

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### General Information on Operations

In first half 2000, the macroeconomic situation remained healthy in those countries where the Group has a presence. While the real economies of industrialised countries enjoyed solid growth, prices remained fairly stable following a number of rate hikes, despite soaring petrol prices.

To be more precise, economic activity in European countries grew at a faster pace, driven by exports (stimulated by a weaker euro), while the US economy continued to grow at a stable pace, although growth slipped back a little during the second quarter of the year.

In Japan, signs of a comeback became ever more apparent, while the negative effects that the 1997-98 financial crisis had on the other Asian markets appeared to have been completely absorbed, with the countries in question registering dynamic growth rates on a par with those seen prior to the crisis. This scenario boosted the strength of both the US dollar and Japanese yen, which was of great benefit to the Group.

During the first half of the year, a considerable improvement was seen in terms of sales and profitability for both Business Aggregates in which the Group operates. More specifically, the Group's Component Business continued to see firm demand and registered sound margins, thanks in part to the contribution lent by new products. The Group's Equipment Business, which is involved primarily in the production and sale of products used in the semiconductor industry, saw sales make gradual and firm progress during the first half of the year, which was principally due to the comeback made by the semiconductor market. This allowed overheads to be absorbed more efficiently, which in turn boosted the Business Aggregate's profitability, the operating loss recorded for the first half of 1999 being cut back considerably in the first half of 2000. The recent acquisition of the business activities of Molecular Analytics, LLC, perfected in July of this year, should help sales to make further progress.

The Chinese joint-venture Nanjing Saes Huadong Getters Co. Ltd. and the Korean subsidiary Saes Getters Korea Corporation both continue to put in a strong performance, spurred on by increased sales and greater production, enabling overheads to be absorbed in full.

The Group's Italian subsidiaries, Saes Advanced Technologies S.p.A. and Saes Metallurgia S.p.A. (both based in Avezzano, Aquila province) both posted great results, thanks above all to the growth undergone by sales volumes for new products and higher demand for raw materials and finished goods from other Group companies. Please note that with effect from 1 January of this year, the subsidiary company Saes Metallurgia S.p.A. incorporated the sister companies Saes Engineering Costruzioni Meccaniche S.p.A. and Saes Servizi Aziendali S.r.l.

## **Sales and result for the period 1 January to 30 June 2000**

Net consolidated sales for the first half of 2000 amounted to ITL 153,644 million, against ITL 102,278 million in the same period of the previous year (+50.2%). This increase was the combined effect of higher sales volumes (+36.1%) and the devaluation undergone by the euro, and consequently the Italian lira, against other major currencies (+14.1%). This increase in sales was attributable both to the Group's Component Business and its Equipment Business. In more detail, the latter Business Aggregate saw a sharp rise in sales over the first half of 1999, for both its Analytical Services and Analysers Business Areas and its Purifiers Business Area thanks to a solid rise in sales generated by large-scale purifiers, driven by the recovery witnessed across the entire semiconductor industry.

The positive impact that exchange rates had on Group results was due mainly to the increase in the average rates recorded for the Japanese yen and US dollar, and to a lesser extent to the strengthening of other currencies in which the Group operates relative to the euro.

Sales at the Group's Component Business amounted to ITL 104,962 million, up ITL 27,249 million (+35.1%) on the first half of 1999. This was mainly due to an increase in the sales volumes of getters for colour TV cathode-ray tubes, getters used for discharge lamps and fluorescent lamps, and getters and metal dispensers used in vacuum electronic components and flat screens (+21.1% in total). This increase was raised due to the weakening of the Italian lira (+14.0%).

Sales for the Equipment Business totalled ITL 48,407 million, up ITL 23,989 million (+98.2%) on the first half of 1999. The sharp increase was due primarily to the increase in the sales of gas purification systems and gas analysers for the semiconductor industry, as well as to an increase in the amount of quality control and certification services being provided to the industry as well. The net effect of these increases led to an 83.6% rise in sales (in quantitative terms) at the Group's Equipment Business. This increase was raised due to the weakening of the Italian lira (+14.6%).

The difference between value and cost of production for the first half of 2000 amounted to ITL 29,207 million, a considerable increase on the ITL 7,621 million difference seen for the same period of 1999. Such growth was mainly due to the encouraging increase seen in sales in all the Group's main Business Areas, which allowed for a general rise in industrial and operating margins. The weakening of the Italian lira against other major currencies also helped boost the difference between value and cost of production.

The increase undergone by turnover had an influence on the costs incurred for raw materials and services, which were higher in absolute terms than in the same period of 1999. Personnel costs rose largely as a result of a larger headcount as well as due to natural growth in labour costs.

Consolidated net profit for the first half amounted to ITL 23,205 million, against ITL 7,626 million for the same period of 1999. This is equal to 15.1% of consolidated sales.

Not much of a difference was seen from the first half of 1999 in the net balance of financial income/charges (ITL 3,275 million, against ITL 3,210 million in the first half of 1999).

The item "financial income", net of positive exchange differences, amounted to ITL 3,345 million in the first half of 2000, up on the ITL 2,483 million recorded for the same period of 1999 due to greater liquidity and an increase in interest rates.

The item "financial charges", net of exchange differences, was ITL 2,194 million in the first half of 2000, against ITL 1,548 million for the same period of 1999, this increase being due to a rise in borrowing at certain Group companies, as well as higher interest rates.

The net exchange position registered a positive balance amounting to ITL 2,124 million against a balance of ITL 2,275 million for the first half of 1999. In order to protect business margins from fluctuating exchange rates and interest rates, a number of hedges were set up.

In the first half of the year 2000, adjustments to the value of financial assets produced a negative net balance of ITL 171 million compared with ITL 87 million for the first half of 1999.

Net extraordinary charges amounted to ITL 60 million, compared with net extraordinary income of ITL 177 million in the first half of 1999.

Income taxes amounted to ITL 9,046 million, against ITL 3,295 million in the first half of 1999. Taxes reduced pre-tax profits by 28%, against 30.2% in the first half of 1999, mainly due to a number of Group companies realising higher profits that were subject to lower tax rates.

The result posted for the first half of 2000 includes depreciation of tangible assets in the order of ITL 7,961 million (ITL 7,113 million in the first half of 1999) and research costs amounting to ITL 10,068 million (equal to 6.6% of net sales), against ITL 8,278 million in the first half of 1999 (8.1% of net sales). Said items were charged in full to the profit and loss account for the period.

As far as the introduction of the euro is concerned, the comments contained in the Report accompanying the consolidated accounts for operating year 1999 still stand. In the first half of this year, a project got underway to tackle the various technical and organisation problems arising from the introduction of the single currency. The share capital of all the Group's relevant European companies was converted into euros. The new values recorded for the share capital of subsidiaries in euros are set out in Appendix 1. The parent company's capital was converted by fixing the nominal value of each share at euro 0.52 at the same time as its capital was increased to euro 12,220,000 (ITL 23,661 million). The ITL 161 million free increase in capital was achieved by using the company's "dividend fluctuation provision". Accounting systems enabling for all the Group's relevant European companies to manage their ledgers and produce their accounts in euros (including the parent company and its sole and consolidated accounts) in accordance with prevailing legislation, are expected to be introduced soon. During the first half of the year, no significant costs were incurred in respect of this project. Around ITL 350 million is expected to be spent by the entire Group. Such costs will be charged in full to the profit and loss account for the year in which they are actually incurred. Around ITL 200 million is expected to be carried in the profit and loss account for the second half of this year, followed by around ITL 150 million in the profit and loss account for operating year 2001.

It should also be noted that following approval by a special meeting of preferred shareholders, held on 11 May 2000, the resolution carried by the extraordinary shareholders' meeting on 28 April 2000 to convert 218,750 outstanding preferred shares (each with a nominal value of ITL 1,000 / euro 0.52) into 218,750 new ordinary shares (each with a nominal value of ITL 1,000 / euro 0.52) with dividends payable on 1 January 2000 was implemented, without any adjustment being paid.

The parent company has complied with the "Requirements relating to the ownership of companies" as described in the CONSOB (National Commission for Listed Companies and the Stock Exchange) circular dated 20 February 1997. In accordance with these requirements, PricewaterhouseCoopers S.p.A. has conducted a limited audit of consolidated accounts for the first half of 2000.

### Cash flow – Financial Position – Investments

The net profit reported for the period - amounting to ITL 23,205 million, in addition to tangible assets depreciation of ITL 7,961 million - generated a cash flow of ITL 31,166 million (ITL 14,739 million for the first half of 1999), equal to 20.3% of sales.

The table below breaks down the various items making up the group's consolidated financial position. (ITL millions)

	30 June 2000	31 December 1999	30 June 1999
<b>Financial assets:</b>			
Cash and banks	137,410	118,279	118,859
Short term investments	24,658	29,568	16,176
<b>Total current assets</b>	<b>162,068</b>	<b>147,847</b>	<b>135,035</b>
<b>Total long term assets</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total financial assets</b>	<b>162,068</b>	<b>147,847</b>	<b>135,035</b>
<b>Financial liabilities:</b>			
Bank overdraft	48,256	43,149	43,228
Current portion of long term debt	1,487	1,483	483
<b>Total current liabilities</b>	<b>49,743</b>	<b>44,632</b>	<b>43,711</b>
Long term debt, net of current portion payable	7,260	8,014	9,447
<b>Total long term liabilities</b>	<b>7,260</b>	<b>8,014</b>	<b>9,447</b>
<b>Total financial liabilities</b>	<b>57,003</b>	<b>52,646</b>	<b>53,158</b>
<b>Net financial position</b>	<b>105,065</b>	<b>95,201</b>	<b>81,877</b>

The financial position at 30 June 2000 showed a net liquid surplus of ITL 105,065 million, comprising cash amounting to ITL 162,068 million and financial payables of ITL 57,003 million, against a net liquid surplus of ITL 95,201 million at 31 December 1999. The increase in this surplus was mainly due to the cash flow generated by current operations.

In the first six months of 2000, investments in tangible assets (net of inter-company transactions) amounted to ITL 10,244 million (ITL 5,427 million for the same period of 1999). The investments are mainly aimed at expanding production capacity, purchasing new laboratory equipment and information system hardware in addition to improving production efficiency.

## **Performance of the parent company, subsidiaries and associated companies**

### *SAES GETTERS S.p.A. - Lainate (Milan)*

In the first half of 2000, the parent company posted turnover of ITL 43,286 million (exports accounted for 88%), up ITL 4,780 million on the level recorded in the same period of the previous year (ITL 38,506 million). This increase was mainly due to the positive effect of exchange rates as well as a rise in quantities actually sold. The company posted a net profit for the period of ITL 18,044 million, compared with ITL 10,838 million at 30 June 1999, this 66% rise being attributable more than anything else to higher dividends being received in the period to 30 June 2000, which – including the related tax credit – totalled ITL 23,647 million (against ITL 16,297 million in the same period of 1999), as well as to higher turnover. Income taxes amounted to ITL 8,294 million, equal to 31.5% of pre-tax profit, which was substantially in line with the percentage seen for the first half of 1999 (30.9%).

### *SAES METALLURGIA S.p.A. - Avezzano (L'Aquila)*

Interim sales at the above company totalled ITL 16,642 million, against ITL 11,967 million in the same period of 1999 (+39.1%). Exports accounted for 57.3% of total sales. Net profit amounted to ITL 2,709 million, against ITL 2,161 million in the first half of 1999 (+25.4%). Although taxes affected net profit more following the end of a series of tax breaks, net profit grew thanks mainly to a rise in sales. The merger by incorporation of Saes Engineering Costruzioni Meccaniche S.p.A. and Saes Servizi Aziendali S.r.l. into Saes Metallurgia S.p.A. came into effect on 1 January 2000.

### *SAES ADVANCED TECHNOLOGIES S.p.A. - Avezzano (L'Aquila)*

Interim sales at the above company totalled ITL 25,570 million against ITL 15,777 million in the first half of 1999 (+62.1%). This increase was due to quantities produced and sold being higher than the level seen for the same period of the previous year (especially within the Component Business). Export sales accounted for 85.6% of total turnover. The company posted an interim net profit of ITL 9,526 million, a sharp rise on the ITL 4,403 million posted for the same period of 1999. This increase in net profit was mainly due to an increase in sales and to selling costs reducing profits to a lesser extent, after measures to industrialise a number of new products were wrapped up.

### *SAES GETTERS USA INC. - Colorado Springs (USA)*

In the first half of 2000, consolidated sales at the above company totalled US\$ 26.8 million (eq. ITL 54,081 million, based on the average exchange rate seen in the first half of 2000), against US\$ 18.4 million in the same period of 1999. It posted a consolidated profit (calculated in accordance with Italian accounting standards) of around US\$ 1,802,000, against US\$ 530,000 in the first half of 1999.

US parent company Saes Getters USA, Inc. (products of the Component Business) posted sales of US\$ 5.7 million, slightly down on the US\$ 6 million seen for the first half of 1999. This was mainly the result of the US distribution of some of the Italian parent company's products being transferred to the subsidiary company Getters Corporation of America during the second quarter of 1999. The company registered an interim net profit of around US\$ 753,000, against US\$ 785,000 in the first half of 1999.

The subsidiary Getters Corporation of America (Component Business) posted sales of US\$ 8.7 million, up on the US\$ 6.3 million seen for the same period of 1999), due mainly to the US

distribution of some of the Italian parent company's products being transferred, as mentioned above. Interim net profit amounted to around US\$ 220,000, against US\$ 294,000 in the first half of 1999. This drop in profit was mainly due to a less favourable product mix.

The subsidiary Saes Pure Gas, Inc. (Equipment Business) achieved sales of US\$ 12.4 million, up sharply on the US\$ 6.3 million recorded for the first half of 1999. This rise in sales was triggered by the comeback made by the semiconductor industry. The company closed the first half of 2000 with a net profit of around US\$ 828,000, against a net loss of around US\$ 549,000 in the first half of 1999. The considerable increase in net profit was due mainly to the rise in turnover and improved operating margins, after measures were taken to contain costs.

#### *SAES GETTERS JAPAN CO. LTD. - Tokyo (Japan)*

First-half sales at the above company totalled yen 1,559 million (eq. ITL 29,470 million, based on the average exchange rate seen in the first half of 2000). This was higher than yen 1,483 million recorded for the first half of 1999. Net profit came to around yen 28.4 million (ITL 538 million), up on the yen 6.6 million seen for the same period of 1999. This sharp rise was mainly due to a rise in turnover and a more favourable product mix as well as to costs being successfully contained.

#### *SAES GETTERS SINGAPORE PTE LTD. - Singapore*

First-half sales at the above company totalled S\$ 16.2 million (eq. ITL 19,115 million, based on the average exchange rate seen in the first half of 2000). This was a lot higher than the S\$ 8.5 million recorded in the first half of 1999, primarily due to an increase in Equipment Business sales following the upturn in the semiconductor industry. The company posted a net profit for the period of around S\$ 629,000 (ITL 742 million), which was higher than in the first half of 1999 (S\$ 449,000), due mainly to the increase in sales.

#### *SAES GETTERS (DEUTSCHLAND) GmbH – Cologne (Germany)*

First-half sales at the above company totalled DM 5.6 million (eq. ITL 5,559 million based on the fixed exchange rate), which was more or less in line with the DM 5.8 million recorded for the same period of 1999. Net profit for the period came in at around DM 39,000 (eq. ITL 39 million), compared with DM 61,000 in the first half of 1999.

#### *SAES GETTERS (GB) LTD. - Reading (UK)*

First-half sales at the above company totalled £ 1.6 million (eq. ITL 5,090 million, based on the average exchange rate seen in the first half of 2000), against £ 1.2 million in the first half of 1999. Interim net profit amounted to around £ 62,000 (eq. ITL 197 million), against £ 25,000 in the first half of 1999. The increase in net profit was mainly due to an increase in sales and to the company managing to contain its operating costs.

*SAES GETTERS FRANCE S.a.r.l. - Paris (France)*

Sales at the above company totalled FRF 11.1 million (eq. ITL 3,281 million, based on the fixed exchange rate), up on the first half of 1999 (FRF 10 million). The company posted a net profit for the first six months of the year of around FRF 382,000 (eq. ITL 113 million), after posting a net loss of around FRF 220,000 for the same period of 1999. This improvement was mainly attributable to higher turnover and lower operating costs. In the first half of 1999, results took into account a number of non-recurring operating costs incurred in connection with staff redundancies.

*SAES METAL DISPENSERS GmbH - Cologne (Germany) (in liquidation)*

The above company, which was inactive during the first half of 2000 as well as in previous operating years, commenced liquidation proceedings in June 1999. It closed the first half of the year more or less at breakeven.

*SAES GETTERS FINANCE S.A. - Luxembourg*

The above company, whose main purpose is to manage the Group's liquidity in the best way possible, closed the first half of the year with a net profit of ITL 3,605 million, up on the ITL 2,750 million recorded for the previous period at 30 June 1999. This increase in net profit was mainly due to greater financial income being generated from liquidity management activities following the rise in interest rates and the positive effect of exchange rates.

*SAES GETTERS INTERNATIONAL LUXEMBOURG S.A. - Luxembourg*

The main purposes of the above company comprise the management of Group acquisitions and shareholdings, the granting of inter-group loans and the co-ordination of services on behalf of the Group. During the first half of the year, the company generated revenues from services of ITL 356 million (ITL 270 million in the first half of 1999), and a net profit of ITL 2,580 million at 30 June 2000. This compared with a net profit of ITL 789 million at 30 June 1999. The company's results improved thanks essentially to the increase in dividends it received from the subsidiary Saes Getters Korea Corporation. Please note that the company evaluates its shareholdings by the cost method of accounting.

The subsidiary company Saes Getters Korea Corporation (62.52% owned - rest of capital is held directly by the parent company Saes Getters S.p.A.) posted turnover for the first half of the year 2000 of Won 12,585 million (ITL 22,667 million, converted at average exchange rate for the year), compared with turnover of Won 10,479 million in the same period of 1999 (+20.1%). The first half saw net profit (calculated in accordance with Italian accounting standards) amount to Won 4,013 million (ITL 7,227 million), against a net profit of Won 2,153 million in the same period of 1999. This rise was largely attributable to higher turnover being realised (mainly by the Component Business).

The subsidiary Saes Getters Technical Service (Shanghai) Co., Ltd. provides technical support services to companies that operate within the semiconductor industry and use systems for the analysis and monitoring of gases. It closed the period to 30 June 2000 with sales of RMB 0.4 million (ITL 96 million) and with a loss, calculated in accordance with Italian accounting standards, of RMB 1.0 million (ITL 236 million), against a net loss of RMB 1.3 million recorded for the same period of 1999.

The subsidiary Trace Analytical, Inc., based at Menlo Park (California), produces and distributes instruments for gas analysis systems that are mainly used in the semiconductor industry and in some industrial processes. The company posted sales of US\$ 1,488,000 (eq. ITL 3,004 million, based on the average exchange rate seen for the period). This was a sharp improvement on the US\$ 761,000 of the first half of 1999, and a consolidated net loss of US\$ 1,048,000 (eq. ITL 2,116 million, based on the average exchange rate seen for the period) against a net loss of about US\$ 1,263,000 in the same period of 1999. The merger by incorporation of the subsidiary company PCP, Inc. into Trace Analytical, Inc. came into effect on 1 May 2000.

The corporate purposes of the subsidiary company FST Consulting International, Inc., based at San Luis Obispo (California), are to provide insurance and quality control services to the semiconductor industry. The company posted turnover of US\$ 5.9 million (ITL 11,982 million, converted at average exchange rate seen in the first half of 2000) against US\$ 3.5 million in the same period of 1999. In first half 2000, it reported a net profit of US\$ 86,195 (ITL 174 million), after incurring a net loss of US\$ 641,392 in the first half of 1999. The notable improvement made on the profitability front was due mainly to higher turnover, in turn helped along by the semiconductor industry's comeback, and lower operating costs, thanks to some extent to a number of changes made to the company's organisational set-up.

June saw the establishment of a new company, IMS Technologies International, Inc., based in Baltimore, Maryland (USA) and said company's subsequent acquisition (wrapped up in July) of the activities of Molecular Analytics, LLC, a company based in Sparks, Maryland (USA) and involved in the manufacture and sale of gas impurity analysers using IMS technology (Ion Mobility Spectrometry). Following this acquisition, IMS Technologies International, Inc. changed its name to "Molecular Analytics, Inc." and moved its registered office to Sparks, Maryland (USA). Once the above mentioned acquisition has come into effect (in July 2000), Molecular Analytics, Inc. will only start to contribute to the Group's economic result from the beginning of the second half of the year 2000.

#### *NANJING SAES HUADONG GETTERS CO. LTD. – Nanjing (People's Republic of China)*

With effect from the first half of 1998, after manufacturing activities got underway at the company, the above affiliate was included in the Group's consolidated accounts by the proportional method of accounting, for the purpose of providing a more faithful accounting situation. The Group has a 65% stake in the company, which is considered an associated company since Saes Getters S.p.A. (although it owns 65% of its share capital) does not have control over its business activities (viz. Article 2359 of the Italian Civil Code). During the first half of 2000, the associated company realised sales of RMB 38.6 million (eq. ITL 9,417 million, based on the average exchange rate seen for the period) - a sharp rise on the RMB 26.7 million recorded for the same period of the previous operating year - and posted a net profit (calculated in accordance with Italian accounting standards) of RMB 7.8 million (ITL 1,902 million), which was a considerable improvement, considering the loss posted for the first half of 1999 (RMB 0.6 million). The interim net profit registered was the upshot of the company becoming fully operative, which - thanks to a considerable rise in sales - enabled overheads to be sufficiently covered and a sound level of profitability to be reached. No income taxes have been set aside for the current operating year, since the company will benefit from previous losses being carried forward. It should also be noted that the company is enjoying tax breaks provided for by local legislation in connection with the development of industrial complexes in the People's Republic of China.

## **Research and Development activities**

In the first half of the year 2000, the Group expanded the geographical reach of its R & D activities. It did this by reinforcing its US companies, especially the California-based company Saes Pure Gas, Inc. in the field of purifiers, Trace Analytical, Inc. (also in California) and the Florida-based company PCP (now merged by incorporation into Trace Analytical, Inc. itself), the latter two both within the area of analytical instrumentation.

Development activities expanded considerably in Avezzano, due to new product lines realised in partnership with the Group's corporate laboratory based in Lainate.

This laboratory, as well as working on projects in co-operation with a number of major clients for the development and application of new products, is also involved in research aimed at building up the focus on new areas of activity.

Worthy of special mention are those projects dedicated to products used in the semiconductor industry and new fibre-optics applications for the telecommunications industry.

Within the area of analytical instrumentation, an important research project into IMS technology (Ion Mobility Spectrometry) is still making progress. The recent acquisition of the business of Molecular Analytics, LLC (Maryland, USA), which manufactures analytical instrumentation for special applications using said technology is expected to firm up the Group's know-how within this area and to speed up the way in which the project itself advances, especially within the semiconductor industry.

## **Transactions with related parties**

Operations with related parties during the first half of 2000 consisted of strategic consulting transactions incurred by the parent company and amounted to ITL 167 million.

Contractual agreements related to the transactions above, including the economic and financial terms, are in line with the market.

Operations with related parties are in compliance with the Requirement of CONSOB dated 20 February 1997 and Circulars dated 27 February 1998 and 2 March 1998.

## **Events subsequent to the date of the financial statements**

### **Business performance outlook**

In July, the Group took part in San Francisco's "Semicon West", the world's major exhibition for the semiconductor industry. The Equipment Business presented a number of new products.

July saw the successful completion of the acquisition of the activities of the US company Molecular Analytics, LLC, based in Sparks, Maryland (USA) and involved in the production and sale of gas impurity analysers using IMS technology (Ion Mobility Spectrometry). The new company will start to contribute to the Group's consolidated result from the beginning of the second half of the current year.

In Avezzano, work is still going ahead to complete the industrial plant of around 7,000 square metres that was bought by the subsidiary company Saes Advanced Technologies S.p.A. to house new production systems that will be used to manufacture new products and to meet new requests coming from the market. One unit within the factory is already up and running.

Very soon work will also get underway to expand the office area at the Lainate site, which will involve a new building being constructed to create room for new technical and corporate activities.

During the second half of the year, the Group will continue to post particularly positive economic results: performance for the period will also be influenced by the behaviour of the Italian lira relative to other major currencies.

## **Accounting Principles**

As no changes occurred, accounting principles and consolidation practices applied in the preparation of the present 2000 half-year report are in line with those applied in the consolidated financial statements for the fiscal year 1999 to which we refer.

## **Notes to the Consolidated Balance Sheet**

(amounts in ITL millions)

### **ASSETS**

#### **FIXED ASSETS**

Separate exhibits have been prepared for the three asset categories (intangible assets, tangible assets and long-term investments). Historical cost, accumulated depreciation and revaluations or writedowns, changes during the period and closing balances have been indicated for each item.

#### ***INTANGIBLE ASSETS***

Intangible assets are described in detail in the table included as Exhibit 3.

The decrease for the period by ITL 1,339 million includes newly capitalised costs (ITL 1,023 million), net of amortisation charges for the period (ITL 3,614 million), and positive exchange rate differences (ITL 1,232 million). Such differences mainly relate to the considerable appreciation of the US dollar against the Italian lira.

The item "Other intangible assets" essentially includes capitalised costs relating to the realisation and enhancement of the Group's IT systems and the purchase of new application software. It also includes third-party leasehold improvement costs incurred by the parent company and the subsidiary Saes Advanced Technologies S.p.A.

Intangible assets are amortized over the following time periods:

Start-up and expansion costs	3/5 years
Industrial and other patent rights	3/5 years
Concessions, licences, trademarks and similar rights	3/50 years
Goodwill	10/40 years
Other intangible assets	3/8 years

The amortization period applied in each case is deemed appropriate to reflect the residual useful life of the intangible asset to which it applies.

### **TANGIBLE ASSETS**

Total tangible assets, net of accumulated depreciation, at 30 June 2000 and 31 December 1999 amount to ITL 92,742 million and ITL 88,710 million, respectively. Changes that occurred during the period are shown in Exhibit 4. The increase for the period of ITL 4,032 million essentially includes newly capitalised costs (ITL 10,244 million), net of depreciation (ITL 7,961 million), and positive exchange rate differences (ITL 2,553 million) arising essentially from the appreciation of the US dollar and Chinese renminbi against the Italian lira.

Depreciation has been calculated on a straight-line basis according to the remaining useful life of the asset, applying the following rates:

Buildings	2.5% - 3%
Plant and machinery	10% - 25%
Industrial and commercial equipment	20% - 25%
Other assets	7% - 25%

### **LONG-TERM INVESTMENTS**

#### **Investments in associated companies**

The item "investments in associated companies" increased from ITL 832 million as of 31 December 1999 to ITL 862 million as of 30 June 2000. This increase related solely to the stake held in the associated company Japan Getters Inc., valued by the net equity method. The change that took place is set out in detail in the table below.

	Opening situation			Changes for the period			Closing situation		
	Original cost	Revaluation undertaken in previous years	Balance 31.12.99	Revaluations and write-backs	Foreign exchange differences	Total	Original cost	Revaluations	Balance 30.06.00
Japan Getters Inc.	527	305	832	12	18	30	538	324	862

Opening balances and closing balances, arising from the conversion of accounts of Group companies presented in foreign currencies, are converted into Italian lire by using the exchange rates recorded on the date to which said figures refer. Exchange rate differences arising over the period are included in the balances shown for 30 June 2000.

### Receivables from other companies

These are made up as follows:

	Balance <u>30.06.00</u>	Balance <u>31.12.99</u>	<u>Change</u>
Guarantee deposits	1,117	1,444	(327)
Other	1,551	1,128	423
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<b>Total</b>	<b>2,668</b>	<b>2,572</b>	<b>96</b>
	=====	=====	=====

## CURRENT ASSETS

### INVENTORY

The balance consists of the following:

	Balance <u>30.06.00</u>	Balance <u>31.12.99</u>	<u>Change</u>
Raw materials, auxiliary materials and spare parts	20,802	18,738	2,064
Work in progress and semi-finished products	12,420	9,740	2,680
Finished products and goods	16,014	15,595	419
Advances	-	432	(432)
	-----	-----	-----
<b>Total</b>	<b>49,236</b>	<b>44,505</b>	<b>4,731</b>
	=====	=====	=====

The changes from 31 December 1999 were essentially due to contingent production plans as well as foreign-currency items being revalued – especially those pertaining to the Group's US subsidiaries following the appreciation of the US dollar.

## **RECEIVABLES**

### **Trade receivables**

At 30 June 2000 the entry was made up as follows:

	Gross <u>value</u>	Bad debt <u>provision</u>	Net of provision at <u>30.06.00</u>	Net of provision at <u>31.12.99</u>	<u>Change</u>
Trade receivables	64,744	(947)	63,797	55,606	8,191

Trade receivables (all due within one year) derived from ordinary sales transactions.

The bad debt provision reflects an adjustment made to bring the value of receivables in line with their estimated realisable value.

The net increase in trade receivables on 31 December 1999 was essentially due to the increase in sales, the depreciation of the Italian lira against the main foreign currencies in which the balances of Group companies are expressed.

### **Other receivables**

Such item includes short-term receivables from third parties amounting to ITL 18,419 million as of 30 June 2000 as compared with ITL 18,501 million at 31 December 1999.

They consist of the following:

	Balance <u>30.06.00</u>	Balance <u>31.12.99</u>	<u>Change</u>
Income tax receivables	-	1,272	(1,272)
VAT receivables	6,947	6,885	62
Other tax receivables	728	408	320
Deferred tax receivables	8,651	7,308	1,343
Receivables from social security agencies	32	13	19
Receivables from personnel	630	309	321
Guarantee deposits	463	198	265
Other receivables	968	2,108	(1,140)
<b>Total</b>	<b><u>18,419</u></b> =====	<b><u>18,501</u></b> =====	<b><u>(82)</u></b> =====

Such receivables are all due within twelve months and are all collectible. No adjustments to their respective book values have therefore been made.

## **SHORT-TERM INVESTMENTS**

### **Other securities**

This item consists primarily of foreign bonds denominated in Eurolire and US dollars as well as quotas held in mutual funds (again denominated in Eurolire), which are investments of cash and cash equivalents. At 30 June 2000, the item totalled ITL 24,658 million against ITL 29,568 million at 31 December 1999.

This decrease was mainly due to certain securities held by Saes Getters Finance S.A. (company located in Luxembourg) maturing, which meant cash and cash equivalents increased by the same amount.

Listed securities are carried in the balance sheet at the lower of purchase cost, adjusted to take into account issue discounts, and the arithmetic average of prices recorded in June.

The application of such accounting criteria resulted in the value of securities being reduced by ITL 172 million.

Gains from exchange rate differences have prudently not been recorded.

## **CASH AND CASH EQUIVALENTS**

This item is described in detail in the enclosed balance sheet.

The increase in "Bank and postal deposits" came mainly from cash flow generated from operating activities and thanks to certain securities held in portfolio maturing.

<b>PREPAYMENTS AND ACCRUED INCOME</b>
---------------------------------------

At 30 June 2000, this item was made up as follows:

	Balance <u>30.06.00</u>	Balance <u>31.12.99</u>	<u>Change</u>
<b>Accrued income:</b>			
Interest income	553	847	(294)
Other accrued income	-	2	(2)
	-----	-----	-----
<b>Total accrued income</b>	<b>553</b>	<b>849</b>	<b>(296)</b>
	-----	-----	-----

**Prepayments:**

Prepaid leasing instalments	1,206	1,395	(189)
Yearly payments for patents	111	223	(112)
Other pre-paid expenses	1,683	1,265	418
	-----	-----	-----
<b>Total prepayments</b>	<b>3,000</b>	<b>2,883</b>	<b>117</b>
	-----	-----	-----
<b>Total prepayments and accrued income</b>	<b>3,553</b>	<b>3,732</b>	<b>(179)</b>
	=====	=====	=====

**LIABILITIES AND SHAREHOLDERS' EQUITY****SHAREHOLDERS' EQUITY**

At 30 June 2000, shareholders' equity amounted to ITL 300,660 million, up ITL 18,456 million from 31 December 1999. The changes that occurred during the period are described in Exhibit 2.

No provision was made in the consolidated financial statements for taxes due on dividend distribution based on earnings accumulated in previous years from subsidiaries due to the fact that these are considered permanently invested.

Information regarding the main items making up shareholders' equity, and the changes undergone by them, is provided below.

**CAPITAL STOCK**

At 30 June 2000, fully underwritten and paid-in capital stock amounted to euro 12,220,000 (ITL 23,661 million).

On 28 April 2000, an extraordinary meeting of shareholders took place to approve a proposal made by the Board of Directors to convert share capital into euros by procedures laid down by Law Decree 213 dated 24 June 1998. Rounding up the nominal value of shares led to a 161 million free increase of capital, which was effected by using the company's "dividend fluctuation provision".

The same meeting of shareholders also approved the proposal to convert 218,750 preferred shares into ordinary shares at an exchange ratio of one ordinary share for one preference share, without the payment of any adjustment. A special meeting of preferred shareholders subsequently approved said proposal, on 11 May 2000.

Following these changes, as at 30 June 2000, the company's share capital was made up of

- 13,874,930 ordinary shares
- 9,625,070 savings shares

all of which bear a nominal value of Euro 0.52.

All shares of the parent company are listed on the Italian Stock Market ("Mercato Telematico delle Borse Italiane"). Savings shares are also quoted on the US Nasdaq Stock Market ®.

### **SHARE PREMIUM RESERVE**

This item includes amounts paid by shareholders over the par value of shares underwritten by capital increases.

At 30 June 2000, the company's share premium reserve amounted to ITL 78,994 million, representing a ITL 20,331 million decrease from 31 December 1999. This was due to funds being withdrawn from said reserve to restore the company's reserve for the purchase of own shares, as per the resolution carried by the ordinary shareholders' meeting on 28 April 2000.

### **REVALUATION RESERVES**

At 30 June 2000, this item amounted to ITL 2,450 million. No changes occurred over the period 31 December 1999 - 30 June 2000. This item includes positive balances resulting from monetary revaluation according to Law 72 dated 19 March 1983 and Law 413 dated 30 December 1991, amounting to ITL 1,111 million and ITL 1,339 million respectively.

The revaluation reserve, pursuant to Law 413/1991, is shown net of substitute tax amounting to ITL 322 million.

The two revaluation reserves included in the consolidated financial statements were ITL 900 million and ITL 350 million lower respectively than the values included in the parent company's sole financial statements. These decreases were due to reversal entries made at a consolidated level to the revaluation of certain investments and accelerated depreciation carried out on revalued assets, in accordance with Law 413/1991.

### **LEGAL RESERVE**

At 30 June 2000, this item amounted to ITL 7,068 million, increasing ITL 641 million during the period 31 December 1999 - 30 June 2000. This increase reflects the income allocated to the Group's legal reserve by certain Group companies.

### **OTHER RESERVES**

Such reserves are described in detail in Exhibit 2.

The item "Exchange rate conversion differences" increased by ITL 4,474 million, due to the impact of the conversion into Italian lire of foreign subsidiaries' financial statements denominated in foreign currencies on consolidated shareholders' equity, as well as to consolidation adjustments. The increase seen was due to the weakening of the euro, and therefore of the Italian lira, against other currencies during the period.

For the purposes of providing a complete picture, we wish to point out that the accounting system used for leased assets complies with the practice currently followed in Italy, and involves all leasing fees paid being charged to the company's profit and loss account. If instead the accounting criteria used as per the financial method had been followed, then the consolidated result for the period and consolidated shareholders' equity, net of the inherent fiscal effects, would have been ITL 417 million and ITL 3,148 million higher respectively.

## PROVISIONS FOR CONTINGENCIES AND OBLIGATIONS

The make-up of, and changes undergone by, these provisions are set out below.

	<u>31.12.99</u>	<u>Accruals</u>	<u>Utilisation of provision</u>	<u>Conversion differences</u>	<u>30.06.00</u>
Provision for retirement benefits and similar obligations	2,372	157	-	53	2,582
Other	1,043	598	(117)	30	1,554
	-----	-----	-----	-----	-----
<b>Total</b>	<b>3,415</b>	<b>755</b>	<b>(117)</b>	<b>83</b>	<b>4,136</b>
	=====	=====	=====	=====	=====

Other provisions are made up as follows:

	<u>Balance 30.06.00</u>	<u>Balance 31.12.99</u>	<u>Change</u>
Provision for warranty on products sold	954	421	533
Provision for returns, adjustments in invoicing, discounts and bonuses to customers	-	85	(85)
Provision for foreign exchange losses	164	187	(23)
Other provisions	436	350	86
	-----	-----	-----
<b>Total</b>	<b>1,554</b>	<b>1,043</b>	<b>511</b>
	=====	=====	=====

## STAFF LEAVING INDEMNITY

Changes occurred during the period were as follows:

<b>Balance at 31.12.1999</b>	<b>13,736</b>
Provision for the period recorded in the profit and loss account	1,602
Indemnities paid in the period	(488)
Differences arising from the conversion of financial statements denominated in foreign currencies	105
	-----
<b>Balance at 30.06.2000</b>	<b>14,955</b>
	=====

The number of employees of the Group at 30 June 2000 was 1,069 (of which 552 are employed outside Italy). This reflects an increase of 103 over 31 December 1999 and 124 over 30 June 1999.

## PAYABLES

The make-up of, and changes undergone by, the main components of payables are described below.

### Bank loans and other financial payables

These consist of the following:

	Balance at 30.06.2000				Balance	Change
	Total	Expiration (years)			31.12.1999	
	<u>Total</u>	<u>Less than 1 year</u>	<u>Between 1 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>	
Bank overdraft	48,256	48,256	-	-	43,149	5,107
Other bank loans	8,747	1,487	7,260	-	9,171	(424)
<b>Total bank loans</b>	<b>57,003</b>	<b>49,743</b>	<b>7,260</b>	-	<b>52,320</b>	<b>4,683</b>
Other financial payables	-	-	-	-	326	(326)
	-----	-----	-----	-----	-----	-----
<b>Total</b>	<b>57,003</b>	<b>49,743</b>	<b>7,260</b>	-	<b>52,646</b>	<b>4,357</b>
	=====	=====	=====	=====	=====	=====

### Trade payables

These amounted to ITL 18,596 million at the end of the period, showing an increase of ITL 2,703 million over 31 December 1999, which is largely attributable to the Group realising higher sales.

There are no trade payables represented by bills. All said amounts are payable within 12 months and arise from commercial transactions.

### Tax payables

At 30 June 2000, the above item amounted to ITL 7,381 million, showing an increase of ITL 1,373 million over the end of the previous year.

	<u>Balance</u> <u>30.06.00</u>	<u>Balance</u> <u>31.12.99</u>	<u>Change</u>
Income tax payables	5,015	3,369	1,646
Equity tax payables	56	155	(99)
Withholding taxes and other tax payables	2,310	2,484	(174)
	-----	-----	-----
<b>Total</b>	<b>7,381</b>	<b>6,008</b>	<b>1,373</b>
	=====	=====	=====

Equity tax payables are recorded net of advances paid.

Withholding taxes refer mainly to income taxes in respect of employees.

All said amounts are payable within 12 months.

### Social security payables

At 30 June 2000 social security payables amounted to ITL 1,822 million as compared to ITL 2,121 million at 31 December 1999.

This item primarily consists of amounts due by Italian Group companies to INPS (Italian social security system) as employer's contributions.

### Other payables

At 30 June 2000 other payables amounted to ITL 13,944 million against ITL 13,654 million at 31 December 1999.

The item consists of the following:

	<u>Balance</u> <u>30.06.00</u>	<u>Balance</u> <u>31.12.99</u>	<u>Change</u>
Payables to employees (holidays, wages)	9,769	7,945	1,824
Insurance premiums payables	141	339	(198)
Other payables	4,034	5,370	(1,336)
	-----	-----	-----
<b>Total</b>	<b>13,944</b>	<b>13,654</b>	<b>290</b>
	=====	=====	=====

Payables to employees include accruals made during the year for holidays, extra monthly wages and, for Italian companies, wages and salaries for the month of June.

<b>ACCRUED LIABILITIES AND DEFERRED INCOME</b>
--

The above may be broken down as follows:

	<u>Balance</u> <u>30.06.00</u>	<u>Balance</u> <u>31.12.99</u>	<u>Change</u>
<b>Accrued liabilities:</b>			
Interest expenses	181	183	(2)
Other accrued expenses	918	914	4
	-----	-----	-----
<b>Total accrued liabilities</b>	<b>1,099</b>	<b>1,097</b>	<b>2</b>
	-----	-----	-----
Deferred income	1,008	840	168
	-----	-----	-----
<b>Total accrued liabilities and deferred income</b>	<b>2,107</b>	<b>1,937</b>	<b>170</b>
	=====	=====	=====

## MEMORANDUM ACCOUNTS

Memorandum accounts include guarantees provided by the Group to third parties and other off balance sheet items.

They are divided as follows:

	Balance	Balance	
	<u>30.06.00</u>	<u>31.12.99</u>	<u>Change</u>
<b>Guarantees provided by the Group:</b>			
- Guarantees in favour of third parties	23,562	25,713	(2,151)
- Other guarantees in favour of third parties	218	5	213
	-----	-----	-----
<b>Total guarantees provided by the Group</b>	<b>23,780</b>	<b>25,718</b>	<b>(1,938)</b>
	-----	-----	-----
<b>Other off balance sheet items:</b>			
Leasing obligations	9,980	11,724	(1,744)
Forward exchange contracts	32,617	50,524	(17,907)
	-----	-----	-----
<b>Total other off balance sheet items</b>	<b>42,597</b>	<b>62,248</b>	<b>(19,651)</b>
	-----	-----	-----

The item "Guarantees in favour of third parties" is mainly made up of guarantees in favour of the Italian VAT authorities to guarantee refund requests totalling ITL 7,076 million (ITL 8,875 million at 31 December 1999) and guarantees provided by the Group's parent company in respect of leasing contracts entered into by subsidiaries in Avezzano. At 30 June 2000, the amount includes the guarantee provided by Saes Getters S.p.A. in favour of Fime Leasing S.p.A. (ITL 11,990 million) related to the leasing agreement between the latter company and the subsidiary Saes Advanced Technologies S.p.A. for the completion of its plant. The total amount shown includes ITL 4,496 million in respect of the third-party share (35%) of the bank loan of the associated company Nanjing Saes Huadong Getters Co. Ltd., which is guaranteed by the parent company.

The item "Other guarantees in favour of third parties" includes the value of guarantees provided by a number of subsidiaries to clients to assure the successful completion of supply contracts.

The unutilised portion of guarantees as of 30 June 2000 amounted to ITL 29,012 million (ITL 31,117 million at 31 December 1999). Guarantees are provided as lines of credit by the Group in favour of subsidiaries and associated companies.

The item "Leasing obligations" represents the remaining portion, inclusive of interest and the value of the final redemption, of leasing instalments to be paid to the leasing companies (Intesa Leasing S.p.A., ex Leasindustria S.p.A., ITL 7,375 million and Fime Leasing S.p.A. ITL 1,929 million) for the construction of the buildings in Lainate and Avezzano.

The item "Forward exchange contracts" includes the value of currency hedging operations entered into by the Group's parent company (for a total amount of ITL 15,119 million) and the subsidiaries

Saes Metallurgia S.p.A. (ITL 5,922 million) and Saes Advanced Technologies S.p.A. (ITL 11,576 million) during the period to insure the Group against fluctuations in currency markets.

These hedging operations cover receivables as of 30 June 2000 and a portion of sales forecasted for the second half of 2000 that are denominated in U.S. dollars and Japanese Yen.

With regard to the Group's acquisition of Molecular Analytics, LLC, please note that an acquisition price of US\$ 5.5 million plus a variable amount depending on pre-set targets being achieved (up to an absolute maximum in any event of US\$ 8 million) was contractually agreed.

## Notes to the Consolidated Statement of Income

(amounts in ITL millions)

### VALUE OF PRODUCTION

#### REVENUES FROM SALES AND SERVICES

Consolidated revenues from the sale of goods and services in the first half of 2000 amounted to ITL 153,644 million, up 50.2% from the first half of 1999.

The tables below break down revenues by Business Area and by the geographical location of customers.

#### Sales revenues by Business Area

	<u>30.6.2000</u>	<u>30.6.1999</u>	<u>Change</u>
Display Devices	63,185	50,810	12,375
Light Sources	19,810	13,309	6,501
Electronic Devices & Flat Panels	15,531	9,469	6,062
Vacuum Systems & Insulations	6,436	4,125	2,311
<b>Component - Subtotal</b>	<b>104,962</b>	<b>77,713</b>	<b>27,249</b>
Purifiers	25,766	13,811	11,955
Analyzers	10,638	4,173	6,465
Analytical Services	12,003	6,434	5,569
<b>Equipment - Subtotal</b>	<b>48,407</b>	<b>24,418</b>	<b>23,989</b>
Other sales	275	147	128
<b>Total</b>	<b>153,644</b>	<b>102,278</b>	<b>51,366</b>

Display Devices	Barium getters for cathode ray tubes
Light Sources	Products used in discharge lamps and fluorescent lamps
Electronic Devices & Flat Panels	Getters and metal dispensers used for electron vacuum devices and flat panel displays
Vacuum Systems & Insulations	Pumps for vacuum systems and getters for thermal insulated devices
Purifiers	Gas purifier systems for semiconductor industry
Analyzers	Trace gas analysers for semiconductor and other industries
Analytical Services	Quality assurance, quality control and material inspection of the gas distribution system, used in semiconductor industry

### Sales revenues by geographical location of customer

	<u>30.6.2000</u>	<u>30.6.1999</u>	<u>Change</u>
Italy	4,697	3,715	982
European Union (excluding Italy)	21,155	18,430	2,725
Rest of Europe	2,565	1,690	875
North America	45,046	25,539	19,507
Japan	23,374	16,965	6,409
Asia (excluding Japan)	54,686	34,335	20,351
Rest of the world	2,121	1,604	517
<b>Total</b>	<b>153,644</b>	<b>102,278</b>	<b>51,366</b>

### CHANGES IN CONSTRUCTION IN PROGRESS

Changes in construction in progress at 30 June 2000 amount to ITL 1,919 million, decreasing by ITL 503 million from the same period of 1999.

### OTHER INCOME

Other income increased by ITL 468 million as shown in the table below:

	<u>30.6.2000</u>	<u>30.6.1999</u>	<u>Change</u>
Contributions for operating expenses	50	20	30
Other income:			
Recovery of transportation expenses	516	321	195
Other amounts recovered	69	83	(14)
Capital gains on sale of assets	9	29	(20)
Other	503	226	277
	-----	-----	-----
Total other income	1,097	659	438
	-----	-----	-----
<b>Total</b>	<b>1,147</b>	<b>679</b>	<b>468</b>
	=====	=====	=====

<b>COST OF PRODUCTION</b>
---------------------------

***COST FOR RAW MATERIALS, AUXILIARY MATERIALS, SPARE PARTS AND RESALE GOODS***

The item consists of the following:

	<u>30.6.2000</u>	<u>30.6.1999</u>	<u>Change</u>
Raw materials	25,370	11,730	13,640
Auxiliary materials and spare parts	1,078	628	450
Resale goods	3,169	1,684	1,485
Other purchases	5,030	2,375	2,655
	-----	-----	-----
<b>Total</b>	<b>34,647</b>	<b>16,417</b>	<b>18,230</b>
	=====	=====	=====

The overall increase seen over the amount recorded for the first half of the previous operating year was mainly due to purchases made to meet higher production levels.

***COST FOR SERVICES***

This item may be broken down as follows:

	<u>30.6.2000</u>	<u>30.6.1999</u>	<u>Change</u>
External costs for maintenance	2,152	1,561	591
Other external services	7,003	4,027	2,976
Transport	1,944	992	952
Travel expenses	3,960	3,010	950
Energy, telephone, telefax, etc.	3,333	3,080	253
Commission expenses	326	147	179
Insurance services	835	774	61
Technical, legal, fiscal and administrative services	5,462	3,993	1,469
Management and deposit of patents	837	699	138
Other	2,964	2,339	625
<b>Total</b>	<b>28,816</b> =====	<b>20,622</b> =====	<b>8,194</b> =====

The item "Other" as of 30 June 2000 includes fees of ITL 1,167 million and ITL 95 million payable to the parent company's directors and auditors respectively, who also perform duties in other Group companies included in the consolidation area.

#### ***COST OF UTILIZATION OF THIRD-PARTY ASSETS***

For the period to 30 June 2000, such cost amounted to ITL 3,439 million, up ITL 1,080 million on the first half of 1999. This item primarily includes leasing charges and rents incurred by some foreign subsidiaries for the premises used to carry out operations.

#### ***COST FOR PERSONNEL***

The breakdown of this cost is included in the income statement.

Staff costs increased from ITL 42,176 million to ITL 50,399 million in the first half of 2000; the ITL 8,223 million increase (+19%) reflects the rise in staff numbers and labour cost trends.

#### ***AMORTIZATION, DEPRECIATION AND WRITEDOWNS***

Such item is detailed in the income statement.

Amortization and depreciation charges for the period for intangible and tangible assets are described in Exhibits 3 and 4, respectively.

<b>FINANCIAL INCOME AND CHARGES</b>
-------------------------------------

**OTHER FINANCIAL INCOME**

This includes:

- income from securities recorded under current assets amounting to ITL 633 million, against ITL 591 million seen for the same period in 1999.
- income other than the above is detailed as follows:

	<u>30.6.2000</u>	<u>30.6.1999</u>	<u>Change</u>
Foreign exchange gains	5,738	5,241	497
Other income	2,712	1,880	832
	-----	-----	-----
<b>Total</b>	<b>8,450</b>	<b>7,121</b>	<b>1,329</b>
	=====	=====	=====

The item "Other income" mainly includes interest income on bank deposits and, to a lesser extent, other interest income, in particular due from tax authorities, and income from forward transactions and other minor financial income.

**INTEREST AND OTHER FINANCIAL CHARGES**

They consist of the following:

	<u>30.6.2000</u>	<u>30.6.1999</u>	<u>Change</u>
Foreign exchange losses	3,614	2,966	648
Interest expenses:			
- on bank overdraft	1,248	1,332	(84)
- on other payables	458	14	444
	-----	-----	-----
<b>Total interest expenses</b>	<b>1,706</b>	<b>1,346</b>	<b>360</b>
	-----	-----	-----
Other	488	202	286
	-----	-----	-----
<b>Total</b>	<b>5,808</b>	<b>4,514</b>	<b>1,294</b>
	=====	=====	=====

## ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

### **REVALUATIONS**

The above amounted to ITL 12 million at 30 June 2000, as compared with ITL 18 million at 30 June 1999.

Said item relates to the stake held in the associated company Japan Getters Inc. being revalued by the equity method.

### **WRITEDOWNS**

A breakdown of writedowns is provided in the income statement.

## EXTRAORDINARY INCOME AND EXPENSES

“Extraordinary income and expenses” showed a loss of ITL 60 million in the first half of 2000, against a profit of ITL 177 million for the same period in 1999.

### **INCOME TAXES FOR THE PERIOD**

These amounted to ITL 9,046 million, up ITL 5,751 million from the first half of 1999.

This item includes both current taxes and deferred tax accruals resulting from temporary differences between taxable income and the income of the individual companies included in the consolidation area, and the tax effect of consolidation adjustments.

The increase over the first half of 1999 was due to an increase in pre-tax profits. The tax rate decreased from 30.2% in the first half of 1999 to 28.0% in the same period of 2000, due to high profits being realised by some Group companies that are subject to lower taxation.

## Additional information

1) At 30 June 2000, the Group's employees were distributed as follows:

<u>31.12.1999</u>	<u>30.6.2000</u>	Average
-------------------	------------------	---------

Managers	58	63	61
Employees and Middle management	410	457	449
Workers	498	549	510
	-----	-----	-----
<b>Total</b>	<b>966</b>	<b>1,069</b>	<b>1,020</b>
	====	====	====

It must be highlighted that the Nanjing Saes Huadong Getters Co. Ltd. personnel has been included in the table according to the Group's participating interest (65%).

2) The reconciliation between the net profit and shareholders' equity of Saes Getters S.p.A. and consolidated net profit and shareholders' equity at 30 June 2000 and 31 December 1999 is set out below (in ITL millions):

	30 June 2000		31 December 1999	
	Net profit	Shareholders' equity	Net profit	Shareholders' equity
	-----	-----	-----	-----
	-		-	
<b>Group's parent company</b>				
<b>Saes Getters S.p.A.</b>	<b>18,044</b>	<b>217,325</b>	<b>18,418</b>	<b>208,504</b>
Difference between the consolidated companies' shareholders' equity and the book value represented by the investment	-	95,223	-	82,287
Net profit of consolidated companies, net of dividends distributed	8,641	-	7,802	-
Elimination of profit deriving from inter-company transactions, net of the related tax effect	(2,476)	(10,206)	(1,040)	(7,730)
Elimination of accelerated depreciation charges, net of the related tax effect	(163)	251	(241)	414
Difference arising from the application of different inventory valuation criteria between statutory accounts (LIFO) and consolidated accounts (FIFO), net of the related tax effect	(288)	73	147	361
Elimination of the provision for bad debts of subsidiaries, net of the related tax effect	38	138	54	100
Income tax accrual on dividends distribution made by foreign Subsidiaries	(116)	(1,336)	(260)	(1,220)
Other minor adjustments	(475)	(808)	(576)	(512)
	-----	-----	-----	-----
<b>Consolidated accounts</b>	<b>23,205</b>	<b>300,660</b>	<b>24,304</b>	<b>282,204</b>
	====	====	====	====

3) We report below a summary of reclassified consolidated financial statements according to the presentation used in previous years to provide a meaningful comparison. Amounts are expressed in ITL millions, with the exception of earnings per share stated in ITL.

<b>CONSOLIDATED BALANCE SHEETS</b>	30 June 2000	31 December 1999	30 June 1999
<b>ASSETS</b>			
Current assets	297,073	270,191	245,826
Property, plant and equipment, net	92,742	88,710	87,120
Intangible assets	30,702	32,041	33,555
Investments and other financial assets	3,561	3,429	3,059
<b>Total assets</b>	<b>424,078</b>	<b>394,371</b>	<b>369,560</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities	98,149	87,538	82,963
Long-term liabilities	25,269	24,629	25,435
Shareholders' equity	300,660	282,204	261,162
<b>Total liabilities and shareholders' equity</b>	<b>424,078</b>	<b>394,371</b>	<b>369,560</b>

<b>CONSOLIDATED STATEMENTS OF INCOME</b>	1 <sup>st</sup> quarter		2 <sup>nd</sup> quarter		1 <sup>st</sup> half	
	2000	1999	2000	1999	2000	1999
<b>Net sales</b>	<b>70,134</b>	<b>46,813</b>	<b>83,510</b>	55,465	153,644	102,278
Cost of sales	36,514	24,877	41,400	29,118	77,914	53,995
<b>Gross profit</b>	<b>33,620</b>	<b>21,936</b>	<b>42,110</b>	26,347	75,730	48,283
Research and development expenses	4,857	4,098	5,211	4,180	10,068	8,278
Selling expenses	8,344	6,980	9,481	8,465	17,825	15,445
General and administrative expenses	9,005	8,320	9,509	8,435	18,514	16,755
<b>Total operating expenses</b>	<b>22,206</b>	<b>19,398</b>	<b>24,201</b>	21,080	46,407	40,478
<b>Operating income</b>	<b>11,414</b>	<b>2,538</b>	<b>17,909</b>	5,267	29,323	7,805
Interest and other financial income, net	535	351	427	479	962	830
Foreign exchange gains (losses), net	2,293	1,483	(169)	792	2,124	2,275
Other income (expenses), net	(6)	(134)	(152)	145	(158)	11
<b>Income before taxes</b>	<b>14,236</b>	<b>4,238</b>	<b>18,015</b>	6,683	32,251	10,921
Income taxes	3,681	1,233	5,365	2,062	9,046	3,295
<b>Net income</b>	<b>10,555</b>	<b>3,005</b>	<b>12,650</b>	4,621	23,205	7,626
<b>Earnings per share (Lire):</b>						
Ordinary shares	449.2	127.9	526.1	184.2	975.3	312.0
Savings shares	449.2	127.9	555.8	214.2	1,005.0	342.0

4) The financial highlights of the Group's Business Aggregates and the geographical areas in which the Group operates are set out below (ITL millions):

## BUSINESS AGGREGATES

Six Months ended 30 June 2000	Component	Equipment	Other	Total
Net sales	104,962	48,407	275	153,644
Gross profit	58,156	17,513	61	75,730
Operating income (loss)	32,655	(3,345)	13	29,323

Six Months ended 30 June 1999	Component	Equipment	Other	Total
Net sales	77,713	24,418	147	102,278
Gross profit	41,318	6,936	29	48,283
Operating income (loss)	18,463	(10,643)	(15)	7,805

## GEOGRAPHIC AREAS

Six Months ended 30 June 2000	Europe		United States	Asia		Adjustments (5)	Consolidated
	Italy	Rest of Europe		Japan	Rest of Asia		
Direct sales (1)	19,192	13,626	50,500	29,116	41,210	-	153,644
Intersegment sales (2)	55,117	661	17,616	357	3,118	(76,869)	-
Total sales	74,309	14,287	68,116	29,473	44,328	(76,869)	153,644
Operating income (loss) (3)	15,790	(142)	4,746	884	9,834	(1,789)	29,323
Total assets (4)	298,980	125,999	103,521	23,680	78,942	(207,044)	424,078

### Six Months ended 30 June 1999

Direct sales (1)	16,725	11,894	28,415	21,947	23,297	-	102,278
Intersegment sales (2)	41,834	523	11,481	231	1,913	(55,982)	-
Total sales	58,559	12,417	39,896	22,178	25,210	(55,982)	102,278
Operating income (loss) (3)	6,675	(383)	(2,338)	350	3,547	(46)	7,805
Total assets (4)	274,616	125,797	91,613	17,931	57,210	(197,607)	369,560

- (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.
- (3) This refers to the operating income (loss) posted by Group companies belonging to the geographic area in question, net of adjustments made for consolidation purposes in respect of transactions carried out between Group companies belonging to the same geographic area.
- (4) This refers to total assets as carried in the balance sheets of Group companies belonging to the geographic area in question, net of adjustments made for consolidation purposes in respect of transactions carried out between Group companies belonging to the same geographic area.

- (5) This refers to adjustments made for consolidation purposes in respect of transactions carried out between Group companies belonging to different geographic areas.

## **Scope of Consolidation**

For information regarding the Group's structure and the scope of consolidation used, please refer to the relevant exhibit (Exhibit 1). Changes undergone since 31 December 1999 relate to the merger by incorporation of Saes Engineering Costruzioni Meccaniche S.p.A. and Saes Servizi Aziendali S.r.l. into Saes Metallurgia S.p.A., which took effect from 1 January 2000.

PCP, Inc. was also merged by incorporation into its parent company Trace Analytical, Inc., which took effect from 1 May 2000.

June saw the establishment of the company IMS Technologies International, Inc., based in Baltimore, Maryland (USA) and this company's subsequent acquisition (perfected in July) of the activities of Molecular Analytics, LLC, a company based in Sparks, Maryland (USA) and involved in the production and sale of gas impurity analysers using IMS technology (Ion Mobility Spectrometry). In July, after this acquisition, IMS Technologies International, Inc. changed its name to "Molecular Analytics, Inc." and moved its registered office to Sparks, Maryland (USA).

Procedures relating to the liquidation of the company Saes Metal Dispensers GmbH were still underway at 30 June 2000.

Lainate (Milan), 28 September 2000

The Chairman of the Board of Directors  
Paolo della Porta