbH	1,351						1	40			141			
Actuator Solutions Taiwan Co., Ltd	9					63	9				26			
Flexterra, Inc.						55		127			180			
Totale	**1,500**	**167**	**0**	**0**	**0**	**118**	**21**	**177**	**1**	**1**	**392**	**44**	**272**	**50**

The following table shows the compensation SAES Getters S.p.A. paid to Managers with Strategic Responsibilities.

(thousands of Euro)	2019	2018	Difference
Short term employee benefits	3,918	16,989	(13,071)
Post employment benefits	0	0	0
Other long term benefits	682	561	121
Termination benefits	1,909	898	1,011
Payments in shares	0	0	0
Other benefits	0	0	0
Total remuneration provided to managers with strategic responsibilities	**6,509**	**18,448**	**(11,939)**

As at December 31, 2019, payables recognized in financial statements by SAES Getters S.p.A. in relation to Managers with Strategic Responsibilities as defined above were 5,237 thousand euro, against payables of 4,804 thousand euro as at December 31, 2018.
Pursuant to the Consob communications of February 20, 1997 and February 28, 1998, as well as to IAS 24 revised, the Company also noted that all related party transactions in 2019 fell within ordinary operations and were settled at standard economic and financial market conditions.

Independent auditors

Deloitte & Touche S.p.A., the firm appointed to audit the consolidated and separate financial statements of SAES Getters S.p.A. and to perform the statutory audit of accounts pursuant to article 150, paragraph 3 of Italian Legislative Decree 58/1998, issued the certification reports on March 27, 2020 and gave an opinion without findings and without requests for information on the 2019 consolidated and separate financial statements.

We held meetings, also informal, with the representatives of the firm Deloitte & Touche S.p.A., and during said meetings no significant data or information to be pointed out in this report emerged.
The Board of Statutory Auditors acknowledges that it received, pursuant to article 19, paragraph 3, of Italian Legislative Decree 39/2010, the report of the independent auditors explaining essential issues that arose during the statutory audit and any significant gaps that emerged in the internal control system in connection with the financial disclosure process. The report states that no specific gaps were found in the process of drafting the financial statements.

The Board also acknowledges that it received from the audit firm, pursuant to article 17, paragraph 9, letter a) of Italian Legislative Decree 39/2010, confirmation of its independence, that it had information on the services other than the statutory audit provided to the Company including by entities belonging to its network and to lastly have discussed, pursuant to article 17, paragraph 9, letter b) of the same decree, the risks concerning its independence and the measures taken to limit these risks.

<u>Indication of any attribution of additional tasks to the independent auditors and/or parties connected to it by ongoing relations</u>

As regards the additional tasks appointed to the independent auditors and/or to parties connected to it by ongoing relations, supplemental reference is made to the information given by the Company in the Explanatory Notes to the consolidated financial statements, pursuant to article 149-*duodecies* of the Issuers' Regulations on the subject of disclosure of fees.

<u>Indication of any opinions issued during the year pursuant to the law</u>

During 2019, the Board of Statutory Auditors expressed its opinion on:

- the adjustment for 2018 of the fees to be paid to the firm Deloitte & Touche S.p.A. in connection with the statutory audit appointment previously granted for the years from 2013 to 2021 with resolution of the ordinary Shareholders' Meeting on April 23, 2013 (the "Appointment for the 2013-2021 Statutory Audit"), providing its favourable opinion;
- the adjustment for 2018 of the fees to be paid to the same Deloitte & Touche S.p.A. in connection with the appointment concerning the limited review of the consolidated non-financial statement of SAES Getters S.p.A. and of its subsidiaries previously granted for the years from 2017 to 2021 with resolution of the ordinary Shareholders' Meeting on April 24, 2018, providing its favourable opinion.

Furthermore, with reference to 2019, the Board of Statutory Auditors was called upon in 2020 to express an opinion on:

- the payment to Deloitte & Touche S.p.A of a one-time fee, solely for 2019, in relation to activities connected to the first-time application of the IFRS 16 accounting standard, providing its favourable opinion;
- the payment to Deloitte & Touche S.p.A of a fee, for 2019, for activities connected to the limited audit on the reporting package of SAES Investments S.A. as part of the limited audit on the half-yearly report of SAES Group as at June 30, 2019, providing its favourable opinion;
- the adjustment for 2019 of the fees to be paid to Deloitte & Touche S.p.A. in connection with the appointment concerning the limited review of the non-financial statement of SAES Getters S.p.A. and its subsidiaries previously granted for the years from 2017 to 2021 with resolution of the ordinary Shareholders' Meeting on April 24, 2018, providing its favourable opinion.

<u>Submission of notices pursuant to article 2408 of the Italian Civil Code and explanations</u>

With the communication dated March 11, 2019 received by the Board of Statutory Auditors on March 12, 2019, the company established under Maltese law, Praude Asset Management, manager of the portfolio of the shareholder Hermes Linder Sicav, holder of 211,153 savings shares of SAES Getters S.p.A., submitted to the attention of the Chairman of the Board of Statutory Auditors a notice pursuant to article 2408 of the Italian Civil Code, with a copy of the document sent to the common representative of the savings shareholders and to Consob.
In this notice the shareholder asked the Board of Statutory Auditors to conduct an investigation into the regularity of the process relating to the public tender offer proposed by the Board of Directors during its meeting on February 14, 2019. This Board of Statutory Auditors, after a thorough analysis, determined the notice to be completely unfounded and explained its justifications appropriately to both the Shareholders' Meeting convened on March 18, 2019 as well as the Shareholders' Meeting convened on April 18, 2019.

<u>Proper administration - Organizational structure and changes</u>

The Company is expertly administered in observance of the rules of law and of the By-laws. We attended the Shareholders' Meetings and the meetings of the Board of Directors, and the meetings of the other established committees for which our presence is required, held in observance of the statutory and legislative rules that govern their functioning.

The Board of Statutory Auditors obtained information and supervised, to the extent of its responsibilities, the adequacy and functioning of the Company’s organizational structure, through direct observations and by collecting information from managers of the functions; in this regard, we have no comments. The delegations and powers are suitable for the Company’s needs and appropriate in relation to the outlook for the business activities. The Board of Statutory Auditors believes that the overall organizational structure of the Company is appropriate for the size of the Group.

The Board of Statutory Auditors supervised, to the extent of its responsibilities, the suitability of the administrative-accounting system as well as its reliability in correctly representing the operational events, acquiring information from the managers of the respective functions, the independent auditors Deloitte & Touche S.p.A. and by reviewing company documents; in this regard, we have no comments.
During the year, we were able to verify that, although the administrative personnel in charge of managing the business events has changed slightly from the previous year, the technical profile of the administrative personnel is, in any case, suitable for the business needs.

The following table shows the number of employees of SAES Getters S.p.A. by category.

	Dec. 31, 2019	Average 2019	Dec. 31, 2018	Average 2018
Managers	43	45	48	49
Employees and middle management	188	192	196	200
Workers	179	182	183	183
Total	**410**	**419**	**427**	**432**

Lastly, the Statutory Auditors verified, during the periodic checks made during the year, the correctness and promptness of all obligations/communications in relation to Borsa Italiana and Consob consequent to the listing of the Parent Company on the STAR segment of the electronic equity market (MTA).

Internal control and risk management system - Administrative-accounting system

The internal control and corporate risk management system (hereinafter also “SCIGR”) is managed and monitored by the Board of Directors, the Director responsible for the internal control and risk management system, the Control and Risk Committee, the Internal Audit Function, the Supervisory Body and the Board of Statutory Auditors, each with specific tasks within the scope of their role and relevant responsibilities. The SCIGR framework adopted by the Company implements the components of the “CoSO Framework” model, recognized internationally as the reference best practice for representing and assessing the internal control system. It is also pointed out that:

- the Chairman of the Board of Statutory Auditors attends, as a guest, the meetings of the Control and Risk Committee and the Remuneration and Appointments Committee;
- a Statutory Auditor is a member of the Supervisory Body, the body that promoted and supported once again in 2019 the correct implementation of the Organizational Model pursuant to Italian Law 231/2001.

During the year, the Board of Statutory Auditors found no particular critical issues or anomalies that should be mentioned in this report as part of its supervision of the effectiveness of the system and observance of the law, also following periodic meetings with the aforesaid parties.

Subsidiaries

As established in the internal control model adopted by the Company, the Manager in charge of preparing the company’s accounting documents ensures the circulation and updating of the control rules of the subsidiaries, ensuring that they are in line with the Group’s principles. On this aspect, the Board fully refers to the detailed information provided in the specific paragraph of the Report on corporate governance and ownership (pursuant to article 123 of the Consolidated Finance Law (TUF)), approved by the Board of Directors on March 12, 2020 and made available on the Company’s website.

Corporate Governance Code of listed companies

The Company's Corporate Governance system implements, in its essential elements, the principles and recommendations contained in the "Corporate Governance Code of listed companies", which the Board of Directors decided to adopt on February 23, 2012. The Board of Directors also approved the annual Report on corporate governance and ownership structure for 2019 on March 12, 2020, whose full text - to which the reader is referred for complete information - is made available to the public according to the procedure dictated by current legislation and regulations.

Remuneration Report, pursuant to article 123-*ter* of the Consolidated Finance Law and article 84-*quater* of the Issuers' Regulations and monetary incentives systems for key resources

The Board of Statutory Auditors certifies to have previously examined and provided its favourable opinion, together with the Remuneration and Appointments Committee, also in observance of the provisions under article 2389, paragraph 3 of the Italian Civil Code on policies and general guidelines on the subject of remuneration of administrative bodies and managers with strategic responsibilities of the Company and, in particular, on the Remuneration Report drawn up pursuant to articles 123-*ter* of the Consolidated Finance Law (TUF) and 84-*quater* of the Issuers' Regulations, and with reference to the annual and three-year monetary incentive instruments for the strategic resources of the Company and of the SAES Group.

Independence

The Board of Statutory Auditors certifies to have checked the correctness of the criteria adopted by the Board of Directors to assess:
- the independence of its members based on the requirements set out in the Corporate Governance Code and under articles 147-*ter*, paragraph 4 and 148, paragraph 3 of the Consolidated Finance Law (TUF), acknowledging the declarations issued by the Directors and confirming the status of "Independent" of the Directors Gaudiana Giusti, Stefano Proverbio, Luciana Rovelli, and based on the independence requirements set out under articles 147-*ter*, paragraph 4 and 148, paragraph 3 of the Consolidated Finance Law (TUF), the status of "Independent" of Adriano De Maio.
- continuity of the requirements of professional competence and reputation that the Auditors must possess pursuant to Ministry of Justice Decree 162 of March 30, 2000 and of independence pursuant to article 148, paragraph 3 of the Consolidated Finance Law (TUF) and of application criterion 8.C.1. of the Corporate Governance Code.

Presentation of the Financial Statements of the Parent Company and the Consolidated Financial Statements as at December 31, 2019

As we are not charged with the analytical control of the content of the financial statements, we certify that we supervised the general outline adopted with regard to both the separate financial statements of SAES Getters S.p.A. and the consolidated financial statements, and the overall compliance with the law in form and structure; we also confirm that we found them to correspond to the events and information of which we are aware. As for the previous years, please note that both the consolidated financial statements, after European Regulation 1606/2002 came into force, and the separate financial statements were drawn up according to the international accounting standards IAS/IFRS, on a going concern basis.

The accounting schedules adopted are consistent with those envisaged by IAS 1 - revised; specifically:
- the 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 statement of profit or loss has been prepared by classifying operating expenses by allocation, as this form of disclosure is considered more suitable to represent the Company's specific business, complies with the internal reporting procedures and in line with standard industry practices;

- the cash flow statement has been prepared by stating cash flows provided by operating activities according to the “indirect method” as allowed by IAS 7.

In addition, as required by Consob resolution no. 15519 of July 27, 2006, in the context of the statement of profit or loss by allocation and in the Explanatory Notes the significant 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.
Additionally, in observance of this resolution, the amounts of positions or transactions with related parties have been highlighted separately from the related items in the Explanatory Notes.

Starting from January 1, 2019, the SAES Group adopted the new standard IFRS 16 on an amended retrospective basis (i.e. without recalculating the figures from the comparison period).

The financial statements were drawn up on the assumption of a going concern.

As for the financial statements submitted for your approval, we point out the following in brief.

<u>Separate financial statements of SAES Getters S.p.A.</u>

(thousands of euro)	2019	2018
Third party net sales	51,805,309	47,529,972
Intercompany net sales	10,261,149	9,674,804
Total net sales	**62,066,458**	**57,204,776**
Third party cost of sales	(32,274,220)	(28,919,356)
Intercompany cost of sales	(2,328,012)	(2,877,295)
Total cost of sales	(34,602,232)	(31,796,651)
Gross profit	**27,464,226**	**25,408,125**
Research & development expenses	(7,751,623)	(7,610,092)
Selling expenses	(7,351,182)	(6,987,035)
General & administrative expenses	(20,659,904)	(21,695,695)
Write-down of trade receivables	470	(160,245)
Total operating expenses	**(35,762,239)**	**(36,453,067)**
Intercompany royalties	964,031	1,217,861
Other third party income (expenses), net	375,282	(228,130)
Other intercompany income (expenses), net	2,292,468	4,005,806
Total other income (expenses), net	**3,631,781**	**4,995,537**
Operating income (loss)	**(4,666,232)**	**(6,049,405)**
Dividends	19,457,326	21,944,621
Third party financial income	1,447,284	150,076
Intercompany financial income	354,021	696,435
Total financial income	1,801,305	846,511
Third party financial expenses	(1,024,925)	(546,597)
Intercompany financial expenses	(180,611)	(36,190)
Total financial expenses	(1,205,536)	(582,787)
Foreign exchange gains (losses), net	(55,262)	370,553
Write-down of intercompany investments	(1,490,452)	(10,738,194)
Income before taxes	**13,841,149**	**5,791,299**
Income taxes	178,242	(1,404,486)
Current taxes	(309,757)	(691,920)
Deferred taxes	487,999	(712,566)
Net income (loss) from continued operations	**14,019,391**	**4,386,813**
Net income (loss) from discontinued operations	396,459	253,846,790
Net income (loss)	**14,415,850**	**258,233,603**

Net revenues in 2019 were 62,066 thousand euro, up compared to 2018.
Gross profit was 27,464 thousand euro in 2019 against 25,408 thousand euro the previous year, marking an increase of +8.1%, corresponding to 2,056 thousand euro in absolute value, due to an increase in volumes and the positive effect from exchange rates. The gross profit margin instead was substantially unchanged, from +44.4% in 2018 to +44.2% in 2019.
EBITDA was positive for 91 thousand euro compared to a negative value of -1,328 thousand euro in 2018. The 2019 result was positively influenced by the application of the new IFRS 16 from January 1, 2019, which resulted in the recognition during the year of amortization on rights of use for 514 thousand euro.
Therefore, 2019 closed with a profit for the year of 14,416 thousand euro against a profit of 258,234 thousand euro in 2018.

As regards the various components of the statement of profit or loss, we point out:

- the write-down of the investment in SAES Nitinol S.r.l. for 727 thousand euro, equivalent to value of the equity investment consisting of the waiver of the financial receivable resolved by SAES Getters S.p.A. on March 13, 2019, increased by an additional 100 thousand euro (of which 65 thousand euro to make up the difference between the overall loss of the subsidiary in 2018 of 8,969 thousand euro and the waiver of the financial receivables by SAES Getters S.p.A. for 8,905 thousand euro, as well as 35 thousand euro for the creation of an available capital reserve);

- the allocation to a risk provision for 770 thousand euro to cover the negative equity of the subsidiary SAES Nitinol S.r.l as at December 31, 2019.
- the profit from discontinued operations of 396 thousand euro, mainly comprising the positive adjustment of the price of selling the gas purification business due to the settlement of the effective value of the tax credit of the companies that were sold - SAES Getters USA, Inc. and SAES Pure Gas, Inc. - resulting from the tax return for the period January 1 – June 24, 2018, presented in April 2019.

The net financial position as at December 31, 2019 showed a positive balance of 56,892 thousand euro, a decline from the balance of 146,052 thousand euro in the previous year. The amount at December 31, 2019 was negatively influenced by the effects of adopting the new IFRS 16 accounting standard, which led to the recording of notional financial payables representing the current value of future commitments related to the use of assets owned by third parties, for a total amount of 951 thousand euro. Compared to December 31, 2019, the decrease in the net financial position (-89,160 thousand euro) is mainly due to both the above-mentioned notional effect[4] of application of IFRS 16, and the extraordinary transaction of acquiring treasury stock (total disbursement of -93,382 thousand euro, including the accessory charges related to the Public Tender Offer). There were also dividends paid at the beginning of May (-16,580 thousand euro) and investments in property, plant and equipment (-7,237 thousand euro).

Impairment testing of assets in the separate financial statements

Equity investments

In compliance with the IAS 36 international accounting standard, on each reporting date, the Company assesses if there are elements that would seem to imply that intangible assets with a finite useful life as well as property, plant and equipment and equity investments may have suffered an impairment loss.

Intangible assets with an indefinite useful life undergo impairment testing at least once a year, or, more frequently, whenever there is any indication that the asset may be impaired.

With reference to the financial statements as at December 31, 2019, the impairment test was conducted on the basis of the most recent plan drawn up by top management for the period 2020-2022 and approved by the Company’s Board of Directors on February 13, 2020, with a view to establishing if the equity investments had been recognized in the financial statements as at December 31, 2019 at a lower value than their recoverable amount. The testing conducted, also based on management’s best estimates as regards the company’s operations, production profiles, market context and changes in the regulatory and legislative framework, focused on the equity investments having a carrying amount higher than the pertinent amount of shareholders’ equity.

Equity investments held in the subsidiaries SAES Coated Films S.p.A. and SAES RIAL Vacuum S.r.l. were subject to impairment testing; in both cases, the results were positive and therefore no write-down was recorded.

Moreover, the investment in the subsidiary SAES Nitinol S.r.l. was written down for 727 thousand euro, equivalent to the value of the investment consisting of the waiver of the financial receivable resolved by SAES Getters S.p.A. on March 13, 2019, increased by an additional 100 thousand euro. In addition, a risk provision was allocated for 770 thousand euro to cover the negative equity of the subsidiary SAES Nitinol S.r.l as at December 31, 2019.

The estimated recoverable amount required discretion and the use of estimates by management. The Company cannot therefore ensure that no impairment losses will emerge in the future. In fact, a number of different factors, also related to changes in the market and in demand, could require the value of the assets in future periods to be

[4] The adoption of the new accounting standard IFRS 16 - Leases led to an increase in the Company’s net financial debt, against a notional increase in fixed assets due to accounting for the right of use to the leasing assets, equivalent to 948 thousand euro.

redetermined. The circumstances and the events that could cause a further assessment of the existence of impairment will be constantly monitored by the Company. In particular, in relation to the Covid-19 epidemic, the plans used for purposes of impairment testing do not include the effects from the spread of the virus globally, as these events took place after the close of the year. The potential effects of this phenomenon on estimates of future cash flows are not in fact able to be determined as this time and will be continuously monitored over the coming months, including to identify any impairment to the investments.

Consolidated financial statements of SAES Getters S.p.A.

The companies included in the scope of consolidation according to the full consolidation method as at December 31, 2019 are the following:

Company	*Currency*	*Share Capital*	*% of Ownership*	
			Direct	*Indirect*
Directly controlled subsidiaries:				
SAES Getters USA, Inc. Colorado Springs, CO (USA)	USD	33,000,000	100.00	-
SAES Getters (Nanjing) Co., Ltd. Nanjing (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 in liquidation Weil am Rhein (Germany)	EUR	330,000	100.00	-
E.T.C. S.r.l. in liquidation Lainate, MI (Italy)	EUR	75,000	100.00	-
SAES Nitinol S.r.l. Lainate, MI (Italy)	EUR	10,000	100.00	-
SAES Coated Films S.p.A. Roncello, MB & Lainate, MI (Italy)	EUR	50,000	100.00	-
SAES Investments S.A. Luxembourg (Luxembourg)	EUR	30,000,000**	100.00	-
Indirectly controlled subsidiaries:				
Through SAES Getters/U.S.A., Inc.:				
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) & Freiburg (Germany)	USD	30,000,000	-	100.00

* % of indirect ownership held by SAES Getters (Nanjing) Co., Ltd.
** As at the end of December 2019, the reduction in share capital of the subsidiary SAES Investments S.A. became legally effective. In particular, the share capital was reduced from 40 million euro to 30 million euro.

The companies included in the scope of consolidation according to the equity method as at December 31, 2019 are the following:

Company	*Currency*	*Share capital Stock*	*% of Ownership*	
			Direct	*Indirect*
Actuator Solutions GmbH Gunzenhausen (Germany)	EUR	2,000,000	-	50.00*
Actuator Solutions Taiwan Co., Ltd. in liquidation Taoyuan (Taiwan)	TWD	5,850,000	-	50.00**
Actuator Solutions (Shenzhen) Co., Ltd. in liquidation				

Shenzhen (P.R. of China)	EUR	760,000	-	50.00***
SAES RIAL Vacuum S.r.l.				
Parma, PR (Italy)	EUR	200,000	49.00	-
Flexterra, Inc.				
Skokie, IL (USA)	USD	(#) 33,382,842	-	46.73****
Flexterra Taiwan Co., Ltd.				
Zhubei City (Taiwan)	TWD	5,000,000	-	46.73*****

* % of indirect ownership held through SAES Nitinol S.r.l.
** % of indirect ownership held through the joint venture Actuator Solutions GmbH (which holds a 100% interest in Actuator Solutions Taiwan Co., Ltd. in liquidation).
*** % indirect ownership held through the joint venture Actuator Solutions GmbH (which holds a 100% interest in Actuator Solutions (Shenzhen) Co., Ltd. in liquidation).
**** % of indirect ownership held through SAES Getters International Luxembourg S.A.
***** % indirect ownership held through the joint venture Flexterra, Inc (which holds a 100% interest in Flexterra Taiwan Co., Ltd.).
(#) The share capital has increased compared to the value at December 31, 2018 (amounting to 33,358,815 USD) following the contributions by certain third-party shareholders in the first half of the current financial period, to complete the payments made at the end of 2018.

With reference to the scope of consolidation, in March 2019, the liquidation process of Actuator Solutions (Shenzhen) Co., Ltd. began, a wholly owned subsidiary of the joint venture Actuator Solutions GmbH. The liquidation is expected to conclude in the initial months of 2020 and has not resulted in material negative effects on the joint venture's consolidated statement of profit or loss at December 31, 2019.

Lastly, on October 1, 2019, the liquidation process of Actuator Solutions Taiwan Co., Ltd. began, which was also a wholly owned subsidiary of the joint venture Actuator Solutions GmbH. The liquidation is expected to conclude no later than the end of 2020 and no extraordinary additional costs of a material amount are estimated, other than those already included at December 31, 2019.

The consolidated profit and loss for 2019 is the following:

Consolidated statement of profit or loss		
(thousands of euro)	**2019**	**2018**
Total net sales	**182,352**	**160,284**
Cost of sales	(103,979)	(90,032)
Gross profit	**78,373**	**70,252**
Research & development expenses	(11,052)	(10,988)
Selling expenses	(13,033)	(12,451)
General & administrative expenses	(29,306)	(32,471)
Write-down of trade receivables	26	(208)
Total operating expenses	**(53,365)**	**(56,118)**
Other income (expenses), net	1,764	932
Operating income (loss)	**26,772**	**15,066**
Interests and other financial income	8,071	982
Interests and other financial expenses	(1,486)	(1,228)
Write-down of financial receivables and other financial assets	(414)	(9,283)
Share of result of investments accounted for using the equity method	(1,757)	(1,473)
Write-down of investments accounted for using the equity method	(1,155)	(4,300)
Foreign exchange gains (losses), net	(104)	523
Income (loss) before taxes	**29,927**	**287**
Income taxes	(10,242)	(7,967)
Net income (loss) from continued operations	**19,685**	**(7,680)**
Net income (loss) from discontinued operations	152	240,013
Net income (loss) for the period	**19,837**	**232,333**
Minority interests in consolidated subsidiaries	0	0
Group net income (loss) for the period	**19,837**	**232,333**
Net income (loss) per ordinary share	0.99693	10.53109
- from continued operations	*0.98925*	*(0.34830)*
- from discontinued operations	*0.00000*	*10.87939*
Net income (loss) per savings share	1.01356	10.54772
- from continued operations	*1.00588*	*(0.34830)*
- from discontinued operations	*0.02060*	*10.89602*

In the year closed as at December 31, 2019, the SAES Group achieved consolidated net revenues equal to 182.4 million euro, up by 13.8% compared to 160.3 million euro achieved in 2018. The exchange rate effect was slightly positive (+4.3%), mainly related to the revaluation of the US dollar with respect to the euro.

Consolidated gross profit in 2019 was 78.4 million euro, compared to 70.3 million euro in 2018, while consolidated operating income was 26.8 million euro, also showing a considerable increase (+77.7%) compared to operating income of 15.1 million euro recorded last year. Consolidated EBITDA in 2019 was 36.5 million euro, significantly higher (+38.9%) compared to 26.3 million euro in 2018.

The profit from discontinued operations amounted to 0.2 million euro, mainly comprising the positive adjustment of the sales price for the gas purification business due to the settlement of the effective value of the tax credit of the companies that were sold - SAES Getters USA, Inc. and SAES Pure Gas, Inc. - resulting from the tax return for the period January 1 – June 24, 2018, submitted in April 2019. In 2018, the net profit from discontinued operations amounted to 240 million euro, mainly comprising the gross capital gain (262.4 million euro) generated from the sale of the gas purification business, from which the costs related to the transaction were deducted, amounting to -35.2 million euro (especially legal and consultation expenses, and for bonuses for both the staff affected by the sale and the corporate employees involved in the settlement of

that extraordinary corporate transaction, and interest, differences in exchange rates and taxes). Finally, this item included the net profit generated by the gas purification business between January 1 and June 24, 2018 (actual date of sale) for 12.8 million euro.
Consolidated net income in 2019 was 19.8 million euro compared to 2018 consolidated net income of 232.3 million euro.

Impairment testing of assets in the consolidated financial statements

Goodwill
Goodwill recognized in the financial statements as at December 31, 2019 amounted to 38,416 thousand euro. The increase for the year of 669 thousand euro is exclusively due to the effect of exchange rates (especially related to the revaluation of the dollar at December 31, 2019 compared to the end of the previous year) on the goodwill in currencies other than the euro.
Pursuant to IAS 36, goodwill is not amortized but rather is tested for impairment annually or more frequently should any specific event take place or circumstance arise that may lead to the assumption that an impairment loss has been incurred. For the purpose of testing, goodwill is allocated to a Cash Generating Unit (CGU) or groups of CGUs, in accordance with the thresholds established by IFRS 8, according to which the latter may not be larger than an operating segment.
The impairment testing, whose assumptions and procedures were approved by the Board of Directors on February 13, 2020 and whose results were approved by the same Board on March 12, 2020, involves estimating the recoverable value of each Cash Generating Unit (CGU) and comparing it with the net book value of the property, plant and equipment and intangible assets allocated to that CGU, including goodwill.
The recoverable amount is verified by calculating the value in use, which corresponds to the present value of the future cash flows which are expected to be associated to each Cash Generating Unit on the basis of the most recent three-year plans drawn up by top management for the 2020-2022 period and approved by the Board of Directors on February 13, 2020, based on the medium-term forecasts prepared by management and based on the terminal value.
No further potential impairment of assets was detected from this first level of testing, including for the Advanced Packaging Division, which was more recently introduced. Lastly, management conducted second-level testing, including both on the assets not allocated to any operating segment and, in the recoverable amount, the costs relating to corporate functions, as well as the economic values that cannot be uniquely allocated or allocated through reliable drivers to primary sectors, which include some of particular importance, such as the basic research costs, incurred by the Group to identify innovative solutions. The second-level testing also found no further potential impairment of assets.

Equity investments
In compliance with the requirements of the IAS 36 international accounting standard, the equity investments measured with the equity method underwent impairment testing in order to verify that the equity investments are recognised in the consolidated financial statements as at December 31, 2019 at an amount not higher than the recoverable amount; in particular, Actuator Solutions, SAES RIAL Vacuum S.r.l. and Flexterra.
The impairment analysis revealed an impairment of the consolidated equity investment in the Flexterra joint venture of -555 thousand euro: the value in use of the investment was calculated using the Free Operating Cash Flow method, starting from the five-year plan drawn up by top management and approved by the Board of Directors of Flexterra, Inc. on February 12, 2020, which already included prudential elements deemed appropriate by the SAES Getters Board of Directors on February 13, 2020. The write-down was recorded in the statement of profit or loss under the item "Write-down of investments accounted for using the equity method". Furthermore, this item includes the allocation to a risk provision for the equity investment in Actuator Solutions of -600 thousand euro, equivalent to the *pro-quota* financial resources necessary for the joint venture to continue its operating activities over the next twenty-four months, according to the revised version of the five-year plan presented to shareholders during the Extraordinary Shareholders' Meeting of February 18, 2020.

The estimated recoverable amount of the various Cash Generating Units and of investments measured using the equity method required discretion and the use of estimates by management. The Group cannot therefore ensure that no impairment losses will emerge in the future. In fact, a number of different factors, also related

to changes in the market and in demand, could require the value of the assets in future periods to be redetermined.
In particular, in relation to the Covid-19 epidemic, the plans used for purposes of impairment testing do not include the effects from the spread of the virus on a global scale, as these events took place after the close of the year. However, is it not currently possible to make any assessment regarding the economic impacts of the spread of the virus in Italy and around the world. The potential effects of this phenomenon on estimates of future cash flows are not able to be determined as this time and will be continuously monitored over the coming months, including to identify any impairment to the value of the Group's assets and equity investments.

Write-downs of financial receivables and other financial assets

This item is mainly composed of the write-down of the Group's financial receivable from Actuator Solutions GmbH (480 thousand euro) for interest accrued during the year on interest-bearing loans granted in previous years by SAES Nitinol S.r.l. to the joint venture; this financial receivable was written down as it was deemed by management to be non-recoverable, as it has been postponed. All financial receivables (both principal and interest) that the Group is owed by Actuator Solutions GmbH at December 31, 2018 (9,139 thousand euro) had already been fully written off at the end of the previous year, following the letter of postponement issued by SAES Nitinol S.r.l., in order to guarantee business continuity for Actuator Solutions.

Non-financial statement

The Board of Statutory Auditors supervised the fulfilment of obligations set forth by legislation on drawing up and publishing the consolidated non-financial statement - 2019 Sustainability Report prepared by the Company and the adequacy of the procedures, processes and structures that oversee the production, reporting, measurement and representation of the results and information of this nature. To this regard, the control body examined the report issued by the independent auditors on March 27, 2020, pursuant to article 3, paragraph 10, Italian Legislative Decree 254/20169 and article 5 of Consob Regulation 20267 that, on the basis of the work performed, concluded that it was not aware of any elements that would lead it to believe that the consolidated non-financial statement was not drawn up, in all significant aspects, in compliance with the requirements of articles 3 and 4 of the cited legislative decree and with the "Global Reporting Initiative Sustainability Reporting Standards".

Lastly, the Board acknowledges the proposal of the Board of Directors to distribute a portion of the net income for the year as follows:

- 5,877,999.74 to savings shareholders only - allocating them a dividend of 0.796626 per share (including an additional 0.016626 euro and 0.138549 euro as full recognition of the privileged dividend for 2019) per share;
- 8,401,653.00 euro to ordinary shares, allocating them a dividend of 0.780000 euro per share:

- 0.796626 euro for each of the 7,378,619 savings shares	5,877,999.74 euro
- 0.780000 euro for each of the 10,771,350 ordinary shares	8,401,653.00 euro
For a total maximum amount of	**14,279,652.74 euro**

Based on the above and in consideration of the results of the activities we carried out, we propose to the Shareholders' Meeting to approve the consolidated and separate financial statements for the year ended December 31, 2019, as drawn up by the Directors.

Lainate, March 27, 2020

Board of Statutory Auditors

Mr Vincenzo Donnamaria

Mr Maurizio Civardi

Ms Sara Anita Speranza

ADDENDUM TO THE REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

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

As a supplement and partial modification to the report issued by the Board of Statutory Auditors on March 27, 2020, following the decision made the by the extraordinary Board of Directors meeting held today, the Board of Statutory Auditors acknowledges the proposed reduction of the portion of the 2019 net income to be allocated as dividends.

In particular, given the general uncertainty caused by the Covid-19 epidemic, whose duration and potential effects cannot currently be estimated, the Board of Directors has resolved to propose to the Shareholders' Meeting the distribution of a total dividend equivalent to 9,197,661.42 euro, as follows:

- 3,811,986.42 to savings shares only - allocating them a dividend of 0.516626 euro per share (including an additional 0.016626 euro and 0.138549 euro as full recognition of the privileged dividend for 2019) per share;
- 5,385,675.00 euro to ordinary shares, allocating them a dividend of 0.500000 euro per share:

- 0.516626 euro for each of the 7,378,619 savings shares	3,811,986.42 euro
- 0.500000 euro for each of the 10,771,350 ordinary shares	5,385,675.00 euro
For a total maximum amount of	**9,197,661.42 euro**

Based on the above and in consideration of the results of the activities we carried out, we propose to the Shareholders' Meeting to approve the consolidated and separate financial statements for the year ended December 31, 2019, as drawn up by the Directors.

Lainate, March 30, 2020

Board of Statutory Auditors

Mr Vincenzo Donnamaria

Mr Maurizio Civardi

Ms Sara Anita Speranza

Independent Auditors' Report on the consolidated financial statements

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

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

INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of SAES Getters S.p.A. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019 and the income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated 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 no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of SAES Getters S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Inpairment test on goodwill, other intangible fixed asssets, tangible fixed assets, right of use and equity method investments	
Description of the key audit matter	The Group's consolidated financial statements include goodwill equal to Euro 38,416 thousand, other intangible fixed assets equal to Euro 6,800 thousand, tangible fixed assets equal to Euro 70,893 thousand, right of use equal to Euro 4,617 and investments accounted for using the equity method equal to Euro 4,800 thousand. The goodwill was attributed to the "cash generating units" (CGUs) related to the operating sectors as at December 31, 2019 and is composed as follows: - Metallurgy (previously Industrial Applications) (Euro 945 thousand); - Medical (Euro 37,471 thousand). The reorganization process of the internal management and divisional structure of the Group defined the identification of the following CGUs: Metallurgy, Vacuum Technology, Medical, Specialty Chemicals and Advance Packaging. The *impairment test* was carried out by comparing the recoverable value of the CGUs - determined according to the value in use method - with the book value, which also includes the other tangible and intangible assets allocated to the CGUs. The Directors also performed a second level i*mpairment test*, including assets not allocated to any business sector. The Company estimated the recoverable amount by determining the present value of the cash flows expected based on the explicit period of three years, corresponding to the business plan 2020–2022 approved by the Company's Board of Directors on February 13, 2020, for the CGUs Metallurgy, Vacuum Technology, Medical e Specialty Chemicals. Regarding the CGU Solutions for Advanced Packaging, whose operating sector was introduced more recently than the others, the explicit forecast period was extended for two additional years. The Directors also determined a *terminal value*, assuming a zero g-rate and a time horizon deemed representative of the duration of the various businesses. As a result of the *impairment test* an impairment loss of the investment in Flexterra Inc. for Euro 555 thousand was recorded. The business plan used for the *impairment test* do not include the effects deriving from the spread of the Covid-19 (coronavirus) in the international context, as these events took place after the close of the year. The Directors also point out that, at the date the Board of Directors approved the financial statements, it was not possible to perform an assessment of the impact of the coronavirus's spread, and report that it may have an impact on the Group's future cash flows that cannot be determined with consequent effects on the value of the assets subject to *impairment test*.

The valuation process made by the Directors for carrying out the *impairment test* is complex and based on assumptions concerning, among others, the forecast of expected cash flows of each of the above mentioned CGU and the determination of an appropriate discount rate (WACC) and long-term growth rate (g-rate).

The most important key variables in determining the expectations of future cash flows are:

- sales forecasts by business area/product family/client;
- prices and margins trend;
- cost of goods sold (including cost of materials) by product family;
- production costs, operating expenses and investment plan;
- discount rates.

Future expectations and market conditions influence these assumptions.

In consideration of the significance of the value of these assets in the consolidated financial statements, the subjectivity of the estimates necessary for the determination of the CGU cash flows and of the key variables of the impairment model, we considered the *impairment test* as a key audit matter of SAES Groups's consolidated financial statements.

Paragraphs 14. "Property, plant and equipment", 15. "Intangible assets", 16. "Right of use" and 17. "Investments accounted for using the equity method" report the disclosures on the *impairment test* and the related results, including a sensitivity analysis performed by the Directors, which illustrates the effects on the recoverable amount resulting from the changes in certain key assumptions used for the *impairment test*.

Audit procedures performed

As part of our audit, among other procedures, we have carried out the following, also with the support of experts:

- review of the methods adopted by the Directors for the determination of the recoverable value of the CGUs and analyses of the methods and assumptions used on the *impairment test*;
- understand the methodology used by the Directors on the *impairment test* and examination of its compliance with the referenced accounting principles;
- understand the Group's internal controls relevant to the *impairment test* process;
- analysis of the reasonableness of the key assumptions underlying the cash flows determination, also through information obtained from management;
- analysis of the actual figures compared to the plans in order to assess the nature of the deviations and the reliability of the planning process;
- analysis of the reasonableness of the discount rate (WACC), long-term growth rate (g-rate) and assumptions used for the terminal value (TV) determination;

- review of the mathematical accuracy of the model used to estimate the value in use of the CGUs;
- review of the correct calculation of the book value of the CGUs;
- review of the Directors' sensitivity analysis.

Further, we also examined the adequacy of the disclosure provided by the Group on the *impairment test* and its compliance to IAS 36 disclosure requirements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of 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 no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Deloitte.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of SAES Getters S.p.A. has appointed us on April 23, 2013 as auditors of the Company for the years from December 31, 2013 to December 31, 2021.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of SAES Getters S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of SAES Getters Group as at December 31, 2019, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of SAES Getters Group as at December 31, 2019 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of SAES Getters Group as at December 31, 2019 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of SAES Getters S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Carlo Laganà
Partner

Milan, Italy
March 27, 2020

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 figures		2019	2018 (1)	Difference	Difference %
Net Sales					
- Industrial		62,066	57,205	4,861	8.5%
- Medical		0	0	0	n.a.
- Packaging		0	0	0	n.a.
- Not allocated		0	0	0	n.a.
Total		**62,066**	**57,205**	**4,861**	**8.5%**
GROSS PROFIT (2)					
- Industrial		27,890	25,858	2,032	7.9%
- Medical		0	0	0	n.a.
- Packaging		(429)	(171)	(258)	-150.9%
- Not allocated Costs (3)		3	(279)	282	101.1%
Totale		**27,464**	**25,408**	**2,056**	**8.1%**
	% on net sales	*44.2%*	*44.4%*		
EBITDA (4)		**91**	**(1,328)**	**1,419**	**106.9%**
	% on net sales	*0.1%*	*-2.3%*		
OPERATING INCOME (LOSS)		**(4,666)**	**(6,049)**	**1,383**	**22.9%**
	% on net sales	*-7.5%*	*-10.6%*		
NET INCOME (LOSS) from continued operations		**14,019**	**4,386**	**9,633**	**219.6%**
	% on net sales	*22.6%*	*7.7%*		
NET INCOME (LOSS)		**14,416**	**258,234**	**(243,818)**	**-94.4%**
	% on net sales	*23.2%*	*451.4%*		

Balance sheet and financial figures	2019	2018	Difference	Difference %
Tangible fixed assets	34,439	34,180	259	0.8%
Shareholders' equity	207,231	303,043	(95,812)	-31.6%
Net financial position (5)	56,892	146,052	(89,160)	-61.0%

Other information	2019	2018	Difference	Difference %
Cash flow from operating activities (6)	2,680	(1,403)	4,083	291.0%
Research and development expenses	7,752	7,610	142	1.9%
Number of employees as at December 31 (7)	451	449	2	0.4%
Personnel cost (8)	32,162	33,809	(1,647)	-4.9%
Disbursement for acquisition of tangible assets	7,237	9,321	(2,084)	-22.4%

Starting from January 1, 2019, the SAES Group adopted the new standard IFRS 16 on an amended retrospective basis (i.e. without recalculating the figures from the period being compared). The main effects at December 31, 2019 resulting from application of the new standards are as follows:

- lower leasing costs of 527 thousand euro;
- increase in depreciation of 514 thousand euro;
- increase in interest expense of 7 thousand euro;
- recording a Right of use of 948 thousand euro under non-current assets;
- recording Financial debts of 951 thousand euro, with a consequent worsening of the net financial position by the same amount.

The main indicators at December 31, 2019 would have been as follows without application of the new standard IFRS 16:

	December 31, 2019
EBITDA ***without IFRS 16 adoption***	(436)
% on net sales	*-0.7%*
OPERATING INCOME (LOSS) ***without IFRS 16 adoption***	(4,679)
% on net sales	*-7.5%*
INCOME(LOSS) BEFORE TAXES ***without IFRS 16 adoption***	13,835
% on net sales	*22.3%*
NET FINANCIAL POSITION ***without IFRS 16 adoption***	57,843

(1) The revenues and costs by Business Unit at December 31, 2018 presented for comparative purposes do not coincide with what is set out in the 2018 Annual Financial Report, since they were reclassified to allow for a like-for-like comparison with December 31, 2019; in order to better reflect the SAES organizational management structure in place as at December 31, 2019, revenues and costs for the shape memory alloy for the industrial applications sector (previously SMAs for Thermal & Electro Mechanical Devices), along with those of the Functional Chemical Systems sector (previously Organic Electronics) were reclassified in the Industrial Business Unit. All the operating sectors were also renamed to provide greater clarity.

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

(thousands of euro)

	2019	2018
Net Sales	**62,066**	**57,205**
Raw materials	(12,247)	(10,360)
Direct labour	(7,746)	(7,456)
Manufacturing overhead	(15,471)	(13,769)
Increase (decrease) in work in progress and finished goods	863	(212)
Cost of sales	**(34,602)**	**(31,797)**
Gross profit	**27,464**	**25,408**
% on net sales	*44.2%*	*44.4%*

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

(4) EBITDA is not deemed as an accounting measure under International Financial Reporting Standards (IFRSs); however, we believe that EBITDA is an important parameter for measuring the Company'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 Company may not be homogeneous with the ones adopted by other Companies. EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) is calculated as "Earnings before interest, taxes, write-downs, depreciation and amortization".

A reconstruction of EBITDA is provided below, starting from Operating income.

(thousands of euro)

	2019	2019 *without IFRS 16 adoption*	2018
Operating income	**(4,666)**	**(4,679)**	**(6,049)**
Depreciation and amortization	3,936	3,936	3,921
Depreciation on leased assets	514	0	0
Write-down of assets	308	308	640
Bad debt provision accrual (release)	(0)	(0)	160
EBITDA	**91**	**(436)**	**(1,328)**
% on sales	*0.1%*	*-0.7%*	*-2.3%*

The first application of IFRS 16 generated a positive effect on EBITDA in 2019 of 527 thousand euro, net of which the EBITDA would have been -436 thousand euro (-0.7% of the revenues).

(5) As noted above, the application of IFRS 16 led, at December 31, 2019, to the recording of financial debts (against the recording of a Right of use under non-current assets) of 951 thousand euro, with a consequent worsening of the net financial position by the same amount.

(thousands of euro)

	2019	2019 *without IFRS 16 adoption*	2018
Net Financial Position	**56,892**	**57,843**	**146,052**

(6) The 2018 cash flow statement was reclassified to better represent the cash flows and was aligned with the scheduled used for the consolidated financial statements. For consistency, the item "Net financial income (expenses)" was moved, with impact on the cash flow from operating activities.

(7) As at December 31, 2019 this item includes:

- 410 employee units (427 units as at December 31, 2018);
- the personnel employed in the Company with contract types other than employment agreements, equal to 41 units (22 units as at December 31, 2018).

(8) As at December 31, 2019 the severance costs, included in personnel costs, were 582 thousand euro (2,699 thousand euro in 2018).

Report on Operations

The organizational structure of SAES Getters S.p.A., as Parent Company (hereinafter also referred to as the Company), envisages three Business Units: Industrial, Medical and Packaging. The corporate costs, meaning 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 and development projects undertaken to achieve diversification into innovative businesses are shown separately from the three Business Units.

The following table illustrates the Group's business structure:

Industrial Business Unit	
Security & Defence	Getters and metal dispensers for electronic vacuum devices
Electronic Devices	Getters for microelectronic, micromechanical systems (MEMS) and sensors
Healthcare Diagnostics	Getters for X-ray tubes used in image diagnostic systems
Thermal Insulated Devices	Products for thermal insulation
Lamps	Getters and metal dispensers used in discharge lamps and fluorescent lamps
Solutions for Vacuum Systems	Getter pumps for vacuum systems with applications in the industrial sector, in research and in particle accelerators
Sintered Components for Electronic Devices & Lasers	Cathodes and materials for thermal dissipation in electronic tubes, lasers and solid-state devices
Functional Chemical Systems	Getter materials integrated into polymeric matrices for organic and hybrid electronic applications, photonics and implantable medical devices.
SMA Industrial	Shape Memory Alloy actuator devices for the industrial sector (domotics, white goods industry, consumer electronics, automotive sector and luxury goods)
Medical Business Unit	
Nitinol for Medical Devices	Nitinol raw material and components for the biomedical sector
Packaging Business Unit	
Solutions for Advanced Packaging	Advanced plastic films for the sustainable packaging sector

In order to reflect the internal SAES organizational management structure in place at December 31, 2019, from January 1, 2019, revenue and costs for the shape memory alloy (SMA) for industrial applications sector (previously SMAs for Thermal & Electro Mechanical Devices), along with those of the Functional Chemical Systems sector (previously Organic Electronics) were classified in the Industrial Business Unit. The residual revenue from the gas purification sector (previously Systems for Gas Purification & Handling), which is now irrelevant following the transfer of the purification business half-way through the previous year, was added to that of the Business Electronic Devices sector, within the Industrial Business Unit.
Finally, the operating sectors were also renamed to provide greater clarity.
The amounts at December 31, 2018 were reclassified so they can be compared on a like-for-like basis with the 2019 figures.

Net revenues for 2019 were 62,066 thousand euro, up compared to 2018 (+8.5%: net of the positive exchange rate effect of +2.7%, organic growth would have been +5.8%), due above all to a significant increase in the SMA Industrial (+52.7% equivalent exchange rates) and Electronic Devices (+15.9%) businesses.

Gross profit was 27,464 thousand euro in 2019 against 25,408 thousand euro the previous year, marking an increase of +8.1%, corresponding to 2,056 thousand euro in absolute value, due to an increase in volumes and the positive effect from exchange rates. The gross margin instead was substantially unchanged, passing from +44.4% in 2018 to +44.2% in 2019. The adoption of the new accounting standard for operating leases starting from January 1, 2019 (**IFRS 16**) did not have any significant effect on the gross profit.

There was an **operating loss** of -4,666 thousand euro in 2019, against -6,049 thousand euro the previous year: the reduction of the loss was essentially due to the improvement in gross profit and lower general and administrative expenses. The adoption of new accounting rules for operating leases effective January 1, 2019 (**IFRS 16**) did not generate any material effect on the operating result (without application of IFRS 16 the operating loss for 2019 would have been -4,679 thousand euro).

EBITDA was positive for 91 thousand euro compared to a negative value of -1,328 thousand euro in 2018. The 2019 result was positively influenced by the application of the new **IFRS 16** from January 1, 2019, which resulted in the recognition during the year of amortization on rights of use for 514 thousand euro.

The following table shows the reconciliation between the EBITDA in 2019 (with and without application of IFRS 16) and the operating income, along with a comparison with the same period of 2018.

(thousands of euro)

	2019	**2019** *without IFRS 16 adoption*	**2018**
Operating income	**(4,666)**	**(4,679)**	**(6,049)**
Depreciation and amortization	3,936	3,936	3,921
Depreciation on leased assets	514	0	0
Write-down of assets	308	308	640
Bad debt provision accrual (release)	(0)	(0)	160
EBITDA	**91**	**(436)**	**(1,328)**
% on sales	*0.1%*	*-0.7%*	*-2.3%*

Dividends, net financial income and net gains on exchange rates totalled 19,998 thousand euro in 2019, compared to 22,579 thousand euro in the previous year. In 2019, the Company recognized write-downs on investments in subsidiaries and made allocations to risk provisions for investments in subsidiaries for 1,496 thousand euro, while recording lower expected losses on cash and cash equivalents in application of IFRS 9 for 6 thousand euro. In 2018, the Company recognized write-downs on investments in susidiaries and financial receivables, almost entirely from subsidiaries, for a total of -10,738 thousand euro.
For further details, refer to Notes 8 and 10.

Thus, 2019 closed with an **income before tax** of 13,841 thousand euro, an increase compared to 5,791 thousand in the previous year.

Income taxes for the year recorded a positive balance (income) of 178 thousand euro against a negative balance of 1,404 thousand euro in 2018.
For further details, refer to Notes 11 and 18.

The **income from discontinued operations** amounted to 396 thousand euro, mainly comprising the positive adjustment of the price of selling the gas purification business due to the settlement of the effective value of the tax credit of the companies that were sold - SAES Getters USA, Inc. and SAES Pure Gas, Inc. - resulting from the tax return for the period January 1 – June 24, 2018, presented in April 2019. In 2018, the income from discontinued operations was 253,847 thousand euro and was mostly represented by the gross capital gain (282,507 thousand euro) generated by the sale of the gas purification business, minus the transaction costs of 28,610 thousand euro (mainly legal and consulting expenses, and the cost of incentives for the personnel employed in the business sold and the corporate personnel involved in setting the extraordinary corporate transaction in place, as well as interest, exchange rate differences and taxes). Lastly, this item included some costs relating to the gas purification business between January 1 and June 25, 2018 (effective sale date) of around 50 thousand euro.

Therefore, 2019 closed with a **profit for the year** of 14,416 thousand euro against a loss of -258,234 thousand euro in 2018.

The **net financial position** as at December 31, 2019 showed a positive balance of 56,892 thousand euro, a decline from the balance of 146,052 thousand euro in the previous year. The amount at December 31, 2019 was negatively influenced by the effects of adopting the new IFRS 16 accounting standard, which led to the

recording of notional financial payables representing the current value of future commitments related to the use of assets owned by third parties, for a total amount of 951 thousand euro.
Compared to December 31, 2018, the decrease in the net financial position (-89,160 thousand euro) is mainly due to both the above-mentioned notional effect[1] of application of IFRS 16, and the extraordinary transaction of acquiring treasury stock (total disbursement of -93,382 thousand euro, including the accessory charges related to the Public Tender Offer). There were also dividends paid at the beginning of May (-16,580 thousand euro) and investments in property, plant and equipment (-7,237 thousand euro).

Significant events in 2019

On March 13, 2019, the Company approved the **total waiver of the right to the financial receivables** owed to it at the end of 2018 **from SAES Nitinol S.r.l.**, for an amount of 8,905 thousand euro. At the same time, the Company decided to make an **additional capital payment** of 100 thousand euro to SAES Nitinol S.r.l., with 65 thousand euro to make up the difference between the overall loss suffered by the subsidiary in 2018 (-8,969 thousand euro) and the above-mentioned waiver of the right to the financial receivables (8,905 thousand euro) and 35 thousand euro to build up a capital reserve. This transaction was recorded in the Company's financial statements as at December 31, 2018.

On March 18, 2019, the Ordinary Shareholders' Meeting of SAES Getters S.p.A., following a proposal by the Board of Directors of February 14, 2019, authorized a **partial, voluntary Public Tender Offer** for a maximum of **3,900,000 ordinary shares** of SAES Getters (equal to 17.7% of the total shares and 26.6% of the ordinary shares), for an amount of 23 euro per share (ex-dividend 2018) up to a maximum total amount of 89.7 million euro.
The Document relating to the tender offer was approved by Consob on April 30, 2019 and published on May 2, 2019. The subscription period for the tender offer started on May 6, 2019 and ended on May 24, 2019. By the closing date, a total of 6,475,263 ordinary shares had been subscribed to under the tender offer, equal to about 166% of the shares offered in the tender offer, 44.1% of the ordinary shares and 29.4% of the capital stock of SAES Getters S.p.A. for a total amount, before applying the distribution coefficient, of 148.9 million euro. A distribution coefficient was applied to the shares offered for subscription, equal to 60.2%, and the total disbursement of 89.7 million euro was made on May 31, 2019.
By the closing of the tender offer, SAES Getters S.p.A. held 3,900,000 ordinary shares, equal to about 26.6% of the ordinary shares and about 17.7% of the capital stock of the Company.
This treasury stock represents a medium and long-term investment in the Company, which can also be used as a guarantee for loans, for any extraordinary transactions and/or to develop alliances in line with SAES Group's strategies. The Company intends to keep the treasury stock acquired in portfolio until the opportunity arises to use it.

For purposes of issuing the guarantee to ensure precise fulfilment of the tender offer obligations and to cover the expenditure for the purchase of the ordinary shares, in addition to the commissions and expenses connected to the tender offer, on April 17, 2019, the Company took out a **medium/long-term loan** for 92.7 million euro with Mediobanca - Banca di Credito Finanziario S.p.A. The loan has a maximum duration of five years and calls for quarterly interest payments at the annual fixed rate of 1.2%. The loan can be repaid in a single solution at the expiry date, or at any other time, by voluntary partial repayments for a minimum amount of 5 million euro and multiples of 1 million euro. In the case of early repayments, the Company must pay Mediobanca the repayment amount and any mark-to-market amount - if negative - of the IRS derivative agreed by the lending entity to cover the risk of fluctuating interest rates; if the mark-to-market is positive, Mediobanca will pay this amount to SAES Getters S.p.A.
There will be a single financial covenant (consolidated net positive financial position) subject to half-yearly checks. The loan is guaranteed by liens on financial assets of SAES Group.

In the first quarter of 2019, the Company invested 30,000 thousand euro of cash in credit-linked certificates, due to mature at five years and representing financial instruments linked to the performance of underlying

[1] The adoption of the new accounting standard IFRS 16 - Leases led to an increase in the Company's net financial debt, against a notional increase in fixed assets due to accounting for the right of use to the leasing assets, equivalent to 951 thousand euro.

bonds and debt securities issued by leading Italian banks. The value of these financial instruments at December 31, 2019 amounted to 30,884 thousand euro (positive fair value measurement of 884 thousand euro). These financial assets were classified under non-current assets, as they represent a guarantee on the medium/long-term loan obtained by the Company to cover the disbursement to purchase ordinary shares as part of the partial, voluntary Public Tender Offer discussed above.

On April 4, 2019, following the loss recorded in 2018, the Shareholders' Meeting of **SAES Coated Films S.p.A.** decided to establish a **reserve of 5 million euro** to cover any future losses, with a capital payment by the Single Shareholder SAES Getters S.p.A.

On August 7, 2019, **S.G.G. Holding S.p.A.** obtained the **majority of voting rights** for an additional 1,465,731 ordinary shares of SAES Getters S.p.A. As a result of this transaction, the ordinary shares owned by S.G.G. Holding on which there is an effective majority amounted to 2,819,773, and it holds **voting rights equal to 44.81%** at December 31, 2019 (including in the calculation the treasury stock held by SAES Getters S.p.A.). On September 4, 2019, S.G.G. Holding registered in the List for the attribution of increased voting rights on its remaining ordinary shares that still have single votes (equal to 2,198,713). These shares will accrue increased voting rights twenty-four months from the registration date, only if S.G.G. Holding maintains uninterrupted ownership for that period.

On September 20, 2019, the shareholders SAES Getters S.p.A. and Rodofil S.r.l., owners of 49% and 51%, respectively, of SAES RIAL Vacuum S.r.l., signed an agreement to postpone for one year the terms for exercising the put & call options subscribed by both parties when the company was established (at the end of 2015).

As of the end of December 2019, the **reduction in share capital** of the subsidiary **SAES Investments S.A.**, approved by the Shareholders' Meeting of the Luxembourg company held on November 13, 2019, became legally effective. The share capital, initially equal to 40 million euro, was reduced to 30 million euro.

***

The 2019 statement of profit or loss reflects the **application of the new accounting standard IFRS 16 - Leases**, on the basis of which the accounting on a straight line basis of the operating leasing costs are replaced by the amortization of the right of use and the borrowing costs on the liabilities recorded against this. Starting from January 1, 2019, the Group began to apply the new standard on an amended retrospective basis, without recalculating the figures from the period being compared. Please refer to Note 2 for further details on the new standard and on the effects of initial application.

With reference to the main levels of operating profitability, the introduction of new methods to present the leasing operations led to the following in 2019:

- a non-material positive effect of 13 thousand euro in operating profit;
- a positive effect of 527 thousand euro on EBITDA;
- a non-material positive effect of 6 thousand euro in profit before taxes.

Research, Development and Innovation activities

Research and development expenses in 2019 totalled 7,752 thousand euro (12.5% of net revenues), compared to 7,610 thousand euro in the previous year (13.3% of revenues).

Functional Chemicals laboratories have pursued the development of innovative systems aimed at guaranteeing new functionalities. In particular, a new chemical process has been developed which is capable

of producing both spheres made of a single material as well as capsules that can contain and stabilize a second material inside them.
The chemical system for manufacturing this process was designed in 2019 and will be installed in the second quarter of 2020 in the Lainate corporate research laboratories. This system will enable the production of spheres with oxygen barrier properties that can be used in the manufacturing of new barrier coatings at the production plants of the subsidiary SAES Coated Films S.p.A. In addition, capsules with antioxidant properties have been developed, which are currently in the process of being tested in food packaging applications, but whose use could also be extended to other industrial applications.

The new system opens the possibility of developing organic coatings with a high water barrier, aimed at the gradual replacement of aluminium films in food packaging. Also in the area of innovative coatings, activities have been launched to develop functional materials, to be applied directly on paper substrates, capable of imparting new barrier properties and, at the same time, maintaining the paper's recyclable characteristics.

The laboratories have also developed a getter for the absorption of amines, volatile substances typically released by food products such as fish and fresh meat. This getter, for which a new patent application was filed, was designed in order to absorb the quantity of amines released only in the first days of packaging, without reactions that would deteriorate the product. This functionality is able to prevent the packaging atmosphere from being altered, thus improving conservation, and, at the same time, avoiding a mistaken perception by the customer, with consequent reduction of waste.

In parallel with the development of new organic systems, the development of new dispensable getters also continued. This relates to a class of composite materials based on the combination of inorganic getter materials in polymeric organic matrices. In particular, the **chemical (organic) materials laboratories** have developed a new dispensable product, for which a new patent application has been filed, able to simultaneously guarantee the absorption of both hydrogen and water vapour. This product can be applied in optoelectronic devices such as, for example, modules for high-speed data transmission (5G). Validation tests of the new product in the devices of potential customers are currently in progress.

Finally, note that the installation of a **roll-to-roll pilot line** has begun, which is expected to be completed in the first quarter of 2020, which will allow the adoption of various wet deposition technologies for the construction of innovative flexible structures based on a combination of new SAES functional lacquers and different types of polymeric substrates, operating under the same operating conditions as an industrial line, but on a smaller scale. This line is one of the most advanced tools available in Europe for prototyping in the flexible packaging sector.

In the shape memory alloys area, the **metallurgy laboratories** continued their research on new alloys both at high transformation temperatures and zero hysteresis. As regards the activities for high temperature alloys, it was possible to optimize some parameters of the manufacturing processes so that the materials can be tested under new procedures. Zero-hysteresis systems are highly complex materials, for which it was also necessary to identify new compositions, in order to replace elements that can no longer be adopted for safety regulations. Development activities are now focused on quaternary alloys and the results of these activities are expected during 2020.
Furthermore, the development of thin-film shape memory continues and the configuration and processes for the production of a micro-actuator demonstrator are being studied.

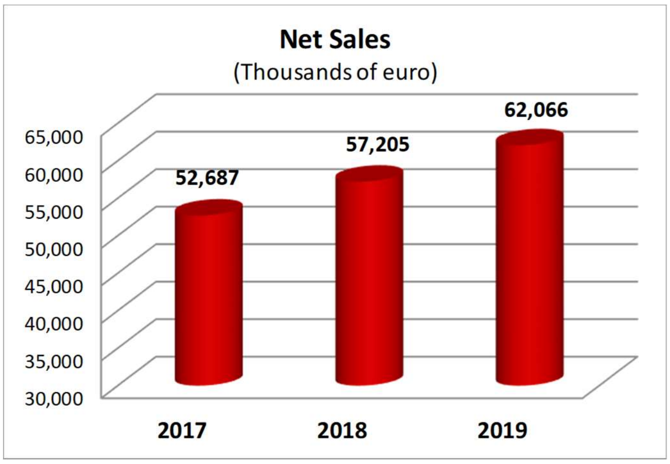
Metallurgy laboratories also continued the development of bio-absorbable alloys. Some particularly interesting metallic systems have been identified, with mechanical and corrosion characteristics potentially useful for orthopaedic applications. This activity is allowing the development of expertise on this new class of metallic systems and has already enabled the filing of a first patent application. The issues related to corrosion in physiological conditions are undergoing in-depth studies and degradation tests in biological environments are being defined with the support of relevant international partners.

Research and development activities were reorganized in 2019, with the aim of allowing a greater focus of corporate research on medium/long-term projects to develop innovative technologies and materials.

Lastly, please note that the basic research costs incurred by the Company are charged directly to the statement of profit or loss in the year in which they occur as they do not qualify for capitalization.

Sales and economic results of 2019

Net revenues in 2019 were 62,066 thousand euro, up (+8.5%) compared to 57,205 thousand euro recorded the previous year. Excluding the exchange rate effect, which was positive for +2.7%, organic growth was +5.8%, mainly attributable to the results of SMA Industrial (+52.7%) and Electronic Devices (+15.9%).



The following table shows details of revenues by business segment in 2019 compared to last year, highlighting the changes broken down between the exchange rate effect and the effect of volumes.

(thousands of euro)

Business Unit	2019	2018	Total Difference	Total Difference %	Exchange rate effect %	Price/quantity effect %
Security & Defense	5,004	6,466	(1,462)	-22.6%	1.7%	-24.3%
Healthcare Diagnostics	2,707	2,962	(255)	-8.6%	1.1%	-9.7%
Electronic Devices	22,568	19,132	3,436	18.0%	2.1%	15.9%
Thermal Insulated Devices	3,228	3,412	(184)	-5.4%	5.1%	-10.5%
Lamps	3,625	4,574	(949)	-20.7%	2.8%	-23.5%
Solutions for Vacuum Systems	9,602	10,486	(884)	-8.4%	2.4%	-10.8%
Sintered Components for Electronic Devices & Lasers	0	0	0	n.a.	n.a.	n.a.
Functional Chemical Systems	1,007	1,025	(18)	-1.8%	5.3%	-7.1%
SMA Industrial	14,325	9,148	5,177	56.6%	3.9%	52.7%
Industrial	**62,066**	**57,205**	**4,861**	**8.5%**	**2.7%**	**5.8%**
Nitinol for Medical Devices	0	0	0	n.a.	n.a.	n.a.
Medical	**0**	**0**	**0**	**n.a.**	**n.a.**	**n.a.**
Solutions for Advanced Packaging	0	0	0	n.a.	n.a.	n.a.
Packaging	**0**	**0**	**0**	**n.a.**	**n.a.**	**n.a.**
Not allocated	**0**	**0**	**0**	**n.a.**	**n.a.**	**n.a.**
Total net sales	**62,066**	**57,205**	**4,861**	**8.5%**	**2.7%**	**5.8%**

Based on the new organizational structure, the Company's revenues are entirely attributable to the **Industrial Business Unit**.

The growth in sales was primarily driven by the SMA Industrial Business (organic growth of +52.7%), due to higher revenues from trained wires for consumer electronics applications and from components for luxury applications, and Electronic Devices (organic growth of +15.9%), resulting from higher sales of both getters for thermal sensors for surveillance and industrial applications as well as advanced getters for the consumer electronics market.

The positive trends mentioned more than offset the decreases recorded in the other segments.

The Security & Defence Business showed an organic change of -24.3% due to delays on some large shipments.

The Healthcare Diagnostics Business (-9.7%) had sales figures that were similar to the previous year. The 2020 outlook remains stable.

The Thermal Insulated Devices Business recorded an organic change of -10.5%, following the discount policy activated in the vacuum bottles segment.

The Lamps Business showed an organic reduction of -23.5% due to the technological competition in LEDs for fluorescent lamps and high-intensity discharge lamps.

The Solutions for Vacuum Systems Business posted an organic decline of -10.8%, as a result of delays in the implementation of large projects in the particle accelerator sector; the drop in this segment was only partially offset by higher sales of pumps for analytical instruments and for research laboratories.

The Functional Chemical Systems Business, (-7.1%), was down due to weakness in sales of new-generation dispensing products for OLED displays in the first part of the year, which became evident only in the second half of the year. Again in the last part of 2019, sales of functional chemicals for semi-hermetic electronic devices in photonics and automotive applications also provided a positive contribution.

A breakdown of revenues by geographical area of customers for 2019 and 2018 is shown in the following table:

(thousands of euro)

Geographical Area	2019	%	2018	%	Total Difference	Total Difference %
Italy	**1,781**	2.9%	**1,993**	3.5%	(212)	-10.6%
Other EU and Europe	**18,864**	30.3%	**23,957**	41.9%	(5,093)	-21.3%
North America	**5,891**	9.5%	**7,546**	13.2%	(1,655)	-21.9%
Japan	**3,829**	6.2%	**3,322**	5.8%	507	15.3%
P. R. of China	**27,411**	44.2%	**14,414**	25.2%	12,997	90.2%
South Korea	**949**	1.5%	**907**	1.6%	42	4.6%
Taiwan	**770**	1.2%	**1,382**	2.4%	(612)	-44.3%
Other Asian	**2,460**	4.0%	**3,386**	5.9%	(926)	-27.3%
Other	**111**	0.2%	**298**	0.5%	(187)	-62.8%
Total net sales	**62,066**	**100.0%**	**57,205**	**100.0%**	**4,861**	**8.5%**

With regard to the **geographic breakdown of revenues**, there was an increase in revenues in China in 2019, primarily driven by sales of SMA trained wire for electronic consumer applications, by the Electronic Devices Business, and, to a lesser extent, sales in the Security & Defence and Solutions for Vacuum Systems Businesses.

The following table shows the breakdown by Business Unit of the gross profit for 2019 and 2018, including as a percentage of revenues and the changes occurring in the period:

(thousands of euro)

Business Unit		2019	2018	Difference	Difference %
Industrial		27,890	25,858	2,032	7.9%
	% on Business Unit net sales	*44.9%*	*45.2%*		
Medical		0	0	0	n.a.
	% on Business Unit net sales	*0.0%*	*0.0%*		
Packaging		(429)	(171)	(258)	-150.9%
	% on Business Unit net sales	*0.0%*	*0.0%*		
Not allocated		3	(279)	282	101.1%
	% on Business Unit net sales	*0.0%*	*0.0%*		
Gross profit		**27,464**	**25,408**	**2,056**	**8.1%**
	% on Business Unit sales	***44.2%***	***44.4%***		

Gross profit[2] was 27,464 thousand euro in 2019 against 25,408 thousand euro the previous year, marking an increase of +8.1%, corresponding to 2,056 thousand euro in absolute value, due to an increase in volumes and the positive effect from exchange rates. The gross margin[3] instead was substantially unchanged, passing from 44.4% in 2018 to 44.2% in 2019.

The adoption of the new accounting standard for operating leases starting from January 1, 2019 (**IFRS 16**) did not have any significant effect on the gross profit.

The gross profit of the **Industrial Business Unit** was 27,890 thousand euro in 2019, compared to 25,858 thousand euro in 2018[4]. The increase (+7.9%) is primarily related to the excellent performance of sales in the SMA Industrial and Electronic Devices Businesses. Gross margin was slightly down, passing from 45.2% to 44.9%, as a result of the product mix (lower sales in Security & Defence and Solutions for Vacuum Systems).

The gross profit of the **Packaging Business Unit** was -429 thousand euro, compared to -171 thousand euro in 2018, following the write-down of certain assets for 307 thousand euro for a project designed to modify a part of the old facility in order to install the Business Unit's lacquering departments. The preliminary technical feasibility assessments revealed objective technological limits to the possibility of carrying out the project as it was designed; hence it was decided to suspend activities and move the investment to Roncello, where the subsidiary SAES Coated Films has its production.
Non-allocated costs affected gross profit in the amount of 3 thousand euro (-279 thousand euro in 2018).

The following table shows the operating result for 2019 and 2018, and the changes occurring in the period:

---

[2] Calculated as the difference between net revenues and industrial costs directly and indirectly attributable to the products sold.
[3] Calculated as the ratio between gross profit and net revenues.
[4] The gross profit of the Industrial Business Unit for 2018 includes the SMA Industrial Business (gross profit of 2,828 thousand euro in 2018 and Functional Chemical Systems (266 thousand euro in 2018).

(thousands of euro)

Business Unit	2019	2018	Difference	Difference %
Industrial	17,227	14,163	3,064	21.6%
Medical	(250)	(376)	126	33.5%
Packaging	(1,618)	(1,998)	380	19.0%
Not allocated	(20,025)	(17,838)	(2,187)	-12.3%
Operating result	**(4,666)**	**(6,049)**	**1,383**	**22.9%**
% on sales	***-7.5%***	***-10.6%***		

There was an **operating loss** of -4,666 thousand euro in 2019, against -6,049 thousand euro the previous year: the decrease in the loss was substantially due to the improvement of gross profit and the positive exchange rate effect. The adoption of new accounting rules for operating leases effective January 1, 2019 (**IFRS 16**) did not generate any material effect on the operating result (without application of IFRS 16 the operating loss for 2019 would have been -4,679 thousand euro).

Research and development expenses amounted to 7,752 thousand euro, an increase of 1.9% compared to 7,610 thousand euro in 2018, principally due to higher costs for materials and utilities.

Selling expenses posted an increase of 364 thousand euro, mainly due to sales commissions (up 920 thousand euro) paid on sales of SMA trained wire for consumer electronics applications, partially offset by lower severance costs (-909 thousand euro), incurred in 2018 following the reorganization that followed the sale of the gas purification business.

General and administrative expenses were down by 1,036 thousand euro, mainly attributable to lower costs for personnel, severance and write-downs, partially offset by an increase in costs for compensation to Executive Directors.

The operating result takes into account the amortization/depreciation of intangible assets and property, plant and equipment of 4,450 thousand euro (including **rights of use**, deriving from the application of IFRS 16), compared to 3,921 thousand euro in the previous year: the increase is mainly related to the application, starting from January 1, 2019, of the new **IFRS 16**, which led to the recognition of amortization for rights of use of 514 thousand euro during the year.

Dividends, net financial income and net gains on exchange rates totalled 19,998 thousand euro in 2019, compared to 22,579 thousand euro in the previous year, principally as a result of lower dividends from Group companies (-2,487 thousand euro compared to 2018). In 2019, write-downs on investments in subsidiaries and allocations to risk provisions for investments in susidiaries were recognized for 1,496[5] thousand euro, while there were lower expected losses on cash and cash equivalents in application of IFRS 9 for 6 thousand euro. In 2018, the Company recognized write-downs on investments in subsidiaries and financial receivables, almost entirely from subsidiaries, for a total of -10,738[6] thousand euro (see Notes 16 and 22 for further details).

Therefore, 2019 closed with an **income before tax** of 13,841 thousand euro, an increase compared to 5,791 thousand in the previous year.

---

[5] Write-down of investment in SAES Nitinol S.r.l. of 727 thousand euro; recognition of risk provision for investments in subsidiaries of 770 thousand euro).

[6] Write-downs following impairment testing of the investments in SAES Coated Films S.p.A. of -1,735 thousand euro and in SAES Nitinol S.r.l. of -691 thousand euro; write-down of the financial receivable due from SAES Nitinol S.r.l. of -8,278 thousand euro; provisions for the write-down of financial receivables under IFRS 9 of -34 thousand euro.

The adoption of the new accounting standards for operating leases starting from January 1, 2019 (**IFRS 16**) did not have a significant effect on income before tax (without application of IFRS 16, income before tax for 2019 would have been 13,835 thousand euro, equal to 22.3% of revenues).

Income taxes for the year recorded a positive balance (income) of 178 thousand euro against a negative balance of 1,404 thousand euro in 2018.

The **income from discontinued operations** amounted to 396 thousand euro, mainly comprising the positive adjustment of the price of selling the gas purification business due to the settlement of the effective value of the tax credit of the companies that were sold - SAES Getters USA, Inc. and SAES Pure Gas, Inc. - resulting from the tax return for the period January 1 – June 24, 2018, presented in April 2019. In the prior year, the net income from discontinued operations was 253,847 thousand euro and was mostly represented by the gross capital gain (282,507 thousand euro) generated by the sale of the gas purification business, minus the transaction costs of 28,610 thousand euro (mainly legal and consulting expenses, and the cost of incentives for the personnel employed in the business sold and the corporate personnel involved in setting the extraordinary corporate transaction in place, as well as interest, exchange rate differences and taxes). This item also included some costs relating to the gas purification business between January 1 and June 25, 2018 (effective sale date) of around 50 thousand euro.

Hence, 2019 closed with a **profit for the year** of 14,416 thousand euro against a profit of 258,234 thousand euro in 2018.

Financial position – Investments – Other information

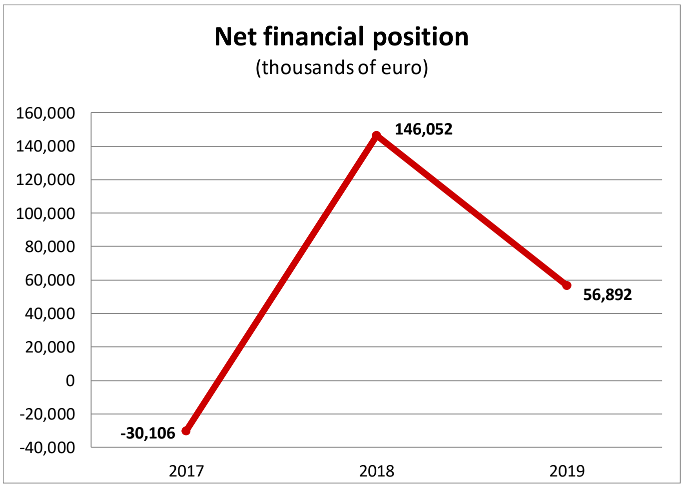
A breakdown of the items making up the net financial position is provided below:

(thousands of euro)

	December, 31st 2019	December 31 2018	Difference
Cash on hand	5	2	3
Cash equivalents	16,986	40,493	(23,507)
Total cash and cash equivalents	**16,991**	**40,495**	**(23,504)**
Related parties current financial assets	141,482	161,203	(19,721)
Current Financial Assets	**141,482**	**161,203**	**(19,721)**
Bank overdraft	(27,009)	(27,002)	(7)
Current portion of long term debt	(5,100)	(5,080)	(20)
Derivative financial instruments measured at fair value	(50)	(48)	(2)
Other current financial liabilities*	(3,210)	(10,317)	7,107
Other financial debt	(0)	(531)	531
Current financial liabilities for leases	(412)	0	(412)
Current financial liabilities	**(35,781)**	**(42,978)**	**7,197**
Current net financial position	**122,691**	**158,720**	**(36,029)**
Related parties non current financial assets	4,208	49	4,159
Securities - long term	30,884	0	30,884
Non current financial Assets	**35,092**	**49**	**35,043**
Long term debt, net of current portion	(100,352)	(12,717)	(87,635)
Non current financial liabilities for leases	(539)	0	(539)
Non current financial liabilities	**(100,891)**	**(12,717)**	**(88,174)**
Non current net financial position	**(65,799)**	**(12,668)**	**(53,131)**
Net financial position	**56,892**	**146,052**	**(89,160)**

* It includes current liabilities and receivables versus controlled and related companies

** It includes non current financial receivables from controlled and related companies



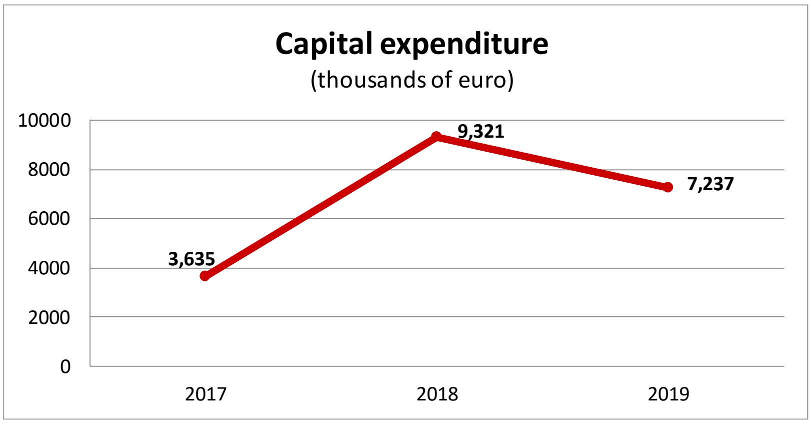
The **net financial position** as at December 31, 2019 showed a positive balance of 56,892 thousand euro, a decline from the balance of 146,052 thousand euro in the previous year. The amount at December 31, 2019 was negatively influenced by the effects of adopting the new IFRS 16 accounting standard, which led to the recording of notional financial payables representing the current value of future commitments related to the use of assets owned by third parties, for a total amount of 951 thousand euro.

The table below presents the net financial position at December 31, 2019, with and without application of IFRS 16 compared with that at December 31, 2018.

(thousands of euro)

	2019	2019 *without IFRS 16 adoption*	2018
Net Financial Position	**56,892**	**57,843**	**146,052**

Compared to December 31, 2019, the decrease in the net financial position (-89,160 thousand euro) is mainly due to both the above-mentioned notional effect[7] of application of IFRS 16, and the extraordinary transaction of acquiring treasury stock (total disbursement of -93,382 thousand euro, including the accessory charges related to the Public Tender Offer). There were also dividends paid at the beginning of May (-16,580 thousand euro) and investments in property, plant and equipment (-7,237 thousand euro).

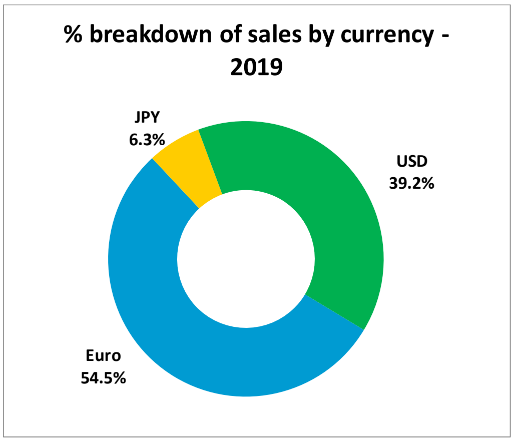


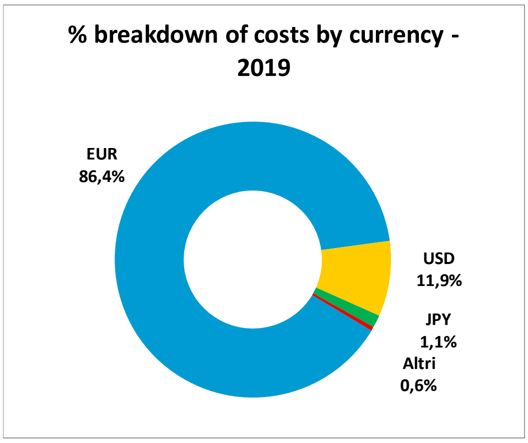
[7] The adoption of the new accounting standard IFRS 16 - Leases led to an increase in the Group's net financial debt, against a notional increase in fixed assets due to accounting for the right of use to the leasing assets, equivalent to 948 thousand euro.

In 2019, property, plant and equipment increased by 7,237 thousand euro, compared to 9,321 thousand euro in 2018, the year in which the land and buildings which serve as the location for production activities of SAES Coated Films S.p.A. were purchased for 3.5 million euro. The main investments in 2019 were for the purchase of a second production line for lacquering of plastic films (2.5 million euro), sold to the subsidiary SAES Coated Films in December 2019, the installation of a new pilot line for the Advanced Packaging Business (1.1 million euro), and the completion of a new production line for the SMA Industrial Business (621 thousand euro).

For further details on the capital expenditure for the year, please refer to Notes 13 and 14.

The breakdown of revenues and costs (cost of sales and operating expenses) by currency is provided below:





Related party transactions with Group companies

As regards transactions with Group companies, identified on the basis of accounting standard IAS 24 revised, and article 2359 of the Italian Civil Code, note that transactions with subsidiaries continued also in 2018. Transactions regarding the Company's ordinary business activities were performed with these counterparties. These transactions were mostly commercial, and regarded purchases and sales of raw materials, semi-finished goods, finished products, systems, tangible assets and various services; cash pooling agreements are in place with several Group companies as well as loan agreements.
Pursuant to the Consob communications of February 20, 1997 and February 28, 1998, as well as to IAS 24 revised, note that also in 2018 all related party transactions fell within the sphere of ordinary operations and were settled at standard economic and financial market conditions.

The main transactions performed with subsidiary, associated or jointly controlled companies of the SAES Group were as follows:

SAES GETTERS/U.S.A., Inc., Colorado Springs, CO (USA)

Sales of getters; purchase of finished products; charge-backs of centrally managed insurance costs; charge-backs of centrally managed audit costs; income on the charge-back of centralized Group services; income resulting from the use of the "SAES" trademark; royalties against the concession to use the *PageLid*® and *PageWafer*® technologies. An interest-bearing cash pooling agreement is also in place.

SAES SMART MATERIALS, Inc., New Hartford, NY (USA)

Income resulting from charge-backs of centrally managed insurance costs; income on the charge-back of centralized Group services including the management of patents; income resulting from the use of the "SAES" trademark.

SPECTRA-MAT. INC., Watsonville, CA (USA)
Income on the charge-back of centralized group services; charge-backs of centrally managed insurance costs; charge-backs of centrally managed audit costs; income resulting from the use of the "SAES" trademark.

MEMRY CORPORATION, Bethel, CT (USA)
Purchase of raw materials; income on the charge-back of centralized Group services; charge-backs of centrally managed insurance costs; income resulting from the use of the "SAES" trademark.

SAES GETTERS KOREA Corporation, Seoul (South Korea)
Income on the charge-back of centralized Group services; charge-backs of centrally managed insurance costs; commission paid on commercial transactions. An interest-bearing loan agreement is also in place.

SAES GETTERS (NANJING) CO., LTD. – Nanjing (People's Republic of China)
Income on the charge-back of centralized Group services; charge-backs of centrally managed insurance costs.

SAES GETTERS INTERNATIONAL LUXEMBOURG S.A., Luxembourg (Luxembourg)
An interest-bearing loan agreement is in place. The company has also been given a mandate to manage foreign exchange hedge transactions on the Korean currency, the Won.

E.T.C. S.r.l. in liquidation, Lainate (Italy)
Income on the charge-back of general and administrative services, including patent management; a cash pooling agreement is also in place.

Lastly, note that E.T.C. S.r.l. in liquidation, as a consolidated entity, is a part of the national tax consolidation scheme in place since January 1, 2015, of which the Company is the consolidating entity. See Note 23.

SAES Nitinol S.r.l. – Lainate (Italy)
An interest-bearing cash pooling agreement is in place with the Company.
Also note that SAES Nitinol S.r.l., as a consolidated entity, is a part of the national tax consolidation scheme in place since January 1, 2015, of which the Company is the consolidating entity. See Note 23.

SAES COATED FILMS S.p.A. (formerly Metalvuoto S.p.A.) – Roncello, MB & Lainate[8], MI (Italy)
Income on the charge-back of research activities, commercial services, general and administrative services.
Note that from January 1, 2017 SAES Coated Films S.p.A., as a consolidated entity, is a part of the national tax consolidation scheme. See Note 23.

SAES INVESTMENTS S.A., Luxembourg (Luxembourg)
A loan agreement, to be renewed annually, is in place.

SAES GETTERS EXPORT Corp., Wilmington, DE (USA)
No transactions.

To clarify the above, the Company has agreements for the provision of commercial, technical, IT, legal, and financial services, and for the development of specific projects, in place with several subsidiaries (E.T.C. S.r.l. in liquidation, SAES Getters/USA, Inc., SAES Getters Korea Corporation, SAES Getters (Nanjing) Co., Ltd., Spectra-Mat, Inc., SAES Smart Materials, Inc., and Memry Corporation).

[8] On June 1, 2018, SAES Coated Films S.p.A. opened a unit at Lainate, at the premises of the Parent Company.

The Company exercises management and coordination over E.T.C. S.r.l. in liquidation, SAES Coated Films S.p.A., SAES Nitinol S.r.l. and SAES Investments S.A., pursuant to article 2497 of the Italian Civil Code *et seq*.

The Company has bank guarantees in place in favour of its subsidiaries: see Note 39 for further details.

The most significant transactions performed in 2019 are discussed in the Explanatory Notes, in the section analyzing the breakdown of the individual financial statement items.

The equity and economic transactions performed with subsidiary, associated or jointly controlled companies of the SAES Getters Group are summarized below:

(thousands of euro)

Legal Entity	Reiceivables 2019	Payables 2019	Revenues 2019	Expenses 2019	Obligations 2019*
S.G.G. Holding SpA	272	0	0	0	0
SAES Getters/USA, Inc.	1,321	24	5,478	408	4,000
Spectra-Mat, Inc.	125	0	163	0	0
SAES Getters Export, Corp	0	0	0	0	0
SAES Smart Materials, Inc.	153	115	215	1,075	0
Memry Corporation	904	74	1,169	917	0
SAES Getters Korea Corporation	171	307	933	14	0
SAES Getters (Nanjing) Co.Ltd.	696	110	4,563	502	0
Memry GmbH in liquidazione	0	141	0	1	0
SAES Getters International S.A.	701	0	9	59	0
E.T.C. S.r.l. in liquidazione	219	2,648	85	0	448
SAES Nitinol S.r.l.	171	0	53	0	0
SAES Coated Films S.p.A.	4,479	163	1,393	0	297
SAES Investments S.A.	140,610	114	274	114	
SAES RIAL Vacuum S.r.l.	77	92	46	219	0
Actuator Solutions GmbH	69	0	974	0	1,471
Actuator Solutions Taiwan Co., Ltd in liquidation	0	0	5	0	0
Flexterra, Inc.	130	0	130	25	0
Total	**150,096**	**3,789**	**15,490**	**3,334**	**6,216**

With reference to the definition of "Related Party" included in IAS 24 revised, as at December 31, 2019 the following Related Parties have been identified:

- **S.G.G. Holding S.p.A.**, a relative majority shareholder holding 34.21%[9] of the ordinary shares of SAES Getters S.p.A. at December 31, 2019, which has a payables balance with SAES Getters S.p.A. in relation to the application for a refund of 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 programme in place until December 31, 2014[10] (see the Note 23).

[9] Following the decision to subscribe to the partial voluntary Public Tender Offer in the first half of 2019 by SAES Getters S.p.A. for its ordinary shares, the number of ordinary shares held by S.G.G. Holding S.p.A. decreased from 5,422,023 to 5,018,486 at the end of May 2019; consequently, the percentage of ordinary shares held by S.G.G. Holding dropped from 36.96% to 34.21%. With regard to voting rights, 2,819,773 of these ordinary shares had accrued voting rights at December 31, 2019 and therefore S.G.G. Holding held 44.81% of the voting rights (percentage calculated by also including the voting rights of the treasury stock held by SAES Getters S.p.A.).

[10] 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. in 2016), SAES Nitinol S.r.l., E.T.C. S.r.l. in liquidation 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.

Please also note that, on May 2, 2019, S.G.G. Holding S.p.A. collected dividends from SAES Getters S.p.A. totalling 3.8 million euro.
Finally, following the decision to subscribe to the voluntary partial Public Tender Offer in the first half of 2019 by SAES Getters S.p.A. on its ordinary shares, on May 31, 2019, S.G.G. Holding S.p.A. collected a consideration 9.3 million euro (against 403,537 ordinary shares withdrawn as part of the Public Tender Offer).
- **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. in Liquidation**, a Taiwan-based company entirely controlled by the joint venture Actuator Solutions GmbH, aimed at the development of SMA actuator devices mainly for the consumer electronics market and whose liquidation process was launched at the beginning of October 2019.
- **Actuator Solutions (Shenzhen) Co., Ltd., in liquidation**, a wholly owned subsidiary of Actuator Solutions GmbH, initially involved in the technological development of actuators for the mobile market, and whose liquidation process was initiated in March 2019.
With regards to Actuator Solutions GmbH and its Taiwanese subsidiary, the Company had a commercial relationship (sale of raw materials and semi-finished products) and performed various services for the German company only (in particular, development services and accessory/administrative activities) that were charged back on the basis of a service contract. Finally, please note that SAES Nitinol S.r.l. granted several loans to the joint venture Actuator Solutions GmbH. As at December 31, 2019, the financial debt of Actuator Solutions GmbH towards SAES Nitinol S.r.l. was equal to 9.6 million euro, including 1.6 million euro of interest accrued and not yet paid[11]. Given the joint venture's difficult financial situation as at December 31, 2019 following a restructuring operation, a provision for risks of 600 thousand euro was allocated, equal to the *pro-quota* financial resources necessary for Actuator Solutions to continue its operating activity over the next twenty-four months, in light of the update of the five-year plan of February 18, 2020. This provision is added to the write-down, equal to -480 thousand euro, of the financial receivable related to the interest accrued in 2019 on the interest-bearing loans granted by SAES Nitinol S.r.l. to the joint venture in previous years: in order to ensure the business continuity of Actuator Solutions, SAES Nitinol S.r.l. has deemed it appropriate to postpone the interest accrued on the aforementioned loans also for 2019, writing down the related financial receivable as it is considered unlikely to be recovered. Note that the total amount of the financial receivable (both principal and interest) of SAES Nitinol S.r.l. from the German joint venture had already been completely written off at the end of the prior year.
- **SAES RIAL Vacuum S.r.l.**, a joint venture between SAES Getters S.p.A. and Rodofil S.r.l., focused on 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 Company has a commercial relationship (both the purchase and sale of raw materials, components and processing for the creation of vacuum systems) and performs various services, mainly sales and marketing activities and administrative support. Finally, as already mentioned, SAES Getters S.p.A granted a loan of 50 thousand euro, aimed at financially supporting SAES RIAL Vacuum S.r.l.
- **Flexterra, Inc.**, a joint venture of SAES Getters International Luxembourg S.A. based in Skokie (USA), established at the end of 2016 for the development, production and the commercialization of materials and devices used in flexible displays.
- **Flexterra Taiwan Co., Ltd.**, a company established at the beginning of 2017, wholly owned by joint venture Flexterra, Inc.
With regard to Flexterra, Inc. and its subsidiary, the Company provides some administrative services, as well as legal, financial and tax support, as well as assistance in joint venture research and development activities, including the management of patents.
- **Managers with Key Responsibilities**, these include the members of the Board of Directors, including non-executive directors, and the members of the Board of Statutory Auditors.

[11] On December 17, 2019, SAES Nitinol S.r.l. and Actuator Solutions GmbH signed an agreement to postpone until December 31, 2020 the payment of all interest accrued from 2016 to 2019 on loans granted by SAES, in several tranches, to the joint venture.

The Group Human Resources Manager and the Group Legal/Compliance & Internal Audit Manager are also considered to be managers with key responsibilities[12]. Their close relatives are also considered related parties.

The following tables show the total values of related party transactions performed in 2019 and 2018:

(thousands of euro)

December 31, 2019	Net sales	Cost of goods sold	Research and development expenses	Selling expenses	General and administrative expenses	Expense recharge: Research and development expenses	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	Financial receivables
S.G.G. Holding S.p.A.													272	
SAES RIAL Vacuum S.r.l.	25	204	15				10	10		1	27	92		50
Actuator Solutions GmbH	891					40	1	42			69			
Actuator Solutions Taiwan Co., Ltd in liquidation	5													
Flexterra, Inc.						42		88	(25)		130			
Total	**921**	**204**	**15**	**0**	**0**	**82**	**11**	**140**	**(25)**	**1**	**225**	**92**	**272**	**50**

(thousands of euro)

December 31, 2018	Net sales	Cost of goods sold	Research and development expenses	Selling expenses	General and administrative expenses	Expense recharge: Research and development expenses	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	Financial receivables
S.G.G. Holding S.p.A.													272	
SAES RIAL Vacuum S.r.l.	139	167					11	10	1	1	45	44		50
Actuator Solutions GmbH	1,351						1	40			141			
Actuator Solutions Taiwan Co., Ltd	9					63	9				26			
Flexterra, Inc.						55		127			180			
Totale	**1,500**	**167**	**0**	**0**	**0**	**118**	**21**	**177**	**1**	**1**	**392**	**44**	**272**	**50**

Until February 26, 2018 (the date on which SAES Getters S.p.A. exercised the call option to acquire the entire share capital of Metalvuoto S.p.A., subsequently renamed SAES Coated Films S.p.A.), **Mirante S.r.l.** was also considered a related party, which was former minority shareholder of SAES Getters S.p.A. in SAES Coated Films S.p.A. Specifically, there was a rental agreement between SAES Coated Films S.p.A. and Mirante S.r.l. for a property owned by Mirante S.r.l. in which the registered office and production facilities of SAES Coated Films S.p.A. were located (this property was then purchased by the Company on April 6, 2018 for 3.5 million euro).

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

(thousands of euro)	2019	2018	Difference
Short term employee benefits	3,918	16,989	(13,071)
Post employment benefits		0	0
Other long term benefits	682	561	121
Termination benefits	1909	898	1,011
Payments in shares		0	0
Other benefits		0	0
Total remuneration provided to managers with strategic responsibilities	**6,509**	**18,448**	**(11,939)**

The reduction from the 2018 figure in "Short-term benefits" is mainly due to the fact that the remuneration of both the Executive Directors and the employees of the Company who can be classified as managers with key responsibilities was included in that line the previous year, paid following the sale of the gas purification business as part of the bonus plan known as Asset Sale Plan[13].

---

[12] From the end of January 2019, the Group Strategic Marketing & Planning Department came under the direct responsibility of Mr della Porta, engineer, while the position of Group Administration, Finance and Control Manager was taken over by Mr Giulio Canale at the beginning of 2019, as part of his role as Group Chief Financial Officer. Finally, the Corporate Operations Manager took over responsibility of the Industrial division from the beginning of the year, and is no longer classified as a manager with key responsibilities.

[13] Monetary bonus plan for the Executive Directors, the managers who report on a direct hierarchical level to the Executive Directors and who are members of the Corporate Management Committee (a committee in which the Executive Directors provide guidelines and share targets with their direct hierarchical reports) and the other employees of the Parent Company considered to be particularly significant. The goal of the plan is to remunerate the beneficiaries in relation to extraordinary transactions involving the sale of investments, company branches, fixed assets and assets (in the specific case, the sale of the purification business), if these transactions create value and economic benefits for the Group, in order to ensure the retention of the beneficiaries and greater alignment between their performance and the corporate interests.

The increase in the item "Other long-term benefits" is due to the fact that during 2018, the allocation for the long-term monetary incentive plan for one strategic employee of the Company was released, as the employee left the Company prior to the plan reaching maturity and, thus, was no longer entitled to receive the incentive.

The item "Post-employment benefits" increased from the previous year mainly due to the effect of the provision for the non-competition agreement of Executive Directors, which was entirely released during the year for the amount allocated in the 2015-2017 three-year period following the expiration of the mandate without there being a need to pay this compensation. This release was only partially offset by lower severance costs incurred during 2019 compared to the previous year.

Recall that the item "Post-employment benefits" also includes, beginning from last year, the allocation for the phantom shares incentive plan (please refer to Note 30).

As at December 31, 2019, payables to managers with strategic responsibilities, as defined above, of 5,237 thousand euro were recognized in financial statements, against payables of 4,804 thousand euro as at December 31, 2018.
Pursuant to the Consob communications of February 20, 1997 and February 28, 1998, as well as to IAS 24 revised, note that also in 2019 all related party transactions fell within ordinary operations and were settled at economic and financial standard market conditions.

Other information regarding the Company

To illustrate the performance of subsidiaries, please refer to the Consolidated Financial Statements and to the "Summary schedule of key data of subsidiary companies".

The Company has two Branch Offices, one in Taoyuan City (Taiwan) and one in Tokyo (Japan).

Information on the shareholding structures set forth in article 123-*bis* of Italian Legislative Decree 58/98 (Consolidated Finance Law), paragraph 1, is provided in the "Report on Corporate Governance" drawn up by the Company, included in the financial statements and published on the Company's website www.saesgroup.com, Investor Relations section, Corporate Governance sub-section.

Business continuity

The financial statements are prepared on the going concern assumption, given that, despite a difficult economic and financial environment, there aren't any significant uncertainties (as defined in paragraph no. 25 of IAS 1 - Presentation of Financial Statements) regarding business continuity. This scenario can only be in part influenced by Company Management, as it is mostly dependent on external variables.
Based on the best estimates available to date, a three-year business plan has been approved, which includes the strategies set in place by Company Management to enable the set company objectives to be achieved in this difficult economic scenario.
The potential economic and financial effects from the spread of the coronavirus on a global scale cannot yet be determined, but the management is monitoring the situation on a constant and ongoing basis.
However, it should also be noted that the global presence of the Company and its subsidiaries, in terms of both manufacturing and sales, and its positioning in typically counter-cyclical businesses, most importantly medical devices and food packaging, reduce the risk.

Subsequent events

The process of reorganizing SAES Group's internal management and divisional structure has continued. In particular, starting from January 1, 2020, the Group is organized in the following technological competency areas (or "Divisions"):

- Metallurgy Division (which coincides with the previous Industrial operating sector, excluding Solutions for Vacuum Systems, Functional Chemical Systems and advanced getters for the consumer electronics market, the latter previously classified within the Electronic Devices Business);
- Vacuum Technology Division (which coincides with the Solutions for Vacuum Systems Business, included in the Industrial operating segment);
- Medical Division (unchanged);
- Specialty Chemicals Division (i.e. advanced getters for the consumer electronics market, classified within the Electronic Devices Business as at December 31, 2019, in addition to the Functional Chemical Systems segment);
- Advanced Packaging Division (unchanged).

The following tables present the revenues and the statement of profit or loss, both relating to 2019, shown according to the new divisional structure, highlighting the reclassifications with respect to the operating segments in place until December 31, 2019.

(thousands of euro)

Business Unit	December, 31 2019	Reclassification	January 1, 2020
Security & Defense	5,004	0	5,004
Healthcare Diagnostics	2,707	0	2,707
Electronic Devices	22,568	(11,283)	11,285
Thermal Insulated Devices	3,228	0	3,228
Lamps	3,625	0	3,625
Solutions for Vacuum Systems	9,602	(9,602)	0
Sintered Components for Electronic Devices & Lasers	0	0	0
Functional Chemical Systems	1,007	(1,007)	0
SMA Industrial	14,325	0	14,325
Metallurgy Division	**62,066**	**(21,892)**	**40,174**
Solutions for Vacuum Systems	0	9,602	9,602
Vacuum Technology Division	**0**	**9,602**	**9,602**
Nitinol for Medical Devices	0	0	0
Medical Division	**0**	**0**	**0**
Functional Dispensable Products	0	12,290	12,290
Specialty Chemicals Division	**0**	**12,290**	**12,290**
Advanced Coatings	0	0	0
Advanced Packaging Division	**0**	**0**	**0**
Total	**62,066**	**0**	**62,066**

Consolidated statement of profit or loss	Metallurgy Division			Vacuum Technology Division			Medical Division			Specialty Chemicals Division			Advanced Packaging Division			Not Allocated Costs			Total		
(thousands of euro)	December 31, 2019	Reclassifications	January 1, 2019	December 31, 2019	Reclassifications	January 1, 2019	December 31, 2019	Reclassifications	January 1, 2019	December 31, 2019	Reclassifications	January 1, 2019	December 31, 2019	Reclassifications	January 1, 2019	December 31, 2019	Reclassifications	January 1, 2019	December 31, 2019	Reclassifications	January 1, 2019
Total net sales	**62,066**	(21,892)	**40,174**	**0**	**9,602**	**9,602**	**0**	**0**	**0**	**0**	**12,290**	**12,290**	**0**		**0**	**0**	**0**	**0**	**62,066**	**0**	**62,066**
Cost of sales	(34,176)	14,261	(19,915)	0	**(4,753)**	(4,753)	0	0	0	0	(9,508)	(9,508)	(429)		(429)	3	**0**	3	(34,602)	0	(34,602)
Gross profit	**27,890**	**(7,631)**	**20,259**	**0**	**4,849**	**4,849**	**0**	**0**	**0**	**0**	**2,782**	**2,782**	**(429)**	**0**	**(429)**	**3**	**0**	**3**	**27,464**	**0**	**27,464**
% on net sales	*44.9%*	*34.9%*	*50.4%*	*n.a.*	***50.5%***	*50.5%*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*22.6%*	*22.6%*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*44.2%*		*44.2%*
Total operating expenses	(11,419)	4,524	(6,895)	0	**(3,001)**	(3,001)	(250)	0	(250)	0	(1,452)	(1,452)	(1,164)		(1,164)	(22,929)	**(71)**	(23,000)	(35,762)	0	(35,762)
Other income (expenses), net	756	(698)	58	0	**102**	102	0	0	0	0	603	603	(25)		(25)	2,901	**(7)**	2,894	3,632	0	3,632
Operating income (loss)	**17,227**	**(3,805)**	**13,422**	**0**	**1,950**	**1,950**	**(250)**	**0**	**(250)**	**0**	**1,933**	**1,933**	**(1,618)**	**0**	**(1,618)**	**(20,025)**	**(78)**	**(20,103)**	**(4,666)**	**0**	**(4,666)**
% on net sales	*27.8%*	*17.4%*	*33.4%*	*n.a.*	*20.3%*	*20.3%*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*15.7%*	*15.7%*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*-7.5%*		*-7.5%*
Dividends																			19,457	0	19,457
Interest and other financial income (expenses), net																			596	0	596
Foreign exchange gains (losses), net																			(55)	0	(55)
Write-down of intercompany investments and other financial assets																			(1,490)	0	(1,490)
Income (loss) before taxes																			**13,841**	**0**	**13,841**
Income taxes																			178	0	178
Net income (loss) from continued operations																			**14,019**	**0**	**14,019**
Net income (loss) from discontinued operations																			396	0	396
Net income (loss)																			**14,416**	**0**	**14,416**

On January 23, 2020, the Board of Directors of SAES Getters S.p.A. resolved to revoke the liquidation of E.T.C. S.r.l. and modify its corporate purpose by allowing the company to directly or indirectly take on investments or shareholdings in the packaging sector and the scouting of new technologies in that sector. If it is not possible to revoke the liquidation status, the Board approved the establishment of a new company, entirely owned by SAES Getters S.p.A., with the same corporate purpose.

On February 4, 2020, the Company received from the subsidiary SAES Coated Films S.p.A., in accordance with articles 1406 - 1410 of the Italian Civil Code, ownership of an advance of 1,100 thousand euro, for a potential minority investment, currently under assessment. If the negotiations are not successful, the advance will be returned to the Company no later than July 31, 2020.

As part of the incentive plan based on phantom shares known as the "2018 Phantom Shares Plan", approved by the Shareholders' Meeting of October 1, 2018, the Company's Board of Directors on February 13, 2020, upon the proposal of the Remuneration and Appointment Committee, assigned 195,618 phantom shares, from those still assignable pursuant to article 5 of the aforementioned plan, to Paolo Vacca, appointed Manager with Key Responsibilities effective January 1, 2020. The assignment value was calculated at 21.14 euro.

As is well known, starting from January 2020, the national and international scenario has been characterized by the spread of coronavirus and the consequent restrictive measures for its containment, put in place by the public authorities of the countries concerned. These circumstances, extraordinary in nature and extent, will have direct and indirect repercussions on the business, as a context of general uncertainty has arisen, the evolution and relative impact of which cannot be predicted. The potential effects of this phenomenon on the financial statements cannot currently be determined and will be constantly monitored in the coming months.

Note that, following the provisions and recommendations issued by the Lombardy Region for precautionary containment of the coronavirus epidemic, the Company's offices and the Roncello facility of the subsidiary SAES Coated Films S.p.A. were closed from the afternoon of February 24 to February 28, 2020. Where possible, remote smart working procedures were used.
The Company's second production facility, in Avezzano, in the province of L'Aquila, was instead fully operational.
In the following days, given the persistence and worsening of the emergency, with the aim of preventing the spread of the disease, management agreed with the union representatives to use up to 70 employees "seconded" at the Lainate site, in order to ensure business continuity, adopting the appropriate measures to protect their health. All other employees, in accordance with the emergency measures issued by the Council of Ministers, are working in agile mode from their homes. Currently all plants of the Company and the subsidiary SAES Coated Films S.r.l. are in operation, obviously applying the procedures recommended by experts for the protection of health and the instructions of the Italian authorities through March 12, 2020.
The regular resumption of business activities at Lainate will depend on further emergency measures that will be issued as the current situation evolves.

On March 6, 2020, the Company signed a new line of credit with Unicredit S.p.A. for a maximum amount of 30 million euro as a revolving line, intended for general corporate, capex and acquisition uses. The duration of the credit line is set at thirty-six months. SAES may request its use in tranches of not less than 0.5 million euro and with a duration of one to three months. The contract provides for the payment of interest indexed at the one/three month Euribor rate, increased by a spread of 1.2%. The contract provides for only one financial covenant (positive consolidated net financial position) subject to half-yearly verification.

On March 12, 2020, SAES Getters S.p.A., as Single Shareholder, resolved a capital payment of 800 thousand euro in favour of SAES Nitinol S.r.l., aimed at covering the losses recognized during 2019 and establishing an available reserve equivalent to 20 thousand euro.

On March 12, 2020, the Company decided to donate 0.5 million euro to research institutes working on the front lines against the coronavirus, as well as to Civil Protection personnel. The Company is thus offering its contribution to overcome the emergency that the whole country is facing. The donation will be specifically directed to the specialized research institutes IRCCS Ca' Granda Ospedale Maggiore Policlinico Foundation and the IRCCS Policlinico San Matteo di Pavia Foundation, as well as to Civil Protection.

Proposal to approve the Financial Statements and the allocation of the dividend

Dear Shareholders,

We hereby submit the following proposed resolution for your approval

"The Shareholders' Meeting,

- after examining the figures of the financial statements of SAES Getters S.p.A. as at December 31, 2019, accompanied by the Directors' Report on Operations, the Report of the Board of Statutory Auditors, the Report of the Independent Auditors and any other documentation envisaged by law;
- after acknowledging that the legal reserve has reached 20% of share capital;
- after acknowledging the results for the year ending December 31, 2019;

resolves

- to approve the financial statements of SAES Getters S.p.A. as at December 31, 2019, which closed with a profit of 14,415,849.78 euro;
- to distribute a part of the net income for the year corresponding to:

- *3,811,986.42 euro to savings shareholders only - allocating them a dividend of 0.516626 per share (including an additional 0.016626 euro and 0.138549 euro as full recognition of the preferred dividend for 2019) per share;*
- *5,385,675.00 euro to ordinary shares, allocating them a dividend of 0.500000 euro per share:*

	euro
Net Income for the period	**14,415,849.78**
(Net exchange gains - unrealised and undistributable)	0.00
Distributable Net Income for the period	**14,415,849.78**
From distributable Net Income for the period	
- euro 0,516626 (including the increase of euro 0,016626 and of euro 0,138549 as full recognition of preferred dividend for the year 2019) for each n. 7.378.619 savings shares	3,811,986.42
- euro 0,500000 for each n. 10.771.350 ordinary shares	5,385,675.00
- euro roundings	0.00
For a total dividend of:	
- euro 0,516626 for each n. 7.378.619 savings shares	3,811,986.42
- euro 0,500000 for each n. 10.771.350 ordinary shares	5,385,675.00
For a total maximum distribution of euro:	**9,197,661.42**

- the calculation of ordinary shares does not include the Company's 3,900,000 treasury shares. The Company cannot dispose of them, since, in accordance with article 2357-ter, the Shareholders' Meeting did not authorize the disposal.
- to place the payment of these amounts in favour of entitled ordinary and savings shares, which will be in circulation as at April 28, 2020 (Record Date) effective from April 29, 2020, with detachment of coupon no. 36; the security will be traded ex-dividend from April 27, 2020;
- to charge any rounding made at the time of payment to the reserve for retained earnings;
- to allocate the non-distributed profit for the year to the reserve for retained earnings;
- to award the Chairman, Deputy Chairman and Managing Director, separately, all powers necessary for the implementation of this resolution."

Lainate (MI), March 30, 2020

on behalf of the Board of Directors
Massimo della Porta
Chairman

(Separate) Annual Financial Statements of SAES Getters S.p.A. for the year ending December 31, 2019

Statement of profit or loss

(euro)		Notes	2019	2018
	Third party net sales		51,805,309	47,529,972
	Intercompany net sales		10,261,149	9,674,804
Total net sales		4	**62,066,458**	**57,204,776**
	Third party cost of sales		(32,274,220)	(28,919,356)
	Intercompany cost of sales		(2,328,012)	(2,877,295)
Total cost of sales		5	(34,602,232)	(31,796,651)
Gross profit			**27,464,226**	**25,408,125**
	Research & development expenses	6	(7,751,623)	(7,610,092)
	Selling expenses	6	(7,351,182)	(6,987,035)
	General & administrative expenses	6	(20,659,904)	(21,695,695)
	Write-down of trade receivables	6	470	(160,245)
Total operating expenses			**(35,762,239)**	**(36,453,067)**
	Intercompany royalties		964,031	1,217,861
	Other third party income (expenses), net		375,282	(228,130)
	Other intercompany income (expenses), net		2,292,468	4,005,806
Total other income (expenses), net		7	**3,631,781**	**4,995,537**
Operating income (loss)			**(4,666,232)**	**(6,049,405)**
Dividends		8	19,457,326	21,944,621
	Third party financial income		1,447,284	150,076
	Intercompany financial income		354,021	696,435
Total financial income		8	1,801,305	846,511
	Third party financial expenses		(1,024,925)	(546,597)
	Intercompany financial expenses		(180,611)	(36,190)
Total financial expenses		8	(1,205,536)	(582,787)
Foreign exchange gains (losses), net		9	(55,262)	370,553
Write-down of intercompany investments		10	(1,490,452)	(10,738,194)
Income (loss) before taxes			**13,841,149**	**5,791,299**
Income taxes		11	178,242	(1,404,486)
	Current taxes		(309,757)	(691,920)
	Deferred taxes		487,999	(712,566)
Net income (loss) from continued operations			**14,019,391**	**4,386,813**
Net income (loss) from discontinued operations		12	396,459	253,846,790
Net income (loss)			**14,415,850**	**258,233,603**

Statement of profit or loss and of other comprehensive income

(euro)	Notes	2019	2018
Net income (loss) for the period		**14,415,850**	**258,233,603**
Actuarial gain (loss) on defined benefit plans	29	(350,573)	45,526
Income tax		84,138	(10,926)
Actuarial gain (loss) on defined benefit plans, net of taxes		(266,435)	34,600
Total components that will not be reclassified to the profit (loss) in subsequent periods		**(266,435)**	**34,600**
Other comprehensive income (loss), net of taxes		**(266,435)**	**34,600**
Total comprehensive income (loss), net of taxes		**14,149,415**	**258,268,203**

Statement of financial position

(euro)	Note	December 31, 2019	December 31, 2018
ASSETS			
Non Current Assets			
Property, plant and equipment, net	13	34,438,995	34,179,991
Intangible assets, net	14	408,497	598,243
Right of use	15	948,380	0
Investments in Subsidiaries and other financial assets	16	118,756,020	123,755,875
Securities in the portfolio	17	30,884,033	0
Deferred tax assets	18	1,915,841	1,343,704
Intercompany financial credits	22	4,207,833	49,000
Non current tax consolidation receivables		272,136	272,136
Other long term assets	19	69,451	68,838
Total Non Current Assets		**191,901,186**	**160,267,787**
Current Assets			
Inventory	20	8,636,856	7,542,000
Third party trade receivables		6,228,275	6,588,637
Intercompany trade receivables		3,612,268	5,534,113
Trade receivables	21	9,840,543	12,122,750
Intercompany financial credits	22	141,481,657	161,203,234
Tax consolidation receivables	23	522,320	58,165
Prepaid expenses, accrued income and other	24	2,551,520	2,626,121
Cash and cash equivalents	25	16,990,735	40,495,132
Total Current Assets		**180,023,631**	**224,047,402**
Total Assets		**371,924,817**	**384,315,189**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Capital stock		12,220,000	12,220,000
Share issue premium		25,724,211	25,724,211
Treasury shares		(93,382,276)	0
Legal reserve		2,444,000	2,444,000
Other reserves and retained earnings		245,809,355	4,421,539
Net income (loss) of the period		14,415,850	258,233,603
Shareholders' Equity	26	**207,231,140**	**303,043,353**
Non Current Liabilities			
Non current financial liabilities	27	100,351,693	12,716,795
Financial liabilities for leases	28	539,299	0
Staff leaving indemnity and other employee benefits	29	6,986,816	6,013,177
Non current provisions	30	722,033	78,552
Total Non Current Liabilities		**108,599,841**	**18,808,524**
Current Liabilities			
Third party trade payables		10,102,805	7,769,269
Intercompany trade payables		415,544	472,190
Trade payables	31	10,518,349	8,241,459
Derivative financial instruments measured at fair value	35	50,146	48,476
Intercompany financial payables	32	3,209,937	10,316,829
Financial liabilities for leases	28	411,703	0
Other payables	34	6,965,696	9,247,908
Income taxes payables	36	163,419	414,994
Current provisions	30	2,665,318	1,580,117
Bank overdraft	37	27,009,315	27,002,402
Current portion of long term debt	27	5,099,803	5,080,284
Other Financial Debts	33	150	530,843
Total Current Liabilities		**56,093,836**	**62,463,312**
Total Liabilities and Shareholders' Equity		**371,924,817**	**384,315,189**

Cash flow statement

(euro)	2019	2018 (*)
Cash flows from operating activities		
Net income (loss) from continued operations	14,019,391	4,386,813
Net income (loss) from discontinued operations	396,459	253,846,790
Current income taxes	309,757	691,920
Changes in deferred income taxes	(487,999)	712,566
Depreciation of financial leased assets	514,132	0
Depreciation	3,696,728	3,785,301
Write-down (revaluation) of property, plant and equipment	307,920	639,000
Amortization	239,042	185,666
Net loss (gain) on disposal of assets	(2,339)	(137,249)
Capital gain on purification business disposal	(396,459)	(253,896,016)
Write-down of trade receivables	(470)	16,000
Write-down of investments and financial receivables in subsidiaries	1,490,452	10,738,194
Other income from equity investments	(19,457,326)	(21,944,621)
Other non-monetary costs (revenues) (**)	(595,769)	(229,821)
Accrual for termination indeminities and similar obligations	1,114,982	(32,787)
Changes in provisions	958,966	(237,061)
	2,107,467	**(1,475,305)**
Working capital adjustments		
Cash increase (decrease)		
Account receivables	2,282,207	804,141
Inventory	(1,094,856)	(109,353)
Account payables	2,276,890	635,740
Other current receivables/ payables	(2,030,101)	(1,759,585)
	1,434,140	**(429,057)**
Payment of termination indemnities and similar obligations	(491,658)	(446,314)
Interests and other financial payments	(312,461)	(850,943)
Interests and other financial receipts	386,510	1,832,143
Taxes paid	(443,928)	(33,782)
Net cash flows from operating activities	**2,680,070**	**(1,403,258)**
Net cash flows from investing activities		
Increase of investments in controlled companies	(5,726,509)	(81,337,053)
Decrease of investments in controlled companies	10,000,000	16,945,322
Purchase for tangible assets	(7,236,659)	(9,373,408)
Proceeds from sale of tangible and intangible assets	2,976,229	430,371
Purchase of intangible assets	(49,024)	(389,172)
Income from securities, net of management fees	530,772	0
Dividends received, net of withheld	18,697,474	21,045,392
Purchase of securities, net of disinvestments	(30,000,000)	0
Adjustment on the consideration for the purification business disposal	(124,770)	255,729,013
Change in other current assets/liabilities	0	(3,888)
Net cash flows from investing activities	**(10,932,487)**	**203,046,577**
Cash flows from financing activities		
Proceeds from long term financial liabilities, current portion included	92,734,700	0
Proceeds from short financial liabilities	0	15,000,000
Dividends payment	(16,579,996)	(15,434,978)
Purchase of treasury shares and related accessory costs	(93,382,000)	0
Interests paid on long term financial liabilities	(799,049)	(324,431)
Interests paid on short term financial liabilities	(20,659)	0
Other costs paid	(35,881)	0
Repayment of financial liabilities	(5,108,291)	(12,697,277)
Long-term financial receivables from related parties (granted) repaid over the period	(4,158,833)	0
Change in financial receivales/ payables to related parties (cash pooling)	3,196,413	1,906,171
Change in loan to/from related parties	9,418,272	(156,583,029)
Other financial payables	(9,614)	(2,571)
Repayment of financial liabilities for leased assets	(511,498)	0
Interests paid on leased assets	(6,634)	0
Net cash flows from financing activities	**(15,263,070)**	**(168,136,115)**
Net foreign exchange differences	(269)	(1,355,898)
Net (decrease) increase in cash and cash equivalents	**(23,515,756)**	**32,151,306**
Cash and cash equivalents at the beginning of the period	40,529,034	8,377,728
Cash and cash equivalents at the end of the period (**)	**17,013,278**	**40,529,034**

(*) 2018 statement of financial position has been reclassified for a better representation of cash flow and it has been alligned to the statement used for consolidated financial statement
(**) Coherently with previous note, the line "Other non-monetary costs (revenues)" was impacted.

Statement of changes in shareholders' equity as at December 31, 2019

(thousands of euro)

	Capital stock	Share issue premium	Treasury Shares	Legal reserve	Sundry reserves and retained earnings: Other reserves in suspension of tax	Sundry reserves and retained earnings: Revaluation reserve	Sundry reserves and retained earnings: Other	Sundry reserves and retained earnings: Total	Net income (loss) for the period	Total shareholders'equity
Balance at December 31, 2018	**12,220**	**25,724**	**0**	**2,444**	**138**	**2,615**	**1,668**	**4,421**	**258,234**	**303,043**
Allocation Fiscal year 2018 net profit							**258,234**	**258,234**	**(258,234)**	**0**
Dividends paid							**(16,580)**	**(16,580)**		**(16,580)**
Purchase of Treasury shares			**(89,700)**					**0**		**(89,700)**
Accessory costs on purchase of treasury shares			**(3,682)**					**0**		**(3,682)**
Income (loss) from transactions with Group companies								**0**		**0**
Net income for the period								**0**	**14,416**	**14,416**
Other comprehensive income (loss)							**(266)**	**(266)**		**(266)**
Balance at December 31, 2019	**12,220**	**25,724**	**(93,382)**	**2,444**	**138**	**2,615**	**243,056**	**245,809**	**14,416**	**207,230**

Statement of changes in shareholders' equity as at December 31, 2018

(thousands of euro)

	Capital stock	Share issue premium	Treasury Shares	Legal reserve	Sundry reserves and retained earnings: Other reserves in suspension of tax	Sundry reserves and retained earnings: Revaluation reserve	Sundry reserves and retained earnings: Other	Sundry reserves and retained earnings: Total	Net income (loss) for the period	Total shareholders'equity
Balance at December 31, 2017	**12,220**	**41,120**	**0**	**2,444**	**138**	**2,615**	**4,651**	**7,404**	**(2,979)**	**60,209**
Allocation Fiscal year 2017 net profit							**(2,979)**	**(2,979)**	**2,979**	0
Dividends paid		**(15,396)**					**(39)**	**(39)**		**(15,435)**
Treasury shares cancellation										0
Income (loss) from transactions with Group companies										**0**
Net income for the period									**258,234**	**258,234**
Other comprehensive income (loss)							**35**	**35**		**35**
Balance at December 31, 2018	**12,220**	**25,724**	**0**	**2,444**	**138**	**2,615**	**1,668**	**4,421**	**258,234**	**303,043**

EXPLANATORY NOTES

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The mission of SAES Getters S.p.A. has changed over time, particularly in recent years due to the global recession and the significant restructuring of the Group.
As well as acting as the management and control holding company for the entire Group, the Company hosts the central R&D laboratories, in synergy with which it develops pilot production lines, selling the products of the same on its target markets.
Through the branches in Taiwan and Japan, it provides support to the sale of finished products in Far East Asia, manufactured by subsidiary and associated companies.

SAES Getters S.p.A. also operates in the field of advanced materials, particularly in the development of getters for microelectronic and micromechanical systems, of shape memory alloys and of getter materials in polymeric matrixes. Finally, the Company has recently developed a technological platform that integrates getter materials in a polymeric matrix that spans numerous fields of application (advanced packaging, OLED displays, implantable medical devices and new diagnostics for solid state images).

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, given that, despite a difficult economic and financial environment, further exacerbated by the Covid-19 epidemic, there aren't any significant uncertainties (as defined in paragraph no. 25 of IAS 1 - Presentation of Financial Statements) regarding the business continuity.

SAES Getters S.p.A. is controlled by S.G.G. Holding S.p.A., whose registered office is in Milan, via Vittor Pisani 27, which as at December 31, 2019 held 34.21% of the Company's ordinary shares. S.G.G. Holding S.p.A. does not exercise any management and coordination activity pursuant to article 2497 *et seq.* of the Italian Civil Code for the reasons illustrated in the Report on corporate governance and ownership.

The statement of financial position and the statement of profit or loss have been drawn up in units of Euro, without any decimal points. These Notes comment on the main items, and unless indicated otherwise, the amounts are shown in thousands of euro.

The separate financial statements for the year ending December 31, 2019 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 as well as article 149-*duodecies* of the Issuers' Regulations. The abbreviation "IFRS" includes all revised International Accounting Standards ("IAS") and all interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), included those previously issued by the Standing Interpretations Committee ("SIC").
For comparative purposes, the figures for 2018 are also shown, in application of IAS 1- Presentation of Financial Statements.

The preparation of the separate financial statements was made mandatory by the provisions contained in article 2423 of the Italian Civil Code.
The draft separate financial statements of SAES Getters S.p.A. for the year ending December 31, 2019 and the relative publication were approved by a resolution of the Board of Directors passed on March 12, 2020.
The Shareholders' Meeting is responsible for the final approval of the separate financial statements of SAES Getters S.p.A., and will be convened for April 21, 2020.

Accounting schedules

The accounting schedules adopted are consistent with those envisaged by IAS 1 - revised; specifically:

- the 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 statement of profit and loss has been prepared by classifying operating expenses by allocation, as this form of disclosure is considered more appropriate for representing the Group’s specific business, is compliant with the internal reporting procedures and in line with the standard industry practice;
- the cash flow statement has been prepared by stating cash flows provided by operating activities according to the “indirect method” as allowed by IAS 7.

In addition, as required by Consob resolution no. 15519 of July 27, 2006, as regards the 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 have been specifically identified; their relative effects have been 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 expenses/income include cases that by their nature do not occur consistently in the course of normal operating activities. In further detail:

- income and expenses arising from the sale of real property;
- income and expenses arising from the sale of business units and investments in subsidiaries included among non-current assets;
- expenses or any income arising from reorganization processes associated with extraordinary corporate transactions (mergers, de-mergers, acquisitions and other corporate transactions).
- income and profits deriving from discontinued businesses.

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 these Notes.

Reclassifications of statement of profit and loss items as at December 31, 2018
There were certain reclassifications that had no effect on the net result or on shareholders’ equity; for more information, please refer to the cash flow statement.

Segment information
The accounting representation of the business is as follows:

- Industrial;
- Medical;
- Packaging.

Compared to the previous year, in order to reflect the organizational structure of SAES management in place at December 31, 2019, starting from January 1, 2019, revenue and costs for the shape memory alloy for industrial applications sector, along with those of the Functional Chemical Systems sector (previously Organic Electronics), were classified in the Industrial Business Unit. All the operating sectors were also renamed to provide greater clarity.
The amounts at December 31, 2018 were **reclassified** (see the table below) to be comparable with the 2019 figures.

Consolidated statement of profit or loss	Industrial			Medical			Packaging			Not Allocated Costs			Total		
(thousands of euro)	2018	Reclassifications	2018 reclassified	2018	Reclassifications	2018 reclassified	2018	Reclassifications	2018 reclassified	2018	Reclassifications	2018 reclassified	2018	Reclassifications	2018 reclassified
Total net sales	**47,032**	10,173	**57,205**	**9,148**	**(9,148)**	**0**	**0**		**0**	**1,025**	**(1,025)**	**0**	**57,205**	**0**	**57,205**
Cost of sales	(24,268)	(7,079)	(31,347)	(6,320)	**6,320**	0	(171)		(171)	(1,038)	**759**	(279)	(31,797)	0	(31,797)
Gross profit	**22,764**	3,094	**25,858**	**2,828**	**(2,828)**	**0**	**(171)**	**0**	**(171)**	**(13)**	**(266)**	**(279)**	**25,408**	**0**	**25,408**
% on net sales	*48.4%*	*30.4%*	*45.2%*	*30.9%*	***30.9%***	*n.a.*	*n.a.*	*n.a.*	*n.a*	*-1.3%*	*26.0%*	*n.a.*	*44.4%*		*44.4%*
Total operating expenses	(8,806)	(2,808)	(11,614)	(2,506)	**2,130**	(376)	(1,807)		(1,807)	(23,334)	**678**	(22,655)	(36,453)	0	(36,453)
Other income (expenses), net	20	(101)	(81)	(104)	**104**	0	(20)		(20)	5,100	**(3)**	5,096	4,996	0	4,996
Operating income (loss)	**13,978**	185	**14,163**	**218**	**(594)**	**(376)**	**(1,998)**	**0**	**(1,998)**	**(18,247)**	**409**	**(17,838)**	**(6,049)**	**0**	**(6,049)**
% on net sales	*29.7%*	*1.8%*	*24.8%*	*2.4%*	*6.5%*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*-1780.2%*	*-39.9%*	*n.a.*	*-10.6%*		*-10.6%*
Dividends													21,945	0	21,945
Interest and other financial income (expenses), net													264	0	264
Foreign exchange gains (losses), net													371	0	371
Write-down of intercompany investments and other financial assets													(10,738)	0	(10,738)
Income (loss) before taxes													**5,791**	**0**	**5,791**
Income taxes													(1,404)	0	(1,404)
Net income (loss) from continued operations													**4,387**	**0**	**4,387**
Net income (loss) from discontinued operations													253,847	0	253,847
Net income (loss)													**258,234**	**0**	**258,234**

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

2. ACCOUNTING STANDARDS

Business combinations and Goodwill
Business combinations are recognized using the purchase method. According to this method, the assets (including intangible assets not previously recognized), liabilities and potential liabilities (excluding future restructuring) acquired and identifiable, are recognized at their fair value on the date of acquisition. The positive difference between the purchase cost and the Company's share of the fair value of said assets and liabilities is classified as goodwill and recognized as an intangible asset. Any negative difference ("negative goodwill") is instead recognized in the statement of profit or loss at the time of the acquisition.

Goodwill is not amortized, but annually, or more frequently if certain specific events or particular circumstances indicate the possibility that it may be impaired, it is tested for impairment to identify any impairment losses, in accordance with IAS 36 - Impairment of assets. After initial recognition, goodwill is valued at cost, net of any accumulated impairment losses. Once goodwill has been written down, impairment losses will not be reversed.

To assess consistency, the goodwill acquired in a business combination is allocated, on the acquisition date, to the Company's individual Cash Generating Units (CGU), or to groups of cash generating units, which should benefit from synergies of the business combination, regardless of the fact that other assets or liabilities of the Company are allocated to these units or groups of units. Each CGU or group of CGUs to which the goodwill is allocated, represents the lowest level, as regards the Company, at which goodwill is monitored for internal management purposes.

When the goodwill is part of a CGU and part of the internal business of said unit is sold, the goodwill associated to the business sold is included in the carrying amount of the asset to calculate the profit or loss resulting from the sale. The goodwill sold in these circumstances is measured on the basis of the relative values of the asset sold and of the portion of the unit maintained.

If the entire business or part of the same previously acquired is sold, and said acquisition had indicated goodwill, when establishing the impact resulting from said sale, the corresponding residual value of the goodwill is taken into account. The difference between the sale price and the net assets plus the accrued conversion differences and the goodwill is booked to the statement of profit or loss. The accrued profits and losses recognized directly under shareholders' equity are transferred to the statement of profit or loss at the time of the sale.

Intangible assets

Development costs
Costs incurred internally to develop new products and services are considered, depending on the case, as intangible or property, plant and equipment generated internally and are recognized under assets only if the costs can be determined reliably and the technical feasibility of the product, the expected volumes and prices, indicate that the costs incurred during the development stage will generate future economic benefits.
Capitalized development costs only include expenses incurred that may be directly attributed to the development process.
Capitalized development costs are amortised systematically, starting from the start of production, for the estimated lifetime of the product/service.

Other assets with a finite useful life

Other intangible assets with a finite useful life purchased or produced internally are recognized under assets, in accordance with the provisions of IAS 38 (Intangible assets), when it is likely that the use of the asset will generate future economic benefits and when the cost of the asset can be reliably determined.
These assets are recognized at purchase or production cost and amortized on a straight line basis for their estimated useful life. Intangible assets with a finite useful life are also submitted to tests to identify any impairment losses on an annual basis, or whenever there is any indication that the asset may be impaired.
Amortisation is calculated on the basis of a straight-line criterion for the estimated useful life of the assets; the rates of amortisation are reviewed annually and are changed if the current estimated life differs from that estimated previously. The impact of these changes is recognized in the statement of profit or loss on a forward-looking basis.

Intangible assets are amortized on the basis of their estimated useful life, if established, as follows:

Industrial patent rights and intellectual property rights	3/15 years / term of the contract
Concessions, licenses, trademarks and similar rights	3/25 years / term of the contract
Other	5/15 years / term of the contract

Property, plant and equipment
Property, plant and equipment are recognized at purchase or production cost or, for those in place as at January 1, 2004 at deemed cost, which for some assets is represented by the revalued cost. The costs incurred after the purchase are capitalized only if they lead to an increase in future economic benefits inherent to the asset to which they refer. All other costs (including financial expenses directly attributable to the acquisition, construction or production of the asset in question) are recognized in the statement of profit or loss when incurred. The cost of the assets also includes the costs envisaged by the dismantling of the asset and the recovery of the site where a legal or implicit obligation is present. The corresponding liability is recognized, at its present value, in the period in which the obligation arises, in a fund recognized under liabilities as part of provisions for risks and charges; the recognition of the capitalized expense in the statement of profit or loss is made over the useful life of the relative property, plant and equipment through the depreciation process of the same.
Depreciation is calculated on the basis of a straight-line criterion for the estimated useful life of the assets.

Land, including that relating to buildings, is not depreciated. The rates of depreciation are reviewed annually and are changed if the current estimated life differs from that estimated previously. The impact of these changes is recognized in the statement of profit or loss on a forward-looking basis.

The minimum and maximum rates of depreciation are shown below:

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

Lease contracts
Lease contracts are recognized by applying the IFRS 16 accounting standard, which establishes a single model of recognition and measurement of the lease agreements (including operating leases) for the lessee, with the lease asset recorded under assets (right of use) with an offsetting item under financial debt. The only exceptions are short-term lease contracts (i.e. lease contracts with a duration of twelve months or less) and those in which the underlying asset is considered a low-value asset (i.e., underlying assets that do not exceed the value of 5 thousand euro, when new), for which the Company continues to recognize the lease payments in the statement of profit or loss on a straight-line basis for the duration of the respective agreements, unless another systematic basis is more representative of time horizon in which the economic benefits of the leased assets are consumed.

The liabilities to the lessor are classified as financial liabilities in the balance sheet and are initially measured at the value of the payments required by the lease contract that were not already paid at the commencement date, discounted using the contract's implicit rate. If this rate cannot be inferred from the contract, the lessee uses its effective borrowing rate.
The payments of the lease liabilities subject to measurement primarily include:
- fixed payments for the lease, net of any incentives;
- variable payments that are based on an index or rate, initially measured using the index or rate at the contract's commencement date;
- the exercise price of the purchase options, if the lessee is reasonably certain that these options will be exercised; and
- penalties paid to terminate the lease contract, if the contract's duration reflects the exercise of an option for resolution of the lease contract.

The book value of these liabilities is reduced to reflect the lease payments made during the year.

Rights of use refer to leased assets. These assets, representing the right of use of the asset, are recognized by the Company in a separate specific item under property, plant and equipment and intangible assets in the statement of financial position. The right of use assets are initially equivalent to the corresponding lease liabilities, net of any incentives received and any initial direct costs. Subsequently, they are valued at cost less accumulated amortization and impairment. If the Company incurs an obligation for costs to dismantle and remove the leased asset, restore the site on which the asset was located or refurbish the underlying asset to conditions required in the terms and conditions of the lease contract, a provision is recognized and measured in accordance with IAS 37. Right of use assets are amortized over the duration of the lease contract. If the Group expects to exercise the purchase option, the right of use asset is amortized over the useful life of the underlying asset. The amortization begins on the contract's commencement date.
The Group applies IAS 36 to determine if a right of use asset is subject to any impairment, as described in the paragraph "Impairment of assets".

Amortization of right of use for the asset and interest payable accrued on the lease liability are recognized in the statement of profit or loss.

The Company remeasures the lease liability (and makes a corresponding adjustment to the right of use) if:
- the duration of the lease changes or if there is a significant event or a change in the circumstances, with a resulting change in the valuation of the exercise of the purchase option; in this case, the lease liability is remeasured, discounting the modified future payments using a revised rate;
- the lease payments change due to variations in an index or rate or a variation of the payment based on a guaranteed residual value; in this case, the lease liability is recalculated by discounting the revised lease payments using an unchanged discount rate (unless the change in lease payments is due to a change in a variable rate, for which a revised discount rate is used);
- a lease contract is amended and therefore the liability is remeasured based on the modified lease duration, discounting the modified lease payments using a revised discount rate at the effective date of the amendment.

Impairment of assets

On each reporting date, the Company assesses if there are any indications that intangible assets with a finite useful life and property, plant and equipment and investments in subsidiaries may have suffered an impairment loss.
Goodwill and intangible assets with an indefinite useful life undergo impairment testing at least once a year, or, more frequently, whenever there is any indication that the asset may be impaired.
Rights of use referring to leased assets are included in the assets subject to impairment testing.

Goodwill

Goodwill undergoes impairment testing to identify its recoverable amount on the reporting date and whenever there are indicators of problems with said item during the year. The goodwill acquired and allocated during

the year undergoes impairment testing to identify the recoverable amount before the end of the year in which the acquisition and allocation took place.
To assess its recoverable amount, the goodwill is allocated, on the acquisition date, to each Cash Generating Unit (CGU) or group of CGUs, which benefit from the acquisition, regardless of the fact that other assets or liabilities of the entity acquired are allocated to these units.
If the carrying amount of the Cash Generating Unit (or group of CGUs) exceeds the respective recoverable amount, an impairment loss is recognized in the statement of profit or loss corresponding to the difference.
The impairment loss is recognized in the statement of profit or loss, first by reducing the carrying amount of the goodwill allocated to the CGU (or group of CGUs) and only later to the other assets of the unit in proportion to their carrying amount up to the recoverable amount of the asset with a finite useful life. The recoverable amount of a Cash Generating Unit, or group of CGUs, to which the goodwill is allocated, is the higher between the fair value less selling costs, and the value in use of the same CGU.
The value in use of an asset is represented by the present value of expected cash flows calculated by applying a discounting rate that reflects current market valuations of the time value of money and of the specific risks of the asset. The explicit future cash flows cover a period of three years and are projected for a specific period of between 2 and 12 years, with the exception of cases in which the projections require longer periods as in the case of newly started businesses and start-ups. The long-term growth rate used to estimate the terminal value of the CGU (or group of CGUs)is assumed at a value not exceeding the average long-term growth rate of the sector, country or market in which the CGU (or group of CGUs) operates.
The value in use of Cash Generating Units in foreign currency is estimated in the local currency by discounting on the basis of an appropriate rate for said currency. The present value obtained in this way is converted into euro on the basis of the spot exchange rate on the reference date of the impairment test (in our case the reporting date of the financial statements).
Future cash flows are estimated by referring to the current conditions of the Cash Generating Unit and, therefore, neither the benefits resulting from future restructuring which the entity has not yet committed to, nor future investments to improve or optimise the CGU are considered.
For impairment testing purposes, the carrying amount of a Cash Generating Unit is calculated according to the criterion with which the recoverable amount of the Cash Generating Unit is determined, excluding surplus assets (namely financial assets, deferred tax assets and non-current assets held for sale).
After having conducted impairment testing of the Cash Generating Unit (or group of CGUs) to which the goodwill is allocated, a second-level impairment test is conducted also including centralised assets with accessory functions (corporate assets) that do not generate positive cash flows and that cannot be allocated according to a criterion that is reasonable and consistent to the individual CGUs. At this second level, the recoverable amount of all of the CGUs (or groups of CGUs) is compared with the carrying amount of all of the CGUs (or groups of CGUs), also including those CGUs to which no goodwill has been allocated, and centralised assets.
If the conditions that led to the previously recognized impairment loss no longer apply, the original value of the goodwill is not reversed, in accordance with the provisions of IAS 36 - Impairment of Assets.

Intangible assets and property, plant and equipment with a finite useful life
During the year, the Company checks whether there are indications that property, plant and equipment or intangible assets with a finite useful life may have suffered impairment losses. To this end, internal and external sources of information have been considered. As regards the former (internal sources) the following are considered: 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 that envisaged. As regards external sources, instead, the following are considered: the trend of the market prices of the assets, any negative changes in technology, markets or laws, the trend of market interest rates, the cost of capital used to value the investments and lastly, if the carrying amount of the net assets of the Company is higher than market capitalization.
If there are indications that both property, plant and equipment and intangible assets with a finite useful life have suffered an impairment loss, the carrying amount of the asset is reduced to the relative recoverable amount. The recoverable amount of an asset is defined as the higher between the fair value, net of selling costs, and its value in use. The value in use of an asset is represented by the present value of expected cash flows calculated by applying a discounting rate that reflects current market valuations of the time value of money

and of the specific risks of the asset. When the recoverable amount of a single asset cannot be estimated, the Company estimates the recoverable value of the Cash Generating Unit to which the asset belongs.
The impairment loss is recognized in the statement of profit or loss.
If, subsequently, the reasons that led to the impairment loss no longer exist, the carrying amount of the asset or of the Cash Generating Unit is increased up to the new estimated recoverable amount which, in any event, cannot exceed the amount that would have been determined if no impairment loss had been recognized. The reversal of the impairment loss is recognized in the statement of profit or loss.

Investments in subsidiaries
Subsidiaries are enterprises over which SAES independently has the power to make the strategic decisions of the enterprise in order to obtain the relative benefits. Generally, control is considered to exist when over half of the voting rights that may be exercised in the ordinary shareholders' meeting are held directly and indirectly, also considering what is known as potential votes, namely voting rights resulting from convertible instruments.
Investments in subsidiaries are measured at purchase price, which may be permanently reduced in the event of the distribution of the share capital or of capital reserves or, in the presence of impairment losses determined by conducting impairment tests, the cost may be reversed in future years if the reasons that led to the write-downs no longer exist.

Financial assets (other than trade receivables) and financial liabilities
Pursuant to IFRS 9, the classification and measurement of financial assets is made on the basis of the business model chosen by the Company for their management, as well as based on the characteristics of the contractual cash flows of the financial assets in question.
The business models adopted by the Company are the following:

- Held to Collect: these are financial instruments used to absorb temporary cash surpluses; they are characterized by a low level of risk and mostly held to maturity. The measurement is made at amortized cost.
- Held to Collect and Sell: these are monetary instruments, bonds and equity trading instruments used for the dynamic management of cash surpluses; they are characterized by a low level of risk and usually held to maturity or sold to cover specific liquidity requirements. The measurement is made at fair value through profit and loss.

The impairment of financial assets other than trade receivables is carried out according to the expected loss model and, in particular using the general model that identifies the expected losses on receivables in the following 12 months, or over the entire residual life if the credit risk substantially deteriorates. Specifically, for cash and cash equivalents, expected losses are calculated in compliance with the default percentages associated with each credit institution at which the liquidity is deposited, obtained based on the ratings of each bank.
Financial liabilities include trade payables as well as financial liabilities, including therein financial derivatives. They also include trade payables and those of a miscellaneous nature.
Financial liabilities are measured at amortized cost. These liabilities are recorded according to the settlement date principle and initially recognized at fair value, which usually corresponds to the fee received, net of settlement costs directly attributable to the financial liability. After initial recognition, these instruments are measured at amortized cost, using the effective interest rate criterion.

Trade receivables
Trade receivables are characterized by a low level of risk and are generally held to maturity; they are classified in the category "Held to Collect" and are measured at amortized cost.
Impairment testing on trade receivables is conducted using a simplified approach permitted by IFRS 9. This approach enables an estimate of the expected loss for the whole life of the receivable at the time of initial recognition and of subsequent measurements. The estimate is made mainly by calculating the average expected uncollectability, based on historic and geographical indicators. For some receivables characterised by specific risk, specific measurements of the single credit positions are made instead.

Financial derivatives
The financial derivatives put in place by SAES Getters S.p.A. seek to cover the exposure to exchange rate and interest rate risk and to a diversification of debt parameters, which enable the cost and the volatility to be reduced to within set operational thresholds.
SAES Getters S.p.A. has decided to defer the application of the hedge accounting model envisaged by IFRS 9 and to continue to apply the IAS 39 model.
Therefore, in accordance with the provisions of IAS 39, derivative hedges are recognized according to the procedures established for hedge accounting only when:
a) at the beginning of the hedge, there are the formal description and the documentation of the hedging relationship in question;
b) the hedge is expected to be highly effective;
c) the effectiveness can be reliably measured;
d) the hedge in question is highly effective during the different accounting periods to which it pertains.
All financial derivatives are measured at fair value, as established in IAS 39.

When derivative instruments have the characteristics to be measured according to hedge accounting criteria, the following accounting treatments are applied:

- Fair value hedge - If a financial derivative is designated to hedge exposure to changes in the fair value of an asset or liability, attributable to a specific risk, the profit or the loss resulting from subsequent changes in the fair value of the hedging derivative is recognized in the statement of profit or loss. The profit or loss resulting from the adjustment to the fair value of the item hedged, for the part attributable to the risk hedged, changes the carrying amount of said item and is recognized in the statement of profit or loss.
- Cash flow hedge - If a financial derivative is designated to hedge the exposure to the fluctuation of the cash flows of an asset or liability recognized in the financial statements or of a transaction deemed as highly likely, the effective portion of the profits or losses resulting from the adjustment to fair value of the derivative instrument is recognized in a specific equity reserve (Reserve for the fair value adjustment of hedging derivatives). The accrued profit or loss is reversed from the equity reserve and recognized in the statement of profit or loss in the same years in which the effects of the hedged transaction are recognized in the statement of profit or loss.

The profit or loss associated to that part of the ineffective hedge is immediately recognized in the statement of profit or loss. If the hedged transaction is no longer deemed likely, the profits or losses not yet realized, recognized in the equity reserve, are immediately recognized in the statement of profit or loss.

For derivatives for which no hedging relationship has been established, the profits or the losses resulting from their measurement at fair value are recognized directly in the statement of profit or loss.

Cash and cash equivalents
Cash and cash equivalents are recognized, depending on their nature, at nominal value.
Other cash equivalents represent short-term and highly liquid financial loans which can be promptly converted into cash, known and subject to an insignificant risk of change in their value, whose original maturity or that at the time of purchase, does not exceed 3 months.

Inventories
Inventories - represented by raw materials, products purchased, semi-finished goods, work in progress and finished products - are measured at the lower of purchase and production cost and assumed realizable value; the cost is calculated using the FIFO method. The measurement of inventories includes direct costs of materials and of labour and the indirect costs of production (variable and fixed).
In addition, provisions are allocated for materials, finished products, spare parts and other supplies considered obsolete or slow moving, taken their future expected use and their assumed realisable value into account.

Divested assets/Assets held for sale/Discontinued operations
Divested assets, Assets held for sale and Discontinued operations refer to those business lines and those assets (or operations) sold or being disposed of, whose carrying amount has been or will be recovered mainly through the sale rather than their ongoing use.

These conditions are considered to be met when the sale or the discontinuance of the disposal group is considered highly likely and the assets and liabilities are immediately available for sale in their current condition.
Assets held for sale are measured at the lower of their net carrying amount and fair value net of selling costs.
If these assets originate from recent business combinations, they are measured at their present value net off selling costs.
In compliance with IFRS, the date relating to the assets divested and/or held for sale are presented as follows:

- in two specific items on the statement of financial position: Assets held for sale and Liabilities held for sale;
- in a specific item of the statement of profit or loss: Income (loss) from discontinued operations.

Provisions relating to personnel

Staff Leaving Indemnities (TFR)
Staff Leaving Indemnities (TFR), mandatory for Italian enterprises pursuant to article 2120 of the Italian Civil Code, are a type of deferred remuneration and are correlated to the length of the employee's working life and to the remuneration received in the relative period of service.
In application of IAS 19, the TFR, calculated in this way, is considered a "Defined Benefits Plan" and the relative obligation to be recognized in the financial statements (Payable for TFR) is established by an actuarial calculation, using the Projected Unit Credit Method. As envisaged by the revised version of IAS 19, the profits and losses resulting from the actuarial calculation are fully recognized in the statement of comprehensive income in the period in which they arise. These actuarial differences are immediately recognized in profits carried forward and are not classified in the statement of profit or loss in later periods.
The costs relating to the present value of the obligation for TFR resulting from the approximation of the time at which the benefits will be paid are included under "Personnel costs".
From January 1, 2007, the 2007 Finance Law and relative implementing decrees introduced significant changes to the TFR scheme, including giving workers a choice as to the destination of their accruing TFR, to supplementary pension plans or to the "Treasury Fund" managed by INPS.
This therefore means that the obligation towards INPS and the contributions made to supplementary pension plans are considered, according to IAS 19, "Defined contribution plans", while the amounts recognized as payables for TFR continue to be considered "Defined benefit plans".
The legislative changes that have been made since 2007 have therefore led to a redetermination of actuarial assumptions and of the consequent calculations used to establish the TFR.

Other long-term benefits
Bonuses for anniversaries or other benefits linked to length of service and long-term incentive plans are discounted to establish the present value of the obligation for defined benefits and the relative cost of current work performed. Any actuarial differences, as envisaged by the revised version of IAS 19, are fully recognized in the statement of comprehensive income in the period in which they arise. These actuarial differences are immediately recognized in profits carried forward and are not classified in the statement of profit or loss in later periods.

Provisions for risks and charges
The Company recognizes provisions for risks and charges when, in the presence of a present, legal or implicit obligation towards a third party, resulting from a past event, it is likely that resources will be required to meet said obligation, and when a reliable estimate of the amount of said obligation can be made.
Changes in estimates are reflected in the statement of profit or loss of the year in which they arise.

Treasury Shares
Treasury shares are deducted from shareholders' equity.

Foreign currency transactions
Foreign currency transactions are recorded at the exchange rate in force on the date of the transaction. Monetary assets and liabilities in foreign currency are converted at the exchange rate in force on the reporting date of the

financial statements. The exchange rate differences generated by the cancellation of monetary entries or by their conversion at rates different to those of their initial recognition in the year or to those at the end of the previous 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.

Recognition of revenues
Pursuant to IFRS 15, a contract with a customer is only recognized if it is likely that the Group will receive the consideration it will have a right to in exchange for goods and services that will be transferred to the customer.
Revenues from the sale of goods are recognized at the time at which the control of the good sold is transferred, while revenues resulting from the provision of services are recognized at the time the service is performed.
In addition, the Company recognizes revenues for those assets for which there is no alternative use and for which there is an unconditional right to be paid.
Revenues are recorded net of discounts, allowances and returns.

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

Research and advertising costs
Research and advertising costs are charged directly to the statement of profit or loss in the year in which they were incurred. Development costs are capitalized if the conditions envisaged by IAS 38 are met, described above in the paragraph on intangible assets. If the requirements for the mandatory capitalization of development costs are not met, the charges are booked to the statement of profit or loss for the year in which they were incurred.

Government grants
Government grants are recognized in financial statements in accordance with IAS 20, namely when it is reasonably certain that the company will meet all of the conditions envisaged for the receipt of the grants and that the grants in question will be received. Grants are recognized in the statement for profit or loss for the period in which the relative costs are recorded.
With regard to the new disclosure and transparency obligations for parties that have economic relations of any nature with the Public Administration envisaged by article 1, paragraphs 125-129 of Italian Law 124/2017, note that in 2019, the Company did not receive any government grants to which the above-cited law and any later amendments apply.
The government grants that the Company received in 2019, all of which relating to research and development projects, are entirely attributable to government entities of other European countries.

Current and deferred taxes
Income taxes include all of the taxes calculated on the Company's taxable income.
Income taxes are recognized in the statement of profit or loss, with the exception of those relating to items that are directly debited from or credited to an equity reserve, in which case the relative tax is recognized directly in the respective equity reserve.
The provisions for taxes that might be generated by the transfer of non-distributed profits of the subsidiaries are made only where there is a real intention to transfer these profits.
Deferred tax assets/liabilities are recognized according to the balance sheet liability method.
Deferred tax assets/liabilities are recognized on temporary differences between the carrying amount and the amount for tax purposes of an asset or liability. Deferred tax assets, including those resulting from recordable tax losses and non-utilised tax credit, are recognized to the extent to which future income is likely to be generated to recover them.

Deferred tax assets on tax losses that may be carried forward are recognized to the extent to which future taxable income is likely to be generated against which they can be recovered.
Tax assets and liabilities for current and deferred taxes are offset when the income taxes are applied by the same tax authority and when there is a legal right to offset the same.
Deferred tax assets and deferred tax liabilities are calculated by adopting the tax rates that are expected to be applicable, in the years in which the temporary differences will cancel each other out.

Dividends
Dividends received are recognized in the statement of profit or loss on an accrual basis, namely in the year in which the relative credit right arises, following the Shareholders' Meeting resolution to distribute the dividends of the investees.
Distributable dividends are represented as a change in shareholders' equity in the year in which they are approved by the Shareholder's Meeting.

Use of estimates and subjective valuations
The preparation of the Company's financial statements and of the relative notes in application of IFRSs, require the use of estimates and assumptions from management that have an effect on the values of financial statement assets and liabilities, as well as the disclosure of contingent assets and liabilities on the reporting date. If such estimates and assumptions, which are based on the best evaluation currently available, should differ from the actual circumstances in the future, they will be modified accordingly during the period in which said circumstances change.
Estimates and subjective valuations are used to recognize the recoverable amount of non-current assets (including goodwill), revenues, accruals to provision for receivables, obsolete and slow-rotation inventory, depreciation and amortization, employee benefits, taxes, restructuring provision as well as 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 an interpretation that applies specifically to a transaction, the Company's management makes weighted subjective valuations to establish which accounting methods it intends to adopt to provide relevant and reliable information so that the financial statements:

- truly reflect the equity/financial situation, the profit/loss and the cash flows of the Company;
- reflect the economic substance of the transactions;
- are neutral;
- are prepared on prudential bases;
- are complete in terms of all relevant aspects.

The financial statement items that require greater subjectivity by the directors in drawing up estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the financial statements are: goodwill, the write-down of fixed assets, the depreciation/amortization of fixed assets, deferred tax assets, the bad debt provision, the provision for obsolete inventory, risk provisions, pension plans and other post-employment benefits.
Please refer to the relative paragraphs of the Explanatory Notes for the main assumptions adopted and the sources used for making the estimates.

IFRS accounting standards, amendments and interpretations applicable from January 1, 2019
The accounting standards adopted for the preparation of the annual financial statements as at December 31, 2019 are in line with those used for the preparation of the Company's annual financial statements as at December 31, 2018, with the exception of changes to IFRSs, applicable from January 1, 2019, listed below:

IFRS 16 - *Leases*
On January 13, 2016 the IASB issued IFRS 16 – *Leases*, which replaces IAS 17 – *Leases*, and the interpretations IFRIC 4 – *Determining Whether an Arrangement Contains a Lease*, SIC 15 – *Operating Leases*: Incentives and SIC 27 – *Evaluating the Substance of Transactions in the Legal Form of a Lease*.

The standard provides for a new definition of lease and introduces a criterion based on the notion of control (right of use) of an asset to distinguish the lease contracts from the contracts for the supply of services, by identifying the following discriminating factors of leases: 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 finally, the right to direct the use of the underlying asset of the contract.

The change in the definition of a lease is mainly related to the key criterion of control (right of use). According to IFRS 16, a contract contains a lease if the customer has the right to control the use of an identified asset for a period of time in exchange for payment. This notion is considerably different from the concept of "risks and benefits" that was emphasised in IAS 17 and IFRIC 4.

The standard establishes a single model of recognition and measurement of the lease agreements (including operating) for the lessee which provides for the recording of the lease asset under assets with an offsetting item under financial debt.
On the other hand, the standard does not include significant changes for the lessors.

Prior to January 1, 2019, the Company classified, on the contract start date, each agreement for the use of leases as finance leases or operating leases, in accordance with the former IAS 17 - *Leases*. The contract was classified as a finance lease if it transferred substantially all the risks and benefits deriving from ownership of the leased asset; otherwise, the agreement would be classified as an operating lease. Finance leases were represented as investments at the beginning of the contract; with operating leases, the leased asset was not capitalized as an investment and the lease payments were recognized to profit or loss on a straight line basis for the duration of the agreement. The Company did not have any finance leases in place as at December 31, 2018, but all the leasing agreements were classified as operating leases.

With regard to the initial application of the standard, the Company chose to apply the standard on a retrospective basis, however recognizing the cumulative effect of applying IFRS 16 in equity as at January 1, 2019 (not amending the comparative figures for 2018) in accordance with the provisions of paragraphs IFRS 16: C7-C13 (amended retrospective application). More specifically, as regards lease agreements previously classified as operating, the Company recognized:
a) a financial liability, equal to the current value of future residual payments as at the transition date, discounted back using the incremental borrowing rate for each contract that applies at the transition date;
b) a right of use equal to the value of the financial liabilities at the transition date, net of any accrued income and deferred charges/accrued liabilities and deferred income that refer to the lease and recognized in the balance sheet at the date of these financial statements.
The adoption of IFRS 16 therefore did not have any effect on the initial equity at January 1, 2019.
The table below reports the impacts resulting from adoption of IFRS 16 on the transition date.

(thousands of euro)	**Impacts at the transition date (January 1, 2019)**
ASSETS	
Non current assets	
Right of use - Buildings	385
Right of use - Vehicles	321
Right of use - Office machines	279
Total non current assets	**984**
Total assets	
EQUITY AND LIABILITIES	
Retained earnings	
Total equity	**0**
Non current financial liabilities for leases	429
Total non current liabilities	**429**
Current financial liabilities for leases	555
Total current liabilities	555
Total equity and liabilities	**984**

The average weighted incremental borrowing rate applied to the financial liabilities recognized at January 1, 2019 amounted to 1.5%.

In adopting IFRS 16, the Company used the exemption granted by IFRS 16:5(a) in relation to the short-term leases (i.e. contracts that last for less than 12 months).
Similarly, the Company used the exemption permitted under IFRS 16:5(b) concerning the lease contracts where the underlying asset is a low-value asset (i.e. the assets underlying the lease contract do not exceed the amount of 5 thousand euro when new). The contracts for which the exemption was applied mainly fall under the following categories:

- computers, telephones and tablets;
- printers;
- other electronic devices;
- various equipment and small items.

For these contracts, the introduction of IFRS 16 did not involve recognizing the financial liabilities of the lease and related right of use, but the lease payments are recognized to profit or loss on a linear basis for the duration of the respective contracts.

Additionally, with reference to the transition rules, the Company used the following practical expedients available in the case of choosing the amended retrospective transition method:

- use of a single discount rate for lease portfolios with reasonably similar characteristics;
- use of the assessment made at December 31, 2018 in accordance with the rules of IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets* in relation to the accounting for onerous contracts as an alternative to application of the impairment test on the value of the right to use at January 1, 2019;
- classification of the contracts that expire within 12 months from the transition date as short-term leases; for these contracts, the lease payments are recognized to profit or loss on a linear basis;
- exclusion of the direct initial costs from measurement of the right of use at January 1, 2019;
- use of the information present at the transition date to determine the lease term, with specific reference to exercise of the options for extension or early termination.

The transition to IFRS 16 introduces certain elements of professional insight that involve the definition of certain accounting policies and the use of assumptions and estimates in relation to the lease term and the incremental borrowing rate. The standards are summarized below:

- the Company decided not to apply IFRS 16 for contracts containing leases that have intangible assets as the underlying asset;
- lease term

The Company analysed all the lease contracts, defining the lease term for each of them, given from the "non-cancellable period", along with the effects of any extension or early termination clauses which are reasonably certain to be exercised.
For properties where the lease contracts provide for an automatic annual renewal, an average duration of 3 years was used, based on the evaluation of the renewal period considered to be "reasonably certain" on the basis of the medium-long provisions term decided on by management. The lease term was only equated to the non-cancellable period where the non-cancellable period was more than 3 years, even if there is an extension clause.
With regard to the other categories of assets, mainly company cars and IT equipment, the exercise of any renewal options was considered not probable due to standard Company practice.

- incremental borrowing rate (IBR)

Since there was no implicit interest rate in most of the lease contracts entered into by the Company, the discounting rate to apply to future payments of the lease instalments upon first application of IFRS 16 was determined as the Company's actual loan rate with an expiry which was similar to the agreements subject to measurement. This rate was duly reviewed to simulate a theoretical marginal rate in line with the contracts being evaluated. More specifically, the characteristics considered in order to estimate the IBR include the residual average duration of the agreements, the currency of the contract, the country where the asset being leased is located and the type of asset.
The IBRs applied to discount back the lease payments at January 1, 2019 are reported below.

Currency	Less than 5 years	Over 5 year
EUR	1.50%	1.67%
USD	5.22%	5.22%

In order to help understand the impacts from initial application of the standard, the table below provides a reconciliation between future commitments relating to the lease contracts as at December 31, 2018 and the impact resulting from adoption of IFRS 16 as at January 1, 2019.

(thousands of euro)

Operating lease obligation as at December 31, 2018	**1,470**
Short term lease fees (exemption)	(114)
Low-value lease fees (esemption)	(52)
Non lease component fees (services)	(289)
Financial liabilities not discounted for leases as at January 1, 2019	**1,015**
Discounting effect	(30)
Financial liabilities for leases as at January 1, 2019	**984**
Present value of liabilities for financial leases at December 31, 2018	**0**
Financial liabilities for total leases as at January 1, 2019 following the transition to IFRS 16	**984**

The main effects resulting from the application of IFRS 16 as at December 31, 2019 are presented below:

- lower lease costs of 527 thousand euro;
- increase in depreciation of 514 thousand euro;
- increase in interest expense of 7 thousand euro;
- recognition of a Right of use of 948 thousand euro under non-current assets;
- recognition of Financial debts of 951 thousand euro, with a consequent worsening of the net financial position by the same amount.

The table below summarizes the effects resulting from the application of IFRS 16 on operating profit and the pre-tax profit for 2019.

	2019		
(thousands of Euro)	with IFRS 16	without IFRS 16	Difference
Operating income (loss)	(4,666)	(4,679)	13
% on sales	-7.5%	-7.5%	
Income before taxes	13,841	13,835	6
% on sales	22.3%	22.3%	

***Prepayment Features with Negative Compensation* (amendment to IFRS 9)**

On October 12, 2017, IASB published the amendment to IFRS 9 - "*Prepayment Features with Negative Compensation*". This document specifies that instruments that envisage an early repayment could comply with the Solely Payments of Principal and Interest test also in the event in which the "reasonable additional compensation" to be paid in the case of early repayment is a "negative compensation" for the lender.

This amendment was applied starting from January 1, 2019. The adoption of this amendment did not affect the Company's financial statements.

Uncertainty over Income Tax Treatments (*IFRIC Interpretation 23*)

On June 7, 2017 the IASB published the interpretation "*Uncertainty over Income Tax Treatments* (IFRIC Interpretation 23)". The interpretation deals with the uncertainties on what tax treatment to apply with respect to income tax matters. The interpretation requires an entity to analyse the uncertain tax treatments (individually

or together in accordance with their characteristics) assuming that the tax authorities will examine the tax position in question, with full awareness of all the relevant information. If the entity believes that it is improbable that the tax authorities will accept the tax treatment followed, the entity will have to reflect the effect of the uncertainty in the measurement of its current and deferred income taxes. In addition, the document does not contain any new disclosure requirement, but emphasizes that the entity should assess whether it is necessary to provide information on the management's considerations and related to the uncertainty inherent to the recognition of the income taxes, in accordance with what is provided by IAS 1.
This new interpretation was applied starting from January 1, 2019. The adoption of this change did not affect the Company’s financial statements.

Annual* Improvements to *IFRSs: 2015-2017 Cycle
On December 12, 2017, the IASB published the document “*Annual Improvements to IFRSs: 2015-2017 Cycle*” that incorporates the amendments to some standards as part of the annual process to improve them. The main changes concern the following:
- IFRS 3 - *Business Combinations* and IFRS 11 - *Joint Arrangements*: the amendment clarifies that when an entity obtains control of a business that represents a joint operation, it has to re-measure the interests previously held in said business. However, this process does not have to be followed if joint control is obtained.
- IAS 12 - *Income Taxes*: the amendment clarifies that all the tax effects linked to the dividends (including payments relating to financial instruments classified under equity) will have to be accounted for in a way that is consistent with the transaction that generated the profits (statement of profit or loss, other comprehensive income or equity).
- IAS 23 - *Borrowing Costs*: the amendment clarifies that if the loans that are still in place after the applicable qualifying asset is already ready for use or for sale, they become part of the set of loans used to calculate the loan costs.

These changes were applied from January 1, 2019 and their adoption did not have any effects on the Company’s financial statements.

Amendment to IAS 19 - *Plant Amendment, Curtailment or Settlement.*
The document, published on February 7, 2018, clarifies how an entity should display an amendment (i.e. a curtailment or a settlement) of a defined benefit plan. The amendments require an entity to update its assumptions and re-measure the net liabilities or assets that come from the plan. The amendments clarify that after the occurrence of that event, an entity will use updated assumptions to measure the current service cost and the interest for the rest of the applicable period following the event.
This amendment was applied starting from January 1, 2019. The adoption of this amendment did not affect the Company’s financial statements.

***Long-term Interests in Associates and Joint Ventures* (amendment to IAS 28)**
On October 12, 2017, the IASB published the document “*Long-term Interests in Associates and Joint Ventures (amendment to IAS 28)*”. This document clarifies the need to apply IFRS 9, including the requirements linked to impairment, to other long-term interests in associates and joint ventures where the equity method is not applied.
The amendment applies from January 1, 2019 but early application is permitted.
This amendment was applied from January 1, 2019 and its adoption did not have any effects on the Company’s financial statements.

IFRS and IFRIC accounting standards, amendments and interpretations endorsed by the European Union, but whose application is not yet mandatory and were not adopted in advance by the Company

***Definition of Material* (amendments to IAS 1 and IAS 8)**
On October 31, 2018, the IASB published the document “*Definition of Material (Amendments to IAS 1 and IAS 8)*”. The document introduced an amendment to the definition of “material” contained in standards IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The aim of this amendment is to make the definition of “material” more specific and introduces the concept of “obscured information” as being close to the concepts of omitted or erroneous information

already in the two standards being amended. The amendment clarifies that information is "obscured" if it was described in a way that produces an effect similar to the effect that would be produced if that information had been omitted or erroneous for the main readers of financial statements.

The changes introduced by the document apply to all the transactions that will occur after January 1, 2020. The adoption of these amendments is not expected to affect the Company's financial statements.

References to the Conceptual Framework in IFRS Standards **(amendment)**
On March 29, 2018, IASB published an amendment to "References to the Conceptual Framework in IFRS Standards". The conceptual framework defines the key concepts for financial disclosure and guides the Council in developing IFRS standards. The document helps to ensure that the standards are conceptually consistent and that similar transactions are handled in the same way, in order to provide useful information to investors, lenders and other creditors. The conceptual framework supports companies in developing accounting principles when no IFRS standard is applicable to a particular transaction and, more generally, helps the relevant parties to understand and interpret the standards.
The amendment is effective for periods that begin on or after January 1, 2020, but early application is permitted.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
On September 26, 2019, IASB published "*Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform*". This amendment modifies IFRS 9 - *Financial Instruments* and IAS 39 - *Financial Instruments: Recognition and Measurement* as well as IFRS 7 - *Financial Instruments: Disclosures*. In particular, the amendment modifies some of the requirements for applying hedge accounting, envisaging temporary waivers to these requirements in order to mitigate the impact deriving from uncertainty regarding the IBOR reform (as yet ongoing) on future cash flows in the period preceding its completion. Moreover, the amendment imposes that companies provide additional information in financial statements regarding their hedge relationships that are directly affected by the uncertainties generated by the reform and to which the aforementioned waivers apply.
The amendments will become effective from January 1, 2020 but companies may opt for early application. The adoption of these amendments is not expected to affect the Company's financial statements.

IFRS accounting standards, amendments and interpretations not yet endorsed by the European Union
At the date of these 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 standards described below.

IFRS 17 – *Insurance Contracts*
On May 18, 2017, IASB issued the IFRS 17 – *Insurance Contracts* that will replace IFRS 4 – *Insurance Contracts*.
The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents rights and obligations deriving from the insurance contracts it issues. The IASB developed this standard to eliminate inconsistencies and weaknesses in existing accounting practices, by providing a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts that an insurer holds.
The new standard also envisages some submission and reporting requirements to improve the comparability between the entities of this sector.
The new standard measures an insurance contract based on a General Model or a simplified version of it, called *Premium Allocation Approach* ("PAA").
The main features of the General Model are as follows:

- estimates and assumptions of future cash flows are always the current ones;
- the measurement reflects the time value of money;
- estimates provide for an extensive use of information available in the market;
- there is a current and explicit risk measurement;
- the expected profit is deferred and aggregated in groups of insurance contracts at the time of their initial recognition;

- the expected profit is recognized in the hedging period taking into account the adjustments resulting from variations in the assumptions related to the cash flows of each group of contracts.

The PAA approach envisages the measure of the liability for the residual coverage of a group of insurance contracts provided that, at its initial recognition, the entity provides that such a liability is reasonably an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. The simplifications arising from the application of the PAA method do not apply to the assessment of liabilities for existing claims that are measured with the General Model. However, it is not necessary to discount those cash flows if the balance to be paid or settled is expected to take place within one year from the date in which the claim was filed.

The new standard must be applied to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held and also to investment contracts with a discretionary participation feature (DPF).

This standard applies starting from January 1, 2021, but an early application is allowed only for entities applying IFRS 9 - *Financial Instr*uments and IFRS 15 - *Revenue from Contracts with Customers*. The adoption of this standard is not expected to have any significant impact on the Company's financial statements.

Definition of a Business (amendments to IFRS 3)

On October 22, 2018, the IASB published the document "*Definition of a Business (Amendments to IFRS 3)".* The document provides some clarifications on the definition of business in order to correctly apply the standard IFRS 3. More specifically, the amendment clarifies that while a business usually produces output, the presence of output is not strictly necessary to identify a business if there is an integrated set of activity/processes and assets. However, in order to meet the definition of business, an integrated set of activities/processes and assets must include, as a minimum, an input and a substantial process that together significantly contribute towards the capacity to create an output. To that end, the IASB replaced the term "capacity to create output" with "capacity to contribute towards the creation of output" to clarify that a business may also exist without the presence of all the inputs and processes needed to create output.

The amendment also introduced an optional test ("concentration test") for the entity to decide whether a set of activities /processes and assets acquired are not a business. If the test gives a positive result, the set of activities/processes and assets acquired do not constitute a business and the standard does not require further checks. If the test provides a negative result, the entity will have to carry out further analyses on the activities/processes and assets acquired to identify the presence of a business. To that end, the amendment added numerous examples of the standard IFRS 3 in order to make the practical application of the new definition of business understood in certain cases.

The amendments apply to all the business combinations and acquisitions of activities after January 1, 2020, but early application is permitted. Considering that this amendment will be applied to new acquisitions that will be finalized starting from January 1, 2020, the effects will be recognized in the financial statements that end after that date.

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

On September 11, 2014, IASB published an amendment to IFRS 10 and IAS 28 - *Sales or contributions 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 Company's financial statements.

IFRS 14 – *Regulatory Deferral Accounts*
On January 30, 2014, IASB published IFRS 14 - *Regulatory Deferral Accounts*, which allows companies who adopt IFRS for the first time to continue recognizing the amounts for assets subject to regulated rates ("*Rate Regulation Activities*"), according to the previously adopted accounting standards.
As the Company is not a first-time adopter, this standard is not applicable.

3. FINANCIAL RISK MANAGEMENT

Objectives and policy of financial risk management

The main financial instruments used by the Company, other than derivatives, include short-term demand bank deposits as well as bank loans. The Company's policy as regards these instruments entails the short-term investment of cash and cash equivalents and the funding of its operations.

Due to the above, the Company does not trade in financial instruments.

The Company also has financial assets and liabilities, such as trade payables and receivables, resulting from its operations.

In the daily running of its business operations, SAES Getters S.p.A. is exposed to the following financial risks:
- interest rate risk: resulting from changes in interest rates, related to originated financial assets and assumed financial liabilities;
- exchange rate risk: resulting from the volatility of exchange rates, which the Company is exposed to with regard to its transactions in foreign currencies; this exposure is mostly generated by sales in currencies other than the reporting one and by dividends from foreign subsidiaries;
- credit risk: represented by the risk of the non-fulfilment of commercial and financial obligations undertaken by counterparties;
- liquidity risk: related to the need to cover short-term financial commitments.

These risks are managed by:
- defining guidelines for operational management, at central level;
- identifying the most suitable financial instruments, including derivatives, to meet its objectives;
- monitoring the results achieved;
- excluding any transactions involving speculative derivative instruments.

The paragraphs below illustrate the policies to manage the above-cited financial risks and the sensitivity analyses conducted by SAES Getters S.p.A.

Interest rate risk
The Company's financial debts, both short and long term, are mainly structured on a variable interest rate basis, therefore they are subject to the risk of interest rate fluctuations.
With regard to long-term financial debts, the exposure to interest rate variation is managed by entering into Interest Rate Swap or Interest Rate Option agreements, with a view to guarantee a level of financial expenditures which are sustainable by the Company's financial structure.
The funding for working capital is managed through short-term financing transactions and, as a consequence, the Group does not hedge itself against the interest rate risk.

With regard to financial assets, the table below provides details of the sensitivity of the Company's pre-tax profit, assuming that all other variables are not sensitive to changes in interest rates:

		(%)	(thousands of euro)	(thousands of euro)
		Increase / Decrease	**Effect on result before taxes**	**Effect on net result and net equity**
2019	**Euro**	+/- 1	+/- 274	+/- 208
	Other currencies	+/- 1	+/- 2	+/- 1
2018	**Euro**	+/- 1	+/- 839	+/- 638
	Other currencies	+/- 1	+/- 37	+/- 28

With regard to financial liabilities, the table below provides details of the sensitivity of the Company's pre-tax profit, assuming that all other variables are not sensitive to changes in interest rates:

		(%)	(thousands of euro)	(thousands of euro)
		Increase / Decrease	Effect on result before taxes	Effect on net result and net equity
2019	Euro	+/- 1	-/+ 1.046	-/+ 795
2018	Euro	+/- 1	-/+ 454	-/+ 345

With regard to Interest Rate Swaps, the table below provides details of the sensitivity of the pre-tax profit, assuming all other variables remain stable, following a shift of one percentage point of the spot rate curve (and consequently, to changes of the relative forward rate curve):

	(thousands of euro)	(euro)	(euro)	(euro)	(euro)	(euro)
Description	Notional amount	Fair Value	Estimated FV +1%	Difference in FV +1%	Estimated FV -1%	Difference in FV -1%
SAES Getters S.p.A.-IRS operation due date December 21, 2022 and Notional amount 5 Million	5,000	(23,726)	2,053	25,779	(49,681)	(25,955)
SAES Getters S.p.A. - IRO operation due date December 31, 2022 and Notional amount 5 Million	5,000	(3,564)	0	3,564	(27,273)	(23,709)
SAES Getters S.p.A. - IRO operation due date March 31, 2022 and Notional amount 10 Million	10,000	(22,856)	57,826	80,682	(106,086)	(83,230)
Total effect on result before taxes				**110,026**		**(132,894)**
Total effect on net result and net equity				**83,620**		**(100,999)**

As the Company recognized its derivative instruments in the period by recording the profits or losses resulting from their fair value measurement directly in the statement of profit or loss, also the effects of a change in the above-indicated fair value would have an impact on the statement of profit or loss for the period.

Exchange rate risk

The Company is exposed to the exchange rate risk on foreign transactions. This exposure is mostly generated by sales in currencies other than the reporting one. Around 46% of the Company's sales and around 14% of its operating costs are reported in a currency other than the euro.

In order to manage the volatility of exchange rates, primarily of the US dollar and of the Japanese yen, the Company may stipulate hedging contracts on these currencies, whose values are periodically determined by the Board of Directors according to the net currency cash flows expected to be generated by sales. The maturities of the hedging derivatives tend to coincide with the scheduled date of collection of the hedged transactions.

Moreover, the Company can occasionally hedge specific transactions in a currency other than the reference currency, to mitigate the effect on profits and losses of the exchange rate volatility, with reference to financial receivables/payables, including in relation to related parties, denominated in a currency other than the reporting currency.

Finally, the Company constantly monitors exchange rate trends in order to decide whether to enter into further risk hedging contracts linked to exchange rate fluctuations on income in foreign currencies resulting from extraordinary corporate transactions or for funding needed for any purchasing transactions in currencies other than the euro.

No forward sales contracts on the US dollar or Japanese yen were signed in 2019. Please refer to the Note 35 for further details on the Interest Rate Swaps or Interest Rate Caps in place as at December 31, 2019.

The table below shows the sensitivity to possible changes in the exchange rates of the US dollar and the Japanese yen of the pre-tax profit and the net profit/loss of the Company due to the consequent change in the fair value of current trade receivables and payables outstanding at the end of each year, maintaining all other variables fixed:

US Dollar	Increase/ Decrease	Effect on result before taxes (thousands of euro)	Effect on net result and net equity (thousands of euro)
2019	+ 5% - 5%	(86) 95	(65) 72
2018	+ 5% - 5%	(150) 166	(114) 126

Japanese YEN	Increase/ Decrease	Effect on result before taxes (thousands of euro)	Effect on net result and net equity (thousands of euro)
2019	+ 5% - 5%	(19) 21	(15) 16
2018	+ 5% - 5%	(29) 32	(22) 25

Commodity price risk

The Company's exposure to commodity price risk is usually moderate. The procurement procedure requires that there is more than one supplier for each commodity deemed to be critical. In order to reduce exposure to the risk of price variations, specific supply agreements are stipulated aimed at controlling the commodity's price volatility. The Company monitors the trends of the main commodities subject to the greatest price volatility and does not exclude the possibility of undertaking hedging transactions in derivative instruments with the aim of neutralizing the price volatility of its commodities.

Credit risk

Credit risk represents the Company's exposure to potential losses resulting from the non-fulfilment of obligations undertaken by commercial and financial counterparties. The Company deals mainly with well-known, 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 so as 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 Company places such assets exclusively in bank deposits held with leading Italian banks.
Also with reference to the securities portfolio, investments are made with leading operators in the industry, mainly with the aim of maintaining capital in view of potential future loans.

Liquidity risk

This risk can arise from the inability to obtain the necessary financial resources to grant the continuity of the Company's operations.
In order to minimize this risk, the Company:

- constantly monitors financial requirements in order to obtain the credit lines needed to meet its requirements;
- optimizes liquidity management through a centralized management system of available liquidity (cash pooling);
- manages the correct balance between short-term financing and medium/long-term financing depending on the expected generation of operating cash flows.

The table below illustrates the time profile of the Company's financial liabilities as at December 31, 2019 based on non-discounted contractual payments:

(thousands of euro)

	December 31, 2019	December 31, 2018	Difference
Less than 1 year	5,100	5,080	20
1-2 years	5,120	5,100	20
2-3 years	2,497	5,120	(2,623)
3-4 years	0	2,497	(2,497)
4-5 years	92,735	0	92,735
Over 5 years	0	0	0
Total	**105,452**	**17,797**	**87,654**

4. NET SALES

In 2019, net sales were 62,006 thousand euro, up (+8.5%) compared to the previous year.

The following table shows a breakdown of revenues by Business Unit:

(thousands of euro)

Business Unit	2019	2018	Total Difference	Total Difference %	Exchange rate effect %	Price/quantity effect %
Security & Defense	5,004	6,466	(1,462)	-22.6%	1.7%	-24.3%
Healthcare Diagnostics	2,707	2,962	(255)	-8.6%	1.1%	-9.7%
Electronic Devices	22,568	19,132	3,436	18.0%	2.1%	15.9%
Thermal Insulated Devices	3,228	3,412	(184)	-5.4%	5.1%	-10.5%
Lamps	3,625	4,574	(949)	-20.7%	2.8%	-23.5%
Solutions for Vacuum Systems	9,602	10,486	(884)	-8.4%	2.4%	-10.8%
Sintered Components for Electronic Devices & Lasers	0	0	0	n.a.	n.a.	n.a.
Functional Chemical Systems	1,007	1,025	(18)	-1.8%	5.3%	-7.1%
SMA Industrial	14,325	9,148	5,177	56.6%	3.9%	52.7%
Industrial	**62,066**	**57,205**	**4,861**	**8.5%**	**2.7%**	**5.8%**
Nitinol for Medical Devices	0	0	0	n.a.	n.a.	n.a.
Medical	**0**	**0**	**0**	**n.a.**	**n.a.**	**n.a.**
Solutions for Advanced Packaging	0	0	0	n.a.	n.a.	n.a.
Packaging	**0**	**0**	**0**	**n.a.**	**n.a.**	**n.a.**
Not allocated	**0**	**0**	**0**	**n.a.**	**n.a.**	**n.a.**
Total net sales	**62,066**	**57,205**	**4,861**	**8.5%**	**2.7%**	**5.8%**

For comments on the revenue trend, please refer to the Report on Operations.

5. COST OF SALES

The cost of sales in 2019 was 34,602 thousand euro, up 2,805 thousand euro (+8.8%) compared to 2018: the percentage of sales represented by the same was similar to that of last year (55.8% against 55.6% in 2018).

A breakdown of the cost of sales by Business Unit and by category is provided below, compared with the figures from the previous year.

(thousands of euro)

Business Unit	2019	2018	Total Difference	Total Difference %
Industrial	34,176	31,347	2,829	9.0%
Medical	0	0	0	n.a.
Packaging	429	171	258	150.9%
Not allocated	(3)	279	(282)	-101.1%
Total cost of sales	**34,602**	**31,797**	**2,805**	**8.8%**

(thousands of euro)

	2019	2018	Total Difference	Total Difference %
Raw materials	12,247	10,360	1,887	18.2%
Direct labour	7,746	7,456	290	3.9%
Manufacturing overhead	15,472	13,769	1,703	12.4%
Increase (decrease) in work in progress and finished goods	(863)	212	(1,075)	-507.1%
Total cost of sales	**34,602**	**31,797**	**2,805**	**8.8%**

6. OPERATING EXPENSES

Operating expenses amounted to 35,762 thousand euro in 2019, in line with the previous year.

Total operating expenses are classified by category as follows:

(thousands of Euro)

	2019	2018	Total Difference	Total Difference %
Research & development expenses	7,752	7,610	142	1.9%
Selling expenses	7,351	6,987	364	5.2%
General & administrative expenses	20,660	21,696	(1,036)	-4.8%
Write-down of trade receivables	0	160	(160)	-100.0%
Total operating expenses	**35,762**	**36,453**	**(691)**	**-1.9%**

Research and development expenses amounted to 7,752 thousand euro, a slight increase of 1.9% compared to 7,610 thousand euro in 2018, principally due to higher costs for materials and utilities.

Selling expenses posted an increase of 364 thousand euro, mainly due to sales commissions (up 920 thousand euro) paid on sales of SMA trained wire for consumer electronics applications, partially offset by lower severance costs (-909 thousand euro), incurred in 2018 following the reorganization that followed the sale of the gas purification business.

General and administrative expenses were down by 1,036 thousand euro, mainly attributable to lower costs for personnel, severance and write-downs, partially offset by an increase in costs for compensation to Executive Directors.
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)

Cost item	2019	2018	Difference
Raw materials	12,247	10,360	1,887
Personnel cost	32,162	33,809	(1,647)
Depreciation	3,697	3,736	(39)
Depreciation on leased assets	514	0	514
Amortization	239	186	53
Write-down of non current assets	308	640	(332)
Corporate bodies	4,853	4,015	838
Consultant fees and legal expenses	4,024	4,011	13
Audit fees (*)	297	295	2
Maintenance and repairs	2,322	2,303	19
Various materials	2,379	2,264	115
Operating expenses, patent registration (**)	674	495	179
Utilities	2,542	1,614	928
Travel expenses	638	750	(112)
Training	220	197	23
General services (canteen, cleaning, vigilance, etc.)	1,091	1,087	4
Commissions	1,081	161	920
Insurances	624	671	(47)
Telephones and faxes	110	96	14
Transportation fees	417	450	(33)
Promotion and advertising	164	178	(14)
Other recovery	(517)	(1,079)	562
Other	1,141	1,802	(661)
Total costs by nature	**71,227**	**68,038**	**3,189**
Changes in inventories of semi-finished and finished products	(863)	212	(1,075)
Total cost of sales and operating expenses	**70,364**	**68,250**	**2,114**

(*) Net of 233 thousands of Euro recharged to Group companies (288 thousands of Euro in 2018)

(**) Net of 85 thousands of Euro recharged to Group companies (362 thousands of Euro in 2018)

The expenses, net of the change in inventories, showed an overall increase against the previous year of 3,189 thousand euro.

The main changes regarded:

- the item "Change in inventories of semi-finished and finished products", which rose due to the increase in inventory at the end of 2019 to handle the rise in orders mainly in the Electronic Devices and SMA segments.
- the item "Personnel costs", which declined as a result of severance costs and lower costs for direct labour;
- the item "Commissions", which posted a sharp increase following the commissions paid on the sales of SMA trained wire for consumer electronics applications;
- the item "Corporate bodies", which includes the remuneration of the members of the Board of Directors, both executive and non-executive, and the members of the Company's Board of Statutory Auditors. For the details on the amounts paid in terms of remuneration in 2019 and the comparison with the previous year, please refer to the Report on remuneration;
- the item "Utilities", which recorded a considerable increase due to Energivori (heavy energy consumption) sanctions on the facilities at Lainate and Avezzano.

7. OTHER NET INCOME (EXPENSES)

"Other net income (expenses)" in 2019, compared to 2018, breaks down as follows:

(thousands of euro)

	2019	2018	Total Difference
Gains from assets sale - third parties	2	151	(149)
Intercompany royalties	964	1,218	(254)
Intercompany service fees	2,294	4,054	(1,760)
Other Income	770	121	649
Total Other Income	**4,030**	**5,544**	**(1,514)**
Loss from assets sale - third parties	0	(18)	18
Other intercompany expenses	(2)	(48)	46
Other expenses	(396)	(483)	87
Total Other Expenses	**(398)**	**(549)**	**151**
			0
Total Other Net Income (Expenses)	**3,632**	**4,995**	**(1,363)**

The main components of "Other income" involve the re-charging of costs and services to subsidiaries, based on agreements between the Company and these subsidiaries, which decreased 1,760 thousand euro compared to the prior year (in 2018, the re-charges to the disposed company SAES Pure GAS, Inc. amounted to 1,017 thousand euro and a consultancy project that ended during the year was re-charged to SAES Coated Films S.p.A.), and royalties for use of Company's brands and patents, down 254 thousand euro from 2018.
The amount as at December 31, 2018 included a gain of 136 thousand euro, realized on the sale of a machine, fully depreciated at the end of the prior year following the suspension of the OLET research project.

The item "Other income", which as at December 31, 2019 includes the compensation of 566 thousand euro from a customer with which there is a specific agreement in place for the reimbursement of costs incurred to produce finished goods, which were then deemed unsuitable for sale due to quality problems not attributable to SAES but to a sub-supplier.

Instead, "Other expenses" mostly includes property taxes and other taxes, other than income taxes. In 2018, this item included an allocation to the risk provision of 87 thousand euro for a labour dispute with the social security entities.

8. DIVIDENDS AND NET FINANCIAL INCOME (EXPENSES)

"Dividends" breaks down as follows:

(thousands of euro)

	2019	2018	Total Difference
Dividends from controlled companies:			
- SAES Getters USA, Inc.	0	3,541	(3,541)
- SAES Getters International Luxembourg S.A.	7,425	3,960	3,465
- SAES Getters Export Corp	8,867	14,444	(5,577)
- SAES Getters (Nanjing) Co., Ltd.	3,165	0	3,165
Dividends from Group companies	**19,457**	**21,945**	**(2,488)**

The breakdown of "Net financial income (expenses)" is as follows:

(thousands of euro)

Financial income	2019	2018	Total Difference
Bank interest income	32	138	(106)
Other financial income	354	696	(342)
Gains on IRS fair value	0	0	0
Gains from derivative financial instruments evaluation at fair value	0	12	(12)
Gains from securities evaluation at fair value	884	0	884
Interest income and coupons received on securities	531	0	531
Total financial income	**1,801**	**846**	**955**
Financial expenses	**2019**	**2018**	**Variazione totale**
Bank interest expense and other bank expenses	(980)	(455)	(525)
Other financial expenses	(181)	(48)	(133)
Realized losses on derivative financial instruments	(36)	(79)	43
Losses from IRS evaluation at fair value	(2)	0	(2)
Interest on lease financial liabilities	(7)	0	(7)
Losses from securities evaluation at fair value	(0)	0	(0)
Total financial expenses	**(1,206)**	**(582)**	**(624)**
Total net financial income (expenses)	**596**	**264**	**332**

The item "Other financial income" includes the interest accrued on loans granted to Group companies, which decreased by 342 thousand euro compared to the previous year.
"Gains from securities evaluation at fair value" (+884 thousand euro) comprises net profits resulting from the measurement at fair value of the securities subscribed by the Company at the beginning of 2019 to invest part of the cash resulting from the extraordinary sale of the gas purification business completed half-way through the prior year. The income from coupons amounted to 531 thousand euro ("Interest income and coupons received on securities").

The increase in the item "Bank interest and other bank expenses" (+525 thousand euro compared to 2018) is attributable to interest expense on the Company's medium/long-term loan agreement with Mediobanca – Banca di Credito Finanziario S.p.A., signed on April 17, 2019 for 92.7 million euro.

9. FOREIGN EXCHANGE GAINS (LOSSES), NET

This item breaks down as follows:

(thousands of euro)

	2019	2018	Total Difference
Realized exchange gains	257	998	(741)
Realized exchange gains on forward contracts	0	6	(6)
Non realized exchange gains	19	27	(8)
Realized exchange losses	(284)	(477)	193
Realized exchange losses on forward contracts	0	(160)	160
Non realized exchange losses	(47)	(23)	(24)
Gains (losses) from forward contracts evaluation at fair value	0	0	0
Total Net foreign exchange gains (losses)	**(55)**	**371**	**(426)**

In 2019, foreign exchange gains were recognized for 257 thousand euro, offset by foreign exchange losses of -284 thousand euro. In 2018, the net impact of exchange differences realized was positive, due to a gradual strengthening of the euro over the course of the year, generating a positive effect on income in foreign currencies.

10. WRITE-DOWNS OF INVESTMENTS IN SUBSIDIARIES AND FINANCIAL RECEIVABLES

The investment in SAES Nitinol S.r.l. was written down for 727 thousand euro in 2019 and an allocation was made to a risk provision for 770 thousand euro.
In 2018, this item included amounts relating to the subsidiaries SAES Nitinol S.r.l. and SAES Coated Films S.p.A. for a total of 10,738 thousand euro.

The following table shows the write-downs of investment in 2019, compared with the previous year:

(thousands of euro)

	2019				2018			
	Investment Write-down	Accrual at Loss Coverage Reserve	Loss Coverage Reserve Utilization	Total	Investment Write-down	Accrual at Loss Coverage Reserve	Loss Coverage Reserve Utilization	Total
SAES Nitinol S.r.l.	727	770	0	**1,496**	691	0	0	**691**
SAES Coated Films S.p.A.	0	0	0	**0**	1,735	0	0	**1,735**
Total	**727**	**770**	**0**	**1,496**	**2,426**	**0**	**0**	**2,426**

The write-down of 727 thousand euro, equivalent to value of the investment consisting of the waiver of the financial receivable resolved by SAES Getters S.p.A. on March 13, 2019, increased by an additional 100 thousand euro (of which 65 thousand euro to make up the difference between the overall loss of the subsidiary in 2018 of 8,969 thousand euro and the waiver of the financial receivables by SAES Getters S.p.A. for 8,905 thousand euro, as well as 35 thousand euro for the creation of an available capital reserve); In addition, a risk provision was allocated for 770 thousand euro to cover the negative equity of the subsidiary SAES Nitinol S.r.l as at December 31, 2019. In 2018, impairment testing was conducted, which identified impairment of 8,969 thousand euro. Therefore the entire investment in the company of 691 thousand euro was written down and SAES Getters S.p.A. wrote down the difference of 8,278 thousand euro on the financial receivable due from the subsidiary.

In 2019, the investment in SAES Coated Films S.p.A. was subject to impairment testing, whose positive result did not identify the need to record a write-down. This investment was instead written down for 1,735 thousand euro in 2018 following impairment testing. The write-down was due to the strategic transition underway, from offering traditional metallised products (which have increasingly become a commodity and exposed to competition from Asia) to more innovative coated products, with higher profit margins and able to compete in the advanced sector of sustainable packaging.

The financial receivables written down in 2019 are illustrated below, compared to the prior year:

(thousands of euro)

	2019	2028
	Financial receivables write-down	Financial receivables write-down
SAES Nitinol S.r.l.	0	8,278
Other third parties	(6)	34
Total	**(6)**	**8,312**

This item includes the write-down of financial assets (in particular, cash and cash equivalents) in application of IFRS 9. The expected losses were calculated in accordance with a default percentage associated with each bank where the cash and cash equivalents are deposited, obtained on the basis of the rating of each bank. Compared to December 31, 2018, despite the increase in the riskiness associated with some of the banks with which the Company has relationships, this calculation led to a reduction in the expected losses on cash and cash equivalents of 6 thousand euro, due to the lower cash held by the Company.

11. INCOME TAXES

As the consolidating entity, the Company joined the national tax consolidation scheme set forth in articles 117 *et seq*. of the T.U.I.R. (Consolidated Law on Income Tax) with its subsidiaries E.T.C. S.r.l. in liquidation, SAES Nitinol S.r.l. and SAES Coated Films S.p.A., effective from January 1, 2015 for the three-year period 2015-2017, and automatically renewed for a further three years. Therefore, it consolidated its taxable income with those of its subsidiaries.

Income taxes are broken down as follows:

(thousands of euro)

	2019	2018	Difference
Current taxes:			
- Italian Income Tax (Ires / Irap)	412	162	250
- Witholding Tax on Dividends	(722)	(854)	132
Total current taxes	**(310)**	**(692)**	**382**
Deferred taxes	488	(712)	1,200
Total deferred taxes	**488**	**(712)**	**1,200**
Total Taxes	**178**	**(1,404)**	**1,582**

Current taxes show a negative balance (cost) of 310 thousand euro, which is mainly represented by:

- positive 300 thousand euro, due to lower IRES resulting from the precise recalculation of 2018 income taxes as part of the 2019 UNICO tax declaration;
- positive 89 thousand euro, for lower IRES (separate taxation) resulting from the precise recalculation, for purposes of the 2019 UNICO tax declaration, of the 2018 income of the Luxembourg-based subsidiary Saes Getters International Luxembourg S.A., in application of provisions concerning subsidiaries (known as the "CFC Legislation" imposed by article 167, paragraph 5-*bis et seq*. of the T.U.I.R.);
- negative 24 thousand euro, for income taxes due to Japanese tax authorities of the Japan Technical Service branch;
- negative 722 thousand euro, from the non-recoverable portion (95%) as tax credit for the withholding tax applied abroad on dividends collected;
- positive 58 thousand euro, due to IRES for the tax loss that is recorded in the taxable income of the tax consolidation.

Deferred taxes shows a positive balance (income) of 488 thousand euro, represented by the recognition of deferred tax on the temporary differences between the income before taxes and the taxable income for the year.

The following table shows the effect on taxes with respect to taxable income, analysing the variance with respect to the theoretical rate:

(thousands of euro)

	2019		2018	
Income before Tax	13,841		5,791	
Theorical tax rate and tax charges	**(3,322)**	**24.00%**	**(1,390)**	**24.00%**
Difference between theorical and effective current taxes				
Effect of lower tax rate on dividends	3,759		4,197	
Tax effect from other permanent differences	(389)		(2,643)	
Unrecognition (recognition) of deferred tax assets on fiscal losses	(207)		(1,363)	
Unrecognition (recognition) of deferred tax assets on temporary differences	(506)		651	
Non deductible foreign witholdings	(3)		(55)	
CFC (Controlled Foreign Companies) effect	0		(89)	
IRAP effect	0		0	
Income statement current taxes - fiscal year	**(668)**	**4.82%**	**(692)**	**11.94%**
Income statement deferred taxes - fiscal year	506		(651)	
Total income tax (current / deferred) - fiscal year	**(162)**	**1.17%**	**(1,343)**	**23.19%**
Income statement current taxes - prior years	357		0	
Income statement deferred taxes - prior years	(17)		(61)	
Total income taxes	**178**	**-1.29%**	**(1,404)**	**24.24%**

12. INCOME (LOSS) FROM DISCONTINUED OPERATIONS.

The **income from discontinued operations** amounted to 396 thousand euro, mainly comprising the positive adjustment of the price of selling the gas purification business due to the settlement of the effective value of the tax credit of the companies that were sold - SAES Getters USA, Inc. and SAES Pure Gas, Inc. - resulting from the tax return for the period January 1 – June 24, 2018, presented in April 2019.

In 2018, the income from discontinued operations was 253,847 thousand euro and was mostly represented by the net gain generated by the sale of the gas purification business of 253,896 thousand euro (gross gain of 282,507 thousand euro, minus the costs of the sale transaction of 28,610 thousand euro, mostly made up of legal and consulting expenses, and by the cost of incentives for the personnel employed in the business sold and the corporate personnel involved in carrying out the extraordinary corporate transaction, as well as interest, exchange rate differences and taxes), as well as by costs relating to the gas purification business from January 1 to June 25, 2018 (effective date of sale), of 50 thousand euro. Please refer to the 2018 Financial Report for further information on the amounts.

NON-CURRENT ASSETS

13. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net of depreciation, amounted to 34,439 thousand euro as at December 31, 2019. This represents an increase of 259 thousand euro compared to December 31, 2018.

The changes that occurred are shown below:

(thousands of euro)

Net book value	Land	Building	Plant and machinery	Assets under construction and advances	Total
December 31, 2017	**588**	**15,385**	**12,427**	**1,132**	**29,532**
Impact of the gas purification business disposal	0	0	(229)	0	(229)
December 31, 2017 reclassified	**588**	**15,385**	**12,198**	**1,132**	**29,303**
Additions	890	3,237	2,954	2,241	9,321
Disposals	0	(1)	(68)	0	(69)
Reclassifications	0	50	907	(957)	0
Revaluations	0	(1,057)	(2,679)	0	(3,736)
Write-downs	0	(378)	(175)	(86)	(639)
December 31, 2018	**1,478**	**17,236**	**13,136**	**2,330**	**34,180**
Additions	0	140	4,928	2,169	7,237
Disposals	0	0	(2,974)	0	(2,974)
Reclassifications	0	549	1,237	(1,786)	0
Revaluations	0	(1,051)	(2,646)	0	(3,697)
Write-downs	0	(255)	(52)	(1)	(308)
December 31, 2019	**1,478**	**16,619**	**13,629**	**2,713**	**34,439**
December 31, 2018					
Historical cost	1,478	35,399	96,959	2,367	136,203
Accumulated depreciation	0	(18,163)	(83,823)	(37)	(102,023)
Net book value	**1,478**	**17,236**	**13,136**	**2,330**	**34,180**
December 31, 2019					
Historical cost	1,478	35,833	100,098	2,750	140,159
Accumulated depreciation	0	(19,214)	(86,469)	(37)	(105,720)
Net book value	**1,478**	**16,619**	**13,629**	**2,713**	**34,439**

Note that, as at December 31, 2019, land and buildings were not burdened by mortgages or other guarantees.

In 2019, investments in property, plant and equipment totalled 7,237 thousand euro, a decline compared to 2018 (9,321 thousand euro) which had been penalized by investments made by the Company for the purchase of land and a building from Mirante S.r.l., which hosts the registered office of SAES Coated Films S.p.A. and where its production takes place. The purchase was finalised on April 6, 2018, for a price of 3.5 million euro.
At the Lainate plant, there were improvements and investments relating to plant and equipment used by various production and research departments.
At the Avezzano plant, there were investments to complete the new additional line for drawing shape memory alloy wires, to increase the production capacity in the Electronic Devices segment, as well as to upgrade the wireless network and the equipment connected to production processes.
Disposals, amounting to 2,974 thousand euro, refer to the sale of a lacquering machine for plastic films to the subsidiary SAES Coated Films S.p.A., which operates in the advanced food packaging sector offering new products for active packaging. Depreciation for the year totalled 3,697 thousand euro, in line with that of the previous year (3,736 thousand euro).

All the property, plant and equipment described in this paragraph is owned by the Company. Please refer to Note 15 for more details on the leased assets as at December 31, 2019, where the right of use was recognized under assets in application of the new IFRS 16 - Leases.

No financial expenses were capitalized on property, plant and equipment.

During 2019, write-downs totalling 308 thousand euro were recognized, principally in relation to expenses incurred for plants (52 thousand euro) and buildings (255 thousand euro), in order to prepare the Lainate plant, which was initially intended to house the new lacquering production line for plastic films. Subsequent technical-logistical and business assessments led to the decision to install the new production line at the Roncello facility, where the subsidiary SAES Coated Films S.p.A. has its offices.
Recall that the item “Impact of the sale of the purification business” as at December 31, 2017 included the value of the assets of the purification laboratory located in the Lainate plant, which were sold as part of the sale of the gas purification business to the US company Entegris, Inc.

Schedule of assets still under equity pursuant to Law 72/1983, article 10 and subsequent Revaluation Laws (Law 413/1991 and Law 342/2000)

Note that, with regard to the assets to which specific monetary revaluation laws applied in the past, the Company decided to exercise the exemption granted by IFRS 1 “*First-Time Application of International Accounting Standards*”, regarding the selective adoption of the fair value on the date of transition to International Accounting Standards. Therefore these assets are measured based on the revalued cost (deemed cost), represented by the amount adjusted at the time by virtue of the revaluations made.
The net carrying amount of the revaluations recognized, net of depreciation, amounted to 460 thousand euro and 146 thousand euro categorised respectively as “Land and buildings” and “Plant and machinery” on the transition date of January 1, 2004.

(thousands of euro)

Revaluation laws	Land and buildings		Plant & machinery macchinari		Industrial and commercial equipment		Other assets		
	Historical cost	Net book value Dec 31, 2019	Historical cost	Net book value Dec 31, 2019	Historical cost	Net book value Dec 31, 2019	Historical cost	Net book value Dec 31, 2019	**Net total value**
Law n. 576, Dec 2, 1975	0	0	178	0	0	0	0	0	**0**
Law n. 72, Mar 19, 1983	207	0	611	0	0	0	19	0	**0**
Law n. 413, Dec 30, 1991	540	197	0	0	0	0	0	0	**197**
Law n. 342, Nov 22, 2000	0	0	850	0	0	0	0	0	**0**

14. INTANGIBLE ASSETS

Intangible assets, net of amortization, amounted to 408 thousand euro as at December 31, 2019, with a decrease of 190 thousand euro compared to December 31, 2018.

The changes that occurred are shown below:

(thousands of euro)

Net Book Value	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, 2017	**0**	**62**	**281**	**52**	**0**	**395**
Additions	0	6	377	0	6	389
Disposals	0	0	0	0	0	0
Reclassifications	0	52	0	(52)	0	0
Revaluations	0	(51)	(135)	0	0	(186)
Write-downs	0	0	0	0	0	0
December 31, 2018	**0**	**69**	**523**	**0**	**6**	**598**
Additions	0	6	36	0	7	49
Disposals	0	0	0	0	0	0
Reclassifications	0	6	0	0	-6	0
Revaluations	0	(40)	(199)	0	0	(239)
Write-downs	0	0	0	0	0	0
December 31, 2019	**0**	**41**	**360**	**0**	**7**	**408**
December 31, 2018						
Historical cost	183	2,133	5,918	10	6	8,250
Accumulated depreciation	(183)	(2,064)	(5,395)	(10)	0	(7,652)
Net book value	**0**	**69**	**523**	**0**	**6**	**598**
December 31, 2019						
Historical cost	183	2,145	5,953	10	7	8,298
Accumulated depreciation	(183)	(2,104)	(5,593)	(10)	0	(7,890)
Net book value	**0**	**41**	**360**	**0**	**7**	**408**

The increases in intangible assets in 2019 amounted to 49 thousand euro (389 thousand euro in 2018) and mainly refer to the purchase of software licenses compatible with multi-cloud and hybrid environments.
No financial expenses were capitalized on intangible assets. No write-downs were made in 2019.

All intangible assets are considered to have finite useful lives and are systematically amortized.

15. RIGHT OF USE

The assets for the right of use, resulting from lease, rental or use of third-party goods contracts, were recognized separately, and at January 1, 2019, the date of first application of the new accounting standard IFRS 16 - *Leases*, amounted to 984 thousand euro.

For further details on the initial application of the standard, please refer to the description in Note 2 “Accounting Standards”.

(thousands of euro)

Right of use	Land and buildings	Plant and machinery	Vehicles	Total
December 31, 2018	**0**	**0**	**0**	**0**
IFRS 16 first time adoption	385	279	321	984
January 1, 2019	**385**	**279**	**321**	**984**
New leases agreements subscribed in the period	22	0	463	485
Early termination of leases agreements	0	0	(7)	(7)
Reclassifications	0	0	0	0
Depreciation	(115)	(169)	(230)	(514)
December 31, 2019	**293**	**110**	**546**	**948**
January 1, 2019				
Historical cost	385	279	321	984
Accumulated depreciation	0	0	0	0
Net book value	**385**	**279**	**321**	**984**
December 31, 2019				
Historical cost	408	279	773	1,459
Accumulated depreciation	(115)	(169)	(227)	(511)
Net book value	**293**	**110**	**546**	**948**

The first-time application of the standard mainly involved the category of buildings for a value of 385 thousand euro, relative to the right of use on the representation office that is leased by the Company (181 thousand euro) and the commercial offices of the Japanese branch (197 thousand euro) and Taiwanese branch (7 thousand euro).
It is specified that in November 2019 a lease contract for a vehicle was terminated in advance, whose right of use was recognized in the amount of 10 thousand euro and that, at the time of contract termination, had recorded amortization of 3 thousand euro.

The category "plants and machinery" is almost exclusively related to the contracts signed by the Company for the use of third-party computer equipment (servers, storage, network components and printers).

Similarly, the category "Vehicles" refers to the rental contracts for the Company's car fleet (321 thousand euro).

With reference to the changes that took place from January 1 - December 31, 2019, the new contracts signed during the year, which are included in the scope of application of IFRS 16, refer to the Company's car fleet and a lease contract for the commercial office of the Taiwanese organization. With regard to vehicles, note that the effect of the early termination of certain lease contract is recognized in the item "Early termination of lease contracts" in the table.

The amortization in the period amounted to 514 thousand euro.

16. INVESTMENTS IN SUBSIDIARIES AND OTHER FINANCIAL ASSETS

On the reporting date, investments in subsidiaries amounted to 118,756 thousand euro.
The value of the investments in subsidiaries, measured at cost and adjusted where necessary in the event of impairment, recognized in the financial statements as at December 31, 2019 is shown in the following table:

(thousands of euro)

Investments in subsidiaries	Balance at December 31, 2018	Additions	Write-down	Disposals	Balance at December 31, 2019
Direct controlled companies:					
SAES Getters International Luxembourg S.A.	38,679	0	0	0	38,679
SAES Getters (Nanjing) Co., Ltd.	6,904	0	0	0	6,904
SAES Getters Export Corp.	2	0	0	0	2
Memry GmbH in liquidazione	440	0	0	0	440
SAES Coated Films S.p.A.	6,986	5,000	0	0	11,985
E.T.C. S.r.l. in liquidazione	889	0	0	0	889
SAES Nitinol S.r.l.	0	727	(727)	0	0
SAES Getters/U.S.A., Inc.	28,059	0	0	0	28,059
SAES Investments S.A.	40,000	0	0	(10,000)	30,000
Indirect controlled companies:					
SAES Getters Korea Corporation	184	0	0	0	184
Total controlled companies	**122,142**	**5,727**	**(727)**	**(10,000)**	**117,142**
Joint ventures:					
SAES Rial Vacuum Srl	1,614	0	0	0	1,614
Total joint ventures	**1,614**	**0**	0	0	**1,614**
Total related companies	**0**	**0**	**0**	**0**	**0**
Total	**123,756**	**5,727**	**(727)**	**(10,000)**	**118,756**

As noted in the Report on Operations (paragraph “Significant events in 2019”), following the loss recorded in 2018 by the subsidiary SAES Coated Films S.p.A. and the resulting decision, on April 4, 2019, to set up a reserve to cover any future losses, the Company made a capital payment totalling 5 million euro to the subsidiary. This capital payment was made in two tranches, on April 19, 2019 for 3 million euro and on June 21, 2019 for 2 million euro, and represents the reason for the increase in the value of the investment indicated in the table.

On November 13, 2019, a reduction of share capital of SAES Investments S.A. was resolved in the amount of 10 million euro in order to align the value of shareholders’ equity of the Luxembourg-based company with the value of financial assets managed by the company. This resolution resulted in a reduction in the value of the investment from 40 million euro to 30 million euro. Note that the reduction in share capital of the Luxembourg subsidiary did not result in cash income for the Company, since this value was reflected as an increase in the loan granted by the Company to its subsidiary.

On March 13, 2019, the Company approved the total waiver of the right to the financial receivables owed to it at the end of 2018 from SAES Nitinol S.r.l., for an amount of 8,905 thousand euro. At the same time, the Company decided to make an additional capital payment of 100 thousand euro to SAES Nitinol S.r.l., with 65 thousand euro to make up the difference between the overall loss suffered by the subsidiary in 2018 (-8,969 thousand euro) and the above-mentioned waiver of the right to the financial receivables (8,905 thousand euro) and 35 thousand euro to build up a capital reserve. The capital contribution of 100 thousand euro that occurred on April 8, 2019, together with the difference between the value of the financial receivable that was waived (8,905 thousand euro) and the value of the bad debt provision that exceeds the value of the investment written down at the end of 2018 (8,278 thousand euro), represents the increase of the value of the investment recognized in assets.

Pursuant to article 2427 of the Italian Civil Code, point 5, the following information is provided:

Name	Location	Currency	Share Capital	Shareholders' Equity Total	Shareholders' Equity pro - quota (A)	Fiscal Year Net Income Total	Fiscal Year Net Income pro - quota	% Shares	Historical cost (B)	Difference (B) - (A)
SAES Getters/U.S.A., Inc.	Colorado Springs , CO	U.S.$.	33,000,000	39,925,490	39,925,490	4,994,041	4,994,041			
	(USA)	thousands of Euro	29,375	35,540	35,540	4,461	4,461	100	28,059	(7,481)
SAES Getters International	Lussemburgo	Euro	34,791,813							
Luxembourg S.A.		thousands of Euro	34,792	34,082	30,674	(3,497)	(3,147)	90	38,679	8,005
SAES Investments S.A.	Lussemburgo	Euro	30,000,000							
		thousands of Euro	30,000	33,652	33,652	3,902	3,902	100	30,000	(3,652)
SAES Getters Korea Corporation	Seul	thousands of Won	524,895	744,963	279,212	(358,291)	(134,287)			
Corporation	(Corea del Sud)	thousands of Euro	405	575	215	(274)	(103)	37	184	(32)
SAES Getters Nanjing Co. Ltd	Nanchino	Renmimbi	69,121,618	109,441,046	109,441,046	10,533,776	10,533,776			
	(Rep.Pop.Cinese)	thousands of Euro	8,839	13,994	13,994	1,362	1,362	100	6,904	(7,090)
SAES Getters Export Corp.	Delaware, DE	U.S.$.	2,500	4,328,469	4,328,469	4,095,354	4,095,354			
	(USA)	thousands of Euro	2	3,853	3,853	3,658	3,658	100	2	(3,851)
Memry GmbH in liquidazione	Weil am Rhein	Euro	330,000							
	(Germany)	thousands of Euro	330	376	376	(81)	(81)	100	440	65
E.T.C. S.r.l. in liquidazione	Lainate (MI)	Euro	75,000							
		thousands of Euro	75	2,648	2,648	1,970	1,970	100	889	(1,759)
SAES Nitinol S.r.l.	Lainate (MI)	Euro	10,000							
		thousands of Euro	10	(770)	(770)	(815)	(815)	100	0	770
SAES Coated Films SpA	Roncello (MB)	Euro	50,000							
		thousands of Euro	50	2,064	2,064	(2,893)	(2,893)	100	11,985	9,921
SAES Rial Vacuum S.r.l.	Parma (PR)	Euro	200,000							
		thousands of Euro	200	920	451	403	197	49	1,614	1,163
Total				**126,934**	**122,697**	**8,196**	**8,512**		**118,756**	**(3,941)**

Name	Balance at beginning of year						Changes during fiscal year								Balance at year-end					
	Historical cost	Revaluations	Write-down	Investment re-establishment	Equity value method adjustments	Balance at December, 31 2018	Acquisitions/ Subscriptions/ Contributions	Merge	Disposals	Capital reimbursements	Revaluations	Write-down	Investment re-establishment	Equity value method adjustments	Historical cost	Revaluations	Write-down	Investment re-establishment	Equity value method adjustments	Balance at December, 31 2019
Controlled companies																				
SAES Getters USA, Inc.	(52)	52	0	0	0	0	0	0	0	0	0	0	0	0	(52)	52	0	0	0	0
SAES Getters International Luxembourg S.A.	38,679	0	0	0	0	38,679	0	0	0	0	0	0	0	0	38,679	0	0	0	0	38,679
SAES Getters Korea Corporation	184	0	0	0	0	184	0	0	0	0	0	0	0	0	184	0	0	0	0	184
SAES Getters Nanjiing Co. Ltd	11,797	0	4,893	0	0	6,904	0	0	0	0	0	0	0	0	11,797	0	4,893	0	0	6,904
SAES Getters Export Corp.	2	0	0	0	0	2	0	0	0	0	0	0	0	0	2	0	0	0	0	2
Memry GmbH in liquidazione	4,495	0	4,055	0	0	440	0	0	0	0	0	0	0	0	4,495	0	4,055	0	0	440
Saes Coated Films SpA	8,265	0	1,735	456	0	6,986	5,000	0	0	0	0	0	0	0	13,265	0	1,735	456	0	11,985
E.T.C. S.r.l. in liquidazione	6,541	0	6,052	400	0	889	0	0	0	0	0	0	0	0	6,541	0	6,052	400	0	889
SAES Nitinol S.r.l.	661	0	691	30	0	0	717	0	0	0	0	727	10	0	1,378	0	1,418	40	0	0
SAES Getters/U.S.A, Inc.	28,059	0	0	0	0	28,059	0	0	0	0	0	0	0	0	28,059	0	0	0	0	28,059
SAES Investments S.A.	40,000	0	0	0	0	40,000	0	0	0	10,000	0	0	0	0	30,000	0	0	0	0	30,000
Joint Ventures																				
SAES Rial Vacuum Srl	1,614	0	0	0	0	1,614	0	0	0	0	0	0	0	0	1,614	0	0	0	0	1,614
Other companies	0					0														
Conai - Consorzio Nazionale Imballaggi	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**140,245**	**52**	**17,426**	**886**	**0**	**123,756**	**5,717**	**0**	**0**	**10,000**	**0**	**727**	**10**	**0**	**135,961**	**52**	**18,153**	**896**	**0**	**118,756**

In accordance with the provisions of the IAS 36 accounting standard, an impairment test was conducted based on the most recent plans drawn up by top management for the period 2020-2022 and approved by the Company's Board of Directors on February 13, 2020, with a view to establishing if the investments in subsidiaries had been recognised in the financial statements as at December 31, 2019 at a higher value than their recoverable amount.

On each reporting date, the Company decides if there is any evidence that an asset may have suffered an impairment loss. If the requirements are met, the entity has to estimate the recoverable amount of the asset.

With regard to the above, in assessing whether there is an indication that the investments in question may have suffered an impairment loss, indications from sources external and internal to the Company have been considered. More specifically, potential indicators of impairment include negative results of the investee company and a difference between the carrying amount of the investment and the corresponding share of shareholders' equity.

With regard to the investment held in SAES Getters International S.A., no elements were found that led to an impairment, even though the carrying value of the investment is higher than the corresponding share of equity, as the income from the investees is considered sufficient to ensure that it is not necessary to record impairment.

With reference to the investment in SAES Nitinol S.r.l., a write-down of 727 thousand euro was recognized, equivalent to value of the investment consisting of the waiver of the financial receivable resolved by SAES Getters S.p.A. on March 13, 2019, increased by an additional 100 thousand euro (of which 65 thousand euro to make up the difference between the overall loss of the subsidiary in 2018 of 8,969 thousand euro and the waiver of the financial receivables by SAES Getters S.p.A. for 8,905 thousand euro, as well as 35 thousand euro for the creation of an available capital reserve). In addition, note that a risk provision was allocated for 770 thousand euro to cover the negative equity of the subsidiary SAES Nitinol S.r.l as at December 31, 2019.

Instead, in accordance with IAS 36 - *Impairment of assets*, the recoverable amount of the remaining investments that showed a higher carrying value than the relative share of shareholders' equity, was measured, in particular those held in SAES Coated Films S.p.A. and SAES RIAL Vacuum S.r.l.

The recoverable amount of the investments was calculated by identifying the investment value of the above-cited companies by means of the cash flows forecast in the respective business plans. These cash flows were estimated by management on the basis of the assumptions of the long-term plans, approved for each business and for the relative investments by the Company's Board of Directors on February 13, 2020, the medium-term forecasts prepared by Management and a terminal value.

The same assumptions reflect the best estimates made by management as regards the company's operations, production profiles, market context and changes in the regulatory and legislative framework.
The terminal value was estimated by prudentially assuming a growth rate of zero (g-rate), and a time horizon deemed representative of the estimated duration specific to the various businesses.

The cash flow forecasts are more specifically based on the following key variables:

- change in macroeconomic variables;
- estimate of future sales volumes by business area / product family / customer;
- price and profit margin trends;
- cost of sales (including the cost of materials) by product family;
- cost of production, operating expenses and investment plan;
- discounting rates estimated by management.

The expected growth in sales is based on management forecasts, while the profit margin and the operating costs of the various businesses have been estimated based on historic series, adjusted to reflect the expected results and the expected dynamics of market prices. The value of investments and working capital has been calculated as a function of different factors, such as future expected growth levels and the product development plan. These assumptions are influenced by future expectations and market conditions.

The resulting cash flows, calculated net of tax, are then discounted at a rate that represents the weighted average cost of capital invested in the company being assessed (Weighted Average Cost of Capital, WACC), corresponding to 6.4%, also calculated net of tax, for the three investments in subsidiariesbeing tested.

The results of the tests conducted are illustrated below:

- The value of the investment in SAES RIAL Vacuum S.r.l. underwent impairment testing. To this end, the value in use was calculated using the Free Operating Cash Flow method, based on the three-year plan for 2020-2022 approved by the Board of Directors of the company on October 28, 2019, and using a WACC of 6.4%, in line with that of the Group. In the model of discounting future cash flows, a terminal value was considered to reflect the residual value that the company should generate beyond the three years covered by the plans; this value was estimated prudentially at a growth rate (g-rate) of zero and a time horizon of 12 years estimated after the three years envisaged by the plan (time horizon in line with that used for the Solutions for Vacuum Systems business). No potential impairment of assets emerged from the test conducted. A sensitivity analysis was also conducted by increasing the discount rate by up to 1 percentage point more than the reference value; no material issues were identified from this.
- In 2019, the investment in SAES Coated Films S.p.A. was subject to impairment testing and the relative sensitivity analysis (discount rate increased by 1 percentage point), whose positive result did not identify the need to record a write-down. For purposes of impairment testing, also in this case the value in use was calculated using the Free Operating Cash Flow method, based on the five-year plan for 2020-2024 approved by the company's Board of Directors on February 13, 2020, and using a WACC of 6.4%, in line with that of the Group. This investment was instead written down for 1,735 thousand euro in 2018 following impairment testing. The write-down was due to the strategic transition underway, from offering traditional metallised products (which have increasingly become a commodity and exposed to competition from Asia) to more innovative coated products, with higher profit margins and able to compete in the advanced sector of sustainable packaging.

The estimated recoverable amount required discretion and the use of estimates by management. The Company cannot therefore ensure that no impairment losses will emerge in the future. In fact, a number of different factors, also related to changes in the market and in demand, could require the value of the assets in future periods to be redetermined. The circumstances and the events that may cause a further assessment of the possible impairment will be constantly monitored by the Company. In particular, in relation to the Covid-19 epidemic, the plans used for purposes of impairment testing do not include the effects from the spread of the virus globally, as these events took place after the close of the year. The potential effects of this phenomenon on estimates of future cash flows are not in fact able to be determined as this time and will be continuously monitored over the coming months, including to identify any impairment to the investments.

17. SECURITIES IN THE PORTFOLIO

The item "Securities in the portfolio" amounted to 30,884 thousand euro as at December 31, 2019 compared to a value of zero as at December 31, 2018.

The increase is due to cash and cash equivalents invested to build a portfolio with a conservative investment profile and high flexibility and liquidity, in order to promptly manage any future Group requirements.

For this reason, in the first quarter of 2019, the Company invested 30,000 thousand euro of cash in credit-linked certificates, due to mature at five years and representing financial instruments linked to the performance of underlying bonds and debt securities issued by leading Italian banks. The value of these financial instruments at December 31, 2019 amounted to 30,884 thousand euro (positive fair value measurement of 884 thousand euro). These financial assets were classified under non-current assets, as they represent a guarantee on the medium/long-term loan obtained by the Company to cover the disbursement to purchase ordinary shares as part of the partial, voluntary Public Tender Offer.

With regard to the fair value measurement of the securities in the portfolio as at December 31, 2019, note that the fair value, calculated by an independent third party, coincides with the market prices on the reporting date for all securities listed in an active market (Level 1 of the fair value hierarchy) and, where there is no active market, the fair value has been calculated by using the most common measurement models and techniques available on the market or by referring to prices of comparable securities (Level 2 of the fair value hierarchy).

As a result of the Covid-19 epidemic and its effect on financial markets, note that the fair value of the securities portfolio of SAES Getters S.p.A. has at present not incurred any impairment with respect to December 31, 2019.

18. DEFERRED TAX ASSETS

As at December 31, 2019, this item showed a positive balance of 1,916 thousand euro, against 1,343 thousand euro as at December 31, 2018 and refers to the net balance of deferred taxes relating to 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. In the light of the evidence resulting from the long-term plans drawn up by management, the Company prudentially decided not to reinstate the deferred tax assets written down in 2017.

The breakdown of deferred tax assets and liabilities recorded in the statement of financial position as at December 31, 2019 and as at December 31, 2018 respectively, according to the nature of the differences that generated the deferred taxes is provided below:

(thousands of euro)

	31.12.2019		31.12.2018	
	Temporary tax adjustments	Tax Impact	Temporary tax adjustments	Tax Impact
Deferred tax liabilities:				
- Capital gains from disposals	0	0	0	0
- Termination indemnity adjustment as for IAS 19	(455)	(109)	(459)	(110)
- Assets revaluation (fair value)	(1,810)	(434)	(1,998)	(480)
Deferred tax assets:				
- Non Operating Losses (NOLs)	0	0	0	0
- Depreciation / Amortization	386	93	(71)	(17)
- Assets write-downs	654	157	950	228
- Stock obsolescence	1,242	298	1,301	312
- IAS 19 adjustments effect	333	80	561	135
- Fiscally deductible costs	6,891	1,654	4,926	1,182
- provision accruals	275	65	344	82
- fair value phantom shares	413	98	70	17
- Other	66	15	(21)	(6)
Total deferred tax effects		**1,916**		**1,343**

19. OTHER LONG-TERM ASSETS

The item “Other long-term assets” amounted to 69.4 thousand euro as at December 31, 2019, in line with the figure of 68.8 thousand euro as at December 31, 2018. This item is comprised by deposits paid by the Company as part of its operations.

CURRENT ASSETS

20. INVENTORY

Inventory as at December 31, 2019 amounted to 8,637 thousand euro, an increase of 1,095 thousand euro compared to the previous year, principally due to the increase in stocks of semi-finished and finished products in the SMA for industrial applications segment and in the electronic devices segment at the Avezzano facility.

(thousands of euro)

	2019	2018	Difference
Raw materials, auxiliary materials and spare parts	2,998	2,928	70
Work in progress and semi-finished goods	2,609	2,248	361
Finished products and goods	3,030	2,366	664
Total	**8,637**	**7,542**	**1,095**

The value of inventory was shown net of the provision for obsolete inventory, which adjusts it to the estimated realizable value inferred from trends in the market.
Changes in the provision for obsolete inventory is provided below:

(thousands of euro)

	December 31, 2018	Accrual	Release into Income Statement	Utilization	December 31, 2019
Raw materials, auxiliary materials and spare parts	960	95		(146)	909
Work in progress and semi-finished goods	255	59		(71)	242
Finished products and goods	86	61		(55)	91
Total	**1,301**	**214**	**-**	**(272)**	**1,242**

The column "Accrual" includes the write-down on semi-finished and finished products characterized by low inventory turnover or no longer used in the production process.
The "Utilization" column instead represents the value of material scrapped or sold, written down in previous years.

21. TRADE RECEIVABLES

Trade receivables as at December 31, 2019 amounted to 9,841 thousand euro, marking a decrease of 2,283 thousand euro compared to the previous year.
The following table shows the breakdown and changes of this item:

(thousands of euro)

	Gross value Dec 31, 2019	Bad debts provision Dec 31, 2019	Net value Dec 31, 2019	Net value Dec 31, 2018	Total difference
Trade Receivables vs Customers	6,388	(160)	6,228	6,589	(361)
Trade Receivables vs Subsidiaries	3,387	0	3,387	5,141	(1,754)
Trade Receivables vs Joint Ventures	225	0	225	393	(168)
Total trade receivables	**10,000**	**(160)**	**9,841**	**12,123**	**(2,283)**

Trade receivables, all of which due within 12 months, originate from normal sales transactions.
Trade receivables are not interest bearing and generally are due after 60-90 days.

Trade receivables include an adjustment, for 476 thousand euro, related to credit notes to be issued for the recalculation of the sales price for 2019 on certain products, whose sales volume was determined to be higher than forecasted.

The analysis conducted on trade receivables to assess the consistency between their carrying amount and realizable value revealed a critical issue with regard to the customer Statebourne (Cryogenic) LTD. based in the United Kingdom, which declared bankruptcy in April 2019. The total receivable due to the Company by the customer of 4.5 thousand euro was fully written down and its amount allocated to a specific liability provision. The Company decided it would not be worthwhile to make a claim for this receivable in the bankruptcy proceedings.
It should also be noted that in application of IFRS 9, the Company made an estimate of losses on receivables based on the expected credit losses model, similar to the previous year. Using the simplified approach which envisages an estimate of the expected loss for the whole life of the receivable at the time of initial recognition and of subsequent measurements, the Company calculated the average expected uncollectability of trade receivables, based on historic and geographical indicators for all outstanding receivables, also considering receivables characterised by specific elements of risk, which underwent a specific assessment.
Based on this estimate, a portion of the generic write-down allocated in the previous year was released, in relation to trade receivables not yet past due at the reporting date, equal to 5 thousand euro, which was also included as a reduction in the bad debt provision at the end of the year.

A breakdown of the figures as at December 31, 2019 by geographical area is shown below:

(thousands of euro)

	Italy	UE & Other Europe	Northern America	Japan	Other Asia	Other	Total Net Value
Trade Receivables vs Customers	223	1,822	757	333	2,402	691	6,228
Trade Receivables vs Subsidiaries	140	0	2,380	0	867	0	3,387
Trade Receivables vs Joint Ventures	27	69	130	0	0	0	225
Total Trade Receivables	**390**	**1,891**	**3,267**	**333**	**3,269**	**691**	**9,841**

Changes in the bad debt provision are provided below:

(thousands of euro)	2019	2018
Opening balance	**(160)**	**0**
Accrual	0	(160)
Utilization	0	0
Released to the income statement	0	0
Closing balance	**(160)**	**(160)**

Note that the item “Accrual” shows a net balance of zero due to the offsetting of the allocation for the write-down of the aforementioned specific credit position with the release of the generic write-down recognized in accordance with IFRS 9, of an equivalent value.

The following table provides a breakdown of the trade receivables, by those not yet due and past due as at December 31, 2019 compared with the previous year:

(thousands of euro)

	Total	Not yet due	Due not written down				
			< 30 days	30 - 60 days	60 - 90 days	90 - 180 days	> 180 days
December 31, 2019	9,841	8,026	1,032	618	87	58	20
December 31, 2018	12,123	10,061	1,832	71	39	118	2

The carrying amount is deemed to be close to the relative fair value.

22. FINANCIAL RECEIVABLES - RELATED PARTIES

The financial receivables classified under current assets refer mainly to cash pooling receivables and to loans to subsidiaries, amounting to 141,482 thousand euro as at December 31, 2019, down 19,722 thousand euro compared to 2018.

The decrease is due to the repayment for 30 million euro of the loan granted to SAES Investments S.A., with an agreement signed on November 12, 2018 for a total value of 160 million euro, intended for the purchase of

credit-linked certificates, due to mature at five years and representing financial instruments linked to the performance of underlying bonds and debt securities issued by leading Italian banks. This decrease was only partially offset by the increase in the value of the loan for 10 million euro as a result of the reduction in share capital of SAES Investments S.A., which was not reimbursed. Recall that the credit-linked certificates represent a guarantee on the medium/long-term loan obtained by the Company to cover the disbursement to purchase ordinary shares as part of the partial, voluntary Public Tender Offer.
Note that the item “Financial receivables - Related parties” recognized under non-current assets mainly refers to receivables due to the Company from its subsidiary SAES Coated Films S.p.A. Recall that the Company has committed to provide SAES Coated Films S.p.A. the financial resources necessary to carry out ordinary business operations and to ensure its business continuity.
This item also includes an interest-bearing loan of 50 thousand euro granted by the Company to the joint venture SAES RIAL Vacuum S.r.l.
The portion expected to be repaid by the joint venture within one year is classified under current assets (1 thousand euro, equal to the interest accrued and not yet collected at December 31, 2019), while the remaining portion was accounted for under non-current assets (49 thousand euro, equal to the principal).

23. TAX CONSOLIDATION RECEIVABLES

The non-current portion of “Tax consolidation receivables” represents the credit balance towards S.G.G. Holding S.p.A. in relation to the application for a refund of the excess IRES paid by the now merged SAES Advanced Technologies S.p.A. in previous years, filed by S.G.G. Holding S.p.A. as the consolidator for the national tax consolidation scheme in place until December 31, 2014 and interrupted on January 1, 2015 following the decrease of the investment of S.G.G. Holding S.p.A. in subsidiaries to under the 50% threshold.
The current portion of “Tax consolidation receivables” includes the IRES tax credit for the year which relates to the tax consolidation with SAES Getters S.p.A. as consolidating entity, before the corresponding debt of the Company towards the subsidiary SAES Coated Films S.p.A.
The balance as at December 31, 2019, equivalent to 522 thousand euro, represents, for 300 thousand euro, the higher 2018 IRES credit resulting from the recognition of an adjustment in 2019 with subsequent recording of income of an equivalent amount and, for 222 thousand euro, the gross receivable due to the Company for 2019 by the subsidiaries SAES Nitinol S.r.l. and E.T.C. S.r.l. corresponding to the remuneration of the tax loss transferred to the national tax consolidation, based on agreements signed between the companies participating in the consolidation.

24. PREPAID EXPENSES, ACCRUED INCOME AND OTHER

This item includes current non-trade receivables from third parties, along with prepaid expenses and accrued income. The breakdown of the item is shown in the following table:

(thousands of Euro)

	2019	2018	Difference
VAT receivables	692	788	(96)
Income tax and other tax receivables	982	804	178
Social security receivables	32	3	29
Other receivables	64	121	(57)
Total other receivables	**1,770**	**1,716**	**54**
Prepaid expenses	782	910	(128)
Total prepaid expenses, accrued income and other	**2,552**	**2,626**	**(74)**

The item “VAT receivables” is primarily comprised of the VAT receivable originated in 2019 for 691 thousand euro (487 thousand euro in 2018). The balance also includes 1.4 thousand euro for VAT paid to EU countries; the Company will not submit an application for the refund of the same to the Tax Authorities.
The decrease in the item “VAT receivables” compared to the previous year is mainly due to the greater use of the right, for frequent exporters, to purchase goods and services under suspended taxation within the limits of the available ceiling, which offset the entire value of VAT credit balance resulting from the 2019 VAT declaration for 2018, thereby making it unnecessary to request a refund.

The item “Income tax and other tax receivables” includes tax receivables for prepayments of income tax (233 thousand euro), tax credits with the Italian tax authority for withholding tax on dividends (215 thousand euro), royalties (462 thousand euro) and bank interest (44 thousand euro) and the receivables with the Japanese tax authority for the prepayment of tax by the Japan Technical Services branch (28 thousand euro).
The item “Social security receivables” primarily refers to receivables with INPS, in particular in relation to the position of the local unit in Avezzano.
Note that the item “Other receivables” includes 64 thousand euro for a credit for government grants for a European project.
“Prepaid expenses” totalled 782 thousand euro, down from the prior year, and includes the share of costs deferred to one or more subsequent years and is represented by maintenance expenses for patents (385 thousand euro), insurance expenses (91 thousand euro), and expenses for Cloud IT services for most of the residual amount.

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

Public grants - disclosure pursuant to law of August 4, 2017, no. 124, article 1, paragraphs 125-129

Law no. 124 of August 4, 2017 - article 1, paragraphs 125-129 - “Fulfilment of transparency and disclosure obligations” introduced, starting from the 2018 financial statements, a series of disclosure and transparency obligations by parties who have financial dealings with the Public Administration. In view of the most recent guidelines, it is believed that the following do not fall under the obligations for publication:
• general measures that can be used by all companies that fall under the general structure of the applicable system defined by the State (e.g., ACE);
• selective economic benefits, received in application of an aid regime, accessible to all companies that meet certain conditions, on the basis of general pre-determined criteria (e.g., contributions for research and development products and tax incentives);
• public resources that can be related to public parties of other states (European or non-European) and European institutions;
• contributions for training received by inter-professional funds, since they are funds for association purposes and for entities governed by private law, funded with contributions paid by the companies themselves.
In accordance with the above, the analysis showed that, in 2019, similar to the previous year, the Company did not receive public grants that would fall under the application of Law no. 124/2017 (article 1, paragraphs 125-129) as amended.

25. CASH AND CASH EQUIVALENTS AND NET FINANCIAL POSITION

The following table shows the breakdown of the cash and cash equivalents held by the Company as at December 31, 2019, mainly denominated in euro:

(thousands of euro)	December 31, 2019	December 31, 2018	Difference
Bank accounts	16,986	40,493	(23,507)
Petty cash	5	2	3
Total	**16,991**	**40,495**	**(23,504)**

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

“Bank accounts” are shown net of the write-down, amounting to 28 thousand euro, determined in application of IFRS 9. The expected losses were calculated on the basis of a default percentage associated with each bank where the cash and cash equivalents are deposited, obtained on the basis of the rating of each bank. Compared to December 31, 2018, despite the increase in the riskiness associated with some of the banks with which the Company has relationships, this calculation led to a reduction in the expected losses on cash and cash equivalents of 6 thousand euro, due to the lower cash held by the Company (17 million euro as at December 31, 2019 compared to 40.5 million as at December 31, 2018).

The decrease in cash and cash equivalents is mainly due to the additional 30 million euro of cash, invested in the first quarter of 2019 in the securities portfolio, by the Company (please refer to Note 17 for further details).

For a detailed analysis of the changes occurred in cash and cash equivalents during the period please refer to the comments on the cash flow statement (Note 38).

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

(thousands of euro)

	December, 31st 2019	December 31 2018	Difference
Cash on hand	5	2	3
Cash equivalents	16,986	40,493	(23,507)
Total cash and cash equivalents	**16,991**	**40,495**	**(23,504)**
Related parties current financial assets	141,482	161,203	(19,721)
Current Financial Assets	**141,482**	**161,203**	**(19,721)**
Bank overdraft	(27,009)	(27,002)	(7)
Current portion of long term debt	(5,100)	(5,080)	(20)
Derivative financial instruments measured at fair value	(50)	(48)	(2)
Other current financial liabilities*	(3,210)	(10,317)	7,107
Other financial debt	(0)	(531)	531
Current financial liabilities for leases	(412)	0	(412)
Current financial liabilities	**(35,781)**	**(42,978)**	**7,197**
Current net financial position	**122,691**	**158,720**	**(36,029)**
Related parties non current financial assets	4,208	49	4,159
Securities - long term	30,884	0	30,884
Non current financial Assets	**35,092**	**49**	**35,043**
Long term debt, net of current portion	(100,352)	(12,717)	(87,635)
Non current financial liabilities for leases	(539)	0	(539)
Non current financial liabilities	**(100,891)**	**(12,717)**	**(88,174)**
Non current net financial position	**(65,799)**	**(12,668)**	**(53,131)**
Net Financial Position	**56,892**	**146,052**	**(89,160)**

* It includes current liabilities and receivables versus controlled and related companies

** It includes non current financial receivables from controlled and related companies

For the trend of the net financial position, please refer to the Report on Operations.

26. SHAREHOLDERS' EQUITY

The Company's shareholders' equity as at December 31, 2019 amounted to 207,231 thousand euro, a decrease of 95,812 thousand euro compared to December 31, 2018, mainly attributable to the extraordinary transaction to purchase treasury shares as part of the Company's partial, voluntary Public Tender Offer at the end of May (-93,382 thousand euro[14]) and the distribution of dividends (-16,580 thousand euro), partially offset by the profit for the year (+14,416 thousand euro).
A summary of the changes that occurred is provided in the statement of changes in equity.

Share capital
As at December 31, 2019 the share capital, fully subscribed and paid-up, amounted to 12,220 thousand euro and consisted of 14,671,350 ordinary shares, of which 3,900 thousand in portfolio and 7,378,619 savings shares, for a total of 22,049,969 shares.
The ordinary and savings shares are listed on the electronic equity market of Borsa Italiana in the "STAR" (Securities with High Requirements) segment, dedicated to small and medium caps that meet specific requirements with regard to reporting transparency, liquidity and Corporate Governance.

Capital reserves

a) Share premium reserve
This item includes amounts paid by the shareholders in excess of the par value for new shares of the Company. As at December 31, 2019, this reserve amounted to 25,724 thousand euro, changed compared to December 31, 2018.

b) Treasury stock reserve
The item amounted to -93,382 thousand euro at December 31, 2019 and refers to the ordinary shares acquired by the Company as part of the voluntary partial public tender offer authorized by the Ordinary Shareholders' Meeting on March 18, 2019 following the proposal by the Board of Directors of February 14, 2019. On May 31, 2019, the Company acquired 3,900,000 ordinary shares at a price of 23 euros per share. This treasury stock represents a medium and long-term investment in the Company, which can also be used as a guarantee for loans, for any extraordinary transactions and/or to develop alliances in line with the strategies of the Company and Group. The Company intends to keep the treasury stock acquired in portfolio until the opportunity arises to use it.

The table below shows the breakdown of the share capital and the reconciliation between the number of shares in issue and the treasury stock in portfolio at December 31, 2019 and December 31, 2018.

	December 31, 2018	Purchase of treasury shares	December 31, 2019
Ordinary outstanding shares	14,671,350	(3,900,000)	10,771,350
Savings outstanding shares	7,378,619		7,378,619
Treasury shares	0	3,900,000	3,900,000
Total shares	**22,049,969**	**0**	**22,049,969**

The percentage, at December 31, 2019, of treasury stock in portfolio to both the applicable category and the overall number of shares that constitutes the share capital is shown below in accordance with article 2357 of the Civil Code.

[14] This amount includes both the amount paid by the Company to acquire the ordinary shares (89.7 million euro) and the related acquisition charges (3.7 million euro).

	December 31, 2019
Number of ordinary treasury shares	3,900,000
% on total ordinary shares	**26.6%**
% on share capital	**17.7%**

The payment to acquire the shares amounted to 89.7 million euro, to which the additional charges of 3.7 million euro should be added.
As provided by international accounting standards, the overall cost (93.4 million euro) to acquire the treasury stock, including the additional charges, reduced the equity by the same amount.

c) Merger surplus reserve (capital portion)
This item includes the portion (11 thousand euro) that was allocated to the capital reserve for the surplus resulting from the merger by incorporation of SAES Advanced Technologies S.p.A. into SAES Getters S.p.A.

Legal reserve
This item refers to the Company's legal reserve of 2,444 thousand euro as at December 31, 2019 and it was unchanged compared to December 31, 2018, since the reserve had reached its legal limit.

Reserve for untaxed earnings
This item is mostly comprised by 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). Pursuant to Law no. 342/2000, the revaluation reserve has been stated net of the related substitute tax of 370 thousand euro. See the following table for further details.

Other reserves and retained earnings
This item includes reserves of profits, net of the legal reserve and the reserve for untaxed earnings, and amounts to 243,045 thousand euro, broken down as follows:
- ***retained earnings***, equal to 242,000 thousand euro;
- ***reserve for IAS 19 application,*** for -1,153 thousand euro;
- ***reserve for IAS transition,*** for 3,207 thousand euro, of which 1,852 thousand euro is available;
- ***reserve for gains on sales of treasury stock in portfolio,*** equal to -589 thousand euro;
- ***reserve for transactions with Group companies***, representing the difference between the appraised value and book value of assets sold to the Company by the subsidiary SAES Getters/USA Inc., equivalent to -420 thousand euro, recognized as a reduction to shareholders' equity in accordance with the OPI1 standard issued by the Italian Association of Chartered Accountants.

As reported in the Report on corporate governance and ownership structure annexed to these financial statements, each share is entitled to a proportional part of the net income that is allocated for distribution, except the rights attached to savings shares.
More specifically, as described in article 26 of the By-laws, savings shares are entitled to a preferred dividend equal to 25% of their implied carrying amount; if in one financial year a dividend of less than 25% of the implied carrying amount has been allocated to savings shares, the difference will be made up by increasing the preferred dividend in the following two years. The remaining profit that the Shareholders' Meeting has resolved to distribute will be allocated among all shares in such a way to ensure that savings shares are entitled to a total dividend that is 3% of the implied book value higher than that of ordinary shares. In case of distribution of reserves, shares have the same rights irrespective of the category to which they belong.

Reserves subject to taxation in the event of distribution

(thousands of euro)	Amount *
Revaluation Reserve - Law n. 72, March 19, 1983	1,039
Revaluation Reserve - Law n. 342, November 21, 2000	1,576
Other Reserves	138
Reserve ex Law n. 576, 1975 - re-classified into Capital Stock	419
Reserve ex Law n. 72, 1983 - re-classified into Capital Stock	976
Total	**4,148**

* included in tax base for both Company and shareholders

Availability of the main items of Shareholders' Equity

(thousands of euro)

Description	Amount	Destination	Amount available for distribution	Summary of destinations during prior 3 years	
				Loss coverage	Other destinations
Capital Stock	12,220				
Share issue premium	25,724	a, b, c	25,724		15,396
Merger surplus reserve (capital share)	11	a, b, c	11		
Legal reserve	2,444	b	2,444		
Reserves in suspension of tax					
Reserve ex Law n. 72, 1983	1,039	a, b, c	1,039		
Reserve ex Law n. 342, 2000	1,576	a, b, c	1,576		
Other reserves in suspension of tax	138	a, b, c	138		
Treasury Shares	(93,382)	a, b, c	(93,382)		
Other Reserves and Retained Earnings (1)	243,045	a, b, c	241,690	2,979	16,407
Net income (loss) for the period	14,416	a, b, c	14,416		12,051
Total Shareholders' Equity	**207,231**		**193,656**		

a: capital increase

b: loss coverage

c: distribution to shareholders'

(1) including the IAS Conversion Reserve, amounting to 3,207 thousand Euro, which can be used in full to cover losses after all the other reserves - including the Legal Reserve - have been used, and available for distribution only up to 1,852 thousand Euro

NON-CURRENT LIABILITIES

27. FINANCIAL DEBTS

As at December 31, 2019, the financial debts amounted to a total of 105,451 thousand euro, with an increase of 87,654 thousand euro compared to December 31, 2018.
The increase is due to the new medium/long-term loan obtained by the Company on May 30, 2019 for an amount equal to 92.7 million euro. This loan was granted by Mediobanca - Banca di Credito Finanziario S.p.A. to guarantee due fulfilment of the obligations of the partial, voluntary Public Tender Offer finalized at the end of May and to cover the related expenditure to acquire the ordinary shares and accessory commissions and expenses.
The loan has a maximum duration of five years and calls for quarterly interest payments at the annual fixed rate of 1.2%. The loan can be repaid in a single solution at the due date, or at any time, by voluntary partial repayments for a minimum amount of 5 million euro and multiples of 1 million euro. In the case of early repayments, the Company must pay Mediobanca the repayment amount and any mark-to-market amount - if negative - of the IRS derivative agreed by the lending entity to cover the risk of fluctuating interest rates; if the mark-to-market is positive, Mediobanca will pay this amount to Company. There will be a single financial covenant (consolidated net positive financial position) subject to half-yearly checks. The loan is guaranteed by pledges on financial assets of the Group, including the credit-linked certificates, due to mature at five years and representing financial instruments linked to the performance of underlying bonds and debt securities issued by leading Italian banks, with a value of 30,000 thousand euro, in which the Company invested cash and cash equivalents in the first quarter of 2019. The value of these financial instruments at December 31, 2019 amounted to 30,884 thousand euro (positive fair value measurement of 884 thousand euro).

During 2019, the Company made principal payments of 5,108 thousand euro, for which comments and further details are provided below. The Company has continued to pursue its objective of having a correct balance of the financial indebtedness, with a higher percentage of medium/long-term loans compared to short-term bank debt.
The Company’s financial debts are all denominated in euro, therefore there is not exchange rate impact.
The following table shows the changes in the financial debts in 2019:

(thousands of euro)

Financial Debt	
December 31, 2018	**17,797**
Amortization of fees and interests	827
Repayments	(5,108)
Interest payments	(799)
Proceeds	92,735
December 31, 2019	**105,451**

The following table shows the relative breakdown by contractual maturity. Please note that the debt with a maturity of less than one year is included in current liabilities under “Current portion of long term debt”.

(thousands of Euro)

Financial debt	December 31, 2019	December 31, 2018	Difference
Less than 1 year	5,100	5,080	20
Current portion of financial debt	**5,100**	**5,080**	**20**
Between 1 and 2 years	5,120	5,100	20
Between 2 and 3 years	2,497	5,120	(2,623)
Between 3 and 4 years		2,497	(2,497)
Between 4 and 5 years	92,735	0	92,735
Over 5 years		0	0
Non current financial debt	**100,351**	**12,717**	**87,635**
Total	**105,451**	**17,797**	**87,654**

The significant increase in the bank debt with 4- and 5-year due dates is related to the above-mentioned loan, signed by the Company, to cover the amount needed to acquire the ordinary shares. This loan has a 5-year duration and is scheduled to be repaid on a lump-sum basis on the due date.

The following table shows the details of loans already signed as at December 31, 2019:

Description	Currency	Principal	Timing of capital reimbursement	Timing of covenants calculation	Interest rate	Effective interest rate	Value as at December 31, 2019 (thousands of euro)	Value as at December 31, 2018 (thousands of euro)
SAES Getters S.p.A. *Intesa Sanpaolo*	EUR	10 (millions of euro)	half-yearly (with fixed principal amounts) with maturity date December 21, 2022	Yearly	Six-months Euribor plus 1.20% spread	1.18%	5,980	7,966
SAES Getters S.p.A. *Banco BPM*	EUR	5 (millions of euro)	quarterly (with variable principal amounts) with maturity date December 31, 2021	n.a.	Three-months Euribor plus 1% spread	1.11%	2,247	3,353
SAES Getters S.p.A. *Unicredit loan*	EUR	10 (millions of euro)	quarterly with maturiry date March 31, 2022	Half-yearly	Three-months Euribor plus 1% spread	0.90%	4,489	6,478
SAES Getters S.p.A. *Mediobanca-Banca di Credito finanziario*	EUR	92,7 (millions of euro)	single solution at the final date (April 17, 2024)	Half-yearly	1.20%	1.20%	92,735	0

Covenants

With the exception of the loan signed with Banco BPM, all the loans held by the Company must comply with covenants calculated on the Group's economic and financial figures. The loans granted by Unicredit and Mediobanca are checked to ensure compliance with the covenants every six months (at June 30 and December 31 every financial period) while the guarantee clauses for the loan granted by Banca Intesa Sanpaolo are only checked every year (at December 31).

As noted in the tables below, all the covenants were respected at December 31, 2019.

		Covenant	loan Intesa Sanpaolo (*)	loan Unicredit (**)	loan Mediobanca (***)
			December 31, 2019	**December 31, 2019**	**December 31, 2019**
Net equity	k euro	≥ 94.000	n.a.	252,530	n.a.
Net financial position	k euro	> 0	n.a.	n.a.	119,952
(Net Financial Position) / Net equity	%	≤ 1,0	0.06	(0.47)	n.a.
(Net Financial Position) / EBITDA (§)	%	≤ 2,25	0.42	(3.44)	n.a.
EBITDA (§) / Financial expenses (§§)	%	> 5,0	24.37	n.a.	n.a.

(*) Net financial position calculated excluding long term financial assets, receivables (payables) for derivative financial instrumenrs evaluated at fair value and financial liabilities for leasing contracts pursuant to IFRS 16.

(**) Net financial position calculated excluding financial receivables from related parties, receivables (payables) for derivative financial instruments evaluated at fair value and financial liabilities for leasing contracts pursuant to IFRS 16.

(***) Net financial position calculated excluding all the receivables (payables) not similar to cash, cash equivalents and financial assets readily liquidated (as at December 31, 2019, receivables (payables) for derivative financial instruments evaluated at fair value, financial liabilities for leasing contracts pursuant to IFRS 16, in addition to financial receivables from related parties are therefore excluded).

(§) EBITDA calculated wothout IFRS 16 application.

(§§) Financial expenses net of interest on lease financial liabilities.

The extraordinary capital transaction (Public Tender Offer) finalized in May meant that certain contractual terms were not honoured (negative pledge, *pari passu* and total net bank debt no higher than 100 million euro) on the loans signed by the Company with Unicredit and Intesa Sanpaolo. The banks were promptly informed of the extraordinary transaction, and they expressed their prior agreement and decided not to use their right to terminate the loan contracts against payment of a waiver fee amounting to 14 thousand euro.

On the basis of future plans, the Group is expected to be able to honour the covenants reported above in upcoming years.

28. FINANCIAL LIABILITIES FOR LEASES

At December 31, 2019 the "Financial liabilities for leases" for a total of 951 thousand euro reflect the obligation to pay the lease payments and corresponds to the current value of future payments.

Debt with a maturity of less than one year is included under current liabilities.

(thousands of Euro)

	December 31, 2019	**December 31, 2018**	**Difference**
Financial liabilities for leases - current	412	0	412
Financial liabilities for leases - non current	539	0	539
Financial liabilities for leases	**951**	**0**	**951**

The change compared to the end of the last financial period is due to application of the new accounting standard IFRS 16 - *Leases*. With regard to the effects of the first-time application of the new standard, please refer to Note 15. In particular, as at December 31, 2018 the Company did not have liabilities resulting from the stipulation of finance lease contracts.

The following table shows the breakdown of financial debt by contractual maturity.

(thousands of Euro)

Financial liabilities for leases	**December, 31 2019**
Less than 1 year	412
Current financial liabilities for leases	**412**
Between 1 and 2 years	305
Between 2 and 3 years	139
Between 3 and 4 years	77
Between 4 and 5 years	18
Over 5 years	0
Non current financial liabilities for leases	**539**
Total financial liabilities for leases	**951**

The average weighted incremental borrowing rate (IBR) applied to the financial liabilities recognized as at December 31, 2019 amounted to 1.5%.

29. STAFF LEAVING INDEMNITIES AND OTHER EMPLOYEE BENEFITS

Please note that this item includes liabilities to employees under both defined contribution and defined benefit plans in accordance with the contractual and legal obligations in place.

The changes and the breakdown of this item during the year were as follows:

(thousands of euro)

	Employee severance indemnities	**Other employee benefits**	**Total**
December 31, 2018	**4,445**	**1,568**	**6,013**
Accrual (release)	65	1,050	1,115
Indemnities paid	(472)	(20)	(492)
Other changes	324	27	351
December 31, 2019	**4,362**	**2,625**	**6,987**

The amounts recognized in the statement of profit or loss may be broken down as follows:

(thousands of euro)	**2019**	**2018**	**Difference**
Financial expenses	85	61	24
Current service cost	1,030	907	123
Released to the income statement	0	(1,000)	1,000
Total cost	**1,115**	**(32)**	**1,147**

The increase in the item "Current service cost" is principally due to the allocation made during 2019 for the three-year, long-term incentive for certain employees of the Company entitled to such form of remuneration.

In the prior year, the item "Released to the income statement" included the removal of the provisions relating to the three-year period 2015-2017 for the non-competition agreement of Executive Directors, following the expiry of the mandate, as the conditions for the payment of said amount had not been met. The item also included the release of provisions relating to the long-term cash incentive plan of several employees, who left the Company before payment fell due and therefore, no longer have a right to this incentive.

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

(thousands of euro)

	December 31, 2018	Financial Expenses	Current service cost	Benefits paid	Actuarial (profit) loss on the obligation	Released to the income statement	Other changes	December 31, 2019
Present value of defined benefit obligations	6,013	85	1,030	(492)	351	0	0	6,987
Fair value of plan assets	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	**6,013**	**85**	**1,030**	**(492)**	**351**	**0**	**0**	**6,987**
Defined contribution obligations	0	0	0	0	0	0	0	0
Staff leaving indemnities and similar obligations	**6,013**	**85**	**1,030**	**(492)**	**351**	**0**	**0**	**6,987**

"Actuarial (profit) loss on the obligation" refers to the differences on the obligations relating to defined benefit plans resulting from the actuarial calculation, which are immediately recognized in shareholders' equity under retained earnings.
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 Company when employment is terminated.
Following the entry into force of the 2007 Finance Law and relative implementing 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 annually by independent actuarial consultants according to the projected unit credit method, separately applied to each plan.
The main economic-financial assumptions used for the actuarial calculations of defined benefit plans as at December 31, 2019 and December 31, 2018 respectively are shown below:

	December 31, 2019	**December 31, 2018**
Average duration of the employees subject to actuarial evaluation	**> 10 years**	**> 10 years**
Discount rate	0.70%	1.55%
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 Company, as it counts more than 50 employees

Note that, as regards the choice of the discounting rate, the reference index was the Eurozone Iboxx Corporate AA, the duration of which is consistent with the average financial duration of the collective amount under valuation as at December 31, 2019 and of the benefit under valuation.

With regard to the demographic assumptions, ISTAT 2004 mortality tables were used as well as INPS incapacity/invalidity tables.
As regards the likelihood of employees leaving their jobs for reasons other than death, turnover probabilities were used that were consistent with previous valuations, which adopt a time horizon deemed to be representative by the company under valuation. More specifically, an average turnover rate of 2.00% was used.

The item "Other employee benefits" includes the provision for long-term cash incentive plans, signed by two Executive Directors and by some employees of the Company, identified as particularly important for the achievement of the Group's 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 the medium to long term, 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.
These plans fall into the category of defined benefit obligations and therefore they are discounted.

Note that, as at December 31, 2019, the Company's long-term cash incentive plans were not discounted, as the yield rates on the Italian government bonds are negative.

The following table shows a breakdown of the actuarial differences relating to 2019:

(thousands of euro)	Staff leaving indemnities	Other defined benefit obligations Italy	Long term incentive plan	Total
Actuarial differences:				
Changes in financial assumptions	367	48		415
Changes in other assumptions (demographic assumptions, remuneratio	(44)	(21)		(65)
Actuarial gains (losses)	**324**	**27**	**0**	**351**

With regard to defined benefit plans, the following table shows the effect on the obligation and on the amounts recognized in the statement of profit or loss in the year of an increase or decrease of half a percentage point of the discount rate:

(thousands of euro)

	Discount rate	
	+0.5%	-0.5%
Effect on the defined benefit obligation	**(245)**	**263**

Instead, the table below shows the effect on the payable for three-year cash incentive plans (both of employees and the Executive Directors) of an increase of half a percentage point of the discount rate.

Effect on the payable for long term cash incentive plans (+0.5%)	**(10)**
of which LTIP employees	(5)
of which LTIP directors	(5)

The following table shows the number of employees by category:

	Dec 31, 2019	Average 2019	Dec 31, 2018	Average 2018
Managers	43	45	48	49
Employees and middle management	188	192	196	200
Workers	179	182	183	183
Total	**410**	**419**	**427**	**432**

These figures do not include the personnel working for the Company with contract types other than employment agreements, equal to 41 units (22 units as at December 31, 2018).

30. PROVISIONS FOR RISKS AND CHARGES

"Provisions for risks and charges" amounted to 3,387 thousand euro as at December 31, 2019, an increase of 1,739 thousand euro compared to December 31, 2018.

The following table shows the breakdown of and the changes in these provisions:

(thousands of euro)

	December 31, 2018	Increase	Utilization	Reclassifications	Release into income statement	December 31, 2019
Bonus	1,393	2,032	(1,405)	0	0	2,020
Phantom Shares plan	70	343	0	0	0	413
Other provisions	195	770	(11)	0	0	954
Total	**1,658**	**3,144**	**(1,416)**	**0**	**0**	**3,387**

The item "Bonus" includes, in the column "Increas", the allocation for the year for bonuses and related contributions to be paid to Company employees. The column "Utilization" represents the amount of the bonuses paid to employees during the year.

At the end of 2018, SAES Getters S.p.A. adopted a bonus plan based on phantom shares for Executive Directors and certain key managers. The plan involved the free assignment to the beneficiaries of a certain number of phantom shares which, under the terms and conditions of the plan, give the right to receive a money bonus, established in relation to the increase in the stock price of the shares on the date on which certain pre-established events occur, compared to the assignment value (determined as 16.451 euro[15] for each phantom share assigned). For example, events that could give the right to bonuses include: change of control of the Company; failure to renew the position as director at the end of the term of office; removing the position as director or a substantial change in the powers or the role, without there being just cause; resignation for just cause; dismissal for justified objective reason (only for Key Managers); reaching pension age; permanent invalidity; death; delisting. The plan aims to compensate beneficiaries in relation to the Company's increased capitalisation, for retention purposes and for a greater alignment between performance and the Company shareholders' interests.
There were no changes either in the collective number of beneficiaries or the number of phantom shares assigned in the current year.
The liabilities relating to the phantom shares plan (413 thousand euro at December 31, 2019 compared with 70 thousand euro at December 31, 2018) were evaluated by an independent actuary following the Risk Neutral approach required under IFRS 2. Specifically, the economic-financial assumptions adopted as at December 31, 2019 to estimate the fair value of the phantom shares were the following (unchanged from the prior year):
- unplanned vesting period for each beneficiary, with maximum term equal to the assumed pension date;
- probabilities of death and permanent invalidity calculated using the IPS55 tables and the INPS 2010 model, respectively;
- a 2% annual flat probability of occurrence was considered for all the other events assigning the right to receive the incentive;
- a 1.50% annual flat probability of occurrence was considered for the events entailing forfeiture of the right to receive the incentive (this possibility was not contemplated for the Executive Directors);
- expected dividend rate of 2.89% for the entire term of the plan;
- the annual volatility of the share's return was estimated at 4.69% (on the basis of the historic volatility).

The item "Other provisions" increased by 770 thousand euro, corresponding to the amount allocated by the Company to the risk provision to cover the negative equity of the subsidiary SAES Nitinol S.r.l as at December 31, which includes the capital payment for 600 thousand euro envisaged in 2020 and 2021 to the joint venture Actuator Solution GmbH.

[15] Equal to the average weighted amount of the official prices of the ordinary shares of the Company recorded on the Italian Stock Market organised and managed by Borsa Italiana S.p.A. on the trading days falling in the 36 (thirty-six) months preceding October 17, 2018, the date of assignment of the phantom shares.

This write-down is the result of the estimated future cash flows of the joint venture of SAES Nitinol S.r.l. and Actuator Solutions GmbH, which demonstrate the significant risk elements linked to the innovative nature of the products and the number of potential customers.
For further details, please refer to the paragraph dedicated to the joint venture in the Report on Operations.

The column "Utilization" for the item "Other provisions", equivalent to 11 thousand euro, represents the use of a portion of the provision made against a labour dispute with a social security entity, which was launched in the prior year.

The balance of "Other provisions" confirms the allocation for the settlement offer of 100 thousand euro submitted by the now incorporated company SAES Advanced Technologies S.p.A., for the sole aim of avoiding the emergence of a dispute and regardless, therefore, of any valuation in this regard, in responses to a summons received following the incident that took place in 2016 at the plant of the external company that manages the disposal of waste of the incorporated company. The amount allocated to provisions represents the best estimate of the cost needed to extinguish the obligation in place on the reporting date.

The classification of provisions into current and non-current liabilities is provided below:

(thousands of euro)

	Current provisions	Non current provisions	December 31, 2019	Current provisions	Non current provisions	December 31, 2018
Bonus	2,020		2,020	1,393	0	1,393
Phantom Shares plan		413	413	0	70	70
Other provisions	645	309	954	187	8	195
Total	**2,665**	**722**	**3,387**	**1,580**	**79**	**1,658**

CURRENT LIABILITIES

31. TRADE PAYABLES

Trade payables amounted to 10,518 thousand euro as at December 31, 2019, marking an increase of 2,277 thousand euro compared to December 31, 2018. This change is related to higher expenses, incurred in the latter part of the year by the Company, to purchase the lacquering machine for plastic films for the advanced packaging business, sold to the subsidiary SAES Coated Films S.p.A., to which is added the investments to set up the new production line at the Avezzano facility. In addition, investments were made in consultancy with the aim of modifying and updating the Company's IT system, as well as investments linked to extraordinary projects supporting the growth of new businesses.
There are no trade payables in the form of debt securities.
Trade payables are all due within twelve months.
All transactions with Group companies were conducted at arm's length.

A breakdown of the figures as at December 31, 2019 by geographical area is shown below:

(thousands of euro)

	Italy	UE & Other Europe	Northern America	Japan	Other Asia	Other	Total Net Value
Payables vs suppliers	6,586	2,311	1,163	26	13	3	10,103
Payables vs Group companies	0	0	213	0	111	0	324
Payables vs joint ventures	92	0	0	0	0	0	92
Total Payables	**6,678**	**2,311**	**1,376**	**26**	**124**	**3**	**10,518**

Trade payables are non-interest bearing and are usually settled at 60/90 days.

The table below shows the due dates of trade payables as at December 31, 2019:

(thousands of euro)

	Total	Not yet due	Due				
			< 30 days	30 - 60 days	60 - 90 days	90 - 180 days	> 180 days
2019	10,518	8,505	1,309	60	592	19	33
2018	8,241	7,367	271	347	25	36	195

32. FINANCIAL DEBTS - RELATED PARTIES

As at December 31, 2019, financial debts from related parties amounted to 3,210 thousand euro, against 10,317 thousand euro in 2018 and are comprised by financial debts to Group companies due to the centralization of the liquidity of subsidiaries through interest-bearing loan agreements and the centralized Group cash management system (cash pooling) in the Company's bank accounts.

33. OTHER FINANCIAL DEBTS TO THIRD PARTIES

The balance as at December 31, 2018 is mainly comprised of the financial debt relating to the best estimate of the contractual adjustment of the sale price of the gas purification business (521 thousand euro). As established in the contract agreed between the parties, the price was calculated at the closing date, using estimated amounts of working capital, cash and tax receivables, while a financial liability was recognized for the difference between the estimated amounts and the actual amounts. In the first half of 2019, the Company paid that financial liability and calculated another positive adjustment to the price, following the definition of the actual value of the tax credit of the companies that were sold - SAES Getters USA, Inc. and SAES Pure Gas, Inc. - resulting from the tax return for the period January 1 - June 24, 2018, submitted in April 2019.

34. OTHER PAYABLES

The item “Other payables” includes amounts that are not classified as trade payables, which at the end of the year amounted to 6,966 thousand euro, marking a decrease of 2,282 thousand euro compared to 2018, and break down as follows:

(thousands of euro)

	December 31, 2019	December 31, 2018	Difference
Payables to employees (vacation, wages, staff leaving indemnity, etc.)	2,224	3,599	(1,375)
Social security payables	1,419	1,742	(323)
Payables for withholding and other taxes (excluding income tax)	904	1,234	(330)
Other	2,419	2,673	(254)
Total	**6,966**	**9,248**	**(2,282)**

The item “Payables to employees” is mainly made up of the provisions for holidays accrued but not taken during the period and for the monthly salaries of December 2019. In 2018, this item also included severance costs allocated at the end of the year for contractual agreements signed with certain employees who had been terminated following the corporate reorganization, which were then paid in 2019.

The item “Social security payables” mainly includes the payables due to INPS (Italy’s social security agency) for contributions to be paid on wages and also includes the payables to the treasury fund operated by INPS and to pension funds.

The item “Payables for withholding and other taxes (excluding income tax)” primarily consists of the payables owed by the Company to the Tax Authorities for withholding taxes on the wages of employees and consultants.

Lastly, the item “Other” is mainly composed of the Company’s payables for both fixed and variable compensation of Directors and Statutory Auditors (2,185 thousand euro). The decrease compared to the prior year is mainly related to lower payables for variable compensation to Executive Directors.

These payables are non-interest bearing and all mature within the end of next year.

35. DERIVATIVE FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

As at December 31, 2019 the item “Derivative financial instruments measured at fair value”, which represents the fair value of agreements signed by the Company with a view to fixing the interest rate on long-term bank loans, as well as the fair value of the implicit derivatives included in these loan agreements, showed a negative balance of 50 thousand euro compared to a negative net balance of 48 thousand euro as at December 31, 2018.

The following table provides a summary of Interest Rate Swap agreements and the relative fair value as at December 31, 2019 compared to December 31, 2018:

Description	Subscription date	Currency	Notional amount (thousands of euro)	Maturity	Interest rate	Timing	Fair value December 31, 2019 (thousands of euro)	Fair value December 31, 2018 (thousands of euro)
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	(4)	(8)
Interest Rate Swap (IRS) on Unicredit S.p.A. loan	April 7, 2017	EUR	10.000 (*)	March 31, 2022	Fixed rate paid: 0.0% Variable rate received: three month Euribor (**)	Quarterly	(23)	(21)
Interest Rate Swap (IRS) on Intesa Sanpaolo S.p.A. loan	April 19, 2017	EUR	5,000	December 21, 2022	Fixed rate paid: 0.16% Variable rate received: six month Euribor	Half-yearly	(24)	(19)
Totale							**(50)**	**(48)**

(*) 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 -1,00%.

The Company did not enter into any new IRS agreements during 2019.

The fair valuation, conducted by an independent third party, was made at market rates, in a risk neutral context and by using rate models that reflect the best practices usually adopted.

To determine the fair value, the input information used was:
- the Interest Rate Swap rate curve by maturity;
- the migration matrices of the credit rating extracted from Moody's;
- interest rate volatility surfaces extracted from Bloomberg.

The pricing was adjusted, in accordance with IFRS 13, by means of a Credit Value Adjustment (CVA, namely the adjustment relating to the risk of default of the counterparty) and a Debt Value Adjustment (DVA, namely the cost of protecting against the risk of default of the Company by the counterparty), calculated using the "Provision Model" method. In particular, to determine the counterparty risk component in the fair value, the rating opinion issued by Moody's rating agency on the issuing credit entity for the calculation of the CVA. To determine the DVA, given the objective impossibility of assigning a rating opinion for the SAES Group, the lowest rating opinion of those identified for credit entities was prudentially applied.

As the accounting requirements to apply the hedge accounting method are not met for these contracts, they are measured at fair value and the profits or losses deriving from their valuation are directly charged into the statement of profit or loss.
In 2019, the Company did not sign hedging contracts to cover exposure to fluctuations in the future cash flows originating from commercial and financial transactions carried out in different currencies to the euro, and there were no contracts of this type in place at December 31, 2018.
As noted above, against the loan agreements signed in the first half of 2019 with Mediobanca, if the Company makes early repayments of the loan with respect to the due date (April 17, 2024), it must pay the repayment amount and any negative mark-to-market amount of the IRS derivative stipulated by the lending entity to cover the risk of fluctuating interest rates; if the mark-to-market is positive, Mediobanca will pay this amount to SAES. There were no assets or liabilities recognized at December 31, 2019 for that implicit derivative since no conditions occurred that would make that contract certain or payable.

The Company 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, 2019 the derivative contracts held by the Company belonged to Level 2: in fact, the fair value was calculated by an independent third party on the basis of market data, such as interest rate curves and exchange rates curves. There were no transfers between levels during the period.

36. ACCRUED INCOME TAXES

This item, equal to 163 thousand euro as at December 31, 2019, includes the payable for the tax consolidation that arose in relation to the subsidiary SAES Coated Films S.p.A. Please refer to Note 11 for more details.

37. BANK OVERDRAFT

As at December 31, 2019 the total amount due to banks, of 27,009 thousand euro (against 27,002 thousand euro as at December 31, 2018), regarded short-term debt in the form of "hot money" loans, whose average interest rate, including spread, was around 0.07%.

38. CASH FLOW STATEMENT

The cash flow statement is presented according to the indirect method.

The net balance of cash and cash equivalents in 2019 was negative for -23,516 thousand euro.

The Company's operating activities generated a positive cash flow of 2,680 thousand euro.

The cash flows absorbed by investing activities were -10,932 thousand euro, in particular due to the effect of the investments in fixed assets and securities (please refer to Notes 13 and 17 for more details). These disbursements were partially offset by dividends that the Company collected from its subsidiaries (18,697 thousand euro net of withholding taxes and the consideration collected for the sale of a lacquering machine for plastic films to the subsidiary SAES Coated Films S.p.A.

Cash flows absorbed during the year in financing activities were equivalent to -15,263 thousand euro, primarily as a result of the dividend payment for 16,580 thousand euro. The disbursements for treasury stock (-93,382 thousand euro) were covered by opening a medium/long-term for 92,735 thousand euro. Please refer to the paragraph "Significant events of 2019" of the Report on Operations for the details of the Public Tender Offer.

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.

(euro)	2019	2018
Cash and cash equivalents	16,990,735	40,495,132
Bank overdraft	(27,009,315)	(27,002,402)
Cash and cash equivalents, net - statement of financial position	**(10,018,580)**	**13,492,730**
Write-down of other financial assets (in application of IFRS 9)	28,000	34,000
Short term debt	27,003,858	27,002,304
Cash and cash equivalents, net - cash flow statement	**17,013,278**	**40,529,034**

39. POTENTIAL LIABILITIES AND COMMITMENTS

The guarantees that the Company has granted to third parties, as well as the risks and the commitments towards third parties are shown below:

(thousands of euro)	December 31, 2019	December 31, 2018
Guarantees in favor of Group companies		0
Guarantees in favor of third parties	9,794	4,095
Total guarantees provided	**9,794**	**4,095**

"Guarantees in favor of third parties" groups the guarantees granted by the Company and used within the scope of the Group, against short, medium and long-term credit facilities granted by banks to the Company and to some foreign subsidiaries, as well as a guarantee to the Tax Authorities for VAT refunds.
The increase is due to the issue of a guarantee to the Customs Agency of Avezzano for 1,872 thousand euro and the reinstatement of a credit mandate for a line of credit of the subsidiary SAES USA with Banca Intesa Sanpaolo – New York.
Lastly, recall that the Company's financial assets, classified under non-current assets and equal to 30,884 thousand euro, represent a guarantee on the medium/long-term loan obtained to cover the disbursement to purchase ordinary shares as part of the partial, voluntary Public Tender Offer finalized in May 2019 (please refer to Notes 17 and 22 for more information.

The following table shows the maturities of operating lease obligations outstanding as at December 31, 2019.

(thousands of euro)

	Less than 1 year	Between 1 and 3 years	Between 4 and 5 years	Over 5 years	Total
Obligations for operating leases	70	30	18	0	**118**
Car rent	134	177	38	0	**349**
Office rent	8	11	7	0	**26**
Total	**212**	**218**	**63**	**0**	**493**

In order to help understand the impacts from initial application of the standard, the table below provides a reconciliation between future commitments relating to the lease contracts as at December 31, 2018 and the impact resulting from adoption of IFRS 16 as at January 1, 2019.

(thousands of euro)

Operating lease obligation as at December 31, 2018	**1,470**
Short term lease fees (exemption)	(114)
Low-value lease fees (esemption)	(52)
Non lease component fees (services)	(289)
Financial liabilities not discounted for leases as at January 1, 2019	**1,015**
Discounting effect	(30)
Financial liabilities for leases as at January 1, 2019	**984**
Present value of liabilities for financial leases at December 31, 2018	**0**
Financial liabilities for total leases as at January 1, 2019 following the transition to IFRS 16	**984**

40. RELATED PARTY TRANSACTIONS

With regard to Related Party transactions, identified on the basis of international accounting standard IAS 24 revised, and article 2359 of the Italian Civil Code, note that transactions with subsidiary, associated and joint control companies also continued in 2019. Transactions regarding the Company's ordinary business activities were performed with these counterparties. These transactions were mostly commercial, and regarded purchases and sales of raw materials, semi-finished goods, finished products, plant, tangible assets and various services; cash pooling agreements are in place with several Group companies as well as loan agreements.

All contracts were concluded at market conditions. See the notes of the Report on Operations for further details.

41. FEES TO THE INDEPENDENT AUDITORS AND TO ENTITIES BELONGING TO ITS NETWORK

Pursuant to article 149-*duodecies* “Disclosure of fees” of the Issuers’ Regulations, introduced by Consob with resolution 15915 of May 3, 2007, the fees that the independent auditors and the entities belonging to its network have received, separately, for the assignments of auditing and for the provision of other services, indicated by type or category, are summarised in the table below:

(thousands of euro)

Business services	Supplier	Customer	Fees
Audit	Parent Company auditor	SAES Getters S.p.A.	191
Other (*)	Parent Company auditor	SAES Getters S.p.A.	16

(*) Methodological support for the first application of IFRS 16 for the 2019 financial year

42. SUBSEQUENT EVENTS

For details, please refer to the paragraph entitled “Subsequent events” in the Report on Operations.

Lainate (MI), March 12, 2020

on behalf of the Board of Directors

Massimo della Porta
Chairman

Summary schedule
of the
of the financial statements of
subsidiaries

2019 Statement of financial position

	SAES Getters/U.S.A., Inc.	SAES Getters Korea Corporation	SAES Getters International Luxembourg S.A.	SAES Investments S.A.	SAES Getters (Nanjing) Co., Ltd.
	(US Dollar)	(Thousands of Won)	(Thousands of euro)	(Thousands of euro)	(Chinese Renminbi)
Property, plant and equipment, net	2,942,867	3,707	0	0	34,920
Intangible assets, net	23,524,008	0	0	0	0
Other non current assets	17,264,755	204,473	34,803	103,793	31,922,092
Current assets	22,326,919	966,628	29	71,807	85,652,871
Total Assets	**66,058,550**	**1,174,808**	**34,832**	**175,600**	**117,609,883**
Shareholders' equity	39,925,490	744,963	34,082	33,652	109,441,046
Non current liabilities	10,497,560	24,356	12	950	0
Current liabilities	15,635,500	405,489	737	140,998	8,168,837
Total Liabilities and Shareholders' Equity	**66,058,550**	**1,174,808**	**34,832**	**175,600**	**117,609,883**

2019 Statement of profit or loss

	SAES Getters/U.S.A., Inc.	SAES Getters Korea Corporation	SAES Getters International Luxembourg S.A.	SAES Investments S.A.	SAES Getters (Nanjing) Co., Ltd.
	(US Dollar)	(Thousands of Won)	(Thousands of euro)	(Thousands of euro)	(Chinese Renminbi)
Total net sales	**19,940,141**	**1,710,381**	**0**	**0**	**48,067,260**
Cost of sales	(10,539,558)	(1,325,555)	0	0	(36,436,906)
Gross Profit	**9,400,583**	**384,826**	**0**	**0**	**11,630,354**
Research & development expenses	(96,148)	0	0	0	0
Selling expenses	(2,490,399)	(194,962)	0	0	(2,556,358)
General & administrative expenses	(1,028,461)	(562,581)	(99)	(70)	(1,922,885)
Total operating expenses	(3,615,007)	(757,543)	(99)	(70)	(4,479,243)
Other income (expenses), net	(343,831)	(14,101)	0	0	(670,151)
Operating Income (loss)	**5,441,745**	**(386,818)**	**(99)**	**(70)**	**6,480,960**
Interest and other financial income (expenses),	1,544,240	8,746	(3,359)	5,468	7,501,137
Foreign exchange gain (loss), net	(26,946)	19,928	0	0	102,048
Income before taxes	**6,959,039**	**(358,144)**	**(3,458)**	**5,398**	**14,084,145**
Income taxes	(1,750,548)	(147)	(38)	(1,496)	(3,550,369)
Net income (loss) from continuing operatio	**5,208,491**	**(358,291)**	**(3,497)**	**3,902**	**10,533,776**
Net income (loss) from discontinuing operations	(214,450)	0	0	0	0
Net income (loss)	**4,994,041**	**(358,291)**	**(3,497)**	**3,902**	**10,533,776**

2019 Statement of financial position

	SAES Getters Export, Corp.	Memry GmbH in liquidazione	E.T.C. S.r.l. in liquidazione	SAES Nitinol S.r.l.	SAES Coated Films S.p.A.
	(US Dollar)	(Thousands of euro)	(Thousands of euro)	(Thousands of euro)	(Thousands of euro)
Property, plant and equipment, net	0	0	0	0	5,881
Intangible assets, net	0	0	0	0	20
Other non current assets	0	0	0	0	1,650
Current assets	6,848,419	424	2,971	15	3,927
Total Assets	**6,848,419**	**424**	**2,971**	**15**	**11,478**
Shareholders' equity	4,328,469	376	2,648	(770)	2,064
Non current liabilities	0	0	0	0	911
Current liabilities	2,519,950	48	323	785	8,503
Total Liabilities and Shareholders' Equity	**6,848,419**	**424**	**2,971**	**15**	**11,478**

2019 Statement of profit or loss

	SAES Getters Export, Corp.	Memry GmbH in liquidazione	E.T.C. S.r.l. in liquidazione	SAES Nitinol S.r.l.	SAES Coated Films S.p.A.
	(US Dollar)	(Thousands of euro)	(Thousands of euro)	(Thousands of euro)	(Thousands of euro)
Total net sales	**0**	**0**	**0**	**0**	**10,007**
Cost of sales	0	0	0	0	(8,979)
Gross Profit	**0**	**0**	**0**	**0**	**1,028**
Research & development expenses	0	0	(75)	0	(220)
Selling expenses	3,371,173	0	0	0	(1,680)
General & administrative expenses	0	(38)	(7)	(12)	(451)
Total operating expenses	3,371,173	(38)	(82)	(12)	(2,351)
Other income (expenses), net	921,326	0	2,282	(600)	(1,392)
Operating Income (loss)	**4,292,499**	**(38)**	**2,201**	**(612)**	**(2,715)**
Interest and other financial income (expenses),	(138,339)	1	(9)	(53)	(57)
Foreign exchange gain (loss), net	0	1	(5)	0	0
Income before taxes	**4,154,160**	**(37)**	**2,186**	**(665)**	**(2,772)**
Income taxes	0	(44)	(216)	(150)	(121)
Net income (loss) from continuing operatio	**4,154,160**	**(81)**	**1,970**	**(815)**	**(2,893)**
Net income (loss) from discontinuing operations	(58,806)	0	0	0	0
Net income (loss)	**4,095,354**	**(81)**	**1,970**	**(815)**	**(2,893)**

Certification of the separate financial statements of SAES Getters S.p.A.

CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS pursuant to article 81-*ter* of Consob Regulation no. 11971 of May 14, 1999 and subsequent amendments

1. The undersigned Giulio Canale, as Deputy Chairman, Managing Director and as the Manager in charge of preparing the company's accounting documents, of SAES Getters S.p.A., hereby certifies, also in compliance with the provisions of article 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of February 24, 1998:

- the adequacy with respect to the type of enterprise, and
- the application

of the administrative and accounting procedures for the preparation of annual financial statements, in the period January 1 - December 31, 2019.

2. To that end, note the following:

2.1. The Administrative-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-Accounting Control Model, issued on May 14, 2007, the adoption of which seeks to guarantee the alignment of SAES with the provisions introduced by Italian Law no. 262 of December 28, 2005 (hereinafter also the "Law on Savings") implemented in December 2006 with the approval of Italian Legislative Decree no. 303/06, with specific reference to obligations regarding the preparation of company accounting documents, as well as any document or disclosure of a financial nature released to the market.
- The Control Model, with reference to the organization chart of the SAES Group:
  - defines the roles and the responsibilities of the individuals involved at various levels in the process of preparation and/or control of the financial disclosures of the SAES Group, introducing the figure of the Manager in charge of preparing the company's accounting documents (hereinafter the "Manager in Charge");
  - illustrates the elements comprising the administrative-accounting control system, referred to the general control environment underlying the Internal Control System of the SAES Group, as well as specific components relating to administrative-accounting disclosures;
  - with specific reference to the latter aspect, envisages the integration of the Group Accounting Principles and the IAS Operating Procedures with a system of administrative-accounting control matrices, which describe the control activities implemented in each process;
  - defines procedures and the frequency of the administrative-accounting risk assessment process, to identity the most relevant processes for the purposes of accounting and financial disclosures.

2.2. Administrative-accounting control matrices in SAES Getters S.p.A.

- On December 20, 2012, 9 administrative-accounting control matrices were issued, relating to the most significant processes of SAES Getters S.p.A., selected following a risk assessment conducted on the basis of the 2011 annual financial statements.
- The controls described in the above-mentioned matrices were discussed with the managers - according to the organization chart - of processes subject to control, and a process of continuous verification and alignment of the matrices to the actual operations was set in place, requiring each manager to check the application of the controls and to confirm the adequacy and effectiveness, or to report non-operational or inadequate controls, or those rendered obsolete due to changes in the internal organisation. This process, implemented in 2017, with reference to the auditing activities for the 2016 annual financial statements and the 2016 consolidated financial statements, continued in 2018, and led to a revision of the controls that no longer reflected operations.

2.3. Results of the internal certification process of SAES Getters S.p.A.

- The process managers have signed and sent the Manager in Charge their "internal letters of certification", in which they confirm that they have checked the activities/processes subject to control within their scope of responsibility and that they consider them to be suitable and operationally effective to guarantee the reliability of the corresponding information flows and the processing of the relative data in accordance with the administrative-accounting procedures adopted by SAES Getters S.p.A.;
- as at today's date, the Manager in Charge, with the assistance of the Head of the Administrative Office of SAES Getters S.p.A., has received all 15 letters of certification required of the process managers of SAES Getters S.p.A.;
- The result of the process was positive, no significant irregularities were identified.

2.4. Results of audits conducted by the Internal Audit Function relating to SAES Getters S.p.A.

- The Manager in Charge requested the assistance of the Internal Audit Function for a further check of part of the controls included in the administrative-accounting matrices by an independent function with respect to the offices responsible for said controls.
- With regard to this check, the Internal Audit Function verified several of the administrative-accounting processes during the year and verified the correct implementation of the controls to oversee the processes in question with the relative managers, collecting supporting documents where necessary. The activity had a positive outcome, as shown in the report drawn up by the head of the Internal Audit Function.

3. The following is also confirmed:

3.1. The annual financial statements as at December 31, 2019:

a) have been prepared in compliance with the applicable international accounting standards recognized by the European Community in (EC) regulation no. 1606/2002 of the European Parliament and Council;
b) correspond to the accounting books and records;
c) are suitable to represent the equity, economic and financial situation of the issue in a truthful and correct manner.

3.2. The Report on Operations contains a reliable analysis of performance and of the profit/loss of operations, as well as the issuer's situation, together with a description of the main risks and uncertainties to which it is exposed.

Lainate (MI), March 12, 2020

Deputy Chairman and Managing Director and
Manager responsible for the preparation of the corporate financial reports
Giulio Canale

Report of the independent auditors
on the separate financial statements of SAES Getters S.p.A.

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

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

INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of SAES Getters S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2019 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and its 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 no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment test on investments in subsidiaries

Description of the key audit matter

The Company booked investments in subsidiaries for Euro 118,756 thousand as of December 31, 2019.

As required by IAS 36, the Directors, in the presence of indicators of a possible write-down of the values, carried out an *impairment test* to determine whether the investments are recorded in the financial statements at a value not higher than their recoverable amount. In consideration of this, the Directors proceeded to carry out a verification of the recoverable value of the investments held in Saes Coated Films S.p.A. (booked at a value of Euro 11,985 thousand as of December 31, 2019) and SAES Rial Vacuum S.r.l. (Euro 1,614 thousand).

The Company estimated the recoverable amount by determining the present value of the future cash flows expected based on the explicit period of three years, corresponding to the business plan 2020–2022 approved by the Company's Board of Directors on February 13, 2020, for each business and its related investments in subsidiaries. Regarding the CGU Solutions for Advanced Packaging CGU, whose operating sector was introduced more recently than the others, the explicit forecast period was extended for two additional years. The Directors also determined a *terminal value*, assuming a zero g-rate and a time horizon deemed representative of the duration of the various businesses. As a result of the *impairment test*, the Directors have not reported any impairment losses related to the investments tested.

The business plan used for the *impairment test* do not include the effects deriving from the spread of the Covid-19 (coronavirus) in the international context, as these events took place after the close of the year. The Directors also point out that, at the date the Board of Directors approved the financial statements, it was not possible to perform an assessment of the impact of the coronavirus's spread, and report that it may have an impact on the investment's future cash flows that cannot be determined with consequent effects on the value of the assets subject to *impairment test*.

The valuation process made by the Directors is complex and based on assumptions concerning, among others, the forecast of expected cash flows of each of the above-mentioned companies and the determination of an appropriate discount rate (WACC) and long-term growth rate (g-rate).

The most important key variables in determining the expectations of the future cash flows are:

- sales forecasts by Business Area/product family/client;
- prices and margins trend;
- cost of goods sold (including cost of materials) by product family;
- production costs, operating expenses and investment plan;
- discount rates.

	Future expectations and market conditions influence these assumptions. In consideration of the relevance of the investments in subsidiaries amounts recognized in the financial statements, the subjectivity of the estimates related to the determination of cash flows and the key variables of the impairment model, we considered the *impairment test* on investments in subsidiaries as a key audit matter of SAES Getters's financial statements. Paragraph 16. "Investments in subsidiaries and other financial assets" report the disclosure on the *impairment test*, including a sensitivity analysis performed by the Directors, which illustrates the effects that may occur on the recoverable amount resulting from the changes in certain key assumptions used for the *impairment test*.
Audit procedures performed	• As part of our audit, among other procedures, we have carried out the following, also with the support of experts: • review of the methods adopted by the Directors for the determination of the recoverable value of the investments in subsidiaries and analysis of the methodology and assumptions used on the *impairment test*; • understand the methodology used by the Directors on the *impairment test* and examination of its compliance with the referenced accounting principles; • understand the Company's relevant internal controls relevant to the *impairment test* process; • analysis of the reasonableness of the key assumptions underlying the cash flows determination, also through information obtained from management; • analysis of the actual figures compared to the plans in order to assess the nature of the deviations and the reliability of the planning process; • analysis of the reasonableness of the discount rate (WACC), long-term growth rate (g-rate) and assumptions used for the *terminal value* (TV) determination; • review of the mathematical accuracy of the model used to estimate the recoverable value of the investments in subsidiaries; • review of the correct calculation of the book value of the asset subject to *impairment test*; • review of the Directors' sensitivity analysis. Further, we also examined the adequacy of the disclosure provided by the Company on the *impairment test* based and its compliance to IAS 36 requirements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of 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 no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of SAES Getters S.p.A. has appointed us on April 23, 2013 as auditors of the Company for the years from December 31, 2013 to December 31, 2021.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 [and art. 123-bis, paragraph 4, of Legislative Decree 58/98]

The Directors of SAES Getters S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of SAES Getters S.p.A. as at December 31, 2019, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of SAES Getters S.p.A. as at December 31, 2019 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of SAES Getters S.p.A. as at December 31, 2019 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Carlo Laganà
Partner

Milan, Italy
March 27, 2020

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

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