

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the consolidated balance sheets of SAES Getters S.p.A. (an Italian corporation) and its subsidiaries as of December 31, 1999 and 2000, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the years in the three year period ended December 31, 2000 all expressed in Italian Lire. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Italy and in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SAES Getters S.p.A. and its subsidiaries as of December 31, 1999 and 2000, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2000 in conformity with generally accepted accounting principles in Italy.

Accounting principles generally accepted in Italy differ in certain significant respects from accounting principles generally accepted in the United States. The application of the latter would have affected the determination of profit for the three years ended December 31, 2000 and the determination of the total shareholders' funds at December 31, 2000, 1999 and 1998 as summarized in Note 23 to these financial statements.

PricewaterhouseCoopers S.p.A.

Milan, Italy,
April 11, 2001

SAES GETTERS S.p.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

As of December 31, 1999 and 2000

(Millions of Italian Lire or thousands of U.S. Dollars, except per share data)

ASSETS	1999	2000	2000
	Lire	Lire	U.S. \$
Current assets:			
Cash and cash equivalents	118,279	151,018	73,221
Marketable securities (Note 5)	29,568	24,109	11,689
Accounts receivable, net (Note 6)	55,606	72,738	35,267
Other receivables and prepaid expenses (Note 7)	14,925	13,828	6,705
Deferred income taxes (Note 8)	7,308	9,403	4,559
Inventories, net (Note 9)	44,505	54,738	26,539
Total current assets	<u>270,191</u>	<u>325,834</u>	<u>157,980</u>
Property, plant and equipment, net (Note 10)	86,380	103,264	50,068
Assets held-for-sale, net (Note 10)	2,330	-	-
Other investments (Note 11)	832	826	401
Intangible assets, net (Note 12)	32,041	42,333	20,525
Other assets	2,597	2,578	1,250
Total assets	<u>394,371</u>	<u>474,835</u>	<u>230,224</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Bank overdrafts (Note 13)	43,149	49,224	23,866
Current portion of long-term debt (Note 16)	1,483	2,249	1,091
Trade accounts payable	15,893	27,017	13,099
Other payables (Note 14)	20,663	28,286	13,714
Accrued liabilities and deferred income	2,980	3,594	1,742
Income taxes payable (Note 15)	3,370	8,033	3,895
Total current liabilities	<u>87,538</u>	<u>118,403</u>	<u>57,407</u>
Long-term liabilities:			
Long-term debt, net of current portion (Note 16)	8,014	5,646	2,737
Accrual for termination indemnities (Note 17)	16,108	18,108	8,780
Other	507	1,521	738
Total long-term liabilities	<u>24,629</u>	<u>25,275</u>	<u>12,255</u>
Total liabilities	<u>112,167</u>	<u>143,678</u>	<u>69,662</u>
Commitments and contingencies (Note 19)			
Shareholders' equity (Note 21):			
Capital stock, represented by 13,874,930 Ordinary Shares and 9,625,070 Savings Shares, nominal value Euro 0.52 each at December 31, 2000	23,500	23,661	11,472
Legal reserve	6,427	7,003	3,396
Paid-in capital in excess of nominal value	99,325	78,994	38,300
Reserves from revaluation of assets	2,450	5,860	2,841
Other reserves and retained earnings	133,736	196,717	95,379
Cumulative translation adjustments	16,766	18,922	9,174
Total shareholders' equity	<u>282,204</u>	<u>331,157</u>	<u>160,562</u>
Total liabilities and shareholders' equity	<u>394,371</u>	<u>474,835</u>	<u>230,224</u>

The accompanying notes are an integral part of the consolidated financial statements

SAES GETTERS S.p.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the years ended December 31, 1998, 1999 and 2000
(Millions of Italian Lire or thousands of U.S. Dollars)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2000</u>
	Lire	Lire	Lire	U.S. \$
Net sales (Note 22)	184,413	224,045	334,107	161,992
Cost of sales	<u>96,793</u>	<u>117,380</u>	<u>171,081</u>	<u>82,949</u>
Gross profit	<u>87,620</u>	<u>106,665</u>	<u>163,026</u>	<u>79,043</u>
Operating expenses:				
Research and development	16,256	16,910	20,448	9,914
Selling	29,192	32,067	39,025	18,921
General and administrative	<u>25,893</u>	<u>31,251</u>	<u>38,023</u>	<u>18,436</u>
Total operating expenses	<u>71,341</u>	<u>80,228</u>	<u>97,496</u>	<u>47,271</u>
Operating income	<u>16,279</u>	<u>26,437</u>	<u>65,530</u>	<u>31,772</u>
Non-operating income (expenses):				
Interest and other financial income, net (Note 22)	4,743	1,272	2,401	1,164
Foreign exchange gains (losses), net (Note 22)	2,229	3,397	1,775	860
Equity gains of affiliates, net	92	55	28	14
Other income (expenses), net (Note 22)	<u>2,341</u>	<u>640</u>	<u>2,066</u>	<u>1,002</u>
	<u>9,405</u>	<u>5,364</u>	<u>6,270</u>	<u>3,040</u>
Income before taxes	25,684	31,801	71,800	34,812
Income taxes (Note 22)	<u>(8,701)</u>	<u>(7,497)</u>	<u>(19,054)</u>	<u>(9,238)</u>
Net income	<u>16,983</u>	<u>24,304</u>	<u>52,746</u>	<u>25,574</u>

The accompanying notes are an integral part of the consolidated financial statements

SAES GETTERS S.p.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 1998, 1999 and 2000
(Millions of Italian Lire or thousands of U.S. Dollars)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2000</u>
	<u>Lire</u>	<u>Lire</u>	<u>Lire</u>	<u>U.S. \$</u>
Cash flows from operating activities:				
Net income	16,983	24,304	52,746	25,574
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	17,263	21,453	25,156	12,197
Write down of assets	19	270	30	15
Provision for inventory obsolescence	497	1,096	749	363
Provision for bad debts	301	124	544	264
Unrealized loss on marketable securities	88	341	-	-
Accrual for termination indemnities	2,843	2,834	3,578	1,735
Equity losses (gains) of joint-ventures	(92)	(55)	(28)	(14)
Net gain on disposal of property, plant and equipment	(33)	(119)	(2,573)	(1,248)
Deferred income taxes	<u>(3,606)</u>	<u>(2,754)</u>	<u>(2,095)</u>	<u>(1,016)</u>
	34,263	47,494	78,107	37,870
Changes in operating assets and liabilities:				
Decrease (increase) in accounts receivable	6,761	(17,188)	(16,049)	(7,781)
Decrease (increase) in other receivables and prepaid expense	2,776	2,216	1,105	536
Decrease (increase) in inventories	(3,004)	(3,213)	(9,755)	(4,730)
Increase (decrease) in trade accounts payable	(6,401)	1,841	4,685	2,271
Increase (decrease) in other payables	774	(5,364)	7,549	3,660
Increase (decrease) in accrued liabilities	(363)	653	519	251
Increase (decrease) in income taxes payable	(962)	1,673	3,896	1,889
Payments of termination indemnities	<u>(817)</u>	<u>(2,403)</u>	<u>(1,466)</u>	<u>(710)</u>
Net cash provided by operating activities	<u>33,027</u>	<u>25,709</u>	<u>68,591</u>	<u>33,256</u>
Cash flows from investing activities:				
Purchases of property, plant and equipment	(14,498)	(13,281)	(27,536)	(13,351)
Proceeds from sales of property, plant and equipment	152	1,036	5,822	2,823
Purchases of marketable securities	(1,001)	(17,176)	-	-
Proceeds from sales of marketable securities	8,529	7,473	5,459	2,647
Purchases of intangible assets	(5,675)	(2,757)	(1,829)	(887)
Decrease (increase) in other assets	(790)	(228)	19	10
Cash paid on investments net of cash acquired	<u>(14,297)</u>	<u>(1,298)</u>	<u>(11,383)</u>	<u>(5,519)</u>
Net cash provided (used) by investing activities	<u>(27,580)</u>	<u>(26,231)</u>	<u>(29,448)</u>	<u>(14,277)</u>
Cash flows from financing activities:				
Dividends paid	(8,048)	(8,048)	(9,223)	(4,472)
Increase (decrease) in bank overdrafts	7,898	15,630	6,075	2,945
Borrowings of long-term debt	-	-	-	-
Repayments of long-term debt	(915)	(5,172)	(2,306)	(1,118)
Other	<u>(6)</u>	<u>(144)</u>	<u>1,014</u>	<u>492</u>
Net cash provided (used) by financing activities	<u>(1,071)</u>	<u>2,266</u>	<u>(4,440)</u>	<u>(2,153)</u>
Effect of exchange rate differences	<u>2,208</u>	<u>4,998</u>	<u>(1,964)</u>	<u>(952)</u>
Increase in cash and cash equivalents	6,584	6,742	32,739	15,874
NSHG Joint Venture's cash at beginning of the year	2,200	-	-	-
Cash and cash equivalents at beginning of the year	<u>102,753</u>	<u>111,537</u>	<u>118,279</u>	<u>57,347</u>
Cash and cash equivalents at end of the year	<u>111,537</u>	<u>118,279</u>	<u>151,018</u>	<u>73,221</u>
Supplemental disclosure of cash flow data:				
Cash paid during the year for:				
Interest	2,464	3,409	3,170	1,537
Income taxes	<u>9,957</u>	<u>6,300</u>	<u>12,357</u>	<u>5,991</u>

The accompanying notes are an integral part of the consolidated financial statements

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2000</u>
	<u>Lire</u>	<u>Lire</u>	<u>Lire</u>	<u>U.S. \$</u>
Details of acquisitions and other changes in consolidation area:				
Assets (1)	38,514	1,751	17,896	8,677
Liabilities (2)	<u>23,008</u>	<u>101</u>	<u>6,513</u>	<u>3,158</u>
Cash paid	15,506	1,650	11,383	5,519
Less cash acquired	1,209	352	-	-
Cash paid on investments net of cash acquired	<u>14,297</u>	<u>1,298</u>	<u>11,383</u>	<u>5,519</u>

(1) Includes the fair value of the assets acquired and the effect of the changes in the consolidation area.

(2) In 1998, 1999 and 2000 this item included notes to sellers of Lit. 7,952 million, nil and Lit. 5,897 million, respectively.

The accompanying notes are an integral part of the consolidated financial statements

SAES GETTERS S.p.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31, 1998, 1999 and 2000
(Millions of Italian Lire, except per share data)

	Capital Stock						Legal Reserve	Paid-in Capital in Excess of Nominal Value	Reserves from Revaluation of Assets	Other Reserves and Retained Earnings	Cumulative Translation Adjustments	Total
	Ordinary		Preference		Savings							
	Shares	Lire	Shares	Lire	Shares	Lire						
Balance, December 31, 1997	13,656,180	13,656	218,750	219	9,625,070	9,625	4,462	99,325	2,450	110,515	4,502	244,754
Appropriation of 1997 income:												
Dividends (Lire 330 for each of the 13,656,180 Ordinary Shares, Lire 350 for each of the 218,750 Preference Shares and Lire 360 for each of the 9,625,070 Savings Shares)										(8,048)		(8,048)
Legal reserve							1,269			(1,269)		-
Utilization of reserve as per art. 54 Law 917/86										(5)		(5)
Unrealized gain from translation of foreign subsidiaries' financial statements											(1,601)	(1,601)
Net income for the year										16,983		16,983
Balance, December 31, 1998	<u>13,656,180</u>	<u>13,656</u>	<u>218,750</u>	<u>219</u>	<u>9,625,070</u>	<u>9,625</u>	<u>5,731</u>	<u>99,325</u>	<u>2,450</u>	<u>118,176</u>	<u>2,901</u>	<u>252,083</u>
Appropriation of 1998 income:												
Dividends (Lire 330 for each of the 13,656,180 Ordinary Shares, Lire 350 for each of the 218,750 Preference Shares and Lire 360 for each of the 9,625,070 Savings Shares)										(8,048)		(8,048)
Legal reserve							696			(696)		-
Unrealized gain from translation of foreign subsidiaries' financial statements											13,865	13,865
Net income for the year										24,304		24,304
Balance, December 31, 1999	<u>13,656,180</u>	<u>13,656</u>	<u>218,750</u>	<u>219</u>	<u>9,625,070</u>	<u>9,625</u>	<u>6,427</u>	<u>99,325</u>	<u>2,450</u>	<u>133,736</u>	<u>16,766</u>	<u>282,204</u>

The accompanying notes are an integral part of the consolidated financial statements

SAES GETTERS S.p.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31, 1998, 1999 and 2000
(Millions of Italian Lire, except per share data)

	Ordinary		Capital Stock Preference		Savings		Legal Reserve	Paid-in Capital in Excess of Nominal Value	Reserves from Revaluation of Assets	Other Reserves and Retained Earnings	Cumulative Translation Adjustments	Total
	Shares	Lire	Shares	Lire	Shares	Lire						
	Balance, December 31, 1999	13,656,180	13,656	218,750	219	9,625,070						
Appropriation of 1999 income:												
Dividends (Lire 380 for each of the 13,656,180 Ordinary Shares, Lire 400 for each of the 218,750 Preference Shares and Lire 410 for each of the 9,625,070 Savings Shares)										(9,223)		(9,223)
Legal reserve							576			(576)		-
Conversion of Preference Shares into Ordinary Shares at the ratio of one Ordinary Share for one Preference Share	218,750	219	(218,750)	(219)								-
Right issue following conversion of share capital into Euro		95				66				(161)		-
Reserves from revaluation of assets									3,410	(136)		3,274
Transfer to reserve for purchase of own shares								(20,331)		20,331		-
Unrealized gain from translation of foreign subsidiaries' financial statements											2,156	2,156
Net income for the year										52,746		52,746
Balance, December 31, 2000	<u>13,874,930</u>	<u>13,970</u>	<u>-</u>	<u>-</u>	<u>9,625,070</u>	<u>9,691</u>	<u>7,003</u>	<u>78,994</u>	<u>5,860</u>	<u>196,717</u>	<u>18,922</u>	<u>331,157</u>

The accompanying notes are an integral part of the consolidated financial statements

SAES GETTERS S.p.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Operations

SAES Getters S.p.A. (the “Company”) headquartered in Lainate, Milan, Italy, is an Italian public company listed on the *Mercato Telematico Azionario* (“MTA”) of the Borsa Italiana S.p.A.

In May 1996, the Company issued 3,500,000 Savings Shares in the United States and Canada in the form of American Depositary Shares (“ADS”). Each ADS represents one Savings Share. Since May 1996, the ADSs of the Company have been listed on The Nasdaq Stock Market.

SAES Getters S.p.A. is the world leader in getter technology used to create and maintain vacuum and purified gas environments. High vacuum and purified gas environments are required in the production of a wide range of products in several high to medium technology industries, as well as in scientific applications, such as traditional electronics, semiconductors, lighting, telecommunications, appliances and laboratory physics experiments.

The Group's primary products are: “getters”, which are used to improve and maintain a vacuum, gas purifiers, which are used to remove trace impurities from process gases, and gas analyzers apparatuses, which are used to detect residual trace impurities in such gases. A getter is a device composed of metal or a metal alloy which exhibits a chemical affinity for specific gases and, when introduced into an evacuated device, absorbs the targeted gaseous molecules present, creating and maintaining an appropriate vacuum or, when used for gas purification purposes, creating a highly purified gas.

The Company is organized in two business aggregates: the Components Business and the Equipment Business.

Substantially all of the Group's manufacturing of its gas purifiers and integrated analytical systems currently takes place in a single production facility located in San Luis Obispo, California and all of its processing of barium alloy, the primary material used in the production of evaporable getters, takes place in a single production facility located in Avezzano, Italy.

2. Summary of Significant Accounting and Reporting Policies

Basis of Presentation

The consolidated financial statements of the Company have been prepared in accordance with accounting principles prescribed by Italian law and supplemented by the accounting principles issued by the Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri (collectively, “Italian GAAP”). Italian GAAP differs in certain respects from generally accepted accounting principles in the United States (“U.S. GAAP”). A description of these differences and their effects on net income and shareholders' equity is set forth in Note 23.

The preparation of the financial statements in conformity with Italian GAAP requires management to make certain estimates and assumptions which affect the reported earnings, financial position and various disclosures. Actual results could differ from those estimates.

The financial statements have been reformatted from the original Italian statutory financial statement presentation and include certain additional disclosures in order to conform more closely to the form and content of financial statements required by Regulation S-X of the U.S. Securities and Exchange Commission (the “SEC”).

A statement of cash flows is not required under Italian law. The statement of cash flows has been prepared in accordance with U.S. GAAP using the indirect method.

SAES GETTERS S.p.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued

2. Summary of Significant Accounting and Reporting Policies, continued

Principles of Consolidation

The consolidated financial statements include the accounts of SAES Getters S.p.A., and its wholly-owned subsidiaries (collectively, the "Group"): Saes Metallurgia S.p.A., Saes Advanced Technologies S.p.A., Saes Getters USA, Inc. (and its wholly-owned subsidiaries Getters Corporation of America and Saes Pure Gas, Inc.), Saes Getters Japan Co. Ltd., Saes Getters Korea Corporation (37.48% directly owned and 62.52% indirectly through Saes Getters International Luxembourg S.A.), Saes Getters Singapore Pte Ltd., Saes Getters (Deutschland) GmbH, Saes Getters (GB) Ltd., Saes Getters France S.a.r.l., Saes Getters Finance S.A. (99.90% directly owned and 0.10% indirectly through Saes Metallurgia S.p.A.), Saes Getters International Luxembourg S.A. (90% directly owned and 10% indirectly through Saes Getters Finance S.A.) and its wholly-owned subsidiaries FST Consulting International, Inc., Trace Analytical, Inc., Molecular Analytics, Inc. and Saes Getters Technical Service (Shanghai) Co., Ltd.

Investments in which the Company has significant restrictions in its ability to control or holds less than majority ownership are respectively accounted for under line by line proportional method (Nanjing SAES Huadong Getters Company Limited, the "NSHG Joint Venture", 65% owned) or under the equity method (Japan Getters Inc., 50% owned). See Note 11.

All intercompany transactions have been eliminated in consolidation.

The financial statements of the foreign subsidiaries have been translated into Italian Lire by applying the exchange rate prevailing at December 31, 1999 and 2000 to the respective balance sheet items and the average exchange rates for 1998, 1999 and 2000 to the corresponding income statement accounts. The translation effect has been recorded in shareholders' equity under "cumulative translation adjustments".

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and short-term deposits with banks, with original maturities of less than 90 days.

Marketable Securities

Marketable securities are stated at the lower of cost or market value. For the Italian companies of the Group, market value is determined by the average market price during the last month of the period presented. For all other subsidiaries, market value is determined as the price on the last day of the year. If a market price is not available, market value is determined by references to securities with similar characteristics or management's best estimate.

Marketable securities also include investments with original maturities of less than ninety days from the date of acquisition. In addition, securities with maturities greater than one year are classified as current assets since it is not the Company's intent to hold these securities to maturity. The Company considers these investments to be highly liquid.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method (FIFO).

Property, Plant and Equipment

Property, plant and equipment are stated at cost, except for certain fixed assets (mainly buildings, machinery and equipment) of the Group which were revalued in accordance with applicable Italian monetary revaluation laws in 1975, 1983, 1991 and 2000. Revaluations have been recorded in shareholders' equity under "Reserves from revaluation of assets".

SAES GETTERS S.p.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued

2. Summary of Significant Accounting and Reporting Policies, continued

Depreciation is provided on a straight-line basis using annual rates that approximate the estimated useful economic lives of the related assets. The rates applied are as follows:

Buildings	2.5-3%
Machinery and equipment	10-25%
Furniture, fixtures and other	7-25%

Major renewals and improvements are capitalized. Maintenance, repairs and minor improvements that do not extend asset lives are expensed as incurred.

Gains and losses recognized on sales of fixed assets are recorded in the period in which the asset is sold.

At December 31, 1999 and 2000, no property, plant and equipment were pledged as collateral.

The Company classifies assets held-for-sale separately within the balance sheet. Prior to the date these assets were classified as held-for-sale, they were depreciated in accordance with the above rates.

As permitted by Italian law, leased property, plant and equipment are considered operating leases and the payments are charged to operations when incurred.

Accounts Receivable and Payable

Accounts receivable and payable are reflected at their stated value. Accounts receivable are reduced to their expected realizable value by an allowance for doubtful accounts.

Foreign Currency Transactions and Translations

Receivables and payables in foreign currency, as well as all bank accounts, securities and other financial items in foreign currency are recorded in local currency at the historical rate of exchange existing at the date of the related operations.

Exchange gains and losses realized at collection of receivables in foreign currency, payment of payables in foreign currency, bank accounts operations in foreign currency, loan payments in foreign currency and selling of securities in foreign currency are recorded in the income statement in the line item "Foreign exchange gains (losses), net".

Accounts receivable and payable denominated in foreign currencies are reflected at the year-end exchange rates. The resulting gains and losses are recorded in the statement of income. An exception exists for long-term accounts receivable and payable. At period end, when the translation of all existing long-term accounts receivable and payable in foreign currency to local currency using rates of exchange existing at the financial statements date discloses a net gain, this is prudentially deferred by a provision booked in item "Accrued liabilities and deferred income".

Intangible Assets

Intangibles are capitalized and amortized on a straight-line basis over the period of the expected benefit. The amortization period is generally from three to five years.

Goodwill acquired in business combinations is amortized over its estimated useful life for a period of ten to forty years.

Management regularly reviews tangible and intangible assets by evaluating the future cash flows of the business to determine the recoverability of the assets and recognizes, on a current basis, any diminution in value.

SAES GETTERS S.p.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued

2. Summary of Significant Accounting and Reporting Policies, continued

Accrual for Termination Indemnities

The accrual for termination indemnities has been computed according to the provisions of law, national collective labor contracts and local labor contracts.

Under Italian law, deferred compensation accrues in favor of employees which they (or in the event of their death, their heirs) are entitled to collect upon termination of employment. The amount payable related to each year's service is calculated on the basis of the remuneration for that year (approximately 1/13th of total remuneration) and is subject to annual revaluations based on increases in the Italian cost-of-living index ("ISTAT").

The Group has additional termination indemnity plans for employees of certain Group companies. The annual accrual is based upon specific criteria contained within the employees' contracts.

Net Sales and Revenue Recognition

Net sales in the consolidated statements of income are represented by gross sales from operations, net of sales returns and discounts. Revenues from other sources are recorded as "other income". Revenue from sales is recognized upon delivery of the related goods or services or completion of the contract work in progress.

Research and Development

Research and development costs are expensed in the period in which they are incurred. Investment grants from government agencies are deferred and recognized as income in the period in which the research expenditure is incurred.

Advertising Costs

All advertising costs are expensed in the period in which they are incurred.

Income Taxes

Current taxes are recorded on the basis of estimated taxable income in accordance with regulations in force, taking into account applicable exemptions and tax credits due.

Deferred income taxes are recorded based on temporary differences between taxable balances and balances reported for financial reporting purposes.

Effective in 1998 the Company's accounting practice regarding income taxes was modified to comply with the Italian Accounting Profession's interpretation of the International Accounting Standards. The implementation of such practice resulted in a benefit to the income statement for deferred tax assets not recognized in prior years (Note 22) and in some differences in the classification of the income taxes balance.

No taxes have been provided for in relation to the distribution of certain reserves within shareholders' equity. The equalization tax which required Italian companies to pay taxes upon distribution of certain untaxed equity reserves, was substantially abolished. Following these new rules, on January 1, 1998 a substitute tax of 2.2% or 5.6%, depending on the type of reserve was accrued. The Company's remaining untaxed reserves are subject to the IRPEG (Italian national tax) tax rate in force at the moment of distribution.

Foreign Exchange Contracts

The Company enters into foreign exchange contracts to reduce the risk that the eventual Lira net cash inflows resulting from sales to foreign customers will be adversely affected by changes in exchange rates. Deferred gains

SAES GETTERS S.p.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued

2. Summary of Significant Accounting and Reporting Policies, continued

and losses are recognized when the future sales are recognized. The Company does not enter into foreign exchange contracts for speculative purposes.

Investment Tax Credits

The Company accounts for its investment tax credits as a reduction of income tax expense in the year the income taxes payable is reduced.

3. Translation of Italian Lire Amounts Into U.S. Dollar Amounts

The financial statements are stated in Italian Lire. The translations of the Italian Lire amounts into U.S. Dollars are included solely for the convenience of the reader, using the noon buying rate certified for customs purposes by the Federal Reserve Bank of New York as of December 29, 2000, which was Euro 1.00 = \$0.9388 (\$1.00 = Lit. 2,062.49). The convenience translations should not be construed as a representation that the Italian Lire amounts have been, could have been, or could in the future be, converted into U.S. Dollars at this or any other rate of exchange.

4. Restricted Bank Deposits

As of December 31, 1999 and 2000, the following bank deposit were subject to withdrawal restrictions (in millions of Italian Lire).

	<u>1999</u>	<u>2000</u>	<u>Remarks</u>
Cash and cash equivalents:			
KorAm Bank	-	49	Loan for employee

Restricted bank deposits are classified as cash and cash equivalents in the balance sheet.

5. Marketable Securities

Marketable securities consisted primarily of bonds denominated in Euro, Eurolire, and U.S. Dollars. They also included quotas of investment funds denominated in Euro. As of December 31, 1999 and 2000, the carrying amount of marketable securities was Lit. 29,568 million and Lit. 24,109 million, respectively.

6. Accounts Receivable

Accounts receivable amounted to Lit. 55,606 million and Lit. 72,738 million as of December 31, 1999 and 2000, respectively, net of the allowance for doubtful accounts of Lit. 889 million and Lit. 1,373 million as of December 31, 1999 and 2000, respectively.

7. Other Receivables and Prepaid Expenses

Other receivables and prepaid expenses at December 31, 1999 and 2000, consisted of the following (in millions of Italian Lire):

	<u>1999</u>	<u>2000</u>
Receivables from tax authorities	1,272	143
VAT receivables	6,885	8,961
Deposits	198	146

SAES GETTERS S.p.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued

7. Other Receivables and Prepaid Expenses, continued

Prepaid expenses	2,883	2,387
Accrued income	849	484
Other items	<u>2,838</u>	<u>1,707</u>
Total other receivables and prepaid expenses	<u><u>14,925</u></u>	<u><u>13,828</u></u>

As of December 31, 2000, receivables from tax authorities were related to a prepayment of income tax and will be utilized against the payment of 2000 income taxes.

8. Deferred Income Taxes

During 1997, significant tax reforms have been introduced by the Italian Government. These changes include the introduction of a regional production tax ("IRAP"), a dual income tax, abolition of the equalization tax and reform of the stock transfer tax.

On December 24, 1997, the Italian parliament approved IRAP to be effective January 1, 1998. The effect was that the local tax of 16.2% ("ILOR"), as well as other taxes (i.e. tax on equity), were abolished and replaced by IRAP at a rate of 4.25%. The national tax of 37% ("IRPEG") remained unchanged, resulting in the new tax rate of approximately 41.25%. The largest impact of this new legislation is that it changed the nature upon which certain items are taxed or not deducted. The calculation of taxable income for IRPEG purposes remains the same. However in order to calculate income for IRAP purposes, certain adjustments are necessary for items that are now non-tax deductible (generally all employee costs, interest and certain accruals). Consequently it is possible that the effective tax rate does not approximate 41.25%.

Deferred income taxes amounted to Lit. 7,308 million and Lit. 9,403 million as of December 31, 1999 and 2000, respectively, and primarily represented the tax effects of timing differences between taxable income and the income reported for financial reporting purposes by consolidated companies, as well as the tax effect of consolidated adjustments.

9. Inventories

Inventories as of December 31, 1999 and 2000 consisted of the following (in millions of Italian Lire):

	<u>1999</u>	<u>2000</u>
Raw materials and others	20,399	26,415
Work in progress	9,803	12,780
Finished goods	<u>16,727</u>	<u>17,985</u>
	46,929	57,180
Provision for obsolescence	<u>(2,424)</u>	<u>(2,442)</u>
Total inventories, net	<u><u>44,505</u></u>	<u><u>54,738</u></u>

10. Property, Plant and Equipment

Property, plant and equipment as of December 31, 1999 and 2000 consisted of the following (in millions of Italian Lire):

	<u>1999</u>	<u>2000</u>
Property, plant and equipment:		
Land and buildings	36,820	39,410
Machinery and equipment	<u>137,051</u>	<u>158,689</u>
	<u><u>173,871</u></u>	<u><u>198,099</u></u>

10. Property, Plant and Equipment, continued

SAES GETTERS S.p.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued

Less: Accumulated depreciation		
Buildings	(10,918)	(12,485)
Machinery and equipment	<u>(82,254)</u>	<u>(98,146)</u>
	<u>(93,172)</u>	<u>(110,631)</u>
Property, plant and equipment, net:		
Land and buildings	25,902	26,925
Machinery and equipment	<u>54,797</u>	<u>60,543</u>
	<u>80,699</u>	<u>87,468</u>
Construction-in-progress	<u>5,681</u>	<u>15,796</u>
Total property, plant and equipment, net	<u><u>86,380</u></u>	<u><u>103,264</u></u>

The cost of fixed assets includes a net write up for revaluations that at December 31, 1999 and 2000 amounted to Lit. 1,940 million and Lit. 4,079 million, respectively.

	<u>1999</u>	<u>2000</u>
Assets held-for-sale:		
Buildings	4,591	-
Less: Accumulated depreciation	<u>(2,261)</u>	<u>-</u>
Total assets held-for-sale, net	<u><u>2,330</u></u>	<u><u>-</u></u>

In connection with the Company's move to its location in Lainate (Milan), the prior facilities at via Gallarate, 215, Milan were considered to be held-for-sale, effective October 1996. Consequently no depreciation has been recorded subsequent to this date. In December 2000 the Company sold these facilities to third parties and realized a capital gain of Lit. 2,470 million.

11. Other Investments

Other investments amounted to Lit. 832 million and Lit. 826 million as of December 31, 1999 and 2000, respectively.

The balances included the Group's investment in Japan Getters Inc. joint venture, which is owned 50% by Saes Getters Japan Co. Ltd. and 50% in the aggregate by Japan Metals & Chemicals Co. Ltd. and Mitsui & Co. Ltd. Japan Getters Inc. The company sells non-evaporable getters and provides related services to its customers.

In March 1996, the Company entered in a joint venture agreement for the establishment of the NSHG Joint Venture in Nanjing, China. In 1997 the NSHG Joint Venture was accounted for on a equity basis. In January 1998 the joint venture commenced its production and begun selling evaporable getters for color cathode ray tubes. In 1998, following the beginning of operations, the NSHG Joint Venture was included in the Group's consolidated financial statements on a proportional (65%) consolidation basis. The effect of this on the Group's 1998 consolidated accounts is summarized as follow (in millions of Italian Lire):

	<u>1998</u>
Current assets	2,997
Total assets	20,891
Current liabilities	765
Total liabilities	8,717
Net sales	1,344
Gross profit	(334)
Net income	(2,214)

SAES GETTERS S.p.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued

11. Other Investments, continued

Net cash used by operating activities	(1,889)
Net cash used by investing activities	(661)
Net cash provided by financing activities	404

In 1999 and 2000 there were no changes in the consolidation method.

12. Intangible Assets

The balances for intangibles as of December 31, 1999 and 2000 were comprised of the following (in millions of Italian Lire):

	<u>1999</u>	<u>2000</u>
Goodwill	23,206	38,748
Trademarks and licenses	3,575	3,927
Patents	1,863	2,260
Share issuance and other costs	14,730	15,030
Deferred charges	13,842	15,693
	<u>57,216</u>	<u>75,658</u>
Less: Accumulated amortization	(25,175)	(33,325)
Total intangible assets, net	<u>32,041</u>	<u>42,333</u>

The increase in goodwill mainly relates to the acquisition of the assets of Molecular Analytics, LLC in July 2000 and, to a lesser extent to, the positive effect of the exchange rates in respect of the goodwill of 1998 acquisitions of Trace Analytical, Inc. and FST Consulting Group Incorporated and of the acquisition of PCP, Inc. in 1999. Goodwill generated in these acquisitions is amortized over 10 years.

Share issuance and other costs consist primarily of tax and legal costs for the issuance of new shares, start up costs and, to a lesser extent, personnel and training costs.

Deferred charges consist primarily of purchased computer software and leasehold improvements.

13. Bank Overdrafts

As of December 31, 1999 and 2000, the Group had uncollateralized overdrafts of Lit. 43,149 million and Lit. 49,224 million, respectively. At December 31, 2000 the Group had uncollateralized overdrafts denominated in Dollars amounting to \$22.6 million (Lit. 47,039 million) and in Japanese Yen for an amount of Yen 121 million (Lit. 2,185 million). The total uncollateralized credit line facilities available at December 31, 1999 and 2000 amounted to Lit. 94,325 million and Lit. 94,001 million, respectively, of which Lit. 51,176 million and Lit. 44,777 million, respectively, were available for further borrowing. The weighted average interest rates as of December 31, 1999 and 2000 were 5.47% and 6.91%, respectively.

14. Other Payables

Other payables as of December 31, 1999 and 2000 consisted of (in millions of Italian Lire):

	<u>1999</u>	<u>2000</u>
Vacation and other employee entitlements	7,945	8,938
Withholding taxes and equity tax payable	2,638	4,479

SAES GETTERS S.p.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued

14. Other Payables, continued

Social security payables	2,121	2,762
Advances from customers	2,757	2,820
Other items	<u>5,202</u>	<u>9,287</u>
Total other payables	<u><u>20,663</u></u>	<u><u>28,286</u></u>

The line other items as of December 31, 2000 included Lit. 6,024 million related to the payable amount to the former owners of Molecular Analytics, LLC, which was partially paid in March 2001 respecting the terms of the agreement.

15. Income Taxes Payable

Current income taxes payable of Lit. 3,370 million and Lit. 8,033 million at December 31, 1999 and 2000, respectively, included taxes payable within the next operating year. The increase in 2000 was mainly due to an increase of profits from most of the Group's companies.

16. Long-Term Debt

Long-term debt, as of December 31, 1999 and 2000, consisted of the following borrowings (in millions of Italian Lire unless otherwise stated):

	<u>1999</u>	<u>2000</u>	<u>Fair Value 2000</u>
<u>Banca Commerciale Italiana – Shanghai</u> —Five Year Long Term loan up to \$7,400,000 bearing interest at Libor plus 0.15%. At December 31, 2000 borrowed for \$5,630,000, of which \$4,000,000 denominated in U.S. Dollars bearing interest at 6.94% and \$1,630,000 denominated in local currency (RMB 13.0 million) bearing interest at 5.58% (amount shown for the 65% proportional quote).	9,017	7,534	7,534
<u>Other loans</u>	480	361	361
Total	<u>9,497</u>	<u>7,895</u>	<u>7,895</u>
Less: current portion	<u>(1,483)</u>	<u>(2,249)</u>	
Non-current portion	<u><u>8,014</u></u>	<u><u>5,646</u></u>	

The “Other loans” are denominated in Italian Lire.

Maturities of debt are as follows:

	<u>Amount</u>
Year ending December 31:	
2001	2,249
2002	131
2003	5,515
2004	-
Thereafter	-
	<u><u>7,895</u></u>

SAES GETTERS S.p.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued

17. Accrual for Termination Indemnities

The balances for termination and other indemnities as of December 31, 1999 and 2000 consisted of the following:

	<u>1999</u>	<u>2000</u>
Obligatory termination indemnities	13,736	15,370
Other termination indemnities	<u>2,372</u>	<u>2,738</u>
	<u>16,108</u>	<u>18,108</u>

18. Defined Contribution Plans

Saes Getters USA, Inc. and its subsidiaries ("Saes USA") have established the Getters Corporation of America 401(k) Opportunity Plan and the Saes Pure Gas, Inc. 401(k) Opportunity Plan, collectively called the "Plans". Under the Plans' provisions, eligible employees may contribute an amount up to 15% of their compensation on a pre-tax basis. Saes USA makes matching contributions up to 2.1% of an employee's compensation. Saes USA can also make discretionary contributions to the Plans which are allocated based on the employee's level of compensation. During 1999 and 2000, Saes USA for the above contribution plans expensed approximately Lit. 586 million and Lit. 774 million, respectively.

In addition to the 401(k) Opportunity Plans mentioned above, Saes USA has also established a nonqualified defined contribution plan whereby it can contribute additional discretionary funds for its employees. As the plan is nonqualified, all employer contributions are fully taxable. The company has approved no additional discretionary contributions to the nonqualified plan for 1999 and 2000.

Trace Analytical, Inc. ("Trace Analytical") has established a 401(k) profit sharing plan which generally covers all Trace Analytical employees who are over 21 years of age and have worked for the company for at least 1000 hours within the plan year and were active employees in the company on December 31, 2000. Annual Trace Analytical contributions to the plan are discretionary as determined by the employer. Contributions vest at a rate of 20% per year beginning with the individual's third year of employment with the company. For the years ended December 31, 1999 and 2000 Trace Analytical contributions to the plan amounted to Lit. 46 million and Lit. 31 million, respectively.

FST Consulting International, Inc. ("FST") has established the FST Consulting International 401(k) Plan. Under the plan's provisions, eligible employees may contribute an amount up to 15% of their compensation on a pre-tax basis. FST makes matching contributions of 50% of the first 10% of the employees' contribution. For the years ended December 31, 1999 and 2000 FST contributions to the plan amounted to Lit. 2 million and Lit. 274 million, respectively.

Molecular Analytics, Inc. ("Molecular Analytics") participates in the Saes Pure Gas (401k) Opportunity plan's. Under the plan's provisions, eligible employees may contribute up to 15% of their compensation on a pre-tax basis. The company makes matching contribution up to 2.1% of an employee's compensation. The company can also make discretionary contributions to the plan, which are allocated based on the employee's level of compensation. For the year ended December 31, 2000 Molecular Analytics contributions to the plan amounted to Lit. 75 million.

19. Commitments and Contingencies

Commitments and contingencies as of December 31, 1999 and 2000 included guarantees made by the Group to third parties as well as commitments made to third parties (in millions of Italian Lire):

	<u>1999</u>	<u>2000</u>
Guarantees provided by the Group:		
Guarantees in favor of third parties	25,713	30,431

SAES GETTERS S.p.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued

19. Commitments and Contingencies, continued

Other guarantees	5	-
Total guarantees provided by the Group	<u>25,718</u>	<u>30,431</u>
Other off balance sheet items:		
Leased assets	18,959	19,022
Leasing obligations	11,724	8,369
Foreign exchange contracts	50,524	50,725

“Guarantees in favor of third parties” include guarantees issued by the Company for the benefit of the Company’s subsidiaries located in Avezzano (Italy). The sum at December 31, 1999 and 2000 includes the guarantees issued by the Company (Lit. 11,990 million) for the construction of the site of Saes Advanced Technologies S.p.A. The amounts as of December 31, 1999 and 2000 also includes contingencies owed to the VAT office (Lit. 8,875 million and Lit. 11,621 million as of December 31, 1999 and 2000, respectively). This item includes also the portion corresponding to the 35% of “guarantees in favor of joint-ventures” not resettable following the proportional line by line consolidation method.

“Leasing obligations” represent the total, inclusive of interest and the value of the final redemption, of finance leasing instalments to be paid to the leasing companies (Intesa Leasing S.p.A., formerly Leasindustria S.p.A., Lit. 8,436 million and Lit. 6,314 million as of December 31, 1999 and 2000, respectively; Fime Leasing S.p.A. Lit. 2,416 million and Lit. 1,471 million as of December 31, 1999 and 2000, respectively). The remaining portion of Lit. 584 million as of December 31, 2000 is mainly related to various leasing agreements signed by FST Consulting International, Inc. (Lit. 359 million) and Saes Getters Japan Co. Ltd (Lit. 223 million). The leasing agreement made by the Company with Intesa Leasing S.p.A. has a duration of 8 years for the construction of the premises in Lainate (Milan). The leasing contract with Fime Leasing S.p.A. is mainly for the construction of a building for Saes Advanced Technologies S.p.A. and has a duration of 8 years.

“Foreign exchange contracts” as of December 31, 2000 and 1999 reflect the value of currency hedging operations entered into by Italian Group companies to hedge sales from exchange risk of fluctuations of the Italian Lira against the U.S. Dollar and the Japanese Yen.

20. Lease Commitments

The Group leases certain assets under long-term leases and has the option to purchase the facilities for a nominal cost at the termination of the leases. As permitted by Italian law, the costs of leased property, plant and equipment have not been capitalized at December 31, 1999 and 2000.

Future minimum payments for leases were as follows (in millions of Italian Lire):

Years ending December 31,	
2001	3,569
2002	2,591
2003	2,209
Thereafter	-
Total minimum lease payments	<u>8,369</u>
Less: Amount representing interest	<u>(957)</u>
	<u><u>7,412</u></u>

SAES GETTERS S.p.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued

21. Shareholders' Equity

Capital Stock

On April 28, 2000 the Company's extraordinary meeting resolved to exchange the capital stock from Lire to Euro, in accordance with Italian Legislative Decree No. 213/1998. As a consequence of such resolution and of a capital increase to fix some rounding differences deriving from such exchange, the aggregate nominal value of the Company's stock is equal to Euro 12,220,000 represented by a total of 23,500,000 shares, nominal value Euro 0.52 each.

At a special meeting on May 11, 2000, holders of Preference Shares approved the resolution of the extraordinary shareholders meeting held on April 28, 2000 to exchange Preference Shares into Ordinary Shares at an exchange rate ratio of one Ordinary Share for one Preference Share. After such exchange, the Company's stock consists of 13,874,930 Ordinary Shares and 9,625,070 Savings Shares.

Savings Shares have voting rights at special meetings of holders of Savings Shares, and have no voting rights at ordinary or extraordinary meetings of shareholders. Holders of Savings Shares have the right to receive an annual preferential dividend of 25% of the nominal value of their Savings Shares. Such dividend right accumulates for a maximum of two successive years and must be paid to holders of the Savings Shares during such period to the extent that the Company pays any dividends, until fully paid. In the event that dividends are paid on Ordinary Shares, holders of Savings Shares have a preferential right to receive a dividend 3% greater (based on nominal value) than that received by holders of Ordinary Shares.

Italian law and the Company's by laws provide that the holders of Savings Shares have priority over holders of Ordinary Shares to distribution upon liquidation, up to the nominal value of their Savings Shares.

Shareholders' Equity Reserves

"Other reserves and retained earnings", in conformity with Italian law on consolidated accounts, comprise all components of shareholders' equity of the consolidated subsidiaries.

The legal reserve of the Company represents earnings restricted as to the payment of dividends pursuant to the Civil Code. Under the Civil Code, 5% of the Company's net income must be retained as a legal reserve until the reserve equals 20% of capital stock. The legal reserve of Lit. 6,427 million and Lit. 7,003 million at December 31, 1999 and 2000, respectively, represented mainly the legal reserves for the Group's Italian companies. This legal reserve can only be used to offset losses.

Under Italian law, paid in capital in excess of the aggregate nominal value of the Company's issued capital stock cannot be paid as a dividend if the legal reserve is not equal to 20% of the aggregate nominal value of the Company's issued capital stock.

Until December 1997, the Italian companies of the Group were liable for an annual tax of 0.75% on the value of the shareholders' equity, which was recorded directly as a deduction of "Other reserves and retained earnings". Following the enactment of IRAP (see Note 8) this equity tax was abolished.

22. Consolidated Statements of Income

Cost of Sales and Operating Expenses

The following items have been expensed in cost of sales and operating expenses during the years ended December 31, 1998, 1999 and 2000 (in millions of Italian Lire):

	<u>1998</u>	<u>1999</u>	<u>2000</u>
Amortization of intangible assets	5,102	7,030	8,150

SAES GETTERS S.p.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued

22. Consolidated Statements of Income, continued

Depreciation of tangible assets	12,161	14,423	17,006
Provision for doubtful accounts	301	124	544
Leasing and rental expenses	5,286	5,776	6,960

Non - Operating Income and Expenses

Financial income/expense in the consolidated statements of income for the years ended December 31, 1998, 1999 and 2000, consisted of the following (in millions of Italian Lire):

	<u>1998</u>	<u>1999</u>	<u>2000</u>
Interest and other financial income, net:			
Interest income	7,323	4,872	7,246
Other financial income	304	175	563
Interest expenses	(2,332)	(2,842)	(4,014)
Other financial expenses	(552)	(933)	(1,394)
Total interest and other financial income, net	<u>4,743</u>	<u>1,272</u>	<u>2,401</u>
Foreign exchange losses, net:			
Exchange gains	12,630	10,011	9,673
Exchange losses	(10,401)	(6,614)	(7,898)
Total foreign exchange losses, net	<u>2,229</u>	<u>3,397</u>	<u>1,775</u>

Other income (expenses)

The following table sets forth the main items included in other income (expenses), net for the years ended December 31, 1998, 1999 and 2000 (in millions of Italian Lire):

	<u>1998</u>	<u>1999</u>	<u>2000</u>
Capital gain on the sale of a building located in Milan	-	-	2,470
Deferred tax assets not recognized in prior years	2,445	201	-
Other, net	(104)	439	(404)
Other income (expenses), net	<u>2,341</u>	<u>640</u>	<u>2,066</u>

In December 2000 the Company sold a building of 6,514 square meters located in Milan, Italy, which was unutilized since 1996, generating a capital gain of Lit. 2,470 million.

Income Taxes

The liability for current income taxes is based upon estimated taxable income of the Group, and is determined in accordance with local fiscal regulations. Details of the tax expense for the years ended December 31, 1998, 1999 and 2000 are as follows (in millions of Italian Lire):

	<u>1998</u>	<u>1999</u>	<u>2000</u>
Income before taxes:			
Domestic	23,869	27,226	46,325
Foreign	1,815	4,575	25,475
Total income before taxes	<u>25,684</u>	<u>31,801</u>	<u>71,800</u>
Provision for income taxes:			
Current	10,055	9,617	22,587
Deferred	(1,161)	(1,598)	(2,094)
Utilization of NOL carryforwards	(193)	(522)	(1,439)
	<u>8,701</u>	<u>7,497</u>	<u>19,054</u>

SAES GETTERS S.p.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued

23. Reconciliation To Accounting Principles Generally Accepted in the United States of America

The Company's financial statements have been prepared in accordance with Italian GAAP, which differs in certain respects from U.S. GAAP. Differences that have an effect on consolidated net income and shareholders' equity are as follows:

Income Taxes

Under Italian GAAP, the Company recognizes deferred taxes arising from differences between reported balances and the tax bases of assets and liabilities. If deemed necessary, deferred tax assets are reduced by a valuation allowance. No taxes are provided in relation to the distribution of certain reserves within shareholder's equity.

Under U.S. GAAP, income taxes are required to be accounted for in accordance with Statement of Financial Accounting Standards No. 109 ("SFAS 109"). Deferred income taxes are provided to reflect the net tax effects of temporary differences between the financial reporting and the tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws in each of the relevant jurisdictions. Deferred tax assets are reduced by a valuation allowance, if based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The equalization tax which required Italian companies to pay taxes upon distribution of certain untaxed equity reserves, was substantially abolished. Following these new rules, on January 1, 1998 a substitute tax of 2.2% or 5.6%, depending on the type of reserve was accrued. The Company's remaining untaxed reserves are subject to the IRPEG tax rate in force at the moment of distribution.

Revaluation of Fixed Assets

Under Italian GAAP, certain fixed assets were revalued by the Company to amounts in excess of historical cost. These revaluations, which were either authorized or required by Italian law, are permissible under Italian GAAP. Assets revalued under Italian GAAP are depreciated over their remaining useful lives based on their revalued cost. U.S. GAAP does not permit the revaluation of such assets. Accordingly, the increases in shareholders' equity and the related increase in depreciation expense resulting from such revaluation have been reversed in the income statement reconciliation.

Intangible Assets

Some of the Group Companies have capitalized and deferred various costs which are not permitted to be capitalized under U.S. GAAP. These amounts include costs incurred for recruiting and personnel training, start up activities, indirect and general expenses related to the increase in capital stock and software costs. Accordingly, the effect of these differences has been included in the reconciliation.

Revenue Recognition

Under Italian GAAP, sales revenues are recognized upon transfer of physical ownership which usually takes place upon shipment of goods. Under U.S. GAAP, revenue is recognized when four characteristics of a sale are present. In general, (i) persuasive evidence of an arrangement must exist, (ii) delivery must occur or services must have been rendered, (iii) the seller's price must be fixed or determinable, and (iv) collectibility must be reasonably assured. The four criteria define at what point the earnings process is complete and, therefore, revenue can be recognized. For the Company, risk of loss, in some subsidiaries, passes upon delivery. As a result, for certain of the Company's sales, recognition of revenue under U.S. GAAP would be deferred until customer acceptance has occurred.

Income Statement Classification

Under Italian GAAP, the Company has accounted for the gain on the sale of its building in Milan in Other Income during 2000 (Note 22). Under U.S. GAAP, this item should be included in Operating Income. During

SAES GETTERS S.p.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued

23. Reconciliation To Accounting Principles Generally Accepted in the United States of America, continued

1999 and 1998, the company accounted for deferred tax assets not recognized in prior years in Other Income (Note 22). Under U.S. GAAP, these items should be included in income tax expense.

Taxes on Shareholders' Equity

In 1996 and 1997, the Italian companies of the Group accounted for taxes on a company's shareholders' equity as a reduction of shareholders' equity. This treatment is permitted under Italian law. Under U.S. GAAP, these taxes are charged to income in the period incurred. Accordingly, the effect of these differences has been included in the income statement reconciliation.

Leasing

The Italian companies of the Group have entered into financing lease contracts. In accordance with Italian law, lease payments are charged to operations when incurred. Under U.S. GAAP, these leases qualify as capital leases under the provisions of Statement of Financial Accounting Standards No. 13 ("SFAS 13"). Accordingly, the effect of capitalizing leases has been included in the reconciliation.

Investments

Under Italian GAAP, marketable securities are stated at the lower of cost or market value. Under U.S. GAAP, investments are required to be accounted for in accordance with Statement of Financial Accounting Standards No. 115 ("SFAS 115"). This standard requires that investments be classified in one of three categories and accounted for as follows:

- "Held-to-Maturity", which are defined as debt securities that a company has the positive intent and ability to hold to maturity, are reported at amortized cost.
- "Trading", which are defined as those securities that are bought and held principally for the purpose of selling them in the near term, are reported at fair value with unrealized gains and losses included in earnings.
- "Available-for-Sale", which include securities not classified in either of the above categories, are reported at fair value with unrealized gains and losses excluded from earnings and included as a separate components of shareholders' equity.

The Company has classified its investments in marketable securities as Available-for-Sale. The Company does not have any trading securities. Accordingly the effect of this treatment is included in the reconciliation.

Foreign Currency Transactions and Translations

Under Italian GAAP, accounts receivable and payable denominated in foreign currencies are reflected at the year-end exchange rates. The resulting gains and losses are recorded in the statement of income. An exception exists for long-term accounts receivable and payable. At period end, when the translation of all existing long-term accounts receivable and payable in foreign currency to local currency using rates of exchange existing at the financial statements date discloses a net gain, this is prudentially deferred by a provision booked in item "Accrued liabilities and deferred income".

Under U.S. GAAP, all exchange gains or losses arising from the restatement of foreign currency accounts receivable and payable are included in the determination of net income for the period. Accordingly, the reconciliation includes an adjustment to recognize unrealized gains.

23. Reconciliation To Accounting Principles Generally Accepted in the United States of America, continued

SAES GETTERS S.p.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued

Capitalized Interest

Under Italian GAAP, interest is capitalized only if certain conditions are met in the self-construction of assets. Under U.S. GAAP, interest costs incurred to bring qualified assets to their intended use are capitalized. The reconciliation with U.S. GAAP does not include an adjustment because the amount of the capitalized interest computed in accordance with Statement of Financial Accounting Standards No. 34 ("SFAS 34") is immaterial.

Foreign Exchange Contracts

Under Italian GAAP, unrealized gains and losses on foreign exchange contracts are deferred and recognized in the income statement when the future sales and purchases are recognized. Under U.S. GAAP, the difference between the exchange rate prevailing at year end and the spot rate at the date of inception of the foreign exchange contracts is recognized in the income statement rather than over the contract term. The reconciliation with U.S. GAAP does not include an adjustment because the amounts are immaterial.

Sale-Leaseback

During 1994, the Company entered into a sale-leaseback agreement whereby it sold certain land and agreed to lease the land and building that was being constructed on it by the buyer, for a period of eight years.

The Company has an option to purchase the land and building at the end of the lease term at a price equal to one percent of the cost of both the land and building. The gain on the sale was immaterial. As of December 31, 2000, remaining payments under the lease amounted to Lit. 6,314 million. The Company had made an original advance payment of Lit. 1,000 million which has been classified within prepaid expenses and is being amortized over the lease term. As described above, under Italian GAAP, finance lease payments are charged to operations when incurred. Under U.S. GAAP this transaction did not qualify for sale-leaseback accounting. Therefore it has been accounted for as a financing and included in the reconciliation below as a part of the capital lease adjustment.

Proportional consolidation

Under Italian GAAP, the Company is allowed to proportionally consolidate a subsidiary based upon its percentage of ownership within that company. Under U.S. GAAP, the Company would show the net assets of the percentage of the company it owns as one line item within the balance sheet. There would be no difference in the Profit and Loss or equity positions. In the balance sheet, the NSHG joint venture represents 5% of receivables, 3% of inventory, 17% of plant, property and equipment, 5% of intangibles, 7% of payables and 6% of stockholders' equity. See Note 11 for a further discussion of the investment in the Chinese subsidiary.

Earnings per Share

Under Italian GAAP, earnings per share is not a required disclosure. In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128"), which is required to be adopted for all financial statements issued for periods ending after December 15, 1997. SFAS 128 redefines the principles for calculating earnings per share ("EPS") and requires presentation of Basic EPS and Diluted EPS for those entities with complex capital structures. SFAS 128 also requires that all prior period earnings per share data presented with the current year's data is restated in accordance with the new provisions. Considering the non complex capital structure of the Company, the adoption of SFAS 128 had no effect upon the current year's or the prior year's earnings per share data.

SAES GETTERS S.p.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued

23. Reconciliation To Accounting Principles Generally Accepted in the United States of America, continued

Adjustments to Net Income and Shareholders' Equity

The following table summarizes the aforementioned adjustments to net income for the years ended December 31, 1998, 1999 and 2000 and to shareholders' equity as of December 31, 1998, 1999 and 2000 that would be required under U.S. GAAP.

NET INCOME

(In millions of Italian Lire, except share data)

	Year ended December 31,		
	1998	1999	2000
Net income under Italian GAAP	16,983	24,304	52,746
Adjustments required under U.S. GAAP:			
Revaluation of certain assets	36	36	1,903
Intangible assets, net of the related amortization expense	2,313	2,486	2,412
Capital leases	984	1,437	1,699
Foreign exchange gains (losses)	(1,635)	747	(934)
Revenue recognition	-	-	(792)
Deferred income taxes:			
Calculated on U.S. GAAP adjustments	(975)	(1,682)	(1,556)
SFAS 109 application	(2,768)	-	(547)
Net adjustments	(2,045)	3,024	2,185
Net income under U.S. GAAP before cumulative effect of accounting change	14,938	27,328	54,931
Cumulative effect of accounting change	-	-	555
Net income under U.S. GAAP after cumulative effect of accounting change	14,938	27,328	55,486
Basic earnings per share amounts under U.S. GAAP before cumulative effect of accounting change:			
Per Ordinary Share	672	1,150	2,325
Per Preference Share ⁽¹⁾	692	1,170	-
Per Savings Share	702	1,180	2,355
Per ADS ⁽²⁾	702	1,180	2,355
Basic earnings per share amounts under U.S. GAAP:			
Per Ordinary Share	672	1,150	2,349
Per Preference Share ⁽¹⁾	692	1,170	-
Per Savings Share	702	1,180	2,379
Per ADS ⁽²⁾	702	1,180	2,379

(1) At a special meeting on May 11, 2000 holders of Preference Shares approved the resolution of the extraordinary shareholders meeting held on April 28, 2000 to exchange Preference Shares into Ordinary Shares at an exchange rate ratio of one Ordinary Share for one Preference Share. After such exchange the Company's stock consists of 13,874,930 Ordinary Shares and 9,625,070 Savings Shares.

(2) Prepared solely for the convenience of the reader. ADSs representing Savings Shares were issued in connection with the offering of Savings Shares in 1996. Each ADS represents one Savings Share.

The approximate earnings per share amounts have been calculated using the two class method due to Ordinary, Preference and Savings Shares being outstanding. Under this method, net income remaining after dividends required to be allocated to Ordinary, Preference and Savings Shares is divided by the weighted average number of Ordinary, Preference and Savings Shares outstanding. For the purposes of these calculations the weighted average number of shares was 23,500,000 as of December 31, 1998, 1999 and 2000.

SAES GETTERS S.p.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued

23. Reconciliation To Accounting Principles Generally Accepted in the United States of America, continued

New Accounting Pronouncements

Effective January 1, 2000, the Company adopted the provisions of the Securities and Exchange Commissions' Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101") for its U.S. GAAP reporting. SAB 101 provides guidance on the financial reporting of revenue recognition and requires that revenue can only be recognized when four criteria are met. These criteria, in general, are (i) persuasive evidence of an arrangement must exist, (ii) delivery must occur or services must have been rendered, (iii) the seller's price must be fixed or determinable, and (iv) collectibility must be reasonably assured. As of December 31, 2000 the total amount of revenue reported as a cumulative effect of a change in accounting principle was Lit. 555 million, net of tax benefits of Lit. 217 million. This new accounting requirement would not have had a significant effect on previous years net income, if this accounting change had been applied previously.

OTHER COMPREHENSIVE INCOME

Other comprehensive income items under U.S. GAAP for the years ended December 31, 1998, 1999 and 2000 consisted of the following:

(In millions of Italian Lire)

	<u>December 31,</u>		
	<u>1998</u>	<u>1999</u>	<u>2000</u>
Currency translation adjustment	(1,601)	13,865	2,156
Marketable securities	354	38	(189)
Intangible assets	(340)	-	-
Total other comprehensive income before taxes	(1,587)	13,903	1,967
Income taxes	46	(90)	(95)
Total other comprehensive income	<u>(1,541)</u>	<u>13,813</u>	<u>1,872</u>

SHAREHOLDERS' EQUITY

(In millions of Italian Lire)

	<u>December 31,</u>		
	<u>1998</u>	<u>1999</u>	<u>2000</u>
Shareholders' equity under Italian GAAP	252,083	282,204	331,157
Adjustments required under U.S. GAAP:			
Revaluations of certain assets, net of accumulated depreciation of Lit. 2,611 million, Lit. 2,647, and Lit. 3,120 million in 1998, 1999 and 2000, respectively	(1,976)	(1,940)	(4,078)
Intangible assets, net of related accumulated amortization of Lit. 7,378 million, Lit. 9,864 million and Lit. 12,276 million in 1998, 1999 and 2000, respectively	(5,978)	(3,492)	(1,080)
Capital leases	3,032	4,469	6,168
Unrealized gains on marketable securities	705	743	574
Unrealized foreign exchange gains (losses)	187	934	-
Revenue recognition	-	-	(792)
Deferred income taxes:			
Calculated on U.S. GAAP adjustments	1,195	(577)	(1,458)
SFAS 109 application	(1,836)	(1,836)	(2,383)
Net adjustments	(4,671)	(1,699)	(3,049)
Shareholders' equity under U.S. GAAP	<u>247,412</u>	<u>280,505</u>	<u>328,108</u>

SAES GETTERS S.p.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued

23. Reconciliation To Accounting Principles Generally Accepted in the United States of America, continued

Use of estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to realizability and depreciable lives of fixed assets and intangible assets, allowance for doubtful accounts, inventory obsolescence and deferred taxes. Actual results could differ from these estimates.

Fair Value of Financial Instruments

Carrying amounts for cash and cash equivalents, accounts receivable and other financial instruments approximate fair value due to their short maturities. Based upon borrowing rates currently available to the Group for loans with similar terms, the carrying value of capital lease obligations and long-term debt approximate fair value.

Marketable securities

Maturities of the marketable securities held as of December 31, 1999 and 2000 (in millions of Italian Lire):

	1999	2000
Less than 1 year	12,865	11,599
Between 1 and 2 years	2,113	1,050
Between 2 and 3 years	3,386	-
Between 3 and 4 years	-	11,985
More than 4 years	11,952	-
Total	<u>30,316</u>	<u>24,634</u>

Marketable securities Available-for-Sale as of December 31, 1999 included the following (in millions of Italian Lire):

	Cost	Unrealized Gains	Fair Value
Banque Europ. Recons. Devel, Eurolire bond, face value Lit. 930 million, interest at 9.75%, due July 28, 2000	960	-	960
BAT International, Euro bond, face value Euro 1,035,000, interest at 4.25%, due April 14, 2004	1,885	-	1,885
Bayer. Vereins., Eurolire bond, face value Lit. 500 million, interest rate at 8.5%, due August 2, 2001	525	5	530
BNL, Euro Bond, face value Euro 2,580,000, interest rate at 3 months Eurolibor + 0.19%, due March 31, 2004	4,963	-	4,963
Council of Europe, Eurolire bond, face value Lit. 2,300 million, interest rate at 7.5%, due November 25, 2001	2,341	79	2,420
Dresdner Bank, Eurolire bond, face value Lit. 200 million, interest at 7.4%, due December 3, 2001	200	10	210
EUROFIMA, Eurolire bond, face value of Lit. 400 million, interest at 11.125%, due February 2, 2000	402	-	402
European Investments Bank, Eurolire bond, face value Lit. 750 million, interest at 10.45%, due October 2, 2000	772	-	772
European Investments Bank, Eurolire bond, face value of Lit. 400 million, interest at 10.25%, due October 2, 2000	418	-	418
European Investments Bank, Eurolire bond, face value Lit. 1,300 million, interest at 9.6%, due October 2, 2000	1,373	-	1,373

SAES GETTERS S.p.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued

23. Reconciliation To Accounting Principles Generally Accepted in the United States of America, continued

FLI, San Paolo Investment Fund, number of quotas: 86,855.364, total acquisition value Euro 516,457	1,000	3	1,003
OBT, San Paolo Investment Fund, number of quotas: 349,162.92, total acquisition value Euro 2,065,829	4,000	17	4,017
Technost International, Euro bond, face value Euro 2,580,000, interest at 3 months Eurolibor + 1.85%, due June 23, 2004	5,104	-	5,104
U.S. Treasury, U.S. Dollar bonds, face value of \$1,540,000 interest at 5.875%, due February 15, 2000	2,565	405	2,970
World Bank, U.S. Dollar bonds, face value of \$500,000, interest at 6.75%, due January 16, 2002	737	229	966
Other	2,323	-	2,323
Total	<u>29,568</u>	<u>748</u>	<u>30,316</u>

Marketable securities Available-for-Sale as of December 31, 2000 included the following (in millions of Italian Lire):

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Fair Value</u>
BAT International, Euro bond, face value Euro 1,035,000, interest at 4.25%, due April 14, 2004	1,885	40	1,925
Bayer. Vereins., Eurolire bond, face value Lit. 500 million, interest rate at 8.5%, due August 2, 2001	509	-	509
BNL, Euro Bond, face value Euro 2,580,000, interest rate at 3 months Eurolibor + 0.19%, due March 31, 2004	4,963	21	4,984
Council of Europe, Eurolire bond, face value Lit. 2,300 million, interest rate at 7.5%, due November 25, 2001	2,341	8	2,349
Dresdner Bank, Eurolire bond, face value Lit. 200 million, interest at 7.4%, due December 3, 2001	200	4	204
European Investments Bank, Eurolire bond, face value Lit. 1,300 million, interest at 9.6%, due	1,303	-	1,303
FLI, San Paolo Investment Fund, number of quotas: 86,855.364, total acquisition value Euro 516,457	1,000	33	1,033
OBT, San Paolo Investment Fund, number of quotas: 349,162.92, total acquisition value Euro 2,065,829	4,000	155	4,155
OLIVETTI FIN, Euro bond, face value Euro 2,580,000, interest at 3 months Eurolibor + 1.85%, due June 23, 2004	5,076	-	5,076
World Bank, U.S. Dollar bonds, face value of \$500,000, interest at 6.75%, due January 16, 2002	737	313	1,050
Other	2,046	-	2,046
Total	<u>24,060</u>	<u>574</u>	<u>24,634</u>

Income taxes

The deferred tax balances under U.S. GAAP as of December 31, 1999 and 2000 are as follows (in millions of Italian Lire):

	<u>1999</u>	<u>2000</u>
Italian GAAP financial statements	7,308	9,403
U.S. GAAP adjustments	(577)	(1,458)
SFAS 109 adjustments	<u>(1,836)</u>	<u>(2,383)</u>
Net deferred tax assets	<u>4,895</u>	<u>5,562</u>

The deferred tax balances under U.S. GAAP as of December 31, 1999 and 2000 are as follows (in millions of Italian Lire):

SAES GETTERS S.p.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued

23. Reconciliation To Accounting Principles Generally Accepted in the United States of America, continued

	<u>1999</u>	<u>2000</u>
Current deferred tax assets (liabilities):		
Intercompany profit on inventory and fixed assets	1,987	2,663
Inventory reserve	664	1,103
Bad debt reserve	(71)	(269)
Exchange differences	(313)	143
Revenue recognition	-	223
Other	279	199
Total net current deferred tax assets	<u>2,546</u>	<u>4,062</u>
Non-current deferred tax assets (liabilities):		
Net operating losses	1,761	3,007
Revaluation of fixed assets	1,010	1,780
Accelerated depreciation	(167)	14
Undistributed earnings	(1,836)	(2,383)
Write-off of intangibles	1,068	439
Capital leases	(1,844)	(2,545)
Employee compensation	2,195	2,179
Other	754	(447)
Total net non-current deferred tax assets (liabilities)	<u>2,941</u>	<u>2,044</u>
Net deferred tax assets	5,487	6,106
Valuation allowance	(592)	(544)
Total net deferred tax assets	<u>4,895</u>	<u>5,562</u>

Based on an evaluation of current profitability, expectations of future market conditions and operating performance and tax planning strategies, management determined that a partial valuation allowance was required.

As of December 31, 1999 and 2000, the Group had estimated tax loss carryforwards amounting to Lit. 3,110 million and Lit. 7,518 respectively. As of December 31, 2000 net operating loss ("NOLs") carryforwards relate to Saes Getters USA, Inc. and Trace Analytical, Inc. NOLs amounting to Lit. 1,004 million are subject to examination by tax authorities and may be used only to the extent of approximately Lit. 231 million per year and expire in 2005.

Income before taxes under U.S. GAAP:

	<u>1999</u>	<u>2000</u>
Domestic	28,710	51,206
Foreign	7,797	24,881
Total	<u>36,507</u>	<u>76,087</u>

The 1999 provision for income taxes under U.S. GAAP consists of the following (in millions of Italian Lire):

	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Current	7,622	1,995	9,617
Deferred	(442)	526	84
Utilization of NOL carryforwards	-	(522)	(522)
Total	<u>7,180</u>	<u>1,999</u>	<u>9,179</u>

The 2000 provision for income taxes under U.S. GAAP consists of the following (in millions of Italian Lire):

SAES GETTERS S.p.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued

23. Reconciliation To Accounting Principles Generally Accepted in the United States of America, continued

	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Current	13,905	8,681	22,586
Deferred	889	(880)	9
Utilisation of NOL carryforwards	-	(1,439)	(1,439)
Total	<u>14,794</u>	<u>6,362</u>	<u>21,156</u>

The following table sets out the reconciliation between the effective tax rate for U.S. GAAP purposes and the statutory tax rate in Italy:

	<u>1999</u>	<u>2000</u>
Statutory tax rate in Italy	41.2%	41.2%
Effect of different statutory rates applicable to operating subsidiaries	12.0	13.7
Capital investment benefits	(23.1)	(19.4)
Non-deductible expenses	2.7	6.9
Taxes on dividends	0.3	(2.4)
Tax exemptions – Italy	(13.8)	(10.1)
Other	5.8	(2.1)
Effective tax rate for U.S. GAAP	<u>25.1%</u>	<u>27.8%</u>

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133 “Accounting for Derivative Instruments and Hedging Activities” (“SFAS 133”). The FASB has subsequently issued Statement of Financial Accounting Standards No. 137 “Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB Statement No. 133, an amendment of FASB Statement No. 133” (“SFAS 137”), which was effective when issued. SFAS 137 deferred the effective date of SFAS 133 for companies until fiscal years beginning after June 15, 2000. For the Saes Group, the effective date would be fiscal the fiscal year ended 2001.

SFAS 133 requires that all derivatives will be recorded on the balance sheet at the fair value. Changes in the fair value of derivatives will be recorded each period in current earnings or other comprehensive income, depending on whether or not a derivative is designated as a hedge transaction.

The Company enters into derivatives contracts in order to hedge the exchange risk associated with forecasted transactions in certain currencies (principally the U.S. Dollar and the Japanese Yen). Under the new standard, changes in the fair value of the derivative instrument will be reported in other comprehensive income to the extent that the hedge is considered effective as defined by the accounting standard. The gains and losses on the derivative instrument that are reported in other comprehensive income will be reclassified as earnings in the periods in which the hedged transactions occur.

On June 19, 2000, SFAS 133 was amended by SFAS 138 “Accounting for Certain Derivative Instruments”. The Company has determined that implementing SFAS 138 will not materially affect its financial statements.

In September 2000, the FASB issued Statement of Financial Accounting Standards No. 140 “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities” (“SFAS 140”) which replaces SFAS 125. SFAS 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures. The Company does not believe that the adoption of SFAS 140 will have a material impact on its financial results.

SAES GETTERS S.p.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued

24. Financial Instruments

Concentrations of credit risk

The Company performs ongoing credit evaluations of its customers' financial condition and, generally, does not require collateral from its customers. Sales to the Company's top ten customers accounted for approximately 50%, 47% and 43% of the Company's sales at December 31, 1998, 1999 and 2000, respectively.

One customer, Philips, accounted for 11.3%, 10.5% and 7.5% of total net sales in 1998, 1999 and 2000, respectively.

Foreign currency contracts

In the last quarter of 1997 and during 1998 the Group's Italian companies entered into foreign exchange contracts to hedge accounts receivables and a portion of 1998 sales denominated in Dollars and Japanese Yen. The total amount hedged was U.S. \$10.2 million (Lit. 17,825 million) and Japanese Yen 624 million (Lit. 8,858 million).

At December 31, 1998 the Group's Italian companies entered into foreign currency exchange contracts to hedge current accounts receivables and a portion of 1999 sales denominated in Japanese Yen. The total amount hedged was Japanese Yen 600 million (Lit. 8,730 million). In addition, in the first quarter of 1999, the Group entered in foreign exchange contracts to hedge 461 million of sales in Japanese Yen (Lit. 7,001 million) and 12.3 million of sales in Dollars (Lit. 20,762 million).

In December 1999 the Group's Italian companies entered into foreign exchange contracts to hedge current accounts receivables and a portion of 2000 sales denominated in Japanese Yen and in Dollars. The total amount hedged was Japanese Yen 1,185 million (Lit. 22,392 million) and U.S. \$14,988,000 (Lit. 28,132 million).

In September 2000 the Group's Italian companies entered into foreign exchange contracts to hedge current accounts receivable and a portion of 2000 and 2001 sales denominated in Japanese Yen and in Dollars. In 2000, the total amount hedged was Japanese Yen 884 million (Lit. 18,911 million) and U.S. \$14.4 million (Lit. 31,813 million).

25. Segment Information

The following tables summarize the divisional and geographic financial information as presented to and used by the Company's management in the decision making process (in millions of Italian Lire). During analysis of the business segments, asset information is not considered.

	Components Business	Equipment Business	Other	Total
1998				
Net sales.....	142,717	40,679	1,017	184,413
Gross profit (1).....	72,237	15,239	144	87,620
Operating income (loss) (1).....	25,682	(9,132)	(271)	16,279
1999				
Net sales.....	169,319	54,334	392	224,045
Gross profit (1).....	89,413	17,207	45	106,665
Operating income (loss) (1).....	44,168	(17,664)	(67)	26,437
2000				
Net sales.....	217,083	116,470	554	334,107
Gross profit (1).....	118,230	44,580	216	163,026
Operating income (loss) (1).....	67,275	(1,869)	124	65,530

(1) The total gross profit and operating income for each year, as reported above, tie directly to the face of the consolidated statements of income. As a consequence no reconciliation of the reported gross profit and operating income to net earnings has been included in this section.

SAES GETTERS S.p.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued

25. Segment Information, continued

	Europe		United States of America	Asia		Eliminations	Consolidated
	Italy	Other countries		Japan	Other countries		
1998							
Sales to unaffiliated customers (1)	28,735	25,922	45,657	39,165	44,934	-	184,413
Intersegment sales (2).....	72,700	1,091	25,003	1,058	3,550	(103,402)	-
Total sales.....	101,435	27,013	70,660	40,223	48,484	(103,402)	184,413
Operating income (loss).....	7,295	(167)	2,934	(166)	5,320	1,063	16,279
Total assets.....	267,948	124,700	82,020	16,958	51,107	(190,881)	351,852
1999							
Sales to unaffiliated customers (1)	32,362	25,843	65,714	46,406	53,720	-	224,045
Intersegment sales (2).....	84,586	1,267	23,662	557	4,166	(114,238)	-
Total sales.....	116,948	27,110	89,376	46,963	57,886	(114,238)	224,045
Operating income (loss).....	17,826	(609)	(2,339)	995	11,232	(668)	26,437
Total assets.....	283,881	129,364	92,555	23,029	67,586	(202,044)	394,371
2000							
Sales to unaffiliated customers (1)	36,646	31,778	115,517	60,155	90,011	-	334,107
Intersegment sales (2).....	108,773	1,454	41,416	933	9,172	(161,748)	-
Total sales.....	145,419	33,232	156,933	61,088	99,183	(161,748)	334,107
Operating income (loss).....	31,702	1,023	10,972	2,205	20,658	(1,030)	65,530
Total assets.....	324,854	142,398	139,062	22,791	85,740	(240,010)	474,835

(1) Sales to unaffiliated customers comprise sales by Group companies from that geographic segment.

(2) Intersegment sales include sales to Group companies located in other geographic areas. Intersegment sales are generally priced at cost plus an appropriate mark-up for profit.

Export sales to unaffiliated customers from the Company's domestic operations in Italy amounted to 13%, 11% and 8% of consolidated sales in 1998, 1999 and 2000 as follows (in millions of Italian Lire):

	Europe	United States of America	Asia	Other countries	Consolidation
1998					
Export sales to unaffiliated customers.....	9,895	112	11,658	2,109	23,774
1999					
Export sales to unaffiliated customers.....	12,347	81	10,055	1,771	24,254
2000					
Export sales to unaffiliated customers.....	13,828	107	9,977	2,709	26,621

26. Legal Proceedings

There are no current or pending legal proceedings to which the Company or any of its subsidiaries is a party or to which any of their assets or properties is subject which, either individually or in the aggregate, are expected by the Company to have a material adverse effect on its consolidated financial position, liquidity or results of operations.

27. Subsequent Events

On February 8, 2001, the Company signed a License Agreement with CERN, the European Organization for Nuclear Research. The agreement is related to a technology, developed and patented by CERN, for the deposition of Non Evaporable Thin Film Getters on the surface of the vacuum chambers of Particle Accelerators.

27. Subsequent Events, continued

SAES GETTERS S.p.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued

In March 2001 the Company presented the application to join the new segment of the *Mercato Telematico Azionario* ("MTA") of the Borsa Italiana S.p.A., called STAR (*Segmento Titoli con Alti Requisiti*), the Italian acronym for Stock Market Segment with High Requirements. The new market segment is reserved for small and medium capitalization companies operating successfully in the traditional sectors of the economy and meeting stricter and more specific requirements with respect to transparency, liquidity and corporate governance. The Company joined the first group of participating companies starting April 2, 2001.

A new manufacturing facility at Avezzano is going to be completed in the first half of 2001, allowing for the start-up of new production activities to cope with the increased demand for existing products from the market. The facility will also provide for the manufacturing of new products.

In 2001, the Group plans to recommence construction of the Technical Service Gas Laboratory at Saes Getters Technical Service (Shanghai) Co. Ltd. The new building will be the Group's Chinese headquarters, responsible for the provision of analytical and technical services to the semiconductor industry.

The construction of a new building in Lainate, that will be reserved for the Corporate Headquarters and technical functions, is proceeding in accordance with the schedule and is expected to be completed in December 2001.