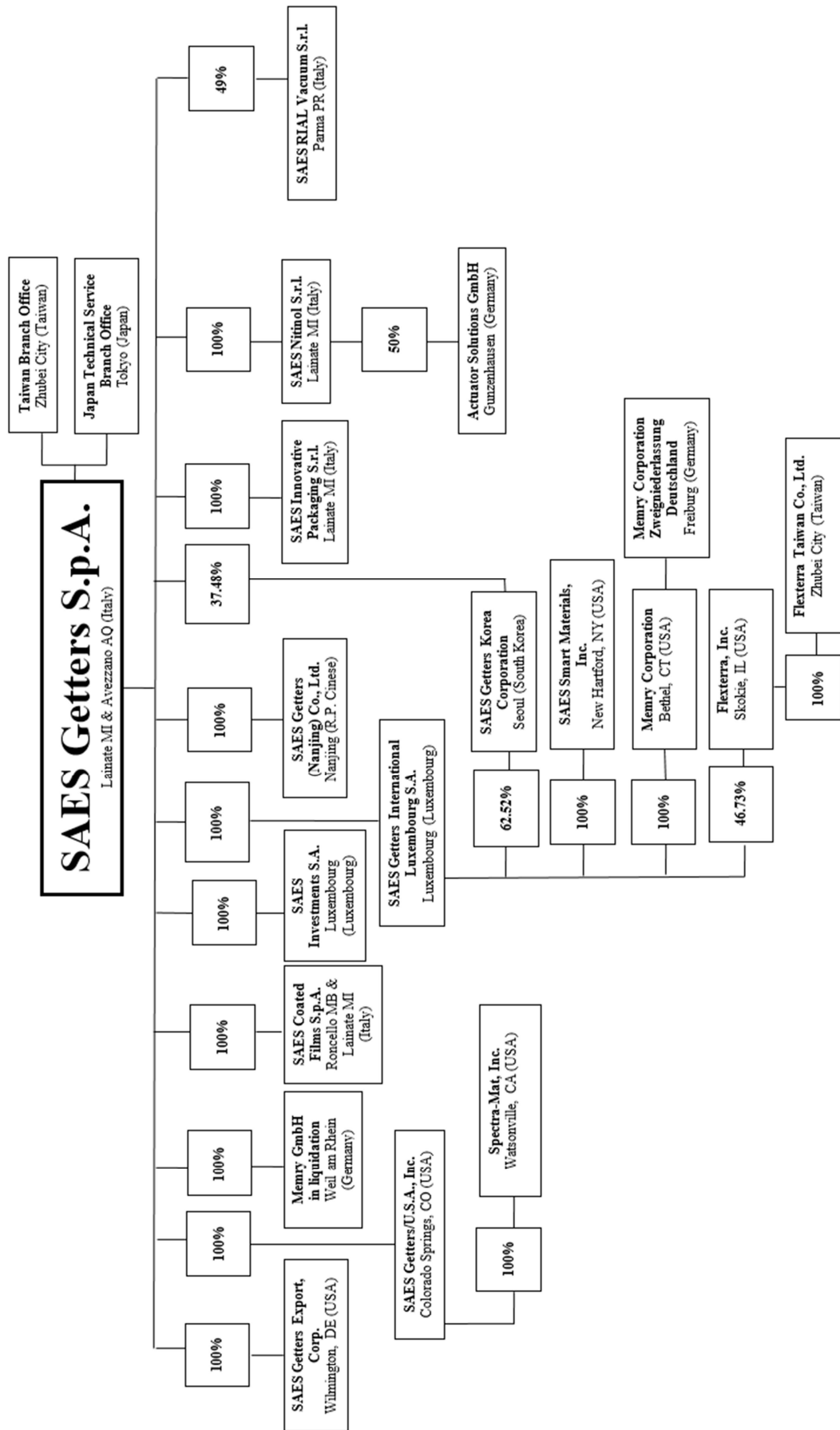


2020 Annual Financial Report

saes
group

2020



2020 Annual Financial Report

SAES Getters S.p.A.

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

Registered office:
Viale Italia, 77 – 20045 Lainate (Milan), Italy

Registered with the Milan Court Companies Register no.
00774910152

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

Board of Directors

| | |
|--|---|
| <i>Chairman</i> | Massimo della Porta |
| <i>Deputy Chairman and Managing Director</i> | Giulio Canale |
| <i>Directors</i> | 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

| | |
|-------------------------------------|---|
| <i>Chairman</i> | Vincenzo Donnamaria |
| <i>Statutory Auditors</i> | Maurizio Civardi Sara Anita Speranza (8) |
| <i>Alternate Statutory Auditors</i> | Massimo Gabelli Mara Luisa Sartori |

| | |
|-----------------------------|------------------------------|
| Independent Auditors | 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 2020-2022 by the Special Meeting of Holders of Savings Shares on April 21, 2020

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 Chairman and the Deputy Chairman 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 Chairman and the Deputy Chairman 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 Chairman Massimo della Porta is confirmed as Group Chief Executive Officer, with the meaning that such definition and role have in English-speaking countries. The Deputy Chairman 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.

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LETTER TO SHAREHOLDERS

Dear Shareholders,

2020 was a difficult year but, thanks to the timely introduction of protocols and personal protection devices, we were able to guarantee safety in the workplace and ensure the operational continuity of the company, which, as you know, operates in essential sectors.

It was not easy, given the scarcity of primary resources and the complexity of regulations, often different from country to country, but, thanks to the valuable work by dedicated teams, the problem was limited to a small number of cases and there was not a single day of shutdown in the whole Group.

A special thanks goes to the people who helped us in this difficult moment and to all those who contributed, in the midst of a thousand difficulties and with the concern of getting infected, to ensure operational continuity.

The effects of the pandemic on the Group's performance are clear. The strong impact on the hospital system and on "elective treatments", i.e. those treatments that are not urgent and therefore may be postponed, had a heavy effect on the performance of the Medical Division. The pandemic has had, however, its most negative effect on innovative activities, for which the physical presence of technical personnel during tests is of fundamental importance. Several projects suffered significant delays, in particular, the growth of the Packaging Division was slowed down.

2020 was a complex year also because of increasing international tensions: the trade war between the USA and China had a very heavy effect on the sales of shape memory wires for mobile telephony applications.

Some company divisions were actually able to benefit from the pandemic. This was the case, for example, of the thermo-scanner getter division, the sales of which increased threefold, and of Actuator Solutions which, using the skills developed in the micro-fluid field, was awarded the contract for the assembly of Covid-19 rapid testing machines. The activity will continue in 2021 and opens up the possibility of future developments in the micro-fluid sector for applications in the area of compact medical diagnostics equipment.

Unfortunately, growth in these areas did not offset the decline in others and the Group's turnover declined. The containment of costs, in part the natural result of the almost total suspension of travel and trade fair activities, in part deliberate, made, however, possible to report a good level of EBITDA at the end of the year. Careful and prudent cash management also contributed to a strong net financial position and a solid balance sheet.

The final part of the year also saw a marked deterioration of the exchange rate between the dollar and the euro, and if this were to persist, performance in the coming months would be negatively affected.

Despite this situation and the uncertainties with which 2021 has started, we are confident about future prospects.

The slowdown in operations has offered us the opportunity to rethink some of the strategic processes of the Group, such as the innovation process, which has always been the prime driver of growth, and to better focus on the growth strategy in certain sectors, allowing us to remain to some extent optimistic.

The results of these activities will be seen in the coming years and will contribute to the growth of the Group, together with its strong financial position.

Mr. Massimo della Porta
SAES Group CEO

Group financial highlights

GROUP FINANCIAL HIGHLIGHTS

(thousands of euro)

| Income statement figures | 2020 | 2019 (1) | Difference | Difference % |
|---|------------------------------|------------------------------|-------------------|-------------------------|
| NET SALES | | | | |
| - Metallurgy | 63,030 | 64,440 | (1,410) | -2.2% |
| - Vacuum Technology | 12,479 | 10,592 | 1,887 | 17.8% |
| - Medical | 73,579 | 84,979 | (11,400) | -13.4% |
| - Specialty Chemicals | 12,180 | 12,334 | (154) | -1.2% |
| - Advanced Packaging | 7,435 | 10,007 | (2,572) | -25.7% |
| Total | 168,703 | 182,352 | (13,649) | -7.5% |
| GROSS PROFIT (2) | | | | |
| - Metallurgy | 31,281 | 33,708 | (2,427) | -7.2% |
| - Vacuum Technology | 7,497 | 5,663 | 1,834 | 32.4% |
| - Medical | 27,947 | 35,601 | (7,654) | -21.5% |
| - Specialty Chemicals | 3,285 | 2,803 | 482 | 17.2% |
| - Advanced Packaging | 545 | 598 | (53) | -8.9% |
| - Not Allocated Costs (3) | (442) | 0 | (442) | n.a. |
| Total | 70,113 | 78,373 | (8,260) | -10.5% |
| | <i>% on net sales</i> | <i>41.6%</i> | <i>43.0%</i> | |
| EBITDA (4) | 27,225 | 36,502 | (9,277) | -25.4% |
| | <i>% on net sales</i> | <i>16.1%</i> | <i>20.0%</i> | |
| OPERATING INCOME (LOSS) | 16,274 | 26,772 | (10,498) | -39.2% |
| | <i>% on net sales</i> | <i>9.6%</i> | <i>14.7%</i> | |
| INCOME (LOSS) BEFORE TAXES | 9,294 | 29,927 | (20,633) | -68.9% |
| | <i>% on net sales</i> | <i>5.5%</i> | <i>16.4%</i> | |
| Group NET INCOME (LOSS) | 4,787 | 19,837 | (15,050) | -75.9% |
| | <i>% on net sales</i> | <i>2.8%</i> | <i>10.9%</i> | |
| Balance sheet and financial figures | | | | |
| | December 31, 2020 | December 31, 2019 | Difference | Difference % |
| Tangible fixed assets | 73,353 | 70,893 | 2,460 | 3.5% |
| Group shareholders' equity | 238,162 | 252,530 | (14,368) | -5.7% |
| Net financial position (5) | 95,742 | 115,316 | (19,574) | -17.0% |
| Other information | | | | |
| | 2020 | 2019 | Difference | Difference % |
| Cash flow from operating activities | 12,797 | 24,424 | (11,627) | -47.6% |
| Research and development expenses | 10,421 | 11,052 | (631) | -5.7% |
| Number of employees as at December 31 (6) | 1,063 | 1,080 | (17) | -1.6% |
| Personnel cost (7) | 76,352 | 77,638 | (1,286) | -1.7% |
| Disbursement for acquisition of tangible assets | (12,865) | (23,706) | 10,841 | -45.7% |

(1) The revenues and costs by Division as at December 31, 2019, included for comparative purposes, do not coincide with the figures provided in the 2019 Annual Financial Report, since they have been reclassified to allow for a like-for-like comparison with December 31, 2020. In particular, from January 1, 2020, the Group was organized into the following technological competency areas ("Divisions"):

- Metallurgy Division (which coincides with the former Industrial operating sector, excluding Solutions for Vacuum Systems, Functional Chemical Systems and advanced getters for the consumer electronics market, this latter previously included in the Electronic Devices Business);
- Vacuum Technology Division (which coincides with the Solutions for Vacuum Systems area, 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 in the previous year, in addition to the Functional Chemical Systems area and Flexterra business, the latter previously unallocated);
- Advanced Packaging Division (unchanged).

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

(thousands of euro)

| | 2020 | 2019 |
|--|-----------------|------------------|
| Net Sales | 168,703 | 182,352 |
| Raw materials | (30,479) | (32,008) |
| Direct labour | (27,091) | (28,334) |
| Manufacturing overhead | (45,466) | (44,779) |
| Increase (decrease) in work in progress and finished goods | 4,446 | 1,142 |
| Cost of sales | (98,590) | (103,979) |
| Gross profit | 70,113 | 78,373 |
| <i>% on net sales</i> | <i>41.6%</i> | <i>43.0%</i> |

(3) This includes costs that cannot be directly attributed or allocated in a reasonable way to any business sector, but refer to the Group as a whole.

(4) EBITDA is not an accounting measure under International Financial Reporting Standards (IFRS); however, we believe that EBITDA is an important parameter for measuring the Group's performance and therefore we provide it 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 that used by other Groups. EBITDA is calculated as "Earnings before interest, taxes, depreciation and amortization".

(thousands of euro)

| | 2020 | 2019 |
|--------------------------------------|---------------|---------------|
| Operating income | 16,274 | 26,772 |
| Depreciation and amortization | (8,569) | (7,907) |
| Right of use amortization | (2,160) | (1,539) |
| Write-down of assets | (166) | (310) |
| Bad debt provision (accrual) release | (56) | 26 |
| EBITDA | 27,225 | 36,502 |
| <i>% on net sales</i> | <i>16.1%</i> | <i>20.0%</i> |

(5) The net financial position is calculated as follows:

(thousands of euro)

| | December 31, 2020 | December 31, 2019 |
|--|----------------------|----------------------|
| Cash on hands | 10 | 11 |
| Cash equivalents | 30,668 | 48,623 |
| Cash and cash equivalents | 30,678 | 48,634 |
| Related parties current financial assets | 1 | 1 |
| Securities - short term | 70,661 | 70,779 |
| Other current financial assets | 11 | 0 |
| Current financial assets | 70,673 | 70,780 |
| Bank overdraft | (32,514) | (27,195) |
| Current portion of long term debt | (5,199) | (5,365) |
| Derivative instruments evaluated at fair value | (32) | (50) |
| Other current financial liabilities | (1,001) | (900) |
| Current financial liabilities for leases | (1,932) | (1,876) |
| Current financial liabilities | (40,678) | (35,386) |
| Current net financial position | 60,673 | 84,028 |
| Related parties non current financial assets | 49 | 49 |
| Securities - long term | 134,087 | 134,673 |
| Non current financial assets | 134,136 | 134,722 |
| Long term debt, net of current portion | (95,496) | (100,724) |
| Non current financial liabilities for leases | (3,571) | (2,710) |
| Non current financial liabilities | (99,067) | (103,434) |
| Non current net financial position | 35,069 | 31,288 |
| Net financial position | 95,742 | 115,316 |

(6) As at December 31, 2020 this item includes:

- employees equal to 995 people (987 people as at December 31, 2019);
- personnel employed at Group companies with contracts other than employment contracts, equal to 68 people (93 people as at December 31, 2019).

This figure does not include the personnel (employees and temporary workers) of the joint ventures; these were equal, according to the percentage of ownership held by the Group, to 49 people as at December 31, 2020 (45 people at the end of the previous year, again according to the percentage of ownership held by the Group).

(7) As at December 31, 2020, the amount of severance costs, included in personnel costs, was not material (€125 thousand). In 2019, severance costs, included in personnel costs, were equal to €763 thousand: they were mainly related to the finalization of the job cutting process at the Parent Company, started at the end of 2018, following the sale of the gas purification business and the phase-out of metallised products in the packaging sector.

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, (“SAES®” Group”) is the world leader in a variety of scientific and industrial applications where high-vacuum conditions are required. For 80 years, the getter solutions of the Group have been supporting technological innovation in the information display and lighting industries, high-vacuum systems and vacuum thermal insulation, and in technologies ranging from large vacuum power tubes to miniaturised devices such as silicon-based micro-electro-mechanical systems (MEMS).

Since 2004, by taking advantage of the expertise it acquired in the special metallurgy and material science field, the SAES Group has expanded its business into the advanced material market, and the market of shape memory alloys in particular, a family of advanced materials characterised by super-elasticity and their ability to assume predefined forms when heated. These special alloys, which today are mainly applied in the biomedical sector, are also perfectly suited to the production of actuator devices for the industrial sector (home automation, white goods industry, consumer electronics, healthcare, automotive and luxury sectors).

More recently, SAES has expanded its range by developing a technological platform, which integrates getter materials in polymeric matrices. These products, originally developed for OLED displays, are now used in new applications, including optoelectronics, photonics and especially telephony. Among the new applications, advanced packaging is a particularly strategic sector: SAES offers new sustainable food packaging products and intends to compete with completely recyclable and biodegradable solutions.

With total production capacity distributed between ten facilities, a sales and service network active all over the world, and over 1,000 employees, the Group is able to combine multi-cultural skills and experience and to be a truly global enterprise.

The SAES Group is headquartered in Milan.

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 with respect to SAES Getters S.p.A. pursuant to article 2497 of the Italian Civil Code (as specified in the 2020 Report on corporate governance and ownership).

The Group’s organizational structure is articulated in five Divisions: Metallurgy, Vacuum Technology, Medical, Specialty Chemicals and Advanced Packaging. Corporate costs, i.e. those expenses that cannot be directly attributed or allocated in a reasonable way to any business sector, but refer to the Group as a whole, and the costs incurred for basic research projects or to diversify into innovative businesses, are shown in a category apart from the five Divisions.

The business structure by Division is illustrated in the following table.

| Metallurgy Division | |
|---|---|
| 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 |
| Sintered Components for Electronic Devices & Lasers | Cathodes and materials for thermal dissipation in electronic tubes, lasers and solid-state devices |
| SMA Industrial | Shape Memory Alloy actuator devices for the industrial sector (home automation, white goods industry, consumer electronics, healthcare, automotive and luxury goods sector) |

| | |
|-------------------------------------|--|
| Vacuum Technology Division | |
| Solutions for Vacuum Systems | Getter pumps for vacuum systems with applications in the industrial sector, in research and in particle accelerators |
| Medical Division | |
| Nitinol for Medical Devices | Nitinol raw material and components for the biomedical sector |
| Specialty Chemicals Division | |
| Functional Dispensable Products | Getter materials integrated in polymeric matrices for OLED, optoelectronic, photonics and telephony applications |
| Advanced Packaging Division | |
| Advanced Coatings | Advanced lacquers and plastic films for the sustainable packaging sector |

Compared to the previous year, 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 area, 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 in the previous year, in addition to the Functional Chemical Systems area and Flexterra business, the latter previously unallocated);
- Advanced Packaging Division (unchanged).

The 2019 amounts were reclassified according to the new operating structure so they can be compared with the 2020 figures.

Metallurgy Division

Security & Defence

The SAES Group provides innovative technological solutions for electronic devices used in the defence, and more generally security, sector, such as thermal sensors for night vision, inertial navigation systems, microwave tubes and radiofrequency 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 alkaline metal dispensers.

Healthcare Diagnostics

The SAES Group offers the market a portfolio of getters in various types and shapes, as well as alkaline 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 (non-evaporable getters) products for cryogenic applications, for solar collectors both for the home and operating at high temperatures, for vacuum insulating panels used in the white goods industry and for thermos.

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, 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.

Sintered Components for Electronic Devices & Lasers

Through its US 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.

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 because of the latter property, shape memory alloys are used in the production of a variety of industrial devices (open/close valves, proportional valves, actuators, release systems, mini-actuators and dispensers) that leverage their distinctive characteristics (noiseless, compact, light, low power consumption, speed, precision of proportional control). SMA devices are used across the board in the industrial field, in areas of application such as domotics, white goods, consumer electronics, healthcare, automotive and luxury sector.

Vacuum Technology Division

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, which has been well received in the application markets mentioned above, integrates both getter and ion technology in a single, extremely compact and high-performing device. More recently, this line was joined by the CapaciTorr[®] HV line, high-vacuum pumps using an innovative alloy with greater gaseous absorption capacity; this has contributed to a further strengthening of the Group's position in its reference markets. The Division, operating also through the joint venture SAES RIAL Vacuum S.r.l., is also active as a supplier of coating getters for accelerator chambers and vacuum engineering services, for both industrial and research customers.

Medical Division

Nitinol for Medical Devices

Nitinol is used not only in the industrial sector but also in a wide range of medical devices, particularly in the cardiovascular field. Its super-elastic properties are ideal for manufacturing devices used in the ever growing field of non-invasive surgery, such as self-expanding devices (aortic and peripheral stents or heart valves) and catheters used to navigate the cardiovascular system. The 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. In particular, through its US subsidiary Memry Corporation, SAES offers a full range of sophisticated Nitinol-based solutions to the end manufacturers of medical devices.

Specialty Chemicals Division

Functional Dispensable Products

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 increasingly used in other sectors, in particular optoelectronics, photonics and especially telephony. Also in view of the significant growth of SAES advanced composites for consumer electronics, all applications that use this technological platform have been brought together in the Specialty Chemicals Division.

Advanced Packaging Division

Advanced Coatings

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

Significant events in 2020

The **annual results** confirm the solidity of the Group despite the generalised instability caused by the Covid-19 emergency and the geopolitical tensions between United States and China.

Net consolidated revenues in 2020 were equal to €168.7 million, down by 7.5% from €182.4 million in the previous year. The decrease in turnover was due above all to the effect of the Covid-19 crisis on the Medical Division, specifically, to the postponement of scheduled elective surgeries, mainly in the USA. Besides the Covid-19 crisis, tensions between the United States and China affected SMA Industrial sales for consumer electronics applications; there was also a negative exchange rate effect, concentrated in the second part of the year, related to the devaluation of the dollar with respect to the euro.

After an increase in revenues in the first quarter, partly due to changes in inventories also resulting from the emergency that had started in the first few months of the year, the second and third quarters were more affected from the negative developments mentioned above, with an initial recovery of the Nitinol segment only starting in the fourth quarter of the year.

Including also the share of the revenues of joint ventures¹, **total turnover** in 2020 was equal to €177.7 million, down 8.4% compared to €194 million in 2019. This was due to lower consolidated revenues and lower revenues of the joint venture Actuator Solutions, which was affected by the crisis in the automotive sector, further aggravated by the Covid-19 pandemic, only partly offset by an increase in the revenues of the joint venture SAES RIAL Vacuum S.r.l.

Despite the decline in consolidated revenues, margins remained substantially stable. In particular, the **gross profit margin**² was equal to 41.6% and the **consolidated EBITDA**³ margin was equal to 16.1% in 2020 (43% and 20%, respectively, in 2019).

The **consolidated net profit** was equal to €4.8 million (€19.8 million in 2019), penalized by write-downs equal to €3.6 million⁴ and including the costs of Covid-19 donations, equal to €0.7 million. Lastly, it should be noted that the decrease in the fair value of securities in the portfolio, recorded in the first part of the year with the Covid-19 crisis depressing the financial markets, was gradually reabsorbed in the following months, so that at the end of the year the value of the securities was in line with their value as at December 31, 2019.

The main events that occurred in 2020 are described below.

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

Accepting the provisions and recommendations issued by the Lombardy Region for precautionary containment of the **Covid-19 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, also in order to arrange the necessary risk containment measures and to draw up the Covid operations protocol.

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

² Calculated as the ratio between the gross profit and the net consolidated revenues.

³ 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 those adopted by other Groups. EBITDA is calculated as “Earnings before interest, taxes, depreciation and amortization”.

⁴ Write-down of the financial receivable relating to the convertible loan granted to the joint venture Flexterra, Inc. (-€2.5 million); write-down of the financial receivable corresponding to the interest accrued during the year on loans granted to the joint venture Actuator Solutions GmbH (-€0.5 million); write-down from impairment test on the equity investment in Flexterra (-€0.6 million).

Later, the two facilities returned to operations, whereas the other Group production plants in Italy and abroad had remained operative, complying with all regulatory provisions in force to guarantee workplace safety and, where possible, encouraging recourse to smart working.

On March 26, 2020, the Group reached an agreement with the trade unions on the use, for a period of nine weeks starting from March 30, 2020, of the unemployment benefits provided for by the Prime Minister Decree “Cura Italia”, March 17, 2020 (**CIGO, Cassa Integrazione Guadagni Ordinaria**) by some employees of the Lainate plant, with a 40% salary contribution paid for by the company.

On May 14, 2020, an agreement was reached with the trade unions for the gradual return to work of all employees at the Lainate operating unit (150 attendances per day at Lainate in June and July, alternating shifts with smart working). All employees returned to work at the beginning of August and, at the same time, a **smart working pilot project** was launched on a voluntary basis for a period of 12 months, allowing smart working for every employee participating in the project for a maximum of three days a week.

On October 27, 2020, SAES Getters S.p.A. signed a new **agreement with union representatives** to define additional security measures in conjunction with the worsening of the Covid-19 pandemic. In particular, the agreement envisages the continuation of the smart working pilot project started at the beginning of August and the extension of remote working to approx. 35 employees for a total of 2/3 days a week. This agreement was effective until December 31, 2020 and so far has not been renewed. Therefore, only the already mentioned smart working agreement signed in August 2020 is currently in force.

On March 6, 2020, SAES Getters S.p.A. signed a new **line of credit** with Unicredit S.p.A., a revolving line for a maximum amount of €30 million, to be used for general corporate, capex and acquisition purposes. 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, with a duration of one to three months. The contract provides for the payment of interest indexed at the one/three-month Euribor rate, plus a spread of 1.2%, and just one financial covenant (positive consolidated net financial position) subject to half-yearly review.

On March 12, 2020, SAES Group agreed to **donate €0.5 million to research institutes working on the front lines against Covid-19, as well as to Civil Defence personnel**. SAES has thus offered its contribution to overcome the emergency that the whole country is facing. The donation was specifically disbursed 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 Defence. In addition, in the second quarter of 2020, **two ventilators to treat respiratory insufficiency and a video laryngoscope were donated to the ICU of Avezzano Hospital**: these are high quality equipment with sophisticated pulmonary monitoring systems that can improve the safety of patients and health workers. The total value of the equipment was around €0.1 million.

On March 12, 2020, SAES Getters S.p.A., as Single Shareholder, resolved a **capital payment** of €800 thousand **in favour of SAES Nitinol S.r.l.**, to cover the losses reported in 2019 and to create a cash reserve of €21 thousand.

On April 30, 2020, SAES Getters S.p.A. took out a **new revolving line of credit** with Intesa Sanpaolo S.p.A. for a maximum amount of €30 million, to support business operations or meet financial needs associated with capex and acquisitions. The duration of the credit line is set at thirty-six months. SAES can request its use in tranches, each with a minimum value of €1 million and thereafter in multiples of €0.5 million. The contract provides for the payment of interest indexed at the one/three-month Euribor rate, plus a spread of 1.10%, and a financial covenant (positive consolidated net financial position) reviewed every six months.

In June, the **Colussi** food products group, through its proprietary brand **Misura**, launched a **marketing campaign** on the use of an innovative fully **compostable packaging solution**, created for Colussi through a partnership between Novamont, TicinoPlast, SAES Group, Sacchital and IMA. The new packaging, biodegradable and from renewable sources, can be composted along with food waste and has a barrier against oxygen and damp, offered by the coating technology developed by SAES. This shows the innovative strength of SAES Coated Films S.p.A.’s advanced solutions for compostable food packaging.

On June 22, 2020, the Parent Company signed a seven-year **lease**, effective July 1, 2020, and renewable for a further seven years under the same terms, for the use of a **property for office use in Milan**, at Piazza Castello

13, to house the Corporate and Management functions. The annual lease rent will be equal to €350 thousand; a discount was granted for the first two years of the lease to help the start-up stage.

On June 23, 2020, an agreement was signed with **EUREKA! Venture SGR S.p.A.** which will see SAES invest in the **EUREKA! Fund I - Technology Transfer** venture capital fund (a closed alternative investment fund qualifying as a 'EuVECA' fund pursuant to Regulation (EU) 345/2013), established and managed by the SGR and with investors including Cassa Depositi e Prestiti (CDP) and the European Investment Fund (EIF). The investment in the Fund, finalized through the Parent Company SAES Getters S.p.A., is equal to €3 million and has a ten-year duration (coinciding with the maturity of the Fund). The financial outlay for SAES will not be immediate, but rather in the form of drawdown transactions, based on investment opportunities that might gradually arise and related calls for capital subscriptions from the SGR.

The Fund managed by EUREKA! Venture SGR is a specialized fund, focused solely on deeptech investments in start-ups and spin-offs of research centres and universities, in applications and technologies attributable to the science of materials, sensors, advanced electronics, photonics, IoT (Internet of Things) and Lab-on-a-chip applications, attentive to the principles of sustainability and ESG (Environmental, Social and Governance) standards. In fact, the fund regulation envisages clear investment policies inspired by ESG principles. Similarly, also for the asset management company, procedures and processes focus on compliance with these investment policies.

Through the agreement signed, SAES becomes an investor and strategic partner of EUREKA! in the advanced materials sector, with access to the Fund's deal flow in sectors and business areas of interest to the Group and with a priority right of co-investment. Lastly, based on the exit strategies from target companies, SAES has a right of first offer, that is it can make purchase proposals to be submitted to the asset management company.

In July 14, 2020, SAES paid an amount equal to €118 thousand as subscription fees and to cover the set-up costs and management fees for the period July 1 to September 30, 2020. The initial investment, with related call for funds of around €164 thousand by SAES, was completed on September 16, 2020.

An additional payment of €30 thousand was made on October 16, 2020, including both the share of commissions and management fees, and the portion of an investment made by the fund in the printed electronics business.

On December 29, 2020, the second closing by the Fund was completed, on the basis of which new investors were formally admitted, with a total contribution to the investment of approximately €2.6 million. The equity investment of SAES has, therefore, been diluted from 8.02% to 7.51% and the Parent Company obtained a reimbursement for both costs and investments of the Fund (approximately €11 thousand).

On July 16, 2020, SAES Getters International Luxembourg S.A. signed a **convertible loan with a value of \$3 million in favour of the joint venture Flexterra, Inc.**, to be repaid in cash at the end of a predefined one-year maturity or earlier, if certain significant events occur, including the liquidation of Flexterra and change of control. The loan will accrue interest at 8% per year. As well as by cash, the repayment can be in the form of equity if Flexterra should arrange a qualified capital stock increase for a value of at least \$6 million before the maturity date. In this case, SAES Getters International Luxembourg S.A. will receive a number of new shares equal to the quota obtained by dividing the balance of the loan at the conversion date by a value of 80% of the price per share paid by other shareholders at the time of the capital increase.

On July 24, 2020, the **revocation of the liquidation status of the company E.T.C. S.r.l.**, resolved by the Shareholders' Meeting on April 15, 2020, became effective. On the same day, the company name was changed from E.T.C. S.r.l. to **SAES Innovative Packaging S.r.l. and its corporate purpose modified** to allow the company to directly or indirectly take on investments or shareholdings in the packaging sector and to scout for new technologies in that sector.

On August 10, 2020, the relative majority shareholder **S.G.G. Holding S.p.A.** purchased 35,000 ordinary shares of SAES Getters S.p.A. As a result of this purchase, S.G.G. Holding S.p.A. holds 34.44% of total ordinary shares and 45.01% of voting rights.

On September 3, 2020, at the **CIBUS FORUM exhibition of Fiere di Parma**, **SAES Coated Films S.p.A.** and **Novamont S.p.A.**, leader in the production of bio-plastics, presented in partnership a new project for the traceability of compostable products, aimed at solving the problem of unsuitable materials being sent to composting plants. In particular, the project focuses on the development of special markers that, added to the

Novamont Mater-Bi polymer, will release an optical signal allowing the identification of materials suitable for composting and the rejection of non-compostable ones. Industrial plants will thus be able to benefit from greater process efficiency and guarantee a cleaner compost.

In September 2020, **the liquidation process** of the companies **Actuator Solutions Taiwan Co., Ltd.** and **Actuator Solutions (Shenzhen) Co., Ltd.**, wholly owned by Actuator Solutions GmbH and in liquidation since the end of 2019, was completed.

On October 21, 2020, the **transfer of 10% of the capital stock of SAES Getters International Luxembourg S.A. from SAES Getters (Nanjing) Co., Ltd. to SAES Getters S.p.A.** (already holding 90% of the shares) was approved. The consideration for the stake transferred was set at €4 million. The transfer transaction, subject to the approval of the authorities of the People's Republic of China, was closed on December 16, 2020. Following this transaction, the Parent Company holds 100% of the capital stock of the Luxembourg subsidiary. The transaction had no effect on the consolidated financial statements, being an intra-group transaction.

On November 11, 2020, the Board of Directors of SAES Getters S.p.A. approved **amendments** to articles 14 and 22 of the **Articles of Association**, in view of the further amendment to articles 147-ter, paragraph 1-ter and 148, paragraph 1-bis of the Legislative Decree no. 58/1998 (**gender quotas**).

On December 10, 2020, the Shareholders' Meeting of **SAES Coated Films S.p.A.** resolved a **payment to the shareholders' account**, equal to €5.5 million, to cover the expected 2020 losses and any 2021 loss. Of this amount, €0.6 million was paid in cash and €4.9 million through the waiver by the Sole Shareholder SAES Getters S.p.A. of the receivables accrued up to October 31, 2020 from the invoicing of intercompany goods and services.

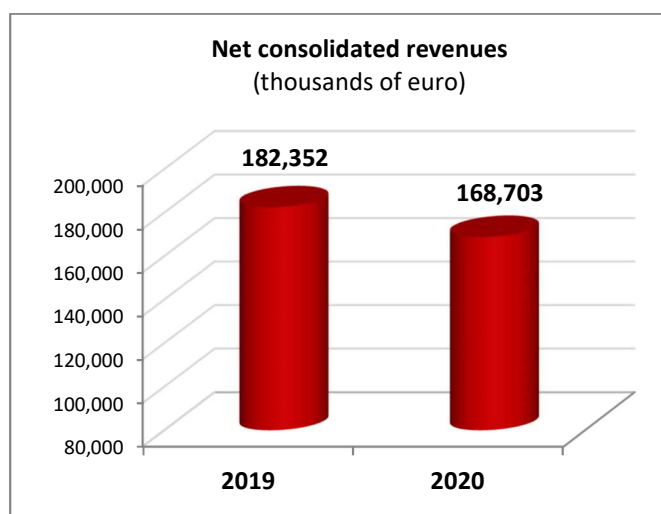
On December 11, 2020, through the subsidiary SAES Getters International Luxembourg S.A., a **share interest** was taken in **Cambridge Mechatronics Limited (CML)**, a company based in Cambridge, UK, with which SAES has already worked for many years in the business of shape memory alloys (SMA) for industrial application, particularly for consumer electronics and mobile telephony.

SAES is participating in a specific funding round carried out by CML by purchasing 159,745 newly issued ordinary preference shares, each with a nominal value of £6.26, with a **total investment of £1 million**.

CML is a company with strong multidisciplinary engineering skills, active in the development of miniaturized actuators based on shape memory alloy (SMA), a sector in which it holds several patents. These devices are used in various application fields that require maximum precision and accuracy even on small dimensions and, in particular, in cell phone cameras.

The objective of the investment, for SAES, is to strengthen its partnership with CML

Sales and economic results of 2020



In 2020 **net consolidated revenues** were equal to €168,703 thousand, down by 7.5% compared to €182,352 thousand in 2019.

The **exchange rate effect** was negative and equal to -1.3%, mainly related to the devaluation of the US dollar against the euro. Excluding this effect, the **organic decrease** was equal to -6.2%, concentrated in the Medical Division and in the SMA Industrial segment of the Metallurgy Division, as well as in the Advanced Packaging Division. The first suffered from the effects of the Covid-19 pandemic, especially on elective treatments that could be deferred; the second, besides the effects of the pandemic, resented of the geopolitical tensions between the US and China; the third saw the gradual voluntary phase-out of metallised products in favour of lacquer products, more innovative and sustainable, which have greater added value.

Including also the portion of the revenues of the joint ventures⁵, **total revenues of the Group** in 2020 was equal to €177,662 thousand, down 8.4% compared to €194,040 thousand in 2019. This was due to lower consolidated revenues and lower revenues of the joint venture Actuator Solutions, which was affected by the crisis in the automotive sector, further aggravated by the Covid-19 pandemic.

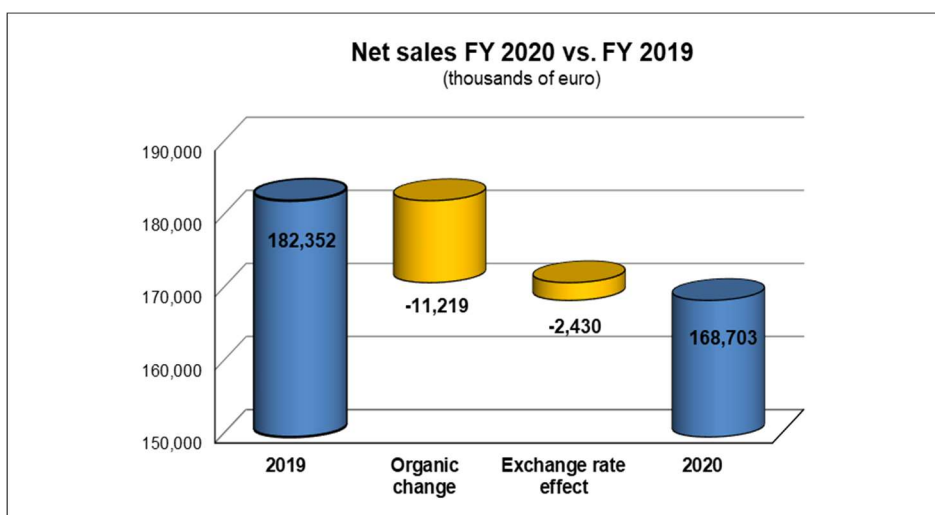
On the other hand, there was an increase in the revenues of the joint venture SAES RIAL Vacuum S.r.l., the turnover of which, after a weak first quarter due to the Covid-19 crisis, returned to the growth levels originally forecast.

(thousands of euro)

| | 2020 | 2019 | Total difference | Total difference % |
|---|----------------|----------------|------------------|--------------------|
| Consolidated net sales | 168,703 | 182,352 | (13,649) | -7.5% |
| 50% Actuator Solutions' net sales | 7,092 | 10,601 | (3,509) | -33.1% |
| 49% SAES RIAL Vacuum S.r.l.'s net sales | 2,762 | 1,680 | 1,082 | 64.4% |
| 46.73% Flexterra's net sales | 25 | 7 | 18 | 257.1% |
| Intercompany eliminations | (956) | (567) | (389) | 68.6% |
| Other adjustments | 36 | (33) | 69 | -209.1% |
| Total revenues of the Group | 177,662 | 194,040 | (16,378) | -8.4% |

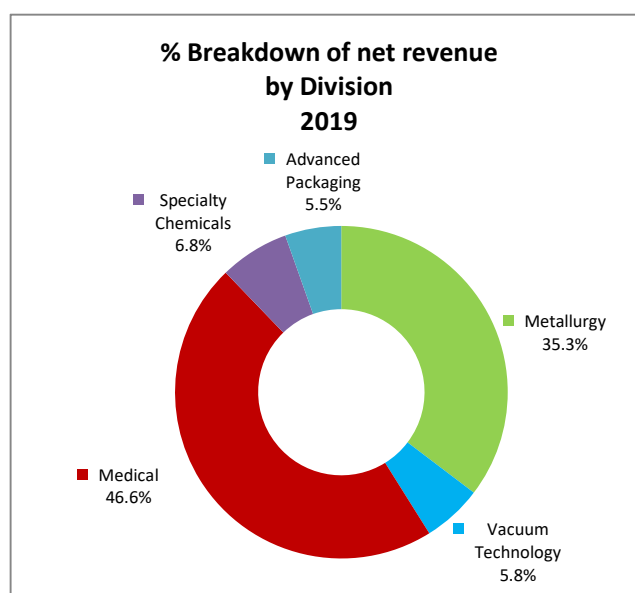
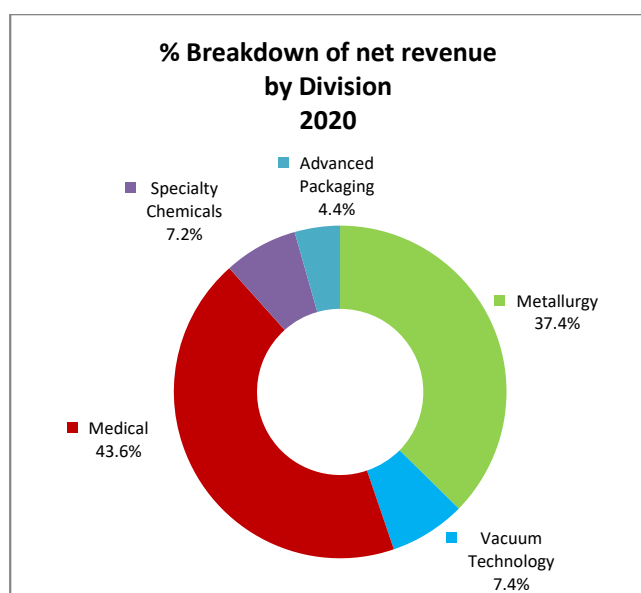
The following chart shows the **change in consolidated revenue in 2020**, highlighting the **exchange rate effect** and the difference due to the changes in sales prices and sales volumes (**organic growth**).

⁵ 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 Division**, both for 2020 and for the previous year.

The percentage weight of the divisions is basically in line with that observed in 2019. There was a slight decrease in the percentage weight of the **Medical Division**, due to the negative effect of the Covid-19 pandemic, which has led to the postponement of elective treatments. As a result, the **Metallurgy** and the **Specialty Chemicals Division**, with revenues very similar to those of the previous year, saw an increase in their percentage weight. The percentage weight of the **Advanced Packaging Division** was also down, penalized by the aforementioned phase-out of non-strategic metallised products with lower margins. Lastly, there was an increase in the percentage weight of the **Vacuum Technology Division**, thanks to the recovery of the market of pumps for particle accelerators.



The following table provides a breakdown of net consolidated revenues by business segment in 2020 and 2019, along with the percentage change at current and comparable exchange rates.

(thousands of euro)

| Business | 2020 | 2019 | Total difference | Total difference % | Exchange rate effect % | Organic change % |
|---|----------------|----------------|------------------|--------------------|------------------------|------------------|
| Security & Defense | 17,299 | 12,778 | 4,521 | 35.4% | -1.8% | 37.2% |
| Electronic Devices | 16,980 | 14,353 | 2,627 | 18.3% | -1.6% | 19.9% |
| Healthcare Diagnostics | 4,456 | 4,438 | 18 | 0.4% | -0.9% | 1.3% |
| Lamps | 3,248 | 4,073 | (825) | -20.3% | -0.7% | -19.6% |
| Thermal Insulated Devices | 3,001 | 3,377 | (376) | -11.1% | -1.0% | -10.1% |
| Sintered Components for Electronic Devices & Lasers | 7,152 | 8,452 | (1,300) | -15.4% | -1.7% | -13.7% |
| SMA Industrial | 10,894 | 16,969 | (6,075) | -35.8% | -0.7% | -35.1% |
| Metallurgy Division | 63,030 | 64,440 | (1,410) | -2.2% | -1.3% | -0.9% |
| Solutions for Vacuum Systems | 12,479 | 10,592 | 1,887 | 17.8% | -1.0% | 18.8% |
| Vacuum Technology Division | 12,479 | 10,592 | 1,887 | 17.8% | -1.0% | 18.8% |
| Nitinol for Medical Devices | 73,579 | 84,979 | (11,400) | -13.4% | -1.7% | -11.7% |
| Medical Division | 73,579 | 84,979 | (11,400) | -13.4% | -1.7% | -11.7% |
| Functional Dispensable Products | 12,180 | 12,334 | (154) | -1.2% | -0.2% | -1.0% |
| Specialty Chemicals Division | 12,180 | 12,334 | (154) | -1.2% | -0.2% | -1.0% |
| Advanced Coatings | 7,435 | 10,007 | (2,572) | -25.7% | 0.0% | -25.7% |
| Advanced Packaging Division | 7,435 | 10,007 | (2,572) | -25.7% | 0.0% | -25.7% |
| Total net sales | 168,703 | 182,352 | (13,649) | -7.5% | -1.3% | -6.2% |

The consolidated revenues of the **Metallurgy Division** were equal to €63,030 thousand, down by 2.2% compared to €64,440 thousand in the previous year. The currency trend led to a negative exchange rate effect equal to -1.3%, net of which revenues were basically unchanged (-0.9% organic growth).

The organic growth in the Security & Defence (+37.2%) and Electronic Devices (+19.9%) segments offset the general decline in the other segments, allowing the Division to end the year with substantially stable revenues, despite the decisive impact of the Covid-19 crisis and of the tensions between the United States and China, which especially penalized the SMA Industrial sector.

Consolidated revenues of the *Security & Defence Business* were equal to €17,299 thousand in 2020, up by 35.4% compared to €12,778 thousand in 2019. Without the negative impact of exchange rates (-1.8%), organic growth was equal to 37.2%, due to stronger sales of getter components for infrared sensors and night vision systems for defence applications, as well as good sales linked to certain orders for avionic and satellite telecommunication devices. The performance of the security and defence sector was not affected by the pandemic.

Consolidated revenues of the *Electronic Devices Business* were equal to €16,980 thousand in 2020, a significant increase (+18.3%) compared to €14,353 thousand in 2019. Net of the negative exchange rate effect (-1.6%), the price / quantity effect was positive and equal to +19.9%, mainly driven by infrared applications in thermal sensors for temperature measurements and thermography, the growth of which was favoured by the Covid-19 crisis.

Consolidated revenues of the *Healthcare Diagnostics Business* were equal to €4,456 thousand in 2020, in line with respect to €4,438 thousand in 2019. Excluding the negative exchange rate effect (-0.9%), the organic growth of sales was 1.3%, due to increased demand in the diagnostic imaging sector, partly favoured by the Covid-19 crisis.

Consolidated revenues of the *Lamps Business* were equal to €3,248 thousand, down by -20.3% compared to €4,073 thousand in 2019. Excluding the negative exchange rate effect (-0.7%), the lamps segment reported a negative organic growth equal to -19.6%; negative growth should be considered structural, due to the continuous decline in the market of fluorescent and discharge intensity lamps.

Consolidated revenues of the *Thermal Insulated Devices Business* were equal to €3,001 thousand in 2020, down by -11.1% with respect to €3,377 thousand in 2019. Exchange rates had a negative impact of -1%, while negative organic growth was equal to -10.1%. The decline is mainly due to weaker demand for vacuum bottles and insulated tubes for oil market applications due to Covid-19.

Consolidated revenues of the *Sintered Components for Electronic Devices & Lasers Business* were equal to €7,152 thousand in 2020, down by -15.4% compared to €8,452 thousand in 2019. Net of the negative exchange rate effect (-1.7%), organic growth was negative and equal to -13.7%, mainly concentrated in avionics applications, penalized by Covid-19. On the other hand, the thermal dissipation devices recorded revenues in line with 2019.

Consolidated revenues of the *SMA Industrial Business* were equal to €10,894 thousand in 2020, down by 35.8% with respect to €16,969 thousand in 2019. Net of the negative exchange rate effect (-0.7%), organic growth was negative and equal to -35.1%, concentrated in the automotive segment (also penalized by Covid-19) and in the consumer electronics segment (effect of Covid-19 and tensions between the United States and China).

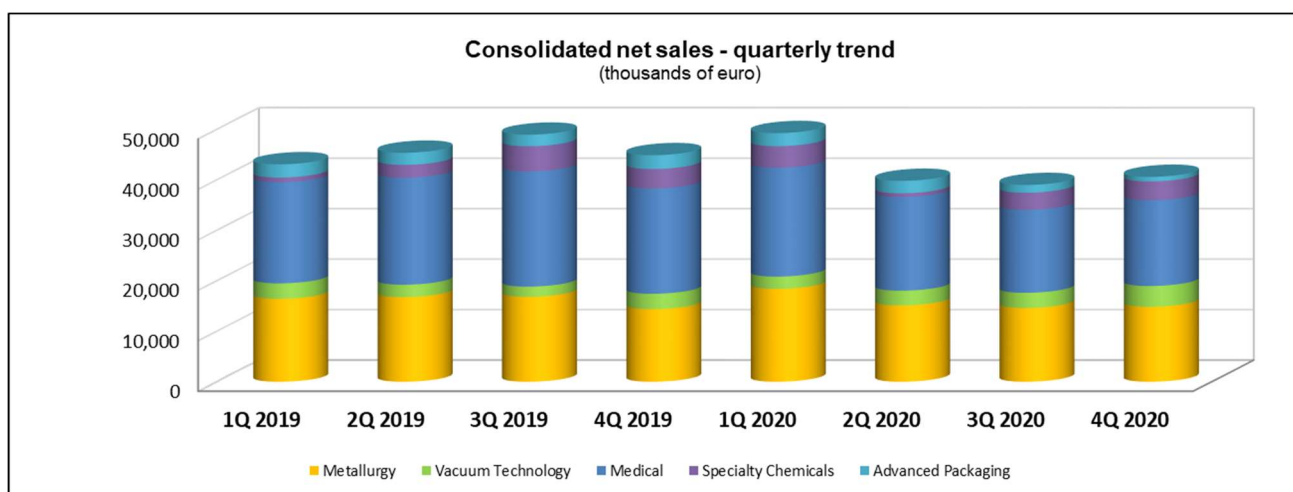
Consolidated revenues of the **Vacuum Technology Division** were equal to €12,479 thousand, up by 17.8% compared to €10,592 thousand in the previous year. Excluding the negative exchange rate effect (-1%), organic growth was +18.8%, due to higher sales, especially in the last part of the year, of pumps in the analytical instrumentation and accelerator sectors, which, despite the pandemic, continued to invest in planned projects. This growth offset the lower sales to research institutes and universities, more penalized by Covid-19.

Consolidated revenues of the **Medical Division** were equal to €73,579 thousand, down by 13.4% compared to €84,979 thousand in the previous year. Exchange rates had a negative impact of -1.7%, net of which organic growth was negative and equal to -11.7%. It should be noted that, due to the impact of Covid-19, demand for medical devices fell due to the suspension of elective treatments, especially in the second and third quarter of the year, with a partial recovery starting only in the last months of the year. There was also a decrease in the sales to an important US customer, which reduced orders in 2020 due to high stock levels.

Consolidated revenues of the **Speciality Chemicals Division** were equal to €12,180 thousand, in line with respect to €12,334 thousand in the previous year. Net of the negative exchange rate effect (-0.2%), organic growth was negative and equal to -1%. Sales of dispensable dryers for OLED displays grew, also driven by the increase in the production of oximeters in China due to Covid-19; in the USA, there was also an expansion of the customer portfolio in photonics / electronics applications. This increase was offset by a decrease in turnover for the advanced components manufactured in the Avezzano plant and intended for the consumer electronics market, which, despite the increase in volumes, was affected by downward pressure on prices.

The consolidated revenues of the **Advanced Packaging Division** in 2020 were equal to €7,435 thousand, down by 25.7% compared to €10,007 thousand in 2019. Sales are exclusively denominated in euro. The two figures cannot be compared, since the offer of the second half of 2020 no longer includes the traditional metallised products, the production of which was stopped at the end of June as part of the strategy of repositioning the offer on products with higher added value. The sales of the third and fourth quarters refer, in fact, almost entirely to innovative lacquer products, intended for recyclable and compostable applications, which recorded double-digit growth compared to the previous year. The decline in the last quarter is due both to the normal decline that characterizes the sector in the final part of the year and to the slowdown of some innovation projects, due to the pandemic.

The **quarterly performance of the net consolidated revenues**, in 2020 and in the previous year, is provided in the chart and in the table below, together with a breakdown by Division and type of business.



(thousands of euro)

| Business | 4 th quarter 2020 | 3 rd quarter 2020 | 2 nd quarter 2020 | 1 st quarter 2020 | 4 th quarter 2019 | 3 rd quarter 2019 | 2 nd quarter 2019 | 1 st quarter 2019 |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Security & Defense | 4,418 | 3,357 | 4,916 | 4,608 | 2,908 | 3,505 | 2,732 | 3,633 |
| Electronic Devices | 4,056 | 5,222 | 3,534 | 4,168 | 3,236 | 3,610 | 3,968 | 3,539 |
| Healthcare Diagnostics | 830 | 874 | 1,087 | 1,665 | 965 | 1,023 | 1,248 | 1,202 |
| Lamps | 719 | 583 | 893 | 1,053 | 804 | 995 | 1,204 | 1,070 |
| Thermal Insulated Devices | 777 | 550 | 712 | 962 | 847 | 697 | 888 | 945 |
| Sintered Components for Electronic Devices & Lasers | 1,631 | 1,788 | 1,660 | 2,073 | 2,091 | 1,819 | 2,149 | 2,393 |
| SMA Industrial | 2,438 | 2,248 | 2,333 | 3,875 | 3,537 | 5,186 | 4,591 | 3,655 |
| Metallurgy Division | 14,869 | 14,622 | 15,135 | 18,404 | 14,388 | 16,835 | 16,780 | 16,437 |
| Solutions for Vacuum Systems | 4,108 | 3,012 | 2,917 | 2,442 | 3,046 | 2,024 | 2,453 | 3,069 |
| Vacuum Technology Division | 4,108 | 3,012 | 2,917 | 2,442 | 3,046 | 2,024 | 2,453 | 3,069 |
| Nitinol for Medical Devices | 16,992 | 16,442 | 18,566 | 21,579 | 20,871 | 22,836 | 21,220 | 20,052 |
| Medical Division | 16,992 | 16,442 | 18,566 | 21,579 | 20,871 | 22,836 | 21,220 | 20,052 |
| Functional Dispensable Products | 3,751 | 3,405 | 749 | 4,275 | 3,873 | 5,000 | 2,543 | 918 |
| Specialty Chemicals Division | 3,751 | 3,405 | 749 | 4,275 | 3,873 | 5,000 | 2,543 | 918 |
| Advanced Coatings | 887 | 1,516 | 2,447 | 2,585 | 2,723 | 2,269 | 2,392 | 2,623 |
| Advanced Packaging Division | 887 | 1,516 | 2,447 | 2,585 | 2,723 | 2,269 | 2,392 | 2,623 |
| Total net sales | 40,607 | 38,997 | 39,814 | 49,285 | 44,901 | 48,964 | 45,388 | 43,099 |

After a **first quarter** that closed with revenues up on the previous year, aided by some clients stocking up against the Covid-19 emergency, the **second quarter** saw the gradual reabsorption of these changes in inventory, especially in the SMA Industrial and Functional Dispensable Products segments; there was also a slowdown in the Medical Division, due to the postponement of elective surgeries, mainly in the USA.

The **third quarter** was also negatively impacted by the Covid-19 pandemic, which continued to hit sales in the Nitinol medical and industrial SMA segment, the latter also penalized by geopolitical tensions between the US and China. The Advanced Packaging Division was also down, with the completion of the phase-out of metallised products and the total repositioning of the offer on lacquer products, with higher added value. The Functional Dispensable Products sector grew, with a substantial recovery in sales in the third quarter.

In the **fourth quarter**, despite the negative exchange rate effect due to the depreciation of the dollar (started in the third quarter), there was a partial recovery in the healthcare market as well as strong growth in the Vacuum Technology Division, thanks to higher sales in the particle accelerator segment.

The following table provides the breakdown of **net consolidated revenues** for each business sector, **for the fourth quarter of 2020 and compared with the previous quarter of the same year**, as well as the relative percentage change at current and comparable exchange rates.

(thousands of euro)

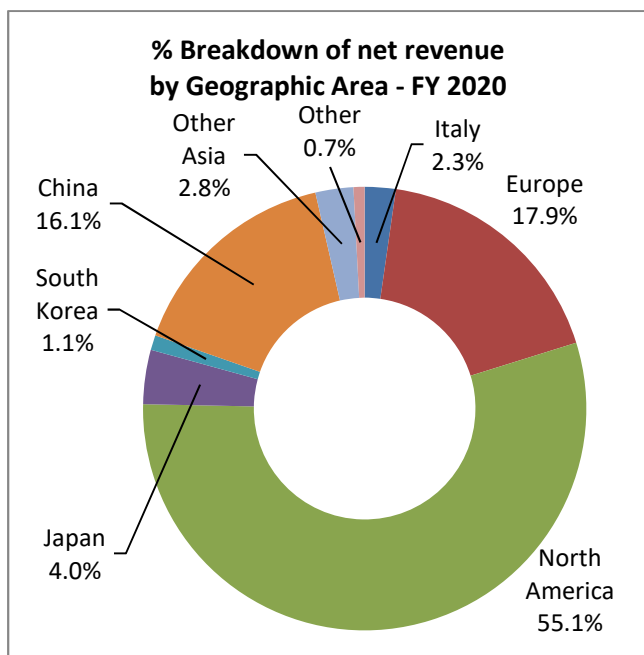
| Business | 4 th quarter 2020 | 3 rd quarter 2020 | Total difference | Total difference % | Exchange rate effect % | Organic change % |
|---|---------------------------------|---------------------------------|---------------------|--------------------------|------------------------------|------------------------|
| Security & Defense | 4,418 | 3,357 | 1,061 | 31.6% | -0.8% | 32.4% |
| Electronic Devices | 4,056 | 5,222 | (1,166) | -22.3% | -0.2% | -22.1% |
| Healthcare Diagnostics | 830 | 874 | (44) | -5.0% | -0.9% | -4.1% |
| Lamps | 719 | 583 | 136 | 23.3% | 0.3% | 23.0% |
| Thermal Insulated Devices | 777 | 550 | 227 | 41.3% | -1.5% | 42.8% |
| Sintered Components for Electronic Devices & Lasers | 1,631 | 1,788 | (157) | -8.8% | -1.9% | -6.9% |
| SMA Industrial | 2,438 | 2,248 | 190 | 8.5% | -1.0% | 9.5% |
| Metallurgy Division | 14,869 | 14,622 | 247 | 1.7% | -0.7% | 2.4% |
| Solutions for Vacuum Systems | 4,108 | 3,012 | 1,096 | 36.4% | -1.0% | 37.4% |
| Vacuum Technology Division | 4,108 | 3,012 | 1,096 | 36.4% | -1.0% | 37.4% |
| Nitinol for Medical Devices | 16,992 | 16,442 | 550 | 3.3% | -2.1% | 5.4% |
| Medical Division | 16,992 | 16,442 | 550 | 3.3% | -2.1% | 5.4% |
| Functional Dispensable Products | 3,751 | 3,405 | 346 | 10.2% | -0.2% | 10.4% |
| Specialty Chemicals Division | 3,751 | 3,405 | 346 | 10.2% | -0.2% | 10.4% |
| Advanced Coatings | 887 | 1,516 | (629) | -41.5% | 0.0% | -41.5% |
| Advanced Packaging Division | 887 | 1,516 | (629) | -41.5% | 0.0% | -41.5% |
| Total net sales | 40,607 | 38,997 | 1,610 | 4.1% | -1.3% | 5.4% |

A comparison of the consolidated revenues of the fourth quarter of 2020 with respect to the previous quarter shows a **negative exchange rate effect** (-1.3%), net of which organic growth was equal to +5.4%. All Divisions recorded growth in revenues, with the exception of the **advanced packaging** sector, penalized by both the natural decrease in orders in the last part of the year, and the slowdown of some innovation projects, due to Covid-19. The fastest growth was recorded by the **Vacuum Technology Division**, which benefited from an increase in sales in the particle accelerator and electronic microscope segments, as well as the recovery in the pump sales to research laboratories, mainly in China. The **Medical Division** showed signs of recovery on the end market, after two quarters of sharp decline due to the Covid-19 pandemic. In the **Specialty Chemicals Division**, growth was mainly concentrated in consumer electronics applications. Within the **Metallurgy Division**, it is worth noting the growth, in the fourth quarter, of the industrial SMA segment, thanks to an initial recovery in the automotive sector and to the first sales of SMA wire for a drug dispenser actuator. The decrease in the Electronic Devices segment, due to the stabilization of the demand for thermal sensors for temperature measurements, was offset by higher sales in the security and defence sector (getters for infrared sensors, for night vision systems and for military telecommunication systems).

The breakdown of the **consolidated revenues by geographic area of customers** is provided below.

(thousands of euro)

| Geographic area | 2020 | % | 2019 | % | Total difference | Total difference % |
|------------------------|----------------|---------------|----------------|---------------|---------------------|--------------------------|
| Italy | 3,823 | 2.3% | 3,624 | 2.0% | 199 | 5.5% |
| Europe | 30,243 | 17.9% | 33,054 | 18.1% | (2,811) | -8.5% |
| North America | 92,982 | 55.1% | 101,943 | 55.9% | (8,961) | -8.8% |
| Japan | 6,688 | 4.0% | 5,528 | 3.0% | 1,160 | 21.0% |
| South Korea | 1,815 | 1.1% | 1,509 | 0.8% | 306 | 20.3% |
| China | 27,114 | 16.1% | 30,323 | 16.6% | (3,209) | -10.6% |
| Other Asian countries | 4,696 | 2.8% | 4,879 | 2.7% | (183) | -3.8% |
| Others | 1,342 | 0.7% | 1,492 | 0.9% | (150) | -10.1% |
| Total net sales | 168,703 | 100.0% | 182,352 | 100.0% | (13,649) | -7.5% |



With regard to the **geographical distribution of consolidated revenues**, sales in **North America** were penalized by Covid-19 in the Nitinol segment for medical applications and only partially boosted by the pandemic in the sector of infrared electronic devices for thermography and temperature measurement applications. Sales fell both in **China** and in **Europe**, mainly due to lower sales in the industrial SMA segment (automotive applications in Europe and consumer electronics in China), only partially offset by higher revenues in the security and defence business. In Europe, sales also fell in the Advanced Packaging Division, due to the phase-out of metallised products in favour of lacquer products, already mentioned. Lastly, in **Japan**, higher sales were mainly driven by the recovery of research projects in the Vacuum Technology Division. Also in Japan, revenues grew in the electronic device and medical diagnostics area, connected to the fight against the Covid-19 pandemic.

Consolidated gross profit⁶ was equal to €70,113 thousand in 2020, against €78,373 thousand in 2019. The decline (equal to -€8,260 thousand in absolute value and -10.5% as a percentage), net of the exchange rate effect equal to -€1,111 thousand, is mainly due to the decrease in sales, particularly in the Nitinol medical device business (Medical Division), which suffered the most from the Covid-19 pandemic due to the postponement of non-urgent treatments. Despite the decline in revenues, the **gross profit margin⁷** remained substantially stable (41.6% in 2020, against 43% in 2019), due to increased margins in the Vacuum Technology and Specialty Chemicals Divisions. Lastly, margins also increased in the Advanced Packaging Division, due to the gradual replacement of metallised products with lacquer products with higher added value. Please refer to the analysis by operating sector for further details.

The table below shows the 2020 consolidated gross profit or loss by Division, compared with the previous year.

(thousands of euro)

| Business Unit | 2020 | 2019 | Total difference | Difference % |
|--------------------------------|---------------|---------------|------------------|---------------|
| Metallurgy | 31,281 | 33,708 | (2,427) | -7.2% |
| <i>% on net sales Division</i> | <i>49.6%</i> | <i>52.3%</i> | | |
| Vacuum Technology | 7,497 | 5,663 | 1,834 | 32.4% |
| <i>% on net sales Division</i> | <i>60.1%</i> | <i>53.5%</i> | | |
| Medical | 27,947 | 35,601 | (7,654) | -21.5% |
| <i>% on net sales Division</i> | <i>38.0%</i> | <i>41.9%</i> | | |
| Specialty Chemicals | 3,285 | 2,803 | 482 | 17.2% |
| <i>% on net sales Division</i> | <i>27.0%</i> | <i>22.7%</i> | | |
| Advanced Packaging | 545 | 598 | (53) | -8.9% |
| <i>% on net sales Division</i> | <i>7.3%</i> | <i>6.0%</i> | | |
| Not Allocated | (442) | 0 | (442) | 0.0% |
| <i>% on net sales Division</i> | <i>n.a.</i> | <i>n.a.</i> | | |
| Gross profit | 70,113 | 78,373 | (8,260) | -10.5% |
| <i>% on net sales</i> | <i>41.6%</i> | <i>43.0%</i> | | |

⁶ Calculated as the difference between net consolidated revenues and industrial costs directly and indirectly attributable to the products sold.

⁷ Calculated as the ratio between the gross profit and the net consolidated revenues.

The gross profit of the **Metallurgy Division** was equal to €31,281 thousand in 2020, against €33,708 thousand in 2019, while the gross profit margin fell from 52.3% to 49.6%: the decrease, both in absolute value and as a percentage of consolidated revenues, is almost entirely due to the industrial SMA segment, heavily penalized by the dual effect of tensions between the USA and China and Covid-19 on the consumer electronics segment and by the effect of Covid-19 alone on the automotive sector. Gross margins in the electronic devices segment also fell (from 60.7% to 55.6%), despite the increase in revenues, due to a different product mix, but this decrease was offset by the increase in the gross margin in the security and defence business, as a result of higher sales and related economies of scale.

Gross profit in the **Vacuum Technology Division** was equal to €7,497 thousand in 2020, up strongly (+32.4%) on the €5,663 thousand in 2019. This growth is due both to higher sales and to the higher margins (from 53.5% to 60.1%), boosted by a different product mix, with an increase in sales in the particle accelerators sector, characterized by higher margins.

In the **Medical Division**, the gross profit was equal to €27,947 thousand in 2020, against €35,601 thousand in 2019 (-21.5%), while the gross profit margin was equal to 38%, against 41.9% in the previous year. The decrease, both in absolute value and as a percentage of revenues, is mainly due to the effect of the Covid-19 pandemic on sales and to the costs for production inefficiencies from the setup of a new tube department in Bethel (in particular, increase in indirect production costs).

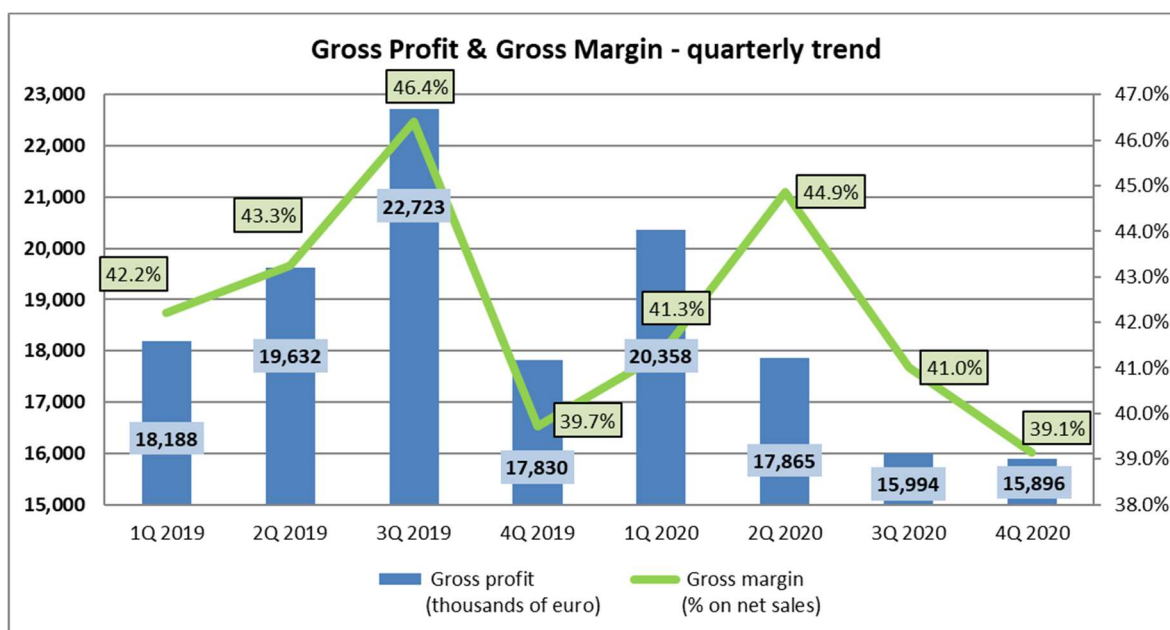
The **Specialty Chemicals Division** closed 2020 with a gross profit equal to €3,285 thousand (27% of revenues), up 17.2% compared to €2,803 thousand (22.7% of revenues) in the previous year. However, the 2019 financial year had been penalized by costs for the disposal of non-compliant products equal to €578 thousand, net of which both the gross profit and the gross margins would have been aligned with the current year (€3,381 thousand, respectively, equal to 27.4% of consolidated revenues in 2019): sales pressure in the segment of advanced components for the mobile phone market was offset by the gradual consolidation of sales of dispensable dryers for passive matrix OLED applications in China and in Taiwan, characterized by higher margins.

The **Advanced Packaging Division** closed 2020 with a gross profit of €545 thousand (7.3% of revenues), against €598 thousand in 2019 (6% of revenues): despite the decline in revenues, there was an increase in gross margins, as a result of the aforementioned increase in sales of lacquer products, characterized by higher added value, while the more traditional metallised products were phased out.

The **unallocated cost of sales**, equal to €442 thousand, mainly refers to costs⁸ incurred for a project to renovate and modernise some production units at the Lainate facility.

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

⁸ Costs equal to €439 thousand in total.



It should be noted that the Covid-19 pandemic began to produce effects on the **gross industrial profit** only from the second quarter onwards. The **gross profit margin** remained constant over the quarters, around 40%, with an increase in the second quarter (gross margin equal to 44.9%) due to temporary increases in inventories, especially in the medical sectors and in the Specialty Chemicals Division.

The **consolidated operating profit** in 2020 was equal to €16,274 thousand (9.6% of consolidated revenues), against €26,772 thousand in the previous year (14.7% of consolidated revenues). Excluding the negative exchange rate effect (-€822 thousand) and the non-recurring items of both years, the decrease was equal to -€7,053 thousand (-27.7%), in line with the decline in the gross profit.⁹ With regard to non-recurring items, in the current year, costs were incurred for donations to research institutions and hospitals in connection with Covid-19, equal to €691 thousand, as well as general and administrative costs for the management of the pandemic in the various production units (in particular, sanitation and safety of employees), equal to €643 thousand. In 2019, the item “Other net income (expense)” included a consolidated capital gain equal to €1,208 thousand¹⁰ for the sale to the joint venture Flexterra, Inc. of OLET patents owned by E.T.C. S.r.l. in liquidation, as well as a €566 thousand indemnity for the non-compliance of some products, for which SAES has been found not to be responsible. Lastly, in 2019, severance costs for €485 thousand were recorded as extraordinary operating costs, related both to the conclusion of the process to reduce the staff of the Parent Company, started in 2018 after the sale of the gas purification business, and to the phase-out of metallised products in the packaging sector.

Please refer to the analysis by operating sector for further details.

The following table shows the 2020 consolidated operating income by Division, compared with the previous year.

⁹ -€7,149 thousand, net of the exchange rate effect.

¹⁰ Capital gain recognized only limited to the minority interest in the joint venture, in accordance with IAS 28.

(thousands of euro)

| Business Unit | 2020 | 2019 | Total difference | Difference % |
|--------------------------------|---------------|---------------|------------------|---------------|
| Metallurgy | 20,160 | 22,606 | (2,446) | -10.8% |
| Vacuum Technology | 3,708 | 1,758 | 1,950 | 110.9% |
| Medical | 19,841 | 26,161 | (6,320) | -24.2% |
| Specialty Chemicals | 1,562 | 2,939 | (1,377) | -46.9% |
| Advanced Packaging | (2,520) | (3,238) | 718 | -22.2% |
| Not Allocated | (26,477) | (23,454) | (3,023) | 12.9% |
| Operating income (loss) | 16,274 | 26,772 | (10,498) | -39.2% |
| <i>% on net sales</i> | <i>9.6%</i> | <i>14.7%</i> | | |

The operating profit of the **Metallurgy Division** was equal to €20,160 thousand in 2020, against €22,606 thousand in 2019: the decrease -€2,446 thousand, is in line with the decrease in gross industrial profit. The increase in research and development costs (in particular, higher personnel expenses in the Parent Company) was offset by the reduction in commissions to third parties due to lower sales of SMA trained wire, within the “sales costs” item.

The operating profit of the **Vacuum Technology Division** was equal to €3,708 thousand (29.7% of consolidated revenues), more than doubled compared to €1,758 thousand (16.6% of revenues) in the previous year. Also in this case, the strong increase is almost entirely due to the increase in revenues and gross profit, against stable operating costs.

The operating profit of the **Medical Division** was equal to €19,841 thousand (27% of consolidated revenues), against €26,161 thousand (30.8% of consolidated revenues) in 2019. The decrease in gross profit was the result of both the reduction in revenues due to the Covid-19 pandemic and production inefficiencies for the construction of a new department dedicated to the production of Nitinol tubing; this was partly offset by lower operating expenses, which benefited from a favourable exchange rate effect (in particular, lower personnel costs, thanks to the greater flexibility of employment contracts in the USA and government measures to support businesses, as well as lower travel expenses and fewer consulting costs).

The operating profit of the **Specialty Chemicals Division** was equal to €1,562 thousand (12.8%), against €2,939 thousand (23.8%) in the previous year. Excluding from 2019 the capital gain from the sale of IP to the joint venture Flexterra, equal to €1,208 thousand, the operating profit was stable in these two years.

The operating loss of the **Advanced Packaging Division** was equal to -€2,520 thousand, against -€3,238 thousand in the previous year. Against stable gross profits, the reduction in operating expenses (in particular, lower R&D consulting costs, lower transport costs on sales and travel costs, as well as lower agent commissions) made it possible to contain the operating loss compared to 2019. Finally, it should be noted that, in 2019, operating expenses included non-recurring severance costs equal to €180 thousand.

The unallocated cost of sales (**Not Allocated**), equal to -€26,477 thousand, against -€23,454 thousand in 2019, include both corporate costs, i.e. those expenses that cannot be directly attributed or allocated in a reasonable way to the business sectors, but refer to the Group as a whole (corporate costs), and the costs related to the basic research projects, aimed to diversify into innovative businesses.

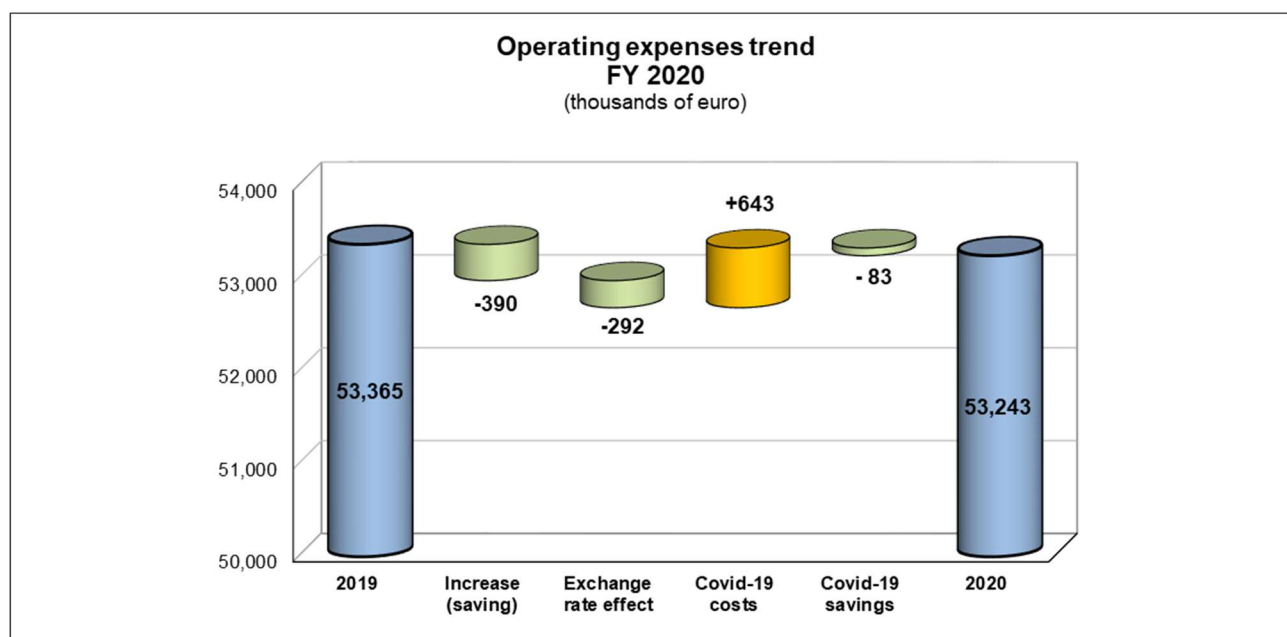
Excluding non-recurring items (in 2020, €691 thousand for Covid-19 donations, as well as €643 thousand for extraordinary expenses¹¹ incurred by the Group in connection with the pandemic; in 2019, €305 thousand for severance costs), the unallocated operating loss increased by €1,994 thousand (from €23,149 thousand in 2019 to €25,143 thousand in 2020): in particular, there was an increase in consulting expenses, especially in the IT

¹¹ In particular, costs for sanitization and adaptation of access points and workspaces to ensure employee safety, as well as disease prevention expenses and consulting and training costs, again related to the pandemic.

area, due to the implementation of new IT systems, as well as in the costs of the variable remuneration¹² to Executive Directors.

Consolidated operating expenses were equal to €53,243 thousand (31.6% of revenues), against €53,365 thousand (29.3% of revenues) in the previous year. Excluding the exchange rate effect (-€292 thousand), operating costs in 2020 were substantially in line with those of 2019. In particular, there was an organic reduction in **sales costs** (-14%), due to lower travel expenses and marketing costs as a result of the Covid-19 pandemic, as well as a reduction in commissions to third parties due to lower sales of SMA trained wire and the phase-out of metallised products and decrease in severance costs¹³, as well as a decrease in **research and development** costs (-5.2% due to lower consulting services, as well as lower costs for travel and for the use of auxiliary materials, again due to Covid-19). This was offset by an organic increase in **general and administrative expenses** (+8.8%). The latter include non-recurring costs, equal to €643 thousand, incurred to manage the Covid-19 emergency (in particular, costs for sanitization and adaptation of access points and workspaces to ensure employee safety, as well as disease prevention expenses and consulting and training costs). There was also an increase in consulting costs, especially in the IT area, for the implementation of new IT systems as well as higher costs for the variable remuneration¹⁴ to the Executive Directors and amortization charges for the new Milan office of the Parent Company. Lastly, it should be noted that, in 2019, general and administrative expenses included non-recurring severance costs for €305 thousand.

The chart below shows the trend of the consolidated operating expenses in 2020, with the effect attributable to exchange rates and non-recurring savings/costs related to Covid-19.



Overall, **labour costs** in 2020 were equal to €76,352 thousand (of which €125 thousand for severance payments), against €77,638 thousand in 2019 (of which €763 thousand¹⁵ for severance payments). Excluding the aforementioned severance costs and the exchange rate effect (-€849 thousand), labour costs were in line with the previous year (+€201 thousand organic change): the increase in labour costs due to the increase in the average number of employees, especially at the US affiliates, was offset by a decrease recourse to temporary work. The impact of Covid-19 on labour costs was equal to -€261 thousand (mainly, savings related to the use of social shock absorbers and other government measures to support businesses, in Italy and in the USA).

¹² In particular, provision for three-year monetary incentive plans, expiring at the end of the 2020 financial year.

¹³ In 2019 non-recurring severance costs for €180 thousand had been recognised.

¹⁴ In particular, provision for three-year monetary incentive plans, expiring at the end of the 2020 financial year.

¹⁵ Of which €485 thousand non-recurring because related to the conclusion of the job cutting process at the Parent Company started in 2018 after the sale of the gas purification business, and the phase-out of metallised products in the packaging sector.

Net income for the year includes the **amortization of intangible assets and rights of use of leased assets**, as well as **depreciation of property, plant and equipment**, equal to €10,729 thousand, against €9,446 thousand in the previous year: the increase is mainly related to depreciation/amortization of the property purchased by Memry Corporation in May 2019 and of the additional production floorspace leased by the same company from the second half of 2019. In addition, depreciation on the new leased offices of the Parent Company in Milan and the new machinery for the lacquering of sustainable packaging plastic films, installed at the Roncello plant was included in the 2020 figures.

Consolidated EBITDA¹⁶ was equal to €27,225 thousand in 2020 (16.1% of consolidated revenues), against €36,502 thousand in 2019 (20% of consolidated revenues). Net of the negative exchange rate effect (-€930 thousand) and excluding all non-recurring items (-€691 thousand Covid-19 donation costs in 2020 and €723 thousand net revenues¹⁷ in the previous year), the 2020 EBITDA would have been equal to €28,846 thousand (17.1% of revenues), against €35,779 thousand (19.6% of revenues) in 2019. The decrease (-€6,933 thousand in absolute value, -19.4% in percentage terms) was mainly concentrated in the Nitinol Medical Division and in the business of shape memory alloys for industrial applications, which suffered the most from the fall in revenues, due to the Covid-19 pandemic and US-China tensions.

The table below shows the reconciliation of EBITDA and operating income in 2020, together with a comparison with the previous year.

(thousands of euro)

| | 2020 | 2019 | Total difference | Total difference % |
|---|---------------|---------------|------------------|--------------------|
| Operating income | 16,274 | 26,772 | (10,498) | -39.2% |
| Property, plant and equipment depreciation & intangible assets amortization | (8,569) | (7,907) | (662) | 8.4% |
| Right of use amortization | (2,160) | (1,539) | (621) | 40.4% |
| Write-down of assets | (166) | (310) | 144 | -46.5% |
| Bad debt provision (accrual) release | (56) | 26 | (82) | -315.4% |
| EBITDA | 27,225 | 36,502 | (9,277) | -25.4% |
| <i>% on net sales</i> | <i>16.1%</i> | <i>20.0%</i> | | |

The balance of **other net income (expenses)** was negative for -€596 thousand, against a positive balance of +€1,764 thousand in 2019.

The decrease, equal to -€2,360 thousand, is due to the costs for the Covid-19 donations in 2020, equal to €691 thousand, as well as to non-recurring income recognized in 2019. The latter included income from related parties, equal to €1,208 thousand, for the sale to the joint venture Flexterra, Inc. of IP owned by E.T.C. S.r.l. in liquidation and other non-recurring revenues, equal to €249 thousand, for insurance reimbursements and favourable settlement of legal disputes, as well as a €566 thousand indemnity received by the Parent Company for the disposal of finished products, found to be non-compliant for reasons not attributable to SAES, but to a sub-contractor. Lastly, in 2020, some Italian companies of the Group reported income representing tax credits on R&D expenses¹⁸ (€259 thousand) and on sanitation costs¹⁹ (€32 thousand).

The net balance of **financial income (expenses)** was a negative and equal to -€1,243 thousand, against a positive balance of €6,585 thousand in 2019.

¹⁶ 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 the reference accounting standards, the method applied by the Group may not be the same as that adopted by other Groups. EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is calculated as "Earnings before interest, taxes, write-downs, depreciation and amortisation".

¹⁷ +€1,208 thousand for the consolidated capital gain realized on the sale of IP to the joint venture Flexterra and -€485 thousand for severance costs.

¹⁸ Law No. 160, December 27, 2019, art. 1, par. 198-209 (2020 Budget Law).

¹⁹ Law Decree 34/2020, art. 125.

The negative change was mainly due to the fact that in 2019 financial income on securities was equal to €7,045 thousand²⁰, while in the current year the securities management ended the year with only a small positive balance (€236 thousand): the sharp fall in the fair value of securities recorded in the first months of the year, due to the negative impact of the Covid-19 pandemic on the financial markets, was gradually reversed in the following months, so that valuation of securities at the end of the year was in line with the valuation as at December 31, 2019.

It should also be noted there was an increase in interest rates on short and long-term loans²¹ and in bank charges, only partly offset by the increased coupon income²² (for a total net increase equal to €783 thousand).

Write-downs of financial receivables and other financial assets were equal to €2,965 thousand in 2020, against €414 thousand in the previous year. The increase is mainly due to the write-down of the financial receivable for the convertible loan of \$3 million granted in July 2020 by SAES Getters International Luxembourg S.A. to Flexterra, Inc. This write-down, equal to €2,539 thousand (of which €2,445 thousand for the principal portion and €94 thousand for interest accrued in the second half of the year), was made to recognise that Flexterra's five-year plan does not provides for its recovery.

Lastly, in both years, the item includes the write-down of the financial receivable for the interest accrued during the year on interest-bearing loans granted in the 2014-2018 period by SAES Nitinol S.r.l. to the joint venture Actuator Solutions GmbH, also unlikely to be recovered (€481 thousand in 2020 and €480 thousand in 2019).

The **valuation with the equity method of jointly controlled companies** produces a -€1,704 thousand net loss, of which -€1,735 thousand²³ for the joint venture Flexterra, +€309 thousand for SAES RIAL Vacuum S.r.l. and -€278 thousand for the release to the income statement of the translation reserve generated in the past by the consolidation of the Asian subsidiaries of Actuator Solutions GmbH, following their liquidation. This figure compares to a -€1,757 thousand loss in the previous year, mainly related to Flexterra. For further details, please refer to the paragraph "Performance of the joint ventures in 2020", Note no. 8 and Note no. 17. It should be noted that, although the joint venture Actuator Solutions ended 2020 with a small profit, the share of this net profit attributable to SAES was not recorded by the Group as the consolidated equity of the joint venture is still negative, against a SAES equity interest that has already been fully written off.

Write-downs of companies evaluated at the equity method were equal to -€591 thousand as at December 31, 2020 and were the result of the impairment test on the investment in Flexterra (for details, see Note no. 17). With regard to Flexterra, the industrial production activities of the business partners have taken longer than originally estimated, due to the Covid-19 crisis: the start of the actual production and sales activity by the joint venture is now scheduled for the end of 2021, about one year late compared to the initial plans. Due to these delays as well as to the general uncertainty, partly originated by the Covid-19 pandemic, a 15% reduction in operating cash flows resulting from the five-year plan of the company was prudentially assumed for the purposes of the impairment test and a 30% *WACC* was used, similar to that used in the previous year and consistent with the current pilot production stage of the joint venture. As a result of this analysis, the equity investment in Flexterra was written off as at December 31, 2020; no provision for write-downs has been made in relation to this equity investment, as currently there is no legal or implicit obligation for the SAES Group to recapitalize it.

Last year, the total impairment loss was equal to -€1,155 thousand and included, in addition to the write-down following impairment test on the Flexterra investment, equal to -€555 thousand, also a provision for risks for the equity investment in Actuator Solutions, equal to -€600 thousand.

The sum of the **exchange rate differences** recorded a negative balance in 2020 equal to -€477 thousand, against a negative balance of -€104 thousand in the previous year. Both these balances are mainly due to the effect of

²⁰ Of which €5,092 thousand for the valuation of securities at fair value and €1,953 thousand for coupons and securities sale, net of management fees.

²¹ Higher interest expense associated with the loan signed in April 2019 to fund the purchase of treasury shares.

²² In particular, commissions on credit lines taken out during the current year.

²³ Obtained by adding to the share in the 2020 loss of the joint venture attributable to SAES (-€1,811 thousand) the reversal of the amortization on the portion of the capital gain of the IP sold by E.T.C. S.r.l. to Flexterra, Inc. (+€76 thousand), eliminated at consolidated level, in application of IAS 28.

the depreciation of the US dollar against the euro on sales, including inter-company transactions, concentrated in the second half of the year.

Consolidated income before taxes was equal to €9,294 thousand (5.5% of consolidated revenues) against income before taxes of €29,927 thousand in 2019 (16.4% of consolidated revenues).

The decrease was due to both the decrease in revenues and the consequent decrease in gross profit, and to the non-recurring items already mentioned that caused the decrease in the operating profit, plus the lower profit on financial operations, including write-downs.

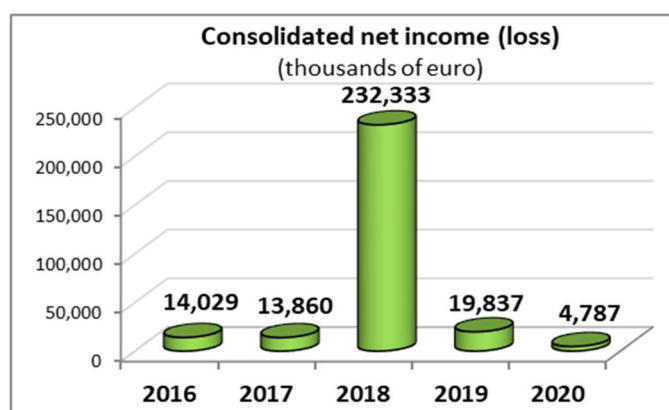
Income taxes in 2020 were equal to €4,507 thousand, down compared to €10,242 thousand in 2019, and mainly consisted of taxes of US companies. The decrease on the previous year is mainly due to the reduction in US taxes due to lower taxable values and to taxes on income (rather than on cost) of the subsidiary SAES Investments S.A., which ended 2020 with a loss before taxes, due to the fair value measurement of the securities portfolio, penalized by the Covid-19 crisis.

It should be noted that the item “income taxes” for 2020 includes income of €389 thousand related to the release of deferred tax liabilities of the Parent Company, following the realignment of the tax value of some assets, in application of Law Decree 104/2020.

The Group **tax rate** was equal to 48.5% (34.2% in 2019), still significant since both the Parent Company and SAES Coated Films S.p.A., like in the previous financial period, ended this year with a negative taxable income, not measured as deferred tax asset.

Net profit from operating activities was equal to €4,787 thousand in 2020 (2.8% of consolidated revenues), against €19,685 thousand in 2019 (10.8% of consolidated revenues).

In 2020, the **net profit from discontinued operations** was zero. In 2019, the profit from discontinued operations was equal to €152 thousand: this mainly consisted of the positive adjustment to the sale price for the gas purification business due to the settlement of the effective value of the tax credit of the companies sold - SAES Getters USA, Inc. and SAES Pure Gas, Inc. - resulting from the tax return for the period January 1 – June 24, 2018, filed in April 2019.



Consolidated net income in 2020 was €4,787 thousand (2.8% of consolidated revenues), against €19,837 thousand (10.9% of consolidated revenues) in the previous year.

Financial position – Investments – Other information

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

(thousands of euro)

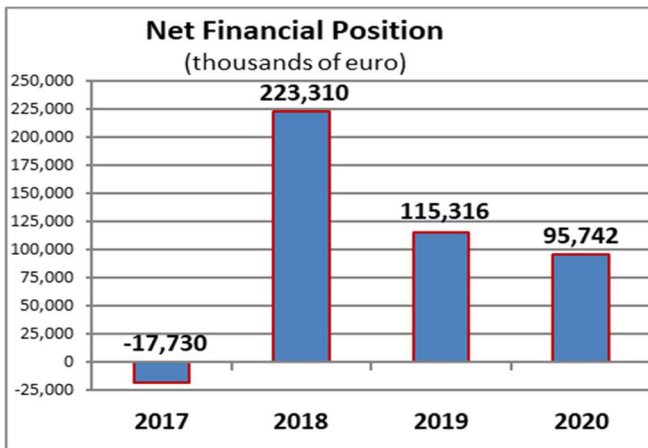
| | December 31, 2020 | June 30, 2020 | December 31, 2019 |
|--|----------------------|------------------|----------------------|
| Cash on hands | 10 | 11 | 11 |
| Cash equivalents | 30,668 | 31,212 | 48,623 |
| Cash and cash equivalents | 30,678 | 31,223 | 48,634 |
| Related parties current financial assets | 1 | 1 | 1 |
| Securities - short term | 70,661 | 70,125 | 70,779 |
| Other current financial assets | 11 | 0 | 0 |
| Current financial assets | 70,673 | 70,126 | 70,780 |
| Bank overdraft | (32,514) | (27,066) | (27,195) |
| Current portion of long term debt | (5,199) | (5,237) | (5,365) |
| Derivative instruments evaluated at fair value | (32) | (40) | (50) |
| Other current financial liabilities | (1,001) | (1,679) | (900) |
| Current financial liabilities for leases | (1,932) | (1,771) | (1,876) |
| Current financial liabilities | (40,678) | (35,793) | (35,386) |
| Current net financial position | 60,673 | 65,556 | 84,028 |
| Related parties non current financial assets | 49 | 49 | 49 |
| Securities - long term | 134,087 | 130,236 | 134,673 |
| Non current financial assets | 134,136 | 130,285 | 134,722 |
| Long term debt, net of current portion | (95,496) | (98,125) | (100,724) |
| Non current financial liabilities for leases | (3,571) | (2,072) | (2,710) |
| Non current financial liabilities | (99,067) | (100,197) | (103,434) |
| Non current net financial position | 35,069 | 30,088 | 31,288 |
| Net financial position | 95,742 | 95,644 | 115,316 |

The **consolidated net financial position** at December 31, 2020 was positive for €95,742 thousand (cash for +€30,678 thousand, securities for +€204,748 thousand and net financial liabilities for -€139,684 thousand). As at December 31, 2019 the net financial position was also positive and equal to €115,316 thousand (cash for €48,634 thousand, securities for €205,452 thousand and net financial liabilities for -€138,770 thousand).

Despite positive operating cash flows exceeding €12.5 million, the net financial position decreased by -€19,574 thousand compared to December 31, 2019 mainly as a result of net investments in tangible and intangible assets (-€13,189 thousand) and dividends paid at the end of April 2020 (-€9,198 thousand). The following should also be mentioned: within the investment activities, the investments in the venture capital fund EUREKA! and in Cambridge Mechatronics Limited (-€1,384 thousand) as well as positive cash flows, equal to €236 thousand²⁴, related to the securities portfolio; within financial activities, negative cash flows for lease contracts for -€3,369 thousand²⁵ and the write-down of the principal portion of the convertible loan granted to Flexterra at the end of the year (-€2,445 thousand) as well as interest accrued on bank loans (-€1,467 thousand).

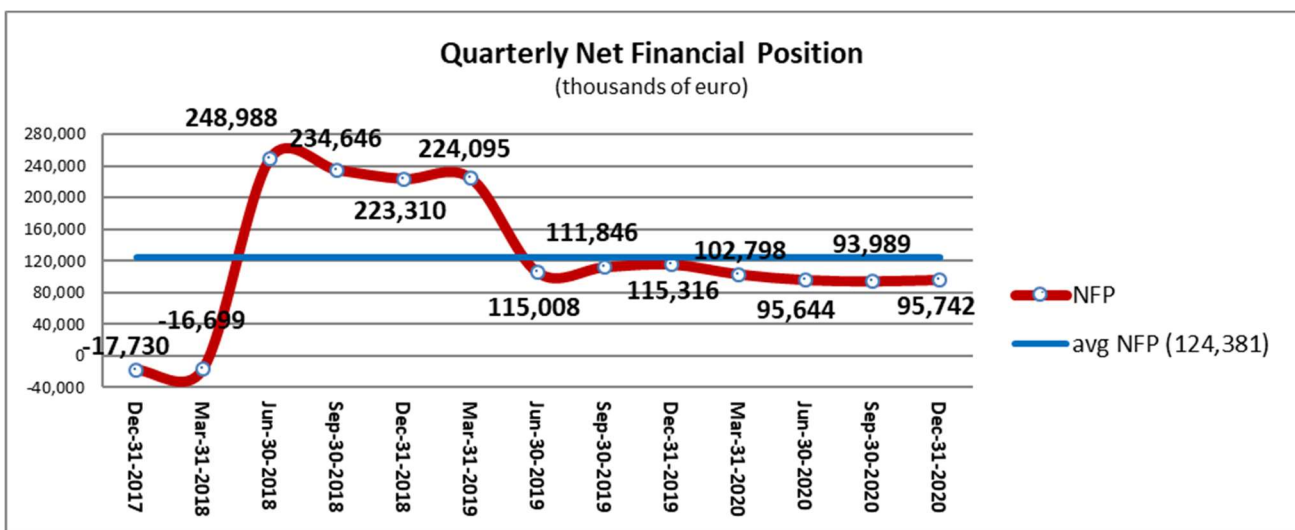
²⁴ Coupons collected and capital gains on securities (+€2,114 thousand), net of management fees (-€276 thousand) and changes in the fair value of securities (-€1,602 thousand).

²⁵ Financial payables for new lease contracts entered into during the year (-€3,336 thousand) and interest accrued in the period (-€168 thousand), net of the early termination of some contracts (+€135 thousand).

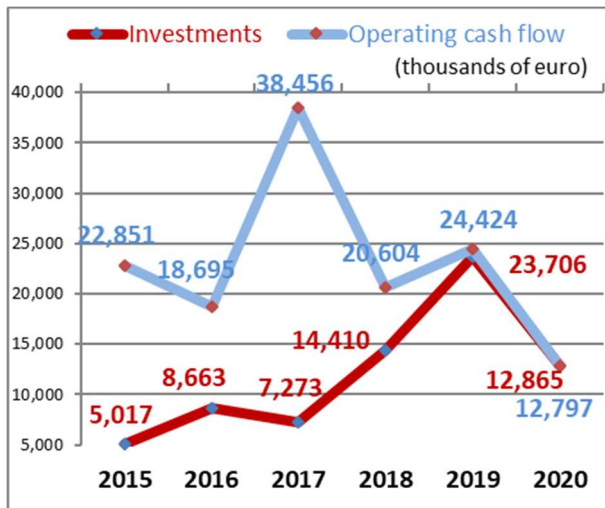


The exchange rate effect was negative (-€1,267 thousand), mainly due to the effect of the depreciation of the US dollar and the renminbi as at December 31, 2020, compared to the end of 2019, on cash and cash equivalents in these currencies held by the US subsidiaries and by the Chinese subsidiary SAES Getters (Nanjing) Co., Ltd.), respectively.

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



The deterioration of the net financial position in the first quarter of 2020 (-€12,518 thousand) was mainly due to the write-down of securities in the portfolio due to Covid-19 (-€10,302 thousand). In the second quarter, despite the partial recovery in the fair value of securities (+€3,826 thousand), there was a decrease in net financial position (-€7,154 thousand) due to the payment of dividends at the end of April 2020 (-€9,198 thousand). In the third quarter, financial payables were recognised with the signing of new lease contracts (-€2,476 thousand), which caused a further deterioration of the net financial position (-€1,654 thousand), despite the gradual recovery of the fair value of securities (+€1,540 thousand). Lastly, in the fourth quarter, the further recovery of securities (+€3,334 thousand) resulted in a trend reversal, with an improvement in the net financial position equal to +€1,752 thousand.



The **cash flow from operating activities** was positive by +€12,797 thousand, against cash flows of +€24,424 thousand in the previous year: in addition to the decrease in own funds, essentially in line with the decrease in consolidated EBITDA, there was a larger increase in net working capital, only partially offset by lower tax payments as a result of lower tax advances paid by the US affiliates^(*). With regard to working capital, there was an increase in inventories in the Nitinol segment, due to the launch of the new tubing department in Bethel and order fluctuations for Covid-19, as well as a different timing of the procurement of raw materials in the security and defence business. On the debit side, the decrease is mainly due to lower purchases of raw materials in the last part of the year, both due to Covid-19 and the phase-out of metallised products in the packaging division. Lastly, it should be noted that the item “Trade payables” as at December 31, 2019 included investments in new machinery for the advanced packaging segment.

In 2020 cash outflows for **investments in property, plant and equipment** were equal to €12,865 thousand down with respect to €23,706 thousand in 2019; investments in intangible assets were, instead, not significant and mainly related to IT projects (€370 thousand against €461 thousand as at December 31, 2019).

Capex in 2020 included investments related with the construction of a new department to manufacture Nitinol tubing at the Bethel plant of Memry Corporation (a project started in 2019), and those for the expansion²⁶ of the building of SAES Smart Materials, Inc., as well as investments in expansion of the production capacity for a number of existing lines, again in the Nitinol business. Lastly, it should be noted that the capex of the Parent Company included investment in the Avezzano plant to adapt the line to the production of advanced getters for the consumer electronics market, as well as for the purchase of new equipment at the Lainate plant especially dedicated to the electronic devices business (a new sputtering machine), in the industrial SMA sector (a new wire-drawing machine and a new SMA rewinder) and in the vacuum systems sector (NEG coatings department). Lastly, SAES Getters S.p.A. made improvements to the Milan offices leased for the Corporate and Management functions.

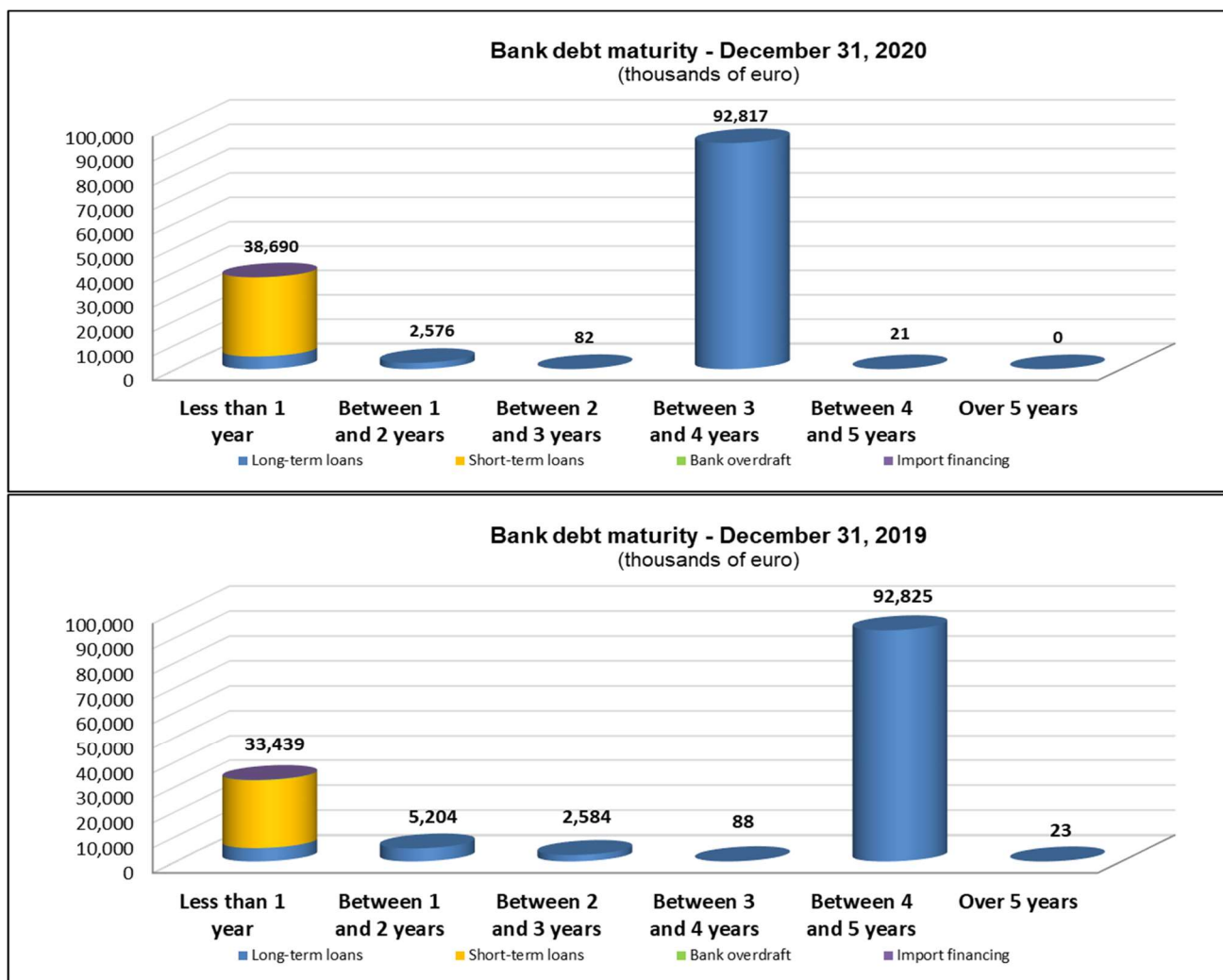
The higher value of investments in 2019 was mainly related to the purchase of the property, located in Bethel, where the production of Memry Corporation is located (€4,984 thousand, net of the advance of €260 thousand paid at the end of 2018), and to the new lines in the packaging business (in particular, completion of both the pilot line aimed at accelerating the development of flexible packaging products, and the second plastic film lacquering line and a new and more advanced metalliser, able to combine the metallization and the lacquering process). Please refer to Notes no. 14 and no. 15 for further details on capex.

With regard to the **disposals of fixed assets**, in 2020 the inflows from the disposal of assets were insignificant (+€46 thousand), while in 2019 they included the consideration for the sale to the joint venture **Flexterra, Inc.** of the IP OLET of E.T.C. S.r.l. in liquidation (€2,291 thousand).

²⁶ The objective of the expansion is to move within the same building some lines currently operating from adjacent but rented premises, in order to withdraw from the lease contract.

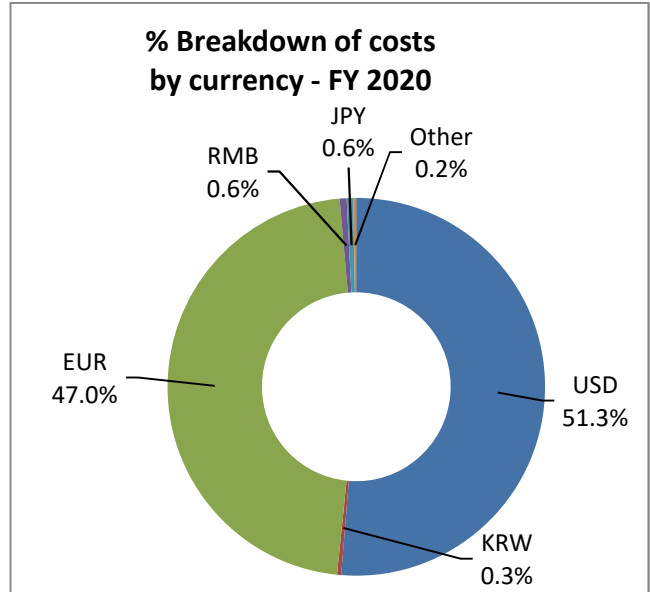
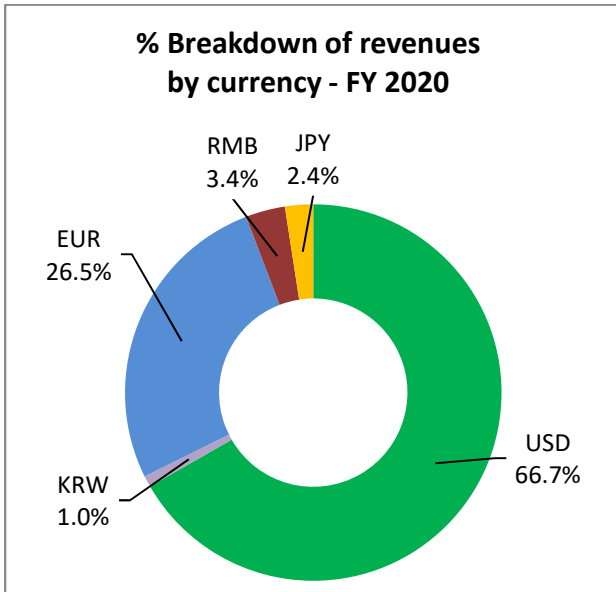
^(*) The tax advances of the US companies were calculated using the forecasting method and were down on the previous year since 2020 is expected to close with a lower taxable income than the previous year due to the effects of the Covid-19 pandemic. With regard to tax advances, it was also decided to include a tax relief for Memry Corporation (Section 168 (k)) which allows to deduct the entire value of the investments made in plant and machinery in the year they start operating, instead of distributing the tax depreciation of the assets over their useful life.

The following chart shows the **maturity profile of consolidated bank debt** as at December 31, 2020 compared with the end of the previous year.

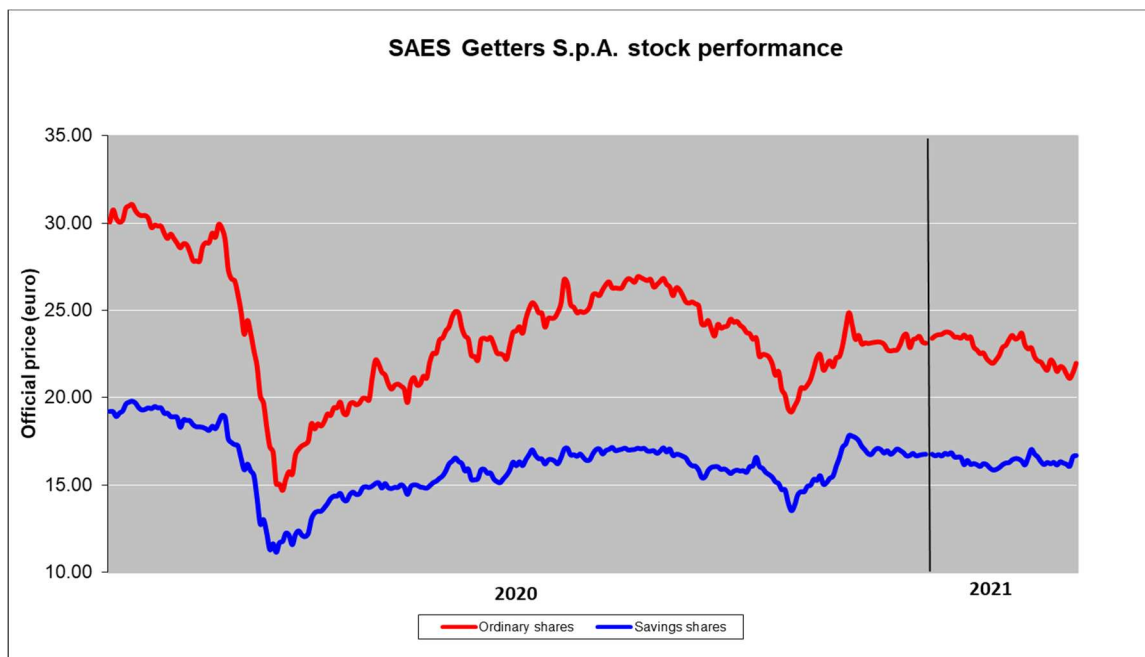


The debt maturing in 3 to 4 years (4 to 5 years as at December 31, 2019) refers mainly to the long-term loan signed in April 2019 with Mediobanca - Banca di Credito Finanziario S.p.A. to cover the outlay for the purchase of treasury shares (voluntary partial public tender offer finalized at the end of May 2019). This five-year loan is scheduled to be repaid on a lump-sum basis on the due date.

The **breakdown of revenues and costs** (cost of sales and operating expenses) **by currency** in 2020 is provided below.



The following chart shows the trend of **the official prices of ordinary and savings shares** in 2020 and in the first few months of 2021.



The value of ordinary shares, listed on the STAR Segment of the Mercato Telematico Azionario (electronic equity market) of Borsa Italiana, fell by -23.1% in 2020, against a -6.7% decrease recorded by the FTSE MIB index and a +12.3% increase recorded by the FTSE Italia Star index.

Conversely, savings shares have declined to a lesser extent (-12.8%) compared to ordinary shares.

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

| Ratios | | 2020 | 2019 | 2018 |
|---|--------|------|----------|---------|
| Operating income (loss)/Net sales | % | 9.6 | 14.7 | 9.4 |
| Income (loss) before taxes/Net sales | % | 5.5 | 16.4 | 0.2 |
| Income (loss) from continued operations/Net sales | % | 2.8 | 10.8 | -4.8 |
| Income (loss) from continued operations/Average equity (ROAE) | % | 2.0 | 6.9 (**) | -3.6 |
| R&D expenses/Net sales | % | 6.2 | 6.1 | 6.9 |
| Depreciation of tangible fixed assets/Net sales | % | 4.3 | 3.6 | 4.1 |
| Cash flow from operating activities/Net sales | % | 7.6 | 13.4 | 12.9 |
| Taxes/Income (loss) before taxes | % | 48.5 | 34.2 | 2,776.0 |
| Net sales/average number of staff (*) | k euro | 170 | 189 | 174 |
| Depreciation fund/Tangible fixed assets | % | 65.3 | 65.6 | 70.7 |

(*) Data calculated without considering the employees of the joint ventures, consolidated using the equity method.

(**) The percentage doesn't match with that reported in the 2019 Annual Financial Report after the reduction in the portion of the 2019 profit destined for dividends, resolved by the Board of Directors on March 30, 2020 and approved by the Shareholders' Meeting on April 21, 2020.

Performance of subsidiaries in 2020

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 purification business, which was completed at the end of June 2018. On June 15, 2018, SAES Getters/U.S.A., 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 this transfer, **SAES Getters USA, Inc.** and its subsidiary **SAES Pure Gas, Inc.** were sold to Entegris, Inc. on June 24, 2018.

In the current year, the company recorded consolidated revenues of \$29,029 thousand (€25,415 thousand, at the average exchange rate for 2020), against \$29,402 thousand (€26,263 thousand, at the average exchange rate for 2019) in the previous year. The consolidated net profit was equal to \$4,843 thousand (€4,240 thousand), against a consolidated net profit of \$4,994 thousand in 2019 (€4,461 thousand).

Further notes are provided below.

The US parent company **SAES Getters/U.S.A., Inc.**, mainly operating in the Metallurgy Division, particularly in the security and defence business, closed 2020 with revenues of \$20,860 thousand (corresponding to €18,263 thousand), compared to \$19,940 thousand in 2019 (equal to €17,812 thousand): the increase (+4.6%) was concentrated in the security & defence segment, driven by higher sales of getter components for infrared sensors and night vision systems; the growth in revenues in the electronic devices business was instead offset by the structural decline in the lamp segment.

The company ended the year with a net profit of \$4,843 thousand (€4,240 thousand) against a net profit of \$4,994 thousand in 2019 (€4,461 thousand): the slight decrease in net income (-3%), despite increased revenue (+4.6%) and the increase in gross profit (+5.8%), was due to the lower gain from the measurement at equity of the investment in Spectra-Mat, Inc., to the fact that in the first half of 2019 the US parent company had received an insurance refund of around \$0.2 million, and to the increase in sales costs (in particular, higher labour cost as a result of the strengthening of the sales unit).

The subsidiary **Spectra-Mat, Inc.**, Watsonville, CA (USA), operating in the Sintered Components for Electronic Devices & Lasers Business, recorded revenues of \$8,169 thousand in 2020 (€7,152 thousand), against \$9,462 thousand in the previous year (€8,452 thousand): the decrease (-13.7%) was concentrated in avionics applications, which suffered the most from the Covid-19 pandemic.

The company ended the year with a net profit of \$843 thousand (€738 thousand) against \$1,036 thousand in 2019 (€925 thousand), mainly due to the decrease in revenues mentioned above and the related smaller economies of scale.

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

The company, which is owned directly by SAES Getters S.p.A., operates with the objective of managing the exports of all the US Group's companies.

In 2020, the net profit was equal to \$3,523 thousand (€3,084 thousand), down by 14% compared to the previous year (\$4,095 thousand, equal to €3,658 thousand). The decrease was due to lower commissions received from all US companies and, in particular, from the affiliates Memry Corporation and SAES Smart Materials, Inc., the business of which was most affected by the Covid-19 pandemic following the postponement of elective treatments.

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.

SAES Getters (Nanjing) Co., Ltd. closed 2020 with revenues of RMB 47,819 thousand (€6,072 thousand), against RMB 48,067 thousand in the previous year (€6,214 thousand). The small decrease was concentrated in the area of shape memory alloys for industrial applications (sales penalized by tensions between the USA and China), only partially offset by a generalized growth in all other business segments. The decrease in revenues was accompanied by a decrease in the gross margin due to the less favourable sales mix, as well as the non-distribution of dividends by SAES Getters International Luxembourg S.A. (of which SAES Getters (Nanjing) Co., Ltd. held 10% of the capital stock until December 16, 2020, when the transfer of the equity investment to SAES Getters S.p.A., already holding the remaining 90% of the shares, was completed). This resulted in a decrease in net profit, from RMB 10,534 thousand (€1,362 thousand) to RMB 6,485 thousand (€824 thousand).

MEMRY GmbH in liquidation, Weil am Rhein (Germany)

In October 2017, the company, which manufactured and sold shape memory alloy components for medical and industrial applications in the European market, after transferring all the manufacturing and sales activities to other companies of the Group²⁷, started liquidation proceedings, expected to be finalized in the first half of 2021.

Memry GmbH closed the current year with a -€40 thousand loss (against a loss of -€81 thousand in 2019) due to certain residual costs - mainly consulting - in preparation for liquidation.

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

The company, wholly owned by SAES Getters S.p.A., has as its business purpose the design, production and sale of shape memory alloy instruments and actuators, getters and any other equipment for the creation of high vacuum, either directly or by means of interests and investments in other companies. In order to achieve its corporate purpose, on July 5, 2011, the company established the joint venture Actuator Solutions GmbH, together with the German group Alfmeier Präzision (for further details on the joint venture, please refer to 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 +€168 thousand profit, due to the partial release (€300 thousand revenue) of the provision for risks, amounting to €600 thousand, recognized as at December 31, 2019 on the equity investment in Actuator Solutions GmbH, following the improvement in the financial situation of the joint venture.

On the other hand, 2019 had closed with a -€815 thousand loss, as a result of the allocation (€600 thousand cost) of the aforementioned provision for risks.

In both years, the item includes the write-down (€481 thousand in 2020 and €480 thousand in 2019) of the financial receivable for the interest accrued during the year on interest-bearing loans granted in the 2014-

²⁷ Memry Corporation, SAES Smart Materials, Inc. and SAES Getters S.p.A. (Avezzano plant).

2018 period to the joint venture Actuator Solutions GmbH, as their recovery is deemed unlikely. For further details, please refer to Note no. 22 of the Consolidated financial statements.

Lastly, it should be noted that on March 12, 2020, SAES Getters S.p.A. resolved a capital payment of €800 thousand to SAES Nitinol S.r.l., aimed at covering the losses recognized during 2019 and creating a cash reserve of €21 thousand.

SAES INNOVATIVE PACKAGING S.r.l., Lainate, MI (Italy) (formerly E.T.C. S.r.l. in liquidation)

On July 24, 2020 the cancellation of the liquidation status of E.T.C. S.r.l. has become effective. Following this cancellation, the company name was changed from E.T.C. S.r.l. to SAES Innovative Packaging S.r.l. and its corporate purpose modified to allow the company to directly or indirectly take on investments or shareholdings in the packaging sector and to scout for new technologies in that sector.

The company ended 2020 with a net profit of €107 thousand, against a net profit of €1,970 thousand in 2019. The decrease is due to the fact that the net profit in 2019 included the capital gain (€2.3 million) generated by the sale of the intellectual property developed in the OLET area to the joint venture Flexterra, Inc. (as no patents were included among the assets, the capital gain was equal to the sale price).

SAES COATED FILMS S.p.A. (formerly Metalvuoto S.p.A.) – Roncello, MB & Lainate²⁸, MI (Italy)

SAES Coated Films S.p.A. (formerly Metalvuoto S.p.A.), 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. SAES Coated Films S.p.A. intends to compete in the “smart” food packaging sector, entering the market with a complete and innovative range of high-performance plastics, that are characterized by transparency, recyclability or compostability, and therefore with a low environmental impact.

In 2020, SAES Coated Films S.p.A. recorded revenues of €7,432 thousand, down (-25.7%) from €10,007 thousand in the previous year. However, the two figures are not comparable, since the offer of the second half of 2020 no longer includes the traditional metallised products, the production of which was suspended at the end of June, following the strategy of repositioning the offer on products with higher value added. The sales of the third and fourth quarters refer, in fact, almost entirely to innovative lacquer products, intended for recyclable and compostable applications, which recorded double-digit growth compared to the previous year.

The current year ended with a net loss of -€2,176 thousand, smaller than the -€2,893 thousand loss reported as at December 31, 2019: the decrease in sales and consequently gross profits were more than offset by lower costs for services provided by the Parent Company and charged back to SAES Coated Films S.p.A., as well as lower sales expenses (in particular, lower agent commissions, travel expenses and transport costs on sales). It should also be noted that sales costs for 2019 included non-recurring severance costs equal to €180 thousand.

Lastly, it should be noted that, on December 10, 2020, the Shareholders' Meeting of SAES Coated Films S.p.A. resolved a payment to the shareholders' account, equal to €5.5 million, to cover the losses expected for 2020 and any future loss recorded in 2021. Of this amount, €0.6 million was paid in cash and €4.9 million through the waiver by the Sole Shareholder SAES Getters S.p.A. of the receivables accrued up to October 31, 2020 from the invoicing of inter-company goods and services.

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.

The company ended the current year with a net loss of -€834 thousand, against a net profit of +€3,902 thousand in the previous year: the 2020 loss was mainly due to the negative change (around -€2 million) in the fair value of the securities owned by SAES Investments S.A., due to the financial crisis for Covid-

²⁸ On June 1, 2018, SAES Coated Films S.p.A. opened a unit at Lainate, at the premises of the Parent Company.

19, partially offset by coupon income (+€1.3 million). In 2019, the fair value measurement was positive for +€4.2 million, while the coupon income was equal to +€1.7 million.

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

The main objectives of SAES Getters International Luxembourg S.A. 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 2020, the company reported a net profit equal to +€2,374 thousand, against a net loss of -€3,497 thousand in 2019: the net profit was mainly due to dividends (+€8.5 million) received from the subsidiary Memry Corporation (dividends from subsidiaries were zero in 2019), only partially offset by the write-down of financial receivables (-€2.5 million) for the convertible loan granted during the year to the Flexterra, Inc. joint venture. There was also a write-down following impairment test on the investment in Flexterra, Inc. equal approximately to €3 million in 2020 and €3.4 million in the previous year.

Lastly, on December 16, 2020, the transfer of 10% of the capital stock of SAES Getters International Luxembourg S.A. from SAES Getters (Nanjing) Co., Ltd to SAES Getters S.p.A. (already owner of 90% of the shares) was approved by the authorities of the People's Republic of China. Following this transaction, the Parent Company holds 100% of the capital stock of the Luxembourg subsidiary.

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 the capital stock is held directly by the Parent Company SAES Getters S.p.A. The company sold its production activities in 2011 and operates as the Korean distributor of products made by other Group companies.

In 2020, the company recorded revenues of KRW 2,217 million (€1,648 thousand), an increase compared to KRW 1,711 million (€1,310 thousand) in 2019, mainly driven by the security & defence sector. In 2020 the company reported a loss of KRW -255 million (-€189 thousand), against a loss of KRW -358 million (-€274 thousand) in 2019: the smaller loss was due to the increase in sales, with gross margins remaining unchanged.

The company **SAES Smart Materials, Inc.**, based in New Hartford, NY (USA), active in the development, production and sale of Nitinol semi-finished products, reported revenues of \$20,092 thousand (€17,591 thousand) against \$24,092 thousand (€21,520 thousand) in 2019: the decrease (-16.6%) was concentrated in the medical sector, which suffered the most, especially in the central part of the year, from the effects of the Covid-19 pandemic and the consequent postponement of all elective therapies in the USA. Despite the slight improvement in gross margins, due to a more favourable mix, the decrease in revenues caused a decrease in net profit, which went from \$6,389 thousand (€5,707 thousand) in 2019 to \$5,251 thousand (€4,597 thousand) in 2020.

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 reported sales equal to \$75,067 thousand (€65,721 thousand) in 2020, against \$83,973 thousand (€75,009 thousand) in 2019: the decline (-10.6%) was mainly due to one major US customer cutting down its high stock levels from the period prior to the pandemic. It should also be noted that, especially in the middle of the year, there was a slowdown in the demand for medical devices due to hospitals' suspension of elective surgeries in order to focus resources on Covid-19 cases.

As a result of declining sales and gross profit margins, also penalized by production costs for the project, still in progress, to construct a new tubing department in Bethel, despite the containment of operating costs (-15.7%), the net profit was equal to \$9,292 thousand (€8,135 thousand), against \$13,882 thousand (€12,400 thousand) in 2019.

Performance of the joint ventures in 2020

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. The joint venture focuses on the development, production and distribution of actuators that use shape memory alloys instead of motors.

In 2020 its Asian subsidiaries Actuator Solutions Taiwan Co., Ltd. and Actuator Solutions (Shenzhen) Co., Ltd. concluded the liquidation process, started at the end of 2019.

Actuator Solutions reported net revenues of €14,183 thousand in 2020, down by 33.1% compared to €21,202 thousand in 2019: the automotive market, already in crisis and further penalized by the Covid-19 pandemic in the former two quarters of 2020, showed some signs of recovery since the third quarter: there was a further strengthening in the last part of the year, confirming the beginning of a new start in the sector. It should be noted, however, that the pandemic has also opened an opportunity for Actuator Solutions in the healthcare market: revenues for a total of €1,735 thousand were recorded in 2020, after the company won a contract for the development, assembly and sales of rapid Covid-19 diagnostic test devices.

Lastly, an agreement was concluded in the second half of 2020 with the partner Alfmeier Präzision, to sell one of the production lines of actuators for the seat comfort business, which will be followed by the sale of the other production assets over 2021. Under the agreement, Alfmeier Präzision takes over the production process of the actuators for the seat comfort market, paying Actuator Solutions GmbH a sales commission, equal to the margin that the German company would have achieved if it had continued production. This agreement has further reduced the revenues of the joint venture in the automotive sector, replaced by commissions alone, with zero effect on the net profit.

The net income for 2020 was positive and equal to €377 thousand, against a loss of -€2,816 thousand in 2019. Despite the decline in sales, there was a strong improvement in profit margins, mainly due to income on engineering contracts with third parties, characterized by higher margins, and higher margins in the healthcare business mentioned above, related to the Covid-19 pandemic. Operating expenses fell sharply as a result of the cessation of operations of the two Asian subsidiaries. Finally, it should be noted, that the item “exchange rate differences” includes a negative amount of €150 thousand deriving from the release to the income statement of the translation reserve generated by the consolidation of the Asian subsidiaries, following their liquidation.

The loss as at December 31, 2019 included, instead, non-recurring restructuring costs equal to €2,076 thousand²⁹ (including a €1,560 thousand write-down of deferred tax assets on previous tax losses of the German parent company, valued as unlikely to be recovered in the medium term), as well as €362 thousand non-recurring costs (item “other net income (expenses)”) related to an IT fraud suffered by the joint venture in early 2019.

²⁹ Of which, -€54 thousand related to the liquidation of Actuator Solutions (Shenzhen) Co., Ltd. and -€314 thousand related to the liquidation of Actuator Solutions Taiwan Co., Ltd.

(thousands of euro)

| Actuator Solutions | 2020 | 2019 |
|---|--------------|----------------|
| | 100% | 100% |
| Total net sales | 14,183 | 21,202 |
| Cost of sales | (10,671) | (17,390) |
| Gross profit | 3,512 | 3,812 |
| <i>% on sales</i> | <i>24.8%</i> | <i>18.0%</i> |
| Total operating expenses | (2,535) | (3,878) |
| Other income (expenses), net | 157 | (375) |
| Operating income (loss) | 1,134 | (441) |
| <i>% on sales</i> | <i>8.0%</i> | <i>-2.1%</i> |
| Interests and other financial income, net | (604) | (684) |
| Foreign exchange gains (losses), net | (151) | (55) |
| Income taxes | (2) | (1,636) |
| Net income (loss) | 377 | (2,816) |

The SAES Group's share of the joint venture's result in 2020 was equal to €189 thousand (-€1,408 thousand in 2019); this was not recorded by the Group as the equity of the joint venture is still negative for around €2.7 million³⁰, against a SAES equity interest in Actuator Solutions that has already been full written off. On the other hand, a cost of -€278 thousand was recognised in the current year against the release to the income statement of the translation reserve generated in the past by the consolidation of the Asian subsidiaries, following their liquidation.

It should also be noted that, as at December 31, 2019, a €600 thousand provision for risks was made, equal to the pro-rata financial resources necessary for Actuator Solutions to continue its operations. At December 31, 2020, half of the provision had been used.

Lastly, in 2020, the financial receivable related to the interest accrued in the period on interest-bearing loans granted by SAES Nitinol S.r.l. to the joint venture in previous years, amounting to €481 thousand, was written down as it was considered unlikely to be recovered, in the previous year (a similar write-down had been carried out, equal to -€480 thousand).

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.r.l. (51%). The company specializes 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. ended 2020 with revenues of €5,636 thousand, up by 64.4% compared to €3,428 thousand in 2019. After a first quarter 2020 strongly penalized by delays in some major research projects, also due to the Covid-19 pandemic, the following quarters saw revenue increasing and returning to the levels originally forecast. Despite the slight fall in gross margins (from 27.9% to 25.7%) due to the different product mix and the increase in G&A expenses (mainly, higher personnel costs), both the operating result and the net profit increased by more than 56% due to the increase in revenues. In particular, the net profit was equal to €631 thousand, against €403 thousand in the previous year.

³⁰ Amount pro-rata at 50%.

(thousands of euro)

| SAES RIAL Vacuum S.r.l. | 2020 | 2019 |
|---|--------------|-------------|
| | 100% | 100% |
| Total net sales | 5,636 | 3,428 |
| Cost of sales | (4,185) | (2,470) |
| Gross profit | 1,451 | 958 |
| <i>% on sales</i> | 25.7% | 27.9% |
| Total operating expenses | (567) | (493) |
| Other income (expenses), net | 43 | 126 |
| Operating income (loss) | 927 | 591 |
| <i>% on sales</i> | 16.4% | 17.2% |
| Interests and other financial income, net | (38) | (27) |
| Foreign exchange gains (losses), net | 0 | 0 |
| Income taxes | (258) | (161) |
| Net income (loss) | 631 | 403 |

The share of the SAES Group in the 2020 net profit of this joint venture was equal to +€309 thousand (against +€198 thousand in the previous 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 start up 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.

SAES currently holds 46.73% of the capital stock of the joint venture Flexterra, Inc. the same percentage as last year.

In 2019 the Flexterra project had already made strong progress, despite some delays on the initial schedule. In particular, the joint venture continued development activities on its organic materials and its formulas were approved by an important Taiwanese producer of OTFT (Organic Thin Film Transistors). The activity to manufacture OTFTs on an industrial scale has taken longer than initially scheduled, also because of the Covid-19 crisis; actual production and sales activities by Flexterra are expected to start by the end of 2021, about one year late.

Flexterra, which qualifies as a joint venture, despite recording its first revenues equal to €54 thousand (€16 thousand in 2019) and a positive gross profit of €30 thousand (€15 thousand in 2019), ended 2020 with a net loss equal to -€3,875 thousand (against a loss of -€4,346 thousand in 2019). This was due to operating expenses equal to €4,102 thousand, mainly costs for employees, engaged in research activities and in general and administrative activities, as well as consulting costs, costs related to the management of patents and amortization of intangible assets, including intellectual property. The item “net interest and financial income”, negative for €116 thousand, mainly includes the interest accrued on the convertible loan of \$3 million granted in July by SAES Getters International Luxembourg S.A.

(thousands of euro)

| Flexterra | 2020 | 2019 |
|---|----------------|----------------|
| | 100% | 100% |
| Total net sales | 54 | 16 |
| Cost of sales | (24) | (1) |
| Gross profit | 30 | 15 |
| <i>% on sales</i> | 55.6% | 93.8% |
| Total operating expenses | (4,102) | (4,474) |
| Other income (expenses), net | 2 | 1 |
| Operating income (loss) | (4,070) | (4,458) |
| <i>% on sales</i> | <i>n.a.</i> | <i>n.a.</i> |
| Interests and other financial income, net | (116) | (1) |
| Foreign exchange gains (losses), net | 270 | 77 |
| Income taxes | 41 | 36 |
| Net income (loss) | (3,875) | (4,346) |

The share of the SAES Group in the net income for 2020 of this joint venture amounted to -€1,811 thousand (against -€2,031 thousand in the previous year).

To the valuation using the equity method, a €591 thousand write-down was added following impairment test, which eliminated the value of the equity investment as at December 31, 2020. In particular, the impairment analysis prudentially recognised a 15% reduction of net cash flows from production and sales activities, with respect to the five-year plan of the company, given the general uncertainty, also as a result of the Covid-19 pandemic. As at December 31, 2019, the write-down following impairment testing was equal to -€555 thousand. For further details on the impairment testing, please see Note no. 17.

Lastly, at December 31, 2020, the overall write-down of the financial receivable relating to the convertible note mentioned before, was equal to €2,539 thousand (of which €2,445 thousand for the principal portion and €94 thousand for interest accrued in the second part of the year). This write-down is a consequence of the fact that the Flexterra plan, approved by the Board of Directors of SAES Getters S.p.A. on February 11, 2021, does not envisage the recovery of the receivable in the five-year forecast period.

The following table shows the **total Group's profit (loss)**, obtained by consolidating the Group's joint ventures³¹ with the proportional method instead of the equity method.

| (thousands of euro) | 2020 | | | | | | | |
|---|-----------------------------|------------------------|---|-----------------------------|---|------------------|---|-----------------------------------|
| | 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 | 168,703 | 7,092 | (319) | 2,762 | (601) | 25 | | 177,662 |
| Cost of sales | (98,590) | (5,336) | 319 | (2,051) | 601 | (11) | | (105,068) |
| Gross profit | 70,113 | 1,756 | 0 | 711 | 0 | 14 | | 72,594 |
| <i>% on sales</i> | 41.6% | | | | | | | 40.9% |
| Total operating expenses | (53,243) | (1,268) | 0 | (278) | 0 | (1,917) | (515) | (57,221) |
| Other income (expenses), net | (596) | 79 | | 21 | | 1 | | (495) |
| Operating income (loss) | 16,274 | 567 | 0 | 454 | 0 | (1,902) | (515) | 14,878 |
| <i>% on sales</i> | 9.6% | | | | | | | 8.4% |
| Interest and other financial income, net | (4,208) | (302) | 241 | (19) | 0 | (54) | 1,186 | (3,156) |
| Income (loss) from equity method evaluated companies | (1,704) | | 278 | | (309) | | 1,735 | 0 |
| Write-down of investments from equity method evaluated companies | (591) | | | | | | 591 | 0 |
| Foreign exchange gains (losses), net | (477) | (75) | | 0 | | 126 | | (426) |
| Income (loss) before taxes | 9,294 | 190 | 519 | 435 | (309) | (1,830) | 2,997 | 11,296 |
| Income taxes | (4,507) | (1) | | (126) | | 19 | | (4,615) |
| Net income (loss) from continued operations | 4,787 | 189 | 519 | 309 | (309) | (1,811) | 2,997 | 6,681 |
| Income (loss) from assets held for sale and discontinued operations | 0 | 0 | | 0 | | 0 | | 0 |
| Net income (loss) before minority interest | 4,787 | 189 | 519 | 309 | (309) | (1,811) | 2,997 | 6,681 |
| Net income (loss) pertaining to minority interest | 0 | | | | | | | 0 |
| Net income (loss) pertaining to the Group | 4,787 | 189 | 519 | 309 | (309) | (1,811) | 2,997 | 6,681 |

³¹ Actuator Solutions (50%), SAES RIAL Vacuum S.r.l. (49%) and Flexterra (46.73%).

Statement pursuant to Article 2.6.2, par. 12, of the Regulations of the Markets organized and managed by Borsa Italiana S.p.A.

With regard to article 36 of Consob's Market Regulation no. 16191 of 29/10/2007, specifically the requirements for the listing of parent companies, 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, since, at December 31, 2020, they exceeded the individual significance parameters set by article 151 of the Issuers' Regulations:

- SAES GETTERS/U.S.A., Inc., Colorado Springs, CO (USA)
- Spectra-Mat, Inc. - Watsonville, CA (USA);
- SAES Smart Materials, Inc. - New Hartford, NY (USA);
- Memry Corporation - Bethel, CT (USA);
- SAES GETTERS (Nanjing) Co., Ltd., Nanjing (P.R. of China);
- SAES Getters International Luxembourg S.A.;
- SAES Investments S.A.

Research, Development and Innovation

Total research and development expenses for 2020 were equal to €10,421 thousand (6.2% of consolidated revenues) substantially in line, both in absolute value and as a percentage of revenues, with those of 2019 (€11,052 thousand, 6.1% of consolidated revenues).

The Group Research Labs pursue the radical development of new materials and innovative technologies. Although the **Covid-19 emergency** had an impact on some projects, due to delays in the supply of raw materials and new plant components, the application of safety procedures and distancing measures, together with the focus on top priority activities have made it possible to ensure an adequate performance of the experimental activities and the achievement of various objectives.

In the **(organic) chemical materials** field, significant results were obtained in relation to **specialty zeolites, antioxidant capsules and new membrane emulsification processes**.

The ongoing implementation of the **specialty zeolite** platform has allowed the development of a new type of zeolite with virucidal properties. Tests for the evaluation of functional properties were carried out at the Department of Microbiology and Virology, Fondazione IRCCS Policlinico San Matteo in Pavia, where the SAES zeolites were placed in contact with SARS-CoV-2 according to a standard protocol and were shown to be able to completely inhibit the virus. This property can be integrated in different systems by using these zeolites in the form of coating or surface dispersion. A new patent application was recently filed, focusing on the structure of this new class of zeolites. Further tests are now being developed, according to ISO standards, to certify the bactericidal and virucidal properties of these materials and to be able to continue to proceed towards industrial production.

In parallel, the development of **organic capsules and spheres** with functional properties continues. Polyphenol capsules with antioxidant properties were developed: these are able to inhibit oxidation mechanisms in food packaging applications. Functional tests were carried out in cooperation with a well-known Italian food company specialized in the production of chocolate and interested in adopting the antioxidant coating of SAES

to ensure a better conservation of its products. A new patent application was recently filed to claim both the antioxidant capsules and the adoption of coatings for flexible packaging applications.

In order to expand the technologies available for the development of new Specialty Chemicals, the definition and optimization of an **innovative membrane emulsification process** able to support the preparation of **organic spheres** and **core-shell structures** on a pilot scale was completed using materials of different nature of a predominantly “biological” nature. These systems can be applied in various industrial sectors, through the integration of innovative capsules in different product configurations. For the purposes of this project, an area of the Group Research Labs is being restructured: completion, with installation of the plant, is scheduled for the end of the first quarter of 2021.

This technology will also be adopted to support a new project, developed in 2020 in partnership with Novamont, to create optically active markers for the traceability of compostable formulations. This project will be developed over the course of 2021 and represents a new scope of application for the Specialty Chemicals platform.

Thanks to the development of new functional materials, work also continued to develop new dispensable getters, based on integrating functional materials into organic polymer matrices with a new internal formulation. Work was completed on the development of a new dispensable getter, able to guarantee the absorption of both hydrogen and water vapour, for optoelectronic applications; samples are being supplied for approval by customers. In parallel, a new active sealant was developed with oxygen barrier properties, thanks to the integration of innovative capsules in epoxy resins. In relation to the two systems developed, two new patent applications were filed.

With regard to **innovative coatings**, it was necessary to postpone the industrial production of Oxaqua[®]2.0, an innovative coating for application on polymeric films with high oxygen barrier properties, until 2021. In fact, the Covid-19 crisis delayed by more than six months the construction of the emulsification plant, essential for the construction of some key components of Oxaqua 2.0.

In 2020 new projects were launched to develop innovative coatings with barrier properties to be applied directly on cellulose-based substrates, preserving their recyclable characteristics. In particular, two projects were started in cooperation with industrial partners to develop barrier coatings for both flexible substrates and rigid systems using high-density cellulose. These projects are part of a research initiative for the development of eco-friendly systems where all the materials used for the development are subject to an internal evaluation by Design for Environment. In 2020, prototyping activities for these developments were carried out on a laboratory scale, but will be transferred to a pre-industrial scale in 2021. The installation of a roll-to-roll ***pilot line for the production of functional coatings*** was completed. This line will allow the prototyping on a pre-industrial scale of innovative flexible packaging structures made with SAES's new functional lacquers and different types of polymeric substrates. This line makes the Lainate facility one of the most advanced prototyping centres in Europe for the development of innovative flexible packaging structures. In addition to barrier structures for food packaging, this line can be used to create high-performance barriers for organic electronics and to prepare flexible electronics structures.

Product development activities of SAES Coated Films S.p.A. focus on consolidation of Coathink[®] technology, able to transfer oxygen and damp barrier properties to compostable packaging, making them suitable for long-life food products. Coathink is a water-based coating technology that enables the creation of active and/or barrier packaging, designed for the circular economy. It is in this field that the new compostable packaging adopted by Colussi was fine-tuned for a new Misura product range, obtained through a pioneer innovation process that saw SAES Coated Films S.p.A. in active partnership with other Italian experts in this sphere, such as Novamont, TicinoPlast, Sacchital and IMA.

In addition, activities were carried out together with film producers to develop a highly innovative product with high barrier performance, fully recyclable.

The joint venture **Flexterra** continued to develop organic semiconducting and dielectric materials for the flexible electrophoretic display market, where the use of Organic Thin Film Transistors (OTFT) for the realization of drive electronics makes it possible to overcome the limits in term of fragility of traditional

materials. In 2020, the approval process by an important Asian manufacturer of flexible displays slowed down significantly due to the Covid-19 crisis and the attainment of some target was postponed to 2021.

In the **metallurgical field**, the radical development of **new quaternary alloys with “shape memory” properties** characterized by an increased transformation temperature was completed. The activities were transferred to application laboratories for the execution of functional tests and the verification of potential application areas.

In parallel, work was completed on **new zero-hysteresis alloys** aimed at replacing elements that can no longer be used for safety reasons. Development activities are currently focused on two quaternary alloy systems able of guaranteeing very low level of hysteresis; their functional properties are being tested.

In the **bio-absorbable materials** field, two new patent applications were filed in 2020 and biological degradation tests were carried out with the support of external partners. An in-depth analysis is currently underway to evaluate possible applications and identify methods of cooperation with potential partners.

It should be noted, lastly, that all research and development costs incurred by the Group during the year were charged directly to the income statement, as they did not meet the requirements for capitalization.

Impact of the Covid-19 pandemic on 2020 results

The Covid-19 crisis that began in China at the beginning of the year and spread to Northern Italy in the second half of February, later extending to almost all corners of the globe, had an impact on SAES Group in several areas: economic, organizational, financial. This paragraph provides details of the impact, focusing on the main Group market sectors where such effects were felt and the decisions adopted by the Company.

In particular, after a **first quarter** that saw a limited impact from the Covid-19 crisis and was even aided by changes in inventories associated with the crisis, the **second quarter** saw the gradual correction of these changes in inventories, as well as the slowdown in some sectors, particularly **Nitinol medical devices** and **Industrial SMAs**: the first was penalized by hospitals’ suspension of elective surgeries in order to concentrate resources on Covid-19 cases; the second was impacted by the negative effect of the pandemic on demand for high-end smartphones and in the automotive sector. The negative effect of Covid-19 continued to be felt in the **third quarter**, with a partial recovery of the Nitinol medical segment only in the **last quarter**.

There were other segments where sales were negatively impacted by the pandemic: **vacuum pumps** (lower sales to research centres and universities, which slowed their operations during the lockdown), **thermal insulation** (in particular, weaker demand for vacuum bottles and insulated pipes for oil industry applications) and the **Sintered Components for Electronic Devices & Lasers** business (penalising effects of Covid-19 especially in avionics applications). The pandemic also slowed down some innovation projects in the **Advanced Packaging Division**.

On the other hand, Covid-19 aided the growth in revenues in the electronic devices segment (sales driven by demand for thermoscanners) and medical diagnostics segment (increase in demand in the image diagnostics sector) as well as in the Specialty Chemicals Division (increase in production of oximeters in China).

The pandemic was also an opportunity for the **Actuator Solutions** joint venture, which was awarded a contract for the assembly of devices for Covid-19 rapid diagnostic tests.

Lastly, it should be noted that the performance of the **security and defence** sector was not affected by the pandemic: this sector recorded strong organic growth.

As a precaution against the Covid-19 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**, also to arrange the necessary risk containment measures and to draw up the Covid-19 operations protocol. Later, the two facilities returned to operations. The other Group production plants in Italy and abroad had

remained operative, complying with all regulatory provisions in force to guarantee workplace safety and, where possible, encouraging recourse to smart working.

It should be noted that on March 26, 2020, the Group reached an agreement with the trade unions on the use, for a period of nine weeks starting from March 30, 2020, of the unemployment benefits provided for by the Prime Minister Decree “Cura Italia”, March 17, 2020 (**CIGO, Cassa Integrazione Guadagni Ordinaria**) for some employees of the Lainate plant, with a 40% salary contribution paid for by the company.

On May 14, 2020, an understanding was reached with the trade unions for the **gradual return to work of all employees** at the Lainate operating unit (150 attendances per day at Lainate in June and July, alternating shifts with smart working). All employees returned to work at the beginning of August and, again from that date, a smart working pilot project was launched on a voluntary basis for a period of 12 months, allowing smart working for every employee participating in the project for a maximum of three days a week.

On October 27, 2020, SAES Getters S.p.A. signed a new **agreement with union representatives** to define additional security measures to deal with the worsening of the Covid-19 pandemic. In particular, the agreement envisages the continuation of the smart working pilot project started at the beginning of August and the extension of remote working to approx. 35 employees for a total of 2/3 days a week. This agreement was effective until December 31, 2020 and so far has not been renewed. Therefore, only the aforementioned smart working agreement signed in August 2020 remains in force, subject to further emergency regulatory measures and compatibly with the epidemiological situation.

As regards **Research & Development**, although the Covid-19 emergency had an impact on some projects, due to delays in the supply of raw materials and new plant components, the application of safety procedures and distancing measures, together with the focus on top priority activities have made it possible to ensure an adequate performance of the experimental activities and the achievement of various objectives, also onsite. However, some projects slowed down, particularly in the packaging sector, given the fundamental importance of the physical presence of technical personnel during the tests.

Due to the pandemic, the Group incurred **non-recurring expenses** equal to €643 thousand. These were costs for sanitization and adaptation of access points and workspaces to ensure employee safety, as well as healthcare prevention expenses and consulting and training costs. On the other hand, **savings** from the use of the **CIGO furlough scheme** at the Lainate facility were equal to €55 thousand, while the US affiliates saw a **decrease in labour costs** equal to €260 thousand thanks to the **measures adopted by the US Government** to support businesses and households, through the partial reimbursement of working days missed because of Covid-19.

| (thousands of euro) | 2020 | | | | | |
|--|--------------|------------------------|--------------|------------------|--------------|------------|
| | Direct labor | Manufacturing overhead | R&D expenses | Selling expenses | G&A expenses | Total |
| Covid-19 one-offs | | | | | | |
| Personnel cost | (156) | (76) | (54) | (13) | 38 | (261) (*) |
| Maintenance and repairs | | | | | 164 | 164 |
| Depreciation | | | | | 2 | 2 |
| Material and office material | | | | | 132 | 132 |
| Transport, insurance, freight-direct | | | | | 4 | 4 |
| Consultant fees | | | | | 135 | 135 |
| Canteen, cleaning, vigilance | | | | | 147 | 147 |
| Training | | | | | 3 | 3 |
| Other costs | | | | | 2 | 2 |
| Total extraordinary cost of sales and operating expenses Covid-19 | (156) | (76) | (54) | (13) | 627 | 328 |

(*) The amount is composed by:

- CIGO savings in Lainate plant, for -55 thousands of euro;
- savings for USA governmental measures to support companies and families, for -260 thousands of euro;
- additional personnel costs, for 54 thousands of euro.

It should also be noted that, in 2020, the SAES Group made **donations** for a total of €691 thousand to research organizations and hospitals operating on the front line in the battle against Covid-19, as well as to the Italian Civil Defence (recognised under “Other expenses”).

Lastly, it should be noted that the item “Other income” includes revenues of €32 thousand of the Parent Company and SAES Coated Films S.p.A. related to **the tax credit on sanitation costs** (Italian Law Decree 34/2020, article 125).

(thousands of euro)

| Covid-19 one-offs | 2020 |
|---|--------------|
| Other income | 32 |
| Other expenses | (691) |
| Total other extraordinary income (expenses) Covid-19 | (659) |

The impact of Covid-19 on the financial markets has led to a strong fall in the fair value of securities held by the Group as investment of funds. The negative effect that emerged in the first quarter was gradually reabsorbed in the following months, making it possible to close the year with a valuation of the securities in line with the value as at December 31, 2019.

With regard to the determination of any **impairment of non-current assets**, the Directors, pursuant to paragraphs 9 and 12 of IAS 36, assessed the effects of the Covid-19 epidemic as an indicator of possible impairment. Therefore, both tangible fixed assets and intangible assets (including goodwill) and rights of use relating to leased assets, as well as equity investments measured using the equity method, were subject to **impairment testing as at December 31, 2020**, even if this analysis had already been carried out as at June 30, 2020, also according to the indications provided by ESMA on October 28, 2020 for the financial statements as at December 31, 2020. For details of the tests conducted as at December 31, 2020, please refer to Notes no. 15 and no. 17. These tests did not reveal any need for write-downs on **fixed assets**. With reference to the **investment in Flexterra**, given the general uncertainty also following the Covid-19 pandemic, for the purposes of the impairment test a 15% reduction in operating cash flows resulting from the five-year plan of the company was prudentially considered and the analysis on the recoverable value led to the total write-off of the investment in the joint venture as at December 31, 2020 (total write-down of -€591 thousand).

As a result of the global economic and financial crisis caused by the Covid-19 pandemic, the management also carried out tests to assess the potential **impairment of inventories of raw materials, semi-finished goods and finished products**, as well as **trade receivables** considered no longer recoverable due to solvency problems of end customers, as it had already been done as at June 30, 2020. These tests did not reveal significant adjustments to either the net value of closing inventory or of the trade receivables (please refer to Notes no. 24 and no. 25 for further details).

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 risk

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.).

In particular, 2020 was impacted by the Covid-19 pandemic, which affected all geographical areas, substantially affecting all macroeconomic indicators. Some segments in which SAES operates experienced slowdowns, directly or indirectly attributable to the pandemic: this included the healthcare in the United States, penalized by a postponement of elective treatments that may be deferred, which caused a slowdown in the orders of SAES products especially in the second and third quarter. Growth in other segments, such as the getter sector for applications in thermography, accelerated due to the increased demand for thermoscanners. In general, there

was a gradual recovery starting in the last quarter, although alert levels are being maintained until the end of the emergency.

Independently from the Covid-19 crisis, some sectors, such as thermodynamic solar power, technologies for low energy consumption lighting, large-scale physics projects, and applications for the defence market, were influenced, also in 2020, by changes in political decisions regarding public investment. The impact on the Group has been a further fall in demand for getter solutions for lamps and the temporary delay of several projects for the construction of thermodynamic solar power stations. Conversely, the outlook for getters for the security & Defence sector remains positive, thanks to ongoing public investments in this area. There was also a recovery of investments in the particle accelerator sector, after the delays that had characterized the previous year.

Another factor that may affect the Group is the imposition of customs duties as a result of global trade tensions and lack of cooperation between national governments. In particular, in 2020, sales of SMA wire for consumer electronics applications were penalized by geopolitical tensions and the US-China trade war.

The SAES Group responds to these risks by monitoring the market on an ongoing basis and by seeking to diversify its product range and expand into markets less dependent on the economic cycle and on political decisions, such as the medical and food markets, at the same time re-balancing and rationalising the structure of fixed costs, in any case preserving the departments (engineering, applied research etc.) that are needed to guarantee a rapid reaction of production facilities when sectors in difficulty show signs of recovery.

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's 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. Think 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 regulations aimed at greater eco-sustainability, at a time when public opinion is increasing attention to the environmental impact of plastics. The acceleration and large-scale implementation of these regulations could have a positive impact on the timeframe for the Group to establish its innovative, recyclable and compostable products in the food packaging sector.

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.

Competition 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 current regulations, long-term supply agreements and business partnerships are concluded. Through the acquisition of technologies or the development of new solutions and services, efforts are being made to expand and complete the product portfolio. The strong focus on product innovation drives the Group to invest in research and development activities and to offer products that meet reference and quality standards, also by repositioning the product range 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 characterised 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 study 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 that of 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 assesses potential investments relating to the purchase of equity investments / shareholdings / joint ventures to strengthen its position in the sectors in which it operates.

To this end, the Group identifies, assesses and defines risk mitigation initiatives, assessing the consistency of business opportunities with respect to its strategies and objectives, also involving leading professionals in supporting the M&A process.

Risk linked to technological and technical trends

There are external factors that can undermine the Group's market positioning. The changes in sector regulations (for example, in the environmental area), as well as the dependence on the technological success of the major players operating in the market, influence the reference technological 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.

Risks of catastrophic events

In this category of risks, which include, among others, natural disasters, accidents and acts of terrorism, includes also pandemic events which - by virtue of their extraordinary and unpredictable nature - can lead to the disruption of the supply chain of the Group and the unavailability of resources and plants, due to the restrictions deriving from the persistence of the pandemic and to the measures adopted by local governments to contain the spread of the virus (for example, restriction on local operations). Lastly, the location of some Group facilities within earthquake zones makes it necessary for the organization to assess the controls put in place.

In order to ensure business continuity in the case of events of an extraordinary nature (for example, pandemic), crisis committees have been set up to define the appropriate response to ensure the continuation of the Group's business activities.

As for the presence of some of the Group's production plants in areas at risk of earthquakes (for example, Abruzzo and California) specific measures have been adopted to mitigate the risk, such as: operating in

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 the non-timely definition of the investment needs (e.g. technology, structure), failure to verify the economic-financial feasibility of the investment and / or failure to monitor its performance, with negative consequences in operating and financial statements terms.

With reference to the risk in question, SAES has an ongoing investment plan that involves the operations areas of the Group companies (for example, expansion of production lines, modernization of plants, etc.) to increase its production capacity to meet market demand, offering quality products and services, as well as making costs more efficient, in line with the Group's mission of focusing on innovation and customer satisfaction.

To mitigate risk at Group level, measures were adopted that envisage a structured budget approval process, ex ante and ex post valuation with pre-set key performance indicators (KPIs), as well as close monitoring of investments and their payback by the Management Control function.

Uncertainty about the success of research and development 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 unsuccess does not just depend on our ability to provide that requested in the required form, time and costs. In fact, SAES has no control over the ability of its own customers to execute their business plans, nor over the timing of the establishment of new technologies; equally, the difficulty in finding suppliers of technologies and tools able to support the Group in the process scaling-up is an external factor that cannot be directly controlled by SAES.

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.

In 2020, government restrictions on operational activities, aimed at containing the spread of the Covid-19 virus, caused delays in the development of research projects (for example, restrictions on researchers' use of laboratory equipment). In view of this, response actions have been adopted and are currently being implemented (for example, definition of innovation strategies, prioritization of research projects, definition of new KPIs that map the evolution of projects).

The risk is mitigated through periodic and structured reviews of the project portfolio, managed by the Innovation Committee, which, as part of its support activities for the Chief Technology and Innovation Officer (CTIO), is responsible for: i) defining project priorities research and development; ii) proposing the annual budget for research and innovation in terms of costs and times; iii) preparing proposals for plans and budgets to be submitted to the Corporate Management Committee (CMC) for approval; iv) developing technological knowledge; v) evaluating and proposing new technological solutions; vi) developing and promoting a uniform and distinctive scientific approach for the different areas of the Group. Moreover, in order to continuously monitor the expenses of the individual projects, the Innovation area uses specific tools for the management of research projects.

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.

Defence of intellectual property

The SAES Group has always sought to develop original knowhow, 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 seeing 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.

Operational risks

Risks related to production planning

In the light of the coronavirus, it should be noted that the Group is exposed to the risk that its production planning and scheduling could be delayed, following the suspension and/or postponement of shipments due to the extraordinary (temporary) closure of companies operating within the Group's value chain.

In order to mitigate the risk - and in line 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 to guarantee operational continuity, both with reference to operations (for example, drawing on inventories, previously procured according to stock levels such as to ensure operational continuity in cases of necessity), and with reference to the business in general through smart working activities for personnel not involved in production activities.

Risks relating to the dependence on strategic customers

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 excessively dependent on the economic and financial performance of these customers or on their strategic decisions: for example, when one or more customers intend to vertically integrate the production of semi-finished goods or components that they currently purchase from the Group.

The Group constantly monitors its exposure to the customer portfolio through monthly rolling forecasts and seeks to mitigate this risk by expanding the customer base as much as possible, both through new prospects and by diversifying the range of products offered to individual customers, increasing its presence in new markets, also to identify and seize new business opportunities. In addition, the Group seeks to strengthen its partnerships with key customers, also by sharing specific technical skills where necessary, in compliance with the restrictions deriving from the Defence of intellectual property rights, and seeking to obtain and renew medium / long-term contracts that ensure lower volatility of volumes invoiced and unit prices. Focus is also placed on innovation and product quality, as drivers that guide the Group to develop its business and strengthen its position in the reference markets.

Risks associated with the recruitment process at US affiliates

With reference to the US labour market, the process of selecting qualified personnel to work for its operations areas has met some difficulties: as a result, the recruitment process can take a long time.

In order to mitigate the risk, personnel training activities are carried out constantly and specific retention plans have been adopted.

Business continuity risk

The risk refers to the possibility that production and/or activities of the Group be suspended due to internal events (for example, accidents) or external events (for example, extraordinary events such as the persistence of the Covid-19 pandemic that could have an impact by restricting the operations and the company business).

With reference to the continuity of business operations, the Group has adopted a business continuity procedure, which defines the response in the event of unavailability of resources, business infrastructures and supply chains. With particular reference to the Covid-19 pandemic and the potential restrictions deriving from its continuation, it should be noted that the Group defines inventory and dual-supplier policies aimed at guaranteeing production continuity even in cases of disruption of the supply chain; it has also implemented smart working projects to give staff and sales personnel the opportunity to continue to work remotely.

As for the continuity of IT systems, to strengthen the current IT infrastructure, the Company has planned the implementation of special disaster recovery procedures aimed at defining roles, responsibilities and modus operandi for the management of risk events that could potentially impact the operation of the company's IT systems.

Risks related to information system security

The SAES Group is sensitive to the cybersecurity issues pertaining to the risk of a breach of information system security, which might put at risk the information and data of Group companies.

To guarantee data security, the Group has defined an IT security implementation plan by strengthening existing procedures, adopting strong authentication technologies, ensuring system redundancy and providing training on IT security issues.

Compliance risks

Risks related to climate change

The relevance of climate change issues requires an assessment on the potential consequences of the physical damage that weather events - extraordinary and otherwise - could inflict on the Group's infrastructures and assets. A significant weather event might occur and might potentially result in the temporary unavailability of buildings and assets. The Group already has business continuity procedures in place that cover the main areas at greater risk from climate change.

From another perspective, it is necessary to review the activities that the company carries out on a daily basis and that could negatively contribute to climate change (for example, emissions) as well as having an impact on legal responsibility for failure to comply with national and international environmental regulations (strict and uncertain in some contexts). The Group constantly monitors the reference environmental and product regulations, verifies the environmental impact of the product within its research projects, adopts a Supplier Code of Conduct at Group level that also has relevance on environmental issues, measures its performance at the time of the drafting of the Non-Financial Disclosure and monitors any critical areas also through compliance with the standards set out in the ISO 14001 certification, where implemented.

With regard to climate change issues, the Group is committed to lay out a strategic plan that includes activities aimed at mitigating the risk areas identified with concrete actions, able to contribute, among other things, to the reduction of emissions and to the specification and implementation of products promoting a circular economy.

Financial and reporting risks

Budget & planning risk

Frequent changes in business, such 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, makes use of assessments by third parties or requests the support of specialist consultants to confirm its own estimates; if the assumptions originally used are modified, additional reports are prepared and implemented, involving all parties interested.

Tax risk

The international context in which SAES operates and the different tax rules with which it must comply expose the Group to tax risks: potential non-compliance with national tax laws would result in increased costs and in disputes with the tax authorities, with an impact on the operational and commercial strategies of the Group, as well as on the reputation of SAES.

For the assessment of tax risk, the Group takes into account the following: political decisions of national governments on tax matters, geographic distribution of affiliates, economic and financial results achieved by Group companies and cost structure at the corporate level.

The management of the tax process is outsourced, to mitigate the risks associated with non-compliance with national tax rules and to ensure the execution of activities based on the professional skills of external providers with proven experience and reliability. The periodic meetings between the external consultant and the Group Chief Financial Officer, as well as the control activities carried out by the Independent Auditors on financial statement tax matters, are to be considered additional risk management controls.

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 affect the relative value of the costs and revenues of the Group according to the currencies in which the accounting transactions are denominated, as well as the amount of exchange differences, and may therefore have an impact on the economic result of the Group. The figures of the financial receivables/payables denominated in currencies other than the euro also depend on the exchange rate, so not only the economic result is affected, but also the net financial position;
- The risk of changes in prices of raw materials, which may affect the Group's product margins if these changes are not passed onto the price agreed upon with customers;
- Credit risk, associated with the solvency of customers and, in general, the ability to collect and measure financial receivables;
- Liquidity risk, associated with the Group's ability to raise funds to finance its operating activities, or with the capacity of the sources of funding if the Group were to adopt strategic decisions involving some non-recurring expenditure (such as merger & acquisition transactions or organizational rationalization and restructuring activities).

In addition, there are the risks brought about by the spread of Covid-19, which can result in a decrease in revenues, an increase in the stocks of raw materials (to face the risk of a suspension in the provisioning process) or of finished products (due to a delay in customers' orders) as well as a lengthening of credit collection times, which would make it necessary to fund a stronger working capital.

With regard to financial risk, the Board of Directors periodically reviews and defines the risk management policies, as illustrated in detail in Note no. 42, to which we refer also for the related sensitivity analysis.

Subsequent events

On February 12, 2021, SAES Group announced it had submitted an **offer to acquire 100% of the capital stock of Strumenti Scientifici Cinel S.r.l. (CINEL)**, an established international player in the sector of components and scientific instruments for synchrotrons and accelerators of particles, based in the province of Padua. Having obtained the approval of the Board, SAES has formalized an offer, which will allow the parties to finalise the contractual agreements, the signature of which is expected by the end of March 2021. The offer envisages the purchase by SAES Getters S.p.A., directly or through a subsidiary, of 100% of CINEL. The price offered is around €19 million, to be paid to the CINEL shareholders, in proportion to the shares held, in a single tranche and in cash, already available to SAES. This consideration was set by calculating the equity value, adding the enterprise value (equal to 8 times the EBITDA obtained as the arithmetic average of the EBITDA resulting from the financial statements approved for the years 2019 and 2020, possibly correcting for non-recurring components) to the net financial position (NFP) as at December 31, 2020. The difference between NFP and net working capital (NWC) at the closing, compared to December 31, 2020, will be used as a price adjustment. The facility currently used by CINEL, already sold to another company, will be leased through a special six-year contract, which may be renewed at the same conditions, for a period at least as long, for a total annual fee of €126 thousand.

The deed of sale of shares will also govern the commitment of the shareholders Aldo Bongiovanni and Sergio Bongiovanni to continue to work with SAES as Directors or consultants for at least three years, in order to guarantee business continuity.

The objective of the acquisition, for SAES, is to strengthen its competitive position in the vacuum sector, by expanding the product range for particle accelerators and synchrotrons, which is entirely Italian and at the forefront on a global scale.

Strumenti Scientifici Cinel S.r.l. achieved net revenues of approximately €7.6 million in 2020, with an EBITDA margin of 32.4%. In 2019, revenues amounted to €6.7 million, with an EBITDA margin of 23.2%. As at December 31, 2020, the shareholders' equity of the company amounted to €2.9 million, while the net financial position was positive for approximately €2.8 million. The company employs around 35 people.

With regard to the **investment in the EUREKA!** venture capital fund, on February 25, 2021 a further payment of €37 thousand was made, including both the portion of management commissions and fees, and the portion of an investment made by the fund in an innovative start-up, spin-off of the NEST lab of the Scuola Normale Superiore of Pisa and of the National Research Council, which has developed a diagnostic point-of-care system based on acoustic surface wave nanotechnological devices for the detection of molecules, focusing on the detection of brain trauma.

The Group's economic result will continue to be influenced by the trend in the exchange rate of the euro against the US dollar.

In order to protect the profit margins from the exchange rate fluctuation, on March 9, 2021, **forward contracts** were taken out on the US dollar for a notional value of \$6.7 million, with an average forward exchange rate of 1.1957 to the euro. These contracts will extend for the remainder of the 2021 financial year.

Business outlook

The **net consolidated revenues** of the **Advanced Packaging Division** in the **first two months** of 2021 were equal to €26,527 thousand against €32,417 thousand in the corresponding period of 2020. Sales in the two-month period were heavily penalized by the negative exchange rate effect (-5.6%), while the organic decrease was -12.6% (€4,069 thousand in absolute value). Despite the marked increase in the **Vacuum Technology Division** (organic growth of +48.9%), the continuation of the negative effects of the Covid-19 pandemic, especially in the sector of shape memory alloys in Nitinol (**Medical Division**), and the persistence international tensions between the United States and China, with an impact on the sector of industrial SMAs for consumer electronics (**Metallurgy Division**), caused a reduction in revenues in the first two months of 2021, compared

to 2020. In the **Advanced Packaging Division**, the decrease is entirely due to the phase-out of metallised products, which were removed from the catalogue in the second half of 2020.

The table below shows the revenues for the first two months of 2021 of the different Divisions, highlighting the exchange rate effect and the organic change compared to the corresponding period of the 2020 financial year.

(thousands of euro)

| Business | February 2021 | February 2020 | Total difference | Total difference % | Exchange rate effect % | Organic change % |
|---|---------------|---------------|------------------|--------------------|------------------------|------------------|
| Security & Defense | 2,996 | 3,510 | (514) | -14.6% | -6.7% | -7.9% |
| Electronic Devices | 2,168 | 2,461 | (293) | -11.9% | -3.8% | -8.1% |
| Healthcare Diagnostic | 850 | 1,059 | (209) | -19.7% | -3.1% | -16.6% |
| Lamps | 574 | 595 | (21) | -3.5% | -3.8% | 0.3% |
| Thermal Insulated Devices | 619 | 579 | 40 | 6.9% | -7.3% | 14.2% |
| Sintered Components for Electronic Devices & Lasers | 1,147 | 1,472 | (325) | -22.1% | -8.0% | -14.1% |
| SMA Industrial | 1,877 | 2,356 | (479) | -20.3% | -3.1% | -17.2% |
| Metallurgy Division | 10,231 | 12,032 | (1,801) | -15.0% | -5.1% | -9.9% |
| Solutions for Vacuum Systems | 2,174 | 1,495 | 679 | 45.4% | -3.5% | 48.9% |
| Vacuum Technology Division | 2,174 | 1,495 | 679 | 45.4% | -3.5% | 48.9% |
| Nitinol for Medical Devices | 11,107 | 15,299 | (4,192) | -27.4% | -7.3% | -20.1% |
| Medical Division | 11,107 | 15,299 | (4,192) | -27.4% | -7.3% | -20.1% |
| Functional Dispensable Products | 1,917 | 1,868 | 49 | 2.6% | -1.6% | 4.2% |
| Specialty Chemicals Division | 1,917 | 1,868 | 49 | 2.6% | -1.6% | 4.2% |
| Advanced Coatings | 1,098 | 1,723 | (625) | -36.3% | 0.0% | -36.3% |
| Advanced Packaging Division | 1,098 | 1,723 | (625) | -36.3% | 0.0% | -36.3% |
| Total net sales | 26,527 | 32,417 | (5,890) | -18.2% | -5.6% | -12.6% |

Including in the Group turnover also the portion of the revenues of joint ventures³², the **total revenues of the Group** in the first two months of 2021 was equal to €28,184 thousand, down by 16.9% compared to €33,925 thousand in the corresponding period of 2020. The decrease is due to the decline in net consolidated revenues (-18.2%, as already mentioned), only partially offset by the excellent sales of SAES RIAL Vacuum S.r.l., almost tripled compared to the first two months of 2020.

(thousands of euro)

| | February 2021 | February 2020 | Total difference | Total difference % |
|---|---------------|---------------|------------------|--------------------|
| Consolidated net sales | 26,527 | 32,417 | (5,890) | -18.2% |
| 50% Actuator Solutions' net sales | 1,486 | 1,526 | (40) | -2.6% |
| 49% SAES RIAL Vacuum S.r.l.'s net sales | 351 | 124 | 227 | 183.1% |
| 46.73% Flexterra's net sales | 0 | 9 | (9) | -100.0% |
| Intercompany eliminations | (178) | (162) | (16) | 9.9% |
| Other adjustments | (2) | 11 | (13) | -118.2% |
| Total revenues of the Group | 28,184 | 33,925 | (5,741) | -16.9% |

In regard to 2021, we remain cautious, as the effects of the currency trends and the pandemic continue to be felt, even if there are signs of normalization in the medical device segment.

Growth will be supported by the acquisition of CINEL (assuming its completion) and the further strengthening of the offer in the ultra-high vacuum system sector. With a gradual return to normality, we hope that the current year will be the year that sees the definitive affirmation on the market of innovative sustainable packaging solutions.

³² Actuator Solutions (50%), SAES RIAL Vacuum S.r.l. (49%) and Flexterra (46.73%).

Business continuity

The financial statements are prepared on going concern assumptions given that, despite a difficult economic and financial environment caused by the Covid-19 epidemic, there are no significant uncertainties (as defined in paragraph no. 25 of IAS 1 - Presentation of Financial Statements) regarding business continuity.

These conclusions were reached based on the performance achieved in 2020, the substantial stability of the various businesses of the Group in terms of profitability and cash flows, its ability to maintain a positive financial position during the year and also considering the forecasts for 2021, which are positive, even if the effects of the pandemic continue to be felt.

The duration and extent of the **future spread of the Covid-19 pandemic** and its related economic and financial effects remain difficult to forecast and are subject to constant ongoing monitoring by the Group.

It should be noted that SAES' global presence, in terms of both manufacturing and sales, and its positioning in businesses considered essential, most importantly medical devices and food packaging, reduce the risk. In addition, the Net Financial Position, positive as at December 31, 2020, along with the availability of unused credit lines, provide a further guarantee of business continuity.

Related party transactions

With regard to the Group's related party transactions, please note that they fall within ordinary operations and are settled at market or standard conditions.

A full disclosure on related party transactions carried out during the year is provided in Note no. 44 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 Disclosure

The Consolidated Non-Financial Disclosure of the SAES Group for 2020, prepared pursuant to Italian Legislative Decree 254/16 and approved by the Board of Directors on March 11, 2021, constitutes a separate report from this Report on Operations, as envisaged by Article 5, paragraph 3(b) of Italian Legislative Decree 254/16, and is also available on the website www.saesgetters.com, in the "Investor relations - Sustainability" section.

Report on corporate governance and ownership structure

The Report on corporate governance and ownership structures of SAES Getters S.p.A. for 2020, drawn up pursuant to arts. 123-*bis* of the Consolidated Law on Finance and 89-*bis* of the Consob Issuers' Regulation and approved by the Board of Directors on 11 March 2021, constitutes a separate report from this Report on Operations and is also available on the website www.saesgetters.com, in the "Investor relations - Corporate Governance" section.

**Consolidated Financial Statements as at
December 31, 2020**

| Consolidated statement of profit or loss | | | |
|--|-------|-----------------|-----------------|
| (thousands of euro) | Notes | 2020 | 2019 |
| Total net sales | 3 | 168,703 | 182,352 |
| Cost of sales | 4 | (98,590) | (103,979) |
| Gross profit | | 70,113 | 78,373 |
| Research & development expenses | 5 | (10,421) | (11,052) |
| Selling expenses | 5 | (11,045) | (13,033) |
| General & administrative expenses | 5 | (31,721) | (29,306) |
| Write-down of trade receivables | 5 | (56) | 26 |
| Total operating expenses | | (53,243) | (53,365) |
| Other income (expenses), net | 6 | (596) | 1,764 |
| Operating income (loss) | | 16,274 | 26,772 |
| Interests and other financial income | 7 | 2,904 | 8,071 |
| Interests and other financial expenses | 7 | (4,147) | (1,486) |
| Write-down of financial receivables and other financial assets | 7 | (2,965) | (414) |
| Share of result of investments accounted for using the equity method | 8 | (1,704) | (1,757) |
| Write-down of investments accounted for using the equity method | 8 | (591) | (1,155) |
| Foreign exchange gains (losses), net | 9 | (477) | (104) |
| Income (loss) before taxes | | 9,294 | 29,927 |
| Income taxes | 10 | (4,507) | (10,242) |
| Net income (loss) from continued operations | | 4,787 | 19,685 |
| Net income (loss) from discontinued operations | 11 | 0 | 152 |
| Net income (loss) for the period | | 4,787 | 19,837 |
| Minority interests in consolidated subsidiaries | | 0 | 0 |
| Group net income (loss) for the period | | 4,787 | 19,837 |
| Net income (loss) per ordinary share | 12 | 0.25699 | 0.99693 |
| - from continued operations | | 0.25699 | 0.98925 |
| - from discontinued operations | | 0.00000 | 0.00000 |
| Net income (loss) per savings share | 12 | 0.27362 | 1.01356 |
| - from continued operations | | 0.27362 | 1.00588 |
| - from discontinued operations | | 0.00000 | 0.02060 |

| Consolidated statement of other comprehensive income | | | |
|---|-------|-----------------|---------------|
| (thousands of euro) | Notes | 2020 | 2019 |
| Net income (loss) for the period from continued operations | | 4,787 | 19,685 |
| Exchange differences on translation of foreign operations | 29 | (9,555) | 1,638 |
| Exchange differences on equity method evaluated companies | 29 | (630) | 161 |
| Total exchange differences | | (10,185) | 1,799 |
| Equity transaction costs related to equity method evaluated companies | 29 | 0 | 0 |
| Total components that will be reclassified to the profit (loss) in the future | | (10,185) | 1,799 |
| Actuarial gain (loss) on defined benefit plans related to SAES Getters S.p.A. and subsidiaries | 29 | 80 | (484) |
| Income taxes | 29 | (19) | 116 |
| Actuarial gain (loss) on defined benefit plans, net of taxes - SAES Getters S.p.A. and subsidiaries | | 61 | (368) |
| Actuarial gain (loss) on defined benefit plans on equity method evaluated companies | 29 | (1) | 5 |
| Income taxes | 29 | 0 | (1) |
| Actuarial gain (loss) on defined benefit plans, net of taxes - equity method evaluated companies | | (1) | 4 |
| Fair value variation of investments in other companies | 29 | (110) | 0 |
| Income taxes | 29 | 0 | 0 |
| Fair value variation of investments in other companies, net of taxes | | (110) | 0 |
| Total components that will not be reclassified to the profit (loss) in the future | | (50) | (364) |
| Release of conversion reserve for liquidation of companies evaluated at equity method | 29 | 278 | 0 |
| Total components that have been reclassified to the profit (loss) | | 278 | 0 |
| Other comprehensive income (loss), net of taxes - continued operations | | (9,957) | 1,435 |
| Total comprehensive income (loss), net of taxes - continued operations | | (5,170) | 21,120 |
| Net income (loss) for the period from discontinued operations | | 0 | 152 |
| Other comprehensive income (loss), net of taxes - discontinued operations | | 0 | 0 |
| Total comprehensive income (loss), net of taxes - discontinued operations | | 0 | 152 |
| Total comprehensive income (loss), net of taxes | | (5,170) | 21,272 |
| attributable to: | | | |
| - Equity holders of the Parent Company | | (5,170) | 21,272 |
| - Minority interests | | 0 | 0 |

Consolidated statement of financial position

| (thousands of euro) | Notes | December 31, 2020 | December 31, 2019 |
|--|-------|-------------------|-------------------|
| ASSETS | | | |
| Non current assets | | | |
| Property, plant and equipment | 14 | 73,353 | 70,893 |
| Intangible assets | 15 | 41,165 | 45,216 |
| Right of use | 16 | 5,415 | 4,617 |
| Investments accounted for using the equity method | 17 | 2,152 | 4,800 |
| Investments in other companies | 18 | 1,274 | 0 |
| Securities in the portfolio | 19 | 134,087 | 134,673 |
| Deferred tax assets | 20 | 9,061 | 9,126 |
| Tax consolidation receivables from the Controlling Company | 21 | 0 | 272 |
| Financial receivables from related parties | 22 | 49 | 49 |
| Other long term assets | 23 | 1,448 | 1,528 |
| Total non current assets | | 268,004 | 271,174 |
| Current assets | | | |
| Inventory | 24 | 30,012 | 25,547 |
| Trade receivables | 25 | 19,453 | 21,755 |
| Other receivables, accrued income and prepaid expenses | 26 | 5,965 | 4,677 |
| Cash and cash equivalents | 27 | 30,678 | 48,634 |
| Financial receivables from related parties | 22 | 1 | 1 |
| Securities in the portfolio | 19 | 70,661 | 70,779 |
| Other financial receivables from third parties | 28 | 11 | 0 |
| Total current assets | | 156,781 | 171,393 |
| Total assets | | 424,785 | 442,567 |
| EQUITY AND LIABILITIES | | | |
| Capital stock | | 12,220 | 12,220 |
| Share issue premium | | 25,724 | 25,724 |
| Treasury shares | | (93,382) | (93,382) |
| Legal reserve | | 2,444 | 2,444 |
| Other reserves and retained earnings | | 284,188 | 273,599 |
| Other components of equity | | 2,181 | 12,088 |
| Net income (loss) of the period | | 4,787 | 19,837 |
| Group shareholders' equity | 29 | 238,162 | 252,530 |
| Other reserves and retained earnings of third parties | | 0 | 0 |
| Minority interests in consolidated subsidiaries | 29 | 0 | 0 |
| Total equity | | 238,162 | 252,530 |
| Non current liabilities | | | |
| Financial debts | 30 | 95,496 | 100,724 |
| Financial liabilities for leases | 31 | 3,571 | 2,710 |
| Deferred tax liabilities | 20 | 7,758 | 8,670 |
| Severance indemnities and other employee benefits | 32 | 8,005 | 9,516 |
| Provisions for risks and charges | 33 | 991 | 1,001 |
| Total non current liabilities | | 115,821 | 122,621 |
| Current liabilities | | | |
| Trade payables | 34 | 11,424 | 15,694 |
| Other payables | 35 | 12,840 | 9,868 |
| Accrued income taxes | 36 | 155 | 602 |
| Provisions for risks and charges | 33 | 5,136 | 5,368 |
| Derivative financial instruments measured at fair value | 37 | 32 | 50 |
| Current portion of medium/long term financial debts | 30 | 5,199 | 5,365 |
| Financial liabilities for leases | 31 | 1,932 | 1,876 |
| Other financial liabilities to third parties | 38 | 1,001 | 900 |
| Bank overdrafts | 39 | 32,514 | 27,195 |
| Accrued expenses and deferred income | 40 | 569 | 498 |
| Total current liabilities | | 70,802 | 67,416 |
| Total equity and liabilities | | 424,785 | 442,567 |

| Consolidated Cash Flows Statement | | |
|---|-----------------|------------------|
| (thousands of euro) | 2020 | 2019 |
| Cash flows from operating activities | | |
| Net income (loss) from continued operations | 4,787 | 19,685 |
| Net income (loss) from discontinued operations | 0 | 152 |
| Current income taxes | 5,174 | 8,317 |
| Changes in deferred income taxes | (958) | 1,861 |
| Depreciation of financial leased assets | 2,160 | 1,539 |
| Depreciation | 7,325 | 6,651 |
| Write-down (revaluation) of property, plant and equipment | 166 | 310 |
| Amortization | 1,244 | 1,256 |
| Write-down (revaluation) of intangible assets | 0 | 0 |
| Net loss (gain) on disposal of fixed assets | (30) | (1,231) |
| Net gain on purification business disposal | 0 | (152) |
| Interest and other financial (income) expenses, net | 6,503 | (3,859) |
| Write-down of trade receivables | 56 | (26) |
| Other non-monetary costs (revenues) | 0 | 0 |
| Accrual (utilization) of investments provision | 0 | 600 |
| Accrual for termination indemnities and similar obligations | 2,078 | 1,652 |
| Changes in provisions | 0 | 659 |
| | 28,505 | 37,414 |
| Working capital adjustments | | |
| <i>Cash increase (decrease)</i> | | |
| Account receivables and other receivables | 2,073 | (1,521) |
| Inventory | (6,272) | (1,790) |
| Account payables | (4,270) | 3,612 |
| Other current payables | 103 | (2,647) |
| | (8,366) | (2,346) |
| Payment of termination indemnities and similar obligations | (436) | (550) |
| Interests and other financial payments | (606) | (281) |
| Interests and other financial receipts | 196 | 306 |
| Taxes paid | (6,496) | (10,119) |
| Net cash flows from operating activities | 12,797 | 24,424 |
| Cash flows from investing activities | | |
| Disbursements for acquisition of tangible assets | (12,865) | (23,706) |
| Proceeds from sale of tangible and intangible assets | 46 | 29 |
| Disbursements for acquisition of intangible assets | (370) | (461) |
| Sale of intellectual property to related parties | 0 | 2,291 |
| Purchase of securities, net of disinvestments | (1,174) | (100,376) |
| Income from securities, net of management fees | 2,115 | 1,822 |
| Capital injection into joint ventures | 0 | 0 |
| Capital injection in other companies | (1,395) | 0 |
| Price paid for the acquisition of businesses | 0 | 0 |
| Advances paid for the purchase of investments | 0 | (1,100) |
| Adjustment on the consideration for the purification business disposal | 0 | (377) |
| Net cash flows from investing activities | (13,643) | (121,878) |
| Cash flows from financing activities | | |
| Proceeds from long term financial liabilities, current portion included | 0 | 92,735 |
| Proceeds from short term financial liabilities | 5,599 | 410 |
| Dividends payment | (9,198) | (16,580) |
| Repayment of financial liabilities | (5,382) | (5,467) |
| Interests paid on long term financial liabilities | (1,232) | (815) |
| Interests paid on short term financial liabilities | (206) | (29) |
| Other costs paid | (28) | (36) |
| Financial receivables repaid (granted) from related parties | (2,628) | 0 |
| Interests receipts on financial receivables from related parties | 1 | 1 |
| Other financial payables | 2 | 1 |
| Repayment of financial liabilities for leased assets | (2,044) | (1,570) |
| Interests paid on leased assets | (168) | (55) |
| Purchase of treasury shares and related accessory costs | 0 | (93,382) |
| Net cash flows from financing activities | (15,284) | (24,787) |
| Net foreign exchange differences | (1,691) | 367 |
| Net (decrease) increase in cash and cash equivalents | (17,821) | (121,874) |
| Cash and cash equivalents at the beginning of the period | 48,521 | 170,395 |
| Cash and cash equivalents at the end of the period | 30,700 | 48,521 |

| Consolidated statement of changes in equity as at December 31, 2020 | | | | | | | | | | | |
|---|---------------|---------------------|-----------------|---------------|-----------------------------|--|--------------------------------------|-------------------|----------------------------|--------------------|----------------|
| (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, 2019 | 12,220 | 25,724 | (93,382) | 2,444 | 12,088 | 0 | 273,599 | 19,837 | 252,530 | 0 | 252,530 |
| Distribution of 2019 result | | | | | | | 19,837 | (19,837) | 0 | | 0 |
| Dividends paid | | | | | | | (9,198) | | (9,198) | | (9,198) |
| Net income (loss) | | | | | | | 4,787 | | 4,787 | 0 | 4,787 |
| Release of conversion reserve for liquidation of companies evaluated at equity method | | | | | 278 | | | | 278 | | 278 |
| Other comprehensive income (loss) | | | | | (10,185) | | (50) | | (10,235) | | (10,235) |
| Total comprehensive income (loss) | | | | | (9,907) | 0 | (50) | 4,787 | (5,170) | 0 | (5,170) |
| December 31, 2020 | 12,220 | 25,724 | (93,382) | 2,444 | 2,181 | 0 | 284,188 | 4,787 | 238,162 | 0 | 238,162 |

| 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 |
| 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 |

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, industrial 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. Lastly, SAES has recently developed a technology platform that integrates getter materials in a polymeric matrix, which can be used in several application fields (sustainable packaging, OLED displays, optoelectronic, photonics and telephony applications).

The preparation of the financial statements is based on 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 caused by the Covid-19 pandemic, there are no significant uncertainties (as defined in paragraph no. 25 of IAS 1 - Presentation of Financial Statements) regarding business continuity.

S.G.G. Holding S.p.A.³³ is a relative majority shareholder³⁴ and does not exercise management and coordination activities 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 structure).

The Board of Directors approved and authorised the publication of the 2020 consolidated financial statements with the resolution passed on March 11, 2021.

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 Note no. 2 “Accounting standards”.

The consolidated financial statements for the year ending December 31, 2020 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 28 July 2006, as well as Article 149-*duodecies* of the Issuers’ Regulation. 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, comparative figures for 2019 are also shown, in application of IAS 1 - Presentation of Financial Statements.

Accounting schedules

The presentation adopted is compliant with the provisions of IAS 1-revised, which 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 including only

³³ With registered office in Milan, via Santa Maria Fulcorina, 2.

³⁴ As at December 31, 2020, S.G.G. Holding S.p.A. held 34.44% of the ordinary shares of SAES Getters S.p.A. and, taking into account enhanced voting rights, 45.01% of all voting rights that could be exercised on that date.

details of operations on the Group's shareholders' equity, while changes in the minority interests are presented in a separate line.

Moreover, it should be noted that:

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

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

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 area, 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 in the previous year, in addition to the Functional Chemical Systems area and Flexterra business, the latter previously unallocated);
- Advanced Packaging Division (unchanged).

The amounts for 2019 were **reclassified** according to the new operating structure (see the table below), so they can be compared with the 2020 figures.

| Consolidated statement of profit or loss | Metallurgy Division | | | Vacuum Technology Division | | | Medical Division | | | Specialty Chemicals Division | | | Advanced Packaging Division | | | Not Allocated | | | Total | | |
|--|---------------------|----------|-------------------|----------------------------|----------|-------------------|------------------|----------|-------------------|------------------------------|----------|-------------------|-----------------------------|----------|-------------------|---------------|----------|-------------------|-----------|----------|-------------------|
| | 2019 | Reclass. | 2019 reclassified | 2019 | Reclass. | 2019 reclassified | 2019 | Reclass. | 2019 reclassified | 2019 | Reclass. | 2019 reclassified | 2019 | Reclass. | 2019 reclassified | 2019 | Reclass. | 2019 reclassified | 2019 | Reclass. | 2019 reclassified |
| 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. | | 53.3% | 41.9% | | 41.9% | n.a. | | 22.7% | 6.0% | | 6.0% | n.a. | | n.a. | 43.0% | | 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 | | | | | | | | | | | | | | | | | | | 6,585 | 0 | 6,585 |
| Write-down of financial receivables and other financial assets | | | | | | | | | | | | | | | | | | | (414) | 0 | (414) |
| Share of result of investments accounted for using the equity method | | | | | | | | | | | | | | | | | | | (1,257) | 0 | (1,257) |
| Write-down of investments accounted for using the equity method | | | | | | | | | | | | | | | | | | | (1,155) | 0 | (1,155) |
| 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) for the period | | | | | | | | | | | | | | | | | | | 19,837 | 0 | 19,837 |
| Minority interests in consolidated subsidiaries | | | | | | | | | | | | | | | | | | | 0 | 0 | 0 |
| Group net income (loss) for the period | | | | | | | | | | | | | | | | | | | 19,837 | 0 | 19,837 |

Seasonality of revenues

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

Scope of consolidation

The following table shows the companies included in the scope of consolidation with the full consolidation method as at December 31, 2020.

| Company | Currency | 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 | 100.00* | - |
| 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 | - |
| SAES Innovative Packaging S.r.l. ** 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: | | | | |
| <i>Through SAES Getters U.S.A., Inc.:</i> | | | | |
| Spectra-Mat, Inc. Watsonville, CA (USA) | USD | 204,308 | - | 100.00 |
| <i>Through SAES Getters International Luxembourg S.A.:</i> | | | | |
| 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 |

* On December 16, 2020, the transfer of 10% of the share capital of SAES Getters International Luxembourg S.A. from SAES Getters (Nanjing) Co., Ltd. to SAES Getters S.p.A. (already holding 90% of the shares) was completed. At the end of this intragroup transaction, which did not generate changes in the scope of consolidation, the Parent Company holds 100% of the share capital of the Luxembourg subsidiary.

** Formerly E.T.C. S.r.l. in liquidation.

The following table shows the companies included in the scope of consolidation with the equity method as at December 31, 2020.

| Company | Currency | Capital Stock | % of Ownership | |
|--|----------|---------------|----------------|----------|
| | | | Direct | Indirect |
| Actuator Solutions GmbH Gunzenhausen (Germany) | EUR | 2,000,000 | - | 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 through SAES Nitinol S.r.l.

** % of indirect ownership through SAES Getters International Luxembourg S.A.

*** % indirect ownership through the joint venture Flexterra, Inc. (holding a 100% interest in Flexterra Taiwan Co., Ltd.).

The following table shows the investments in other companies as at December 31, 2020, other than subsidiaries, associates or joint ventures, included in the scope of consolidation through fair value measurement, pursuant to IFRS 9.

| Company | Currency | Capital Stock | % of Ownership | |
|--|----------|---------------|----------------|----------|
| | | | Direct | Indirect |
| Eureka! Fund I - Technology Transfer Milan (Italy) | EUR | 2,582,893* | 7.51 | - |
| Cambridge Mechatronics Limited Cambridge (United Kingdom) | GBP | 48,565 | - | 0.87** |

* Total capital contributions by investors as at December 31, 2020, against a total commitment of €39,955 thousand.

** % of indirect ownership through SAES Getters International Luxembourg S.A.

The main changes in the scope of consolidation during 2020 are shown below.

- On June 23, 2020, an agreement was signed with EUREKA! Venture SGR S.p.A. by which SAES has invested in the venture capital fund EUREKA! *Fund I - Technology Transfer* (a closed alternative investment fund qualifying as a 'EuVECA' fund under Regulation (EU) 345/2013), established and managed by the SGR and with investors such as Cassa Depositi e Prestiti (CDP) and the European Investment Fund (EIF). The investment in the Fund, through the Parent Company SAES Getters S.p.A., was equal to €3 million and has a ten-year duration (coinciding with the maturity of the Fund). The financial outlay for SAES will not be immediate, but rather in the form of drawdown transactions, based on the investment opportunities that might gradually be identified and the corresponding capital calls by the SGR. As at December 31, 2020, SAES Getters S.p.A., against a total commitment of €3 million, had made capital contributions of €301 thousand³⁵.
- In September 2020, the liquidation process of Actuator Solutions Taiwan Co., Ltd. and Actuator Solutions (Shenzhen) Co., Ltd., companies wholly owned by Actuator Solutions GmbH and in liquidation since the end of 2019, was completed.
- On December 11, 2020, through the subsidiary SAES Getters International Luxembourg S.A., an equity investment was made in Cambridge Mechatronics Limited (CML), a company based in Cambridge, UK, with which SAES has been working for many years in the business of shape memory alloys (SMA) for industrial application, particularly in the consumer electronics and mobile telephony sectors. SAES participated in a specific financing round carried out by CML by

³⁵Amount net of the repayment of €11 thousand following the completion by the Fund of the second closing, which has resulted in the entry of new investors and the dilution of the SAES investment from 8.02% to 7.51%.

purchasing no. 159,745 newly issued ordinary preference shares, each with a nominal value of £6.26, with a total investment of £1 million.

Moreover, it should be noted that:

- on July 24, 2020, the revocation of the liquidation status of the company E.T.C. S.r.l., approved by the Shareholders' Meeting of April 15, 2020, became effective. On that same date, the company name was changed from E.T.C. S.r.l. into SAES Innovative Packaging S.r.l. and its corporate purpose modified to allow the company to directly or indirectly take on investments or shareholdings in the packaging sector and to scout for new technologies in that sector;
- on December 16, 2020, the transfer of 10% of the share capital of SAES Getters International Luxembourg S.A. from SAES Getters (Nanjing) Co., Ltd. to SAES Getters S.p.A. (already holding 90% of the shares) was completed. Following this transaction, the Parent Company holds 100% of the share capital of the Luxembourg subsidiary.

2. ACCOUNTING STANDARDS

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 of the year due to them in specific items of the statement of financial position and income statement.

The book value of the investment in each of the subsidiaries is offset against the corresponding portion of shareholders' equity including any adjustments to fair value as at the date of acquisition; the positive difference that arises is recognised as goodwill in intangible assets, as explained further below, while the negative difference is recognised in the income statement.

When preparing the consolidated financial statements, all equity and financial balances between the Group companies and the profits and losses not realised on inter-company 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 to the parties of the agreement, which have joint control over the initiative, rights to the individual assets and obligations for the individual liabilities relating to the agreement.

Equity investments in associates and joint ventures are measured using the equity method. In the case of a joint operation, assets and liabilities, costs and revenues of the agreement based on the reference accounting standards are recognised instead.

Equity investments other than associates or joint ventures, i.e. minority interests not held for trading purposes, are recognised as non-current assets under “Investments in other companies” and, in compliance with the provisions of IFRS 9, are measured at fair value, with recognition of changes in other comprehensive income, without reversal to the income statement.

Criteria for translating items expressed in foreign currencies

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 date (current exchange rate method), whereas the associated revenues and costs are converted at the average exchange rates for the year. Translation differences resulting from the application of this method are classified as a shareholders’ equity item until the equity investment is sold. In preparing the consolidated cash flow statement, the cash flows of consolidated foreign companies expressed in currencies other than the euro are converted by using the average exchange rates for the year.

Non-current items measured at historical cost in a foreign currency (including goodwill and adjustments to the fair value generated during the purchase price allocation of a foreign company) are translated 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 translation of foreign financial statements.

expressed in foreign currency (per 1 euro)

| Currency | December 31, 2020 | | December 31, 2019 | |
|--------------------------|-------------------|------------|-------------------|------------|
| | Average rate | Final rate | Average rate | Final rate |
| US dollar | 1.1422 | 1.2271 | 1.1195 | 1.1234 |
| Japanese yen | 121.8458 | 126.4900 | 122.0058 | 121.9400 |
| South Korean won | 1,345.5765 | 1,336.0000 | 1,305.3173 | 1,296.2800 |
| Renminbi (P.R. of China) | 7.8747 | 8.0225 | 7.7355 | 7.8205 |
| Taiwan dollar | 33.6227 | 34.4807 | 34.6057 | 33.7156 |

When the IFRS were first adopted, the combined translation 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 translation 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 recognised using the purchase method. According to this method, the assets (including intangible assets not previously recognised), liabilities and potential liabilities (excluding future restructuring) acquired and identifiable, are recognised 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 recognised as an intangible asset. Any negative difference ("negative goodwill") is instead recognised in the income statement 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 recognised in the income statement when they are incurred.

Goodwill is not amortised, but annually, or more frequently if certain specific events or particular circumstances indicate the possibility that it may be impaired, it is tested 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 income statement. The accrued profits and losses recognised directly under shareholders' equity are transferred to the income statement 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 recognised 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 at 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 has recognised as goodwill the difference between the financial liability at fair value and the third-party quota reversed at the date of the financial statements (Parent entity extension method).

Intangible assets

Development costs

Costs incurred internally to develop new products and services are considered, depending on the case, as tangible or intangible assets generated internally and are recognised as 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 at the development stage will generate future economic benefits.

Development costs capitalised only include expenses incurred that may be directly attributed to the development process.

Development costs capitalised are amortised systematically, 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 recognised as 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 recognised at purchase or production cost and amortised 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.

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 estimate of the useful life differs from the previous estimate. The impact of these changes is recognised in the income statement on a forward-looking basis.

Intangible assets are amortised 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 | 5/15 years/term of contract |

Property, plant and equipment

Property, plant and equipment are recognised 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 capitalised only if they lead to an increase in future economic benefits inherent to the asset to which they refer. All other costs are recognised in the income statement 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 recognised, at its present value, in the period in which the obligation arises, in a fund recognised under liabilities as part of the provisions for risks and charges; the recognition of the capitalised 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 using the straight-line method over 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 estimate of the useful life differs from the previous estimate. The impact of these changes is recognised in the income statement 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 agreements

Lease agreements are recognised following the indications of IFRS 16. This standard sets a single model for the recognition and measurement of lease agreements (including operating leases) for the lessee, which provides for the recognition of the leased asset among balance sheet assets (right of use) with an offsetting item under financial debt. Exceptions are made only for short-term leases (i.e., leases with a duration equal to or less than twelve months) and leases where the underlying asset represents a low-value asset (i.e., underlying assets that do not exceed the value of €5 thousand, when new); for these, the Group continues to recognize the lease payments in the income statement on a straight-line basis for the duration of their contracts, unless another systematic basis is found to be a better representation of the time when the economic benefits of the leased assets are enjoyed.

The amount due to the lessor is classified among the financial liabilities in the statement of financial position and is initially measured at the value of the payments requested in the lease contract that are not already paid at the start date, discounted using the contract implicit rate. If this rate cannot be inferred from the contract, the lessee uses its own effective financing rate.

Payments considered in the measurement of lease liabilities mainly include:

- fixed lease payments, net of any incentives;
- variable payments that depend on an index or a rate, initially measured using the index or rate at the contract start date;
- exercise price of purchase options, if lessees are reasonably certain they will exercise these options; and
- payments of penalties for the termination of the lease, if the duration of the lease reflects the exercise of an option for the termination of the lease.

The book value of this liability is reduced to reflect the lease payments made during the year.

Rights of use refer to leased assets. These assets, representative of the right of use on the goods, are recognized by the Group as a special item in the consolidated balance sheet, separate from tangible and intangible assets. The assets relating to the right of use are initially equal to the corresponding lease liability, net of incentives received and initial direct costs, if any. Subsequently, they are measured at cost less accumulated depreciation and impairment losses. If the Group incurs a cost obligation to dismantle and remove a leased asset, restore the site where the asset is located or restore the underlying asset to the conditions required by the terms and conditions of the lease, a provision is recognized and measured according to IAS 37. Assets relating to the right of use are amortized according to the duration of the lease contract. If the Group plans to exercise a purchase option, the asset relating to the right of use is amortized over the useful life of the underlying asset. Amortization starts from the start date of the lease contract.

The Group applies IAS 36 to establish whether a right of use asset is subject to impairment, as described in the paragraph “Impairment of assets”.

The amortization for the right of use asset and the interest expense accrued on the lease liability are recognized in the income statement.

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

- the duration of the lease has changed or a significant event or a change in circumstances occurs which changes the measurement of the exercise of the purchase option; in this case, the lease liability is remeasured by discounting the modified future payments, using a revised discount rate;
- the lease payments change due to changes in an index or rate or in the expected payment based on a guaranteed residual value; in this case, the lease liability is restated 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 interest rate, for which a revised discount rate is used);
- a lease agreement is modified and therefore the liability is recalculated based on the lease term modified by discounting the modified lease payments with a discount rate revised at the effective date of the change.

Impairment of assets

On each reporting date, the Group assesses if there are any indications that intangible assets with a finite useful life, as well as 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. The rights of use relating to leased assets are also among the assets subject to impairment testing.

Goodwill

A test of the recoverable value of goodwill is carried out each year (impairment test) at the reporting date and whenever there are indications of impairment of this item during the year. The goodwill acquired and allocated during the year is subject to impairment testing before the end of the year in which the acquisition and allocation took place.

To assess its recoverable amount, goodwill is allocated, at the acquisition date, to each Cash Generating Unit (CGU), or each group of CGUs, benefiting from the acquisition, regardless of whether 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 recognised in the income statement corresponding to the difference.

The impairment loss is recognised in the income statement, 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 either the explicit forecasts and 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 net 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 recognised 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 and tangible) assets with a finite useful life

During the year, the Group checks whether there are indications that tangible 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 capitalisation.

If there are indications that either tangible or intangible assets with a finite useful life have suffered an impairment loss, the carrying amount of the assets 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 recognised in the income statement.

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 recognised. The reversal of the impairment loss is recognised in the income statement.

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 recognised 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 recognised in the income statement 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 recognised 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 income statement in the year as soon as the process of applying the acquisition method within the twelve months following the acquisition is completed.

If an associate or joint venture recognises adjustments with direct recognition to the shareholders' equity and the statement of comprehensive income, the Group in turn recognises 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 realised 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 recognised with the equity method and its recoverable value. Any impairment is allocated to the investment as a whole with a balancing entry in the income statement.

When considerable influence over an associate or joint control of a joint venture is lost, the Group assesses and recognises 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 recognised in the income statement.

Minority interests, not held for trading purposes

Equity investments other than associates or joint ventures, i.e. minority interests not held for trading purposes, are recognised as non-current assets under “Investments in other companies” and, in compliance with the provisions of IFRS 9, are measured at fair value. At the time of initial recognition, the fair value is normally the transaction price; subsequently, any changes in fair value are recognized in other comprehensive income, without being reversed to the income statement.

Dividends from the investment are recognized in profit (loss) for the year.

The risk deriving from any losses exceeding the shareholders’ equity is recognized in a specific risk provision to the extent that the investor is committed to fulfilling legal or implicit obligations towards the investee company or in any case to cover its losses.

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 amortised 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 made following 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 worsens. More specifically, for cash and cash equivalents, 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.

Financial liabilities include financial payables as well as financial liabilities, including financial derivatives. They also include trade payables and those of a miscellaneous nature.

Financial liabilities are measured at amortised cost. These liabilities are recognised according to the settlement date principle and initially recognised 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 amortised cost, using the effective interest rate criterion.

Trade receivables

Group trade receivables are characterised 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 amortised cost.

The impairment on trade receivables is carried out using the simplified approach permitted by IFRS 9. This approach envisages the estimate of the expected loss over the entire life of the receivable at the time of initial recognition and in subsequent valuations. The estimate is made mainly by calculating the average expected irrecoverability, 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 recognised 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 recognised in the income statement. 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 recognised in the income statement.

- 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 recognised 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 recognised 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 recognised in the income statement in the same years in which the effects of the hedged transaction are recognised in the income statement.

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

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

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 realisable 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.

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 about to be sold, the carrying amount of which has been or will be recovered mainly through their sale rather than 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 of selling costs.

In compliance with IFRS, the data 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 financial position: Profit (loss) from discontinued operations.

Provisions relating to personnel

Severance Indemnity

Severance Indemnity (Trattamento di Fine Rapporto, or TFR), mandatory for Italian enterprises pursuant to article 2120 of the Italian Civil Code, represents deferred remuneration and depends on the length of the employees' working life and the remuneration received in their period in service.

In application of IAS 19, the TFR, calculated in this way, is considered a "Defined Benefits Plan" and the relative obligation to be recognised 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 recognised in the statement of comprehensive income in the period in which they arise. These actuarial differences are immediately recognised in profits carried forward and are not classified in the income statement in later periods.

As the time for payment of the benefit comes closer, the costs related to the increase in the present value of the employee severance indemnity 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 recognised 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 recognised in the statement of comprehensive income in the period in which they arise. These actuarial differences are immediately recognised in profits carried forward and are not classified in the income statement in later periods.

Provisions for risks and charges

The Group companies recognise 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 Group

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 income statement of 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 are recognised in the income statement.

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 translated 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 recognised 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 recognised at the time at which the control of the good sold is transferred, while revenues resulting from the provision of services are recognised at the time the service is performed.

The Group also recognizes revenues relating to those assets for which there is no alternative use and 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 costs

Research costs, referring both to basic research aimed at increasing the company's knowledge, and to the production of a new or improved product / process, are charged directly to the income statement in the year in which they are incurred. Development costs, referring to activities related and consequent to applied research, aimed at putting into practice the results of the research activities, can be capitalized if the conditions envisaged by IAS 38, and already mentioned in the paragraph on intangible assets, are met. If the requirements for the mandatory capitalisation of development costs are not met, the charges are booked to the income statement of the year in which they were incurred. In regard to the current year, it should be noted that all development costs incurred by the Group were charged directly to the income statement as they did not meet the requirements for capitalization.

Government grants

Government grants are recognised 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 recognised in the income statement 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 recognised 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 recognised 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 recognised 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 recognised 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, excluding 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 and subjective valuations

The preparation of the consolidated financial statements and of the related notes in application of IFRSs, requires the use of estimates and assumptions by Company Management, which have an effect on the values of assets and liabilities in the financial statements, 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.

Specifically, estimates and subjective valuations are used to recognise the recoverable amount of non-current assets (including goodwill), accruals to provision for receivables, obsolete and slow-rotation inventory, depreciation and amortisation, employee benefits, deferred taxes, restructuring provision as well as other accruals and provisions, including both the provisions for risks, and pension plans and other post-employment benefits. The estimates are also used to define the duration and interest rate of the transactions that relate to lease contracts. 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, Company 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 a prudential basis;
- are complete in terms of all relevant aspects.

Note that some evaluation processes are generally conducted in complete form solely for the preparation of the annual report, when all the required information is available. For example, the actuarial valuations required to determine the provisions for employee benefits are normally conducted for the preparation of the annual report.

However, as regards the process to calculate any impairment losses on non-current assets, this too usually carried out once a year, pursuant to paragraphs 9 and 12 of IAS 36, the Directors have looked at the effects of the COVID-19 pandemic as an impairment indicator and, therefore, property, plant and equipment, intangible assets and rights of use on leased assets, as well as investments accounted for using the equity method were tested for impairment not only at the end of the year, as usually done by the Group, but also as at June 30, 2020, in compliance with the guidance provided by ESMA on 28 October 2020 for the financial statements as at December 31, 2020 (European common enforcement priorities for 2020 annual financial reports).

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, 2020

The accounting standards, amendments and interpretations which were applied for the first time starting from January 1, 2020 are set out below.

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 introduced the concept of “obscured information” as being close to the concepts of omitted or erroneous information already present in the two standards being amended. The amendment clarifies that information is “obscured” if it was described in a way that produces an effect on the main readers of financial statements similar to the effect that would be produced if that information had been omitted or erroneous.

The adoption of the amendment did not have any effects on the Group’s consolidated 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 adoption of the amendment did not have any effects on the Group’s consolidated financial statements.

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 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 adoption of the amendment did not have any effects on the Group's consolidated 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 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 activities/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 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 "concentration test", through which it is possible to exclude the presence of a business if the price paid is substantially referable to a single asset or group of assets. 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 adoption of the amendment did not have any effects on the Group's consolidated financial statements.

Covid-19-related Rent Concessions (Amendment to IFRS 16)

On May 28, 2020, the IASB published "Covid-19-related Rent Concessions (Amendment to IFRS 16)". The document gives lessees the option of accounting for decreases in lease payables related to Covid-19 without having to assess, by reviewing the lease, whether the IFRS 16 definition of 'lease modification' is satisfied. Therefore, lessees applying this option will be able to recognise the decrease in lease rent directly in the income statement at the effective date of the decrease.

This amendment applies to financial statements starting June 1, 2020, with the option of early application by companies in financial statements starting January 1, 2020.

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

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

Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)

On May 28, 2020, the IASB published "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The amendments allow the temporary exemption from applying IFRS 9 to be extended until January 1, 2023 for insurance companies.

These amendments will become effective from January 1, 2021. The adoption of these amendments is not expected to have any impact on the consolidated financial statements of SAES as there are no insurance companies in the Group.

Interest Rate Benchmark Reform - Phase 2

On August 27, 2020, the IASB published, in light of the reform on interbank interest rates such as the IBOR, the document “Interest Rate Benchmark Reform - Phase 2” which contains amendments to the following standards:

- IFRS 9 – Financial Instruments;
- IAS 39 – Financial Instruments: Recognition and Measurement;
- IFRS 7 – Financial Instruments: Disclosures;
- IFRS 4 – Insurance Contracts; and
- IFRS 16 – Leases.

The Group is currently assessing the potential impact of this amendment on the consolidated financial statements.

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 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 hedge contract period taking into account the adjustments resulting from variations in the assumptions related to the cash flows of each group of contracts.

The PAA envisages measurement of the liability for the residual coverage of a group of insurance contracts provided that, on initial recognition, the entity provides that such a liability represents a reasonable approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA. The simplifications arising from application of the PAA method do not apply to the assessment of liabilities for existing claims that are measured using 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, 2023, but 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 SAES as there are no insurance companies in the Group.

Amendment to IAS 1 - *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*

On January 23, 2020 the IASB published “Amendments to IAS 1 - *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*”. The aim of the document is to clarify how to classify current or non-current payables and other liabilities. The amendments apply from January 1, 2022, but early adoption is allowed. The adoption of this amendment is not expected to have any significant impact on the consolidated financial statements of the Group.

Amendments to IFRS 3 - Business Combinations, IAS 16 - Property, Plant and Equipment and IAS 37 - Provisions, Contingent Liabilities and Contingent Assets; Annual Improvements 2018-2020

On May 14, 2020, the IASB published the following amendments:

- **Amendments to IFRS 3 - Business Combinations:** the amendments update the reference in IFRS 3 to the revised version of the Conceptual Framework, without changing the provisions of IFRS 3.
- **Amendments to IAS 16 - Property, Plant and Equipment:** the amendments do not allow the amount received from the sale of goods produced in an asset’s trial phase to be deducted from the cost of property, plant and equipment. Such revenues from sales and the related costs are therefore recognized in the statement of profit or loss.
- **Amendments to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets:** the amendment clarifies that all costs directly attributable to the contract must be considered when estimating any contract liabilities. Consequently, the measurement of any contract liability includes not only the incremental costs (e.g., the cost of material directly used in processing), but also all costs that the company cannot avoid in that it signed the contract (e.g., the percentage of personnel costs and depreciation of machinery used to fulfil the contract).
- **Annual Improvements 2018-2020:** the amendments were made to IFRS 1 - First-time Adoption of International Financial Reporting Standards, IFRS 9 - Financial Instruments, IAS 41 - Agriculture and the Illustrative Examples in IFRS 16 - Leases.

All these amendments will become effective from January 1, 2022. The adoption of these amendments is not expected to have any significant impact on the consolidated financial statements of the Group.

3. NET SALES

In 2020 consolidated net sales were equal to €168,703 thousand, down by 7.5% compared to €182,352 thousand in 2019.

The exchange rate effect was negative and equal to -1.3%, mainly related to the devaluation of the US dollar against the euro. Excluding this effect, the organic decrease was -6.2%, concentrated in the Medical Division, the SMA Industrial segment of the Metallurgy Division, and in the Advanced Packaging Division. The first suffered from the effects of the Covid-19 pandemic, especially on elective treatments that can be deferred; the second, in addition to the effects of the pandemic, was penalized by geopolitical tensions between the US and China; the third saw the gradual phase-out of metallised products in favour of lacquer products, which are more innovative, sustainable and have greater added value.

The following table shows a breakdown of revenues by Business.

(thousands of euro)

| Business (*) | 2020 | 2019 | Total difference | Total difference % | Exchange rate effect % | Organic change % |
|---|----------------|----------------|------------------|--------------------|------------------------|------------------|
| Security & Defense | 17,299 | 12,778 | 4,521 | 35.4% | -1.8% | 37.2% |
| Electronic Devices | 16,980 | 14,353 | 2,627 | 18.3% | -1.6% | 19.9% |
| Healthcare Diagnostics | 4,456 | 4,438 | 18 | 0.4% | -0.9% | 1.3% |
| Lamps | 3,248 | 4,073 | (825) | -20.3% | -0.7% | -19.6% |
| Thermal Insulated Devices | 3,001 | 3,377 | (376) | -11.1% | -1.0% | -10.1% |
| Sintered Components for Electronic Devices & Lasers | 7,152 | 8,452 | (1,300) | -15.4% | -1.7% | -13.7% |
| SMA Industrial | 10,894 | 16,969 | (6,075) | -35.8% | -0.7% | -35.1% |
| Metallurgy Division | 63,030 | 64,440 | (1,410) | -2.2% | -1.3% | -0.9% |
| Solutions for Vacuum Systems | 12,479 | 10,592 | 1,887 | 17.8% | -1.0% | 18.8% |
| Vacuum Technology Division | 12,479 | 10,592 | 1,887 | 17.8% | -1.0% | 18.8% |
| Nitinol for Medical Devices | 73,579 | 84,979 | (11,400) | -13.4% | -1.7% | -11.7% |
| Medical Division | 73,579 | 84,979 | (11,400) | -13.4% | -1.7% | -11.7% |
| Functional Dispensable Products | 12,180 | 12,334 | (154) | -1.2% | -0.2% | -1.0% |
| Specialty Chemicals Division | 12,180 | 12,334 | (154) | -1.2% | -0.2% | -1.0% |
| Advanced Coatings | 7,435 | 10,007 | (2,572) | -25.7% | 0.0% | -25.7% |
| Advanced Packaging Division | 7,435 | 10,007 | (2,572) | -25.7% | 0.0% | -25.7% |
| Total net sales | 168,703 | 182,352 | (13,649) | -7.5% | -1.3% | -6.2% |

(*) Starting from January 1, 2020, the Group is organized into the following technological areas of competence (or "Divisions"):

- Metallurgy Division (that coincides with the previous Industrial operating sector, excluding the Solutions for Vacuum Systems Business, the Functional Chemical Systems Business and the advanced getters for the electronic consumers market, the latter previously classified within the Electronic Devices Business);

- Vacuum Technology Division (coinciding with the Solutions for Vacuum Systems Business, included in the Industrial operating sector);

- Medical Division (unchanged);

- Specialty Chemicals Division (that means advanced getters for the electronic consumers market, classified within the Electronic Devices Business in the previous year, in addition to the Functional Chemical Systems Business and the Flexterra business, the latter previously not allocated);

- Advanced Packaging Division (unchanged).

The economic figures of 2019 have been reclassified according to the new operating structure, to allow a homogeneous comparison with 2020.

For further details and comments, please refer to the Group Report on operations.

4. COST OF SALES

The cost of sales for 2020 was equal to €98,590 thousand, against €103,979 thousand in the previous year.

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

(thousands of euro)

| Cost of sales | 2020 | 2019 | Difference |
|--|---------------|----------------|----------------|
| Raw materials | 30,479 | 32,008 | (1,529) |
| Direct labour | 27,091 | 28,334 | (1,243) |
| Manufacturing overhead | 45,466 | 44,779 | 687 |
| Increase (decrease) in work in progress and finished goods | (4,446) | (1,142) | (3,304) |
| Total cost of sales | 98,590 | 103,979 | (5,389) |

Excluding the decrease due to the exchange rate effect (costs down by €1,319 thousand), the percentage change in the cost of sales (-3.9%) was basically in line with the organic sales' decrease (-6.2%).

In particular, observing the individual components of the cost of sales, again net of the exchange rate effect, the **cost of labour** fell by a lower percentage (-3.1%) than the organic change in sales because it was penalized by temporary production inefficiencies in the medical sector (inefficiencies related to the project, still underway, to create a new tube department in the Bethel plant) and in the packaging sector (cost of direct production personnel aligned in absolute value with that of 2019,

despite the decline of sales, due to the commissioning of two new production lines³⁶, not yet tested or used at full capacity).

The **cost of materials** recorded a stronger decrease (-14.5% organic change, including the change in inventories of semi-finished goods and finished products, as well as raw materials) compared to the organic change in revenues, due to the different and more favourable sales mix (particularly in the vacuum pumps and advanced packaging businesses). Lastly, **indirect production costs** recorded an opposite change (organic increase of +2.8%), having also been penalized by the aforementioned production inefficiencies in the medical and packaging sectors.

5. OPERATING EXPENSES

Operating expenses in 2020 were equal to €53,243 thousand, against €53,365 thousand in the previous year.

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

(thousands of euro)

| Operating expenses | 2020 | 2019 | Difference |
|-----------------------------------|---------------|---------------|--------------|
| Research & development expenses | 10,421 | 11,052 | (631) |
| Selling expenses | 11,101 | 13,007 | (1,906) |
| General & administrative expenses | 31,721 | 29,306 | 2,415 |
| Total operating expenses | 53,243 | 53,365 | (122) |

Excluding the exchange rate effect (-€292 thousand), operating costs in 2020 were substantially in line with those of 2019. In particular, there was an organic reduction in **sales costs** (-14%, due to lower travel expenses and marketing costs as a result of the Covid-19 pandemic, as well as a reduction in commissions to third parties due to lower sales of SMA trained wire and the phase-out of metallised products and decrease in severance costs³⁷), as well as a decrease in **research and development** costs (-5.2%, due to lower consulting services, as well as lower costs for travel and for the use of auxiliary materials, again due to Covid-19). This was offset by an organic increase in **general and administrative expenses** (+8.8% organic increase). The latter include non-recurring costs, equal to €643 thousand, incurred to manage the Covid-19 emergency (in particular, costs for sanitization and adaptation of access points and workspaces to ensure employee safety, as well as healthcare and prevention expenses and consulting and training costs). There was also an increase in consulting costs, especially in the IT area, for the implementation of new IT systems as well as higher costs for the variable remuneration³⁸ to the Executive Directors and amortization charges for the new Milan office of the Parent Company. Lastly, it should be noted that, in 2019, general and administrative expenses included non-recurring severance costs for €305 thousand.

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

³⁶ In particular, a second line for the lacquering of plastic films and new equipment that allows to combine metallisation with lacquering.

³⁷ In 2019 non-recurring severance costs for €180 thousand had been recognised.

³⁸ In particular, provision for the three-year monetary incentive plans, expiring at the end of the 2020 financial year.

(thousands of euro)

| Total costs by nature | 2020 | 2019 | Difference |
|--|----------------|----------------|----------------|
| Raw materials | 30,479 | 32,008 | (1,529) |
| Personnel cost | 76,352 | 77,638 | (1,286) |
| Corporate bodies | 5,134 | 4,783 | 351 |
| Travel expenses | 332 | 1,355 | (1,023) |
| Maintenance and repairs | 4,206 | 3,824 | 382 |
| Various materials | 8,645 | 8,784 | (139) |
| Transports | 1,824 | 1,971 | (147) |
| Commissions | 280 | 657 | (377) |
| Licenses and patents | 784 | 792 | (8) |
| Consultant fees and legal expenses | 6,995 | 6,124 | 871 |
| Audit fees (*) | 570 | 627 | (57) |
| Rent and operating leases | 559 | 651 | (92) |
| Insurances | 1,085 | 1,035 | 50 |
| Promotion and advertising | 248 | 455 | (207) |
| Utilities | 3,904 | 4,261 | (357) |
| Telephones and faxes | 285 | 339 | (54) |
| General services (canteen, cleaning, vigilance, etc.) | 1,993 | 1,865 | 128 |
| Training | 183 | 304 | (121) |
| Depreciation | 7,325 | 6,651 | 674 |
| Amortization | 1,244 | 1,256 | (12) |
| Right of use depreciation | 2,160 | 1,539 | 621 |
| Write-down of non current assets | 166 | 310 | (144) |
| Provision (release) for bad debts | 56 | (26) | 82 |
| Other | 1,470 | 1,283 | 187 |
| Total costs by nature | 156,279 | 158,486 | (2,207) |
| Increase (decrease) in work in progress and finished goods | (4,446) | (1,142) | (3,304) |
| Total cost of sales and operating expenses | 151,833 | 157,344 | (5,511) |

(*) Of which 53 thousand euro for expenses incurred in 2020 and -7 thousand euro as adjustment on previous year expenses (in 2019, 128 thousand euro for expenses incurred in 2019 and 12 thousand euro as adjustment on previous year expenses).

The items “Raw materials” and “Increase (decrease) in work in progress and finished goods”, which are directly linked to the production cycle, decreased in correlation with the drop in production and sales.

The decrease in the item “Personnel cost” is mainly due to the exchange rate effect (-€849 thousand); as an additional factor, it should be noted that the 2019 figures included severance costs of €763 thousand (of which €485 thousand considered extraordinary being related both to the conclusion of the job cutting process at the Parent Company started in 2018 after the sale of the gas purification business, and to the phase-out of metallised products in the packaging sector), against much more contained severance costs, equal to €125 thousand in the current year. The increase in labour costs due to the increase in the average number of employees, especially at the US affiliates, was instead offset by less recourse to temporary work.

The item “Corporate bodies” includes 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 compared to the previous year is mainly due to the provision for the three-year monetary incentive plans of the Executive Directors, which expired on December 31, 2020.

For the details on the amounts paid in terms of remuneration in 2020 and the comparison with the previous year, please refer to Note no. 44 and to the Report on remuneration.

The decrease in the items “Travel expenses”, “Promotion and Advertising”, “Utilities” and “Training” is a direct consequence of Covid-19 restrictions imposed for health reasons and to protect the health of the employees and, in more general terms, of the community.

The increase in the item “Maintenance and repairs” is due to the renovation and modernization of the Lainate facility and the fitting out of the new Milan offices of SAES Getters S.p.A., intended for the Corporate and Management functions.

The decrease in the item “Commissions” is due both to Covid-19 (in 2020 less commissions were paid on the sales of SMA trained wire for consumer electronics applications, the business worst hit by the pandemic) and to the phase-out of metallised products in the packaging business (distributed through independent outlets).

The item “Consultant fees and legal expenses” increased as a result of projects launched by the Parent Company in the IT area, for the purpose of implementing new information systems.

The increase in the item “Depreciation” is mainly related to the depreciation of the property purchased by Memry Corporation in May 2019 and the depreciation on the new lacquering line of SAES Coated Films S.p.A., which came into operation, after the acceptance tests, in the current year.

The increase in the item “Right of use depreciation” is mainly due to the additional production space rented by Memry Corporation in Bethel from the second half of 2019 and to the new Milan offices leased by the Parent Company in June 2020. For further details on lease contracts, see “Significant events in 2020” in the Group Report on operations.

The item “Write-down of non-current assets” as at December 31, 2020 mainly includes the write-down of the residual value of some SMA furnaces sold during the year by the subsidiary SAES Smart Materials, Inc.; in 2019, the item included instead the write-off of costs related to the expansion of the Lainate plant, subsequently suspended after the decision to carry out the production investment in Roncello (approximately €307 thousand).

It should be noted that the item “Provision (release) for bad debts” includes the generic write-down of trade receivables, including those not yet past due, in application of the Expected Credit Loss model envisaged by IFRS 9 (cost equal to €1 thousand in the current year, against a revenue of €6 thousand in the previous year).

The breakdown by nature of **extraordinary items related to the Covid-19 pandemic**, included in the cost of sales and operating expenses for 2020, is provided below.

| Covid-19 one-offs | 2020 | | | | | Total |
|--|--------------|------------------------|--------------|------------------|--------------|----------------------|
| | Direct labor | Manufacturing overhead | R&D expenses | Selling expenses | G&A expenses | |
| Personnel cost | (156) | (76) | (54) | (13) | 38 | (261) ^(*) |
| Maintenance and repairs | | | | | 164 | 164 |
| Depreciation | | | | | 2 | 2 |
| Material and office material | | | | | 132 | 132 |
| Transport, insurance, freight-direct | | | | | 4 | 4 |
| Consultant fees | | | | | 135 | 135 |
| Canteen, cleaning, vigilance | | | | | 147 | 147 |
| Training | | | | | 3 | 3 |
| Other costs | | | | | 2 | 2 |
| Total extraordinary cost of sales and operating expenses Covid-19 | (156) | (76) | (54) | (13) | 627 | 328 |

(*) The amount is composed by:

- CIGO savings in Lainate plant, for -55 thousands of euro;
- savings for USA governmental measures to support companies and families, for -260 thousands of euro;
- additional personnel costs, for 54 thousands of euro.

The extraordinary expenses of around €643 thousand refer mainly to costs for sanitization and adaptation of access points and workspaces to ensure employee safety, as well as healthcare and prevention expenses and consulting and training costs. It should also be noted that, as mentioned above, the cost of labour was down by -€315 thousand, as a result of the recourse to the government

furlough scheme at the Parent Company’s Lainate plant and the support measures implemented by the US Government, which have benefited all the US operating subsidiaries of the Group.

6. OTHER INCOME (EXPENSES)

The item “Other income (expenses)” as at December 31, 2020 had a negative balance, equal to -€596 thousand, against a positive balance equal to +€1,764 thousand in the previous year.

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

| (thousands of euro) | 2020 | 2019 | Difference | of which: |
|--------------------------------------|--------------|--------------|----------------|-----------------------|
| | | | | Covid-19 Donations |
| Other income | 713 | 2,280 | (1,567) | 32 |
| Other expenses | (1,309) | (516) | (793) | (691) |
| Total other income (expenses) | (596) | 1,764 | (2,360) | (659) |

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 coming from sale of the assets.

The change compared to 2019 is a result of the consolidated income from a related party, equal to €1,208 thousand³⁹, recognized in the previous year following the sale to the joint venture Flexterra, Inc. of the patents in the OLET area owned by E.T.C. S.r.l. in liquidation, as well as other extraordinary revenues again recognized in 2019 (approximately €249 thousand for insurance reimbursements and favourable settlement of legal disputes and €566 thousand for the indemnity received by the Parent Company for the disposal of finished products, found to be non-compliant for reasons not attributable to SAES, but to a sub-supplier). In the current year, the item includes, instead, income of the Parent Company, equal to €259 thousand, related to the tax credit for investments in research and development, pursuant to the 2021 Budget Law, as well as other revenues of the Italian companies, equal to €32 thousand, for the tax credit on sanitation costs pursuant to Italian Law *ex* Decree 34/2020, article 125.

The item “Other expenses”, instead, includes the property taxes and other taxes, other than income taxes, paid by the Italian companies of the Group. The change compared to 2019 is due to donations, equal to €691 thousand, made by the Parent Company in 2020 to research and hospital facilities working on the front line to overcome the Covid-19 emergency, as well as to the Italian Civil Defence. It should also be noted that, in the current year, a provision for risks, equal to €80 thousand, was made following administrative sanction proceedings initiated by Consob against SAES Getters S.p.A. for violation of current regulations on public disclosure of privileged information (Market Abuse Regulation, MAR) for the press release concerning the agreement for the sale of the gas purification business, finalized in mid-2018 (for further details please refer to Note no. 33).

³⁹ Income recognized only for the minority interest in the joint venture, pursuant to IAS 28.

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

The following tables provide a breakdown of financial income (expenses) in 2020, compared to the previous year.

(thousands of euro)

| Financial income | 2020 | 2019 | Difference |
|---|--------------|--------------|----------------|
| Bank interest income | 190 | 271 | (81) |
| Other financial income | 582 | 516 | 66 |
| Gains from securities evaluated at fair value | 0 | 5,092 | (5,092) |
| Other income and coupons collected on securities | 2,114 | 2,192 | (78) |
| Realized gains on derivative instruments | 0 | 0 | 0 |
| Gains from derivative instruments evaluated at fair value | 18 | 0 | 18 |
| Total financial income | 2,904 | 8,071 | (5,167) |

(thousands of euro)

| Financial expenses | 2020 | 2019 | Difference |
|--|--------------|--------------|--------------|
| Bank interests and other bank expenses | 1,931 | 1,148 | 783 |
| Other financial expenses | 142 | 6 | 136 |
| Losses from securities evaluated at fair value | 1,602 | 0 | 1,602 |
| Commissions and other securities costs | 276 | 239 | 37 |
| Interest on lease financial liabilities | 168 | 55 | 113 |
| Realized losses on derivative instruments | 28 | 36 | (8) |
| Losses from derivative instruments evaluated at fair value | 0 | 2 | (2) |
| Total financial expenses | 4,147 | 1,486 | 2,661 |
| Write-down of financial receivables and other financial assets | 2,965 | 414 | 2,551 |
| Total financial expenses & write-down of financial assets | 7,112 | 1,900 | 5,212 |

In both years, the item “Other financial income” includes interest income accrued on interest-bearing loans granted by the Group to the joint ventures Actuator Solutions GmbH and SAES RIAL Vacuum S.r.l. The increase on the previous year is due to the interest income on the convertible loan of \$3 million granted in July 2020 by SAES Getters International Luxembourg S.A. to the joint venture Flexterra, Inc. See Note no. 22 for further details.

The items “Gains/Losses from securities evaluated at fair value” are related with the measurement at fair value of the securities subscribed⁴⁰ at the end of 2018 and at the beginning of 2019 to invest the cash resulting from the extraordinary sale of the purification business completed at the end of June 2018. Whereas in 2019 there had been a +€5,092 thousand increase in the fair value of securities, in 2020 there was a decrease as an effect of the Covid-19 crisis on the financial markets. In particular, the negative effect that emerged in the first part of the year was gradually corrected in the following months, so that, over the year, the decline in fair value was equal to -€1,602 thousand only.

In regard to the securities portfolio, income from coupons and sales of securities (“Other income and coupons collected on securities”) was equal to €2,114 thousand, in line with the previous year (€2,192 thousand).

Lastly, the item “Commissions and other securities costs” includes management fees for the above-mentioned securities portfolio (€276 thousand in 2020, against €239 thousand in the previous year). Please refer to Note no. 19 for further details on the securities subscribed.

The items “Gains/Losses from derivative instruments evaluated at fair value” had a positive balance equal to +€18 thousand in 2020, against a negative balance equal to -€2 thousand in 2019. This item

⁴⁰ Securities subscribed by the Parent Company and SAES Investments S.A.

represents the effect on the income statement of the fair value measurement of the hedges, including those embedded, on the long-term variable rate loans held by the Parent Company and SAES Coated Films S.p.A.

The item “Realized gains/losses on derivative instruments” was negative for -€28 thousand in 2020, against a negative balance of -€36 thousand in 2019; this item includes the interest spreads paid to banks for those contracts during the period.

It should be noted that, as at December 31, 2020, all the hedging contracts on the risk of changes in interest rates entered into by SAES Coated Films S.p.A. have expired, as the subsidiary has completed the repayment of the bank loans to which the derivative instruments referred. Please refer to Note no. 37 for further details.

The item “Bank interest and other bank expenses” mainly includes interest expenses on short- and long-term loans granted to the Parent Company, SAES Coated Films S.p.A. and the US subsidiary Memry Corporation, as well as the bank fees on the credit lines held by the Italian companies of the Group. The increase on the previous year was related to the upfront fees on the new revolving credit lines signed by the Parent Company (for further details please refer to the section “Significant events in 2020”), as well as interest expense on the long-term loan taken out in April 2019 with Mediobanca to cover the costs for the partial voluntary public tender offer finalised at the end of May of the previous year by SAES Getters S.p.A.

Interest expenses on leases were equal to €168 thousand in 2020, against €55 thousand in the previous year and are a consequence of the application of IFRS 16. The increase is mainly related to the new offices of the Parent Company leased in Milan, as well as to the rental by Memry Corporation of a new production space since the second half of 2019.

The increase in the item “Write-down of financial receivables and other financial assets” is mainly due to the write-down of the financial receivable for the \$3 million convertible loan granted in July 2020 by SAES Getters International Luxembourg S.A. to Flexterra, Inc. This write-down, equal to €2,539 thousand (of which €2,445 thousand for the principal amount and €94 thousand for interest accrued in the second half of the year), is a consequence of the fact that the Flexterra plan, approved by the Board of Directors of SAES Getters S.p.A. on February 11, 2021, presents various elements of risk and uncertainty in various respects and does not envisage the recoverability of this asset in the five-year forecast period.

It should also be noted that, in both years, the item includes the write-down (€481 thousand in 2020 and €480 thousand in 2019) of the financial receivable for the interest accrued during the year on interest-bearing loans granted in the past (from 2014 to 2018) by SAES Nitinol S.r.l. to Actuator Solutions GmbH: although the joint venture closed the current year in profit, in light of the five-year plan approved by the Supervisory Board of the German company on December 15, 2020, uncertainty about its economic and financial position remains and, therefore, the financial receivable of the Group was written down, being considered unlikely to be recovered.

Lastly, the item “Write-down of financial receivables and other financial assets” includes write-downs of financial assets (in particular, cash and cash equivalents) in application of IFRS 9. Expected losses were calculated using a default percentage associated with each bank with which the funds are deposited, obtained on the basis of the rating of each bank. Compared to December 31, 2019, given an essentially unchanged riskiness associated with some of the banks with which the Group has business relationships, this calculation led to a reduction in the expected losses on cash and cash equivalents of €55 thousand, due to the reduced cash held by the Group (€30.7 million at December 31, 2020, against €48.6 million at December 31, 2019). The reduction in expected losses as at December 31, 2019 was equal to €66 thousand (again related to the reduction in cash and cash equivalents compared to the end of the previous year).

8. INCOME (LOSS) FROM EQUITY METHOD EVALUATED COMPANIES & WRITE-DOWN OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The item “Income (loss) from equity method evaluated companies” includes the Group’s share in the net income of the joint ventures Actuator Solutions GmbH⁴¹, SAES RIAL Vacuum S.r.l. and Flexterra, Inc.⁴², consolidated with the equity method.

(thousands of euro)

| | 2020 | 2019 | Difference |
|---|----------------|----------------|------------|
| Actuator Solutions | (278) | 0 | (278) |
| SAES RIAL Vacuum S.r.l. | 309 | 198 | 111 |
| Flexterra | (1,735) | (1,955) | 220 |
| Total income (loss) from equity method evaluated companies | (1,704) | (1,757) | 53 |

In 2020, the loss deriving from the valuations using the equity method was equal to -€1,704 thousand and, similar to the previous year, is mainly due to **Flexterra** (-€1,735 thousand, obtained by adding the share pertaining to SAES in the 2020 profit of the joint venture, equal to -€1,811 thousand, and the reversal of the amortization on the portion of the capital gain of the IP sold by the Group to Flexterra, Inc. in 2019, equal to +€76 thousand, eliminated at the consolidated level, in application of IAS 28). The company, created as a technology start-up, continued in 2020 to develop its proprietary chemical formulas, even if there have been delays with respect to the original schedule, due in part to the Covid-19 crisis. The revenue recorded is still immaterial (€54 thousand) and mainly due to a first purchase order received from a leading Taiwanese manufacturer of display panels, against operating expenses of over €4.1 million (mainly research and development costs and, lower in absolute terms, general and administrative expenses).

After a first quarter heavily penalized by the Covid-19 pandemic, **SAES RIAL Vacuum S.r.l.** recorded an excellent performance in the other three quarters, closing the year with a profit equal to €631 thousand, which has allowed a €309 thousand gain from measurement at equity to be recognised.

Though **Actuator Solutions** closed 2020 with a profit (+€377 thousand), the share of SAES (+€189 thousand) was not recognised by the Group, as the equity of the joint venture is still negative for around €2.7 million⁴³, while the equity interest in Actuator Solutions held by SAES has already been written off in full. On the other hand, a cost of -€278 thousand was recognized in the current year for the release to the income statement of the translation reserve generated in previous years by the consolidation of the Asian subsidiaries of Actuator Solutions GmbH, following their liquidation.

For further details on the performance of the joint ventures, please refer to the Group Report on operations, paragraph “Performance of the joint ventures in 2020” and to Note no. 17.

A breakdown of the item “Write-downs of investments accounted for using the equity method” for 2020, compared to the previous year, is provided in the following table.

⁴¹ In September 2020, the liquidation process of Actuator Solutions Taiwan Co., Ltd. and Actuator Solutions (Shenzhen) Co., Ltd., two companies wholly owned by Actuator Solutions GmbH and in liquidation since the end of 2019, was completed.

⁴² Flexterra, Inc., in turn, consolidated the wholly owned subsidiary Flexterra Taiwan Co., Ltd. (established in January 2017).

⁴³ Consolidated pro rata at 50%.

(thousands of euro)

| | 2020 | 2019 | Difference |
|---|--------------|----------------|------------|
| Actuator Solutions | 0 | (600) | 600 |
| SAES RIAL Vacuum S.r.l. | 0 | 0 | 0 |
| Flexterra | (591) | (555) | (36) |
| Total write-downs of investments accounted for using the equity method | (591) | (1,155) | 564 |

Write-downs of investments accounted for using the equity method were equal to -€591 thousand as at December 31, 2020 and are the result of the impairment test on the equity investment in **Flexterra** (for further details on the analysis carried out and the assumptions used, please refer to Note no. 17). With regard to Flexterra, the industrial production activities of the business partners took longer than originally expected due to the Covid-19 crisis and the start of the actual production and sales activities by the joint venture is now expected to take place at the end of 2021, with a delay of about one year on the original schedule. Both due to this delay and to the various elements of risk and uncertainty that characterize the joint venture, for the purposes of the impairment test, a 15% reduction on the operating cash flows resulting from the five-year plan⁴⁴ of the company was prudentially considered and a 30% WACC was used, similar to that used in the previous year and consistent with the current stage of pilot production of the joint venture. The analysis has led to the cancellation of the equity investment in Flexterra as at December 31, 2020; no provision for write-downs has been made for this equity investment, as currently there is no legal or implicit obligation of the SAES Group to recapitalize it.

In the previous year, in addition to the write-down from the impairment test on the equity investment in **Flexterra**, equal to -€555 thousand, the item also included a provision for risks on the equity investment in **Actuator Solutions**, equal to -€600 thousand. This provision for risks was equal to the pro-rata financial resources needed by the German joint venture to continue to operate, half of which amount had been used as at December 31, 2020.

9. NET FOREIGN EXCHANGE GAINS (LOSSES)

In 2020, the foreign currency management recorded a negative balance equal to -€477 thousand, against a balance negative and equal to -€104 thousand in the previous year.

A breakdown of foreign exchange gains and losses as at December 31, 2020, compared with the previous year, is provided below.

(thousands of euro)

| Foreign exchange gains and losses | 2020 | 2019 | Difference |
|---|--------------|--------------|--------------|
| Foreign exchange gains | 723 | 437 | 286 |
| Foreign exchange losses | (1,200) | (541) | (659) |
| Foreign exchange gains (losses), net | (477) | (104) | (373) |
| Realized exchange gains on forward contracts | 0 | 0 | 0 |
| Realized exchange losses on forward contracts | 0 | 0 | 0 |
| Gains (losses) from forward contracts evaluated at fair value | 0 | 0 | 0 |
| Gains (losses) on forward contracts | 0 | 0 | 0 |
| Total foreign exchange gains (losses), net | (477) | (104) | (373) |

⁴⁴ 2021-2025 five-year plan approved by the Board of Directors of SAES Getters S.p.A. on February 11, 2021.

Both balances are mainly due to the effect of the movements of the US dollar against the euro on commercial transactions, including inter-company transactions, mainly in the second half of the year.

As in the previous year, as at December 31, 2020, the Group did not have forward sales contracts in place; no derivative contract on currencies was closed in the current year.

10. INCOME TAXES

In 2020, income taxes were equal to €4,507 thousand, against €10,242 thousand in the previous year.

The related details are provided below.

(thousands of euro)

| | 2020 | 2019 | Variazione |
|----------------|--------------|---------------|----------------|
| Current taxes | 5,465 (*) | 8,381 (**) | (2,916) |
| Deferred taxes | (958) | 1,861 | (2,819) |
| Total | 4,507 | 10,242 | (5,735) |

(*) The current taxes of 2020 do not correspond to the amounts shown in the Consolidated cash flow statement because they do not include the income for tax credit on R&D expenses (Law 29/2019) and for tax credit on sanitation costs (D.L. 34/2020), classified under the item "Other income (expenses), net".

(**) 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".

Income taxes in 2020 were equal to €4,507 thousand, down against €10,242 thousand in 2019, and mainly consisted of the taxes of the US companies. The decrease on the previous year is mainly due to the reduction in US taxes due to lower taxable income and to income taxes (instead of cost) of the subsidiary SAES Investments S.A., which closed 2020 with a pre-tax loss, due to the measurement at fair value of the securities portfolio, penalized by the Covid-19 crisis.

It should be noted that the item "income taxes" for 2020 includes income of €389 thousand related to the release of deferred tax liabilities of the Parent Company, following the realignment of the tax value of some assets, in application of Law Decree 104/2020.

The tax rate of the Group was equal to 48.5% (34.2% in the previous year), still significant since both the Parent Company and SAES Coated Films S.p.A., like in the previous financial period, ended the current year with negative taxable income, not measured as a deferred tax asset.

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 provided below.

(thousands of euro)

| | 2020 | | 2019 | |
|--|---------------|--------------|---------------|---------------|
| Income (loss) before taxes | | 9,294 | | 29,927 |
| Taxes and theoretical rates | 24.00% | 2,231 | 24.00% | 7,182 |
| Different rates effect | 0.30% | 28 | 0.30% | 91 |
| Non-deductible costs/(Net sales) not taxable | 2.10% | 195 | -1.04% | (311) |
| Provisions taxes on the profits of subsidiaries | 0.82% | 76 | 8.88% | 2,658 |
| Not recognized (recognized) deferred tax assets on tax losses | 21.82% | 2,028 | 1.18% | 354 |
| Realignment of the assets' tax value (D.L.104/2020), net of substitute tax | -3.67% | (341) | 0.00% | 0 |
| R&D credits and other tax credits | -7.22% | (671) | -0.31% | (93) |
| Restatement of deferred taxation following a change in the tax rate | -0.01% | (1) | -1.03% | (307) |
| Other permanent differences | 4.85% | 451 | 0.78% | 233 |
| IRAP and other local taxes | 5.50% | 511 | 1.45% | 435 |
| Taxes and effective rates | 48.49% | 4,507 | 34.22% | 10,242 |

As already happened last year, no company of the Group recognized deferred tax assets on tax losses incurred in 2020. These tax losses were equal to €13,958 thousand against €6,904 thousand in 2019. The increase is mainly related to the negative taxable income of SAES Getters International Luxembourg S.A., which closed the current year with a higher tax loss due to the write-down of the convertible loan granted to Flexterra, Inc., and the higher negative taxable income of the Parent Company. The latter were only partly offset by the lower tax losses of SAES Coated Films S.p.A. (for details on the performance of the subsidiaries during the current year and for the comparison with the previous year, please refer to the section “Performance of subsidiaries in 2020” of the Group Report on Operations).

Following the changes made by Law Decree no. 142 of November 29, 2018, to the reference provisions on “Controlled Foreign Companies (CFC) regime”, Article 167, paragraph 5 of the Consolidated Law on Income Tax, on December 9, 2020 SAES Getters S.p.A. filed a request, pursuant to Article 11, paragraph 1(b) of Law no. 212, July 27, 2000, to obtain the opinion of the Italian tax authorities on the non-application of this legislation to the US subsidiary SAES Getters Export, Corp. The company believes that the risk of a negative response by the Italian Tax Authorities is remote: in fact, in the request submitted, SAES Getters S.p.A. believes that it has adequately proved that the application of the CFC provisions to SAES Getters Export, Corp.: (a) would violate the rationale of the CFC rule; (b) would not give due value to the structure of the IC-Disc regime, which requires the establishment of an *ad hoc* company and which, consequently, requires an analysis of the foreign structure (Disc Corporation and US industrial companies) on a consolidated basis; (c) would attract to Italy income unrelated to any function carried out in the country. The estimate of the potential liability in the event of a negative response is equal to €1.4 million; this is the IRES due by the Parent Company, calculated for transparency on the taxable income of SAES Getters Export, Corp. for 2019 and 2020, net of the release of deferred tax liabilities calculated as at December 31, 2020, on the distributable profits of this US affiliate.

11. INCOME (LOSS) FROM DISCONTINUED OPERATIONS

In 2019, the profit from discontinued operations was equal to €152 thousand, mainly comprising the positive adjustment to 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, filed in April 2019.

The net income from discontinued operations in 2020 was instead zero.

12. EARNINGS (LOSS) PER SHARE

As indicated in Note no. 29, the share capital of SAES Getters S.p.A. is represented by two different types of shares (ordinary shares and savings shares), with different rights in regard to the distribution of dividends.

The portion of profits due to each share type is calculated based on the respective rights to receive dividends. Therefore, earnings per share are calculated by deducting from net income of the year the value of the preferred dividends contractually due to savings shares in the case of theoretical distribution of these profits. The value obtained is divided by the average number of shares outstanding during the year.

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

The following table shows earnings per share in 2020, compared with 2019 figures.

| Earning (loss) per share | 2020 | | | 2019 | | |
|---|-----------------|----------------|--------------|-----------------|----------------|---------------|
| | Ordinary shares | Savings shares | Total | Ordinary shares | Savings shares | Total |
| Profit (loss) attributable to shareholders (thousands of euro) | | | 4,787 | | | 19,837 |
| Theoretical preference dividends (thousands of euro) | | 1,022 | 1,022 | | 1,022 | 1,022 |
| Profit (loss) attributable to the different categories of shares (thousands of euro) | 2,768 | 997 | 3,765 | 12,358 | 6,456 | 18,815 |
| Total profit (loss) attributable to the different categories of shares (thousands of euro) | 2,768 | 2,019 | 4,787 | 12,358 | 7,479 | 19,837 |
| Average number of outstanding shares | 10,771,350 | 7,378,619 | 18,149,969 | 12,396,350 | 7,378,619 | 19,774,969 |
| Basic earning (loss) per share (euro) | 0.25699 | 0.27362 | | 0.99693 | 1.01356 | |
| - from continued operations (euro) | 0.25699 | 0.27362 | | 0.98925 | 1.00588 (*) | |
| - from discontinued operations (euro) | 0.00000 | 0.00000 | | 0.00000 | 0.02060 | |
| Diluted earning (loss) per share (euro) | 0.25699 | 0.27362 | | 0.99693 | 1.01356 | |
| - from continued operations (euro) | 0.25699 | 0.27362 | | 0.98925 | 1.00588 (*) | |
| - from discontinued operations (euro) | 0.00000 | 0.00000 | | 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).

The reduction in the average number of ordinary shares outstanding in 2020 compared to the previous year (10,771,350 against 12,396,350) is due to the voluntary partial public tender offer finalized by SAES Getters S.p.A. at the end of May 2019, the details of which can be found in the Consolidated Financial Statements as at December 31, 2019.

The table below shows the earnings per share in 2020, compared with those in 2019, calculated assuming that the treasury shares were acquired at the beginning of the year and therefore assuming that the average number of ordinary shares in the previous year was equal to that outstanding at December 31, 2019.

| Earning (loss) per share | 2020 | | | 2019 | | |
|---|-----------------|----------------|--------------|-----------------|----------------|-----------------|
| | Ordinary shares | Savings shares | Total | Ordinary shares | Savings shares | Total |
| Profit (loss) attributable to shareholders (thousands of euro) | | | 4,787 | | | 19,837 |
| Theoretical preference dividends (thousands of euro) | | 1,022 | 1,022 | | 1,022 | 1,022 |
| Profit (loss) attributable to the different categories of shares (thousands of euro) | 2,768 | 997 | 3,765 | 11,700 | 7,115 | 18,815 |
| Total profit (loss) attributable to the different categories of shares (thousands of euro) | 2,768 | 2,019 | 4,787 | 11,700 | 8,137 | 19,837 |
| Average number of outstanding shares | 10,771,350 | 7,378,619 | 18,149,969 | 10,771,350 | 7,378,619 | 18,149,969 (**) |
| Basic earning (loss) per share (euro) | 0.25699 | 0.27362 | | 1.08619 | 1.10282 | |
| - from continued operations (euro) | 0.25699 | 0.27362 | | 1.07781 | 1.09444 | |
| - from discontinued operations (euro) | 0.00000 | 0.00000 | | 0.00000 | 0.02060 | |
| Diluted earning (loss) per share (euro) | 0.25699 | 0.27362 | | 1.08619 | 1.10282 | |
| - from continued operations (euro) | 0.25699 | 0.27362 | | 1.07781 | 1.09444 | |
| - from discontinued operations (euro) | 0.00000 | 0.00000 | | 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).

(**) Average number of ordinary shares in circulation in 2019 calculated assuming the purchase of treasury shares had taken place at the beginning of the year, rather than at the end of May 2019.

13. SEGMENT INFORMATION

For management purposes, the Group is articulated into five Divisions, according to the reference technology area of the products and services provided:

- **Metallurgy** – metallic-based getter and metal dispenser components used in a wide range of industrial applications (electronic vacuum devices, MEMS, image diagnostic systems, thermal insulation systems and lamps) and shape memory alloy components and devices for industrial applications (home automation, white goods industry, consumer electronics, medical business, automotive sector and luxury goods);

- **Vacuum Technology** – devices based on getter materials for vacuum systems with applications in the industrial sector, in research and in particle accelerators;
- **Medical** – raw materials, semi-finished products and super-elastic components in Nitinol alloy for medical applications, mainly in the non-invasive surgical sector;
- **Specialty Chemicals** – getter materials integrated in polymeric matrices for OLED, optoelectronic, photonics and telephony applications;
- **Advanced Packaging** – advanced coating solutions for packaging and innovative plastic films for the food packaging market, and more generally, for the sustainable packaging sector, also fully recyclable and biodegradable.

For changes in the operating structure compared to the previous year, please refer to Note no. 1, paragraph “Segment information”.

The Top Management separately monitors the results of the various Divisions 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 “Not Allocated” column includes the corporate costs, i.e. those expenses that cannot be directly attributed or allocated in a reasonable way to any business unit, but refer to the Group as a whole, and the costs related to basic research projects or aimed at diversifying into innovative businesses.

A breakdown of the main income statement items by operating segment is provided below.

| Consolidated statement of profit or loss | Metallurgy | | Vacuum Technology | | Medical | | Specialty Chemicals | | Advanced Packaging | | Not Allocated Costs | | Total | |
|--|---------------|---------------|-------------------|--------------|---------------|---------------|---------------------|--------------|--------------------|----------------|---------------------|-----------------|---------------|---------------|
| | 2020 | 2019 (*) | 2020 | 2019 (*) | 2020 | 2019 | 2020 | 2019 (*) | 2020 | 2019 | 2020 | 2019 (*) | 2020 | 2019 |
| Total net sales | 63,030 | 64,440 | 12,479 | 10,592 | 73,579 | 84,979 | 12,180 | 12,334 | 7,435 | 10,007 | 0 | 0 | 168,703 | 182,352 |
| Cost of sales | (31,749) | (30,732) | (4,982) | (4,929) | (45,632) | (49,378) | (8,895) | (9,531) | (6,890) | (9,409) | (442) | 0 | (98,590) | (103,979) |
| Gross profit | 31,281 | 33,708 | 7,497 | 5,663 | 27,947 | 35,601 | 3,285 | 2,803 | 545 | 598 | (442) | 0 | 70,113 | 78,373 |
| % on net sales | 49.6% | 52.3% | 60.1% | 53.5% | 38.0% | 41.9% | 27.0% | 22.7% | 7.3% | 6.0% | n.a. | n.a. | 41.6% | 43.0% |
| Total operating expenses | (11,164) | (11,285) | (3,798) | (4,005) | (8,177) | (9,439) | (1,692) | (1,646) | (3,084) | (3,805) | (25,328) | (23,185) | (53,243) | (53,365) |
| Other income (expenses), net | 43 | 183 | 9 | 100 | 71 | (1) | (31) | 1,782 | 19 | (31) | (707) | (269) | (596) | 1,764 |
| Operating income (loss) | 20,160 | 22,606 | 3,708 | 1,758 | 19,841 | 26,161 | 1,562 | 2,939 | (2,520) | (3,238) | (26,477) | (23,454) | 16,274 | 26,772 |
| % on net sales | 32.0% | 35.1% | 29.7% | 16.6% | 27.0% | 30.8% | 12.8% | 23.8% | -33.9% | -32.4% | n.a. | n.a. | 9.6% | 14.7% |
| Interest and other financial income (expenses), net | | | | | | | | | | | | | (1,243) | 6,585 |
| Write-down of financial receivables and other financial assets | | | | | | | | | | | | | (2,965) | (414) |
| Share of result of investments accounted for using the equity method | | | | | | | | | | | | | (1,704) | (1,757) |
| Write-down of investments accounted for using the equity method | | | | | | | | | | | | | (591) | (1,155) |
| Foreign exchange gains (losses), net | | | | | | | | | | | | | (477) | (104) |
| Income (loss) before taxes | | | | | | | | | | | | | 9,294 | 29,927 |
| Income taxes | | | | | | | | | | | | | (4,507) | (10,242) |
| Net income (loss) from continued operations | | | | | | | | | | | | | 4,787 | 19,685 |
| Net income (loss) from discontinued operations | | | | | | | | | | | | | 0 | 152 |
| Net income (loss) for the period | | | | | | | | | | | | | 4,787 | 19,837 |
| Minority interests in consolidated subsidiaries | | | | | | | | | | | | | 0 | 0 |
| Group net income (loss) for the period | | | | | | | | | | | | | 4,787 | 19,837 |

(*) Starting from January 1, 2020, the Group is organized into the following technological areas of competence (or “Divisions”):
- Metallurgy Division (that coincides with the previous Industrial operating sector, excluding the Solutions for Vacuum Systems Business, the Functional Chemical Systems Business and the advanced getters for the electronic consumers market, the latter previously classified within the Electronic Devices Business);
- Vacuum Technology Division (coinciding with the Solutions for Vacuum Systems Business, included in the Industrial operating sector);
- Medical Division (unchanged);
- Specialty Chemicals Division (that means advanced getters for the electronic consumers market, classified within the Electronic Devices Business in the previous year, in addition to the Functional Chemical Systems Business and the Flextera business, the latter previously not allocated);
- Advanced Packaging Division (unchanged).
The economic figures of 2019 have been reclassified according to the new operating structure, to allow a homogeneous comparison with 2020.

A breakdown of the main balance sheet items by operating segment is provided below.

| | Metallurgy | | Vacuum Technology | | Medical | | Specialty Chemicals | | Advanced Packaging | | Not Allocated Costs | | Total | |
|-------------------------------|---------------|------------------|-------------------|------------------|---------------|---------------|---------------------|------------------|--------------------|---------------|---------------------|------------------|----------------|----------------|
| | 31 dic. 2020 | 31 dic. 2019 (*) | 31 dic. 2020 | 31 dic. 2019 (*) | 31 dic. 2020 | 31 dic. 2019 | 31 dic. 2020 | 31 dic. 2019 (*) | 31 dic. 2020 | 31 dic. 2019 | 31 dic. 2020 | 31 dic. 2019 (*) | 31 dic. 2020 | 31 dic. 2019 |
| Assets and Liabilities | | | | | | | | | | | | | | |
| Non current assets | 20,797 | 20,574 | 5,857 | 4,986 | 65,172 | 68,296 | 6,917 | 6,879 | 16,198 | 17,154 | 153,063 | 153,285 | 268,004 | 271,174 |
| Current assets | 19,613 | 18,457 | 2,814 | 2,464 | 23,675 | 20,983 | 4,147 | 4,560 | 2,533 | 3,781 | 103,999 | 121,148 | 156,781 | 171,393 |
| Total assets | 40,410 | 39,031 | 8,671 | 7,450 | 88,847 | 89,279 | 11,064 | 11,439 | 18,731 | 20,935 | 257,062 | 274,433 | 424,785 | 442,567 |
| Non current liabilities | 3,246 | 3,728 | 701 | 726 | 1,690 | 2,148 | 771 | 810 | 1,009 | 928 | 108,404 | 114,281 | 115,821 | 122,621 |
| Current liabilities | 8,700 | 8,868 | 1,937 | 2,034 | 6,504 | 7,714 | 2,322 | 2,828 | 2,068 | 5,253 | 49,271 | 40,719 | 70,802 | 67,416 |
| Total liabilities | 11,946 | 12,596 | 2,638 | 2,760 | 8,194 | 9,862 | 3,093 | 3,638 | 3,077 | 6,181 | 157,675 | 155,000 | 186,623 | 190,037 |
| Other information | | | | | | | | | | | | | | |
| Fixed asset increases | 4,145 | 3,074 | 978 | 523 | 7,094 | 15,636 | 271 | 496 | 541 | 5,675 | 3,542 | 1,111 | 16,571 | 26,515 |
| Depreciation | 3,260 | 2,900 | 416 | 370 | 4,110 | 3,427 | 525 | 668 | 975 | 761 | 1,443 | 1,320 | 10,729 | 9,446 |
| Other non-monetary costs | 96 | 1 | 8 | 1 | 106 | (9) | 1 | 2 | 295 | 1 | (5) | (5) | 222 | 284 |

(*) Starting from January 1, 2020, the Group is organized into the following technological areas of competence (or "Divisions"):
- Metallurgy Division (that coincides with the previous Industrial operating sector, excluding the Solutions for Vacuum Systems Business, the Functional Chemical Systems Business and the advanced getters for the electronic consumers market, the latter previously classified within the Electronic Devices Business);
- Vacuum Technology Division (coinciding with the Solutions for Vacuum Systems Business, included in the Industrial operating sector);
- Medical Division (unchanged);
- Specialty Chemicals Division (that means advanced getters for the electronic consumers market, classified within the Electronic Devices Business in the previous year, in addition to the Functional Chemical Systems Business and the Flexterns business, the latter previously not allocated);
- Advanced Packaging Division (unchanged).

The economic figures of 2019 have been reclassified according to the new operating structure, to allow a homogeneous comparison with 2020.

Information on geographical areas

A breakdown of non-current assets by geographical area is provided below.

(thousands of euro)

| | Italy | Europe | United States | Asia | Total non current assets (*) |
|-------------|--------|--------|---------------|------|------------------------------|
| 2020 | 51,505 | 3,033 | 70,117 | 152 | 124,807 |
| 2019 | 48,765 | 4,920 | 73,463 | 178 | 127,326 |

(*) This amount includes: tangible fixed assets, intangible assets, right of use, equity investments in joint ventures, investment in other companies and other long-term assets.

Please refer to the table and the comments in the Group Report on operations for the breakdown of consolidated net sales by customer's location.

A breakdown of consolidated net sales according to the country of the Group's company generating the revenue is provided below.

(thousands of euro)

| Country in which the Group's entity is located | 2020 | | 2019 | | Total difference |
|--|----------------|---------------|----------------|---------------|------------------|
| | | % | | % | |
| Italy | 61,041 | 36.2% | 61,774 | 33.9% | (733) |
| Europe | 0 | 0.0% | 0 | 0.0% | 0 |
| North America | 100,202 | 59.4% | 113,473 | 62.2% | (13,271) |
| South Korea | 1,640 | 1.0% | 1,303 | 0.7% | 337 |
| China | 5,736 | 3.4% | 5,731 | 3.1% | 5 |
| Other Asian countries | 84 | 0.0% | 71 | 0.1% | 13 |
| Others | 0 | 0.0% | 0 | 0.0% | 0 |
| Total net sales | 168,703 | 100.0% | 182,352 | 100.0% | (13,649) |

14. PROPERTY, PLANT AND EQUIPMENT

Net Property, plant and equipment was equal to €73,353 thousand as at December 31, 2020 and shows an increase of €2,460 thousand compared to December 31, 2019.

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, 2019 | 4,851 | 24,147 | 28,987 | 12,908 | 70,893 |
| Acquisitions | 0 | 660 | 6,257 | 5,948 | 12,865 |
| Disposals | (11) | 0 | (2) | 0 | (13) |
| Reclassifications | 0 | 2,333 | 6,188 | (8,521) | 0 |
| Depreciation | 0 | (1,640) | (5,685) | 0 | (7,325) |
| Write-downs | 0 | (3) | (163) | 0 | (166) |
| Revaluations | 0 | 0 | 0 | 0 | 0 |
| Translation differences | (290) | (725) | (1,375) | (511) | (2,901) |
| December 31, 2020 | 4,550 | 24,772 | 34,207 | 9,824 | 73,353 |
| 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 |
| December 31, 2020 | | | | | |
| Historical cost | 4,608 | 50,168 | 146,445 | 10,196 | 211,417 |
| Accumulated depreciation and write-downs | (58) | (25,396) | (112,238) | (372) | (138,064) |
| Net book value | 4,550 | 24,772 | 34,207 | 9,824 | 73,353 |

(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 |
| Acquisitions | 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 |

It should be noted that, as at December 31, 2020, land and buildings were not burdened by mortgages or other guarantees.

In 2020, investments in property, plant and equipment were equal to €12,865 thousand and included the construction of a new department to manufacture Nitinol piping at the Bethel plant of Memry Corporation (started last year), as well as investments in expansion of the production capacity of a number of existing lines, again in the Nitinol business. The latter was also affected by the works to expand the building of the affiliate SAES Smart Materials, Inc., which should allow it to move to the main building some processes currently carried out in an adjacent leased space, withdrawing from the related lease agreement.

The item “Acquisitions” also includes investments by the Parent Company at the Avezzano plant to adapt the line to produce advanced getters for the consumer electronics market, as well as those at the Lainate plant to buy new machinery dedicated to the electronic devices business (a new sputtering machine), in the sector of the shape memory alloys for industrial applications (a new wire-drawing machine and a new SMA extruder) and in the sector of vacuum systems (NEG coating department). Lastly, it should be noted that the Parent Company carried out work on the office property leased in Milan for the Corporate and Management functions.

The disposals, equal to €13 thousands, mainly refer to the sale by the Parent Company of an unused area located within the Avezzano facility.

Depreciation was equal to €7,325 thousand in 2020, up on the previous year (€6,651 thousand in 2019), despite the negative exchange rate effect (-€61 thousand), mainly due to the higher depreciation charges recognised by the US affiliate Memry Corporation (in particular, on the property purchased in May 2019), by SAES Coated Films S.p.A. (in particular, on the new machinery for the lacquering of plastic films for sustainable packaging, which has started operating, after testing, in the current year) and by the Parent Company.

The write-downs were equal to €166 thousand in total and mainly refer to the residual value of machinery sold by the affiliate Spectra-Mat, Inc. and to some SMA furnaces decommissioned during the first half of the year by SAES Smart Materials, Inc.

The translation differences (negative and equal to -€2,901 thousand) refer to assets of the US companies and are due to the devaluation of the US dollar as at December 31, 2020 compared to the exchange rate as at December 31, 2019.

The item “Assets under construction and advances” mainly includes assets still under construction or for which the final testing process is not yet complete. As at December 31, 2020, this item included the new and more technologically advanced metallization system, the pilot line for the manufacturing of functional coatings (advanced packaging business), for which the final testing is expected in the first half of 2021, as well as investments in the Nitinol segment (the new tubing department in Bethel and the expansion of the SAES Smart Materials, Inc. building, already mentioned)

All the property, plant and equipment described in this paragraph is owned by the SAES Group. Please refer to Note no. 16 for more details on leased assets as at December 31, 2020; the corresponding right of use was recognised as an asset in application of IFRS 16 - Leases.

15. INTANGIBLE ASSETS

Net intangible assets were equal to €41,165 thousand as at December 31, 2020, and recorded a decrease of €4,051 thousand compared to December 31, 2019.

The changes occurred during the current year and during 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, 2019 | 38,416 | 0 | 4,549 | 686 | 1,404 | 161 | 45,216 |
| Acquisitions | 0 | 0 | 13 | 165 | 4 | 188 | 370 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassifications | 0 | 0 | 0 | 18 | 0 | (18) | 0 |
| Amortization | 0 | 0 | (488) | (377) | (379) | 0 | (1,244) |
| Write-downs | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluations | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Translation differences | (2,999) | 0 | (47) | (22) | (91) | (18) | (3,177) |
| December 31, 2020 | 35,417 | 0 | 4,027 | 470 | 938 | 313 | 41,165 |
| 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 |
| December 31, 2020 | | | | | | | |
| Historical cost | 43,103 | 183 | 10,135 | 11,312 | 21,355 | 1,052 | 87,140 |
| Accumulated depreciation and write-downs | (7,686) | (183) | (6,108) | (10,842) | (20,417) | (739) | (45,975) |
| Net book value | 35,417 | 0 | 4,027 | 470 | 938 | 313 | 41,165 |

(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 |
| Acquisitions | 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 |

Acquisitions in the period were equal to €370 thousand and were mainly related to IT projects (in particular, the purchase of new software licenses by the Parent Company and the US affiliate Memry Corporation, as well as improvements to the management systems of the affiliate SAES Coated Films S.p.A.).

The amortization for the period, equal to €1,244 thousand, were essentially in line with those of the previous year (€1,256 thousand), net of the exchange rate effect (-€14 thousand).

The translation differences (negative and equal to -€3,177 thousand) related to intangible assets of the US companies and are due to the depreciation of the US dollar as at December 31, 2020 compared to the exchange rate of December 31, 2019.

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 loss 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 are highlighted below.

(thousands of euro)

| Divisions | December 31, 2019 | Change in consolidation area | Write-downs | Other movements | Translation differences | December 31, 2020 |
|-----------------------|-------------------|------------------------------|-------------|-----------------|-------------------------|-------------------|
| Metallurgy | 945 | 0 | 0 | 0 | 0 | 945 |
| Vacuum Technology | 0 | 0 | 0 | 0 | 0 | 0 |
| Medical | 37,471 | 0 | 0 | 0 | (2,999) | 34,472 |
| Specialty Chemicals | 0 | 0 | 0 | 0 | 0 | 0 |
| Advanced Packaging | 0 | 0 | 0 | 0 | 0 | 0 |
| Not allocated | 0 | 0 | 0 | 0 | 0 | 0 |
| Total goodwill | 38,416 | 0 | 0 | 0 | (2,999) | 35,417 |

The decrease over the year is entirely due to the exchange rate effect (especially related to the depreciation of the dollar at December 31, 2020 compared to the end of the previous year) on goodwill in currencies other than the euro.

The following table shows the gross book value of goodwill and the corresponding write-downs for impairment from January 1, 2004 to December 31, 2020 and to December 31, 2019.

(thousands of euro)

| Divisions | December 31, 2020 | | | December 31, 2019 | | |
|-----------------------|-------------------|----------------|----------------|-------------------|----------------|----------------|
| | Gross value | Write-downs | Net book value | Gross value | Write-downs | Net book value |
| Metallurgy | 1,008 | (63) | 945 | 1,008 | (63) | 945 |
| Vacuum Technology | 0 | 0 | 0 | 0 | 0 | 0 |
| Medical (*) | 37,872 | (3,400) | 34,472 | 40,871 | (3,400) | 37,471 |
| Specialty Chemicals | 0 | 0 | 0 | 0 | 0 | 0 |
| Advanced Packaging | 2,409 | (2,409) | 0 | 2,409 | (2,409) | 0 |
| Not allocated | 358 | (358) | 0 | 358 | (358) | 0 |
| Total goodwill | 41,647 | (6,230) | 35,417 | 44,646 | (6,230) | 38,416 |

(*) The difference between the gross value as at December 31, 2020 and the gross value as at December 31, 2019 is due to the translation differences on goodwill amounts denominated in currencies other than euro.

Impairment testing of non-current assets

In accordance with the ESMA guidelines provided in the document (*European common enforcement priorities for 2020 annual financial reports*) dated October 28, 2020, the test on the impairment of **non-current assets (tangible assets, intangible assets, including goodwill, and rights of use on leased assets)** was repeated as at December 31, 2020, despite having already been carried out as at June 30, 2020.

A specific impairment test was also carried out at December 31, 2020 on **equity investments evaluated at the equity method** (for details, please refer to Note no. 17), despite the fact that this test had already been carried out at June 30, 2020.

For the purpose of impairment testing, **non-current assets** are allocated to Cash Generating Units (CGUs) or groups of CGUs, in accordance with the maximum aggregation limits which cannot be larger than the operating segment identified pursuant to IFRS 8. More specifically, the CGUs identified by the SAES Group for impairment testing coincide with the following operating segments (as indicated in Note no. 13):

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

The operating structure was the same as that used for impairment testing purposes as at December 31, 2019.

The Board of Directors approved the assumptions and procedures used for impairment testing on February 11, 2021 and the corresponding results on March 11, 2021. Impairment testing 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, including goodwill, allocated to that CGU.

The recoverable amount is verified by calculating the value in use, which corresponds to the present value of the future cash flows that are expected to be associated to each Cash Generating Unit based

on the most recent three-year plans drawn up by management for the 2021-2023 period and approved by the Board of Directors on January 21, 2021, based on the medium-term forecasts prepared by management and the terminal value.

When preparing these forecasts, management made use of numerous assumptions based on the following key variables:

- developments in the macroeconomic variables;
- estimated future sales volumes by business / product category / customer;
- price and profit margin trends;
- cost of materials and of sales by product category;
- production costs, operating expenses and investments plan;
- inflation rates estimated by Management.

The expected growth in sales is based on forecasts provided by management, also in regard to the future effects of the Covid-19 pandemic, taking into account all external evidence, including indications on market trends provided by the main operators in the sectors in which SAES operates and the indications on future orders received from the Group's customers. Profit margins and operating expenses for the various businesses were estimated based on historical data, adjusted according to expected performance and expected market price trends. The value of investments and working capital were determined according to different factors, such as the forecast levels of future growth and the product development plan. These assumptions were 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 WACC used is net of taxes, consistent with the cash flows used. The Weighted Average Cost of Capital (WACC) applied to future cash flows was estimated at 6.6% and is considered representative of all Group CGUs with the exception of the operating segment Advanced Packaging. With regard to the latter CGU, in consideration of the current stage of business development and the consequent difficulty to make forecasts for a highly innovative sector, although the expected increasing use of ecological packaging solutions is a favourable trend, the sector Beta was increased by 20% (from 1 to 1.2), with a consequent increase in the WACC to 7.6%.

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 the year 2021:

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

For the Advanced Packaging operating segment, introduced more recently than the others, an explicit forecasting period covered by the most extended plan, equal to 5 years, was used, and a time horizon estimated after the five years of the plan equal to 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 two percentage points over the Group's reference value, no critical issues were found in relation to the net asset value recognized in the financial statements as at December 31, 2020.

Lastly, second-level testing was conducted, including 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. Also from this level of testing no potential impairment of the assets was identified, not even through a sensitivity analysis with the WACC up to two percentage points more than the reference value.

The weighted average cost of capital was found to be equal to 17.4% which, applied to the forecast cash flows defined above, would bring the second-level impairment test model to the break-even point.

In the case of the Advanced Packaging CGU, the WACC that brings the model to break-even is equal to 11.2%.

With reference to **investments evaluated at the equity method**, as regards the disclosure on impairment testing, we refer to Note no. 17 "Investments accounted for using the equity method" As more fully described below, the impairment test has resulted in the write-off of the residual value of the investment in Flexterra, Inc. (-€591 thousand); no provision has been recognised in regard to this investment, as there is currently no legal or implicit obligation of the SAES Group to recapitalize Flexterra.

The estimated recoverable amount of the various Cash Generating Units and equity investments measured with the equity method have required judgement 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 recalculated.

In particular, in regard to the COVID-19 epidemic, it should be noted that forecasts of the potential effects of this event on the performance of the various sectors and, consequently, on the estimates of the Group's future cash flows, are highly uncertain and will be constantly monitored over the coming months, also to identify any future impairment of the Group's assets.

16. RIGHT OF USE

The right of use assets, resulting from lease, rental or use of third-party assets, were recognized separately, and were equal to €5,415 thousand at December 31, 2020, up by €798 thousand on December 31, 2019.

The changes occurred during the current year and during the previous year are shown below.

(thousands of euro)

| Right of use | Building | Plant and machinery | Cars | Total |
|--|--------------|---------------------|------------|--------------|
| December 31, 2019 | 3,878 | 126 | 613 | 4,617 |
| New leases agreements subscribed in the period | 2,488 | 397 | 451 | 3,336 |
| Early termination of leases agreements | (105) | (16) | (17) | (138) |
| Reclassifications | 0 | 0 | 0 | 0 |
| Amortization | (1,676) | (147) | (337) | (2,160) |
| Translation differences | (234) | (2) | (4) | (240) |
| December 31, 2020 | 4,351 | 358 | 706 | 5,415 |
| 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 |
| December 31, 2020 | | | | |
| Historical cost | 6,942 | 612 | 1,218 | 8,772 |
| Accumulated depreciation and write-downs | (2,591) | (254) | (512) | (3,357) |
| Net book value | 4,351 | 358 | 706 | 5,415 |

(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 |

The new contracts entered into the period that fall within the scope of application of IFRS 16 include the seven-year lease signed by the Parent Company, effective July 1, 2020, and renewable for a further six years under the same terms, for the use of an office property in Milan, at Piazza Castello 13, to be used by the Corporate and Management functions. The annual lease rent is set at €350 thousand, reduced for the first two years of the lease to facilitate the start-up. The renewal of the lease of the Watsonville building for the 2021-2023 period by the US affiliate Spectra-Mat, Inc. and the renewal of rental contracts for the Parent Company's company car fleet should also be noted.

The item "Early termination of leases agreements" mainly refers to the Parent Company's withdrawal from the lease of the office building located in Milan, via Ariosto 21, following the aforementioned lease of the new office in Piazza Castello 13.

The amortization for the period, equal to €2,160 thousand, is up compared to 2019 (€1,539 thousand) despite the negative exchange rate effect (-€29 thousand), mainly due to the higher amortization recognised by the US affiliate Memry Corporation on the new lease signed in the second half of 2019 for an additional 60,000 square feet of production space (around 5,600 square metres) in Bethel (CT) and for the amortization recognised from July 2020 on the new offices leased by the Parent Company in Piazza Castello 13, Milan.

The translation differences (negative and equal to €240 thousand) refer to rights of use of the US companies and are due to the depreciation of the US dollar as at December 31, 2020 compared to the exchange rate at December 31, 2019.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

As at December 31, 2020 the item includes the share of shareholders' equity attributable to the Group in the joint ventures Actuator Solutions GmbH⁴⁵, SAES RIAL Vacuum S.r.l. and Flexterra, Inc.⁴⁶

The following table shows the changes of each investment in 2020.

(thousands of euro)

| Investments accounted for using the equity method | December 31, 2019 | Additions | Capital payments | Share of the net result | Share of other comprehensive income (loss) | Dividends paid | Write-downs | Other variations | December 31, 2020 |
|---|-------------------|-----------|------------------|-------------------------|--|----------------|--------------|------------------|-------------------|
| Actuator Solutions | 0 | | | (278) | 278 | | | | 0 |
| SAES RIAL Vacuum S.r.l. | 1,844 | | | 309 | (1) | | | | 2,152 |
| Flexterra | 2,956 | | | (1,811) | (630) | | (591) | 76 | 0 |
| Total | 4,800 | 0 | 0 | (1,780) | (353) | 0 | (591) | 76 | 2,152 |

The change over the year (equal in total to -€2,648 thousand) is the result both of 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 2020 (-€2,133 thousand) and of the write-down of the investment in Flexterra following impairment testing (-€591 thousand). The "Other variations" column also includes the reversal (+€76 thousand) of the amortization on the portion of the capital gain realised by the Group in the previous year with the sale to Flexterra, Inc. of patents owned by E.T.C. S.r.l. and eliminated at the consolidated financial statements level (as set forth in IAS 28, income from related parties was recognized limited to the minority interest in the joint venture).

With reference to Actuator Solutions, it should be noted that, in compliance with IAS 28, SAES' share of total profit in 2020 (+€259 thousand)⁴⁷ was not recognised by the Group, since the equity of the joint venture is still negative for around €2.7 million against a SAES equity interest in Actuator Solutions which has already been written off. On the other hand, a -€278 thousand⁴⁸ cost was recognized in the current year against the release to the income statement of the translation reserve generated by the consolidation of the Asian subsidiaries of Actuator Solutions GmbH, following their liquidation.

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 focuses on the development, production and distribution of actuators that use shape memory alloys instead of motors. Its Asian subsidiaries, Actuator Solutions Taiwan Co., Ltd. and Actuator Solutions (Shenzhen) Co., Ltd. have completed the liquidation process, which began at the end of 2019, during the third quarter of 2020.

⁴⁵ It should be noted that Actuator Solutions Taiwan Co., Ltd. and Actuator Solutions (Shenzhen) Co., Ltd., both controlled by Actuator Solutions GmbH and in liquidation since the end of 2019, concluded the liquidation process in September 2020.

⁴⁶ Flexterra, Inc. (USA), in turn, consolidates its wholly owned subsidiary Flexterra Taiwan Co., Ltd.

⁴⁷ Last year, the share of total losses not recognised because in excess of the investment already written off had been equal to -€1,417 thousand.

⁴⁸ Consolidated pro-rata at 50%.

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

(thousands of euro)

| Actuator Solutions | December 31, 2020 | December 31, 2019 |
|--|----------------------|----------------------|
| Statement of financial position | 50% | 50% |
| Non current assets | 3,012 | 3,488 |
| Current assets | 1,809 | 1,343 |
| Total assets | 4,821 | 4,831 |
| Non current liabilities | 4,306 | 4,625 |
| Current liabilities | 3,226 | 3,176 |
| Total liabilities | 7,532 | 7,801 |
| Capital stock, reserves and retained earnings | (2,970) | (1,553) |
| Net income (loss) for the period | 189 | (1,408) |
| Other comprehensive income (loss) for the period (*) | 70 | (9) |
| Total equity | (2,711) | (2,970) |

(*) Currency translation differences arising from the conversion in euro of the financial statements of Actuator Solutions Taiwan Co., Ltd. and Actuator Solutions (Shenzhen) Co., Ltd. from January 1, 2020 to the liquidation date, as well as upon the conversion reserve release to P&L after the liquidation of the two asian companies.

(thousands of euro)

| Actuator Solutions | 2020 | 2019 |
|---|--------------|----------------|
| Statement of profit or loss | 50% | 50% |
| Total net sales | 7,092 | 10,601 |
| Cost of sales | (5,336) | (8,695) |
| Gross profit | 1,756 | 1,906 |
| Total operating expenses | (1,268) | (1,939) |
| Other income (expenses), net | 79 | (188) |
| Operating income (loss) | 567 | (221) |
| Interests and other financial income, net | (302) | (342) |
| Foreign exchange gains (losses), net | (75) | (27) |
| Income taxes | (1) | (818) |
| Net income (loss) | 189 | (1,408) |
| Exchange differences | (5) | (9) |
| Release of conversion reserve for the liquidation of the subsidiaries | 75 | 0 |
| Total comprehensive income (loss) for the period | 259 | (1,417) |

Overall⁴⁹, net revenues of Actuator Solutions were equal to €14,183 thousand in 2020, down by 33.1% on €21,202 thousand in 2019: the automotive market, already in crisis and further penalized by the Covid-19 pandemic in the first two quarters of 2020, showed some signs of recovery since the third quarter, there was a further strengthening in the last part of the year, confirming the beginning of a new start in the sector.

It should be noted, however, that the pandemic has also opened an opportunity for Actuator Solutions in the medical market: against a contract for the development and assembly of rapid Covid-19 diagnostic test devices, total revenues were equal to €1,735 thousand in 2020.

Lastly, an agreement was signed in the second half of 2020 with the partner Alfmeier Präzision for the sale of one of the production lines of actuators for the seat comfort business, which will be followed by the sale of the other production assets in 2021. Under the agreement, Alfmeier Präzision takes over the production process of the actuators for the seat comfort market, paying Actuator Solutions GmbH a sales commission, equal to the margin that the German company would have achieved if it had continued production. This agreement further reduced the revenues of the joint venture in the automotive sector, replaced only by commissions, with no net effect on the performance.

The net profit for the year was €377 thousand, compared to a loss of -€2.816 thousand in previous year. Despite the decline in sales, profit margins improved strongly, mainly thanks to income on

⁴⁹ Values at 100%.

engineering contracts signed with third parties, characterized by higher margins, and the good margins reported by the afore-mentioned medical business in connection to the Covid-19 pandemic. In addition, operating expenses fell sharply following the end of operations at the two Asian subsidiaries. Lastly, the loss at December 31, 2019 included non-recurring restructuring costs equal to € 2,076 thousand ⁵⁰ (including a €1,560 thousand write-down of deferred tax assets on previous tax losses of the German parent company, valued as unlikely to be recovered in the medium term), as well as €362 thousand non-recurring costs related to an IT fraud suffered by the German parent company in early 2019.

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 the SAES Group (equal to 50%) in the 2020 profit of the joint venture was equal to €189 thousand (-€1.408 thousand in 2019); this should be added to the other components of the comprehensive income statement, positive for €70 thousand (-€9 thousand at December 31, 2019), consisting of the translation differences (-€5 thousand) generated by the consolidation of Actuator Solutions Taiwan Co., Ltd. and Actuator Solutions (Shenzhen) Co., Ltd. up to the time of their liquidation and of the release to the income statement of the translation reserve generated by these Asian subsidiaries, following their liquidation (+€75 thousand).

As reported previously, the share of the 2020 total profit pertaining to SAES (+€259 thousand) was not recognised by the Group since the equity of the joint venture is still negative, against a SAES equity interest in Actuator Solutions that has already been fully written off.

On the other hand, a cost (-€278 thousand) was recognized in the current year against the release to the income statement of the translation reserve generated in the past by the consolidation of the Asian subsidiaries, following their liquidation.

As the investment in Actuator Solutions GmbH had already been completely written off, no specific impairment test was performed as at December 31, 2020.

It should be noted that, at the end of last year, a provision for risks equal to €600 thousand was set aside, equal to the pro-rata financial resources necessary for the company to continue operating. As at December 31, 2020, half of the amount of this provision had been used.

Please refer to Note no. 22 for information on the recoverability of the financial receivable owed to the Group by the joint venture.

The following table provides the number of employees of the joint venture Actuator Solutions as at December 31, 2020 by category, based on the percentage of ownership held by the Group (equal to 50%).

| Actuator Solutions | December 31, 2020 | December 31, 2019 |
|---------------------------------|------------------------------|------------------------------|
| | 50% | 50% |
| Managers | 1 | 1 |
| Employees and middle management | 13 | 14 |
| Workers | 8 | 10 |
| Total (*) | 21 | 25 |

(*) The figure excludes the personnel employed with contract other than salaried employment, equal to 6 units as at December 31, 2020 and to 1 unit at December 31, 2019 (according to the percentage held by the Group).

⁵⁰ Of which -€54 thousands related to the liquidation of Actuator Solutions (Shenzhen) Co., Ltd. and -€314 thousands related to the liquidation of Actuator Solutions Taiwan Co., Ltd.

The number of employees is down compared to the end of 2019, principally due to the German joint venture's focus on product development activities and the subsequent suspension of production activities in the automotive sector.

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 specializes 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 transaction qualifies as a joint control arrangement and, specifically, as a joint venture. In this regard, It should be noted 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 capital stock.

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 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 capital stock of SAES RIAL Vacuum S.r.l. at a price relating to the company's performance at the sale date, estimated for any extraordinary costs and non-recurring investments, identified as useful for the future development⁵¹ of the company⁵².

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 capital stock, at a price calculated with a similar mechanism, but without adjustments for any extraordinary costs or investments.

It should be noted that, as at December 31, 2020, the Management did not have enough information in order to conduct an accurate assessment of the fair value of the above options, therefore, the latter 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.

⁵¹ Understood as subsequent to 2020.

⁵² It should be noted 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. has incurred in 2020 but referring to future growth.

(thousands of euro)

| SAES RIAL Vacuum S.r.l. | December 31, 2020 | December 31, 2019 |
|--|----------------------|----------------------|
| Statement of financial position | 49% | 49% |
| Non current assets | 302 | 325 |
| Current assets | 1,695 | 983 |
| Total Assets | 1,997 | 1,308 |
| Non current liabilities | 201 | 192 |
| Current liabilities | 1,037 | 665 |
| Total Liabilities | 1,238 | 857 |
| Capital Stock, Reserves and Retained Earnings | 451 | 249 |
| Net income (loss) for the period | 309 | 198 |
| Other comprehensive income (loss) for the period (*) | (1) | 4 |
| Total Equity | 759 | 451 |

(*) Actuarial differences on the employee severance indemnities (TFR), according to the IAS 19.

(thousands of euro)

| SAES RIAL Vacuum S.r.l. | 2020 | 2019 |
|--|------------|------------|
| Statement of profit or loss | 49% | 49% |
| Total net sales | 2,762 | 1,680 |
| Cost of sales | (2,051) | (1,210) |
| Gross profit | 711 | 470 |
| Total operating expenses | (278) | (242) |
| Other income (expenses), net | 21 | 62 |
| Operating income (loss) | 454 | 290 |
| Interests and other financial income, net | (19) | (13) |
| Foreign exchange gains (losses), net | 0 | 0 |
| Income taxes | (126) | (79) |
| Net income (loss) | 309 | 198 |
| Actuarial gain (loss) on defined benefit plans, net of taxes | (1) | 4 |
| Totale comprehensive income (loss) for the period | 308 | 202 |

Overall⁵³, SAES RIAL Vacuum S.r.l. ended 2020 with revenue of €5,636 thousand, up by 64.4% compared to €3,428 thousand in 2019: after a first quarter strongly penalized by delays in certain major research projects, also due to the Covid-19 pandemic, revenue increased in the following quarters, gradually returning to the levels originally forecast. Despite a minor fall in gross margin (from 27.9% to 25.7%) due to the different product mix and the increase in G&A expenses (mainly, higher personnel costs), both the operating and the net profit increased by more than 56% due to increased revenues. Notably, the net profit was €631 thousand, against €403 thousand in the previous year.

For further details on the developments in SAES RIAL Vacuum S.r.l., please refer to the paragraph dedicated to the joint venture in the SAES Group Report on operations.

The share of the SAES Group (equal to 49%) in the 2020 profit for the year of this joint venture is equal to +€309 thousand, plus the other components of comprehensive income, negative and equal to -€1 thousand, represented by the actuarial differences on defined benefit plans (in particular, Staff leaving for Severance Indemnities), net of the corresponding tax effect (in total, +€202 thousand as at December 31, 2019).

The difference, equal to €1,393 thousand, between the book value of the investment (€2,152 thousand) and the value of the share of the SAES Group in the company's net assets (€759 thousand) represents the implicit goodwill included in the book value of the investment.

The value of the investment in SAES RIAL Vacuum S.r.l. as at December 31, 2020 underwent impairment testing. To this end, the value in use was calculated using the Free Operating Cash Flow

⁵³ Values at 100%.

method, based on the 2021-2023 three-year plan approved by the Board of Directors of this company on December 3, 2020, with a WACC equal to 6.6%, in line with the Group WACC.

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 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 CGU Vacuum Technology).

No potential impairment of assets emerged from the test conducted.

A sensitivity analysis was also conducted, increasing the discounting rate by up to 2 percentage points more than the reference value; no 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, 2020 by category, based on the percentage of ownership held by the SAES Group (equal to 49%).

| SAES RIAL Vacuum S.r.l. | December 31, 2020 | December 31, 2019 |
|---------------------------------|----------------------|----------------------|
| | 49% | 49% |
| Managers | 0 | 1 |
| Employees and middle management | 8 | 5 |
| Workers | 5 | 4 |
| Total (*) | 13 | 10 |

(*) The figure excludes the personnel employed with contract other than salaried employment, equal to 2 units as at December 31, 2020 and to 1 unit at December 31, 2019 (according to the percentage held by the Group).

The increase in the workforce compared to the end of last year is in line with the growth of the company's activities.

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.

In 2019, the Flexterra project had already made strong progress, although with some delays compared to initial forecasts. 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 Transistors). The activities to produce OTFTs on an industrial basis have taken longer than initially expected, also because of the Covid-19 crisis and actual production and sales activities by Flexterra are expected to start by the end of 2021, about one year late.

SAES currently holds 46.73% of the capital stock of Flexterra, Inc.

The Group's equity investment is accounted for using the equity method since, irrespective of the ownership percentage in the capital stock, 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 four of the five Board members).

The value of the investment as at December 31, 2020 is the initial overall contribution (€8,146 thousand, equal to \$8,500 thousand) of SAES Getters International Luxembourg S.A. in the capital stock of Flexterra, Inc., increased by the capital stock increases in the final part of 2018 (for a total value of €6,201 thousand, corresponding to \$7,100 thousand), adjusted for the SAES Group's share in the result and in the total other profits (loss) from previous years (2017-2020). 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). In calculating the final value of the equity investment it is also necessary to add the write-downs for impairment, recognized both in previous years (-€4,300 thousand in 2018 and -€555 thousand in 2019) and as at December 31, 2020 (additional write-down equal to -€591 thousand, which has brought to zero the value of the equity investment).

Finally, it should be noted that, in the previous year, the value of the investment was also adjusted for the unrealized portion of the capital gain achieved by the Group with the sale to the Flexterra, Inc. joint venture of patents owned by E.T.C. S.r.l. (-€1,059 thousands), as well as for the reversal of the corresponding portion of amortization on the capital gain eliminated at the consolidated level (+€152 thousand, of which +€76 thousand for 2019 and +€76 thousand for the current year).

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

(thousands of euro)

| Flexterra | December 31, 2020 | December 31, 2019 |
|--|----------------------|----------------------|
| Statement of financial position | 46.73% | 46.73% |
| Non current assets | 5,628 | 6,837 |
| Current assets | 1,086 | 1,261 |
| Total Assets | 6,714 | 8,098 |
| Non current liabilities | 44 | 92 |
| Current liabilities | 1,343 | 255 |
| Total Liabilities | 1,387 | 347 |
| Capital Stock, Reserves and Retained Earnings | 7,595 | 9,465 |
| Reserve for stock options plan | 173 | 156 |
| Net income (loss) for the period | (1,811) | (2,031) |
| Other comprehensive income (loss) for the period (*) | (630) | 161 |
| Total Equity | 5,327 | 7,751 |

(*) Currency translation differences arising from the conversion in euro of the financial statements of Flexterra, Inc. and of Flexterra Taiwan Co., Ltd.

(thousands of euro)

| Flexterra | 2020 | 2019 |
|---|----------------|----------------|
| Statement of profit or loss | 46.73% | 46.73% |
| Total net sales | 25 | 7 |
| Cost of sales | (11) | 0 |
| Gross profit | 14 | 7 |
| Total operating expenses | (1,917) | (2,091) |
| Other income (expenses), net | 1 | 0 |
| Operating income (loss) | (1,902) | (2,084) |
| Interests and other financial income, net | (54) | 0 |
| Foreign exchange gains (losses), net | 126 | 36 |
| Income taxes | 19 | 17 |
| Net income (loss) | (1,811) | (2,031) |
| Exchange differences | (630) | 161 |
| Total comprehensive income (loss) for the period | (2,441) | (1,870) |

As a whole⁵⁴, Flexterra ended 2020 with a net loss of -€3,875 thousand against a loss of -€4,346 thousand in the previous year (mainly costs for employees engaged in research and general and

⁵⁴ Values at 100%.

administrative activities, consulting, costs related to the management of patents and the amortization of intangible assets, including intellectual property).

For further details on the developments in Flexterra, please refer to the paragraph dedicated to the joint venture in the SAES Group Report on operations.

The share of the SAES Group (equal to 46.73%) in the loss of the joint venture in 2020 was equal to -€1,811 thousand (-€2,031 thousand at December 31, 2019), this should be added to the other components of the comprehensive income statement, a negative amount of -€630 thousand from the translation differences generated by the translation into euro of financial statements of Flexterra, Inc. and Flexterra Taiwan Co., Ltd., denominated in another currency (+€161 thousand in 2019).

The value of the investment as at December 31, 2020 underwent impairment testing. To this end, the value in use was calculated using the Free Operating Cash Flow method, starting from the five-year plans drawn up by the top management and approved by the Board of Directors of SAES Getters S.p.A. on February 11, 2021; the same Board of Directors of SAES Getters also deemed appropriate a prudential 15% reduction of the prospective operating cash flows deriving from the plans drawn up by the company, in the face of the situation of general uncertainty (also following the Covid-19 pandemic) and the aforementioned delays in the start of production and sales activities. The weighted average cost of capital (WACC) applied to future cash flows was 30%, in line with the WACC used in the previous year and consistent with the joint venture's current pilot production stage.

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 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 (for a total of 15 years, time horizon consistent with the horizon used for the Specialty Chemicals Division).

The analysis carried out led to the cancellation of the consolidated investment, through the recognition of a write-down equal to -€591 thousand; no provision for impairment was made for this investment, as there is currently no legal or implicit obligation of the SAES Group to recapitalize the company.

Finally, it should be noted that the financial receivable for the \$3 million convertible loan granted in July 2020 by SAES Getters International Luxembourg S.A. to Flexterra, Inc. was written down. This write-down, totalling €2,539 thousand (of which €2,445 thousand for the principal amount and €94 thousand for interest accrued during the second half of the year), is a consequence of the fact that the Flexterra plan presents elements of risk and uncertainty under various profiles and does not provide for this asset to be recovered in the five-year forecast period. For more details, please see the Note no. 22.

The following table provides the number of employees of the joint venture Flexterra as at December 31, 2020, by category, based on the percentage of ownership held by the SAES Group (46.73%).

| Flexterra | December 31, 2020 | December 31, 2019 |
|---------------------------------|------------------------------|------------------------------|
| | 46.73% | 46.73% |
| Managers | 3 | 3 |
| Employees and middle management | 5 | 6 |
| Workers | 0 | 0 |
| Total (*) | 8 | 9 |

The number of employees was essentially the same as at the end of 2019.

18. INVESTMENTS IN OTHER COMPANIES

The item “Investments in other companies”, equal to a total of €1,274 thousand at December 31, 2020, includes the investments made during the year in the venture capital fund EUREKA! and in the company Cambridge Mechatronics Limited.

These minority shareholdings that are not held for trading purposes are measured at fair value, in compliance with IFRS 9, while their changes are recognised in the other components of the comprehensive income statement, without reversal to the income statement.

The following table shows the changes of each investment in 2020.

(thousands of euro)

| Investments in other companies | December 31, 2019 | Capital injections | Fair value evaluation | Other variations | December 31, 2020 |
|--------------------------------|-------------------|--------------------|-----------------------|------------------|-------------------|
| Eureka! Fund | 0 | 312 | (110) | (11) | 191 |
| Cambridge Mechatronics Limited | 0 | 1,083 | 0 | 0 | 1,083 |
| Total | 0 | 1,395 | (110) | (11) | 1,274 |

On June 23, 2020, an agreement was signed with EUREKA! Venture SGR S.p.A. based on which SAES has invested in the **EUREKA! Fund I - Technology Transfer** venture capital fund (a closed alternative investment fund qualifying as a ‘EuVECA’ fund pursuant to Regulation (EU) 345/2013), established and managed by the SGR and with investors including Cassa Depositi e Prestiti (CDP) and the European Investment Fund (EIF). The investment in the Fund, finalized through the Parent Company SAES Getters S.p.A., is equal to €3 million and has a ten-year duration (coinciding with the maturity of the Fund). The financial outlay for SAES will not be immediate, but rather in the form of drawdown transactions, based on investment opportunities that gradually arise and related calls for capital subscriptions from the SGR. In particular, based on the Fund's regulations, investors are expected to provide between 50% and 60% of the investment within the first five years. For tax purposes, the investment in the Fund enjoys the same benefits as innovative investments in start-ups, pursuant to Law Decree 179/2012. Therefore, SAES can benefit, in the year in which the investment is made, from a deduction from IRES taxable income equal to 30% of the invested amount, and from a total exemption from capital gains tax (Law Decree 98/2011).

The Fund managed by EUREKA! Venture SGR is specialized and focused solely on deeptech investments in start-ups and spin-offs of research centres and universities, in applications and technologies attributable to the science of materials, sensors, advanced electronics, photonics, IoT - the Internet of Things and Lab-on-a-chip applications, attentive to the principles of sustainability and ESG criteria. In fact, the fund regulation envisages clear investment policies inspired by ESG (Environmental, Social and Governance) principles. Similarly, also for the asset management company, procedures and processes will focus on compliance with these investment policies.

Based on the agreement signed, SAES becomes EUREKA!'s strategic investor-partner in the advanced materials sector and gains access to the Fund's deal flow in the sectors and business areas of interest to the Group, with priority co-investment rights. Lastly, based on the exit strategies from target companies, SAES has priority in terms of purchase proposals, to be submitted to the asset management company for assessment (right of first offer).

In regard to capital contributions, €118 thousand were paid on July 14, 2020, as subscription fees and to cover set-up costs and management fees for the period July 1 - September 30, 2020. The first investment, with the related call-up of funds for approximately €164 thousand from SAES, was finalized on September 16, 2020. On October 16, 2020, a further payment of €30 thousand was made, including both the portion of commissions and management fees, and the portion of an investment made by the fund in the printed electronics business.

On December 29, 2020, the second closing by the Fund was finalized: new investors have been formally admitted, with a total contribution to the investment of approximately €2.6 million. The investment of SAES was, therefore, diluted from 8.02% to 7.51% and the Parent Company obtained a reimbursement for both the costs and the investments of the Fund, equal to approx. €11 thousand (column "Other variations"). As of December 31, 2020, this refund has not yet been collected and is recorded under "Other financial receivables from third parties" (for further details, see Note no. 28).

On December 11, 2020, through the subsidiary SAES Getters International Luxembourg S.A., an equity investment was made in **Cambridge Mechatronics Limited (CML)**, based in Cambridge, UK, with which SAES has already been working for many years in the shape memory alloys (SMA) business for industrial application, in particular in the consumer electronics and mobile phone sectors.

SAES has participated in a specific financing round held by CML through the purchase of 159,745 newly issued preferred ordinary shares each with a par value of £6.26, with a total investment of £1 million (equal to €1,083 thousand). The maximum amount of preference shares to be issued in the new financing round, completed in January 2021, is equal to £7.5 million, corresponding to 1,198,083 ordinary preference shares, with a minimum amount per subscriber of £1 million.

CML is a company with strong multidisciplinary engineering skills, active in the development of miniaturized actuators based on shape memory alloy (SMA), a sector in which it holds several patents. These devices are used in various application fields that require maximum precision and accuracy even on small dimensions and, in particular, in cell phone cameras. The objective of the investment, for SAES, is to strengthen the partnership with CML.

As at December 31, 2020, the fair value of the investment in CML was equal to the price of the transaction, as the investment was completed near the end of the year.

19. SECURITIES IN THE PORTFOLIO

The item "Securities in the portfolio" at December 31, 2020 was equal to €204,748 thousand against €205,452 thousand at December 31, 2019.

(thousands of euro)

| Securities in the portfolio | December 31, 2020 | December 31, 2019 | Difference |
|---|-------------------|-------------------|--------------|
| Securities in the portfolio classified under non current assets | 134,087 | 134,673 | (586) |
| Securities in the portfolio classified under current assets | 70,661 | 70,779 | (118) |
| Total | 204,748 | 205,452 | (704) |

The decrease was mainly due to the reduced fair value of the securities portfolio, caused by the Covid-19 epidemic and the negative effect the latter has had on the financial markets. In particular, the negative effect in the first part of the year was gradually corrected in the following months, making it possible to close the current year with a decrease in fair value equal to only -€1,602 thousand.

In the current year, the additional net investments in the "Buy & Hold" bond portfolio for €1.2 million⁵⁵ should also be noted.

The following table provides the details of the securities subscribed and their fair value as at December 31, 2020 compared to December 31, 2019.

⁵⁵ Investments equal to €12.3 million, net of €11.1 million in disposals.

| Description | Details | Underwriting company | Initial investment | Value as at December 31, 2020 (thousands of euro) | Value as at December 31, 2019 (thousands of euro) |
|---|---|-----------------------|--------------------|---|---|
| <i>Bond portfolio "Buy & Hold"</i> | portfolio with a conservative investment profile and mainly with high flexibility and liquidity | SAES Investments S.A. | 70.4 million euro | 70,661 | 70,779 |
| <i>Credit Linked Certificates (CLC)</i> | financial instruments linked to the performance of underlying bonds and debt securities issued by leading Italian banks; due to mature at five years from the subscription | SAES Getters S.p.A. | 30 million euro | 31,241 | 30,884 |
| <i>Cardif Lux Vie Multiramo policy</i> | 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. | SAES Investments S.A. | 40 million euro | 41,178 | 40,665 |
| - Branch I | dynamic multi-line mandate, with the goal of conserving the invested capital value through a conservative volatility profile in the construction of the portfolio. | | 60 million euro | 61,668 | 63,124 |
| - Branch III | | | | | |
| Total | | | | 204,748 | 205,452 |

Apart from the "Buy & Hold" bond portfolio, classified as current assets, all the other financial assets of the Group were classified as non-current assets since they were used as a guarantee for the medium/long-term loan obtained by the Parent Company to pay for the ordinary shares acquired under the partial voluntary tender offer finalized at the end of May 2019 (see Note no. 30 for details on the loan).

With regard to the fair value measurement of the securities portfolio as at December 31, 2020, it should be noted 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); 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). In particular, the fair value used to measure the bond portfolio and the Credit Linked Certificates was Level 1, whereas for the Cardif Policy was Level 2.

It should be noted that the fair value of the Group's securities portfolio, consisting primarily of "Buy & Hold" assets, at today's date, was down by around 0.2% compared to the value as at December 31, 2020.

20. DEFERRED TAX ASSETS AND LIABILITIES

As at December 31, 2020 the net balance of deferred tax assets and liabilities was positive and equal to €1,303 thousand, compared to a positive amount of €456 thousand at December 31, 2019.

The related details are provided below.

(thousands of euro)

| Deferred taxes | December 31, 2020 | December 31, 2019 | Difference |
|--------------------------|------------------------------|------------------------------|-------------------|
| Deferred tax assets | 9,061 | 9,126 | (65) |
| Deferred tax liabilities | (7,758) | (8,670) | 912 |
| Total | 1,303 | 456 | 847 |

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, 2020 | December 31, 2019 | Difference |
|--------------------------|------------------------------|------------------------------|-------------------|
| Deferred tax assets | 11,623 | 11,751 | (128) |
| Deferred tax liabilities | (10,320) | (11,295) | 975 |
| Total | 1,303 | 456 | 847 |

The following tables provide a breakdown by nature of the temporary differences that comprise deferred tax assets and liabilities, compared with the figures as at December 31, 2019.

(thousands of euro)

| Deferred tax assets | December 31, 2020 | | December 31, 2019 | |
|--|------------------------------|----------------------|------------------------------|----------------------|
| | Temporary differences | Fiscal effect | Temporary differences | Fiscal effect |
| Intercompany profit eliminations | 23,892 | 5,609 | 25,366 | 6,438 |
| Differences on depreciation/amortization and write-downs | 1,898 | 448 | 2,029 | 481 |
| IAS 19 effect | 217 | 63 | 220 | 64 |
| Bad debts and financial assets write-down | 418 | 107 | 503 | 125 |
| Inventory provisions | 4,620 | 1,099 | 4,024 | 961 |
| Provisions | 2,751 | 689 | 1,542 | 382 |
| Cash deductible expenses | 10,497 | 2,544 | 9,489 | 2,292 |
| Deferred taxes on recoverable losses | 1,673 | 401 | 1,673 | 401 |
| Exchange differences and other | 754 | 663 | 1,048 | 607 |
| Total | | 11,623 | | 11,751 |

Deferred tax assets were substantially in line with the end of the previous year (change equal to -€128 thousand).

The assessment of the likelihood to recover the deferred tax assets recognised in the financial statements is based on the analysis of the likelihood that the objectives indicated in the 2021-2023 plan will be reached and that sufficient taxable income will be generated in future years, allowing these assets to be used. These assumptions are based on estimates based on future economic and market forecasts, which may change depending on a number of factors, requiring a recalculation of the said estimates.

As at December 31, 2020 the Group had €158,556 thousand in tax losses eligible to be carried forward, mainly related to the Parent Company, the subsidiary SAES Getters International Luxembourg S.A. and SAES Innovative Packaging S.r.l.⁵⁶ (as at December 31, 2019 the tax losses eligible to be carried forward were equal to €145,595 thousand).

The tax losses eligible to be carried forward that were taken into account when calculating deferred tax assets were €1,673 thousand (essentially in line with those at December 31, 2019) and refer

⁵⁶ Formerly E.T.C. S.r.l.

exclusively to SAES Coated Films S.p.A. The deferred tax assets on said tax losses have been recognised in the reasonable certainty that they will be recovered in future years, in the light of the forecasts provided in the 2021-2025 plan of the subsidiary.

(thousands of euro)

| Deferred tax liabilities | December 31, 2020 | | December 31, 2019 | |
|---|-----------------------|-----------------|-----------------------|-----------------|
| | Temporary differences | Fiscal effect | Temporary differences | Fiscal effect |
| Tax due on distribution of earnings accumulated by the subsidiaries | (56,654) | (3,200) | (52,835) | (4,277) |
| Differences on depreciation/amortization and assets fair value | (26,730) | (6,462) | (24,044) | (5,943) |
| Securities fair value revaluations | (2,079) | (519) | (3,795) | (947) |
| IAS 19 effect | (471) | (113) | (455) | (109) |
| IFRS 16 leasing effect | (65) | (17) | (31) | (8) |
| Other | (36) | (9) | (48) | (11) |
| Total | | (10,320) | | (11,295) |

The deferred tax liabilities recorded in the consolidated financial statements as at December 31, 2020, include, besides the provision for taxes due in the event of distribution of the profits and reserves of the subsidiaries for which a distribution is expected in a foreseeable future, the temporary differences on the capital gains identified at the time of the purchase price allocation of the US companies acquired in previous years and of SAES Coated Films S.p.A., acquired more recently.

The decrease in deferred tax liabilities compared to December 31, 2019 (-€975 thousand) is mainly due to lower provision for taxes due in the case of distribution of profits and reserves of the subsidiaries, and to the release of deferred tax liabilities of the Parent Company following the realignment of the tax value of some assets, pursuant to Law Decree No. 104/2020 as well as the partial release of deferred tax liabilities recognized in the previous year on the revaluation at fair value⁵⁷ of the securities portfolio of SAES Investments S.A. These effects were only partially offset by the greater temporary differences between fiscal and statutory depreciation of the US affiliate Memry Corporation⁵⁸.

21. TAX CONSOLIDATION RECEIVABLES FROM THE CONTROLLING COMPANY

The item “Tax consolidation receivables from the Controlling Company” refers to the receivable initially due to SAES Advanced Technologies S.p.A. and now due to the Parent Company⁵⁹, 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.

The derecognition of the item with respect to December 31, 2019 is due to the partial reimbursement received in May from the Revenue Agency and transferred from S.G.G. Holding S.p.A. to the Parent Company in June (-€144 thousands), as well as the cancellation of the residual portion of the receivable (-€128 thousand), as its recovery is believed to be unlikely.

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

⁵⁷ In particular, revaluation recognized for IFRS purposes, but not for the purposes of the statutory financial statements prepared in accordance with Luxembourg accounting principles.

⁵⁸ Memry Corporation benefited from a tax incentive in the current year (Section 168 (k)) which allows the full value of the investments made in plant and machinery to be deducted in the year of their commissioning, without distributing the tax depreciation of these assets over their useful life. Deferred tax liabilities have been recognised on the related difference between fiscal and statutory depreciation.

⁵⁹ It should be noted that SAES Advanced Technologies S.p.A. merged into SAES Getters S.p.A. with accounting effects from January 1, 2016.

provisions of articles 117 and 120 of the Consolidated Law on Income Tax (“TUIR”). The Italian companies of the Group⁶⁰ currently participate in 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. 36.

22. FINANCIAL RECEIVABLES FROM RELATED PARTIES

The item “Financial receivables from related parties” was equal to €50 thousand as at December 31, 2020, 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 as current assets (€1 thousand, equal to the interest accrued in the current year and not yet collected at December 31, 2020), while the remaining portion was recognized under non-current assets (€49 thousand, equal to the principal portion).

The financial receivable, equal to €10,100 thousand⁶¹, arising from the loans granted to the joint venture **Actuator Solutions GmbH**, has been fully written off: despite the fact that the joint venture, in contrast to previous years, closed 2020 with a profit, in light of the 2021-2025 plan approved by the Supervisory Board on December 15, 2020, uncertainty remains about the company's financial position and, therefore, the financial receivable corresponding to the interest accrued during the current year has been written off as its recovery is believed to be unlikely. The receivable relating to both the principal amount and the interest accrued between 2016 and 2019 had already been written down at December 31, 2019, following the declaration of subordination by SAES Nitinol S.r.l., aimed at guaranteeing the business continuity of Actuator Solutions.

On July 16, 2020, SAES Getters International Luxembourg S.A. signed a convertible loan with a value of \$3 million in favour of the joint venture **Flexterra, Inc.**, to be repaid in cash at the end of one year (maturity date) or earlier, if certain significant events occur, such as the liquidation of Flexterra and change of control. The loan will accrue interest at 8% per year. As well as by cash, the repayment can be in the form of equity if Flexterra arranges a qualified capital stock increase for a value of at least \$6 million before the maturity date. In this case, SAES Getters International Luxembourg S.A. will receive a number of new shares equal to the quota obtained by dividing the balance of the loan at the conversion date by a value of 80% of the price per share paid by other shareholders at the time of the capital increase.

The corresponding financial asset, equal to €2,539 thousand (of which €2,445 thousand for the principal amount and €94 thousand for interest accrued in the second half of the year), was written off as at December 31, 2020. This is due to the fact that the Flexterra five-year plan, approved by the Board of Directors of SAES Getters S.p.A. on February 11, 2021, presents various elements of risk and uncertainty under various profiles and does not provide for this asset to be recovered in the five-year forecast period.

Details are given in the tables below.

⁶⁰ SAES Getters S.p.A., SAES Nitinol S.r.l. and SAES Innovative Packaging S.r.l. (formerly E.T.C. S.r.l.). In October 2017, the option to include SAES Coated Films S.p.A. (formerly Metalvuoto S.p.A.) in the scope of the Italian tax consolidation, effective January 1, 2017, was also exercised.

⁶¹ Consisting of €8,000 thousand principal amount and €2,100 thousand interest.

Actuator Solutions GmbH

| Description | Currency | Principal (thousands of euro) | Timing of capital reimbursement | Interest rate | Value as at December 31, 2020 (*) (thousands of euro) | Value as at December 31, 2019 (*) (thousands of euro) |
|--|----------|----------------------------------|---|----------------------|--|--|
| Loan granted in October 2014 | EUR | 1,200 | flexible, with maturity date October 2018 extended to December 2021 (*) | 6% annual fixed rate | 74 | 74 |
| Loan granted in April 2016 | EUR | 1,000 | flexible, with maturity date April 2019 extended to December 2021 (*) | 6% annual fixed rate | 99 | 99 |
| Loan signed in July 2016: - first <i>tranche</i> granted in July 2016 - second <i>tranche</i> granted in September 2016 | EUR | 2,000 | flexible, with maturity date April 2019 extended to April 2024 (**) | 6% annual fixed rate | 3,787 | 3,607 |
| | EUR | 1,000 | | | | |
| Loan signed in November 2016: - first <i>tranche</i> granted in November 2016; - second <i>tranche</i> granted in January 2017; - third <i>tranche</i> granted in February 2017; - fourth <i>tranche</i> granted in March 2017; - fifth <i>tranche</i> granted in April 2017; - sixth <i>tranche</i> granted in February 2018. | EUR | 1,000 | flexible, with maturity date April 2019 extended to April 2024 (**) | 6% annual fixed rate | 6,140 | 5,839 |
| | EUR | 1,000 | | | | |
| | EUR | 1,000 | | | | |
| | EUR | 500 | | | | |
| | EUR | 500 | | | | |
| Total | | 10,200 | | | 10,100 | 9,619 |
| Financial receivables from related parties provision | | | | | (10,100) | (9,619) |
| Total net of write-downs | | | | | 0 | 0 |

(*) Interests included; on December 31, 2020 SAES Nitinol S.r.l. and Actuator Solutions GmbH have signed an agreement under which the payment of all interest accrued from 2016 to 2020 has been postponed to December 31, 2021.

(*) 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.

It should be noted that, on December 31, 2020, SAES Nitinol S.r.l. and Actuator Solutions GmbH signed an agreement to postpone until December 31, 2021 the payment of all interest accrued from 2016 to 2020 (€2,100 thousands in total) on the loans granted by SAES, in several tranches, to the joint venture.

SAES RIAL Vacuum S.r.l.

| Description | Currency | Principal (thousands of euro) | Timing of capital reimbursement | Interest rate | Value as at December 31, 2020 (*) (thousands of euro) | Value as at December 31, 2019 (*) (thousands of euro) |
|------------------------------|----------|----------------------------------|---------------------------------|---|--|--|
| Loan granted in January 2016 | EUR | 49 | flexibile | Three-months Euribor, plus 2.50% spread | 50 | 50 |

(*) Interests included.

Flexterra, Inc.

| Description | Currency | Principal (thousands of euro) | Timing of capital reimbursement | Interest rate | Value as at December 31, 2020 (*) (thousands of euro) | Value as at December 31, 2019 (*) (thousands of euro) |
|---|----------|----------------------------------|--|----------------------|--|--|
| Convertible note granted in July 2020 | USD | 3,000 | Maturity date July 2021 or earlier, upon the occurrence of certain significant events (**) | 8% annual fixed rate | 2,539 | 0 |
| Total | | | | | 2,539 | 0 |
| Financial receivables from related parties provision | | | | | (2,539) | 0 |
| Total net of write-downs | | | | | 0 | 0 |

(*) Interests included.

(**) Significant events include the liquidation of Flexterra and the change of control.

23. OTHER LONG-TERM ASSETS

The item “Other long-term assets” was equal to €1,448 thousand at December 31, 2020, against €1,528 thousand at December 31, 2019.

This item, in addition to the deposits paid by the various Group companies, as part of its operating activities, includes the advance, equal to €1,100 thousand, paid during a preliminary negotiation for

a potential minority investment. In a context of general uncertainty, also due to the spread of the Covid-19 epidemic, the transaction was suspended and SAES requested the return of the deposit, as set forth in the original agreement between the parties, reserving the right to bring legal action.

24. INVENTORY

Inventories were equal to €30,012 thousand as at December 31, 2020, with a €4,465 thousand increase compared to December 31, 2019.

The following table provides a breakdown of inventories as at December 31, 2020, compared with December 31, 2019.

(thousands of euro)

| Rimanenze finali | December 31, 2020 | December 31, 2019 | Difference |
|--|------------------------------|------------------------------|-------------------|
| Raw materials, auxiliary materials and spare parts | 9,972 | 8,639 | 1,333 |
| Work in progress and semi-finished goods | 12,677 | 10,735 | 1,942 |
| Finished products and goods | 7,363 | 6,173 | 1,190 |
| Total | 30,012 | 25,547 | 4,465 |

Excluding the negative exchange rate effect (-€1,807 thousands), inventories would have increased by €6,272 thousands: due to the increasing stock volumes in the Nitinol sector, mainly for the completion of the new Memry Corporation tubing department, to the deferral of orders by some customers because of Covid-19, and to higher stock levels in the security and defence sector (in particular, palladium) because of different timing in the procurement of raw materials.

Inventory is stated net of any provision for depreciation, which, in 2020, recorded the changes shown in the table below.

(thousands of euro)

| Inventory provision | |
|-------------------------------|--------------|
| December 31, 2019 | 2,919 |
| Accrual | 1,144 |
| Release into income statement | (211) |
| Utilization | (274) |
| Translation differences | (179) |
| December 31, 2020 | 3,399 |

The accrual (+€1,144 thousand) was mainly related to the write-down of the raw material, semi-finished products and finished goods characterized as slow-moving or no longer used in the production process, in particular by the Parent Company and the US affiliates SAES Smart Materials, Inc. and Memry Corporation.

The release into income statement (-€211 thousand) was a consequence of a recall into production of warehouse codes that were written down in the previous year in the Nitinol sector.

The utilization (-€274 thousand) is related to the scrapping of items that had already been written down in previous years by the Parent Company, particularly in the lamps sector.

The translation differences (-€179 thousands) are due to the US affiliates and are a consequence of the depreciation of the US dollar at December 31, 2020, compared to the end of the previous year.

Also as a result of the global economic and financial crisis caused by the Covid-19 pandemic, as it is always done at the end of each financial year, management carried out extensive testing for potential impairment of inventories of raw materials, semi-finished and finished products that can no longer be sold due to issues with the solvency of end customers. This testing did not show a need to include dedicated and additional adjustments to the net value of inventory due to the pandemic.

25. TRADE RECEIVABLES

Trade receivables, net of the bad debt provision, were equal to €19,453 thousand as at December 31, 2020, down by -€2,302 thousand compared to December 31, 2019.

Excluding the exchange rate effect (-€1,236 thousands), the residual decrease (-€1,066 thousands) was mainly due to the slowdown in revenues in the last quarter of 2020, compared to the corresponding period of the previous year, in the shape memory alloys business (penalized by the Covid-19 pandemic and the postponement of elective therapies) and in the food packaging sector (penalized by the phase-out of metallized products, in favour of lacquered ones), only partially compensated by an increase in the receivables of the Parent Company (in particular, the Vacuum Technology Division).

The breakdown of the item as at December 31, 2020 and December 31, 2019 is provided in the following table.

(thousands of euro)

| Trade receivables | December 31, 2020 | December 31, 2019 | Difference |
|-----------------------|----------------------|----------------------|----------------|
| Gross value | 19,798 | 22,071 | (2,273) |
| Bad debt provision | (345) | (316) | (29) |
| Net book value | 19,453 | 21,755 | (2,302) |

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

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

(thousands of euro)

| Bad debt provision | December 31, 2020 | December 31, 2019 |
|-------------------------------|----------------------|----------------------|
| Opening balance | 316 | 416 |
| Accrual | 57 | 6 |
| Release into income statement | (1) | (32) |
| Utilization | (28) | (75) |
| Translation differences | 1 | 1 |
| Closing balance | 345 | 316 |

The accrual into income statement (+€57 thousand) was mainly related to the write-down of some credit positions of the Parent Company and Memry Corporation, the recovery of which management deemed unlikely.

This item also includes the generic write-down recognized as at December 31, 2020 (+€1 thousand), according to the Expected Credit Loss model as set forth in IFRS 9, based on the calculation of the

expected average non-recovery using historic and geographical indicators. The same calculation as at December 31, 2019, had resulted in the partial release of the bad debt provision for -€6 thousand (included in the line “Release into income statement”).

The release into income statement (-€1 thousand) is a result of the partial collection of a receivable written off by SAES Coated Films S.p.A. in previous years.

The utilization (-€28 thousand) is a consequence of the write-off of trade receivables already written down by the Parent Company and by the affiliates SAES Coated Films S.p.A. and Memry Corporation.

The following table provides a breakdown of trade receivables, between those not yet due and those past due as at December 31, 2020 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, 2020 | 19,798 | 13,881 | 3,272 | 1,566 | 554 | 65 | 115 | 345 |
| December 31, 2019 | 22,071 | 16,236 | 3,507 | 1,613 | 320 | 58 | 21 | 316 |

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 9.1% as at December 31, 2019 to 11.6% as at December 31, 2020) was mainly due to some receivables of the US affiliate Memry Corporation, the collection of which was finalised in early 2021.

The table below illustrates the calculation of the average number of days needed by the Group to collect trade receivables after sale (Days of Sales Outstanding, DSO), as at December 31, 2020 and December 31, 2019, respectively.

| | December 31, 2020 | December 31, 2019 | Difference |
|--|-------------------|-------------------|------------|
| <i>Days of Sales Outstanding - DSO (*)</i> | 42 | 44 | (2) |

(*) DSO is an average collection time indicator for trade receivables and it is calculated as follow:
Trade receivables / Annualized net revenues * 365.

The DSO as at December 31, 2020, was slightly improved with respect to December 31, 2019, and therefore shows no significant delays in payments from customers.

As a result of the Covid-19 pandemic, management considered it appropriate to carry out additional tests, at Group level, for potential impairment of trade receivables considered not recoverable due to solvency difficulties of the end customers.

In particular, in addition to updating the expected loss calculation (see previous comments), an in-depth analysis was conducted of individual positions past due by more than 90 days to assess the probability of their collection by the Group.

This analysis, further supported by the fact that the DSO is in line with the value as at December 31, 2019, shows no need for an additional write-down.

Management considers the forecasts generated to be reasonable and sustainable, though current circumstances are a cause of uncertainty.

See Note no. 42 regarding the management of credit risk of trade receivables in order to understand how the Group monitors and manages credit quality in the event that the trade receivables are not due or written down.

26. 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 €5,965 thousand as at December 31, 2020, against €4,677 thousand as at December 31, 2019.

A breakdown of this item is provided below.

(thousands of euro)

| Prepaid expenses, accrued income and other | December 31, 2020 | December 31, 2019 | Difference |
|---|-------------------|-------------------|--------------|
| Income tax and other tax receivables | 2,898 | 1,863 | 1,035 |
| VAT receivables | 939 | 1,236 | (297) |
| Social security receivables | 32 | 32 | 0 |
| Personnel receivables | 2 | 1 | 1 |
| Receivables for public grants | 106 | 63 | 43 |
| Other receivables | 20 | 5 | 15 |
| Total other receivables | 3,997 | 3,200 | 797 |
| Accrued income | 0 | 0 | 0 |
| Prepaid expenses | 1,968 | 1,477 | 491 |
| Total prepaid expenses and accrued income | 1,968 | 1,477 | 491 |
| Total prepaid expenses, accrued income and other | 5,965 | 4,677 | 1,288 |

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 compared to December 31, 2019 (+€1,035 thousands) is mainly related to the excess of the tax advances paid by the US affiliates and by the Luxembourg subsidiary SAES Investments S.A. compared to the total tax due for 2020. The following should also be noted: a tax credit of the Parent Company for investments in research and development, under the 2021 Budget Law (€259 thousands); a tax credit of the Italian companies for sanification costs pursuant to Law Decree 34/2020, article 125 (the residual credit at December 31, 2020 was equal to €19 thousand); higher tax credits of SAES Getters S.p.A. for recoverable withholdings applied on intra-group royalties and dividends.

The decrease in “VAT receivables” was mainly due to the refund obtained by SAES Innovative Packaging S.r.l. (formerly E.T.C. S.r.l.) on the receivables accrued in 2017, as well as the offsetting by the Italian companies of the receivable generated in 2019 against other taxes and contributions for 2020. These decreases were only partially offset by the receivable generated in SAES Getters S.p.A. in the current year due to the surplus of the taxable purchasing transactions over sales transactions and not yet subject to offsetting.

It should be noted that the item “Receivables for public grants” consists of credits accrued by the Parent Company as at December 31, 2020 for public funding of ongoing research projects.

In 2020, income from public grants recognised in the income statement was equal to €50 thousand (€104 thousand in 2019). To this amount we should add the aforementioned income of the Parent Company, equal to €259 thousands, representing tax receivables for investments in research and development, under the 2021 Budget Law, as well as other revenues of the Italian companies, equal to €32 thousands, for the tax credit on sanification costs pursuant to Law Decree 34/2020, article 125.

Prepaid expenses, equal to €1,968 thousand against €1,477 thousand at December 31, 2019, include cost items (in particular, insurance costs and costs for the management of patents, as well as IT service costs) that were paid in advance by the end of 2020, but pertain to the following year. The increase compared to the end of the previous year is mainly related to prepaid insurance costs (the

corresponding invoices pertaining to 2020 had been received at the beginning of 2020, rather than at the end of 2019) and IT service costs (not incurred at the end of the previous year).

It should be noted that there are no receivables due after more than five years.

Public grants - disclosure pursuant to the Law no. 124 of August 4, 2017, article 1, paragraphs 125-129

Law no. 124 of August 4, 2017 - article 1, paragraphs 125-129 - “Fulfilment of transparency and disclosure obligations” has introduced, for financial statements starting from 2018, a series of disclosure and transparency obligations by parties that have financial relationships 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 interprofessional 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 made showed that the Group, in 2020, similarly to the previous financial year, did not receive public grants that would fall under the application of law no. 124/2017 (article 1, paragraphs 125-129) as amended.

27. CASH AND CASH EQUIVALENTS

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

The following table provides a breakdown of the balances as at December 31, 2020 and December 31, 2019.

(thousands of euro)

| Cash and cash equivalents | December 31, 2020 | December 31, 2019 | Difference |
|----------------------------------|--------------------------|--------------------------|-------------------|
| Bank accounts | 30,668 | 48,623 | (17,955) |
| Petty cash | 10 | 11 | (1) |
| Total | 30,678 | 48,634 | (17,956) |

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

The item “Bank accounts” is shown net of the write-down, equal to -€23 thousand, calculated under IFRS 9. In particular, the expected losses were calculated based on a default percentage associated with each bank where the cash and cash equivalents are deposited, obtained on the basis of each bank’s rating.

At December 31, 2019, the write-down was equal to -€78 thousand. The reduction of the expected losses as at December 31, 2020 (€55 thousand) was mainly a result of the lower amount of cash held

by the Group, while the risk associated with the banks with which the Group operates was essentially unchanged.

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. 41).

As at December 31, 2020 the Group has unused credit lines equal to €76.7 million against €25.7 million as at December 31, 2019.

The increase is due to the Parent Company taking out two new revolving cash credit lines, respectively with Unicredit S.p.A., on March 6, 2020, and with Intesa Sanpaolo S.p.A., on April 30, 2020, each for a maximum amount of €30 million and with a fixed duration of thirty-six months.

Both the credit lines provide for compliance with only one financial covenant (positive consolidated net financial position) subject to half-yearly verification. As better shown in the table below, as at December 31, 2020, this covenant had been met in both cases.

| | k euro | Covenant | RCF Unicredit | RCF Intesa Sanpaolo |
|------------------------|--------|----------|-------------------|---------------------|
| | | | (*) | (**) |
| | | | December 31, 2020 | December 31, 2020 |
| Net financial position | > 0 | | 101,216 | 101,245 |

(*) Net financial position calculated excluding financial receivables from related parties, receivables (payables) for derivative financial instruments evaluated at fair value, other financial receivables towards third parties and financial liabilities for leasing contracts pursuant to IFRS 16.

(**) Net financial position calculated excluding financial liabilities for leasing contracts pursuant to IFRS 16.

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, July 28, 2006.

(thousands of euro)

| | December 31, 2020 | June 30, 2020 | December 31, 2019 |
|---|----------------------|------------------|----------------------|
| A. Cash | 10 | 11 | 11 |
| B. Other cash and cash equivalents | 30,668 | 31,212 | 48,623 |
| C. Securities held for trading | 70,661 | 70,125 | 70,779 |
| D. Cash and cash equivalent (A)+(B)+(C) | 101,339 | 101,348 | 119,413 |
| E. Current financial receivables | 12 | 1 | 1 |
| F. Bank overdraft | (32,514) | (27,066) | (27,195) |
| G. Current portion of long term debt | (5,199) | (5,237) | (5,365) |
| H. Other current financial liabilities | (2,965) | (3,490) | (2,826) |
| I. Current financial liabilities (F)+(G)+(H) | (40,678) | (35,793) | (35,386) |
| J. Current net financial position (I)+(E)+(D) | 60,673 | 65,556 | 84,028 |
| K. Long term debt, net of current portion | (95,496) | (98,125) | (100,724) |
| L. Bonds issued | 0 | 0 | 0 |
| M. Other non-current payables | (3,571) | (2,072) | (2,710) |
| N. Non current financial liabilities (K)+(L)+(M) | (99,067) | (100,197) | (103,434) |
| O. Net financial debt (J)+(N) | (38,394) | (34,641) | (19,406) |

The table below shows the reconciliation of the net financial debt in accordance with Consob Communication no. DEM/6064293, July 28, 2006 and the net financial position figure reported in the Report on Operations.

(thousands of euro)

| | December 31, 2020 | June 30, 2020 | December 31, 2019 |
|---|------------------------------|--------------------------|------------------------------|
| Net financial debt included in the Explanatory notes | (38,394) | (34,641) | (19,406) |
| Related parties non current financial assets | 49 | 49 | 49 |
| Securities - long term | 134,087 | 130,236 | 134,673 |
| Net financial position included in the Management Report | 95,742 | 95,644 | 115,316 |

28. OTHER FINANCIAL RECEIVABLES FROM THIRD PARTIES

The item "Other financial receivables from third parties", equal to €11 thousands at December 31, 2020, refers to the receivable held by the Parent Company following the dilution of its investment in the EUREKA! Fund. After the Fund completed its second closing on December 29, 2020, new investors were formally admitted with a total contribution to the investment of approximately €2.6 million; consequently, participation of SAES in the Fund has been diluted from 8.02% to 7.51%. The Parent Company obtained a reimbursement proportional to the dilution, both for the investments and for the costs incurred, which, having not yet been collected at December 31, 2020, resulted in the recognition of a financial receivable from third parties (for more details, please refer to Note no. 18).

29. GROUP SHAREHOLDERS' EQUITY

The Group shareholders' equity was equal to €238,162 thousand as at December 31, 2020, down by €14,368 thousand compared to December 31, 2019, mainly due to the dividends distributed by SAES Getters S.p.A. (-€9,198 thousand) and to the exchange rate differences arising from the translation of the financial statements in foreign currencies (negative and equal to -€10,185 thousand), only partly offset by the profit for the period (+€4,787 thousand).

The following also should be noted:

- positive actuarial differences on defined benefit plans recognised as equity in other comprehensive income, equal to €60 thousand;
- the release of the translation reserve (+€278 thousand) generated in previous years by the consolidation⁶² of the Asian subsidiaries of Actuator Solutions GmbH, following their liquidation;
- the negative change (-€110 thousand) in the fair value of equity investments in other companies⁶³ (in particular, investment in the EUREKA! venture capital fund, for details please refer to Note no. 18).

A summary of the changes that occurred is provided in the Statement of Changes in Equity.

Capital stock

As at December 31, 2020 the capital stock, fully subscribed and paid up, was equal to €12,220 thousand, divided among 22,049,969 shares. The composition of capital stock was unchanged compared to December 31, 2019.

The implicit book value per share was €0.554196 as at December 31, 2020, unchanged from December 31, 2019.

Please refer to the Report on corporate governance and ownership structure for all 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 di 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, at the time of subscription, for new shares of the Parent Company.

This item was unchanged compared to December 31, 2019.

Treasury shares

The item was equal to -€93,382 thousand at December 31, 2020, unchanged compared to December 31, 2019, and refers to the ordinary shares purchased by SAES Getters S.p.A. as part of the voluntary partial public tender offer finalized at the end of May last year. In particular, on May 31, 2019, the Parent Company acquired no. 3,900,000 ordinary shares at a price of €23 per share, with an outlay equal to €89.7 million.

⁶² Actuator Solutions Taiwan Co., Ltd. and Actuator Solutions (Shenzhen) Co., Ltd. have completed the liquidation process, which began at the end of 2019, in the third quarter of 2020.

⁶³ In compliance with IFRS 9, non-controlling interests not held for trading are measured at fair value, with recognition of the changes in the other components of comprehensive income, without transfer to the income statement.

The table below shows the breakdown of the capital stock, indicating the number of shares in circulation and the treasury stock at December 31, 2020 (both unchanged since December 31, 2019).

| | December 31, 2020 |
|-----------------------------|------------------------------|
| Ordinary outstanding shares | 10,771,350 |
| Savings outstanding shares | 7,378,619 |
| Treasury shares | 3,900,000 |
| Total shares | 22,049,969 |

The treasury shares held as at December 31, 2020, as percentage both of the issue category and of the total number of shares that constitutes the capital stock, are indicated below pursuant to article 2357 of the Civil Code.

| | December 31, 2020 |
|------------------------------------|------------------------------|
| Number of ordinary treasury shares | 3,900,000 |
| % on total ordinary shares | 26.6% |
| % on share capital | 17.7% |

It should be noted that, in the previous year, the outlay to purchase the shares was equal to €89.7 million, plus accessory charges for a total of €3.7 million.

As provided by the international accounting standards, the total cost (€93.4 million) of the treasury stock purchase, including additional charges, was reported as a negative component of equity.

Legal reserve

This item refers to the Parent Company's legal reserve, equal to €2,444 thousand as at December 31, 2020 and unchanged compared to December 31, 2019, since the reserve had reached its legal limit.

Other reserves and retained earnings

This item includes:

- the reserves (equal to €4,188 thousand) created by the positive monetary revaluation balances resulting from the application of Law no. 72 of March 19, 1983 (€1,039 thousand), Law no. 342 of November 21, 2000 (€1,576 thousand) and Law Decree 104/2020 (converted into Law no. 126 of October 13, 2020 (€1,573 thousand) by the Parent Company SAES Getters S.p.A. Pursuant to Law no. 342/2000 and Law no. 126/2020, the revaluation reserves have been recognised net of the corresponding substitute tax, equal to €370 thousand and €49 thousand, respectively.
- 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 2019 dividends, approved by the Parent Company's Shareholders' Meeting (-€9,198 thousand), the carry forward of the 2019 consolidated income (+€19,837 thousand), and the actuarial differences on the 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 (+€60 thousand) and the change in fair value on investments in other companies (-€110 thousand).

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

Other components of shareholders' equity

This item includes the exchange rate differences arising from the translation of financial statements in foreign currencies. The translation reserve had a positive balance of €2,181 thousand as at December 31, 2020, against a positive balance of €12,088 thousand as at December 31, 2019.

The decrease of -€9,907 thousand was due both to the overall effect on the consolidated shareholders' equity of the translation into euros of the financial statements in foreign currency of fully consolidated foreign subsidiaries and the corresponding consolidation adjustments (-€9,555 thousand), and to the share of the Group in the translation reserve arising from the consolidation of the companies⁶⁴ evaluated at the equity method (-€630 thousand), as well as the release of the translation reserve (+€278 thousand) generated in the past by the consolidation of the Asian subsidiaries of Actuator Solutions GmbH, following their liquidation.

It should be noted 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.

The reconciliation between the net profit and the shareholders' equity of SAES Getters S.p.A. with the consolidated net profit and shareholders' equity as at December 31, 2020 and December 31, 2019 is shown in the following table.

| | December 31, 2020 | | December 31, 2019 | |
|---|-------------------|----------------------|-------------------|----------------------|
| | Net income | Shareholders' equity | Net income | Shareholders' equity |
| (thousands of euro) | | | | |
| SAES Getters S.p.A. - Parent Company | 2,252 | 200,240 | 14,416 | 207,231 |
| Shareholders' equity and net result of consolidated subsidiaries, net of dividends distribution and write-downs of investments in share capital | 3,912 | 234,232 | 10,574 | 236,516 |
| Book value of investments in share capital | | (149,342) | | (145,980) |
| Consolidation adjustments: | | | | |
| Elimination of profit arising from intercompany transactions, net of the related tax effect | 52 | (19,573) | (261) | (19,625) |
| Accrual of deferred taxes on equity distributable of consolidated subsidiaries | 1,077 | (3,200) | (1,546) | (4,277) |
| Equity evaluation of joint venture | (2,313) | (22,992) | (3,135) | (20,325) |
| Other adjustments | (193) | (1,203) | (211) | (1,010) |
| Consolidated financial statements | 4,787 | 238,162 | 19,837 | 252,530 |

⁶⁴ Translation reserve deriving from the translation into euro of the financial statements of Flexterra, Inc. and its subsidiary Flexterra Taiwan Co., Ltd.

30. FINANCIAL DEBTS

As at December 31, 2020, the financial debts were equal to €100,695 thousand, down by €5,394 thousand on December 31, 2019.

The decrease was mainly due to repayments of principal made in 2020 (-€5,382 thousand).

The following table shows the changes in the financial debts in 2020.

(thousands of euro)

| Financial debts | |
|---|----------------|
| December 31, 2019 | 106,089 |
| Proceeds | 0 |
| Amortization of fees and interests | 1,251 |
| Repayments | (5,382) |
| Interest payments | (1,232) |
| Conversion differences on loans in foreign currencies | (31) |
| December 31, 2020 | 100,695 |

In 2020 the Parent Company repaid principal for an amount equal to €5,119 thousand. The difference, equal to 263 thousand, corresponds to the repayment of principal by SAES Coated Films S.p.A. and Memry Corporation.

The currency effect was negligible (negative and equal to €31 thousand): only 0.3% of the Group's financial debt consists of loans in US Dollars taken out by the US affiliate Memry Corporation. The total value in euros of these debts decreased because of the depreciation of the US Dollar as at December 31, 2020, compared to December 31, 2019.

The following table shows the breakdown of the item by due date.

It should be noted that debt with a due date of less than one year is included in current liabilities under "Current portion of non-current financial debts".

(thousands of euro)

| Financial debts | December 31, 2020 | December 31, 2019 | Difference |
|---|-------------------|-------------------|----------------|
| Less than 1 year | 5,199 | 5,365 | (166) |
| Current portion of financial debts | 5,199 | 5,365 | (166) |
| Between 1 and 2 years | 2,576 | 5,204 | (2,628) |
| Between 2 and 3 years | 82 | 2,584 | (2,502) |
| Between 3 and 4 years | 92,817 | 88 | 92,729 |
| Between 4 and 5 years | 21 | 92,825 | (92,804) |
| Over 5 years | 0 | 23 | (23) |
| Non current financial debts | 95,496 | 100,724 | (5,228) |
| Total | 100,695 | 106,089 | (5,394) |

The following table shows the details of 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, 2020 (thousands of euro) | Value as at December 31, 2019 (thousands of euro) |
|---|----------|--|---|---------------------------------|---|-------------------------|---|---|
| SAES Getters S.p.A. Unicredit | EUR | 10 (millions of euro) | quarterly with maturity date March 31, 2022 | Half-yearly | Three-months Euribor plus 1% spread | 0.90% | 2,497 | 4,489 |
| 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% | 3,991 | 5,980 |
| 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% | 1,130 | 2,247 |
| 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 | 92,735 |
| 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% | 342 | 457 |
| SAES Coated Films S.p.A. Intesa Sanpaolo | EUR | 300 (thousands of euro) | quarterly with maturity date December 31, 2020 | n.a. | Three-months Euribor plus 2.25% spread | 1.90% | 0 | 38 |
| SAES Coated Films S.p.A. Banco BPM | EUR | 231 (thousands of euro) | half-yearly with maturity date December 31, 2020 | n.a. | Six-months Euribor plus 2.75% spread | 2.41% | 0 | 30 |
| Banco BPM - MIUR loan | EUR | 231 (thousands of euro) | | | 0.5% | 0.50% | 0 | 29 |
| SAES Coated Films S.p.A. Intesa Sanpaolo | EUR | 400 (thousands of euro) | quarterly with maturity date December 31, 2020 | n.a. | Three-months Euribor plus 1.50% spread | 1.09% | 0 | 84 |

(*) During 2018, 50% of the loan has been transformed in a non-repayable grant.

It should be noted that, as at December 31, 2020, according to the original repayment plan, all outstanding loans with the affiliate SAES Coated Films S.p.A. have come to maturity.

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 economic and financial figures. The loans granted by Unicredit and Mediobanca are tested to ensure the covenants have been met every six months (at June 30 and December 31 each year) while the covenants for the loan granted by Banca Intesa Sanpaolo are only tested once a year (at December 31).

As better shown in the table below, as at December 31, 2020, all covenants had been met.

| | Covenant | loan Intesa Sanpaolo (*) | loan Unicredit (**) | loan Mediobanca (***) |
|---|----------------------|--------------------------|---------------------|-----------------------|
| | | December 31, 2020 | December 31, 2020 | December 31, 2020 |
| Net equity | k euro $\geq 94,000$ | n.a. | 238,162 | n.a. |
| Net financial position | k euro > 0 | n.a. | n.a. | 101,277 |
| <u>(Net financial position)</u> Net equity | % ≤ 1.0 | 0.1 | (0.4) | n.a. |
| <u>(Net financial position)</u> EBITDA (§) | % ≤ 2.25 | 1.3 | (4.0) | n.a. |
| <u>EBITDA (§)</u> Financial expenses (§§) | % > 5.0 | 6.3 | 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, other financial receivables towards third parties 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.

It should be noted that the subsidised loan granted by the State of Connecticut to Memry Corporation does not contain economic and financial covenants.

Based on Group plans, despite the general uncertainty caused by the Covid-19 pandemic, the Group is expected to be able to meet the above-mentioned covenants also in the coming years.

31. FINANCIAL LIABILITIES FOR LEASES

At December 31, 2020, the item “Financial liabilities for leases” was equal to €5,503 thousand, against €4,586 thousand as at December 31, 2019. The item reflects the obligation to pay the lease rent 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, 2020 | December 31, 2019 | Difference |
|--|----------------------|----------------------|------------|
| Financial liabilities for leases - current | 1,932 | 1,876 | 56 |
| Financial liabilities for leases - non current | 3,571 | 2,710 | 861 |
| Total Financial liabilities for leases | 5,503 | 4,586 | 917 |

The change from the end of last year is mainly due to new contracts signed net of early settlements (+€3,201 thousand), only partly offset by the payment of rent during the current year (-€2,212 thousand).

The following table shows the changes in the financial debts in 2020.

(thousands of euro)

| Financial liabilities for leasing | |
|--|--------------------------|
| | December 31, 2019 |
| | 4,586 |
| New leasing contracts entered during the period | 3,336 |
| Early termination of leasing contracts | (135) |
| Interest on financial liabilities | 168 |
| Repayment of financial liabilities | (2,044) |
| Interest expense paid | (168) |
| Translation differences on foreign currency leases | (240) |
| | December 31, 2020 |
| | 5,503 |

In regard to new contracts signed in 2020, it is worth mentioning the new seven-year lease signed by the Parent Company on June 22, 2020, effective July 1, 2020, renewable for a further six years under the same terms, for the use of an office property in Milan, at Piazza Castello 13, for the Corporate and Management functions. The annual lease rent is set at €350 thousand, reduced for the first two years of the lease to facilitate the start-up stage. For details on other leases signed in the current year, please refer to Note no. 16.

The following table shows the breakdown of financial debt by contractual maturity.

(thousands of euro)

| Financial liabilities for leasing | December 31, 2020 | December 31, 2019 | Difference |
|--|-------------------|-------------------|------------|
| Less than 1 year | 1,932 | 1,876 | 56 |
| Financial liabilities for leasing - current | 1,932 | 1,876 | 56 |
| Between 1 and 2 years | 1,052 | 1,425 | (373) |
| Between 2 and 3 years | 996 | 547 | 449 |
| Between 3 and 4 years | 697 | 418 | 279 |
| Between 4 and 5 years | 349 | 320 | 29 |
| Over 5 years | 477 | 0 | 477 |
| Financial liabilities for leasing - non current | 3,571 | 2,710 | 861 |
| Financial liabilities for leasing | 5,503 | 4,586 | 917 |

With reference to the new lease agreement for the Parent Company's offices in Milan, already mentioned, it should be noted that the renewal option for a further six years was not considered for accounting purposes because the renewal was not believed to be reasonably certain. The potential future payments not reflected in the lease liability were equal to €1,817 thousand (discounted value).

| | December 31, 2020 | |
|---|--|--|
| | Potential financial flows for leasing (not discounted) | Potential financial flows for leasing (discounted) |
| (thousands of euro) | | |
| 6-year extension option not included in financial liabilities | 2,100 | 1,817 |

The average weighted incremental borrowing rate (IBR) applied to the financial liabilities recognized in 2020 was equal to 1.58%.

32. SEVERANCE INDEMNITIES AND OTHER EMPLOYEE BENEFITS

This item includes amounts due to employees under both defined contribution and defined benefit plans currently in place at the companies of the Group, given the contractual and legal obligations in force in the different countries.

The breakdown of this item and its changes during the year are as follows.

(thousands of euro)

| Severance indemnities and other employee benefits | Employee severance indemnities | Other employee benefits | Total |
|---|--------------------------------|-------------------------|--------------|
| December 31, 2019 | 5,195 | 4,321 | 9,516 |
| Accrual (release) | 104 | 1,974 | 2,078 |
| Indemnities paid | (205) | (231) | (436) |
| Other changes | (42) | (2,978) | (3,020) |
| Conversion differences | 0 | (133) | (133) |
| December 31, 2020 | 5,052 | 2,953 | 8,005 |

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

| (thousands of euro) | 2020 | 2019 |
|---|--------------|--------------|
| Financial expenses | 50 | 88 |
| Cost of current work performed | 2,181 | 1,564 |
| Released to the income statement | 0 | 0 |
| Expected return on plan assets | 0 | 0 |
| Recognized past service costs | (153) | 0 |
| Total cost to the income statement | 2,078 | 1,652 |

(*) Curtailment of the non-competition agreement for employees of SAES Getters S.p.A.

The increase in the item “Cost of current work performed” was mainly due to higher allocations for the three-year long-term incentive due to the Executive Directors, expiring at the end of the 2020 financial year.

The breakdown of the obligations between defined-contribution and defined-benefit plans and the corresponding changes occurred in 2020 are provided below.

| (thousands of euro) | December 31, 2019 | Financial expenses | Current service cost | Benefits paid | Actuarial (gains) losses on obligations | Other variations | Past service cost (*) | Conversion differences | December 31, 2020 |
|--|-------------------|--------------------|----------------------|---------------|---|------------------|-----------------------|------------------------|-------------------|
| Present value of defined benefit obligations | 8,200 | 50 | 2,090 | (231) | (80) | (2,940) | (153) | (30) | 6,906 |
| Fair value of plan assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Costs not yet recognized deriving from past obligations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Defined benefit obligations | 8,200 | 50 | 2,090 | (231) | (80) | (2,940) | (153) | (30) | 6,906 |
| Defined contribution obligations | 1,316 | 0 | 91 | (205) | 0 | 0 | 0 | (105) | 1,099 |
| Staff leaving indemnities and similar obligations | 9,516 | 50 | 2,181 | (436) | (80) | (2,940) | (153) | (133) | 8,005 |

(*) Curtailment of the non-competition agreement for employees of SAES Getters S.p.A.

“Actuarial (gains) losses on obligations” 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.

The item “Other variations” refers to the portion of the long-term monetary incentive plans that will be paid out in the first half of 2021, the amount of which was therefore reclassified under “Other payables” to personnel. For further details on the item, please refer to the paragraphs that follow.

In regard to the Italian companies of the Group, the item "Severance indemnity" refers to the obligation, quantified using actuarial techniques, to pay a certain amount to their employees at the time the employment relationship comes to an end.

Following the entry into force of the 2007 Financial Law and the related implementing decrees, in companies with more than 50 employees, the liability associated with severance indemnity for past years of employment continues to be considered a defined benefit plan and is consequently measured using 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, 2020 and December 31, 2019 respectively are provided below.

| | Italy | |
|--|----------------------|----------------------|
| | December 31, 2020 | December 31, 2019 |
| Average duration of the employees subject to actuarial evaluation | > 10 years | > 10 years |
| Discount rate | 0.35% | 0.70% |
| Inflation rate | 1.00% | 1.50% |
| Expected annual salary increase rate (*) | 3.00% | 3.50% |
| Annual increase of staff leaving indemnities (*) | 2.25% | 2.62% |

(*) Factor not considered in the actuarial appraisal of the staff leaving indemnity of the Parent Company, company with more than 50 employees.

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 2020 and of the benefit under valuation.

With regard to the demographic assumptions, RG48 mortality tables and INPS disability/invalidity tables were used.

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 severance indemnity advances, we assumed a 3% average annual rate and an average amount equal to 70% of the severance indemnities accumulated by the companies subject to actuarial valuation.

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 discount rates used for the plans subscribed by the key employees of the US companies of the Group are shown below; they reflect the rates of return of US government bonds, taking the different duration of the plans into account.

| Year | Discount rate |
|------|---------------|
| 2021 | 0.10% |
| 2022 | 0.13% |

It should be noted that, as at December 31, 2020, the long-term monetary incentive plans of the Parent Company (signed by both the Executive Directors and the employees) and of the affiliate SAES Coated Films S.p.A. were not discounted, as the yields of Italian government bonds with a maturity aligned with the maturity of the plans were negative.

The following table shows a breakdown of the actuarial differences relating to 2020.

| (thousands of euro) | Staff leaving indemnities | Other defined benefit obligations Italy | Long term incentive plan | Total |
|---|---------------------------|---|--------------------------|-------------|
| <i>Actuarial differences:</i> | | | | |
| Changes in financial assumptions | 3 | 28 | 0 | 31 |
| Changes in other assumptions (demographic assumptions, remuneration ass | 0 | 0 | 0 | 0 |
| Other | (45) | (66) | 0 | (111) |
| Actuarial (gains) losses | (42) | (38) | 0 | (80) |

With regard to defined-benefit plans⁶⁵, 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 | (296) | 299 |

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 | (5) | 0 |

The following table shows the number of employees by category.

| Group's employees | December 31, 2020 | December 31, 2019 | Average 2020 | Average 2019 |
|---------------------------------|-------------------|-------------------|--------------|--------------|
| Managers | 95 | 92 | 95 | 91 |
| Employees and middle management | 318 | 310 | 314 | 312 |
| Workers | 582 | 585 | 586 | 562 |
| Total (*) | 995 | 987 | 995 | 965 |

(*) It does not include the employees of the joint ventures for which please refer to the Note no. 17.

The workforce numbered 995 as at December 31, 2020 (of which 547 employed abroad), compared to 987 employees as at December 31, 2019 (of which 552 employed abroad): the increase was mainly in the Parent Company's workforce.

This figure does not include the personnel employed at the Group companies with contract types other than employment agreements, equal to 68 (93 as at December 31, 2019).

The increase in the average number of employees at December 31, 2020 compared to the previous year is mainly due to the growth in the workforce of Memry Corporation and other US affiliates in the second half of 2019.

33. PROVISIONS FOR RISKS AND CHARGES

The "Provisions for risks and charges" was equal to €6,127 thousand at December 31, 2020 against €6,369 thousand as at December 31, 2019.

| (thousands of euro) | December 31, 2020 | December 31, 2019 | Difference |
|---|-------------------|-------------------|--------------|
| Provisions for risks and charges | | | |
| Product warranty provision | 65 | 71 | (6) |
| Bonus | 4,503 | 4,834 | (331) |
| <i>Phantom shares</i> | 770 | 413 | 357 |
| Other provisions | 789 | 1,051 | (262) |
| Total | 6,127 | 6,369 | (242) |

⁶⁵ The long-term monetary incentive plans are not included in this calculation; for these, we refer to the following table.

The following table shows the breakdown and the changes in these provisions compared to December 31, 2019.

(thousands of euro)

| Provisions for risks and charges | December 31, 2019 | Increase | Utilization | Released to the income statement | Conversion differences | December 31, 2020 |
|----------------------------------|-------------------|--------------|----------------|----------------------------------|------------------------|-------------------|
| Product warranty provision | 71 | 0 | 0 | 0 | (6) | 65 |
| Bonus | 4,834 | 4,498 | (4,613) | 0 | (216) | 4,503 |
| <i>Phantom shares</i> | 413 | 357 | 0 | 0 | 0 | 770 |
| Other provisions | 1,051 | 205 | (347) | (100) | (20) | 789 |
| Total | 6,369 | 5,060 | (4,960) | (100) | (242) | 6,127 |

The item “Bonus” includes the provisions for the bonuses of Group employees accrued in 2020 (mainly relating to the Parent Company and the US subsidiaries⁶⁶). The change compared to December 31, 2019 was mainly due to the provisions made for the bonuses accrued during the year and to the payment of the variable remuneration accrued in the previous year, carried out in the first half of 2020.

At the end of 2018, the Shareholders’ Meeting of SAES Getters S.p.A. approved the adoption of an incentive plan based on phantom shares, addressed to Executive Directors and a number of key managers. The plan involves the free assignment to beneficiaries of a specific number of phantom shares which, under the terms and conditions of the plan, give them the right to receive a cash incentive, dependent on the increase in the market price of the shares, at the time of certain events, with respect to the assignment value.⁶⁷ The events that may trigger the payment of the incentive are, for example: change in control of the Company; failure to renew the position of board director at the end of a term in office; revocation from the position of board director or substantial change in the related powers or in the position without just cause; dismissal for just cause; resignation for an objectively justified reason (key management only); reaching the age of retirement; permanent invalidity; death; delisting (key management only). The maximum number of phantom shares that may be assigned is no. 1,760,562⁶⁸. 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.

The first assignment took place on October 17, 2018 for a total of no. 1,467,135 phantom shares. The assignment value of each phantom share was set at €16.451. On February 13, 2020 (second assignment date), at the proposal of the Remuneration and Appointments Committee, the Board of Directors of SAES Getters S.p.A. assigned an additional no. 195,618 phantom shares, with an assignment value of €21.14.

The liability relating to the phantom shares plan (€770 thousand at December 31, 2020, against €413 thousand at December 31, 2019) was assessed by an independent actuary with the Risk Neutral approach as set forth in IFRS 2. In particular, the economic and financial assumptions used at December 31, 2020 to estimate the fair value of the phantom shares were the following (unchanged from the previous year):

- risk 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;
- 2% annual flat probability of occurrence was considered for all the other events assigning the right to receive the incentive;
- 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);

⁶⁶ As regards the US subsidiaries, the monetary incentive plan is related to the attainment of targets calculated both on the consolidated financial performance and on the performance of the individual companies.

⁶⁷ The assignment value is the weighted average of official share prices recorded on trading days in the thirty-six months before the assignment date.

⁶⁸ Of which no. 880,281 phantom shares reserved for Executive Directors.

- 2.89% expected dividend rate for the entire term of the plan;
- the annual volatility of the yield was estimated, based on historical volatility, to be 4.69% for the first assignment in 2018 and 4.09% for the second assignment in the current year.

The increases in the item "Other provisions" mainly include the €100 thousand provision recognised after a dismissal for just cause was challenged by an employee of the Parent Company and the €80 thousand provision, set aside after Consob initiated administrative proceedings against SAES Getters S.p.A. for violation of current laws and regulations on public disclosure of inside information (Market Abuse Regulation, MAR), with reference to the press release for the sale of the gas purification business, finalized in mid-year 2018. A fine was paid in 2021, but SAES Getters S.p.A. has appealed in court.

The uses mainly refer to the €600 thousand risk provision made as at December 31, 2019, equal to the pro-rata financial resources needed by Actuator Solutions to continue its business activities. At December 31, 2020, half of the amount of this provision had been used (€300 thousand).

The release to the income statement, equal to €100 thousand, refers to the provisions made in previous years against an incident occurred during waste disposal activities at the Parent Company's Avezzano facility, following the decision in favour of the company issued by the Civil Court of Macerata on June 25, 2020.

The item "Other provisions" 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 (€200 thousand at the end of 2020), as well as the expense (€101 thousand as at December 31, 2020) to discharge the obligation incurred in the previous year for a labour dispute involving the Parent Company and the social security entities. The related risk provision increased by €25 thousand on December 31, 2019, against the updated estimate of the obligation.

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, 2020 | Current provisions | Non current provisions | December 31, 2019 |
|----------------------------------|--------------------|------------------------|-------------------|--------------------|------------------------|-------------------|
| Product warranty provision | 53 | 12 | 65 | 58 | 13 | 71 |
| Bonus | 4,503 | 0 | 4,503 | 4,834 | 0 | 4,834 |
| Phantom shares | 0 | 770 | 770 | 0 | 413 | 413 |
| Other provisions | 580 | 209 | 789 | 476 | 575 | 1,051 |
| Total | 5,136 | 991 | 6,127 | 5,368 | 1,001 | 6,369 |

34. TRADE PAYABLES

Trade payables were equal to €11,424 thousand as at December 31, 2020, down by €4,270 thousand compared to December 31, 2019.

(thousands of euro)

| Trade payables | December 31, 2020 | December 31, 2019 | Difference |
|----------------|-------------------|-------------------|----------------|
| Trade payables | 11,424 | 15,694 | (4,270) |
| Total | 11,424 | 15,694 | (4,270) |

The decrease was mainly the consequence of lower purchases of raw materials in the last part of the year due to Covid-19 and to the phase-out of metallized products in the packaging division. Finally, it should be recalled that the item "Trade payables" at December 31, 2019 included investments in new machinery for the advanced packaging sector.

The effect of the dollar depreciation compared to December 31, 2019 generated a €377 thousand decrease in this item.

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 between those not yet due and those past due as at December 31, 2020 compared with December 31, 2019.

(thousands of euro)

| Ageing | Total | Not yet due | Due | | | | |
|-------------------|--------|-------------|-----------|--------------|--------------|---------------|------------|
| | | | < 30 days | 30 - 60 days | 60 - 90 days | 90 - 180 days | > 180 days |
| December 31, 2020 | 11,424 | 10,554 | 561 | 96 | 15 | 23 | 175 |
| December 31, 2019 | 15,694 | 13,459 | 1,481 | 108 | 579 | 27 | 40 |

35. OTHER PAYABLES

The item "Other payables" includes amounts that are not classified as trade payables, equal to €12,840 thousand as at December 31, 2020 against €9,868 thousand as at December 31, 2019.

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, 2020 | December 31, 2019 | Difference |
|--|-------------------|-------------------|--------------|
| Payables to employees (vacation, wages, staff leaving indemnity, etc.) | 5,072 | 4,232 | 840 |
| Social security payables | 1,915 | 1,726 | 189 |
| Tax payables (excluding income taxes) | 1,321 | 1,340 | (19) |
| Other | 4,532 | 2,570 | 1,962 |
| Total | 12,840 | 9,868 | 2,972 |

The item "Payables to employees" mainly consists of the provision for holidays accrued and not taken, the salaries for the month of December not yet paid at the end of the year, as well as the payable related to the three-year monetary incentive plans that have become vested at December 31, 2020 and, therefore, have been reclassified under "Other payables" as they can be liquidated in the first half of 2021 (€841 thousand⁶⁹). The latter is responsible for the increase in the item compared to December 31, 2019.

The item "Social security payables" includes the amounts owed by the Group's Italian companies to INPS (Italy's social security agency) for contributions to be paid on wages as well as the amounts owed to the treasury fund operated by INPS and to pension funds under the new severance indemnity provisions.

⁶⁹ It should be noted that, at the end of the previous year, no long-term monetary incentive plan had vested and was therefore classified under "Other payables" among the liabilities.

The item “Tax payables” primarily consists of the amounts owed by the Italian companies to the Revenue Agency for withholding taxes on the pay of employees and contractors and local taxes due by the US affiliates other than income taxes.

The item “Other” mainly includes amounts due by the Parent Company as fixed and variable remuneration of Executive Directors (€4,166 thousand).

The increase on the previous year was mainly due to higher liabilities for the three-year monetary incentive plan, which vested on December 31, 2020 and, therefore, was reclassified in this liability item (for further details, please refer to Note no. 32).

It should be noted that there are no accrued payables due after more than five years.

36. 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. With regard to the IRES (Italian corporate income tax), the Italian companies have adopted the Italian tax consolidation system with the Parent Company as consolidating company: therefore, positive taxable incomes are offset by both negative taxable incomes and past tax losses carried forward. IRES is only paid on the remaining taxable amount, but since this was negative at the end of the current period, no payable to the tax authorities was recognized as at December 31, 2020. For more details on Italian tax consolidation rules, please see Note no. 21.

The item includes the amount due by the Parent Company to the Revenue Agency for IRES on the income, separately taxed, of the foreign subsidiary SAES Getters International Luxembourg S.A., in application of the provisions on subsidiaries (“CFC Legislation” as set forth in art. 167, paragraph 5-bis et seq. of the Consolidated Law on Income Tax).

Finally, it should be noted that at December 31, 2020 the item also included the liability for the 3% substitute tax related to the realignment of the tax value of some assets of the Parent Company, in application of Decree Law 104/2020.

As at December 31, 2020, income tax liabilities were equal to €155 thousand and included tax obligations accrued during the year, net of advance payments. The decrease on December 31, 2019 (tax liabilities equal to €602 thousand) was mainly due to the excess of the tax advances paid by SAES Investments S.A., which saw its taxable income decrease in 2020, penalized by the financial crisis caused by the Covid-19 pandemic. In particular, the Luxembourg subsidiary closed the year with a tax credit (see Note no. 26), against tax liabilities equal to €330 thousand at December 31, 2019.

37. DERIVATIVE FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

As at December 31, 2020, the item “Derivate financial instruments measured at fair value” recorded a negative balance of €32 thousand against a negative balance of €50 thousand as at December 31, 2019. This item represents the fair value of the contracts taken out by the Group to pay a fixed interest rate on its long-term bank loans, as well as the fair value of the implicit derivatives included in these loan agreements.

The following table provides details of these contracts and their fair value as at December 31, 2020 compared to December 31, 2019.

| Description | Subscription date | Currency | Notional amount (thousands of euro) | Maturity | Interest rate | Timing | Fair value December 31, 2020 (thousands of euro) | Fair value December 31, 2019 (thousands of euro) |
|--|-------------------|----------|--|-------------------|---|-------------|--|--|
| SAES Getters S.p.A. <i>Interest Rate Floor</i> 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) | (3) |
| SAES Getters S.p.A. <i>Interest Rate Swap (IRS)</i> 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 | (10) | (23) |
| SAES Getters S.p.A. <i>Interest Rate Swap (IRS)</i> 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 | (18) | (24) |
| SAES Coated Films S.p.A. <i>Interest Rate Cap</i> 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. <i>Interest Rate Cap</i> 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. <i>Interest Rate Cap</i> on Intesa Sanpaolo S.p.A. loan | November 2, 2015 | EUR | 300 (*) | December 31, 2020 | Cap rate on three month Euribor: 0.25% | Quarterly | 0 | 0 (#) |
| Total | | | | | | | (32) | (50) |

(*) 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 (Interest rate Swap) agreements. All the Interest Rate Option contracts held by SAES Coated Films S.p.A. expired, as the related bank loans have been closed, according to the original repayment plan (for further details, see Note no. 30).

Note that, 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 was no asset or liability recognised at December 31, 2020 for that embedded derivative, since the conditions arose that would make the contract certain or payable had not been met.

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 cumulative default probabilities extracted from Standard & Poor'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 regard to such contracts, the conditions to apply the hedge accounting method, as set out under IAS 39, are not met, therefore these are measured at fair value and the profits or losses deriving from the fair value change are directly recognised in the income statement.

In 2020, the Group did not sign contracts to hedge against exposure to fluctuations in future cash flows originating from business and financial transactions carried out in currencies other than the euro, and no contract of this type was in place as at December 31, 2019.

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, 2020 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.

38. OTHER FINANCIAL LIABILITIES TO THIRD PARTIES

The item “Other financial liabilities to third parties” was equal to €1,001 thousand as at December 31, 2020 against €900 thousand as at December 31, 2019.

(thousands of euro)

| | December 31, 2020 | December 31, 2019 | Difference |
|--|----------------------|----------------------|------------|
| Other financial debts to third parties - current | 1,001 | 900 | 101 |
| Other financial debts to third parties - non current | 0 | 0 | 0 |
| Other financial debts to third parties | 1,001 | 900 | 101 |

The following table shows the changes in other financial liabilities to third parties in 2020.

| (thousands of euro) | December 31, 2019 | Collections (Payments) | Other income statement accruals | Translation differences | Reclassifications | December 31, 2020 |
|---|----------------------|---------------------------|---------------------------------------|----------------------------|-------------------|----------------------|
| Import financing | 879 | 86 | 12 | 0 | 0 | 977 |
| Other commissions | 21 | (273) | 276 | 0 | 0 | 24 |
| Other financial debts to third parties | 900 | (187) | 288 | 0 | 0 | 1,001 |

As at December 31, 2020 this item consisted of bank commissions accrued and not yet paid (€24 thousand) as well as financial liabilities of the affiliate SAES Coated Films S.p.A. (€977 thousand as at December 31, 2020, against €879 thousand as at December 31, 2019) related to short-term loans intended for the import of goods, signed with primary financial institutions to increase the financial resources available to facilitate its procurement activities.

39. BANK OVERDRAFTS

As at December 31, 2020 the amounts due to banks were equal to €32,514 thousand and primarily consisted of short-term debt owed by the Parent Company in the form of “hot money” loans (€28,513 thousand as at December 31, 2020 against €27,004 thousand as at December 31, 2019), with an average interest rate, spread included, around 0.14%.

The item also included the use, for an amount of €4,001 thousand, of the new revolving credit line taken out with Unicredit S.p.A. in March 2020, with an average interest rate, including the spread, around 0.72%. SAES may request its use in tranches of not less than €0.5 million and with a duration

of one to three months. The agreement provides for the payment of interest linked to the one/three-month Euribor rate, plus a 1.2% spread, and a single covenant (positive consolidated net financial position) subject to review every six months. For further details, see “Significant events in 2020” in the Group report on operations.

It should be noted that at December 31, 2019 the item included overdrafts on current accounts opened by SAES Getters S.p.A. and SAES Coated Films S.p.A. (in total €191 thousand).

40. ACCRUED EXPENSES AND DEFERRED INCOME

Accrued expenses and deferred income were equal to €569 thousand as at December 31, 2020 against €498 thousand at December 31, 2019.

This item may be broken down as follows.

(thousands of euro)

| | December 31, 2020 | December 31, 2019 | Difference |
|------------------|----------------------|----------------------|------------|
| Accrued expenses | 149 | 149 | 0 |
| Deferred income | 420 | 349 | 71 |
| Total | 569 | 498 | 71 |

The item “Accrued expenses” includes the portions pertaining to future financial years of the public capital grants granted in previous years to the Parent Company, for the investments made to expand the production lines at the Avezzano facility.

The item “Deferred income” is related to the sales income pertaining to future years received from customers. The increase compared to December 31, 2019 is mainly related to the higher advances received by the US affiliates Spectra-Mat, Inc. and SAES Smart Materials, Inc.

There are no payables due after more than five years.

41. CASH FLOW STATEMENT

The cash flow deriving from **operating activities** was positive and equal to +€12,797 thousands against +€24,424 thousands in the previous year: this decrease was due to a reduction in own funds, essentially in line with the decrease in consolidated EBITDA, as well as to the greater increase in net working capital, only partially offset by the reduction in tax outflows for the lower tax advances paid by the US affiliates⁷⁰. With regard to working capital, there is an increase in inventories in the Nitinol sector, due to the start-up of the new piping department in Bethel and fluctuations in orders for Covid-19, as well as a different timing of procurement of raw materials in the security and defence business. With regard to liabilities, the decrease is mainly due to lower purchases of raw materials in the last part of the year due to both Covid-19 and the phase-out of metallized products in the packaging

⁷⁰ The tax advances of the US companies were calculated with the forecast method and were lower than the previous year as taxable income in 2020 is expected to be lower than in the previous year due to the effects of the Covid-19 pandemic. Again with regard to tax advances, Memry Corporation has made use of a tax incentive, known as "Section 168 (k)", which allows the entire value of the investments in plant and machinery to be deducted in the year of their commissioning, instead of distributing the tax depreciation of the assets over their useful life.

division. Finally, it should be noted that the item "Trade payables" at December 31, 2019 included investments in new machinery for the advanced packaging sector.

Investing activities used cash for €13,643 thousand (-€121,878 thousand in 2019).

In 2020 the cash outflows for investments in property, plant and equipment were equal to €12,865 thousand (€23,706 thousand in 2019); the investments in intangible assets, mainly related to IT projects, were instead insignificant (€370 thousand compared to €461 thousand as at December 31, 2019). Capex in 2020 included investments related to the construction of a new department for the manufacturing of Nitinol piping at the Bethel plant of Memry Corporation (started last year), to the expansion⁷¹ of the building of SAES Smart Materials, Inc. and to the expansion of the production capacity of a number of existing lines, again in the Nitinol business. It should also be noted that the Parent Company capex is related to work at the Avezzano plant to adapt the line to produce advanced getters for the consumer electronics market, as well as to the purchase of new machinery at the Lainate plant especially dedicated to the electronic devices business (a new sputtering machine), to the industrial SMA sector (a new wire-drawing machine and a new SMA rewinder) and to the vacuum systems sector (NEG coatings department). Lastly, the improvements were made by SAES Getters S.p.A. on the offices leased in Milan for the Corporate and Management functions. The higher value of investments in 2019 was mainly due to the purchase of the property in Bethel, where the production of Memry Corporation is based (€4,984 thousands, net of the €260 thousand advance paid at the end of 2018), and to the new packaging business lines. The latter included, in particular, completion of the pilot line aimed at accelerating the development of flexible packaging products, and of the second plastic film lacquering line and of a new and more advanced metallizer, able to combine the metallization and the lacquering process. Please refer to Notes no. 14 and no. 15 for further details on capex.

With regard to the disposals of fixed assets, in 2020 the inflows from the disposal of assets were of an immaterial amount (+€46 thousands); in 2019 they included the consideration for the sale to the Flexterra, Inc. joint venture of the OLET IP of E.T.C. S.r.l. in liquidation (€2,291 thousand) and other inflows from the disposal of assets equal to €29 thousand.

Again in regard to investing activities, there were cash outflows for the acquisition of securities by the Luxembourg affiliate SAES Investments S.A. (for further information on the securities acquired please see Note no. 19). Net of disposals, these were equal to €1,174 thousand.⁷² Coupon income was equal to €2,115 thousand, net of management commissions on the securities portfolio (€1,822 thousand as at December 31, 2019).

During the year investments were made also in the EUREKA! venture capital fund and in Cambridge Mechatronics Limited (total outflow equal to -€1,395 thousand).

Lastly, in 2019, an advance equal to €1,100 thousand had been paid for a potential minority interest being evaluated (see Note no. 23), while the outflow related to the adjustment of the sale price of the gas purification business had been €377 thousand.

The balance of **financing activities** was negative and equal to €15,284 thousand against a negative balance of €24,787 thousand in the corresponding period of the previous year.

The financing activities for the period included the payment of dividends (-€9,198 thousand), the repayment of both short- and long-term loans and the related interest payments (-€1,221 thousand), the convertible loan granted during the year to the joint venture Flexterra, Inc. (-€2,628 thousand) and the payment of lease rents and related interest (-€2,212 thousand).

The adoption of IFRS 16 - Leases has led to an increase in the net financial debt of the Group, against a notional increase in fixed assets due to recognition of the right of use on leased 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,

⁷¹ The objective of the expansion is to move to the main building some processes currently carried out in an adjacent leased space, withdrawing from the related lease agreement.

⁷² Cash outflows for the acquisition of securities in the portfolio were equal to €12,317 thousand, net of disposals equal to €11,143 thousand.

which are still tied to the contractual scheduling of the lease payments. Also at the level of cash flows from investing activities, there were no actual financial transactions associated with the rights of use on leased assets.

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)

| | December 31, 2020 | December 31, 2019 |
|--|----------------------|----------------------|
| Cash and cash equivalent | 30,678 | 48,634 |
| Bank debts | (32,514) | (27,195) |
| Cash and cash equivalents from Consolidated Statement of Financial Position | (1,836) | 21,439 |
| Write-downs of other financial assets (pursuant to IFRS 9) | 23 | 78 |
| Short-term financing | 32,513 | 27,004 |
| Cash and cash equivalents from Consolidated Cash Flow Statement | 30,700 | 48,521 |

The following table provides the reconciliation between the balances of the liabilities arising from financial transactions as at December 31, 2019 and December 31, 2020, with the changes arising from monetary and from non-monetary flows.

| (thousands of euro) | December 31, 2019 | Cash flows | Non-cash changes | | | | December 31, 2020 |
|--|----------------------|----------------|---------------------------------|-------------------------|--------------------|-------------------|----------------------|
| | | | Foreign exchange movement | Change in fair value | Other movements | Reclassifications | |
| Financial debts | 100,724 | | (25) | | | (5,203) | 95,496 |
| Financial liabilities for leasing contracts | 2,710 | | (120) | | 2,706 | (1,725) | 3,571 |
| Non current debt | 103,434 | 0 | (145) | 0 | 2,706 | (6,928) | 99,067 |
| Derivative financial instruments evaluated at fair value | 50 | (28) | | (18) | 28 | | 32 |
| Current portion of medium/long term financial debts | 5,365 | (6,614) | (6) | | 1,251 | 5,203 | 5,199 |
| Other current financial payables to third parties | 900 | (187) | | | 288 | | 1,001 |
| Financial liabilities for leasing contracts | 1,876 | (2,212) | (120) | | 663 | 1,725 | 1,932 |
| Bank borrowings | 27,195 | 5,115 | | | 204 | | 32,514 |
| Current debt | 35,386 | (3,926) | (126) | (18) | 2,434 | 6,928 | 40,678 |

The column “Other movements” includes the provision for the interest accrued in 2020 on loans (both short- and long-term) and on lease contracts, in addition to the new obligations on the lease contracts entered into during the year, net of any early termination.

42. FINANCIAL RISK MANAGEMENT

The main financial liabilities of the Group, other than derivatives, include bank loans, both short and long term, and lease payables, as well as trade payables.

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, cash equivalents and time 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 structured on a variable interest rate basis, excluding some specific positions; 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 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, 2020 please refer to the Note no. 37.

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.

Interest rate sensitivity

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.

| | | (%) | (thousands of euro) | (thousands of euro) |
|------|------------------|---------------------|-------------------------------|-------------------------------------|
| | | Increase / Decrease | Effect on result before taxes | Effect on net result and net equity |
| 2020 | euro | +/- 1 | +/-127 | +/- 96 |
| | other currencies | +/- 1 | +/- 263 | +/- 198 |
| 2019 | euro | +/- 1 | +/-350 | +/- 265 |
| | other currencies | +/- 1 | +/- 270 | +/- 203 |

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 |
| 2020 | Euribor | +/- 1 | -/+ 1,340 | -/+ 1,019 |
| | Libor | +/- 1 | -/+ 4 | -/+ 3 |
| 2019 | Euribor | +/- 1 | -/+ 1,056 | -/+ 803 |
| | Libor | +/- 1 | -/+ 5 | -/+ 4 |

With regard to Interest Rate Swaps and 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).

| Description | Notional amount (thousands of euro) | Fair Value (euro) | (euro) | (euro) | (euro) | (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 | (17,831) | 7,130 | 24,961 | (43,682) | (25,851) |
| Saes Getters S.p.A. - Interest Rate Swap (IRS) on Unicredit S.p.A. loan | 10,000 | (10,466) | 8,309 | 18,775 | (29,703) | (19,237) |
| Saes Getters S.p.A. - Interest Rate Floor on Banco BPM loan (derivative embedded) | 5,000 | (4,249) | 0 | 4,249 | (4,249) | 0 |
| Total effect on result before taxes | | | 47,985 | | (45,088) | |
| Total effect on net result and net equity | | | 36,469 | | (34,267) | |

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 2020 around 73.5% of the sales was denominated in foreign currency, while only 53.0% 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 at the beginning of the year 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 affiliates, 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.

It should be noted that in the current year the Group did not take out forward contracts on foreign currencies.

Exchange rate sensitivity

Exchange rate risk – Sensitivity analysis – Trade receivables and payables, including intra-group positions

For the current trade receivables and payables outstanding at the end of each year, including intra-group positions, 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. This analysis includes both the trade receivables / payables to the Parent Company in euro of the foreign affiliates, and the intra-group trade receivables / payables in foreign currencies of SAES Getters S.p.A., the translation of which may result in exchange rate differences.

| | (%) | (thousands of euro) | (thousands of euro) |
|-----------|---------------------|-------------------------------|-------------------------------------|
| US dollar | Increase / Decrease | Effect on result before taxes | Effect on net result and net equity |
| 2020 | + 5% | (110) | (83) |
| | - 5% | 114 | 86 |
| 2019 | + 5% | (100) | (76) |
| | - 5% | 106 | 79 |

| | (%) | (thousands of euro) | (thousands of euro) |
|--------------|---------------------|-------------------------------|-------------------------------------|
| Japanese YEN | Increase / Decrease | Effect on result before taxes | Effect on net result and net equity |
| 2020 | + 5% | (23) | (17) |
| | - 5% | 25 | 19 |
| 2019 | + 5% | (19) | (15) |
| | - 5% | 21 | 16 |

Exchange rate risk – Sensitivity analysis – Liquidity and intra-group financial receivables/payables

For net cash and cash equivalents and intra-group financial receivables/payables, including those of cash pooling, outstanding at the end of each year, the following table provides information on the sensitivity of the Group's pre-tax profit and shareholders' equity to changes in the US dollar exchange rate, all other variables remaining the same. This analysis includes both cash and cash equivalents and financial receivables/payables due from/to the Parent Company by foreign companies, the translation of which may result in exchange rate differences.

| | (%) | (thousands of euro) | (thousands of euro) |
|-----------|---------------------|-------------------------------|-------------------------------------|
| US dollar | Increase / Decrease | Effect on result before taxes | Effect on net result and net equity |
| 2020 | + 5% | (52) | (39) |
| | - 5% | 61 | 46 |
| 2019 | + 5% | (3) | (2) |
| | - 5% | 10 | 7 |

In regard to forward contracts, since no forward contract was taken out in 2020, no sensitivity analysis was provided.

With regard to the net financial position (NFP), it should be noted that a 5% depreciation of the US dollar would have worsened the net financial position as at December 31, 2020 by about €471 thousand⁷³, while its 5% appreciation would have improved the net financial position by about €520 thousand.

| | (%) | (thousands of euro) |
|-------------------|-------------------------|----------------------------------|
| | Increase / Decrease USD | Effect on Net Financial Position |
| December 31, 2020 | +5% | (471) |
| | - 5% | 520 |
| December 31, 2019 | +5% | (779) |
| | - 5% | 861 |

⁷³ The negative effect of the depreciation 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 (\$12,591 thousand and debt (\$2,708 thousand as at December 31, 2020).

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 credit balance is constantly monitored to minimize the risk of potential losses, especially in light of the difficult macroeconomic situation, further aggravated by the Covid-19 epidemic. In 2020, the increased risk associated with the spread of the pandemic was mitigated with a more intense monitoring of outstanding credit positions. The credit risk associated with other financial assets, including cash and cash equivalents and securities portfolio, is not significant due to the nature of the counterparties. The bank deposits are held with leading Italian and international financial institutions. Also with reference to the securities portfolio, investments are never made directly, but instead with leading specialist financial operators, mainly with the aim of maintaining capital in view of potential future loans. In addition, the Administration Finance and Control Division carefully and constantly monitors investments and the value of resources invested, periodically reporting on these monitoring activities to the Board of Directors.

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, 2020 and about the maturity date of these debts please refer to Note no. 30.

As at December 31, 2020, the Group was not significantly exposed to liquidity risk, also considering the availability of bank deposits and liquid securities, as well as taking account of the unused credit lines to which it has access.

The liquidity risk, heightened by the COVID-19 pandemic, was mitigated in 2020 by opening two new credit lines for an additional €60 million. For further details see "Significant events in 2020" in the Group Report on operations and Note No. 27.

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 2020. 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.

43. 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, 2020 | December 31, 2019 | Difference |
|------------|-------------------|-------------------|------------|
| Guarantees | 8,525 | 9,806 | (1,281) |

The decrease compared to December 31, 2019 is largely explained by the expiry of an insurance guarantee (total value of €1.1 million) provided by the Parent Company against a VAT refund received in 2017.

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, 2020 | 478 | 682 | 61 | 1,221 |
| December 31, 2019 | 342 | 315 | 0 | 657 |

The increase compared to December 31, 2019 was mainly related to the renewal of IT equipment rental contracts by the Parent Company (contracts that fall within the exemption granted by paragraph 5 of IFRS 16, as they have a duration of less than 12 months or concern assets with a value of less than €5 thousand).

In order to help understanding the financial impact from the application of IFRS 16 and, more generally, of the future cash-out related to operating lease agreements in place as at December 31, 2020 and included in the scope of this standard, the table below provides information on the non-discounted future cash flows.

(thousands of euro)

| Financial flow for leasing (not discounted) | December 31, 2020 | December 31, 2019 | Difference |
|--|-------------------|-------------------|-------------|
| Less than 1 year | 2,108 | 2,202 | (94) |
| Financial flow for leasing (not discounted) - current | 2,108 | 2,202 | (94) |
| Between 1 and 2 years | 1,174 | 1,728 | (554) |
| Between 2 and 3 years | 1,134 | 704 | 430 |
| Between 3 and 4 years | 828 | 574 | 254 |
| Between 4 and 5 years | 379 | 481 | (102) |
| Over 5 years | 525 | 0 | 525 |
| Financial flow for leasing (not discounted) - non current | 4,040 | 3,487 | 553 |
| Total | 6,148 | 5,689 | 459 |

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, 2020 management did not have enough information to be able to make an accurate assessment of the fair value of these options, they were not recognised in the financial statements.

Lastly, in addition to that indicated in the initial table, it should be noted that the Group's financial assets classified as non-current assets (fair value of €134,087 thousand as at December 31, 2020) represent a guarantee on the medium/long-term loan obtained by the Parent Company to fund the purchase of ordinary shares as part of the voluntary partial public tender offer finalized at the end of May 2019 (for additional details, please refer to Notes no. 19 and no. 30).

On June 23, 2020, the Group finalized an agreement with EUREKA! Venture SGR S.p.A. which will see SAES invest in the venture capital fund EUREKA! *Fund I - Technology Transfer*, a closed-end mutual investment fund, qualified as a EuVECA fund, pursuant to EU Regulation 345/2013. The maximum commitment of SAES is €3 million, with to be paid out in instalments, according to the investment opportunities that the Fund will identify over time. The residual commitment of SAES at December 31, 2020 was equal to €2.7 million, against capital contributions already finalized equal to €0.3 million⁷⁴ (for further details, see "Significant events in 2020" in the Group Report on Operations).

44. RELATED PARTY TRANSACTIONS

Related parties are identified in accordance with IAS 24 revised.

Related Parties as at December 31, 2020 included the following:

- **S.G.G. Holding S.p.A.**, relative majority shareholder that as at December 31, 2020 held 34.44%⁷⁵ of the ordinary shares of SAES Getters S.p.A. On April 29, 2020, S.G.G. Holding S.p.A. collected dividends from SAES Getters S.p.A. for a total of €2.5 million.

It should be noted that the payable of S.G.G. Holding S.p.A. to SAES Getters S.p.A. for the request⁷⁶ for reimbursement of the IRES surplus paid in previous years (€272 thousands as at December 31, 2019) no longer exists following the repayment of €144 thousand received from the Revenue Agency in May 2020 and transferred by SGG Holding S.p.A. to SAES Getters S.p.A. in June of that year. The residual credit of SAES Getters S.p.A. for the difference (equal to €128 thousand) was written off as it cannot be recovered.

- **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.

With regard to Actuator Solutions GmbH, in 2020 the SAES Group had a commercial relationship (sale of raw materials and semi-finished products) and performed various services (in particular, development services and accessory/administrative activities), which are charged back under a service contract. In addition, there is a sales agreement in place between the Parent Company and Actuator Solutions GmbH that envisages recognition to the joint venture of sales commissions on SMA wire procured for SAES Getters S.p.A. from the business activities of Actuator Solutions.

Lastly, 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. 22. As at December 31, 2020, the financial liability of Actuator Solutions GmbH towards SAES Nitinol S.r.l. was equal to €10.1 million, including €2.1 million of interests accrued and not yet paid.⁷⁷ The total amount of financial credit (both principal and interest) held by SAES Nitinol S.r.l. on the German joint venture has

⁷⁴ Amount net of the repayment of €11 thousand recognized following the completion by the Fund of the second closing, which has resulted in the entry of new investors and dilution of the SAES stake from 8.02% to 7.51%.

⁷⁵ At December 31, 2020, no. 2,819,773 ordinary shares held by S.G.G. Holding had accrued the increase and, therefore, S.G.G. Holding held 45.01% of the voting rights (percentage calculated also including the voting rights of the treasury shares held by SAES Getters S.p.A.).

⁷⁶ Request presented by SGG Holding S.p.A. as consolidator under the Italian tax consolidation system in place at December 31, 2014, on behalf of the incorporated SAES Advanced Technologies S.p.A.

⁷⁷ On December 31, 2020, SAES Nitinol S.r.l. and Actuator Solutions GmbH signed an agreement to postpone to December 31, 2021 the payment of all interest accrued from 2016 to 2020 on loans granted by SAES, in several tranches, to the joint venture.

already been written off at the end of the previous financial period; at December 31, 2020, an additional write-down was made on the financial credit corresponding to the interest accrued in the current year (€0.5 million) since SAES management believes it is unlikely to be recovered.

It should be noted that, in September 2020, the companies Actuator Solutions Taiwan Co., Ltd. and Actuator Solutions (Shenzhen) Co., Ltd., wholly-owned subsidiaries of Actuator Solutions GmbH, completed the winding-up process, which had been started at the end of 2019. The SAES Group carried out no transactions with either company during the current 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.

SAES Group has business relationships with SAES RIAL Vacuum S.r.l. (purchase and sale of raw materials, components and processing for the production of vacuum systems) and performs various services for this, mainly sales and marketing activities and administrative support, which are charged back under a service agreement. Finally, as already mentioned, SAES Getters S.p.A. granted a loan of €49 thousand⁷⁸, to provide financial support to the business activities of SAES RIAL Vacuum S.r.l. (for further details, please refer to Note no. 22).

- **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 the joint venture Flexterra, Inc.

With regard to Flexterra, Inc. and its subsidiary, the SAES Group provides administrative, legal, financial and tax support services, as well as assistance in the joint venture's research and development activities, including the management of patents. These services are charged back under a service fees contract. Finally, on July 16, 2020 SAES Getters International Luxembourg S.A. granted a convertible loan worth \$3 million to the joint venture Flexterra, Inc., to be repaid in cash or in the form of equity upon the occurrence of certain conditions, with an 8% annual interest (for more details, see Note no. 22). The related financial receivable of SAES Getters International Luxembourg SA was written off as at December 31, 2020 since Flexterra's 2021-2025 plan does not provide for its recovery in the five-year forecast period.

It should be noted that, in the first half of 2019, SAES had finalized the sale to Flexterra, Inc. of the OLET intellectual property developed 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 had resulted in a capital gain from a related party equal to €1.2 million⁷⁹.

- **Key Managers**, 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, the Group Legal/Compliance & Internal Audit Manager and the Group Research Lab Manager are also considered key managers. Their close relatives are also considered connected parties.⁸⁰ In this respect, it should be noted that, as at December 31, 2020, Ginevra della Porta and Lorenzo della Porta, children of Massimo della Porta, were employed by SAES Getters S.p.A. and SAES Coated Films S.p.A., respectively.

The following table shows the total values of related party transactions in 2020 and 2019.

⁷⁸As at December 31, 2020, the financial receivable due to SAES Getters S.p.A. by the joint venture SAES RIAL Vacuum S.r.l. was equal to €50 thousand (€49 thousand principal and €1 thousand interest).

⁷⁹ Capital gain recognized only limited to the minority interest in the joint venture, in accordance with IAS 28.

⁸⁰ The Group Research Lab Manager became a Key Manager with effect from January 1, 2020.

(thousands of euro)

| | December 31, 2020 | | | | | | | | | | |
|-------------------------|-------------------|---------------|---------------------------------|------------------|-----------------------------------|-------------------------|-----------------------------------|-------------------|----------------|--|--|
| | Total net sales | Cost of sales | Research & development expenses | Selling expenses | General & administrative expenses | Other income (expenses) | Other financial income (expenses) | Trade receivables | Trade payables | Tax consolidation receivables from Controlling Company | Financial receivables from related parties |
| S.G.G. Holding S.p.A. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SAES RIAL Vacuum S.r.l. | 975 | (252) | 0 | 10 (*) | 10 (*) | 0 | 1 | 318 | (33) | 0 | 50 |
| Actuator Solutions GmbH | 673 | 0 | 40 (*) | 0 | 42 (*) | 0 | 481 | 252 | 0 | 0 | 0 (**) |
| Flexterra, Inc. | 0 | 0 | 25 (*) | 0 | 56 (*) | 0 | 94 | 82 | 0 | 0 | 0 (***) |
| Total | 1,648 | (252) | 65 | 10 | 108 | 0 | 576 | 652 | (33) | 0 | 50 |

(*) Costs recovery.

(**) Financial receivable (both principal and interest) fully written down.

(***) Financial receivable for convertible note (both principal and interest) fully written down.

(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 Company | Financial receivables from related parties |
| S.G.G. Holding S.p.A. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 272 | 0 |
| SAES RIAL Vacuum S.r.l. | 25 | (204) | (15) | 10 (*) | 10 (*) | 0 | 1 | 27 | (92) | 0 | 50 |
| Actuator Solutions GmbH | 924 | 0 | 40 (*) | 1 (*) | 42 (*) | 0 | 480 | 41 | 0 | 0 | 0 (**) |
| Actuator Solutions Taiwan Co., Ltd. | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Flexterra, Inc. | 0 | 0 | 42 (*) | 0 | 123 (*) | 1,208 | 0 | 166 | 0 | 0 | 0 |
| Total | 956 | (204) | 67 | 11 | 175 | 1,208 | 481 | 234 | (92) | 272 | 50 |

(*) Costs recovery.

(**) Financial receivable (both principal and interest) fully written down.

The following table shows the guarantees that the Group gave to third parties (and, therefore, included in the detail reported in Note no. 43) in favour of the joint ventures.

(thousands of euro)

| Guarantees | December 31, 2020 | December 31, 2019 | Difference |
|---|-------------------|-------------------|--------------|
| Guarantees in favour of the joint venture Actuator Solutions | 1,317 | 1,471 | (154) |
| 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 | 1,317 | 1,471 | (154) |

The following table shows the remuneration of key managers as identified above.⁸¹

(thousands of euro)

| Total remunerations to key management | December 31, 2020 | December 31, 2019 |
|---------------------------------------|-------------------|-------------------|
| Short-term employee benefits | 4,123 | 3,936 |
| Post-employment benefits | 900 | 808 |
| Other long-term benefits | 1,290 | 688 |
| Termination benefits | 0 | 273 |
| Share-based payments | 242 | 227 |
| Total | 6,555 | 5,932 |

The item “Short-term employee benefits” mainly consists of fixed and variable remuneration of the key managers. The increase on last year is due to the appointment of a new Key Manager from January 1, 2020.

The increase in the item “Post-employment benefits” is mainly due to the higher provision for end-of-term indemnities to Executive Directors, a consequence of increased variable remunerations⁸².

The increase in the item “Other long-term benefits” is due to the increased provision for the three-year monetary incentive plans for executive directors, expiring at the end of 2020.

The item “Termination benefits”, zero as at December 31, 2020, at December 31, 2019 included severance costs related to Key Managers of the Parent Company who had resigned.

⁸¹ We have included the remuneration received by Ginevra della Porta and Lorenzo della Porta under the terms of their employment contracts with the SAES Group (the first with a short-term contract and the second with a permanent contract).

⁸² The provision for end-of-term indemnities to executive directors is calculated as a percentage of both fixed and variable remuneration.

The item “Share-based payments” includes the allocation of phantom shares to the incentive plan (for further details, please see Note no. 33).

As at December 31, 2020, the amount due to key managers, as defined above, was equal to €5,098 thousand, against €4,090 thousand as at December 31, 2019. The increase is mainly due to the 2020 provision for long-term monetary incentive plans; no payments were made during the current year.

Pursuant to the Consob communications of February 20, 1997 and February 28, 1998, as well as to IAS 24 (revised), it should be noted that also in 2020 all related-party transactions were carried out in the ordinary course of business, at economic and financial conditions in line with standard market conditions.

45. 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 auditing assignments and for the provision of other auditing services, tax advisory services and other services other than auditing, 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. | 221 |
| Other auditing services | Parent Company auditor | SAES Getters S.p.A. | 15 (*) |
| 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 | 229 |
| 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 | 51 |
| Other auditing services | Network of Parent Company auditor | Subsidiaries | 8 (**) |
| Tax consultancy services | Network of Parent Company auditor | Subsidiaries | 0 |
| Other services | Network of Parent Company auditor | Subsidiaries | 0 |

(*) Certification of the tax credit recognized on investments in research and development (Law no.160 of December 29, 2019, article 1, paragraphs from 198 to 209).

(**) Audit activities carried out on interim balances at September 30, 2020 of SAES Getters International Luxembourg S.A.

46. 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, 11 March 2021

on behalf of the Board of Directors
Mr. Massimo della Porta
Chairman

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, 2020.

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 identify 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 2019 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 13 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, 2020:

- 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 11, 2021

Deputy Chairman and Managing Director and
Manager responsible for the preparation of the corporate financial reports
Giulio Canale

**Report on operations of
SAES Getters S.p.A.**

Financial highlights of SAES Getters S.p.A.

(thousands of euro)

| Income statement figures | 2020 | 2019 ⁽¹⁾ | Difference | Difference % |
|--|-----------------------|---------------------|-----------------|-----------------|
| NET SALES ⁽¹⁾ | | | | |
| - Metallurgy | 40,184 | 40,174 | 10 | 0.0% |
| - Vacuum Technology | 11,511 | 9,602 | 1,909 | 19.9% |
| - Medical | 0 | 0 | 0 | n.a. |
| - Specialty Chemicals | 12,147 | 12,290 | (143) | -1.2% |
| - Advanced Packaging | 12 | 0 | 12 | n.a. |
| - Not Allocated | 0 | 0 | 0 | n.a. |
| Total | 63,854 | 62,066 | 1,788 | 2.9% |
| GROSS PROFIT ⁽²⁾ | | | | |
| - Metallurgy | 18,755 | 20,259 | (1,504) | -7.4% |
| - Vacuum Technology | 6,713 | 4,849 | 1,864 | 38.4% |
| - Medical | 0 | 0 | 0 | n.a. |
| - Specialty Chemicals | 3,266 | 2,782 | 484 | 17.4% |
| - Advanced Packaging | (132) | (429) | 297 | 69.2% |
| - Not Allocated ⁽³⁾ | (442) | 3 | (445) | -14833.3% |
| Total | 28,160 | 27,464 | 696 | 2.5% |
| | <i>% on net sales</i> | <i>44.1%</i> | <i>44.2%</i> | |
| EBITDA ⁽⁴⁾ | (2,667) | 91 | (2,758) | -3026.9% |
| | <i>% on net sales</i> | <i>-4.2%</i> | <i>0.1%</i> | |
| OPERATING INCOME (LOSS) | (7,577) | (4,666) | (2,911) | -62.4% |
| | <i>% on net sales</i> | <i>-11.9%</i> | <i>-7.5%</i> | |
| NET INCOME (LOSS) from continued operations | 2,252 | 14,019 | (11,767) | -83.9% |
| | <i>% on net sales</i> | <i>3.5%</i> | <i>22.6%</i> | |
| NET INCOME (LOSS) | 2,252 | 14,416 | (12,164) | -84.4% |
| | <i>% on net sales</i> | <i>3.5%</i> | <i>23.2%</i> | |
| Balance sheet and financial figures | 2020 | 2019 (1) | Difference | Difference % |
| Tangible fixed assets | 35,525 | 34,439 | 1,086 | 3.2% |
| Group shareholders' equity | 200,240 | 207,231 | (6,991) | -3.4% |
| Net financial position ⁽⁵⁾ | 33,715 | 56,892 | (23,177) | -40.7% |
| Other information | 2020 | 2019 (1) | Difference | Difference % |
| Cash flow from operating activities | (5,544) | 2,680 | (8,224) | -306.9% |
| Research and development expenses | 7,433 | 7,752 | (319) | -4.1% |
| Number of employees as at December 31 ⁽⁶⁾ | 445 | 451 | (6) | -1.3% |
| Personnel cost ⁽⁷⁾ | 32,005 | 32,162 | (157) | -0.5% |
| Disbursement for acquisition of tangible assets | 5,032 | 7,237 | (2,205) | -30.5% |

(1) The revenues and costs by Division as at December 31, 2019, included for comparative purposes, do not coincide with the figures provided in the 2019 Annual Financial Report, since they have been reclassified to allow for a like-for-like comparison with December 31, 2020. In particular, from January 1, 2020, the Company was organised into the following technological competency areas ("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 in the previous year, in addition to the Functional Chemical Systems segment);
- Advanced Packaging Division (unchanged).

- (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)

| | 2020 | 2019 |
|--|-----------------|-----------------|
| Net Sales | 63,854 | 62,066 |
| Raw materials | (13,567) | (12,247) |
| Direct labour | (7,618) | (7,746) |
| Manufacturing overhead | (14,928) | (15,471) |
| Increase (decrease) in work in progress and finished goods | 419 | 863 |
| Cost of sales | (35,694) | (34,602) |
| Gross profit | 28,160 | 27,464 |
| % on net sales | 44.1% | 44.2% |

- (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 in line with those adopted by other Companies. EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is calculated as "Earnings before interest, taxes, write-downs, depreciation and amortisation".

A reconstruction of EBITDA is provided below, starting from Operating income.

(thousands of euro)

| | 2020 | 2019 |
|--------------------------------------|----------------|----------------|
| Operating income | (7,577) | (4,666) |
| Depreciation and amortization | 4,174 | 3,936 |
| Right of use amortization | 680 | 514 |
| Write-down of assets | 4 | 308 |
| Bad debt provision (accrual) release | 52 | (0) |
| EBITDA | (2,667) | 91 |
| % on net sales | -4.2% | 0.1% |

- (5) The net financial position is calculated as follows:

(thousands of euro)

| | December 31, 2020 | December 31, 2019 |
|---|----------------------|----------------------|
| Cash on hands | 3 | 5 |
| Cash equivalents | 2,776 | 16,986 |
| Cash and cash equivalents | 2,779 | 16,991 |
| Other current financial assets | 11 | 0 |
| Related parties current financial assets* | 142,518 | 141,482 |
| Current financial assets | 142,529 | 141,482 |
| Bank overdraft | (32,514) | (27,009) |
| Current portion of long term debt | (5,120) | (5,100) |
| Derivative financial instruments measured at fair value | (33) | (50) |
| Other current financial liabilities * | (6,941) | (3,210) |
| Other financial debt | (2) | (0) |
| Current financial liabilities for leases | (705) | (412) |
| Current financial liabilities | (45,315) | (35,781) |
| Current net financial position | 99,993 | 122,691 |
| Related parties non current financial assets ** | 49 | 4,208 |
| Securities - long term | 31,241 | 30,884 |
| Non current financial assets | 31,290 | 35,092 |
| Long term debt, net of current portion | (95,232) | (100,352) |
| Non current financial liabilities for leases | (2,336) | (539) |
| Non current financial liabilities | (97,568) | (100,891) |
| Non current net financial position | (66,278) | (65,799) |
| Net financial position | 33,715 | 56,892 |

* It includes current liabilities and receivables versus controlled and related companies

** It includes non current financial receivables from controlled and related companies

- (6) As at December 31, 2020, this item includes:
- 422 employees (410 as at December 31, 2019);

- the personnel working for the Company with contract types other than employment agreements equal to 23 units (41 units as at December 31, 2019).

(7) As at December 31, 2020, the severance costs, included in personnel costs, were 126 thousand euro (582 thousand euro in 2019).

Report on operations

A pioneer in the development of getter technology, the Company SAES Getters S.p.A. is the world leader in a variety of scientific and industrial applications where stringent vacuum conditions are required. For 80 years, the getter solutions of the Company have been supporting technological innovation in the information display and lamp industries, ultra-high vacuum systems and vacuum thermal insulated devices, and in technologies that range from large vacuum power tubes to miniaturised devices such as silicon-based micro-electro-mechanical systems (MEMS).

Starting in 2004, by leveraging its core competencies in special metallurgy and in the materials sciences, the Company has expanded its business into the advanced material markets, in particular the market of shape memory alloys, a family of materials characterised 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 production of actuator devices for different industrial sectors (home automation, white goods industry, consumer electronics, healthcare, automotive and luxury sector).

More recently, the Company has expanded its offer by developing a technological platform, which integrates getter materials in a polymeric matrix. These products, which were initially developed for OLED displays, are now used in new application sectors, including optoelectronics, photonics and especially telephony. Among the new applications, advanced packaging is a particularly strategic sector, in which the Company is present, through its subsidiary SAES Coated Films offering new products for sustainable food packaging and intends to compete with completely recyclable and biodegradable solutions.

The Company is headquartered in Milan.

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 with respect to SAES Getters S.p.A. pursuant to article 2497 of the Italian Civil Code (as specified in the 2020 Report on corporate governance and ownership).

The Company's organisational structure comprises five Divisions: Metallurgy, Vacuum Technology, Medical, Specialty Chemicals and Advanced 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 five Divisions.

The business structure by Division is illustrated in the following table.

| | |
|---|---|
| Metallurgy Division | |
| 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 |
| Sintered Components for Electronic Devices & Lasers | Cathodes and materials for thermal dissipation in electronic tubes, lasers and solid-state devices |
| SMA Industrial | Shape Memory Alloy actuator devices for the industrial sector (home automation, white goods industry, consumer electronics, medical business, the automotive and luxury sector) |
| Vacuum Technology Division | |
| Solutions for Vacuum Systems | Getter pumps for vacuum systems with applications in the industrial sector, in research and in particle accelerators |
| Medical Division | |
| Nitinol for Medical Devices | Nitinol raw material and components for the biomedical sector |
| Specialty Chemicals Division | |

| | |
|------------------------------------|--|
| Functional Dispensable Products | Getter materials integrated in polymeric matrices for OLED, optoelectronic, photonics and telephony applications |
| Advanced Packaging Division | |
| Advanced Coatings | Advanced lacquers and plastic films for the sustainable packaging sector |

Compared to the previous year, from January 1, 2020, the Company is organised 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 in the previous year, in addition to the Functional Chemical Systems segment);
- Advanced Packaging Division (unchanged).

The amounts for 2019 were reclassified according to the new operating structure so they are comparable with the 2020 figures.

Metallurgy Division

Security & Defence

It provides innovative technological solutions for electronic devices used in the defence and, more generally, security sector, such as thermal sensors for night vision, inertial navigation systems, microwave tubes and radiofrequency amplification systems. The portfolio of products includes, among others, getters of different types and shapes, as well as alkaline metal dispensers.

Electronic Devices

It provides advanced solutions for electronic devices used in solutions for 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 alkaline metal dispensers.

Healthcare Diagnostics

The offer includes a portfolio of getters in various types and shapes, as well as alkaline metal dispensers used in electronic devices for medical imaging diagnostic applications, such as X-ray tubes and image intensifiers.

Thermal Insulated Devices

The offer includes solutions for vacuum thermal insulation include NEG (non-evaporable getters) products for cryogenic applications, for solar collectors both home applications and those operating at high temperatures, for vacuum insulating panels used in the white goods industry and for thermos.

Lamps

The Company 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.

Sintered Components for Electronic Devices & Lasers

Through its US subsidiary Spectra-Mat, Inc., the Company 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.

SMA Industrial

The Company produces 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.

Due to this characteristic, the shape memory alloy is used in the production of a variety of industrial devices (open and close valves, proportional valves, actuators, release systems, mini-actuators and dispensers) that use its distinctive characteristics (noiseless, compact, light, low power consumption, speed, 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, medical business automotive and luxury.

Vacuum Technology Division

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 NEX Torr[®] family of high-vacuum pumps, which has been well received in the application markets mentioned above, integrates both getter and ion technology in a single, extremely compact and high-performing device. More recently, this line was joined by the Capaci Torr[®] HV line, high-vacuum pumps using an innovative alloy with greater gaseous absorption capacity; this has contributed to a further strengthening of the Group's position in its reference markets. The Division, operating also through the joint venture SAES RIAL Vacuum S.r.l., is also active as a supplier of coating getters for accelerator chambers and vacuum engineering services, for both industrial customers and research centres.

Medical Division

Nitinol for Medical Devices

In addition to the industrial sector mentioned above, Nitinol is mainly used in a wide range of medical devices, in the cardiovascular field in particular. 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. The SAES's production process is vertically integrated (from the melting of the Nitinol alloy to the manufacture of components), through the subsidiaries Memry Corporation and SAES Smart Materials, and allows full flexibility in the supply of products, together with total quality control along the supply chain.

Advanced Packaging Division

Advanced Coatings

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

Specialty Chemicals Division

Functional Dispensable Products

The technology platform that integrates getter materials into polymer matrices, which was initially developed by the Company 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. The Company 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 increasingly used in other sectors, in particular optoelectronics, photonics and especially telephony. Also in view of the significant growth of SAES advanced composites for consumer electronics, all applications that use this technological platform have been brought together in the Specialty Chemicals Division.

Net revenues for 2020 were 63,854 thousand euro, up against 2019 (+2.9%: net of the negative exchange rate effect -0.7%, organic growth would have been +3.6%), due above all to a significant increase of the Security & Defence (+75.3% at constant exchange rates), Electronic Devices (+21.5% at constant exchange rates) and Solutions for Vacuum Systems (+20.8%) businesses, which offset the decline in the SMA Industrial business (-37.4% at constant exchange rates) due to both the COVID-19 effect, which affected the consumer electronics and automotive sectors, and the geopolitical tensions between the USA and China, which had a very heavy effect on the sales of shape memory wires for mobile telephony applications.

Gross industrial profit was 28,160 thousand euro in 2020 against 27,464 thousand euro the previous year, marking an increase of +2.5%, corresponding to 696 thousand euro, due to an increase in volumes. On the other hand, the gross profit margin was substantially unchanged, decreasing from +44.2% in 2019 to +44.1% in 2020.

2020 recorded an **operating loss** of -7,577 thousand euro, against -4,666 thousand euro the previous year: the increase in the loss is mainly due to the higher costs incurred to cope with the emergency caused by the COVID-19 pandemic (in particular, the cost of sanitising and adapting entrances and spaces to ensure the safety of workers, health prevention costs, consultancy and training costs, as well as donations to research centres working on the front line against COVID-19 and the Italian Civil Protection) of 1,203 thousand euro, to higher general and administrative expenses due to an increase in consultancy for the development of information systems to support the business and to higher maintenance costs due to a project for the renovation and modernisation of certain production departments at the Lainate plant.

EBITDA for the year was a negative -2,667 thousand euro against a positive figure of +91 thousand euro in 2019: the reduction is attributable to the aforementioned costs related to COVID-19 and to higher consultancy costs for the development of IT projects and maintenance for the renovation and modernisation of certain production departments at the Lainate plant.

Dividends, net financial income and net gains on exchange rates totalled 10,395 thousand euro in 2020, compared to 19,998 thousand euro in the previous year. In 2020, the company wrote down equity investments and made provisions for risks on equity investments of 442 thousand euro, while it recorded lower expected losses on cash and cash equivalents in application of IFRS 9 of 26 thousand euro. In 2019, the value of impairment losses and provisions for risks on equity investments amounted to 1,496 thousand euro, while the recognition of lower expected losses on cash and cash equivalents in application of IFRS 9 amounted to 6 thousand euro.

2020 therefore closed with an **EBIT** of 2,402 thousand euro, down against 13,841 thousand in the previous year.

Income taxes for the year recorded a negative balance (cost) of 150 thousand euro against a positive balance (income) of 178 thousand euro in 2019.

For further details, refer to Notes 11 and 18.

The **result for discontinued operations** in 2020 was zero. In 2019, the profit from discontinued operations amounted to 396 thousand euro, mainly comprising the positive adjustment to 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, filed in April 2019.

2020 therefore closed with a **profit for the year** of 2,252 thousand euro against a profit of 14,416 thousand euro in 2019.

The **net financial position** as at December 31, 2020 recorded a positive balance of 33,715 thousand euro, down compared to a balance of 56,892 thousand euro in the previous year.

Compared to December 31, 2019, the decrease in the net financial position (-23,177 thousand euro) is mainly due to investments in property, plant and equipment and in intangible assets (-5,130 thousand euro), increases in investments in companies of the SAES Group (-9,572 thousand euro), investments in the venture capital fund EUREKA! (-312 thousand euro) and the payment of dividends in May (-9,198 thousand euro).

Significant events in 2020

As part of the **incentive plan based on** phantom shares known as the “2018 Phantom Shares Plan”, approved by the Shareholders' Meeting held on 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 Strategic Responsibilities effective January 1, 2020. The assignment value was calculated at 21.14 euro.

On February 4, 2020, the Company received from the subsidiary SAES Coated Films S.p.A., pursuant to articles 1406 - 1410 of the Italian Civil Code, the ownership of an advance payment of 1,100 thousand euro, paid during preliminary negotiations for a potential minority investment. In a context of general uncertainty, also due to the spread of the COVID-19 epidemic, the transaction was suspended and the Company requested the return of the deposit, as set forth in the original agreement between the parties, reserving the right to bring legal action.

Accepting the provisions and recommendations issued by the Lombardy Region for precautionary containment of the **COVID-19** epidemic, the Lainate offices of the Company and the Roncello plant of SAES Coated Films S.p.A. were closed from the afternoon of February 24 to February 28, 2020, also in order to arrange the necessary risk containment measures and to draw up the operations protocol. The second production plant of the Company located in Avezzano, in the province of L'Aquila, has been operating at full capacity. Later, the two plants returned to operations, complying with all regulatory provisions in force to guarantee workplace safety and, where possible, encouraging recourse to remote working.

On March 26, 2020, the Company reached an agreement with the trade unions on the use, for a period of nine weeks starting from March 30, 2020, of the unemployment benefits provided for by the Prime Minister Decree “Cura Italia”, March 17, 2020 (**CIGO, Cassa Integrazione Guadagni Ordinaria**) for some employees of the Lainate plant, with a 40% salary contribution paid for by the company.

On May 14, 2020, an agreement was reached with the trade unions for the gradual return to work of employees at the Lainate operating unit (150 presences per day at Lainate in June and July, alternating shifts with remote working). All employees returned to work from the beginning of August and, again from that date, a remote working pilot project was launched on a voluntary basis for a period of 12 months, with maximum three days a week remote working for every employee participating in the project.

On October 27, 2020, SAES Getters S.p.A. signed a new **agreement with union representatives** to define additional security measures to deal with the worsening of the COVID-19 pandemic. In particular, the agreement envisages the continuation of the remote working pilot project started at the beginning of August and the extension of remote working to approximately 35 employees for a total of 2/3 days a week. This agreement was effective until December 31, 2020 and so far has not been renewed. Therefore, only the already mentioned remote working agreement signed in August 2020 is currently in force.

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, plus a spread of 1.2%, and just one covenant (positive consolidated net financial position) subject to half-yearly review.

On March 12, 2020, the Company decided to **donate 0.5 million euro to research institutes working on the front lines to deal with coronavirus, as well as to the Italian Civil Protection**. SAES thus offered its contribution to overcome the emergency that the whole country is facing. The donation is specifically given to the specialised *research institutes of Fondazione IRCCS Ca' Granda Ospedale Maggiore Policlinico and Fondazione IRCCS Policlinico San Matteo di Pavia, as well as to Civil Protection*. In addition, in the second quarter of 2020, note the **donation of two ventilators** to treat respiratory insufficiency and **a video laryngoscope to the ICU of Avezzano Hospital**, high quality equipment with sophisticated pulmonary monitoring systems to improve the safety of patients and health workers. The total value of the equipment was around 0.1 million euro.

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 recognised during 2019 and establishing a cash reserve of 21 thousand euro.

On April 30, 2020, SAES Getters S.p.A. signed a **new revolving line of credit** with Intesa Sanpaolo S.p.A. for a maximum amount of 30 million euro, intended as support for business operations or financial needs associated with capex and acquisitions. The duration of the credit line is set at thirty-six months. SAES can request its use in tranches, each with a minimum value of 1 million euro and thereafter in multiples of 0.5 million euro. The contract provides for the payment of interest indexed at the one/three-month Euribor rate, plus a spread of 1.10%, and just one covenant (positive consolidated net financial position) subject to half-yearly review.

On June 22, 2020, the Company signed a seven-year **lease**, effective from July 1, 2020, and renewable for a further six years under the same terms, for the use of a **property for office** use in Milan, at Piazza Castello 13, to house the Corporate and Management functions. The annual lease rent is set at 350 thousand euro, reduced for the first two years of the lease to facilitate the start-up stage.

On June 23, 2020, an agreement was signed with **EUREKA! Venture SGR S.p.A.** by which SAES Getters S.p.A. has invested in the venture capital fund **EUREKA! Fund I – Technology Transfer** (a closed alternative investment fund qualifying as a 'EuVECA' fund under Regulation (EU) 345/2013), established and managed by the SGR and with investors such as Cassa Depositi e Prestiti (CDP) and the European Investment Fund (EIF). The investment in the Fund is equal to 3 million euro and has a ten-year duration (coinciding with the maturity of the Fund). The financial outlay for the Company will not be immediate, but rather in the form of drawdown transactions, based on investment opportunities that gradually arise and related calls for capital subscriptions from the SGR.

The Fund managed by EUREKA! Venture SGR is specialised and focused solely on deeptech investments in start-ups and spin-offs of research centres and universities, in applications and technologies attributable to the science of materials, sensors, advanced electronics, photonics, IoT – the Internet of Things and Lab-on-a-chip applications, attentive to the principles of sustainability and ESG (Environmental, Social and Governance) criteria. Indeed, the fund regulations envisage clear investment policies inspired by ESG principles. Similarly, also for the asset management company, procedures and processes focus on compliance with these investment policies.

Based on the agreement signed, SAES Getters S.p.A. becomes EUREKA!'s strategic investor and partner in the advanced materials sector and gains access to the Fund's deal flow in the sectors and business areas of interest to the Company, with priority co-investment rights. Lastly, based on the exit strategies from target companies, SAES Getters S.p.A. has priority in terms of purchase proposals, to be submitted to the asset management company for assessment (right of first offer).

On July 14, 2020, SAES paid an amount equal to 118 thousand euro as subscription fees and to cover the set-up costs and management fees for the period July 1 to September 30, 2020. The initial investment, with related call for funds of around 164 thousand euro by the Company, was completed on September 16, 2020.

An additional payment of 30 thousand euro was made on October 16, 2020, including both the share of commissions and management fees, and the portion of an investment made by the fund in the printed electronics business.

On December 29, 2020, the second closing by the Fund was completed, on the basis of which new investors were formally admitted, with a total contribution to the investment of approximately 2.6 million euro. Therefore, the equity investment of SAES Getters S.p.A. was diluted from 8.02% to 7.51% and the Company

obtained a reimbursement for both the costs and the investments of the Fund, equal to approximately 11 thousand euro.

On July 24, 2020, the **revocation of the liquidation status of the subsidiary company E.T.C. S.r.l.**, resolved by the Shareholders' Meeting on April 15, 2020, became effective. On that same date, the company name was changed from E.T.C. S.r.l. into SAES Innovative Packaging S.r.l. and its corporate purpose modified to allow the company to directly or indirectly take on investments or shareholdings in the packaging sector and to scout for new technologies in that sector.

On August 10, 2020, the relative majority shareholder **S.G.G. Holding S.p.A.** purchased 35,000 ordinary shares of SAES Getters S.p.A. As a result of this purchase, S.G.G. Holding S.p.A. holds 34.44% of total ordinary shares and 45.01% of voting rights.

On October 21, 2020, the **transfer of 10% of the capital stock of SAES Getters International Luxembourg S.A. from SAES Getters (Nanjing) Co., Ltd. to SAES Getters S.p.A.** (already holding 90% of the shares) was approved. The consideration for the stake transferred was set at 4 million euro. The closing of the transaction, subject to the approval of the authorities of the People's Republic of China, was closed on December 16, 2020. Following this transaction, the Company holds 100% of the capital stock of the Luxembourg subsidiary.

On November 11, 2020, the Board of Directors of the Company approved **amendments** to articles 14 and 22 of the **Articles of Association**, in view of the further amendment to articles 147-ter, paragraph 1-ter and 148, paragraph 1-bis of the Legislative Decree no. 58/1998 (**gender quotas**).

On December 10, 2020, the Shareholders' Meeting of the subsidiary **SAES Coated Films S.p.A.** resolved a **payment to the shareholders' account**, equal to 5.5 million euro, to cover the losses expected for 2020 and any future loss recorded in 2021. Of this amount, 0.6 million euro was paid in cash and 4.9 million euro through the waiver by the Sole Shareholder SAES Getters S.p.A. of the receivables accrued up to October 31, 2020 from the invoicing of inter-company goods and services.

On December 11, 2020, through the subsidiary SAES Getters International Luxembourg S.A., a **shared interest** was taken in **Cambridge Mechatronics Limited (CML)**, a company based in Cambridge, UK, with which SAES has already worked for many years in the business of shape memory alloys (SMA) for industrial application, particularly for consumer electronics and mobile telephony.

SAES is participating in a specific funding round carried out by CML by purchasing 159,744 newly issued ordinary preference shares, each with a nominal value of £6.26, with a **total investment of £1m**.

CML is a company with strong multidisciplinary engineering skills, active in the development of miniaturised actuators based on shape memory alloy (SMA), a sector in which it holds several patents. These devices are used in various application fields that require maximum precision and accuracy even on small dimensions and, in particular, in cell phone cameras.

The objective of the investment, for SAES, is to strengthen the partnership with CML.

Research, Development and Innovation activities

Research and development expenses in 2020 totalled 7,433 thousand euro (11.6% of net revenues), compared to 7,752 thousand euro the previous year (12.5% of revenues).

The Corporate Research Labs pursue the radical development of new materials and innovative technologies. Although the **COVID-19 emergency** had an impact on some projects, due to delays in the supply of raw materials and new plant components, the application of safety procedures and distancing measures, together with the focus on top priority activities have made it possible to ensure an adequate performance of the experimental activities and the achievement of various objectives.

In the **(organic) chemical materials** field, significant results were obtained in relation to specialty zeolites, antioxidant capsules and **new membrane emulsification processes**.

The ongoing implementation of the specialty zeolite platform has allowed the development of a new type of zeolite with virucidal properties. Tests for the evaluation of functional properties were carried out at the Department of Microbiology and Virology, Fondazione IRCCS Policlinico San Matteo in Pavia, where the SAES zeolites were placed in contact with SARS-CoV-2 according to a standard protocol and were shown to be able to completely inhibit the virus. This property can be integrated in different systems by using these zeolites in the form of coating or surface dispersion. A new patent application was recently filed, focusing on the structure of this new class of zeolites. Further tests are now being defined, according to ISO standards, to certify the bactericidal and virucidal properties of these materials and to continue with industrialisation.

In parallel, the development of **organic capsules and spheres** with functional properties continues. Polyphenol capsules with antioxidant properties were developed: these are able to inhibit oxidation mechanisms in food packaging applications. Functional tests were carried out in cooperation with a well-known Italian food company specialised in the production of chocolate and interested in adopting the antioxidant coating of SAES to ensure a better conservation of its products. In recent months, a new patent application was filed to claim both antioxidant capsules and the adoption of coatings for flexible packaging applications.

In order to expand the technologies available for the development of new Specialty Chemicals, the definition and optimisation of an **innovative membrane emulsification process** able to support the preparation of **organic spheres** and core-shell structures on a pilot scale was completed using materials of different nature of a predominantly “biological” nature. These systems can be applied in various industrial sectors, through the integration of innovative capsules in different product configurations. For the purposes of this project, an area of the Corporate Research Labs is being restructured: completion, with installation of the plant, is scheduled for the end of the first quarter of 2021.

This technology will also be adopted to support a new project, developed in 2020 in partnership with Novamont, to create optically active markers for the traceability of compostable formulations. This project will be developed over the course of 2021 and represents a new scope of application for the Specialty Chemicals platform.

Thanks to the continuous development of new functional materials, the development of new **dispensable getters** also continued, based on integrating materials into organic polymer matrices with a new internal formulation. Work was completed on the development of a new dispensable getter, able to guarantee the absorption of both hydrogen and water vapour, for optoelectronic applications; samples are being supplied for approval by customers. In parallel, a new active sealant was developed with oxygen barrier properties, thanks to the integration of innovative capsules in epoxy resins. In relation to the two systems developed, two new patent applications were filed.

With regard to innovative coatings, it was necessary to postpone the industrial production of Oxaqua[®]2.0, an innovative coating for application on polymeric films with high oxygen barrier properties, until 2021. In fact, the COVID emergency delayed the construction of the emulsification plant by more than six months, fundamental for the realisation of some key components of Oxaqua 2.0.

2020 also marked the activation of new projects for the development of innovative coatings with barrier properties to be applied directly on cellulose-based substrates while preserving their recyclable characteristics. In particular, two projects were started in cooperation with industrial partners to develop barrier coatings for both flexible substrates and rigid systems using high-density cellulose. These projects are part of a research initiative for the development of eco-friendly systems where all the materials used for the development are subject to an internal evaluation by Design for Environment. In 2020, prototyping activities for these developments were carried out on a laboratory scale, but will be transferred to a pre-industrial scale in 2021. The installation of a roll-to-roll pilot line for the production of functional coatings was completed. This line will allow the prototyping on a pre-industrial scale of innovative flexible packaging structures made with SAES's new functional lacquers and different types of polymeric substrates. This line makes the Lainate plant one of the most advanced prototyping centres in Europe for the development of innovative flexible packaging structures. In addition to barrier structures for food packaging, this line can be used to create high-performance barriers for organic electronics and to prepare flexible electronics structures.

In the metallurgical field, the radical development of new quaternary alloys with “shape memory” properties characterised by an increased transformation temperature was completed. The activities were transferred to application laboratories to carry out functional tests and check possible application areas.

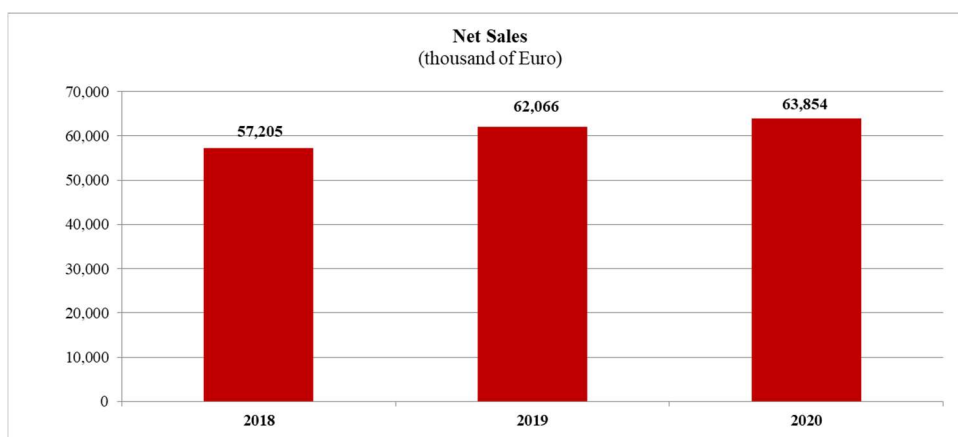
In parallel, work was completed on new **zero-hysteresis alloys** aimed at replacing elements that can no longer be used for safety reasons. Today, development activities focus on two quaternary alloy systems capable of guaranteeing very low level hysteresis; their functional properties are being tested.

In the bio-absorbable materials field, two new patent applications were filed in 2020 and biological degradation tests were carried out with the support of external partners. An in-depth analysis is currently underway to evaluate possible applications and identify methods of cooperation with potential partners.

Finally, all the basic research costs incurred by the Company are charged directly to the income statement in the period in which they are incurred, as they do not qualify for capitalisation.

Sales and economic results of 2020

Net revenues in 2020 were 63,854 thousand euro, up (+2.9%) compared to 62,066 thousand euro recorded the previous year. Net of the negative effect of exchange rates of -0.7%, organic growth was +3.6%, mainly due to the results of Security & Defence (+75.3% at constant exchange rates), Electronic Devices (+21.5% at constant exchange rates) and Solutions for Vacuum Systems (+20.8% at constant exchange rates).



The following table shows details of revenues by business segment in 2020 compared to last year, showing the changes separately due to the effect of exchange rates and volumes.

(thousands of euro)

| Business (*) | 2020 | 2019 | Total difference | Total difference % | Exchange Rate effect % | Organic change % |
|---|---------------|---------------|------------------|--------------------|------------------------|------------------|
| Security & Defense | 8,728 | 5,004 | 3,724 | 74.4% | -0.9% | 75.3% |
| Healthcare Diagnostics | 2,960 | 2,707 | 253 | 9.3% | -0.3% | 9.7% |
| Electronic Devices | 13,535 | 11,285 | 2,250 | 19.9% | -1.5% | 21.5% |
| Thermal Insulated Devices | 3,009 | 3,228 | (219) | -6.8% | -1.0% | -5.8% |
| Lamps | 3,053 | 3,625 | (572) | -15.8% | -0.6% | -15.2% |
| Sintered Components for Electronic Devices & Lasers | 0 | 0 | 0 | n.a. | n.a. | n.a. |
| SMA Industrial | 8,899 | 14,325 | (5,426) | -37.9% | -0.5% | -37.4% |
| Metallurgy Division | 40,184 | 40,174 | 10 | 0.0% | -0.9% | 0.9% |
| Solutions for Vacuum Systems | 11,511 | 9,602 | 1,909 | 19.9% | -0.9% | 20.8% |
| Vacuum Technology Division | 11,511 | 9,602 | 1,909 | 19.9% | -0.9% | 20.8% |
| Nitinol for Medical Devices | 0 | 0 | 0 | n.a. | n.a. | n.a. |
| Medical Division | 0 | 0 | 0 | n.a. | n.a. | n.a. |
| Functional Dispensable Products | 12,147 | 12,290 | (143) | -1.2% | -0.2% | -1.0% |
| Specialty Chemicals Division | 12,147 | 12,290 | (143) | -1.2% | -0.2% | -1.0% |
| Advanced Coatings | 12 | 0 | 12 | n.a. | n.a. | n.a. |
| Advanced Packaging Division | 12 | 0 | 12 | n.a. | n.a. | n.a. |
| Total net sales | 63,854 | 62,066 | 1,788 | 2.9% | -0.7% | 3.6% |

(*) Starting from January 1, 2020, the Group is organized into the following technological areas of competence (or "Divisions"):

- Metallurgy Division (that coincides with the previous Industrial operating sector, excluding the Solutions for Vacuum Systems Business, the Functional Chemical Systems Business and the advanced getters for the electronic consumers market, the latter previously classified within the Electronic Devices Business);

- Vacuum Technology Division (coinciding with the Solutions for Vacuum Systems Business, included in the Industrial operating sector);

- Medical Division (unchanged);

- Specialty Chemicals Division (that means advanced getters for the electronic consumers market, classified within the Electronic Devices Business in the previous year, in addition to the Functional Chemical Systems Business and the Flexterra business, the latter previously not allocated);

- Advanced Packaging Division (unchanged).

The economic figures of 2019 have been reclassified according to the new operating structure, to allow a homogeneous comparison with 2020.

The growth in sales was mainly driven by the Security & Defence Business (organic growth +75.3%), due to the sales of getter components for infrared sensors and night vision systems for defence applications, also increased due to stock increases due to the COVID-19 emergency, Electronic Devices Business (organic growth +21.5%) driven mainly by infrared applications in heat sensors for temperature and thermographic measurement, whose growth was also boosted by the recent COVID-19 crisis; and Solutions for Vacuum Systems Business (organic growth + 20.8%), due to higher sales in the particle accelerator segment.

The Healthcare Diagnostics business (+9.3%) grew thanks to an increase in demand in the medical imaging sector, partly driven by the COVID-19 crisis, while sales in the Advanced Coating business were related to prototyping.

The positive trends mentioned more than offset the decreases recorded in the other segments.

The Thermal Insulated Devices Business shows an organic change of -5.8%, as a result of the slowdown in demand for vacuum bottles and insulated tubes for oil applications due to the COVID-19 pandemic.

The Lamps Business recorded an organic drop of -15.2%, due to the structural crisis in the market for fluorescent and intensity discharge lamps.

The SMA Industrial Business recorded an organic drop of -37.4%, concentrated in the automotive segment (also penalised by COVID-19) and in consumer electronics segment (double effect of COVID-19 and international tensions between the United States and China).

The *Functional Dispensable Products* Business (-1.0%) is in line with the previous year. Sales of dispensable dryers for OLED displays grew, also driven by the increase in the production of oximeters in China due to COVID-19.

This increase was offset by a decrease in turnover for the advanced components manufactured in the Avezzano plant and intended for the consumer electronics market, which, despite the increase in volumes, was affected by downward pressure on prices.

A breakdown of revenues by geographical area of customers for 2020 and 2019 is shown in the following table:

(thousands of euro)

| Geographic area | 2020 | % | 2019 | % | Total Difference | Total Difference % |
|------------------------|---------------|---------------|---------------|---------------|------------------|--------------------|
| Italy | 2,364 | 3.7% | 1,781 | 2.9% | 583 | 32.7% |
| Other EU and Europe | 18,255 | 28.6% | 18,864 | 30.4% | (609) | -3.2% |
| North America | 8,612 | 13.5% | 5,891 | 9.5% | 2,721 | 46.2% |
| Japan | 4,674 | 7.3% | 3,829 | 6.2% | 845 | 22.1% |
| China | 24,927 | 39.0% | 27,411 | 44.2% | (2,484) | -9.1% |
| South Korea | 1,409 | 2.2% | 949 | 1.5% | 460 | 48.5% |
| Taiwan | 864 | 1.4% | 770 | 1.2% | 94 | 12.2% |
| Other Asian countries | 2,482 | 3.9% | 2,460 | 4.0% | 22 | 0.9% |
| Others | 267 | 0.4% | 111 | 0.2% | 156 | 140.5% |
| Total net sales | 63,854 | 100.0% | 62,066 | 100.0% | 1,788 | 2.9% |

With regard to the **geographical distribution of sales**, 2020 shows an increase in sales in North America, driven by the Electronic Devices and Security & Defence businesses, and in Italy, thanks to higher sales in the Solutions for Vacuum Systems business, while sales decreased in China, especially in the SMA Industrial business for consumer electronics applications.

The following table shows the breakdown by Business Unit of the gross industrial profit for 2020 and 2019, indicating the same as a percentage of revenues and the changes occurring in the period:

(thousands of euro)

| Business Unit | 2020 | 2019 | Total difference | Total difference % |
|--------------------------------|---------------|---------------|------------------|--------------------|
| Metallurgy | 18,755 | 20,259 | (1,504) | -7.4% |
| <i>% on net sales Division</i> | 46.7% | 50.4% | | |
| Vacuum Technology | 6,713 | 4,849 | 1,864 | 38.4% |
| <i>% on net sales Division</i> | 58.3% | 50.5% | | |
| Medical | 0 | 0 | 0 | n.a. |
| <i>% on net sales Division</i> | 0.0% | 0.0% | | |
| Specialty Chemicals | 3,266 | 2,782 | 484 | 17.4% |
| <i>% on net sales Division</i> | 26.9% | 22.6% | | |
| Advanced Packaging | (132) | (429) | 297 | 69.2% |
| <i>% on net sales Division</i> | -1100.0% | 0.0% | | |
| Not Allocated | (442) | 3 | (445) | -14833.3% |
| <i>% on net sales Division</i> | 0.0% | 0.0% | | |
| Gross profit | 28,160 | 27,464 | 696 | 2.5% |
| <i>% on net sales</i> | 44.1% | 44.2% | | |

Gross industrial profit¹ was 28,160 thousand euro in 2020 against 27,464 thousand euro the previous year, marking an increase of 2.5%, corresponding to 696 thousand euro in absolute terms, mainly due to the higher volumes described above. In 2020, unallocated costs of 442 thousand euro were also recorded, due to a project

¹ Calculated as the difference between net revenues and industrial costs directly and indirectly attributable to the products sold.

for the renovation and modernisation of some production units at the Lainate plant. On the other hand, the gross profit margin² was substantially unchanged, decreasing from +44.2% in 2019 to +44.1% in 2020.

Gross profit in the **Metallurgy Division** amounted to 18,755 thousand euro in 2020 compared to 20,259 thousand euro in 2019. The decrease (-7.4%) was mainly attributable to the SMA Industrial business, which was heavily penalised by the dual effect of international tensions between the US and China and COVID-19 on the consumer electronics and automotive segments and only by the COVID-19 effect on the automotive segment. The gross margin decreased from 50.4% to 46.7%, due to the product mix (the drop in margins due to SMA Industrial businesses is partly offset by improved margins of the Electronic Devices and Security & Defence businesses, as a result of higher sales and related economies of scale).

Gross profit for the **Vacuum Technology Division** amounted to 6,713 thousand euro, up (+38.4%) compared to the result of 4,849 thousand euro in 2019. The gross margin increased from 50.5% in the previous year to 58.3% due to a different product mix, with increased sales in the particle accelerator sector, which is characterised by higher margins.

The gross profit of the **Specialty Chemicals Division** was 3,266 thousand euro, up (+17.4%) compared to 2,782 thousand euro in 2019. Margins increased (26.9% compared to 22.6% in the previous year), due both to higher sales of advanced getters for the mobile phone market and the consequent saturation of the related production line, and to the different mix in sales of essential organic getters. However, the 2019 financial year had been penalised by costs for the disposal of non-compliant products equal to 578 thousand euro, net of which both the gross profit and the gross margins would have been aligned with the current year (3,360 thousand euro, respectively, equal to 27.3% of consolidated revenues in 2019): sales pressure in the segment of advanced components for the mobile phone market was offset by the gradual consolidation of sales of dispensable dryers for passive matrix OLED applications in China and in Taiwan, characterised by higher margins.

The gross profit of the **Advanced Packaging Division** was -132 thousand euro, compared to -429 thousand euro in 2019. In 2019, some assets were written down in the amount of 307 thousand euro, relating to a project whose purpose was to modify part of the old plant in order to house the lacquering departments of the Division. The preliminary assessments of technical feasibility had pointed out objective technological limits to the possibility of carrying out the project as it had been conceived; hence the decision to interrupt the activities and move the investment to Roncello, where the production of the subsidiary SAES Coated Films is located.

The **unallocated cost of sales**, equal to 442 thousand euro (3 thousand euro in 2019), mainly refers to costs³ incurred for a project to renovate and modernise some production units at the Lainate plant.

The following table shows the operating result for 2020 and 2019, and the changes occurring in the period:

(thousands of euro)

| Business Unit | 2020 | 2019 | Total difference | Total difference % |
|-----------------------|----------------|----------------|------------------|--------------------|
| Metallurgy | 12,010 | 13,422 | (1,412) | -10.5% |
| Vacuum Technology | 3,861 | 1,950 | 1,911 | 98.0% |
| Medical | (200) | (250) | 50 | 20.0% |
| Specialty Chemicals | 1,650 | 1,933 | (283) | -14.6% |
| Advanced Packaging | (1,122) | (1,618) | 496 | 30.7% |
| Not Allocated | (23,776) | (20,103) | (3,673) | -18.3% |
| Gross profit | (7,577) | (4,666) | (2,911) | -62.4% |
| <i>% on net sales</i> | <i>-11.9%</i> | <i>-7.5%</i> | | |

² Calculated as the ratio between gross industrial profit and net revenues.

³ Costs totalling 439 thousand euro.

2020 recorded an **operating loss** of -7,577 thousand euro, against -4,666 thousand euro the previous year: the increase in the loss is mainly due to the higher costs incurred to cope with the emergency caused by the COVID-19 pandemic (in particular, the cost of sanitising and adapting entrances and spaces to ensure the safety of workers, health prevention costs, consultancy and training costs, as well as donations to research centres working on the front line against COVID-19 and the Italian Civil Protection) of 1,203 thousand euro, to higher general and administrative expenses due to an increase in consultancy for the development of information systems and to higher maintenance costs due to a project for the renovation and modernisation of certain production departments at the Lainate plant.

Research and development expenses amounted to 7,433 thousand euro, slightly down compared to 7,752 thousand euro in 2019 (-4.1%), mainly due to lower consultancy and costs for materials.

Sales costs recorded a decrease of 1,144 thousand euro, mainly attributable to lower sales commissions (decreased by -496 thousand euro) paid on sales of SMA trained wire, in addition to lower travel expenses and lower marketing costs due to the COVID-19 pandemic.

General and administrative expenses increased by 2,974 thousand euro. This change is affected by non-recurring costs, equal to 589 thousand euro, incurred to manage the COVID-19 emergency (in particular, costs for sanitisation and adaptation of access points and workspaces to ensure employee safety, in addition to preventive health care and consultancy and training costs). The increase in general and administrative expenses is also due to higher consultancy costs, in particular for the development of information systems to support the business, an increase in personnel costs and variable remuneration⁴ for Executive Directors, as well as depreciation for the Company's new Milan office.

The net income for the year includes the depreciation of property, plant and equipment and the amortisation of intangible and leased assets amounting to 4,854 thousand euro, compared to 4,450 thousand euro in the previous year. Depreciation on the new leased offices of the Company in Milan is reported in the year 2020 only.

Dividends, net financial income (expenses) and net gains (losses) on exchange rates totalled 10,395 thousand euro in 2020, compared to 19,998 thousand euro in the previous year. In 2020, the company wrote down equity investments and made provisions for risks on equity investments of 442 thousand euro, while it recorded lower expected losses on cash and cash equivalents in application of IFRS 9 of 26 thousand euro. In 2019, the value of impairment losses and provisions for risks on equity investments amounted to 1,496 thousand euro, while the recognition of lower expected losses on cash and cash equivalents in application of IFRS 9 amounted to 6 thousand euro.

2020 therefore closed with an **EBIT** of 2,402 thousand euro, down against 13,841 thousand in the previous year.

Income taxes for the year recorded a negative balance (cost) of 150 thousand euro against a positive balance (income) of 178 thousand euro in 2019.

The **result for discontinued operations** in 2020 was zero. In 2019, the profit from discontinued operations amounted to 396 thousand euro and mainly comprised 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, presented in April 2019.

2020 therefore closed with a **profit for the year** of 2,252 thousand euro against a profit of 14,416 thousand euro in 2019.

⁴In particular, provision for three-year monetary incentive plans, expiring at the end of the 2020 financial year.

Financial position – Investments – Other information

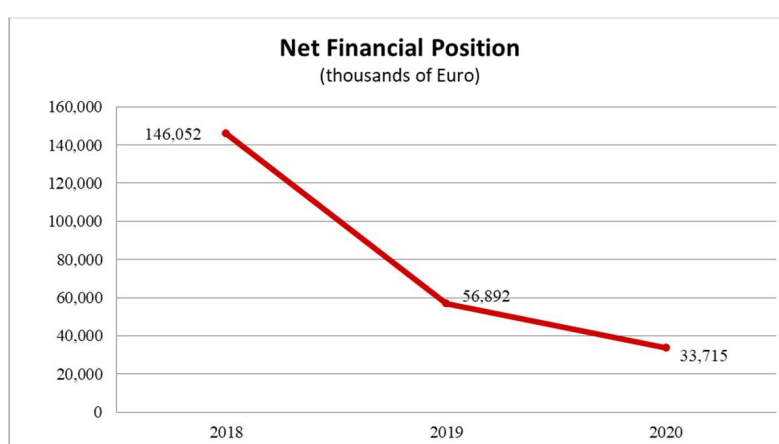
A breakdown of the items making up the net financial position is provided below:

(thousands of euro)

| | December 31, 2020 | December 31, 2029 | Difference |
|---|----------------------|----------------------|-----------------|
| Cash on hands | 3 | 5 | (2) |
| Cash equivalents | 2,776 | 16,986 | (14,210) |
| Cash and cash equivalents | 2,779 | 16,991 | (14,212) |
| Other current financial assets | 11 | 0 | 11 |
| Related parties current financial assets * | 142,518 | 141,482 | 1,036 |
| Current financial assets | 142,529 | 141,482 | 1,047 |
| Bank overdraft | (32,514) | (27,009) | (5,505) |
| Current portion of long term debt | (5,120) | (5,100) | (20) |
| Derivative financial instruments measured at fair value | (33) | (50) | 17 |
| Other current financial liabilities * | (6,941) | (3,210) | (3,731) |
| Other financial debt | (2) | (0) | (2) |
| Current financial liabilities for leases | (705) | (412) | (293) |
| Current financial liabilities | (45,315) | (35,781) | (9,534) |
| Current net financial position | 99,993 | 122,691 | (22,698) |
| Related parties non current financial assets ** | 49 | 4,208 | (4,159) |
| Securities - long term | 31,241 | 30,884 | 357 |
| Non current financial assets | 31,290 | 35,092 | (3,802) |
| Long term debt, net of current portion | (95,232) | (100,352) | 5,120 |
| Non current financial liabilities for leases | (2,336) | (539) | (1,797) |
| Non current financial liabilities | (97,568) | (100,891) | 3,323 |
| Non current net financial position | (66,278) | (65,799) | (479) |
| Net financial position | 33,715 | 56,892 | (23,177) |

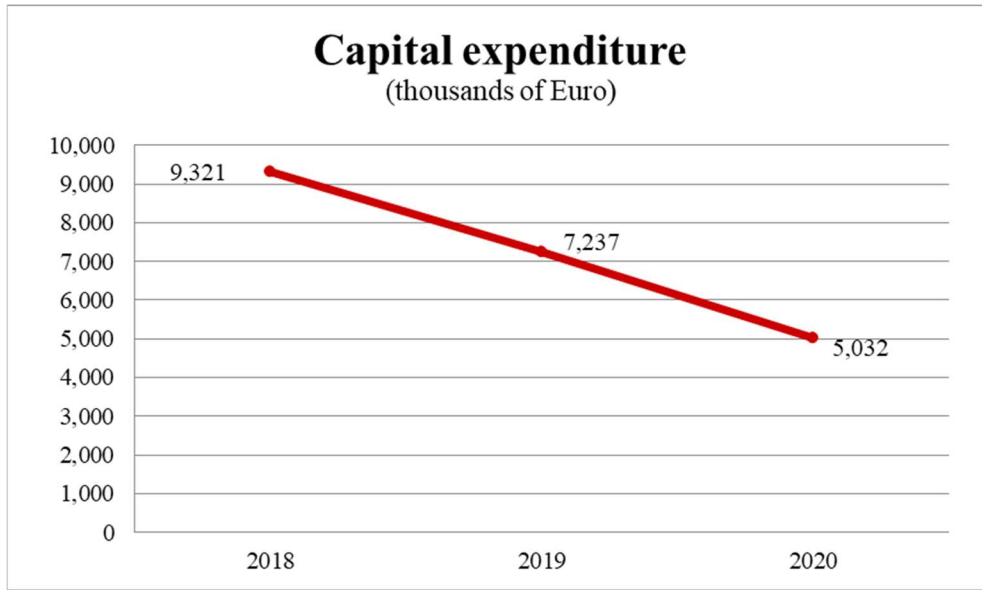
* It includes current liabilities and receivables versus controlled and related companies

** It includes non current financial receivables from controlled and related companies



The **net financial position** as at December 31, 2020 recorded a positive balance of 33,715 thousand euro, down compared to a balance of 56,892 thousand euro in the previous year.

Compared to December 31, 2019, the decrease in the net financial position (-23,177 thousand euro) is mainly due to investments in property, plant and equipment (-5,130 thousand euro), investments in companies of the SAES Group (-9,572 thousand euro) and in the venture capital fund EUREKA! (-312 thousand euro) and the payment of dividends in May (-9,198 thousand euro).

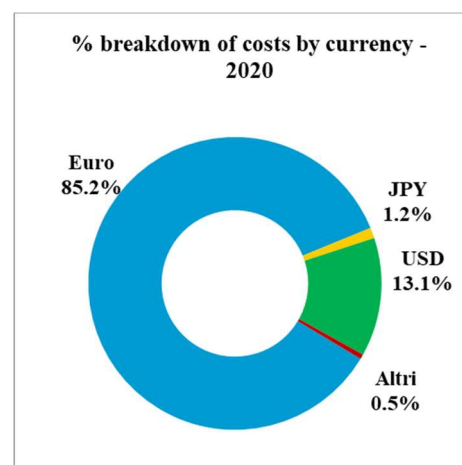
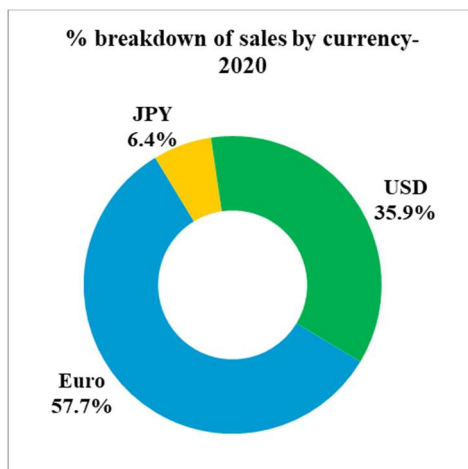


In 2020, property, plant and equipment increased by 5,032 thousand euro compared to 7,237 thousand euro in 2019.

The main investments in 2020 concerned the upgrade of the line in Avezzano for the production of advanced getters for the consumer electronics market, as well as for the purchase of new equipment at the Lainate plant especially dedicated to the electronic device business (a new sputtering machine), in the SMA Industrial business (a new wire-drawing machine and a new SMA rewinder) and in the vacuum systems sector (NEG coatings department). Lastly, SAES Getters S.p.A. made improvements to the Milan offices leased for the Corporate and Management functions.

For further details on the capital expenditure of 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:



Impact of the COVID-19 pandemic on results as at December 31, 2020

The COVID-19 crisis that began in China at the beginning of the year and spread to Northern Italy from the second half of February, later extending to almost all corners of the globe, had a strong impact on the Company in several areas: economic, organisational, financial. This paragraph provides details of the impact, highlighting the main sectors of the SAES market where such effects were felt and the decisions adopted by the company.

In particular, after a first quarter that saw a limited impact from the COVID-19 crisis and was even aided by moving inventory associated with the emergency, the second quarter saw the gradual reabsorption of these changes in inventory, added to which was the slowdown in certain sectors, particularly **SMA Industrial**, impacted by the negative effect of the pandemic on demand for high-end smartphones and in the automotive sector. The negative effect of COVID-19 also continued in the third quarter, with a partial recovery in the last part of the year. Other segments where sales were negatively impacted by COVID-19 were **vacuum pumps** (lower sales to research centers and universities, which slowed their operations during the lockdown), which, however, started to grow again in the second half of the year, mainly due to applications for particle accelerators, and thermal insulation (in particular, slowdown in demand for vacuum bottles and insulated pipes for oil industry applications).

On the other side, COVID-19 aided the growth in revenues in the segments for **electronic devices** (sales driven by demand for thermoscanners) and **medical imaging** (increase in demand in the medical imaging sector).

As precautionary containment of the COVID-19 epidemic, **the Lainate offices of the Company were closed from the afternoon of February 24 to February 28, 2020**, also in order to arrange the necessary risk containment measures and to draw up the COVID-19 operations protocol. Later, the plant returned to operation and the Avezzano plant was always operational, complying with all regulatory provisions in force to guarantee workplace safety and, where possible, encouraging recourse to remote working.

Also note that, on March 26, 2020, the Company reached an agreement with the trade union representatives regarding the use, for nine weeks from March 30, 2020, of the social shock absorbers envisaged in the “Cura Italia” Decree, DPCM of March 17, 2020 (**CIGO furlough scheme**) for a number of employees at the Lainate plant, with salary integration 40% supported by the company.

Moreover, on May 14, 2020, an understanding was reached with the trade unions for the **gradual return to work of employees** at the Lainate operating unit (150 presences per day at Lainate in June and July, alternating shifts with remote working). On the other hand **all employees returned to work** from the beginning of August and, again from that date, a remote working **pilot project** was launched on a voluntary basis for a period of 12 months, with maximum three days a week smart working for every employee participating in the project.

On October 27, 2020, the Company signed a new **agreement with union representatives** to define additional security measures to deal with the worsening of the COVID-19 pandemic. In particular, the agreement envisages the continuation of the remote working pilot project started at the beginning of August and the extension of remote working to 35 employees for a total of 2/3 days a week. This agreement was effective until December 31, 2020 and so far has not been renewed. Therefore, only the aforementioned remote working agreement signed in August 2020 remains in force, subject to further emergency regulatory measures and compatibly with the epidemiological situation.

Although the COVID-19 emergency had an impact on **Research & Development**, due to delays in the supply of raw materials and new plant components, the application of safety procedures and distancing measures, together with the focus on top priority activities, have made it possible to ensure an adequate performance of the experimental activities, also in person. However, some projects slowed down, particularly in the packaging sector, given the fundamental importance of the physical presence of technical personnel during the tests.

Due to the pandemic, the Company incurred **non-recurring expenses** equal to 594 thousand euro. These were costs for sanitisation and adaptation of access points and workspaces to ensure employee safety, as well as healthcare prevention expenses and consulting and training costs. On the other hand, **savings** from the use of the **CIGO** furlough scheme at the Lainate plant were equal to 54 thousand euro.

| Covid-19 one-offs | 2020 | | | | | |
|--|--------------|------------------------|--------------|------------------|--------------|------------|
| | Direct labor | Manufacturing overhead | R&D expenses | Selling expenses | G&A expenses | Total |
| Personnel cost | (8) | (12) | (25) | (4) | 68 | 19 (*) |
| Maintenance and repairs | 0 | 0 | 0 | 0 | 164 | 164 |
| Depreciation | 0 | 0 | 0 | 0 | 2 | 2 |
| Material and office material | 0 | 0 | 0 | 0 | 68 | 68 |
| Training | 0 | 0 | 0 | 0 | 3 | 3 |
| Consultant fees | 0 | 0 | 0 | 0 | 135 | 135 |
| Canteen, cleaning, vigilance | 0 | 0 | 0 | 0 | 145 | 145 |
| Transport, insurance, freight-direct | 0 | 0 | 0 | 0 | 2 | 2 |
| Other costs | 0 | 0 | 0 | 0 | 2 | 2 |
| Total extraordinary cost of sales and operating expenses Covid-19 | (8) | (12) | (25) | (4) | 589 | 540 |

(*) The amount is composed by:

- CIGO savings in Lainate plant, for -54 thousands of euro;
- additional personnel costs, for 73 thousands of euro.

Lastly, note that the Company made **donations** for a total of 691 thousand euro to research organisations operating on the front line in the battle against COVID-19, as well as to the Italian Civil Defence (the related costs are classified under “Other expenses”).

Lastly, it should be noted that the item “Other income” includes revenues of 28 thousand euro related to **the tax credit on sanitisation costs** (Italian Law Decree 34/2020, Article 125).

| Covid-19 one-offs | 2020 |
|---|--------------|
| Other income | 28 |
| Other expenses | (691) |
| Total other extraordinary income (expenses) Covid-19 | (663) |

The impact of COVID-19 on the financial markets caused a significant reduction in the value of securities in the portfolio during the first half of the year, amounting to approximately 1.3 million euro (-5.5%) as at June 30, 2020, fully reabsorbed during the second half of the year, which ended with an increase in the fair value of securities in the portfolio of approximately 350 thousand euro (+1.2%).

With regard to the determination of any **impairment of non-current assets**, the Directors, pursuant to paragraphs 9 and 12 of IAS 36, assessed the effects of the COVID-19 epidemic as an indicator of possible impairment. Therefore, both tangible fixed assets and intangible assets (including goodwill) and rights of use relating to leased assets, as well as equity investments measured using the equity method, were subject to impairment testing as at December 31, 2020. These tests did not reveal any need for write-downs.

As a result of the global economic and financial crisis caused by the COVID-19 pandemic, Management considered it appropriate to carry out additional tests for potential impairment of inventories of raw materials, semi-finished goods and finished products, as well as trade receivables considered no longer recoverable due to solvency problems of end customers. These tests did not reveal significant adjustments to either the net value of closing inventory or to the net value of trade receivables.

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 2020. 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.

Pursuant to the CONSOB communications of February 20, 1997 and February 28, 1998, as well as to IAS 24 revised, we report that also in 2020 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)

Sale of getters; purchase of finished products; income on the charge-back of centralised group services; charge-backs of centrally managed insurance costs; charge-backs of centrally managed audit costs; income on the charge-back of centralised group services; income resulting from the use of the “SAES” trademark; royalties for the use of *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 centralised 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 centralised 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 centralised 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 centralised 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 centralised 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.

SAES INNOVATIVE PACKAGING Srl (former E.T.C. S.r.l. in liquidation) – Lainate (Italy)

Income on the charge-back of general and administrative services; a cash pooling agreement is also in place. Lastly, note that SAES Innovative Packaging S.r.l., as a consolidated entity, is 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. (former Metalvuoto S.p.A.) – Roncello, MB & Lainate⁵, MI (Italy)

Income on the charge-back of research activities, commercial services, general and administrative services.

⁵ On June 1, 2018, SAES Coated Films S.p.A. opened a unit at Lainate, at the premises of the Parent Company.

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 (SAES Innovative Packaging S.r.l., SAES Getters/USA, Inc., SAES Getters Korea Corporation, SAES Getters (Nanjing) Co., Ltd., Spectra-Mat, Inc., SAES Smart Materials, Inc. and Memry Corporation).

The Company exercises management and coordination over SAES Innovative Packaging S.r.l., 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 2020 are commented upon in the Explanatory Notes, in the section analysing 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 summarised below:

(thousands of euro)

| Legal Entity | Reiceivables 2020 | Payables 2020 | Revenues 2020 | Expenses 2020 | Obligations 2020 (*) |
|---------------------------------------|----------------------|------------------|------------------|------------------|-------------------------|
| SAES Getters/USA, Inc. | 1,932 | 79 | 5,135 | 917 | 4,000 |
| Spectra-Mat, Inc. | 91 | 0 | 127 | 1 | 0 |
| SAES Getters Export, Corp | 0 | 0 | 0 | 0 | 0 |
| SAES Smart Materials, Inc. | 122 | 82 | 197 | 608 | 0 |
| Memry Corporation | 719 | 59 | 990 | 944 | 0 |
| SAES Getters Korea Corporation | 202 | 0 | 1,399 | 81 | 0 |
| SAES Getters (Nanjing) Co.Ltd. | 470 | 60 | 4,337 | 430 | 0 |
| Memry GmbH in liquidazione | 0 | 140 | 0 | 0 | 0 |
| SAES Getters International S.A. | 29 | 3,415 | 29 | 15 | 0 |
| SAES Innovative Packaging S.r.l. (**) | 10 | 2,720 | 10 | 1 | 448 |
| SAES Nitinol S.r.l. | 123 | 627 | 10 | 1 | 0 |
| SAES Coated Films S.p.A. | 372 | 31 | 1,035 | 11 | 90 |
| SAES Investments S.A. | 141,562 | 162 | 295 | 162 | 0 |
| SAES RIAL Vacuum S.r.l. | 368 | 18 | 996 | 198 | 0 |
| Actuator Solutions GmbH | 252 | 0 | 791 | 300 | 1,317 |
| Flexterra, Inc. | 46 | 0 | 47 | 0 | 0 |
| Total | 146,299 | 7,393 | 15,400 | 3,668 | 5,855 |

(*) It includes guarantees issued by SAES Getters S.p.A.

(**) co-obligation of SAES Getters S.p.A. in guarantee of E.T.C. S.r.l. in liquidation (now SAES Innovative Packaging S.r.l.) for VAT refund 2017

With reference to the definition of "Related Party" included in IAS 24 revised, the following Related Parties were identified as at December 31, 2020:

- **S.G.G. Holding S.p.A.**, relative majority shareholder that as at December 31, 2020 held 34.44%⁶ of the ordinary shares of SAES Getters S.p.A. On April 29, 2020, SGG Holding S.p.A. collected dividends from SAES Getters S.p.A. for a total of 2.5 million euro.

It should be noted that the payable of SGG Holding S.p.A. to SAES Getters S.p.A. for the request⁷ for reimbursement of the IRES surplus paid in previous years (272 thousand euro as at December 31, 2019) no longer exists following the repayment of 144 thousand euro received from the Revenue Agency in May 2020 and transferred by SGG Holding S.p.A. to SAES Getters S.p.A. in June of that year. The residual credit of SAES Getters S.p.A. for the difference (equal to 128 thousand euro) was written off as it cannot be recovered.

- **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.

With regard to Actuator Solutions GmbH, in the first half of 2020, the Company had a commercial relationship (sale of raw materials and semi-finished products) and performed various services (in particular, development services and accessory/administrative activities), which are charged back under a service contract. Moreover, there is a sales agreement in place between the Company and Actuator Solutions GmbH that envisages recognition to the joint venture of sales commissions on SMA wire procured for SAES Getters S.p.A. from the business activities of Actuator Solutions.

Finally, please note that the subsidiary SAES Nitinol S.r.l. granted several loans to the joint venture Actuator Solutions GmbH. As at December 31, 2020, the financial liability of Actuator Solutions GmbH towards SAES Nitinol S.r.l. was equal to 10.1 million euro, including 2.1 million euro of interest accrued and not yet paid.⁸ The total amount of financial credit (both principal and interest) held by SAES Nitinol S.r.l. on the German joint venture has already been written off at the end of the previous financial period; at December 31, 2020, an additional write-down was made on the financial credit corresponding to the interest accrued in the current year (0.5 million euro) since SAES management believes it is unlikely to be recovered.

It should be noted that, in September 2020, the companies Actuator Solutions Taiwan Co., Ltd. and Actuator Solutions (Shenzhen) Co., Ltd., wholly-owned subsidiaries of Actuator Solutions GmbH, completed the winding-up process, which had been started at the end of 2019. SAES Getters S.p.A. carried out no transactions with either company during the current 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 research and for industrial systems and devices.

The Company has business relationships with SAES RIAL Vacuum S.r.l. (purchase and sale of raw materials, components and processing for the production of vacuum systems) and performs various services for this, mainly sales, marketing activities and administrative support, which are charged back under a service agreement. Finally, SAES Getters S.p.A. granted a loan of 49 thousand euro⁹, 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 the 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, and assistance in joint venture research and development activities, including the management of patents. These services are charged back under a service fees contract. Lastly, on July 16, 2020, SAES Getters International Luxembourg S.A. signed a convertible loan with a value of \$3 million in favour of the joint venture Flexterra, Inc., to be repaid in cash at the end of one year (maturity date) or earlier, if certain significant events occur, including the liquidation of Flexterra and change of control. The loan will accrue interest at 8% per year. As well as by cash, the repayment can be in the form of equity if Flexterra arranges a qualified capital stock increase for a value of at least \$6 million before the maturity date. In this case, SAES Getters International Luxembourg S.A. will receive a number of new shares equal to the quota

⁶ At December 31, 2020, 2,819,773 ordinary shares held by SGG Holding had accrued the increase and, therefore, SGG Holding held 45.01% of the voting rights (percentage calculated also including the voting rights of the treasury shares held by SAES Getters S.p.A.).

⁷ Request presented by SGG Holding S.p.A. as consolidator under the Italian tax consolidation system in place at December 31, 2014, on behalf of the incorporated SAES Advanced Technologies S.p.A.

⁸ On December 31, 2020, SAES Nitinol S.r.l. and Actuator Solutions GmbH signed an agreement to postpone to December 31, 2021 the payment of all interest accrued from 2016 to 2020 on loans granted by SAES, in several tranches, to the joint venture.

⁹ As at December 31, 2020, the financial receivable due to SAES Getters S.p.A. by the joint venture SAES RIAL Vacuum S.r.l. was equal to 50 thousand euro (49 thousand euro principal and 1 thousand euro interest).

obtained by dividing the balance of the loan at the conversion date by a value of 80% of the price per share paid by other shareholders at the time of the capital increase.

The related financial receivable of SAES Getters International Luxembourg SA was written off as at December 31, 2020 since Flexterra's 2021-2025 plan does not provide for its recovery in the five-year period.

- **Key Managers**, 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, the Group Legal/Compliance & Internal Audit Manager and the ¹⁰Group Research Lab Manager are also considered key managers. Their close relatives are also considered connected parties. In this respect, it should be noted that, as at December 31, 2020, Ginevra della Porta and Lorenzo della Porta, children of Massimo della Porta, were employed by SAES Getters S.p.A. and the subsidiary SAES Coated Films S.p.A., respectively.

The following table shows the total values of related party transactions in 2020 and 2019.

| (thousands of euro) | | | | | | | | | | | | | | | |
|-------------------------|-------------------|--------------------|-----------------------------------|------------------|-------------------------------------|-----------------------------------|------------------|-------------------------------------|--------------|-------------------------|-----------------------------|-------------------|---------------|---|-----------------------|
| December 31, 2020 | Expenses recharge | | | | | | | | | Other income (expenses) | Financial income (expenses) | Trade receivables | Trade payable | Tax consolidated on receivables from Parent Company | Financial receivables |
| | Net sales | Cost of goods sold | Research and development expenses | Selling expenses | General and administrative expenses | Research and development expenses | Selling expenses | General and administrative expenses | | | | | | | |
| S.G.G. Holding S.p.A. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SAES RIAL Vacuum S.r.l. | 975 | (198) | 0 | 0 | 0 | 0 | 10 | 10 | 0 | 1 | 318 | (18) | 0 | 50 | |
| Actuator Solutions GmbH | 709 | 0 | 0 | 0 | 0 | 40 | 0 | 42 | (300) | 0 | 252 | 0 | 0 | 0 | |
| Flexterra, Inc. | 0 | 0 | 0 | 0 | 0 | 25 | 0 | 22 | 0 | 0 | 47 | 0 | 0 | 0 | |
| Total | 1.685 | (198) | 0 | 0 | 0 | 65 | 10 | 74 | (300) | 1 | 618 | (18) | 0 | 50 | |

| (thousands of euro) | | | | | | | | | | | | | | | |
|--|-------------------|--------------------|-----------------------------------|------------------|-------------------------------------|-----------------------------------|------------------|-------------------------------------|-------------|-------------------------|-----------------------------|-------------------|---------------|---|-----------------------|
| December 31, 2019 | Expenses recharge | | | | | | | | | Other income (expenses) | Financial income (expenses) | Trade receivables | Trade payable | Tax consolidated on receivables from Parent Company | Financial receivables |
| | Net sales | Cost of goods sold | Research and development expenses | Selling expenses | General and administrative expenses | Research and development expenses | Selling expenses | General and administrative expenses | | | | | | | |
| S.G.G. Holding S.p.A. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 272 | 0 | |
| SAES RIAL Vacuum S.r.l. | 25 | 204 | 15 | 0 | 0 | 0 | 10 | 10 | 0 | 1 | 27 | 92 | 0 | 50 | |
| Actuator Solutions GmbH | 891 | 0 | 0 | 0 | 0 | 40 | 1 | 42 | 0 | 0 | 69 | 0 | 0 | 0 | |
| Actuator Solutions Taiwan Co., Ltd in liquid | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Flexterra, Inc. | 0 | 0 | 0 | 0 | 0 | 42 | 0 | 88 | (25) | 0 | 130 | 0 | 0 | 0 | |
| Total | 921 | 204 | 15 | 0 | 0 | 82 | 11 | 140 | (25) | 1 | 225 | 92 | 272 | 50 | |

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

| (thousands of euro) | | | |
|--|-------------------|-------------------|------------|
| | December 31, 2020 | December 31, 2019 | Difference |
| Short term employee benefits | 3,967 | 3,918 | 49 |
| Post employment benefits | 0 | 0 | 0 |
| Other long term benefits | 1290 | 682 | 608 |
| Termination benefits | 1740 | 1,909 | (169) |
| Payments in shares | 0 | 0 | 0 |
| Other benefits | 0 | 0 | 0 |
| Total remuneration provided to managers with strategic responsibilities | 6,997 | 6,509 | 488 |

The item “Short-term employee benefits” mainly consists of fixed and variable remuneration of the key managers. The increase on last year is due to the appointment of a new Key Manager from January 1, 2020, which was not sufficiently offset by the reduction in the short-term variable remuneration of the two Executive Directors in 2020 compared to the previous year.

¹⁰ The Group Research Lab Manager became a Key Manager with effect from January 1, 2020.

The increase in the item “Other long-term benefits” is due to the increased provision for the three-year monetary incentive plans for executive directors, expiring at the end of 2020.

Despite the higher allocation for Severance Indemnity for Executive Directors deriving from the increase in their long-term variable remuneration¹¹, the item "Termination benefits" decreased compared to the previous year, when it included severance costs relating to Key Managers of the Company who resigned.

Note that the item "Termination benefits" also includes the allocation for the phantom shares incentive plan (see Note 30).

As at December 31, 2020, the amount due to key managers of the Company was equal to 7,121 thousand euro, against 5,237 thousand euro as at December 31, 2019. The increase is mainly due to the 2020 provision for long-term monetary incentive plans; no payments were made during the current year.

Pursuant to the CONSOB communications of February 20, 1997 and February 28, 1998, as well as to IAS 24 (revised), it should be noted that also in 2020 all related-party transactions were carried out in the ordinary course of business, at economic and financial conditions in line with 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 illustrated in the “Report on Corporate Governance” drawn up by the Company, included in the financial statements and published on the Company’s website www.saesgetters.com, Investor Relations section, Corporate Governance sub-section.

Going concern

The financial statements are prepared on going concern assumptions given that, despite a difficult economic and financial environment caused by the COVID-19 epidemic, there are no significant uncertainties (as defined in paragraph no. 25 of IAS 1 – *Presentation of Financial Statements*) regarding business continuity. These conclusions were reached considering the evidence of the results achieved in 2020, the substantial stability of the Company's various businesses in terms of profitability and cash flows generated, the maintenance of a positive financial position during the year and also considering the forecasts for 2021, which, although still reflecting the effects of the pandemic, are positive.

The duration and extent of the **future spread of the COVID-19 pandemic** and its related economic and financial effects remain difficult to forecast and are subject to constant ongoing monitoring by the Company. 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 businesses considered essential, most importantly medical devices and food packaging, reduce the risk. In addition, the positive Net Financial Position as at December 31, 2020, along with the availability of unused credit lines, constitute a further guarantee of business continuity.

¹¹ The allocation for Severance Indemnity to Executive Directors is calculated as a percentage of both fixed and variable remuneration.

Subsequent events

On February 8, 2021, the Company entered into a term loan agreement for consideration in favour of SAES Coated Films S.p.A. by which it undertakes to provide the subsidiary with the financial support necessary to continue the industrial project.

The agreement provides for a maximum total principal amount to be disbursed equal to 5 million euro, which SAES Coated Films S.p.A. may request and repay to the Company in several tranches, throughout the duration of the loan.

The loan expires on December 31, 2021, a term that can be extended each year if neither party asks for a resolution.

On February 12, 2021, SAES Getters S.p.A. announced it had submitted an **offer to acquire 100% of the capital stock of Strumenti Scientifici Cinel S.r.l. (CINEL)**, an established international player in the sector of components and scientific instruments for synchrotrons and accelerators of parcels, based in the province of Padua. Having obtained the approval of the Board, the Company has formalised an offer, which will allow the parties to finalise the contractual agreements, the signature of which is expected by the end of March 2021. The offer envisages the purchase by SAES, directly or through a subsidiary, of 100% of CINEL. The price offered is around 19 million euro, to be paid to the CINEL shareholders, in proportion to the shares held, in a single tranche and in cash, already available to SAES. This consideration was set by calculating the equity value, adding the enterprise value (equal to 8 times the EBITDA obtained as the arithmetic average of the EBITDA resulting from the financial statements approved for the years 2019 and 2020, possibly correcting for non-recurring components) to the net financial position (NFP) as at December 31, 2020. The difference between NFP and net working capital (NWC) at the closing, compared to December 31, 2020, will be used as a price adjustment.

The premises currently used by CINEL, already sold to another company, will be leased through a special six-year contract, which may be renewed at the same conditions, for a period at least as long, for a total annual fee of 126 thousand euro.

The deed of transfer of shares will also regulate the commitment of the shareholders Aldo Bongiovanni and Sergio Bongiovanni to continue to work with SAES as Directors or consultants for at least three years, in order to guarantee business continuity.

The objective of the acquisition, for the Company, is to strengthen its competitive position in the vacuum sector, by expanding the product range for particle accelerators and synchrotrons, which is entirely Italian and at the forefront on a global scale.

Strumenti Scientifici Cinel S.r.l. achieved net revenues of approximately 7.6 million euro in 2020, with an EBITDA margin of 32.4%. In 2019, revenues amounted to 6.7 million euro, with an EBITDA margin of 23.2%. As at December 31, 2020, the shareholders' equity of the company amounted to 2.9 euro million, while the net financial position was positive for approximately 2.8 million euro. The company employs around 35 people.

With regard to the investment in the EUREKA! venture capital fund, on February 25, 2021 a further payment of 37 thousand euro was made, including both the portion of management commissions and fees, and the portion of an investment made by the fund in an innovative start-up, spin-off of the NEST lab of the Scuola Normale Superiore of Pisa and of the National Research Council, which has developed a diagnostic point-of-care system based on acoustic surface wave nanotechnological devices for the detection of molecules, focusing on the detection of brain trauma.

The Company's economic result will continue to be influenced by the trend in the exchange rate of the euro against the US dollar.

In order to protect the profit margins from the exchange rate fluctuation, on March 9, 2021, forward contracts were taken out on the US dollar for a notional value of \$6.7 million, with an average forward exchange rate of 1.1957 to the euro. These contracts will extend for the remainder of the 2021 financial year.

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 Annual financial statements of SAES Getters S.p.A., as at December 31, 2020, 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, 2020;

resolves

- to approve the Financial statements of SAES Getters SpA as at December 31, 2020, which closed with a profit for the year of 2,252,076.90 euro;
- to distribute in full the net profit for the year, net of unrealised net gains on exchange rates pursuant to Article 2426, paragraph 8-bis of the Italian Civil Code, for a total net amount of 2,252,076.90 euro, subject to rounding, and therefore by assigning, to satisfy the rights due to savings shares and ordinary shares, in accordance with Article 26 of the Articles of Association: (i) a dividend of 0.138549 euro per savings share, by way of full recognition of the preferred dividend for 2020, as well as (ii) a dividend of 0.114171 euro per ordinary share, acknowledging that this complies with the rule of the minimum increase of 3% of the implied book value due to savings shares over ordinary shares;
- to distribute a portion of the "Retained earnings" available reserve of 5,187,787.49 euro to ordinary and savings shares, by assigning a dividend of 0.285829 euro per savings share and per ordinary share;

| | euro |
|--|---------------------|
| Net Income for the period | 2,252,076.90 |
| (Net exchange gains - unrealised and undistributable) | 0.00 |
| Distributable Net Income for the period | 2,252,076.90 |
| From distributable Net Income for the period: | |
| To the savings shares only, pursuant to art. 26 of the Articles of Association, as full recognition of the preferred dividend for 2020 | |
| - euro 0.138549 for each n. 7.378.619 savings shares | 1,022,300.28 |
| Only ordinary shares pursuant to art. 26 of the Articles of Association | |
| - euro 0.114171 for each n. 10.771.350 ordinary shares | 1,229,775.80 |
| - euro roundings | 0.82 |
| | 2,252,076.90 |
| From Retained Earnings | |
| in equal measure to savings and ordinary shares | |
| - euro 0.285829 for each n. 7.378.619 savings shares | 2,109,023.29 |
| - euro 0.285829 for each n. 10.771.350 ordinary shares | 3,078,764.20 |
| | 5,187,787.49 |
| For a total dividend of: | |
| - euro 0.424378 for each n. 7.378.619 savings shares | 3,131,323.57 |
| - euro 0.400000 for each n. 10.771.350 ordinary shares | 4,308,540.00 |
| For a total maximum distribution of euro: | 7,439,863.57 |

- the calculation of ordinary shares does not include the 3,900,000 treasury shares of the Company. The Company cannot sell them because, in compliance with Article 2357-ter, the Shareholders' Meeting did not authorise their sale.

- to place the payment of these amounts in favour of entitled ordinary and savings shares, which will be in circulation as at April 27, 2021 (Record date) effective from April 28, 2021, with detachment of coupon no. 37; the security will be traded ex-dividend from April 26, 2021;

- to make any rounding off made at the time of payment 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 11, 2021

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, 2020**

Statement of profit or loss

| (euro) | Notes | 2020 | 2019 |
|--|-------|---------------------|---------------------|
| Third party net sales | | 53,737,011 | 51,805,309 |
| Intercompany net sales | | 10,116,595 | 10,261,149 |
| Total net sales | 4 | 63,853,606 | 62,066,458 |
| Third party cost of sales | | (33,396,179) | (32,274,220) |
| Intercompany cost of sales | | (2,297,397) | (2,328,012) |
| Total cost of sales | 5 | (35,693,576) | (34,602,232) |
| Gross profit | | 28,160,030 | 27,464,226 |
| Research & development expenses | 6 | (7,432,781) | (7,751,623) |
| Selling expenses | 6 | (6,207,182) | (7,351,182) |
| General & administrative expenses | 6 | (23,633,332) | (20,659,904) |
| Write-down of trade receivable | 6 | (52,332) | 470 |
| Total operating expenses | | (37,325,627) | (35,762,239) |
| Intercompany royalties | | 862,135 | 964,031 |
| Other third party income (expenses), net | | (987,800) | 375,282 |
| Other intercompany income (expenses), net | | 1,714,618 | 2,292,468 |
| Total other income (expenses), net | 7 | 1,588,953 | 3,631,781 |
| Operating income (loss) | | (7,576,644) | (4,666,232) |
| Dividends | 8 | 11,257,181 | 19,457,326 |
| Third party financial income | | 1,155,112 | 1,447,284 |
| Intercompany financial income | | 331,520 | 354,021 |
| Total financial income | 8 | 1,486,632 | 1,801,305 |
| Third party financial expenses | | (1,835,254) | (1,024,925) |
| Intercompany financial expenses | | (179,005) | (180,611) |
| Total financial expenses | 8 | (2,014,259) | (1,205,536) |
| Foreign exchange gains (losses), net | 9 | (334,876) | (55,262) |
| Writedown of investmens | 10 | (416,207) | (1,490,452) |
| Income before taxes | | 2,401,827 | 13,841,149 |
| Income taxes | 11 | (149,750) | 178,242 |
| Current taxes | | (891,206) | (309,757) |
| Deferred taxes | | 741,456 | 487,999 |
| Net income (loss) from continued operations | | 2,252,077 | 14,019,391 |
| Net income (loss) from discontinued operations | 12 | 0 | 396,459 |
| Net income (loss) | | 2,252,077 | 14,415,850 |

Statement of profit or loss and of other comprehensive income

| (euro) | Notes | 2020 | 2019 |
|--|-------|------------------|-------------------|
| Net income (loss) for the period | | 2,252,077 | 14,415,850 |
| Income (loss) from transactions with Group Companies | 23 | | |
| Actuarial gain (loss) on defined benefit plans | 26 | 84,535 | (350,573) |
| Income tax | | (20,288) | 84,138 |
| Actuarial gain (loss) on defined benefit plans, net of taxes | | 64,247 | (266,435) |
| Equity transaction costs related to equity method evaluated companies | | (109,666) | 0 |
| Total components that will not be reclassified to the profit (loss) in subsequent periods | | (45,419) | (266,435) |
| Other comprehensive income (loss), net of taxes | | (45,419) | (266,435) |
| Total comprehensive income (loss), net of taxes | | 2,206,658 | 14,149,415 |

Statement of financial position

| | Notes | December 31, 2020 | December 31, 2019 |
|---|-------|----------------------|----------------------|
| ASSETS | | | |
| Non Current Assets | | | |
| Property, plant and equipment, net | 13 | 35,525,088 | 34,438,995 |
| Intangible assets, net | 14 | 258,398 | 408,497 |
| Right of use | 15 | 2,885,101 | 948,380 |
| Investments and other financial activities | 16 | 128,230,252 | 118,756,020 |
| Securities | 17 | 31,241,355 | 30,884,033 |
| Deferred tax assets | 18 | 2,637,009 | 1,915,841 |
| Intercompany financial credits | 22 | 49,000 | 4,207,833 |
| Non current tax consolidation receivables | 23 | 0 | 272,136 |
| Other long term assets | 19 | 1,169,135 | 69,451 |
| Total Non Current Assets | | 201,995,338 | 191,901,186 |
| Current Assets | | | |
| Inventory | 20 | 8,881,699 | 8,636,856 |
| Third party trade receivables | | 6,777,618 | 6,228,275 |
| Intercompany trade receivables | | 3,522,280 | 3,612,268 |
| Trade receivables | 21 | 10,299,898 | 9,840,543 |
| Derivative instruments evaluated at fair value | 32 | 0 | 0 |
| Intercompany financial credits | 22 | 142,518,151 | 141,481,657 |
| Tax consolidation receivables | 23 | 209,788 | 522,320 |
| Prepaid expenses, accrued income and other | 24 | 3,144,111 | 2,551,520 |
| Other financial receivables towards third parties | 25 | 11,238 | 0 |
| Cash and cash equivalents | 26 | 2,778,888 | 16,990,735 |
| Total Current Assets | | 167,843,773 | 180,023,631 |
| Total Assets | | 369,839,111 | 371,924,817 |

| | Notes | December 31, 2020 | December 31, 2019 |
|---|-------|----------------------|----------------------|
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| Capital stock | | 12,220,000 | 12,220,000 |
| Share issue premium | | 25,724,211 | 25,724,211 |
| Tresury shares | | (93,382,276) | (93,382,276) |
| Legal reserve | | 2,444,000 | 2,444,000 |
| Sundry reserves and retained earnings | | 250,982,124 | 245,809,355 |
| Net income (loss) for the period | | 2,252,077 | 14,415,850 |
| Shareholders' Equity | 27 | 200,240,136 | 207,231,140 |
| Non Current Liabilities | | | |
| Non current financial liabilities | 28 | 95,231,679 | 100,351,693 |
| Financial liabilities for leases | 29 | 2,336,028 | 539,299 |
| Staff leaving indemnity and other employee benefits | 30 | 5,530,021 | 6,986,816 |
| Non current provisions | 31 | 780,194 | 722,033 |
| Total Non Current Liabilities | | 103,877,922 | 108,599,841 |
| Current Liabilities | | | |
| Third party trade payables | | 7,723,316 | 10,102,805 |
| Intercompany trade payables | | 303,679 | 415,544 |
| Trade payables | 32 | 8,026,995 | 10,518,349 |
| Derivative financial instruments measured at fair value | 35 | 32,546 | 50,146 |
| Intercompany financial payables | 33 | 6,941,067 | 3,209,937 |
| Financial liabilities for leases | 29 | 704,937 | 411,703 |
| Other payables | 34 | 9,671,348 | 6,965,696 |
| Income taxes payables | 36 | 197,079 | 163,419 |
| Current provisions | 31 | 2,511,119 | 2,665,318 |
| Bank overdraft | 37 | 32,513,485 | 27,009,315 |
| Current portion of long term debt | 28 | 5,120,014 | 5,099,803 |
| Other Financial Debts | | 2,463 | 150 |
| Total Current Liabilities | | 65,721,053 | 56,093,836 |
| Total Liabilities and Shareholders' Equity | | 369,839,111 | 371,924,817 |

Cash flow statement

| (euro) | 2020 | 2019 |
|---|---------------------|---------------------|
| Cash flows from operating activities | | |
| Net income (loss) from continued operations | 2,252,077 | 14,019,391 |
| Net income (loss) from discontinued operations | 0 | 396,459 |
| Current income taxes (*) | 604,206 | 309,757 |
| Changes in deferred income taxes | (741,456) | (487,999) |
| Depreciation of financial leased assets | 680,297 | 514,132 |
| Depreciation | 3,926,388 | 3,696,728 |
| Write-down (revaluation) of property, plant and equipment | 3,775 | 307,920 |
| Amortization | 248,098 | 239,042 |
| Net loss (gain) on disposal of assets | (32,179) | (2,339) |
| Capital gain on purification business disposal | 0 | (396,459) |
| Write-down of trade receivables | 52,332 | (470) |
| Write-down of investments and financial receivables in subsidiaries | 416,207 | 1,490,452 |
| Other income from equity investments | (11,257,181) | (19,457,326) |
| Other non-monetary costs (revenues) | 3,041 | 0 |
| Interest and other financial (income) expenses, net | 527,627 | (595,769) |
| Accrual for termination indemnities and similar obligations | 1,459,686 | 1,114,982 |
| Changes in provisions | 519,914 | 958,966 |
| | (1,337,168) | 2,107,467 |
| Working capital adjustments | | |
| <i>Account receivables and other receivables</i> | | |
| Account receivables and other receivables | (1,226,805) | 2,282,207 |
| Inventory | (244,843) | (1,094,856) |
| Account payables | (2,491,354) | 2,276,890 |
| Other current payables | (310,615) | (2,030,101) |
| | (4,273,617) | 1,434,140 |
| Payment of termination indemnities and similar obligations | (148,194) | (491,658) |
| Interests and other financial payments | (492,445) | (312,461) |
| Interests and other financial receipts | 331,750 | 386,510 |
| Taxes paid | 375,653 | (443,928) |
| Net cash flows from operating activities | (5,544,021) | 2,680,070 |
| Cash flows from investing activities | | |
| Increase of investments in controlled companies | (4,700,147) | (5,726,509) |
| Decrease of investments in controlled companies | 0 | 10,000,000 |
| Purchase for tangible assets | (5,031,798) | (7,236,659) |
| Proceeds from sale of tangible and intangible assets | 47,659 | 2,976,229 |
| Purchase of intangible assets | (97,999) | (49,024) |
| Income from securities, net of management fees | 750,363 | 530,772 |
| Dividends received, net of withheld | 10,635,314 | 18,697,474 |
| Purchase of securities, net of disinvestments | 0 | (30,000,000) |
| Investments in other companies | (311,760) | 0 |
| Adjustment on the consideration for the purification business disposal | 0 | (124,770) |
| Transfer of credit from SAES Coated Films S.p.A. | (1,100,000) | 0 |
| Net cash flows from investing activities | 191,632 | (10,932,487) |
| Cash flows from financing activities | | |
| Proceeds from long term financial liabilities, current portion included | 0 | 92,734,700 |
| Proceeds from short term financial liabilities | 5,500,000 | 0 |
| Dividends payment | (9,197,661) | (16,579,996) |
| Purchase of treasury shares and related accessory costs | 0 | (93,382,000) |
| Interests paid on long term financial liabilities | (1,221,513) | (799,049) |
| Interests paid on short term financial liabilities | (193,759) | (20,659) |
| Other costs paid | (28,353) | (35,881) |
| Repayment of financial liabilities | (5,119,404) | (5,108,291) |
| Long-term financial receivables from related parties (granted) repaid over the period | 2,191 | (4,158,833) |
| Change in financial receivables/ payables to related parties (cash pooling) | (948,940) | 3,196,413 |
| Change in loan to/from related parties | 2,873,859 | 9,418,272 |
| Other financial payables | 2,463 | (9,614) |
| Repayment of financial liabilities for leased assets | (530,248) | (511,498) |
| Interests paid on leased assets | (18,752) | (6,634) |
| Net cash flows from financing activities | (8,880,117) | (15,263,070) |
| Net foreign exchange differences | 0 | (269) |
| Net (decrease) increase in cash and cash equivalents | (14,232,506) | (23,515,756) |
| Cash and cash equivalents at the beginning of the period | 17,013,278 | 40,529,034 |
| Cash and cash equivalents at the end of the period | 2,780,772 | 17,013,278 |

Statement of changes in shareholders' equity as at December 31, 2020

(thousands of euro)

| | Capital stock | Share issue premium | Treasury Shares | Legal reserve | Sundry reserves and retained earnings | | | | Net income (loss) for the period | Total shareholders' equity |
|--|---------------|---------------------|-----------------|---------------|---------------------------------------|---------------------|-----------------------------------|----------------|----------------------------------|----------------------------|
| | | | | | Other reserves in suspension of tax | Revaluation reserve | Altre riserve e risultati a nuovo | Total | | |
| Balance at December 31, 2019 | 12,220 | 25,724 | (93,382) | 2,444 | 138 | 2,615 | 243,056 | 245,809 | 14,416 | 207,230 |
| Allocation Fiscal year 2019 net profit | | | | | | | 14,416 | 14,416 | (14,416) | 0 |
| Dividends paid | | | | | | | (9,198) | (9,198) | | (9,198) |
| Purchase of Treasury shares | | | | | | | | | | 0 |
| Accessory costs on purchase of treasury shares | | | | | | | | | | 0 |
| Income (loss) from transactions with Group companies | | | | | | | | | | 0 |
| Net income for the period | | | | | | | | | 2,252 | 2,252 |
| Other comprehensive income (loss) | | | | | | | (45) | (45) | | (45) |
| Balance at December 31, 2020 | 12,220 | 25,724 | (93,382) | 2,444 | 138 | 2,615 | 248,229 | 250,982 | 2,252 | 200,240 |

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 | | | | Net income (loss) for the period | Total shareholders' equity |
|--|---------------|---------------------|-----------------|---------------|---------------------------------------|---------------------|----------------|----------------|----------------------------------|----------------------------|
| | | | | | Other reserves in suspension of tax | Revaluation reserve | Other | Total | | |
| 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) | | | | | | | (89,700) |
| Accessory costs on purchase of treasury shares | | | (3,682) | | | | | | | (3,682) |
| Income (loss) from transactions with Group companies | | | | | | | | | | 0 |
| Net income for the period | | | | | | | | | 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 |

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 world recession and the significant restructuring of the Group.

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.

The SAES Group is headquartered in Milan.

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 caused by the COVID-19 pandemic, 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, 2020 held 34.44% ¹of 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 income statement 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, 2020 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"), including those previously issued by the Standing Interpretations Committee ("SIC").

For comparative purposes, comparative figures for 2019 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, 2020 and the relative publication have been approved by a resolution of the Board of Directors passed on March 11, 2021. The Shareholders' Meeting is tasked with final approval of the separate financial statements of SAES Getters S.p.A., and will be convened for April 20, 2021.

¹ As at December 31, 2020, S.G.G. Holding S.p.A. held 34.44% of the ordinary shares of SAES Getters S.p.A. and, taking account of the shares with increased voting rights, has 45.01% of the total voting rights that can be exercised on that date (including the voting rights of the treasury stock held by SAES Getters S.p.A. in the calculation).

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 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 is 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, 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 statement of profit or loss by allocation and their detailed information is provided in the Explanatory notes to the financial statements.

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 equity investments included among non-current assets;
- expenses or any income arising from reorganisation processes associated with extraordinary corporate transactions (mergers, de-mergers, acquisitions and other corporate transactions);
- income and expenses arising 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.

Segment information

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

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

Starting from January 1, 2020, the Company is organised 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 Business Solution for Vacuum Systems, 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 in the previous year, in addition to the Functional Chemical Systems segment);
- Advanced Packaging Division (unchanged).

The amounts for 2019 were **reclassified** according to the new operating structure (see the table below) so they are comparable with the 2020 figures.

| Consolidated statement of profit or loss | Divisione Metallurgy | | | Divisione Vacuum Technology | | | Divisione Medical | | | Divisione Specialty Chemicals | | | Divisione Advanced Packaging | | | Net Allocated Costs | | | Totale | | | |
|---|----------------------|------------------|-------------------|-----------------------------|------------------|-------------------|-------------------|------------------|-------------------|-------------------------------|------------------|-------------------|------------------------------|------------------|-------------------|---------------------|------------------|-------------------|----------|------------------|-------------------|--|
| | 2019 | Reclassification | 2019 Reclassified | 2019 | Reclassification | 2019 Reclassified | 2019 | Reclassification | 2019 Reclassified | 2019 | Reclassification | 2019 Reclassified | 2019 | Reclassification | 2019 Reclassified | 2019 | Reclassification | 2019 Reclassified | 2019 | Reclassification | 2019 Reclassified | |
| (thousands of euro) | | | | | | | | | | | | | | | | | | | | | | |
| Total net sales | 62,866 | (31,892) | 49,174 | 0 | 9,682 | 9,682 | 0 | 0 | 0 | 0 | 12,290 | 12,290 | 0 | 0 | 0 | 0 | 0 | 0 | 62,866 | 0 | 62,866 | |
| Cost of sales | (34,176) | 14,261 | (19,915) | 0 | (4,753) | (4,753) | 0 | 0 | 0 | (6,508) | (6,508) | (429) | (429) | 3 | 3 | 0 | 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) | (429) | 0 | 0 | 0 | 3 | 27,464 | 0 | 27,464 | |
| % on net sales | 44.5% | 34.9% | 30.4% | n.a. | 56.5% | 50.3% | n.a. | n.a. | n.a. | n.a. | 22.6% | 22.6% | n.a. | n.a. | n.a. | n.a. | n.a. | 3 | 44.2% | 0 | 44.2% | |
| Total operating expenses | (11,419) | 4,524 | (6,895) | 0 | (3,081) | (3,081) | (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) | (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% | 0 | -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 | | | | | | | | | | | | | | | | | | | (1,400) | 0 | (1,400) | |
| 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 | |

Seasonality of revenues

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

2. ACCOUNTING STANDARDS

Business combinations and Goodwill

Business combinations are recognised using the purchase method. According to this method, the assets (including intangible assets not previously recognised), liabilities and potential liabilities (excluding future restructuring) acquired and identifiable, are recognised 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 recognised as an intangible asset. Any negative difference ("negative goodwill") is instead recognised in the income statement 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 Company 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 recognised in the income statement when they are incurred.

Goodwill is not amortised, 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 income statement. The accrued profits and losses recognised directly under shareholders' equity are transferred to the income statement 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 assets or property, plant and equipment generated internally and are recognised 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 capitalised only include expenses incurred that may be directly attributed to the development process.

Development costs capitalised 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 recognised 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 recognised at purchase or production cost and amortised 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 recognised in the income statement on a forward-looking basis.

Intangible assets are amortised 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 |
| Others | 5/15 years / term of the contract |

Property, plant and equipment

Property, plant and equipment are recognised 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 capitalised 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 recognised in the income statement 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 recognised, at its present value, in

the period in which the obligation arises, in a fund recognised under liabilities as part of provisions for risks and charges; the recognition of the capitalised 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 recognised in the income statement 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 recognised in accordance with IFRS 16, which establishes a single model of recognition and measurement of lease contracts (operating lease or otherwise) for the lessee, with the leased asset recognised as an asset in the statement of financial position (right of use) with an offsetting item under financial debt. Exceptions are made only for short-term lease contracts (i.e., lease contracts with a term equal to or less than twelve months) and lease contracts where the underlying asset represents a low-value asset (i.e., underlying assets that do not exceed the value of 5 thousand euro, when new); for these, the Company continues to recognise the lease payments in the income statement on a straight-line basis for the term of their contracts, unless another systematic basis is found to be a better representation of the time when the economic benefits of the leased assets are enjoyed.

Liabilities towards the lessor are classified as financial liabilities in the statement of financial position 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 own effective financing rate.

Payments considered in the measurement of lease liabilities mainly include:

- fixed lease payments, net of any incentives;
- variable payments that depend on an index or rate, initially measured using the index or rate at the contract's commencement date;
- exercise price of purchase options, if lessees are reasonably certain they will exercise these options; and
- penalties paid to terminate the lease contract, where the term of the lease reflects the exercise of an option to terminate the lease contract.

The carrying amount of this liability 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 recognised by the Company in a separate item of the statement of financial position from 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 measured at cost less accumulated depreciation and impairment. If the Company has a cost obligation to dismantle and remove the leased asset, restore the site on which the asset is located or reinstate the underlying asset to conditions required by the terms of the lease contract, a provision is recognised and measured in accordance with IAS 37. Right-of-use assets are depreciated over the term of the lease contract. If the Company expects to exercise the purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation begins on the commencement date of the lease contract.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired, as described in the paragraph "Impairment of assets".

Depreciation of the right-of-use asset and interest expense accrued on the lease liability are recognised in the income statement.

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

- the lease term has changed or a significant event or change in circumstances occurs that results in a change in the assessment of the exercise of the purchase option; in this case, the lease liability is remeasured by discounting the modified future payments using a revised discount rate;
- lease payments change due to changes in an index or rate or a change in the expected payment based on a guaranteed residual value; in this case, the lease liability is restated 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 interest rate, for which a revised discount rate is used);
- a lease contract is amended and therefore the liability is restated over the term of the amended lease by discounting the amended lease payments using a discount rate that is revised to 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 equity investments 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 relating to leased assets are also included in 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 recognised in the income statement corresponding to the difference.

The impairment loss is recognised in the income statement, 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 recognised 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 and tangible) assets with a finite useful life

During the year, the Company checks whether there are indications that tangible 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 capitalisation.

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 Company estimates the recoverable value of the Cash Generating Unit to which the asset belongs.

The impairment loss is recognised in the income statement.

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 recognised. The reversal of the impairment loss is recognised in the income statement.

Equity investments

Subsidiaries are enterprises over which the Company 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.

Equity 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.

Minority interests not held for trading purposes

Equity investments other than associates or joint ventures, i.e. minority interests not held for trading purposes, are reported under non-current assets as "Investments in other companies" and, in accordance with IFRS 9, are measured at fair value. Upon initial recognition, fair value is normally the transaction price; subsequently, any changes in fair value are recognised in other comprehensive income, with no expectation that they will be reclassified to profit or loss.

Dividends from the investment are recognised in profit (loss) for the year.

The risk deriving from any losses exceeding shareholders' equity is recognised in a specific provision for risks to the extent that the investing company is committed to performing legal or implicit obligations of the investee company, or in any event to hedging its losses.

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 on the basis of 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 characterised by a low level of risk and mostly held to maturity. The measurement is made at amortised 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 made following the expected losses 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 worsens. Specifically, with respect to cash, expected losses are calculated in accordance with default percentages associated with each bank with which the cash is deposited, obtained on the basis of each bank's ratings.

Financial liabilities include financial payables as well as financial liabilities, including financial derivatives. They also include trade payables and those of a miscellaneous nature.

Financial liabilities are measured at amortised cost. These liabilities are recorded according to the settlement date principle and initially recognised 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 amortised cost, using the effective interest rate criterion.

Trade receivables

Trade receivables are characterised 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 amortised cost.

The impairment of trade receivables is recognised using the simplified approach permitted by IFRS 9. This approach involves estimating the expected loss over the life of the receivable at initial recognition and in 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 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 recognised 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 recognised in the income statement. 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 recognised in the income statement.
- *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 recognised 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 recognised 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 recognised in the income statement in the same years in which the effects of the hedged transaction are recognised in the income statement.

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

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

Cash and cash equivalents

Cash and cash equivalents are recognised, 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 realisable 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 to those assets (or operations) sold or being disposed of, whose carrying amount has been or will be recovered mainly through their sale rather than 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 of selling costs.

In compliance with IFRS, the data 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 income statement item: Income (loss) from discontinued operations.

Provisions relating to personnel

Staff Leaving Indemnities (TFR)

Staff Leaving Indemnities (Trattamento di Fine Rapporto, or 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 recognised 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 recognised in the statement of comprehensive income in the period in which they arise. These actuarial differences are immediately recognised in profits carried forward and are not classified in the income statement 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.

Therefore this 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 recognised 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 recognised in the statement of comprehensive income in the period in which they arise. These actuarial differences are immediately recognised in profits carried forward and are not classified in the income statement in later periods.

Provisions for risks and charges

The Company recognises 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 income statement of the year in which the same 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 are recognised in the income statement.

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 translated 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 recognised if it is likely that the Company 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 recognised at the time at which the control of the good sold is transferred, while revenues resulting from the provision of services are recognised at the time the service is performed.

The Company also recognises revenues relating to 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 income statement in the year in which they were incurred. Development costs are capitalised if the conditions envisaged by IAS 38 are met, already illustrated in the paragraph on intangible assets. If the requirements for the mandatory capitalisation of development costs are not met, the charges are booked to the income statement of the year in which they were incurred.

Government grants

Government grants are recognised 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 recognised in the income statements for the period in which the costs relating to the same are recorded. With regard to the disclosure and transparency obligations for parties that entertain economic relations of any nature with the Public Administration envisaged by Article 1, paragraphs 125-129, of Italian Law 124/2017, note that in 2020, the Company did not receive any government grants to which the above-cited Law and any later amendments apply.

Current and deferred taxes

Income taxes include all of the taxes calculated on the Company's taxable income.

Income taxes are recognised 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 recognised 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 recognised according to the balance sheet liability method.

Deferred tax assets/liabilities are recognised on the temporary difference 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 unutilised tax credit, are recognised to the extent to which future income is likely to be generated to recover the same.

Deferred tax assets on tax losses that may be carried forward are recognised 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 recognised in the income statement on an accruals 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 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.

In particular, estimates and subjective evaluations are used to recognise the recoverable amount of non-current assets (including goodwill), accruals to provisions for receivables, obsolete and slow-rotation inventory, depreciation and amortisation, employee benefits, deferred tax assets, restructuring provisions as well as other accruals and provisions, including both provisions for risks and for pension plans and other post-employment benefits. Finally, the estimates are also used to define the duration and interest rate of the transactions that related to lease contracts. 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, Company 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.

Note that some evaluation processes are generally conducted in complete form solely for the preparation of the annual report, when all the required information is available. For example, the actuarial valuations required to determine the provisions for employee benefits are normally conducted for the preparation of the annual report. However, as regards the process for calculating any impairment losses on non-current assets, also usually carried out on an annual basis, pursuant to paragraphs 9 and 12 of IAS 36 the Directors have assessed the effects of the COVID-19 pandemic as an impairment indicator and, therefore, property, plant and equipment, intangible assets and rights of use on leased assets, as well as equity investments accounted for using the equity method were tested for impairment as at December 31, 2020, also according to the guidance provided by ESMA on October 28, 2020 for financial statements as at December 31, 2020 (European common enforcement priorities for 2020 annual financial reports)

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 applied as from January 1, 2020

The accounting standards adopted for the preparation of the annual financial statements as at December 31, 2020 are in line with those used for the preparation of the Company's annual financial statements as at December 31, 2019, with the exception of IFRS accounting standards, amendments and interpretations that were applied for the first time on January 1, 2020:

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 “relevant” 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 on the main readers of financial statements similar to the effect that would be produced if that information had been omitted or erroneous.

The adoption of this amendment did not affect the Company’s financial statements.

References to the Conceptual Framework in IFRS Standards (amendment)

On March 29, 2018, the 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 adoption of this amendment did not affect the Company’s financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

On September 26, 2019, the IASB published “Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform”. It also amends 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 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 adoption of this amendment did not affect 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 activities/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 an output.

The amendment also introduced an optional test ("concentration test") to exclude the presence of a business if the price paid is substantially attributable to a single asset or group of assets. 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 adoption of this amendment did not affect the Company’s financial statements.

COVID-19-related Rent Concessions (Amendment to IFRS 16)

On May 28, 2020, the IASB published “COVID-19-related Rent Concessions (Amendment to IFRS 16)”. For tenants, the document allows the option of accounting for decreases in lease payables related to COVID-19 without assessing, by analysing the contracts, whether the IFRS 16 definition of ‘lease modification’ is satisfied. Therefore, tenants applying this option will be able to account for the effects of decreases in rent instalments directly in the statement of profit or loss as at the effective date of the decrease. This amendment

applies to financial statements starting on June 1, 2020, except for the possibility of early application by a company to financial statements starting on January 1, 2020.

The adoption of this amendment did not affect the Company's financial statements.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union but not yet mandatorily applicable not adopted in advance by the Company as at December 31, 2021

Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)

On May 28, 2020, the IASB published "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The amendments allow the temporary exemption from applying IFRS 9 to be extended to January 1, 2023 for insurance companies.

These amendments will become effective from January 1, 2021. The adoption of these amendments is not expected to have any effect on the Company's financial statements as the Company does not operate in the insurance business.

Interest Rate Benchmark Reform – Phase 2

On August 27, 2020, in light of the reform on interbank interest rates such as IBOR, the IASB published the document "Interest Rate Benchmark Reform – Phase 2" which contains amendments to the following standards:

- IFRS 9 *Financial Instruments*;
- IAS 39 *Financial Instruments: Recognition and Measurement*;
- IFRS 7 *Financial Instruments: Disclosures*;
- IFRS 4 *Insurance Contracts*; and
- IFRS 16 *Leases*.

The Company is currently assessing the possible effects of the introduction of this amendment on the financial statements

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

At the date of this document, 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, the IASB issued 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 principle 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 recognised 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 envisages measurement of the liability for the residual coverage of a group of insurance contracts provided that, on initial recognition, the entity provides that such a liability represents a reasonable approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA. The simplifications arising from application of the PAA method do not apply to the assessment of liabilities for existing claims that are measured using 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, to reinsurance contracts held and also to investment contracts with a discretionary participation feature (DPF).

This standard applies starting from January 1, 2023, but 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 effect on the Company's financial statements as the Company does not operate in the insurance business.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

On January 23, 2020, the IASB published the document “Amendments to IAS 1 – Presentation of Financial Statements: Classification of Liabilities as Current or Non-current”. The aim of the document is to clarify how to classify current or non-current payables and other liabilities. The amendments apply from January 1, 2023, but an earlier adoption is allowed. The adoption of this amendment is not expected to have any significant impact on the Company's financial statements.

Amendments to IFRS 3 – Business Combinations, IAS 16 – Property, Plant and Equipment and IAS 37 – Provisions, Contingent Liabilities and Contingent Assets; Annual Improvements 2018-2020

On May 14, 2020, the IASB published the following amendments:

- ***Amendments to IFRS 3 – Business Combinations***: the amendments update the reference in IFRS 3 to the revised version of the Conceptual Framework, without changing the provisions of IFRS 3.
- ***Amendments to IAS 16 – Property, Plant and Equipment***: the amendments do not allow the amount received from goods produced in an asset's trial phase to be deducted from the cost of property, plant and equipment. Such revenues from sales and the related costs are therefore recognised in the statement of profit or loss.
- ***Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets***: the amendment clarifies that all costs directly attributable to the contract must be considered when estimating any contract liabilities. Consequently, the measurement of any contract liability includes not only the incremental costs (e.g., the cost of material directly used in processing), but also all costs that the company cannot avoid in that it signed the contract (e.g., the percentage cost of personnel costs and depreciation of machinery used to fulfil the contract).
- ***Annual Improvements 2018-2020***: the amendments were made to IFRS 1 – First-time Adoption of International Financial Reporting Standards, IFRS 9 – Financial Instruments, IAS 41 – Agriculture and the Illustrative Examples in IFRS 16 – Leases.

All these amendments will become effective from January 1, 2022. The adoption of these amendments is not expected to have any significant impact on the Company's financial statements.

3. FINANCIAL RISK MANAGEMENT

Objectives and management policy for financial risks

The main financial instruments used by the Company, other than derivatives, include short-term on 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 ones, 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 handled by way of entering into Interest Rate Swap or Interest Rate Option agreements, with a view to guaranteeing a level of financial expenditures which are sustainable by the Company's financial structure.

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.

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 |
| 2020 | Euro | +/- 1 | +/- 98 | +/- 74 |
| | Other currencies | +/- 1 | +/- 1 | +/- 1 |
| 2019 | Euro | +/- 1 | +/- 274 | +/- 208 |
| | Other currencies | +/- 1 | +/- 2 | +/- 1 |

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 |
| 2020 | Euro | +/- 1 | +/- 1,324 | +/- 1,006 |
| 2019 | Euro | +/- 1 | -/+ 1,046 | -/+ 795 |

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 base (euro) | Estimated FV +1% | Difference in FV +1% | Estimated FV -1% | Difference in FV -1% |
| SAES Getters S.p.A. - IRO operation due date December 31, 2021 and Notional amount 5 Million | 5,000 | (4,249) | 0 | 4,249 | (4,249) | 0 |
| SAES Getters S.p.A. - IRO operation due date March 31, 2022 and Notional amount 10 Million | 10,000 | (10,466) | 8,309 | 18,775 | (29,703) | (19,237) |
| SAES Getters S.p.A.-IRS operation due date December 21, 2022 and Notional amount 5 Million | 5,000 | (17,831) | 7,130 | 24,960 | (43,682) | (25,851) |
| Total effect on result before taxes | | (32,546) | | 47,985 | | (45,088) |
| Total effect on net result and net equity | | | | 36,469 | | (34,267) |

As the Company recognised its derivative instruments in the period by recording the profits or the losses resulting from their fair value measurement directly in the income statement, also the effects of a change in the above-indicated fair value would have an impact on the income statement 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 42% of the Company's sales and around 15% 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 can have hedges in place on these currencies, the values of which are periodically determined by the Board of Directors according to the net currency cash flows expected to be generated by 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, also with regard to related parties, denominated in a currency different from the one used in the financial statements.

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 in the foreign currency takings from extraordinary company transactions or for funding needed to purchase in other currencies besides the euro.

No forward sales contracts on US dollar or Japanese yen were signed in 2020. Please refer to Note no. 35 for further details on the Interest Rate Swaps or Interest Rate Caps in place as at December 31, 2020.

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:

| | (%) | (thousands of euro) | (thousands of euro) |
|-----------|---------------------|-------------------------------|-------------------------------------|
| US Dollar | Increase / Decrease | Effect on result before taxes | Effect on net result and net equity |
| 2020 | + 5% | (88) | (67) |
| | - 5% | 97 | 74 |
| 2019 | + 5% | (86) | (65) |
| | - 5% | 95 | 72 |

| | (%) | (thousands of euro) | (thousands of euro) |
|--------------|---------------------|-------------------------------|-------------------------------------|
| Japanese YEN | Increase / Decrease | Effect on result before taxes | Effect on net result and net equity |
| 2020 | + 5% | (23) | (17) |
| | - 5% | 25 | 19 |
| 2019 | + 5% | (19) | (15) |
| | - 5% | 21 | 16 |

Commodity price risk

The Company's exposure to commodity price risk is usually moderate. The procurement procedure requires the Group to have more than one supplier for each commodity deemed to be critical. In order to reduce its exposure to the risk of price variations, it enters into specific supply agreements aimed at controlling the commodity price volatility. The 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 neutralising 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 checks to ensure that credit limit conditions are met.

The balance of receivables is constantly monitored so as to minimise 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.

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 inability to obtain the necessary financial resources to grant the continuity of the Company's operations.

In order to minimise this risk, the Company:

- constantly monitors financial requirements in order to obtain the credit lines needed to meet its requirements;
- optimises the liquidity management through a system for the centralised management 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, 2020 based on non-discounted contractual payments:

(thousands of euro)

| | December 31, 2020 | December 31, 2019 | Difference |
|------------------|------------------------------|------------------------------|-------------------|
| Less than 1 year | 5,121 | 5,100 | 21 |
| 1-2 years | 2,496 | 5,120 | (2,624) |
| 2-3 years | 0 | 2,497 | (2,497) |
| 3-4 years | 92,735 | 0 | 92,735 |
| 4-5 years | 0 | 92,735 | (92,735) |
| Over 5 years | 0 | 0 | 0 |
| Totale | 100,352 | 105,452 | (5,100) |

In addition, there are the risks brought about by the spread of COVID-19, which can result in a decrease in revenues, an increase in the stocks of raw materials (to face the risk of a suspension in the provisioning process) or of finished products (due to a delay in customers' orders) as well as a lengthening of credit collection times, which would make it necessary to fund a stronger working capital.

With regard to financial risks, the Board of Directors periodically reviews and defines policies for the management of these risks.

4. NET REVENUES

In 2020, net revenues were 63,854 thousand euro, up (+2.9%) compared to the previous year.

The following table shows a breakdown of revenues by Business Unit:

(thousands of euro)

| Business (*) | 2020 | 2019 | Total difference | Total difference % | Exchange Rate effect % | Organic change % |
|--|---------------|---------------|------------------|--------------------|------------------------|------------------|
| Security & Defense | 8,728 | 5,004 | 3,724 | 74.4% | -0.9% | 75.3% |
| Healthcare Diagnostics | 2,960 | 2,707 | 253 | 9.3% | -0.3% | 9.7% |
| Electronic Devices | 13,535 | 11,285 | 2,250 | 19.9% | -1.5% | 21.5% |
| Thermal Insulated Devices | 3,009 | 3,228 | (219) | -6.8% | -1.0% | -5.8% |
| Lamps | 3,053 | 3,625 | (572) | -15.8% | -0.6% | -15.2% |
| Sintered Components for Electronic Devices & Laser | 0 | 0 | 0 | n.a. | n.a. | n.a. |
| SMA Industrial | 8,899 | 14,325 | (5,426) | -37.9% | -0.5% | -37.4% |
| Metallurgy Division | 40,184 | 40,174 | 10 | 0.0% | -0.9% | 0.9% |
| Solutions for Vacuum Systems | 11,511 | 9,602 | 1,909 | 19.9% | -0.9% | 20.8% |
| Vacuum Technology Division | 11,511 | 9,602 | 1,909 | 19.9% | -0.9% | 20.8% |
| Nitinol for Medical Devices | 0 | 0 | 0 | n.a. | n.a. | n.a. |
| Medical Division | 0 | 0 | 0 | n.a. | n.a. | n.a. |
| Functional Dispensable Products | 12,147 | 12,290 | (143) | -1.2% | -0.2% | -1.0% |
| Specialty Chemicals Division | 12,147 | 12,290 | (143) | -1.2% | -0.2% | -1.0% |
| Advanced Coatings | 12 | 0 | 12 | n.a. | n.a. | n.a. |
| Advanced Packaging Division | 12 | 0 | 12 | n.a. | n.a. | n.a. |
| Total net sales | 63,854 | 62,066 | 1,788 | 2.9% | -0.7% | 3.6% |

(*) Starting from January 1, 2020, the Group is organized into the following technological areas of competence (or "Divisions"):

- Metallurgy Division (that coincides with the previous Industrial operating sector, excluding the Solutions for Vacuum Systems Business, the Functional Chemical Systems Business and the advanced getters for the electronic consumers market, the latter previously classified within the Electronic Devices Business);
- Vacuum Technology Division (coinciding with the Solutions for Vacuum Systems Business, included in the Industrial operating sector);
- Medical Division (unchanged);
- Specialty Chemicals Division (that means advanced getters for the electronic consumers market, classified within the Electronic Devices Business in the previous year, in addition to the Functional Chemical Systems Business and the Flexterra business, the latter previously not allocated);
- Advanced Packaging Division (unchanged).

The economic figures of 2019 have been reclassified according to the new operating structure, to allow a homogeneous comparison with 2020.

For comments on the revenue trend, please refer to the Report on operations.

5. COST OF SALES

The cost of sales in 2020 was 35,694 thousand euro, up 1,092 thousand euro (+3.2%) compared to 2019: the percentage of sales represented by the same was similar to that of last year (55.9% against 55.8% in 2019).

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

(thousands of euro)

| Business Unit | 2020 | 2019 | Total difference | Total difference % |
|----------------------------|---------------|---------------|------------------|--------------------|
| Metallurgy | 21,429 | 19,915 | 1,514 | 7.6% |
| Vacuum Technology | 4,798 | 4,753 | 45 | 0.9% |
| Medical | 0 | 0 | 0 | n.a. |
| Specialty Chemicals | 8,881 | 9,508 | (627) | -6.6% |
| Advanced Packaging | 144 | 429 | (285) | -66.4% |
| Non allocato | 442 | (3) | 445 | 14833.3% |
| Total cost of sales | 35,694 | 34,602 | 1,092 | 3.2% |

(thousands of euro)

| | 2020 | 2019 | Total difference | Total difference % |
|--|---------------|---------------|------------------|--------------------|
| Raw materials | 13,567 | 12,247 | 1,320 | 10.8% |
| Direct labour | 7,618 | 7,746 | (128) | -1.7% |
| Manufacturing overhead | 14,928 | 15,472 | (544) | -3.5% |
| Increase (decrease) in work in progress and finished goods | (419) | (863) | 444 | -51.4% |
| Total cost of sales | 35,694 | 34,602 | 1,092 | 3.2% |

The unallocated cost of sales is related to a project to renovate and modernise certain production departments at the Lainate plant.

6. OPERATING EXPENSES

Operating expenses amounted to 37,325 thousand euro in 2020, up (4.4%) compared to the previous year.

Total operating expenses are classified by category as follows:

(thousands of euro)

| | 2020 | 2019 | Total difference | Total difference % |
|-----------------------------------|---------------|---------------|------------------|--------------------|
| Research & development expenses | 7,433 | 7,752 | (319) | -4.1% |
| Selling expenses | 6,207 | 7,351 | (1,144) | -15.6% |
| General & administrative expenses | 23,634 | 20,660 | 2,974 | 14.4% |
| Write-down of trade receivables | 52 | 0 | 52 | |
| Total operating expenses | 37,326 | 35,762 | 1,564 | 4.4% |

Research and development expenses amounted to 7,433 thousand euro, down slightly compared to 7,752 thousand euro in 2019 (-4.1%), mainly due to lower consultancy and costs for materials.

Sales costs recorded a decrease of -1,144 thousand euro, mainly attributable to lower sales commissions (decreased by -496 thousand euro) paid on sales of SMA trained wire, in addition to lower travel expenses and lower marketing costs due to the COVID-19 pandemic.

General and administrative expenses increased by 2,974 thousand euro. This change is affected by non-recurring costs, equal to 589 thousand euro, incurred to manage the COVID-19 emergency (in particular, costs for sanitisation and adaptation of access points and workspaces to ensure employee safety, in addition to preventive health care and consultancy and training costs). The increase in general and administrative expenses is also due to higher consultancy costs, in particular for the development of information systems, an increase in personnel costs and variable remuneration for Executive Directors, as well as depreciation for the Company's new Milan office.

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

(thousands of euro)

| Total costs by nature | 2020 | 2019 | Difference |
|--|---------------|---------------|-------------------|
| Raw materials | 13,567 | 12,247 | 1,320 |
| Personnel cost | 32,005 | 32,162 | (157) |
| Depreciation | 3,926 | 3,697 | 229 |
| Right of use depreciation | 680 | 514 | 166 |
| Amortization | 248 | 239 | 9 |
| Write-down of non current assets | 4 | 308 | (304) |
| Corporate bodies | 5,209 | 4,853 | 356 |
| Consultant fees and legal expenses | 5,066 | 4,024 | 1,042 |
| Audit fees (*) | 279 | 297 | (18) |
| Maintenance and repairs | 2,702 | 2,322 | 380 |
| Various materials | 2,625 | 2,379 | 246 |
| Licenses and patents (**) | 714 | 674 | 40 |
| Utilities | 2,131 | 2,542 | (411) |
| Travel expenses | 136 | 638 | (502) |
| Training | 124 | 220 | (96) |
| General services (canteen, cleaning, vigilance, etc.) | 1,248 | 1,091 | 157 |
| Commissions | 585 | 1,081 | (496) |
| Insurances | 684 | 624 | 60 |
| Telephones and faxes | 53 | 110 | (57) |
| Transports | 449 | 417 | 32 |
| Promotion and advertising | 69 | 164 | (95) |
| Other recovery | (313) | (517) | 204 |
| Other | 1,248 | 1,141 | 106 |
| Total costs by nature | 73,439 | 71,227 | 2,211 |
| Increase (decrease) in work in progress and finished goods | (419) | (863) | 444 |
| Total cost of sales and operating expenses | 73,020 | 70,364 | 2,655 |

(*) Net of 190 thousands of Euro recharged to Group companies (233 thousands of Euro in 2019)

(**) Net of 10 thousands of Euro recharged to Group companies 85 thousands of Euro in 2019)

The expenses, net of the change in inventories, showed an overall increase against the previous year of 2,211 thousand euro.

The main changes regarded:

- the item "Raw materials and resale materials", due to higher costs related to the Specialty Chemicals business, offset by an increase in finished goods inventory;
- the item "Personnel costs", which decreased due to lower severance, (amounting to 126 thousand euro in 2020 compared to 582 thousand euro in 2019, when the process of reducing the Company's personnel, which began at the end of 2018 following the sale of the purification business, had ended). Also note that the use of the Cassa Integrazione COVID (redundancy fund) at the Lainate plant resulted in a saving of 54 thousand euro, which offset higher personnel costs of 73 thousand euro.
- 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 2020 and the comparison with the previous year, please refer to the Report on remuneration;
- the item "Consultant fees and legal expenses", which increased mainly due to costs related to the development of information systems;
- the items "Maintenance and repairs" and "Various materials", which increased due to works related to a project for the renovation and modernisation of certain production departments at the Lainate plant and for the application of protocols for the containment of the COVID-19 pandemic;
- the decrease in "Commissions", which decreased due to the COVID-19 pandemic, in that fewer commissions were paid on the sales of SMA trained wire for consumer electronics applications, the business worst hit by the pandemic.
- the item "Utilities", which in 2019 included costs relating to the refund of the Energivori contribution by the Lainate and Avezzano plants of 511 thousand euro; net of this refund, the cost for utilities

increased compared to the previous year, mainly as a result of the application of the protocols for the containment of the COVID-19 pandemic;

- the items “Travel expenses”, “Advertising costs” and “Training costs”, which decreased as a result of COVID-19 restrictions imposed for health reasons and to protect the health of employees and the community as a whole.

The breakdown by nature of extraordinary items related to the COVID-19 pandemic, included in the cost of sales and in operating expenses of 2020, is provided below.

| Covid-19 one-offs | 2020 | | | | | Total |
|--|--------------|------------------------|--------------|------------------|--------------|------------|
| | Direct labor | Manufacturing overhead | R&D expenses | Selling expenses | G&A expenses | |
| Personnel cost | (8) | (12) | (25) | (4) | 68 | 19 (*) |
| Maintenance and repairs | 0 | 0 | 0 | 0 | 164 | 164 |
| Depreciation | 0 | 0 | 0 | 0 | 2 | 2 |
| Material and office material | 0 | 0 | 0 | 0 | 68 | 68 |
| Training | 0 | 0 | 0 | 0 | 3 | 3 |
| Consultant fees | 0 | 0 | 0 | 0 | 135 | 135 |
| Canteen, cleaning, vigilance | 0 | 0 | 0 | 0 | 145 | 145 |
| Transport, insurance, freight-direct | 0 | 0 | 0 | 0 | 2 | 2 |
| Other costs | 0 | 0 | 0 | 0 | 2 | 2 |
| Total extraordinary cost of sales and operating expenses Covid-19 | (8) | (12) | (25) | (4) | 589 | 540 |

(*) The amount is composed by:

- CIGO savings in Lainate plant, for -54 thousands of euro;
- additional personnel costs, for 73 thousands of euro.

The extraordinary expenses of around 594 thousand euro refer mainly to costs for sanitisation and adaptation of access points and work spaces to ensure employee safety, as well as healthcare and prevention expenses and consulting and training costs. On the contrary, there was a reduction in labour costs of 54 thousand euro, made possible by the use of the CIGO (income support fund) in the Company's Lainate plant.

7. OTHER NET INCOME (EXPENSES)

The item “Other net income (expenses)” in 2020, compared to 2019, breaks down as follows:

| (thousands of euro) | 2020 | 2019 | Difference |
|--|----------------|--------------|----------------|
| Gains from assets sale - third parties | 33 | 2 | 31 |
| Intercompany royalties | 862 | 964 | (102) |
| Intercompany service fees | 1,879 | 2,294 | (415) |
| Other Income | 505 | 770 | (265) |
| Total Other Income | 3,279 | 4,030 | (751) |
| Loss from assets sale - third parties | (1) | 0 | (1) |
| Loss from closed leasing contracts | (3) | 0 | (3) |
| Other intercompany expenses | (165) | (2) | (163) |
| Total Other Expenses | (1,521) | (396) | (1,125) |
| Total Other Expenses | (1,690) | (398) | (1,292) |
| Total Other Net Income (Expenses) | 1,589 | 3,632 | (2,043) |

The main components of "Other income" concern the charge-back of costs for services rendered to subsidiaries, based on contracts entered into between the Company and them, which decreased by 415 thousand euro compared to the previous year, as a result of the slowdown in activities caused by the pandemic, and royalties for the use of the Company's trademarks and patents, down by 102 thousand euro compared to 2019.

The item "Other income" at December 31, 2020 includes income, amounting to 259 thousand euro, due to tax credits for investments in research and development, in accordance with the provisions of Italian Law No. 160 of December 27, 2019 (2020 Budget Law), as well as other revenue amounting to 28 thousand euro, for the tax credit on sanitisation expenses pursuant to Italian Law Decree 34/2020, Article 125, in addition to a contribution of 90 thousand euro from a customer for the restart of a production line. At December 31, 2019, this item included the compensation of 566 thousand euro by a customer with whom a specific agreement was reached for the reimbursement of costs incurred for the manufacturing of finished products, which were not suitable for sale due to quality problems not attributable to SAES, but to a sub-supplier.

On the other hand, the item "Other expenses" mostly includes the property taxes and other taxes, other than income taxes. Note that the item "Other expenses" in 2020 also includes donations, amounting to 691 thousand euro, made by the Company during the year to research and hospital facilities working on the front line to overcome the COVID-19 emergency, as well as to the Italian Civil Defense.

Also in the current year, note the allocation of a provision for risks, amounting to 80 thousand euro, set aside after CONSOB initiated administrative proceedings against SAES Getters S.p.A. for violation of current laws and regulations on public disclosure of inside information (Market Abuse Regulation, MAR), with reference to the press release for the sale of the gas purification business, finalised in mid-2018.

8. DIVIDENDS AND NET FINANCIAL INCOME (EXPENSES)

The item "Dividends" breaks down as follows:

(thousands of euro)

| | 2020 | 2019 | Difference |
|--|---------------|---------------|----------------|
| Dividends from controlled companies: | | | |
| - SAES Getters/U.S.A., Inc. | 6,344 | 0 | 6,344 |
| - SAES Getters International Luxembourg S.A. | 0 | 7,425 | (7,425) |
| - SAES Getters Export Corp | 3,733 | 8,867 | (5,134) |
| - SAES Getters (Nanjing) Co., Ltd. | 1,180 | 3,165 | (1,985) |
| Dividends from Group companies | 11,257 | 19,457 | (8,200) |

The breakdown of "Net financial income (expenses)" is as follows:

(thousands of euro)

| Financial income | 2020 | 2019 | Difference |
|--|----------------|----------------|-------------------|
| Bank interest income | 0 | 32 | (32) |
| Other financial income | 332 | 354 | (22) |
| Gains on IRS fair value | 0 | 0 | 0 |
| Gains from derivative financial instruments evaluation at fair value | 18 | 0 | 18 |
| Gains from securities evaluation at fair value | 357 | 884 | (527) |
| Interest income and coupons received on securities | 780 | 531 | 249 |
| Total financial income | 1,487 | 1,801 | (314) |
| Financial expenses | 2020 | 2019 | Difference |
| Bank interest expense and other bank expenses | (1,758) | (980) | (778) |
| Other financial expenses | (179) | (181) | 2 |
| Commissions and expenses on securities | (30) | 0 | (30) |
| Realized losses on derivative financial instruments | (28) | (36) | 8 |
| Losses from IRS evaluation at fair value | 0 | (2) | 2 |
| Interest on lease financial liabilities | (19) | (7) | (12) |
| Total financial expenses | (2,014) | (1,206) | (808) |
| Total net financial income (expenses) | (527) | 595 | (1,122) |

The item "Other financial income" includes interest accrued on loans disbursed to Group companies, which decreased by 22 thousand euro compared to the previous year.

The item "Gains from securities at fair value" (-527 thousand euro compared to the previous year) comprises net profits resulting from the measurement at fair value of the securities subscribed to by the Company at the beginning of 2019 to invest part of the cash resulting from the extraordinary sale of the purification business completed in mid-2018. The income from coupons amounted to 780 thousand euro (item "interest income and coupons received on securities"), up by 249 thousand euro compared to the previous year. The items "Income/Losses from derivative instruments measured at fair value" (positive balance of +18 thousand euro in 2020, compared to a negative balance of -2 thousand euro in 2019) represent the effect on the statement of profit or loss of the fair value measurement of the hedge contracts, including those embedded, on the long-term variable rate loans held by the Company.

The increase in the item "Bank interest and other bank expenses" (+778 thousand euro compared to 2019) is mainly due to higher interest (+470 thousand euro) on the medium/long-term loan taken out by the Company with Mediobanca – Banca di Credito Finanziario S.p.A. on April 17, 2019 worth 92.7 million euro and partly to upfront fees (+195 thousand euro) and other costs (+155 thousand euro) related to the new revolving credit lines taken out by the Company during the year (for further details, please refer to the paragraph "Significant events in 2020" of the Report on Operations).

The item "Commissions and other securities costs" includes the management fees of the securities portfolio.

Interest expenses on leases amounted to 19 thousand euro in 2020, compared to 7 thousand euro in the previous year, and were a consequence of the application of IFRS 16. The increase is mainly related to the new offices in Milan leased by the Company, as well as new rental contracts for printers and servers.

9. FOREIGN EXCHANGE GAINS (LOSSES), NET

This item breaks down as follows:

(thousands of euro)

| | 2020 | 2019 | Difference |
|------------------------------|--------------|-------------|--------------|
| Realized exchange gains | 386 | 257 | 129 |
| Non realized exchange gains | 33 | 19 | 14 |
| Realized exchange losses | (657) | (284) | (373) |
| Non realized exchange losses | (97) | (47) | (50) |
| Total | (335) | (55) | (280) |

In 2020, realised exchange rate gains of 386 thousand euro were offset by realised exchange rate losses of -657 thousand euro. The net impact of realised exchange rate differences was negative due to a gradual weakening of the US dollar during the year, which had a negative effect on the translation of foreign currency receipts.

10. WRITE-DOWNS OF INVESTMENTS IN SUBSIDIARIES AND FINANCIAL RECEIVABLES

In 2020, the equity investments in Memry GmbH in liquidation were written down for 105 thousand euro, equal to the difference between the value of the equity investment and the corresponding portion of shareholders' equity as at December 31, 2020, and in SAES Getters Korea Corporation for 184 thousand euro, following impairment testing. With regard to SAES Getters Korea Corporation, a provision of 154 thousand euro was also set aside to cover future losses.

In 2019, the equity investment in SAES Nitinol S.r.l. was written down by 727 thousand euro and a provision for risks of 770 thousand euro was made.

The following table shows the write-downs of investment in 2020, compared with the previous year:

(thousands of euro)

| | 2020 | | | | 2019 | | | |
|--------------------------------|-----------------------|----------------------------------|-----------------------------------|--------------|-----------------------|----------------------------------|-----------------------------------|--------------|
| | 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 |
| Memry GmbH in liquidazione | 105 | 0 | 0 | 105 | 0 | 0 | 0 | 0 |
| SAES Getters Korea Corporation | 184 | 154 | 0 | 337 | 0 | 0 | 0 | 0 |
| SAES Nitinol S.r.l. | 0 | 0 | (770) | (770) | 727 | 770 | 0 | 1,496 |
| Total | 288 | 154 | (770) | (328) | 727 | 770 | 0 | 1,496 |

In 2019, the write-down of 727 thousand euro was equivalent to the value of the equity investment re-established through the waiver of financial receivables approved by SAES Getters S.p.A. on March 13, 2019, increased by a further 100 thousand euro (of which 65 thousand euro aimed at offsetting the difference between the overall loss suffered by the subsidiary in 2018 of 8,969 thousand euro and the waiver of financial receivables by SAES Getters S.p.A. of 8,905 thousand euro and 35 thousand euro to build up a capital reserve). Moreover, 770 thousand euro had been allocated to a provision for risks to cover the negative shareholders' equity of the subsidiary SAES Nitinol S.r.l as at December 31, 2019.

In 2020, the equity investment in SAES Coated Films S.p.A. was also tested for impairment, the positive outcome of which did not indicate the need for any write-downs.

The financial receivables written down in 2020 and the comparison with the previous year are illustrated below:

(thousands of euro)

| | 2020 | 2019 |
|------------------------------|----------------------------------|----------------------------------|
| | Financial receivables write-down | Financial receivables write-down |
| E.T.C. S.r.l. in liquidation | | |
| Memry GmbH in liquidation | | |
| SAES Nitinol S.r.l. | | |
| Other third parties | (26) | (6) |
| Totale | (26) | (6) |

This item includes 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, 2019, given the risk related to some of the banks with which the Company has essentially unchanged relationships, this calculation led to a reduction in the expected losses on cash and cash equivalents of 26 thousand euro, due to the reduced cash held by the Company. The reduction in expected losses in 2019 was 6 thousand euro (again related to the reduction in cash and cash equivalents compared to the end of the previous year).

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 (now SAES Innovative Packaging S.r.l.), 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 breaks down as follows:

(thousands of euro)

| | 2020 | 2019 | Difference |
|------------------------------------|--------------|--------------|--------------|
| Current taxes: | | | |
| - Italian Income Tax (Ires / Irap) | (300) | 412 | (712) |
| - Withholding Tax on Dividends | (591) | (722) | 131 |
| Total current taxes | (891) | (310) | (581) |
| Deferred taxes | 741 | 488 | 253 |
| Total deferred taxes | 741 | 488 | 253 |
| Total Taxes | (150) | 178 | (328) |

Current taxes for the year show a negative balance (cost) of 891 thousand euro, which is mainly represented:

- for a negative 25 thousand euro, by the higher IRES resulting from the timely recalculation of taxes for the 2019 financial year in the tax return (UNICO 2020);
- for a negative 91 thousand euro, by IRAP for the 2019 financial year;
- for a negative 49 thousand euro, by the cost of IRAP, including the penalty of 7 thousand euro, relating to the settlement of the findings in the RoF issued by the Inland Revenue Department with reference to the 2016 tax year;

- for a negative 41 thousand euro, by income taxes owed to the Japanese tax authorities by the Japan Technical Service branch;
- for a negative 591 thousand euro, by the non-recoverable portion (95%) as a tax credit of withholding taxes applied abroad on dividends received;
- for a positive 86 thousand euro, by the IRES related to the tax loss that is included in the taxable income of the tax consolidation;
- for a negative 48 thousand euro, by the substitute tax on IRES and IRAP due as a result of the realignment of the tax values to the statutory reporting values of certain property, plant and equipment, pursuant to Article 110, paragraph 8, of Italian Legislative Decree No. 104/2020.

In January and February 2020, the Inland Revenue audited the 2016 tax year (IRES, IRAP and VAT), at the end of which, on 24 February, it issued a RoF with which the company complied, even though it was convinced of the correctness of its actions, for the sole purpose of avoiding a long and costly litigation procedure. The IRES and IRAP findings made by the Inland Revenue mainly related to the failure to charge back to the subsidiaries royalty costs and costs related to services rendered to the subsidiaries by the directors. Following the acceptance of the RoF, the Company adjusted downwards the tax losses carried forward for IRES purposes for an amount of 1,273 thousand euro and paid IRAP and the related penalty for a total of 49 thousand euro.

The item Deferred taxes shows a positive balance (revenue) of 741 thousand euro, represented by the recognition of differed tax on the temporary differences between the income before taxes and the taxable income for the year. This balance was positively affected, for 389 thousand euro, by the release of deferred tax liabilities on the difference between the net statutory reporting or tax values of assets whose tax values have been realigned pursuant to Article 110, paragraph 8, of Italian Legislative Decree No. 104/2020.

The following table shows the percentage represented by taxes of taxable income, analysing the variance with respect to the theoretical rate:

(thousands of euro)

| | 2020 | | 2019 | |
|---|--------------|---------------|----------------|---------------|
| Income before Tax | 2,402 | | 13,841 | |
| Theoretical tax rate and tax charges | (576) | 24.00% | (3,322) | 24.00% |
| <i>Difference between theoretical and effective current taxes</i> | | | | |
| Effect of lower tax rate on dividends | 1,976 | | 3,759 | |
| Tax effect from other permanent differences | (86) | | (389) | |
| Unrecognition (recognition) of deferred tax assets on fiscal losses | (1,479) | | (207) | |
| Unrecognition (recognition) of deferred tax assets on temporary differences | (338) | | (506) | |
| Effect of realignment of tax value of IAS assets | (49) | | 0 | |
| Non deductible foreign withholdings | (4) | | (3) | |
| Income statement current taxes - fiscal year | (557) | 23.17% | (668) | 4.82% |
| Income statement deferred taxes - fiscal year | 741 | | 506 | |
| Total income tax (current / deferred) - fiscal year | 184 | -7.68% | (162) | 1.17% |
| Income statement current taxes - prior years | (334) | | 357 | |
| Income statement deferred taxes - prior years | 0 | | (17) | |
| Total income taxes | (150) | 6.23% | 178 | -1.29% |

Note that, following the law amendments made by Italian Legislative Decree no. 142 of November 29, 2018 to the reference standard on "Controlled Foreign Companies" (known as "CFC" system,

Article 167, paragraph 5, of the T.U.I.R. [Consolidated Law on Income Tax]), on December 9, 2020, the Company filed a request for a ruling pursuant to Article 11, paragraph 1, letter b) of Italian Law No. 212 of July 27, 2000, in order to obtain the opinion of the Italian tax authorities on the non-application of the aforementioned regulations to the US subsidiary SAES Getters Export, Corp. The Company believes that the risk of a negative response from the Italian Tax Authorities is remote because, through the ruling submitted, it believes it has adequately demonstrated that the application of the CFC standards to SAES Getters Export, Corp. (a) would violate the *rationale* of the CFC standard; (b) would not give the right value to the structure of the IC-Disc system, which requires the establishment of an *ad hoc* company and, consequently, requires the analysis of the foreign structure (Disc Corporation and US industrial companies) on a consolidated basis; (c) would attract income in Italy not related to any function performed in that territory. The estimate of potential liability in the event of a negative response is 1.4 million euro (i.e., the Company's IRES liability, calculated on a transparent basis on the taxable income of SAES Getters Export, Corp. for the years 2019 and 2020, net of the release of deferred tax liabilities calculated as at December 31, 2020 on the distributable profits of the US subsidiary itself).

12. INCOME (LOSS) FROM DISCONTINUED OPERATIONS.

In 2019, the **profit from discontinued operations** amounted to 396 thousand euro and mainly comprised 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, presented in April 2019.

The result for discontinued operations in 2020, however, was zero.

NON-CURRENT ASSETS

13. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net of depreciation, amounted to 35,525 thousand euro as at December 31, 2020. Compared to December 31, 2019, they increased by 1,086 thousand euro.

The changes that occurred are shown below:

(thousands of euro)

| Net book value | Land | Building | Plant and machinery | Assets under construction and advance | Total |
|--------------------------|--------------|---------------|---------------------|---------------------------------------|---------------|
| 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 |
| Additions | 0 | 544 | 2,894 | 1,591 | 5,029 |
| Disposals | (11) | 0 | (5) | 0 | (15) |
| Reclassifications | 0 | 205 | 1,107 | (1,312) | 0 |
| Revaluations | 0 | (1,067) | (2,860) | 0 | (3,926) |
| Write-downs | 0 | 0 | (1) | (0) | (1) |
| December 31, 2020 | 1,467 | 16,301 | 14,764 | 2,992 | 35,525 |
| 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 |
| December 31, 2020 | | | | | |
| Historical cost | 1,467 | 36,583 | 104,093 | 3,029 | 145,172 |
| Accumulated depreciation | 0 | (20,282) | (89,328) | (37) | (109,647) |
| Net book value | 1,467 | 16,301 | 14,764 | 2,992 | 35,525 |

It should be noted that, as at December 31, 2020, land and buildings were not burdened by mortgages or other guarantees.

During 2020, investments in property, plant and equipment amounted to 5,029 thousand euro, down compared to 2019 (7,237 thousand euro).

At the Lainate plant, improvements and investments were made in plant and equipment used across the board by the various production and research departments, as well as the purchase of new machines dedicated to the electronic devices business (new sputtering machine), the shape memory alloys segment for industrial applications (new SMA extruder and rewinder) and vacuum systems (NEG coating department).

At the Avezzano plant, investments were made to upgrade the line for the production of advanced getters for the electronic consumer market, and to modernise the Vacuum System production line and the equipment connected to the production processes.

Also note that, following the signing of a seven-year lease contract, effective as of July 1, 2020, relating to a building for office use for Corporate and Management functions, located in Milan, Piazza Castello 13, during the second half of the year, the Company incurred expenses for leasehold improvements for a total value of 202 thousand euro.

Leasehold improvements and incremental expenses are amortised over the lower of the period of future usefulness of the expenses incurred and the remaining term of the lease, which expires on June 30, 2027, taking into account the renewal period, if any, dependent on the tenant.

The item "Assets under construction and advances" mainly consists of advances and work in progress on the construction of the pilot line and metallisation plant for the advanced packaging business. The testing and commissioning of the pilot line, as well as those of the metallisation plant, were not fully completed by the end of the year.

The higher value of investments in 2019 was mainly due to the new packaging business lines (in particular, completion of the pilot line aimed at accelerating the development of flexible packaging products, and of the second plastic film lacquering line and of a new and more advanced metalliser, able to combine the metallisation and the lacquering process).

Disposals amounted to 15 thousand euro, significantly decreased compared to 2019 (down by -2,959 thousand euro), a year in which the sale of a machine for lacquering plastic films to the subsidiary SAES Coated Films S.p.A., a company active in the advanced food packaging sector with an offer of new products for active packaging, weighed heavily. Note that disposals during the year, with reference to the land asset class, refer to the sale by the Company of an unused area located in the Avezzano industrial district.

Depreciation for the year amounted to 3,926 thousand euro, in line with the previous year (3,369 thousand euro).

All the property, plant and equipment described in this paragraph is owned by the Company. Please refer to Note no. 15 for more details on leased assets as at December 31, 2020; the corresponding right of use was recognised as an asset in application of IFRS 16 – Leases.

No financial expenses were capitalised on property, plant and equipment.

There were no significant write-downs of property, plant and equipment.

Statement of equity of assets pursuant to Italian Law no. 72/1983, article 10 et seq. Revaluation Laws (Italian Law 413/1991 and Italian Law 342/2000)

Note that, with regard to the assets to which specific Monetary Revaluation Laws used to apply, 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 on the basis of 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 made, net of depreciation, amounted on the transition date, January 1, 2004, to 460 thousand euro and 146 thousand euro categorised respectively as “Land and buildings” and “Plant and machinery”.

(thousands of euro)

| Revaluation laws | Land and buildings | | Plant & machinery | | Industrial and commercial equipment | | Other assets | | Net total value |
|--------------------------|--------------------|-----------------------------|-------------------|-----------------------------|-------------------------------------|-----------------------------|-----------------|-----------------------------|-----------------|
| | Historical cost | Net book value Dec 31, 2020 | Historical cost | Net book value Dec 31, 2020 | Historical cost | Net book value Dec 31, 2020 | Historical cost | Net book value Dec 31, 2020 | |
| 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 | 185 | 0 | 0 | 0 | 0 | 0 | 0 | 185 |
| Law n. 342, Nov 22, 2000 | 0 | 0 | 850 | 0 | 0 | 0 | 0 | 0 | 0 |

14. INTANGIBLE ASSETS

Intangible assets, net of amortisation, amounted to 258 thousand euro as at December 31, 2020, down by 150 thousand euro compared to December 31, 2019.

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, 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 |
| Additions | 0 | 13 | 90 | 0 | (5) | 98 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluations | 0 | (32) | (216) | 0 | 0 | (248) |
| Write-downs | 0 | 0 | 0 | 0 | 0 | 0 |
| December 31, 2020 | 0 | 21 | 235 | 0 | 2 | 258 |
| 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 |
| December 31, 2020 | | | | | | |
| Historical cost | 183 | 2,158 | 6,044 | 10 | 2 | 8,396 |
| Accumulated depreciation | (183) | (2,136) | (5,809) | (10) | 0 | (8,138) |
| Net book value | 0 | 21 | 235 | 0 | 2 | 258 |

In 2020, intangible assets increased by 98 thousand euro (49 thousand euro in 2019) and mainly refer to the purchase of software licenses compatible with multi-cloud and hybrid environments, also in relation to new needs to enhance the possibility of remote connections.

Amortisation for the year amounted to 248 thousand euro, in line with the previous year (239 thousand euro).

No financial expenses were capitalised on intangible assets.

No significant write-downs were made in 2020.

All intangible assets are considered to have finite useful lives and are systematically amortised to account for their expected residual use.

15. RIGHT OF USE

Right-of-use assets, resulting from lease, rental or use of third-party goods contracts, were recognised separately, and at January 1, 2020, amounted to 948 thousand euro.

(thousands of euro)

| Right of use | Land and buildings | Plant and machinery | Vehicles | Total |
|--|--------------------|---------------------|------------|--------------|
| 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) |
| Reclassification | 0 | 0 | 0 | 0 |
| Depreciation | (115) | (169) | (230) | (514) |
| December 31, 2019 | 293 | 110 | 546 | 948 |
| New leases agreements subscribed in the period | 2,008 | 385 | 372 | 2,765 |
| Early termination of leases agreements | (105) | (16) | (27) | (148) |
| Reclassification | 0 | 0 | 0 | 0 |
| Depreciation | (259) | (136) | (286) | (681) |
| December 31, 2020 | 1,937 | 342 | 606 | 2,885 |
| December 31, 2019 | | | | |
| Historical cost | 408 | 279 | 773 | 1,459 |
| Accumulated depreciation | (115) | (169) | (227) | (511) |
| Net book value | 293 | 110 | 546 | 948 |
| December 31, 2020 | | | | |
| Historical cost | 2,311 | 576 | 1,023 | 3,910 |
| Accumulated depreciation | (374) | (234) | (417) | (1,025) |
| Net book value | 1,937 | 342 | 606 | 2,885 |

Note that the increase in value of 2,008 thousand euro recorded in the "Buildings" category refers to the right of use recognised following the signing, on June 22, 2020, of an operating lease contract, effective as from July 1, 2020, with a term of seven years, renewable for a further seven years under the same terms, for the use of a property for office use intended for Corporate and Management functions. The annual lease rent is set at 350 thousand, reduced for the first two years of the lease to facilitate the start-up stage. At the same time, the reduction of the term of another lease contract for a building for office use, previously in force, expiring in July 2024 and brought forward to April 2021, resulted in the reduction of the value recognised for right of use by 105 thousand.

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, memories, network components and printers).

There was an increase in the right of use for 385 thousand euro mainly due to the renewal of certain contracts that had reached their natural expiry date. Specifically, these are contracts for the rental of IT and office equipment, such as printers and servers. As a result of the early termination of the contract related to the rental of printers for the Avezzano plant, the value of the right of use was reduced by 16 thousand euro.

Similarly, the "Motor vehicles" category, which refers to long-term rental contracts for the Company's fleet of cars, was characterised by an increase in the right of use of 372 thousand euro. Again, the increase is due to the signing of new contracts, mainly to replace expired ones.

Moreover, the item "early termination of leases" in the table is characterised by the effect deriving from the early termination of certain car rental contracts of 27 thousand euro.

Note that both the Japanese permanent establishment and the Taiwanese permanent establishment have not entered into any new rental contracts or terminated any contracts early.

Depreciations for the period amounted to 681 thousand euro, up compared to December 31, 2019 by 167 thousand euro due to the recognition of the right of use of contracts entered into during the year.

16. EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS

On the reporting date, equity investments amounted to 128,230 thousand euro.

The value of the equity investments, recognised in the financial statements as at December 31, 2020, is shown in the following table:

(thousands of euro)

| Investments in subsidiaries | Balance at December 31, 2019 | Additions | Write-down | Disposals | Balance at December 31, 2020 |
|--|------------------------------|--------------|--------------|-----------|------------------------------|
| Direct controlled companies: | | | | | |
| SAES Getters International Luxembourg S.A. | 38,679 | 4,042 | 0 | 0 | 42,721 |
| 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 | (105) | 0 | 335 |
| SAES Coated Films S.p.A. | 11,985 | 5,500 | 0 | 0 | 17,486 |
| SAES Innovative Packaging S.r.l. * | 889 | 0 | 0 | 0 | 889 |
| SAES Nitinol S.r.l. | 0 | 30 | 0 | 0 | 30 |
| SAES Getters/U.S.A., Inc. | 28,059 | 0 | 0 | 0 | 28,059 |
| SAES Investments S.A. | 30,000 | 0 | 0 | 0 | 30,000 |
| Indirect controlled companies: | | | | | |
| SAES Getters Korea Corporation | 184 | 0 | (184) | 0 | 0 |
| Total controlled companies | 117,142 | 9,572 | (288) | 0 | 126,426 |
| Joint ventures: | | | | | |
| SAES Rial Vacuum Srl | 1,614 | 0 | 0 | 0 | 1,614 |
| Totale Joint ventures | 1,614 | 0 | 0 | 0 | 1,614 |
| Investments in other companies | | | | | |
| EUREKA! Venture SGR | 0 | 191 | 0 | 0 | 191 |
| Total other companies | 0 | 191 | 0 | 0 | 191 |
| Total related companies | 0 | 0 | 0 | 0 | 0 |
| Total | 118,756 | 9,763 | (288) | 0 | 128,230 |

* Ex E.T.C. S.r.l. in liquidation

Equity investments were measured at cost, adjusted if necessary, in case of impairment.

Note that the value of long-term equity investments recorded in the financial statements (128,230 thousand euro) includes the value of the equity investment in other companies, measured at fair value, and includes the equity investment in the venture capital fund EUREKA! Fund I – Technology Transfer venture capital fund, established and managed by the SGR and with investors including Cassa Depositi e Prestiti (CDP) and the European Investment Fund (EIF) for a value of 191 thousand euro, against the signing of an agreement with the company EUREKA! Venture SGR S.p.A. under which the Company will invest in the aforementioned venture capital fund, becoming an investor and strategic partner of EUREKA! in the advanced materials sector. For further details see “Significant events in 2020” in the Report on operations.

On March 12, 2020, SAES Getters S.p.A., as Single Shareholder, resolved a capital contribution of 800 thousand euro in favour of SAES Nitinol S.r.l., aimed at covering the losses recognised during 2019. The contribution, which took place on March 31, 2020, entailed, in addition to the utilisation of the loss coverage reserve of 770 thousand euro accrued in the previous year, the increase in the value of the equity investment held in SAES Nitinol S.r.l., of 30 thousand euro.

On the other hand, with reference to the Company's equity investment in SAES Getters International Luxembourg S.A., note that, on October 21, 2020, the Share Transfer Agreement was signed by which the

Company, against the payment of 4,042 thousand euro in favour of the subsidiary SAES Getters (Nanjing) Co. Ltd. on December 18, 2020, purchased the remaining 10% of SAES Getters International Luxembourg S.A. from its Chinese subsidiary. Note that, thanks to this transaction, the Company's shareholding in SAES Getters International Luxembourg S.A increased from 90% to 100%.

With regard to the increase in the value of the equity investment in SAES Coated Films S.p.A., note that, on December 1, 2020, the Company made an express declaration of waiver of the receivables claimed from the subsidiary SAES Coated Films S.p.A. These receivables amounted to 4,872 thousand euro and referred to invoices issued for the sale of goods and provision of intercompany services carried out by October 31, 2020. In order to strengthen the equity of SAES Coated Films S.p.A., which is going through a transition phase aimed at developing new products and selling them on the market, and is therefore similar to a company in a start-up phase, on December 11, 2020, the Company made a capital contribution in its favour, amounting to 628 thousand euro. The waiver of receivables, together with the payment of cash, constitute the increase in the value of the equity investment recognised in the Company's financial statements.

Also note that on July 24, 2020 the cancellation of the liquidation status of the company E.T.C. S.r.l., decided by the Shareholders' Meeting of April 15, 2020, the change of the company name from E.T.C. S.r.l. to SAES Innovative Packaging S.r.l. and the change of the company's business purpose, allowing the direct or indirect acquisition of interests or shareholdings in the field of packaging and the scouting of new technologies in the same sector, were entered in the register of companies.

Pursuant to article 2427 of the Italian Civil Code, point 5, the following information is provided:

| Name | Location | Currency | Share Capital | Shareholders' Equity | | Fiscal Year Net Income | | % Shares | Historical cost | Difference |
|--|-----------------------------|-------------------|---------------|----------------------|----------------|------------------------|--------------|-----------|-----------------|--------------|
| | | | | Total | Pro - quota | Total | Pro - quota | | | |
| | | | | (A) | | | | (B) | | |
| | | | | | | | | (B) - (A) | | |
| SAES Getters/U.S.A., Inc. | Colorado Springs , CO (USA) | U.S.\$ | 33,000,000 | 37,843,281 | 37,843,281 | 4,843,281 | 4,843,281 | | | |
| | | Thousands of euro | 26,893 | 30,840 | 30,840 | 4,240 | 4,240 | 100 | 28,059 | (2,781) |
| SAES Getters International Luxembourg S.A. | Lussemburgo | Euro | 34,791,813 | | | | | | | |
| | | Thousands of euro | 34,792 | 36,456 | 36,456 | 2,374 | 2,374 | 100 | 42,721 | 6,264 |
| SAES Investments S.A. | Lussemburgo | Euro | 30,000,000 | | | | | | | |
| | | Thousands of euro | 30,000 | 32,818 | 32,818 | (834) | (834) | 100 | 30,000 | (2,818) |
| SAES Getters Korea Corporation | Seul (Corea del Sud) | Thousands of won | 524,895 | 490,217 | 183,733 | (254,746) | (95,479) | | | |
| | | Thousands of euro | 393 | 367 | 138 | (189) | (71) | 37 | 0 | (138) |
| SAES Getters Nanjing Co. Ltd | Nanchino (Rep.Pop.Cinese) | Renminbi | 69,121,618 | 106,451,122 | 106,451,122 | 6,485,334 | 6,485,334 | | | |
| | | Thousands of euro | 8,616 | 13,269 | 13,269 | 824 | 824 | 100 | 6,904 | (6,365) |
| SAES Getters Export Corp. | Delaware, DE (USA) | U.S.\$ | 2,500 | 3,670,580 | 3,670,580 | 3,523,058 | 3,523,058 | | | |
| | | Thousands of euro | 2 | 2,991 | 2,991 | 3,084 | 3,084 | 100 | 2 | (2,989) |
| Menry GmbH in liquidazione | Weil am Rhein (Germany) | Euro | 1,795,000 | | | | | | | |
| | | Thousands of euro | 1,795 | 335 | 335 | (40) | (40) | 100 | 335 | (0) |
| SAES Innovative Packaging S.r.l. * | Lainate (MI) | Euro | 75,000 | | | | | | | |
| | | Thousands of euro | 75 | 2,755 | 2,755 | 107 | 107 | 100 | 889 | (1,866) |
| SAES Nitinol S.r.l. | Lainate (MI) | Euro | 10,000 | | | | | | | |
| | | Thousands of euro | 10 | 198 | 198 | 168 | 168 | 100 | 30 | (168) |
| SAES Coated Films SpA | Roncello (MB) | Euro | 13,745,000 | | | | | | | |
| | | Thousands of euro | 13,745 | 5,385 | 5,385 | (2,176) | (2,176) | 100 | 17,486 | 12,101 |
| SAES Rial Vacuum S.r.l. | Parma (PR) | Euro | 200,000 | | | | | | | |
| | | Thousands of euro | 200 | 1,549 | 759 | 631 | 309 | 49 | 1,614 | 854 |
| Total | | | | 126,964 | 125,944 | 8,190 | 7,986 | | 128,039 | 2,095 |

* Ex E.T.C. S.r.l. in liquidazione

| 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 2019 | Acquisitions/ Subscriptions/ Contributions | Merge | Disposals | Disposals | 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 2020 |
| 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 | 4,042 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 42,721 | 0 | 0 | 0 | 0 | 42,721 |
| SAES Getters Korea Corporation | 184 | 0 | 0 | 0 | 0 | 184 | 0 | 0 | 0 | 0 | 0 | 184 | 0 | 0 | 184 | 0 | 184 | 0 | 0 | 0 |
| SAES Getters Nanjing 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 |
| Merry GmbH in liquidazione | 4,495 | 0 | 4,055 | 0 | 0 | 440 | 0 | 0 | 0 | 0 | 0 | 105 | 0 | 0 | 4,495 | 0 | 4,160 | 0 | 0 | 335 |
| Stes Coated Films SpA | 13,265 | 0 | 1,735 | 456 | 0 | 11,986 | 5,500 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 18,765 | 0 | 1,735 | 456 | 0 | 17,486 |
| SAES Innovative Packaging S.r.l.* | 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 Niniol S.r.l | 1,378 | 0 | 1,418 | 40 | 0 | 0 | 30 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,408 | 0 | 1,418 | 40 | 0 | 30 |
| SAES Getters/USA, 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. | 30,000 | 0 | 0 | 0 | 0 | 30,000 | 0 | 0 | 0 | 0 | 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 | | | | | | | | | | | | | | | | | | | | |
| Conai - Consorzio Nazionale Imballaggi | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EUREKA! Venture SGR | 0 | 0 | 0 | 0 | 0 | 0 | 191 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 191 | 0 | 0 | 0 | 0 | 191 |
| Total | 135,961 | 52 | 18,153 | 896 | 0 | 118,756 | 9,763 | 0 | 0 | 0 | 0 | 288 | 0 | 0 | 145,724 | 52 | 18,441 | 896 | 0 | 128,230 |

* Ex E.T.C. S.r.l. in liquidation

In accordance with the provisions of international accounting standard IAS 36, an impairment test was conducted on the basis of the most recent plans drawn up by top management for the period 2021-2023 and approved by the Company's Board of Directors on January 21, 2021, with a view to establishing if the equity investments had been recognised in the financial statements as at December 31, 2020 at a lower 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 have been identified in the presence of negative results of the investee company and an excess of the carrying amount of the investment over the corresponding portion of shareholders' equity.

With reference to the equity investment held in SAES Getters International S.A., as in the previous year, no elements were found that would lead to an impairment, despite the fact that the carrying amount of the equity investment is higher than the corresponding portion of shareholders' equity, in that the income from the investee companies is considered sufficient to ensure the need not to make any impairment.

On the other hand, 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., SAES Getters Korea Corporation and SAES Rial Vacuum S.r.l.

Concerning the investments in SAES Coated Films S.p.A., SAES Getters Korea Corporation and SAES Rial Vacuum, the recoverable amount of the equity investments was calculated by identifying the equity value of the above-mentioned companies by means of the cash flows envisaged 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 equity investments by the Company's Board of Directors on January 21, 2021, 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:

- developments in the 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;
- production costs, operating expenses and investments plan;
- discounting rates estimated by Management.

The expected growth in sales is based on management forecasts, whilst the profit margins and operating expenses for the various businesses were estimated on the basis of time series, adjusted according to expected results and on the basis of expected market price changes. The value of investments and working capital were determined according to different factors, such as the forecast levels of future growth and the product development plan. These assumptions were influenced by future expectations and market conditions.

For the three equity investments being tested, the resulting cash flows, calculated net of tax, are then discounted at a rate that represents the weighted average cost of the capital invested in the company being assessed (Weighted Average Cost of Capital, WACC), corresponding to 6.6%, also calculated net of tax, except for SAES Coated Films, for which a WACC of 7.6% was used, to take into account the fact that the company is in the process of consolidating its new business model.

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 2021-2023 three-year plan approved by the Board of Directors of this company on December 3, 2020, with a WACC equal to 6.6%, in line with that used by the Group for the Solutions for Vacuum Systems business. 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 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 plans (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, increasing the discounting rate by up to 2 percentage points more than the reference value; no material issues were identified from this.
- In 2020, the equity investment in SAES Coated Films underwent an impairment test and related sensitivity analyses (discount rate increased by 2 percentage points), the positive outcome of which did not indicate the need for any write-downs. For the purpose of the impairment test, also in this case the value in use was determined through the Free Operating Cash Flow method, based on the 2021-2025 five-year plan approved by the Board of Directors of the Company on January 21, 2021 and using a WACC equal to 7.6%, consistent with that used by the Group for the Advanced Packaging Cash Generating Unit. 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 period covered by the plans; this value was estimated prudentially at a growth rate (g-rate) of zero and a time horizon of 10 years estimated after the period envisaged by the plan (time horizon consistent with that used for the Advanced Packaging Division).
- The value of the equity investment in SAES Getters Korea Corporation was tested for impairment, the negative outcome of which highlighted the need to completely write-down the equity investment for 184 thousand euro and to allocate a provision for risks to cover future losses for 154 thousand euro. For the purpose of the impairment test, also in this case the value in use was calculated using the Free Operating Cash Flow method, based on the 2021-2023 three-year plan approved by the Board of Directors of the company on January 21, 2021, with a WACC equal to 6.6%, in line with that used by the Group for the Security & Defence business, the company's main business. The terminal value, in

order to reflect the residual value that the company should generate beyond the three years covered by the plans, was estimated prudentially assuming a growth rate (g-rate) of zero and a time horizon of 10 years estimated after the five years envisaged by the plan (time horizon in line with that used for the Security & Defence business).

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 recalculated. 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, with regard to the COVID-19 epidemic, note that forecasts of the potential effects of this event on the performance of the various sectors and, consequently, on the estimates of the future cash flows of subsidiary companies and relevant JVs, are highly uncertain and will be constantly monitored over the coming months, also to identify any future impairment.

With regard to the Company's equity investment in Memry GmbH in liquidation, a comparison was made between the carrying value of the equity investment and the shareholders' equity of the subsidiary, taking into account its state of liquidation. This comparison showed the need to write down the equity investment by 105 thousand euro, thus aligning the carrying value of the equity investment to its recoverable amount, consistent with the future benefits that are expected to flow into the economy of the investor by the end of the liquidation process, expected in the next financial year.

Note that the item "Equity investments in other companies" includes, for a value of 191 thousand euro, the investment made by the Company, during the year, in the venture capital fund EUREKA!

This non-controlling interest not held for trading, in compliance with IFRS 9, is measured at fair value, with recognition of the changes in the other components of comprehensive income, without transfer to the income statement.

The following table shows the changes in the value of the equity investment in 2020.

(thousands of euro)

| Investments in other companies | December 31, 2019 | Capital injections | Fair value evaluation | Other variations | December 31, 2020 |
|--------------------------------|-------------------|--------------------|-----------------------|------------------|-------------------|
| EUREKA! Venture SGR | 0 | 312 | (110) | (11) | 191 |
| Total | 0 | 312 | (110) | (11) | 191 |

On June 23, 2020, an agreement was signed with EUREKA! Venture SGR S.p.A. which will see the Company invest in the venture capital fund **EUREKA! Fund I – Technology Transfer** venture capital fund (a closed alternative investment fund qualifying as a 'EuVECA' fund pursuant to Regulation (EU) 345/2013), established and managed by the SGR and with investors including Cassa Depositi e Prestiti (CDP) and the European Investment Fund (EIF). The investment in the Fund is equal to 3 million euro and has a ten-year duration (coinciding with the maturity of the Fund). The financial outlay will not be immediate, but rather in the form of drawdown transactions, based on investment opportunities that gradually arise and related calls for capital subscriptions from the SGR. In particular, based on the Fund's regulations, investors are expected to provide between 50% and 60% of the investment within the first five years. For tax purposes, the investment in the Fund enjoys the same benefits as innovative investments in start-ups, pursuant to Italian Law Decree 179/2012. Therefore, the Company can benefit, in the year in which the investment is made, from a deduction from IRES taxable income equal to 30% of the invested amount, and from a total exemption from capital gains tax (Italian Law Decree 98/2011).

The Fund managed by EUREKA! Venture SGR is specialised and focused solely on deeptech investments in start-ups and spin-offs of research centres and universities, in applications and technologies attributable to the

science of materials, sensors, advanced electronics, photonics, IoT – the Internet of Things and Lab-on-a-chip applications, attentive to the principles of sustainability and ESG criteria. Indeed, the fund regulation envisages clear investment policies inspired by ESG (Environmental, Social and Governance) principles. Similarly, also for the asset management company, procedures and processes will focus on compliance with these investment policies.

Based on the agreement signed, the Company becomes EUREKA!'s strategic investor-partner in the advanced materials sector and gains access to the Fund's dealflow in the sectors and business areas of interest to the Group, with priority co-investment rights. Lastly, based on the exit strategies from target companies, the Company has priority in terms of purchase proposals, to be submitted to the asset management company for assessment (right of first offer).

In regard to capital contributions, the Company paid 118 thousand euro on July 14, 2020, as subscription fees and to cover set-up costs and management fees for the period July 1 - September 30, 2020. The initial investment, with related call for funds of around 164 thousand euro, was completed on September 16, 2020. The Company made an additional payment of 30 thousand euro on October 16, 2020, including both the share of commissions and management fees, and the portion of an investment made by the fund in the printed electronics business.

On December 29, 2020, the second closing by the Fund was completed, on the basis of which new investors were formally admitted, with a total contribution to the investment of approximately 2.6 million euro. Therefore, the equity investment was diluted from 8.02% to 7.51% and the Company obtained a reimbursement for both the costs and the investments of the Fund, equal to approx. 11 thousand euro (column "Other changes"). As at December 31, 2020, this refund has not yet been collected and is recorded under "Financial receivables from other investees" (for further details, see Note no. 25).

17. SECURITIES IN THE PORTFOLIO

The item "Securities in the portfolio" as at December 31, 2020 amounted to 31,241 thousand euro, which compares with a value of 30,884 thousand euro as at December 31 of the previous year (up by 357 thousand euro).

These securities refer to investments in cash (made already during 2019) of 30,000 thousand euro 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. These financial assets, measured at fair value, are classified as non-current assets, as they represent a guarantee on the medium/long-term loan obtained by the Company to fund the purchase of ordinary shares as part of the voluntary partial public tender offer launched in 2019.

With regard to the fair value measurement of the securities portfolio as at December 31, 2020, it should be noted 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); 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).

Lastly, it should be noted that the decrease in the fair value of securities in the portfolio, recorded in the first quarter with the COVID-19 pandemic crisis depressing the financial markets, was gradually reabsorbed in the following months, so that at the end of the year the value of the securities was in line with their value as at December 31, 2019.

It should be noted that the fair value of the Company's securities portfolio, consisting primarily of "Buy & Hold" assets, at today's date, was down by around 0.2% compared to the value as at December 31, 2020.

18. DEFERRED TAX ASSETS

As at December 31, 2020, this item showed a positive balance of 2,637 thousand euro, against 1,916 thousand euro as at December 31, 2019 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 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, 2020 and as at December 31, 2019 respectively, according to the nature of the differences that generated the deferred taxes:

(thousands of euro)

| | 31.12.2020 | | 31.12.2019 | |
|--|------------------------------|---------------|------------------------------|---------------|
| | Temporary tax adjustments | Tax Impact | Temporary tax adjustments | Tax Impact |
| <u>Deferred tax liabilities:</u> | | | | |
| - Capital gains from disposals | 0 | 0 | 0 | 0 |
| - Termination indemnity adjustment as for IAS 19 | (471) | (113) | (455) | (109) |
| - Assets revaluation (fair value) | 0 | 0 | (1,810) | (434) |
| <u>Deferred tax assets:</u> | | | | |
| - Non Operating Losses (NOLs) | 0 | 0 | 0 | 0 |
| - Depreciation / Amortization | 823 | 198 | 386 | 93 |
| - Assets write-downs | 329 | 79 | 654 | 157 |
| - Stock obsolescence | 1,286 | 309 | 1,242 | 298 |
| - IAS 19 adjustments effect | (284) | (68) | 333 | 80 |
| - Fiscally deductible costs | 8,112 | 1,947 | 6,891 | 1,654 |
| - Provision accruals | 380 | 90 | 275 | 65 |
| - <i>Fair value phantom shares</i> | 770 | 184 | 413 | 98 |
| - Other | 54 | 12 | 66 | 15 |
| Total deferred tax effects | | 2,637 | | 1,916 |

19. OTHER LONG-TERM ASSETS

The item "Other long-term assets" amounted to 1,169 thousand euro as at December 31, 2020. This item, in addition to the deposits paid by the Company, as part of its operating activities (69 thousand euro), includes the advance, equal to 1,100 thousand euro, paid during a preliminary negotiation for a potential minority investment. In a context of general uncertainty, also due to the spread of the Covid-19 epidemic, the transaction was suspended and the Company requested the return of the deposit, as set forth in the original agreement between the parties, reserving the right to bring legal action.

CURRENT ASSETS

20. INVENTORY

Closing inventories as at December 31, 2020 amounted to 8,882 thousand euro, showing an increase of 245 thousand euro compared to the previous year, mainly due to the increase in inventories of finished products of the electronic devices segment at the Avezzano facility for goods in transit.

(thousands of euro)

| | December 31, 2020 | December 31, 2019 | Difference |
|--|-------------------|-------------------|------------|
| Raw materials, auxiliary materials and spare parts | 2,948 | 2,998 | (50) |
| Work in progress and semi-finished goods | 2,731 | 2,610 | 122 |
| Finished products and goods | 3,203 | 3,030 | 173 |
| Total | 8,882 | 8,637 | 245 |

The values of inventory are shown net of the provision for obsolete inventory to adjust them to their estimated realisable value based on market trends.

Changes in the provision for obsolete inventory is provided below:

(thousands of euro)

| | December 31, 2019 | Accrual | Release into Income Statement | Utilization | December 31, 2020 |
|--|-------------------|------------|-------------------------------|--------------|-------------------|
| Raw materials, auxiliary materials and spare parts | 909 | 202 | 0 | (155) | 956 |
| Work in progress and semi-finished goods | 242 | 69 | 0 | (74) | 237 |
| Finished products and goods | 91 | 47 | 0 | (45) | 93 |
| Total | 1,242 | 318 | 0 | (274) | 1,286 |

The column "accrual" includes the write-down of the semi-finished products and finished goods characterised as slow-moving or no longer used in the production process.

The "usage" column instead represents the value of material scrapped or sold, written down in previous years. Also as a result of the global economic and financial crisis caused by the COVID-19 pandemic, as it is always done at the end of each financial year, management considered it appropriate to carry out more detailed analyses with particular attention to potential impairment of inventories of raw materials, semi-finished and finished products that can no longer be sold due to issues with the solvency of end customers. This testing did not show a need to include dedicated and additional adjustments to the net value of inventory due to the pandemic.

21. TRADE RECEIVABLES

Trade receivables as at December 31, 2020 amounted to 10,300 thousand euro, marking an increase of 459 thousand euro compared to the previous year.

The following table shows a breakdown and changes of this item:

(thousands of euro)

| Crediti commerciali | Gross value Dec 31, 2020 | Bad debts provision Dec 31, 2020 | Net value Dec 31, 2020 | Net value Dec 31, 2019 | Difference |
|-------------------------------------|--------------------------|----------------------------------|------------------------|------------------------|------------|
| Trade Receivables vs Customers | 6,985 | (208) | 6,778 | 6,228 | 549 |
| Trade Receivables vs Subsidiaries | 2,906 | 0 | 2,906 | 3,387 | (481) |
| Trade Receivables vs Joint Ventures | 616 | 0 | 616 | 225 | 390 |
| Total trade receivables | 10,507 | (208) | 10,300 | 9,841 | 458 |

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.

The analysis conducted on trade receivables to ascertain the correspondence between their carrying amount and their realisable value, showed a problem regarding a customer based in Germany. During the financial year, the Company wrote down some receivables due between June 2019 and June 2020 from the German customer, for a total value of 7 thousand euro. Note that this write-down is the result of a prudential approach, as it is not related to any type of dispute by the customer or to its financial soundness.

A further write-down was made on open items with another German customer, which was declared insolvent in September 2020. The write-down amounted to 41 thousand euro and was allocated to a specific provision under liabilities. For this receivable, the Company considered it convenient to be included as creditor. Note that during the 2020 financial year, the receivable from the customer based in the United Kingdom, amounting to 4.5 thousand euro, for which a provision had been set aside under liabilities in the previous year, was entirely written off.

It should also be noted that in application of IFRS 9, the Company, as in the previous year, made an estimate of losses on receivables based on the expected credit losses model. 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.

A breakdown of the figures as at December 31, 2020 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 | 316 | 1,807 | 702 | 363 | 2,776 | 811 | 6,777 |
| Trade Receivables vs Subsidiaries | 295 | 0 | 1,939 | 0 | 672 | 0 | 2,906 |
| Trade Receivables vs Joint Ventures | 318 | 252 | 46 | 0 | 0 | 0 | 616 |
| Total Receivable | 929 | 2,059 | 2,687 | 363 | 3,448 | 811 | 10,300 |

Changes in the bad debt provision are provided below:

(thousands of euro)

| | 2020 | 2019 |
|----------------------------|--------------|--------------|
| Opening balance | (160) | (160) |
| Accrual | (52) | 0 |
| Utilization | 5 | 0 |
| Reversal of unused amounts | 0 | 0 |
| Closign balance | (208) | (160) |

The following table provides a breakdown of the trade receivables, by those not yet due and past due as at December 31, 2020 compared with the previous year:

(thousands of euro)

| Ageing | Total | Not yet due | Due not written down | | | | |
|--------------------------|---------------|-------------|----------------------|--------------|--------------|---------------|------------|
| | | | < 30 days | 30 - 60 days | 60 - 90 days | 90 - 180 days | > 180 days |
| December 31, 2020 | 10,300 | 8,101 | 1,056 | 864 | 233 | 10 | 36 |
| December 31, 2019 | 9,841 | 8,026 | 1,032 | 618 | 87 | 58 | 20 |

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.

As a result of the COVID-19 pandemic, management considered it appropriate to carry out additional tests for potential impairment of trade receivables considered not recoverable due to solvency difficulties of the end customers.

In particular, in addition to updating the expected loss calculation (see previous comments), an in-depth analysis was conducted of individual positions past due by more than 90 days to assess the probability of their collection by the Company.

This analysis, further supported by the fact that the DSO is in line with the value as at December 31, 2019, shows no need for an additional write-down.

Management considers the forecasts generated to be reasonable and sustainable, though current circumstances are a cause of uncertainty.

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 142,518 thousand euro as at December 31, 2020, up by 1,036 thousand euro compared to the 2019 financial year.

This increase was mainly due to the increase in the value of the interest-bearing loan granted to SAES Investments S.A., aimed at supporting its cash requirements to meet the payables to group companies and the payment of taxes and tax payables of 940 thousand euro, as well as the portion of interest of 286 thousand euro, accrued on the loan itself.

The loan, which aimed at the purchase of credit linked certificates with a contract signed on November 12, 2018, was originally for a total value of 160 million euro. During 2019, it was partially repaid by 30 million euro and increased by 10 million euro (change originated by the reduction of the capital of SAES Investments S.A.)

Note that the *credit-linked certificates* represent a guarantee on the medium/long-term loan obtained by the Company to fund the purchase of ordinary shares as part of the voluntary partial public tender offer.

Note that the item "financial receivables from related parties" recorded among non-current assets for 49 thousand euro includes the amount of an interest-bearing loan granted by the Company in favour of the joint venture SAES RIAL Vacuum S.r.l.

The portion whose payment by the joint venture is expected within one year is classified under current assets (1 thousand euro, equal to the interest accrued and not yet collected at December 31, 2020), while the remaining portion, as mentioned above, was classified under non-current assets (49 thousand euro, equal to the principal).

The table below shows the breakdown and changes in financial receivables from related parties compared to the previous year:

(thousands of euro)

| | Cash pooling interest | Loan | Loan interests | Cash pooling balance | Other | December 31, 2020 | Cash pooling interest | Loan | Loan interests | Cash pooling balance | Other | December 31, 2019 | Difference |
|---|-----------------------|----------------|----------------|----------------------|----------|-------------------|-----------------------|----------------|----------------|----------------------|--------------|-------------------|----------------|
| SAES Getters International Luxembourg S.A. | 29 | 0 | 0 | 0 | 0 | 29 | 0 | 0 | 0 | 750 | 0 | 750 | (721) |
| SAES Getters/U.S.A., Inc. | 15 | 0 | 0 | 910 | 0 | 925 | 17 | 0 | 0 | 106 | 0 | 123 | 802 |
| SAES Investments S.A. | 0 | 141.276 | 287 | 0 | 0 | 141.563 | 0 | 140.336 | 273 | 0 | 0 | 140.609 | 954 |
| SAES Rial Vacuum Srl | 0 | 0 | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Total classified in current assets | 44 | 141.276 | 288 | 910 | 0 | 142.518 | 17 | 140.336 | 273 | 856 | 0 | 141.482 | 1.036 |
| SAES Coated Films S.p.A. | 0 | 0 | 0 | 0 | 0 (*) | 0 | 0 | 0 | 0 | 0 | 4.159 | 4.159 | (4.159) |
| SAES Rial Vacuum Srl | 0 | 49 | 0 | 0 | 0 | 49 | 0 | 49 | 0 | 0 | 0 | 49 | 0 |
| Total classified in non-current assets | 0 | 49 | 0 | 0 | 0 | 49 | 0 | 49 | 0 | 0 | 4.159 | 4.208 | (4.159) |

23. TAX CONSOLIDATION RECEIVABLES

The receivable from S.G.G. Holding S.p.A. relating to the request for refund of the excess IRES paid by the Company, now merged, SAES Advanced Technologies S.p.A. in previous years, which constituted the non-current part of the item "Tax consolidation receivables" was partially collected for an amount of 144 thousand euro and, for the difference, amounting to 127 thousand euro, was written down, after receiving final confirmation from the Inland Revenue that the receivable was impaired.

The current portion of the item "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 debt of the Company towards the subsidiary SAES Coated Films S.p.A.

The balance as at December 31, 2020, amounting to 210 thousand euro, represents, for 97 thousand euro, the 2019 Ires receivable from the subsidiary Saes Coated Films S.p.A. resulting from the adjustment entries made in 2020 and, for 113 thousand euro, the gross receivable for the year 2020 claimed by the Company from the subsidiaries SAES Nitinol S.r.l. and SAES Innovative Packaging S.r.l. and corresponding to the remuneration of the tax loss transferred to the national tax consolidation, based on the agreements signed between the Companies participating in the consolidation.

24. OTHER RECEIVABLES, ACCRUED INCOME AND PREPAID EXPENSES

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)

| Prepaid expenses, accrued income and other | December 31, 2020 | December 31, 2019 | Difference |
|---|-------------------|-------------------|------------|
| VAT receivables | 794 | 692 | 102 |
| Income tax and other tax receivables | 1,242 | 982 | 260 |
| Social security receivables | 32 | 32 | 0 |
| Other | 107 | 64 | 43 |
| Total other receivables | 2,175 | 1,770 | 405 |
| Prepaid expenses | 969 | 781 | 188 |
| Total prepaid expenses, accrued income and other | 3,144 | 2,552 | 593 |

The item "VAT receivables" mainly consists, for 771 thousand euro, of VAT originated in 2020 as a result of the excess VAT receivable from the tax authorities compared to the VAT payable to the tax authorities.

Note that part of the VAT receivable that made up the balance of the 2019 financial year, amounting to 665 thousand euro, resulting from the submission of the 2020 annual VAT tax return for the year 2019, was offset with different types of taxes. Therefore, it was not necessary to request a VAT refund.

The item "Other tax receivables" includes tax receivables for advance payments on income taxes (129 thousand euro), receivables from the Italian tax authorities for withholding taxes on dividends (245 thousand euro), royalties (531 thousand euro) and bank interest (45 thousand euro), receivables from the Japanese tax authorities for tax advances of the Japan Technical Services branch (13 thousand euro) and tax credit from the Italian tax authorities (259 thousand euro) recognised as a grant for operating expenses of investments in research, technological innovation and development under Italian Law no. 160 of December 27, 2019, Article 1, paragraphs 198 to 209, and for expenses incurred for sanitisation and the purchase of protective equipment pursuant to Article 25 of Italian Decree Law 34/2020, Article 125 (19 thousand euro).

The item "Receivables from social security institutions" mainly refers to receivables from INPS, in particular relating to the position of the Avezzano local unit.

Note that the item "Others" mainly consists of a receivable for public grants related to a European project for 106 thousand euro.

The item "Prepaid expenses" amounting to 969 thousand euro, up compared to the previous year, includes the portion of costs deferred to one or more subsequent years and is represented by patent maintenance expenses of 446 thousand euro, insurance expenses of 117 thousand euro and expenses for IT Cloud services for most of the remaining amount.

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

Public grants – disclosure pursuant to Law no. 124 of August 4, 2017, Article 1, paragraphs 125-129

Law no. 124 of August 4, 2017 – Article 1, paragraphs 125-129 – "Fulfilment of transparency and disclosure obligations" introduced, for financial statements starting from 2018, a series of disclosure and transparency obligations by parties that have financial relationships 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 interprofessional 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 made showed that the Company, in 2020, similarly to the previous financial year, did not receive public grants that would fall under the application of law no. 124/2017 (Article 1, paragraphs 125-129) as amended.

25. FINANCIAL RECEIVABLES FROM OTHER INVESTEES

The value entered under this item represents the receivable from EUREKA! Venture SGR S.p.A., arising from the recognition of a refund related to both costs and investments of the venture capital fund *EUREKA! Fund I – Technology Transfer*, obtained following the dilution of the Company's shareholding due to the admission of new investors to the Fund, when the second closing was completed by the Fund itself.

With reference to the agreement with EUREKA! Venture SGR S.p.A. signed on June 23, 2020, which will see the Company invest in the *venture capital fund EUREKA! Fund I – Technology Transfer*, note that the investment in the Fund totals 3 million euro, has a duration of ten years (coinciding with the duration of the Fund), and provides for a financial outlay in the form of drawdown transactions, based on investment opportunities that gradually arise and related calls for capital subscriptions from the SGR.

Two payments were made in 2020 to cover subscription fees and set-up costs, management fees and the Fund's share of investments.

On December 29, 2020, the second closing by the Fund was completed, on the basis of which new investors were formally admitted, with a total contribution to the investment of approximately 2.6 million euro. This resulted in the dilution of the Company's shareholding from 8.02% to 7.51%, which led to the recognition of a refund proportional to the dilution, related to both the costs and investments of the Fund, amounting to 11 thousand euro, recorded at year-end in the item "*financial receivables from other investee companies*".

26. 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, 2020, mainly denominated in euro:

(thousands of euro)

| | December 31, 2020 | December 31, 2019 | Difference |
|---------------|-------------------|-------------------|-----------------|
| Bank accounts | 2,776 | 16,986 | (14,210) |
| Petty cash | 3 | 5 | (2) |
| Total | 2,779 | 16,991 | (14,212) |

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

Note that the item "Bank accounts" is shown net of the write-down, amounting to -2 thousand euro, determined in application of IFRS 9, which is compared with a write-down of -8 thousand euro in the previous year. The reduction in expected losses of -6 thousand euro is due to the lower cash held by the Company at the end of the 2020 financial year, compared to the previous year (2.8 million euro as at December 31, 2020 compared to 17 million euro as at December 31, 2019). Also note that 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 each bank's rating.

The decrease in cash and cash equivalents is due to the use of resources to finance the Company's operations and financial management, including investments and payment of dividends to shareholders, without recourse to additional bank debt.

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. 38).

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

(thousands of euro)

| | December 31, 2020 | December 31, 2029 | Difference |
|---|-------------------|-------------------|-----------------|
| Cash on hands | 3 | 5 | (2) |
| Cash equivalents | 2,776 | 16,986 | (14,210) |
| Cash and cash equivalents | 2,779 | 16,991 | (14,212) |
| Other current financial assets | 11 | 0 | 11 |
| Related parties current financial assets* | 142,518 | 141,482 | 1,036 |
| Current financial assets | 142,529 | 141,482 | 1,047 |
| Bank overdraft | (32,513) | (27,009) | (5,504) |
| Current portion of long term debt | (5,120) | (5,100) | (20) |
| Derivative financial instruments measured at fair value | (33) | (50) | 17 |
| Other current financial liabilities * | (6,941) | (3,210) | (3,731) |
| Other financial debt | (2) | (0) | (2) |
| Current financial liabilities for leases | (705) | (412) | (293) |
| Current financial liabilities | (45,313) | (35,781) | (9,532) |
| Current net financial position | 99,994 | 122,691 | (22,697) |
| Related parties non current financial assets ** | 49 | 4,208 | (4,159) |
| Securities - long term | 31,241 | 30,884 | 357 |
| Non current financial assets | 31,290 | 35,092 | (3,802) |
| Long term debt, net of current portion | (95,232) | (100,352) | 5,120 |
| Non current financial liabilities for leases | (2,336) | (539) | (1,797) |
| Non current financial liabilities | (97,568) | (100,891) | 3,323 |
| Non current net financial position | (66,278) | (65,799) | (479) |
| Net financial position | 33,716 | 56,892 | (23,176) |

* 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.

27. SHAREHOLDERS' EQUITY

The Company's shareholders' equity as at December 31, 2020 amounted to 200,240 thousand euro, decreasing by 6,991 thousand euro compared to December 31, 2019, mainly due to the reduction in the profit for the year 2020, amounting to 2,252 thousand euro, which is compared with a profit for the previous year of 14,416 thousand euro, distributed for 9,198 thousand euro, only partially offset by the increase in the item "Other reserves and retained earnings", which increased in 2020 by 5,173 thousand euro

The following also should be noted:

- positive actuarial differences on defined benefit plans recognised as equity in other comprehensive income and losses, equal to +64 thousand euro;
- the negative change (-110 thousand euro) in the fair value of equity investments in other companies
- ¹²(in particular, investment in the EUREKA! venture capital fund, for details please refer to Note no. 16).

A summary of the changes that occurred is provided in the Statement of Changes in Equity.

Capital

As at December 31, 2020 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 the portfolio and 7,378,619 savings shares, for a total of 22,049,969 shares.

The ordinary and savings shares are listed on the segment of the Mercato Telematico Azionario known as "STAR" (Securities with High Requirements), dedicated to small and medium caps that meet specific requirements with regard to reporting transparency, liquidity and Corporate Governance.

Capital reserves

a) *Share Issue 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, 2020, it amounted to 25,724 thousand euro and remained unchanged compared to December 31, 2019.

b) *Treasury Shares Reserve*

The item amounted to -93,382 thousand euro as at December 31, 2020 and refers to the ordinary shares acquired by the Company as part of the voluntary partial public tender offer authorised 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 euro per share. These treasury shares represent a medium and long-term investment in the Company, which can also be used as a collateral for loans, for any extraordinary transactions and/or to develop alliances in line with the strategic guidelines of the Company and of the Group. Until these opportunities for use arise, the Company intends to retain the treasury shares purchased in the portfolio.

The table below shows the breakdown of the share capital and the reconciliation between the number of shares in issue and the treasury shares in the portfolio as at December 31, 2020.

| | December 31, 2020 |
|-----------------------------|------------------------------|
| Ordinary outstanding shares | 10,771,350 |
| Savings outstanding shares | 7,378,619 |
| Treasury shares | 3,900,000 |
| Total shares | 22,049,969 |

¹² In compliance with IFRS 9, non-controlling interests not held for trading are measured at fair value, with recognition of the changes in the other components of comprehensive income, without transfer to the income statement.

The treasury shares held as at December 31, 2020, as a percentage both of the issue category and of the total number of shares that constitutes the capital stock, are indicated below pursuant to article 2357 of the Italian Civil Code.

| | December 31, 2020 |
|------------------------------------|------------------------------|
| 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 have to 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.

c) Merger surplus reserve (principal)

This item includes the share of 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. in 2016.

Legal reserve

This item refers to the Company's legal reserve of 2,444 thousand euro as at December 31, 2020 and it was unchanged compared to December 31, 2019, since the reserve had reached its legal limit.

Reserve for untaxed earnings

This item, totalling 5,721 thousand euro, 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) as well as by the positive balance, net of substitute tax of 48 thousand euro, corresponding to the realignment of the tax values to the statutory reporting values of certain property, plant and equipment pursuant to Article 110, paragraph 8 of Italian Legislative Decree No. 104/2020 (1,573 thousand euro). Pursuant to Law no. 342 of 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 profits carried forward

This item includes reserves of profits, net of the Legal reserve and the Reserve for untaxed earnings, and totals 250,982 thousand euro, broken down as follows:

- **retained earnings**, equal to 247,218 thousand euro;
- **reserve for the application of IAS 19, amounting to -1,198 thousand euro;**
- **reserve for transition to IAS** available in the amount of 1,655 thousand euro; note that the net reserve for transition to IAS amounts to 1,634 thousand euro and is available in the amount of 1,655 thousand euro. The available amount is higher than the total net reserve, which amounts to 1,634 thousand euro, in that the unavailable reserve for transition to IAS is negative, -21 thousand euro, following the transfer of the realignment amount to the reserve for untaxed earnings
- **reserve for capital gains on the sale of treasury shares in the portfolio**, amounting to -589 thousand euro;
- **reserve from transactions with Group companies**, representing the difference between appraisal value and carrying amount of assets transferred to the Company by the subsidiary SAES Getters/USA Inc., amounting to -420 thousand euro, recorded as a reduction of shareholders' equity in accordance with OPI1 issued by the Italian Association of Auditors.

As indicated in the Report on corporate governance and ownership structure enclosed 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 no. 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 |
| Reserve ex Law n. 126, October 13, 2020 | 1,573 |
| 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 |
| Totale | 5,721 |

* 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 | | |
| Reserve ex Law 126, 2020 | 1,573 | a, b, c | 1,573 | | |
| 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 (*) | 246,645 | a, b, c | 246,666 | 2,979 | 16,407 |
| Net income (loss) for the period | 2,252 | a, b, c | 2,252 | | 15,547 |
| Total Shareholders' Equity | 200,240 | | 188,041 | | |

a: capital increase

b: loss coverage

c: distribution to shareholders

(*) 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 1,655 thousand Euro

NON-CURRENT LIABILITIES

28. FINANCIAL DEBTS

As at December 31, 2020, financial debts totalled 100,352 thousand euro, down by 5,100 thousand euro compared to December 31, 2019, as a result of the repayments of principal made during the 2020 financial year (5,119 thousand euro).

Note that the balance of financial debts as at December 31, 2020 is mainly represented by the value of the medium/long-term loan obtained by the Company on May 30, 2019 for an amount of 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 tender offer finalised at the end of May and to cover the related amount spent to acquire the ordinary shares and 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 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 the Company. 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, including 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, worth 30,000 thousand euro in which the Company invested cash in the first quarter of 2019. The value of the financial instruments as at December 31, 2020 amounted to 31,241 thousand euro (positive fair value measurement of 357 thousand euro).

In 2020, the Company repaid principal for an amount equal to 5,119 thousand euro, details and comments on which can be found 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, there is therefore no exchange rate impact. The following table shows the changes in financial debts in 2020:

(thousands of euro)

| Financial debts | |
|------------------------------------|----------------|
| December 31, 2019 | 105,451 |
| Amortization of fees and interests | 1,242 |
| Repayments | (5,119) |
| Interest payments | (1,222) |
| New loans | 0 |
| December 31, 2020 | 100,352 |

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 financial debts".

(thousands of euro)

| Financial debts | December 31, 2020 | December 31, 2019 | Difference |
|---|-------------------|-------------------|----------------|
| Less than 1 year | 5,121 | 5,100 | 21 |
| Current portion of financial debts | 5,121 | 5,100 | 21 |
| Between 1 and 2 years | 2,496 | 5,120 | (2,624) |
| Between 2 and 3 years | 0 | 2,497 | (2,497) |
| Between 3 and 4 years | 92,735 | 0 | 92,735 |
| Between 4 and 5 years | 0 | 92,735 | (92,735) |
| Over 5 years | 0 | 0 | 0 |
| Non current financial debts | 95,231 | 100,351 | (5,120) |
| Total | 100,352 | 105,451 | (5,099) |

The significant increase in the bank debt with a maturity of 3 to 4 years, which is accompanied by the reduction of the debt with a maturity of 4 to 5 years, is related to the above-mentioned loan, taken out by the Company in the previous financial year to cover the disbursement for the purchase of the ordinary shares, the maturity date of which is reduced due to the natural passing of time. 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 loans taken out as at December 31, 2020:

| Description | Currency | Principal | Timing of capital reimbursement | Timing of covenants calculation | Interest rate | Effective interest rate | Value at Value as at December 31, 2020 (thousands of euro) | Value as at December 31, 2019 (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% | 3,991 | 5,980 |
| 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% | 1,130 | 2,247 |
| SAES Getters S.p.A. Unicredit loan | EUR | 10 (millions of euro) | quarterly with maturity date March 31, 2022 | Half-yearly | Three-months Euribor plus 1% spread | 0.90% | 2,496 | 4,489 |
| 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 | 92,735 |

Covenants

With the exception of the loan taken out with Banco BPM, all the loans held by the Company must comply with covenants calculated on Group economic and financial figures. The loans granted by Unicredit and Mediobanca are tested to ensure the covenants have been met every six months (at June 30 and December 31 each year) while the covenants for the loan granted by Banca Intesa Sanpaolo are tested only once a year (at December 31).

As better shown in the table below, as at December 31, 2020, all covenants had been met.

| | Covenant | loan Intesa Sanpaolo (*) | loan Unicredit (**) | loan Mediobanca (***) |
|--|----------|--------------------------|---------------------|-----------------------|
| | | December 31, 2020 | December 31, 2020 | December 31, 2020 |
| Net equity | k euro | ≥ 94,000 | 238,162 | n.a. |
| Net financial position | k euro | > 0 | n.a. | 101,277 |
| (Net financial position) Net equity | % | ≤ 1,0 | (0.4) | n.a. |
| (Net financial position) EBITDA (§) | % | ≤ 2,25 | (4.0) | n.a. |
| EBITDA (§) Financial expenses (§§) | % | > 5,0 | 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

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

| | | | | |
|------------------------|--------|-----------------|-----------------------------|------------------------------------|
| | | | <i>RCF Unicredit</i> (*) | <i>RCF Intesa Sanpaolo</i> (**) |
| | | Covenant | December 31, 2020 | December 31, 2020 |
| Net financial position | k euro | > 0 | 101,216 | 101,245 |

(*) Net financial position calculated excluding financial receivables from related parties, receivables (payables) for derivative financial instruments evaluated at fair value, other financial receivables towards third parties and financial liabilities for leasing contracts pursuant to IFRS 16.

(**) Net financial position calculated excluding financial liabilities for leasing contracts pursuant to IFRS 16.

Though in a context of general uncertainty caused by the COVID-19 pandemic, it is considered that the Group will be able to comply with the above-mentioned covenants also in the coming years.

29. FINANCIAL LIABILITIES FOR LEASES

At December 31, 2020, the item “Financial liabilities for leases” totalling 3,041 thousand euro reflects 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, 2020 | December 31, 2019 | Difference |
|--|-------------------|-------------------|--------------|
| Financial liabilities for leases - current | 705 | 412 | 293 |
| Financial liabilities for leases - non current | 2,336 | 539 | 1,797 |
| Total Financial liabilities for leases | 3,041 | 951 | 2,090 |

The change compared to the end of the last financial period is mainly due to the recognition of the right of use of 2,008 thousand euro referring to the seven-year lease contract, effective from July 1, 2020, and renewable for a further seven years under the same terms, signed by the Company on June 22, 2020 for the use of a property for office use in Milan intended for Corporate and Management functions. The annual lease rent is set at 350 thousand, reduced for the first two years of the lease to facilitate the start-up stage.

Also note the recognition of the right of use deriving from certain new lease contracts related to Company cars and from the signing of new lease contracts aimed at renewing the Company's fleet of printers and servers, which, net of certain early terminations, amounted to 542 thousand euro.

Lease payments made during the current year totalled 460 thousand euro.

The following table shows the breakdown of financial debt by contractual maturity.

(thousands of euro)

| | December 31, 2020 | December 31, 2019 | Difference |
|--|-------------------|-------------------|--------------|
| Less than 1 year | 705 | 412 | 293 |
| Financial liabilities for leasing - current | 705 | 412 | 293 |
| Between 1 and 2 years | 540 | 305 | 235 |
| Between 2 and 3 years | 552 | 139 | 413 |
| Between 3 and 4 years | 418 | 78 | 340 |
| Between 4 and 5 years | 350 | 18 | 332 |
| Over 5 years | 476 | 0 | 476 |
| Financial liabilities for leasing - non current | 2,336 | 539 | 1,797 |
| Financial liabilities for leasing | 3,041 | 951 | 2,090 |

With reference to the new lease contract for the Parent Company's offices in Milan, already mentioned, it should be noted that the renewal option for a further six years was not considered for accounting purposes

because the renewal was not believed to be reasonably certain. The potential future payments not reflected in the lease liability were equal to 1,817 thousand euro (discounted value).

| (thousands of euro) | December 31, 2020 | |
|---|--|--|
| | Potential financial flows for leasing (not discounted) | Potential financial flows for leasing (discounted) |
| 6-year extension option not included in financial liabilities | 2.100 | 1.817 |

The average weighted incremental borrowing rate (IBR) applied to the financial liabilities recognised as at December 31, 2020 amounted to 1.4%.

30. 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, 2019 | 4,362 | 2,625 | 6,987 |
| Accrual (release) | 30 | 1,583 | 1,613 |
| Indemnities paid | (148) | 0 | (148) |
| Other changes | (36) | (2,885) | (2,921) |
| December 31, 2020 | 4,208 | 1,322 | 5,530 |

The amounts recognised in the income statement may be broken down as follows:

| (thousands of euro) | 2020 | 2019 | Difference |
|---|--------------|--------------|------------|
| Financial expenses | 37 | 85 | (48) |
| Cost of current work performed | 1,576 | 1,030 | 546 |
| Released to the income statement | 0 | 0 | 0 |
| Recognized past service costs (*) | (153) | 0 | (153) |
| Total cost to the income statement | 1,460 | 1,115 | 345 |

(*) Curtailment of the non-competition agreement for employees of SAES Getters S.p.A.

The increase in the item “Cost for the supply of current work” was mainly due to the provision made in 2020 for the long-term three-year bonus of some employees of the Company entitled to this form of remuneration.

As at 31 December 2020, there was a significant decrease in financial expenses mainly due to the reduction in the annual inflation rate used in the economic and financial assumptions for the actuarial valuations of defined benefit plans, which decreased from 1.5% in 2019 to 1% in 2020, as well as to the decrease in liabilities, the basis for their calculation, compared to the previous year.

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, 2019 | Financial expenses | Current service cost | Benefits paid | Actuarial (gains) losses on obligations | Released to the income statement | Altri movimenti | Past service cost (*) | December 31, 2020 |
|--|-------------------|--------------------|----------------------|---------------|---|----------------------------------|-----------------|-----------------------|-------------------|
| Valore attuale delle obbligazioni a fronte di piani a benefici definiti | 6,987 | 37 | 1,576 | (148) | (85) | 0 | (2,684) | (153) | 5,530 |
| Fair value delle attività al servizio dei piani | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Oneri non riconosciuti a fronte di prestazione di lavoro pregresse | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Valore contabilizzato per obbligazioni a fronte dei piani a benefici definiti | 6,987 | 37 | 1,576 | (148) | (85) | 0 | (2,684) | (153) | 5,530 |
| Valore contabilizzato per obbligazioni a fronte dei piani a contribuzione definita | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Trattamento di fine rapporto e altri benefici | 6,987 | 37 | 1,576 | (148) | (85) | 0 | (2,684) | (153) | 5,530 |

(*) Curtailment of the non-competition agreement for employees of SAES Getters S.p.A.

“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 recognised in shareholders’ equity under profits carried forward.

The item “Other changes” refers to the portion of the long-term monetary incentive plans that will be paid out in the first half of 2021, the amount of which was therefore reclassified under other short-term amounts due.

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, applied separately to each plan.

The main economic and financial assumptions used for the actuarial calculations of defined-benefit plans as at December 31, 2020 and December 31, 2019, respectively, are provided below:

| | December 31,2020 | December 31,2019 |
|--|----------------------|----------------------|
| Average duration of the employees subject to actuarial evaluation | > 10 years | > 10 years |
| Discount rate | 0.35% | 0.70% |
| Inflation rate | 1.00% | 1.50% |
| Expected annual salary increase rate (*) | 3.00% | 3.50% |

(*) Factor not considered in the actuarial appraisal of the staff leaving indemnity of the Parent Company, company with 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, 2020 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, which was constant compared to the previous year.

With regard to staff leaving indemnity advances, we assumed a 3% average annual rate and an average amount equal to 70% of the staff leaving indemnities accumulated by the companies subject to actuarial valuation.

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 objectives.

The aim of these plans is to further strengthen the alignment over time of individual interests to corporate interests and, consequently, to the shareholders' interests. The final payment of the long-term incentive is always subject to the creation of value in a medium to long-term period, rewarding the achievement of performance objectives over time. The performance review is based on multi-year indicators and the payment is always subject, in addition to maintaining the employer-employee relationship with the company for the duration of the plan, also to the presence of a positive consolidated income before taxes at the expiry date of the plan.

Such plans fall into the category of defined-benefit obligations and therefore they are discounted.

Note that, as at December 31, 2020, the Company's long-term cash incentive plans were not discounted since the rates of return on Italian government bonds were negative.

The following table shows a breakdown of the actuarial differences relating to 2020:

| (thousands of euro) | Staff leaving indemnities | Other defined benefit obligations Italy | Long term incentive plan | Total |
|--|---------------------------|---|--------------------------|-------------|
| <i>Actuarial differences:</i> | | | | |
| Changes in financial assumptions | (8) | 17 | 0 | 9 |
| Changes in other assumptions (demographic assumptions, remuneration assumptions, etc.) | (28) | (66) | 0 | (94) |
| Other | 0 | 0 | 0 | 0 |
| Actuarial (gains) losses | (36) | (49) | 0 | (85) |

With regard to defined-benefit plans, the following table shows the effect on the obligation and on the amounts recognised in the income statement in the year of an increase or decrease of half a percentage point of the discounting rate:

| (thousands of euro) | Discount rate | |
|--|---------------|-------|
| | +0,5% | -0,5% |
| Effect on the defined benefit obligation | (233) | 235 |

On the other hand, the table below shows the effect on the payable for three-year cash incentive plans (of employees) of an increase of half a percentage point of the discounting rate.

The obligation for long-term monetary incentive plans to Executive Directors was not subject to this recalculation, as it became due at the end of the year. The value of this obligation was recognised under current liabilities and will give rise to a disbursement in the first months of next year.

| | (thousands of euro) |
|---|---------------------|
| Effect on the payable for long term cash incentive plans (+0.5%) | (3) |
| <i>of which LTIP employees</i> | (3) |

The following table shows the number of employees by category:

| Group's employees | December 31, 2020 | Average 2020 | December 31, 2019 | Average 2019 |
|---------------------------------|-------------------|--------------|-------------------|--------------|
| Managers | 44 | 44 | 43 | 45 |
| Employees and middle management | 193 | 190 | 188 | 192 |
| Workers | 185 | 187 | 179 | 182 |
| Total | 422 | 422 | 410 | 419 |

This figure does not include the personnel employed at the Group with contract types other than employment agreements, equal to 23 (41 as at December 31, 2019).

31. PROVISIONS FOR RISKS AND CHARGES

“Provisions for risks and charges” amounted to 3,291 thousand euro as at December 31, 2020, down by 96 thousand euro compared to December 31, 2019.

The following table shows the breakdown of and the changes in these provisions:

(thousands of euro)

| Provisions for risks and charges | December 31, 2019 | Increase | Utilization | Reclassification | Released to the income statement | December 31, 2020 |
|----------------------------------|-------------------|--------------|----------------|------------------|----------------------------------|-------------------|
| Bonus | 2,020 | 1,916 | (1,860) | 0 | 0 | 2,076 |
| Phantom shares | 413 | 357 | 0 | 0 | 0 | 770 |
| Other provisions | 954 | 360 | (770) | 0 | (100) | 445 |
| Total | 3,387 | 2,633 | (2,630) | 0 | (100) | 3,291 |

“Bonus”, in the “increases” column, includes the provision for the year for bonuses and related contributions to be paid to the Company's employees. The column “usage” represents the amount of the bonuses paid to employees during the year.

At the end of the 2018 financial period, 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 happen, compared to the assignment value (determined as 16,451¹³ euro 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 capitalisation of the company, for retention purposes and a greater alignment between performance and the Company shareholders' interests.

Note that, on February 13, 2020, the Board of Directors of SAES Getters S.p.A., at the suggestion of the Remuneration and Appointment Committee, assigned 195,618 Phantom Shares (among those that still could be assigned) to an employee, appointed as Key Manager with effect from January 1, 2020. The assignment value was calculated at 21.14 euro.

The liability relating to the phantom shares plan (770 thousand euro at December 31, 2020, against 413 thousand euro at December 31, 2019) was assessed by an independent actuary with the Risk Neutral approach as set forth in IFRS 2. In particular, the economic and financial assumptions used at December 31, 2020 to estimate the fair value of the phantom shares were the following (unchanged from the previous year):

- risk 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);
- a 2.89% expected dividend rate for the entire term of the plan;
- the annual volatility of the yield was estimated, based on historical volatility, to be 4.69% for the first assignment in 2018 and 4.09% for the second assignment in the current year.

The item "Other provisions" increased by 360 thousand euro mainly due to the following transactions:

¹³ 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.

- provision of an additional 25 thousand euro to adjust the liability related to a dispute with a social security institution. The provision, which stood at 76 thousand euro as at December 31, 2019, amounted to 101 thousand euro at the end of 2020;
- establishment of a provision for risks on equity investments, amounting to 154 thousand euro, which takes into account the estimated cash flows expected from the indirect subsidiary Saes Getters Korea Corporation, after having completely written down the value of the equity investment recognised as an asset in the statement of financial position;
- establishment of a provision for risks of 80 thousand euro, as a result of administrative sanction proceedings initiated by CONSOB against the Company for violation of current regulations on public disclosure of inside information (Market Abuse Regulation, MAR), with reference to the press release regarding the agreement to sell the gas purification business, finalised in mid-year 2018 (see Note 31 for further details).
- establishment of a provision for risks amounting to 100 thousand euro recognised following the challenge of a dismissal for just cause by an employee of the Company.

The column Usage of the item "Other provisions", amounting to 770 thousand euro, represents the use of the provision for risks on equity investments allocated by the Company as at December 31, 2019 and intended to cover the negative shareholders' equity of the subsidiary SAES Nitinol S.r.l..

The item "Other provisions" also includes the release of 100 thousand euro determined by the favourable resolution of a dispute for which the Company, now merged into SAES Advanced Technologies S.p.A., made a precautionary settlement offer in response to a summons received following the incident that took place in 2016 at the plant of the external company that managed its waste disposal; the judge of the competent court issued a judgement, which was not appealed and therefore became final, rejecting all the claims of the plaintiff, who was also ordered to pay the legal costs.

The classification of Provisions between current and non-current liabilities is provided below, compared with last year:

(thousands of euro)

| Provisions for risks and charges | Current provisions | Non current provisions | December 31, 2020 | Current provisions | Non current provisions | December 31, 2019 |
|----------------------------------|--------------------|------------------------|-------------------|--------------------|------------------------|-------------------|
| Bonus | 2,076 | 0 | 2,076 | 2,020 | 0 | 2,020 |
| Phantom shares | | 770 | 770 | 0 | 413 | 413 |
| Other provisions | 435 | 10 | 445 | 645 | 309 | 954 |
| Total | 2,511 | 780 | 3,290 | 2,665 | 722 | 3,387 |

CURRENT LIABILITIES

32. TRADE PAYABLES

Trade payables amounted to 8,027 thousand euro as at December 31, 2020, down by 2,491 thousand euro compared to December 31, 2019. This change is related to higher expenses, incurred in the last part of the previous year by the Company, amounting to 1,613 thousand euro, for the purchase of the machine for the lacquering of plastic films for the advanced packaging business, sold to the subsidiary SAES Coated Films S.p.A., and investments related to the setting up of new production lines in the Avezzano plant, but also the decrease of 200 thousand euro at the end of the 2020, generated by taking advantage of the “consignment stock” contract in place with a supplier of the Avezzano plant, as well as the general reduction in the contractual terms of payment granted to suppliers.

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, 2020 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 | 5,795 | 583 | 1,337 | 2 | 7 | 0 | 7,723 |
| Payables vs Group companies | 5 | 0 | 221 | 0 | 60 | 0 | 286 |
| Payables vs joint ventures | 18 | 0 | 0 | 0 | 0 | 0 | 18 |
| Total Payables | 5,817 | 583 | 1,558 | 2 | 67 | 0 | 8,027 |

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, 2020:

(thousands of euro)

| Ageing | Total | Not yet due | Due | | | | |
|--------------------------|---------------|-------------|-----------|--------------|--------------|---------------|------------|
| | | | < 30 days | 30 - 60 days | 60 - 90 days | 90 - 180 days | > 180 days |
| December 31, 2020 | 8,027 | 7,682 | 216 | 72 | 15 | 20 | 22 |
| December 31, 2019 | 10,518 | 8,505 | 1,309 | 60 | 592 | 19 | 33 |

33. FINANCIAL DEBTS TO RELATED PARTIES

As at December 31, 2020, financial debts to related parties amounted to 6,941 thousand euro, against 3,210 thousand euro in 2019 and are due to financial debts to Group companies due to the centralisation of the liquidity of subsidiaries through interest-bearing loan agreements and the centralised Group cash management system (cash pooling) at the Company’s bank accounts.

The increase compared to the previous year is mainly due to the debt position towards the subsidiary SAES Getters International Luxembourg S.A. with a total value as at December 31, 2020 of 3,400, not present at the end of the previous year.

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 9,671 thousand euro, marking an increase of 2,705 thousand euro compared to 2019, and break down as follows:

(thousands of euro)

| Other payables | December 31, 2020 | December 31, 2019 | Difference |
|--|-------------------|-------------------|--------------|
| Payables to employees (vacation, wages, staff leaving indemnity, etc.) | 2,865 | 2,224 | 641 |
| Social security payables | 1,517 | 1,419 | 98 |
| Tax payables (excluding income taxes) | 875 | 904 | (29) |
| Other | 4,414 | 2,419 | 1,995 |
| Total | 9,671 | 6,966 | 2,705 |

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 2020.

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 the 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.

Finally, the item “Other” mainly includes amounts due by the Company as fixed and variable remuneration of Directors and statutory auditors (4,178 thousand euro).

The increase on the previous year was mainly due to higher liabilities for variable remuneration for the three-year monetary incentive plan signed by the two Executive Directors, which vested on December 31, 2020 and, therefore, was reclassified in this liability item (for further details, please refer to Note 30).

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, 2020 the item “Derivate 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 said loan agreements, recorded a negative balance of 33 thousand euro compared to a negative net balance of 50 thousand euro as at December 31, 2019.

The following table provides a summary of Interest Rate Swap agreements and the relative fair value as at December 31, 2020 compared to December 31, 2019:

| Description | Subscription date | Currency | Notional amount (thousands of euro) | Maturity | Interest rate | Timing | Fair value December 31, 2020 | Fair value December 31, 2019 |
|--|-------------------|----------|--|-------------------|---|-------------|---------------------------------|---------------------------------|
| <i>Interest Rate Floor on Banco BPM loan (Derivative embedded in the loan agreement)</i> | 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) | (4) |
| <i>Interest Rate Swap (IRS) on Unicredit S.p.A. loan</i> | April 7, 2017 | EUR | 10,000 (*) | March 31, 2022 | Fixed rate paid: 0.0% Variable rate received: three month Euribor (**) | Quarterly | (10) | (23) |
| <i>Interest Rate Swap (IRS) on Intesa Sanpaolo S.p.A. loan</i> | April 19, 2017 | EUR | 5,000 | December 21, 2022 | Fixed rate paid: 0.16% Variable rate received: six month Euribor | Half-yearly | (18) | (24) |
| Total | | | | | | | (33) | (50) |

(*) 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%.

In 2020, the Company did not enter into any new IRS (Interest Rate Swap) agreements.

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 was used. 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 to the income statement.

In 2020, 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, 2019.

As noted above, against the loan agreement taken out in the first half of 2019 with Mediobanca, if the Company makes early repayments of the loan with respect to the maturity date (April 17, 2024), it will have to pay 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 was no asset or liability recognised at December 31, 2020 for that embedded derivative, since no conditions that would make the contract certain or payable had arisen.

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, 2020 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 from one level to another during the period.

36. ACCRUED INCOME TAXES

This item, equal to 197 thousand euro as at December 31, 2020, includes the payable for the 2020 tax consolidation to the subsidiary SAES Coated Films S.p.A. of 26 thousand euro, the payable for the 2020 tax consolidation to the subsidiaries Saes Nitinol S.r.l. and Saes Innovative Packagings S.r.l. of 122 thousand euro and the payable to the tax authorities for the substitute tax on the realignment of the tax values of certain property, plant and equipment of 48 thousand euro. See Note 11 for more information

37. DUE TO BANKS

As at December 31, 2020, due to banks amounted to 32,513 thousand euro (compared to 27,009 thousand euro as at December 31, 2019) and consisted of short-term credit lines. More precisely, they were short-term debts of 28,512 thousand euro in the form of "hot money" loans, with an average interest rate, spread included, around 0.14%.

The remaining 4,001 thousand euro represents the balance as at December 31, 2020 of the use of the *revolving credit facility*, taken out with Unicredit S.p.A. on March 6, 2020, for a maximum amount of 30 million euro and with a fixed term of thirty-six months, with an average interest rate, spread included, around 0.72% (for further details, see the chapter "Report on operations", paragraph "significant events in 2020").

The average interest rate, spread included, on bank debts is 0.17%.

Moreover, note that the Company also has another revolving cash credit line for a maximum amount of 30 million euro and with a fixed duration of thirty-six months, intended as support for business operations or financial needs related to capex and acquisitions, taken out on April 30, 2020 with Intesa Sanpaolo S.p.A. As at December 31, 2020, this credit line has never been used.

38. CASH FLOW STATEMENT

The cash flow statement is presented according to the indirect method.

The net balance of cash absorbed in 2020 was a negative -14,232 thousand euro.

The Company's operating activities generated a negative cash flow of -5,544 thousand euro, compared to a cash flow of +2,680 thousand euro in the previous year; the reduction in self-financing, largely due to the drop in EBITDA, was accompanied by the negative change in net working capital.

Cash flows generated by investing activities amounted to 192 thousand euro, mainly due to investments in fixed assets and securities (see Notes 13 and 17). These outlays were more than offset by the dividends the Company received from its subsidiaries (10,635 thousand euro net of withholdings). With reference to investing activities, should be noted the capex relating to the line located at the Avezzano plant for the production of advanced getters for the consumer electronics market, as well as the purchase of new equipment for the Lainate plant dedicated to the electronic devices market (new sputtering machine), the industrial SMA market (a new wire-drawing machine and a new rewinder) and, lastly, the vacuum systems sector (NEG coating department). Lastly, SAES Getters S.p.A. made improvements to the Milan offices leased for the Corporate and Management functions.

In addition, during the year, note the investment in the venture capital fund EUREKA! (see Note 16).

Lastly, in 2019, an advance equal to 1,100 thousand euro had been paid for a potential minority interest being evaluated (see Note 19).

Cash flows used during the year in financing activities amounted to 8,880 thousand euro, mainly due to the payment of dividends for 9,198 thousand euro.

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.

RECONCILIATION OF CASH AND CASH EQUIVALENTS

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Bank accounts | 2,778,888 | 16,990,735 |
| Petty cash | (32,513,485) | (27,009,315) |
| Cash and cash equivalents from the statement of financial position | (29,734,597) | (10,018,580) |
| Impairment of other financial assets in application (in application of IFRS 9) | 2,000 | 28,000 |
| Short-term financing | 32,513,369 | 27,003,858 |
| Cash and cash equivalents from cash flow statement | 2,780,772 | 17,013,278 |

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)

| Guarantees | December 31, 2020 | December 31, 2019 | Difference |
|-------------------------------------|--------------------------|--------------------------|-------------------|
| Guarantees in favor of subsidiaries | 0 | 0 | 0 |
| Guarantees | 8,483 | 9,794 | (1,311) |
| Total Guarantees | 8,483 | 9,794 | (1,311) |

“Guarantees to 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 the banks to the Company and to some foreign subsidiaries.

The decrease of 1,311 thousand euro was mainly due to the expiry in 2020 of a guarantee to the Tax Authorities for VAT refunds (1,072 thousand euro), the decrease for a total of 361 thousand euro in the debt exposure towards third parties of some Group companies for which the Company provided guarantees, only partially offset by the issue of a new guarantee of 175 thousand euro related to the new lease contract for the building located in Milan.

Lastly, note that the Company’s financial assets classified as non-current assets of 31,241 thousand euro, represent a guarantee on the medium/long-term loan obtained to fund the purchase of ordinary shares as part of the voluntary partial public tender offer finalised at the end of May 2019.

The following table shows the maturities of operating lease obligations outstanding as at December 31, 2020.

(thousands of euro)

| | Less than 1 year | 1-3 years | 4-5 years | Over 5 years | Total |
|----------------------------------|-------------------------|------------------|------------------|---------------------|--------------|
| Commitments for operating leases | 140 | 161 | 66 | - | 367 |
| Car rental | 162 | 245 | 27 | - | 434 |
| Rent office | 45 | 82 | 82 | 62 | 270 |
| Total | 346 | 488 | 175 | 62 | 1,071 |

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 2020. 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 economic and financial conditions considered arm’s length. 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. | 221 |
| Other auditing services (*) | Parent Company auditor | SAES Getters S.p.A. | 15 |

(*) Certification of the tax credit recognized on investments in research and development (Law no.160 of December 29, 2019, article 1, paragraphs from 198 to 209).

42. SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

For details, please refer to the paragraph entitled “Subsequent events” in the Report on Operations.

Lainate (MI), March 11, 2021

on behalf of the Board of Directors

Massimo della Porta
Chairman

**Summary schedule
of the key figures
of the financial statements of
subsidiaries**

2020 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. |
|---|--------------------------------------|---|---|----------------------------------|---|
| | <i>(US Dollar)</i> | <i>(Thousands of Won)</i> | <i>(Thousands of euro)</i> | <i>(Thousands of euro)</i> | <i>(Chinese Renminbi)</i> |
| Property, plant and equipment, net | 2.836.696 | 3.204 | 0 | 0 | 78.308 |
| Intangible assets, net | 23.524.008 | 0 | 0 | 0 | 0 |
| Other non current assets | 18.797.663 | 145.284 | 32.919 | 102.848 | 254.904 |
| Current assets | 22.323.164 | 785.108 | 3.603 | 72.257 | 112.843.046 |
| Total Assets | 67.481.532 | 933.596 | 36.522 | 175.104 | 113.176.258 |
| Shareholders' equity | 37.843.281 | 490.217 | 36.456 | 32.818 | 106.451.122 |
| Non current liabilities | 11.107.595 | 100 | 0 | 518 | 100.829 |
| Current liabilities | 18.530.656 | 443.279 | 65 | 141.768 | 6.624.307 |
| Total Liabilities and Shareholders' Equity | 67.481.531 | 933.596 | 36.522 | 175.105 | 113.176.258 |

2020 Income statement

| | 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. |
|---|--------------------------------------|---|---|----------------------------------|---|
| | <i>(US Dollar)</i> | <i>(Thousands of Won)</i> | <i>(Thousands of euro)</i> | <i>(Thousands of euro)</i> | <i>(Chinese Renminbi)</i> |
| Total net sales | 20.859.986 | 2.217.245 | 0 | 0 | 47.818.552 |
| Cost of sales | (10.917.740) | (1.721.336) | 0 | 0 | (37.094.083) |
| Gross Profit | 9.942.246 | 495.909 | 0 | 0 | 10.724.469 |
| Research & development expenses | (110.400) | 0 | 0 | 0 | 0 |
| Selling expenses | (2.706.694) | (192.503) | 0 | 0 | (1.956.364) |
| General & administrative expenses | (1.191.590) | (577.891) | (110) | (82) | (1.854.574) |
| Total operating expenses | (4.008.684) | (770.394) | (110) | (82) | (3.810.938) |
| Other income (expenses), net | (548.843) | (14.250) | 2 | 0 | 272.237 |
| Operating Income (loss) | 5.384.719 | (288.735) | (108) | (82) | 7.185.768 |
| Interest and other financial income (expenses), net | 928.853 | (610) | 3.125 | (996) | 1.031.114 |
| Foreign exchange gain (loss), net | (96.503) | 34.552 | (211) | 0 | 454.672 |
| Income before taxes | 6.217.069 | (254.793) | 2.806 | (1.079) | 8.671.554 |
| Income taxes | (1.373.788) | 47 | (432) | 245 | (2.186.220) |
| Net income (loss) from continuing operations | 4.843.281 | (254.746) | 2.374 | (834) | 6.485.334 |
| Net income (loss) from discontinuing operations | 0 | 0 | 0 | 0 | 0 |
| Net income (loss) | 4.843.281 | (254.746) | 2.374 | (834) | 6.485.334 |

2020 Statement of financial position

| | <i>SAES Getters Export, Corp.</i> | <i>Memry GmbH in liquidazione</i> | <i>SAES Innovative Packaging S.r.l.</i> | <i>SAES Nitinol S.r.l.</i> | <i>SAES Coated Films S.p.A.</i> |
|---|---------------------------------------|---------------------------------------|---|----------------------------|-------------------------------------|
| | <i>(US Dollar)</i> | <i>(Thousands of euro)</i> | <i>(Thousands of euro)</i> | <i>(Thousands of euro)</i> | <i>(Thousands of euro)</i> |
| Property, plant and equipment, net | 0 | 0 | 0 | 0 | 5.708 |
| Intangible assets, net | 0 | 0 | 0 | 0 | 126 |
| Other non current assets | 0 | 0 | 0 | 0 | 516 |
| Current assets | 5.573.504 | 380 | 2.768 | 610 | 2.646 |
| Total Assets | 5.573.504 | 380 | 2.768 | 610 | 8.996 |
| Shareholders' equity | 3.670.580 | 336 | 2.755 | 198 | 5.385 |
| Non current liabilities | 0 | 0 | 0 | 0 | 971 |
| Current liabilities | 1.902.924 | 45 | 12 | 411 | 2.641 |
| Total Liabilities and Shareholders' Equity | 5.573.504 | 381 | 2.768 | 610 | 8.996 |

2020 Income statement

| | <i>SAES Getters Export, Corp.</i> | <i>Memry GmbH in liquidazione</i> | <i>SAES Innovative Packaging S.r.l.</i> | <i>SAES Nitinol S.r.l.</i> | <i>SAES Coated Films S.p.A.</i> |
|---|---------------------------------------|---------------------------------------|---|----------------------------|-------------------------------------|
| | <i>(US Dollar)</i> | <i>(Thousands of euro)</i> | <i>(Thousands of euro)</i> | <i>(Thousands of euro)</i> | <i>(Thousands of euro)</i> |
| Total net sales | 0 | 0 | 0 | 0 | 7.432 |
| Cost of sales | 0 | 0 | 0 | 0 | (6.746) |
| Gross Profit | 0 | 0 | 0 | 0 | 686 |
| Research & development expenses | 0 | 0 | (1) | 0 | (267) |
| Selling expenses | 2.692.461 | 0 | 0 | 0 | (1.113) |
| General & administrative expenses | 0 | (54) | 5 | (12) | (442) |
| Total operating expenses | 2.692.461 | (54) | 4 | (12) | (1.822) |
| Other income (expenses), net | 829.668 | 1 | (0) | (1) | (906) |
| Operating Income (loss) | 3.522.129 | (53) | 3 | (13) | (2.042) |
| Interest and other financial income (expenses), net | 929 | 0 | (0) | 300 | (52) |
| Foreign exchange gain (loss), net | 0 | (4) | 0 | 0 | 0 |
| Income before taxes | 3.523.058 | (57) | 3 | 287 | (2.095) |
| Income taxes | 0 | 17 | 104 | (119) | (81) |
| Net income (loss) from continuing operations | 3.523.058 | (40) | 107 | 168 | (2.176) |
| Net income (loss) from discontinuing operations | 0 | 0 | 0 | 0 | 0 |
| Net income (loss) | 3.523.058 | (40) | 107 | 168 | (2.176) |

**Certification of the separate financial statements
of SAES Getters S.p.A.**

**CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS
pursuant to article 81-ter of the CONSOB Issuers' Regulations 11971
of May 14, 1999 as amended**

The undersigned Giulio Canale, as Vice President, Managing Director and 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 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 identify 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 the 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 organisation chart – of processes that are controlled, 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 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 23 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.
- Regarding such verification, the Internal Audit Function checked 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, 2020:

- 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;
- 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 11, 2021

The Deputy Chairman and Managing Director and
Manager in charge of preparing the company's accounting documents
Giulio Canale

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