SOMFY

BETTER LIVING FOR ALL

Smart living

Annual Financial Report 2017

MESSAGE FROM THE MANAGEMENT BOARD

Jean Guillaume DESPATURE
Chairman of the Management Board

Pierre RIBEIRO
Group CFO,
member of the Management Board

For the second consecutive year, Somfy's sales grew strongly, up 10.3% on a like-for-like basis. This increase was driven by a buoyant market overall and by ever greater interest from consumers in connected solutions, which also had a favourable impact on the sales of motorised systems in the Group's historical or more mature markets (rolling shutters, exterior blinds, gates, etc.). This strong momentum across all three Activities and all regions validates Somfy's strategy of innovation and the digital transformation of its markets.

Although business profitability remained at a high level at 13.5% of sales, it declined as a result of several factors: a more aggressive pricing policy to gain market share, a negative exchange rate impact, the rise in the cost of raw materials and the integration of two newly-acquired companies. On a like-for-like basis, current operating margin would have stood at 14.3%. While intensifying its strategic investments – R&D, digitalisation of the company and the customer relationship – Somfy has remained attentive to cost control. The Group's sound financial position has further improved, with a net financial surplus that increased from €15.5 million to €104.6 million at the end of the financial year.

In 2017, Somfy continued its international expansion. In the United States, the Group passed the milestone of €100 million in sales. And in China, the Dooya brand now generates 48% of its sales on its domestic market.

The digital transformation of the range now involves the products of all Activities: motorised systems and new connected devices, two of which won innovation awards at CES 2018 (a thermostat and a camera). Launched in 2015 and designed to evolve along with the Internet of Things, the Smart & Smooth RS100 rolling shutter motor consolidated its commercial success.

Intended to support the Group's performance within this new environment, the 2018-2020 strategic roadmap has already contributed to acceleration in several key areas. The interior solutions business is growing and will benefit from a significant innovation programme in 2018. Initial results of the roll-out of productivity-enhancing measures will be delivered during this financial year. And Somfy has also strengthened its relationship with end users, notably by offering solutions that are ever more open to, and interconnected with, those provided by other players in the construction industry. This is to align innovation with the expectations of consumers in line with their practices.

As a result, the Group is confident in its ability to capitalise, over the next few years, on all the potential offered by the digital transformation that is underway in the construction markets.

The Management Board

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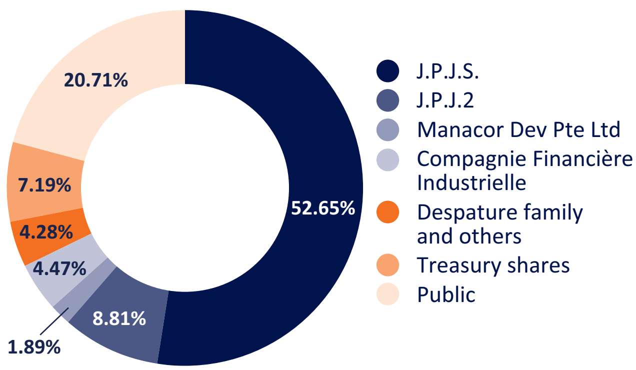
INVESTOR RELATIONS

01
INVESTOR RELATIONS

BREAKDOWN OF CAPITAL IN %



CAPITAL

At 31 December 2017, Somfy SA capital amounted to €7,400,000, divided into 37,000,000 shares with a nominal value of €0.20, fully paid up and all in the same class.
The company has not issued any securities giving right to capital. As authorised, the company owned 2,658,967 Somfy SA shares at 31 December 2017.

GROSS DIVIDEND

per share, in €

** Amount adjusted to reflect the 5-for-1 share split in 2017.*

NET PROFIT

per share, in €

** Amount adjusted to reflect the 5-for-1 share split in 2017.*

LISTING

Somfy SA has a Management Board and a Supervisory Board and is listed on the Eurolist at Euronext Paris in compartment A (ISIN Code FR0013199916).

CONTRACT

On 15 June 2012, Somfy SA signed a liquidity provider agreement with Natixis.

2018 FINANCIAL CALENDAR

25 January	Release of 2017 Full-Year Turnover
7 March	Release of 2017 Full-Year Results
8 March	Financial Information Meeting – Presentation of 2017 Full-Year Results
19 April	Release of 2017 Full-Year Consolidated Statements
19 April	Release of Quarterly Turnover (Q1 2018)
16 May	Annual General Meeting
19 July	Release of 2018 Half-Year Turnover
4 September	Release of 2018 Half-Year Consolidated Statements
4 September	Release of 2018 Half-Year Results and Conference Call
18 October	Release of Turnover for the First Nine Months of FY 2018

02
ORGANISATION

02 ORGANISATION

SUPERVISORY BOARD

Chairman:
Michel Rollier*

Vice-Chairman:
Victor Despature

Members:
Marie Bavarel-Despature
Paule Cellard*
Sophie Desormière*
Florence Noblot*
Anthony Stahl

AUDIT COMMITTEE

Chairman:
Victor Despature

Member:
Paule Cellard*

REMUNERATION COMMITTEE

Chairman:
Michel Rollier*

Member:
Victor Despature

MANAGEMENT BOARD

Chairman:
Jean Guillaume Despature

Group CFO:
Pierre Ribeiro

AUDITORS

ERNST & YOUNG et Autres
KPMG SA

FOR FURTHER INFORMATION

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Group CFO
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** Independent member.*

03
OVERVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

03
OVERVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

€ millions	31/12/17	31/12/16*
Net sales	1,246.6	1,131.7
Current operating result**	168.4	177.6
Operating result	168.2	177.4
Consolidated net profit	157.7	143.3
Net profit – Group share	159.9	141.0
Cash flow	208.1	181.7
Net investments in property, plant and equipment and intangible assets	64.5	64.5
Amortisation and depreciation charges**	–46.4	–39.6
Shareholders' equity	770.7	657.8
Net financial debt***	–104.6	–15.5
Non-current assets	548.3	533.0
Average workforce	8,848	7,928

* *The financial statements have been restated following the determination of the fair value of Myfox's assets and liabilities.*

** *Including amortisation charges relating to intangible assets allocated following acquisitions for an amount of –€3.2 million in 2017 and –€2.6 million in 2016.*

*** *(–) Net financial surplus.*
Takes into account liabilities related to put options granted to holders of non-controlling interests and earnout of €78.1 million in 2017 and €80.4 million in 2016, and deferred payments of a financial nature of €5.2 million in 2017 and €5.6 million in 2016.

04
MANAGEMENT BOARD REPORT

04
MANAGEMENT BOARD REPORT
TO THE COMBINED GENERAL MEETING OF 16 MAY 2018

Ladies and Gentlemen,

In accordance with legal and regulatory provisions in force, the Management Board has convened you here in order to inform you on the management of your company and its subsidiaries and to submit for your approval the financial statements for the year ended 31 December 2017.
Somfy is the global leader in opening and closing automation for both residential and commercial buildings, and a key player in the connected home.

HIGHLIGHTS OF THE YEAR

CHANGES IN THE CONSOLIDATION SCOPE

—

There were no major changes in the consolidation scope over the 2017 financial year.
Myfox and iHome, acquired in late 2016, contributed €11.1 million and €1.5 million respectively to Group sales.
The allocation of the acquisition cost of Myfox was finalised in late 2017.

TAX ITEMS

—

Following regulatory developments in France, **Somfy SA** has filed requests for tax relief primarily involving taxation on the portion of fees and charges applied to dividends and capital gains on the sale of equity investments, as well as on the 3% contribution on distributions of dividends.
The financial statements at 31 December 2017 include €22.3 million in tax income, including €17.7 million in respect of the 3% contribution on dividends and €4.4 million in respect of taxation on the portion of fees and charges (relating to the dividends and long-term capital gains on the sale of equity investments).
€20 million in rebates was received over the financial year in this regard.

CONTINGENT LIABILITIES

—

The dispute between **Spirel** employees and **Somfy SA** is still ongoing before the Albertville District Court. The employees seek annulment of the transfer of the Spirel securities, which took place in 2010, and to have Somfy SA ordered to pay them damages for the alleged deliberate bankruptcy of Spirel and non-material damage caused as a result of the anxiety, disappointment and vexation they deem to have been victim of, for a total of approximately €8.2 million. In April 2017, the Court ruled in favour of Somfy SA, dismissing the employees' claims. However, the plaintiffs immediately appealed this decision.

Moreover, during 2016, the liquidator of the company Spirel also sought to have Somfy SA ordered to refund advances of €2.9 million paid by the AGS (Guarantee Fund for the payment of salary claims) in the event the disposal was declared null and void.
Initial proceedings before the Labour Court – involving the employees contesting the grounds for their dismissal and claiming damages of a substantially similar amount to that sought before the District Court – were dismissed in November 2016. The employees applied to the Albertville Labour Court once again in early July 2017. The hearings scheduled for early 2018 have been postponed until July 2018.
These new factors do not change the assessment of risks by the Group which continues to qualify these risks as contingent liabilities and therefore no provision in relation to these disputes was recognised at 31 December 2017.

On 5 January 2015, **Somfy SA** transferred its 46.1% equity investment in the share capital of CIAT Group to **United Technologies Corporation**. On 31 March 2016, United Technologies Corporation filed a claim against the sellers of the CIAT shares under the liability guarantee for a total of €28.6 million (Somfy's share being €13.2 million). The Group considers these requests to be unfounded, and insufficiently detailed and justified. In mid-November 2017, UTC brought an action against the sellers before the Paris Commercial Court for the liability guarantee. The hearings are scheduled to take place in 2018.
As the process currently stands, the Group continues to contest the entirety of UTC's demands and remains confident regarding the outcome of this dispute. It has qualified the risk as a contingent liability and no provision was recognised at 31 December 2017.
At 31 December 2017, Somfy SA's financial statements include a deferred settlement receivable in relation to the sale of the CIAT shares for the sum of €9.7 million with payment spread until 2019. In early July 2017, Somfy SA and the other sellers brought an action against UTC before the Paris Commercial Court seeking the fulfilment of the acquisition contract and the settlement of the

deferred payments falling due. The hearings are also scheduled for 2018. Somfy SA remains confident regarding the settlement of these sums and therefore no provision in relation to these receivables was recognised at 31 December 2017.

PRESENTATION OF FINANCIAL STATEMENTS

PARENT COMPANY DATA

—

Over the year ended 31 December 2017, Somfy SA generated sales of €3.2 million. Net financial income amounted to €89.1 million, including €92.5 million in dividends paid by the subsidiaries in respect of their net profit for the year to 31 December 2016.
Net profit was €107.1 million, after inclusion of an income tax refund of €25.5 million, including the tax reliefs.

CONSOLIDATED DATA

—

SALES

Sales increased by 10.1% over the financial year just ended to €1,246.6 million. They benefitted from a positive scope effect of €11.2 million and suffered from a negative currency impact of €12.8 million.

Growth stood at 10.3% on a like-for-like basis over the financial year, including 8.5% over the first half and 12.3% over the second, and followed an increase of 10.2% over the course of the previous year. It reflects significant growth in all business segments and locations[1].
The most noteworthy performances came from Asia-Pacific, America, France, Eastern and Central Europe, and Northern Europe, all of which recorded double-digit growth.
The trend was less impressive, but nevertheless remained definitively positive within the two other major regions, Southern Europe and Germany.
The strong performance of these figures is testament to the growing interest of consumers in different continents in motorised and connected solutions in the home, and thereby validates the Group's choices and positioning (international coverage, innovation, digital transformation, etc.).

SALES BY CUSTOMER LOCATION

€ thousands	31/12/17	31/12/16	Change N/N-1	Change N/N-1 like-for-like
France	312,460	272,611	14.6%	11.3%
Germany	180,394	176,430	2.2%	2.4%
Northern Europe	114,942	105,689	8.8%	10.5%
Central and Eastern Europe	133,063	118,635	12.2%	11.1%
Southern Europe, Middle East and Africa	219,135	207,226	5.7%	7.9%
Asia-Pacific	151,629	127,763	18.7%	20.7%
Americas	134,950	123,384	9.4%	11.5%
TOTAL SALES	**1,246,573**	**1,131,739**	**10.1%**	**10.3%**

RESULTS

Current operating result stood at €168.4 million over the financial year, down 5.2%, and represented 13.5% of sales (current operating margin).
This decline resulted from factors that are both cyclical and structural, namely gaining market share, the rise in the price of raw materials, fluctuations in the main invoicing currencies and the integration of recently-acquired companies (iHome Systems, Myfox).
On a like-for-like basis, current operating result would have been virtually stable at €178.0 million, and as such would have represented 14.3% of sales.
Consolidated net profit was €157.7 million, an increase of 10.1%. It takes into account a negligible net non-recurring operating expense, a net financial expense of €5.9 million, which mainly includes unrealised exchange differences, and income tax of €3.1 million, a particularly low level due notably to the recovery of the tax on dividends.
Excluding tax rebates, net profit would have been €135.4 million, and would have fallen by 5.5%.

Ultimately, profitability remained at a very satisfactory level with a return on capital invested (ROCE) of 19.7%[2].
Detailed calculations of current operating result and ROCE (IAP) is detailed in note 4.3 to the consolidated financial statements.

FINANCIAL POSITION

The balance sheet was further strengthened.
The net cash surplus rose indeed from €15.5 million to €104.6 million year-on-year, an increase of €89.1 million, and shareholders' equity grew to €770.7 million.
The net financial debt corresponds to the difference between financial assets and financial liabilities. Notably it takes into account unlisted bonds receivable, issued by certain companies in which shares are held or related entities, earnout on acquisitions, liabilities relating to options granted to minority shareholders in fully-consolidated companies and deferred settlements of a financial nature. Not included are securities in non-controlling equity investments, deposits & guarantees and government grants.
Net financial debt is detailed in note 7.2.3 to the consolidated financial statements.

(1) Germany, America, Asia-Pacific, Central and Eastern Europe, Northern Europe, Southern Europe and France are the geographic regions used to monitor sales. Their sales are calculated based on customer location and therefore the destination of the sales.

(2) Return on capital invested or employed (ROCE) is equal to the ratio between current operating result, after normative tax, and the sum of shareholders' equity (with the effects of goodwill impairment being neutralised) and the net financial debt.

SEGMENT REPORTING AT 31 DECEMBER 2017

€ thousands	Europe, Middle East & Africa	Asia & Americas	Intra-regional eliminations	Consolidated
Segment sales	966,137	369,895	–89,458	**1,246,573**
Intra-segment sales	–58,638	–30,820	89,458	**–**
Segment sales – Contribution to sales	907,498	339,075	–	**1,246,573**
Segment current operating result	153,795	14,608	–	**168,403**
Share of net profit/(loss) from associates	–10	-1,480	–	**–1,491**
Cash flow	192,003	16,102	–	**208,106**
Net investments in intangible assets and PPE	53,076	11,416	–	**64,492**
Goodwill	104,253	92,588	–	**196,842**
Net intangible assets and PPE	258,353	59,426	–	**317,779**
Investments in associates	712	227	–	**939**

STOCK MARKET PERFORMANCE

During the 2017 financial year, the Somfy SA share price increased by 6.26%. At 30 December 2016, the last trading day before the close of the previous financial year, the share price was €77.52, compared with €82.37 at 29 December 2017.
Based on this last share price and taking account of a gross dividend per share of €1.30, the Somfy SA share yielded 1.6%.
The market for the share recorded a monthly trading volume high of 177,415 and low of 62,543 per month, with a monthly average of 99,319 shares, compared with 73,598 shares the previous year.

POST-BALANCE SHEET EVENT

EXERCISE OF THE NEOCONTROL CALL OPTION

—

Somfy exercised its call option on 20 January 2018, and purchased the remaining 39% interest in Neocontrol, in which it previously held a 61% interest, and which was recognised *via* the equity method at an amount of BRL 2.1 million, *i.e.* around €0.6 million. Somfy has therefore taken control of Neocontrol, in which it now holds 100% of the capital, and will now fully consolidate the company.

OUTLOOK

The environment should remain favourable over the short term within the Group's various business segments and regions, and thus lead to growth in sales over the course of the current financial year in spite of the high comparison base. Similarly, stabilisation or even a slight improvement in the current operating margin(1) will be a possibility given the gradual decline in the factors responsible for last year's erosion.
The current financial year will also be marked by the continued roll-out of the new strategic plan (Believe & ACT) to allow the Group to strengthen its foundation and fully capitalise on the significant potential represented by the move towards the digitalisation of buildings, the motorisation of interior products and the streamlining of energy consumption.
The development of completely open solutions, illustrated by the interoperability agreements recently concluded with the brands Amazon Alexa, Apple Homekit, Google Home, Legrand, Schneider Electric and the IFTTT platform, testifies to the Group's desire to be a key player in the connected home and a byword for comfort, environmental protection and security in the home.

VALUE OF INTERCOMPANY LOANS GRANTED (ARTICLE L. 511-63-BIS OF THE MONETARY AND FINANCIAL CODE)

Somfy SA had not granted any intercompany loans at 31 December 2017.

(1) Current operating margin corresponds to current operating result as a proportion of sales (COR/Sales).

INFORMATION ON PAYMENT TERMS
(ARTICLE L. 441-6-1 OF THE COMMERCIAL CODE)

Trade receivables specific to Somfy SA's activity represent payment terms generally less than 45 days from the end of the month.

	Article D. 441 I.-1°: Invoices received, unpaid and overdue at year end						**Article D. 441 I.-2°: Invoices issued, unpaid and overdue at year end**					
	0 day *(for information only)*	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days or more**	**Total (1 day or more)**	**0 day** *(for information only)*	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days or more**	**Total (1 day or more)**
(A) Late payment ranges												
Number of invoices concerned	35	3	3	–	1	**7**	17					**–**
Total value of invoices concerned exc. VAT	3,066,295	12,778	14,036	–	37,284	**64,098**	325,126	–	–	–	–	**–**
Percentage of total value of purchases exc. VAT over the financial year	32.24%	0.13%	0.15%	–	0.39%	**0.67%**						
Percentage of revenue exc. VAT over the financial year							10.05%	–	–	–	–	**–**
(B) Invoices excluded from (A) relating to contested or unrecorded trade payables and receivables												
Number of invoices excluded	–	–	–	–	–	**–**	–	–	–	–	–	**–**
Total value of invoices excluded exc. VAT	–	–	–	–	–	**–**	–	–	–	–	–	**–**
(C) Standard payment terms used (contractual or statutory period – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)												
Payment terms used for calculating late payments	☑ Contractual terms ☐ Statutory terms: (specify)						☑ Contractual terms: Within 10 days after the end of the month ☐ Statutory terms: (specify)					

INFORMATION ON THE DISTRIBUTION OF SHARE CAPITAL AND HOLDINGS

DIVISION OF THE SHARE PAR VALUE

—

The Management Board decided on 24 May 2017 to divide the Somfy share par value by five and thereby reduce the said par value from €1.00 to €0.20, in accordance with the resolution adopted by the Annual General Meeting of 17 May 2017.

Each of the existing shares was exchanged for five new shares with the same dividend and voting rights on 3 July 2017, the day the new shares were delivered.

The number of shares comprising the company's share capital was thus increased from 7,400,000 to 37,000,000 shares with a par value of €0.20 each (ISIN Code: FR0013199916).

Upon completion of the transaction, double voting rights were allocated to the registered shares resulting from the division of the existing registered shares that already carried double voting rights.

DISTRIBUTION OF SHARE CAPITAL (ARTICLE L. 233-13 OF THE COMMERCIAL CODE)

—

To the best of the company's knowledge, the distribution of share capital and voting rights is as follows:

Shareholding structure at 31/12/17	Number of shares	% share capital	Theoretical voting rights	% theoretical voting rights	Voting rights at AGMs	% of voting rights at General Meetings
J.P.J.S. SCA	19,480,340	52.65%	38,774,350	61.29%	38,774,350	64.03%
J.P.J.2 SA	3,260,025	8.81%	6,475,050*	10.24%	6,430,050	10.62%
Compagnie Financière Industrielle	1,653,875	4.47%	3,307,750	5.23%	3,307,750	5.46%
Despature family and other	1,584,495	4.28%	3,149,495	4.98%	3,149,495	5.20%
Manacor Dev Pte Ltd	700,000	1.89%	700,000	1.11%	700,000	1.16%
TOTAL CONCERT	**26,678,735**	**72.10%**	**52,406,645**	**82.84%**	**52,361,645**	**86.47%**
Treasury shares	2,658,967	7.19%	2,658,967	4.20%	–	–
Other holders of registered and bearer shares	7,662,298	20.71%	8,193,368	12.95%	8,193,368	13.53%
TOTAL	**37,000,000**	**100.00%**	**63,258,980**	**100.00%**	**60,555,013**	**100.00%**

** Including 45,000 voting rights not exercisable until 09/01/19, due to late declaration of threshold crossing.*

The identity of controlling individuals is detailed in the section "Disclosure of shareholding threshold crossings pursuant to Article L. 233-7 of the Commercial Code".

In November 2010, Silchester International Investors, acting on behalf of funds under its management, declared that on 1 November 2010 it had a holding of 2,978,875 shares representing 8.05% of the share capital of Somfy SA. Due to the lack of disclosure regarding the attainment of upward or downward threshold crossings, this company is still presumed to hold between 5% and 10% of Somfy SA's share capital.

No shareholder other than those mentioned above holds, directly or indirectly, alone or in concert with others, more than 5% of the share capital or voting rights of the company.

Changes to this list during the 2017 financial year are described below in the section "Disclosure of shareholding threshold crossings pursuant to Article L. 233-7 of the Commercial Code".

RECIPROCAL HOLDINGS (ARTICLES L. 233-29 AND R. 233-19 OF THE COMMERCIAL CODE)

—

There were no reciprocal holdings as defined by current regulations at the date of preparation of this report.

EMPLOYEE SHAREHOLDING (ARTICLE L. 225-102 OF THE COMMERCIAL CODE)

—

At 31 December 2017, the FCPE Somfy (Somfy Investment Fund Scheme) held 261,000 Somfy SA shares amounting to 0.7% of the company's share capital.

ACTION IN CONCERT AND RETENTION AGREEMENTS

—

ACTION IN CONCERT

On 3 June 2013, the limited partnership with share capital J.P.J.S., the limited companies J.P.J.2 and Manacor and certain members of the Despature family concluded a shareholders' agreement constituting an action in concert between them, in relation to the company Somfy SA.

The main clauses of the agreement provide:

Action in concert: the parties confirm their wish to act in concert within the meaning of Article L. 233-10 of the Commercial Code to implement a common policy with regard to Somfy SA. To that end, the parties undertake to make every effort and to consult one another before every vote in the General Meeting of Somfy SA shareholders on resolutions relating to the appointment of members of the Supervisory Board or modification of the mode of administration or management of the company and any transaction in the capital of Somfy SA with a view to establishing a common position.

Maintaining the equity holding: the parties undertake to maintain their overall equity holding in Somfy SA at more than 50% of the share capital and voting rights of this company.

Duration: these undertakings are made for a period of ten years from the signature of the agreement, namely 3 June 2013. Any decision to reduce the term of the agreement will be made by a ¾ majority of the Somfy SA shares held by the parties, it being understood that in the case of separation of the shares, the voting right will belong to the usufructuary.

COLLECTIVE RETENTION AGREEMENTS

A collective retention agreement relating to 64.93% of the share capital of Somfy SA and more than 20% of the voting rights of shares issued was signed on 31 December 2015 by several shareholders, including Management Board members Jean Guillaume Despature and Pierre Ribeiro, as well as Supervisory Board members Jean Despature (until 17 May 2017), Victor Despature, Anthony Stahl and Michel Rollier, in accordance with Article 885 I *bis* of the General Tax Code, for a period of two years from 31 December 2015, automatically extended indefinitely after this two-year period.

Furthermore, the company is aware of:

- six collective retention agreements relating to a total of between 49.33% and 54.23% of Somfy SA's share capital, signed by several shareholders in accordance with Article 787 B of the General Tax Code, for an indeterminate period from the date of registration unless one of the signatories gives notice of termination;
- two collective retention agreements relating to a total of between 52.649% and 52.835% of Somfy SA's share capital, signed by several shareholders in accordance with Article 787 B of the General Tax Code, for a period of two years from the date of registration.

BYLAW PROVISIONS RELATING TO DOUBLE VOTING RIGHTS (EXCERPT OF ARTICLE 29 OF THE BYLAWS)

—

"The voting right attached to shares is proportional to the capital that they represent. All capital and dividend shares have the same par value and entitle their owner to one vote.

A voting right that is double that conferred on other shares is allocated to all fully paid shares that have been duly registered for at least four years in the name of the same shareholder at the end of the calendar year preceding that of each General Meeting.

In the case of a capital increase by the capitalisation of reserves, profits or issue premiums, registered shares granted free of charge to a shareholder in exchange for existing shares, which already benefit from this right, will be entitled to the same double voting right.

All shares converted into bearer shares or whose ownership has been transferred shall lose their entitlement to a double voting right, except in instances provided for by law."

DISCLOSURE OF SHAREHOLDING THRESHOLD CROSSINGS DURING THE 2017 FINANCIAL YEAR, PURSUANT TO ARTICLE L. 233-7 OF THE COMMERCIAL CODE

—

DISCLOSURE OF SHAREHOLDING 217C1162

By letter received on 6 June 2017, the limited company incorporated in Luxembourg Manacor SA(1) (11 avenue Émile Reuter, L-2420 Luxembourg, Grand-Duchy of Luxembourg) and the company incorporated in Singapore Manacor Dev Pte Ltd(1) (26 Chuan Place 554808 Singapore), both controlled by Thierry Despature, informed the AMF that a transfer of Somfy SA shares took place on 31 May 2017, as a result of which Manacor SA(1) transferred all its Somfy SA shares, that is 140,000 Somfy shares representing 1.89% of the share capital of this company to Manacor Dev Pte Ltd(1).

Following this transaction, Manacor Dev Pte Ltd(1) replaced Manacor SA(1) within the concert comprising Paul Georges Despature, his children and the companies J.P.J.S.(2) and J.P.J.2(3) under his control, the company Compagnie Financière Industrielle(4) and certain members of the Despature family; the said concert had not crossed any threshold and stated that at 31 May 2017 it held 5,335,747 Somfy SA shares representing 10,462,498 voting rights, equating to 72.10% of the share capital and 82.85% of the voting rights in this company(5), broken down as follows:

(1) Controlled by Thierry Despature.

(2) Limited partnership with share capital (registered office: 25 avenue Fosse-aux-Chênes, 59100 Roubaix, France) controlled by Paul Georges Despature and his children.

(3) Limited company (registered office: 29 route de l'Aéroport, 1215 Geneva 15, Switzerland) controlled by Paul Georges Despature and his children.

(4) Limited company incorporated in Luxembourg (registered office: 15, boulevard Roosevelt, L-2450 Luxembourg, Grand Duchy of Luxembourg) controlled by Patrick Despature.

(5) Based on a share capital comprising 7,400,000 shares representing 12,627,818 voting rights, in application of paragraph 2 of Article 223-11 of the general regulations.

	Number of shares	% share capital	Number of voting rights	% voting rights
J.P.J.S.[2]	3,896,068	52.65	7,754,870	61.41
J.P.J.2[3]	652,005	8.81	1,285,563	10.18
Compagnie Financière Industrielle[4]	330,775	4.47	661,550	5.24
Despature family	313,716	4.24	614,224	4.86
Manacor Dev Pte Ltd[1]	140,000	1.89	140,000	1.11
Paul Georges Despature	3,183	0.04	6,291	0.05
TOTAL CONCERT	**5,335,747**	**72.10**	**10,462,498**	**82.85**

(1) Controlled by Thierry Despature.

(2) Limited partnership with share capital (registered office: 25 avenue Fosse-aux-Chênes, 59100 Roubaix, France) controlled by Paul Georges Despature and his children.

(3) Limited company (registered office: 29 route de l'Aéroport, 1215 Geneva 15, Switzerland) controlled by Paul Georges Despature and his children.

(4) Limited company incorporated in Luxembourg (registered office: 15, boulevard Roosevelt, L-2450 Luxembourg, Grand Duchy of Luxembourg) controlled by Patrick Despature.

The company is not aware of any other threshold crossings at the date of preparation of this report.

INFORMATION ON THE BUYBACK OF OWN SHARES (ARTICLE L. 225-211 OF THE COMMERCIAL CODE)

The company has implemented several successive share buyback programmes. The most recent buyback programme was launched in 2017; it was authorised by the Combined General Meeting of 17 May 2017 in its twelfth resolution, sitting in ordinary session, and had the following objectives:

- to stimulate the secondary market or ensure the liquidity of the Somfy share, by way of an investment services provider within a liquidity contract that complies with the Ethics Charter of AMAFI recognised by regulations, it being specified that within this framework the number of shares considered for the calculation of the limit specified above corresponds to the number of shares purchased less the number of shares resold;
- to retain the shares purchased and subsequently exchange them or use them as payment within the framework of potential acquisitions;
- to ensure the coverage of stock option plans and/or free share allocation plans (or similar) granted to employees and/or corporate officers of the Group, as well as all other shares allocated under a company or group savings scheme (or similar), in relation to employee profit sharing and/or any other form of allocation to employees and/or corporate officers of the Group;
- to cover marketable securities giving right to the allocation of company shares, in accordance with applicable regulations;
- to proceed with the possible cancellation of shares acquired, subject to the authorisation granted by the General Meeting of shareholders of 24 May 2016 in its eleventh resolution, sitting in extraordinary session.

Such share purchases could be effected by all means, including by means of acquiring blocks of shares and at any times considered appropriate by the Management Board.

The company reserved the right to use options or derivative instruments, in accordance with applicable regulations.

The maximum purchase price was set at €600 per share (*i.e.* a restated amount of €120 to take account of the five-for-one par value split decided by the Management Board on 24 May 2017), with the maximum amount of the share buyback programme set at €124,375,800, taking account of the 532,707 treasury shares held at 31 December 2016.

During the financial year just ended, on the basis of the authorisations given by the General Meetings of 2016 and 2017, the company bought back 138,418 shares at an average price of €83.70 and sold 142,986 shares at an average price of €79.52.

All of the 138,418 shares acquired were allocated to the liquidity objective.

Furthermore, 12,500 shares were reallocated from "retained for future acquisition transactions" to the "liquidity contract".

No trading fees were paid during the financial year.

The company held 2,658,967 of its own shares at 31 December 2017, representing 7.19% of the share capital; the value of the purchase price of one share amounted to €37.33 for a par value of €0.20 each, representing a total nominal value of €531,793.40 (€2,202.40 for the liquidity contract, €244,354 to be retained for future acquisition transactions and €285,237 to cover share purchase option plans and/or free share allocation plans).

INFORMATION ON INVESTMENTS AND CONTROLLED COMPANIES

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INVESTMENTS IN FRENCH COMPANIES DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (ARTICLE L. 233-6 OF THE COMMERCIAL CODE)

	Direct control		Indirect control	
Company name	**Number of shares**	**% share capital**	**Number of shares**	**% share capital**
–	–	–	–	–

NAMES OF COMPANIES DIRECTLY OR INDIRECTLY CONTROLLED AND THE PORTION OF SOMFY SA'S SHARE CAPITAL HELD BY THEM (ARTICLE L. 233-13 OF THE COMMERCIAL CODE)

None of the companies controlled by Somfy SA held shares in Somfy SA at the date of preparation of this report.

INFORMATION ON TRANSACTIONS PERFORMED BY DIRECTORS DURING THE FINANCIAL YEAR (ARTICLE 223-26 OF AMF GENERAL REGULATIONS)

The company is not aware of any transactions falling within the scope of Article L. 621-18-2 of the Monetary and Financial Code during the past financial year.

	Purchases	
Euros	**Registrant and nature of transaction**	**Amount**
Acquisition	–	–
Price per share	–	–
Number of shares	–	–
TOTAL PURCHASES	**–**	**–**

	Sales	
Euros	**Registrant and nature of transaction**	**Amount**
Disposal	–	–
TOTAL SALES	**–**	**–**

INFORMATION ON RESEARCH AND DEVELOPMENT ACTIVITIES (ARTICLES L. 232-1 AND L. 233-26 OF THE COMMERCIAL CODE)

The efforts made in the field of research and development were continued in 2017, in line with the Believe & ACT strategic plan and following on from major initiatives started in previous years. We can therefore identify three main development areas: a range of connected motors that can be controlled remotely online using a mobile phone or tablet application, solutions to meet new usage patterns made possible by this connected product range, and ecosystems combining different Somfy products with each other or with partner solutions in order to promote the creation of new high added-value services.

The Group as a whole is beginning to see the results of priority within R&D efforts being given to connected solutions. A certain number of important milestones in this area were passed in 2017:

- acceleration of the strategy of openness in terms of protocols;
- change in our development methodology;
- implementation of a connected offer for the Asia & Americas region.

The implementation of our connected strategy is part of a wider approach called "So Open", the Group's policy of openness according greater value to seeking partnerships ahead of the priority historically given to proprietary or semi-open solutions and business models. Somfy continues to enhance and develop the io-homecontrol protocol (wireless radio communication technology) with its partners in the io-homecontrol alliance, but has also decided to integrate the main open protocols on the market, in particular Zigbee, into its solutions in order to produce a range dedicated to the Asia & Americas region. This requires software that makes it possible to connect the Somfy platforms (TaHoma, Overkiz, Myfox and Somfy alarms) with our partners' solutions (Sonos, Google, Apple, Amazon Alexa and IFTTT).

This ambition requires a change in our development practices, which was initiated in 2017 by the Technical Department in collaboration with the Connected Solutions Activity. The development of a connected solution, motors and control units based on a Zigbee protocol enabled the validation of this new methodological approach. Notable results included the simultaneous development of the range at four different sites – Cluses, Annecy, Zhejiang and Hong Kong – over just six months.

This methodology should eventually make it possible to move from four specific IT frameworks, one for each protocol used, to a single framework that can be tailored to the various protocols. This will be possible thanks to the introduction of best practices and standards in terms of programming. The adaptability and capacity to reuse, like components, the various modules of any new programme, will facilitate the interoperability of our ranges and improve the lifetime of the products *via* simplified updates.

This methodology will also help to improve design times, facilitate functional validation and improve quality performance. It will also help to make ranges more secure in the face of the risk of cyberattacks.

The first tangible result of this change in our practices is the availability of a connected two-way offer based on the Zigbee 3.0 open protocol enabling the needs of the Asia & Americas region to be served. Created in record time, this range was jointly developed by LianDa and BG Interior. It involved the introduction of a transversal taskforce between these two entities, as well as distribution. This latest version 3.0 of Zigbee offers an excellent level of security and reliability since it works on the principle of a network meshed between its various points. In addition, it is an open protocol which will allow the consumer to add other products within their home.

In terms of organisation, the opening in 2017 of the R&D Centre based at SOPEM on the Niepolomice site should be highlighted. The R&D Centre has 17 employees responsible for developing the EVB (External Venetian Blinds) range. Its location, near Krakow, Poland, places the team right in the centre of the main markets for these products: Central and Eastern Europe, outside regions in which our competitors are located and at the heart of the production site responsible to industrialising this range.

In the context of the Smart Home, development agility and the capacity to analyse the data collected are major challenges: the Connected Solutions Activity has structured itself to meet these challenges by creating joint project groups between teams, such as between Overkiz (the subsidiary that develops the Group's Cloud solution) and the Smart Home team, in order to accelerate the market launch of new solutions and product developments. A team is dedicated to data analysis to anticipate new usage patterns and invent services tailored to them.

In terms of new products, a certain number of significant launches took place in 2017.

FOR THE CONNECTED SOLUTIONS ACTIVITY

—

Launched in May, Somfy One is a great example of successful collaboration between the Somfy teams and those of Myfox, the leader in connected security. Since their joining in October 2016, the Somfy Protect range, offering users a comprehensive and innovative alarm and video-surveillance ecosystem, has been created. Somfy One is an "all-in-one" security system which includes video-surveillance, intruder detection, siren, alarm control unit and voice control. It is a genuine innovation and received two awards at CES 2017. From May, the launch of SomfyOne+ ensures compatibility with TaHoma.

The connected door lock has been completely reworked following feedback from customers. The overhaul includes the design, in order to fit into high end doors and improve the perceived quality of the product, a Somfy Keys application, which acts as a digital bunch of keys, and lastly a digital keypad door lock.

Some of these new ranges were launched at Consumer trade shows, which differ greatly from B2B fairs where the Group is usually present.

Following the acquisition of Myfox, Somfy took part in the CES (Consumer Electronic Show) for the first time, which was held in Las Vegas between 5 and 8 January 2017. The Somfy One product won two Innovation Awards, in the "Smart Home" and "Embedded Technologies" categories.

Somfy also took part in the IFA exhibition in Berlin between 1 and 6 September 2017. The leading European trade show for consumer electronics and home appliances, each year it welcomes more than 1,800 exhibitors who present their latest innovations. Somfy presented its connected range and unveiled its new connected thermostat there.

FOR THE HOME & BUILDING ACTIVITY

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In May, the first connected motorisation range for pergolas with adjustable slats was launched. Featuring io-homecontrol technology, this innovation is the result of the collaboration between Somfy and WAY. Aimed at both individual and professional customers (for example restaurant owners), this range means Somfy can offer a comprehensive ecosystem for terraces and, in particular, for the luxury solar protection market which is currently booming.

Maestria 50 WT, a motorisation for vertical exterior screens arrives on the market with a major innovation: detection of obstacles when being lowered. An innovation long awaited by customers, which helps avoid product degradation following handling errors and ensures optimum user comfort.

A second competitive advantage is its universal motorisation. Maestria 50 WT adapts to standard screens with track or cord runners, as well as to zip screens (using the principle of a zipper).

Maestria 50 WT is the seventh product to be awarded the Somfy environmental label. As such, it is helping to achieve the ambition of having 60% of volumes sold in 2018 being labelled Act for Green®. It has a PEP ecopassport® environmental declaration.

FOR THE ACCESS ACTIVITY

—

The DEXXO PRO io Connexoon was launched in March. This motorisation will now enable our customers to sell connected, rather than just motorised, garage doors. The main benefit of connectivity is the "geolocation" function allowing users to manage all home access when they arrive in the vicinity of their home without doing anything.

The Activity also launched a new motor for the DIY sector, the GDK 700 assembled in Gray.

Gray's factory also launched a new industrial and commercial closure range for the Simu brand: the veoHz centris. Unique in the market, this new Simu central motor with integrated radio receiver is adjusted remotely, from a Simu veoHz radio transmitter.

At BFT, a new actuator motor for swing gates "Giuno Ultra" was launched. It has been designed to fulfil two major expectations expressed by customers: having products that are more reliable and easier to install.

In 2017, the Group successfully renewed its accreditation of the standard ISO 9001: 2015 for the quality management system. Somfy Activités SA, Somfy GmbH, Domis, SITEM, SOPEM and Simu SAS have worked together and will collectively implement the improvement observations and recommendations formally set out by AFNOR.

The Department of Intellectual Property organised Invent'heure, an event that brought together 150 Somfy employees and inventors in Cluses in mid-September to celebrate invention within the Group, thank the inventors and reiterate the importance that invention and patents represent for the Group.

Somfy is one of the leading French companies in terms of filing patents with the National Institute of Intellectual Property (INPI) and was ranked 39th in 2016. In 2017, the Group filed 43 new patent applications. The portfolio is made up of 2,066 patents.

SOCIAL AND ENVIRONMENTAL REPORTING
(ARTICLE L. 225-102-1 OF THE COMMERCIAL CODE)

A SUSTAINABLE DEVELOPMENT POLICY IN LINE WITH THE GROUP'S STRATEGIC VISION

—

The world in which we live is rapidly changing. At a time of digitalisation and home automation, some major challenges lie ahead for the Group. **Somfy Spirit, the Group's culture**, is the solid foundation allowing the company to meet these challenges while remaining confident about its collective future. To this end, the Group relies on its **growth model**, which for almost 50 years now has allowed it to grow and to take confident action together with all its stakeholders. It is based on Independence, Continuity, Anticipation, and a Global-Local Alliance.
Somfy puts men and women, who act responsibly, at the heart of the business. The Group depends on a flexible organisation that constantly adapts to strategic challenges and changes within its markets.
At Somfy, we are bringing to life **our vision** of "inspiring a better way of living accessible to all", and doing everything in our power to make it a reality thanks to our initiatives aimed at saving energy, and improving comfort, wellbeing and safety. That is why today WE ARE TAKING ACTION.

To achieve its ambition by 2020, in 2017 the Group identified four major priorities for its strategic roadmap **Believe & Act !** called DRIVERS.

WE ARE TAKING ACTION to connect with consumers since we believe that this close relationship will help us to respond to the digitalisation of our markets – the **CLOSER TO OUR END-USERS** driver.

WE ARE TAKING ACTION with a head start to develop the interior solutions market since we firmly believe in its high growth potential and its practical value for users – the **BOLDER ON THE INTERIOR MARKETS** driver.

WE ARE TAKING ACTION to further improve our operational excellence because we know that our customers need ever more agility, efficiency and quality in our products – the **STRONGER ON OPERATIONAL EXCELLENCE** driver.

WE ARE TAKING ACTION to promote cooperation and empowerment in connection with Somfy Spirit because we think that the development of our employees is vital – the **BETTER TOGETHER** driver.

WE BELIEVE in connected homes and buildings and WE ARE TAKING ACTION for the coming years.

Each driver is broken down into several boosters that all Group employees can adopt. The resolutely human driver **Better Together** puts CSR (Corporate Social Responsibility) drivers at the heart of value creation with, amongst other things, the #CSR booster (Corporate Social Responsibility). Better Together contributes to employee commitment and serves the long-term interests of the Group and its stakeholders. This helps the implementation of Sustainable Development drivers in the Group's strategy and operations.

In relation to the Better Together driver, the main levers of the Group's entities are to ensure the professional and personal development of all employees, improve their working environment and minimise the environmental impact of all activities, sites and products, and to accept its civic responsibility by becoming involved in social issues that are consistent with their lines of business.

These levers are progressively strengthened through an approach based on continuous improvement measured by indicators, the introduction of a dialogue with all stakeholders, and regular and transparent communication.

The **Group's Sustainable Development policy** is the declaration of its corporate identity. It seeks to meet, even surpass the expectations of its customers and stakeholders, to unite them in a greater ambition; the achievement of the Group's vision: contributing to better living environments for all, not only in terms of comfort but also energy savings and security.

GOVERNANCE

—

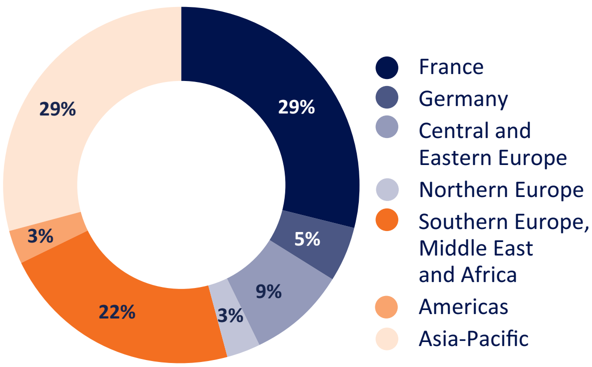
The Steering Committee for Sustainable Development brings together the Sustainable Development Director, the Human Resources Director and the Communications Director. Its mission is to ensure the coherent implementation of the three lines of Somfy' Sustainable Development strategy: Planet, Employees and Society.
Somfy has a Sustainable Development Department which, since 2017, has been attached to the Strategic Marketing Department. Its missions are to guide the implementation of the Group's environmental commitments. The organisation as a whole and the teams within the Group also contribute to the continuous improvement of the Sustainable Development policy.
The task of the Group Human Resources Department and the Group Communications Department is to guide the implementation of Somfy's commitments relating to social and societal matters. In this regard, the Group Communications Director is a member of the Somfy Foundation Board of Directors, the main driving force of the Group's citizenship policy, and whose main purpose is to support projects that fight poor housing.

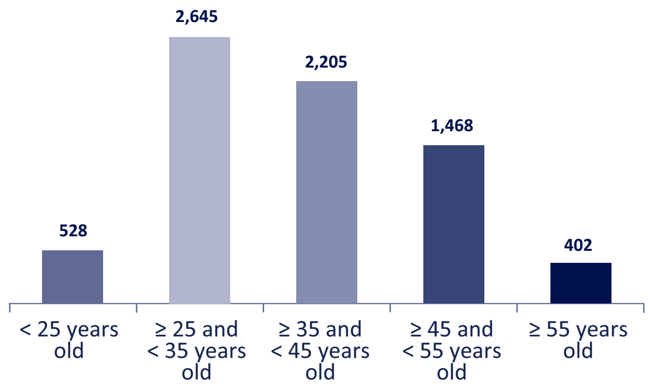
SOCIAL INFORMATION

—

CONTEXTUAL DATA

Information was collected for 2016 and 2017, which enabled data and their variations to be compared on a constant group structure basis throughout the analysis. As such, it is possible that 2016 comparison data has been restated (in comparison with the 2016 published data) to incorporate corrections and in some cases slight amendments to the protocol (data collection framework).
At 31 December 2017, total Group workforce was 7,248 people (excluding temporary workers), compared with 6,436 in 2016, an increase of 12.6%, and was analysed as follows:





CLARIFICATION REGARDING SCOPE

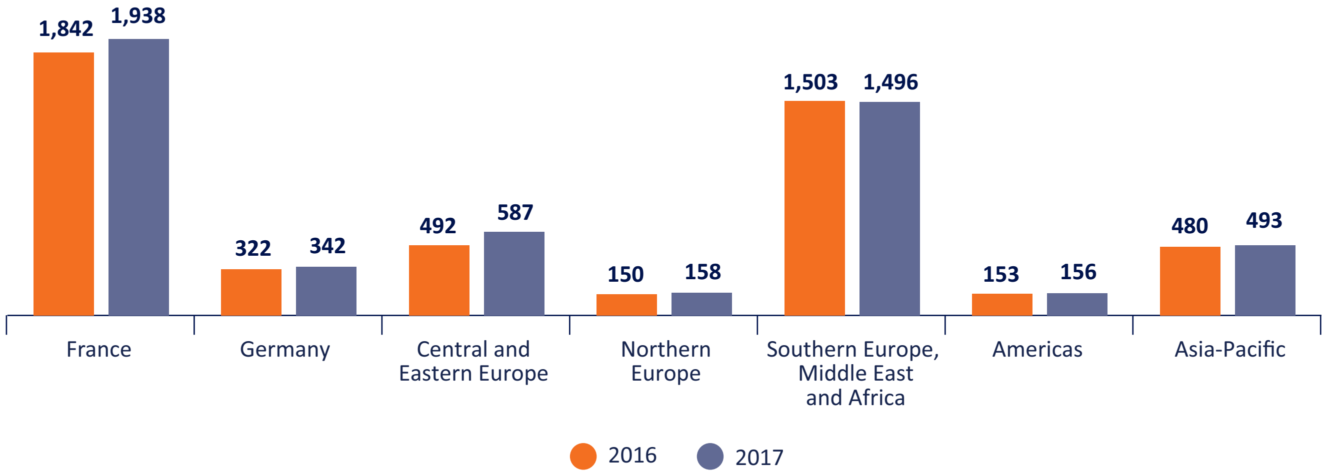
The scope of analysis of the social data for the preparation of the 2017 CSR report was stable. It related to 41 Group companies and a workforce at 31 December 2017 of 5,170 people, representing 71.3% of the Group's total workforce (76.8% of the Group in 2016).
These companies are spread across five continents, and 30 countries (South Africa, Germany, UK, Australia, Austria, Belgium, Brazil, China, South Korea, Egypt, Spain, United States, France, Greece, India, Israel, Italy, Japan, Morocco, Norway, Netherlands, Poland, Republic of Cyprus, Czech Republic, Russia, Singapore, Sweden, Switzerland, Tunisia and Turkey).

WORKFORCE

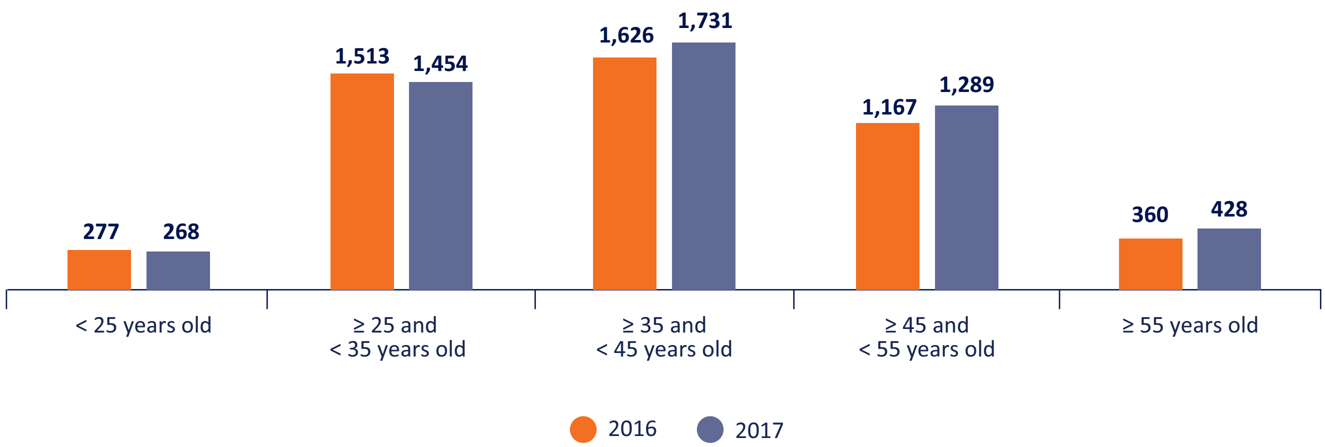
Over the 2017 financial year, the workforce grew 4.6%, going from 4,943 to 5,170 employees. 71% of this workforce is accounted for by the seven industrial sites within the CSR scope.
84% of changes in staff took place in France and Central and Eastern Europe, primarily at SOPEM in Poland and Somfy Activités SA in France.

Workforce analysis by geographic region	31/12/16 published	31/12/16 restated*	31/12/17	2017 breakdown	Change
France	1,842	1,842	1,938	37%	96
Germany	322	322	342	7%	20
Central and Eastern Europe	492	493	587	11%	94
Northern Europe	150	150	158	3%	8
Southern Europe, Middle East and Africa	1,503	1,503	1,496	29%	–7
Americas	153	153	156	3%	3
Asia-Pacific	480	480	493	10%	13
TOTAL	**4,942**	**4,943**	**5,170**	**100%**	**227**

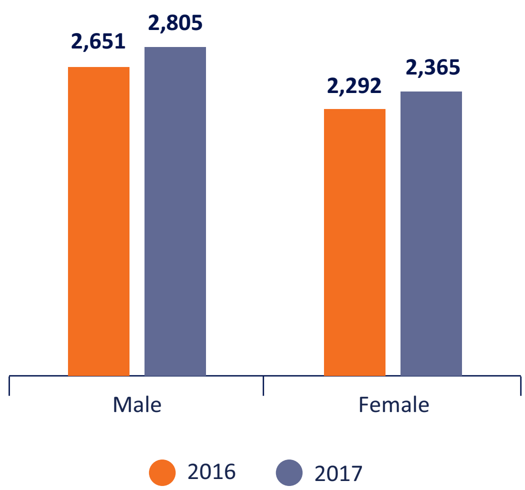
** Changes are due to adjustments, changes in protocol and the addition of new companies to the CSR scope.*



Once again this year, 35-44 year olds are the most represented age group in the scope.



The Group pays particular attention to avoiding any form of discrimination and to optimising the equal treatment of employees and applicants as far as possible. It is important to highlight the diversity in both our activities and in the people who are developing and supporting them. **In terms of gender equality**, in 2017 the ratio of men to women in the workforce was stable with a breakdown of 54% men and 46% women.



It should be noted that across the Group, this workforce ratio remained similar to 2016, namely 59% men and 41% women.
This variation between the Group and the CSR scope can be explained by the presence in the CSR scope of three major production sites with overwhelmingly female staff (SOPEM, SITEM and LianDa) with an overall proportion of 75% women.

In employment terms in 2017, there were 864 recruitments, higher than the number of departures (636), which included 26 redundancies and dismissals. It should be noted that our activity experiences seasonal peaks in production and therefore makes use of short-term recruitment at its industrial sites. Moreover, the rate of voluntary turnover[(1)], exclusively involving resignations and retirement, was 6.3% (vs 4.4% in 2016).

Concerning the **employment and integration of people with a disability**, the majority of the Group's companies are subject to local regulations with which they comply. Some take additional action, often with the support of specialist agencies, to improve the working conditions of any employees affected by specific health problems; their continued employment remaining an ongoing priority. Several measures, such as adapting workstations or working hours, adapting premises, or support in terms of recognition, restructuring or reclassification can be seen.

PAYROLL

Across the Group, employee expenses amounted to €364.7 million at 31 December 2017, compared with €333.8 million at 31 December 2016.
Within the CSR scope, these totalled €294.8 million at 31 December 2017, representing 81% of the Group. It may be noted that employee expenses within the CSR scope for 2016, published last year, accounted for almost 83% of the Group's (€276.6 million).

A RESPONSIBLE SOCIAL POLICY

The financial results are by no means the only factors ensuring the future of the Group. The **commitment**, **motivation** and **wellbeing** of employees are the key factors determining the Group's long-term competitiveness and performance. It is therefore essential that the Group understands its teams to better support and value them.
In line with the new strategic roadmap **Believe & Act ! and its decidedly human driver Better Together**, it has proved necessary for the Group to maintain and turn into reality the HR initiatives already launched in previous years by highlighting the three new boosters that will guide the actions of each employee:

- #SomfySpirit to support empowerment and personal development;
- #CSR to grow sustainably and responsibly with our community;
- #EmployeeJourney to support our teams at every stage in their careers.

The Somfy Spirit booster

Within an environment where businesses must give meaning and must manage complexity, the Group aims to make **#SomfySpirit** a daily reality and ensure that its culture is reflected in everything it does.
This relates to our way of life, our identity and our development model, as well as to the way in which we embody our values (Boldness, Respect, Openness and Proximity). It means creating working conditions in which we are personally fulfilled. This concerns the way in which we apply our management principles. Today, at Somfy, by embodying the Somfy Spirit we are ensuring a long-term future for our Group and enabling every person to flourish personally in their career with Somfy and to develop all their talent and potential within their career path.
A strong corporate culture is a major factor in employee commitment; it is the image that is conveyed outside the company, which attracts new talents and new skills, it is what helps us to make the best decision, it is what makes the working environment a source of energy and satisfaction. A shared culture promotes collaboration and helps people to work better together.
For several years now, a commitment survey, Somfyscope, has been conducted every two years with the Group employees[(2)]; it measures commitment rates across all teams. Following the completion of the Somfyscope last edition, LianDa, for example, initiated action plans that were introduced in 2017, such as the refurbishment of working spaces and shared living spaces (dormitory, staff canteen), the provision of a gym, the holding of teambuilding events, and the development and skills training of in-house trainers. All these initiatives will play a role in improving employee commitment.
Somfyscope was last conducted in 2016. In the interim, and since 2017, Group management has committed to conducting a quarterly survey, the **Somfy Spirit Survey**, to measure improvements in the perceived effectiveness of scope-based action on specific points: personal development, initiative-taking, quality of delegation, quality of cooperation and customer focus. This short periodic survey, available in 16 languages, helps to measure how employees perceive the implementation of the Somfy Spirit values and principles in their everyday lives. Just over 4,100 people are invited to take part in complete confidentiality, whether they are connected or not. The latest edition of December 2017 was answered by 65% of the participants and received an overall rating of 6.5 out of 10, which has remained stable compared with the previous edition. Over both waves, the two strengths identified were that taking the initiative was encouraged and decisions were guided by customer satisfaction. This exercise also helped to identify the area where improvement is expected: cooperation between teams. The next survey will be conducted in March 2018.

The Corporate Social Responsibility booster

The second booster in the people section: **#CSR** falls within the context of the growing demand for CSR transparency and performance from employees and more generally, from all the company's stakeholders.
The **#CSR** booster offers a pragmatic, step by step approach involving a long-term commitment. It covers action plans that help make Somfy more sustainable as a company and more active on societal responsibility issues.
This booster specifically concerns therefore the sustainable development policy, the environmental impact of our products and their contribution to saving energy[(3)]. The Group has now launched firm and genuine initiatives on CSR in areas in which it feels qualified. These measures have been extended around the world thanks to local initiatives[(4)], based on the belief that CSR not only makes a major contribution to its vision and how to live better together, but also improves the sustainability of the company.
A genuine **#CSR** policy contributes greatly to the sense of pride our employees feel within the Group. It naturally integrates the company in its societal environment (supporting local concerns). CSR also forms part of what potential recruits are seeking in companies for which they may work. This contributes to the

(1) Voluntary turnover calculation method: the ratio between the number of departures due to resignation and retirement over a given period AND the number of employees at the end of the previous period (year).
(2) Survey accessible in electronic and paper format in 14 languages.
(3) See Environmental Information below.
(4) See Societal Information hereafter and more specifically the section Acts of support, partnership or sponsorship.

employer's brand image and perfectly illustrates the Group's values "Respect" and "Openness".

The Employee Journey booster

Lastly, the third and final booster **#EmployeeJourney** relies on the undeniable fact that personal development at work is the key factor in innovation and growth. It is the driving force behind positive commitment.

This booster relates to the way in which we attract candidates and the quality of the HR processes at every stage of life of Somfy employees: the way in which the company supports each employee, by looking after working conditions, the working environment, recognition and motivation. It is about improving skills and realising the full potential and development of individuals.

Today, the Group's primary concern is the long-term and responsible promotion of personal development *via* empowerment and growth.

By promoting good working conditions and personal development, **#EmployeeJourney** helps to significantly improve motivation and satisfaction at work, as well as cooperation and agility.

The company continued its effort to ensure that the skills of Group employees are matched with the organisation's needs, to ensure the employability of staff and prepare tomorrow's generation of managers. To this end, investment in training focused on initiatives likely to help the Group achieve its transformation objectives, in order to act in a more agile, prompt and simple way both collectively and individually, and to support cooperation and performance.

The number of training hours(1) for the entire CSR scope was approximately 72,020 hours(2) in 2017 compared with 70,755 hours in 2016(3), representing an increase of 1.8%. At Somfy Activités SA, for example, 3.6% of the payroll was spent on training in 2017.

The main training areas used in 2017 primarily concerned the development or improvement of:

- professional expertise (including Somfy products and technologies, quality, digital marketing, HR skills);
- in terms of Health and Safety – Somfy Activités SA has, for example, been particularly focused on this topic;
- managerial skills;
- intercultural skills – practically one third of the number of training hours for Somfy Activités SA;
- office tools skills;
- project management.

Work organisation is an important factor in this employee journey. In all the companies within the scope, the average working week complies with the applicable local legislation and varies between 35 and 45 hours of work per week. The most common working week within the Group is 40 hours, covering more than 54% of the staff within the scope of the study. Organisation by shift schedule in 2017 related to the following production sites: Somfy Activités SA, WAY SRL, SOPEM and primarily SITEM, in France, Italy, Poland and Tunisia respectively. Overall, this organisation applied to almost 28% of employees included in the scope. It should be noted that almost 5% of all employees are part-time, mainly in Europe, and to a far lesser extent in the United States, Australia, Russia, Singapore, Israel and Japan.

Collective working hours can vary depending on production plans and business opportunities. This flexibility is essential in adapting to market needs. One of the adjustment parameters at industrial level is night time working, which takes place on an *ad hoc* basis in the event of a production peak.

Social relations are another factor inherent to employee life. Social dialogue refers to all the relationships and interactions that exist within the company between Management, executive staff, staff representatives and employees. It is an important component in regulating the collective organisation of work, and it enables the Group's social frame of reference to progress and employees to be informed about the Group's position and its areas of development and transformation. The company wishes to enhance its quality and role.

All the companies in the CSR review scope comply with the local laws and agreements connected with their activities. Although not all have union representatives, social dialogue is guaranteed or implemented through regular meetings and/or communication with staff representative bodies or with employees directly. When there is no union representative, the managerial principles set out in Somfy Spirit thus become the basis for initiating a dialogue with employees in order to unite them around a shared project.

Generally, the companies in France, Italy, Germany, Tunisia and Poland have union representation, as well as LianDa, in China, and more recently Spain. The others, which are smaller in terms of workforce and subject to fewer requirements in this field, encourage social dialogue *via* direct meetings with employees.

Certain companies signed new agreements in 2017 or amendments to agreements in place, primarily in the fields of social dialogue (France), salaries and employee benefits (China, France, Italy and Tunisia), structuring of the working week (Germany), equal treatment (France), quality of working life (Italy), training (Italy), and health and safety (Australia, Italy, China, Greece).

Several countries including Poland, France, Norway and Sweden have continued to take action to improve the "Quality of Working Life". In France, these initiatives notably take the form of time and financial assistance devoted to sports activities, concierge services and early childhood care through the *Maison d'Assistantes Maternelles*.

(1) Published training hours refer to sessions lasting at least two hours.

(2) Training hours taken into account for Somfy GmbH relate to non-marketing and non-health and safety training.

(3) In 2016, a portion of the hours reported by Somfy Activités SA had related to planned rather than completed hours. A correction was made in relation to the data published in 2016 to the number of training hours for the entity Somfy Spol sro.

The careful attention given to the health and safety of employees also forms an integral part of the Employee Journey. Somfy's corporate responsibility begins with a guarantee to ensure everyone's physical safety and discover a quality of life within their working environment that encourages commitment.
Most of the companies have an Occupational Health Department and internal safety functions, supported by company doctors and specialists in ergonomics, notably in France, Tunisia and Poland. Efforts have been made in many countries to reduce the exposure to risks and to improve working conditions.

Work accidents frequency and severity rate indicator

In 2017, many companies within the CSR scope strengthened their communication and awareness raising initiatives in the field of occupational risks. Specific examples involve tangible initiatives on our industrial sites (pedestrian walkways, evacuation signage, safety induction booklets, skylight renovation, etc.) and more broadly awareness concerning mobile employees in relation to the issue of travel risks.
The frequency(1) and severity(2) rates are reviewed according to the industrial or commercial activity of the companies. For the record, the industrial activity involves 3,667 people and the commercial activity involves 1,503.

	Industrial sites		Distribution subsidiaries		Consolidation	
	2016	2017	2016	2017	2016	2017
Rate of frequency	5.74	5.60	2.68	5.82	**4.77**	**5.67**
Rate of severity	0.15	0.18	0.03	0.07	**0.11**	**0.14**

Somfy Activités SA and SITEM accounted for 73% of the accidents within the industrial CSR scope. As a result, these entities are continuing their efforts, which include Short Interval Management (SIM) that generates daily reviews with production employees during which problems detected are reported. They are resolved immediately insofar as possible and, if need be, employees have five further senior levels whom they can contact. In addition, SITEM managed to reduce both its frequency rate, which fell from 7.55 to 6.10 (down 19%), and its severity rate, which went from 0.07 to 0.05 (down 33%).
Work related accidents and occupational diseases are always investigated, and preventive action implemented, by dedicated working groups or specially appointed employee representative bodies, according to country (HSWCC in France for example). During 2017, the number of occupational diseases reported(3) was 4, and in 2016 it was 7(4). Most of the occupational diseases reported related to Repetitive Strain Injuries (RSIs). Preventive measures have also been continued: gestures and postures training, workstation ergonomics and production station rotation.
In 2017, absences due to common illnesses, occupational diseases, and work and commuting related accidents led to an absenteeism of 4.8%(5) (4.2%(6) in 2016) – days' absence being taken into consideration according to the calendar days protocol, *i.e.* including Saturday and Sunday.

In conclusion, the launch of the new strategic plan Believe & Act ! is modelled on one of the Group's values – Boldness. It heralds a 2018 that is focused on the roll-out of these drivers, their adoption and their implementation by all teams in their everyday lives and working environment.

ENVIRONMENTAL INFORMATION

The 2017 CSR scope covers, among others, seven of the eight factories located around the world, representing 71% of the Group's industrial workforce.

NATURE OF ACTIVITIES, ASSOCIATED RISKS AND MEASURES TAKEN

The activities of the sites are of tertiary, industrial and logistical natures.
Industrial sites mainly perform product assembly operations from plastic and metallic components and circuit boards sourced from outside the sites. Assembly operations do not product gas emissions, liquid releases or substance discharges, with the exception of packing waste and possible manufacturing scrap which are subject to selective sorting and recovery.
There are no machine operations generating waste material.
There is no specific noise pollution generated by the industrial sites affecting local residents. Indeed, operations are situated inside buildings and mainly consist of the assembly of small parts.
Given the type of activity, there are no risks related to food waste.
The different sites are subject to classification levels compliant with local regulations in relation to pollution or nuisance risks that these facilities are likely to create.
The French sites are subject to an authorisation scheme for storage in covered warehouses and a registration scheme for compression facilities and installation of accumulators for recharging fork-lift trucks.
There are no facilities that correspond to the maximum level, "Authorisation with encumbrances – (AS)3" commonly known as "SEVESO".

Conclusions on the nature of activities, associated risks and measures

For these reasons, the risk of air, soil, water and noise pollution is low or non-existent. This report does not therefore provide any information on these subjects. In relation to these risks of pollution or nuisance that Somfy's sites are likely to create and the preventive measures introduced, the amount of provisions and guarantees for environmental risks is nil.
Given this low level of environmental risk on these sites, there are no specific resources deployed. The measures introduced are managed by the Facilities Departments of the sites.

*(1) Method for calculating the frequency rate = (Number of work-related accidents/Hours worked paid) * 1,000,000.*
*(2) Method for calculating the severity rate = (Days absence due to work-related accidents/Hours work paid) * 1,000.*
(3) Given the diversity of regulatory approaches and even the lack of legal reporting requirements in certain countries, information on occupational diseases mainly concerns the French entities (1,938 people in total).
(4) 2016 data corrected for one of the entities concerned.
(5) Method for calculating absenteeism = (Number of days' absence in calendar days)/(hours worked and paid/(legal number of working hours per week/5)).
(6) Correction made to days' absence of one of the entities.

GENERAL ENVIRONMENTAL POLICY

In 2017, the ambition for the Planet initiative was set out within the framework of the strategic corporate project Believe and Act !. This ambition is expressed as follows:

Somfy solutions offer benefits in terms of the energy performance of the buildings that are fitted with them. In addition, Somfy products are eco-designed and include the Act for Green® label. These products are developed, manufactured and distributed by teams that implement environmentally friendly practices.

This Act for Green® label is attributed to products that meet eco-design requirements. The origins of Act for Green® can be traced back to the results of a carbon assessment carried out in 2012[1]. This carbon assessment had established work on electricity consumption and the use of raw materials as priorities.

This eco-design approach, launched in 2015, was continued in 2017 with the certification of the following products:

- SMOOVE Origin and Sensitiv range of control units;
- Sunis Wirefree II io sensor;
- range of motors for J4 exterior venetian blinds.

Act for Green® is based on a framework taken into account by Research & Development teams. It incorporates requirements that are broken down according to several subject areas:

- controlling greenhouse gas emissions through moderate electricity use and the choice of appropriate raw materials;
- seeking to use recycled and recyclable raw materials in the composition of products;
- materials selected for their low impact on health and the environment;
- product durability;
- a statement of the environmental impacts in line with the PEP ecopassport® programme in which Somfy participates. This programme, developed by the electricity industry, defines a standardised method for making environmental declarations in accordance with international regulations (ISO 14025 & ISO 14040s). The information contained in this PEP ecopassport® has been independently verified by Bureau Veritas CODDE.

A roadmap for the integration of projects in the Act for Green® programme had been drafted in collaboration with development teams for the next three years.

Requests, from both customer and regulatory, in relation to understanding the substances used in our products have continued. Somfy is monitoring the progress and implementation of these regulations by taking part in the FIEEC's[2] "GT Substances" working group.

Somfy has a Sustainable Development Department. This Department integrates the resources and skills necessary for the completion of projects that come under the heading "Planet". The Sustainable Development Department rolls out its policy by working with the teams concerned in the Group's various sites and businesses.

In 2017, the Group continued to implement measures to reduce the environmental impact of its activities. Communication initiatives were undertaken primarily through seminars involving Group employees. They covered the Act for Green® programme as well as the environmental policy's vision within the context of Believe & Act !.

For example, **BFT Italia SpA** has an ISO 14001 certified structure. In 2017, BFT prioritised its actions to reduce the energy use of its products on standby and to reduce the use of non-recyclable packaging. Emphasis was also placed on managing hazardous waste such as oil and electronic components. This was undertaken through in-house meetings and general communications with staff.

The **SOPEM** factory in Poland has an environmental policy based on the following areas:

- conserving natural resources;
- contributing to sustainable development;
- cooperating with partners for environmental protection;
- improving energy efficiency.

At the start of 2017, **Somfy Activités SA**, in France, focused on measures to help reduce air pollution by seeking to influence the means of transport used for commuting to and from work. The Arve Valley, a region covered by an Atmospheric Protection Plan, and in which most of Somfy's French sites are located, was indeed hit by an exceptional air pollution incident.

Specific examples include the creation of the organisation G.R.E.EN (French Group for the Environmental Responsibility of Companies), of which Somfy is a founding member – G.R.E.EN Haute-Savoie Mont Blanc. It brings together companies and local government authorities from the region to promote initiatives that encourage the sustainable development of companies in the Arve Valley and the Haute-Savoie department.

Within this context, the first project implemented was the car-sharing application WAYZ Up[3] specifically aimed at home to work travel.

Other examples on the theme of mobility include:

- introduction of a mileage allowance for cycling: 126 people have recorded a total of 54,142 km;
- bicycle maintenance service offered to employees;
- introduction of charging stations for electric company vehicles and cars;
- gradual introduction of hybrid vehicles and fuel as a replacement for diesel in the company vehicle fleet;
- a "Mobility Challenge" day aimed at changing commuting practices was held again in 2017 with 27% of employees present taking part, and more than 7,351 km travelled that was not driven solo;
- an internal site has been created, bringing together all the relevant information on air pollution, related in-house initiatives, the various sustainable forms of transport and testimonials.

Other notable efforts have also been made at Somfy Activités SA to reduce the environmental impact of its activities:

- the measures introduced under the partnership with FRAB AuRA (formerly Corabio) made it possible to achieve the target of serving 19% local and organic products in Somfy's company restaurant in Cluses (up 3% compared with 2016);
- reuse of IT hardware: 508 products handled in 2017 including 348 computers. The update and removal of computer data is performed by a company promoting the employment of disabled people. These computers and various accessories are then reused, thereby breathing new life into them. In 2017, 97% of the equipment was reusable, with the remaining 3% sent for recycling;
- work has also been carried out on the buildings to help reduce energy consumption. It mainly involved improving insulation, upgrading lighting systems to automated LED systems and replacing cooling equipment.

(1) Carbon assessment carried out in 2012 based on 2011 data.
(2) FIEEC: French Federation of Electric, Electronic and Communication Industries.
(3) Since renamed Klaxit https://mailchi.mp/wayzup/en-2018-wayzup-devient-klaxit-mt3n2li97k?e=2b3e0c15cb.

POLLUTION AND WASTE MANAGEMENT

Waste (Tonnes)	31/12/16 Published	31/12/17
Non-hazardous waste	2,954	3,738
Hazardous waste	22	29
TOTAL WASTE	**2,976**	**3,767**
Recovered waste	2,679	3,457
% of waste recovered	90%	92%

No exit from or addition to the 2017 scope – Strictly constant scope

Electronic products covered by the ROHS European directive were subject to hazardous substances removal. Somfy also applies this requirement to products sold outside Europe.
SOPEM carries out audits to ensure the correct application of waste sorting procedures. The results are forwarded to management and shared within team meetings.

SUSTAINABLE USE OF RESOURCES

Water

Water consumption at the sites is limited to the toilet facilities. At Somfy's various industrial sites, there are no manufacturing processes likely to exhaust local water resources or that depend on a limited water supply.

Water consumption	31/12/16 Published	31/12/17
Water consumption (m^3)	57,615	60,576

No exit from or addition to the 2017 scope – Strictly constant scope

98% of waste water is discharged into public treatment networks. The remaining 2% correspond to storage in fire safety tanks.

Energy

The companies use gas, network electricity[(1)] and heating oil. Energy consumption is primarily linked to the heating and air conditioning of the premises[(2)].

Energy consumption (KWh)	31/12/16 Published	31/12/17
Gas	12,443,779	12,636,059
Electricity	13,901,375	14,770,531
Mineral fuel	89,924	59,265
TOTAL ENERGY CONSUMPTION	**26,435,078**	**27,465,855**

No exit from or addition to the 2017 scope – Scope strictly constant

Following on from the energy audit carried out in 2015, Somfy Activités SA consolidated the approaches that had already been undertaken in previous years relating to the modernisation of thermal comfort and insulation systems, and the replacement of fluorescents lighting with LEDs to reduce lighting-related electricity consumption. This work is being carried in successive stages as workshops and offices are refurbished.
Similarly, SOPEM is rolling out the installation of LED bulbs in its new site extensions and in existing warehouses.

Raw materials

Somfy has incorporated requirements aimed at minimising the depletion of raw materials in its Act for Green® framework:
- use of packaging materials with a minimum of 50% recycled fibres;
- use of recycled paper in product instructions;
- ensuring products can be repaired as much as possible;
- ensuring durability of remote controls with products resistant to cumulative shocks.

Some projects were initiated in 2017, as they were with SITEM, to reduce production waste and therefore the quantity of raw materials.
In France, Somfy Activités SA signed in 2013 a contract with RECYLUM, an organisation authorised to process professional WEEE. This is the result of an industry approach in which Somfy was a stakeholder.

LAND USE

There are no mining operations on any Somfy's sites.
Our plants have regular HOSHIN or 5S workshops in order to optimise the footprint of the sites. A team of specialists, integrated into the Group's Industrial Department, is dedicated to leading these projects at the Group's plants.

CLIMATE CHANGE

Our industrial activities do not present any risks linked to climate change, whether they relate to the growing scarcity of water, rising sea levels or the rise in temperature.
Solar protection systems motorised and automated by the solutions offered by the Group help to reduce the energy consumption of buildings. This is achieved both by reducing the winter heat loss of buildings and by protecting them from the heat in summer, thereby improving comfort in the summer and helping to reduce the installed air conditioning capacity.
Somfy is a member of the Active House Alliance, which promotes healthier, more comfortable buildings that do not have a negative impact on the climate[(3)].
Although Somfy solutions help lower the overall carbon impact of buildings, Somfy is also committed to reducing the impact of its activities. As such, the Group relies on the results of a carbon assessment[(4)] to identify the significant sources of greenhouse gases emitted as a result of company operations, in particular due to the use of the goods and services it manufactures.
This carbon assessment carried out across scopes 1, 2 and 3 and within the scope of Somfy Activités SA helped to rank the different causes of greenhouse gas emissions by order of importance. This assessment was carried out with the support of the Eco2 Initiative.

(1) The 2017 values for gas and electricity at BFT Italia SpA have been restated to take into account dates of meter readings and to adjust usage over a one-year period.
(2) Somfy does not report usage that does not fall within the operational activity of the sites (for example: testing fire safety systems).
(3) https://www.activehouse.info/about/about-active-house/.
(4) Carbon assessment carried out in 2012 based on 2011 data.

Between them, the electricity consuming of products (use consumption/usage) and raw materials (inputs) items accounted for 85% of greenhouse gas emissions by Somfy Activités SA.

These two items relate to products manufactured and thus to the activity of the industrial sites.

Given that the nature of the activity of the industrial sites and the types of products manufactured are identical and have not changed since 2011, this Somfy Activités SA carbon assessment is representative of all the Group's industrial sites. The emissions of the different items are proportional to the activity of each industrial site. The ranking by order of importance of greenhouse gas emissions is therefore deemed to be the same between 2011 and 2017 and across all sites.

Quantities manufactured by Somfy Activités SA accounted for 25% of all quantities manufactured by the Group in 2011.

This led to the establishment of the Act for Green® programme, described in the "General Environmental Policy" chapter. As this programme is being applied progressively to all products and markets, it is leading to a reduction in greenhouse gas emissions across all production sites.

However, other items, such as transport or energy consumption, have not been neglected, with mobility programmes at Somfy Activités SA and initiatives to reduce energy consumption at the sites (see in particular the energy section in this report).

Greenhouse gas emissions resulting from the use of raw materials that form part of the composition of the products are also taken into account:

- analyses of the lifecycles of products conducted on the control points highlight that it is the microprocessor that generates the largest portion of emissions, accounting for over 25%. By way of example, the Act for Green® criteria recommend the use of QFN type microprocessors which, in comparison with the QFP versions prohibited by Act for Green® generate a five-fold reduction in greenhouse gas emissions;
- research has also been conducted into the use of recycled plastics. However, the plastic materials used in electrical and electronic equipment (EEE) must meet very high specifications and standards in relation to fire testing and dielectric properties (notably CEI 335-1, UL 746 C). These materials are not currently available on the recycled plastics market. Somfy is supporting the work of the FIEEC[1] to make progress in this field.

In general terms, Somfy contributes to the implementation of the circular economy through its involvement in professional organisations such as the FIEEC, IGNES[2] and the Technical Committee 111[3].

Somfy has decided to monitor a significant indicator concerning its greenhouse gas emissions and regarding which it is able to take action: the energy consumption of its products when on standby. The amount of CO_2 emissions for motors sold in 2017 stood at 40.30 kg of CO_2 per motor.

The data used in the calculation was provided by the Group and has a low level of uncertainty. However, the emission factor used is based on average European data, ultimately resulting in a level of uncertainty classed as medium.

PROTECTION OF BIODIVERSITY

The SOPEM factory in Poland is located on the edge of protected sites belonging to the Natura 2000 network:

- Puszcza Niepolomicka PLB 120002;
- Torfowisko Wielkie PLH120080.

Somfy Activités SA owns several sites in the heart of the French Alps, near Mont Blanc. Somfy wants to act to protect the mountain's eco-systems and is involved in local initiatives such as the "*Club d'Entreprises pour la Montagne et son Développement Durable*" (CEM2D) (Club of businesses supporting the mountain and its sustainable development). A Charter was notably developed in 2013.

SOCIETAL INFORMATION

TERRITORIAL, ECONOMIC AND SOCIAL IMPACT

Consideration of the local impact of the company's activity in relation to employment and regional development

Leader in its business sectors, Somfy grew, which in 2017 had a positive impact on employment across all the regions in which it operates, as suggested by the 12.6% increase in the Group's workforce.

As with the previous two years, the significant expansion of the Eastern Europe region resulted in the recruitment of staff at the SOPEM factory; it was the only region to see its workforce grow by almost 20% (within the CSR social scope). This development of local employment was accompanied by a transfer of Group knowledge and skills.

The Group prioritises the local recruitment of all employees, as this offers advantages in terms of the understanding of local issues and cultures which is essential in particular in the residential sector. The recruitment of local executives in the factories also leads to better and more culturally sensitive management both in terms of social dialogue and performance improvement.

Moreover, the Group wants production sites to be autonomous in their methods and their supply. The sites have autonomy in their choice of suppliers from a panel jointly constructed and managed by Group Purchasing. The aim is to maintain consistency in the purchasing strategy whilst going as far as possible to ensure local implementation in relation to sub-contracting and supply. This openness is beneficial to the Group which in return benefits from successful local initiatives which can then be rolled out elsewhere.

Consideration of the impact on neighbouring and local populations

In order to promote regional development, the Group helps to support higher education in the Auvergne Rhône-Alpes region, in part thanks to its role as a founding member of the *Université Savoie Mont Blanc* (USMB) Foundation alongside the *Assemblée des Pays de Savoie* (regional government) and the *Université Savoie Mont Blanc Club des Entreprises* (Business Club). This selection forms part of the longstanding relationship between the University and Somfy, which has continued since the creation in 1991 of the Club des Entreprises. Somfy is working alongside the University to bring the academic world closer to the business world. As such, as part of this Business Club, the University has links to help identify opportunities for its students who are seeking professional training contracts.

(1) FIEEC: French Federation of Electric, Electronic and Communication Industries.

(2) IGNES: French Association of Digital Power and Security Engineering Industries.

(3) INTERNATIONAL ELECTROTECHNICAL COMMISSION: Technical Committee 111: Environmental standardisation for electrical and electronic products and systems.

Moreover, since 2012 the Group has chaired the Board of the *École Polytech Annecy Chambéry*, the University's engineering school, where Somfy contributed to lectures on innovation. In addition, the school has received accreditation for a new IT course on Usage Data, which Somfy has supported by showing its interest and participating in the audit of the *Commission des Titres* (French Association for Quality Assurance in Higher Education).

Somfy is heavily involved in competitiveness centres and technology clusters active in the Arve valley (Haute-Savoie), where the Group's historical sites are located. Somfy participates in Thésame, the technological network for mechatronics businesses and in the Public Interest Group MIND, an innovative Franco-Swiss platform specialised in the field of mechatronics. Mechatronics is the synergetic and systematic combination of mechanics, electronics and real time computing, and is at the heart of Somfy's expertise. These collaborations enable the company to be committed to local industrial development whilst continuing to benefit from the input of skills and innovations into our design and industrialisation processes.

RELATIONS WITH STAKEHOLDERS

Conditions for dialogue with stakeholders

The Group annually reviews its communication plan in relation to its stakeholders, to ensure they are kept regularly informed and to facilitate as much as possible constructive discussions in relation to the Group's strategy and management with the stakeholders identified as priorities: employees, shareholders, investors, customers, users, suppliers and regional governments.

The social section of this report summarises all the developments and improvements made as part of the dialogue with employees and social partners.

In 2017, the first edition of Investor Day took place in Paris in front of an audience of economic journalists and financial analysts, during which the Group's strategy was presented by the Group CEO and other members of the Executive Committee.

We distinguish between customers, a term that refers to the professionals or distributors who buy and sell, integrate, or install our products, and users, a term that refers to the end users of our products, whether they are the customers of our customers, users of our solutions in offices or communal facilities, or consumers buying our products on our websites. Being responsive to professional customers is a strategic priority for Somfy and it is structured within a programme called "Customer First". For each customer profile, the Group has developed dialogue-based activities – studies, surveys, training, services – tailored to the expectations of these stakeholders. Our quality survey helped to achieve a Net Promoter Score of 69 out of 100, which is an excellent result. The survey also enabled us to identify areas requiring improvement.

Users are regularly consulted as part of the development of our new offers. A forum moderated by Somfy gives them a voice in France. Other users can thus answer questions, and so can company employees. More than 11,000 new questions were therefore asked *via* this means in 2017 and the annual number of visitors reached a million. This total number of 45,000 participants since the launch of the forum in 2013 enables our hotline to be more efficient and to answer calls more quickly and has led to productivity gains in this telephone support service.

Involved in the development of the areas in which the Group is located, Somfy has led dialogue in France with the various levels of public decision-making to contribute to action in the areas of education, employment, research and development, or to support cultural and sporting projects for local people, by trying where possible to replicate these events within the company for the benefit of employees. These cultural and sporting programmes include meetings at the *Pays du Mont-Blanc* (Pays du Mont-Blanc), *Plein Feux Festival* (Bonneville), MB Race (Pays du Mont-Blanc), and various sports clubs (Cluses). This collaboration can take the form of patronage or sponsorship, since the visibility of Somfy's initiatives by Group employees or local residents is one of the aims of this commitment.

Acts of support, partnership or sponsorship

Action to support top athletes

Somfy has been a partner of the French Ski Federation and the French Biathlon Team since 2005, and all Nordic Skiing since 2014 (Biathlon, Cross Country, Ski Jumping, Nordic Combined). A committed supporter of sporting initiatives for more than 20 years, the Group also sponsors three talented biathletes individually: Martin Fourcade, Marie Dorin-Habert and Simon Fourcade.

In 2014, Somfy created Somfy Ski Talents, a sponsorship programme for promising top skiers: Clément Parisse, Thomas Clarion, Enora Latuillière and Jonas Devouassoux. In addition to supporting athletes financially, Somfy offers to help them in preparation for their transition into, or in finding out about, the business world. Lastly, the Group helps athletes to build their reputations by passing on their news *via* its social networks.

A citizen's policy involving employees

Somfy is committed to improving the living conditions of all, and the company's foundation was established in 2004 to support this worthwhile cause. Since then, it has pursued its civic action to combat poor housing and to help people live better together.

The Foundation is now a philanthropic organisation in its own right, both in terms of financial and human contributions. Both initiatives are implemented through the international programme A House is A Home and the crowdfunding programme *Les Petites Pierres*(1).

In 2017, Somfy gave the Foundation's initiatives €376,000, and provided an operational team of five people.

The same goals lie at the heart of both the A House is A Home and *Les Petites Pierres* programmes: steadily forging the bonds of humanity that form the basis of a balanced society, developing lasting relationships, and working hand-in-hand with community partners identified as stakeholders and project leaders. This helps promote the values of solidarity within the company.

Les Petites Pierres

The endowment fund *Les Petites Pierres* is a digital crowdfunding platform initiated by the Somfy Foundation. It enables anyone to donate to community projects in the area of access to decent housing, with every donation by an individual being matched (*i.e.* doubled) by the Somfy Foundation and other partner companies. In 2017, the platform enabled 49 projects to be funded (135 projects since it was founded in 2013), for a total, topped up by the Foundation, of €220,000. Since November 2013, the platform has been able to give €1,547,832 to organisations.

In addition to project funding, non-profit organisations receive assistance with digital skills learning, thereby helping them to leverage their various communities and other partners independently.

(1) http://www.lespetitespierres.org/.

A House is A Home

Because it is both important and socially responsible to make a commitment in the countries where the company operates, the Somfy Foundation is now working with eleven projects of non-profit organisations fighting against inadequate housing in nine different countries (Brazil, Germany, Spain, Belgium, Lebanon, Poland, United States, Australia and France). Poor housing is a problem that is present throughout the world. As an international company, Somfy wishes to make its own contribution by ensuring decent housing is available to as many people as possible.

Through its socially-responsible commitment, the Somfy Foundation gives real substance to the values of responsibility, openness and respect of the company. The A House is A Home[1] programme, started in January 2015 and was consolidated in 2017 with the introduction of personal philanthropy in certain subsidiaries in addition to the financial support provided.

Employee involvement

Personal philanthropy serves both the A House is A Home and *Les Petites Pierres* programmes.

Introduced in France for Somfy Activités SA, in 2017 this personal philanthropy saw the skills and energy of 283 employees donated to non-profit organisations over the course of 49 days of solidarity. They were 165 in 2016, an increase of 71%, demonstrating the interest shown by employees in this programme.

In addition, making the Foundation's actions international has been made possible thanks to the very active involvement of Somfy's subsidiaries. The latter have made both financial and human commitments: organising their HR and legal framework enabling their employees to be involved in solidarity initiatives during working hours.

SUB-CONTRACTING AND SUPPLIERS

Suppliers and sub-contracting are important for the Group due to the nature of its industrial activity which is essentially assembly. Indeed, all the components that form part of the composition of the products are purchased components.

In order to make progress in relation to responsible purchasing, Somfy, in collaboration with other manufacturers, has developed a maturity frame of reference in relation to collective and responsible purchasing: this framework incorporates the central issues of the standard, ISO 26000.

This work was carried out within the framework of PEAK, a business Research and Training network aimed at developing collaborative customer supplier relationships.

The Group is working on the introduction of measures to guarantee that its suppliers and sub-contractors are socially and environmentally responsible. Thus, Somfy has auditors who assess suppliers prior to their admittance to the panel. These audits are conducted on the basis of a questionnaire that includes questions on the following topics:

- existence of an environmental policy;
- organisation to ensure that products conform to environmental requirements;
- existence of a health and safety policy and consideration of ergonomic and safety aspects in the design of workstations.

These questions are rated, with the ratings forming part of the final assessment score of the supplier. If significant variations are discovered, relating for example to safety in the workplace, the Group may ask the supplier to take corrective action.

For every component developed by a supplier, the Group requests a written undertaking relating to the European Directives REACH and ROHS.

In accordance with the regulations adopted by the US Securities and Exchange Commission in 2012, the Group implemented its duty of diligence in respect of its supply chain, in order to ensure that the supplies used in its products do not contain any "Conflict Minerals".

In 2017, a special event bringing together 210 suppliers from Europe, Africa, the United States and Asia was held in SOPEM's factory in Poland. The aim was to reinforce the Group's appeal to existing and potential suppliers through a detailed presentation of our strategy and testimonials regarding recent projects. The success of this event resulted from the collaboration between the Activities, Supply Chain, Industrial, Purchasing and Corporate Communications Departments.

FAIR PRACTICES

Ethics

Since 2015, Somfy has specifically rolled out an Ethics Charter and all employees have been made aware of its contents and trained in ethical concepts by their managers. *"With its continued growth, the Group enjoys [...] great visibility in many countries and in increasingly diverse markets. Our position as leader in several of our industries and our ambition for tomorrow involves increased responsibilities that we wish to assume. In fact, the success of our business will only endure if we clearly assert our requirements as an ethical and responsible business."*[2] The Group therefore wants to maintain the requirement for exemplary behaviour on a day-to-day basis. As such, the Ethics Charter is intended to serve as a point of reference in terms of individual and collective behaviour and will guide our day-to-day activities enabling us to embody our values.

It is a common and unifying document; a tool for the promotion of dialogue between employees so that ethics is an open matter understood by all. Somfy and its employees particularly seek to respect the regulations of the countries in which it operates in relation to organisation of work, whilst subscribing to the principles and objectives of the fundamental conventions of the International Labour Organisation (ILO) and by aiming to adopt the practices of a responsible and respectful of everyone management. A role of the network of HR Managers is to ensure the respect of Human Rights, particularly examining within their scope rights and concerns relating to racial discrimination, torture, enforced disappearances, disabled people and the rights of women, children, migrants, minorities and indigenous peoples.

This is reflected in a commitment to:

- respect differences, improve diversity and reject discrimination;
- reject any kind of harassment, notably moral and sexual;
- ensure the health, safety and decent working conditions for the company's employees and partners;
- seek to develop the skills and employability of staff and their professional development;
- reject any kind of illegal child labour and the use of forced labour;
- reject any kind of corruption, whether active or passive;
- guarantee constructive social dialogue.

(1) http://www.fondation-somfy.com/fr-fr/les-programmes/a-house-is-a-home.
(2) Source: Introduction of the Ethics Charter by the Management Board.

In addition to this Ethics Charter and following the enactment of the law on transparency, the fight against corruption and the modernisation of the economy[1], Somfy has chosen to adopt the Middlenext Anti-Corruption Code of Conduct. This Code of Conduct is designed to guide business behaviour. The Group has decided to supplement it with several appendices in order to provide practical advice, examples and links to other relevant information.

MEASURES PROMOTING CONSUMER HEALTH AND SAFETY

Ensuring the safety of the users of its products is a top priority for Somfy. Alongside other leading companies in the electrical industry and the building shutters sector, the Group is heavily involved in standardisation in order to ensure that the good safety practices implemented in relation to product development are maintained. This action operates on an international (IEC standards), European (CENELEC and CEN standards) or local (UL standard for the United States for example) scale. To show the compliance of Somfy products with safety standards, these are accredited by independent bodies in its different territories (VDE, NF, SASO, UL).
Through its Quality Management System, the Group ensures its products compliance with the standards and requirements in place within its markets. For an effective and safe installation of its products, the Group has developed a network of expert installers throughout the areas in which the Group is located. These specialists benefit from professional training to help ensure that the products are installed under optimum safety conditions both for the installer and users. Every product is accompanied by usage and safety instructions.
Somfy publishes online manuals on its websites. They are available on about forty of our sites intended for users of our solutions (also on our sites for professionals) and are translated into several languages depending on the product listing. In addition, numerous YouTube channels around the world broadcast presentations on products and their operating instructions, usage tips, and even demonstrations on installation and programming.
The Quality Management System is the backbone of performance for the Group: it must enable each employee to become a regular advocate of customer satisfaction. In order to respond to Somfy's development, customer expectations and those of all stakeholders, the Group's Quality Management System has been revised. Based on the Group's core values and principles, it aims to implement an ongoing drive of continuous improvement at the service of performance and customer satisfaction. It is intended to be simple, used and useful, and able to meet high standards as and when necessary. Independent of any organisations, it clarifies cross-company operations and promotes cooperation. This system is a common base. It is incumbent upon teams to elaborate on it and make it work in their own context.

METHODOLOGY NOTE

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REPORTING PROTOCOL

The Groups' CSR reporting protocol is the reference guide for all those involved in CSR reporting within the Group. It is drawn up in French and English. Its purpose is to define all the Group's CSR indicators along with their method of calculation, and to describe the procedures for their collection and for reporting in order to promote the consistency and comparability of data. This document is distributed to and applied at all levels of data reporting. The reporting protocol is updated annually to take into account Group developments.
The CSR reporting protocol also serves as a reference framework for the external verification of data, in accordance with Article L. 225-102-1 of the Commercial Code ("Grenelle 2" law). It is available on request from Head Office.

SELECTION OF INDICATORS

The Group's indicators were defined by the CSR officers for each area in line with the Group's CSR strategy and the resulting social, environmental and societal objectives. They facilitate the monitoring of the CSR policy's progress in each of the improvement areas identified by the Group and the transparent communication of the Group's CSR performance in this report.
The indicators used comply with the Grenelle 2 decree and are based on the general principles of the GRI (Global Reporting Initiative) guidelines.

COLLECTION, INTERNAL CONTROL AND CONSOLIDATION

The collection of CSR indicators is ensured by the CSR officers within their respective fields of expertise. They rely on their network of local experts who provide the data. The CSR officers are also responsible for monitoring the consistency and plausibility of the data prior to its consolidation in order to generate the Group indicators included in the CSR section of the management report.

REPORTING PERIOD

The data collected covers the period from 1 January to 31 December 2017.
Depending on the indicators, it can relate to:
- an annual consolidation of the data from 1 January 2017 to 31 December 2017;
- the data measured at 31 December 2017.

Where historical information is available, data is reported on the last two financial years.

REPORTING SCOPE

Pursuant to Article L. 225-102-1 of the Commercial Code, companies which are controlled by the Group and fully consolidated within the financial reporting scope are included within the reporting scope. The concept of control means the power to govern the financial and operational policies of an affiliated company so as to benefit from its operations. Control is generally deemed to exist where the Group holds more than half of the controlled company's voting rights.

(1) Known as the "Sapin II" law.

For reasons of organisation and access to information, not all Group companies have yet been included. The Group wants to use perimeters that are more relevant depending on the topics covered. As such, certain companies are excluded from the social scope due to the existence of very low workforces in certain organisations (distribution subsidiaries spread out over vast geographic areas such as South America), or the lack of Human Resources information systems designed for collecting data easily.
The distribution subsidiaries are excluded from the environmental scope due to their low environmental impact in comparison with the industrial sites.
Over the short-term, the Group plans to integrate all significant companies that it fully owns. Only one company, Dooya, 70% owned and comprising an industrial site, is not integrated. At 31 December 2017, Dooya's workforce was 1,523 people (excluding temporary workers), training costs were €0.2 million and energy costs were €0.7 million.
Newly acquired companies are integrated into the reporting scope following a probationary period necessary for the introduction of reporting. Companies which were sold during the financial year are not included within the reporting scope.

Specifics of the scope for 2017 reporting

The social reporting scope taken into account for the 2017 financial year is identical to that used in 2016 and includes the following entities:

- Automatismes BFT France SAS (France);
- Automatismos Pujol SL (Spain);
- BFT Italia SpA (Italy);
- LianDa (China);
- NV Somfy SA (Belgium);
- O&O SRL (Italy);
- Overkiz SAS (France);
- Simu GmbH (Germany);
- Simu SAS (France);
- Sisa Home Automation Ltd (Israel);
- SITEM SARL (Tunisia);
- Somfy Activités SA (France);
- Somfy AG (Switzerland);
- Somfy Brazil LTDA (Brazil);
- Somfy China Co Ltd (China);
- Somfy Egypt (Egypt);
- Somfy España SA (Spain);
- Somfy Ev Otomasyon Sistemleri Ticaret Ltd Sti (Turkey);
- Somfy GmbH (Germany);
- Somfy GmbH (Austria);
- Somfy Hellas SA (Greece);
- Somfy India Pvt Ltd (India);
- Somfy Italia SRL (Italy);
- Somfy Joo (Korea);
- Somfy K.K. (Japan);
- Somfy LLC (Russia);
- Somfy Ltd (UK);
- Somfy Maroc SARL (Morocco);
- Somfy Middle East Co Ltd (Republic of Cyprus);
- Somfy Nederland BV (Netherlands);
- Somfy Norway AS (Norway);
- Somfy PTE Ltd (Singapore);
- Somfy PTY Ltd (Australia);
- Somfy South Africa (PTY) Limited (South Africa);
- Somfy Sp zoo (Poland);
- Somfy Spol sro (Czech Republic);
- Somfy Sweden AB (Sweden);
- Somfy Systems Inc. (USA);
- Somfy Tunisie (Tunisia);
- SOPEM (Poland);
- WAY SRL (Italy).

Likewise, the environmental reporting scope taken into account for the 2017 financial year is also identical to that used in 2016 and includes the following entities:

- BFT Italia SpA (Italy);
- LianDa (China);
- Simu SAS (France);
- SITEM SARL (Tunisia);
- Somfy Activités SA (France);
- SOPEM (Poland);
- WAY SRL (Italy).

METHODOLOGY LIMITATIONS

The methodologies used for the reporting of certain CSR indicators may present limitations due to:

- particularities of local legislation in the various countries in which the Group is located;
- lack of availability of information on certain scopes;
- use of estimates in the absence of assessment tools;
- practicalities of collecting and processing data.

CSR CROSS-REFERENCE TABLE BASED ON DECREE N° 2012-557 OF 24 APRIL 2012

Social information	Pages
Employment	
Total workforce and employee distribution by gender, age and geographic region	24 and 25
Recruitment and redundancies	26
Remuneration and its evolution	26
Work organisation	
Organisation of working hours	27
Absenteeism	28
Social relations	
Organisation of social dialogue – including procedures regarding information, consultation and negotiation with employees	27
Collective bargaining agreements	27
Health and safety	
Health and safety at work	28
Review of agreements signed with trade unions or employee representatives in terms of health and safety at work	27
Work accidents, their frequency and severity, and occupational diseases	28
Training	
Training policies	27
Total number of training hours	27
Equal treatment	
Measures taken to promote gender equality	25
Measures taken to promote the employment and integration of people with a disability	26
Anti-discrimination policy	33
Promotion of and compliance with ILO fundamental conventions	
Respect for freedom of association and collective bargaining	33
Elimination of employment and occupational discrimination	33
Suppression of forced or compulsory labour	33
Effective abolition of child labour	33

Environmental information	Pages
General environmental policy	
Company organisation to take into account environmental issues and, where applicable, environmental assessment and certification processes	29
Training and employee information actions conducted in relation to environmental protection	29
Resources allocated to avoiding environmental risks and pollution	28
Amount of provisions and guarantees for environmental risks, providing this information is not liable to seriously prejudice the company in an ongoing litigation	28
Pollution	
Measures to prevent, reduce or remediate air, water and soil pollution emissions that seriously damage the environment	28
Taking into account noise pollution and any other type of pollution specific to a particular activity	28
Circular economy	
Measures to reduce, recycle and otherwise recover and dispose of waste	29 and 30
Measures to combat food waste	28
Use and supply of water in line with local constraints	30
Consumption of raw materials and measures taken to make more efficient use of them	30 and 31
Energy consumption and measures taken to improve energy efficiency and the use of renewable energy sources	30
Land use	30
Climate change	
Significant sources of greenhouse gases emitted as a result of company operations, in particular due to the use of the goods and services it manufactures	30 and 31
Adaptation to the consequences of climate change	30 and 31
Protection of biodiversity	
Measures taken to safeguard or increase biodiversity	31

Societal information	Pages
Territorial, economic and social impact of the company's activities	
On employment and regional development	31
On neighbouring and local populations	31 and 32
Relations with individuals and organisations interested in the company's activity, particularly social integration and educational institutions, environmental protection organisations, consumer associations and local communities	
Conditions of dialogue with these individuals or organisations	32
Acts of partnership or sponsorship	32 and 33
Sub-contracting and suppliers	
Taking into account social and environmental issues in purchasing policies	33
Significance of sub-contracting and inclusion of social and environmental responsibilities in relationships with suppliers and sub-contractors	33
Fair practices	
Measures taken to avoid corruption	33 and 34
Measures taken to safeguard the health and safety of consumers	34
Other measures taken to safeguard human rights	
Other measures taken to safeguard human rights	33

INFORMATION ON RISKS
(ARTICLE L. 225-100-1 OF THE COMMERCIAL CODE)

FINANCIAL RISKS

—

The main financial risks to which the Group is exposed are foreign exchange, interest rate, liquidity, investment and raw materials risks.
According to IFRS, all derivative financial instruments are measured at their fair value. Fair value is either the market value for listed instruments, or a value provided by financial institutions in accordance with traditional criteria (over-the-counter market). The amounts covered exclusively relate to current or future transactions within the framework of the Group's normal business activities.
As part of the transposition of the MIF Directive that came into force on 1 November 2007, Somfy SA and its French subsidiaries opted for the "individual clients" category.

FOREIGN EXCHANGE RISK

The Group's exposure to foreign exchange risk is primarily related to its operational activities (intragroup sales of manufactured products distributed by commercial subsidiaries outside the Euro zone, these sales being denominated in local currencies and purchases denominated in local currencies).
At comparable terms and conditions, the Group gives priority to natural hedges (foreign currency purchases related to sales in the same currency). The derivative financial instruments put into place are forward foreign exchange contracts for the main currencies.
The management of foreign exchange risk is covered in note 7.3 to the consolidated financial statements.

INTEREST RATE RISK

The Group is exposed to interest rate risks. Management of the interest rate relative to Group debt is based on consolidated position and market conditions. The primary objective of the rate risk management policy is to control Group financing costs.
The management of the interest rate risk is covered in note 7.3 to the consolidated financial statements.

LIQUIDITY RISK

The Group must have permanent access to the necessary financial resources to allow it to finance its day-to-day activities and its investments. The Group's liquidity risk primarily arises from the obligation to repay its existing debt, the funding of its future requirements and observance of its financial ratios.
The granting of credit facilities is subject to Somfy SA's commitments to its banking partners to comply with two types of financial covenants based on:

- the Group's financial structure (net financial debt/shareholder's equity); and
- its ability to repay (net financial debt/EBITDA).

The management of liquidity risk is covered in note 7.3 to the consolidated financial statements.
Credit facilities and compliance with covenants are detailed in note 7.2.2.6 to the consolidated financial statements.

INVESTMENT RISK

The Group's exposure to investment risk is related to its cash surplus deposited with banks.
The management of investment risk is covered in note 7.3 to the consolidated financial statements.

RAW MATERIAL RISKS

The Group is exposed to fluctuations in the price of the raw materials used in the manufacture of its products.
Somfy SA protects against this risk by placing firm orders with its suppliers (physical hedges for copper and zinc) and *via* hedging agreements for materials on the financial markets (copper and zinc paper hedges) on components that cannot be physically hedged.
The management of raw material risks is covered in note 7.3 to the consolidated financial statements.

SHARE RISKS

—

The Group is exposed to equity risk on treasury shares. Given the share price, it was not necessary to record a provision for writedown at 31 December 2017.

LEGAL RISKS

—

The Group's operations are not subject to specific regulations. Its business does not require a specific legal or regulatory authorisation with the exception of the compulsory listing in the Register of Companies and stock exchange regulations.
The Group is involved in a number of disputes in respect of its business. These should not have any significant negative impact on the Group's financial position.
To the Group's knowledge, there were no exceptional events or litigation likely to have a significant negative impact on the Group's or its subsidiaries' operations, assets or results, other than those mentioned in the highlights of the financial year.

INSURANCE – RISK COVERAGE

—

The Group covers the main risks with the following insurance policies:

- "Property damage", covering buildings and their contents (equipment, goods, IT equipment) up to the maximum amount of damage likely to be incurred;
- "Resulting loss of profit".

Risks insured by these two policies include fire, explosions, lightning, smoke, emissions, steam, impacts from airborne objects, electrical risks, storms, snow, hail, water damage, frost, machine breakage, IT equipment theft, natural disasters and other non-designated events;

- "General civil liability relating to monetary consequences of an insured entity's liability following physical injury, property damage or moral prejudice caused to a third party during or in relation to its operations";
- "Corporate officers' civil liability";
- "Transported goods".

In addition, credit insurance contracts, both in France and internationally, mitigate the consequences of customer default. Approximately 80% of sales are covered by such contracts.

COUNTRY RISK

—

The majority of operations occur in safe areas such as Europe and the United States.
The regions most exposed to current economic, geopolitical and monetary uncertainties are Asia (China), Latin America (Brazil, Argentina) and the Middle East (Levant). In total, they represent approximately 10% of Group sales.
Sales growth in the UK stood at 10.9% on a like-for-like basis over the financial year just ended, in spite of the uncertain environment related to the prospect of Brexit.

FINANCIAL RISKS ASSOCIATED WITH CLIMATE CHANGE AND THE LOW-CARBON STRATEGY

—

Due to the nature of the products marketed (notably motors for blinds), the Group's activity is partly connected to weather conditions, in particular during the first half of the year, during which sales of motors for blinds are concentrated.
Due to its industrial activity, the Group is exposed to a certain number of risks that are related to climate conditions (storms, earthquakes, flooding, etc.) and as such, more widely, to climate change. The Groupe set up an assessment of these risks and has all the necessary insurances to cover any financial consequences.
Combating climate change is taken into account from the design of the products through the Act for Green® programme. The Group focuses as well on optimising the use of raw materials as on ensuring energy efficiency and recyclability in order to reduce its products' carbon footprint.
With regard to the assessment of climate-change related risks and the steps taken by the Group to reduce them as part of its environmental strategy, please refer to section "Social and environmental reporting", paragraph "Environmental information" of this report.

CUSTOMER CREDIT RISK

—

Customer credit risk is linked to the receivables portfolio and the sometimes challenging economic environment in certain parts of the world. Nevertheless, customer profile, the Group's international geographic presence and the credit insurance cover help to mitigate this risk.
The management of credit risk is covered in note 4.5 to the consolidated financial statements.

DESCRIPTION OF INTERNAL CONTROL AND MANAGEMENT OF RISKS PROCEDURES RELATIVE TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION (ARTICLE L. 225-100-1 OF THE COMMERCIAL CODE)

STRATEGIC, BUDGETARY AND REPORTING PROCESSES

—

The preparation of the budget is part of an annual strategic process involving all the Activities, Business Areas and Business Units, as well as all the Divisions, which define their own key objectives, in line with the strategic guidelines set by General Management.
The overall budget is prepared as part of an iterative process involving all Group players. It is the result of the consolidation of local budgets.
After approval by the General Management of the Group, every manager becomes responsible for meeting his/her own budget.
The measurement of the achievement of objectives set out in the budgets is carried out through a system of matrix reporting on a monthly and quarterly basis, which enables results to be produced on several axes (Business Area, Business Unit and Activity). It comprises the standard financial data: operating accounts and balance sheet indicators, and non-financial performance indicators.
Reporting is complemented by strategic reports and quarterly updates of forecast sales and profit for the current year. These measurements enable a follow-up of the achievement of objectives and provide corrective actions on a matrix basis and at all levels of responsibility (consolidation, Business Areas, Business Units, Activities, Legal Companies, Departments and Services).
In addition, three three-year plans, in line with Group strategy and revised annually, are overseen by Management. They include:

- a PSMP (Products and Solutions Master Plan) which relates to the development of the range of products and solutions;
- an industrial and logistics master plan for production facilities;
- a master plan for information systems.

PREPARATION OF FINANCIAL STATEMENTS

—

The Group has defined a unique and common framework for the recording of accounting and financial information.
It resulted in the definition and implementation within all subsidiaries of a Group chart of accounts, as well as the definition and implementation of the main management procedures (inventories, non-current assets, trade receivables, etc.), which are formalised in the Group Procedure Manual relayed through and updated on the Group's intranet.
The proper application of the chart of accounts, procedures and reporting reliability is monitored by visits to subsidiaries, planned within the context of year-end and half-year closing. It is also verified during the budget preparation and monthly reporting processes.
The Group team responsible for the preparation and control of financial statements comprises:

- the consolidation team;
- the central financial control team.

This team relies on financial controllers, based in each Business Area, reporting to the Group in its ten geographical areas.
In addition, each of the Activities benefits from at least one dedicated financial controller.
The Group endeavours to lead this network *via* international meetings and on-going training of accountants and financial controllers.
Particular care is taken with risk analysis, through a review of asset provisions and provisions for liabilities and charges, as well as off-balance sheet commitments.
At each year-end, inventories are verified either through a complete physical stock-take or by a rolling physical stocktaking procedure.
Trade receivables are the subject of credit risk analyses with respect to the measurement of provisions. In addition, the company hedges the majority of its risk by entering into customer credit insurance contracts, both in France and abroad.

Intragroup purchases, sales and balance sheet items are confirmed monthly.
Inventory amounts originating from the Group are determined in all entities in order to eliminate internal profit margins on inventories.
A pre-closing meeting is organised each half-year with the Legal Department to identify all liabilities and possible or stated litigation and to calculate, with reference to the progress of cases, corresponding provisions for liabilities and charges.
The review of various contracts, deposits, sureties and guarantees also serves to identify off-balance sheet commitments.
The consolidation packages, including: balance sheet, income statement, cash flow tables and related data, are then sent to the Consolidation Department according to a predefined planning schedule.

FINANCIAL STATEMENTS CONTROL

—

The Consolidation Department, after verifying the completeness of financial information, the proper application of closing procedures and restatements, performing the intragroup account reconciliations and verifying the net equity justification, performs financial statement consolidation using dedicated software.
The consolidated financial statements are prepared in accordance with IFRS. In addition, accounting options selected are presented to and approved by the Audit Committee.

FINANCIAL COMMUNICATION

—

Following their approval by the Supervisory Board, the half-year and full-year financial statements are presented to the financial community under the auspices of the SFAF (French financial analyst society) and published in a report posted on the financial issuer's website (www.somfyfinance.com) as well as *via* a primary information provider (www.lesechos-comfi.fr).
The other regulated information referred to in Article 221-1 of the AMF's general regulations is also available on both these sites. Relevant information relating to the company's business activities is presented to the Audit Committee.

IT SYSTEMS

—

The BaaN integrated management package is installed in most distribution subsidiaries, excluding Asia, where ERP Accpac has been rolled out in the majority of cases.
For the companies that have an ERP (BaaN or Accpac) installed, standard parameters are included (comprising a chart of accounts, analytical follow-up and procedures).
Completion of the budget, monthly reporting, margin analysis by product family and legal consolidation are all carried out on the same platform (Hyperion), which improves uniformity and facilitates the analysis of information.

TREASURY COMMITTEE/GROUP CASH MANAGEMENT

—

The Group Treasury Department reports to the Group Chief Financial Officer.
The Group Treasury Department is responsible for carrying out transactions in cash management, financing and managing risks of a financial or banking nature, and providing technical support to subsidiaries' cross-company functions, in connection with the Group's operations.
It has a duty to warn the Group Chief Financial Officer, the Treasury Committee or the Management Board of developments in the relevant markets and the fair assessment of risks.
A Treasury Committee meeting is held each month, chaired by the Group's Treasurer, to review:

- deposits;
- funding;
- the Group's net debt;
- off-balance sheet banking commitments;
- foreign exchange positions;
- a macroeconomic review of the market;
- the Group's cash and debt positions (current and forecast);
- miscellaneous items: ongoing acquisitions, follow up of late payments, guaranties/securities, Group loans;
- miscellaneous projects (cash pooling, optimisation of cash management systems…);
- the Group's net financial income/(expense) (twice annually).

This Committee comprises the following members:

- the Group CFO;
- the Group Treasurer;
- members of the Group Treasury Department.

Members of the Management Board are *ex-officio* members and have a standing invitation to Committee meetings.
The role of the Treasury Committee is twofold:

- strategic: to define the overall policy in terms of Group Cash Management, financing, and interest rate, exchange rate and investment risk management. They also include the follow-up of Group subsidiaries' equity balance sheet items;
- operational: to guarantee the regular monitoring of Group Cash Management's actions. These are detailed in a monthly trend chart.

The rules and procedures relating to the Group's Cash Management have been formalised in the Cash Management Charter, which covers the following:

- ethics;
- liquidity/exchange rate/interest rate risk;
- deposit of excess cash;
- counterparty risk;
- governance.

This Charter was subject to a quality review in the second half of 2017.
Furthermore, a Group Treasury Charter has been in place since 1 November 2013 to define best practices and list in a single document the guidelines that ensure the secure, economical and efficient management of financing and deposit operations, and more generally of cash management and bank relations within the Group.
This Group Treasury Charter is applicable to all subsidiaries controlled directly or indirectly by Somfy SA and specifies their roles and responsibilities regarding the management of their financing, deposits, banking flows and more broadly speaking their cash management transactions.
The two international multi-currency cash pooling projects were finalised with HSBC in 2016 for APAC and BNP Paribas for North America and Europe. The Eurozone cash pooling project was finalised at the end of 2017.

INTERNAL CONTROL MONITORING

—

The Internal Control Department created in 2016 reports to the Group CFO, a member of the Management Board. The Department is made up of the Head of Internal Control, a long-term trainee and representatives responsible for leading internal control at local level.
The internal control function coordinates management actions, ensuring the following:

- compliance with laws and regulations;
- the application of the instructions and guidelines set by the Management Board;
- the smooth running of the Group's processes and operations, notably those that help safeguard its assets and prevent fraud;
- the reliability of reporting (both financial and non-financial).

Members of the Internal Control Committee meet once every month to discuss the latest audit reports issued and other matters, such as year-end visits or training programmes to be provided to financial controllers, or ongoing projects.
In order to fulfil its coordinating and monitoring role, in 2017 the Department implemented a dedicated CRM tool, specifically:
- to initiate a self-assessment campaign for subsidiaries each year, including a framework of key controls;
- to monitor all the tasks of Internal Audit, as well as the related recommendations and the corresponding action plans;
- to assess the Group's risks, at several levels (BU, BA/BG, BMA/Activities), to consolidate the results at Group level and to link them with action plans.

The use of all these resources is closely monitored by the Audit Committee, which is regularly informed of the progress achieved and the results obtained.
A biannual reporting process has also been established for the benefit of the Group Executive Committee and the managers of all subsidiaries in relation to the progress of action plans and the resolution of weaknesses that have been identified.
Certain improvements are directly addressed by entities at a local level, while others are looked into centrally by the Internal Control Department and/or in collaboration with other cross-Group functions.
Lastly, the Internal Control Department is also responsible for the centralised monitoring of risks and the update of risk mapping, in collaboration with the Internal Audit Department specifically in relation to the methodology.

APPROVAL OF THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (RESOLUTIONS 1 AND 2)

We would ask you to approve the parent company financial statements for the year ended 31 December 2017, which show a net profit of €107,110,843.67, and the consolidated financial statements for the year ended 31 December 2017, which show a net profit (Group share) of €159,912,000, as submitted.

INFORMATION ON NON-DEDUCTIBLE CHARGES (ARTICLES 39-4 AND 223 IV OF THE GENERAL TAX CODE)

The financial statements for the financial year ended 31 December 2017 do not include any non-allowable charges with regard to the income tax base, as defined by Articles 39-4 and 223 IV of the General Tax Code.

ALLOCATION OF NET PROFIT

The Management Board proposes to allocate the net profit of €107,110,843.67 for the year ended 31 December 2017, increased by retained earnings of €3,230,907.70, to a total of €110,341,751.37, as follows:

– Allocation to shareholders of a gross dividend of €1.30 per share, being €1.30 x 37,000,000 shares	€48,100,000.00
– Transfer to optional reserve	€62,241,751.37
	€110,341,751.37

A gross dividend of €1.30 will be distributed for each share with a par value of €0.20.
When it is paid to individuals who are tax residents in France, the dividend is either subject to a single fixed-levy deduction at source on the gross dividend at the flat rate of 12.8% (Article 200 A of the French General Tax Code), or, at the express, irrevocable and comprehensive wishes of the taxpayer, to income tax calculated according to a sliding scale after notably an allowance of 40% (Articles 200 A, 13, and 158 of the French General Tax Code). The dividend is also subject to social security contributions at the rate of 17.2%.
Shares held by the company on the ex-dividend date are not entitled to dividends, with the corresponding amount of unpaid dividends being transferred to retained earnings.
The dividend will be payable on 5 June 2018 and the ex-dividend date will be 1 June 2018.

In accordance with legal provisions, it should be noted that the following dividends were paid during the last three financial years based on a share capital comprising 7,400,000 shares:

Financial year	Revenues eligible for tax rebate		Revenue not eligible for tax rebate
	Dividends	Other distributed earnings	
2014	€35,693,533.20* being €5.20 per share	€391,840,000.00, each share conferring the right to either one Edify SA share or a cash sum of €50.00**	–
2015	€39,125,797.50* being €5.70 per share	–	–
2016	€41,909,092.30* being €6.10 per share	–	–

* *Does not include unpaid dividends attributable to treasury shares and transferred to retained earnings.*
** *The General Meeting of Shareholders of 27 November 2014 decided on the exceptional distribution of €391,840,000.00, which was taken from the "General Reserve" item, it being specified that each Somfy share conferred entitlement to either one Edify SA share or a cash payment of €50.00, according to the shareholder's preference.*

COMBINED GENERAL MEETING OF 16 MAY 2018

ORDINARY SESSION

—

1. Approval of the parent company financial statements for the year ended 31 December 2017.
2. Approval of the consolidated financial statements for the year ended 31 December 2017.
3. Allocation of net profit for the financial year and setting of dividend.
4. Special report of the Statutory Auditors on regulated agreements and commitments – Noting the absence of new agreements.
5. Renewal of the term of office of Michel ROLLIER as member of the Supervisory Board.
6. Approval of the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid or allocated in respect of the financial year just ended to Jean Guillaume DESPATURE, Chairman of the Management Board.
7. Approval of the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid or allocated in respect of the financial year just ended to Pierre RIBEIRO, Chief Financial Officer and member of the Management Board.
8. Approval of the items comprising the total remuneration and benefits of any kind paid or allocated in respect of the financial year just ended to Michel ROLLIER, Chairman of the Supervisory Board.
9. Approval of the principles and criteria used to determine, apportion and allocate the fixed, variable and exceptional elements comprising total remuneration and benefits of any kind attributable to the Chairman of the Management Board and the member(s) of the Management Board.
10. Approval of the principles and criteria used to determine, apportion and allocate the fixed, variable and exceptional elements comprising total remuneration and benefits of any kind attributable to the members of the Supervisory Board.
11. Authorisation to be granted to the Management Board for the buyback by the company of its own shares pursuant to Article L. 225-209 of the Commercial Code, duration of the authorisation, objectives, terms and conditions, cap.

EXTRAORDINARY SESSION

—

12. Authorisation to be granted to the Management Board to cancel shares bought back by the company within the framework set out by Article L. 225-209 of the Commercial Code, duration of the authorisation, cap.
13. Authorisation to be granted to the Management Board to grant stock options to salaried employees and/or certain corporate officers of the company or related companies, duration of the authorisation, cap, exercise price, maximum option term.
14. Delegation of authority to be granted to the Management Board to increase the share capital through the issue of ordinary shares and/or marketable securities granting access to share capital with waiver of the preferential subscription right for members of a company savings plan pursuant to Articles L. 3332-18 and subsequent of the Labour Code, duration of the delegation, nominal maximum amount of the share capital increase, issue price, option to allocate free shares pursuant to Article L. 3332-21 of the Labour Code.
15. Alignment of Article 20 of the bylaws.

RENEWAL OF THE TERM OF OFFICE OF MICHEL ROLLIER AS MEMBER OF THE SUPERVISORY BOARD (resolution 5)

—

We hereby remind you that Michel ROLLIER's term of office as a member of the Supervisory Board expires at the end of the next Annual General Meeting.
It will be proposed to renew the term of office of Michel ROLLIER as member of the Supervisory Board for a period of four years, which will expire at the end of the General Meeting called in 2022 to approve the financial statements for the year then ended.

INDEPENDENCE AND GENDER EQUALITY

It is specified that the Supervisory Board considers that Michel ROLLIER qualifies as an independent member in the eyes of the Middlenext Code, used by the company as a framework of reference in relation to corporate governance. In this regard, it is specifically noted that the individual in question has no business relationship with the Group.
Moreover, subject to the approval of this renewal, the Board would maintain its composition, namely four women and three men, in accordance with parity rules, and four independent members, in accordance with Middlenext recommendations.

APPROVAL OF THE FIXED, VARIABLE AND EXCEPTIONAL ITEMS COMPRISING THE TOTAL REMUNERATION AND BENEFITS OF ANY KIND PAID OR ALLOCATED IN RESPECT OF THE FINANCIAL YEAR JUST ENDED TO JEAN GUILLAUME DESPATURE, CHAIRMAN OF THE MANAGEMENT BOARD (resolution 6)

—

It will be proposed to approve the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid or allocated for the financial year just ended to Jean Guillaume DESPATURE, Chairman of the Management Board, as presented in the report on corporate governance (section Information on remuneration, paragraph "Information on remuneration due, paid or allocated during the financial year", heading 4).

APPROVAL OF THE FIXED, VARIABLE AND EXCEPTIONAL ITEMS COMPRISING THE TOTAL REMUNERATION AND BENEFITS OF ANY KIND PAID OR ALLOCATED IN RESPECT OF THE FINANCIAL YEAR JUST ENDED TO PIERRE RIBEIRO, CHIEF FINANCIAL OFFICER AND MEMBER OF THE MANAGEMENT BOARD (resolution 7)

—

It will be proposed to approve the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid or allocated for the financial year just ended to Pierre RIBEIRO, Chief Financial Officer and member of the Management Board, as presented in the report on corporate governance (section Information on remuneration, paragraph "Information on remuneration due, paid or allocated during the financial year", heading 4).

APPROVAL OF THE ITEMS COMPRISING THE TOTAL REMUNERATION AND BENEFITS OF ANY KIND PAID OR ALLOCATED IN RESPECT OF THE FINANCIAL YEAR JUST ENDED TO MICHEL ROLLIER, CHAIRMAN OF THE SUPERVISORY BOARD (resolution 8)

—

It will be proposed to approve the items comprising the total remuneration and benefits of any kind paid or allocated for the financial year just ended to Michel ROLLIER, Chairman of the Supervisory Board, as presented in the report on corporate governance (section Information on remuneration, paragraph "Information on remuneration due, paid or allocated during the financial year", heading 4).

APPROVAL OF THE PRINCIPLES AND CRITERIA USED TO DETERMINE, APPORTION AND ALLOCATE THE FIXED, VARIABLE AND EXCEPTIONAL ELEMENTS COMPRISING TOTAL REMUNERATION AND BENEFITS OF ANY KIND ATTRIBUTABLE TO THE CHAIRMAN OF THE MANAGEMENT BOARD AND THE MEMBER(S) OF THE MANAGEMENT BOARD (resolution 9)

—

It will be proposed to approve the principles and criteria used to determine, apportion and allocate the fixed, variable and exceptional elements comprising total remuneration and benefits of any kind attributable to the Chairman of the Management Board and the member(s) of the Management Board, as presented in the report on corporate governance (section Information on remuneration, paragraph "Remuneration policy").

APPROVAL OF THE PRINCIPLES AND CRITERIA USED TO DETERMINE, APPORTION AND ALLOCATE THE FIXED, VARIABLE AND EXCEPTIONAL ELEMENTS COMPRISING TOTAL REMUNERATION AND BENEFITS OF ANY KIND ATTRIBUTABLE TO THE MEMBERS OF THE SUPERVISORY BOARD, (resolution 10)

—

It will be proposed to approve the principles and criteria used to determine, apportion and allocate the fixed, variable and exceptional elements comprising total remuneration and benefits of any kind attributable to the members of the Supervisory Board, as presented in the report on corporate governance (section Information on remuneration, paragraph "Remuneration policy").

AUTHORISATION TO BE GRANTED TO THE MANAGEMENT BOARD FOR THE BUYBACK BY THE COMPANY OF ITS OWN SHARES PURSUANT TO ARTICLE L. 225-209 OF THE COMMERCIAL CODE, DURATION OF THE AUTHORISATION, OBJECTIVES, TERMS AND CONDITIONS, CAP (resolution 11)

—

A share buyback plan for a period of 18 months will be submitted for your approval. This plan would replace the current programme, which would be terminated early. It would allow management to purchase up to 10% of the shares of the company, if necessary restated for any potential capital increase or decrease transactions that may be carried out over the timeframe of the programme. The objectives of this programme would be:

- to stimulate the secondary market or ensure the liquidity of the Somfy share, by way of an investment services provider within a liquidity contract that complies with the Ethics Charter of AMAFI recognised by regulations, it being specified that within this framework the number of shares considered for the calculation of the limit specified above corresponds to the number of shares purchased less the number of shares resold;
- to retain the shares purchased and subsequently exchange them or use them as payment within the framework of potential acquisitions;
- to ensure the coverage of stock option plans and/or free share allocation plans (or similar) granted to employees and/or corporate officers of the Group, as well as all other shares allocated under a company or group savings scheme (or similar), in relation to employee profit sharing and/or any other form of allocation to employees and/or corporate officers of the Group;
- to cover marketable securities giving right to the allocation of company shares, in accordance with applicable regulations;
- to proceed with the possible cancellation of shares acquired, in accordance with the authorisation granted or to be granted by the Extraordinary General Meeting.

Such share purchases may be effected by all means, including by means of acquiring blocks of shares and at any times considered appropriate by the Management Board.

The company would reserve the right to use options or derivative instruments, in accordance with applicable regulations.

We propose to set the maximum purchase price at €130 per share. The maximum value of the transaction, taking account of the 2,658,967 treasury shares held at 31 December 2017, is therefore set at €135,334,290.00.

AUTHORISATION TO BE GRANTED TO THE MANAGEMENT BOARD TO CANCEL SHARES BOUGHT BACK BY THE COMPANY WITHIN THE FRAMEWORK SET OUT BY ARTICLE L. 225-209 OF THE COMMERCIAL CODE, DURATION OF THE AUTHORISATION, CAP (resolution 12)

—

Under the cancellation objective, we would ask you to grant authority to the Management Board, for a period of 24 months, at its own discretion, on one or more occasions, within a limit of 10% of capital, calculated on the day on which the cancellation decision is made, reduced by the number of shares cancelled during the previous 24 months, to cancel the shares which the company holds or could hold following share buybacks exercised within the framework of its share buyback programme as well as to reduce share capital by the corresponding amount pursuant to the legal and regulatory provisions in force.

AUTHORISATION FOR THE PURPOSE OF GRANTING STOCK OPTIONS TO SALARIED EMPLOYEES AND/OR CERTAIN CORPORATE OFFICERS (resolution 13)

—

We propose that you authorise, for a period of 38 months, the Management Board to grant stock options to employees, to some of them or to certain categories of employees, and/or corporate officers as defined by law, of the company or related companies or affiliated economic interest groups under the conditions of Article L. 225-180 of the Commercial Code.

The total number of options that may be granted by the Management Board under this authorisation may not entitle beneficiaries to purchase more than 1.5% of the share capital outstanding on the date of this Meeting, it being specified that this limit will count towards the total number of shares that may be granted free of charge by the Management Board under the authorisation granted to the Management Board by the General Meeting of 24 May 2016 in its twelfth resolution, sitting in extraordinary session and any other subsequent authorisation of the same nature granted by the General Meeting.

The purchase price of the shares by the beneficiaries would be set on the date options are granted by the Management Board, pursuant to regulations, and may not be lower than the average closing price of the last 20 trading days of the share on Euronext Paris preceding the date options are allocated.

The term of the options set by the Management Board may not exceed a period of six years from their date of allocation.

As such, the Management Board would have, within the limits set above, all necessary powers to determine the other conditions and arrangements for the allocation of the options and their exercise and notably to set the conditions under which the options will be granted and to approve the list or categories of beneficiaries as provided for above, to set the period(s) during which the options thereby granted may be exercised, provide for the capacity to temporarily suspend the exercise of options for a maximum of three months in the event of financial transactions involving the exercise of a right attached to the shares, and generally do anything that may be required in this regard.

DELEGATION OF AUTHORITY TO BE GRANTED TO THE MANAGEMENT BOARD TO INCREASE THE SHARE CAPITAL THROUGH THE ISSUE OF ORDINARY SHARES AND/OR MARKETABLE SECURITIES GRANTING ACCESS TO SHARE CAPITAL WITH WAIVER OF THE PREFERENTIAL SUBSCRIPTION RIGHT FOR MEMBERS OF A COMPANY SAVINGS PLAN PURSUANT TO ARTICLES L. 3332-18 AND SUBSEQUENT OF THE LABOUR CODE, DURATION OF THE DELEGATION, NOMINAL MAXIMUM AMOUNT OF THE SHARE CAPITAL INCREASE, ISSUE PRICE, OPTION TO ALLOCATE FREE SHARES PURSUANT TO ARTICLE L. 3332-21 OF THE LABOUR CODE (resolution 14)

—

Also submitted to you will be an authorisation to increase the share capital for the benefit of members of a company savings plan, in order to comply with the provisions of the second paragraph of Article L. 225-129-6 of the Commercial Code, under whose terms the Extraordinary General Meeting must vote, at least every three years, on a resolution to increase the share capital under the conditions provided for by Articles L. 3332-18 and subsequent of the Labour Code.

Within this context, the Management Board will ask shareholders to approve the delegation of authority to grant to the Management Board, if it deems it appropriate and at its sole discretion, to increase the share capital on one or more occasions through the issue of ordinary shares and/or marketable securities granting access to equity securities to be issued by the company for members of one or several company or group savings plans of the company and/or of the French or international entities related to it in accordance with Article L. 225-180 of the Commercial Code and Article L. 3344-1 of the Labour Code.

We propose to set the term of this authority to 26 months, starting from the date of this General Meeting.

We propose to limit the maximum nominal amount of the increase or increases that can be carried out through the use of this authorisation to €500,000.00, this amount being independent of any other cap set by other delegations to increase capital. The nominal amount of the capital increase necessary to preserve the rights of holders of rights or marketable securities giving access to the company's share capital – in accordance with the law and, where applicable, the contractual stipulations providing for other cases of adjustment – would be added to this amount where applicable.

It is specified that, in accordance with the provisions of Article L. 3332-19 of the Labour Code, the price of the shares to be issued may not be more than 20% (or 30% when the lock-up period provided for by the plan under Articles L. 3332-25 and L. 3332-26 of the Labour Code is greater than or equal to ten years) less than the average of the share's opening prices quoted during the 20 stock exchange sessions preceding the Management Board's decision relating to the share capital increase and the issue of the corresponding shares, nor higher than this average.

In application of the provisions of Article L. 3332-21 of the Labour Code, the Management Board may provide for the allocation, to the beneficiaries, of free shares to be issued or already issued, or other shares granting access to the share capital of the company to be issued or already issued, in respect of (i) the employer's contribution that may be paid pursuant to the regulations relating to company or group savings plans, and/or (ii), where applicable, the discount.

The Management Board would have, within the limits set above, the necessary powers notably to set the conditions of the issue(s), record the completion of the resulting capital increases, amend the bylaws accordingly, charge, at its sole discretion, the costs of the capital increases against the related premiums and deduct from such amount the sums necessary to take the statutory reserve to one tenth of the new share capital after each increase, and more generally, do whatever is necessary in such matters.

This delegation would, where applicable, cause any unused portion of any prior delegation to lapse.

The Management Board may or may not implement this delegation and take all the necessary steps and fulfil all the necessary formalities.

Nevertheless, inasmuch as this authorisation appears neither relevant nor timely to it, the Management Board suggests that you reject it.

ALIGNMENT OF ARTICLE 20 OF THE BYLAWS (resolution 15)

—

You will be asked to bring Article 20 of the bylaws into line with the provisions of Article R. 225-60 as amended by Decree n°2017-340 of 16 March 2017 which stipulates that the Supervisory Board shall freely distribute among its members, under the conditions provided for by Article L. 225-82-2, the overall amount allocated to such persons in the form of attendance fees.

Your Management Board asks you to approve the above resolutions submitted to your vote, with the exception of resolution 14 which the Management Board suggest you vote against.

The Management Board

05
REPORT ON CORPORATE GOVERNANCE

05

REPORT ON CORPORATE GOVERNANCE

Pursuant to Article L. 225-68 of the Commercial Code, we remind you of Somfy SA's corporate governance principles and hereby present information in relation to corporate officers' remuneration and elements liable to have an impact in the event of a public offering. We also inform you of our observations on the Management Board's management report and on the financial statements for the year just ended.
The company's Financial and Legal Departments are the major contributors to the preparation of this report under the authority of the Supervisory Board.
This report was forwarded to the Statutory Auditors, submitted to the Audit Committee on 5 March 2018 for review, and to the Supervisory Board on 7 March 2018 for approval.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE CODE

—

Somfy SA refers to the Middlenext Corporate Governance Code for listed companies revised on 14 September 2016 (the Middlenext Code hereafter), available at www.middlenext.com.
During 2017, the Board reviewed at its meeting of 16 November 2017 the areas requiring attention in compliance with the new R19 recommendation of the Middlenext Code.
Following the publication of the new edition of the Middlenext Code in September 2016, the Board amended its internal regulations at its meeting of 8 March 2017.

Among the recommendations of the Middlenext Code, the Board noted that the company had rejected the application of the following recommendations:

Rejected recommendations	Explain
Audit Committee to be chaired by an independent member (R6)	The Chairman of the Audit Committee is a member of the controlling family, whose training and professional experience qualify him to hold this position. Furthermore, the other member of the Audit Committee is an independent member.
Presentation of the remuneration due and paid to members of the Management Board over three financial years (R13)	Given the changes made to the composition of the Management Board during the 2016 financial year, a comparison with previous financial years is not relevant. Details for 2015 are therefore not included but are available online in reports for previous years via the company's website.

COMPOSITION OF CORPORATE GOVERNANCE BODIES

—

Somfy is a French limited company (*société anonyme*), whose organisation is based on the "Management Board and Supervisory Board" formula, which entrusts company management to the former under supervision of the latter.

COMPOSITION OF THE MANAGEMENT BOARD

Management Board members are appointed by the Supervisory Board in accordance with legal provisions.
Management Board members are appointed for a term of four years which will cease at the end of the General Meeting called to approve the financial statements for the year then ended and held during the year in which their term expires.

At 31 December 2017, the Management Board was composed as follows:

Name	Position	Age	Date renewed	Date term ends
Jean Guillaume Despature	Chairman	40	17 May 2017	2021 AGM
Pierre Ribeiro	Chief Financial Officer	51	17 May 2017	2021 AGM

COMPOSITION OF THE SUPERVISORY BOARD

The Somfy SA Supervisory Board consists of seven members:

Name	Position	Age	Nationality	Date appointed/ renewed	Date term ends	Audit Committee	Remuneration Committee
Michel Rollier	Chairman Independent member	73	French	(Member of the Supervisory Board: 15 May 2012/ Chairman of the Supervisory Board: 16 May 2013)	2018 AGM	–	Chairman
Victor Despature	Vice-Chairman	68	French	17 May 2017	2020 AGM	Chairman	Member
Paule Cellard	Independent member	62	French	17 May 2017	2021 AGM	Member	–
Anthony Stahl	Member	44	French	13 May 2015	2019 AGM	–	–
Marie Bavarel-Despature*	Member	37	French-Swiss	17 May 2017	2020 AGM	–	–
Sophie Desormière**	Independent member	51	French	17 May 2017	2021 AGM	–	–
Florence Noblot***	Independent member	54	French	17 May 2017	2021 AGM	–	–

* *The General Meeting of 17 May 2017 appointed Marie Bavarel-Despature as member of the Supervisory Board, in addition to current members, for a period of three years which will expire at the end of the General Meeting called in 2020 to approve the financial statements for the year just ended.*

** *The General Meeting of 17 May 2017 appointed Sophie Desormière as member of the Supervisory Board, replacing Jean Despature, for a period of four years which will expire at the end of the General Meeting called in 2021 to approve the financial statements for the year just ended.*

*** *The General Meeting of 17 May 2017 appointed Florence Noblot as member of the Supervisory Board, replacing Valérie Pilcer, for a period of four years which will expire at the end of the General Meeting called in 2021 to approve the financial statements for the year just ended.*

Regarding the composition of the Supervisory Board, shareholders at the next General Meeting will be asked to:
- re-appoint Michel Rollier as a member of the Supervisory Board for a period of four years which will expire at the end of the General Meeting to be held in 2022 to approve the financial statements for the year just ended.

The following other changes to the composition of the Supervisory Board took place during the financial year just ended and as of the date of this report (31 January 2018):

Member	Nature of change	Date of change	Effect in terms of diversification
Valérie Pilcer	Not re-appointed	17/05/17	–
Florence Noblot	Appointed as a replacement	17/05/17	Female representation, international experience and independence
Jean Despature	Not re-appointed	17/05/17	–
Sophie Desormière	Appointed as a replacement	17/05/17	Female representation, international experience and independence
Marie Bavarel-Despature	Appointment	17/05/17	Female representation and international experience
Paule Cellard	Re-appointed	17/05/17	–
Victor Despature	Re-appointed	17/05/17	–
Bernard Hours	Resignation	18/05/17	–

Equal representation of men and women on the Board

The Board currently consists of seven members, including four women. As such, the company complies with the legal provisions regarding gender equality applicable at the end of the Annual General Meeting held in 2017, namely, given the size of the Board, a maximum difference of two between the number of members of each gender.

Self-assessment of the Supervisory Board

At its meeting of 16 November 2017, the Board carried out the annual assessment of its operation and its work and those of its Audit and Remuneration Committees, with no particular comments to make in this regard. An assessment via a questionnaire sent out to each Supervisory Board member is planned during the course of 2019.

CONDITIONS OF PREPARATION AND ORGANISATION OF THE SUPERVISORY BOARD'S WORK

The Supervisory Board performs its control mission in accordance with the conditions prescribed by law.
A Chairman and a Vice-Chairman are elected from among its members, and they may call meetings of the Supervisory Board by any means, including verbally.

INDEPENDENCE OF THE MEMBERS OF THE SUPERVISORY BOARD

A group of family shareholders holds the majority stake in Somfy SA. As provided by the Middlenext framework, the Board assesses the independence of its members every year and at the time of their appointment.
Based on the independence criteria suggested by the Middlenext framework, the Supervisory Board notes that, to date, four members of the Board are independent, with no relationship of any nature whatsoever with Somfy SA or its Management, or with a company consolidated by the Group, that may affect his/her freedom of judgement, and who meets the following criteria:

- is not and has not been an employee or executive corporate officer of Somfy SA or any other Group company during the last five years;
- has not had, during the past two years, and does not have, any significant business relationship with the company or its Group (customer, supplier, competitor, service provider, creditor, banker, etc.);
- is not a significant shareholder of the company or holds a significant percentage of voting rights;
- does not have a close relationship or family connection with a corporate officer or a significant shareholder;
- has not been, over the previous six years, a Statutory Auditor of the company.

In light of these criteria, the Supervisory Board considered that Paule Cellard, Sophie Desormière, Florence Noblot and Michel Rollier qualified as independent members. The Board noted that there was no business relationship between the independent members and the Group.
Paule Cellard provides the Group with international experience in the fields of finance and risk monitoring and compliance. Michel Rollier provides the Group with industrial and international experience gained with the Michelin Group particularly in the fields of finance, strategy and marketing. Sophie Desormière provides the Group with industrial and international experience gained first with the Valeo Group and then with Solvay Group particularly in the fields of strategy, sales and marketing. Florence Noblot provides the Group with European and Asian (China, Singapore) experience gained with DHL Group in the fields of strategy, sales and marketing.
The other members of the Supervisory Board are members of the family and therefore have a family Code of Ethics, which reinforces the shared respect for the shareholders' agreement. Moreover, their own individual substantial investment naturally motivates their long-term commitment to the Group, their aim being the creation of value on a sustainable basis for all the stakeholders of Somfy SA.

Summary table:

Independent members of the Supervisory Board	Michel Rollier	Paule Cellard	Sophie Desormière	Florence Noblot	Explanation in the event of non-compliance
Is not and has not been an employee or an executive corporate officer of the company or any other Group company during the last five years	X	X	X	X	
Has not had, during the past two years, and does not have any significant business relationship* with the company or its Group (customer, supplier, competitor, service provider, creditor, banker, etc.)	X	X	X	X	
Is not a significant shareholder of the company or holds a significant percentage of voting rights	X	X	X	X	
Does not have a close relationship or family connection with a corporate officer or a significant shareholder	X	X	X	X	
Has not been a Statutory Auditor of the company over the previous six years	X	X	X	X	
Conclusion on independence	Independent	Independent	Independent	Independent	

** Where necessary, the material nature of relationships may be debated and the assessment criteria clarified at a Board meeting. To date, no business relationship exists.*

OPERATION OF THE SUPERVISORY BOARD

The company bylaws define and specify the terms and conditions governing the composition of the Supervisory Board. The main provisions are the following:

Supervisory Board members, the number of which can never fall below the legal threshold nor exceed the legal limit, are appointed in accordance with the conditions specified by law for a term of office of four years. By exception and solely to enable the implementation or maintenance of staggered terms of office, the Ordinary General Meeting may appoint one or more members of the Supervisory Board for a term of one, two or three years.

All outgoing Supervisory Board members may be reappointed.

The term of office of a Supervisory Board member ceases at the end of the Shareholders' Ordinary General Meeting called to approve the financial statements for the financial year just ended and held in the year that the term of office of the said member of the Supervisory Board expires.

No one may be appointed as a member of the Supervisory Board, if, being over 75 years old, his/her appointment leads to over a third of the members of the Supervisory Board being over that age.

The Supervisory Board meets at least once quarterly on an agenda drafted by its Chairman. During the 2017 financial year, it met on six occasions with an attendance rate of 86%.

Supervisory Board meetings either take place at the registered office or at any other location specified in the notice of the meeting.

Pursuant to Article 19 of the bylaws and Article 5 of the internal regulations, Supervisory Board members who participate in Board meetings using video-conferencing or other means of telecommunication that enable them to be identified and guaranteeing their effective participation in accordance with the conditions provided for by the regulations, are deemed to be present for quorum and majority calculation purposes. However, this provision does not apply to the review and audit of parent company and consolidated financial statements.

It is specified that, in accordance with the Middlenext Code, the physical presence of members is preferred, as is video-conferencing over telephone conversations.

At each ordinary meeting, the Management Board presents a report on the operations and results of the Group and its major subsidiaries for the quarter just ended. A detailed income statement with commentary is presented by the Management Board for every half-year and annual closing. In addition, the Supervisory Board receives a monthly sales report.

Within 90 days following the end of each financial year, the parent company and consolidated financial statements approved by the Management Board are sent to the Supervisory Board for review.

The Board then presents its observations on the report of the Management Board as well as on the financial statements to the General Meeting; these observations are included in this report on corporate governance.

For the approval of the half-year financial statements, only the consolidated financial statements are prepared and submitted to the Supervisory Board within three months of interim closing.

The Supervisory Board asks the Management Board and Management to provide any information or analysis they deem necessary or a presentation on any specific subject.

In accordance with the law, the Supervisory Board provides guidelines to the Management Board so that commitments to deposits, sureties or guarantees are validly provided by the company. The authorisation of the Supervisory Board is required in every case where a commitment does not meet these conditions.

The rules of operation of the Supervisory Board are specified in the Supervisory Board's internal regulations, which are available on the company's website.

The Board's internal regulations also include provisions aimed at preventing and managing conflicts of interest.

In this respect, the internal regulations specify that "should a situation arise where there appears to be a conflict of interest between corporate and direct or indirect personal interests, or the interests of the shareholder or group of shareholders he/she represents, the Board member concerned must:

- inform the Board of this conflict of interest as soon as he/she becomes aware of it;
- take all appropriate action in relation to exercising his/her term of office.

Depending on the case, he/she therefore shall:

- abstain from voting on the relevant deliberation;
- refrain from attending Board meetings during the period he/she is in a position of conflict of interest;
- resign from his/her duties as a member of the Board.

The Board member may be held liable for failing to comply with these abstention and non-attendance rules.

Furthermore, the Chairman of the Board is not obliged to disclose information or documentation relating to the matter in dispute to members whom he has strong grounds of suspecting are in a position of conflict of interest within the meaning of this paragraph, and will inform the Supervisory Board of this act of non-disclosure."

In its meeting of 16 November 2017, the Board conducted an annual review of the known potential conflicts of interest in accordance with the new R2 recommendation of the Middlenext Code.

The principal subjects discussed at meetings of the Supervisory Board during the year were the following:

- quarterly highlights by brand, activity and geographic region;
- presentation of the Believe & ACT strategic plan and the new Balanced Scorecard;
- presentation of the main budget priorities for 2018;
- update on the Quality project;
- update on the new Technical Department of the Home & Building Activity;
- update on the China strategy;
- update on the Smart & Smooth and Smart Window projects;
- update on the new risk mapping;
- update on GDPR;
- update on the Group's market share;
- early renewal of the terms of office of members of the Management Board and appointment of the Chairman of the Management Board and the Chief Financial Officer;
- appointment of the Vice-Chairman of the Supervisory Board and update on the composition of the Audit and Remuneration Committees;
- review of the Supervisory Board's internal regulations and the Ethics Code;
- proposed division of the par value of company shares;
- delegation of services other than the certification of the financial statements to the Audit Committee;
- update on the transformation of Somfy SAS into Somfy Activités SA;
- review of Supervisory Board members' conflicts of interest as provided for by the Middlenext Code;
- review of the policy regarding equality in the workplace and equal pay;
- review of Audit Committee reports;
- findings of the Remuneration Committee;
- allocation of attendance fees.

COMMITTEES ESTABLISHED BY THE SUPERVISORY BOARD

Audit Committee

With regard to the Audit Committee, the company applies the recommendations of the AMF's working group chaired by Mr Poupart Lafarge at the Audit Committee meeting of 22 July 2010. The recommendations in respect of the composition and chairmanship of the Committee, the competence of its members and definitions of their independence, the operation (information, evaluation and reporting on the work undertaken), as well as the recommendations relating to the execution of its legal responsibilities have been followed.
The follow-up on the effectiveness of the internal control and risk management systems has also been carried out.
In 2017, as part of its assignment relating to risks, the Audit Committee monitored risks and updated the risk mapping at an extraordinary meeting of the Audit Committee, during which the Internal Control and Risk Management Officer presented the relevant information.

As of 17 May 2017, the Audit Committee comprises two members: Victor Despature as Chairman, and Paule Cellard, independent in accordance with the criteria mentioned previously in paragraph "Independence of the members of the Supervisory Board". Until Valérie Pilcer decided not to renew her term of office as a member of the Supervisory Board, she was also a member of the Audit Committee and independent pursuant to the above-mentioned criteria.

Victor Despature has accounting expertise. He is a Chartered Accountant and was an Auditor from 1983 to 2000. Since then, he served as the General Manager of a major family-owned group from 2002 to 2006, as Chairman of the Legal Committee from 2002 to 2008 and as Chairman of the Supervisory Board from 2012 to 2017. He was also a member of the Remuneration Committee of this group from 2002 to 2017. From 2000 to 2017, he also led a medium-sized company operating in the aeronautic sub-contracting sector and has been the Chairman of the latter's Supervisory Board since 1 July 2017.

Paule Cellard, graduate of ESC Paris (Business School) and with a master's degree from the Paris Assas Law School, has held various operational roles in Corporate and Investment Banking. In particular, between 2006 and 2009 she was CEO of Gestion Privée Indosuez, and was subsequently Global Director of Compliance for Crédit Agricole Corporate & Investment Bank, until 2012. Since November 2012, she has been a Director of CA INDOSUEZ Wealth Management Europe, where she has been chairing the Audit and Risk Committee since December 2015. Since February 2017, she has been a Director of HSBC France and a member of the Audit and Risk Committees since October 2017. She has expertise in the financial field and strong experience in risk management.

The Committee's mission is to:
- monitor the preparation process of financial information and, if necessary, formulate recommendations to ensure its integrity;
- monitor the efficiency of internal control and risk management systems, as well as of the internal audit where applicable, regarding the processes related to the preparation and processing of accounting and financial information, without it affecting its independence;
- monitor the completion by the Statutory Auditors of their assignment, taking into account the observations and findings of the *Haut Conseil du Commissariat aux Comptes* (Statutory Auditors' Supervisory Body) following the audits performed pursuant to Articles L. 821-9 and subsequent;
- ensures the latter's independence;
- take part in their selection by issuing a recommendation on the Statutory Auditors proposed for appointment by the General Meeting;
- approve the provision of services other than the certification of the financial statements, mentioned in Article L. 822-11-2 of the French Commercial Code.

The Audit Committee regularly reports on the performance of its assignments to the Supervisory Board, and also reports on the results of the assignment to certify the financial statements, on the way in which this mission has contributed to the integrity of financial information and on the role it has played in this process. It shall inform the Supervisory Board without delay of any difficulty encountered.
Since its creation, it has met at each half-year and year-end balance sheet date. It meets as often as necessary, and at least twice every financial year, prior to the Supervisory Board's review of the half-year and annual financial statements and/or the proposed appointment of Statutory Auditors.
During the 2017 financial year, the Audit Committee met on four occasions with all members in attendance.
During the various Audit Committee meetings, the Chief Financial Officer and the Group Head of Consolidation presented the financial position of the Group, the accounting options adopted, the risk exposure, the significant off-balance sheet commitments and the changes in the consolidation scope; Internal Audit presented the results of audits carried out, the proposed annual audit plan and the results of the risk mapping update, in collaboration with the Internal Control Officer.
In addition to the recurring topics listed above, the following subjects were submitted to the Audit Committee in 2017:
- the framework for rolling out the ethical guidelines within the Group by the Head of Internal Audit;
- the reform of the audit process and more specifically the new reports related to this reform, namely the report to the Audit Committee and the new audit report by the Statutory Auditors.

Pursuant to Article L. 823-16 of the Commercial Code, the Statutory Auditors presented to the Supervisory Board their general work programme as well as the various surveys they carried out; the changes that they felt should be made to the financial statements or other accounting documents before their approval, along with any relevant comments about the valuation methods used in their preparation; possible irregularities and errors discovered and the findings leading to the above observations and corrections on the results of the period compared with those of the previous period.
In addition, every year the Statutory Auditors communicate to the Audit Committee a declaration of independence and an update of the information described in Article L. 820-3 detailing the services provided by the members of the network to which the Statutory Auditors are affiliated, as well as services carried out outside the scope of the certification of the financial statements.
In accordance with the obligation arising from the reform of the audit, the rules for the approval by the Audit Committee of the services provided by the auditors have been formally set out in a procedure. The total value of these services is set out in note 14 of the consolidated financial statements.
With regard to the work methods: a minimum time period for the examination of the financial statements was complied with to enable the Audit Committee to avail of the option of using external experts, as well as interviewing the Chief Financial Officer, the Statutory Auditors and the Internal Audit Officer.

The Chairman of the Audit Committee reports to the Supervisory Board on the work carried out by the Audit Committee and its findings during the Supervisory Board meetings called to approve the half-year and annual financial statements.
Minutes of each Audit Committee meeting are provided to the Supervisory Board so that it is aware of matters discussed.

Remuneration Committee

The Remuneration Committee currently comprises two members: Michel Rollier, Committee Chairman (independent member) and Victor Despature. Its mission is to submit proposals to the Supervisory Board, in particular in respect of the amount of and calculation methods for corporate officers' remuneration, including findings on the variable remuneration for the year just ended and proposals to be issued for the coming financial year, and to issue an opinion concerning the amount of attendance fees.
Upon its request, external persons who are not members may attend Committee meetings.
At least once a year, the Committee calls on a firm specialised in the subject of senior executive remuneration, which provides advice on the practices that are generally applied in companies of a comparable size.
It met twice during the year just ended. The rate of attendance by the members was 75%.
The Remuneration Committee is called upon to consider the succession of management resulting from the new R14 recommendation of the Middlenext Code; such consideration took place at its meeting of 4 September 2017.
The members of the Remuneration Committee report verbally to the Supervisory Board on their work and on the opinions they have issued, thus helping the Board to prepare and make decisions in terms of corporate officers' remuneration.

CONDITIONS OF SHAREHOLDERS' PARTICIPATION IN GENERAL MEETINGS

The bylaws allow for the following arrangements:
- all shareholders have a right to attend General Meetings and participate in their deliberations, in a personal capacity or by proxy;
- they may vote remotely. If the Management Board or Supervisory Board provides for this at the time of notice of the meeting, all shareholders may also participate in General Meetings by video-conference or by any communication means that enable their identification according to the terms and conditions set out by the law and regulations and that are specified in the notice of the meeting; the shareholder will, in this case, be deemed to be present for the calculation of quorum and majority;
- the right to participate in General Meetings is contingent upon the shareholder providing proof of their identity and the registration of the securities in their name (or in the name of the intermediary recorded on their behalf if they reside abroad) at midnight Paris time on the second working day preceding the Meeting, either in a nominative account or in the records of bearer shares held by an authorised intermediary;
- the attendance in person of the shareholder cancels all proxy or remote voting.

INFORMATION ON TERMS OF OFFICE AND DUTIES

TERMS OF OFFICE AND DUTIES OF MEMBERS OF THE MANAGEMENT BOARD

- **Jean Guillaume DESPATURE**
  Chairman of the Management Board
  - Chairman of the Supervisory Board of Damartex SA (company listed on Euronext Growth),
  - Chairman of the Remuneration Committee and member of the Audit Committee of Damartex SA (company listed on Euronext Growth),
  - Chairman of the Board of Directors of Financière Développement Suisse SA,
  - Chairman of the Somfy Foundation (in the position of Permanent Representative of the Founder – Somfy Activités SA) and Les Petites Pierres endowment fund,
  - Director of TTMD SA (Group company) and Acacia SA,
  - Director of DSG (Group company) and Edify, Grand-Saconnex branch,
  - Manager of FIDEP and CMC (Group company),
  - Chairman of the Board of Directors of BFT SpA (Group company),
  - Chairman of Somfy Protect by Myfox SAS (Group company).

- **Pierre RIBEIRO**
  Member of the Management Board – Chief Financial Officer
  - Director of Asian Capital International Limited, Sino Global International Holdings Limited, Sino Link Trading Limited and Promofi BV,
  - Member of the Board of Directors of BFT SpA,
  - Chairman and Director of TTMD SA,
  - Director of DSG.

The above terms of office are exercised within unlisted Group companies, unless otherwise indicated.

TERMS OF OFFICE AND DUTIES OF MEMBERS OF THE SUPERVISORY BOARD

- **Paule CELLARD**
  Independent Member of the Supervisory Board
  - Member of the Audit Committee of Somfy SA,
  - Member of the Supervisory Board of Damartex SA (company listed on Euronext Growth),
  - Chair of the Audit Committee of Damartex SA (company listed on Euronext Growth),
  - Member of the Remuneration Committee of Damartex SA (company listed on Euronext Growth),
  - Member of the Board of Directors of INDOSUEZ Wealth Management Europe,
  - Chair of the Audit Committee and of the Risk Management and Internal Control Committee of INDOSUEZ Wealth Management Europe,
  - Member of the Board of Directors of HSBC France,
  - Member of the Audit and Risk Committees of HSBC France.

- **Jean DESPATURE**
  Member of the Supervisory Board
  (until 17 May 2017)
  - Member of the Supervisory Board of Damartex SA (company listed on Euronext Growth),
  - Chairman of the Supervisory Board of J.P.J.S. SCA,
  - Chairman of the Board of Directors of Yainville SA,
  - Director of Autoplanet.

- **Victor DESPATURE**
  Vice-Chairman of the Supervisory Board
  - Chairman of the Audit Committee of Somfy SA,
  - Member of the Remuneration Committee of Somfy SA,
  - Chairman of the Supervisory Board of MCSA SA,
  - Manager of SARL MCSA-Tunis and SC Vicma, Devin-VD and Le Maréchal,
  - Director of Edify SA (company listed on the Euro-MTF market of the Luxembourg stock exchange).

- **Bernard HOURS**
  Independent member of the Supervisory Board (until 18 May 2017)
  - Member of the Board of Directors of Essilor (company listed on Euronext),
  - Member of the Corporate Officers and Remuneration Committee of Essilor (company listed on Euronext),
  - Member of the Strategic Committee of Essilor (company listed on Euronext),
  - Non-executive member of the Board of Directors of Verlinvest,
  - Member of the Board of Directors of Vitacoco.

- **Valérie PILCER**
  Independent member of the Supervisory Board (until 17 May 2017)
  - Member of the Audit Committee of Somfy SA (until 17 May 2017).

- **Michel ROLLIER**
  Chairman of the Supervisory Board – Independent member of the Board
  - Chairman of the Remuneration Committee of Somfy SA,
  - Chairman of the Supervisory Board of Michelin (company listed on Euronext),
  - Member of the Remuneration and Appointments Committee of Michelin (company listed on Euronext),
  - Chairman of the Board of Directors of Siparex Associés,
  - Chairman of the *Association Nationale des Sociétés par Actions* (ANSA),
  - Chairman of *Haut Comité de Gouvernement d'Entreprise*.

- **Anthony STAHL**
  Member of the Supervisory Board
  - Member of the Supervisory Board of Damartex SA (company listed on Euronext Growth),
  - Chairman of the Management Committee of FIDEP.

- **Marie BAVAREL-DESPATURE**
  Member of the Supervisory Board (since 17 May 2017)
  - Member of the Supervisory Board of Damartex SA (company listed on Euronext Growth),
  - Manager of FIDEP.

- **Sophie DESORMIÈRE**
  Independent member of the Supervisory Board (since 17 May 2017)
  - Member of the Board of Directors of Gentherm.

- **Florence NOBLOT**
  Independent member of the Supervisory Board (since 17 May 2017)
  - Member of the Supervisory Board of Elis SA.

Apart from the terms of office and duties performed by the members of the Supervisory Board within Somfy SA, all the other terms of office and duties are performed outside the Group.

REGULATED AGREEMENTS

Please note that no regulated agreement concluded and authorised during previous financial years and with continuing effect during the financial year just ended is to be reported, and that no new agreements of the same nature as those referred to in Articles L. 225-86 and subsequent of the Commercial Code were concluded during the 2017 financial year.

AGREEMENTS CONCLUDED BETWEEN A CORPORATE OFFICER OR SHAREHOLDER HOLDING MORE THAN 10% OF VOTING RIGHTS AND A SUBSIDIARY (EXCLUDING CURRENT AGREEMENTS)

Nil.

INFORMATION ON DELEGATIONS RELATING TO SHARE CAPITAL INCREASES AND OTHER AUTHORISATIONS

The Management Board benefits from the following authorisations:

	Date of AGM	Date authorisation expires	Authorised amount	Used during the financial year ended 31 December 2017	Residual amount at 31 December 2017
Authorisation to issue stock options	Extraordinary General Meeting 13 May 2015	12 July 2018	1.5% of share capital on date of AGM	Nil	1.5% of share capital on date of AGM
Authorisation to grant existing free shares	Extraordinary General Meeting 24 May 2016	23 July 2019	1.5% of share capital on date of AGM Charged to the allocation of stock options	*	1.13% of share capital on date of AGM

** Free allocation of 138,325 shares, representing 0.37% of the share capital, decided by the Management Board on 16 June 2017.*

It is further specified that the Management Board has a share buyback authorisation, granted by the Shareholders' Meeting of 17 May 2017 in its 12th ordinary resolution, details of which are set out in the section on the buyback of own shares in the Management Board's management report, and an authorisation to cancel shares purchased by the company, granted by the General Meeting of 24 May 2016 in its 11th extraordinary resolution. This latter authorisation covers a maximum of 10% of the share capital and is valid until 23 May 2018. It was not used during the 2017 financial year.

The Management Board does not benefit from any delegation of authority or powers granted by the General Meeting in respect of increases in capital in relation to Articles L. 225-129-1 and L. 225-129-2 of the Commercial Code.

INFORMATION ON REMUNERATION

REMUNERATION POLICY

—

APPROVAL OF THE PRINCIPLES AND CRITERIA FOR THE DETERMINATION, APPORTIONMENT AND ALLOCATION OF THE ELEMENTS THAT COMPRISE THE TOTAL REMUNERATION AND BENEFITS PAYABLE TO THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS (SEE RESOLUTIONS 9 AND 10)

In the context of determining the total remuneration of executive corporate officers, the Supervisory Board, acting on a proposal from the Remuneration Committee, has taken the following principles into account in keeping with recommendation R13 of the Middlenext Code of Corporate Governance of September 2016:

- **completeness**: determination of remuneration received by executive corporate officers must be complete: fixed components, variable components (bonus), stock options, free shares, attendance fees, pension terms and special benefits must be taken into account in the overall level of assessment of remuneration;
- **balance between the elements of the remuneration**: each remuneration component must be substantiated and correspond to the company's general interest;
- **benchmark**: the remuneration must be assessed, insofar as possible, within the context of a business sector and the benchmark market, and be proportionate to the company's situation, while paying due attention to its inflationary effects;
- **consistency**: executive corporate officers' remuneration must be determined in a manner consistent with that of other officers and employees in the company;
- **clarity of the rules**: the rules must be simple and transparent; the performance criteria used to determine the variable part of remuneration, or, where applicable, the allocation of options or free shares, must be linked to the company's performance and correspond to its goals, be demanding, accountable and to the greatest extent possible, sustainable. They should be detailed without calling into question the confidentiality that may be justified for certain elements;
- **reasonableness**: the method determining the remuneration and allocation of options or free shares must be balanced and take into account at the same time the company's general interest, market practices and officer performance;
- **transparency**: shareholders' annual information on the total remuneration and benefits received by officers is conducted in accordance with applicable regulations.

PRINCIPLES AND CRITERIA FOR THE DETERMINATION, APPORTIONMENT AND ALLOCATION OF THE ELEMENTS THAT COMPRISE THE TOTAL REMUNERATION AND BENEFITS OF ANY KIND PAYABLE TO THE MEMBERS OF THE MANAGEMENT BOARD

These principles and criteria established by the Board, based on recommendations of the Remuneration Committee are as follows:

Fixed remuneration

It is determined in accordance with market practice, and regularly benchmarked by a recognised and renowned expert from a firm specialising in executive remuneration. It is set upon appointment and changes with moderation every year during the term of office. It is reviewed and benchmarked again with each appointment renewal. As of 2017, it includes the payment of a bonus in favour of Management Board members, introduced following the removal of the previous "Article 39" additional pension scheme.

Annual variable remuneration

Annual variable remuneration is capped at a maximum of the annual fixed remuneration. For the Chairman of the Management Board, this cap is a maximum of 99% of the fixed amount, *i.e.* 84% of the quantitative variable on financial criteria, and 15% of the qualitative variable on non-financial criteria. This cap is a maximum of 75% of the fixed amount for other Management Board members, *i.e.* 60% of the quantitative variable on financial criteria, and 15% of the qualitative variable on non-financial criteria.

The criteria for determining annual variable remuneration are as follows:

- the quantitative criteria based on financial items are profit growth, measured by the average growth in COR (Current Operating Result) over two years; the growth in profitability of capital used, measured by the average level of ROCE (Return On Capital Employed) over two years; and lastly, business development, measured by sales growth and by its differential with the sales growth of a range of benchmarks consisting of nine companies deemed to be comparable.
  The expected level of achievement for the quantitative criteria has been predefined by the Supervisory Board further to a proposal by the Remuneration Committee. The expected level of achievement for the quantitative criteria has not been publicly disclosed for reasons of confidentiality;
- the qualitative criteria were predefined by the Supervisory Board further to a proposal by the Remuneration Committee. They are weighted by the Remuneration Committee's assessment of the personal and managerial involvement of the Management Board member concerned. The expected level of achievement of qualitative criteria has not been publicly disclosed for reasons of confidentiality.

Long Term Remuneration

The members of the Management Board, as well as the Chairman, are beneficiaries of free allocations of performance shares under the same conditions, and subject to the same performance criteria as for allocations granted to the Group's executives and senior executives. The criteria used are usually based on the level of Current Operating Result and the development of sales growth. Except under specific circumstances, these allocations are granted on an annual basis and are limited on initial allocation to an allocated amount that corresponds to the book value calculated at fair value and which may not exceed 150% of annual fixed remuneration.

Other benefits

Management Board members and the Chairman each have their own company car which they may use privately.

Exceptional remuneration

The Supervisory Board may decide, further to a proposal of the Remuneration Committee and under very special circumstances, to grant exceptional remuneration to Management Board members or the Chairman. Such a payment may be made in the event of a major transaction for the company, or if there is exceptional outperformance which is not taken into account in the criteria determining the variable remuneration for the financial year.

The payment of variable, and possibly exceptional, remuneration elements allocated in relation to financial year N to each member of the Management Board is subject in year N+1 to approval by the Ordinary General Meeting of the remuneration elements paid or allocated in relation to financial year N.

OTHER COMMITMENTS TO MANAGEMENT BOARD MEMBERS

Termination benefit

There is no such commitment concerning Management Board members or the Chairman.

Pension

- Members of the Management Board are beneficiaries of the mandatory group pension schemes applicable to executives and senior executives of Group companies.
- For the Chairman of the Management Board who is not territorially eligible for French pension plans, the applicable scheme is the mandatory group scheme applicable to senior executives for companies based in the Swiss Confederation.
- There is no pension scheme with defined benefits covered by Article L. 137-11 of the French Social Security Code (supplementary pension plan), for the benefit of Management Board members or the Chairman.
- Like Group executives, the members and the Chairman of the Management Board benefit, when they retire, from a retirement bonus (*Indemnité de Fin de Carrière*, or IFC) as provided for by the National Collective Bargaining Agreement for Executives and Engineers in the Metalwork Industry (IDCC 650).

Provident fund

The members of the Management Board and the Chairman are beneficiaries of the group provident fund scheme (death & disability insurance) which applies to the Group's senior executives.
Unless they justify personal insurance coverage elsewhere, they are also affiliated to the "Mutual Health Insurance" scheme which is mandatory for Group employees.

Non-competition clause

There is no such commitment concerning Management Board members or the Chairman.

REMINDER OF THE AGREEMENTS CONCLUDED WITH GROUP COMPANIES

Employment contract

It should be noted that members of the Management Board benefit from an employment contract concluded with Somfy SA's subsidiaries and maintained following their appointment to the Board.

PRINCIPLES AND CRITERIA FOR THE DETERMINATION, APPORTIONMENT AND ALLOCATION OF THE ELEMENTS THAT COMPRISE THE TOTAL REMUNERATION AND BENEFITS OF ANY KIND PAYABLE TO THE MEMBERS OF THE SUPERVISORY BOARD

The principles and criteria established by the Board, based on recommendations of the Remuneration Committee are as follows:

Fixed remuneration

- The General Meeting sets the overall amount of attendance fees for all Board members. The Supervisory Board apportions attendance fees among its members in proportion to the attendance of each member at Board meetings and Audit Committee and Remuneration Committee meetings.
- The Chairman of the Supervisory Board receives specific remuneration in relation to his duties as Chairman. This remuneration is fixed and changes upon each new renewal of appointment, or when the Board finds that there is a permanent change to the Chairman's workload.
- The Supervisory Board reserves the right to allocate specific remuneration to one of its members in order to reward specific services other than participation in the Supervisory Board's routine work.

Variable remuneration

No member of the Supervisory Board receives variable remuneration based on performance criteria.

Other benefits

The members and Chairman of the Supervisory Board do not receive any other remuneration or benefits in addition to the remuneration mentioned above, which qualifies as attendance fees.

We invite you to approve the principles and criteria set out above by voting the 9th and 10th resolutions.

INFORMATION ON REMUNERATION DUE, PAID OR ALLOCATED DURING THE FINANCIAL YEAR

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REMUNERATION RECEIVED BY MANAGEMENT BOARD MEMBERS FROM SOMFY SA AND SUBSIDIARIES UNDER ITS CONTROL

It should be noted that members of the Management Board benefit from an employment contract concluded with Somfy SA's subsidiaries prior to their appointment to the Board. It has become necessary to the company that, in order to attract and retain talent, members of the Management Board must be able to continue to enjoy the protection guaranteed by an employment contract. As a result, the employment contracts of the members of the Management Board that predated their respective terms of office have been maintained.

Summary table of benefits of corporate officers

Executive corporate officers	Employment contract		Defined benefit pension plans	
	yes	no	yes	no
Name: Jean Guillaume DESPATURE Position: Chairman of the Management Board Start of term of office: 17/05/17 End of term of office: 2021 AGM	✓			✗
Name: Pierre RIBEIRO Position: Member of the Management Board Start of term of office: 17/05/17 End of term of office: 2021 AGM	✓			✗

Jean Guillaume DESPATURE
Chairman of the Management Board

In accordance with the principles and criteria approved by the General Meeting of 17 May 2017, remuneration comprises a fixed portion, a variable portion, long-term remuneration and other benefits detailed below.

The fixed portion consists of the basic fixed remuneration and also includes the payment of a PER (*Prime Équivalent Retraite* – Pension Equivalent Premium) bonus in favour of Management Board members, introduced following the removal of the previous "Article 39" supplementary pension scheme.

Variable remuneration is determined by the Supervisory Board on the recommendation of the Remuneration Committee. It is based on the achievement of objectives that take account of quantitative financial and qualitative criteria. For the part based on quantitative criteria (referred to as "financial" criteria), the criteria used are profit growth, measured by the average growth in Current Operating Result over two years; the growth in profitability of capital used, measured by the average level of ROCE (Return On Capital Employed) over two years; and lastly, business development, measured by sales growth and by its differential with the sales growth of a range of benchmarks consisting of nine companies deemed to be comparable. For the part based on qualitative criteria (referred to as "non-financial" criteria), the criteria used in relation to 2017 concern the quality performance within the company, the improvement of management control, and the implementation of the competency framework. These non-financial criteria are weighted by a coefficient representing the Supervisory Board's assessment, upon proposal by the Remuneration Committee, of the personal and managerial involvement of the Management Board member concerned. For confidentiality reasons the expected level of achievement of quantitative criteria, as well as the qualitative criteria, which are predetermined by the Supervisory Board, are not publicly disclosed.

Benefits in kind consist of the use of a company car.

Long-term remuneration consists of the allocation of performance shares corresponding to free shares plan N° 3 set up on 16 June 2017, details of which are specified in paragraph "Performance-based options and shares allocated and exercised during the financial year" below.

In respect of his employment contract, which predates his appointment to the Management Board, Jean Guillaume Despature is also a beneficiary of the defined contribution pension plan of the company DSG SA, which applies equally to senior executives and employee managers. This is the second mandatory pillar for companies based in the Swiss Confederation. The company's commitment is limited to the amount of contributions paid during the financial year.

The principles and criteria used to determine, apportion and allocate the various fixed, variable and exceptional items of remuneration comprising total remuneration and benefits attributable to the Chairman of the Management Board are detailed in this report (pages 53 and 54).

Details of total remuneration due or paid during the financial year just ended are included in the summary table (page 56).

Pierre RIBEIRO
Member of the Management Board – Chief Financial Officer

In accordance with the principles and criteria approved by the General Meeting of 17 May 2017, remuneration comprises a fixed portion, a variable portion, long-term remuneration and other benefits detailed below.

The fixed portion consists of the basic fixed remuneration and also includes the payment of a PER (*Prime Équivalent Retraite* – Pension Equivalent Premium) bonus in favour of Management Board members, introduced following the removal of the previous "Article 39" supplementary pension scheme.

Variable remuneration is determined by the Supervisory Board on the recommendation of the Remuneration Committee. It is based on the achievement of objectives that take account of quantitative financial and qualitative criteria. For the part based on quantitative criteria (referred to as "financial" criteria), the criteria used are profit growth, measured by the average growth in Current Operating Result over two years; the growth in profitability of capital used, measured by the average level of ROCE (Return On Capital Employed) over two years; and lastly, business development, measured by sales growth and by its differential with the sales growth of a range of benchmarks consisting of nine companies deemed to be comparable. For the part based on qualitative criteria (referred to as "non-financial" criteria), the criteria used in relation to 2017 concern the quality performance within the company, the improvement of management control, and the implementation of the competency framework. These non-financial criteria are weighted by a coefficient representing the Supervisory Board's assessment, upon proposal by the Remuneration Committee, of the personal and managerial involvement of the Management Board member concerned. For confidentiality reasons the expected level of achievement of quantitative criteria, as well as the qualitative criteria, which are

predetermined by the Supervisory Board, are not publicly disclosed.
The variable remuneration also includes the incentive bonus, profit sharing and employer contributions.
Long-term remuneration consists of the allocation of performance shares corresponding to free shares plan N° 3 set up on 16 June 2017, details of which are specified in paragraph "Performance-based options and shares allocated and exercised during the financial year" below.
Benefits in kind consist of the use of a company car.
In respect of his employment contract, which predates his appointment to the Management Board, Pierre Ribeiro is also a beneficiary of the defined contribution pension plan of the company CMC SARL (Article 83), which applies equally to senior executives and employee managers.
The company's commitment is limited to the amount of contributions paid during the financial year.
The principles and criteria used to determine, apportion and allocate the various fixed, variable and exceptional items of remuneration comprising total remuneration and benefits attributable to the member of the Management Board are detailed in this report (pages 53 and 54).
Details of total remuneration due or paid during the financial year just ended are included in the summary table (page 56).

SUMMARY TABLE OF REMUNERATION DUE OR PAID IN 2017 TO MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD (including remuneration paid by the company and controlled companies)

Jean Guillaume DESPATURE, Chairman of the Management Board	**2017**		**2016**	
Gross, €	**due**	**paid**	**due**	**paid**
Basic fixed remuneration	490,000	490,000	480,000	480,000
Fixed remuneration – pension equivalent premium	82,309	82,309	–	–
Exceptional remuneration	–	–	–	10,000*
Annual variable remuneration	330,000	320,000	320,000	200,000
LTI premium	–	–	–	14,925
Benefits in kind	3,828	3,828	3,907	3,907
TOTAL	**906,137**	**896,137**	**803,907**	**708,832**

** Adjustment paid in 2016 for 2015 term of office.*

Pierre RIBEIRO, Member of the Management Board	**2017**		**2016**	
Gross, €	**due**	**paid**	**due**	**paid**
Basic fixed remuneration	340,000	340,000	330,000	330,000
Fixed remuneration – pension equivalent premium	67,270	67,270	–	–
Annual variable remuneration	173,000	220,000	220,000	200,000
Incentive bonus, profit sharing, employer contributions	53,463	52,711	51,408	46,407
LTI premium	–	–	–	23,085
Benefits in kind	6,730	6,730	7,150	7,150
TOTAL	**640,463**	**686,710**	**608,558**	**606,643**

The Middlenext Code recommends the use of a table showing the previous two financial years. Exceptionally, this table is presented according to the previous recommendation but with a comparison of the previous two financial years given that comparison with the 2015 financial year is not relevant due to the changes made to the composition of the Management Board during 2016.

Members of the Supervisory Board	Amounts paid during the 2017 financial year		Amounts paid during the 2016 financial year		Amounts paid during the 2015 financial year	
Gross, €	**due**	**paid**	**due**	**paid**	**due**	**paid**
Michel ROLLIER						
Attendance fees	3,600	3,600	3,600	3,600	2,600	2,600
Other remuneration as Chairman of the Supervisory Board	75,000	75,000	75,000	75,000	75,000	75,000
Paule CELLARD						
Attendance fees	12,800	12,800	14,400	14,400	9,200	9,200
Victor DESPATURE						
Attendance fees	16,200	16,200	18,000	18,000	13,100	13,100
Anthony STAHL*						
Attendance fees	—	—	—	—	—	—
Florence NOBLOT						
Attendance fees	3,200	3,200	—	—	—	—
Sophie DESORMIÈRE						
Attendance fees	4,800	4,800	—	—	—	—
Marie BAVAREL-DESPATURE						
Attendance fees	4,800	4,800	—	—	—	—
Bernard HOURS						
Attendance fees	22,500	22,500	60,000	60,000	38,167	38,167
Jean DESPATURE						
Attendance fees	1,600	1,600	6,400	6,400	4,400	4,400
Valérie PILCER						
Attendance fees	5,600	5,600	14,400	14,400	9,200	9,200
Xavier LEURENT						
Attendance fees	—	—	—	—	2,200	2,200

** No longer wishes to receive attendance fees for this term of office.*

No remuneration was paid by the controlling entity.

PERFORMANCE-BASED OPTIONS AND SHARES ALLOCATED AND EXERCISED DURING THE FINANCIAL YEAR

During the financial year, no new options were allocated to members of the Management Board and no member exercised any options.
On 16 June 2017 however, a new allocation of performance shares was decided on in favour of the Group's key managers and executives, aimed at rewarding their performance and strengthening their loyalty.
Under this plan, Management Board members were granted a "Maximum" Allocation of 7,320 Somfy shares, whose definitive vesting will only take effect on 1 July 2019 subject to them remaining employed at 30 June 2019 and to the fulfilment of the three performance conditions set out in the plan: Sales growth, increase in Current Operating Result, and the improvement of a corporate indicator measuring cooperation within the Group.
This allocation was carried out in compliance with the provisions of Article L. 225-197-6 of the Commercial Code.

APPROVAL OF FIXED, VARIABLE AND EXCEPTIONAL ITEMS COMPRISING TOTAL REMUNERATION AND BENEFITS OF ANY KIND PAID OR ALLOCATED DURING THE YEAR JUST ENDED, IN APPLICATION OF THE PRINCIPLES AND CRITERIA APPROVED BY THE GENERAL MEETING OF 17 MAY 2017 (RESOLUTIONS 6, 7 AND 8)

The items of remuneration paid or allocated in application of the principles and criteria approved by the General Meeting of 17 May 2017 presented hereafter are submitted for your approval pursuant to Article 225-100 of the Commercial Code.

Resolution 6:
Jean Guillaume Despature, Chairman of the Management Board

The total remuneration paid or allocated for the 2017 financial year consists of:
- the fixed remuneration paid in 2017, comprising gross basic remuneration of €490,000, and the Pension Equivalent Premium bonus amounting to €82,309 gross;
- the variable remuneration allocated for the 2017 financial year totalling €330,000 gross, and to be paid in 2018 after the General Meeting has been held and subject to approval by the latter;
- a benefit in kind consisting of the use of a company car with a book value of €3,828;
- long-term remuneration allocated in the form of a performance share plan (free share plan N° 3), not yet vested and subject to performance-related conditions and continued employment, for a maximum of 7,320 shares measured at fair value, equating to a book value of €307,856.

It should also be noted that Jean Guillaume Despature benefits from a defined contribution pension commitment (no amount subject to retrospective voting).

Resolution 7:
Pierre Ribeiro, member of the Management Board

The total remuneration paid or allocated for the 2017 financial year consists of:
- the fixed remuneration paid in 2017, comprising gross basic remuneration of €340,000, and the Pension Equivalent Premium bonus amounting to €67,270 gross;
- the variable remuneration allocated for the 2017 financial year totalling €173,000 gross, and to be paid in 2018 after the General Meeting has been held and subject to approval by the latter;
- a benefit in kind consisting of the use of a company car with a book value of €6,730;
- long-term remuneration allocated in the form of a performance share plan (free share plan N° 3), not yet vested and subject to performance-related conditions and continued employment, for a maximum of 7,320 shares measured at fair value, equating to a book value of €307,856;
- an employee savings plan related to the employment contract (profit sharing, incentive bonus, employer contributions) amounting to €53,463 due in respect of the 2017 financial year and to be paid in 2018.

It should also be noted that Pierre Ribeiro benefits from a defined contribution pension commitment (no amount subject to retrospective voting).

Resolution 8:
Michel Rollier, Chairman of the Supervisory Board

Remuneration for the 2017 financial year consists of remuneration paid in his capacity as Chairman of the Supervisory Board for a gross amount of €75,000 and attendance fees for his participation in specialised committees for a gross amount of €3,600.

Regarding the remuneration of the corporate officers, shareholders will therefore be asked at the next General Meeting to:
- approve the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid or allocated for the financial year just ended to Jean Guillaume DESPATURE, Chairman of the Management Board, as presented in the above paragraph;
- approve the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid or allocated for the financial year just ended to Pierre RIBEIRO, Chief Financial Officer and member of the Management Board, as presented in the above paragraph;
- approve the items comprising the total remuneration and benefits of any kind paid or allocated for the financial year just ended to Michel ROLLIER, Chairman of the Supervisory Board, as presented in the above paragraph;
- approve the principles and criteria used to determine, apportion and allocate the various fixed, variable and exceptional items of remuneration comprising total remuneration and benefits of any kind attributable to the Chairman of the Management Board and the member of the Management Board, presented in the section "Remuneration policy" above;
- approve the principles and criteria used to determine, apportion and allocate the various fixed, variable and exceptional items of remuneration comprising total remuneration and benefits of any kind attributable to the members of the Supervisory Board, presented in the section "Remuneration policy" above.

INFORMATION ON THE TERMS AND CONDITIONS FOR THE RETENTION OF SHARES ALLOCATED FREE OF CHARGE TO EXECUTIVE CORPORATE OFFICERS

At its meeting of 13 May 2009, the Supervisory Board set the number of shares that every member of the Management Board is required to retain in nominative form until the termination of their term of office: resulting in every member being required to retain 25% of the total shares allocated free of charge, this percentage being reduced to 20% at the end of four years from the allocation, then successively to 15% at the end of six years from the allocation, to 10% at the end of eight years from the allocation and to 5% until termination of their terms of office.

INFORMATION ON ELEMENTS LIABLE TO HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFERING

Under existing regulations and to the company knowledge, the following may have an impact in the event of a public offering:

- the capital structure and all known direct or indirect holdings in Somfy SA and all relevant information is described under "Information on the distribution of share capital and holdings" in the Management Board's management report;
- there are no bylaw restrictions to the exercise of voting rights or agreements providing for preferential transfer or acquisition of shares, excepting those described in the section "Action in concert and retention agreements" of the Management Board's management report;
- there are no securities carrying special voting rights, aside from the existence of double voting rights enjoyed by fully paid shares registered under the same named shareholder for at least four years (see excerpt from Article 29 of the bylaws in the Management Board's management report);
- voting rights attached to Somfy SA shares held by personnel through FCPE Somfy (Somfy Investment Fund Scheme) are exercised by a representative appointed by the Supervisory Board of the FCPE to represent it at the Annual General Meeting;
- commitments signed between shareholders that could lead to restrictions on the transfer of shares and exercise of voting rights have been referred to in the "Action in concert and retention agreements" section of the Management Board's management report;
- rules governing the appointment and replacement of Management Board members and any bylaw amendments are respectively provided for in Articles 15 and 31 of the bylaws reproduced below:

BYLAW PROVISIONS RELATING TO THE APPOINTMENT AND REPLACEMENT OF MEMBERS OF THE MANAGEMENT BOARD (Article 15)

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"The Management Board is composed of a minimum of two and a maximum of five members who are private persons and may or may not be shareholders.

In accordance with the law, the Supervisory Board will appoint Management Board members, determine their number, appoint one of them as Chairman of the Management Board and determine their remuneration. Management Board members are appointed for a term of four years which will cease at the end of the General Meeting called to approve the financial statements for the year then ended and held during the year in which their term expires.

No person aged over 70 May be appointed to the Management Board. Upon reaching this age, members of the Management Board are deemed to have resigned at the Supervisory Board's next meeting.

The Supervisory Board is authorised to assign the powers of the Chairman of the Management Board, as conferred by law, to one or more members of the Management Board who carry the title of Chief Executive Officer.

Management Board members can be re-elected.

In case of a vacancy, a replacement shall be appointed for the time remaining until re-election of the Management Board.

If a Management Board member seat is vacant, the Supervisory Board must change the number of seats it had previously set or fill the vacancy within a two-month time frame so that the number of Directors does not fall below the minimum required by the bylaws. Otherwise, any interested party may ask the President of the Commercial Court, acting in chambers, to make this temporary appointment. The person thus appointed may, at any time, be replaced by the Supervisory Board.

Management Board members or the single Chief Executive Officer may only be dismissed by the Annual General Meeting or by the Supervisory Board. If dismissal is decided without just cause, it may give rise to damages. In the case where an individual holds an employment contract with the company, the revocation of his/her functions purely as a Management Board member or single Chief Executive Officer will not terminate this contract."

BYLAW PROVISIONS RELATING TO BYLAW AMENDMENTS (Excerpt of Article 31)

—

"The Extraordinary General Meeting alone is authorised to amend any bylaw provisions, it being specified that it can delegate to the Supervisory Board authority to align the bylaws with applicable legal and regulatory provisions, in accordance with Article L. 225-65 of the Commercial Code. Nevertheless, it cannot increase shareholders' liabilities with the exception of transactions resulting from an exchange or regrouping of shares properly decided and executed.

(…)

It requires a two-thirds majority of votes of present or represented shareholders, including shareholders who voted by mail";

- concerning powers, the Management Board has no delegations except those described under the section "Information on delegations relating to share capital increases and other authorisations" of this report;
- agreements concluded by the company that may be altered or terminated upon a change of control of the company are as follows: contracts signed between Somfy SA and credit institutions concerning credit facilities granted require the latter to inform the said banks of all projects related to a significant change in its shareholding, notably those resulting in a transfer of control to a new company;
- there are no particular agreements providing for benefits to be paid upon termination of the term of office of Management Board members or employees, if they resign or are dismissed without fair or serious cause or if their employment is terminated as a result of a public offering.

OBSERVATIONS OF THE SUPERVISORY BOARD ON THE MANAGEMENT BOARD'S MANAGEMENT REPORT AND THE FINANCIAL STATEMENTS FOR THE YEAR JUST ENDED

Ladies and Gentlemen,

The Management Board has convened this Combined General Meeting to submit the financial statements for the year just ended for your approval.

Pursuant to Article L. 225-68 of the Commercial Code, the Management Board has kept us periodically informed on company transactions through the presentation of quarterly reports.

For verification and control purposes, the Management Board has also submitted to us the parent company and consolidated financial statements at 31 December 2017, which you are requested to approve today.

The Management Board has also provided us with its report, which has just been presented to you.

We hereby submit to you our observations on these financial statements and on this report pursuant to the provisions of the above-mentioned Article L. 225-68.

This report fairly reflects information that was regularly provided to us during the financial year just ended.

Sales increased by 10.1% over the financial year just ended to €1,246.6 million. They benefitted from a positive scope effect of €11.2 million and suffered from a negative currency impact of €12.8 million.

Growth stood at 10.3% on a like-for-like basis over the financial year, including 8.5% over the first half and 12.3% over the second, and followed an increase of 10.2% over the course of the previous year. It reflects significant growth within all business segments and locations(1).

The most noteworthy performances came from Asia-Pacific, America, France, Eastern and Central Europe, and Northern Europe, all of which recorded double-digit growth.

The trend was less impressive, but nevertheless remained definitely positive within the two other major regions, Southern Europe and Germany.

The strong performance of these figures is testament to the growing interest of consumers in different continents in motorised and connected solutions in the home, and thereby validates the Group's choices and positioning (international coverage, innovation, digital transformation, etc.).

Current operating result stood at €168.4 million over the financial year, down 5.2%, and represented 13.5% of sales.

This decline resulted from factors that are both cyclical and structural, namely gaining market share, the rise in the price of raw materials, fluctuations in the main invoicing currencies and the integration of recently-acquired companies (iHome Systems, Myfox).

On a like-for-like basis, current operating result would have been virtually stable at €178.0 million, and as such would have represented 14.3% of sales.

Consolidated net profit was €157.7 million, an increase of 10.1%. It takes into account a negligible net non-recurring operating expense, a net financial expense of €5.9 million, which mainly includes unrealised exchange differences, and income tax of €3.1 million, a particularly low level due notably to the recovery of the tax on dividends.

Excluding tax rebates, net profit would have been €135.4 million, and would have fallen by 5.5%.

Ultimately, profitability remained at a very satisfactory level with a return on capital invested (ROCE) of 19.7%(2).

The balance sheet was further strengthened.

The net cash surplus rose indeed from €15.5 million to €104.6 million(3) year-on-year, an increase of €89.1 million, and shareholders' equity grew to €770.7 million.

The Management Board will propose the payment of a dividend of €1.3 per share at the Annual General Meeting, an increase of 6.6% compared with the adjusted dividend paid last year(4).

The report of the Management Board also provides all information required by existing regulations.

Furthermore, you will be asked to authorise the Management Board to:

- implement a new treasury share buy-back programme;
- cancel the shares bought back by the company within the framework set out by Article L. 225-209 of the Commercial Code;
- allocate share purchase options to employees and/or certain corporate officers of the company or related companies;
- increase the share capital through the issue of ordinary shares and/or marketable securities giving access to the share capital with waiver of the preferential subscription right for members of a company savings plan pursuant to Articles L. 3332-18 and subsequent of the Labour Code;
- bring Article 20 of the bylaws into line with legal and regulatory provisions.

You will also, in particular, be asked to vote on:

- the renewal of the term of office of a member of the Supervisory Board;
- the approval of the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid or allocated in respect of the financial year just ended to Jean Guillaume DESPATURE, Chairman of the Management Board;
- the approval of the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid or allocated in respect of the financial year just ended to Pierre RIBEIRO, Chief Financial Officer and member of the Management Board;
- the approval of the items comprising the total remuneration and benefits of any kind paid or allocated in respect of the financial year just ended to Michel ROLLIER, Chairman of the Supervisory Board;

(1) Germany, America, Asia-Pacific, Central and Eastern Europe, Northern Europe, Southern Europe and France are the geographic regions used to monitor sales. Their sales are calculated based on customer location and therefore the destination of the sales.

(2) Return on capital invested or employed (ROCE) is equal to the ratio between the current operating result, after normative tax, and the sum of shareholders' equity (with the effects of goodwill impairment being neutralised) and the net financial debt.

(3) The net cash surplus corresponds to the difference between cash and cash equivalents and financial liabilities. It takes into account both deferrals in payments and earnout on acquisitions as well as liabilities related to put options granted to holders of non-controlling interests.

(4) The change has been restated for the share par value split carried out in June 2017 (five new shares for every share held).

- the approval of the principles and criteria used to determine, apportion and allocate the various fixed, variable and exceptional items of remuneration comprising total remuneration and benefits of any kind attributable to the Chairman of the Management Board and the member(s) of the Management Board;
- the approval of the principles and criteria used to determine, apportion and allocate the various fixed, variable and exceptional items of remuneration comprising total remuneration and benefits of any kind attributable to the members of the Supervisory Board.

Draft resolutions, in line with the agenda, will be submitted for your approval.

We have no specific comments to make regarding the various documents that have been submitted to you (in particular the Management Board's management report), or in relation to the parent company and consolidated financial statements for the 2017 financial year. Accordingly, you will be asked to approve the proposed resolutions, with the exception of the delegation of authority to be granted to the Management Board to increase the share capital, through the issue of ordinary shares and/or marketable securities giving access to the share capital with waiver of the preferential subscription right for members of a company savings plan pursuant to Articles L. 3332-18 and subsequent of the Labour Code, it being specified that the Management Board deems it neither relevant nor appropriate and suggests that you reject this resolution.

The Board would like to highlight that 2017 was another year of great progress, with particularly significant growth in all of the Group's activities.

The Supervisory Board

06
SOMFY SA FINANCIAL RESULTS FOR THE LAST FIVE YEARS

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SOMFY SA FINANCIAL RESULTS FOR THE LAST FIVE YEARS

€ thousands	2013	2014	2015	2016	2017
1. Financial position at the balance sheet date					
a) Share capital	7,837	7,837	7,400	7,400	7,400
b) Number of shares issued	7,836,800	7,836,800	7,400,000	7,400,000	37,000,000
c) Number of bonds convertible into shares	–	–	–	–	–
2. Overall result of current operations					
a) Net sales	2,734	1,815	3,449	2,919	3,234
b) Profit before tax, amortisation, depreciation and provision charges	55,317	100,934	285,381	106,992	86,979
c) Income tax	–4,555	–13,835	3,426	1,089	25,516
d) Profit after tax, amortisation, depreciation and provision charges	62,455	104,596	279,484	119,375	107,111
e) Distributed profit	40,751	40,751	42,180	45,140	48,100
3. Earnings per share					
a) Earnings per share after tax, but before amortisation, depreciation and provision charges	6.48	11.11	39.03	14.61	3.04
b) Earnings per share after tax, amortisation, depreciation and provision charges	7.97	13.35	37.77	16.13	2.89
c) Dividend distributed per share	5.20	5.20	5.70	6.10	1.30
4. Workforce					
a) Number of employees at end of year	6	6	4	3	4
b) Total payroll paid	577	856	455	724	959
c) Amount paid in relation to employee benefits (Social Security, charities, etc.)	215	316	28	207	326

07
CONSOLIDATED FINANCIAL STATEMENTS

07 CONSOLIDATED FINANCIAL STATEMENTS

KEY FIGURES

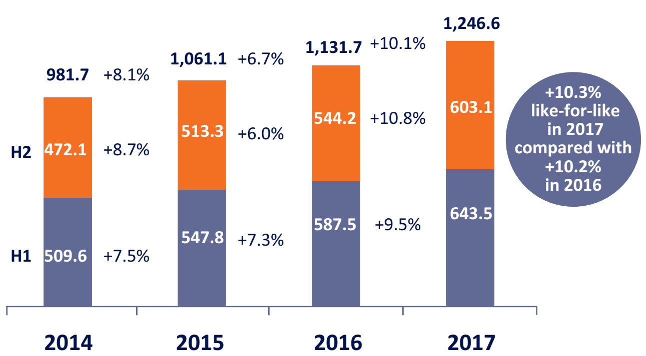
€ millions	31/12/17	31/12/16*
Sales	1,246.6	1,131.7
Current operating result	168.4	177.6
Net profit	157.7	143.3
Net investments in property, plant and equipment and intangible assets	64.5	64.5
Cash flow	208.1	181.7
Net financial debt	–104.6	–15.5

(–) Net financial surplus.
** The financial statements have been restated following the determination of the fair value of Myfox's assets and liabilities (see note 2.3).*

SALES GROWTH BY CUSTOMER LOCATION

—

Data in € millions	2014	2015	2016	2017	2017/16 change
Sales	981.7	1,061.1	1,131.7	1,246.6	+10.1%



Group sales grew 10.1% to €1,246.6 million over the financial year just ended. They benefited from a positive scope effect of €11.2 million, as a result of the full-year integration of iHome Systems and Myfox[1], and suffered from a negative exchange rate effect of €12.8 million.

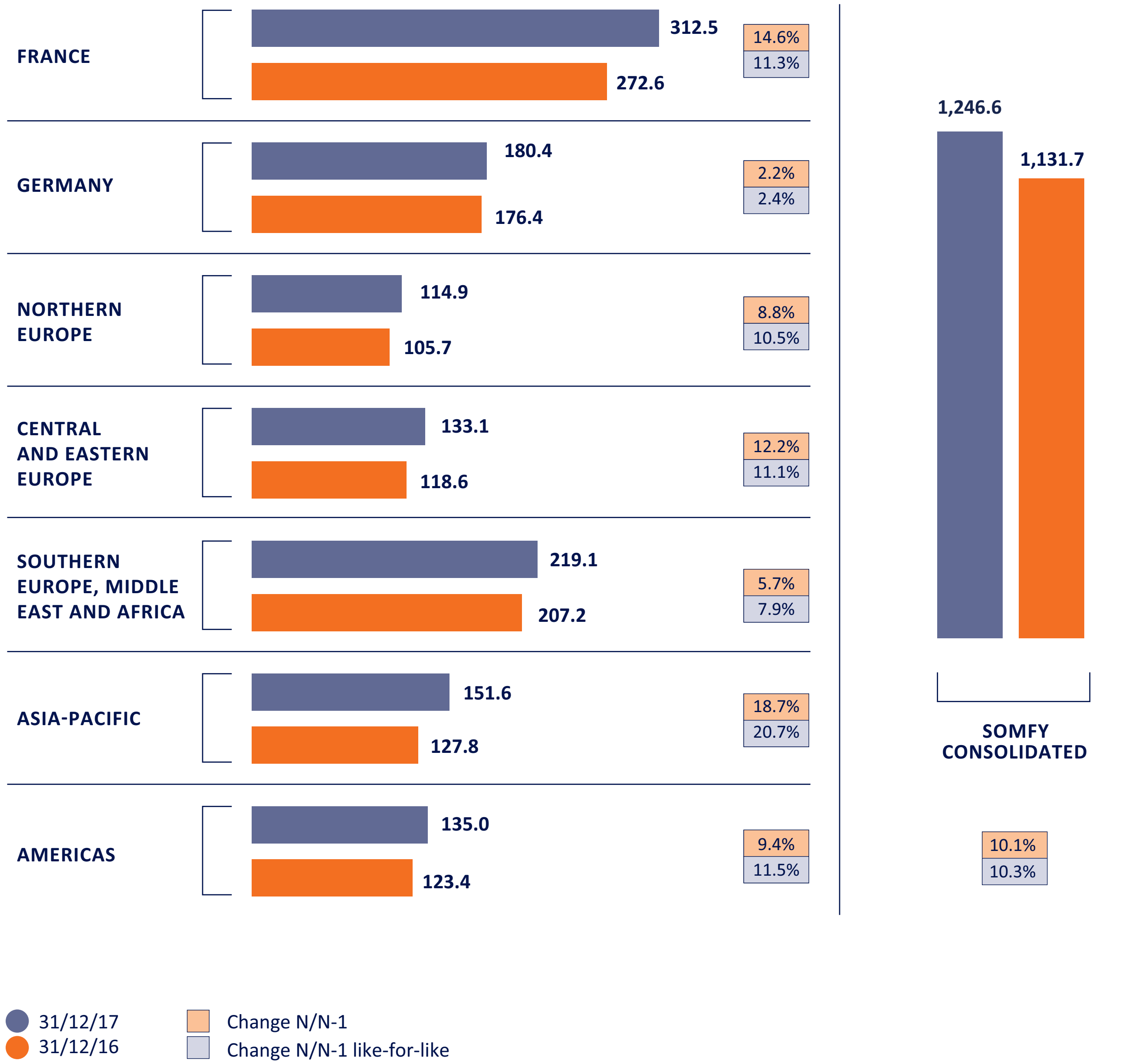
Growth stood at 10.3% on a like-for-like basis over the financial year, including 8.5% over the first half-year and 12.3% over the second half, and followed an increase of 10.2% over the previous year. It reflects significant growth within all the Group's business lines and geographic operating regions[2].

Double-digit growth was recorded in Asia-Pacific, France, and Central and Eastern Europe, all of which saw sharp acceleration from the summer onwards (up 20.7%, 11.3% and 11.1% on a like-for-like basis respectively over the financial year, including growth of 25.1%, 14.7% and 14.1% over the second half-year, with the positive impact of the end of the energy transition tax credit in the case of France), as well as in America and Northern Europe (up 11.5% and 10.5% on a like-for-like basis respectively over the full year).

Growth was lower but nevertheless remained positive in Southern Europe[3] (up 7.9% on a like-for-like basis over the financial year), as well as in Germany, in spite of the decline recorded in the spring (up 2.4% on a like-for-like basis over the full year, including growth of 3.0% over the second half).

(1) The Group acquired a 51% stake in iHome Systems in December 2016 and completed the full acquisition of Myfox in October 2016.
(2) Germany, America, Asia-Pacific, Central and Eastern Europe, Northern Europe, Southern Europe and France are the geographic regions usually used to analyse and monitor sales. Their respective sales are calculated based on customer location and therefore the destination of the sales.
(3) Africa and the Middle East are included in Southern Europe for the monitoring and analysis of sales.

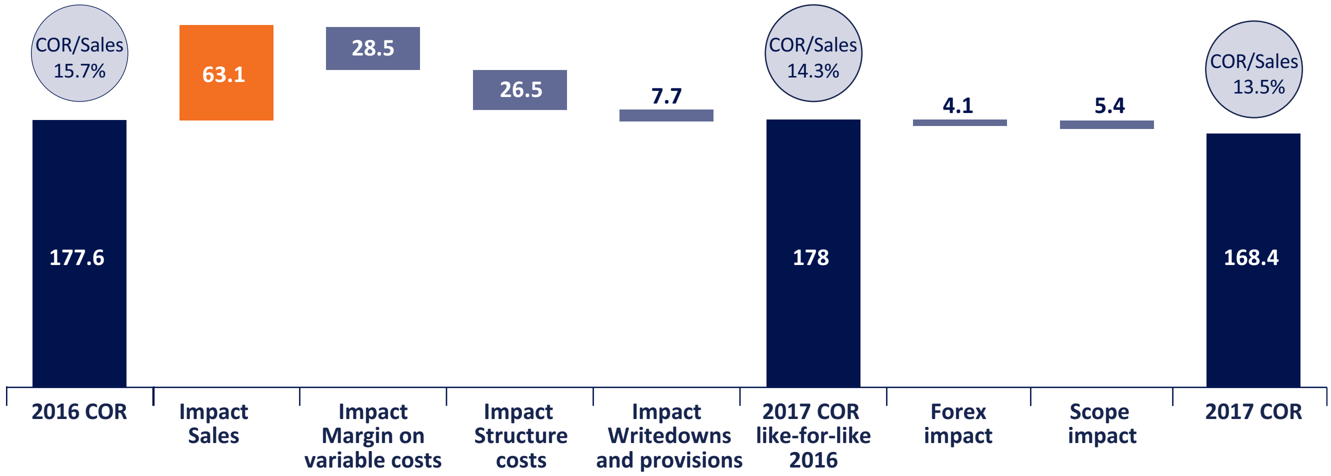
The strength of these figures reflects the growing interest of consumers from different continents in motorised and connected solutions for the home. As such, they validate the innovation policy, focused on digitalisation, and the international expansion strategy led by the Group.



GROWTH IN CURRENT OPERATING RESULT

Data in € millions	2016*	2017	2017/16 change
Current operating result	177.6	168.4	–5.2%
Current operating margin (COR/Sales)	15.7%	13.5%	–2.2 pp

** Financial statements restated following the allocation of the goodwill of Myfox.*

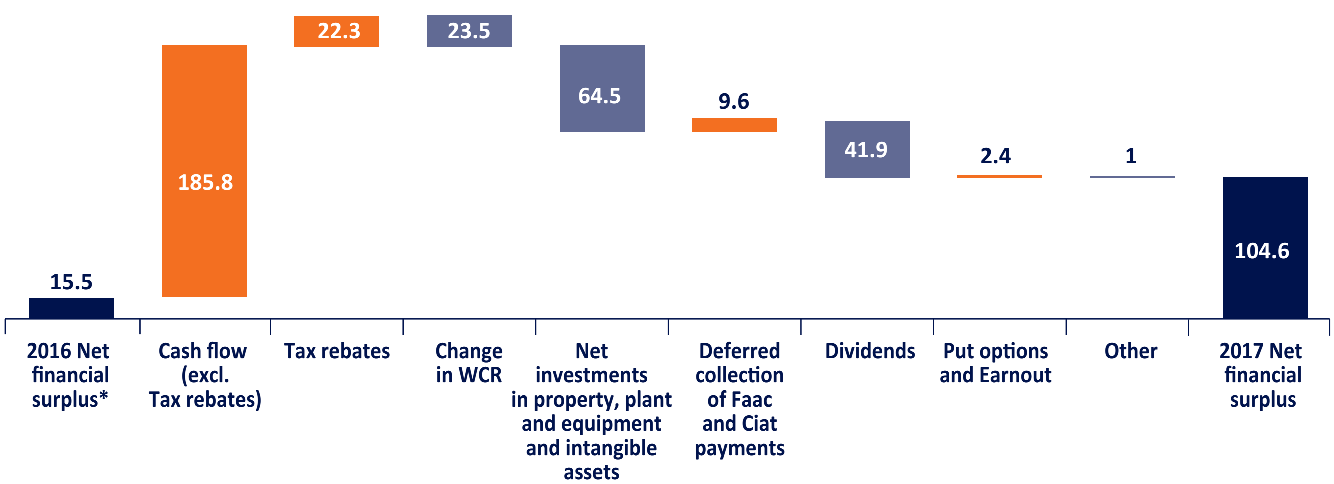


Current operating result stood at €168.4 million over the financial year, down 5.2%, and represented 13.5% of sales.
This decline resulted from factors that are both cyclical and structural, namely gaining market share, the rise in the price of raw materials, fluctuations in the main invoicing currencies and the integration of recently-acquired companies (iHome Systems, Myfox).
On a like-for-like basis, current operating result would have been virtually stable at €178.0 million, and as such would have represented 14.3% of sales.

GROWTH IN NET PROFIT

Consolidated net profit was €157.7 million, an increase of 10.1%. It takes into account a negligible net non-recurring operating expense, a net financial expense of €5.9 million, which mainly includes unrealised exchange differences, and income tax of €3.1 million, a particularly low level due notably to the recovery of the tax on dividends.
Excluding tax rebates, net profit would have been €135.4 million, and would have fallen by 5.5%.
Ultimately, profitability remained at a very satisfactory level with a return on capital invested (ROCE) of 19.7%(1).

NET FINANCIAL DEBT



** Financial statements restated following the allocation of the goodwill of Myfox.*

The balance sheet was further strengthened.
The net cash surplus rose indeed from €15.5 million to €104.6 million(2) year-on-year, an increase of €89.1 million, and shareholders' equity grew to €770.7 million.

(1) Return on capital invested or employed (ROCE) is equal to the ratio between current operating result, after normative tax, and the sum of shareholders' equity (with the effects of goodwill impairment being neutralised) and the net financial debt (see note 4.3).

(2) The net cash surplus corresponds to the difference between cash and cash equivalents and financial liabilities. It takes into account both deferrals in payments and earnout on acquisitions as well as liabilities related to put options granted to holders of non-controlling interests (see note 7.2.3).

OUTLOOK

—

The environment should remain favourable over the short term within the Group's various business segments and regions, and thus lead to growth in sales over the course of the current financial year in spite of the high comparison base. Similarly, stabilisation or even a slight improvement in the current operating margin[1] will be a possibility given the gradual decline in the factors responsible for last year's erosion.

The current financial year will also be marked by the continued roll-out of the new strategic plan (Believe & ACT) to allow the Group to strengthen its foundation and fully capitalise on the significant potential represented by the move towards the digitalisation of buildings, the motorisation of interior products and the streamlining of energy consumption.

The development of completely open solutions, illustrated by the interoperability agreements recently concluded with the brands Amazon Alexa, Apple Homekit, Google Home, Legrand, Schneider Electric and the IFTTT platform, testifies to the Group's desire to be a key player in the connected home and a byword for comfort, environmental protection and security in the home.

2017 HIGHLIGHTS

CHANGES IN THE CONSOLIDATION SCOPE

—

There were no major changes in the consolidation scope over the 2017 financial year.

Myfox and iHome, acquired in late 2016, contributed €11.1 million and €1.5 million respectively to Group sales.

The allocation of the acquisition cost of Myfox was finalised in late 2017, and is detailed in note 2.3.

TAX ITEMS

—

Following regulatory developments in France, **Somfy SA** has filed requests for tax relief primarily involving taxation on the portion of fees and charges applied to dividends and capital gains on the sale of equity investments, as well as on the 3% contribution on distributions of dividends.

The financial statements at 31 December 2017 include €22.3 million in tax income, including €17.7 million in respect of the 3% contribution on dividends and €4.4 million in respect of taxation on the portion of fees and charges (relating to the dividends and long-term capital gains on the sale of equity investments).

€20 million in rebates was received over the financial year in this regard.

CONTINGENT LIABILITIES

—

The dispute between **Spirel** employees and **Somfy SA** is still ongoing before the Albertville District Court. The employees seek annulment of the transfer of the Spirel securities, which took place in 2010, and to have Somfy SA ordered to pay them damages for the alleged deliberate bankruptcy of Spirel and non-material damage caused as a result of the anxiety, disappointment and vexation they deem to have been victim of, for a total of approximately €8.2 million. In April 2017, the Court ruled in favour of Somfy SA, dismissing the employees' claims. However, the plaintiffs immediately appealed this decision.

Moreover, during 2016, the liquidator of the company Spirel also sought to have Somfy SA ordered to refund advances of €2.9 million paid by the AGS (Guarantee Fund for the payment of salary claims) in the event the disposal was declared null and void.

Initial proceedings before the Labour Court – involving the employees contesting the grounds for their dismissal and claiming damages of a substantially similar amount to that sought before the District Court – were dismissed in November 2016. The employees applied to the Albertville Labour Court once again in early July 2017. The hearings scheduled for early 2018 have been postponed until July 2018.

These new factors do not change the assessment of risks by the Group which continues to qualify these risks as contingent liabilities and therefore no provision in relation to these disputes was recognised at 31 December 2017.

On 5 January 2015, **Somfy SA** transferred its 46.1% equity investment in the share capital of CIAT Group to **United Technologies Corporation**. On 31 March 2016, United Technologies Corporation filed a claim against the sellers of the CIAT shares under the liability guarantee for a total of €28.6 million (Somfy's share being €13.2 million). The Group considers these requests to be unfounded, and insufficiently detailed and justified. In mid-November 2017, UTC brought an action against the sellers before the Paris Commercial Court for the liability guarantee. The hearings are scheduled to take place in 2018.

As the process currently stands, the Group continues to contest the entirety of UTC's demands and remains confident regarding the outcome of this dispute. It has qualified the risk as a contingent liability and no provision was recognised at 31 December 2017.

At 31 December 2017, Somfy SA's financial statements include a deferred settlement receivable in relation to the sale of the CIAT shares for the sum of €9.7 million with payment spread until 2019. In early July 2017, Somfy SA and the other sellers brought an action against UTC before the Paris Commercial Court seeking the fulfilment of the acquisition contract and the settlement of the deferred payments falling due. The hearings are also scheduled for 2018. Somfy SA remains confident regarding the settlement of these sums and therefore no provision in relation to these receivables was recognised at 31 December 2017.

POST-BALANCE SHEET EVENT

EXERCISE OF THE NEOCONTROL CALL OPTION

—

Somfy exercised its call option on 20 January 2018, and purchased the remaining 39% interest in Neocontrol, in which it previously held a 61% interest, and which was recognised *via* the equity method at an amount of BRL 2.1 million, *i.e.* around €0.6 million. Somfy has therefore taken control of Neocontrol, in which it now holds 100% of the capital, and will now fully consolidate the company.

(1) Current operating margin corresponds to current operating result as a proportion of sales (COR/Sales).

CONSOLIDATED INCOME STATEMENT

€ thousands	Notes	31/12/17	31/12/16*
Sales	(4.1.1)	1,246,573	1,131,739
Other operating income	(4.1.2)	18,908	18,219
Cost of sales		–484,571	–410,100
Employee expenses		–364,653	–333,783
External expenses		–200,313	–189,259
EBITDA		**215,944**	**216,816**
Amortisation and depreciation charges	(5.2) & (5.3)	–46,445	–39,605
Charges to/reversal of current provisions		439	978
Gains and losses on disposal of non-current operating assets		–1,535	–587
CURRENT OPERATING RESULT		**168,403**	**177,603**
Other operating income and expenses	(4.2)	–218	–218
OPERATING RESULT		**168,185**	**177,385**
– *Financial income from investments*		*1,631*	*1,980*
– *Financial expenses related to borrowings*		*–3,085*	*–2,825*
Cost of net financial debt		–1,454	–845
Other financial income and expenses		–4,403	–1,272
NET FINANCIAL EXPENSE	**(7.1)**	**–5,857**	**–2,117**
PROFIT BEFORE TAX		**162,328**	**175,268**
Income tax	(11.1)	–3,095	–31,286
Share of net profit/(loss) from associates	(13.1)	–1,491	–684
CONSOLIDATED NET PROFIT		**157,742**	**143,297**
Attributable to Group share		159,912	140,957
Attributable to Non-controlling interests		–2,170	2,341
Basic earnings per share (€)**	**(6.2)**	**4.66**	**4.11**
Diluted earnings per share (€)**	**(6.2)**	**4.66**	**4.10**

* *The financial statements have been restated following the determination of the fair value of Myfox's assets and liabilities (see note 2.3).*

** *2016 figures have been restated to reflect the 5-for-1 share par value split carried out in 2017.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousands	31/12/17	31/12/16*
Net profit for the period	**157,742**	**143,297**
Movement in gains and losses on translation of foreign currency	–3,139	–4,993
Movement in fair value of foreign currency hedges	949	–606
Movement in tax on items that may be reclassified to profit or loss	–327	216
Items that may be reclassified to profit or loss	**–2,517**	**–5,383**
Movement in actuarial gains and losses	522	–2,478
Movement in tax on items that will not be reclassified to profit or loss	–147	1,075
Items that will not be reclassified to profit or loss	**375**	**–1,403**
Items of other comprehensive income	**–2,142**	**–6,786**
Total comprehensive income for the period	**155,600**	**136,512**
Attributable to Group share	157,770	134,171
Attributable to Non-controlling interests	–2,170	2,341

** The financial statements have been restated following the determination of the fair value of Myfox's assets and liabilities (see note 2.3).*

CONSOLIDATED BALANCE SHEET – ASSETS

€ thousands	Notes	31/12/17 Net	31/12/16* Net
Non-current assets			
Goodwill	(5.1)	196,842	200,394
Net intangible assets	(5.2)	45,765	48,575
Net property, plant and equipment	(5.3.1)	272,014	254,557
Investments in associates	(13.1)	939	1,880
Financial assets	(7.2.1)	5,405	2,588
Other receivables	(4.6.2)	2,107	3,885
Deferred tax assets	(11.3)	25,010	21,108
Employee benefits	(10.2.1)	183	–
Total Non-current assets		**548,265**	**532,986**
Current assets			
Inventories	(4.4)	184,707	169,744
Trade receivables	(4.5)	173,482	162,433
Other receivables	(4.6.1)	32,397	39,923
Current tax assets	(11.1)	29,406	21,494
Financial assets	(7.2.1)	900	747
Derivative instruments – assets	(7.2.4)	596	4
Cash and cash equivalents	(7.2.5)	212,834	133,847
Total Current assets		**634,320**	**528,192**
TOTAL ASSETS		**1,182,585**	**1,061,179**

** The financial statements have been restated following the determination of the fair value of Myfox's assets and liabilities (see note 2.3).*

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

€ thousands	Notes	31/12/17	31/12/16*
Shareholders' equity			
Share capital		7,400	7,400
Share premium		1,866	1,866
Other reserves		601,414	507,297
Net profit for the period		159,912	140,957
Group share		**770,592**	**657,520**
Non-controlling interests		73	252
Total Shareholders' equity		**770,665**	**657,771**
Non-current liabilities			
Non-current provisions	(9.1.1)	11,751	13,180
Other financial liabilities	(7.2.2)	33,516	35,374
Other liabilities	(4.7.2)	1,893	1,543
Employee benefits	(10.2.1)	23,573	26,802
Deferred tax liabilities	(11.3)	15,455	13,994
Total Non-current liabilities		**86,188**	**90,892**
Current liabilities			
Current provisions	(9.1.2)	7,727	8,581
Other financial liabilities	(7.2.2)	76,852	83,235
Trade payables		135,005	115,023
Other liabilities	(4.7.1)	102,442	95,740
Tax liabilities	(11.1)	3,707	9,557
Derivative instruments – liabilities	(7.2.4)	–	379
Total Current liabilities		**325,733**	**312,516**
TOTAL EQUITY AND LIABILITIES		**1,182,585**	**1,061,179**

** The financial statements have been restated following the determination of the fair value of Myfox's assets and liabilities (see note 2.3).*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousands	Share capital*	Share premium	Treasury shares	Changes in foreign exchange rates	Consolidated reserves	Total share-holders' equity	Non-controlling interests	Total equity (Group share)
At 31 December 2015	**7,400**	**1,866**	**–99,275**	**14,515**	**653,415**	**577,921**	**262**	**577,659**
Total comprehensive income for the period	–	–	–	–4,993	141,505	**136,512**	2,341	**134,171**
Treasury share transactions	–	–	221	–	–85	**136**	–	**136**
Dividends	–	–	–	–	–39,126	**–39,126**	–	**–39,126**
Other movements**	–	–	–	–	–17,672	**–17,672**	–2,351	**–15,321**
AT 31 DECEMBER 2016	**7,400**	**1,866**	**–99,054**	**9,522**	**738,037**	**657,771**	**252**	**657,520**
Total comprehensive income for the period	–	–	–	–3,139	158,739	**155,600**	–2,170	**157,770**
Treasury share transactions	–	–	–216	–	1,130	**914**	–	**914**
Dividends	–	–	–	–	–41,909	**–41,909**	–	**–41,909**
Other movements**	–	–	–	–	–1,712	**–1,712**	1,991	**–3,703**
AT 31 DECEMBER 2017	**7,400**	**1,866**	**–99,270**	**6,383**	**854,285**	**770,665**	**73**	**770,592**

* *Share capital comprises 37,000,000 shares with a par value of € 0.20 each. The share par value was divided by five over the 2017 financial year.*

** *Other movements include changes to the consolidation scope, foreign exchange differences on capital transactions, as well as liabilities and subsequent changes in liabilities corresponding to put options granted to holders of non-controlling interests. This item also includes the reclassification under "Equity – Group share" of the share of the comprehensive income attributable to the non-controlling interests covered by the put options.*

Liabilities corresponding to put options granted to holders of non-controlling interests are recognised against the non-controlling interests covered by the put options and Group share of equity for the balance. Subsequent changes to liabilities are recognised under "Equity – Group share".

CONSOLIDATED CASH FLOW STATEMENT

€ thousands	Notes	31/12/17	31/12/16*
Consolidated net profit		**157,742**	**143,297**
Depreciation and amortisation of assets (excluding current assets)		43,440	43,693
Charges to/reversals of provisions for liabilities		–607	–203
Unrealised gains and losses related to fair value movements		–601	263
Unrealised foreign exchange gains and losses		6,359	–5,877
Income and expenses related to stock options and employee benefits		1,790	3,631
Depreciation, amortisation, provisions and other non-cash items		**50,381**	**41,508**
Profit on disposal of assets and others		1,846	1,523
Share of net profit/(loss) from associates		968	37
Deferred tax expense		–2,831	–4,673
Cash flow		**208,106**	**181,693**
Cost of net financial debt (excluding non-cash items)		1,454	845
Tax expense (excluding deferred tax)		5,929	35,956
Change in working capital requirements	(8.3)	–9,905	–27,344
Tax paid		–19,562	–35,350
NET CASH FLOW FROM OPERATING ACTIVITIES (A)		**186,021**	**155,799**
Acquisition-related disbursements:			
– intangible assets and property, plant and equipment	(8.2)	–65,801	–65,579
– non-current financial assets		–1,536	–591
Disposal-related proceeds:			
– intangible assets and property, plant and equipment	(8.2)	1,309	1,053
– non-current financial assets		9,795	4,400
Change in current financial assets		687	1,556
Acquisition of companies, net of cash acquired	(8.4)	–	–4,629
Disposal of companies, net of cash disposed	(8.4)	–	1,205
Dividends paid by non-consolidated companies		8	1
Interest received		387	222
NET CASH FLOW FROM INVESTING ACTIVITIES (B)		**–55,152**	**–62,362**
Increase in loans		4,925	–
Reimbursement of loans		–2,113	–23,783
Net increase in shareholders' equity of subsidiaries		5	5
Dividends and interim dividends paid		–41,909	–39,126
Movement in treasury shares		271	–49
Interest paid		–3,089	–2,840
NET CASH FLOW FROM FINANCING AND CAPITAL ACTIVITIES (C)		**–41,911**	**–65,793**
Impact of changes in foreign exchange rates on cash and cash equivalents (D)		–2,642	–667
NET CHANGE IN CASH AND CASH EQUIVALENTS (A + B + C + D)		**86,316**	**26,976**
CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	**(8.1)**	**126,249**	**99,272**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**(8.1)**	**212,564**	**126,249**

** The financial statements have been restated following the determination of the fair value of Myfox's assets and liabilities (see note 2.3).*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Somfy SA is a company governed by a Management Board and a Supervisory Board, listed on the Eurolist of Euronext Paris (Compartment A, ISIN Code: FR0013199916). Somfy is the global leader in opening and closing automation for both residential and commercial buildings, and a key player in the connected home. The head office is based in Cluses, Haute-Savoie, France.
Somfy SA is a 52.65%-subsidiary of the French company J.P.J.S.
On 6 March 2018, the Management Board approved the IFRS consolidated financial statements of the **Group** for the 12-month financial year ended 31 December 2017. Total assets were €1,182,585 thousand and consolidated net profit €157,742 thousand (Group share: €159,912 thousand).
All accounting rules and methods are included in the various notes which are grouped by theme and highlighted in colour for greater readability and relevance.

NOTE 1 ACCOUNTING PRINCIPLES

NOTE 1.1 CONSOLIDATED FINANCIAL STATEMENTS – BASIS FOR PREPARATION

The consolidated financial statements are presented in thousands of Euros. All amounts are rounded to the nearest thousand of Euros, unless otherwise specified.
The financial statements have been prepared in accordance with the historical cost principle, except for a number of assets and liabilities that were measured at fair value, in particular in relation to derivative instruments.
Consolidated financial statements include the financial statements of **Somfy SA** and its subsidiaries at 31 December of each year. The financial statements of subsidiaries are prepared for the same reference period as the parent company and on the basis of homogeneous accounting methods.
The financial year-end of all companies is 31 December.

NOTE 1.2 COMPLIANCE WITH ACCOUNTING STANDARDS

In application of European regulation 1606/2002 of 19 July 2002 on international accounting standards, the Group's consolidated financial statements for the financial year ended 31 December 2017 have been prepared in accordance with the international financial reporting standards ("IFRS") applicable at that date, as approved by the European Union at the date of preparation of these financial statements.

NOTE 1.3 JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires Management to make a number of judgments, estimates and assumptions liable to affect the values of certain assets, liabilities, and income and expense items in the financial statements, and certain information provided in the notes to the financial statements. Due to the inherently uncertain nature of the assumptions, actual results may differ from estimates. The Group reviews its estimates and assessments on a regular basis to take past experience into account and incorporate factors considered relevant under current economic conditions.
The major items of the financial statements that may be subject to estimates are as follows:

- the impairment of goodwill and intangible assets and property, plant and equipment, whose measurement is specifically based on future cash flow, discount rate and net realisable value assumptions (note 5.1 to the consolidated financial statements);
- retirement commitments, whose measurement is based on a number of actuarial assumptions (note 10.2.1 to the consolidated financial statements);
- provisions (note 9.1 to the consolidated financial statements);
- the measurement of options associated with stock option plans and free share allocations granted to employees (note 10.3 to the consolidated financial statements).

As part of the preparation of these annual consolidated financial statements, the main judgments made and the main assumptions used by Management have been updated based on the latest indicators available.
At 31 December, the Group reviews its performance indicators and, if necessary, carries out impairment tests if there is any indication that an asset may have been impaired.

NOTE 1.4 NEW APPLICABLE STANDARDS AND INTERPRETATIONS

Note 1.4.1 Standards, amendments and interpretations whose application is mandatory for financial years beginning on or after 1 January 2017

The Group has applied the following standards, amendments and interpretations as of 1 January 2017 at the latest:

Standards	Content	Application date
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	Applicable from 1 January 2017
Amendments to IAS 7	Disclosure Initiative	Applicable from 1 January 2017
Annual improvements to IFRS	2014-2016 cycle – Amendment to IFRS 12	Applicable from 1 January 2017

These new standards have not had a material impact on the Group's results and financial position.

Note 1.4.2 Standards, amendments and interpretations whose application is not yet mandatory

Standards	Content	Application date
IFRS 9	Financial Instruments: Classification and Measurement and subsequent amendments to IFRS 9 and IFRS 7	Applicable from 1 January 2018
IFRS 15	Revenue from Contracts with Customers	Applicable from 1 January 2018
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	Applicable from 1 January 2018 according to the IASB, not yet approved by the EU
Annual improvements to IFRS	2014-2016 cycle – excluding amendment to IFRS 12 which is applicable from 2017	Applicable from 1 January 2018
Annual improvements to IFRS	2015-2017 cycle	Applicable from 1 January 2019 according to the IASB, not yet approved by the EU
Amendments to IFRS 15	Clarifications to IFRS 15	Applicable from 1 January 2018
IFRS 16	Leases	Applicable from 1 January 2019
IFRIC 22	Foreign Currency Transactions and Advance Considerations	Applicable from 1 January 2018 according to the IASB, not yet approved by the EU

The Group did not opt for the early application of any of these new standards or amendments and is currently assessing the impact resulting from their initial application.
Detailed information is available on the following website: http://www.ifrs.org

IFRS 15 – Revenue from Contracts with Customers, which replaces IAS 11 – Construction Contracts, and IAS 18 – Revenue, establishes the principles for the recognition of revenues on the basis of an analysis that includes five successive steps:
- identify the contract;
- identify the various performance obligations, *i.e*. list the distinct goods or services the seller is committed to supply to the purchaser;
- determine the total price of the contract;
- allocate the total price to each performance obligation;
- recognise revenue when a performance obligation is satisfied.

Somfy conducts its business activities in a sector involving the production and marketing of electrical equipment for the opening, closing, and securing of homes and buildings. Revenue is currently recognised where the material risks and benefits inherent to ownership of the assets have been transferred to the purchaser, which is usually the case when the delivery or dispatch has taken place. Given that sales of equipment usually represent the only performance obligation provided for by IFRS 15, revenue is recognised in most cases at the time when control over the goods is transferred to the purchaser, *i.e*. when the delivery or dispatch is effective.
Somfy has selected the main transactions and contracts that are representative of the Group's current and future business activities. These transactions and contracts have been the subject of an assessment, in keeping with the five-step model described above, in order to identify areas where judgements apply, and any changes resulting from the application of the standard.
This assessment shows that projects combining products and services are the projects most likely to be affected. However, given the current revenue recognition method, which is similar to the one required by IFRS 15, and the relatively non-material nature of said transactions at this point (services account for 0.40% of total revenue), the Group is not expecting any major impact on its financial statements, except for the presentation of additional information in the notes to the financial statements. The Group is likely to move towards the aggregate impact transition method, which is not expected to have a material impact on the opening balance sheet at 1 January 2018.

IFRS 9 – Financial Instruments, which replaces IAS 39 – Financial Instruments: Recognition and Measurement, includes revised provisions regarding the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new hedge accounting obligations, and broadens the scope of financial instruments eligible for hedge accounting. The preliminary assessment did not identify any material impact on the Group's financial statements. Specifically, the Group believes that all of the cash flow hedge relationships that are currently classified as efficient will remain classified as hedge relationships following the application of IFRS 9.

IFRS 16 – Leases, which replaces IAS 17 – Leases, and its related interpretations, introduces a single model for the recognition of lease contracts by the lessee, which requires the recognition of the assets and liabilities for all lease contracts, except for those with a term of less than 12 months, or those where the value of the underlying asset is low, for which exemptions exist. The beneficiary of the contract must recognise a usage right in their balance sheet assets, in consideration for a financial debt in balance sheet liabilities, if the asset included in the lease contract is identifiable and they control the use of this asset. Furthermore, a portion the lease expense from these lease contracts must be recognised under depreciation charges in the operating result, while a portion must be recognised as financial expenses in the net financial result. The restatement of lease contracts will lead to an increase in operating result, financial expenses, non-current assets and financial liabilities. It is not expected to have any material impact on shareholders' equity and net profit.
Analysis of the impact of IFRS 16 "Leases" is ongoing within the Group. The impact of this new standard is expected to particularly concern the property lease contracts relating to Somfy's various worldwide facilities. The Group has launched a data-gathering

process relating to its lease contracts, in order to analyse their components, and quantify the impact. At the same time, the Group is consulting various software publishers, in order to find a software package that processes lease contracts in accordance with IFRS 16. The transition processes have not yet been approved at this stage. The Group will be applying this standard as from 1 January 2019.

For information purposes, the amount of the leases still payable at 31 December 2017 is €30.5 million (note 12.1) where operating lease contracts are concerned. The operating lease expense amounted to €18.8 million in the 2017 financial year.

NOTE 2 CONSOLIDATION SCOPE

NOTE 2.1 CONSOLIDATION METHOD

EXCLUSIVE CONTROL

Companies are fully consolidated when they are controlled by the Group. The concept of control means the power to govern the financial and operational policies of an affiliated company so as to benefit from its operations.

Control is generally deemed to exist where the Group holds more than half of the controlled company's voting rights. Financial statements of subsidiaries are included in the consolidated financial statements from the date of effective control transfer, until control ceases to exist.

Minority shareholders' interests are included in the balance sheet under a separate headline called "non-controlling interests". Non-controlling interests' share of net profit is presented separately in the income statement as an allocation of profit for the period.

JOINT CONTROL AND SIGNIFICANT INFLUENCE

Companies over which the Group exercises control jointly with a limited number of partners based on a contractual agreement are consolidated using the equity method.

Associates are companies over which the Group has significant influence on their financial and operating policies, but does not control them. Companies over which the Group has significant influence are consolidated using the equity method. Acquisition expenses are recorded in the cost of acquisition of the shares.

The consolidation scope is presented in note 15 to the consolidated financial statements.

NOTE 2.2 FOREIGN EXCHANGE TRANSLATION

The consolidated financial statements at 31 December 2017 have been prepared in Euros, which is the parent company's functional currency. Each Group entity determines its functional currency and items included in the financial statements of each of these entities are measured in this functional currency.

RECOGNITION OF FOREIGN CURRENCY DENOMINATED TRANSACTIONS IN THE FINANCIAL STATEMENTS OF CONSOLIDATED COMPANIES

All foreign currency denominated transactions are translated at the exchange rate applicable on the transaction date. Foreign currency denominated amounts included in the balance sheet are translated at the exchange rate applicable at year-end. Resulting translation differences are recorded in the income statement.

TRANSLATION OF FOREIGN SUBSIDIARIES' FINANCIAL STATEMENTS

The financial statements of Group companies which have a different functional currency to the parent company are translated into Euro, as follows:

- assets and liabilities are converted into Euros at the year-end exchange rate;
- income and expenses are translated at the average exchange rate for the period, provided significant variations in the exchange rates do not call this method into question;
- the resulting translation adjustments are recognised in items of other comprehensive income with a corresponding entry in the translation reserve under shareholders' equity.

Unrealised exchange differences relating to monetary values that are an integral part of the net investment in foreign subsidiaries are recorded in the translation adjustment reserve in equity until the disposal of the investment, at which date they are taken to the income statement.

No significant Group subsidiary operates in countries whose economy is hyperinflationary.

NOTE 2.3 BUSINESS COMBINATIONS

When a company is incorporated in the consolidation scope, the identifiable assets, liabilities and contingent liabilities of the acquired entity are measured at fair value measured at the date of acquisition, except for non-current assets classified as assets held for sale, which are recognised at the fair value net of disposal costs.

Goodwill is measured as the difference between total identifiable assets, liabilities and contingent liabilities of the acquired entity, individually estimated at fair value, and the transferred consideration (acquisition price) measured at fair value of the assets received.

At the date of the acquisition and for each business combination, the Group can opt for the partial goodwill method (limited to the equity interest acquired by the Group) or for the full goodwill method. If it opts for the full goodwill method, minority interests are measured at fair value and the Group recognises goodwill on all identifiable assets and liabilities.

Business combinations prior to 1 January 2010 have been treated in accordance with the partial goodwill method, which was the only method applicable until that date.

In the case of a business combination achieved in stages, the previously held equity interest is remeasured at fair value at the acquisition date. The difference between the fair value and the net book value of this investment is recognised directly in operating profit.

Restatements of asset and liability values relating to acquisitions recognised on a provisional basis (due to expertise work in progress or supplementary analyses) are recognised as retrospective restatements of goodwill if they occur within 12 months following the acquisition date.

Beyond this deadline, the impacts of restatements are directly recognised in profit or loss for the financial year, except for error corrections.

In addition, earnout payments are included in the acquisition cost at their fair value at the acquisition date and regardless of their probability. During the valuation period, subsequent adjustments are offset against goodwill where they relate to facts and circumstances that existed at the acquisition date. If not, and after the end of this period, adjustments to earnout payments are recognised directly in the income statement, unless the earnout payments are offset against an equity instrument.

Newly-acquired companies are consolidated from the date effective control is assumed.

The financial statements published at 31 December 2016 have been restated following the allocation of the acquisition cost of Myfox.

Details on the restatement of the historical data are provided below:

INCOME STATEMENT

€ thousands	31/12/16 Published	Allocation of Myfox acquisition cost	31/12/16 Restated
EBITDA	**216,816**	**–**	**216,816**
Amortisation and depreciation charges	–39,465	–140	–39,605
CURRENT OPERATING RESULT	**177,743**	**–140**	**177,603**
OPERATING RESULT	**177,525**	**–140**	**177,385**
NET FINANCIAL EXPENSE	**–2,117**	**–**	**–2,117**
PROFIT BEFORE TAX	**175,408**	**–140**	**175,268**
Income tax	–31,286	–	–31,286
Share of net profit/(loss) from associates	–684	–	–684
CONSOLIDATED NET PROFIT	**143,437**	**–140**	**143,297**
Attributable to Group share	141,097	–140	140,957
Attributable to Non-controlling interests	2,341	–	2,341

BALANCE SHEET

Assets € thousands	31/12/16 Published Net	Allocation of Myfox acquisition cost	31/12/16 Restated Net
Non-current assets			
Goodwill	205,568	–5,174	200,394
Net intangible assets	44,515	4,060	48,575

Equity and liabilities € thousands	31/12/16 Published	Allocation of Myfox acquisition cost	31/12/16 Restated
Shareholders' equity			
Net profit for the period	141,097	–140	140,957
Group share	**657,660**	**–140**	**657,520**
Non-controlling interests	252	–	252
Total Shareholders' equity	**657,911**	**–140**	**657,771**
Non-current liabilities			
Other financial liabilities	36,348	–974	35,374

CASH FLOW STATEMENT

€ thousands	31/12/16 Published	Allocation of Myfox acquisition cost	31/12/16 Restated
Consolidated net profit	**143,437**	**–140**	**143,297**
Depreciation and amortisation of assets (excluding current assets)	43,553	140	43,693
Depreciation, amortisation, provisions and other non-cash items	**41,368**	**140**	**41,508**
Cash flow	**181,693**	**–**	**181,693**
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**155,799**	**–**	**155,799**
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	**–62,362**	**–**	**–62,362**
NET CASH FLOW FROM FINANCING AND CAPITAL ACTIVITIES (C)	**–65,793**	**–**	**–65,793**
Impact of changes in foreign exchange rates on cash and cash equivalents (D)	–667	–	–667
NET CHANGE IN CASH AND CASH EQUIVALENTS (A + B + C + D)	**26,976**	**–**	**26,976**
CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	**99,272**	**–**	**99,272**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**126,249**	**–**	**126,249**

NOTE 2.4 NON-CURRENT ASSETS (OR GROUPS THEREOF) HELD FOR SALE OR DISTRIBUTION AND DISCONTINUED OPERATIONS

ASSETS HELD FOR SALE

Pursuant to IFRS 5 – Non-current assets held for sale, a non-current asset or asset group must be classified in the balance sheet as held for sale if its book value will be recovered principally through a sale transaction rather than through continuing use. Within the meaning of the standard, "sale" includes sales, distributions and exchanges against other assets. The non-current asset or asset group held for sale must be available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets and their sale must be highly probable. For a sale to be regarded as highly probable, the following criteria must be met:

- the appropriate level of management must be committed to a disposal plan;
- an active programme to locate a buyer and complete the plan must have been initiated;
- the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value;
- the disposal must be reliably expected to be completed within 12 months from the reclassification of the assets as held for disposal or exchange;
- the actions required to complete the plan must indicate that it is unlikely that significant changes will be made or that the plan will be withdrawn.

Prior to their reclassification as "Assets held for sale", the non-current asset or assets and liabilities of the disposal group are measured in accordance with their respective applicable standards. Following their reclassification as "Assets held for sale", the non-current asset or group of assets is measured at the lower of its net book value and its fair value less costs to sell, an impairment loss being recognised where relevant.

On reclassification of a non-current asset as held for sale, the depreciation/amortisation of this asset ceases. In the case of a disposal resulting in a loss of control, the assets and liabilities of the entire subsidiary are classified as assets and liabilities "held for sale" in the "Assets held for sale" and "Liabilities related to assets held for sale" balance sheet items, as soon as the disposal meets the classification criteria of IFRS 5.

Pursuant to the application of IFRS 5:

- in the case of balance sheet items reclassified as assets and liabilities held for sale, no adjustments are made to comparative figures for prior periods;
- income statement and cash flow statement items relating to the individual assets held for sale are not restated.

DISCONTINUED OPERATIONS

A discontinued operation is a component of Group activities whose business and cash flows are clearly separate from the remainder of the Group and:

- represents either a separate major line of business or a geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation takes place at the time of sale or earlier if the activity meets the criteria for classification as held for sale.

When an activity is classified as a discontinued operation, the comparative statement of comprehensive income is restated as if the entity had met the criteria for classification as a discontinued operation from the start of the comparative period.

Note that on 30 May 2016, the Group sold Giga's shares for a token price and disposed of all loans granted by the Group to Giga, of €4.6 million, for €1.2 million. Given the writedown recognised in 2015, the disposal had a €0.3 million positive impact on net financial expense for the year to 31 December 2016.

NOTE 3 SEGMENT REPORTING

In accordance with the provisions of IFRS 8 – Operating Segments, the information for each segment set out below is based on the internal reporting process used by General Management to assess performance and allocate resources to the various segments. General Management is the chief operating decision-maker within the meaning of IFRS 8.

Somfy includes entities the business of which comes under the “Home & Building”, “Access Automation” and “Connected Solutions” applications and is structured in two geographic regions.
The geographic location of assets is used as sole segment reporting criterion. Management makes its decisions based on this strategic focus using reporting by geographic region as its key analysis tool.
The two geographic regions are:

- Europe, Middle East & Africa (EMEA);
- Asia & Americas (A&A).

AT 31 DECEMBER 2017

€ thousands	Europe, Middle East & Africa	Asia & Americas	Intra-regional eliminations	Consolidated
Segment sales	966,137	369,895	–89,458	**1,246,573**
Intra-segment sales	–58,638	–30,820	89,458	**–**
Segment sales – Contribution to sales	907,498	339,075	–	**1,246,573**
Segment current operating result	153,795	14,608	–	**168,403**
Share of net profit/(loss) from associates	–10	–1,480	–	**–1,491**
Cash flow	192,003	16,102	–	**208,106**
Net investments in intangible assets and PPE	53,076	11,416	–	**64,492**
Goodwill	104,253	92,588	–	**196,842**
Net intangible assets and PPE	258,353	59,426	–	**317,779**
Investments in associates	712	227	–	**939**

AT 31 DECEMBER 2016

€ thousands	Europe, Middle East & Africa	Asia & Americas	Intra-regional eliminations	Consolidated
Segment sales	879,693	334,011	–81,965	**1,131,739**
Intra-segment sales	–54,123	–27,842	81,965	**–**
Segment sales – Contribution to sales	825,570	306,169	–	**1,131,739**
Segment current operating result	149,039	28,564	–	**177,603**
Share of net profit/(loss) from associates	–2	–683	–	**–684**
Cash flow	155,364	26,329	–	**181,693**
Net investments in intangible assets and PPE	50,326	14,199	–	**64,525**
Goodwill	104,735	95,659	–	**200,394**
Net intangible assets and PPE	240,320	62,812	–	**303,132**
Investments in associates	722	1,158	–	**1,880**

NOTE 4 PERFORMANCE-RELATED DATA

NOTE 4.1 SALES

The application of IFRS 15 – Revenue from Contracts with Customers as from 1 January 2018, and the challenges that this standard poses to the Group are detailed in note 1.4.2.
The Group did not opt for the early application of IFRS 15 in its 2017 consolidated financial statements.

Sales include all income from ordinary activities of consolidated companies.
Income from ordinary activities is recognised when it is probable that future economic benefits will flow to the Group and that they can be measured reliably.
Income from ordinary activities is recognised at the fair value of the consideration received or to be received.
Sales of goods are recognised when delivered to final customers.

Note 4.1.1 Sales by customer location

This presentation by customer location was supplemented by our segment reporting pursuant to IFRS 8, which is based on the geographic regions in which our assets are based, namely Europe, Middle East & Africa (EMEA) and Asia & Americas (A&A).

€ thousands	31/12/17	31/12/16	Change N/N–1	Change N/N–1 like-for-like
France	312,460	272,611	14.6%	11.3%
Germany	180,394	176,430	2.2%	2.4%
Northern Europe	114,942	105,689	8.8%	10.5%
Central and Eastern Europe	133,063	118,635	12.2%	11.1%
Southern Europe, Middle East and Africa	219,135	207,226	5.7%	7.9%
Asia-Pacific	151,629	127,763	18.7%	20.7%
Americas	134,950	123,384	9.4%	11.5%
TOTAL SALES	**1,246,573**	**1,131,739**	**10.1%**	**10.3%**

For further information, please refer to the “Key figures” section.

Note 4.1.2 Other operating income

€ thousands	31/12/17	31/12/16
Capitalised production	7,473	6,772
Provision of services	3,710	3,705
Other income	7,725	7,741
OTHER OPERATING INCOME	**18,908**	**18,219**

Capitalised production comprises certain development expenses borne during the year.
Other income include accrued insurance income and redeemable tax credits.

NOTE 4.2 OTHER OPERATING INCOME AND EXPENSES

Current operating result is defined as the difference between:

- operating result including all revenues and charges, except those generated from finance activities, equity-accounted companies, discontinued operations, operations held for disposal or income tax; and
- other operating income and expenses.

Other operating income and expenses relate to factors that are unusual, abnormal, infrequent and particularly significant, which could mislead the understanding of the Group's consolidated performance. These notably include the capital gains and losses on asset disposals, restructuring costs and provisions of a nature liable to affect the understanding of the current operating result.
Current operating result reflects company performance.

The amortisation of intangible assets allocated as part of business combinations is included in current operating result.

€ thousands	31/12/17	31/12/16
Charge to/reversal of non-current provisions	–55	–
Other non-current items	–162	–214
– *Non-current income*	*235*	*153*
– *Non-current expenses*	*–398*	*–367*
Net gain/(loss) on disposal of non-current assets	–1	–3
OTHER OPERATING INCOME AND EXPENSES	**–218**	**–218**

NOTE 4.3 ALTERNATIVE PERFORMANCE MEASURES

Current operating margin, which corresponds to current operating result as a proportion of sales (COR/Sales), is an interesting performance indicator as it reflects operating profitability.

ROCE corresponds to the return on capital invested (or employed) after tax, equating to the ratio, expressed as a percentage, between Current Operating Result after tax applied at a normative rate and the capital invested (or employed).
Capital invested corresponds to the sum of shareholders' equity (with the effects of goodwill impairment being neutralised) and the net financial debt.

€ thousands	31/12/17	31/12/16
Current operating result	168,403	177,603
Sales	1,246,573	1,131,739
CURRENT OPERATING MARGIN	**13.5%**	**15.7%**

€ thousands	Notes	31/12/17	31/12/16
Current operating result		168,403	177,603
Restated effective tax rate	*(11.1)*	*17.91%*	*17.85%*
Current operating result after tax effect		**138,242**	**145,900**
Shareholders' equity		770,665	657,771
Neutralisation of goodwill impairment	(5.1.2)	35,097	35,946
Restated shareholders' equity		805,762	693,717
Net financial debt	(7.2.3)	–104,640	–15,536
Capital invested (capital employed)		**701,121**	**678,181**
ROCE (RETURN ON CAPITAL EMPLOYED)		**19.7%**	**21.5%**

NOTE 4.4 INVENTORIES

Inventories are valued at their procurement cost, determined using the weighted average cost method.
In particular, inventory cost measurement takes into account the following items:

- the gross value of raw materials and supplies includes the purchase price and ancillary expenses;
- expenses incurred to bring inventories to the place they are located, and in the condition they are in, are integrated in inventory procurement cost;
- manufactured products are measured at production cost, which includes consumables, direct and indirect production expenses and depreciation charges of assets used in the manufacturing process;
- intragroup profits included in inventories are eliminated;
- borrowing costs are not included in the cost of inventory.

The value of inventories and work in progress is impaired when their net realisable value is lower than their book value.
Net realisable value is the estimated selling price under normal business conditions, after deducting estimated completion costs and estimated selling expenses.

€ thousands	31/12/17	31/12/16
Gross value		
Raw materials and other supplies	65,562	56,059
Finished goods and merchandise	131,127	125,143
Total	**196,689**	**181,202**
Provisions	**–11,982**	**–11,458**
NET VALUES	**184,707**	**169,744**

€ thousands	Value 31/12/16	Net charges	Exchange rate movement	Value 31/12/17
Inventory provisions	–11,458	–799	274	**–11,982**

NOTE 4.5 TRADE RECEIVABLES

Trade receivables are recorded at their nominal value and a provision for writedown is established when receivables are unlikely to be collected.

€ thousands	31/12/17	31/12/16
Gross value	188,104	178,360
Provision	–14,623	–15,926
NET VALUE	**173,482**	**162,433**

€ thousands	Value 31/12/16	Charges	Reversals used	Reversals unused	Exchange rate movement	Value 31/12/17
Provision for bad debts	–15,926	–2,527	2,239	955	637	**–14,623**

At 31 December 2017, the maturity profile of trade receivables was as follows:

€ thousands	Not overdue	Overdue between				Total
		0 to 3 months	3 to 6 months	6 to 9 months	More than 9 months	
Trade receivables	142,041	25,790	5,964	2,566	11,743	**188,104**

Credit insurance contracts, both in France and internationally, mitigate the consequences of customer default. Approximately 80% of sales are covered by such contracts.
It is appropriate to note that the current method for determining provisions for trade receivables complies with the requirements of IFRS 9 – Financial Instruments.

NOTE 4.6 OTHER CURRENT AND NON-CURRENT RECEIVABLES

Note 4.6.1 Other current receivables

€ thousands	31/12/17	31/12/16
Gross value		
Receivables from employees	4,103	3,545
Other taxes (including VAT)	9,470	11,830
Prepaid expenses	6,896	6,333
Other receivables	11,928	18,215
TOTAL	**32,397**	**39,923**

The item “Other receivables” notably includes current receivables on the disposal of CIAT totalling €7.6 million at 31 December 2017. At 31 December 2016, they included current receivables totalling €15.4 million on the disposal of CIAT and the Faac transaction.

Note 4.6.2 Other non-current receivables

€ thousands	31/12/17	31/12/16
Gross value		
Other operating receivables	4	15
Other non-operating receivables	2,102	3,870
TOTAL	**2,107**	**3,885**

The item “Other non-operating receivables” notably includes non-current receivables of €2.1 million at 31 December 2017 and €3.9 million at 31 December 2016 on the disposal of CIAT.

NOTE 4.7 OTHER CURRENT AND NON-CURRENT LIABILITIES

Trade and other payables are recognised at their nominal value.

Note 4.7.1 Other current liabilities

€ thousands	31/12/17	31/12/16
Social liabilities	82,001	78,625
Tax liabilities	11,396	8,483
Deferred income	812	834
Fixed assets suppliers	6,053	5,776
Other	2,180	2,021
TOTAL	**102,442**	**95,740**

Note 4.7.2 Other non-current liabilities

€ thousands	31/12/17	31/12/16
Other operational liabilities	227	333
Other non-operational liabilities	1,666	1,210
TOTAL	**1,893**	**1,543**

NOTE 5 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

NOTE 5.1 GOODWILL AND IMPAIRMENT TESTS

Note 5.1.1 Goodwill

Acquisition goodwill is measured using the method described in note 2.3.

Acquisition goodwill is subject to impairment tests at least once annually, or more frequently when events or changes in circumstances indicate that the goodwill has been impaired (indication of impairment, see note 5.1.2). Recognised impairment cannot be reversed.

Acquisition goodwill related to equity-accounted companies is posted to the “Investments in associates” account (see note 13.1). Impairment recorded on the equity-accounted value may be reversed in the event of a significant recovery in the value of the equity investment.

€ thousands	Value
At 1 January 2016	182,269
Changes in scope of consolidation*	20,512
Changes in foreign exchange rates	–2,388
Charge for impairment	–
AT 31 DECEMBER 2016	**200,394**
Changes in scope of consolidation	–
Changes in foreign exchange rates	–3,552
Charge for impairment	–
AT 31 DECEMBER 2017	**196,842**

* *The goodwill of Myfox, acquired at the end of 2016, has been adjusted within the allocation period (see note 2.3) and was €19.1 million. The balance of €1.5 million corresponds to the goodwill of iHome.*

Note 5.1.2 Impairment tests

IAS 36 defines the procedures to be applied by a company to ensure that the net book value of its assets does not exceed their recoverable amount, that is the amount to be recovered from the use or the disposal of the assets.

Except for goodwill and intangible assets with an indefinite life, which require systematic annual impairment tests at year-end, the recoverable amount of an asset is estimated every time there is an indication that the asset may be impaired.

A recoverable amount is estimated for each individual asset. If it is not possible to do so, assets are brought together in Cash Generating Units (CGUs), whose recoverable amount is subsequently measured.

A Cash Generating Unit is the smallest group of assets to which the asset belongs, which generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

CGUs have been identified within the Group. They primarily comprise the Group's legal entities that have been acquired through merger and acquisition transactions.

An impairment test involves comparing the recoverable amount of the CGU with its book value. The recoverable amount of an asset is measured at the higher of its fair value, after deduction of disposal costs, and its value in use.

If the recoverable amount exceeds the net book value of the CGU at period end, no impairment is recognised.

However, if this amount is lower than the net book value, an impairment loss equal to the difference is recognised in priority against the acquisition goodwill. This impairment loss may not be reversed.

Fair value after deduction of disposal costs is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, after deducting disposal costs.

The value in use is determined on the basis of cash flows estimated by plans and budgets for a maximum of five years. Cash flows beyond five years are extrapolated through the application of a constant or decreasing rate and discounted using long-term market rates after tax, which reflect market estimates of the time value of money and specific risks pertaining to these assets. In certain cases, cash flows can be estimated over longer periods, to be justified CGU by CGU.

At 31 December 2017, as at every year-end or every time that indications of impairment exist, the Group re-examined the value of goodwill associated with Cash Generating Units.

For the purpose of impairment tests, goodwill generated on the acquisition of Dooya has been allocated to each Cash Generating Unit and group of Cash Generating Units liable to derive economic benefits from this business combination.

The goodwill thus generated on assuming control over this company was allocated as follows:

- to the Dooya CGU, for the portion of economic benefits that is directly attributable to it. This goodwill is monitored in the local currency;
- to a combination of CGUs belonging to the Somfy division, for the portion of economic benefits that will flow to this CGU. This goodwill is monitored in Euros.

Cash flows are evaluated based on budgets and three-year forecasts for companies which operate in a market they know and understand well. Generally, these are companies whose strategies are not expected to change greatly. On the other hand, the period is extended to five years for companies in emerging markets, for which the growth potential and maturity are further away.

These cash flows have been projected over several years using specific growth rates which are consistent with the Group's historical growth rates.

The growth rate used to project cash flows to infinity is consistent with the long-term inflation rate relevant to the countries concerned.

The discount rate used corresponds to the weighted average cost of capital and reflects the expected return on invested capital (equity and liabilities necessary to finance operations). It is calculated based on the financial data extracted from a sample of comparable companies, comprising listed companies operating in the same business segment as the companies to be valued. Risk is mainly taken into account at a cash flow level.

In 2017, cash flow discount rates, determined from market data, were 10% and 14% for the European CGUs, 12.5% for the Chinese CGUs and 15% for other Asian CGUs.

In 2016, cash flow discount rates, determined from market data, were 10% for the European CGUs, 12.5% for the Chinese CGUs and 15% for other Asian CGUs.

BREAKDOWN OF THE GOODWILL OF THE MAIN CGUS AND DETAILS OF THE MAIN ASSUMPTIONS USED FOR EACH CGU AT 31 DECEMBER 2017

€ thousands	Gross value	Impairment	Net value	Discount rate	Rate of growth to infinity
BFT	94,021	–12,943	**81,077**	10.0%	2.0%
O&O	7,574	–7,574	**–**	–	–
Domis	1,091	–	**1,091**	10.0%	2.0%
Axis/Somfy Activités SA	1,153	–	**1,153**	10.0%	2.0%
Pujol	5,680	–5,680	**–**	–	–
Dooya	90,508	–	**90,508**	12.5%	2.5%
LianDa	8,900	–8,900	**–**	–	–
Myfox	18,973	–	**18,973**	14.0%	2.0%
iHome	1,343	–	**1,343**	15.0%	2.5%
Simu	2,367	–	**2,367**	10.0%	2.0%
Other	330	–	**330**	10.0%	2.0%
TOTAL FULLY-CONSOLIDATED COMPANIES	**231,939**	**–35,097**	**196,842**	**–**	**–**

Following a review of the value of the goodwill, no impairment charge was recognised during the 2017 financial year.
Furthermore, no impairment was necessary in relation to assets with an indefinite life and the use of which is independent from other assets.

Sensitivity analysis

The Group conducted sensitivity analyses on the results of impairment tests using different assumptions for EBITDA ratio and discount rate.

Analyses of the sensitivity to assumptions considered individually, including changes deemed reasonably possible in these assumptions, have highlighted scenarios where the recoverable value would fall below the book value of assets subject to the tests, therefore requiring additional impairment of the latter:

- a one percentage point increase in the discount rate could result in a €2.1 million impairment of Dooya's goodwill.
  A one and a half percentage point decrease of the EBITDA to sales ratio in the normative flow used in the calculation of the terminal value would have required an impairment of €0.3 million;
- the total impairment of the BFT goodwill at the end of 2017 was €12.9 million. A one and a half percentage point increase in the discount rate would result in an additional impairment of €1.6 million.
  A three and a half percentage point decrease of the EBITDA to sales ratio in the normative flow used in the calculation of the terminal value would have required an additional impairment of €1.6 million;
- a half percentage point increase in the discount rate could result in a €0.4 million impairment of Myfox's goodwill.
  A one and a half percentage point decrease of the EBITDA to sales ratio in the normative flow used in the calculation of the terminal value would have required an impairment of €0.7 million;
- a three percentage point increase in the discount rate could result in a €0.2 million impairment of iHome's goodwill.
  A six percentage point decrease of the EBITDA to sales ratio in the normative flow used in the calculation of the terminal value would have required an impairment of €0.2 million.

NOTE 5.2 OTHER INTANGIBLE ASSETS

Intangible assets acquired by the Group are recognised at historical cost, after deduction of accumulated amortisation and potential writedown.

Intangible assets primarily comprise:

SOFTWARE

Internally-developed software is recognised on the balance sheet when the following two conditions are met simultaneously:

- it is probable that the future economic benefits attributable to the software will flow to the company; and
- its cost or value can be measured reliably.

Conditions defined by IAS 38 in terms of development cost capitalisation must also be met (including project technical feasibility, intention to complete the software and availability of resources).

The Group owns two major types of software:

- **Software subject to a five-stage development project** and rolled out in several countries is amortised on a straight-line basis over ten years.

The five stages characterising the implementation of this type of IT projects are as follows:

- the "initiation" stage, ending in a decision to carry out or not an IT solution research to meet a specific issue;

- the "assessment" stage, ending in the choice of a solution, often the selection of a licence;
- the "study" and "realisation" stages, resulting in a decision to implement the roll-out of the solution;
- the "implementation" stage, ending in the transfer of the application to support services. This is the software roll-out.

This software is particularly related to the roll-out of IT systems.

Development expenses incurred during the "study" and "realisation" stages may be capitalised if all criteria defined by IAS 38 are complied with.

- **Ready-to-use software**, that is software whose operation by the Group is not subject to a five-stage project. It is amortised on a straight-line basis over four years.

PATENTS

Only acquired patents and related filing expenses are capitalised.

Patents are amortised on a straight-line basis over their legal protection period.

Costs of renewal of patents are included in costs for the year.

DEVELOPMENT COSTS

Development costs are recognised as balance sheet assets when all criteria defined by IAS 38 are met:

- project technical feasibility;
- intention to complete the intangible asset so that it is available for use or sale;
- ability to use or sell the intangible asset;
- generation of future economic benefits;
- availability of resources;
- ability to reliably measure the expenditure attributable to the intangible asset during its development.

Only development costs generated by projects dedicated to the development of new products and conducted in five stages are capitalised, as follows:

- the "assessment" stage, consisting in the production of assessment elements enabling the Group to make the decision to launch the project or not;
- the "pre-study" stage, whose objective is to select technical solutions, validate product feasibility and the marketing strategy to place the product on the market;
- the "study" stage, which enables to set the definition of the product, as well as industrial and marketing resources;
- the "realisation" stage, which consists in qualifying the product, establishing industrial resources in production facilities, as well as marketing resources. This stage also defines project closing criteria;
- the "launch" stage, featuring product manufacturing and the qualification of industrial and marketing resources.

The first two stages, entitled "assessment" and "pre-study" are research phases. Expenses incurred are thus recognised as costs for the financial year.

Development expenses incurred during the "study" and "realisation" stages may be capitalised if all criteria defined by IAS 38 are complied with.

Capitalised development costs are amortised on a straight-line basis, depending on the useful life of the asset from the date of its commissioning (four to ten years, depending on the type of product developed).

The value of projects in progress is recognised as an intangible asset in progress, until the "launch" stage, which marks the beginning of project roll-out.

No residual value is recognised at Group level to determine the basis for amortisation of intangible assets.

Subsequent expenditures are generally recognised as expenses for the financial year.

CUSTOMER RELATIONSHIPS

Customer relationships are estimated and recorded as an asset on the balance sheet as part of business combinations. These intangible assets are amortised over their estimated value in use.

BRANDS

Brands are estimated and recorded as an asset on the balance sheet as part of business combinations. These intangible assets have an indefinite life and are subject to impairment tests at least once a year or more frequently, when events or changes in circumstances indicate that they have been impaired (indication of impairment).

€ thousands	Allocated intangible assets	Development costs	Patents and brands	Software	Other	In progress and advance payments	Total
Gross value at 1 January 2017	31,456	38,298	9,003	45,138	2,290	7,920	**134,105**
Acquisitions	–	223	124	1,368	99	8,487	**10,302**
Disposals	–	–1,416	–514	–774	–70	–	**–2,774**
Changes in foreign exchange rates	–1,493	–	–297	–124	–4	–	**–1,919**
Changes in scope of consolidation	–	–	–	–	–	–	**–**
Other movements	–	5,821	–49	2,942	–22	–8,713	**–21**
AT 31 DECEMBER 2017	**29,963**	**42,926**	**8,267**	**48,549**	**2,294**	**7,694**	**139,693**
Accumulated amortisation at 1 January 2017	–17,646	–26,718	–3,381	–35,956	–1,828	–	**–85,530**
Amortisation charge for the period	–3,242	–4,585	–571	–3,172	–124	–	**–11,694**
Disposals	–	1,411	258	375	67	–	**2,111**
Changes in foreign exchange rates	961	–	68	82	4	–	**1,115**
Changes in scope of consolidation	–	–	–	–	–	–	**–**
Other movements	–	–	49	–	22	–	**71**
AT 31 DECEMBER 2017	**–19,928**	**–29,892**	**–3,577**	**–38,671**	**–1,860**	**–**	**–93,928**
NET VALUE AT 31 DECEMBER 2017	**10,035**	**13,034**	**4,690**	**9,878**	**434**	**7,694***	**45,765**

** Of which development expenses in progress amounting to €6.0 million.*

€ thousands	Allocated intangible assets	Development costs	Patents and brands	Software	Other	In progress and advance payments	Total
Gross value at 1 January 2016	31,961	35,868	8,816	41,703	1,577	2,813	**122,737**
Acquisitions	–	7	92	1,214	40	8,376	**9,729**
Disposals	–3,836	–463	–200	–748	–1	–	**–5,248**
Changes in foreign exchange rates	–869	–	–78	–29	–4	–	**–979**
Changes in scope of consolidation	4,200	1,880	373	–	659	735	**7,847**
Other movements	–	1,007	–1	2,998	20	–4,005	**19**
AT 31 DECEMBER 2016	**31,456**	**38,298**	**9,003**	**45,138**	**2,290**	**7,920**	**134,105**
Accumulated amortisation at 1 January 2016	–19,378	–22,216	–2,700	–33,771	–1,181	–	**–79,245**
Amortisation charge for the period	–2,568	–3,450	–572	–2,830	–74	–	**–9,495**
Disposals	3,836	333	173	631	–	–	**4,973**
Changes in foreign exchange rates	464	–	–54	17	4	–	**430**
Changes in scope of consolidation	–	–1,386	–229	–	–560	–	**–2,175**
Other movements	–	–	1	–3	–17	–	**–19**
AT 31 DECEMBER 2016	**–17,646**	**–26,718**	**–3,381**	**–35,956**	**–1,828**	**–**	**–85,530**
NET VALUE AT 31 DECEMBER 2016	**13,810**	**11,580**	**5,622**	**9,182**	**463**	**7,920***	**48,575**

** Of which development expenses in progress amounting to €6.9 million.*

Development expenses fulfilling the criteria of IAS 38 are capitalised and deemed as internally-generated intangible assets. At 31 December 2017, the gross value of these assets was €48.9 million, of which €6.0 million was in progress and the net value was €19.0 million.
The amount of research and development expenses recognised during the year was €88.8 million (net of capitalised production).
There are no contractual commitments to purchase intangible assets.
Net intangible assets recognised in the context of business combinations at 31 December 2017 comprised €6.8 million in customer relationships and €3.2 million in capitalised research and development expenses (€9.8 million and €4.1 million respectively at 31 December 2016).

NOTE 5.3 PROPERTY, PLANT AND EQUIPMENT

Except for business combinations, PPE assets are initially recorded at their acquisition or production cost, which includes the purchase price and all costs necessary to make the assets operational.

Current maintenance costs are recognised as expenses for the financial year.

Straight-line depreciation is used based on the following average useful lives:

- Buildings: 20 to 30 years;
- Machinery and tools: 5 to 10 years;
- Transport vehicles: 3 to 5 years;
- Office furniture and equipment: 5 to 10 years;
- Fittings and fixtures: 8 to 10 years.

Taking account of the nature of PPE held by the Group, no significant component was identified.

Subsequent expenditures may be capitalised if they comply with asset recognition criteria, as defined by IAS 16, in particular if it is probable that the future economic benefits of the asset will flow to the company. These criteria are considered prior to incurring the cost.

Asset residual values, useful lives and asset depreciation are reviewed, and amended if necessary, at the end of each year.

PPE recoverable amounts are reviewed when events or changes in circumstances indicate that the book value may not be recovered.

PPE are derecognised at disposal or when no future economic benefit is expected from their use or disposal. Any profit or loss resulting from the derecognition of an asset (measured as the difference between the net proceeds of the sale and the book value of the asset) is included in the income statement for the year in which the asset is derecognised.

Note 5.3.1 Property, plant and equipment by type

€ thousands	Land	Buildings	Plant, machinery and tools	Other	In progress and advance payments	Total
Gross value at 1 January 2017	21,600	170,238	244,464	70,048	27,890	**534,241**
Acquisitions	255	682	11,676	10,184	32,897	**55,693**
Disposals	–	–26	–8,576	–3,827	–	**–12,430**
Changes in foreign exchange rates	242	–1,418	–417	–1,794	34	**–3,353**
Changes in scope of consolidation	–	–	–	–	–	**–**
Other movements	428	6,593	22,779	–11	–29,769	**21**
AT 31 DECEMBER 2017	**22,525**	**176,070**	**269,925**	**74,600**	**31,053**	**574,173**
Accumulated depreciation at 1 January 2017	–601	–74,479	–157,998	–46,606	–	**–279,684**
Depreciation charge for the period	–209	–7,034	–18,906	–8,602	–	**–34,751**
Disposals	–	26	7,422	2,800	–	**10,247**
Changes in foreign exchange rates	–22	443	660	1,018	–	**2,099**
Changes in scope of consolidation	–	–	–	–	–	**–**
Other movements	–	–1,361	–39	1,329	–	**–71**
AT 31 DECEMBER 2017	**–832**	**–82,406**	**–168,861**	**–50,061**	**–**	**–302,159**
NET VALUE AT 31 DECEMBER 2017	**21,693**	**93,664**	**101,064**	**24,539**	**31,053**	**272,014**

€ thousands	Land	Buildings	Plant, machinery and tools	Other	In progress and advance payments	Total
Gross value at 1 January 2016	21,605	168,560	228,391	61,176	12,366	**492,098**
Acquisitions	15	1,190	9,874	10,570	35,078	**56,727**
Disposals	–	–55	–9,805	–3,071	–	**–12,931**
Changes in foreign exchange rates	–160	–1,415	–980	88	–130	**–2,596**
Changes in scope of consolidation	–	–	294	599	72	**965**
Other movements	141	1,957	16,690	686	–19,496	**–22**
AT 31 DECEMBER 2016	**21,600**	**170,238**	**244,464**	**70,048**	**27,890**	**534,241**
Accumulated depreciation at 1 January 2016	–441	–67,430	–150,560	–42,437	–	**–260,868**
Depreciation charge for the period	–169	–7,143	–16,286	–6,513	–	**–30,111**
Disposals	–	29	8,750	2,784	–	**11,563**
Changes in foreign exchange rates	9	66	317	–67	–	**324**
Changes in scope of consolidation	–	–	–183	–430	–	**–613**
Other movements	–	–	–35	57	–	**22**
AT 31 DECEMBER 2016	**–601**	**–74,479**	**–157,998**	**–46,606**	**–**	**–279,684**
NET VALUE AT 31 DECEMBER 2016	**20,999**	**95,759**	**86,466**	**23,442**	**27,890**	**254,557**

There is no significant property, plant and equipment (buildings, machinery and tools) in continuing use, with a net book value of zero.
There are no contractual commitments to purchase property, plant and equipment.

Note 5.3.2 Property, plant and equipment under finance leases

The mandatory application of IFRS 16 – Leases as from 1 January 2019, and the challenges that the standard poses to the Group are detailed in note 1.4.2.
The Group did not opt for the early application of IFRS 16 in its 2017 consolidated financial statements.

Leases that transfer virtually all the risks and rewards incident to ownership to the lessee are classified as **finance leases**.

These leases are classified as finance leases when the following major indicators are met (non-cumulative criteria and non-exhaustive list):

- transfer of asset ownership at expiry of the lease with purchase option;
- the option exercise conditions are such as to make the transfer of ownership highly likely at the expiration of the lease;
- the lease term is for the major part of the useful life of the asset according to the lessee's conditions of use;
- the present value of minimum lease payments is close to the fair value of the leased asset at the conclusion of the contract.

Assets financed within the framework of finance leases primarily include real estate. They are recorded, from inception of the contract, in property, plant and equipment at the lower of the fair value of leased assets and the present value of minimum payments in respect of the lease.

Payments made in respect of the lease are broken down between finance charges and debt repayment, in order to obtain a constant periodic rate of interest on the outstanding liability. Finance charges are directly recognised in the income statement.

PPE acquired through finance leases are depreciated over the same periods as described above where the Group expects to gain ownership of the asset at the expiry of the contract. If not, the asset is depreciated on the basis of the shorter period of the asset useful life and the duration of the lease.

Leases classified as **operating leases** are not restated and lease payments are recognised as expenses for the financial year, spread if required on a straight-line basis.

€ thousands	Land	Buildings	Plant, machinery and tools	Total
Gross value at 31 December 2017	7,979	32,045	38	**40,062**
Acquisitions	–	–	60	**60**
Disposals	–	–	–22	**–22**
Changes in foreign exchange rates	–	–	1	**1**
Changes in scope of consolidation	–	–	–	**–**
Other movements	–868	–12,597	–	**–13,465**
AT 31 DECEMBER 2017	**7,111**	**19,448**	**77**	**26,636**
Accumulated depreciation at 1 January 2017	–	–13,049	–28	**–13,077**
Depreciation charge for the period	–	–639	–9	**–648**
Disposals	–	–	18	**18**
Changes in foreign exchange rates	–	–	–	**–**
Changes in scope of consolidation	–	–	–	**–**
Other movements	–	4,769	–	**4,769**
AT 31 DECEMBER 2017	**–**	**–8,919**	**–19**	**–8,938**
NET VALUE AT 31 DECEMBER 2017	**7,111**	**10,529**	**58**	**17,698**

Other movements include the exercise of options upon expiry of certain finance leases.

The maturity profile of non-discounted and discounted minimum payments on finance leases is as follows:

€ thousands	Undiscounted 2017 debt	Discounted 2017 debt
1 year or less	1,444	1,175
Between 1 and 5 years	3,621	2,879
5 years or more	2,329	2,094
TOTAL	**7,394**	**6,148**

€ thousands	Undiscounted 2016 debt	Discounted 2016 debt
1 year or less	2,236	1,930
Between 1 and 5 years	4,350	3,486
5 years or more	2,974	2,598
TOTAL	**9,560**	**8,014**

NOTE 6 EQUITY AND EARNINGS PER SHARE

NOTE 6.1 EQUITY

Note 6.1.1 Transactions between shareholders

In the event of acquisition of additional interests in a subsidiary, the difference between the price paid and the book value of non-controlling interests acquired and any related acquisition costs is recognised as a reduction of the Group's consolidated shareholders' equity, and vice versa in case of disposal of interests without loss of control.

Note 6.1.2 Treasury shares

The Group holds treasury shares for the following purposes:

- to stimulate the secondary market or ensure the liquidity of the Somfy share, by way of an investment services provider within a liquidity contract that complies with the Ethics Charter of AMAFI recognised by regulations;
- to retain the shares purchased and subsequently exchange them or use them as payment within the framework of potential acquisitions;
- to ensure the coverage of stock option plans and/or free share allocation plans (or similar) granted to employees and/or corporate officers of the Group, as well as all other shares allocated under a company or group savings scheme (or similar), in relation to employee profit sharing and/or any other form of allocation to employees and/or corporate officers of the Group;
- to cover marketable securities giving right to the allocation of shares in the company, in accordance with current regulations;
- to proceed with the possible cancellation of shares acquired.

Treasury shares directly held by the Group or through a liquidity contract are recognised as a reduction from equity.

On their disposal, the consideration received for the disposal of treasury shares is directly recognised as an increase of Group equity, no gain or loss is thus recognised in net profit/loss for the financial year.

Note 6.1.3 Proposed dividends

	31/12/17	31/12/16*
Total number of shares	37,000,000	37,000,000
Treasury shares	2,658,967	2,663,535
Par value	€0.20	€0.20
Proposed dividends	€1.30	€1.22

* *2016 figures have been restated to reflect the 5-for-1 share par value split carried out in 2017.*

The par value of the shares that comprise Somfy SA's share capital has been divided by five. The company's share capital changed from 7,400,000 shares with a par value of €1 each to 37,000,000 shares with a par value of €0.20 each during the 2017 financial year.

The voting right attached to shares is proportional to the capital that they represent. Each share carries the right to a single vote. Certain shares are entitled to a double voting right, providing they are fully paid up and have been registered in nominative form for at least four years in the name of the same shareholder at the end of the calendar year preceding each General Meeting.

NOTE 6.2 EARNINGS PER SHARE

Net earnings per share is calculated by dividing the net profit for the financial period by the average number of shares in issue over the period (number of shares issued net of treasury shares held).

Only treasury shares held by the Group and allocated at the closing to stock options plans or free shares allocations guarantee a dilutive effect on the calculation of diluted earnings per share. The Group has not issued any securities giving future access to capital.

Basic earnings per share	31/12/17	31/12/16*
Net profit – Group share (€ thousands)	159,912	140,957
Total number of shares (1)	37,000,000	37,000,000
Treasury shares** (2)	2,658,967	2,663,535
Number of shares used in calculation (1) – (2)	34,341,033	34,336,465
EARNINGS PER SHARE (€)	**4.66**	**4.11**

* *2016 figures have been restated to reflect the 5-for-1 share par value split carried out in 2017.*

** *Represent all the treasury shares held by Somfy SA.*

Diluted earnings per share	31/12/17	31/12/16*
Net profit – Group share (€ thousands)	159,912	140,957
Total number of shares (1)	37,000,000	37,000,000
Treasury shares** (2)	2,650,442	2,655,010
Number of shares used in calculation (1) – (2)	34,349,558	34,344,990
DILUTED EARNINGS PER SHARE (€)	**4.66**	**4.10**

* *2016 figures have been restated to reflect the 5-for-1 share par value split carried out in 2017.*

** *Does not include free shares.*

Diluted earnings per share take into account shares allocated free of charge in determining the "number of shares used in calculation".

NOTE 7 FINANCIAL ITEMS

NOTE 7.1 NET FINANCIAL INCOME/(EXPENSE)

Net financial income/(expense) comprises the following two items:

- Net cost of financial debt

Includes all income/expense from net financial debt or cash surplus constituents over the period, including income/loss on interest rate hedges.

- Other financial income and expenses

These include income and expenses of a financial nature but neither of an operational nature nor a constituent of the cost of net financial debt.

€ thousands	31/12/17	31/12/16
Cost of net financial debt	−1,454	−845
– *Financial income from investments*	*1,631*	*1,980*
– *Financial expenses related to borrowings*	*−3,085*	*−2,825*
Effect of foreign currency translation	−7,371	3,233
Other	2,967	−4,505
NET FINANCIAL EXPENSE	**−5,857**	**−2,117**

Net financial expense was €5.9 million for the year to 31 December 2017, compared with a net expense of €2.1 million for the year to 31 December 2016. Restated for non-recurring items (€2.4 million reversal of provision on Garen financial assets), net financial expense for the year to 31 December 2017 was €8.3 million. Likewise, net financial expense to the end of December 2016 was €3.5 million if restated for the exchange gain of €0.3 million on the exit from Giga and the €1.1 million reversal of the provision on Garen financial assets. The deterioration in restated net financial expense between December 2016 and December 2017 was mainly due to unrealised exchange impacts on foreign currency denominated receivables and liabilities (BRL, TRY and USD in particular).

NOTE 7.2 FINANCIAL ASSETS AND LIABILITIES

The mandatory application of IFRS 9 – Financial Instruments from 1 January 2018, and the challenges that this standard poses to the Group are detailed in note 1.4.2.
The Group did not opt for the early application of IFRS 9 in its 2017 consolidated financial statements.

Note 7.2.1 Financial assets

Financial assets are classified in the following categories according to their nature and purpose of ownership:

- assets held to maturity;
- assets measured at fair value by way of the income statement;
- assets available for sale;
- loans and receivables.

Financial assets are initially recognised at historical cost, which corresponds to the fair value of the purchase price, increased by acquisition costs, with the exception of assets measured at fair value by way of the income statement, whose acquisition costs are recognised in the income statement.

ASSETS HELD TO MATURITY

These solely comprise fixed income securities purchased with the intent of holding them until maturity. They are measured at amortised cost using the effective interest rate method. Amortised cost is measured by taking into account any discount received or premium paid at acquisition, over the period running from the acquisition to the maturity date. Profits and losses are recognised in the income statement when assets are derecognised or their value is impaired. The same applies to writedown charges.

The Group does not own any assets of this type to date.

ASSETS MEASURED AT FAIR VALUE BY WAY OF THE INCOME STATEMENT

These represent assets held for transaction purposes, meaning assets acquired by the company with a view to dispose of them in the short term. They are measured at fair value and fair value variances are recognised in the income statement.

In particular, marketable securities complying with the definition of financial assets held for transaction purposes are measured at fair value at year-end and recognised as current financial assets. Fair value variances are recognised in the income statement.

ASSETS AVAILABLE FOR SALE

Group investments in companies over which it neither has control, nor significant influence, nor joint control, are recognised as financial assets available for sale in accordance with IAS 39.

These assets are measured at fair value at the balance sheet date with changes in their fair value recorded in items of other comprehensive income and accumulated in the fair value reserve of shareholders' equity, with the exception of losses in value. Amounts thus accumulated in equity are reclassified to the income statement on the derecognition of the assets.

Corresponding dividends are recognised in financial income in the year they are paid.

If the fair value of these assets available for sale happens to be lower than the acquisition cost, a provision for writedown is established and recognised in the income statement when there is an objective indication that the value of these assets available for sale may be impaired.

Financial assets available for sale are classified as non-current financial assets, except for those with a maturity date of less than 12 months at year-end, which are classified as current financial assets.

LOANS AND RECEIVABLES

Loans and receivables correspond to deposits and guarantees and other non-current receivables, trade receivables, certain other current receivables and cash and cash equivalents not classified as assets held for trading (term deposits). They are measured at amortised cost using the effective interest rate method. Long-term loans and receivables, non-interest bearing or bearing a lower interest rate than market interest rate, are discounted if amounts are significant. Potential impairment losses are recognised in the income statement.

In addition, writedown charges are established when there is an objective indication that the value of the asset may have been impaired as a result of an event arising after its initial recognition.

This account primarily comprises guarantees and deposits paid to various lenders.

€ thousands	Financial assets available for sale	Loans	Deposits and guarantees	Other	Current and non-current financial assets	Realisable within 1 year	Non-current financial assets
At 1 January 2017	334	75	2,924	3	**3,335**	747	**2,588**
Increase	1,087	1,309	254	77	**2,727**	2	**2,726**
Decrease	–694	–2,331	–77	–	**–3,102**	–689	**–2,413**
Net change in impairment	480	3,050	–2	–	**3,528**	–	**3,528**
Changes in foreign exchange rates	–59	–8	–110	–7	**–184**	–41	**–143**
Changes in scope of consolidation	–	–	–	–	**–**	–	**–**
Other movements	–	–	–	–	**–**	**881**	**–881**
AT 31 DECEMBER 2017	**1,148**	**2,095**	**2,989**	**73**	**6,305**	**900**	**5,405**

Financial assets realisable within one year mainly comprise short-term deposits.

Note 7.2.2 Financial liabilities

BORROWINGS AND BORROWING COSTS

Upon initial recognition, loans and other interest-bearing debts are measured at fair value, increased by transaction costs that are directly attributable to the issuance of the liability. Fair value generally equals the amount of cash received.

Issuing charges and premiums are taken into consideration in measuring amortised cost according to the effective rate method. Therefore, they are recognised in the income statement on an actuarial basis over the duration of the liability.

Interest on loans is recognised as an expense of the period.

Other borrowings and financial liabilities include the debt relating to the put options granted to the holders of non-controlling interests and to earnouts, which amounted to €78.1 million at 31 December 2017 and €80.4 million at 31 December 2016, as well as to deferred settlements of €5.2 million at 31 December 2017 and €5.6 million at 31 December 2016. The change was due to the recognition of a put option valued at €2.2 million granted to the minority shareholders in Overkiz, the discounting of the put option granted to the minority shareholders in iHome, representing a loss of €0.9 million, and the translation adjustment on the put option granted to the minority shareholders in Dooya, representing a loss of €3.6 million. The latter was valued at €55.1 million at 31 December 2017, compared with €58.7 million at 31 December 2016 and has been exercisable since the end of 2015.

The subsequent fair values of liabilities corresponding to put options granted to holders of non-controlling interests are recognised in equity.

Since debt is essentially at a variable rate, the fair value is not significantly different from the book value.

Note 7.2.2.1 Analysis by category

€ thousands	Borrowings from credit institutions	Lease commit-ments	Other borrowings and financial liabilities	Total liabilities from financing activities	Bank overdrafts	Current and non-current financial liabilities	Due within 1 year	Non-current financial liabilities
At 1 January 2017	16,386	8,014	86,610	**111,011**	7,598	**118,609**	83,235	**35,374**
Increase in borrowings	4,863	62	–	**4,925**	211	**5,136**	5,074	**62**
Reimbursement of borrowings	–140	–1,929	–44	**–2,113**	–7,330	**–9,443**	–9,443	**–**
Total cash movements	**4,723**	**–1,867**	**–45**	**2,812**	**–7,119**	**–4,307**	**–4,369**	**62**
Impact of the revaluation of put options	–	–	–890	**–890**	–	**–890**	–890	**–**
Changes in foreign exchange rates	–1,029	1	–4,029	**–5,057**	–210	**–5,267**	–5,160	**–106**
Changes in scope of consolidation	–	–	2,223	**2,223**	–	**2,223**	–	**2,223**
Other movements	–	–	–	**–**	–	**–**	4,036	**–4,036**
Total non-cash movements	**–1,029**	**1**	**–2,696**	**–3,724**	**–210**	**–3,934**	**–2,014**	**–1,919**
AT 31 DECEMBER 2017	**20,081**	**6,148**	**83,870**	**110,099**	**269**	**110,368**	**76,852**	**33,516**

Note 7.2.2.2 Analysis by maturity

€ thousands	31/12/17	31/12/16
1 year or less	76,852	83,235
Between 1 and 5 years	31,373	32,502
5 years or more	2,143	2,872
TOTAL	**110,368**	**118,609**

Note 7.2.2.3 Analysis by rate

€ thousands	31/12/17	31/12/16
Variable rate	6,355	15,609
Fixed rate	19,605	15,815
Non-interest bearing	84,408	87,185
TOTAL	**110,368**	**118,609**

Non-interest bearing financial liabilities mainly include put options granted to holders of non-controlling interests and earnouts.

Note 7.2.2.4 Analysis by currency

€ thousands	31/12/17	31/12/16
Euro	29,568	36,772
Other*	80,800	81,837
TOTAL	**110,368**	**118,609**

* *Including the CNY-denominated put option granted to minority shareholders in Dooya (€55.1 million at 31 December 2017 compared with €58.7 million at 31 December 2016).*

Note 7.2.2.5 Secured liabilities

The Group had no liabilities secured by collateral at 31 December 2017.

Note 7.2.2.6 Covenants

At 31 December 2017, Somfy SA had a total of €200.0 million undrawn medium-term loan facilities (confirmed credit lines) with seven banks. Funds made available by the credit institutions are subject to Somfy SA commitment to comply with financial covenants based on the Group's financial structure (net financial debt/shareholder's equity) and its ability to repay (net financial debt/EBITDA). Somfy SA was in compliance with all of these covenants at 31 December 2017.

Somfy SA also had undrawn overdraft facilities totalling €53 million at 31 December 2017.

Note 7.2.3 Analysis of net financial debt

The net financial debt corresponds to the difference between financial assets and financial liabilities. Notably it takes into account unlisted bonds receivable, issued by certain companies in which shares are held or related entities, earnouts on acquisitions, liabilities relating to options granted to minority shareholders in fully-consolidated companies and deferred settlements of a financial nature. Not included are securities in non-controlling equity investments, deposits & guarantees and government grants.

€ thousands	31/12/17	31/12/16
Financial liabilities included in net financial debt calculation	110,358	118,599
Financial assets included in net financial debt calculation	2,164	288
– *Marketable securities*	*–*	*214*
– *Loans*	*2,095*	*74*
– *Miscellaneous*	*70*	*–*
Cash and cash equivalents	212,834	133,847
NET FINANCIAL DEBT	**–104,640**	**–15,536**

(–) Net financial surplus.

The financial liabilities included in net financial debt include the debt relating to the put options granted to the holders of non-controlling interests and to earnouts, which amounted to €78.1 million at 31 December 2017 and €80.4 million at 31 December 2016, as well as to deferred settlements of €5.2 million at 31 December 2017 and €5.6 million at 31 December 2016. Restated for these items, the net financial surplus was €187.9 million at 31 December 2017, compared with €101.6 million at 31 December 2016.

Note 7.2.4 Derivative financial instruments

DERIVATIVE FINANCIAL INSTRUMENTS

All derivative financial instruments are measured at their fair value. Fair value is either the market value for listed instruments, or a value provided by financial institutions in accordance with usual criteria (over-the-counter market).

Derivative financial instruments primarily comprise foreign exchange contracts, raw material hedging contracts and interest rate swaps.

For derivatives designated as cash flow hedge instruments, the effective portion of fair value movements of the derivatives is recognised in items of other comprehensive income and accumulated in the hedging reserve. Any ineffective portion in the fair value movement of derivatives is immediately recognised through net result.

The fair value movements in foreign currency, raw material and interest rate hedging instruments ineligible for hedge accounting are recognised in net financial income/expense.

The fair value of derivative instruments is recognised in the balance sheet under specific items: "current and non-current asset derivative instruments" or "current and non-current liability derivative instruments" depending on the nature of the hedged good.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurements are specified by level in accordance with the following fair value hierarchy:

- the instrument is quoted on an active market (Level 1);
- measurement requires the use of valuation techniques drawing on observable data, either directly (prices) or indirectly (as derived from prices) (Level 2);
- at least one significant component of fair value is based on non-observable data (Level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service or regulatory agency, and those prices represent regularly occurring market transactions. These instruments are classified as Level 1.

The fair values of financial instruments that are not traded in an active market (*e.g.* over-the-counter derivatives) are determined using valuation techniques. These different valuation techniques maximise the use of observable market data, where available, and rely little on the Group's estimates. The instrument is classified as Level 2 if all elements required to calculate the fair value of an instrument are observable.

If one or more of the principal pricing elements is not based on observable market prices, the instrument is classified as Level 3.

€ thousands	Amount at 31 December 2017	Loans and receivables *(Fair value equal to net book value)*	Assets available for sale *(Fair value recognised in reserves)*	Assets held for trading *(Fair value recognised in income statement)*	Fair value *(Fair value recognised in reserves)*	Fair value *(Fair value recognised in income statement)*
Assets						
Non-current financial assets	**5,405**	4,256	1,148	–	–	–
Current financial assets	**900**	900	–	–	–	–
Current derivative instruments	**596**	–	–	–	303	293
Cash and cash equivalents	**212,834**	212,572	–	262	–	–
Liabilities						
Non-current financial liabilities	**33,516**	11,534	–	–	21,982	–
Current financial liabilities	**76,852**	20,757	–	–	56,095	–

€ thousands	Amount at 31 December 2016	Loans and receivables *(Fair value equal to net book value)*	Available assets for sale *(Fair value recognised in reserves)*	Assets held for trading *(Fair value recognised in income statement)*	Fair value *(Fair value recognised in reserves)*	Fair value *(Fair value recognised in income statement)*
Assets						
Non-current financial assets	**2,588**	2,254	334	–	–	–
Current financial assets	**747**	747	–	–	–	–
Current derivative instruments	**4**	–	–	–	4	–
Cash and cash equivalents	**133,847**	133,847	–	–	–	–
Liabilities						
Non-current financial liabilities	**35,374**	13,680	–	–	21,694	–
Current financial liabilities	**83,235**	24,496	–	–	58,739	–
Current derivative instruments	**379**	–	–	–	92	287

There were no interest rate swaps at 31 December 2017.

The net book value of current assets and liabilities is deemed to be a reasonable approximation of their fair value due to their short-term nature.

For securities available for sale, which mainly comprise unlisted equity securities, it is not deemed possible to reliably measure their fair value. They are therefore recognised at cost and written down if applicable.

For variable rate borrowings and debt, net book value is deemed to be a reasonable approximation of their fair value.

The fair value of derivative instruments and cash equivalents is established with reference to observable market data (Level 2).

Potential earnouts related to business acquisitions are measured at their balance sheet fair value, based in particular on the future earnings prospects of the businesses acquired (Level 3).

There has been no change in the method of determining fair value for any category during the period.

Note 7.2.5 Cash and cash equivalents

Cash includes bank balances (bank assets and overdrafts) and cash in hand.

Cash equivalents are short term and very liquid deposits, easily convertible into a known amount of cash and subject to a negligible risk of unfavourable change in value.

€ thousands	31/12/17	31/12/16
Cash	194,843	126,121
Cash equivalents	17,990	7,726
CASH AND CASH EQUIVALENTS	**212,834**	**133,847**

Cash equivalents mainly include deposits with a maturity of less than three months and Euro money market funds.

NOTE 7.3 FINANCIAL RISK MANAGEMENT POLICY

The mandatory application of IFRS 9 – Financial Instruments as from 1 January 2018, and the challenges that this standard poses to the Group are detailed in note 1.4.2.
The Group did not opt for the early application of IFRS 9 in its 2017 consolidated financial statements.

Foreign exchange risk

The Group is primarily exposed to foreign exchange risk through intragroup sales of manufactured products distributed by commercial subsidiaries outside the Euro zone (these sales are denominated in local currencies) and purchases denominated in local currencies.
Almost 60% of consolidated Group sales are generated in the Euro Zone.
Foreign currency denominated assets represent 20% of total assets at 31 December 2017. Consequently, a variation in foreign exchange rates would not have a significant effect on total assets.
At comparable terms and conditions, the Group gives priority to natural hedges (foreign currency purchases related to sales in the same currency). The derivative financial instruments put into place are forward foreign exchange contracts for the main currencies.
Since 1 July 2010, the Group has applied hedge accounting to foreign currency hedging instruments. The effective portion of fair value movements is therefore taken to equity and the ineffective portion is recognised in net financial expense.
The positive impact of the effective portion of hedges at 31 December 2017 was €0.9 million on equity (€0.6 million net of deferred tax) and €0.6 million on profit and loss (transfer from equity).
The ineffective portion of hedges was nil at 31 December 2017 and 2016.

31/12/17 € thousands	Hedging of balance sheet items	Hedging of off-balance sheet items	Total	Fair value	Types
AUD	1,434	–	**1,434**	43	Forward sale
CAD	964	1,430	**2,394**	39	Forward sale
CHF	427	–	**427**	28	Forward sale
CNY	–8,585	–8,713	**–17,298**	265	Forward purchase
GBP	1,183	3,212	**4,396**	17	Forward sale
HKD	320	147	**467**	21	Forward sale and put swap
ILS	961	2,954	**3,915**	–4	Forward sale
JPY	444	–	**444**	43	Forward sale
NOK	549	864	**1,413**	70	Forward sale
PLN	551	–	**551**	7	Forward purchase and put swap
RUB	173	504	**677**	–3	Forward sale
SEK	511	–	**511**	4	Forward sale and put swap
SGD	94	655	**749**	–6	Forward sale
THB	26	286	**312**	–3	Forward sale
TRY	880	–	**880**	–36	Forward sale
USD	–	–834	**–834**	–3	Call swap
	–68	**506**	**437**	**483**	

31/12/16 € thousands	Hedging of balance sheet items	Hedging of off-balance sheet items	Total	Fair value	Types
AUD	2,368	2,143	**4,511**	–86	Forward sale and purchase
CAD	656	1,017	**1,673**	–45	Forward sale
CHF	1,066	2,816	**3,882**	–43	Forward sale
CNY	–3,873	–5,826	**–9,699**	92	Forward purchase
GBP	2,521	1,092	**3,613**	26	Forward sale
HKD	896	1,157	**2,054**	–111	Forward sale
ILS	1,384	2,204	**3,588**	–158	Forward sale
JPY	1,750	2,407	**4,157**	221	Forward sale and purchase
NOK	223	1,633	**1,855**	–29	Forward sale
PLN	1,257	–	**1,257**	13	Forward sale
RUB	403	890	**1,293**	–148	Forward sale
SEK	264	526	**791**	–15	Forward sale
SGD	133	401	**534**	–1	Forward sale
THB	115	51	**167**	–7	Forward sale
USD	2,103	–438	**1,665**	–82	Forward sale and purchase
	11,266	**10,073**	**21,339**	**–375**	

Interest rate risk

The majority of the Group companies' financial liabilities is at variable rate.
The Group applies hedge accounting to interest rate hedge instruments. The effective portion of fair value movements is therefore taken to items of other comprehensive income and the ineffective portion is recognised in net financial expense.
The Group did not use any interest-rate hedge instruments during the 2017 financial year.

Liquidity risk

External Group financing essentially relies upon leases and medium-term credit facilities.
Some debts are subject to compliance with covenants. The covenants are detailed in note 7.2.2.6.
The Group does not use any revolving credit facilities and does not securitise its assets.
The Group has access to confirmed medium-term bank facilities, which are undrawn to date (see note 7.2.2.6).

Investment risk

Given the composition of its marketable securities portfolio (interest bearing current accounts and term deposits) and the amounts involved, the Group's exposure to investment risk is low.

Raw material risks

Somfy SA protects against movements in raw material prices by placing firm orders with its suppliers (physical hedges for copper and zinc) and *via* hedging agreements for materials on the financial markets (copper and zinc paper hedges) on components that cannot be physically hedged.
The Group is in a position to apply hedge accounting to a material component of a non-financial item under the provisions of IAS 39. As such, the effective portion of financial instruments implemented is therefore taken to equity and the ineffective portion is recognised in net financial expense. This treatment complies with the provisions of IFRS 9, which will be applied as from 1 January 2018.
The impact of efficient hedges on equity was €0.1 million at 31 December 2017. The ineffective portion of hedges was nil at 31 December 2017.

31/12/17	Tonnes	Hedging of off-balance sheet items *€ thousands*	Fair value *€ thousands*	Types
Copper	285	1,627	85	Swap-Options
Zinc	570	1,556	6	Swap-Options
	855	**3,183**	**91**	

NOTE 8 ANALYSIS OF CASH FLOW STATEMENT

NOTE 8.1 CASH AND CASH EQUIVALENTS

€ thousands	31/12/17	31/12/16
CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	**126,249**	**99,272**
Cash and cash equivalents at the start of the period	133,847	103,787
Bank overdrafts	–7,598	–4,515
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**212,564**	**126,249**
Cash and cash equivalents at the end of the period	212,834	133,847
Bank overdrafts	–269	–7,598

NOTE 8.2 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Receivables and liabilities related to intangible assets and property, plant and equipment are included in investment activities in the cash flow statement and increased by €0.2 million in the year ended 31 December 2017 compared with an increase of €0.9 million in 2016.

During 2017, the Group acquired intangible assets and property, plant and equipment totalling €66.0 million, compared with €66.5 million in 2016.

Net of cash receipts related to disposals of intangible assets and property, plant and equipment, investments totalled €64.5 million in 2017, unchanged compared with 2016.

NOTE 8.3 CHANGE IN WORKING CAPITAL REQUIREMENTS

€ thousands	31/12/17	31/12/16
Net decrease/(increase) in inventory	–19,733	–15,255
Net decrease/(increase) in trade receivables	–17,238	–19,552
Net (decrease)/increase in trade payables	24,410	7,497
Net movement in other receivables and payables	2,657	–33
CHANGE IN WORKING CAPITAL REQUIREMENTS	**–9,905**	**–27,344**

NOTE 8.4 COMPANIES ACQUISITIONS AND DISPOSALS, NET OF CASH ACQUIRED OR DISPOSED OF

No companies were acquired or disposed of during the 2017 financial year.

As a reminder, the net cash flows resulting from the 2016 acquisitions consisted of the acquisitions of Myfox for €2.8 million and of iHome for €1.6 million, as well as of the purchase of non-controlling interests in BFT Piemonte and BFT Adria for a total amount of €0.1 million.

The cash flow corresponding to disposals of companies in the 2016 financial year, net of the cash disposed, was only affected by the sale of Giga for €1.2 million.

NOTE 9 PROVISIONS AND CONTINGENT LIABILITIES

NOTE 9.1 PROVISIONS

This includes commitments with an uncertain maturity date or amounts resulting from restructuring operations, litigations or other risks.

A provision is established when the Group has a current obligation (legal or constructive) resulting from a past event and when future cash outflows can be measured reliably.

The Group is party to a number of litigation and arbitration proceedings with third parties or with the tax authorities of certain countries in the normal course of its business. Provisions are recorded for these proceedings when a legal, contractual or constructive obligation exists at the end of the reporting period with respect to a third party; it is probable that an outflow of resources embodying economic benefits will be required in order to settle the obligation with no consideration in return, and a reliable estimate can be made of this obligation.

Similarly, if the Group has uncertainties concerning the tax treatment it has adopted in respect of certain events or transactions, provisions are recognised if it is probable that the Group's tax liabilities would be reassessed in the event of a tax audit.

A provision for restructuring is recognised when there is an obligation toward third parties, originating from a Management decision materialised before year-end by the existence of a detailed and formal plan, which has been announced to the personnel affected or their representatives.

When the Group expects full or part repayment of an expense that was the subject of a provision, by way of the existence of an insurance contract for instance, the repayment is recognised as a separate asset but only if repayment is virtually certain.

The provision charge is taken to the income statement, net of any repayment.

In order to cover costs inherent in guarantees given to customers, the Group recognises a provision for charges. This provision represents the estimated amount, based on statistics of charges recognised in the past, as a result of repairs during the guarantee period. At each year-end, this provision is reversed for the actual amount of services rendered recorded as expenses for the financial year.

If the impact of the time value of money is significant, provisions are discounted on the basis of a rate after tax which reflects the specific risks of the liability.

Where a provision is discounted, the increase in the provision relating to the discounting is recorded as an operating expense.

Note 9.1.1 Non-current provisions

€ thousands	Provisions for guarantees	Provisions for litigation	Provision for employee liability	Provisions for liabilities and charges	Total 2017
At 1 January 2017	6,238	1,844	447	4,651	**13,180**
Charges	30	651	49	118	**848**
Used reversals	–	–843	–67	–60	**–970**
Unused reversals	–	–422	–	–63	**–485**
Changes in foreign exchange rates	–163	–5	–	–196	**–364**
Changes in consolidation scope	–	–	–	–	**–**
Other movements	–	–	–	–458	**–458**
AT 31 DECEMBER 2017	**6,105**	**1,225**	**429**	**3,992**	**11,751**

Note 9.1.2 Current provisions

€ thousands	Provisions for guarantees	Provisions for litigation	Provisions for liabilities and charges	Total 2017
At 1 January 2017	5,536	1,226	1,819	**8,581**
Charges	–109	137	482	**509**
Used reversals	–	–192	–284	**–476**
Unused reversals	–	–860	–285	**–1,145**
Changes in foreign exchange rates	–160	1	–42	**–201**
Changes in consolidation scope	–	–	–	**–**
Other movements	–	–	458	**458**
AT 31 DECEMBER 2017	**5,267**	**312**	**2,148**	**7,727**

NOTE 9.2 CONTINGENT LIABILITIES

Contingent liabilities correspond to potential obligations arising from past events, whose existence will only be confirmed by the occurrence of uncertain future events that are beyond the entity's control, or from current obligations for which no cash outflow is likely to occur. Except for those resulting from business combinations, they are not recognised but disclosed in the notes to the financial statements.

All the Group's contingent liabilities are listed in the Highlights.

NOTE 10 EMPLOYEE INFORMATION

NOTE 10.1 WORKFORCE

The Group's average workforce at 31 December 2017, including temporary and part-time employees recorded on a full-time equivalent basis, was as follows:

	31/12/17	31/12/16
Average workforce	8,848	7,928

NOTE 10.2 EMPLOYEE BENEFITS

Note 10.2.1 Pensions and other long-term benefits

In respect of pension plan commitments, the Group contributes to pension plans or grants benefits to employees on retirement in compliance with the rules and regulations in place in each country. These benefits have been measured.

Contributions paid in respect of plans analysed as defined contribution plans, for which the Group has no other obligation than paying contributions, are recognised as expenses for the financial year.

For defined benefit plans relating to post-employment benefits the cost of benefits is measured using the projected unit credit method.

According to this method, the rights to benefits are allocated to periods of service depending on the plan's formula for acquisition of rights, by taking account of a straight-line effect where the rate of acquisition of rights is not uniform to the periods of subsequent service.

The amount of future payments corresponding to benefits granted to employees are measured on the basis of salary increase, retirement age and death rate assumptions, and then discounted to their present value on the basis of long term bond interest rates of prime issuers.

These plans are either financed – their assets being managed separately and independently from the Group – or not, with their commitments being recognised in the balance sheet under "Employee benefits".

The provision recognised in the balance sheet corresponds to the present value of the obligations calculated as described above, less the fair value of plan assets.

The different defined benefit plans are the following:

- retirement benefit plans (IFC) for all French companies, in compliance with applicable collective agreements;
- defined benefit pension plans in international subsidiaries (United States in particular).

Re-measurements of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding amounts accounted for in the calculation of net interest on the net liability) and, if applicable, the change in the effect of assets ceiling (excluding amounts accounted for in the calculation of net interest on the net liability) are recognised immediately in other comprehensive income.

The past service cost resulting from a plan amendment or curtailment of an existing plan is immediately expensed.

Expenses relating to this type of plan are recognised under employee expenses and for accretion expenses under net financial expense.

Seniority awards are treated as long-term benefits granted to employees and provided for on the basis of an actuarial evaluation at every year-end. Actuarial gains and losses are recognised as expenses.

Likewise, the severance pay provision (TFR) applicable to Italian companies is treated as a long-term benefit.

At 31 December 2017, actuarial losses recognised in reserves amounted to a negative €3.9 million (*i.e.* a negative €5.9 million in "Employee benefits" and a positive €2.0 million in deferred tax).

Movements between 2016 and 2017 can be analysed as follows:

RETIREMENT BENEFITS – FRANCE

€ thousands	Gross obligation	Plan assets	Net obligation	Balance sheet position
At 31 December 2016	**20,080**	**–2,550**	**17,530**	**17,530**
Net expense for the period:	–1,098	–41	**–1,139**	–1,139
– *Current service cost and financial cost*	*–1,098*	–	***–1,098***	*–1,098*
– *Return on plan assets*	–	*–41*	***–41***	*–41*
– *Employee contributions*	–	–	**–**	–
Contributions paid	–	–150	**–150**	–150
Benefits paid	–2,557	1,888	**–669**	–669
Actuarial gains & losses/Past service cost	–272	1	**–271**	–271
Changes in consolidation scope	–	–	**–**	–
AT 31 DECEMBER 2017	**16,153**	**–852**	**15,301**	**15,301**

€ thousands	Gross obligation	Plan assets	Net obligation	Balance sheet position
At 31 December 2015	**15,720**	**–2,594**	**13,126**	**13,126**
Net expense for the period:	1,572	–51	**1,521**	1,521
– *Current service cost and financial cost*	*1,572*	–	***1,572***	*1,572*
– *Return on plan assets*	–	*–51*	***–51***	*–51*
– *Employee contributions*	–	–	**–**	–
Contributions paid	–	–	**–**	–
Benefits paid	–222	48	**–174**	–174
Actuarial gains & losses/Past service cost	2,274	47	**2,321**	2,321
Changes in consolidation scope	736	–	**736**	736
AT 31 DECEMBER 2016	**20,080**	**–2,550**	**17,530**	**17,530**

RETIREMENT BENEFITS – OTHER COUNTRIES

€ thousands	Gross obligation	Plan assets	Net obligation	Balance sheet position
At 31 December 2016	**20,390**	**–15,551**	**4,839**	**4,839**
Net expense for the period:	1,079	–435	**644**	644
– *Current service cost and financial cost*	*1,079*	–	***1,079***	*1,079*
– *Return on plan assets*	–	*–435*	***–435***	*–435*
– *Employee contributions*	–	–	**–**	–
Contributions paid	–	–1,045	**–1,045**	–1,045
Benefits paid	–353	–	**–353**	–353
Actuarial gains and losses	–2	–248	**–250**	–250
Changes in foreign exchange rates	–2,122	1,944	**–178**	–178
Changes in consolidation scope	–	–	**–**	–
AT 31 DECEMBER 2017	**18,992**	**–15,335**	**3,657**	**3,657**

€ thousands	Gross obligation	Plan assets	Net obligation	Balance sheet position
At 31 December 2015	**19,910**	**–15,258**	**4,652**	**4,652**
Net expense for the period:	1,299	–417	**882**	882
– *Current service cost and financial cost*	*1,299*	–	***1,299***	*1,299*
– *Return on plan assets*	–	*–417*	***–417***	*–417*
– *Employee contributions*	–	–	**–**	–
Contributions paid	–	–28	**–28**	–28
Benefits paid	–492	258	**–234**	–234
Actuarial gains and losses	–220	378	**158**	158
Changes in foreign exchange rates	527	–484	**43**	43
Changes in consolidation scope	–634	–	**–634**	–634
AT 31 DECEMBER 2016	**20,390**	**–15,551**	**4,839**	**4,839**

LONG SERVICE AND JUBILEE AWARDS

€ thousands	31/12/16	Cost	Benefits paid	Changes in consolidation scope and foreign exchange rates	31/12/17
Actuarial liabilities	2,172	173	–47	–16	**2,282**

€ thousands	31/12/15	Cost	Benefits paid	Changes in consolidation scope and foreign exchange rates	31/12/16
Actuarial liabilities	2,082	122	–48	16	**2,172**

TFR – *TRATTAMENTO DI FINE RAPPORTO* (ITALIAN SEVERANCE PAY PROVISION)

€ thousands	31/12/16	Cost	Benefits paid	Changes in consolidation scope	31/12/17
Liabilities	2,261	1,122	–1,233	–1	**2,149**

€ thousands	31/12/15	Cost	Benefits paid	Changes in consolidation scope	31/12/16
Liabilities	2,085	971	–785	–10	**2,261**

Defined benefit plans on the income statement had a positive impact of €0.5 million on net profit in 2017.

The main actuarial assumptions used are as follows:

At 31 December	2017	2016
Discount rate		
France	1.5%	1.5%
Germany	1.5%	1.5%
United States	4.0%	4.0%
Other	1.0–4.5%	1.0–4.0%
Future salary increases		
France	2.1–2.3%	2.0–2.3%
Germany	0.0%	0.0%
United States	2.0%	2.0%
Other	1.0–3.5%	1.0–10.0%

The sensitivity of the gross retirement benefit commitment based on a variation of +0.5%/–0.5% in discount rate is –6.40%/+7.05%, respectively.

Note 10.2.2 Gross remuneration of Management Board and Supervisory Board members

€ thousands	31/12/17	31/12/16
Short term benefits	1,583	1,816
Post-employment benefits	22	–495

The short term benefits at 31/12/16 included the remuneration paid to Jean-Philippe Demaël, who resigned from his term of office as a member of the Management Board, and from his duties as Chairman of the Management Board on 9 March 2016.

As of 2017, they include the payment of a bonus in favour of Management Board members, introduced following the removal of the previous "Article 39" additional pension scheme.

Post-employment benefits correspond to retirement benefits associated with the employment contracts of Management Board members.

They included the write-back of an "Article 39" provision in 2016, following the departure of Jean-Philippe Demaël.

NOTE 10.3 SHARE-BASED PAYMENTS

Certain Group employees, including senior executives, may be entitled to the allocation of free shares, subject to the achievement of certain performance conditions, and options entitling them to acquire Somfy SA shares at a price fixed in advance. The Group does not grant warrants to subscribe for shares.

Effective allocation of options and free shares is subject to conditions being fulfilled. Each beneficiary must be employed by the Group at the date options are exercised or free shares vested. For some employees, the ability to exercise options may also be governed by the achievement of predetermined objectives.

Options were valued using the Black & Scholes model, which calculates the fair value of the benefit granted to date and takes account of various parameters such as the share price, exercise price, expected volatility, expected dividends, risk free interest rate and the life of the option. The fair value of free shares is determined using an approach that faithfully replicates the methodology that would be used by a bank's trading room should beneficiaries request a price from the latter to monetise their shares.

During the rights vesting period, the fair value of options and free shares thus determined is split in proportion to the acquisition of rights. This expense is posted to personnel expenses and offset by an increase in equity. Upon exercise of the options, the exercise price received is recorded under cash and offset in equity.

The dilutive impact of outstanding options and free shares is reflected in the calculation of diluted earnings per share.

In accordance with IFRS 2, stock options are valued at market value at the date of allocation and subsequently amortised through the income statement over the vesting period for all plans granted since 7 November 2002.

At 31 December 2017, no more stock option plans existed.

At its meeting of 21 February 2014, the Management Board of Somfy SA decided to allocate Somfy SA shares, free of charge, to 154 beneficiaries. The vesting of these free shares is subject to beneficiaries remaining employed by the Group and to business performance conditions based on internal financial criteria.

In 2016, the final vesting related to 3,400 shares (*i.e.* 17,000 shares given the five-for-one par value split) allocated to 80 beneficiaries who are French tax residents.

Final vesting will take place on 30 June 2018 for non-French tax residents.

Furthermore, at its meeting of 16 June 2017 the Management Board of Somfy SA decided to allocate Somfy SA shares, free of charge, to 195 beneficiaries. The vesting of these free shares is subject to beneficiaries remaining employed by the Group and to business performance conditions based on internal financial criteria.

Final vesting will take place on 1 July 2019. The shares vested will be available immediately since they are not subject to a retention obligation.

At 31 December 2017, the free share position was as follows:

Plan date		Plan N°	Number of beneficiaries	Number of attributable shares	Price per share (€)	Allocation date	Vesting date	Revision of the shares number related to presence and performance conditions	Number of shares granted	Number of shares not yet allocated at 31/12/17	Number of shares potentially granted at 31/12/17
21/02/14	Residents	AGA 2	86	36,350	35.98	30/06/16	01/07/18	–19,350	–17,000	–	N/A
21/02/14	Non-residents	AGA 2	68	21,600	33.97	30/06/18	N/A	–12,475	–600	8,525	N/A
21/02/14	**Total**	**AGA 2**	**154**	**57,950**				**–31,825**	**–17,600**	**8,525**	**N/A**
16/06/17	**Residents and non-residents**	**AGA 3**	**195**	**138,325**	**88.82**	**01/07/19**	**01/07/19**	**–97,800**	**–**	**–**	**40,525**

For greater legibility, information concerning the AGA 2 Plan has been restated to reflect the 5-for-1 share par value split carried out in 2017.

NOTE 11 CURRENT AND DEFERRED TAX

CURRENT TAX

The tax consolidation agreement signed between Somfy SA and its direct and indirect subsidiaries was renewed on 1 January 2013 for an indefinite period of time.

The following companies are party to this agreement at 31 December 2017: Somfy SA, Somfy Activités SA, Simu SAS, CMC SARL, SEM-T SASU, Domis SA, BFT Sud Est SAS, Opendoors SAS, Automatismes BFT France SAS, Overkiz SAS and Somfy Protect by Myfox SAS.

Under this agreement, the difference between the sum of income taxes calculated for each company and the total of the tax integrated group is accounted for as income in the income statement of the Group's holding company.

Should a subsidiary cease to be a member of the tax consolidation, it will be compensated by Somfy SA in accordance with a jointly-agreed exit methodology, taking account of the situation at that date.

DEFERRED TAX

Deferred tax assets and liabilities are measured at the income tax rate expected to apply to the financial year when the asset will be realised or the liability settled, on the basis of income tax rates (and tax regulations) adopted or virtually adopted at year end.

Deferred tax is recognised for the temporary differences between the book value of assets and liabilities and its tax value and restatements made on consolidation to conform to Group accounting standards (extended concept of deferred tax calculation).

Deferred tax relating to tax losses of companies not included in the tax consolidation or that have arisen prior to their inclusion in the tax consolidation are recognised when the conditions defined by IAS 12 are met:

- the entity has sufficient taxable temporary differences with a single tax authority and for the same entity, which will generate taxable amounts against which unused tax losses and tax credits can be offset before they expire;
- it is likely that the entity will generate taxable profits before unused tax losses and tax credits expire;
- unused tax losses result from identifiable causes, which will probably not reoccur;
- opportunities related to the entity tax management will generate taxable profits for the financial year during which unused tax losses and tax credits can be allocated.

If it is unlikely that the entity will make sufficient profits to allocate unused tax losses or tax credits, deferred tax assets are not recognised.

CVAE

The CVAE tax charge is classified as income tax charge in order to provide a more relevant information with respect to comparison, given prevailing market practice.

TAX ON DIVIDENDS

This tax, which took the form of an additional income tax contribution of 3% based on distributed dividends (including interim dividends) was removed by the French Constitutional Council on 6 October 2017.

This tax, which was based on gross dividends as voted by the General Meeting and was payable by the distributing company, was designed as an additional income tax contribution and fell within the scope of IAS 12. Therefore, it was recognised as an income tax charge within the income statement only once the dividends had been approved by the competent corporate body.

INVESTMENT TAX CREDIT

The treatment of investment tax credits is not specifically addressed under IFRS.

A number of criteria need to be assessed on a case-by-case basis to ascertain whether to recognise the investment tax credit as income tax (IAS 12) or as a grant (IAS 20).

These criteria include the non-refundable nature or not of the tax credit should taxable profits be sufficient, the specific nature or not of the investment, the taxable nature or not of the tax credit and the number of requirements for eligibility for the tax credit.

The CICE tax credit is recognised as an IAS 20 operating grant as a deduction to employee expenses.

The CIR tax credit is recognised as an IAS 20 investment grant in other operating income.

The analysis of the accounting treatment of SOPEM's investment tax credit, carried out in accordance with the criteria set out above, led the Group to conclude that it falls within the scope of IAS 12. This tax credit was therefore recognised as a tax income. In order to avail of this tax credit, SOPEM has to comply with a number of commitments, such as a minimum investment value, a minimum number of people employed at the site and a deadline for completion of the investment (30 June 2020).

NOTE 11.1 TAX PROOF

€ thousands	31/12/17	31/12/16
Profit before tax from continuing operations	**162,328**	**175,268**
Share of expenses on dividends	*1,600*	*1,591*
Reclassification of CVAE to Income tax	*–3,589*	*–3,273*
Reclassification of CICE to Employee expenses	*–2,657*	*–2,041*
Reclassification of CIR to Other operating income	*–5,717*	*–5,501*
Other	*5,146*	*–1,086*
Permanent differences	–5,217	–10,310
Net profit taxed at reduced rate	–31,707	–27,118
Net profit taxable at standard rate	125,403	137,840
Tax rate in France	*34.43%*	*34.43%*
Tax charge recalculated at the French standard rate	43,176	47,458
Tax at reduced rate	4,915	4,203
Difference in standard rate in foreign countries	*–21,605*	*–24,282*
Tax losses for the year, unrecognised in previous periods, deficits used	*1,363*	*779*
Effect of the rate difference	–20,242	–23,503
Tax credits	–6,216	–5,421
Other taxes and miscellaneous	–18,538	8,549
Group tax	**3,095**	**31,286**
Effective rate	***1.91%***	***17.85%***

The results taxed at a **reduced rate** involve royalties, which were taxed at 15.5% (unchanged from 2016).

The main countries that contributed to the **difference in the tax rate** were Tunisia (€14.7 million), Germany (€0.8 million), other European countries (€5.2 million) and Middle Eastern countries (€1.3 million).

Tax credits were primarily affected by the SOPEM tax credit (Poland): €5.9 million in 2017 compared with €5.0 million in 2016.

Other taxes and miscellaneous items included, in particular, the French Corporate Value-Added Contribution (CVAE), which amounted to €3.6 million in 2017 and €3.3 million in 2016. In 2017, this item also included the tax rebates mentioned in the Highlights (€22.3 million), and a new exceptional contribution of 1% in Tunisia (€0.5 million). Other taxes and miscellaneous items in 2016 also included the 3% contribution on dividends, which amounted to €1.2 million, and the impact of an exceptional contribution of 7.5% in Tunisia (€3.8 million).

In France, the Draft 2018 Finance Act, in keeping with the 2017 Finance Act, will change the terms for the gradual decrease in the normal corporate income tax rate (33.1/3%), which will be spread over a period of five years as from 2018, and lead to a 25% tax rate in 2022. The deferred tax calculation has been adjusted accordingly and generated a gain of €1.1 million over the financial year.

The effective tax rate, restated for tax claims, the change in the deferred tax rate in France, and an additional tax credit in Poland, amounted to 17.91% at 31 December 2017.

Current tax assets and liabilities

The change in tax liabilities and receivables was due to the effect of tax instalments.

Retained losses capitalised or used

Deferred tax relating to tax losses was not capitalised where it was deemed unlikely that future taxable profits will be sufficient to absorb unused previous tax losses. The total amount of these losses was €65.3 million at the end of 2017, based on the standard tax rate, compared with €60.2 million at the end of 2016.

No significant deferred tax assets were recognised in 2017 in relation to tax losses arising during the financial year or in previous years.

NOTE 11.2 DEFERRED TAX RECOGNISED IN ITEMS OF OTHER COMPREHENSIVE INCOME

€ thousands	31/12/17	31/12/16
Deferred tax assets		
– Actuarial gains and losses on pensions	2,041	5,462
– Foreign currency hedges	–	130
– Raw material hedges	–	–
Deferred tax liabilities		
– Financial assets available for sale	–	–
– Foreign currency hedges	166	–
– Raw material hedges	31	–
NET DEFERRED TAX	**1,844**	**5,592**

NOTE 11.3 ANALYSIS BY NATURE

€ thousands	31/12/17	31/12/16	Of which income statement impact
Deferred tax on restatements related to standards and temporary differences, including:	2,711	–796	3,534
– *Restatements due to pensions*	*5,744*	*6,370*	*–734*
– *Restatements resulting from provision methods*	*6,199*	*8,155*	*–1,744*
– *Restatements due to tax and social liabilities*	*3,689*	*3,277*	*482*
– *Restatements due to SOPEM tax credit*	*17,003*	*13,072*	*3,141*
– *Restatements on the fair value of hedge instruments*	–	*130*	*–200*
– *Restatements resulting from acquisition expenses*	*386*	*457*	*–70*
– *Restatements related to the fair value of non-current assets*	*–694*	*–706*	*–12*
– *Restatements related to leases*	*–6,245*	*–7,969*	*1,724*
– *Restatements related to differences in amortisation and depreciation*	*–11,290*	*–9,498*	*–1,793*
– *Restatements from the capitalisation of development costs*	*–5,992*	*–5,875*	*–116*
– *Other*	*–6,089*	*–8,209*	*2,857*
Deferred tax on intragroup margins	6,904	7,970	–702
Miscellaneous	–60	–60	–
TOTAL	**9,555**	**7,114**	**2,831**
DEFERRED TAX ASSETS	**25,010**	**21,108**	
DEFERRED TAX LIABILITIES	**–15,455**	**–13,994**	

Deferred tax assets and liabilities by jurisdiction or entity are now offset in accordance with IAS 12. The 2016 financial statements have been amended for comparison purposes.

NOTE 12 OFF-BALANCE SHEET COMMITMENTS

—

The Group's commitments comprise the following:

NOTE 12.1 COMMITMENTS GIVEN

€ thousands	31/12/17	31/12/16
Guarantees & deposits granted and liability guarantee on CIAT disposal	18,390	19,989
Interest over the remaining terms of loans	1,528	1,873
Rental payments outstanding on operating leases	30,548	27,006
Copper forward purchase	3,183	1,323
Foreign currency forward sale	506	10,073
TOTAL	**54,154**	**60,264**

Interest over the remaining terms of loans is calculated only on those loans with known maturities and not on short-term credit facilities with *ad hoc* drawings.

NOTE 12.2 COMMITMENTS RECEIVED

€ thousands	31/12/17	31/12/16
Guarantees & deposits received and liability guarantees (Myfox, iHome)	13,606	15,486
Unused credit lines	207,790	136,205
TOTAL	**221,396**	**151,691**

NOTE 12.3 COMMITMENTS TO ACQUIRE ADDITIONAL SHARES IN COMPANIES NOT FULLY-CONSOLIDATED

Due to the lack of specific IFRS provisions and in accordance with the recommendation issued by the AMF on 4 November 2009, the Group opted for the following accounting treatment in relation to commitments to acquire non-controlling interests. Upon initial recognition, these commitments are recognised as financial debt at the discounted acquisition value and offset by a reduction in the value of non-controlling interests. The difference between the book value of the non-controlling interests due to be acquired and the value of the estimated liability is recognised in equity.

Somfy held a 61% stake in Neocontrol (equity accounted) at 31 December 2017, with the transaction comprising mutual put and call options for the balance of 39%, which became exercisable in 2017.
Somfy exercised its call option and acquired the remaining 39% interest in Neocontrol in January 2018 (see Post-Balance Sheet Event).

NOTE 13 INVESTMENTS IN ASSOCIATES AND RELATED PARTIES

—

NOTE 13.1 INVESTMENTS IN ASSOCIATES

€ thousands	31/12/17	31/12/16
Investments in associates at the beginning of the year	1,880	2,258
Changes in scope of consolidation and other	193	–
Share of profit/(loss) from associates	–1,491	–684
Dividends paid	–85	–
Changes in foreign exchange rates	–73	306
INVESTMENTS IN ASSOCIATES AT THE END OF THE PERIOD	**425**	**1,880**
of which Investments in associates	939	1,880
of which Other non-current liabilities	514	–

"Investments in associates" consists of investments in Neocontrol and Arve Finance.
For the purposes of the impairment test on the investment in Neocontrol, a discount rate of 17.0% and a growth rate to infinity of 3.5% were used.
An impairment charge of €0.5 million was recorded during the 2017 financial year.

NOTE 13.2 RELATED-PARTY DISCLOSURES

Related parties include:
- the parent company;
- companies which exert joint control or a significant influence over the company;
- subsidiaries;
- associates;
- joint ventures;
- members of the Management Board, the Supervisory Board and the Management Committee.

Transactions with associates

Associates are companies over which the Group has a significant influence and which are accounted for using the equity method. Transactions with related parties are made on arm's length terms.

€ thousands	31/12/17	31/12/16
Sales	3	–
Other income	13	–
Purchase of goods	134	319
Trade receivables	14	–
Trade payables	77	297

This only applied to Arve Finance and Neocontrol, both at 31 December 2017 and 2016.

NOTE 14 STATUTORY AUDITORS' FEES

Pursuant to regulation N° 2016-09 issued by the Autorité des Normes Comptables (ANC), the following table indicates the fees (excluding tax and disbursements) paid by the parent company and its subsidiaries to the Statutory Auditors for their terms of office:

€ thousands	**Ernst & Young**		**KPMG**		**Total**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Certification of financial statements						
Issuer	96	91	74	69	**170**	**160**
Subsidiaries	745	831	180	30	**925**	**861**
Sub-total	**841**	**922**	**254**	**99**	**1,095**	**1,021**
Other services*						
Issuer	42	38	10	10	**51**	**47**
Subsidiaries	194	243	3	44	**197**	**286**
Sub-total	**236**	**280**	**12**	**53**	**248**	**334**
TOTAL	**1,077**	**1,203**	**266**	**152**	**1,343**	**1,355**

** Include services required by laws and regulations (e.g., capital increase reports, comfort letters) as well as services provided upon request of Somfy or its subsidiaries (due diligence, legal and tax assistance, and various reports).*

NOTE 15 LIST OF CONSOLIDATED AND EQUITY-ACCOUNTED ENTITIES

Company name	Head office	% control 31/12/17	% interest 31/12/17	% interest 31/12/16
Somfy SA	74300 Cluses (France)	(parent company)	(parent company)	(parent company)
Fully-consolidated companies				
Somfy Activités SA	Cluses (France)	100.00	100.00	100.00
CMC SARL	Cluses (France)	100.00	100.00	100.00
Somfybat SNC	Cluses (France)	100.00	100.00	100.00
Domis SA	Rumilly (France)	100.00	100.00	100.00
Stor'm	Saint Clair de la Tour (France)	–	–	100.00
SITEM SARL	Zaghouan (Tunisia)	100.00	100.00	100.00
SITEM Services SARL	Zaghouan (Tunisia)	100.00	100.00	100.00
SOPEM	Krakow (Poland)	100.00	100.00	100.00
Somfy Eastern Europe Area SP. Zoo	Warsaw (Poland)	100.00	100.00	100.00
Somfy Ltd	Yeadon (UK)	100.00	100.00	100.00
Somfy PTY Ltd	Rydalmere (Australia)	100.00	100.00	100.00
Somfy Automation Services PTY Ltd	Rydalmere (Australia)	100.00	100.00	100.00
NV Somfy SA	Zaventem (Belgium)	100.00	100.00	100.00
Somfy Brazil LTDA	Sao Paulo (Brazil)	100.00	100.00	100.00
Somfy Columbia SAS	Bogota (Colombia)	100.00	100.00	100.00
Somfy Argentina	Buenos Aires (Argentina)	100.00	100.00	100.00
GABR Participações LTDA	Sao Paulo (Brazil)	100.00	100.00	100.00
Somfy GmbH	Rottenburg (Germany)	100.00	100.00	100.00
HIMOTION BV	Leiden (Netherlands)	100.00	100.00	100.00
Somfy GmbH	Elsbethen-Glasenbach (Austria)	100.00	100.00	100.00
Somfy KFT	Budapest (Hungary)	100.00	100.00	100.00
Somfy Sp zoo	Warsaw (Poland)	100.00	100.00	100.00
Somfy Spol sro	Prague (Czech Republic)	100.00	100.00	100.00
SC Somfy SRL	Tărlungeni (Romania)	100.00	100.00	100.00
Somfy LLC	Moscow (Russia)	100.00	100.00	100.00
Somfy SIA	Riga (Latvia)	100.00	100.00	100.00
Somfy LLC	Kiev (Ukraine)	100.00	100.00	100.00
Somfy Bulgaria AD	Sofia (Bulgaria)	100.00	100.00	100.00
Somfy Joo	Seoul (Korea)	100.00	100.00	100.00
Somfy Italia SRL	Milan (Italy)	100.00	100.00	100.00
Somfy Nederland BV	Hoofddorp (Netherlands)	100.00	100.00	100.00
Somfy España SA	Barcelona (Spain)	100.00	100.00	100.00
Automatismos Pujol SL	Barcelona (Spain)	100.00	100.00	100.00
Automatismos Pujol Portugal Lda	Esmoriz (Portugal)	100.00	100.00	100.00
Sistemi Automatici Pujol SAP SRL	Pavona (Italy)	100.00	100.00	100.00
Somfy Systems Inc.	Cranbury NJ (US)	100.00	100.00	100.00
Somfy AG	Bassersdorf (Switzerland)	100.00	100.00	100.00
Somfy Sweden AB	Limhamn (Sweden)	100.00	100.00	100.00
Somfy Norway AS	Skedsmokorset (Norway)	100.00	100.00	100.00
Somfy PTE Ltd	Singapore	100.00	100.00	100.00

Company name	Head office	% control 31/12/17	% interest 31/12/17	% interest 31/12/16
Somfy Thailand	Bangkok (Thailand)	100.00	100.00	100.00
Somfy Taiwan Co Ltd	Taipei (Taiwan)	100.00	100.00	100.00
Asian Capital International LTD	Hong Kong	100.00	100.00	100.00
Sino Global International Holdings LTD	Hong Kong	100.00	100.00	100.00
Sino Link Trading LTD	Hong Kong	100.00	100.00	100.00
Hong Kong CTLT Trade Co. LTD	Hong Kong	70.00	70.00	70.00
Somfy Asia-Pacific Co Ltd	Hong Kong	100.00	100.00	100.00
Dooya China	Ningbo (China)	70.00	70.00	70.00
Shanghai Zhengshang Co., ltd	Shanghai (China)	70.00	70.00	70.00
Shanghai Branch	Shanghai (China)	70.00	70.00	70.00
Hui Gong Intelligence Technology LTD	Shanghai (China)	70.00	70.00	70.00
New Unity LTD	Hong Kong	70.00	70.00	70.00
Dooya Sun Shading Technology Co. Ltd	Ningbo (China)	70.00	70.00	–
Ningbo Sleepwell Co Ltd	Ningbo (China)	70.00	70.00	70.00
Somfy Co Ltd	Hong Kong	100.00	100.00	100.00
Somfy China Co Ltd	Shanghai (China)	100.00	100.00	100.00
LianDa	Zhejiang (China)	95.00	95.00	95.00
Baixing Co Ltd	Ningbo (China)	70.00	70.00	70.00
Herzborg Technology	Ningbo (China)	70.00	70.00	70.00
Shanghai Goodnight	Ningbo (China)	70.00	70.00	70.00
Somfy Middle East Co Ltd	Limassol (Republic of Cyprus)	100.00	100.00	100.00
Somfy Egypt	Cairo (Egypt)	100.00	100.00	100.00
Sisa Home Automation Ltd	Rishone Le Zion (Israel)	100.00	100.00	100.00
Somfy Maroc SARL	Casablanca (Morocco)	100.00	100.00	100.00
Somfy Hellas SA	Acharnae (Greece)	100.00	100.00	100.00
Somfy Ev Otomasyon Sistemleri Ticaret Ltd Sti	Istanbul (Turkey)	100.00	100.00	100.00
Somfy South Africa (PTY) Limited	Durban (South Africa)	100.00	100.00	100.00
Somfy Tunisie	Tunis (Tunisia)	100.00	100.00	100.00
Somfy Tunisie Services	Tunis (Tunisia)	50.00	50.00	50.00
Somfy Mexico SA DE CV	Tlalnepantla (Mexico)	100.00	100.00	100.00
Syservmex	Tlalnepantla (Mexico)	100.00	100.00	100.00
Somfy K.K.	Tokyo (Japan)	100.00	100.00	100.00
Somfy India Pvt Ltd	New Dehli (India)	100.00	100.00	100.00
PROMOFI BV	Hoofddorp (Netherlands)	100.00	100.00	100.00
FIGEST BV	Leiden (Netherlands)	100.00	100.00	100.00
Somfy LLC USA	Dover (US)	100.00	100.00	100.00
Somfy ULC	Halifax (Canada)	100.00	100.00	100.00
Simu SAS	Gray (France)	100.00	100.00	100.00
Simu GmbH	Iserlohn (Germany)	100.00	100.00	100.00
WAY SRL	Galliera (Italy)	100.00	100.00	100.00
Overkiz SAS	Metz-Tessy (France)	96.63	96.63	96.63
Overkiz Asia Co. Limited	Hong Kong	96.63	96.63	–
Opendoors SAS	Cluses (France)	100.00	100.00	100.00
iHome Systems (Asia Limited)	Hong Kong	51.00	51.00	51.00
iHome Systems (Thailand) Co. Ltd	Bangkok (Thailand)	51.00	51.00	51.00

Company name	Head office	% control 31/12/17	% interest 31/12/17	% interest 31/12/16
Intelligent Home Systems (MY) Sdn. Bhd	Kuala Lumpur (Malaysia)	51.00	51.00	51.00
iHome Systems (SG) Pte. Ltd	Singapore	51.00	51.00	51.00
Somfy Protect by Myfox SAS	Labège (France)	100.00	100.00	100.00
Myfox Inc.	Campbell (US)	–	–	100.00
SEM-T SASU	Cluses (France)	100.00	100.00	100.00
DSG Coordination Center SA	Geneva (Switzerland)	100.00	100.00	100.00
TTMD SA	Geneva (Switzerland)	100.00	100.00	100.00
BFT SpA	Schio (Italy)	100.00	100.00	100.00
Automatismes BFT France SAS	Saint-Priest (France)	100.00	100.00	100.00
BFT Group Italiberica de Automatismos SL	Barcelona (Spain)	99.02	99.02	99.02
BFT Antriebssysteme GmbH	Oberasbach (Germany)	100.00	100.00	100.00
BFT Automation UK Ltd	Stockport (UK)	100.00	100.00	100.00
BFT Benelux SA	Nivelles (Belgium)	100.00	100.00	100.00
BFT Adria d.o.o.	Drazice (Croatia)	100.00	100.00	100.00
BFT Polska Sp zoo	Zielonka (Poland)	100.00	100.00	100.00
SACS SRL	Borgo Valsugana (Italy)	–	–	100.00
BFT Americas Inc.	Boca Raton (US)	100.00	100.00	100.00
BFT Portugal SA	Coimbra (Portugal)	100.00	100.00	100.00
BFT Automation (South) Ltd	Berkshire (UK)	100.00	100.00	100.00
BFT Automation Australia PTY	Sydney (Australia)	100.00	100.00	100.00
BFT CZ Sro	Prague (Czech Republic)	100.00	100.00	100.00
BFT Piemonte SRL	Dronero (Italy)	–	–	100.00
O&O SRL	Corregio (Italy)	100.00	100.00	100.00
BFT Veneto SRL	Schio (Italy)	100.00	100.00	100.00
BFT Otomasyon Kapi	Istanbul (Turkey)	100.00	100.00	100.00
BFT Istanbul	Istanbul (Turkey)	100.00	100.00	100.00
BFT Greece	Athens (Greece)	100.00	100.00	100.00
BFT Automation Ireland	Dublin (Ireland)	100.00	100.00	100.00
BFT Automation Systems PTL	Hyderabad (India)	51.00	51.00	51.00
Nord Logistica E Servizi SRL	Schio (Italy)	100.00	100.00	100.00
BFT Middle East FZO	Dubai (United Arab Emirates)	100.00	100.00	100.00
BFT Auto Gate and Door (Shanghai) Co. Ltd	Shanghai (China)	100.00	100.00	100.00
BFT Gates and Doors SRL	Bucharest (Romania)	100.00	100.00	100.00
BFT Automation New Zealand	Auckland (New Zealand)	100.00	100.00	100.00
BFT Sud Est SAS	Saint Laurent du Var (France)	100.00	100.00	100.00
BFT Lazio SRL	Rome (Italy)	–	–	100.00
BFT Automatech Italia SRL	Verona (Italy)	100.00	100.00	100.00
Equity-accounted companies				
Arve Finance	Cluses (France)	50.17	50.17	50.17
Neocontrol	Belo Horizonte (Brazil)	61.00	61.00	61.00
Neocontrol US LLC	Orlando (US)	61.00	61.00	–

08
PARENT COMPANY FINANCIAL STATEMENTS

08
PARENT COMPANY FINANCIAL STATEMENTS

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

€ thousands	**31/12/17**	**31/12/16**
Net sales	3,234	2,919
Other income	483	743
Other expenses:	–11,179	–10,858
Personnel expenses	*–1,295*	*–930*
Taxes and duties	*–224*	*–254*
Net operating expenses	*–9,660*	*–9,673*
Amortisation, depreciation and provision charges/reversals	–	–
OPERATING RESULT	**–7,462**	**–7,196**
Net financial income	**89,112**	**127,018**
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	**81,650**	**119,822**
Extraordinary result	**–55**	**–1,537**
PROFIT BEFORE TAX	**81,595**	**118,285**
Income tax	25,516	1,089
NET PROFIT	**107,111**	**119,375**

BALANCE SHEET AT 31 DECEMBER 2017

ASSETS

€ thousands	31/12/17 Net	31/12/16 Net
Non-current assets		
Intangible assets	1	1
Property, plant and equipment	–	–
Financial assets	414,061	377,748
Total Non-current assets	**414,062**	**377,749**
Current assets		
Inventories and work-in progress	–	–
Trade receivables	325	331
Other receivables and accruals	75,151	115,134
Marketable securities	98,068	98,849
Cash and cash equivalents	121,132	53,591
Total Current assets	**294,677**	**267,905**
TOTAL ASSETS	**708,739**	**645,653**

EQUITY AND LIABILITIES

€ thousands	31/12/17	31/12/16
Shareholders' equity		
Share capital	7,400	7,400
Merger and issue premium	1,866	1,866
Reserves	420,962	343,496
Net profit	107,111	119,375
Total Shareholders' equity	**537,339**	**472,137**
Provisions for liabilities and charges	**6,968**	**4,305**
Liabilities		
Borrowings and financial liabilities	205	45,930
Trade payables	3,988	3,781
Other payables and accruals	160,239	119,500
Total Liabilities	**164,432**	**169,211**
TOTAL EQUITY AND LIABILITIES	**708,739**	**645,653**

PROPOSED ALLOCATION OF 2017 PROFIT

Euros	
Source	
Retained earnings from prior years	3,230,907.70
Net profit for the year	107,110,843.67
Legal reserve	–
	110,341,751.37

Euros	
Allocation	
Dividends	48,100,000.00
Legal reserve	–
Optional reserves	62,241,751.37
	110,341,751.37

NOTES TO THE SOMFY SA FINANCIAL STATEMENTS

The financial statements have been prepared for the 12-month period from 1 January 2017 to 31 December 2017.

A – SIGNIFICANT EVENTS OF THE FINANCIAL YEAR

—

TAX ITEMS

Following regulatory developments in France, **Somfy SA** has filed requests for tax relief primarily involving taxation on the portion of fees and charges applied to dividends and capital gains on the sale of equity investments, as well as on the 3% contribution on distributions of dividends.

The financial statements at 31 December 2017 include €22.3 million in tax income, including €17.7 million in respect of the 3% contribution on dividends and €4.4 million in respect of taxation on the portion of fees and charges (relating to the dividends and long-term capital gains on the sale of equity investments).

€20 million in rebates was received over the financial year in this regard.

B – CONTINGENT LIABILITIES

—

SPIREL

The dispute between **Spirel** employees and **Somfy SA** is still ongoing before the Albertville District Court. The employees seek annulment of the transfer of the Spirel securities, which took place in 2010, and to have Somfy SA ordered to pay them damages for the alleged deliberate bankruptcy of Spirel and non-material damage caused as a result of the anxiety, disappointment and vexation they deem to have been victim of, for a total of approximately €8.2 million. In April 2017, the Court ruled in favour of Somfy SA, dismissing the employees' claims. However, the plaintiffs immediately appealed this decision.

Moreover, during 2016, the liquidator of the company Spirel also sought to have Somfy SA ordered to refund advances of €2.9 million paid by the AGS (Guarantee Fund for the payment of salary claims) in the event the disposal was declared null and void.

Initial proceedings before the Labour Court – involving the employees contesting the grounds for their dismissal and claiming damages of a substantially similar amount to that sought before the District Court – were dismissed in November 2016. The employees applied to the Albertville Labour Court once again in early July 2017. The hearings scheduled for early 2018 have been postponed until July 2018.

These new factors do not change the assessment of risks by Somfy SA which continues to qualify these risks as contingent liabilities and therefore no provision in relation to these disputes was recognised at 31 December 2017.

CIAT

On 5 January 2015, **Somfy SA** transferred its 44.49% equity investment in the share capital of CIAT Group to **United Technologies Corporation**. On 31 March 2016, United Technologies Corporation filed a claim against the sellers of the CIAT shares under the liability guarantee for a total of €28.6 million (Somfy's share being €12.3 million). Somfy SA considers these requests to be unfounded, and insufficiently detailed and justified.

In mid-November 2017, UTC brought an action against the sellers before the Paris Commercial Court for the liability guarantee. The hearings are scheduled to take place in 2018.

As the process currently stands, Somfy SA continues to contest the entirety of UTC's demands and remains confident regarding the outcome of this dispute. It has qualified the risk as a contingent liability and no provision was recognised at 31 December 2017.

At 31 December 2017, Somfy SA's financial statements include a deferred settlement receivable in relation to the sale of the CIAT shares for the sum of €9.7 million with payment spread until 2019.

In early July 2017, Somfy SA and the other sellers brought an action against UTC before the Paris Commercial Court seeking the fulfilment of the acquisition contract and the settlement of the deferred payments falling due. The hearings are also scheduled for 2018. Somfy SA remains confident regarding the settlement of these sums and therefore no provision in relation to these receivables was recognised at 31 December 2017.

C – POST-BALANCE SHEET EVENTS

—

To the best of Somfy SA's knowledge, no event has occurred since 31 December 2017 that is likely to have a material impact on the business and financial position of the company.

D – ACCOUNTING RULES AND METHODS

—

The 2017 financial statements have been prepared in accordance with the general accounting rules prescribed by the French Chart of Accounts derived from ANC regulations.

The general bases of accounting have been applied in respect of the principle of prudence, in accordance with the following basic assumptions:

- going concern;
- consistency of accounting methods from one year to the next;
- separate accounting periods;

and in compliance with the general rules for the preparation and presentation of annual financial statements.

The method used to value the items in the accounts is the historical cost method.

EQUITY INVESTMENTS

The gross value of equity investments comprises their acquisition cost less related expenses. Writedown is recognised when the book value falls below historical cost. Book value is determined based on several assessment items, such as year-end net assets, profitability level, future prospects and share price for listed companies.

OTHER SECURITIES

The initial value of other securities comprises their acquisition cost less associated expenses. When the estimated realisable value is lower than cost, an impairment provision is recorded for the difference.

MARKETABLE SECURITIES

The gross value of marketable securities comprises their purchase price less related expenses or their transfer value, calculated using the first in, first out method. Marketable securities are valued at their average quoted stock exchange price over the month of December 2017 and are impaired when this is lower than cost.
At 31 December 2017, marketable securities totalled €98.1 million, comprising:

- treasury shares of €99.3 million;
- a provision of €1.2 million for the writedown of treasury shares.

TREASURY SHARES

The company has implemented several successive share buyback programmes. The most recent buyback programme was launched in 2017; it was authorised by the Combined General Meeting of 17 May 2017, and had the following objectives:

- to stimulate the secondary market or ensure the liquidity of the Somfy share, by way of an investment services provider within a liquidity contract that complies with the Ethics Charter of AMAFI recognised by regulations;
- to retain the shares purchased and subsequently exchange them or use them as payment within the framework of potential acquisitions;
- to ensure the coverage of stock option plans and/or free share allocation plans (or similar) granted to employees and/or corporate officers of the Group, as well as all other shares allocated under a company or group savings scheme (or similar), in relation to employee profit sharing and/or any other form of allocation to employees and/or corporate officers of the Group;
- to cover marketable securities giving right to the allocation of company shares, in accordance with applicable regulations;
- to proceed with the possible cancellation of shares acquired, subject to the authorisation granted by the General Meeting of shareholders of 24 May 2016 in its eleventh resolution, sitting in extraordinary session.

Such share purchases could be effected by all means, including by means of acquiring blocks of shares and at any times considered appropriate by the Management Board.
The company reserved the right to use options or derivative instruments, in accordance with applicable regulations.
These shares are classified in account 502 “Treasury shares”. Income or losses on treasury share transactions are thus recognised as financial income/expenses.
Treasury shares to be granted to employees and allocated to stock option or free share plans are valued on a plan by plan basis at the lower of acquisition cost or exercise price of the call option.
Shares not yet allocated to plans or which have lapsed are valued at the lower of the average purchase price of all these shares or the average quoted stock exchange price over the month of December 2017.
Allocations are valued based on the first in, first out method.
Shares bought and sold to ensure the liquidity and to stimulate the secondary market and shares purchased to be retained and subsequently exchanged are valued at the lower of the average purchase price of all these shares or the average quoted stock exchange price over the month of December 2017.
Disposals are valued based on the first in, first out method.

SOMFY SA STOCK OPTION AND FREE SHARE ALLOCATION PLANS

At 31 December 2017, no more stock option plans existed.
In addition, at its meeting on 21 February 2014 the Management Board of Somfy SA decided to allocate Somfy SA shares, free of charge, to 154 beneficiaries. The vesting of these free shares is subject to beneficiaries remaining employed by the Group and to business performance conditions based on internal financial criteria.
In 2016, the final vesting related to 3,400 shares (*i.e.* 17,000 shares given the five-for-one par value split decided by the Management Board on 24 May 2017) allocated to 80 beneficiaries who are French tax residents.
Final vesting will take place on 30 June 2018 for non-French tax residents.
Furthermore, at its meeting of 16 June 2017, the Management Board of Somfy SA decided to allocate Somfy SA shares, free of charge, to 195 beneficiaries. The vesting of these free shares is subject to beneficiaries remaining employed by the Group and to business performance conditions based on internal financial criteria.
Final vesting will take place on 1 July 2019. The shares vested will be available immediately since they are not subject to a retention obligation.

ACCOUNTS RECEIVABLE FROM EQUITY INVESTMENTS, BONDS RECEIVABLE AND OTHER RECEIVABLES

Receivables are carried at their nominal value. A provision for impairment is recorded when their estimated realisable value falls below carrying value and based upon the probability of their recovery.
When the equity of investments becomes negative, a provision for impairment is recorded with reference to the above estimated realisable value.
Accrued interest on bonds receivables are capitalised at each year-end.

FOREIGN CURRENCY DENOMINATED TRANSACTIONS

Foreign currency denominated income and expenses are recorded at their equivalent value at the transaction date. Foreign currency denominated debts, receivables and cash are recognised in the balance sheet at their exchange rate on the balance sheet date. The difference resulting from the translation of foreign currency debts and receivables at the balance sheet date exchange rate is recognised in the balance sheet as a “Translation adjustment”.
At 31 December 2017, “Asset” and “Liability” translation adjustments of €6,913 thousand and €37 thousand respectively, were classified under “Other receivables and accruals” and “Other payables and accruals”, respectively.
Unrealised foreign exchange losses resulting from the net exchange position by currency recorded on assets and liabilities at the balance sheet date are recorded as a provision for foreign exchange losses.

BORROWINGS AND DEBTS FROM CREDIT INSTITUTIONS

Borrowings and debts from credit institutions are recorded on the balance sheet at their net value. Accrued interest is recorded on the balance sheet with the related borrowings.
At 31 December 2017, the company complied with all financial covenants imposed by banks on its borrowing facilities.

INTEREST RATE HEDGES

Somfy SA has been applying the new ANC 2015-05 Regulation relating to forward financial instruments and hedging transactions since 1 January 2017.
The initial application of this new regulation, which represents a change in accounting method, had no impact on Somfy SA's financial statements given the nature of the hedging instruments implemented at the end of December 2016.

In the context of relationships qualifying as hedges, the company recognises the impacts of the hedging instrument on the income statement on a symmetric basis, together with the income or expense related to the hedged item, irrespective of the market in which the hedging instruments are traded.

In the case of isolated open positions, the company records changes in the value of derivatives on the balance sheet and provisions are recognised for unrealised losses on these derivatives.

At 31 December 2017, all financial instruments entered into by the company qualified as hedging instruments.

E – CONSOLIDATING ENTITY

—

Somfy SA is a 52.65%-subsidiary of the company J.P.J.S. which is the consolidating parent company.

F – NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2017

—

NOTE 1 OPERATING ITEMS

—

Somfy SA sales for the year to 31 December 2017 were €3.2 million, reflecting growth compared with the previous year. The operating loss was €7.5 million, compared with a loss of €7.2 million in 2016.

NOTE 1.1 SALES BREAKDOWN

€ thousands	
France	1,792
European Union	971
Non-EU	471
TOTAL	**3,234**

NOTE 1.2 DIRECTORS' REMUNERATION

€ thousands	
Remuneration allotted	
– to members of the Management Board	558
– to members of the Supervisory Board	150
Pension commitments subscribed	N/A

NOTE 1.3 WORKFORCE AT 31 DECEMBER 2017

	Male	Female	Total
Managers & executives	3	1	4

NOTE 2 FINANCIAL ITEMS

—

The net financial income of the Somfy SA holding company was €89.1 million, compared with €127.0 million in 2016, a decline of €37.9 million. Dividends received fell by €30.1 million and the foreign exchange result fell by €7.6 million.

NOTE 3 EXTRAORDINARY ITEMS

—

Net extraordinary loss was €55 thousand compared with a loss of €1,537 thousand in 2016. In 2016, it was due entirely to the disposal of Giga shares and loans.

NOTE 4 INCOME TAX

An income tax gain of €25.5 million including a €3.5 million tax consolidation profit as well as €22.3 million in tax relief (primarily in relation to the contribution of 3% on distributed earnings) was recognised.

NOTE 4.1 BREAKDOWN OF INCOME TAX AT 31 DECEMBER 2017

	Tax		
€ thousands	**Base**	**Rate**	**Amount**
1. Current result			
Net profit for the year	81,650	34.43%	–28,112
Tax adjustments			
– Long-term capital gains and losses	–	34.43%	–
– Income from equity investments	–90,967	34.43%	31,320
– Other	10,095	34.43%	–3,476
Subtotal Current Result	**778**	**34.43%**	**–268**
2. Extraordinary result			
Net profit for the year	–55	34.43%	19
Tax adjustments			
– Long-term capital gains and losses	–	–	–
– Deductions	–	–	–
– Reinstatements	55	34.43%	–19
Subtotal Extraordinary Result	**–**	**34.43%**	**–**
Subtotal Total theoretical tax	**778**	**34.43%**	**–268**
3. Other tax items			
Tax paid by group tax consolidation companies	–	–	6,664
Tax charge/income for the tax consolidation group (excluding total theoretical tax)	–	–	–2,925
Contribution on distributed earnings	–	–	–269
Tax charge/relief from previous periods	–	–	22,314
Subtotal Other tax items	**–**	**–**	**25,784**
TOTAL INCOME TAX	**–**	**–**	**25,516**

€ thousands	**Before tax**	**Tax**	**After tax**
Current result	81,650	–268	81,383
Extraordinary result	–55	–	–55
Other tax items	–	25,784	25,784
ACCOUNTING RESULT	**81,595**	**25,516**	**107,111**

NOTE 4.2 TAX CONSOLIDATION

The tax consolidation agreement signed between Somfy SA and its direct and indirect subsidiaries was renewed on 1 January 2013 for an indefinite period of time.

In accordance with the agreement, the difference calculated between the income tax chargeable on the combined profits of the tax consolidation and the sum of the Group companies' individual tax charges is credited to Somfy SA, the Group's parent company. At 31 December 2017, tax savings resulting from the transfer of losses from subsidiaries are considered to be tax income.
Should a subsidiary cease to be a member of the tax consolidation, it will be compensated by Somfy SA in accordance with a jointly-agreed exit methodology, taking account of the situation at that date.

Currently there are no available Group tax losses to be used.

List of companies included in tax consolidation

Somfy SA	Parent company	Cluses
Somfy Activités SA		Cluses
Simu SAS		Gray
CMC SARL		Cluses
Domis SA		Rumilly
Automatismes BFT France SAS		Lyon
SEM-T SASU		Cluses
BFT Sud Est SAS		Saint Laurent du Var
Opendoors SAS		Cluses
Overkiz SAS		Metz-Tessy
Somfy Protect by Myfox SAS		Labège

NOTE 5 NET PROFIT

—

Net profit totalled €107.1 million.

NOTE 6 NON-CURRENT ASSETS

—

NOTE 6.1 GROSS NON-CURRENT ASSETS

€ thousands	Gross value 31/12/16	Increase	Decrease	Merger movements	Other movements	Gross value 31/12/17
Intangible assets	**215**	**–**	**–**	**–**	**–**	**215**
Property, plant and equipment	**2**	**–**	**–**	**–**	**–**	**2**
Financial assets	**408,343**	**20,524**	**–3,912**	**–**	**21,426**	**446,382**
Equity investments	388,993	15,000	–839	–	–974	402,180
Receivables from equity investments	6,165	231	–1,157	–	22,400	27,639
Other financial assets	24	–	–	–	–	24
Bonds	13,161	5,293	–1,915	–	–	16,539
	408,560	**20,524**	**–3,912**	**–**	**21,426**	**446,598**

The increase in equity investments is due to a €15 million capital increase by Somfy Activités SA.
The €839 thousand decrease is due to the transfer of Storm shares to Simu SAS to facilitate the merger of the two entities.
A €974 thousand adjustment was made to Somfy Protect by Myfox shares following the recalculation of the first earnout.

Other movements in receivables from equity investments were due to the reclassification of financial advances made to certain subsidiaries to medium and long term.

Bonds increased by €5,293 thousand due to the subscription of a €4,000 thousand debenture loan issued by Somfy Protect by Myfox and the capitalisation of interest on the Garen debenture loan.

NOTE 6.2 AMORTISATION AND DEPRECIATION

€ thousands	Amount at 31/12/16	Charges	Reversals	Merger movements	Other movements	Amount at 31/12/17
Intangible assets	**214**	**–**	**–**	**–**	**–**	**214**
Concessions, patents and licences	214	–	–	–	–	214
Property, plant and equipment	**2**	**–**	**–**	**–**	**–**	**2**
	216	**–**	**–**	**–**	**–**	**216**

NOTE 6.3 WRITEDOWN OF NON-CURRENT ASSETS

€ thousands	Amount at 31/12/16	Charges	Reversals used	Reversals unused	Merger movements	Other movements	Amount at 31/12/17
Writedown provisions on financial assets	30,595	3,308	–1,363	–219	–	–	32,321
	30,595	**3,308**	**–1,363**	**–219**	**–**	**–**	**32,321**

NOTE 7 ANALYSIS OF MATURITY OF RECEIVABLES

—

€ thousands	Total	Less than 1 year	More than 1 year
Non-current receivables			
Receivables from equity investments	27,639	1,002	26,637
Other financial assets	24	–	24
Bonds	16,539	3,755	12,784
Current receivables			
Trade receivables	325	325	–
Miscellaneous receivables	68,213	66,126	2,087
Prepaid expenses and translation adjustment	6,938	6,938	–
	119,678	**78,147**	**41,531**

Miscellaneous receivables mainly comprise €33,553 thousand of intragroup current accounts, primarily originating from the implementation of cash pooling at Group level, as well as receivables on the disposal of CIAT for a total amount of €9,652 thousand.

NOTE 8 DEFERRED INCOME AND OTHER RECEIVABLES

—

€ thousands	
Dividends	–
Accrued interest on cash accounts	–
Trade receivables, invoices to be issued	–
Government, tax and duties	24,279
Other (incl. CIAT)	9,652

“Government, tax and duties” includes refunds expected upon settlement of income tax, tax credits not yet allocated and applications for tax rebates pending reimbursement.

NOTE 9 ASSET TRANSLATION ADJUSTMENTS ON FOREIGN CURRENCY DENOMINATED DEBTS AND RECEIVABLES

—

	Asset side impact	
€ thousands	**Total**	**Provision for liability**
Bonds	5,555	5,555
Receivables from equity investments	1,358	1,358
Miscellaneous receivables	–	–
Financial debts	–	–
	6,913	**6,913**

NOTE 10 SHAREHOLDERS' EQUITY

NOTE 10.1 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ thousands	Balance at 31/12/16 before allocation of net profit	Allocation of net profit for the year to 31/12/16	2017 movements	Balance at 31/12/17 before allocation of net profit	Proposed allocation of 2017 net profit	Balance at 31/12/17 after allocation of net profit
Share capital	7,400	–	–	7,400	–	7,400
Share premium	1,866	–	–	1,866	–	1,866
Revaluation reserve	5,929	–	–	5,929	–	5,929
Legal reserve	740	–	–	740	–	740
Regulated reserves	–	–	–	–	–	–
Other reserves	333,773	77,289	–	411,062	62,242	473,304
Retained earnings	3,054	–3,054	3,231	3,231	–3,231	–
Net profit	119,375	–119,375	107,111	107,111	–107,111	–
Regulated provisions	–	–	–	–	–	–
	472,137	**–45,140**	**110,342**	**537,339**	**–48,100**	**489,239**

The €3.2 million change in 2017 "Retained earnings" corresponds to dividends not paid to treasury shares.

NOTE 10.2 SHARE CAPITAL

Euros	Number of shares	Par value
– **Shares**		
At the start of the year	7,400,000	1.0
At the end of the year	37,000,000	0.2
– **Convertible bonds and similar securities**	–	–

NOTE 10.3 TREASURY SHARES

€ thousands		31/12/16*	Increase	Decrease	Transfer	31/12/17
Stock options and free shares	€ thousands	50,283	–	–	–	50,283
	number	*1,426,185*	–	–	–	*1,426,185*
Liquidity contract	€ thousands	235	11,585	–11,370	479	929
	number	*3,080*	*138,418*	*–142,986*	*12,500*	*11,012*
Shares retained for potential acquisitions	€ thousands	48,535	–	–	–479	48,056
	number	*1,234,270*	–	–	*–12,500*	*1,221,770*
Treasury shares	€ thousands	–	–	–	–	–
	number	–	–	–	–	–
TOTAL TREASURY SHARES	**€ thousands**	**99,053**	**11,585**	**–11,370**	**–**	**99,269**
	number	***2,663,535***	***138,418***	***–142,986***	**–**	***2,658,967***

** 2016 figures have been restated to reflect the 5-for-1 share par value split carried out in 2017.*

NOTE 10.4 FREE SHARE PLANS

Plan date		Plan N°	Number of benefi-ciaries	Number of attributable shares	Price per share (€)	Allocation date	Vesting date	Revision of the shares number related to presence and perfor-mance condi-tions	Number of shares granted	Number of shares not yet allocated at 31/12/17	Number of shares potentially granted at 31/12/17
21/02/14	Residents	AGA 2	86	36,350	35.98	30/06/16	01/07/18	–19,350	–17,000	–	N/A
21/02/14	Non-residents	AGA 2	68	21,600	33.97	30/06/18	N/A	–12,475	–600	8,525	N/A
21/02/14	**Total**	**AGA 2**	**154**	**57,950**				**–31,825**	**–17,600**	**8,525**	**N/A**
16/06/17	**Residents and non-residents**	**AGA 3**	**195**	**138,325**	**88.82**	**01/07/19**	**01/07/19**	**–97,800**	**–**	**–**	**40,525**

For greater legibility, information concerning the AGA 2 Plan has been restated to reflect the 5-for-1 share par value split carried out in 2017.

NOTE 11 BALANCE SHEET PROVISIONS

€ thousands	Amount at 31/12/16	Charges	Reversals used	Reversals unused	Merger movements	Other movements	Amount at 31/12/17
Regulated provisions	–	–	–	–	–	–	–
Provisions for liabilities and charges (incl. exchange losses)	4,305	2,663	–	–	–	–	6,968
	4,305	**2,663**	**–**	**–**	**–**	**–**	**6,968**

NOTE 12 ANALYSIS OF MATURITY OF PAYABLES

€ thousands	Total	Less than 1 year	1 to 5 years	More than 5 years
Liabilities				
Borrowings and debts from credit institutions	205	205	–	–
Miscellaneous loans and borrowings	–	–	–	–
Operating liabilities				
Trade payables and related items	3,988	3,988	–	–
Tax and social security payable	683	683	–	–
Other liabilities	159,520	140,444	19,076	–
Deferred income and translation adjustment	37	37	–	–
	164,433	**145,357**	**19,076**	**–**

Other liabilities mainly comprise €123,276 thousand of intragroup current accounts, primarily originating from the implementation of cash pooling at Group level, as well as earnouts on the acquisition of the company Myfox of €19,076 thousand.

NOTE 13 ACCRUED EXPENSES

€ thousands	
Accrued loan interest	–
Trade payables, invoices not received	256
Employees, statutory bodies, government, duties and taxes	683
Miscellaneous	–
Attendance fees	–

NOTE 14 OFF-BALANCE SHEET COMMITMENTS

NOTE 14.1 FINANCIAL COMMITMENTS

€ thousands	31/12/17	31/12/16
– Guarantees and deposits received	11,672	13,408
– Unused credit facilities	200,000	126,250
TOTAL COMMITMENTS RECEIVED	**211,672**	**139,658**

€ thousands	31/12/17	31/12/16
– Guarantees and deposits given	308	1,799
– Interest on outstanding loans	–	–
– Liability guarantee on CIAT disposal	17,796	17,796
– Other	4,000	–
TOTAL COMMITMENTS GIVEN	**22,104**	**19,595**

NOTE 14.2 SECURITISED DEBT

€ thousands	
Borrowings and debts from credit institutions	–

NOTE 15 MARKET VALUE OF DERIVATIVES

NOTE 15.1 FOREIGN EXCHANGE RISK

At 31/12/17 € thousands	Hedging of balance sheet items	Hedging of off-balance sheet items	Total	Fair value	Types
AUD	1,434	–	**1,434**	43	Forward sale
CAD	964	1,430	**2,394**	39	Forward sale
CHF	427	–	**427**	28	Forward sale
CNY	–8,585	–8,713	**–17,298**	265	Forward purchase
GBP	1,183	3,212	**4,396**	17	Forward sale
HKD	320	147	**467**	21	Forward sale and put swap
ILS	961	2,954	**3,915**	–4	Forward sale
JPY	444	–	**444**	43	Forward sale
NOK	549	864	**1,413**	70	Forward sale
PLN	551	–	**551**	7	Forward purchase and put swap
RUB	173	504	**677**	–3	Forward sale
SEK	511	–	**511**	4	Forward sale and put swap
SGD	94	655	**749**	–6	Forward sale
THB	26	286	**312**	–3	Forward sale
TRY	880	–	**880**	–36	Forward sale
USD	–	–834	**–834**	–3	Call swap
	–68	**506**	**437**	**483**	

At 31/12/16 € thousands	Hedging of balance sheet items	Hedging of off-balance sheet items	Total	Fair value	Types
AUD	2,368	2,143	**4,511**	–86	Forward sale and purchase
CAD	656	1,017	**1,673**	–45	Forward sale
CHF	1,066	2,816	**3,882**	–43	Forward sale
CNY	–3,873	–5,826	**–9,699**	92	Forward purchase
GBP	2,521	1,092	**3,613**	26	Forward sale
HKD	896	1,157	**2,054**	–111	Forward sale
ILS	1,384	2,204	**3,588**	–158	Forward sale
JPY	1,750	2,407	**4,157**	221	Forward sale and purchase
NOK	223	1,633	**1,855**	–29	Forward sale
PLN	1,257	–	**1,257**	13	Forward sale
RUB	403	890	**1,293**	–148	Forward sale
SEK	264	526	**791**	–15	Forward sale
SGD	133	401	**534**	–1	Forward sale
THB	115	51	**167**	–7	Forward sale
USD	2,103	–438	**1,665**	–82	Forward sale and purchase
	11,266	**10,073**	**21,339**	**–375**	

NOTE 15.2 RAW MATERIAL RISK

Somfy SA protects its manufacturing subsidiaries against fluctuations in the price of raw materials *via* hedging agreements for materials on the financial markets (copper and zinc paper hedging) on components that cannot be physically covered.
Income and expenses on completed hedging transactions have been reinvoiced in full to the subsidiaries concerned.
The unrealised loss resulting from the recognition at fair value of the financial instruments, whose nature as a hedge cannot be demonstrated, was recognised at the end of the financial year.
At 31 December 2017, the effective portion of hedges was valued at €0.1 million and the ineffective portion was nil.

31/12/17	Tonnes	Hedging of off-balance sheet items *€ thousands*	Fair value *€ thousands*	Types
Copper	285	1,627	85	Swap-Options
Zinc	570	1,556	6	Swap-Options
	855	**3,183**	**91**	

NOTE 16 STATUTORY AUDITORS' FEES

The amount of the Statutory Auditors' fees, excluding tax and disbursements, paid by Somfy SA (issuer) is in note 14 to the consolidated financial statements.

NOTE 17 SUBSIDIARIES AND INVESTMENTS

€ thousands	Share capital and premium	Reserves and retained earnings before allocation of net profit	Share of capital held (%)	Profit/(loss) for the last financial year	Sales	Dividends received
Subsidiaries (at least 34% of share capital held by the company)						
DSG Coordination Center SA	4,136	182	99.98%	391	–	–
Somfy Activités SA	35,000	68,465	100.00%	40,728	431,330	75
CMC SARL	8	–618	100.00%	1,631	–	–
Somfybat SNC	6,830	11,493	100.00%	3,084	–	–
Somfy Ltd	146	–15	100.00%	236	11,903	–
Somfy PTY Ltd	306	332	100.00%	1,493	14,054	–
NV Somfy SA	348	162	100.00%	1,693	28,368	–
Somfy Brazil LTDA	11,188	–7,468	99.99%	–2,519	5,937	77
Somfy GmbH	1,500	12,767	100.00%	9,965	157,767	1,800
Somfy KFT	787	–154	100.00%	21	4,388	–
Somfy Spol sro	177	144	100.00%	1,206	18,712	–
Somfy Sp zoo	132	82	100.00%	2,961	33,135	–
SC Somfy SRL	307	–30	100.00%	106	1,667	–
Somfy Joo	314	3,103	100.00%	57	6,652	–
Somfy Italia SRL	2,000	7,057	95.00%	1,006	22,807	–
Somfy España SA	10,010	88,060	100.00%	10,328	26,715	8,005
Somfy Systems Inc.	8,786	343	100.00%	4,810	88,386	–
Somfy AG	30	1,107	100.00%	1,587	27,086	–
Somfy Sweden AB	71	1,166	100.00%	93	6,315	–
Somfy PTE Ltd	533	216	100.00%	389	4,126	–
Somfy Co Ltd	10,423	1,326	100.00%	314	5,415	182
LianDa	6,960	–10,871	95.00%	3,628	36,839	–

€ thousands	Share capital and premium	Reserves and retained earnings before allocation of net profit	Share of capital held (%)	Profit/(loss) for the last financial year	Sales	Dividends received
Somfy Middle East Co Ltd	62	1,033	100.00%	3,039	34,826	–
Somfy Mexico SA DE CV	27	766	99.75%	632	4,904	–
Somfy KK	205	1,733	100.00%	356	13,039	–
PROMOFI BV	91	1,527	100.00%	45,499	–	45,500
Simu SAS	5,000	7,859	100.00%	7,783	89,312	700
Somfy ULC	904	669	100.00%	883	9,189	–
Arve Finance	3,010	–1,571	50.17%	–20	–	–
Somfy SIA	521	–239	100.00%	69	1,757	–
Somfy South Africa (PTY) Limited	410	426	100.00%	500	2,319	–
Somfy Colombia SAS	28	–30	100.00%	–349	1,263	–
Domis SA	1,115	487	100.00%	186	10,677	–
Somfy LLC	1,104	–400	100.00%	63	6,484	–
Sisa Home Automation Ltd	249	4,342	100.00%	1,080	13,130	–
Somfy Ev Otomasyon Sistemleri Ticaret Ltd Sti	801	1,963	99.86%	582	10,428	–
Asian Capital International LTD	113,776	10,208	100.00%	–656	–	–
Somfy Maroc SARL	196	–99	100.00%	–259	4,957	–
Somfy Hellas SA	750	1,110	100.00%	36	7,019	–
Somfy India Pvt Ltd	1,706	–98	100.00%	163	3,838	–
Somfy Bulgaria AD	102	170	99.90%	55	1,172	–
Somfy Thailand	306	157	99.98%	355	2,298	–
Somfy LLC	370	–275	100.00%	67	425	–
Somfy Tunisie Services	99	–40	50.00%	–1	–	–
Somfy Egypt	140	–211	99.91%	–97	–	–
SOPEM	64,292	1,179	100.00%	14,084	100,924	–
GABR Participações LTDA	3,139	–5,992	99.99%	–26	–	–
Somfy Argentina	740	–231	99.77%	33	3,296	–
Somfy Norway AS	67	–2	100.00%	67	6,742	–
Somfy Eastern Europe Area SP. Zoo	36	78	100.00%	74	–	–
Somfy Asia-Pacific Co Ltd	76	123	100.00%	–19	–	–
Opendoors SAS	500	–1,305	100.00%	–1,329	657	–
Somfy Protect by Myfox SAS	17,654	–10,800	100.00%	–7,148	14,446	–

€ thousands	
Loans and advances granted to the companies above, not yet repaid	17,923
Total guarantees granted to the companies above	472
Dividends paid by the companies above during the year	92,469

NOTE 18 EQUITY INVESTMENTS AT 31 DECEMBER 2017

€ thousands		Gross value	Net value	Quoted value
Equity investments				
4,504,249	DSG Coordination Center SA shares	4,218	4,218	–
119,994	Vimart shares	63	23	–
1,749,999	Somfy Activités SA shares	23,286	23,286	–
30,000	Somfy GmbH shares	4,555	4,555	–
3,000	Somfy Sweden AB shares	534	534	–
394	PROMOFI BV shares	1,084	1,084	–
230	Somfy Systems Inc. shares	10,167	10,167	–
1,900,000	Somfy Italia SRL shares	2,271	2,271	–
50	Somfy AG shares	152	152	–
660	Somfy K.K. shares	194	194	–
35,000	Somfy España SA shares	93,161	93,161	–
13,995	NV Somfy SA shares	334	334	–
35,999	Somfy Middle East Co Ltd shares	72	72	–
100,000	Somfy Ltd shares	144	144	–
500,000	Somfy PTY Ltd shares	350	350	–
80,000	Somfy Joo shares	460	460	–
1,100,000	Somfy PTE Ltd shares	514	514	–
500	CMC SARL shares	8	8	–
2,099,990	Somfy Co Ltd shares	10,734	10,734	–
1	Somfy Spol sro share	1,012	1,012	–
676	Somfy Sp zoo shares	1,423	1,423	–
1	Somfy KFT share	1,865	757	–
399	Somfy Mexico SA DE CV shares	44	44	–
36,378,338	Somfy Brazil LTDA shares	11,933	1,154	–
250,000	Simu SAS shares	23,937	23,937	–
3,744,299	Somfy India Pvt Ltd shares	1,696	1,696	–
52,250	LianDa shares	7,307	–	–
124,274	SC Somfy SRL shares	311	311	–
100,000	Somfy ULC shares	333	333	–
1,510,000	Arve Finance shares	1,510	711	–
521,197	Somfy SIA shares	822	347	–
4,728,000	Somfy South Africa (PTY) Limited shares	387	387	–
71,408	Somfy Colombia SAS shares	30	–	–
2,499,999	Somfy Hellas SA shares	750	750	–
22,000	Somfy Maroc SARL shares	202	–	–
85,827	Domis SA shares	3,068	3,068	–
1	Somfy LLC share	1,152	764	–
14,000,000	Sisa Home Automation Ltd shares	270	270	–
16,776	Somfy Ev Otomasyon Sistemleri Ticaret Ltd Sti shares	875	875	–

€ thousands		Gross value	Net value	Quoted value
1,220,956,515	Asian Capital International LTD shares	107,369	107,369	–
999	Somfy Bulgaria AD shares	102	102	–
9,998	Somfy Thailand shares	304	304	–
1	Somfy LLC share	381	161	–
1,000	Somfy Tunisie Services shares	52	52	–
1,099	Somfy Egypt shares	153	–	–
107,000	SOPEM shares	40,983	40,983	–
8,999,100	GABR Participações LTDA shares	3,016	–	–
7,684,372	Somfy Argentina shares	563	563	–
500	Somfy Norway AS shares	57	57	–
1,500	Somfy Eastern Europe Area SP. Zoo shares	36	36	–
650,000	Somfy Asia-Pacific Co Ltd shares	77	77	–
50,000	Opendoors SAS shares	500	–	–
21,796,663	Somfy Protect by Myfox SAS shares	27,076	27,076	–
379,449	Somfybat SNC shares	10,280	10,280	–
		402,180	**377,163**	**–**

€ thousands	Gross value	Net value	Quoted value
Portfolio investments	**–**	**–**	**–**
Marketable securities			
Treasury shares	99,269	98,068	219,019
Marketable securities	–	–	–
	99,269	**98,068**	**219,019**

09
LEGAL DOCUMENTS

09
LEGAL DOCUMENTS

STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

To the Shareholders,

OPINION

—

In compliance with the engagement entrusted to us by your General Meeting, we have audited the accompanying parent company financial statements of Somfy SA for the year ended 31 December 2017.

In our opinion, the parent company financial statements provide a true and fair view of the assets and liabilities and of the financial position of the company at 31 December 2017 and of the results of its operations for the year then ended in accordance with French accounting principles and methods.

The audit opinion expressed above is consistent with the content of our report to the Audit Committee.

BASIS FOR OPINION

—

AUDIT FRAMEWORK

We have performed our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described herein in the section "Statutory Auditors' responsibilities for the audit of the parent company financial statements" of this report.

INDEPENDENCE

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 January 2017 to the issue date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of regulation (EU) N° 537/2014 or in the French Code of Ethics for Statutory Auditors.

OBSERVATION

—

Without qualifying the opinion expressed above, we would draw your attention to note D – Accounting Rules and Methods to the financial statements, which sets out the change in the accounting method relating to the initial application of ANC regulation N° 2015-05 regarding forward financial instruments and hedging transactions, and its impact on the financial statements.

JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTERS

—

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de Commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement which, in our professional judgment, were of most significance in our audit of the parent company financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the parent company financial statements as a whole, and in forming our opinion thereon. Accordingly, we do not provide any opinions on specific items of the parent company financial statements.

MEASUREMENT OF EQUITY INVESTMENTS

Risk identified

The net amount of the equity investments shown on the balance sheet was €377.2 million at 31 December 2017 against total assets of €708.7 million. The Group performs impairment tests on these assets, the procedures for which are set out in note D to the parent company financial statements. The carrying value is determined on the basis of several measurement factors, including net assets at the year-end, the level of profitability, the future outlook, and the share price in the case of listed companies. This carrying value is then compared with the historical value, in order to assess the need to record an impairment charge or not.

We have considered that the valuation of these equity investments is a key audit point due to their material amount in the company's financial statements, and because determining their carrying value requires the use of estimates or judgements by Management.

Our response

Our work as part of the audit of the company's parent company financial statements specifically consisted in:
- reviewing the processes for carrying out these impairment tests;
- corroborating, including *via* meetings with Management, the main data and assumptions on which the estimates are based;
- assessing the consistency of the forecasts with past performance, the market outlook, and the performance track record of the equity investments in question;
- assessing the appropriate nature of the information provided in the notes to the parent company financial statements.

VERIFICATION OF THE MANAGEMENT REPORT AND OF OTHER DOCUMENTS SENT TO THE SHAREHOLDERS

—

We have also performed the specific verifications required by French law, in accordance with professional standards applicable in France.

INFORMATION PROVIDED REGARDING THE FINANCIAL POSITION AND THE PARENT COMPANY FINANCIAL STATEMENTS IN THE MANAGEMENT REPORT AND IN OTHER DOCUMENTS SENT TO SHAREHOLDERS

We have no observations to make concerning the fairness and consistency with the parent company financial statements of the information given in the Management Board's management report and in other documents sent to the shareholders concerning the financial situation and the parent company financial statements.

REPORT ON CORPORATE GOVERNANCE

We hereby certify that the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code (*Code de Commerce*) is included in the Supervisory Board's report on corporate governance.
Concerning the information provided in accordance with provisions of Article L. 225-37-3 of the French Commercial Code (*Code de Commerce*) on remuneration and benefits paid to corporate officers as well as commitments given in their favour, we have verified their consistency with the financial statements or with the data used in the preparation of these financial statements and if necessary, with data collected by your company from companies controlling your company or controlled by it. On the basis of this work, we confirm the accuracy and the fairness of this information.
In the case of the information relating to the elements that your company has considered as liable to have an impact in the event of a public purchase or exchange offering, and provided pursuant to the provisions of Article L. 225-37-5 the French Commercial Code (*Code de Commerce*), we checked the consistency of this information with the documents from which it was derived, and which were disclosed to us. On the basis of this work, we have no observations to make on this information.

OTHER INFORMATION

As required by law, we ensured that the information concerning the purchase of investments and controlling interests and the identity of holders of the share capital and voting rights was provided to you in the management report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

—

APPOINTMENT OF THE STATUTORY AUDITORS

We were appointed as Statutory Auditors of Somfy SA by the General Meetings of 24 May 2016 for KPMG SA and 12 May 2010 for ERNST & YOUNG et Autres.
At 31 December 2017, KPMG SA was in its second year of uninterrupted engagement and ERNST & YOUNG et Autres in its eighth year. Previously, ERNST & YOUNG Audit had been Statutory Auditor since 1993.

RESPONSIBILITIES OF MANAGEMENT AND INDIVIDUALS IN CHARGE OF CORPORATE GOVERNANCE IN RELATION TO THE PARENT COMPANY FINANCIAL STATEMENTS

—

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with French accounting principles and methods, and for such internal control as Management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the parent company financial statements, Management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the company or to cease its operations.
The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.
The parent company financial statements have been prepared by the Management Board.

STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE PARENT COMPANY FINANCIAL STATEMENTS

—

AUDIT OBJECTIVE AND APPROACH

Our role is to issue a report on the parent company financial statements. Our objective is to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions that users take on the basis of these parent company financial statements.
As specified in Article L. 823-10-1 of the French Commercial Code (*Code de Commerce*), our statutory audit does not include assurance on the viability of the company or the quality of management of the company.
As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit. Furthermore, the Statutory Auditor:

- identifies and assesses the risks of material misstatement of the parent company financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the parent company financial statements;
- assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the parent company financial statements or, if such disclosures are not provided or inadequate, to issue a qualified or adverse opinion;
- evaluates the overall presentation of the parent company financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

REPORT TO THE AUDIT COMMITTEE

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also bring to its attention, where applicable, any significant deficiencies in internal control regarding the procedures relating to the preparation and processing of accounting and financial information that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the parent company financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de Commerce*) and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Lyon, 18 April 2018
The Statutory Auditors

KPMG Audit
Division of KPMG SA
Stéphane Devin
Partner

ERNST & YOUNG et Autres
Lionel Denjean
Partner

STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

To the General Meeting of Somfy SA,

As Statutory Auditors to your company, we hereby present our report on regulated agreements and commitments.
It is our responsibility to inform you, based on the information that has been given to us, of the key features and terms and conditions, as well as the grounds for the company's interest, of the agreements and commitments of which we have been made aware or that we may have discovered as part of our assignment, without having to comment on their usefulness and validity or to search for other such agreements and commitments. Pursuant to the provisions of Article R. 225-58 of the French Commercial Code (*Code de Commerce*), it is your responsibility to assess the interest in concluding these agreements and commitments, with a view to approving them.
Furthermore, it is our responsibility, if applicable, to inform you of disclosures required by Article R. 225-58 of the French Commercial Code (*Code de Commerce*) relative to the execution, during the year just ended, of agreements and commitments already approved by the General Meeting.

We have performed the due diligence we deemed necessary with regard to the professional standards of the *Compagnie Nationale des Commissaires aux Comptes* in relation to this assignment.

AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL TO THE GENERAL MEETING

—

We hereby inform you that we have not been advised of any agreements or commitments authorised and concluded during the financial year that required approval from the General Meeting pursuant to Article L. 225-86 of the French Commercial Code (*Code de Commerce*).

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING

—

We were not made aware of any agreement or commitment, previously approved by the General Meeting and which continued to be executed during the financial year just ended.

Lyon, 18 April 2018
The Statutory Auditors

KPMG Audit Division of KPMG SA Stéphane Devin Partner	ERNST & YOUNG et Autres Lionel Denjean Partner

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the General Meeting of Somfy SA,

OPINION

—

In compliance with the engagement entrusted to us by your General Meeting, we have audited the accompanying consolidated financial statements of Somfy SA for the year ended 31 December 2017.

In our opinion, the consolidated financial statements provide a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

BASIS FOR OPINION

—

AUDIT FRAMEWORK

We have performed our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described herein in the section "Statutory Auditors' responsibilities for the audit of the consolidated financial statements" of this report.

INDEPENDENCE

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 January 2017 to the issue date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of regulation (EU) N° 537/2014 or in the French Code of Ethics for Statutory Auditors.

JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTERS

—

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de Commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement which, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. Accordingly, we do not provide any opinions on specific items of the consolidated financial statements.

MEASUREMENT OF GOODWILL

Risk identified	Our response
Goodwill shown on the Group's balance sheet at 31 December 2017 was €197 million against total assets of €1,183 million. The Group performs impairment tests on these assets, the procedures for which are set out in note 5.1.2 to the consolidated financial statements. The impairment tests consist in determining the recoverable value of a Cash Generating Unit, which is the higher of the value-in-use and the fair value less sale costs. Value-in-use is determined based on cash flows, which are estimated using plans or budgets over a maximum period of five years; beyond that date, the cash flows are extrapolated by applying a constant or decreasing rate of change, and are discounted by using long-term post-tax market rates, which reflect the market's estimates of the time value of money and the specific risks inherent to the assets. We considered that the measurement of these goodwill amounts is one of the key points of the audit due to their material amount in the Group's financial statements and because determining the recoverable value, which is usually based on discounted forecast future cash flows, requires the use of assumptions, estimates, or judgements by Management, as specified in note 1.3 to the consolidated financial statements.	Our work as part of the audit of the Group's consolidated financial statements specifically consisted in: – reviewing the processes for carrying out these impairment tests; – corroborating, including via meetings with Management, the main data and assumptions on which the estimates are based, notably future cash flow forecasts, long-term growth rates and discount rates; – assessing the consistency of the forecasts with past performance, the market outlook, and the performance track record of the Group; – performing sensitivity analyses on impairment tests; – assessing the appropriate nature of the information provided in the notes to the consolidated financial statements.

MEASUREMENT OF PROVISIONS FOR CONTINGENCIES AND CONTINGENT LIABILITIES

Risk identified	Our response
The Group's business activities are conducted within a complex and continuously changing international regulatory framework, which varies depending on the countries and over time, and applies to extremely different aspects. In that context, these activities may entail risks, commercial, wage-related or tax disputes, or litigious situations. As specified in notes "Highlights", 1.3 and 9 to the consolidated financial statements, Group Management exercises its judgement, and uses estimates and assumptions when assessing these risks. A provision is recorded as soon as an outflow of resources is considered likely, and its amount can be estimated on a reliable basis. Some of these risks are classified as contingent liabilities, as described in notes "Highlights" and 9.2 to the consolidated financial statements, and no provision is therefore recorded for them in the Group's financial statements. We have considered that the measurement of these provisions for contingencies, which amounted to €8 million at 31 December 2017, and of the contingent liabilities is a key audit point in view of the amounts in question, and the level of judgement required by Management to determine them.	Our work as part of the audit of the Group's consolidated financial statements specifically consisted in: – reviewing the procedures implemented by the Group to identify and assess these risks; – familiarising ourselves with the risk assessment performed by Management, and the corresponding documentation, and reviewing the written consultations provided by external advisers, where applicable; – assessing the written confirmations obtained from the Group's external advisers; – assessing the main risks identified, and reviewing the assumptions used by Management to estimate the amount of these provisions, or classify these risks as contingent liabilities, by including in our teams our experts, especially in tax; – assessing the appropriate nature of the information set out in the notes to the consolidated financial statements.

VERIFICATION OF INFORMATION PERTAINING TO THE GROUP INCLUDED IN THE MANAGEMENT REPORT

—

As required by law, we have also verified, in accordance with professional standards applicable in France, the information on the Group provided in the Management Board's management report.

We have no observation to make with regard to the fairness of such information and its consistency with the consolidated financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

—

APPOINTMENT OF THE STATUTORY AUDITORS

We were appointed as Statutory Auditors of Somfy SA by the General Meetings of 24 May 2016 for KPMG and 12 May 2010 for ERNST & YOUNG et Autres.

At 31 December 2017, KPMG SA was in its second year of uninterrupted engagement and ERNST & YOUNG et Autres in its eighth year. Previously, ERNST & YOUNG Audit had been Statutory Auditor since 1993.

RESPONSIBILITIES OF MANAGEMENT AND INDIVIDUALS IN CHARGE OF CORPORATE GOVERNANCE IN RELATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

—

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the company or to cease its operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements have been prepared by the Management Board.

STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

—

AUDIT OBJECTIVE AND APPROACH

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions that users take on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de Commerce*), our statutory audit does not include assurance on the viability of the company or the quality of management of the company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit. Furthermore, the Statutory Auditor:

– identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the consolidated financial statements;
- assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to issue a qualified or adverse opinion;
- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

REPORT TO THE AUDIT COMMITTEE

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also bring to its attention, where applicable, any significant deficiencies in internal control regarding the procedures relating to the preparation and processing of accounting and financial information that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de Commerce*) and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Lyon, 18 April 2018
The Statutory Auditors

KPMG Audit
Division of KPMG SA
Stéphane Devin
Partner

ERNST & YOUNG et Autres
Lionel Denjean
Partner

INDEPENDENT VERIFIER'S REPORT ON CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION PRESENTED IN THE MANAGEMENT REPORT

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In our quality as an independent verifier accredited by the COFRAC[1], under the number 3-1050, and as a member of the network of one of the Statutory Auditors of the company Somfy SA, we present our report on the consolidated social, environmental and societal information established for the year ended on 31 December 2017, presented in the management report, hereafter referred to as the "CSR Information," pursuant to the provisions of the Article L. 225-102-1 of the French Commercial Code (*Code de Commerce*).

RESPONSIBILITY OF THE COMPANY

It is the responsibility of the Management Board to establish a management report including CSR Information referred to in the Article R. 225-105-1 of the French Commercial Code (*Code de Commerce*), in accordance with the protocols used by the company (hereafter referred to as the "Criteria"), and of which a summary is included at the end of the section "Environmental and Social Reporting" under the headline "Methodology note" and on a case-by-case basis near the published indicators in this section.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the Article L. 822-11-3 of the French Commercial Code (*Code de Commerce*). In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

RESPONSIBILITY OF THE INDEPENDENT VERIFIER

It is our role, based on our work:
- to attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of the Article R. 225-105 of the French Commercial Code (*Code de Commerce*) (Attestation of presence of CSR Information);
- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in accordance with the Criteria (Limited assurance on CSR Information).

Our verification work mobilised the skills of four people between October 2017 and March 2018 for an estimated duration of ten weeks.
We conducted the work described below in accordance with the professional standards applicable in France and the Order of 13 May 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the limited assurance report, in accordance with the international standard ISAE 3000[2].

1. ATTESTATION OF PRESENCE OF CSR INFORMATION

Nature and scope of the work

We obtained an understanding of the company's CSR issues, based on interviews with the management of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.
We have compared the information presented in the management report with the list as provided for in the Article R. 225-105-1 of the French Commercial Code (*Code de Commerce*).
In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in Article R. 225-105-1, paragraph 3, of the French Commercial Code (*Code de Commerce*).
We verified that the Information covers the consolidated perimeter, namely the entity and its subsidiaries, as aligned with the meaning of the Article L. 233-1 and the entities which it controls, as aligned with the meaning of the Article L. 233-3 of the French Commercial Code (*Code de Commerce*) with the limits explained in the section "Environmental and Social Reporting", especially on a perimeter of reporting representing 71,3% of the total headcount.

Conclusion

Based on this work and given the limitations mentioned above, we confirm the presence in the management report of the required CSR information.

2. LIMITED ASSURANCE ON CSR INFORMATION

Nature and scope of the work

We undertook a dozen of interviews with the people responsible for the preparation of the CSR Information in the different departments, in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:
- assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;
- verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the company, its social and

(1) *Scope available at www.cofrac.fr.*
(2) *ISAE 3000 – Assurance engagements other than audits or reviews of historical information.*

environmental issues, its strategy in relation to sustainable development and industry best practices.

For the CSR Information which we considered the most important[1]:

- at the level of the parent company, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report;
- at the level of the representative selection of entities that we selected[2], based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represents on average 23% of the total headcount and 20% of the energy consumption.

For the other consolidated CSR Information, we assessed their consistency in relation to our knowledge of the company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

Observations

Without qualifying our conclusion above, we draw your attention to the following points:

- the indicator number of training hours is composed in part of the planned hours and not the actual realised hours for Somfy Activités SA, that represents 39% of the reporting hours of the Group.

Paris-La Défense, 19 April 2018
French original signed by:
Independent Verifier
ERNST & YOUNG et Associés

Christophe Schmeitzky
Partner, Sustainable Development

Bruno Perrin
Partner

(1) ***Social information**: employment (total headcount, hiring and terminations), absenteeism, health and safety at the work place, work accidents, notably their frequency and their severity, training policies, number of hours of training, measures for the men and women equality.*
***Environmental and societal information:** general environmental policy, water consumption, rejection and management of used water, energy consumption, significant items of GHG, hazardous and non-hazardous waste production and treatment, measures undertaken to enhance resource efficiency, territorial, economic and social impact (employment, regional development, impact on regional and local populations), importance of sub-contracting and the consideration of environmental and social issues in purchasing policies and relations with suppliers and sub-contractors, measures undertaken in partnership and sponsorship.*

(2) *SITEM (Tunisia) and Somfy GmbH (Germany).*

STATUTORY AUDITORS' REPORT ON THE REDUCTION OF SHARE CAPITAL
(GENERAL MEETING OF 16 MAY 2018 - RESOLUTION N° 12)

To the Shareholders,

As Statutory Auditors of your company and in completion of our assignment pursuant to Article L. 225-209 of the French Commercial Code (*Code de Commerce*) in the event of a reduction of share capital by cancellation of shares bought back, we have prepared the present report to inform you of our assessment of the causes and terms and conditions of the foreseen reduction in capital.

Your Management Board proposes that you delegate to it, for a period of 24 months and for a maximum of 10% of its share capital per period of 24 months, full authority to cancel the shares purchased as part of the implementation by your company of an authorisation to buy back its own shares pursuant to the provisions of the aforementioned article.

We have performed the due diligence we deemed necessary with regard to the professional standards of the *Compagnie Nationale des Commissaires aux Comptes* in relation to this assignment. This consisted of examining whether the causes and terms and conditions of the foreseen reduction in share capital, which does not derogate from the principle of equality between shareholders, are correct.

We have no observations to make on the causes and terms and conditions of the foreseen share capital reduction.

Lyon, 18 April 2018
The Statutory Auditors

KPMG Audit
Division of KPMG SA
Stéphane Devin
Partner

ERNST & YOUNG et Autres
Lionel Denjean
Partner

STATUTORY AUDITORS' REPORT ON THE AUTHORISATION TO ALLOCATE SHARE PURCHASE OPTIONS
(GENERAL MEETING OF 16 MAY 2018 – RESOLUTION N° 13)

To the Shareholders,

As Statutory Auditors of your company and in compliance with the assignment set forth in Articles L. 225-177 and R. 225-144 of the French Commercial Code (*Code de Commerce*), we hereby report on the authorisation for the allocation of share purchase options for the benefit of employees, or certain employees or certain categories of staff, and/or corporate officers as defined by law, of your company or related economic interest groups related to it as defined by Article L. 225-180 of the French Commercial Code (*Code de Commerce*), a transaction which is submitted for your approval.

On the basis of its report, your Management Board proposes that it be authorised, for a period of 38 months, to allocate share purchase options.

It is the responsibility of the Management Board to prepare a report on the reasons for allocating the share purchase options as well as the terms and conditions proposed to set the purchase price. It is our role to give our opinion on the terms and conditions proposed to set the purchase price of the shares.

We have performed the due diligence we deemed necessary with regard to the professional standards of the *Compagnie Nationale des Commissaires aux Comptes* in relation to this assignment. These consisted in verifying that the terms and conditions proposed to set the purchase price of the shares are disclosed in the report of the Management Board and comply with legal and regulatory provisions.

We have no observations to make in respect of the terms and conditions proposed to set the purchase price of the shares.

Lyon, 18 April 2018
The Statutory Auditors

KPMG Audit
Division of KPMG SA
Stéphane Devin
Partner

ERNST & YOUNG et Autres
Lionel Denjean
Partner

STATUTORY AUDITORS' REPORT ON THE ISSUE OF ORDINARY SHARES OR VARIOUS MARKETABLE SECURITIES OF THE COMPANY RESERVED FOR MEMBERS OF A COMPANY SAVINGS PLAN
(GENERAL MEETING OF 16 MAY 2018 – RESOLUTION N° 14)

To the Shareholders,

As Statutory Auditors of your company and in compliance with the assignment set forth in Articles L. 228-92 and L. 225-135 and subsequent of the French Commercial Code (*Code de Commerce*), we hereby report on the proposal to delegate to the Management Board the authority to decide upon an issue of ordinary shares or marketable securities giving access to equity securities to be issued with waiver of the pre-emption right, reserved for members of a company savings plan, for an amount not exceeding €500,000, a transaction which is submitted for your approval.

This transaction is submitted for your approval pursuant to the provisions of Articles L. 225-129-6 of the French Commercial Code (*Code de Commerce*) and L. 3332-18 and subsequent of the French Labour Code (*Code du Travail*).

On the basis of its report, your Management Board proposes that you authorise it for a period of 26 months to decide upon an issue and to waive your pre-emption right to subscribe for the ordinary shares or marketable securities to be issued. If applicable, it will be the responsibility of the Management Board to define the final terms and conditions of this transaction.

It is the responsibility of the Management Board to prepare a report in accordance with Articles R. 225-113 and subsequent of the French Commercial Code (*Code de Commerce*). It is our role to give our opinion on the fairness of the financial information derived from the financial statements on the proposal to waive the pre-emption right to subscribe and on certain other information concerning the issue given in this report.

We have performed the due diligence we deemed necessary with regard to the professional standards of the *Compagnie Nationale des Commissaires aux Comptes* in relation to this assignment. Such due diligence consisted in verifying the content of the report of the Management Board in relation to this transaction and the terms and conditions of determining the issue price of the equity securities to be issued.

Subject to the subsequent review of the terms and conditions under which the issue will be decided, we have no observations to make on the terms and conditions of determining the issue price of the equity securities to be issued as detailed in the report of the Management Board.

As the definitive conditions by which the issue will be carried out have not yet been determined, we do not express an opinion on these conditions and, therefore, on the proposal extended to you to waive the pre-emption right.

As provided by Article R. 225-116 of the French Commercial Code (*Code de Commerce*), we will prepare a supplementary report at the time this authorisation is used by your Management Board.

Lyon, 18 April 2018
The Statutory Auditors

KPMG Audit
Division of KPMG SA
Stéphane Devin
Partner

ERNST & YOUNG et Autres
Lionel Denjean
Partner

DRAFT RESOLUTIONS TO THE COMBINED GENERAL MEETING OF 16 MAY 2018

ORDINARY SESSION

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FIRST RESOLUTION – Approval of the parent company financial statements for the financial year ended 31 December 2017

The General Meeting, having considered the reports of the Management Board, the Supervisory Board and the Statutory Auditors for the financial year ended 31 December 2017, approves the financial statements, as submitted, which show a net profit of €107,110,843.67.

SECOND RESOLUTION – Approval of the consolidated financial statements for the financial year ended 31 December 2017

The General Meeting, having considered the reports of the Management Board, the Supervisory Board and the Statutory Auditors on the consolidated financial statements at 31 December 2017, approves the financial statements, as submitted, which show a net profit (Group share) of €159,912,000.

THIRD RESOLUTION – Allocation of net profit for the financial year and setting of dividend

The General Meeting approves the following allocation of net profit for the financial year ended 31 December 2017, proposed by the Management Board:

Source

- Net profit for the financial year €107,110,843.67
- Retained earnings €3,230,907.70

Allocation

- Optional reserve €62,241,751.37
- Dividends €48,100,000.00

The General Meeting notes that the total gross dividend is set at €1.30 per share.
When it is paid to individuals who are tax residents in France, the dividend is either subject to a single fixed-levy deduction at source on the gross dividend at the flat rate of 12.8% (Article 200 A of the French General Tax Code), or, at the express, irrevocable and comprehensive wishes of the taxpayer, to income tax calculated according to a sliding scale after notably an allowance of 40% (Articles 200 A, 13, and 158 of the French General Tax Code). The dividend is also subject to social security contributions at the rate of 17.2%.
The ex-dividend date is set at 1 June 2018.
The dividend will be paid on 5 June 2018.
Pursuant to the provisions of Article 243 (ii) of the General Tax Code, the General Meeting notes that it was reminded that the following dividends were paid during the last three financial years:

Financial year	Revenue eligible for tax rebate		Revenue not eligible for tax rebate
	Dividends	Other distributed earnings	
2014	€35,693,533.20* being €5.20 per share	€391,840,000.00, each share conferring the right to either one Edify SA share or a cash sum of €50.00**	–
2015	€39,125,797.50* being €5.70 per share	–	–
2016	€41,909,092.30* being €6.10 per share	–	–

* *Does not include unpaid dividends attributable to treasury shares and transferred to retained earnings.*

** *The General Meeting of Shareholders of 27 November 2014 decided on the exceptional distribution of €391,840,000.00, which was taken from the "General Reserve" item, it being specified that each Somfy share conferred entitlement to either one Edify SA share or a cash payment of €50.00, according to the shareholder's preference.*

FOURTH RESOLUTION – Special report of the Statutory Auditors on regulated agreements and commitments – Noting the absence of new agreements

The General Meeting, having considered the special report of the Statutory Auditors mentioning the absence of new agreements of the type referred to in Articles L. 225-86 and subsequent of the Commercial Code, simply acknowledges this fact.

FIFTH RESOLUTION – Renewal of the term of office of Michel ROLLIER as member of the Supervisory Board

The General Meeting decides to renew the term of office of Michel ROLLIER as member of the Supervisory Board for a period of four years, which will expire at the end of the General Meeting called in 2022 to approve the financial statements for the year then ended.

SIXTH RESOLUTION – Approval of the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid or allocated in respect of the financial year just ended to Jean Guillaume DESPATURE, Chairman of the Management Board

The General Meeting, acting pursuant to Article L. 225-100 sub-paragraph II of the Commercial Code, approves the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid or allocated for the financial year just ended to Jean Guillaume DESPATURE, Chairman of the Management Board, as presented in the report on corporate governance (section Information on remuneration, paragraph "Information on remuneration due, paid or allocated during the financial year", heading 4).

SEVENTH RESOLUTION – Approval of the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid or allocated in respect of the financial year just ended to Pierre RIBEIRO, Chief Financial Officer and member of the Management Board

The General Meeting, acting pursuant to Article L. 225-100 sub-paragraph II of the Commercial Code, approves the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid or allocated for the financial year just ended to Pierre RIBEIRO, Chief Financial Officer and member of the Management Board, as presented in the report on corporate governance (section Information on remuneration, paragraph "Information on remuneration due, paid or allocated during the financial year", heading 4).

EIGHTH RESOLUTION – Approval of the items comprising the total remuneration and benefits of any kind paid or allocated in respect of the financial year just ended to Michel ROLLIER, Chairman of the Supervisory Board

The General Meeting, acting pursuant to Article L. 225-100 sub-paragraph II of the Commercial Code, approves the items comprising the total remuneration and benefits of any kind paid or allocated for the financial year just ended to Michel ROLLIER, Chairman of the Supervisory Board, as presented in the report on corporate governance (section Information on remuneration, paragraph "Information on remuneration due, paid or allocated during the financial year", heading 4).

NINTH RESOLUTION – Approval of the principles and criteria used to determine, apportion and allocate the fixed, variable and exceptional elements comprising total remuneration and benefits of any kind attributable to the Chairman of the Management Board and the member(s) of the Management Board

The General Meeting, acting pursuant to Article L. 225-82-2 of the Commercial Code, approves the principles and criteria used to determine, apportion and allocate the fixed, variable and exceptional elements comprising total remuneration and benefits of any kind attributable to the Chairman of the Management Board and the member(s) of the Management Board, as presented in the report referred to in the last sub-paragraph of Article L. 225-68 of the Commercial Code (report on corporate governance, section Information on remuneration, paragraph "Remuneration policy").

TENTH RESOLUTION – Approval of the principles and criteria used to determine, apportion and allocate the fixed, variable and exceptional items of remuneration comprising total remuneration and benefits of any kind attributable to the members of the Supervisory Board

The General Meeting, acting pursuant to Article L. 225-82-2 of the Commercial Code, approves the principles and criteria used to determine, apportion and allocate the fixed, variable and exceptional elements comprising total remuneration and benefits of any kind attributable to the members of the Supervisory Board, as presented in the report referred to in the last sub-paragraph of Article L. 225-68 of the Commercial Code (report on corporate governance, section Information on remuneration, paragraph "Remuneration policy").

ELEVENTH RESOLUTION – Authorisation to be granted to the Management Board for the buyback by the company of its own shares pursuant to Article L. 225-209 of the Commercial Code

The General Meeting, having considered the report of the Management Board, authorises the latter, for a period of 18 months and in accordance with Articles L. 225-209 and subsequent of the Commercial Code, to buy back company shares, on one or several occasions as it deems appropriate, up to a maximum of 10% of the number of shares comprising the share capital, restated if necessary to take account of any increase or reduction in share capital that may take place during the timeframe of the programme.
This authorisation supersedes the authorisation granted to the Management Board by the General Meeting of 17 May 2017 in its twelfth resolution, sitting in ordinary session.
Acquisitions may be carried out for the following objectives:

- to stimulate the secondary market or ensure the liquidity of the Somfy share, by way of an investment services provider within a liquidity contract that complies with the Ethics Charter of AMAFI recognised by regulations, it being specified that within this framework the number of shares considered for the calculation of the limit specified above corresponds to the number of shares purchased less the number of shares resold;
- to retain the shares purchased and subsequently exchange them or use them as payment within the framework of potential acquisitions;
- to ensure the coverage of stock option plans and/or free share allocation plans (or similar) granted to employees and/or corporate officers of the Group, as well as all other shares allocated under a company or group savings scheme (or similar), in relation to employee profit sharing and/or any other form of allocation to employees and/or corporate officers of the Group;
- to cover marketable securities giving right to the allocation of company shares, in accordance with applicable regulations;
- to proceed with the possible cancellation of shares acquired, in accordance with the authorisation granted or to be granted by the Extraordinary General Meeting.

Such share purchases may be effected by all means, including by means of acquiring blocks of shares and at any times considered appropriate by the Management Board.
The company reserves the right to use options or derivative instruments, in accordance with applicable regulations.
The maximum purchase price is set at €130 per share. In case of a share capital transaction, in particular a share split, reverse share split or allocation of free shares to shareholders, the abovementioned price will be restated in the same proportions (a multiplier coefficient equal to the number of shares comprising the share capital before the transaction divided by the number of shares following the transaction).
The maximum value of the transaction, taking account of the 2,658,967 treasury shares held at 31 December 2017, is set at €135,334,290.00.
The General Meeting confers all powers to the Management Board to proceed with these transactions, set their terms and conditions, conclude all agreements and fulfil all of the required formalities.

EXTRAORDINARY SESSION

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TWELFTH RESOLUTION – Authorisation to be granted to the Management Board to cancel shares bought back by the company within the framework set out by Article L. 225-209 of the Commercial Code

The General Meeting, having considered the report of the Management Board and the report of the Statutory Auditors:

1) grants authority to the Management Board, at its own discretion, on one or more occasions, within a limit of 10% of capital calculated on the day on which the cancellation decision is made and reduced by the number of shares cancelled during the previous 24 months, to cancel the shares which the company holds or could hold following share buybacks exercised within the framework of Article L. 225-209 of the Commercial Code as well as to reduce share capital by the corresponding amount pursuant to the legal and regulatory provisions in force;
2) sets the term of this authorisation at 24 months starting from this General Meeting;
3) grants the Management Board all powers required to carry out all necessary transactions for such cancellations and ancillary reductions of share capital, to modify the company's bylaws as a result and fulfil all of the required formalities.

THIRTEENTH RESOLUTION – Authorisation to be granted to the Management Board to grant stock options to salaried employees (and/or certain corporate officers)

The General Meeting, having considered the report of the Management Board and the special report of the Statutory Auditors:

1) authorises the Management Board, under the provisions of Articles L. 225-177 to L. 225-185 of the Commercial Code, to grant, on one or more occasions and for the benefit of the beneficiaries indicated below, options giving the right to purchase existing company shares originating from buybacks carried out under the conditions set out by law;
2) sets the term of this authorisation at 38 months starting from the day of this General Meeting;
3) decides that the beneficiaries of these options may only be:
   - on the one hand, employees, or certain employees or certain categories of staff, either employed by Somfy or, if applicable, companies or related economic interest groups according to the terms and conditions set out by Article L. 225-180 of the Commercial Code,
   - on the other hand, corporate officers that fall under the conditions set forth by Article L. 225-185 of the Commercial Code;
4) the total number of options that may be granted by the Management Board under this authorisation may not entitle beneficiaries to purchase more than 1.5% of the share capital outstanding on the date of this Meeting, it being specified that this limit will count towards the total number of shares that may be granted free of charge by the Management Board under the authorisation granted to the Management Board by General Meeting of 24 May 2016 in its twelfth resolution, sitting in extraordinary session and any other subsequent authorisation of the same nature granted by the General Meeting;
5) the purchase price of the shares by the beneficiaries will be set on the date options are granted by the Management Board, pursuant to regulations, and may not be lower than the average closing price of the last 20 trading days of the share on Euronext Paris preceding the date options are allocated;
6) decides that no options may be granted:
   - during the ten stock exchange trading sessions preceding and following the date on which the consolidated financial statements are made public,
   - during the inclusive period between the date on which the company's management bodies become aware of information that, if made public, may have a significant impact on the company's share price, and the date falling ten trading sessions after this information is made public,
   - fewer than 20 trading session following the ex-dividend date conferring entitlement to a dividend or capital increase;
7) delegates all powers to the Management Board to set other terms and conditions for the granting and exercising of options, and especially to:
   - set the terms and conditions under which options will be granted and determining the list or categories of beneficiaries as provided for above; set, if need be, conditions of seniority and performance that beneficiaries must meet; decide the terms and conditions under which the price and number of shares must be adjusted, especially in cases provided for in Articles R. 225-137 to R. 225-142 of the Commercial Code,
   - set the period or periods in which options can be exercised, it being specified that the term of these options cannot exceed six years from their date of allocation,
   - if necessary, provide the right to temporarily suspend the exercise of options for a maximum of three months if financial transactions involving the exercise of rights attached to shares are carried out;
8) takes note that this authorisation, where applicable, will cause any unused portion of any prior authorisation to lapse.

FOURTEENTH RESOLUTION – Delegation of authority to be granted to the Management Board to increase the share capital through the issue of ordinary shares and/or marketable securities granting access to share capital with waiver of the preferential subscription right for members of a company savings plan pursuant to Articles L. 3332-18 and subsequent of the Labour Code

The General Meeting, having considered the report of the Management Board and the special report of the Statutory Auditors, and acting in accordance with Articles L. 225-129-6, L. 225-138-1 and L. 228-92 of the Commercial Code and L. 3332-18 and subsequent of the Labour Code:

1) delegates authority to the Management Board, if it deems it appropriate and at its sole discretion, to increase the share capital on one or more occasions through the issue of ordinary shares and/or marketable securities granting access to equity securities to be issued by the company for members of one or several company or group savings plans of the company and/or of the French or international entities related to it in accordance with Article L. 225-180 of the Commercial Code and Article L. 3344-1 of the Labour Code;
2) cancels, in favour of these persons, the shareholders' preferential subscription right for shares that may be issued under this delegation;
3) sets the term of this authority to 26 months, starting from the date of this General Meeting;
4) limits the maximum nominal amount of the increase or increases that can be carried out through the use of this authorisation to €500,000.00, this amount being independent of any other cap set by other delegations to increase capital. The nominal amount of the capital increase necessary to preserve the rights of holders of rights or marketable securities giving access to the company's share capital – in accordance with the law and, where applicable, the contractual

stipulations providing for other cases of adjustment – will be added to this amount where applicable;

5) decides that the price of shares to be issued, under 1) of this delegation, may not be more than 20%, or 30% when the lock-up period provided for by the plan under Articles L. 3332-25 and L. 3332-26 of the Labour Code is greater than or equal to ten years, less than the average share's opening price quoted during the 20 stock exchange sessions preceding the Management Board's decision relating to the share capital increase and the issue of the corresponding shares, nor higher than this average;
6) decides, in application of the provisions of Article L. 3332-21 of the Labour Code, that the Management Board may provide for the allocation, to the beneficiaries defined in the first paragraph above, of free shares to be issued or already issued, or other shares granting access to the share capital of the company to be issued or already issued, in respect of (i) the employer's contribution that may be paid pursuant to the regulations relating to company or group savings plans, and/or (ii), where applicable, the discount;
7) takes note that this delegation, where applicable, will cause any unused portion of any prior delegation to lapse.

The Management Board may or may not implement this delegation and take all the necessary steps and fulfil all the necessary formalities.

FIFTEENTH RESOLUTION – Alignment of Article 20 of the bylaws

The General Meeting, having considered the report of the Management Board, decides:

- to bring Article 20 of the bylaws into line with the provisions of Article R. 225-60 as amended by Decree N° 2017-340 of 16 March 2017;
- to amend sub-paragraph 2 of Article 20 of the bylaws accordingly and as follows, the remainder of the article remaining unchanged:

"The Supervisory Board apportions such remuneration among its members as it deems appropriate and in accordance with the conditions prescribed by law."

SIXTEENTH RESOLUTION – Powers for formalities

The General Meeting grants all powers to the bearer of copies or extracts of the present minutes to complete all the filing and publication formalities required by law.

STATEMENT OF THE PERSON RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

I certify that, to my knowledge, the financial statements for the year just ended were established in accordance with professional accounting standards applicable in France and give a fair view of the assets, financial situation and performance of the company and of all companies included in the consolidation scope, and that the enclosed management report gives a true view of the business situation, performance and financial situation of the company and of all companies included in the consolidation, as well as a description of main risks and uncertainties encountered.

Cluses, 19 April 2018

Pierre Ribeiro
Group CFO

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