ANNUAL FINANCIAL REPORT 2018

LIVING SOMFY

MESSAGE FROM THE MANAGEMENT BOARD

Jean Guillaume DESPATURE
Chairman of the Management Board

Pierre RIBEIRO
Group CFO,
member of the Management Board

In 2018, Somfy's positive momentum was confirmed by its sales[(1)], which increased 5.2% on a like-for-like basis, despite a high comparison base, but suffered a negative currency impact in real terms. Business profitability grew 0.5 percentage point to 16.5% of sales, also on a like-for-like basis, thanks to productivity gains, which offset the increased cost of raw materials, and to cost control. Our strategic investments – in R&D, information systems and marketing – remained steady to support the digitalisation of the product range and the company, and have now returned to standard levels.

Net profit, down 11.0%, included the exceptional impacts related to the termination of an expansion project in China and the normalisation of our income tax rate, after a 2017 financial year marked by the reimbursement of the additional tax of 3% on dividends received by French companies subsequent to its invalidation by the Constitutional Council. Restated for these items, net profit grew by 9.2%. The Group's financial position strengthened, with a net financial surplus of €222.4 million at year end, including €42.1 million as a result of Dooya being accounted for under the equity method[(1)].

As announced last year, our efforts to improve productivity have delivered initial results and we have significantly improved our quality performance.

Driven by the demand for greater energy efficiency, comfort and security in buildings, sales of connected solutions (including motors) continued on their trajectory of strong growth (up 30.4%). In 2018, this activity specifically enabled the Somfy brand to position itself on the new collective housing market, both in France and internationally, through partnerships with property developers that offer genuine development opportunities over the medium-term.

With the rollout of an open platform strategy, Somfy reached a major milestone – in line with our strategic roadmap – to better respond both to new consumer uses and to the expressed need for "integrated" home automation solutions. Somfy products are now interoperable with those of other domestic hardware brands, are incorporated into the leading Smart Home management platforms (IFTTT, Apple HomeKit, Amazon Alexa, etc.) and can therefore be operated by these players.

These achievements are testament to Somfy's capacity to evolve and its ability to capitalise on a structurally buoyant connected building market, although a short-term slowdown cannot be ruled out due to geopolitical and economic uncertainties. In 2019, our priorities will include reaffirming our technological lead in the interior solar protection market thanks to innovation, and to support our historical customers, installers and manufacturers as they digitalise their businesses.

The Management Board

(1) Following Dooya's exit from the Group's scope of full consolidation on 30 June 2018, all figures for the 2017 financial year (except these of the balance sheet) were restated in accordance with IFRS 5 for comparison purposes.

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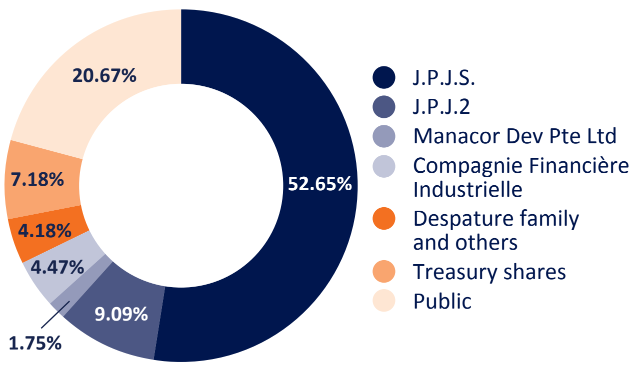
01 INVESTOR RELATIONS

01 INVESTOR RELATIONS

BREAKDOWN OF CAPITAL IN %



CAPITAL

At 31 December 2018, 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 2,656,833 Somfy SA shares at 31 December 2018.

GROSS DIVIDEND

per share, in €

NET PROFIT

per share, in €

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 20 June 2018, Somfy SA signed a liquidity provider agreement with ODDO BHF, replacing the previous contract with Natixis.

2019 FINANCIAL CALENDAR

24 January	Release of 2018 Full-Year Turnover
6 March	Release of 2018 Full-Year Results
7 March	Financial Information Meeting - Presentation of 2018 Full-Year Results
18 April	Release of 2018 Annual Financial Report
18 April	Release of Quarterly Turnover (Q1 2019)
22 May	Annual General Meeting
18 July	Release of 2019 Half-Year Turnover
10 September	Release of 2019 Half-Year Financial Report
10 September	Release of 2019 Half-Year Results and Conference Call
17 October	Release of Turnover for the First Nine Months of FY 2019

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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www.somfyfinance.com

** Independent member.*

03
OVERVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

03
OVERVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

€ millions	31/12/18	31/12/17*
Sales	1,126.7	1,089.4
Current operating result	177.8	174.7
Operating result	170.1	174.5
Net profit from continuing operations	137.7	164.4
Net profit from operations treated in accordance with IFRS 5	2.6	-6.6
Consolidated net profit	140.4	157.7
Net profit – Group share	140.5	159.9
Cash flow	178.6	207.7
Net investments in property, plant and equipment and intangible assets	57.3	56.0
Amortisation and depreciation charges**	-40.6	-38.2
Shareholders' equity	894.4	770.7
Net financial debt***	-222.4	-104.6
Non-current assets	540.2	548.3
Average workforce	6,168	5,963

** The financial statements have been restated following the change in the consolidation method of Dooya (application of IFRS 5).*

*** Excluding goodwill impairment.*

**** (-) Net financial surplus.*

04
MANAGEMENT BOARD MANAGEMENT REPORT

04
MANAGEMENT BOARD MANAGEMENT REPORT
TO THE COMBINED GENERAL MEETING OF 22 MAY 2019

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 2018.
Somfy is the global leader in automated opening and closing systems for both residential and commercial buildings, and a key player in the connected home.

HIGHLIGHTS OF THE YEAR

CHANGE IN DOOYA'S POSITION AND CONSOLIDATION METHOD WITHIN THE GROUP

Somfy has held a 70% interest in **Dooya**, the Chinese leader in tubular motors since 2010 and has a call option on the remaining 30%, exercisable from 2035. Governance alongside the minority shareholder in the company was implemented upon acquisition, with Somfy having majority representation on the Dooya Board of Directors.
Since then, Dooya has grown at a sustained rate while remaining highly profitable. Its sales increased from €35 million in 2010 to €163 million in 2017 and its current operating margin fluctuated between 6 and 7% over the period, except last year, as a result of higher raw material prices and significant industrial and commercial investments.
Under the influence of Somfy, the company has focused on the Chinese domestic market, where it now holds a leading position, but has consequently been less active than its main local competitors in international markets in which it has significant potential due to its positioning.

For this reason, the Group wished to clarify its brand policy and has decided to:
- focus on Somfy and related brands (Simu, BFT, Asa, etc.), spearheads of the connected building market, in order to stimulate their innovation capacity and consolidate their positioning and performance in the various market segments;
- manage Dooya as an independent entity, in partnership with the minority shareholder to enable it to develop separately, particularly at international level, and adapt as effectively as possible to its own competitive environment.

In this way, the Group intends to revitalise and consolidate the foundation of its main brand, Somfy, while securing Dooya's position and thus preserve the value of its investment in the company.

At the end of June 2018, new rules of governance have been adopted for this purpose without involving any changes to the capital structure but consolidating the minority shareholder's role with joint control over the company. Pursuant to IFRS 10 and 11, these changes resulted in Dooya being excluded from full consolidation and its consolidation under the equity accounting method at its fair value as determined by an independent expert.
Dooya is deemed to be a Cash Generating Unit of material significance within the Group by virtue of its size and standing on both the Chinese and export markets. It is also the only Group entity operating under the Dooya brand. For this reason and given the change in governance detailed above, it meets the IFRS 5 criteria for classification as "Discontinued Operations". The Group has replaced the term "Discontinued Operations" with the term "Operations treated in accordance with IFRS 5" throughout this annual financial report, terminology that is more appropriate to the transaction.
Pursuant to IFRS 5, the 2017 consolidated income statement and cash flow statement have been restated to enable periods to be compared.
The impacts of the change in consolidation method are detailed in note 2.4 to the consolidated financial statements.

PURCHASE OF THE REMAINING 49% OF THE SHARE CAPITAL OF IHOME

On 21 June 2018, Somfy acquired the remaining 49% of the share capital of **iHome Systems** for €1.0 million, a transaction recognised in advance in the financial statements at 31 December 2017. Following this transaction, there was no change in control and this company remains fully consolidated.

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 – given the governance established – was recognised *via* the equity method at an amount of BRL 2.5 million, *i.e.* approximately €0.5 million. Somfy has therefore taken control of Neocontrol, in which it now holds 100% of the capital, and now fully consolidates the company.

Total goodwill of €0.4 million was calculated as part of the transaction and was fully impaired during the year. There were no other impact on net profit for the financial year.

CHANGES TO THE CONSOLIDATION SCOPE

—

Excluding the matters mentioned above, there were no changes to the consolidation scope during the 2018 financial year.

RENEGOTIATION OF SOMFY PROTECT BY MYFOX'S EARNOUTS

—

Negotiations with the former shareholders of **Somfy Protect by Myfox** were finalised on 26 July 2018 in order to redefine both the amount of the earnouts and their maturity. They resulted in a €9.7 million reduction in financial liabilities. At the same time, and after considering the updated business plan of the entity, a €9.7 million goodwill impairment was recorded. The two impacts above have been recognised under "Other operating income and expenses" (see note 4.2 to the consolidated financial statements).

CONTINGENT LIABILITIES

—

The dispute between **Spirel** employees and **Somfy SA** is still ongoing before the Chambéry Court of Appeal. 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. Proceedings are still underway and a resolution is expected during 2019.

In addition, 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 Court of Appeals – were dismissed in November 2016. The employees applied to the Albertville Labour Court once again in early July 2017 and these applications were also rejected in 2018.

These factors do not alter the Group's risk evaluation. Therefore, it continues to qualify these risks as contingent liabilities and no provision was recognised in relation to these disputes at 31 December 2018.

On 5 January 2015, **Somfy SA** transferred its 46.1% direct and indirect 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. Proceedings before the Commercial Court and the Court of Appeals are ongoing.

As the process and documentation provided by UTC currently stand, 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 2018.

At 31 December 2018, Somfy SA's financial statements include a receivable for deferred settlement 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. These proceedings are still ongoing. Somfy SA remains confident regarding the settlement of these sums and therefore no writedown in relation to these receivables was recognised at 31 December 2018.

PRESENTATION OF FINANCIAL STATEMENTS

PARENT COMPANY DATA

—

Over the year ended 31 December 2018, Somfy SA generated sales of €3.4 million. Net financial income amounted to €101.4 million, including €105.6 million in dividends paid by the subsidiaries in respect of their net profit for the year to 31 December 2017.

Net profit was €98.2 million, after inclusion of an income tax refund of €4.5 million.

CONSOLIDATED DATA

—

SALES

Group sales were €1,126.7 million over the year just ended, an increase of 3.4% after the restatement resulting from the change in the consolidation method of Dooya and 5.2% on a like-for-like basis.

This performance was achieved after strong growth in the previous financial year. It reflects both the strong performance of historical markets, such as Benelux, France, the United Kingdom and Scandinavia, and the momentum of new markets, such as India, Hungary, Poland, the Czech Republic and Russia.

The sales of the now equity-accounted Dooya totalled €178.0 million, an increase of 9.4% in real terms and 12.0% on a like-for-like basis.

SALES BY CUSTOMER LOCATION

€ thousands	31/12/18	31/12/17	Change N/N-1	Change N/N-1 like-for-like
France	324,493	310,058	4.7	4.7%
Germany	178,339	172,026	3.7%	3.7%
Northern Europe	120,489	109,739	9.8%	10.7%
Central & Eastern Europe	131,548	118,381	11.1%	12.3%
Southern Europe	119,152	114,680	3.9%	4.4%
Africa & Middle East	67,209	75,295	-10.7%	-2.4%
Asia-Pacific (excluding China)	54,834	52,830	3.8%	8.5%
China	13,740	15,419	-10.9%	-8.5%
North America	93,645	96,895	-3.4%	1.0%
Central & South America	23,270	24,028	-3.2%	8.6%
TOTAL SALES	**1,126,719**	**1,089,351**	**3.4%**	**5.2%**

RESULTS

The current operating result for the financial year stood at €177.8 million, up 1.8% based on a like-for-like consolidation method, equating to 15.8% of sales in spite of adverse foreign exchange effects costing €10.6 million. It would have totalled €189.1 million, up 8.2% and equating to 16.5% of sales on a like-for-like basis.

This 50-basis point increase in the current operating margin on a like-for-like basis was the result of business growth and an improvement in the gross profit margin driven by healthy sales prices, and higher raw materials costs offset by productivity gains.

At the same time, overheads increased due to continued investment in research and development and participation in major industry events (the CES trade show in Las Vegas and R+T in Stuttgart).

Net profit fell 11.0% to €140.4 million. It takes into account a significant negative balance of non-recurring operating expenses and income, primarily due to costs associated with the termination of a project in China, and an automatic increase in the income tax charge given the tax reliefs of €22.3 million recorded over the previous financial year.

Restated for the above-mentioned items, net profit stood at €148.1 million, an increase of 9.2%.

Ultimately, the return on capital employed held firm at the very healthy level of 20.4%.

FINANCIAL POSITION

The balance sheet remained very strong, with equity that increased to €894.4 million.

The net financial surplus totalled €222.4 million, an increase of €117.8 million, including €42.1 million in respect of the change in Dooya's consolidation method.

ALTERNATIVE PERFORMANCE MEASURES

Change N/N-1 like-for-like, current operating margin, ROCE and net financial debt are Alternative Performance Measures (APM) whose definitions and detailed calculations are given in note 4.3 to the consolidated financial statements.

SEGMENT REPORTING AT 31 DECEMBER 2018

€ thousands	Europe, Middle East & Africa	Asia & Americas	Intra-regional eliminations	Conso-lidated
Segment sales	1,006,873	203,866	-84,020	**1,126,719**
Intra-segment sales	-56,978	-27,043	84,020	**–**
Segment sales – Contribution to sales	949,896	176,823	–	**1,126,719**
Segment current operating result	162,328	15,517	–	**177,845**
Net profit from operations treated in accordance with IFRS 5	–	2,630	–	**2,630**
Share of net profit/(loss) from associates	-9	1,438	–	**1,429**
Cash flow	170,380	8,176	–	**178,556**
Net investments in intangible assets and PPE	54,200	3,144	–	**57,344**
Goodwill	94,095	2,130	–	**96,225**
Net intangible assets and PPE	272,477	8,485	–	**280,963**
Investments in associates and joint ventures	703	132,079	–	**132,781**

STOCK MARKET PERFORMANCE

During the 2018 financial year, the Somfy SA share price decreased by 23.5%. At 29 December 2017, the last trading day before the close of the previous financial year, the share price was €82.37, compared with €63.00 at 31 December 2018. Over the same period the CAC 40 and CAC All-Tradable indices (formerly SBF 250) fell by 11.0% and 12.0% respectively.
Based on this last share price and taking account of a gross dividend per share of €1.40, the Somfy SA share yielded 2.2%.
The market for the share recorded a monthly trading volume high of 154,633 and low of 44,729 per month, with a monthly average of 93,111 shares, compared with 99,319 shares the previous year.

POST-BALANCE SHEET EVENT

No significant post-balance sheet event has occurred since 31 December 2018.

OUTLOOK

The home motors and automation market remains structurally buoyant as a result of growing consumer demand for comfort and security, and growing public awareness of energy and environmental challenges. A short-term slowdown cannot however be ruled out, on account of economic uncertainties and geopolitical risks throughout the world.
The investment effort will be maintained, and even intensified should the context allow it, to enable the Group to consolidate its base and its leadership. It will specifically focus on product innovation, streamlining information systems, with the rollout of an ERP over the course of the year, and digitalising organisations and processes.
The policy of developing partnerships with complementary players and the opening up of new ecosystems and protocols (ZigBee network) will also be pursued. This will form part of the commitment to offering “integrated” solutions based on proprietary protocols, while simultaneously continuing to digitalise the historical activities, and will help position the Group as an industry standard for the connected home.

LIST OF EXISTING BRANCHES (ARTICLE L. 232-1 OF THE COMMERCIAL CODE)

Somfy had no such branches at 31 December 2018.

VALUE OF INTERCOMPANY LOANS GRANTED (ARTICLE L. 511-6 3 *BIS* OF THE MONETARY AND FINANCIAL CODE)

Somfy SA had not granted any intercompany loans at 31 December 2018.

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	30	1	–	–	–	**1**	52					**–**
Total value of invoices concerned exc. VAT	2,204,663	947	–	–	–	**947**	945,657	–	–	–	–	**–**
Percentage of total value of purchases exc. VAT over the financial year	21.31%	0.01%	–	–	–	**0.01%**						
Percentage of revenue exc. VAT over the financial year							27.72%	–	–	–	–	**–**
(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 Commercial Code)												
Payment terms used for calculating late payments	☑ Contractual terms						☑ Contractual terms: *Within 10 days after the end of the month*					
	☐ Statutory terms						☐ Statutory terms					

INFORMATION ON THE DISTRIBUTION OF SHARE CAPITAL AND HOLDINGS

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 31/12/18	Number of shares	% share capital	Theoretical voting rights	% theoretical voting rights	Voting rights at AGMs	% of voting rights at AGMs
J.P.J.S. SCA	19,480,340	52.65%	38,774,350	61.29%	38,774,350	64.02%
J.P.J.2 SA	3,364,695	9.09%	6,579,720*	10.40%	6,534,720	10.79%
Compagnie Financière Industrielle	1,653,875	4.47%	3,307,750	5.23%	3,307,750	5.46%
Despature family and other	1,547,595	4.18%	3,094,645	4.89%	3,094,645	5.11%
Manacor Dev Pte Ltd	647,502	1.75%	647,502	1.02%	647,502	1.07%
TOTAL CONCERT	**26,694,007**	**72.15%**	**52,403,967**	**82.83%**	**52,358,967**	**86.45%**
Treasury shares	2,656,833	7.18%	2,656,833	4.20%	–	–
Other holders of registered and bearer shares	7,649,160	20.67%	8,204,725	12.97%	8,204,725	13.55%
TOTAL	**37,000,000**	**100.00%**	**63,265,525**	**100.00%**	**60,563,692**	**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.

To the best of the company's knowledge and at the date of preparation of this document, 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 2018 financial year are described below in the section "Disclosure of shareholding threshold crossings pursuant to Article L. 233-7 of the Commercial Code".

RECIPROCAL SHAREHOLDINGS (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.

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

—

At 31 December 2018, the FCPE Somfy (Somfy Investment Fund Scheme) held 287,000 Somfy SA shares amounting to 0.78% 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 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 2018 FINANCIAL YEAR, PURSUANT TO ARTICLE L. 233-7 OF THE COMMERCIAL CODE

—

The company is not aware of any other threshold crossings having taken place during the 2018 financial year.

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 2018; it was authorised by the Combined General Meeting of 16 May 2018 in its 11th 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, in accordance with the authorisation granted or to be granted by the Extraordinary General Meeting.

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 €130 per share, with the maximum amount of the share buyback programme set at €135,334,290, taking account of the 2,658,967 treasury shares held at 31 December 2017.

During the financial year just ended, on the basis of the authorisation given by the General Meetings of 2017 and 2018, the company bought back 152,896 shares at an average price of €79.60, sold 146,505 shares at an average price of €81.77 and transferred 8,525 shares at an average price of €24.03 for final vesting of performance shares granted free of charge on 21 February 2014.

All of the 152,896 shares acquired were allocated to the liquidity objective.
No trading fees were paid during the financial year.
The company held 2,656,833 of its own shares at 31 December 2018, representing 7.18% of the share capital; the value of the purchase price of one share amounted to €37.36 for a par value of €0.20 each, representing a total nominal value of €531,366.60 (€3,480.60 for the liquidity contract, €244,354 to be retained for future acquisition transactions and €285,532 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 2018 (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 aware that the following transactions falling within the scope of Article L. 621-18-2 of the Monetary and Financial Code have been carried out during the past financial year:

€

Purchases	
Registrant and nature of transaction	**Amount**
J.P.J.2, related to Jean Guillaume Despature, Chairman of the Management Board	
Total amount of acquisition	7,141,800.75
Average unit price	68.23
Number of shares	104,670
TOTAL PURCHASES	**7,141,800.75**

€

Purchases	
Registrant and nature of transaction	**Amount**
J.P.J.2, related to Marie Bavarel-Despature, member of the Supervisory Board	
Total amount of acquisition	7,141,800.75
Average unit price	68.23
Number of shares	104,670
TOTAL PURCHASES	**7,141,800.75**

€

Purchases	
Registrant and nature of transaction	**Amount**
Jean Guillaume Despature, Chairman of the Management Board	
Total amount of acquisition	–
Average unit price	–
Number of shares	300
TOTAL PURCHASES	**–**

€

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

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

Midway through the Believe & ACT! strategic plan, R&D initiatives have yielded results and have made real progress in all the areas of growth identified in the plan, as well as in our core business. These initiatives continue to focus on methods and equipment to promote innovation.

In 2018, our R&D initiatives to connect our entire core business and gain recognition as an industry standard for automation and the connectivity of opening and closing systems in homes and buildings were recognised at two trade shows of significance to the Group: in January at the CES (Consumer Electronics Show) in Las Vegas, and in March at R+T, the trade fair for our industry (Shutters, Blinds, Doors & Gates), which takes place every three years in Stuttgart.

CES 2018 proved a success for Somfy. When it set up its display at the CES in Las Vegas, Somfy had a clear ambition – to position itself as a key player in the Smart Home and Internet-of-Things (IoT). Mission accomplished. Somfy's 180 m² booth, at the heart of the Smart Home space, attracted crowds of visitors, including the French Secretary of State for Digital Affairs, Mounir Majhoubi. American customers discovered our new Zigbee bi-directional (open protocol) motors and Somfy's vision for the Smart Home in three areas: Home Protect, Home Climate and Home Ambiance. French specialist superstores (Boulanger, Leroy Merlin, etc.) were particularly interested in the Home Protect security range. This showcased the Group's latest connected innovations: a connected outdoor camera, a connected thermostat (launched in 2017) and a connected door lock. The trade fair gave us the opportunity to talk to people about our expansion strategy, So Open, launched in 2017, and to mention Somfy's expansion into four areas: protocols, ecosystems, the TaHoma gateway and our APIs (Application Programming Interfaces). These allow third parties to interact with Somfy applications and create new solutions using their own applications. Partners we were delighted to welcome at our booth included Schneider, Legrand, Google and Alliance Zigbee, etc. Somfy enjoyed very good media coverage particularly in highly influential American and French media, such as CNET, Digital Trends, 01net and Les Numériques, amongst many others.

The R+T 2018 trade fair was attended by more than 60,000 visitors from more than 125 countries. It is the leading trade fair for market innovation, acting as a barometer of the activity in our business lines and offering an ideal forum for exchange for the Somfy brand and its customers, whom we welcomed at an 840 m² stand with five separate areas for sales presentations: Home Ambiance, an immersive display of our new product range in connected interior blinds and curtains; Home Protect: security innovations including an openwork rolling shutter motor, our new outdoor camera and the Home Keeper professional alarm; Home Climate: devices for energy efficiency and air quality with a new connected thermostat, window-opening motor and a new building-management system, animeo Connect; Home Access: new access management equipment (motorised garage doors and gates, connected door locks, connected video door phone, etc.); and, finally, Somfy With You: our brand services ecosystem. The Group's other brands were also represented at R+T 2018 with their own stands and innovations.

Another achievement of 2018 involving all R&D teams and departments was the introduction of a professional network to promote the Group's technological expertise. The "Somfy Tech Program", launched in June 2018, aims to strengthen the internal network of technological capabilities. This initiative allows us to identify technological fields that are strategic for Somfy, identify the necessary resources for these fields and identify relevant expert employees. This offers a new way of promoting the competences of these employees and increasing their visibility within the company. It also gives us time to nurture and expand their expertise with a view to maintaining, and even increasing, the technical expertise of other employees working in R&D through expert support and training. On 14 June, 16 employees were promoted to the rank of Expert. This programme will enable us to safeguard those strategic areas in which we face competitive challenges. The selection of these areas and programme co-ordination is entrusted to an Expert Committee which identifies relevant experts for each area.

The other major R&D-related achievement affecting all areas of the Group is the rollout of a centralised database to manage the technical specifications of our products: MDM or Master Data Management, launched in June 2018. One of its objectives is to increase the reliability of the launch process. In the medium term, the MDM will be closely coupled with the future ERP (Enterprise Resource Planning) solution selected by Somfy, with a view to eliminating multiple data entries and corrections. MDM foreshadows the rollout of a unified product information management (PIM) solution, scheduled for delivery in 2019 to feed our business systems.

INNOVATION DEPARTMENT

The Innovation Department supports the operational teams, helping them formulate their vision for the future and identify drivers for innovation. It also supports them on their first project resulting from this new vision. The Innovation team organises workshops for groups of employees, using a method primarily focused on consumers and their usage patterns.

Since 2016, the Innovation Department has organised My Somfy Lab, a collaborative creation platform, based on a prospective network within the company. It has a quarterly publication, "Explore". It hosts a group on Yammer, the company's social network, and Open Cafés to disseminate good practices and research findings.

In April 2018, the Innovation Department, in partnership with the development teams, inaugurated a 75 m² FabLab (Fabrication Laboratory) called the "Yeti Lab" at the Cluses R&D Centre. This laboratory allows teams to produce a prototype of their project using its equipment (3D printer, laser cutting, etc.) and methods. Its aim? To be able to move quickly from an idea to a prototype, to turn the idea into a physical object with a view to assessing its feasibility, potential uses, etc. It promotes collaborative work over short timescales aiming to generate momentum for the project. The FabLab also offers workshops and training and is targeted at all employees.

At the end of the year, the Innovation Department also launched a new initiative, IDEAS CONTEST, allowing employees all over the world to participate in our innovation programmes and put forward their own ideas; and, if successful, potentially see them come to fruition as prototypes developed in the FabLab. This initiative seeks to strengthen the company's flow of ideas and innovation and supports the patent process through PPI (Patent a Product Idea) sheets.

INTELLECTUAL PROPERTY AND TECHNOLOGICAL INNOVATION DEPARTMENT

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Somfy consistently invests in intellectual property and particularly in patents. At the end of 2018, its portfolio contained 2,153 patents or patent applications. In 2018, 40 new inventions were registered with the INPI (France's National Industrial Property Institute), a figure in line with previous years. Somfy routinely and consistently protects its innovations, making it one of the leading French patent applicants.

The Group also supports its brands and increasingly seeks to prosecute companies which try to use names which are similar or identical to its own. It takes this action systematically, against brands, domain names or commercial websites.

The Intellectual Property and Technological Innovation Department is co-founder of the Somfy Tech Program initiative.

TECHNICAL DEPARTMENT

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Cross-company collaboration on methodological issues concerning software development, to guarantee the interoperability of different solutions and anticipate data flow between both embedded and cloud-based products and services, is still a key driver for the continued improvement of our teams. Notably, the Technical Department is continuing to work to introduce standards development within the Group to improve agility and continued service improvement, with a further rollout of the Engineering System that was first deployed in 2017 on the Modules principle. This is essential for an understanding of complex systems, from modelling to maintenance, for purposes of software design and also for mechanical systems.

The Technical Department has continued to develop and deliver a complete portfolio of technological building blocks with two main objectives: next stage connectivity and energy-efficient electrical motors.

The Technical Department acted as project manager in the introduction of the Somfy Tech Program initiative.

PROXIMITY R&D CENTRES

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NANXUN (LIAN DA, China)

In 2018, operations grew with staffing levels remaining stable at around 45 engineers and technicians in mechanical design, electronics development and project management. Synergies with the development teams, based in Cluses, are now fully operational. The number of new projects rose from 22 in 2017 to 33 in 2018. Teams in Cluses and Nanxun launched new ranges of wirefree motorisation for interior blinds. These new tubular motors dedicated to residential markets clearly outstrip those of our competitors in terms of performance and autonomy. Our range of motorised curtains has also been overhauled in order to better address the needs of the global market and more specifically Asia and the Middle East. The new "ultra-quiet" Glydea generation of motors has been on the market since September 2018. The new Movelite range of motors, designed as an entry-level product, has been available since December 2018. Development of connected solutions for the Asian and American markets has been stepped up. Thanks to the joint endeavours of the teams in Cluses, Hong Kong and Nanxun, a full range of motors, controls and sensors will soon be available in a Zigbee version. Finally, our range of tubular motors designed for emerging markets has also been overhauled with the launch of our new "optimum" range.

NIEPOLOMICE (SOPEM, Poland)

Led by the Technical Department, in 2018 this site continued to build its capability with, in terms of organisation, the introduction of a joint technical centre for the development and validation of embedded software.

BOLOGNA (WAY, Italy)

In 2018, the ASA and Mingardi brands R&D centre completed three major projects. WAY completely overhauled its range of tubular motors and selected a motor base produced by SITEM in Tunisia which is fully compatible with all Somfy accessories, thereby facilitating multi-brand approaches amongst the Group's customer base. In the field of home automation, WAY collaborated with Overkiz to produce a home box using ASA brand RTW protocol which allows ASA radio motors to be remote-controlled in applications for rolling shutters, awnings and screens. Finally, WAY launched a new motor designed to open windows, produced in three different models to meet different market needs in terms of power and technical specifications.

CONNECTED SOLUTIONS BUSINESS

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CONNECTED SECURITY 2018

The Connected Solutions business has upgraded its organisation to affirm its positioning in the security and residential access control market in Europe. Since 1 October, the new Security Business Group (BG) has brought together teams from Cluses and Rumilly, from Somfy and its subsidiary Domis, and those of Labège (Toulouse), from the acquisition in 2016 of Myfox. The aim is to acquire the resources they need to consolidate and develop the positions they have achieved in a highly competitive sector, and thus ensure the long-term success of this fast-growing business. Security, which complements Somfy's core business, is set to be a valuable addition to the Group's historical product ranges. It is also set to accelerate the use of short channels and allow us to win new customers. Among other advantages, the Security BG uses a collaborative R&D approach of the design thinking type, where the product design and the constant improvement of these products through upgrades are grounded in an iterative process, based on feedback from sales teams, customers, consumers, journalists, etc. This user-centred approach is made possible by Agile project management – a product development method from the digital world that the BG has tailored to its own industrial environment. This overall approach also applies to production and procurement. The Rumilly manufacturing facility, managed within the BG and dedicated to Connected Solutions, was certified as an "Industry Showcase of the Future" by the Future Industry Alliance in November. It helps to bring connected objects designed and manufactured in a 4.0 connected factory to connected consumers. The first product to date to have emerged from this combined approach is the Home Keeper alarm, launched in October. Through connectivity, it combines a professional-typed product, with an Installer application for easy installation and maintenance on the one hand, and on the other hand the Somfy Protect application's same quality of user experience and security services.

The new V300 video-phone, designed both for installers and private individuals, was released in the summer of 2018. This video-phone, a core product, benefits from plug & play design (it is easy both to install and use). It thus addresses a real need to secure access, not only for French consumers but also for those in Southern and Eastern Europe.
The highly anticipated Outdoor Camera, our new CES award-winning outdoor camera, was released in October: it is the most dissuasive on the market, allowing, thanks to the integrated 110 dB siren and the triggering of the lighting system, to prevent a burglary attempt before it takes place.

CONNECTED RESIDENTIAL SOLUTIONS 2018

Furthermore, within the Connected Solutions Activity, Overkiz, the Group subsidiary which manages the TaHoma infrastructure and also works for other customers providing bespoke solutions, has joined forces with the Smart Home BG to drive forward the customisation of our connected range for customers and, in particular, to design for them environments which combine Somfy-connected products with those of other brands. This project, Sokiz, has allowed Somfy to move from a customer/supplier relationship to a position as expert in connected devices serving customers, while supporting the development of Somfy's motors and equipment sales. With this project, the Group offers a flexible range of products whose size is unique to the marketplace. It has considerable potential as it is targeted at real-estate developers, service providers, telecommunications companies, energy providers and major players in the building industry. This project has been launched at a time of strong growth in demand for connected homes, not only in France but also in Europe and beyond, particularly in Asia where the concept of condominiums (serviced apartments) entirely justifies the installation of connected equipment.
In May 2018, our Connected Solutions Activity opened “So Open with Somfy”, a dedicated European platform which provides companies and developers with free access to our APIs (Application Programming Interfaces). Somfy connected products are now open to any developer who wishes to include our solutions in their applications. The provision of our APIs is being rolled out gradually: automation for rolling shutters, thermostats, etc.
Launch, in June, of TaHoma DIN Rail, Somfy’s latest home automation box designed for new housing. It enjoyed an early success in Poland with Polish real-estate developer Echo: more than 4,500 apartments, including around 100 in 2019, are to be equipped with the Somfy ecosystem (connected thermostat, Izimo lighting micro-modules, etc.) connected with TaHoma DIN Rail. This new modular box which offers Zwave, RTS and io, EnOcean, Wi-Fi (and Zigbee in the course of 2019) protocoles is built into the electrical panel and can be installed very easily by electricians through a dedicated application that can be accessed without prior internet connection. This success parallels that of the first partnership in Europe in the area of collective housing with French market leader Nexity.

HOME & BUILDING ACTIVITY

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INTERIOR PRODUCTS 2018

Twenty-three motors were launched in 2018 for the interior solar protections, an unprecedented volume of development in this segment. Similar numbers have been planned for 2019.
In the residential segment, we have focused on reliable, quiet, connectable and autonomous solutions using embedded batteries. This broad range is designed to meet the different uses and technical standards found throughout the world.
Other developments seek to build a medium-term competitive advantage. That is the case of two current pilot projects. The first, Huna, is a blind solution focusing on the simplification of user experience from purchase to maintenance. The second, Mornin’+, allows manual curtains to be motorised without having to change the installed device.
In the “Projects” segment, which targets the needs of commercial buildings, launch of a range of ultra-quiet motors using the SDN (Somfy Digital Network) protocol for the United States, and launch of the Sonesse 40 io in Europe.

PROJECT BUSINESS SOLUTIONS 2018

In 2018, Somfy invested in the development of a new communication platform for the control of interior and exterior blinds in commercial buildings, preparing for the widespread use of the Internet in IPv6 format. The R&D teams have successfully met the challenge of developing a new communication protocol, operating on two different media: Ethernet and RS485 (with several patents at stake). This new platform, which has been tested on two buildings at our Cluses site, the R&D Center and the LightHouse, will be launched on the market in 2019 and will be open, scalable and remotely accessible, it will enable all Somfy digital motors (wired - SDN- and radio - io- technology) to be controlled, providing numerous benefits for occupants, owners and technical building managers.

ALSO, IN 2018, FOR HOME & BUILDING

Launch of the Bioclimatic Pergola, a tiny “ecosystem” which includes control of lighting, heating, and the pergola’s roof and walls. It strengthens Somfy’s position in a rapidly changing market. In Europe today, consumers want fully automated pergolas that are user friendly. That is why, over the last six months, Somfy has launched several product lines based on a control unit and the io-homecontrol protocol. Outside of Europe, Somfy is also adapting to the American market. With its leading position in the external screen market, Somfy has a major advantage in this market. Since late 2017, Somfy has been marketing a new motor in the United States, the Maestria RTS, designed for a zipscreen (external screen sealed with a type of zip). Its strength is obstacle detection. Zip Screen is completely suitable for the walls of this type of pergola.

ACCESS ACTIVITY

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As regards the Access Activity, Somfy brand's major release is the new Smart-io platform, a solution fully connected in native mode and designed to control standard motorised garage doors and gates. This range uses Set&Go and Serv-e-go (tools which allow installers to connect to their customers' products and easily adjust settings and carry out maintenance) enabling installers to program the product in 90 seconds and also to offer a remote maintenance service and remote diagnostics. Furthermore, Smart-io gives end users access to a comprehensive ecosystem to improve and enrich their connected experience with video-phones, exterior cameras and lighting. Different uses include, for example: welcome home; secure your home in a single click; check your home; unexpected delivery.

BFT launched three new ranges in 2018. The Botticelli range of motors for garage doors was upgraded. It now has new specifications to simplify installation and operation *via* a built-in control unit with self-learning of opening and closing forces. The Virgo gate operator can now be remote controlled from a smartphone *via* a U-Link solution. A new directional (180°) Compacta photoelectric cell was also released. In addition, the U-Control solution and associated B-EBA Wi-Fi card (used, for example, in the Virgo gate operator), already on the market, was identified as the best innovation in its "low current" category out of 29 selected innovations and was an award winner in the Innovation Trophies section at the 2018 Sidec trade fair.

O&O, another BFT subsidiary, has developed its range of traffic applications with its new Maxima Ultra 36 barrier, the first of a new range specifically designed for traffic, parking and toll-charge applications, and more resilient retractable and static bollards – the Ranch E bollard and the B10mm Pillar.

Pujol brand started to functionally report to BFT in the course of the year. In 2018, Pujol rollout a new radio environment with its design for a new version of the Junior control card, a receiver Board and the Vario4U remote control.

NON-FINANCIAL PERFORMANCE STATEMENT (ARTICLE L. 225-102-1 OF THE COMMERCIAL CODE)

PRESENTATION OF THE BUSINESS MODEL

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PRESENTATION OF SOMFY

Somfy has spent the last 50 years making everyday life easier for millions of users around the world by offering smart home and building management solutions. Our innovation aims to automate and connect all the equipment used to open, close or conceal windows, terraces, doors and gates *via* connected motors, facilitating smart control and connection with other home equipment. Our solutions include accessories for control, comfort and security. Occupants are central to our efforts and we constantly strive to identify reliable long-term solutions which offer a better way of living and increased well-being for everyone.

Somfy has 5,677 employees worldwide (excluding temporary staff), operates in 57 countries, to generate sales of €1,126.7 million, up by 3.4% on 2017, with a current operating result of €177.8 million, i.e. 15.8% of sales.

Our purpose and our vision

Somfy's purpose is shared with all our employees in a document that has been translated into 17 languages, Somfy Spirit, the spirit at the heart of our collective project:

"Inspiring a better way of living accessible to all"

This purpose is born of our firm belief that everyone throughout the world aspires to a safe, healthy and eco-friendly living environment for themselves and their family. To meet these basic needs and improve living environments, Somfy has created innovative solutions for the home and buildings in three areas:

- comfort and well-being for everyone irrespective of their age;
- security for both people and property;
- environmental conservation.

Our Group, through each of its subsidiaries and brands, is committed to making these innovations as widely accessible as possible. We are a genuine local stakeholder, with a presence on five continents, and adapt our product lines to the expectations and specific features of each of our markets. It is our ambition to contribute to the development of our customers and partners by constantly striving for excellence in our products and services.

Somfy's growth and success depend on the entrepreneurial spirit of all the men and women who make up our Group. It is also based on their personal quest for individual fulfilment through a collective project. Over time, we have involved increasing numbers of players from our markets in this project, on the clear assumption that benefits for the end user cannot be fully fulfilled unless all stakeholders in the ecosystem are able to contribute to and play their part in value creation.

Today, Somfy offers a line of products which is unique to the marketplace

With 50 years of expertise in improving living environments by fitting technology into window, terrace, door and gate equipment, Somfy has pioneered smart living and connected homes, allowing occupants to find new uses for new or existing buildings that satisfy everyone's expectations. Somfy is at the cutting edge of building digitalisation and has one ambition: to make smart living accessible to all and release the potential of the connected home through attractive product lines and the possibility given of interoperability with home equipment and its new control methods – voice, home automation, artificial intelligence.

Our concern at Somfy is to make things useful, secure, simple and accessible. Only then will these changes be adopted by users and the building industry and tailored to individual use, thereby offering better homes for everyone. This is at the heart of the value creation that Somfy is nurturing with all its stakeholders within a business model where everyone contributes their personal expertise and shares in the benefits.

For 50 years our growth model has remained unchanged

We implement a strategy of profitable growth with a view to building and expanding our markets. Our growth model is based on independence, continuity, anticipation and the global-local alliance. By implementing these fundamental principles, we can act with confidence with all our stakeholders: customers, employees, partners, suppliers, shareholders, civilian society.

Independence
Somfy seeks to take control of its future by establishing relevant partnerships and alliances. To retain freedom of choice and reinforce its competitive advantages, Somfy is determined to take control of the fundamental aspects of its operations: expertise in solutions and related technologies, operational excellence, control of distribution and its brands and financial control.

Continuity
With a long-term vision and stable shareholding structure, Somfy seeks to ensure the continuity of both its strategy and teams, while continuously adapting to a rapidly changing world. This consistency and longevity inspire confidence in the Group's employees, partners and customers.

Anticipation
Anticipation has always been fundamental to Somfy. Its founders anticipated the advent and growth of a new market, even before demand existed for it. Since that time, Somfy has nurtured a rigorous culture of anticipation throughout the organisation, to act boldly and remain one step ahead in leveraging both developments and opportunities. This specific feature has been recognised by our industry, our partners and our external stakeholders. Internally, it is a core competency required of all our employees.

Global-local Alliance
Somfy seeks to combine local vitality with the strength of a global approach, which it makes available to all entities. The Group's growth thrives on close relationships with its customers, the characteristics of each of its markets and the different cultures of the company's employees. Somfy's particular organisation and operating principles allow both our teams working closely with our customers and our cross-functional teams to share the same vision and common strategic objectives.

GROUP STRATEGY

Somfy is aware that its markets are evolving rapidly due to changes in lifestyles and working patterns, the increasing digitalisation of homes and buildings and smartphone connectivity. These changes demand rapid responses and innovative solutions. Nowadays, the Group's ambition is to offer sustainable, purpose-designed responses which are energy efficient, offer comfort and security and make its vision of better living spaces for all a reality.

The Group has identified four strategic drivers to help it achieve these objectives:

Closer to our End Users

We must support our users by ensuring a smooth, always-on experience of the digital world, connecting with them both digitally and on an emotionally appealing level through a strong Somfy brand, the preferred choice of our users and customers at each stage of their journey. In a a home connected by our solutions and related services, they experience a place in which they are free to invent their own new uses.

Bolder on the Interior markets

Somfy seeks to offer innovative products that meet the needs of an emerging mass market and which strengthens its leadership in both residential and non-residential markets.

Stronger on operational excellence

These new markets demand that we reduce the development time and time-to-market of our products and consequently work together to optimise our processes and internal agility to ensure optimum customer satisfaction and build sustainable business models with them as a foundation for profitable growth.

Better Together

We make the Somfy Spirit a reality, namely our desire to fulfil our vision and improve employee experience through empowerment and professional development while working towards sustainable and shared growth.

BASIC ORGANISATIONAL PRINCIPLES OF SOMFY

Somfy favours flat organisation (few levels of middle management), driven by local markets and customers, which puts the emphasis on local dynamic, while drawing on the Group's global strength.
Somfy's organisation is not set in stone. It is flexible and adapts to the Group's strategic challenges and the development of its markets. The Group is organised around human-scale operational units (geographical business units, activities business units, brands, industrial sites, etc.). They are grouped into management entities (Business & Marketing Areas, Activities, etc.). These operational units and management entities rely on cross-company functions.

Value-creating operational units

Operational units create value through developing, producing and selling our solutions. They are structured around a single homogenous mission and remain on a human scale. They are given as many levers as possible to put forward and implement their strategy, to allow them the freedom to give their best and promote excellence within their scope. They develop know-how and specific skills which are used for value creation.
They are founded on the basic principle of subsidiarity. Powers are delegated to the operational units enabling them to take decisions that affect them. Transparency, performance and cooperation are expected in return.

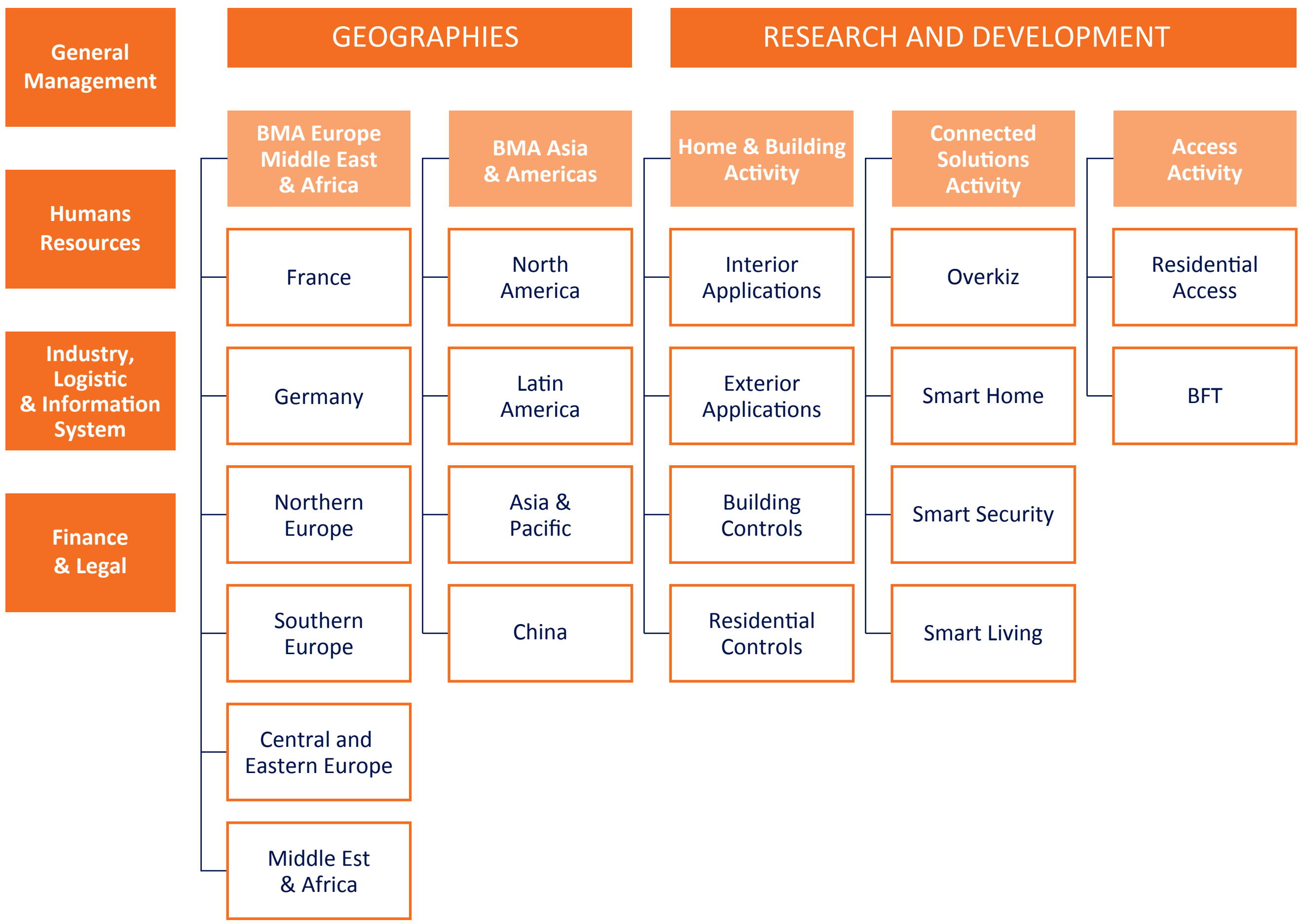
Management entities creating synergies

The operational units are grouped into management entities whose role is to put forward and implement a strategic plan and to adapt organisations and skills to their business challenges. The management entities ensure that the necessary synergies are achieved and that there is dialogue and sharing of good practices between units within the same scope or beyond.
They ensure that objectives and strategies between the different entities are aligned and that these entities work cooperatively together.

Cross-company functions ensure the smooth operation of the Group

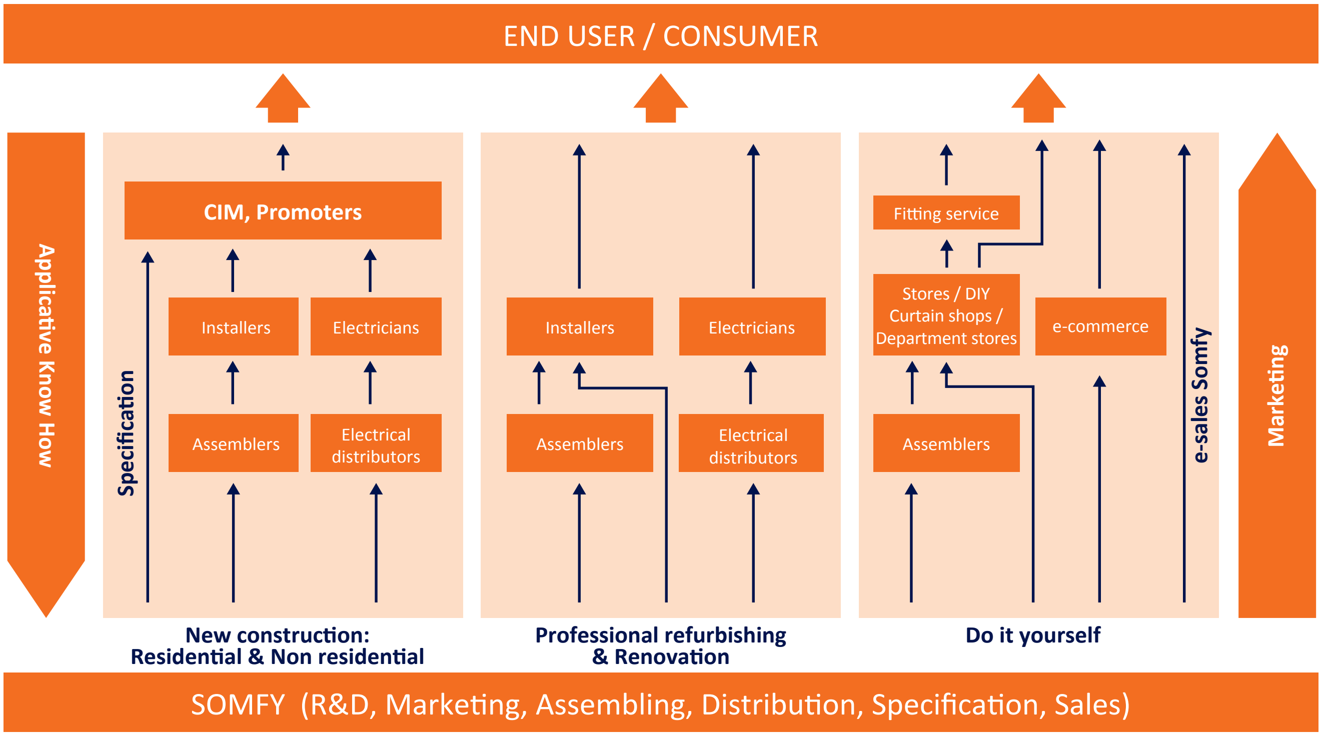
Cross-company functions ensure the smooth operation of the Group. As part of their mission, they ensure:
- compliance with the principles of administration and governance;
- that processes are managed and continuous improvement is driven forward;
- that business lines are developed and upskilled.

They act as genuine partners to the management entities and operational units, develop on-field knowledge and are key players in creating value through their expertise. They have the resources and skills needed by the business lines for which they are responsible. They apply the subsidiarity principle. The Group can decide, for reasons of expertise or economies of scale, to pool resources.

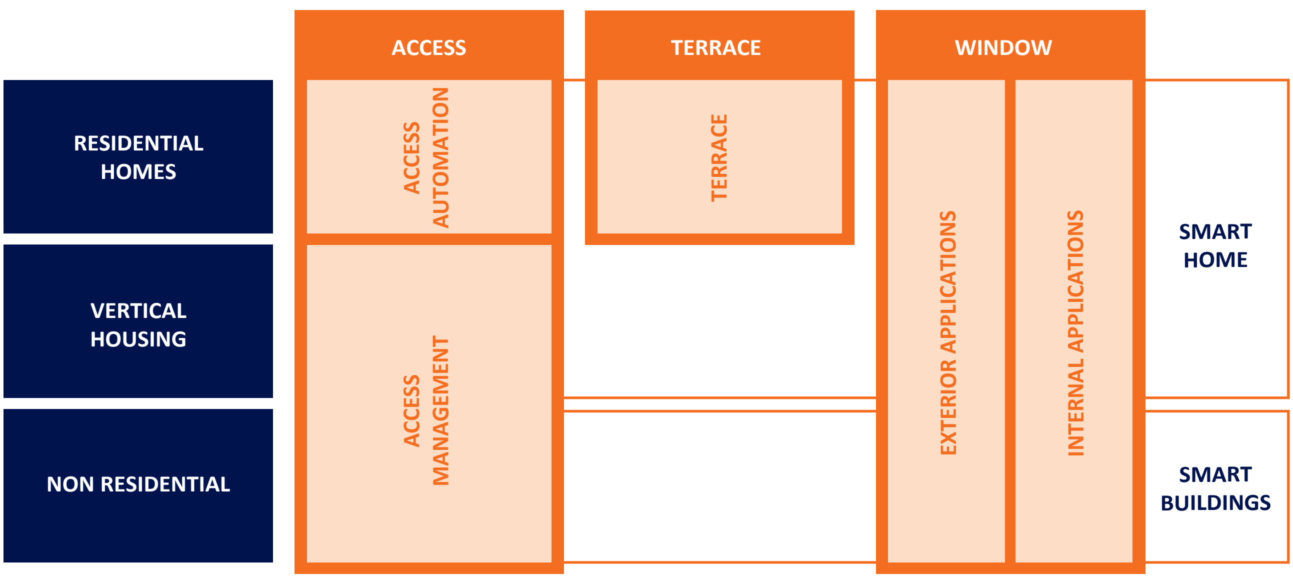


DESCRIPTION OF GROUP ACTIVITIES

Somfy is involved at different stages of the value chain. Motors, sensors, control systems and related services can be sold independently or as part of solutions. They can be included as a component of offers marketed by professional customers or integrators, or sold directly, as finished products or services, to the end customer.
They can be sold *via* referral, through manufacturers' networks, by retailer-installers or vendors, by distribution in a specialist or a DIY superstore or *via* an online sales channel, directly or indirectly.



Finally, our products may, by definition and indistinguishably, be installed in individual homes, small businesses, apartment blocks, office blocks, hotels and collective residences.



This diversity has two consequences. The first is that our markets are globalised on account of the size of the main players in this market and yet very local as they depend on the uses of a particular building and construction methods. The second is the relative overlapping of different categories of products and the option for the Group to combine its brands and product lines in order to develop the capacity to propose solutions to customers that include offers from all of its business lines.
For that reason, geography is used by the Group to assess its performance. It provides a better account of the dynamics that underpin our markets: the dynamism of the construction and renovation market, the momentum of distribution channels, and changes in occupant uses.
A description of the activity performance by geographical area can be found on page 16 of this report.

THE SOMFY BUSINESS MODEL

CONTRIBUTIONS TO GROWTH MODEL

HUMAN ASSETS
- **5,677** employees [1]

INTELLECTUAL ASSETS
- **2,153** patents filed
- **16** Experts (Expert Program)

FINANCIAL ASSETS
- Stable shareholding = **72.15%**
- Cash flow = **€178.6 million**

PRODUCTION ASSETS
- Somfy in **57 countries**
- **7** industrial locations
- CAPEX = **€57.3 million**

SOCIETAL ASSET
- Matching contribution Les Petites Pierres 2018 **= 145 K€ thousand**
- Foundation budget 2018 **= €350 thousand**

NATURAL CAPITAL
- Low consumption of natural resources

PROFITABLE GROWTH BUSINESS MODEL

OUR PURPOSE

Inspiring a better way of living accessible to all.

OUR VISION

Everyone around the world aspires for themselves and their loved-ones to enjoy a safe, healthy, and environmentally-friendly living environment. To meet these essential needs of improving living environments, Somfy creates innovative solutions for homes and buildings, in three key areas:

- comfort and well-being for everyone at all ages;
- the security of people and property;
- protection of the environment.

OUR MISSION

To be the preferred partner for windows & doors automation.

OUR BELIEVE & ACT! STRATEGIC PLAN

We implement a strategy of profitable growth with the aim of creating and developing our markets.

- **Closer to our End Users**
- **Bolder on the Interior markets**
- **Stronger on operational excellence**
- **Better Together**

OUR KEY ACTIVITIES

- Research & Development
- Marketing
- Specification
- Assembling
- Distribution
- Sales

STAKEHOLDERS VALUE CREATION

EMPLOYEES
- Employee expenses = **€342,1 million**
- Training = **76,209 hours** [2]
- Engagement = **82.1%** [3]

CUSTOMERS & USERS
- NPS [4] = **57**
- Manufactured motors [5] = **167 million**
- Connected devices [6] = **2,870,310**

INVESTORS
- Sales = **€1,126.7 million**
- COR = **€178.7 million**
- ROCE = **20.4%**

SUPPLIERS
- Local purchase volume (< 500 km) = indicator under construction

ENVIRONMENT
- **28%** Act for Green products
- Standby consumption of motors sold in 2018 = **39,38 kg of CO_2 by motor** [7]

CITIZENS
- **530** solidarity days

(1) Exclusing temporary workers
(2) Social reporting scope
(3) Response rate to internal engagement survey
(4) Customer Net Promoter Score (customer satisfaction indicator) = % of promoters – % of detractors
(5) Numbers of motors manufactured since Somfy creation
(6) Numbers of objects connected with Somfy cloud
(7) According to standards of PEP ecopassport®

A SUSTAINABLE DEVELOPMENT POLICY IN LINE WITH SOMFY'S STRATEGIC VISION

—

The resolutely human strategic driver "Better Together" puts societal 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 their 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 the greater ambition to achieve the Group's mission to provide better living environments, 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 Group Human Resources Director, the Group Communications Director, the Director of the Foundation[1], the Group Purchasing Director, and the Director of Internal Audit and Chair of the Ethics Committee. Its mission is to ensure the coherent implementation of the four pillars of Somfy's Sustainable Development strategy: Planet, People, Society, Customers and the pillar common to all: Ethics.

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.

(1) Somfy Foundation combating poor housing.

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.

ANALYSIS OF RISKS AND CHALLENGES FACED BY SOMFY

—

Social commitment to sustainable development and increasing attention paid to increasingly high expectations on the part of stakeholders is not merely an option for businesses but a necessity. For Somfy, it is above all a priority and a lever which allows it to fulfil more comprehensively its vision of the aspiration of everyone and their families to enjoy a healthy, eco-friendly way of living. It also allows it to build on its model of profitable and sustainable growth. This commitment allows it to improve its non-financial performance by adding meaning to changes it implements, by promoting employee engagement and focusing their energy on common goals, and by enhancing the value of its brands and the quality of its relationship with its customers and consumers and, more generally, with all its stakeholders. The challenges raised by corporate responsibility to all stakeholders include both risks and opportunities. The most important of these are listed in the table below, which refers to different sections of the Non-Financial Performance Statement where policies implemented to address these challenges are listed. These risks were identified within the framework of the Sustainable Development Steering Committee, on the basis of the ISO 9004 standard, Managing for the Sustained Success of an Organisation – A Quality Management Approach. A materiality matrix is currently being developed to complement this approach.

Themes	Risks and opportunities	Pages
Social	Employment and skills	31
	Employee health and safety	34
Environmental	Energy efficiency of products	35
	Global warming	35
Societal	Embodying the CSR discourse and our vision in activities in which Somfy has legitimacy	38
	Rollout of the CSR policy in the supply chain	40
	Ethics and combating corruption	41

Given the nature of our activities, we believe that the following topics do not represent major CSR risks and do not warrant further discussion in this management report: combating food waste, food poverty and animal welfare and promoting responsible, fairly traded and sustainable food consumption.

OUR SOCIAL POLICY PERFORMANCE

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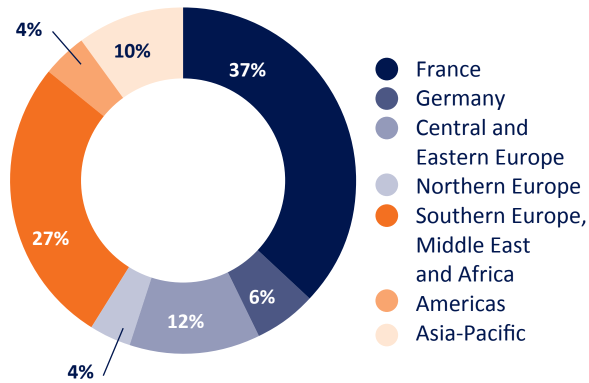
Human capital is an important element of our business model. The ability to attract the right skills and required expertise and to retain and develop talent and skills within the company is a strategic priority for the Group. The professional development of employees is critical to their engagement, which in turn drives innovation and performance and is therefore a key growth driver. The Group's appeal and our employees' engagement are linked to the professional development we offer and also to the respect they are given through the health and safety, and more generally the working conditions we provide. In 2018, Somfy's biennial commitment survey had a **participation rate of 82.1%**, a high score that demonstrates the deep commitment of employees.

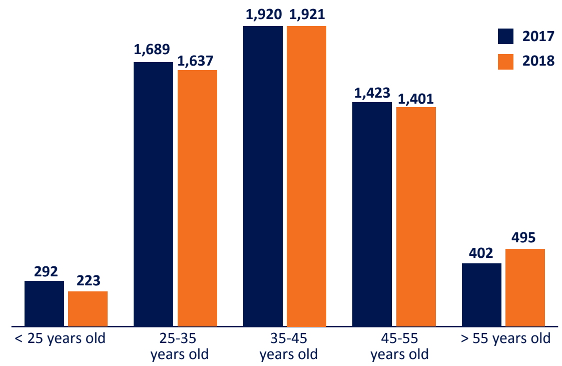
These priorities appear in the Believe & ACT! strategic roadmap in the "Better Together" driver, and more specifically in the implementation of the #EmployeeJourney booster.

This booster relates to the quality of HR processes at all stages in the working lives of Somfy employees: the way we attract applicants, the way that the company supports its employees by taking care of safety, working conditions and working environment, how it improves skills and allows employees to reach their full potential and how it develops people at work. After describing the stages of this process and identifying key milestones and associated HR processes which take account of the challenges mentioned above, the #EmployeeJourney roadmap was validated and included by Group entities in the implementation of our strategy.

CONTEXTUAL DATA

Information was collected for 2018 and 2017, which enabled data and their variations to be compared on a constant group structure basis throughout the analysis. As such, 2017 data has been restated (in comparison with the 2017 published data) to incorporate the change in the consolidation method of the Dooya legal entity.
At 31 December 2018, total Group workforce excluding temporary workers was 5,677 people, compared with 5,725 in 2017 (restated for the Dooya entity), a decrease of 0.84%, and was analysed as follows:





CLARIFICATION REGARDING SCOPE

The scope of analysis of the social data for the preparation of the 2018 CSR report was stable. It related to 41 Group companies and a workforce at 31 December 2018 of **5,182 people**, representing 91.3% of the Group's total workforce.
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).

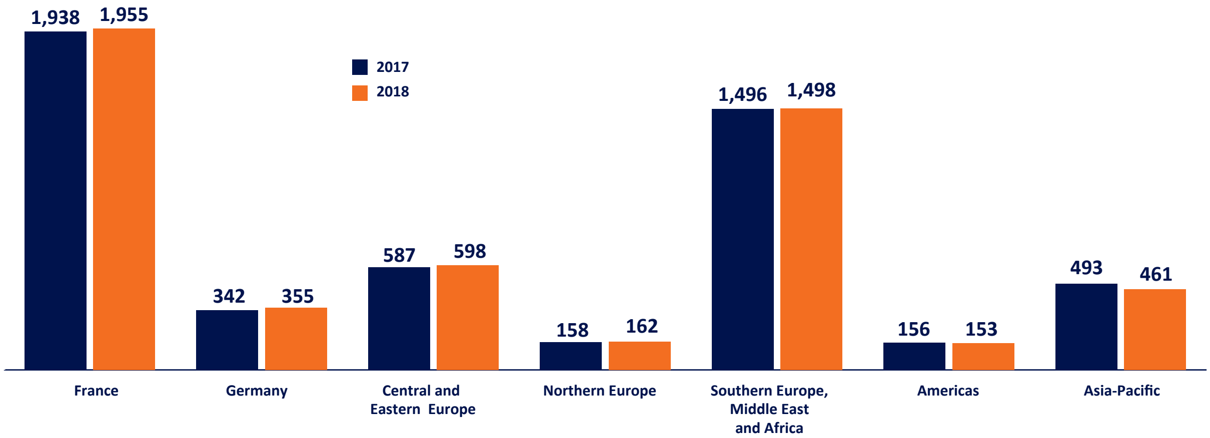
EMPLOYMENT AND SKILLS CHALLENGE

Group sustainability depends on its capacity to recruit the new skills it needs and to develop its employees on a daily basis to respond to new business and organisational models arising from the digital transformation of companies.
It is also important for employees who so wish to be able to transfer to other lines of business or positions which are consistent with their career plans and the needs of the company. The same applies to Somfy's ability to retain recognised skills and to the employability of its employees. For these purposes, processes shared throughout the Group are rolled out.
The company continued its effort to ensure that the skills of Group employees are matched with the organisation's needs, to attract new skills, ensure the employability of staff and prepare tomorrow's generation of managers.

Change in workforce

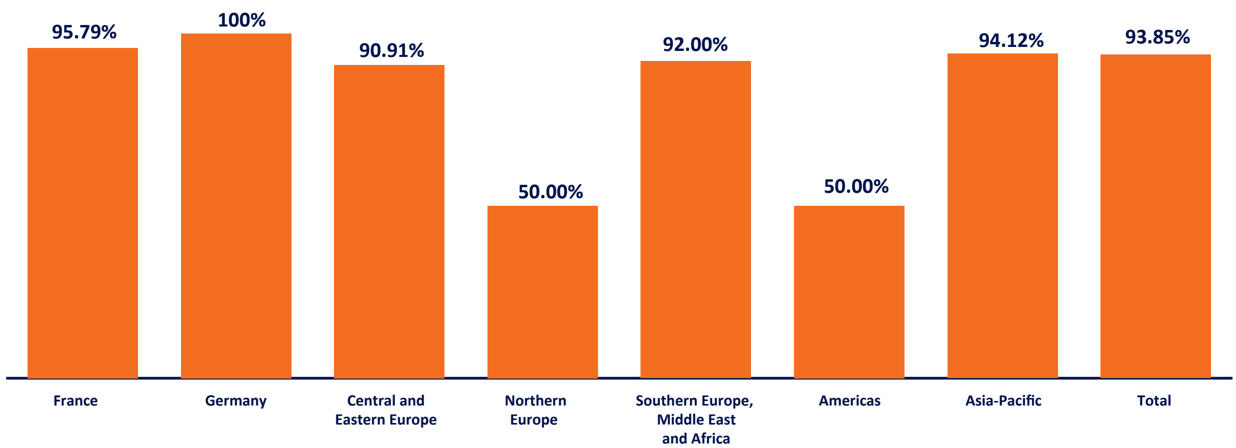
Over the 2018 financial year, the workforce grew 0.23%, going from 5,170 to 5,182 employees.
87% of the increase in the workforce is shared between France, Germany and Eastern and Central Europe, mainly in the Somfy distribution subsidiary in the Czech Republic, Overkiz in France and the Somfy distribution subsidiary in Germany.
91% of the decrease in the workforce relates to the Asia-Pacific region, mainly at Lian Da (China).

Workforce analysis by geographic region	**2017**	**2018**	**2018 breakdown**	**Change**
France	1,938	1,955	37.7%	17
Germany	342	355	6.9%	13
Central and Eastern Europe	587	598	11.5%	11
Northern Europe	158	162	3.1%	4
Southern Europe, Middle East and Africa	1,496	1,498	28.9%	2
Americas	156	153	3.0%	-3
Asia-Pacific	493	461	8.9%	-32
TOTAL	**5,170**	**5,182**	**100.0%**	**12**

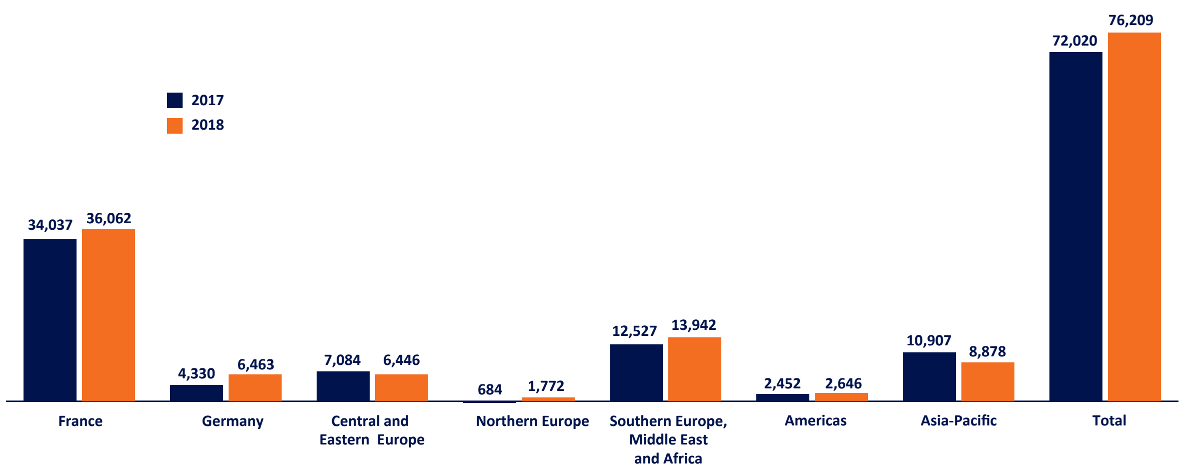


Professional development

The potential for professional development of our employees is assessed during the People Review, our in-house Group process, during which managerial teams from each Business Unit assess the potential for career development of our employees and their skills development needs. The number of People Reviews carried out is an indicator which shows that all the Group Business Units have carried out a People Review within their teams.
The People Review process is deeply embedded in the Group, and **93.85% of the 260 Group Business Units carried out a People Review in 2018.**



Furthermore, the professional development of our employees involved considerable investment in training in 2018, namely **76,209 hours**, up by 5.83% over 2017.



This year, 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.
Consequently, the strategic skills-development guidelines chosen for 2018 and linked to two of our strategic drivers (Stronger on operational excellence, Better Together) and training specific to different job profiles are as follows:

Training specific to different job profiles = 38,224 hours, *i.e.* 50% of training hours

- **Develop** technical skills:
  - regulatory: GDPR,
  - technology: robotisation/mechanisation (RS100 motor redesign, new international logistics lines),
  - IT tools/software: new ERP, Salesforces, JIRA, CREO, Inventive, Office 365,
  - changes in job profiles/organisations: analytics, KNX, courses on IPRE including technical activities, Sales and incoming/outgoing calls, supply chain, project managers.

Stronger on operational excellence = 10,694 hours, *i.e.* 14% of training hours

1- Quality
Continue to develop products and provide quality customer service:
- main actions: Customer Satisfaction Academy, 8D, fault tree, FMECA.

2- Working methods
Improve the performance of teams by learning about working methods such as project-based work:
- sample actions: easyproject, agile methodology, Access System Platform (characterisation of developments), systems architecture.

3- Integration
Welcoming new employees and provide them with all key information for working at Somfy:
- sample actions: product training, onboarding programme.

Better Together = 27,291 hours, *i.e.* 36% of training hours

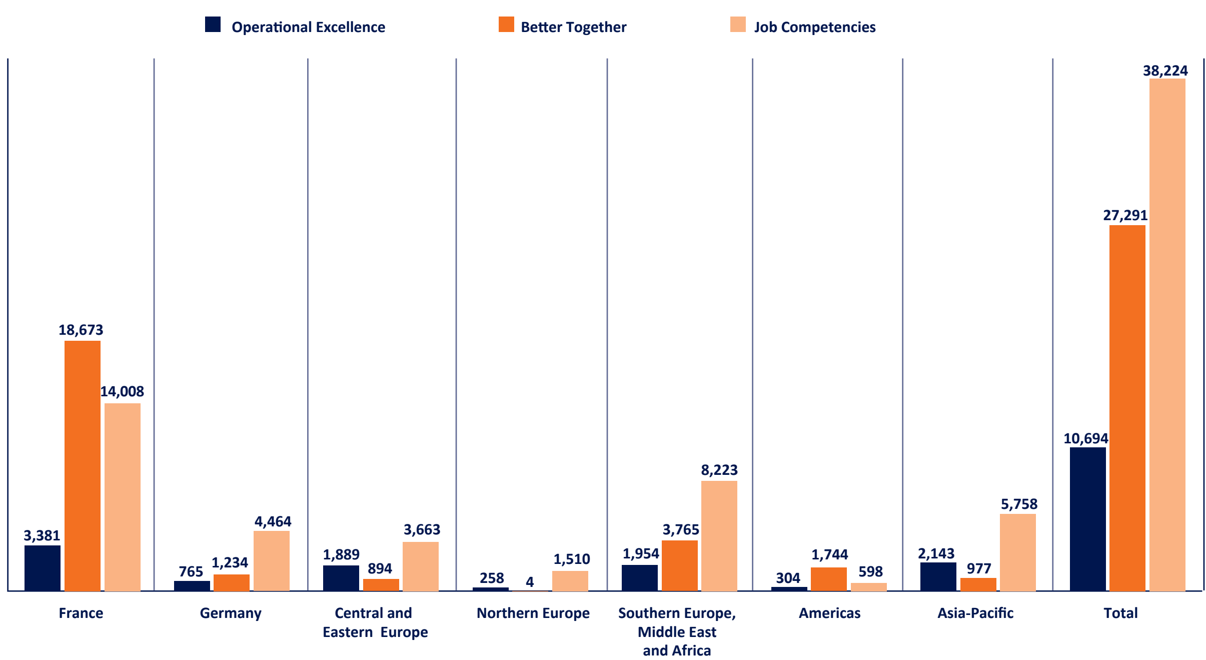
1- Management
Continue to provide managers with professional training to help them support and develop their teams in a constantly changing environment:
- main actions: Leadership and Management Academy, Leadership 1 Fair Manager, Labour Law for Managers.

2- Health and Safety
Safeguard the physical and mental health of employees:
- main actions: correct use of extinguishers, electrical accreditation, transportation of hazardous materials, chemical hazards, psychosocial hazards, recycling.

3- Intercultural
Enable employees to contribute to projects efficiently and with confidence (for example: SO!One, production line transfers) and subjects they may have to handle in a foreign language with people of different cultures (for example: Group suppliers, subsidiaries, factories):
- main actions: English, how to work effectively with the Chinese/Tunisians/Polish.

4- Expert job profile
Support the development of the expert job profile at Somfy:
- main actions: train the trainers, act across the company.

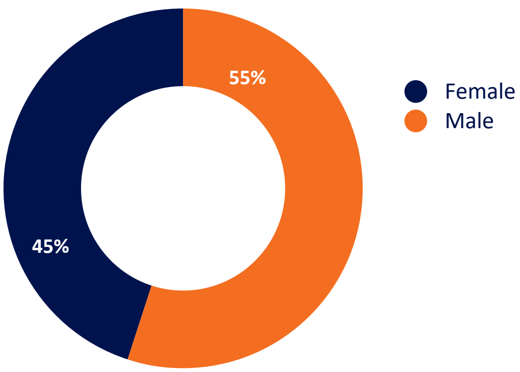
5- Somfy Spirit
Support the transformation of the Somfy Spirit, strengthen teams:
- main actions: teambuilding, act across the company, interpersonal communication.



The Group would also like all of its employees to be able to upgrade their skills to respond to technological developments and corporate needs. With this purpose in mind, we have introduced the **number of employees who have received at least one training course in 2018** as an indicator. For 2018, this indicator stood at **70.4%**, more than two of every three employees.
Finally, Somfy would like all of its employees to be able to move within the company to acquire new skills and gain job satisfaction within our Group. In this context, we decided to track the **internal development rate indicator**, namely the number of people who benefited from professional development opportunities internally in 2018. The rate was **8%** in 2018.

DIVERSITY CHALLENGE

Given the nature of our activities and our presence in 57 countries with a workforce comprising numerous nationalities, we believe Diversity as a theme is not an essential CSR risk and does not justify development in this management report. Nevertheless, we have provided some information below.
The Group pays particular attention to diversity within the Group, in both our activities and in the people who are developing and supporting them. In terms of gender equality, in 2018 the ratio of men to women in the workforce scope was stable with a breakdown of 55% men and 45% women.



EMPLOYEE HEALTH AND SAFETY CHALLENGE

The development of health and safety is one of the key pillars of Somfy's human project characterised by the desire to live together more successfully within the Group. 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, notably strengthened in France by the support of company doctors and specialists in ergonomics. Efforts have been made in many countries to reduce the exposure to risks and to improve working conditions.

Work accidents frequency and severity rate indicators for the CSR scope

	Industrial sites		Distribution subsidiaries		Consolidation	
	2017	**2018**	**2017**	**2018**	**2017**	**2018**
Frequency rate	5.60	5.33	5.82	2.84	**5.67**	**4.58**
Severity rate	0.18	0.24	0.07	0.09	**0.14**	**0.19**

In 2018, many companies strengthened their communication and awareness-raising initiatives in the field of occupational risks *via* management targeting their operational teams and using dedicated communications channels such as flyers. Consequently, frequency rates improved significantly both at industrial sites and distribution subsidiaries.
Work related accidents and occupational diseases are monitored, and preventive action implemented, by dedicated working groups or specially appointed employee representative bodies, according to country (HSWCC in France for example).
In the case of Musculoskeletal Disorders (MSDs), steps were taken at the Somfy Activités SA legal entity: manual handling and ergonomics training, workstation ergonomics, job rotation in production and road safety, and this has reduced nine-fold the number of days of absence for occupational illness, from 687 days in 2017 to 74 days in 2018.
The **number of calendar days of absence per year per individual for sickness, occupational illness, work accident and commuting accident** remained stable between 2017 and 2018 at **10.8 days**[(1)].

(1) The method for calculating absenteeism changed between the 2017 and 2018 protocols. Instead of calculating an absenteeism rate, it was decided to calculate the number of calendar days of absence per year per individual for sickness, occupational illness, work accident and commuting accident as this would give a better picture of its impact at company level.

OUR ENVIRONMENTAL POLICY PERFORMANCE

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Somfy is an industrial company whose products are installed in buildings. The analysis of environmental challenges therefore focused on two aspects: the effects of industrial activities and challenges related to global warming from a dual perspective: the reduction of associated risk by reducing the carbon footprint of its activities and the opportunity that this offers Somfy in terms of developing its market.

ANALYSIS OF CHALLENGES SURROUNDING ACTIVITIES ON SOMFY INDUSTRIAL SITES

The activities of the sites are of tertiary, industrial and logistical natures.

Analysis of environmental risks normally associated with industrial activities

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 are no heat or heat treatment processes likely to consume considerable amounts of energy. Energy consumption linked to the production process only accounts for 30% of all energy consumed at industrial sites.
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.
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.
There are no mining operations on any Somfy's sites.
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 and accumulators for recharging fork-lift trucks installations.
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 taken

For these reasons, the risk of air, soil, water and noise pollution is low or non-existent. Nor is there any identifiable risk attributable to the management of production waste or water consumption. Nevertheless, the consumption of water and energy and production of waste are managed by each individual site. This report does not therefore provide any information on these subjects.
In relation to these risks of pollution or nuisance that Somfy Group'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.

ANALYSIS OF CHALLENGES RELATED TO GLOBAL WARMING

Worldwide, buildings account for approximately 40% of greenhouse gas generation. By promoting the smart control of opening and closing systems in homes and buildings, Somfy helps to reduce their energy consumption, by acting on light levels and by reducing needs for heating and air conditioning. Thus, Somfy solutions improve the energy efficiency of the buildings in which they are installed. Somfy is therefore particularly aware of the challenge of global warming and it addresses this through continuously improving the energy efficiency of its products and through the contribution they can make to the reduction of the energy consumption of buildings. Global warming therefore offers a growth opportunity to Somfy. This opportunity is addressed in particular in its Believe & ACT! strategy through the "Bolder on the Interior markets" strategic driver and its aspect on the development of project business offers for office and vertical residential buildings. It is also addressed in the "Better Together" strategic driver and its CSR aspect as specified below.
As global warming is a risk acknowledged by all and one that affects everyone, Somfy is also committed to reducing its carbon footprint whenever it makes sense to do so.

POLICIES INTRODUCED AS PART OF THE CSR BOOSTER

As part of the CSR booster which contributes to the "Better Together" strategic driver, Somfy has introduced a global policy which offers a sustainable approach to the environmental dimension of its actions. This approach, "We Act for Green", recognises the contribution made by our solutions to reducing the energy consumption of buildings as a growth driver for the company. It also recognises the need to have a coherent plan of action for our carbon footprint in respect of all our products and processes if we are to be consistent with our core purpose: "A better way of living accessible to all".
Consideration of sustainable development challenges is clearly in line with our corporate purpose: "Inspiring a better way of living accessible to all". But it also relates to addressing the potential risk for Somfy of communicating about climate change challenges and making them a driver of growth for the Group without ensuring consistency between a product promising an environmental benefit and our behaviour in relation to environmental challenges in the manufacturing and distribution cycles of these products.
That is why energy efficiency and climate change are Somfy's main environmental priorities.

GENERAL ENVIRONMENTAL POLICY AND ORGANISATION

The "We Act for Green" programme was launched in 2018. It reflects the environmental policy that Somfy has adopted as a consequence of the risks and opportunities mentioned above.
"We Act for Green" rests on three pillars:

1- "Green Buildings": Somfy products and solutions enable buildings to reduce their energy consumption;
2- "Green products": Somfy products and solutions are eco-designed in accordance with our "Act for Green®" framework;
3- "Green teams": Somfy products are developed, manufactured and distributed by teams who introduce environmentally friendly practices to their workplaces.

In order to implement this policy, Somfy has set up a Sustainable Development Department which reports to the Group's Strategic Marketing Department. This Department has all the resources and skills it needs to carry out projects under the "Planet" driver. The Sustainable Development Department implements its policy by working with relevant teams at the Group's different sites or in its different Activities.

Green buildings

Solar protection systems motorised and automated by the solutions offered by Somfy 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[1].
In this context, animeo Connect, our range of controls for fully connected solar protection, was awarded the "Solar Impulse Efficient Solution" label[2] by the Solar Impulse Foundation. This solution considerably enhances opportunities for energy conservation and increased comfort for occupants.

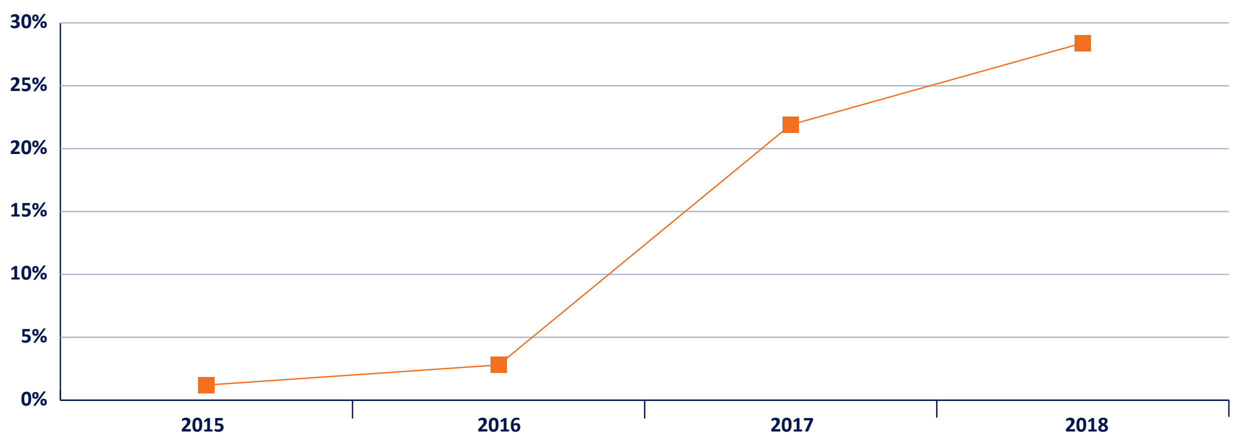
Green products

Products are awarded an Act for Green® label when they meet eco-design requirements.
Act for Green® can be traced back to the results of a Carbon Assessment® carried out in 2012[3]. 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 2018 with the certification of new products:

- LS40 range of motors;
- ILMO 50 RTS motors, Japan;
- Situo variation control point.

As a result, the **proportion of products sold under the Somfy brand which bear the Act for Green label®** continues to increase and rose from 22% in 2017 to **28%** in 2018.

% of products sold under the Somfy brand and bearing the Act for Green® label



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.

(1) https://www.activehouse.info/about/about-active-house/.
(2) https://solarimpulse.com/efficient-solutions-search?_method=POST&_method=GET&search=&search-hidden=&autocomplete=26&autocomplete-category=Solutions&autocomplete-field=solutionList&autocomplete-label=animeo+Connect" \h+.
(3) Carbon Assessment® carried out in 2012 based on 2011 data.

Requests, 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[1] "GT Substances" working group.
In Europe, end-of-life products are collected and processed under the WEEE (Waste Electrical and Electronic Equipment) Directive. These collection and processing are organised by environmental organisations with which Somfy has contracts in different countries of the EU.
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].

Green teams

Somfy employees, inspired to do something for the environment as much on account of their own personal values as those of the Group, have stepped up their good practices.
Through these actions, Somfy encourages the development, replication and sharing of these good practices and, in 2018, inaugurated an international network of eco-ambassadors. These eco-ambassadors are responsible for deploying environmentally friendly practices within their working groups.
A communications programme has been launched through seminars, in-house social network and videos.
The result of this policy is outlined in the paragraph below.

ACTIONS AND EFFECTS OF THIS POLICY ON THE ENERGY EFFICIENCY OF OUR PRODUCTS AND TAKING CLIMATE CHANGE INTO ACCOUNT

Although Somfy solutions help lower the overall carbon impact of buildings, the Group is also committed to reducing the impact of its activities on global warming. Somfy 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 SAS, now 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.
The electricity consuming items of products (consumption/usage) and raw materials (inputs) between them accounted for 85% of greenhouse gas emissions by Somfy SAS in 2011. 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 SAS 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 2018 and across all sites.
Quantities manufactured by Somfy SAS 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 SAS, now Somfy Activités SA, and initiatives to reduce energy consumption at the sites.

In 2018, Somfy continued to implement measures to reduce the environmental impact of its sites:

- at Somfy Activités SA (France):
  At the start of 2017, the Arve Valley, a region covered by an Atmospheric Protection Plan, and in which most of Somfy's French sites are located, was hit by an exceptional air pollution incident. Somfy thus focused on measures to help reduce this pollution by seeking to influence the means of transport used for commuting to and from work.
  This led to the introduction of the following actions:
  - Somfy is a founding member of G.R.E.EN (Groupement pour la Responsabilité Environnementale des Entreprises – French association for corporate environmental responsibility). This organisation brings together companies and local government authorities from the Haute-Savoie and Pays du Mont-Blanc region to promote initiatives that encourage the sustainable development of companies in the Arve Valley and the Haute-Savoie département.
    Within the context of G.R.E.EN, the first project implemented was a car-sharing application specifically aimed at home to work travel. This KLAXIT application (formerly WAYs up) completes Mov'ici, the official platform for commuting to and from work organised by the Auvergne-Rhône-Alpes region which is also available to our employees;
  - continuation of a mileage allowance for cycling. One hundred people declared 53,241 km and 13 people have donated this money to the Somfy Foundation;
  - the introduction of charging points for electric vehicles which started in 2017 is continuing on our sites. Nine employees have registered to use the two charging points for their own vehicles (cars or bicycles), three other service and company cars also use them;
  - gradual introduction of hybrid vehicles and petrol as a replacement for diesel in the company vehicle fleet. Seven out of ten self-service company cars now run on petrol;
  - a "Mobility Challenge" day aimed at changing commuting practices was held again in 2018 with 30% of employees present taking part, and more than 5,782 km travelled that was not driven solo;
  - communication: in order to raise awareness of eco-mobility among employees, 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.

(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 standard for electrical and electronic products and systems.
(4) Carbon Assessment® carried out in 2012 based on 2011 data.

Affirmative action in favour of organic food at the company restaurant has increased the amount of organic food served to 18%.
Reuse of IT hardware: 508 products handled in 2018 including 281 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 2018, 59% of the equipment was reusable, with the remaining 41% sent for recycling.
Following on from the energy audits conducted in 2015 on our sites in the Arve Valley in France, work was carried out to reduce the energy consumption of the buildings in 2018. It mainly sought to improve insulation, introduce solar protection systems, modernise heating and compressed-air production systems and introduce automated LED lighting systems throughout the sites;

- similarly, the Simu site in Gray in France replaced an old boiler by three separate condensing boilers allowing it to better regulate gas consumption to meet the individual needs of the administrative buildings;
- initiatives were introduced at the Lian Da site in China in the areas of waste sorting and energy and water savings. All production workers have received training on waste sorting. A storage facility was built to house hazardous waste;
- 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.

  SOPEM introduced a waste sorting training course for 500 employees;
- in Italy, BFT has an ISO 14001 certified structure. In 2017, BFT prioritised its actions to reduce the standby power consumption of its products 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;
- in 2018, the SITEM plant in Tunisia engaged an environmental health and safety officer.

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(1) type microprocessors which, in comparison with the QFP(1) 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 economy-focused work of the FIEEC(2) to make progress in this field.

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. It stood at **39.38 kg of CO_2** in 2018. This reduction of 2.3% is a result of the first initiatives taken under the Act for Green® eco-design programme. 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 POLICY PERFORMANCE: A CIVIC POLICY INVOLVING OUR EMPLOYEES

Somfy's societal engagement is pursued through a number of levers described in this section.

ACTS OF SUPPORT, PARTNERSHIP OR SPONSORSHIP: EMBODYING OUR VISION AND OUR CSR DISCOURSE IN ACTIVITIES IN WHICH SOMFY HAS LEGITIMACY

The Somfy Foundation

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 together better.
The Somfy Foundation is a lever that enables Somfy to respond to the high expectations of external and internal stakeholders that there should be consistency between what the company says about improving living environments and its day-to-day actions. The reality and relevance of this policy can be tracked using a single indicator: **the number of solidarity days** offered by Group employees to further the work of the Foundation. This indicator is clear evidence of the number of subscribers and the fit between corporate social responsibility and employee expectations. It also sends a message to other stakeholders that there is strong commitment on the part of the employees, above and beyond any financial investment made by the Group to assume this responsibility. In 2018, **530 solidarity days** were donated to the Foundation by employees.
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.
In 2018, Somfy gave the Foundation's initiatives €350,000, and provided an operational team of six people.

(1) Integrated circuit box with ou without spindle.
(2) FIEEC: French Federation of Electric, Electronic and Communication Industries.

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, faced with the strong development potential of the crowdfunding approach and ever-increasing challenges in the fight against poor housing, the Somfy Foundation decided to open the Les Petites Pierres endowment fund to allow contributions from other sponsors willing to support and develop the platform's activities to be included. This enabled Les Petites Pierres, in a spirit of co-construction, to welcome on Board the Schneider Electric Foundation and the BTP Plus Foundation. For 2018, the Somfy Foundation granted funding of €152,218 to Les Petites Pierres endowment fund, including an employer donation of €145,000. In the 2018 financial year, 65 non-profit projects were financially supported by Les Petites Pierres endowment fund of a total of €751,194 awarded to non-profit organisations. In the course of the 2018 financial year, the symbolic milestones of €2 million collected, 11,000 donations and 200 projects financed on Les Petites Pierres platform since it was created were reached.
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.

A House is A Home

It is important to promote citizen engagement in those countries in which the Group has a presence and consequently the Somfy Foundation operates internationally. A House is A Home was launched in January 2015. Through this programme, Somfy subsidiaries work alongside the Somfy Foundation. In consultation with the Foundation, subsidiaries identify projects which promote decent living conditions for the most underprivileged, and provide financial support, often topped up by skill-based patronage from their workers. In 2018, seven projects received financial support in collaboration with Somfy subsidiaries.
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 programme was consolidated in 2017 with the introduction of human philanthropy in certain subsidiaries in addition to the financial support provided.

Employee involvement

Human philanthropy serves both the A House is A Home and Les Petites Pierres programmes. As part of the **Somfy Foundation's Solidarity Missions**, all employees have the opportunity to commit some of their working time, together with the Foundation, to offer their energy and skills to the charitable organisations. In France, in particular, employees have a right to **three solidarity days each year**. This is part of a people-oriented, *pro-bono*, sponsorship approach which offers organisations essential support and also creates value for company employees. It has led to the setting up of **59 Solidarity Missions, 25 organisations** benefitting from the engagement of Somfy employees and, in 2018, in France, **431 employees** taking part in a Solidarity Mission (103 employees from the subsidiaries participating in A House is A Home programme). The number of employees participating in these Solidarity Missions has increased steadily since these actions were launched in July 2012.
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.

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 four talented athletes individually: Martin Fourcade, Anaïs Bescond, Simon Fourcade and Clément Parisse.
In 2014, Somfy created Somfy Ski Talents, a sponsorship programme for promising top skiers: Émilien Jacquelin, Enora Latuillière and Antonin Guigonnat. In addition to supporting athletes financially, Somfy offers to help them in the preparation for their transition into, or in finding out about, the business world. Lastly, the Group helps these athletes to build their reputations by passing on their news *via* our social networks.

ENGAGEMENT WITH LOCAL STAKEHOLDERS

Somfy employees are also engaged in local and national initiatives, primarily through professional associations but also through local charitable organisations thereby boosting the attractiveness of the local area.

Consideration of the impact on neighbouring and resident populations in Haute-Savoie

In order to promote regional development, the Group helps to support higher education and research 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. This helps them forge strong links with local training and generates a talent pool for the company. This can be seen in particular in Somfy's presence at "work-placement job dating" events and on work placement events organised by the Business Club. It can also be seen in its presence on the Boards of Directors of training organisations and particularly on the Board of the Polytech Annecy-Chambéry Engineering School which Somfy has chaired since 2012. A new training course was launched at the beginning of the 2018 academic year at Polytech Annecy-Chambéry University: computerised data use. This course is in tune with Somfy's move towards a connected world. We contributed to setting up the course by active participation in curriculum design and by arguing for its adoption at the Engineering Qualifications Committee.
Somfy is heavily involved in competitiveness centres and technology or methodology expertise clusters active in the Arve

valley (Haute-Savoie), where the Group's historical sites are located. These associations, boosted by the economic action of the Auvergne-Rhône-Alpes region, have more wide-ranging and deeper effects thereby laying the ground for national or European initiatives with selected partners in the future. These collaborations enable the company to be committed to enhancing the attractiveness of the local area whilst continuing to benefit from the input of skills and innovations into its design and industrialisation processes. The ecosystems that it includes also enable interaction and sharing between all Somfy's regional stakeholders: institutions, associations, local suppliers and customers.

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.

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 the Group 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 57 out of 100, which is a good 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. To date, more than 40,000 questions were therefore asked *via* this means and the number of visitors reached 190,000 per month. This total number of 58,000 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. Somfy's consumer information websites were used by 10,338,882 unique visitors in 2018.

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.

PERFORMANCE OF OUR RELATIONS WITH SUBCONTRACTORS 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 this respect, the Group has redefined its procurement policy with a particular focus on corporate social and environmental responsibility. This policy is reflected in the new contractual framework with a view to deploying our own CSR commitments in the upstream supply chain: in employment, the environment, fair practices and combating corruption, conflict minerals and hazardous substances.

To respect its commitments, the Group has launched a supplier risk-management approach covering the following topics: geopolitical risks and corruption, combating modern slavery, environmental impacts of supplier processes and has mapped the risks at between 1-low risk to 4-high risk.

The Group seeks to introduce suitable due diligence and control for potentially risky procurements. The indicator will therefore be the amount of procurement classified as high risk. It also undertakes to select suppliers on the basis of criteria that are both clear and shared from the consultation phase onwards. In 2018, the use of a Sourcing Committee to select suppliers was therefore extended. For every component developed by a supplier, the Group requests a written undertaking relating to the European Directives REACH and ROHS. **Indeed, 69% of the top 80 suppliers, representing 90% of the procurement turnover, comply with REACH/ROHS.** This figure is the result of a campaign carried out from November 2018 to February 2019.

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.

A specific campaign was organised in 2018 to update all certificates.

In order to guarantee fair practices, **101 procurement division employees received anti-corruption training in 2018**.

The Group has collaborated with local manufacturers in the PEAK project in setting up an ecosystem to promote innovation.

ENGAGEMENT WITH ETHICS AND COMBATING CORRUPTION

Ethics is a cross-company driver of the CSR booster contributing to the "Better Together" strategic driver. Since 2015, the Group 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 involve 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."[(1)]

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, which guides us in our decision-making; 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 management respectful of everyone. A role of the network of HR Officers 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 mental 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;
- guarantee constructive social dialogue;
- reject any kind of corruption, whether active or passive.

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[(2)], 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 procedures. In addition to these documents, e-learning materials are currently being rolled out and face-to-face training has also been introduced for those employees expected to be the most exposed. **In 2018, 290 exposed individuals received face-to-face training.** The early-warning arrangements introduced in 2015 to escalate non-ethical behaviours was extended to meet the requirements of the French "Sapin 2" anticorruption legislation. Accounting controls were also implemented to detect potential fraudulence.

FIGHT AGAINST TAX EVASION

Somfy undertakes to observe the spirit and the letter of the law in all countries in which it does business. It wants a frank and transparent relationship with all tax authorities, seeks to clarify all uncertainties and resolve all disputes in due course. It considers that it pays its fair share of taxes in those countries in which it operates.

Furthermore, the Group undertakes to pursue the following actions in its drive for tax transparency and to combat tax evasion:

- participate in compulsory reporting such as the Country-by-Country Reporting for France;
- monitor that intragroup transactions comply with arm's length principles and OECD actions on base erosion and profit shifting (BEPS).

METHODOLOGY NOTE

The Non-Financial Performance Statement was drafted using the reporting protocol introduced for the RSE 2018 reporting in accordance with Article L. 225-102-1 of the Commercial Code (the "Grenelle 2" decree).

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. 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 address the main challenges (risks and opportunities) inherent in the Group's activity and illustrate, through clear communication, the Group's non-financial performance and the policies it has introduced to address these challenges, while at the same time supporting the CSR approach in each of the progress drivers identified by the Group.

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.

(1) Source: Introduction of the Ethics Charter by the Management Board.
(2) Known as the "Sapin II" law.

REPORTING PERIOD

The data collected covers the period from 1 January to 31 December 2018.
Depending on the indicators, it can relate to:
- an annual consolidation of the data from 1 January 2018 to 31 December 2018;
- the data measured at 31 December 2018.

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.
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.
However, the Group integrates all significant companies that it fully owns.
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.
Following changes in control and governance at the Chinese subsidiary Dooya, which has left the full consolidation scope and is now consolidated using the equity method, Dooya is no longer part of the CSR scope.

Specifics of the scope for 2018 reporting

The social reporting scope taken into account for the 2018 financial year is identical to that used in 2017 and includes the following entities:
- Automatismes BFT France (France);
- Automatismos Pujol SL (Spain);
- BFT SpA (Italy);
- Chusik Hoesa Somfy (South Korea);
- NV Somfy SA (Belgium);
- O&O SRL (Italy);
- Overkiz (France);
- Simu (France);
- Simu GmbH (Germany);
- Sisa Home Automation Ltd (Israel);
- SITEM SARL (Tunisia);
- Somfy Activités SA (France);
- Somfy Brasil 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 Kabushiki Kaisha (Japan);
- Somfy Limited Liability company (Russia);
- Somfy Ltd (UK);
- Somfy Maroc (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 SA (Switzerland);
- Somfy South Africa PTY Limited (South Africa);
- Somfy Spol sro (Czech Republic);
- Somfy spolka z ograniczona odpowiedzialnoscia (Poland);
- Somfy Sweden Aktiebolag (Sweden);
- Somfy Systems Inc. (USA);
- Somfy Tunisie (Tunisia);
- SOPEM spolka z ograniczona odpowiedzialnoscia (Poland);
- Window Automation Industry SRL (Italy);
- Zhejiang Lian Da Science and Technology Co Ltd (China).

Similarly, the scope of the Industrial Risks section of the environmental reporting taken into consideration for the 2018 financial year is comprised of the following entities:
- BFT SpA (Italy);
- Simu (France);
- SITEM SARL (Tunisia);
- Somfy Activités SA (France);
- SOPEM spolka z ograniczona odpowiedzialnoscia (Poland);
- Window Automation Industry SRL (Italy);
- Zhejiang Lian Da Science and Technology Co Ltd (China).

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.

INFORMATION ON RISKS
(ARTICLE L. 225-100 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 material 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.

CREDIT RISK

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

RAW MATERIAL RISK

The Group is exposed to fluctuations in the price of the raw materials used in the manufacture of its products (copper and zinc in particular).
To maintain its profitability, the Group must be able to cover for or offset this risk or pass it on to its customers. It has, however, introduced procedures designed to limit its exposure to risks associated with changes in the prices of raw materials.
The management of raw material risks is covered in note 7.3 to the consolidated financial statements.

SHARE RISKS

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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 2018.

LEGAL RISKS

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The Group's operations are not subject to specific regulations. Its activities do not require specific legal or regulatory authorisation.
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.

INSURANCE – RISK COVERAGE

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The Group covers the main risks with the following insurance policies:
- "Property damage", covering buildings and their contents in all locations (equipment, goods, IT equipment) as well as resulting monetary and operational losses.
  The events insured are, as *a minimum*, fire, explosions, lightning, smoke, emissions, steam, impacts from airborne objects, vehicle collisions electrical risks, storms, hurricanes, cyclones, snow, hail, water damage, frost, machine breakage, computer risks, malicious acts, acts of vandalism, riots, popular movements and IT equipment theft, natural disasters, except where local circumstances make this impossible;
- "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 85% 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 China, Latin America and the Middle East. They represent approximately 10% of Group sales.
Sales growth in the UK stood at 11.1% 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 ATTRIBUTABLE TO THE EFFECTS OF CLIMATE CHANGE AND A 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.
As part of its industrial activities, the Group is exposed to a certain number of risks attributable to climate conditions (storms, earthquakes, floods, etc.) and therefore, more generally, to climate change. The Group has introduced a risk assessment for this and has the insurance it needs to protect it from any financial consequences.
The fight against climate change has been taken into account in the design of its products through its Act for Green® programme. The Group is also working on optimising the use of raw materials, energy efficiency and recyclability to reduce the carbon footprint of its products. In relation to risk assessments linked to climate change and actions introduced by the Group to mitigate them as part of its environmental approach, see section "Non-Financial Performance Statement", paragraph "Our environmental policy performance" 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.

NON-FINANCIAL RISKS

—

Non-financial risks are covered in the Non-Financial Performance Statement (page 30).

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 development 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).
A new ERP for the Group is being selected.
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.
In addition, a Group Treasury Charter has been in place since 1 November 2013. It defines 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 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 GRC (Governance Risk Compliance) 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 quarterly 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 2018 (RESOLUTIONS 1 AND 2)

We would ask you to approve the parent company financial statements for the year ended 31 December 2018, which show a net profit of € 98,241,162.81, and the consolidated financial statements for the year ended 31 December 2018, which show a net profit (Group share) of €140,458,000, 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 2018 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 €98,241,162.81 for the year ended 31 December 2018, increased by retained earnings of €3,454,549.80, to a total of €101,695,712.61, as follows:

– Allocation to shareholders of a gross dividend of €1.40 per share, being €1.40 x 37,000,000 shares	€51,800,000.00
– Transfer to optional reserve	€49,895,712.61
	€101,695,712.61

A gross dividend of €1.40 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 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 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 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 2019 and the ex-dividend date will be 3 June 2019.

In accordance with legal provisions, it should be noted that the following dividends were paid during the last three financial years:

Financial year	Revenues eligible for tax rebate		Revenue not eligible for tax rebate
	Dividends	Other distributed earnings	
2015	€39,125,797.50* being € 5.70 per share	–	–
2016	€ 41,909,092.30* being € 6.10 per share	–	–
2017	€ 44,645,450.20* being € 1.30** per share	–	–

* *Does not include unpaid dividends attributable to treasury shares and transferred to retained earnings.*

** *The share par value was divided by five on 24 May 2017. Since that date, share capital comprises 37,000,000 shares with a par value of € 0.20 each.*

COMBINED GENERAL MEETING OF 22 MAY 2019

ORDINARY SESSION

—

1. Approval of the parent company financial statements for the year ended 31 December 2018.
2. Approval of the consolidated financial statements for the year ended 31 December 2018.
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 Anthony STAHL 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 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 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 items of remuneration comprising the 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 items of remuneration comprising the 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 allocate existing shares free of charge to employees and/or certain corporate officers of the company or related companies, duration of the authorisation, cap, duration of the vesting period - particularly in the case of invalidity.
13. Powers for formalities.

RENEWAL OF THE TERM OF OFFICE OF ANTHONY STAHL AS MEMBER OF THE SUPERVISORY BOARD (resolution 5)

—

We hereby remind you that Anthony STAHL'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 Anthony STAHL as member of the Supervisory Board for a period of four years, which will expire at the end of the General Meeting called in 2023 to approve the financial statements for the year then ended.

INDEPENDENCE AND GENDER EQUALITY

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) AND PIERRE RIBEIRO, CHIEF FINANCIAL OFFICER AND MEMBER OF THE MANAGEMENT BOARD (resolution 7)

—

It will be proposed that you 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", title 4).

It will also be proposed that you 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", title 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 MICHEL ROLLIER, CHAIRMAN OF THE SUPERVISORY BOARD (resolution 8)

—

It will be proposed that you 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 Michel ROLLIER, Chairman of the Supervisory Board, in respect of his term of office, as presented in the report on corporate governance (section Information on remuneration, paragraph "Information on remuneration due, paid or allocated during the financial year", title 4).

APPROVAL OF THE PRINCIPLES AND CRITERIA USED TO DETERMINE, APPORTION AND ALLOCATE THE FIXED, VARIABLE AND EXCEPTIONAL ITEMS OF REMUNERATION COMPRISING THE 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 items of remuneration comprising the 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 ITEMS OF REMUNERATION COMPRISING THE 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 items of remuneration comprising the total remuneration and benefits of any kind attributable to the members of the Supervisory Board in respect of their terms of office, 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 practices 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 16 May 2018 in its 12th 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 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 2,656,833 treasury shares held at 31 December 2018, is therefore set at €135,611,710.

FREE ALLOCATION OF EXISTING SHARES TO EMPLOYEES AND/OR CERTAIN CORPORATE OFFICERS (resolution 12)

—

You will be asked to grant the Management Board an authorisation to allocate, in one or more instalments, in accordance with Articles L. 225-197-1 and L. 225-197-2 of the Commercial Code, existing ordinary shares of the company, for the benefit of:

- employees of the company or companies directly or indirectly related to it within the meaning of Article L. 225-197-2 of the Commercial Code;
- and/or corporate officers meeting the conditions set forth by Article L. 225-197-1 of the Commercial Code.

The total number of free shares thus allocated may not exceed 1.5% of the share capital at the date of the Meeting, it being specified that from this limit would be deducted the total number of shares to which the options that may be awarded by the Management Board under the authorisation granted by the Annual General Meeting of shareholders of 16 May 2018 in its 13th extraordinary resolution may give rise.
The allocation of shares to beneficiaries would be definitive at the end of a vesting period whose duration, which may not be less than one year, would be set by the Management Board.
Beneficiaries should, where applicable, retain these shares for a minimum period, set by the Management Board, at least equal to that required to ensure that the cumulative duration of the vesting, and where necessary the retention, periods may not be less than two years.
The Management Board shall have the necessary powers, with the option of subdelegating within legal limits, to set the other conditions and procedures pursuant to which the shares are allocated and, where applicable, do anything, within the context of applicable legislation that the implementation of this authorisation requires.
We propose setting the duration of this authorisation at 38 months from the date of this Meeting.
This new authorisation would terminate in advance the existing authorisation with the same purpose.

Your Management Board asks you to approve the above resolutions submitted to your vote.

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 of 5 March 2019 for review, and to the Supervisory Board on 6 March 2019 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.
The Board reviewed at its meeting of 15 November 2018 the areas requiring attention in compliance with the R19 recommendation of the Middlenext Code.

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.

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 (or, by exception, a shorter term to ensure that Board members' terms of office are staggered), 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 2018, the Management Board was composed as follows:

Name	Position	Age	Date renewed	Date term ends
Jean Guillaume Despature	Chairman	41	17 May 2017	2021 AGM
Pierre Ribeiro	Chief Financial Officer	52	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	Date term ends	Audit Committee	Remuneration Committee	Relevant expertise and experience*
Michel Rollier	Chairman Independent member	74	French	Member of the Supervisory Board: 15 May 2012/ Chairman of the Supervisory Board: 16 May 2013	2022 AGM	–	Chairman	
Victor Despature	Vice-Chairman	69	French	15 May 2007	2021 AGM	Chairman	Member	
Paule Cellard	Independent member	63	French	16 May 2013	2021 AGM	Member	–	
Anthony Stahl	Member	45	French	28 June 2002	2019 AGM	–	–	
Marie Bavarel-Despature	Member	38	French-Swiss	17 May 2017	2020 AGM	–	–	
Sophie Desormière	Independent member	52	French	17 May 2017	2021 AGM	–	–	
Florence Noblot	Independent member	55	French	17 May 2017	2021 AGM	–	–	

* *Relevant expertise and experience are detailed in the section titled "Expertise and experience of the members of the Supervisory Board".*

Regarding the composition of the Supervisory Board, shareholders at the next General Meeting will be asked to:
- re-appoint Anthony Stahl 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 2023 to approve the financial statements for the year just ended.

There were no changes in the Board's membership over the period. Michel Rollier was reappointed to the Supervisory Board at the General Meeting of 16 May 2018 for a term of four years, expiring at the end of the General Meeting to be held in 2022 to approve the financial statements for the year then ended. The latter was also reappointed Chairman of the Supervisory Board at the Board meeting of 16 May 2018.

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 15 November 2018, 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.

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 significant business relationship exists.*

EXPERTISE AND EXPERIENCE OF THE MEMBERS OF THE SUPERVISORY BOARD

As regards the independent members of the Supervisory Board, Paule Cellard provides the Group with her international experience in the fields of finance, risk monitoring and compliance; Michel Rollier provides the Group with the full breadth of his industrial and international experience gained with Michelin Group, particularly in the fields of finance, strategy and marketing; Sophie Desormière provides the Group with her industrial and international experience gained first with Valeo Group and then with Solvay Group in the fields of strategy, sales and marketing; and Florence Noblot provides the Group with her 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, in addition to the expertise and professional experience they bring to the Group, 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.

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 2018 financial year, it met on five 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 and, if members are unable to attend, video-conferencing is preferred 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 participating in discussions and 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 May 2018, the Board conducted an annual review of the known potential conflicts of interests in accordance with the 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 management transformation project;
- update on proposed acquisitions;
- focus on the IWC (Interior Window Covering) market;
- update on Dooya;
- update on Myfox;
- update on the industrial transformation;
- update on radio protocols;
- presentation of the Middle East & Africa Business Area;
- update on the "connected home" strategy;
- progress update on thermal regulations in France and Europe (European Directives);
- update on the new risk mapping;
- GDPR (General Data Protection Regulation) roadmap;
- update on the Group's market share;
- appointment of the Chairman of the Supervisory Board and proposed review of his remuneration by the Remuneration Committee;
- update on the composition of the Audit and Remuneration Committees;
- payment to the Chairman of the Management Board and the Management Board member serving as Chief Financial Officer of their respective variable remuneration in respect of the financial year ended;
- update of the Supervisory Board's internal regulations;
- assessment by the Supervisory Board of its operation and the preparation of its work;
- update on the independence of the members of the Supervisory Board;
- review of the policy regarding equality in the workplace and equal pay;
- review of Audit Committee reports;
- findings of the Remunerations Committee;
- allocation of attendance fees;
- presentation of the main budget priorities for 2019.

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 2018, 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 Audit and Risk Management Officer presented the relevant information.
The Audit Committee comprises two members: Victor Despature as Chairman, and Paule Cellard, independent in accordance with the criteria mentioned in the above paragraph "Independence of the members of the Supervisory Board".
Victor Despature has accounting expertise. He has been a Chartered Accountant and 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 an international law 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 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 2018 financial year, the Audit Committee met on four occasions with all members in attendance, except for the September 2018 meeting, when one member was absent.

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 and Risk Officer.

In addition to the recurring topics set out above, the following in particular were presented to the Audit Committee in 2018:
- the Group's General Information Systems Security Policy (governance, challenges, principles and responsibilities), presented by the Group's IT Security Architect;
- an annual update on the Group's ethics policy and implementation of the anti-corruption programme to comply with the "Sapin II" Act, presented by the Group Ethics Officer;
- a summary of current and future projects run by the Internal Audit Department, presented by the Internal Audit Director;
- a summary of key recent and future regulatory changes.

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 resulting from 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 cost of these services is reported in note 14 to the consolidated financial statements. Furthermore, the Statutory Auditors and the Audit Committee had a number of discussions about the supplementary report prepared for the Audit Committee by the Statutory Auditors.

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.

During the year just ended, it met three times. The attendance rate by the members was 100%.

The Remuneration Committee is called upon to consider the succession of management resulting from the R14 recommendation of the Middlenext Code; such consideration took place at its meeting of 5 March 2018. This item will be discussed again in 2019.

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 (a Group company) and Acacia SA,
  - Director of DSG Coordination Center SA (a Group company) and Edify, Grand-Saconnex branch,
  - Manager of FIDEP and CMC (a Group company),
  - Chairman of the Board of Directors of BFT SpA (a Group company),
  - Chairman of Somfy Protect by Myfox (a 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,
  - Director and Vice-Chairman of Somfy Activités SA,
  - Permanent Representative of Somfy Activités SA, Managing company of Somfybat,
  - Member of the Board of Directors of BFT SpA,
  - Chairman and Director of TTMD SA,
  - Director of DSG Coordination Center SA.

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,
  - mber of the Board of Directors of HSBC France,
  - Chair of the Audit and Risk Management Committees of HSBC France.
- **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).
- **Michel ROLLIER**
  Chairman of the Supervisory Board – Independent member
  - 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
  - Member of the Supervisory Board of Damartex SA (company listed on Euronext Growth),
  - Manager of FIDEP.
- **Sophie DESORMIÈRE**
  Independent Member of the Supervisory Board
  - Member of the Board of Directors of Gentherm,
  - Chief Executive Officer of AALPS Capital.
- **Florence NOBLOT**
  Independent Member of the Supervisory Board
  - Member of the Supervisory Board of Elis,
  - Chair of the Nomination and Remuneration Committees of Elis

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

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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 2018 financial year.

FINANCIAL AUTHORISATIONS

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The Management Board benefits from the following authorisations:

	Date of AGM	Date authorisation expires	Authorised amount	Used during the financial year ended 31 December 2018	Residual amount at 31 December 2018
Authorisation to issue stock options	Extraordinary General Meeting 16 May 2018	15 July 2021	1.5% of share capital on date of AGM Charged to the allocation of free shares	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 SOs*	**	1.1158% of share capital on date of AGM

* *Stock options.*

** *Free allocation of 5,239 shares, representing 0.014% of the share capital, decided by the Management Board on 12 November 2018.*

It is further specified that the Management Board has a share buyback authorisation, granted by the Shareholders' Meeting of 16 May 2018 in its 11th 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 16 May 2018 in its 12th extraordinary resolution. This latter authorisation covers a maximum of 10% of the share capital and is valid until 15 May 2020. It was not used during the 2018 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.

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

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Nil.

INFORMATION ON REMUNERATION

REMUNERATION POLICY

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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 premium 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 notably 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 OTHER 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

	Employment contract		Defined benefit pension plans	
Executive corporate officers	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 16 May 2018, 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) premium 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 2018 concern the improvement of quality within the company, the improvement of cost leadership, and strategic thinking on connected solutions. 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.
As regards long-term remuneration, 300 performance shares allocated by Somfy to Jean Guillaume Despature vested on 30 June 2018 under the performance share allocation plan n°2, details of which are set out below under "Performance-based options and shares allocated and exercised during the financial year".
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 Coordination Center 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.
Details of total remuneration due or paid during the financial year just ended are included in the summary table (page 59).

Pierre RIBEIRO
Member of the Management Board – Chief Financial Officer

In accordance with the principles and criteria approved by the General Meeting of 16 May 2018, remuneration comprises a fixed portion, a variable portion, long-term remuneration, exceptional 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) premium 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 2018 concern the improvement of quality within the company, the improvement of cost leadership, and strategic thinking on connected solutions. 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.
Upon proposal of the Remuneration Committee, the Supervisory Board allocated exceptional remuneration of €25,000 to Pierre Ribeiro due to work of great significance completed during the financial year just ended.
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 eligible for incentive bonus, profit sharing and employer contributions from CMC.
He is also a beneficiary of the defined contribution pension plan of the company CMC (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.
Details of total remuneration due or paid during the financial year just ended are included in the summary table (page 60).

SUMMARY TABLE OF REMUNERATION DUE OR PAID IN 2018 TO MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD (including remuneration paid by the company and companies under its control)

Jean Guillaume DESPATURE, Chairman of the Management Board	**2018**		**2017**		**2016**	
Gross, €	**due**	**paid**	**due**	**paid**	**due**	**paid**
Basic fixed remuneration	600,000	600,000	490,000	490,000	480,000	480,000
Fixed remuneration – pension equivalent premium	106,507	106,507	82,309	82,309	–	–
Exceptional remuneration	–	–	–	–	–	10,000*
Annual variable remuneration	484,000	330,000	330,000	320,000	320,000	200,000
Incentive bonus, profit sharing, employer contributions	–	–	–	–	–	–
LTI premium	–	–	–	–	–	14,925
Benefits in kind	3,685	3,685	3,828	3,828	3,907	3,907
TOTAL	**1,194,192**	**1,040,192**	**906,137**	**896,137**	**803,907**	**708,832**

* *Back pay paid in 2016 in respect of 2015.*

In addition, 300 performance shares vested on 30 June 2018, valued at €24,000.

Pierre RIBEIRO, Member of the Management Board	2018		2017		2016	
Gross, €	due	paid	due	paid	due	paid
Basic fixed remuneration	360,000	360,000	340,000	340,000	330,000	330,000
Fixed remuneration – pension equivalent premium	73,387	73,387	67,270	67,270	–	–
Exceptional remuneration	25,000	–	–	–	–	–
Annual variable remuneration	218,000	173,000	173,000	220,000	220,000	200,000
Incentive bonus, profit sharing, employer contributions	54,150	53,463	54,870	52,711	51,408	46,407
LTI premium	–	–	–	–	–	23,085
Benefits in kind	6,730	6,730	6,730	6,730	7,150	7,150
TOTAL	**737,267**	**666,580**	**641,870**	**686,710**	**608,558**	**606,643**

Members of the Supervisory Board	Amounts paid during the 2018 financial year		Amounts paid during the 2017 financial year		Amounts paid during the 2016 financial year	
Gross, €	due	paid	due	paid	due	paid
Michel ROLLIER						
Attendance fees	5,400	5,400	3,600	3,600	3,600	3,600
Attendance fees as Chairman of the Supervisory Board	90,625	90,625	75,000	75,000	75,000	75,000
Paule CELLARD						
Attendance fees	14,400	14,400	12,800	12,800	14,400	14,400
Victor DESPATURE						
Attendance fees	17,800	17,800	16,200	16,200	18,000	18,000
Anthony STAHL*						
Attendance fees	–	–	–	–	–	–
Florence NOBLOT						
Attendance fees	4,800	4,800	3,200	3,200	–	–
Sophie DESORMIERE						
Attendance fees	8,000	8,000	4,800	4,800	–	–
Marie BAVAREL-DESPATURE						
Attendance fees	8,000	8,000	4,800	4,800	–	–
Bernard HOURS						
Attendance fees	–	–	22,500	22,500	60,000	60,000
Jean DESPATURE						
Attendance fees	–	–	1,600	1,600	6,400	6,400
Valérie PILCER						
Attendance fees	–	–	5,600	5,600	14,400	14,400
TOTAL	**149,025**	**149,025**	**150,100**	**150,100**	**191,800**	**191,800**

* *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. Similarly, no new performance shares were allocated to members of the Management Board.
For information, 300 performance shares allocated by Somfy to Jean Guillaume Despature vested on 30 June 2018 under the performance share allocation plan n°2. This plan was introduced on 21 February 2014, and Jean Guillaume Despature received these performance shares in respect of his employment contract.

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 16 MAY 2018 (RESOLUTIONS 6, 7 AND 8)

The items of remuneration paid or allocated for 2018 in application of the principles and criteria approved by the General Meeting of 16 May 2018 presented hereafter are submitted for your approval pursuant to article 225–100 Paragraph 2 of the Commercial Code.

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

The total remuneration paid or allocated for the 2018 financial year consists of:

- the fixed remuneration paid in 2018, comprising gross basic remuneration of €600,000, and the Pension Equivalent Premium amounting to €106,507 gross;
- the variable remuneration allocated for the 2018 financial year totalling €484,000 gross, and to be paid in 2019 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 €3,685.

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 2018 financial year consists of:

- the fixed remuneration paid in 2018, comprising gross basic remuneration of €360,000, and the Pension Equivalent Premium amounting to €73,387 gross;
- the variable remuneration allocated for the 2018 financial year totalling €218,000 gross, and to be paid in 2019 after the General Meeting has been held and subject to approval by the latter;
- the exceptional remuneration allocated for the 2018 financial year totalling €25,000 gross, to be paid in 2019 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;
- an employee savings plan related to the employment contract (profit sharing, incentive bonus, employer contributions) amounting to €54,150 due in respect of the 2018 financial year and to be paid in 2019.

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 2018 financial year consists of remuneration paid in his capacity as Chairman of the Supervisory Board for a gross amount of €90,625 and attendance fees for his participation in specialised committees for a gross amount of €5,400.

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 Michel RIBEIRO, Chief Financial Officer and member 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 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 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)

—

“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 Management Board members 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 “Financial 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 2018, 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.

Group sales were €1,126.7 million over the year just ended, an increase of 3.4% after the restatement resulting from the change in the consolidation method of Dooya and 5.2% on a like-for-like basis.

This performance was achieved after strong growth in the previous financial year. It reflects both the strong performance of historical markets, such as Benelux, France, the United Kingdom and Scandinavia, and the momentum of new markets, such as India, Hungary, Poland, the Czech Republic and Russia.

The sales of the now equity-accounted Dooya totalled €178.0 million, an increase of 9.4% in real terms and 12.0% on a like-for-like basis.

The current operating result for the financial year stood at €177.8 million, up 1.8% based on a like-for-like consolidation method, equating to 15.8% of sales in spite of adverse foreign exchange effects costing €10.6 million. It would have totall68ed €189.1 million, up 8.2% and equating to 16.5% of sales on a like-for-like basis.

This 50-basis point increase in the current operating margin on a like-for-like basis was the result of business growth and an improvement in the gross profit margin driven by healthy sales prices, and higher raw materials costs offset by productivity gains.

At the same time, overheads increased due to continued investment in research and development and participation in major industry events (the CES trade show in Las Vegas and R+T in Stuttgart).

Net profit fell 11.0% to €140.4 million. It takes into account a significant negative balance of non-recurring operating expenses and income, primarily due to costs associated with the termination of a project in China, and an automatic increase in the income tax charge given the tax reliefs of €22.3 million recorded over the previous financial year.

Restated for the above-mentioned items, net profit stood at €148.1 million, an increase of 9.2%.

Ultimately, the return on capital employed held firm at the very healthy level of 20.4%.

The balance sheet remained very strong, with equity that increased to €894.4 million.

The net financial surplus totalled €222.4 million, an increase of €117.8 million, including €42.1 million in respect of the change in Dooya's consolidation method.

The Management Board will propose the payment of a dividend of € 1.4 per share at the Annual General Meeting, an increase of 7.7% compared with the dividend paid last year.

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;
- allocate existing shares free of charge to employees and/or certain corporate officers of the company or related companies.

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 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 Michel ROLLIER, Chairman of the Supervisory 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 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 other 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 2018 financial year. Therefore, we ask you to adopt the proposed resolutions.

The Board is keen to point out that 2018 was another year of progress, with satisfactory business development and growth in current operating profitability (excluding the impact of exchange rates), highlighting the robustness of the Group's business model and strategy.

The Supervisory Board

06
SOMFY SA FINANCIAL RESULTS FOR THE LAST FIVE YEARS

06
SOMFY SA FINANCIAL RESULTS FOR THE LAST FIVE YEARS

€ thousands	2014	2015	2016	2017	2018
1. Financial position at the balance sheet date					
a) Share capital	7,837	7,400	7,400	7,400	7,400
b) Number of shares issued	7,836,800	7,400,000	7,400,000	37,000,000	37,000,000
c) Number of bonds convertible into shares	–	–	–	–	–
2. Overall result of current operations					
a) Net sales	1,815	3,449	2,919	3,234	3,412
b) Profit before tax, amortisation, depreciation and provision charges	100,934	285,381	106,992	86,979	94,252
c) Income tax	-13,835	3,426	1,089	25,516	4,457
d) Profit after tax, amortisation, depreciation and provision charges	104,596	279,484	119,375	107,111	98,241
e) Distributed profit	40,751	42,180	45,140	48,100	51,800
3. Earnings per share					
a) Earnings per share after tax, but before amortisation, depreciation and provision charges	11.11	39.03	14.61	3.04	2.67
b) Earnings per share after tax, amortisation, depreciation and provision charges	13.35	37.77	16.13	2.89	2.66
c) Dividend distributed per share	5.20	5.70	6.10	1.30	1.40
4. Workforce					
a) Number of employees at end of year	6	4	3	4	10
b) Total payroll paid	856	455	724	959	1,146
c) Amount paid in relation to employee benefits (Social Security, charities, etc.)	316	28	207	326	222

07
CONSOLIDATED FINANCIAL STATEMENTS

07
CONSOLIDATED FINANCIAL STATEMENTS

KEY FIGURES

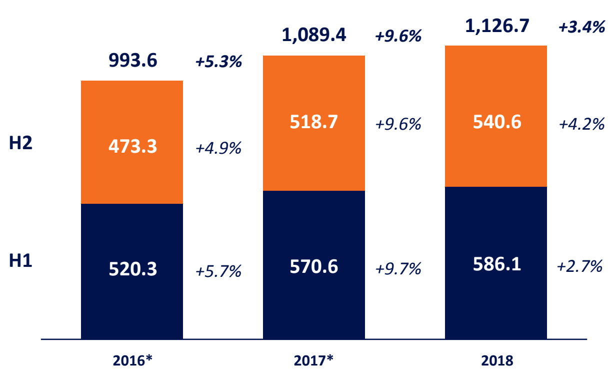
€ millions	31/12/18	31/12/17*
Sales	1,126.7	1,089.4
Current operating result	177.8	174.7
Net profit from continuing operations	137.7	164.4
Net profit from operations treated in accordance with IFRS 5**	2.6	-6.6
Consolidated net profit	140.4	157.7
Net investments in property, plant and equipment and intangible assets	57.3	56.0
Cash flow	178.6	207.7
Net financial debt***	-222.4	-163.3

(-) Net financial surplus
** The financial statements have been restated following the change in the consolidation method of Dooya (application of IFRS 5, see note 2.4.2).*
*** Dooya (see note 2.4.1).*
**** 2017 restated for Dooya for comparison purposes (see note 7.2.3).*

SALES GROWTH BY CUSTOMER LOCATION

Data in € millions	2016*	2017*	2018	18/17 change
Sales	993.6	1,089.4	1,126.7	+3.4%

** Financial statements restated following the change in the consolidation method of Dooya (application of IFRS 5).*



Group sales were €1,126.7 million for the financial year just ended, an increase of 3.4% after the restatements resulting from the change in the consolidation method of Dooya. They benefited from a negligible scope effect but suffered from a negative currency impact of €19.9 million.

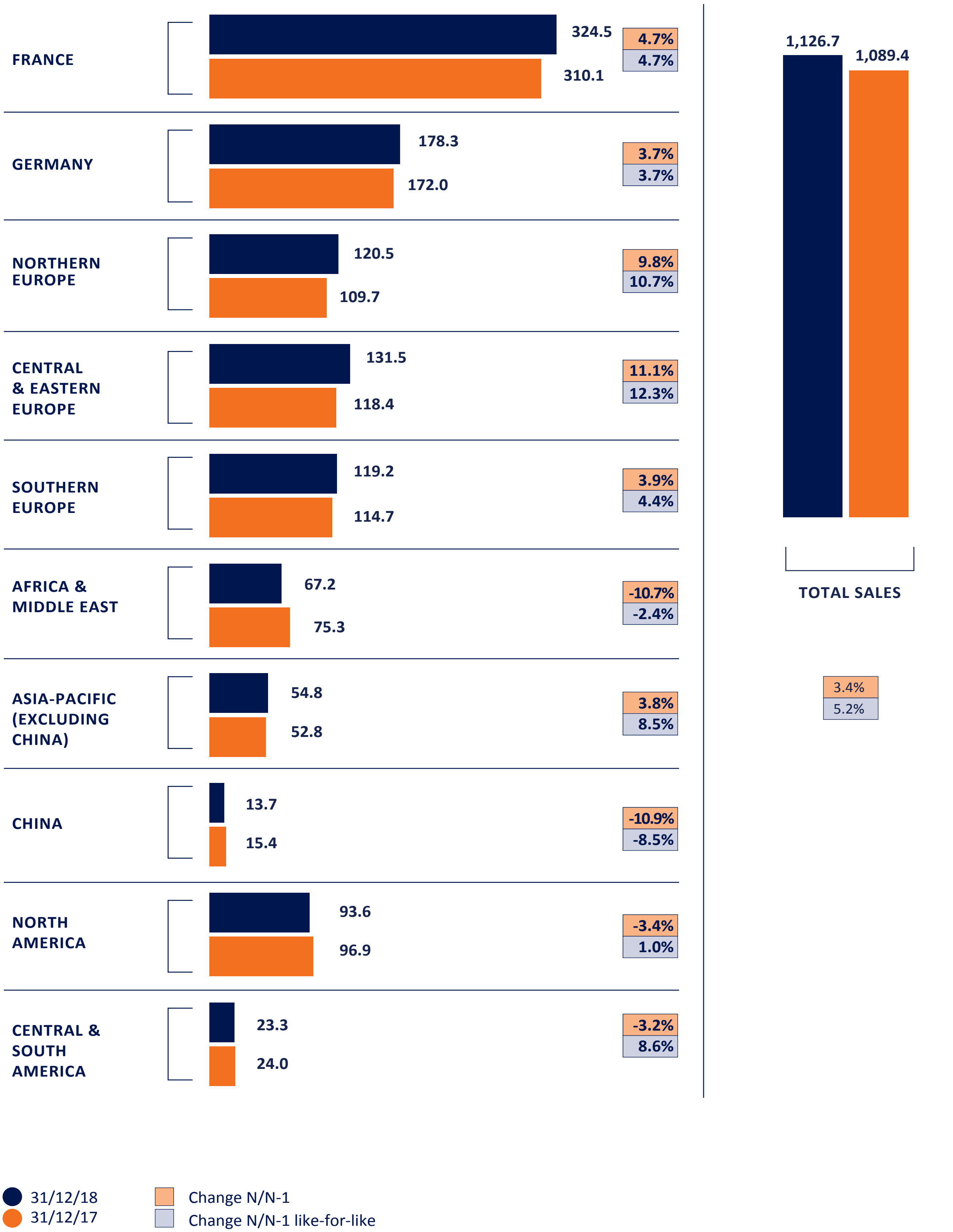
The increase was 5.2% on a like-for-like basis, both over the full year and over each of the two six-month periods. It follows significant growth over the previous financial year[1] and reflects contrasting developments for the different regions, essentially due to local factors.

Central and Eastern Europe (up 12.3%), Northern Europe (up 10.7%), Central and South America (up 8.6%), Asia-Pacific (excluding China) (up 8.5%), France (up 4.7%), Southern Europe (up 4.4%) and Germany (up 3.7%) ended the year on positive notes on a like-for-like basis, and very positive for some, despite a high comparison basis.

These results reflect both the strong performance of historical markets, such as Benelux, France, the United Kingdom and Scandinavia, despite adverse weather conditions at the beginning of 2018, and the momentum of new markets, such as India, Indonesia, Poland, the Czech Republic, Hungary and Russia. They attest to the growing interest of consumers from different continents in motorised and connected solutions for the home and as such validate the Group's policy of innovation and international expansion.

(1) Group sales after restatement of Dooya's share grew 9.2% on a like-for-like basis over the 2017 financial year.

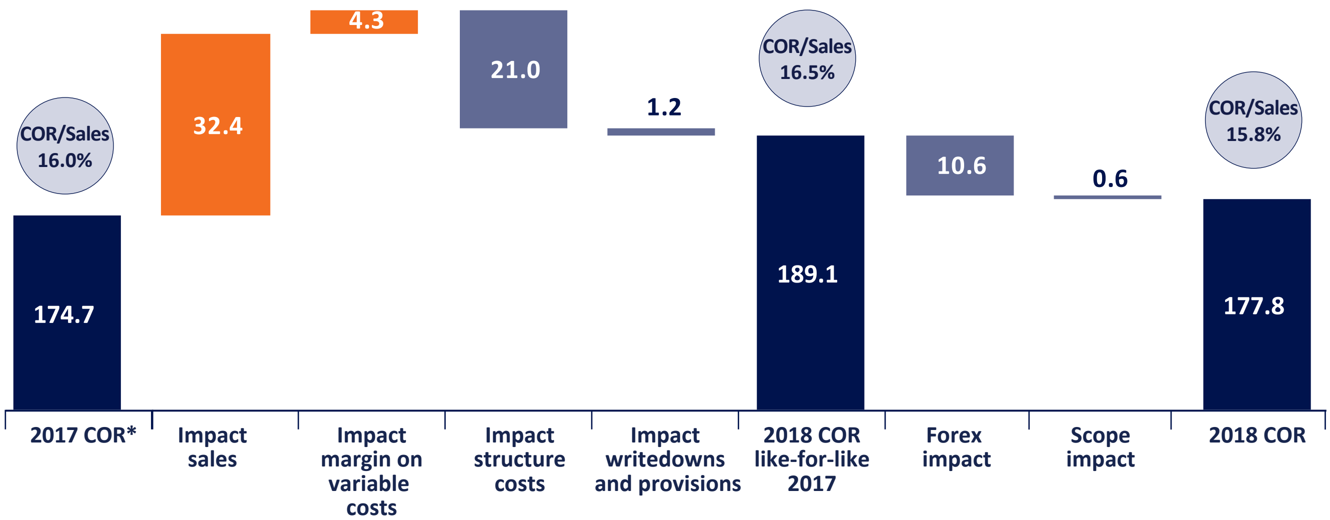
However, growth was hampered on a like-for-like basis in North America (up 1.0%), particularly as a result of the restructuring of logistics at the main local trading partner, in Africa and the Middle East (down 2.4%), due to the instability of the economic and political environments, and in China (down 8.5%), due to tensions in the high-end segment of the market.



GROWTH IN CURRENT OPERATING RESULT

Data in € millions	2017*	2018	18/17 change
Current operating result	174.7	177.8	+1.8%
Current operating margin (COR/sales)	16.0%	15.8%	–20 bp

* *Financial statements restated following the change in the consolidation method of Dooya (application of IFRS 5).*

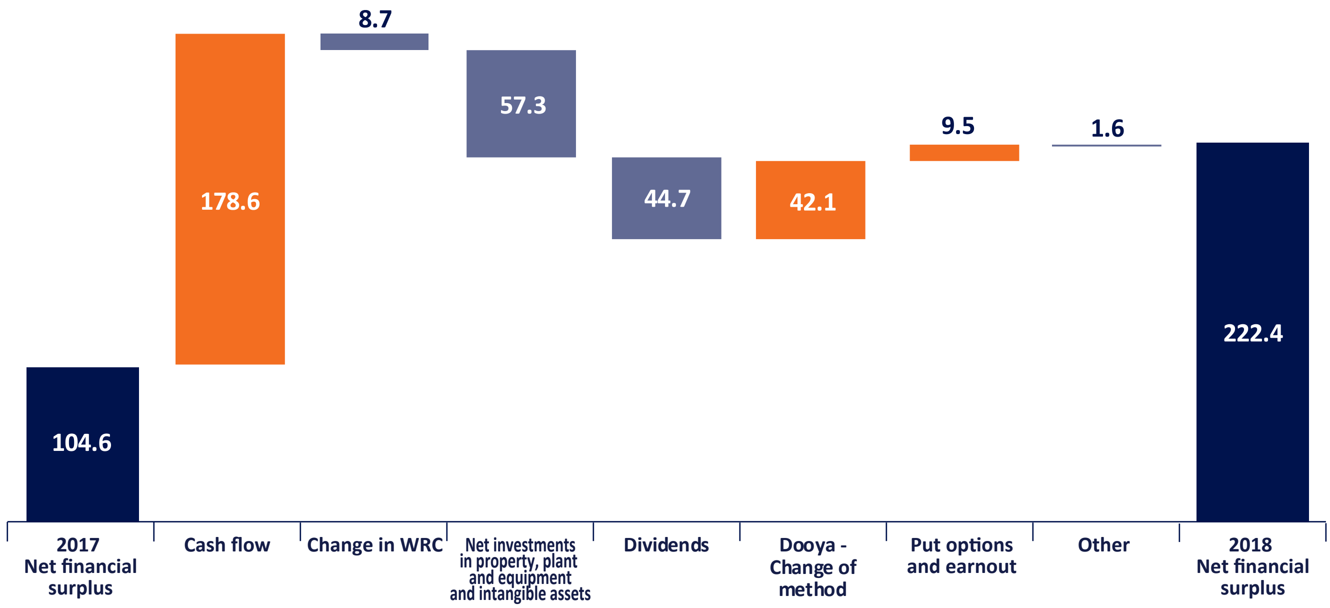


The current operating result for the financial year stood at €177.8 million, up 1.8% based on a like-for-like consolidation method, equating to 15.8% of sales in spite of adverse foreign exchange effects costing €10.6 million. It would have totalled €189.1 million, up 8.2% and equating to 16.5% of sales on a like-for-like basis.
This 50-basis point increase in the current operating margin on a like-for-like basis was the result of business growth and an improvement in the gross profit margin driven by healthy sales prices, and higher raw materials costs offset by productivity gains.
At the same time, overheads increased due to continued investment in research and development and participation in major industry events (the CES trade show in Las Vegas and R+T in Stuttgart).

GROWTH IN NET PROFIT

Net profit fell 11.0% to €140.4 million. It takes into account a significant negative balance of non-recurring operating expenses and income, primarily due to costs associated with the termination of a project in China, and an automatic increase in the income tax charge given the tax reliefs of €22.3 million recorded over the previous financial year.
Restated for these above-mentioned items, net profit stood at €148.1 million, an increase of 9.2%.
Ultimately, the return on capital employed held firm at the very healthy level of 20.4%.

NET FINANCIAL DEBT



The balance sheet remained very strong, with equity that increased to €894.4 million.
The net financial surplus totalled €222.4 million, an increase of €117.8 million, including €42.1 million in respect of the change in Dooya's consolidation method.

OUTLOOK

The home motors and automation market remains structurally buoyant as a result of growing consumer demand for comfort and security, and growing public awareness of energy and environmental challenges. A short-term slowdown cannot however be ruled out, on account of economic uncertainties and geopolitical risks throughout the world.
The investment effort will be maintained, and even intensified should the context allow it, to enable the Group to consolidate its base and its leadership. It will specifically focus on product innovation, streamlining information systems, with the rollout of an ERP over the course of the year, and digitalising organisations and processes.
The policy of developing partnerships with complementary players and the opening up of new ecosystems and protocols (ZigBee network) will also be pursued. This will form part of the commitment to offering "integrated" solutions based on proprietary protocols, while simultaneously continuing to digitalise the historical activities, and will help position the Group as an industry standard for the connected home.

2018 HIGHLIGHTS

CHANGE IN DOOYA'S POSITION AND CONSOLIDATION METHOD WITHIN THE GROUP

Somfy has held a 70% interest in **Dooya**, the Chinese leader in tubular motors since 2010 and has a call option on the remaining 30%, exercisable from 2035. Governance alongside the minority shareholder in the company was implemented upon acquisition, with Somfy having majority representation on the Dooya Board of Directors.
Since then, Dooya has grown at a sustained rate while remaining highly profitable. Its sales increased from €35 million in 2010 to €163 million in 2017 and its current operating margin fluctuated between 6 and 7% over the period, except last year, as a result of higher raw material prices and significant industrial and commercial investments.
Under the influence of Somfy, the company has focused on the Chinese domestic market, where it now holds a leading position, but has consequently been less active than its main local competitors in international markets in which it has significant potential due to its positioning.

For this reason, the Group wished to clarify its brand policy and has decided to:
- focus on Somfy and related brands (Simu, BFT, Asa, etc.), spearheads of the connected building market, in order to stimulate their innovation capacity and consolidate their positioning and performance in the various market segments;
- manage Dooya as an independent entity, in partnership with the minority shareholder to enable it to develop separately, particularly at international level, and adapt as effectively as possible to its own competitive environment.

In this way, the Group intends to revitalise and consolidate the foundation of its main brand, Somfy, while securing Dooya's position and thus preserve the value of its investment in the company.

At the end of June 2018, new rules of governance have been adopted for this purpose without involving any changes to the capital structure but consolidating the minority shareholder's role with joint control over the company. Pursuant to IFRS 10 and 11, these changes resulted in Dooya being excluded from full consolidation and its consolidation under the equity accounting method at its fair value as determined by an independent expert.

Dooya is deemed to be a Cash Generating Unit of material significance within the Group by virtue of its size and standing on both the Chinese and export markets. It is also the only Group entity operating under the Dooya brand. For this reason and given the change in governance detailed above, it meets the IFRS 5 criteria for classification as “Discontinued Operations”. The Group has replaced the term “Discontinued Operations” with the term “Operations treated in accordance with IFRS 5” throughout this annual financial report, terminology that is more appropriate to the transaction.
Pursuant to IFRS 5, the 2017 consolidated income statement and cash flow statement have been restated to enable periods to be compared.
The impacts of the change in consolidation method are detailed in note 2.4.

PURCHASE OF THE REMAINING 49% OF THE SHARE CAPITAL OF IHOME

—

On 21 June 2018, Somfy acquired the remaining 49% of the share capital of **iHome Systems** for €1.0 million, a transaction recognised in advance in the financial statements at 31 December 2017. Following this transaction, there was no change in control and this company remains fully consolidated.

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 – given the governance established – was recognised *via* the equity method at an amount of BRL 2.5 million, *i.e.* approximately €0.5 million. Somfy has therefore taken control of Neocontrol, in which it now holds 100% of the capital, and now fully consolidates the company.
Total goodwill of €0.4 million was calculated as part of the transaction and was fully impaired during the year. There were no other impact on net profit for the financial year.

CHANGES TO THE CONSOLIDATION SCOPE

—

Excluding the matters mentioned above, there were no changes to the consolidation scope during the 2018 financial year.

RENEGOTIATION OF SOMFY PROTECT BY MYFOX’S EARNOUTS

—

Negotiations with the former shareholders of **Somfy Protect by Myfox** were finalised on 26 July 2018 in order to redefine both the amount of the earnouts and their maturity. They resulted in a €9.7 million reduction in financial liabilities. At the same time, and after considering the updated business plan of the entity, a €9.7 million goodwill impairment was recorded. The two impacts above have been recognised under “Other operating income and expenses” (see note 4.2).

CONTINGENT LIABILITIES

—

The dispute between **Spirel** employees and **Somfy SA** is still ongoing before the Chambéry Court of Appeal. 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. Proceedings are still underway and a resolution is expected during 2019.
In addition, 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 Court of Appeals – were dismissed in November 2016. The employees applied to the Albertville Labour Court once again in early July 2017 and these applications were also rejected in 2018.
These factors do not alter the Group’s risk evaluation. Therefore, it continues to qualify these risks as contingent liabilities and no provision was recognised in relation to these disputes at 31 December 2018.

On 5 January 2015, **Somfy SA** transferred its 46.1% direct and indirect 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. Proceedings before the Commercial Court and the Court of Appeals are ongoing.
As the process and documentation provided by UTC currently stand, 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 2018.
At 31 December 2018, Somfy SA’s financial statements include a receivable for deferred settlement 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. These proceedings are still ongoing. Somfy SA remains confident regarding the settlement of these sums and therefore no writedown in relation to these receivables was recognised at 31 December 2018.

POST-BALANCE SHEET EVENT

No significant post-balance sheet event has occurred since 31 December 2018.

CONSOLIDATED INCOME STATEMENT

€ thousands	Notes	31/12/18	31/12/17*
Sales	(4.1.1)	1,126,719	1,089,351
Other operating income	(4.1.2)	17,967	18,723
Cost of sales		-412,683	-399,166
Employee expenses		-342,134	-324,591
External expenses		-171,894	-170,602
EBITDA		**217,975**	**213,715**
Amortisation and depreciation charges	(5.2) & (5.3)	-40,009	-38,169
Charges to/reversal of current provisions		-43	461
Gains and losses on disposal of non-current operating assets		-78	-1,304
CURRENT OPERATING RESULT		**177,845**	**174,704**
Other operating income and expenses	(4.2)	2,440	-218
Goodwill impairment	(5.1.1)	-10,143	–
OPERATING RESULT		**170,142**	**174,486**
– *Financial income from investments*		*1,050*	*1,627*
– *Financial expenses related to borrowings*		*-2,299*	*-2,261*
Cost of net financial debt		-1,249	-634
Other financial income and expenses		-3,056	-4,005
NET FINANCIAL EXPENSE	**(7.1)**	**-4,305**	**-4,639**
PROFIT BEFORE TAX		**165,837**	**169,847**
Income tax	(11.1)	-29,530	-3,987
Share of net profit/(loss) from associates	(13.1)	1,429	-1,491
NET PROFIT FROM CONTINUING OPERATIONS		**137,736**	**164,368**
NET PROFIT FROM OPERATIONS TREATED IN ACCORDANCE WITH IFRS 5	**(2.4)**	**2,630**	**-6,627**
CONSOLIDATED NET PROFIT		**140,366**	**157,742**
Attributable to Group share		140,458	159,912
Attributable to Non-controlling interests		-92	-2,170
Basic earnings per share (€)	**(6.2)**	**4.09**	**4.66**
Diluted earnings per share (€)	**(6.2)**	**4.09**	**4.66**

* *The financial statements have been restated following the change in the consolidation method of Dooya (application of IFRS 5, see note 2.4.2).*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousands	31/12/18	31/12/17
Consolidated net profit	**140,366**	**157,742**
Movement in gains and losses on translation of foreign currency	-11,466	-3,139
Movement in fair value of foreign currency hedges	-742	949
Movement in tax on items that may be reclassified to profit or loss	255	-327
Items that may be reclassified to profit or loss	**-11,953**	**-2,517**
Movement in actuarial gains and losses	-3,283	522
Movement in tax on items that will not be reclassified to profit or loss	924	-147
Items that will not be reclassified to profit or loss	**-2,359**	**375**
Items of other comprehensive income	**-14,312**	**-2,142**
Total comprehensive income for the period	**126,054**	**155,600**
Attributable to Group share	126,146	157,770
Attributable to Non-controlling interests	-92	-2,170

CONSOLIDATED BALANCE SHEET - ASSETS

€ thousands	Notes	31/12/18 Net	31/12/17 Net
Non-current assets			
Goodwill	(5.1.1)	96,225	196,842
Net intangible assets	(5.2)	37,064	45,765
Net property, plant and equipment	(5.3.1)	243,898	272,014
Investments in associates and joint ventures	(13.1)	132,781	939
Financial assets	(7.2.1)	3,849	5,405
Other receivables	(4.6.2)	632	2,107
Deferred tax assets	(11.3)	25,720	25,010
Employee benefits	(10.2.1)	–	183
Total Non-current assets		**540,170**	**548,265**
Current assets			
Inventories	(4.4)	175,003	184,707
Trade receivables	(4.5)	140,086	173,482
Other receivables	(4.6.1)	31,921	32,397
Current tax assets	(11.1)	37,281	29,406
Financial assets	(7.2.1)	448	900
Derivative instruments – assets	(7.2.4)	–	596
Cash and cash equivalents	(7.2.5)	259,345	212,834
Total Current assets		**644,085**	**634,320**
TOTAL ASSETS		**1,184,255**	**1,182,585**

The 2017 balance sheet has not been restated following the change in the consolidation method of Dooya (application of IFRS 5).

CONSOLIDATED BALANCE SHEET - EQUITY AND LIABILITIES

€ thousands	Notes	31/12/18	31/12/17
Shareholders' equity			
Share capital		7,400	7,400
Share premium		1,866	1,866
Other reserves		744,605	601,414
Net profit for the period		140,458	159,912
Group share		**894,329**	**770,592**
Non-controlling interests		64	73
Total Shareholders' equity		**894,394**	**770,665**
Non-current liabilities			
Non-current provisions	(9.1.1)	8,936	11,751
Other financial liabilities	(7.2.2)	11,597	33,516
Other liabilities	(4.7.2)	1,252	1,893
Employee benefits	(10.2.1)	27,439	23,573
Deferred tax liabilities	(11.3)	16,772	15,455
Total Non-current liabilities		**65,996**	**86,188**
Current liabilities			
Current provisions	(9.1.2)	7,489	7,727
Other financial liabilities	(7.2.2)	25,650	76,852
Trade payables		90,128	135,005
Other liabilities	(4.7.1)	95,224	102,442
Tax liabilities	(11.1)	5,207	3,707
Derivative instruments – liabilities	(7.2.4)	168	–
Total Current liabilities		**223,866**	**325,733**
TOTAL EQUITY AND LIABILITIES		**1,184,255**	**1,182,585**

The 2017 balance sheet has not been restated following the change in the consolidation method of Dooya (application of IFRS 5).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousands	Share capital*	Share premium	Treasury shares	Changes in foreign exchange rates	Consoli-dated reserves	Total share-holders' equity	Non-controlling interests	Total equity (Group-share)
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**
Total comprehensive income for the period	–	–	–	-11,466	137,520	**126,054**	-92	**126,146**
Treasury share transactions	–	–	14	–	139	**153**	–	**153**
Dividends	–	–	–	–	-44,645	**-44,645**	–	**-44,645**
Other movements**	–	–	–	–	42,167	**42,167**	84	**42,083**
AT 31 DECEMBER 2018	**7,400**	**1,866**	**-99,256**	**-5,083**	**989,466**	**894,394**	**64**	**894,329**

* *Share capital comprises 37,000,000 shares with a par value of €0.20 each.*

** *Other movements include changes to the consolidation scope, exchange rate differences on transactions involving the share capital, as well as liabilities and subsequent changes in liabilities corresponding to put options granted to holders of non-controlling interests. The flow for the 2018 financial year mainly corresponds to the impact of the deconsolidation of the put option related to the Dooya shareholding (see note 2.4.1). This item also includes the reclassification in "Equity - Group share" of the portion of comprehensive income attributable to non-controlling interests covered by a put option.*

Liabilities corresponding to put options granted to holders of non-controlling interests are recognised in consideration for the non-controlling interests that are the subject of the put option, and for Group equity, where the balance is concerned. Subsequent changes to liabilities are recognised under "Equity - Group share".

CONSOLIDATED CASH FLOW STATEMENT

€ thousands	Notes	31/12/18	31/12/17*
Consolidated net profit		**140,366**	**157,742**
Net profit from operations treated in accordance with IFRS 5		-2,630	6,627
Net profit from continuing operations		**137,736**	**164,368**
Depreciation and amortisation of assets (excluding current assets)		48,685	35,163
Charges to/reversals of provisions for liabilities		-106	-391
Unrealised gains and losses related to fair value movements		-9,212	-601
Unrealised foreign exchange gains and losses		-1,475	6,359
Income and expenses related to stock options and employee benefits		4,093	1,790
Depreciation, amortisation, provisions and other non-cash items		**41,985**	**42,321**
Profit on disposal of assets and others		90	1,615
Share of net profit/(loss) from associates		-1,429	968
Deferred tax expense		174	-1,600
Cash flow		**178,556**	**207,673**
Cost of net financial debt (excluding non-cash items)		1,249	634
Tax expense (excluding deferred tax)		29,357	5,589
Change in working capital requirements	(8.3)	-1,506	-21,618
Tax paid		-36,551	-18,459
NET CASH FLOW FROM OPERATING ACTIVITIES (A)		**171,106**	**173,819**
Acquisition-related disbursements:			
– intangible assets and property, plant and equipment	(8.2)	-58,378	-56,776
– non-current financial assets		-1,465	-1,526
Disposal-related proceeds:			
– intangible assets and property, plant and equipment	(8.2)	1,035	746
– non-current financial assets		1	9,795
Change in current financial assets		4,690	877
Acquisition of companies, net of cash acquired	(8.4)	-7,110	–
Dividends paid by non-consolidated companies		–	8
Interest received		435	382
NET CASH FLOW FROM INVESTING ACTIVITIES (B)		**-60,793**	**-46,492**
Increase in loans		171	61
Reimbursement of loans		-1,869	-2,113
Net increase in shareholders' equity of subsidiaries		1	5
Dividends and interim dividends paid		-44,705	-41,909
Movement in treasury shares		-463	271
Interest paid		-2,294	-2,266
NET CASH FLOW FROM FINANCING AND CAPITAL ACTIVITIES (C)		**-49,158**	**-45,951**
Net cash flow from operations treated in accordance with IFRS 5 (D)	(2.4)	-20,340	6,527
Impact of changes in foreign exchange rates on cash and cash equivalents (E)		34	-1,587
NET CHANGE IN CASH AND CASH EQUIVALENTS (A + B + C + D + E)		**40,849**	**86,316**
CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	**(8.1)**	**212,564**	**126,249**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**(8.1)**	**253,413**	**212,564**

* *The financial statements have been restated following the change in the consolidation method of Dooya (application of IFRS 5, see note 2.4.2).*

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 automated opening and closing systems 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 4 March 2019, the Management Board approved the IFRS consolidated financial statements of the **Group** for the 12-month financial year ended 31 December 2018. At its meeting of 6 March 2019, the Supervisory Board, following verification and review, did not issue any observations and duly authorised their publication. Total assets were €1,184,255 thousand and consolidated net profit €140,366 thousand (Group share: €140,458 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 2018 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 assets, liabilities, and income and expense items in the financial statements, and 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);
- the measurement of certain financial instruments used to hedge foreign exchange and raw materials, as well as certain options negociated on the acquisition of equity investments (notes 7.2.2 and 7.2.4 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 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 2018

The Group has applied the following standards, amendments and interpretations as of 1 January 2018:

Standards	Content	Application date
IFRS 9	Financial Instruments	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
Amendments to IFRS 15	Clarifications to IFRS 15	Applicable from 1 January 2018
Annual improvements to IFRS	2014-2016 cycle – excluding amendment to IFRS 12 which is applicable from 2017	Applicable from 1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Considerations	Applicable from 1 January 2018

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from Contracts with Customers", which supersedes IAS 11 "Construction Contracts" and IAS 18 "Revenue", lays down accounting principles for the recognition of revenue based on an analysis completed in 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.

The application scope of the standard covers all contracts with customers. Leases, insurance contracts and financial instruments are covered by other standards.

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.

The sale of products constitutes the vast majority of Group revenue. In this commercial relationship, the Group acts on its own behalf and not as an agent.

Given that sales of products usually represent the only performance obligation of the contracts, revenue is recognised in such cases at the time when control over the goods is transferred to the purchaser, *i.e.* when the delivery or dispatch is effective, resulting in no change to the previous treatment under IAS 18.

Somfy does not act as a principal in the transport of its products, which is entrusted to specialised businesses.

The commercial terms and conditions offered by Group entities provide for payment for products sold within a period which is significantly less than one year; there is therefore no need to adjust the amount of payments received from customers to take into account the effects of a financing component.

The warranties offered to purchasers cover defects in the design or manufacture of products. They do not provide the customer with any service other than the assurance that the product is free from defect and therefore continue to be recognised in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”.

The amount that Somfy actually receives as consideration for the products delivered, as well as the revenue from sales recorded in the income statement may vary due to deferred discounts agreed by contractual agreements or at the start of commercial campaigns. These discounts will be paid to the customer at the end of the reference period subject to the achievement of the objectives set for the relevant period. Their value is determined using the expected value method, similar to previous practice.

Some projects may combine products and services. Nevertheless, the service component is currently not material and only represents 0.58% of total revenue.

The Group has selected the aggregate impact transition method, which had no impact on the opening balance sheet at 1 January 2018 without having applied transitional relief measures.

IFRS 9 “Financial Instruments”

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, new hedge accounting obligations, broadens the scope of financial instruments eligible for hedge accounting, and new provisions for the treatment of changes in debt terms without derecognition.

The provisions concerning the classification and impairment of financial instruments and those concerning changes in debt terms are applicable retrospectively. Furthermore, the Group has chosen not to restate retrospective data for 2017.

The provisions concerning hedge accounting are applicable prospectively, with the exception of the impact of hedging costs, which is restated retrospectively.

The application of IFRS 9 had no material impact on the Group’s financial statements.

Equity investments, which were previously classified as available-for-sale assets and recognised at fair value through items of other comprehensive income, are now recognised at fair value through profit or loss or, optionally, through items of other comprehensive income.

In addition, the change in impairment of receivables based on expected losses led to a non-material impact.

Cash flow hedge relationships that are classified as efficient under IAS 39 remain classified as hedge relationships following the application of IFRS 9.

Lastly, the new provisions concerning the treatment of changes in debt terms without derecognition had no impact at 1 January 2018.

Other new standards had no 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 16	Leases	Applicable from 1 January 2019
Amendment to IFRS 3	Business Combinations, Definition of a Business	Applicable from 1 January 2020 according to the IASB, not yet approved by the EU
Amendment to IFRS 9	Prepayment Features with Negative Compensation	Applicable from 1 January 2019
Amendments to IAS 1 and IAS 8	Definition of Material	Applicable from 1 January 2020 according to the IASB, not yet approved by the EU
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	Applicable from 1 January 2019 according to the IASB, not yet approved by the EU
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	Applicable from 1 January 2019 according to the IASB, not yet approved by the EU
Amendments to the Conceptual Framework in IFRS Standards	Conceptual framework	Applicable from 1 January 2020 according to the IASB, not yet approved by the EU
Annual improvements to IFRS	2015-2017 cycle	Applicable from 1 January 2019 according to the IASB, not yet approved by the EU
IFRIC 23	Uncertainty over Income Tax Treatments	Applicable from 1 January 2019

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 16 "Leases"

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 Group's lease agreements are relatively standard. The impact of this new standard will primarily concern the property lease contracts relating to Somfy's various worldwide facilities and motor vehicle leases. The Group has a number of industrial or IT equipment leases of less significance.

The Group continued its data-gathering process relating to its lease contracts, in order to analyse their components, and quantify the impact using a lease agreement processing software.

Concerning property leases, the Group is working on defining key assumptions, such as the term of the contract within the framework of renewal or termination options and the definition of discount rates applicable to contracts.

The Group will be applying this standard as from 1 January 2019. Concerning transitional provisions, the standard will be applied in a simplified retrospective manner. Somfy has opted to adopt the exemptions provided for short-term leases and low-value assets.

According to initial estimates, the impact of applying the new standard will be approximately between €40 million and €50 million on non-current assets and on financial debt. The impact on opening shareholders' equity at 1 January 2019 and on 2019 net profit is estimated not to be material .

For information purposes, the amount of the leases still payable at 31 December 2018 was €54.7 million (note 12.1).

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 2018 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.

At 31 December 2018, no Group subsidiary operated in countries whose economy is hyperinflationary, with the exception of Argentina. Given the size of the subsidiary in Argentina, the application of IAS 29 on hyperinflationary economies did not have a material impact on the Group's financial statements.

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 date control is acquired. 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.

NOTE 2.4 OPERATIONS TREATED IN ACCORDANCE WITH IFRS 5

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 comprehensive 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.

New rules of governance have been adopted at Dooya (see Highlights) without involving any changes to the capital structure but consolidating the minority shareholder's role with joint control over the company. Pursuant to IFRS 10 and 11, these changes resulted in Dooya being excluded from full consolidation and its consolidation under the equity accounting method at its fair value as determined by an independent expert.

Dooya is deemed to be a Cash Generating Unit of material significance within the Group by virtue of its size and standing on both the Chinese and export markets. It is also the only Group entity operating under the Dooya brand. For this reason and given the change in governance detailed above, it meets the IFRS 5 criteria for classification as “Discontinued Operations”. The Group has replaced the term “Discontinued Operations” with the term “Operations treated in accordance with IFRS 5” throughout this annual financial report, terminology that is more appropriate to the transaction.

Note 2.4.1 Major impacts on 2018

The impacts of the application of IFRS 5 at 31 December 2018 are as follows:

Balance sheet

The shareholding in Dooya is now equity-accounted for an amount of €132.1 million. This amount includes in particular the revaluation to fair value of the Dooya shares at the time of the change in governance for €16.2 million, and the equity-accounted net profit for the second half of the year of €1.4 million.

At 31 December 2017, the liability resulting from the put option granted to the Dooya partners was recognised under financial liabilities for €55.1 million. At 31 December 2018, the financial liabilities now only integrate the fair value of the put option, the amount of which is equal to the difference between the estimated contractual value that would result from the exercise of the put option and the fair value of the portion corresponding to the underlying assets. The liability derivative was valued at €16.6 million.

In terms of equity, deconsolidation of the put option had a positive impact of €35.8 million on reserves, which breaks down as follows:

€ thousands	31/12/18
Deconsolidation of the put option (*via* reserves)	55,096
Minority interests' share of Dooya's reserves	-12,092
Reclassification of translation reserves	-7,198
CHANGE IN RESERVES RELATED TO THE DOOYA TRANSACTION	**35,806**

Income statement

Net profit from operations treated in accordance with IFRS 5 is analysed as follows:

€ thousands	31/12/18
Fair value revaluation of Dooya shares	16,200
Fair value of the derivative	-16,600
Reclassification of translation reserves	7,198
Share of Dooya's H1 2018 net profit	-4,168
NET PROFIT FROM OPERATIONS TREATED IN ACCORDANCE WITH IFRS 5	**2,630**

Cash flow statement

At 31 December 2018, the item “Net cash flow from operations treated in accordance with IFRS 5” equated to the opening cash position of Dooya.

Net financial debt

The change in Dooya’s consolidation method had a positive impact of €42.1 million on the net cash surplus. It is detailed as follows:

€ thousands	31/12/18
Deconsolidation of Dooya's net financial debt (opening balance)	58,654
Fair value of the derivative (put option)	-16,600
CHANGE IN NET FINANCIAL SURPLUS RELATED TO THE DOOYA TRANSACTION	**42,054**

The definition and calculation details of the net financial debt are provided in notes 4.3.4 and 7.2.3.

Additional information on the shareholding in Dooya is provided in note 13.1 relating to investments in associates and joint ventures.

Note 2.4.2 Restatement of previously-published financial statements

In accordance with IFRS 5, the income statement and cash flow statement previously published have been restated. The 2017 balance sheet has not been restated.
The effects of applying IFRS 5 to the financial statements at 31 December 2017 are as follows:

INCOME STATEMENT

€ thousands	31/12/17 Published	Reclassification of Dooya in accordance with IFRS 5	31/12/17 Restated
Sales	1,246,573	-157,222	1,089,351
Other operating income	18,908	-185	18,723
Cost of sales	-484,571	85,405	-399,166
Employee expenses	-364,653	40,062	-324,591
External expenses	-200,313	29,711	-170,602
EBITDA	**215,944**	**-2,229**	**213,715**
Amortisation and depreciation charges	-46,445	8,276	-38,169
Charges to/reversal of current provisions	439	22	461
Gains and losses on disposal of non-current operating assets	-1,535	231	-1,304
CURRENT OPERATING RESULT	**168,403**	**6,301**	**174,704**
Other operating income and expenses	-218	–	-218
Goodwill impairment	–	–	–
OPERATING RESULT	**168,185**	**6,301**	**174,486**
– *Financial income from investments*	*1,631*	*-4*	*1,627*
– *Financial expenses related to borrowings*	*-3,085*	*824*	*-2,261*
Cost of net financial debt	-1,454	820	-634
Other financial income and expenses	-4,403	398	-4,005
NET FINANCIAL EXPENSE	**-5,857**	**1,218**	**-4,639**
PROFIT BEFORE TAX	**162,328**	**7,519**	**169,847**
Income tax	-3,095	-892	-3,987
Share of net profit/(loss) from associates	-1,491	–	-1,491
NET PROFIT FROM CONTINUING OPERATIONS	**157,742**	**6,627**	**164,368**
NET PROFIT FROM OPERATIONS TREATED IN ACCORDANCE WITH IFRS 5	**–**	**-6,627**	**-6,627**
CONSOLIDATED NET PROFIT	**157,742**	**–**	**157,742**
Attributable to Group share	159,912	–	159,912
Attributable to Non-controlling interests	-2,170	–	-2,170

CASH FLOW STATEMENT

€ thousands	31/12/17 Published	Reclassification of Dooya in accordance with IFRS 5	31/12/17 Restated
Consolidated net profit	**157,742**	**–**	**157,742**
Net profit from operations treated in accordance with IFRS 5	–	6,627	6,627
Net profit from continuing operations	**157,742**	**6,627**	**164,368**
Depreciation and amortisation of assets (excluding current assets)	43,440	-8,277	35,163
Charges to/reversals of provisions for liabilities	-607	217	-391
Unrealised gains and losses related to fair value movements	-601	–	-601
Unrealised foreign exchange gains and losses	6,359	–	6,359
Income and expenses related to stock options and employee benefits	1,790	–	1,790
Depreciation, amortisation, provisions and other non-cash items	**50,381**	**-8,060**	**42,321**
Profit on disposal of assets and others	1,846	-231	1,615
Share of net profit/(loss) from associates	968	–	968
Deferred tax expense	-2,831	1,232	-1,600
Cash flow	**208,106**	**-432**	**207,673**
Cost of net financial debt (excluding non-cash items)	1,454	-820	634
Tax expense (excluding deferred tax)	5,929	-340	5,589
Change in working capital requirements	-9,905	-11,714	-21,618
Tax paid	-19,562	1,102	-18,459
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**186,021**	**-12,203**	**173,819**
Acquisition-related disbursements:			
– intangible assets and property, plant and equipment	-65,801	9,025	-56,776
– non-current financial assets	-1,536	11	-1,526
Disposal-related proceeds:			
– intangible assets and property, plant and equipment	1,309	-562	746
– non-current financial assets	9,795	–	9,795
Change in current financial assets	687	190	877
Dividends paid by non-consolidated companies	8	–	8
Interest received	387	-4	382
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	**-55,152**	**8,660**	**-46,492**
Increase in loans	4,925	-4,863	61
Reimbursement of loans	-2,113	–	-2,113
Net increase in shareholders’ equity of subsidiaries	5	–	5
Dividends and interim dividends paid	-41,909	–	-41,909
Movement in treasury shares	271	–	271
Interest paid	-3,089	823	-2,266
NET CASH FLOW FROM FINANCING AND CAPITAL ACTIVITIES (C)	**-41,911**	**-4,040**	**-45,951**
Net cash flow from operations treated in accordance with IFRS 5 (D)	–	6,527	6,527
Impact of changes in foreign exchange rates on cash and cash equivalents (E)	-2,642	1,056	-1,587
NET CHANGE IN CASH AND CASH EQUIVALENTS (A + B + C + D + E)	**86,316**	**–**	**86,316**
CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	**126,249**	**–**	**126,249**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**212,564**	**–**	**212,564**

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” 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 2018

€ thousands	Europe, Middle East & Africa	Asia & Americas	Intra-regional eliminations	Consolidated
Segment sales	1,006,873	203,866	-84,020	**1,126,719**
Intra-segment sales	-56,978	-27,043	84,020	**–**
Segment sales – Contribution to sales	949,896	176,823	–	**1,126,719**
Segment current operating result	162,328	15,517	–	**177,845**
Net profit from operations treated in accordance with IFRS 5	–	2,630	–	**2,630**
Share of net profit/(loss) from associates	-9	1,438	–	**1,429**
Cash flow	170,380	8,176	–	**178,556**
Net investments in intangible assets and PPE	54,200	3,144	–	**57,344**
Goodwill	94,095	2,130	–	**96,225**
Net intangible assets and PPE	272,477	8,485	–	**280,963**
Investments in associates and joint ventures	703	132,079	–	**132,781**

AT 31 DECEMBER 2017

€ thousands	Europe, Middle East & Africa	Asia & Americas	Intra-regional eliminations	Consolidated
Segment sales	966,137	207,104	-83,889	**1,089,351**
Intra-segment sales	-58,638	-25,251	83,889	**–**
Segment sales – Contribution to sales	907,498	181,853	–	**1,089,351**
Segment current operating result	160,096	20,909	–	**174,704**
Net profit from operations treated in accordance with IFRS 5	–	-6,627	–	**-6,627**
Share of net profit/(loss) from associates	-10	-1,480	–	**-1,491**
Cash flow	192,003	15,670	–	**207,673**
Net investments in intangible assets and PPE	53,076	2,953	–	**56,029**
Goodwill	104,253	92,588	–	**196,842**
Net intangible assets and PPE	258,353	59,426	–	**317,779**
Investments in associates and joint ventures	712	227	–	**939**

In accordance with IFRS 5, the income statement and cash flow statement previously published have been restated following the change in the consolidation method of Dooya. The 2017 balance sheet has not been restated.

NOTE 4 PERFORMANCE-RELATED DATA

NOTE 4.1 SALES

The application as of 1 January 2018 of IFRS 15 "Revenue from Contracts with Customers" and related impacts are detailed in note 1.4.1.

Revenue recognition is based on 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.

With regard to the sale of products, the Group acts on its own behalf and not as an agent.

Product sales usually represent the only obligation of the contracts. Revenue is recognised at the time when control over the goods is transferred to the purchaser, *i.e.* when the delivery or dispatch is effective.

The warranties offered to purchasers cover defects in the design or manufacture of products. They do not provide the customer with any service other than the assurance that the product is free from defect and therefore continue to be recognised in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

The amount that Somfy actually receives as consideration for the products delivered, as well as the revenue from sales recorded in the income statement may vary due to deferred discounts agreed by contractual agreements or at the start of commercial campaigns. These discounts will be paid to the customer at the end of the reference period subject to the achievement of the objectives set for the relevant period. Their value is determined using the expected value method.

As for projects combining products and services, except as mentioned below, deliveries of goods and services are identified as two separate performance obligations, which must be assessed individually as if they were sold separately. Revenue from products is thus recognised at the date of delivery or dispatch, while revenue from services is recognised when the service is provided.

When the products and services relate to a large-scale project whose characteristics are set for each customer individually, they represent a single performance obligation and revenue is recognized on an ongoing basis over the duration of the project as costs are incurred.

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	31/12/18	31/12/17	Change N/N-1	Change N/N-1 like-for-like
France	324,493	310,058	4.7%	4.7%
Germany	178,339	172,026	3.7%	3.7%
Northern Europe	120,489	109,739	9.8%	10.7%
Central & Eastern Europe	131,548	118,381	11.1%	12.3%
Southern Europe	119,152	114,680	3.9%	4.4%
Africa & Middle East	67,209	75,295	-10.7%	-2.4%
Asia-Pacific (excluding China)	54,834	52,830	3.8%	8.5%
China	13,740	15,419	-10.9%	-8.5%
North America	93,645	96,895	-3.4%	1.0%
Central & South America	23,270	24,028	-3.2%	8.6%
TOTAL SALES	**1,126,719**	**1,089,351**	**3.4%**	**5.2%**

The change N/N-1 like-for-like is calculated by applying the N-1 exchange rates to the periods compared and using the N-1 scope for both financial years (see note 4.3.1).
As contracts with customers are expected to have an initial term of one year or less, no information is provided regarding any remaining obligations at 31 December 2018, in accordance with the simplification measures of IFRS 15. In addition, the Group measures revenue based on its right to invoice.

Note 4.1.2 Other operating income

Other operating income totalled €18.0 million in 2018 compared with €18.7 million in 2017. This includes refundable tax credits, other miscellaneous rebillings and insurance income receivable.

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	31/12/18	31/12/17
Charge to/reversal of non-current provisions	-4,116	-55
Other non-current items	6,569	-162
– *Non-current income*	*9,761*	*235*
– *Non-current expenses*	*-3,192*	*-398*
Net gain/(loss) on disposal of non-current assets	-12	-1
OTHER OPERATING INCOME AND EXPENSES	**2,440**	**-218**
GOODWILL IMPAIRMENT	**-10,143**	**–**

The renegotiation of Somfy Protect by Myfox's earnouts (see Highlights) resulted in the recognition of non-recurring income of €9.7 million (adjustment of financial debt). At the same time, a €9.7 million goodwill impairment was recorded. Neocontrol's goodwill was also written off in full during the year in the amount of €0.4 million (see Highlights). Other operating income and expenses also include termination costs of €6.5 million for a project in China.

NOTE 4.3 ALTERNATIVE PERFORMANCE MEASURES

Note 4.3.1 Change N/N-1 like-for-like

The change N/N-1 like-for-like is calculated by applying the N-1 exchange rates to the periods compared and using the N-1 scope for both financial years.

At 31/12/18	Sales	Current operating result
CHANGE N/N-1 LIKE-FOR-LIKE	**5.2%**	**8.2%**
Forex impact	-1.8%	-6.1%
Scope impact	-0.1%	-0.4%
CHANGE N/N-1 IN REAL TERMS	**3.4%**	**1.8%**

Note 4.3.2 Current operating margin

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

€ thousands	31/12/18	31/12/17
Current operating result	177,845	174,704
Sales	1,126,719	1,089,351
CURRENT OPERATING MARGIN	**15.8%**	**16.0%**

Note 4.3.3 ROCE

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 capital invested (or employed). Capital invested corresponds to the sum of shareholders' equity (with the effects of goodwill impairment being neutralised) and net financial debt.

€ thousands	Notes	31/12/18	31/12/17 Restated for operations treated in accordance with IFRS 5	31/12/17 Published
Current operating result		177,845	174,704	168,403
Restated effective tax rate	*(11.1)*	*17.81%*	*17.64%*	*17.91%*
Current operating result after tax effect		**146,177**	**143,886**	**138,242**
Shareholders' equity		894,394	813,669	770,665
Neutralisation of goodwill impairment	(5.1.2)	44,441	35,097	35,097
Restated shareholders' equity		938,834	848,766	805,762
Net financial debt	(7.2.3)	-222,389	-163,294	-104,640
Capital invested (capital employed)		**716,445**	**685,471**	**701,121**
ROCE (RETURN ON CAPITAL EMPLOYED)		**20.4%**	**21.0%**	**19.7%**

Note 4.3.4 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, 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.

Details of the calculation of the net financial debt are provided in note 7.2.3.

NOTE 4.4 INVENTORIES

Inventories are valued at their procurement cost, determined using the weighted average unit 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	31/12/18	31/12/17 Restated for operations treated in accordance with IFRS 5	31/12/17
Gross value			
Raw materials and other supplies	57,499	53,609	65,562
Finished goods and merchandise	131,253	122,023	131,127
Total	**188,752**	**175,632**	**196,689**
Provisions	**-13,749**	**-11,280**	**-11,982**
NET VALUES	**175,003**	**164,352**	**184,707**

€ thousands	Value 31/12/17	Net charges	Exchange rate movement	Changes in consolidation scope and method	Other movements	Value 31/12/18
Inventory provisions	-11,982	-2,507	63	668	9	**-13,749**

The change in consolidation method mainly concerns Dooya (see Highlights).

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.

The Group limits its exposure to credit risk related to trade receivables by implementing internal procedures (creditworthiness study of new customers, permanent monitoring of outstanding amounts, analysis of the economic environment, etc.). Credit insurance contracts, both in France and internationally, also mitigate the consequences of customer default. Approximately 85% of sales are covered by such contracts.
In accordance with IFRS 9, expected impairment losses on trade receivables are measured on the basis of an impairment table using impairment rates based on the duration of late payments.
The Group's exposure to credit risk related to trade receivables is therefore mainly influenced by the individual characteristics of each customer. The Group also takes into consideration factors that may influence the assessment of risk, in particular the economic background of certain countries in which customers are located.

€ thousands	31/12/18	31/12/17 Restated for operations treated in accordance with IFRS 5	31/12/17
Gross value	153,913	160,860	188,104
Provision	-13,827	-13,280	-14,623
NET VALUE	**140,086**	**147,580**	**173,482**

€ thousands	Value 31/12/17	Charges	Reversals used	Reversals unused	Exchange rate movement	Changes in consolidation scope and method	Other movements	Value 31/12/18
Provision for bad debts	-14,623	-2,615	1,357	538	328	1,187	–	**-13,827**

The change in consolidation method mainly concerns Dooya (see Highlights).

At 31 December 2018, 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	
Gross value	114,157	21,415	4,982	1,513	11,847	**153,913**
Provision	-180	-203	-1,662	-1,104	-10,678	**-13,827**

NOTE 4.6 OTHER CURRENT AND NON-CURRENT RECEIVABLES

Note 4.6.1 Other current receivables

€ thousands	31/12/18	31/12/17 Restated for operations treated in accordance with IFRS 5	31/12/17
Gross value			
Receivables from employees	716	611	4,103
Other taxes (including VAT)	11,231	8,870	9,470
Prepaid expenses	7,585	6,549	6,896
Other receivables	12,390	10,723	11,928
TOTAL	**31,921**	**26,753**	**32,397**

"Other receivables" notably include current receivables of €9.7 million at 31 December 2018 on the disposal of CIAT, compared with €7.6 million at 31 December 2017 (reclassification impact of the 2017 non-current portion to current receivables).

Note 4.6.2 Other non-current receivables

€ thousands	31/12/18	31/12/17 Restated for operations treated in accordance with IFRS 5	31/12/17
Gross value			
Other operating receivables	8	4	4
Other non-operating receivables	625	2,102	2,102
TOTAL	**632**	**2,107**	**2,107**

"Other non-operating receivables" notably included non-current receivables of €2.1 million at 31 December 2017 on the disposal of CIAT. These receivables were reclassified as other current receivables at 31 December 2018.

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	31/12/18	31/12/17 Restated for operations treated in accordance with IFRS 5	31/12/17
Social liabilities	77,322	72,457	82,001
Tax liabilities	10,695	10,085	11,396
Deferred income	638	812	812
Non-current asset suppliers	5,126	5,755	6,053
Other	1,442	1,740	2,180
TOTAL	**95,224**	**90,848**	**102,442**

Note 4.7.2 Other non-current liabilities

€ thousands	31/12/18	31/12/17 Restated for operations treated in accordance with IFRS 5	31/12/17
Other operating liabilities	127	227	227
Other non-operating liabilities	1,125	1,666	1,666
TOTAL	**1,252**	**1,893**	**1,893**

NOTE 5 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

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.

€ thousands	Value
At 1 January 2017	200,394
Impact of changes in consolidation scope and method	–
Impact of changes in foreign exchange rates	-3,552
Charge for impairment	–
AT 31 DECEMBER 2017	**196,842**
Impact of changes in consolidation scope and method	-90,027
Impact of changes in foreign exchange rates	-446
Charge for impairment	-10,143
AT 31 DECEMBER 2018	**96,225**

The change in consolidation method resulted in a €90.5 million reduction for Dooya and a €0.5 million increase for Neocontrol (see Highlights).
The charge for impairment related to Somfy Protect by Myfox for €9.7 million and Neocontrol for €0.4 million (see Highlights).

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.

Value-in-use is determined based on cash flows, which are estimated using plans or budgets over a maximum period of five years; the cash flows beyond that date 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. In certain cases, cash flows can be estimated over longer periods, to be justified CGU by CGU.

At 31 December 2018, 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.

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 2018, cash flow discount rates, determined from market data, were 10% for the European CGUs, 18% for the Brazilian CGUs and 16.5% for Asian CGUs.

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.

BREAKDOWN OF THE GOODWILL OF THE MAIN CGUS AND DETAILS OF THE MAIN ASSUMPTIONS USED FOR EACH CGU AT 31 DECEMBER 2018

€ thousands	Gross value	Impairment	Net value	Discount rate	Rate of growth to infinity
BFT	93,562	-12,942	**80,619**	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	4,975	-4,975	**–**	–	–
Neocontrol	430	-430	**–**	18.0%	3.5%
Lian Da	8,820	-8,820	**–**	–	–
Somfy Protect by Myfox (formerly Myfox)	18,973	-9,700	**9,273**	10.0%	2.0%
iHome	1,403	–	**1,403**	16.5%	2.5%
Simu	2,367	–	**2,367**	10.0%	2.0%
Other	318	–	**318**	10.0%	2.0%
TOTAL FULLY-CONSOLIDATED COMPANIES	**140,666**	**-44,441**	**96,225**	**–**	**–**

The revision of the Somfy Protect by Myfox business plan led to the recognition of goodwill impairment of €9.7 million at 30 June 2018. Given Somfy Protect by Myfox's full consolidation by Somfy, residual goodwill was transferred to the Somfy CGU's overall goodwill at 31 December 2018.

In addition, the growth prospects of Neocontrol have been reviewed downward, resulting in the impairment of the entire goodwill of €0.4 million.

Following a review of the value of other goodwill, no other impairment charge was recognised during the 2018 financial year.

Furthermore, no impairment was necessary in relation to assets with an unspecified 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:

- the total impairment of the BFT goodwill at the end of 2018 was €12.9 million. A two percentage point-increase in the discount rate would result in an additional impairment of €5.0 million.
  A four percentage point-decrease of the EBITDA to sales ratio in the normative flow used in the calculation of the terminal value would require additional impairment of €1.9 million;
- a seven percentage point-increase in the discount rate could result in a €0.1 million impairment of iHome's goodwill.
  A ten percentage point-decrease of the EBITDA to sales ratio in the normative flow used in the calculation of the terminal value would have required a writedown 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 rollout of the solution;
- the "implementation" stage, ending in the transfer of the application to support services. This is the software rollout.

This software is particularly related to the rollout 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 rollout.

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 indeterminate useful lives 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	Deve-lopment costs	Patents and brands	Software	Other	In progress and advance payments	Total
Gross value at 1 January 2018	29,963	42,926	8,267	48,549	2,294	7,694	**139,693**
Acquisitions	–	553	42	911	48	8,365	**9,919**
Disposals	-261	–	–	-331	-279	–	**-871**
Impact of changes in foreign exchange rates	-52	-10	7	-20	-2	–	**-77**
Impact of changes in consolidation scope and method	-19,861	86	-4,072	-374	–	–	**-24,220**
Other movements	–	5,401	–	4,853	–	-10,260	**-6**
AT 31 DECEMBER 2018	**9,789**	**48,957**	**4,244**	**53,588**	**2,061**	**5,799**	**124,437**
Accumulated amortisation at 1 January 2018	-19,928	-29,892	-3,577	-38,671	-1,860	–	**-93,928**
Amortisation charge for the period	-1,173	-3,753	-451	-3,474	-86	–	**-8,937**
Disposals	140	–	-1	326	278	–	**743**
Impact of changes in foreign exchange rates	31	10	-8	19	1	–	**53**
Impact of changes in consolidation scope and method	13,902	-86	737	132	–	–	**14,685**
Other movements	–	-41	-4	51	4	–	**10**
AT 31 DECEMBER 2018	**-7,027**	**-33,763**	**-3,304**	**-41,617**	**-1,662**	**–**	**-87,373**
NET VALUE AT 31 DECEMBER 2018	**2,762**	**15,194**	**940**	**11,971**	**398**	**5,799***	**37,064**

* *Of which development expenses in progress amounting to €4.7 million.*

The change in consolidation method mainly concerns Dooya (see Highlights).

€ thousands	Allocated intangible assets	Deve-lopment 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**
Impact of changes in foreign exchange rates	-1,493	–	-297	-124	-4	–	**-1,919**
Impact of changes in consolidation scope	–	–	–	–	–	–	**–**
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**
Impact of changes in foreign exchange rates	961	–	68	82	4	–	**1,115**
Impact of changes in consolidation scope	–	–	–	–	–	–	**–**
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.*

Development expenses fulfilling the criteria of IAS 38 are capitalised and deemed as internally-generated intangible assets. At 31 December 2018, the gross value of these assets was €53.6 million, of which €4.7 million was in progress and the net value was €19.9 million.
The amount of research and development expenses recognised during the year was €91.9 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 2018 comprised €0.4 million in customer relationships and €2.4 million in capitalised research and development expenses (€6.8 million and €3.2 million respectively at 31 December 2017). The decrease in customer relationships is mainly due to the change in consolidation method of Dooya (see Highlights).

NOTE 5.3 PROPERTY, PLANT AND EQUIPMENT

Except for business combinations, PPE assets are 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 2018	22,525	176,070	269,925	74,600	31,053	**574,173**
Acquisitions	98	464	8,271	6,296	32,752	**47,881**
Disposals	-92	-83	-6,229	-4,811	–	**-11,215**
Impact of changes in foreign exchange rates	-148	-368	-808	-196	-209	**-1,730**
Impact of changes in consolidation scope and method	–	-27,166	-11,718	-11,920	-6,585	**-57,389**
Other movements	327	12,551	18,739	3,213	-34,825	**6**
AT 31 DECEMBER 2018	**22,710**	**161,468**	**278,180**	**67,182**	**22,187**	**551,726**
Accumulated depreciation at 1 January 2018	-832	-82,406	-168,861	-50,061	–	**-302,159**
Depreciation charge for the period	-242	-5,750	-18,861	-6,810	–	**-31,663**
Disposals	92	71	5,796	4,257	–	**10,216**
Impact of changes in foreign exchange rates	17	-60	198	40	–	**195**
Impact of changes in consolidation scope and method	–	4,765	5,352	5,478	–	**15,595**
Other movements	–	–	–	-10	–	**-10**
AT 31 DECEMBER 2018	**-965**	**-83,380**	**-176,376**	**-47,106**	**–**	**-307,828**
NET VALUE AT 31 DECEMBER 2018	**21,745**	**78,087**	**101,804**	**20,076**	**22,187**	**243,898**

The change in consolidation method mainly concerns Dooya (see Highlights).

€ 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**
Impact of changes in foreign exchange rates	242	-1,418	-417	-1,794	34	**-3,353**
Impact of changes in consolidation scope	–	–	–	–	–	**–**
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**
Impact of changes in foreign exchange rates	-22	443	660	1,018	–	**2,099**
Impact of changes in consolidation scope	–	–	–	–	–	**–**
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**

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 2018 consolidated financial statements. The impacts below have been determined in accordance with IAS 17.

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 1 January 2018	7,111	19,448	77	**26,636**
Acquisitions	–	–	–	**–**
Disposals	–	–	-10	**-10**
Impact of changes in foreign exchange rates	–	-1	–	**-1**
Impact of changes in consolidation scope	–	8	–	**8**
Other movements	-574	-2,680	–	**-3,254**
AT 31 DECEMBER 2018	**6,537**	**16,776**	**67**	**23,380**
Accumulated depreciation at 1 January 2018	–	-8,919	-19	**-8,938**
Depreciation charge for the period	–	-640	-14	**-654**
Disposals	–	–	10	**10**
Impact of changes in foreign exchange rates	–	–	–	**–**
Impact of changes in consolidation scope	–	-2	–	**-2**
Other movements	–	1,407	–	**1,407**
AT 31 DECEMBER 2018	**–**	**-8,154**	**-24**	**-8,177**
NET VALUE AT 31 DECEMBER 2018	**6,537**	**8,622**	**43**	**15,202**

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 2018 debt	Discounted 2018 debt
1 year or less	1,454	1,222
Between 1 and 5 years	2,810	2,193
5 years or more	1,684	1,558
TOTAL	**5,948**	**4,973**

€ 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**

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

	31/12/18	31/12/17
Total number of shares	37,000,000	37,000,000
Treasury shares	2,656,833	2,658,967
Par value	€ 0.20	€ 0.20
Proposed dividends	€ 1.40	€ 1.30

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 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	31/12/18	31/12/17
Net profit – Group share (€ thousands)	140,458	159,912
Total number of shares (1)	37,000,000	37,000,000
Treasury shares* (2)	2,656,833	2,658,967
Number of shares used in calculation (1) –(2)	34,343,167	34,341,033
BASIC EARNINGS PER SHARE (€)	**4.09**	**4.66**

* *Representing all treasury shares held by Somfy SA.*

Diluted earnings per share	31/12/18	31/12/17
Net profit – Group share (€ thousands)	140,458	159,912
Total number of shares (1)	37,000,000	37,000,000
Treasury shares** (2)	2,623,593	2,650,442
Number of shares used in calculation (1) –(2)	34,376,407	34,349,558
DILUTED EARNINGS PER SHARE (€)	**4.09**	**4.66**

** *Free shares are excluded.*

Diluted net earnings per share take into account free shares when 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	31/12/18	31/12/17
Cost of net financial debt	-1,249	-634
– *Financial income from investments*	*1,050*	*1,627*
– *Financial expenses related to borrowings*	*-2,299*	*-2,261*
Effect of foreign currency translation	-4,859	-6,972
Other	1,803	2,967
NET FINANCIAL EXPENSE	**-4,305**	**-4,639**

Net financial expense was €4.3 million for the year to 31 December 2018, compared with a net expense of €4.6 million for the year to 31 December 2017. The increase was due to an improvement in unrealised exchange rate effects on foreign currency receivables and payables (mainly TRY, BRL and USD) and by a lower reversal of the provisions on Garen's financial assets in 2018 (€1.5 million in 2018 compared with €2.5 million in 2017).

NOTE 7.2 FINANCIAL ASSETS AND LIABILITIES

The application of IFRS 9 "Financial Instruments" and its impact are detailed in note 1.4.1.

Note 7.2.1 Financial assets

Financial assets are classified into the following categories based on the asset ownership business model and the characteristics of its contractual cash flows:

- assets measured at amortised cost;
- assets measured at fair value through items of other comprehensive income;
- assets measured at fair value through the income statement.

Financial assets are initially recognised at historical cost, which corresponds to the fair value of the price paid, plus transaction costs, with the exception of assets measured at fair value through the income statement, whose transaction costs are recognised in the income statement.

ASSETS MEASURED AT AMORTISED COST

Fixed income securities purchased with the intent of holding them until maturity are classified in this category. 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.

This category also includes 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.

ASSETS MEASURED AT FAIR VALUE THROUGH ITEMS OF OTHER COMPREHENSIVE INCOME OR THROUGH THE INCOME STATEMENT

Group investments in companies over which it neither has control, nor significant influence, nor joint control, are recognised as financial assets measured at fair value according to two possible accounting treatments:

- changes in fair value are recognised in Items of other comprehensive income in the statement of comprehensive income, and in Other reserves in shareholders' equity, with no possibility of transferring them to the income statement in the event of disposal. In the latter case, only dividends are recognised in the income statement;
- changes in fair value, as well as the disposal gain or loss are recognised in the income statement.

The choice between these two methods must be made for each investment from initial recognition and is irreversible.

Assets held for trading purposes, meaning assets acquired by the company with a view to dispose of them in the short term, are measured at fair value and fair value movements 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.

€ thousands	Equity investments	Loans	Deposits and guarantees	Other	Current and non-current financial assets	Realisable within 1 year	Non-current financial assets
At 1 January 2018	1,148	2,095	2,989	73	**6,305**	900	**5,405**
Increase	1,269	75	193	–	**1,537**	1	**1,536**
Decrease	–	-4,481	-113	-97	**-4,691**	-4,690	**-1**
Net change in impairment	2	2,057	–	–	**2,059**	–	**2,059**
Impact of changes in foreign exchange rates	11	3	-16	–	**-3**	3	**-5**
Impact of changes in consolidation scope and method	–	–	-457	-70	**-527**	-407	**-120**
Fair value recognised in items of other comprehensive income	-921	–	–	–	**-921**	–	**-921**
Other movements	–	538	-97	97	**538**	4,641	**-4,103**
AT 31 DECEMBER 2018	**1,509**	**286**	**2,499**	**3**	**4,297**	**448**	**3,849**

Financial assets realisable within one year mainly comprise short-term deposits.
The change in consolidation method mainly concerns Dooya (see Highlights).

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.

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 2018	20,081	6,148	83,870	**110,099**	269	**110,368**	76,852	**33,516**
Increase	118	–	53	**171**	5,663	**5,833**	5,663	**171**
Reimbursement	-147	-1,175	-548	**-1,869**	-229	**-2,098**	-2,045	**-54**
Other movements related to companies acquisitions	–	–	-5,299	**-5,299**	–	**-5,299**	-5,299	–
Total cash movements	**-29**	**-1,175**	**-5,794**	**-6,997**	**5,434**	**-1,564**	**-1,681**	**117**
Impact of the revaluation of put options	–	–	222	**222**	–	**222**	–	**222**
Impact of changes in foreign exchange rates	-19	–	-7	**-26**	229	**203**	-129	**332**
Impact of changes in consolidation scope and method	-18,500	–	-43,758	**-62,259**	–	**-62,259**	-57,123	**-5,136**
Other movements	–	–	-9,722	**-9,722**	–	**-9,722**	7,731	**-17,454**
Total non-cash movements	**-18,520**	**–**	**-53,265**	**-71,785**	**229**	**-71,556**	**-49,521**	**-22,035**
AT 31 DECEMBER 2018	**1,532**	**4,973**	**24,810**	**31,316**	**5,932**	**37,248**	**25,650**	**11,597**

The change of consolidation method mainly concerns Dooya (see Highlights).

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 €24.8 million at 31 December 2018 and €78.1 million at 31 December 2017, as well as to deferred settlements of €5.2 million at 31 December 2017.
At 31 December 2017, the liability resulting from the put option granted to the Dooya partners was recognised under financial liabilities for €55.1 million. At 31 December 2018, the financial liabilities now only integrate the fair value of the put option, the amount of which is equal to the difference between the estimated contractual value that would result from the exercise of the put option and the fair value of the portion corresponding to the underlying assets. The liability derivative was valued at €16.6 million.
Other movements relate to the revaluation of earnouts concerning Somfy Protect by Myfox (see Highlights).
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 7.2.2.2 Analysis by maturity

€ thousands	31/12/18	31/12/17 Restated for operations treated in accordance with IFRS 5	31/12/17
1 year or less	25,650	3,125	76,852
Between 1 and 5 years	9,991	26,106	31,373
5 years or more	1,607	2,143	2,143
TOTAL	**37,248**	**31,374**	**110,368**

Note 7.2.2.3 Analysis by rate

€ thousands	31/12/18	31/12/17 Restated for operations treated in accordance with IFRS 5	31/12/17
Variable rate	10,857	6,355	6,355
Fixed rate	1,036	973	19,605
Non-interest bearing	25,355	24,046	84,408
TOTAL	**37,248**	**31,374**	**110,368**

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	31/12/18	31/12/17 Restated for operations treated in accordance with IFRS 5	31/12/17
Euros	19,501	29,568	29,568
Other	17,747	1,806	80,800
TOTAL	**37,248**	**31,374**	**110,368**

Note 7.2.2.5 Secured liabilities

The Group had no liabilities secured by collateral at 31 December 2018.

Note 7.2.2.6 Covenants

At 31 December 2018, Somfy SA had a total of €190.0 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 2018.
Somfy SA also had undrawn overdraft facilities totalling €53.0 million at 31 December 2018.

Note 7.2.3 Analysis of net financial debt

The definition of the net financial debt can be found in note 4.3.4.

€ thousands	31/12/18	31/12/17 Restated for operations treated in accordance with IFRS 5	31/12/17
Financial assets included in net financial debt calculation	37,242	31,364	110,358
Financial assets included in net financial debt calculation	286	2,164	2,164
– *Marketable securities*	–	–	–
– *Loans*	*286*	*2,095*	*2,095*
– *Miscellaneous*	–	*70*	*70*
Cash and cash equivalents	259,345	192,493	212,834
NET FINANCIAL DEBT	**-222,389**	**-163,294**	**-104,640**
Liabilities related to put options and earnouts	24,778	22,982	78,077
Other financial liabilities	–	–	5,267
RESTATED NET FINANCIAL DEBT	**-247,168**	**-186,276**	**-187,984**

(-) Net financial surplus.

Note 7.2.4 Classification and fair value of financial instruments

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.

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 forward 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 profit.

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.

€ thousands	Amount at 31 December 2018	Assets and liabilities at amortised cost (1) *(Fair value equal to net book value)*	Financial assets and liabilities (2) *(Fair value recognised in items of other comprehensive income)*	Financial assets and liabilities (3) *(Fair value recognised in income statement)*	Fair value hierarchy (2 & 3)
Assets					
Non-current financial assets	**3,849**	2,340	1,510	–	Level 3
Current financial assets	**448**	448	–	–	
Cash and cash equivalents	**259,345**	259,035	–	310	Level 2
Liabilities					
Non-current financial liabilities	**11,597**	4,912	6,685	–	Level 3
Current financial liabilities	**25,650**	7,557	18,093	–	Level 3
Current derivatives	**168**	–	-28	196	Level 2

€ thousands	Amount at 31 December 2017 Published	Amount at 31 December 2017 Restated for operations treated in accordance with IFRS 5	Assets and liabilities at amortised cost (1) *(Fair value equal to net book value)*	Financial assets and liabilities (2) *(Fair value recognised in items of other comprehensive income)*	Financial assets and liabilities (3) *(Fair value recognised in income statement)*	Fair value hierarchy (2 & 3)
Assets						
Non-current financial assets	**5,405**	**5,354**	4,205	1,148	–	Level 3
Current financial assets	**900**	**493**	493	–	–	
Current derivatives	**596**	**596**	–	303	293	Level 2
Cash and cash equivalents	**212,834**	**192,493**	192,231	–	262	Level 2
Liabilities						
Non-current financial liabilities	**33,516**	**28,249**	6,267	21,982	–	Level 3
Current financial liabilities	**76,852**	**3,125**	2,125	1,000	–	Level 3

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 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).
Non-consolidated equity investments, as well as earnouts and options 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	31/12/18	31/12/17 Restated for operations treated in accordance with IFRS 5	31/12/17
Cash	229,054	181,511	194,843
Cash equivalents	30,291	10,982	17,990
CASH AND CASH EQUIVALENTS	**259,345**	**192,493**	**212,834**

Cash equivalents are mainly interest-bearing current accounts and term deposits with maturities of less than three months.

NOTE 7.3 FINANCIAL RISK MANAGEMENT POLICY

The application of IFRS 9 “Financial Instruments” from 1 January and its impact are detailed in note 1.4.1.

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 and purchases denominated in local currencies).
Almost 70% of consolidated Group sales were generated in the Euro zone in the year to 31 December 2018, unchanged from 2017.
Foreign currency denominated assets represent 12% of total assets at 31 December 2018, compared with 20% 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 been applying hedge accounting to foreign currency hedging 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 income/(expense).
The negative impact of the effective portion of hedges at 31 December 2018 was €0.5 million on items of other comprehensive income (€0.3 million net of deferred tax) and €0.5 million on profit and loss (transfer from equity).
The ineffective portion of hedges was nil at 31 December 2018 and 2017.

Foreign exchange hedges by currency

31/12/18 € thousands	Contract nominal value			
	Sales	Purchases	Net total	Fair value
AUD	4,501	–	**4,501**	68
CAD	2,179	-320	**1,858**	43
CHF	6,300	–	**6,300**	-85
CNY	–	-11,936	**-11,936**	127
GBP	4,886	–	**4,886**	16
HKD	1,282	-480	**803**	-21
HUF	623	–	**623**	-6
ILS	4,421	–	**4,421**	63
JPY	3,689	–	**3,689**	-99
MXN	515	–	**515**	-11
NOK	2,553	–	**2,553**	56
PLN	5,277	–	**5,277**	-35
RON	708	–	**708**	-8
RUB	1,143	–	**1,143**	-2
SEK	1,950	–	**1,950**	-73
SGD	720	–	**720**	-20
THB	3,838	-3,320	**518**	-11
TRY	1,485	–	**1,485**	-125
USD	830	-2,620	**-1,790**	74
	46,901	**-18,676**	**28,225**	**-49**

31/12/17 € thousands	Contract nominal value		Net total	Fair value
	Sales	Purchases		
AUD	1,434	–	**1,434**	43
CAD	2,394	–	**2,394**	39
CHF	427	–	**427**	28
CNY	–	-17,298	**-17,298**	265
GBP	4,396	–	**4,396**	17
HKD	467	–	**467**	21
ILS	3,915	–	**3,915**	-4
JPY	444	–	**444**	43
NOK	1,413	–	**1,413**	70
PLN	3,424	-2,873	**551**	7
RUB	677	–	**677**	-3
SEK	511	–	**511**	4
SGD	749	–	**749**	-6
THB	312	–	**312**	-3
TRY	880	–	**880**	-36
USD	–	-834	**-834**	-3
	21,442	**-21,005**	**437**	**483**

Foreign exchange hedges by type

31/12/18 € thousands	Contract nominal value		Net total	Fair value
	Sales	Purchases		
Fair Value Hedges	13,761	-7,634	**6,128**	-49
Cash Flow Hedges	33,140	-11,043	**22,097**	
Net Investment Hedges	–	–	**–**	–
Trading	–	–	**–**	–
	46,901	**-18,676**	**28,225**	**-49**

31/12/17 € thousands	Contract nominal value		Net total	Fair value
	Sales	Purchases		
Fair Value Hedges	11,389	-11,458	**-68**	483
Cash Flow Hedges	10,053	-9,547	**506**	
Net Investment Hedges	–	–	**–**	–
Trading	–	–	**–**	–
	21,442	**-21,005**	**437**	**483**

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 income/(expense).
The Group did not use any interest-rate hedging instruments during the 2018 financial year, as was also the case in 2017.

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).

Credit risk

Given the composition of its marketable securities portfolio (interest-bearing current accounts and term deposits) and the credit risk of its main banking partners, which are rated between A and A+, the Group's exposure to investment risk is low.

Raw material risks

The Group has implemented procedures to limit its exposure to risks related to changes in raw material prices.
Somfy protects against movements in raw material prices by placing firm orders with its suppliers (physical hedges for copper) and *via* hedging agreements for materials on the financial markets (copper and zinc paper hedges) on components that cannot be physically hedged.

In accordance with IFRS 9, the Group is in a position to apply hedge accounting to a material component of a non-financial item. As such, the effective portion of financial instruments implemented is therefore taken to items of other comprehensive income and the ineffective portion is recognised in net financial income/(expense).
The impact of efficient hedges on items of other comprehensive income was a negative €0.2 million at 31 December 2018. The ineffective portion of hedges was nil at 31 December 2018 and 2017.

31/12/18	Tonnes	Hedging of off-balance sheet items *€ thousands*	Fair value *€ thousands*	Types
Copper	319	1,714	-63	Swap
Zinc	608	1,352	-56	Swap
	927	**3,066**	**-119**	

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

The cash flow statement is prepared using the indirect method: this method presents the reconciliation of net profit with the net cash generated by operations over the year. Cash and cash equivalents at the beginning and end of the year include cash and cash equivalents, which consist of investment instruments, less bank overdrafts and outstanding items.

NOTE 8.1 CASH AND CASH EQUIVALENTS

€ thousands	31/12/18	31/12/17
CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	**212,564**	**126,249**
Cash and cash equivalents at the start of the period	212,834	133,847
Bank overdrafts	-269	-7,598
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**253,413**	**212,564**
Cash and cash equivalents at the end of the period	259,345	212,834
Bank overdrafts	-5,932	-269

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 investing activities in the cash flow statement and decreased by €0.6 million in the year ended 31 December 2018 compared with an increase of €0.4 million in 2017.

During 2018, the Group acquired intangible assets and property, plant and equipment totalling €57.8 million, compared with €57.1 million in 2017.

Net of cash receipts related to disposals of intangible assets and property, plant and equipment, investments totalled €57.3 million in 2018 compared with €56.0 million in 2017.

NOTE 8.3 CHANGE IN WORKING CAPITAL REQUIREMENTS

€ thousands	31/12/18	31/12/17
Net decrease/(increase) in inventory	-12,109	-17,356
Net decrease/(increase) in trade receivables	6,322	-15,791
Net (decrease)/increase in trade payables	4,266	8,874
Net movement in other receivables and payables	15	2,655
CHANGE IN WORKING CAPITAL REQUIREMENTS	**-1,506**	**-21,618**

NOTE 8.4 COMPANIES ACQUISITIONS AND DISPOSALS, NET OF CASH ACQUIRED OR DISPOSED OF

In 2018, net cash flow from acquisitions consisted mainly of the partial payment of one of Somfy Protect by Myfox's earnouts for €5.6 million, as well as the acquisition of the remaining 49% of iHome's capital for €0.9 million and the remaining 39% of Neocontrol's capital for €0.5 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 agents	Provisions for liabilities and charges	Total 2018
At 1 January 2018	6,105	1,225	429	3,992	**11,751**
Charges	82	512	27	228	**849**
Reversals used	–	-438	-19	-85	**-542**
Reversals unused	–	-223	–	-189	**-412**
Impact of changes in foreign exchange rates	-23	-2	–	8	**-17**
Impact of changes in consolidation scope and method	-512	–	–	-2,148	**-2,660**
Other movements	-32	–	–	–	**-32**
AT 31 DECEMBER 2018	**5,620**	**1,074**	**437**	**1,805**	**8,936**

The change in consolidation method mainly concerns Dooya (see Highlights).

Note 9.1.2 Current provisions

€ thousands	Provisions for guarantees	Provisions for litigation	Provisions for liabilities and charges	Total 2018
At 1 January 2018	5,267	312	2,148	**7,727**
Charges	–	409	1,499	**1,908**
Reversals used	-129	-79	-656	**-864**
Reversals unused	–	–	-508	**-508**
Impact of changes in foreign exchange rates	-7	-1	-6	**-14**
Impact of changes in consolidation scope and method	-791	–	–	**-791**
Other movements	32	–	–	**32**
AT 31 DECEMBER 2018	**4,371**	**641**	**2,477**	**7,489**

A provision of €1.2 million has been established for the termination costs of a project in China.
The change in consolidation method mainly concerns Dooya (see Highlights).

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 2018, including temporary and part-time employees recorded on a full-time equivalent basis, was as follows:

	31/12/18	31/12/17
Average workforce	6,168	5,963

The average workforce at 31 December 2017 was restated to exclude the Dooya workforce (2,885 people) for comparison purposes.

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 recognized 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, with regard to the accretion expense, 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.

Also, the severance pay provision (TFR) applicable to Italian companies is treated as a long-term benefit.

At 31 December 2018, actuarial losses recognised in reserves amounted to €6.2 million (*i.e.* a negative €9.2 million in "Employee benefits" and a positive €3.0 million in deferred tax).

Movements between 2017 and 2018 can be analysed as follows:

RETIREMENT BENEFITS – FRANCE

€ thousands	Gross obligation	Plan assets	Net obligation	Balance sheet position
AT 31 DECEMBER 2017	**16,153**	**-852**	**15,301**	**15,301**
Net expense for the period:	987	-13	**974**	974
– *current service cost and financial cost*	*987*	–	***987***	*987*
– *return on plan assets*	–	*-13*	***-13***	*-13*
– *employee contributions*	–	–	–	–
Contributions paid	-99	59	**-40**	-40
Benefits paid	–	–	–	–
Actuarial gains & losses/Past service cost	1,663	-19	**1,644**	1,644
Changes in consolidation scope	–	–	–	–
AT 31 DECEMBER 2018	**18,704**	**-825**	**17,879**	**17,879**

€ 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**

RETIREMENT BENEFITS – OTHER COUNTRIES

€ thousands	Gross obligation	Plan assets	Net obligation	Balance sheet position
AT 31 DECEMBER 2017	**18,992**	**-15,335**	**3,657**	**3,657**
Net expense for the period:	1,246	-445	**801**	801
– *current service cost and financial cost*	*1,246*	–	***1,246***	*1,246*
– *return on plan assets*	–	*-445*	***-445***	*-445*
– *employee contributions*	–	–	–	–
Contributions paid	–	-859	**-859**	-859
Benefits paid	-240	–	**-240**	-240
Actuarial gains & losses	-7	1,649	**1,642**	1,642
Changes in foreign exchange rates	759	-706	**53**	53
Changes in consolidation scope	–	–	–	–
AT 31 DECEMBER 2018	**20,750**	**-15,696**	**5,054**	**5,054**

€ 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 & 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**

LONG SERVICE AND JUBILEE AWARDS

€ thousands	31/12/17	Cost	Benefits paid	Changes in consolidation scope & exchange rates	31/12/18
Actuarial liabilities	2,282	198	-52	-9	**2,419**

€ thousands	31/12/16	Cost	Benefits paid	Changes in consolidation scope & exchange rates	31/12/17
Actuarial liabilities	2,172	173	-47	-16	**2,282**

TFR – *TRATTAMENTO DI FINE RAPPORTO* (ITALIAN SEVERANCE PAY PROVISION)

€ thousands	31/12/17	Cost	Benefits paid	Changes in consolidation scope	31/12/18
Liabilities	2,149	1,178	-1,240	–	**2,087**

€ thousands	31/12/16	Cost	Benefits paid	Changes in consolidation scope	31/12/17
Liabilities	2,261	1,122	-1,233	-1	**2,149**

Defined benefit plans had a negative impact of €1.8 million on net profit in 2018.

The main actuarial assumptions used are as follows:

At 31 December	2018	2017
Discount rate		
France	1.5%	1.5%
Germany	1.5%	1.5%
United States	4.0%	4.0%
Other	1.0-5.0%	1.0-4.5%
Future salary increases		
France	2.0-2.1%	2.1-2.3%
Germany	2.0%	2.0%
United States	2.0%	2.0%
Other	1.5-4.0%	1.0-3.5%

The sensitivity of the gross retirement benefit commitment based on a variation of +0.5%/-0.5% in discount rate is -6.68%/+7.37%, respectively.

Note 10.2.2 Gross remuneration of Management Board and Supervisory Board members

€ thousands	31/12/18	31/12/17
Short term benefits	1,707	1,583
Post-employment benefits	24	22

As of 2017, short-term benefits include the payment of a premium 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.

NOTE 10.3 SHARE-BASED PAYMENTS

Some 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 2018, no more stock option plans existed.

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 2018, the final vesting related to 8,525 shares allocated to 55 beneficiaries who are non-French tax residents.

At its meeting on 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.

In addition, at its meeting on 12 November 2018 the Management Board of Somfy SA decided to allocate Somfy SA performance shares to seven beneficiaries who are employees of Somfy Protect by Myfox. The vesting of these performance shares is subject to a condition of continued employment within the Group. Final vesting will take place on 30 June 2021. The shares vested will be available immediately since they are not subject to a retention obligation.

At 31 December 2018, the free share position was as follows:

Plan date		Plan n°	Number of beneficiaries	Number of shares allocated	Price per share (€)	Allocation date	Vesting date	Revision of share number related to presence and performance conditions	Number of shares vested since plan inception	Number of shares not yet vested at 31/12/18	Number of shares potentially vested at 31/12/18
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	-9,125	–	N/A
21/02/04	**Total**	**AGA 2**	**154**	**57,950**	**–**	**–**	**–**	**-31,825**	**-26,125**	**–**	**N/A**
16/06/17	**Residents and non-residents**	**AGA 3**	**195**	**138,325**	**88.82**	**01/07/19**	**01/07/19**	**-110,324**	**–**	**–**	**28,001**
12/11/18	**Myfox plan**	**AGA 4**	**7**	**5,239**	**66.26**	**30/06/21**	**30/06/21**	**–**	**–**	**–**	**5,239**

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 2018: Somfy SA, Somfy Activités SA, Simu, CMC, SEM-T, Domis SA, BFT Sud-Est, Opendoors, Automatismes BFT France, Overkiz and Somfy Protect by Myfox.

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.

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 future 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 operating 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	31/12/18	31/12/17
Profit before tax from continuing operations	**165,837**	**169,847**
Share of expenses on dividends	*1,732*	*1,600*
Goodwill impairment	*421*	*–*
Reclassification of CVAE to Income tax	*-3,825*	*-3,589*
Reclassification of CICE to Employee expenses	*-2,382*	*-2,657*
Reclassification of CIR to Other operating income	*-6,645*	*-5,717*
Other	*988*	*2,924*
Permanent differences	-9,712	-7,439
Net profit taxed at reduced rate	-32,530	-31,707
Net profit taxable at standard rate	123,594	130,700
Tax rate in France	*34.43%*	*34.43%*
Tax charge recalculated at the French standard rate	42,554	45,000
Tax at reduced rate	5,042	4,915
Difference in standard rate in foreign countries	*-21,165*	*-22,651*
Tax losses for the year, unrecognised in previous periods, deficits used	*3,042*	*942*
Effect of the rate difference	-18,124	-21,709
Tax credits	-3,678	-6,216
Other taxes and miscellaneous	3,736	-18,003
GROUP TAX	**29,530**	**3,987**
Effective rate	***17.81%***	***2.35%***

The results taxed at a **reduced rate** involve royalties, which were taxed at 15.5% (unchanged from 2017).
The main countries that contributed to the **difference in the tax rate** were Tunisia (€13.0 million), Germany (€0.7 million), other European countries (€5.9 million) and the United States (€1.0 million).
Tax credits were primarily affected by the SOPEM tax credit (Poland): €2.6 million in 2018 compared with €5.9 million in 2017.
Other taxes and miscellaneous items included, in particular, the French Corporate Value-Added Contribution (CVAE), which amounted to €3.8 million in 2018 and €3.6 million in 2017. In 2017, this item also included a total of €22.3 million in corporate income tax relief.
In France, the Draft 2018 Finance Act, in keeping with the 2017 Finance Act, changed the procedures 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 in 2017 and €0.2 million in 2018.
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 17.64% 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 €59.2 million at the end of 2018, based on the standard tax rate, compared with €57.6 million at the end of 2017.
No significant deferred tax assets were recognised in 2018 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	31/12/18	31/12/17
Deferred tax assets		
– Actuarial gains and losses on pensions	2,966	2,041
– Foreign currency hedges	17	–
– Raw material hedges	41	–
Deferred tax liabilities		
– Foreign currency hedges	–	166
– Raw material hedges	–	31
NET DEFERRED TAX	**3,024**	**1,844**

NOTE 11.3 ANALYSIS BY NATURE

€ thousands	31/12/18	31/12/17 Restated for operations treated in accordance with IFRS 5	31/12/17	Of which income statement impact
Deferred tax on restatements related to standards and temporary differences, including:	1,717	2,490	2,711	-892
– *restatements due to pensions*	*6,901*	*5,744*	*5,744*	*210*
– *restatements resulting from provision methods*	*5,840*	*5,891*	*6,199*	*-32*
– *restatements due to tax and social liabilities*	*3,243*	*3,689*	*3,689*	*84*
– *restatements due to SOPEM tax credit*	*16,312*	*17,003*	*17,003*	*-201*
– *restatements on the fair value of hedge instruments*	*58*	–	–	*168*
– *restatements resulting from acquisition expenses*	*350*	*386*	*386*	*-36*
– *restatements related to the fair value of non-current assets*	*-682*	*-694*	*-694*	*-12*
– *restatements related to finance leases*	*-8,400*	*-8,611*	*-8,611*	*211*
– *restatements related to differences in amortisation and depreciation*	*-10,606*	*-8,924*	*-8,924*	*-1,773*
– *restatements from the capitalisation of development costs*	*-6,294*	*-5,992*	*-5,992*	*-303*
– *other*	*-5,006*	*-6,002*	*-6,089*	*791*
Deferred tax on intragroup margins	7,291	6,720	6,904	718
Miscellaneous	-60	-60	-60	–
TOTAL	**8,948**	**9,151**	**9,555**	**-174**
DEFERRED TAX ASSETS	**25,720**	**23,405**	**25,010**	
DEFERRED TAX LIABILITIES	**-16,772**	**-14,254**	**-15,455**	

Deferred tax assets and liabilities by jurisdiction or entity are offset in accordance with IAS 12.

NOTE 12 OFF-BALANCE SHEET COMMITMENTS

—

The Group's commitments comprise the following:

NOTE 12.1 COMMITMENTS GIVEN

€ thousands	31/12/18	31/12/17 Restated for operations treated in accordance with IFRS 5	31/12/17
Guarantees & deposits granted and liability guarantee on CIAT disposal, Dooya put option	81,221	18,390	18,390
Interest over the remaining terms of loans	1,066	1,357	1,528
Rental payments outstanding on operating leases	54,704	26,307	30,548
Copper forward purchase	3,066	3,183	3,183
Foreign currency forward sale and purchase	22,097	506	506
TOTAL	**162,154**	**49,742**	**54,154**

Given the change in Dooya's consolidation method, the put option granted to the co-owners is an off-balance sheet commitment at 2018 year-end. It has been exercisable since the end of 2015.
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.
Rental payments outstanding on operating leases are broken down into €46.3 million for real-estate rentals, €7.5 million for vehicles rentals and €1.0 million for other movable assets rentals.

NOTE 12.2 COMMITMENTS RECEIVED

€ thousands	31/12/18	31/12/17
Guarantees & deposits received and liability guarantees (Myfox, iHome)	10,937	13,606
Unused credit lines	190,500	208,410
TOTAL	**201,437**	**222,016**

At 31 December 2017, the commitments received did not include any items relating to Dooya.

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 book 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.

NOTE 13 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AND RELATED PARTIES

—

NOTE 13.1 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

€ thousands	31/12/18	31/12/17
Investments in associates at the beginning of the year	425	1,880
Changes in consolidation scope and method	131,754	193
Share of profit/(loss) from associates	1,429	-1,491
Dividends paid	–	-85
Changes in foreign exchange rates	-827	-73
INVESTMENTS IN ASSOCIATES AT THE END OF THE PERIOD	**132,781**	**425**
of which Investments in associates and joint ventures	132,781	939
of which Other non-current liabilities	–	514

"Investments in associates and joint ventures" consist of investments in Dooya and Arve Finance.
The change in consolidation method mainly concerns Dooya (see Highlights).
Somfy exercised its call option and acquired the remaining 39% interest in the share capital of Neocontrol, which is now fully consolidated.

Dooya's major aggregates are as follows:

€ thousands	31/12/18	31/12/17
Income statement		
Sales	178,040	162,791
Current operating result	-2,503	-6,301
Net loss	-3,909	-6,627

Dooya's net loss was €3.9 million for the year to 31 December 2018. The share attributable to Somfy was €2.7 million, being a loss of €4.2 million for the first half and a profit of €1.4 million for the second half.

€ thousands	31/12/18	31/12/17
Balance sheet		
Non-current assets	48,963	54,118
Current assets	80,025	75,729
Non-current liabilities	4,110	9,153
Current liabilities	86,540	78,257
Shareholders' equity	38,338	42,438

€ thousands	31/12/18	31/12/17
Cash flow statement		
Net cash flow from operating activities	-1,401	12,203
Net cash flow from investing activities	-4,250	-8,922
Net cash flow from financing and capital activities	-116	4,302

At 31 December 2018, the Group reviewed the value of equity-accounted investments.
The recoverable amount of an equity investment 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 investment in associates 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.
Acquisition goodwill related to equity-accounted companies is posted to the "Investments in associates and joint ventures" account.
Impairment recorded on the equity-accounted value may be reversed in the event of a significant recovery in the value of the equity investment.
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.
Value-in-use is determined based on cash flows, which are estimated using plans or budgets over a maximum period of five years; the cash flows beyond that date 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. In certain cases, cash flows can be estimated over longer periods, to be justified equity investment by equity investment.
For the purposes of the impairment test on the investment in Dooya, a discount rate of 12.5% and a growth rate to infinity of 2.75% were used.
No impairment charge was recorded during the 2018 financial year.
A one-point increase in the discount rate or a two-point decrease in the EBITDA to sales ratio in the normative flow used in the calculation of the terminal value could lead to an impairment loss of approximately €5 million on equity-accounted securities.

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 or joint control and which are consolidated using the equity method. Transactions with related parties are made on arm's length terms.
Group purchases from Dooya totalled €6.5 million for the year to 31 December 2018 and €5.6 million for the year to 31 December 2017. Group trade payables with Dooya stood at €1.3 million at 31 December 2018 and €1.1 million at 31 December 2017.
Transactions with other related parties involved negligible amounts.

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 net of tax (excluding disbursements) paid by the parent company and its subsidiaries to the Statutory Auditors for their terms of office:

	Ernst & Young		KPMG		Total	
€ thousands	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Certification of financial statements						
Issuer	98	96	75	74	**173**	**170**
Subsidiaries	671	745	314	180	**985**	**925**
Sub-total	**769**	**841**	**389**	**254**	**1,158**	**1,095**
Other services*						
Issuer	86	68	18	10	**103**	**78**
Subsidiaries	121	168	20	3	**141**	**170**
Sub-total	**206**	**236**	**38**	**12**	**244**	**248**
TOTAL	**975**	**1,077**	**426**	**266**	**1,402**	**1,343**

* *These services cover services required by law and regulations (reports on capital increases, comfort letters, etc.) as well as services provided at the request of Somfy and its subsidiaries (due diligence, legal and tax assistance and various certifications).*

NOTE 15 LIST OF CONSOLIDATED AND EQUITY-ACCOUNTED ENTITIES

Company name	Head office	% control 31/12/18	% interest 31/12/18	% interest 31/12/17
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	Cluses (France)	100.00	100.00	100.00
Somfybat	Cluses (France)	100.00	100.00	100.00
Domis SA	Rumilly (France)	100.00	100.00	100.00
SITEM SARL	Zaghouan (Tunisia)	100.00	100.00	100.00
SITEM Services SARL	Zaghouan (Tunisia)	100.00	100.00	100.00
SOPEM spolka z ograniczona odpowiedzialnoscia	Niepolomicie (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 Brasil LTDA	Osasco (Brazil)	100.00	100.00	100.00
Neocontrol Soluções em Automação SA	Belo Horizonte (Brazil)	100.00	100.00	–
Neocontrol US LLC	Orlando (United States)	100.00	100.00	–
Somfy Colombia SAS	Bogota (Colombia)	100.00	100.00	100.00
Somfy Argentina SRL	Buenos Aires (Argentina)	100.00	100.00	100.00
GABR Participações LTDA	São Paulo (Brazil)	100.00	100.00	100.00
Somfy GmbH (Germany)	Rottenburg (Germany)	100.00	100.00	100.00
HIMOTION BV	Leiden (Netherlands)	100.00	100.00	100.00
Somfy GmbH (Austria)	Elsbethen-Glasenbach (Austria)	100.00	100.00	100.00
Somfy Kereskedelmi KFT	Budapest (Hungary)	100.00	100.00	100.00
Somfy spolka z ograniczona odpowiedzialnoscia	Warsaw (Poland)	100.00	100.00	100.00
Somfy Spol sro	Prague (Czech Republic)	100.00	100.00	100.00
Somfy SRL	Tărlungeni (Romania)	100.00	100.00	100.00
Somfy Limited Liability Company	Moscow (Russia)	100.00	100.00	100.00
Somfy SIA	Riga (Latvia)	100.00	100.00	100.00
Limited Liability Company Somfy	Kiev (Ukraine)	100.00	100.00	100.00
Somfy Bulgaria AD	Sofia (Bulgaria)	100.00	100.00	100.00
Chusik Hoesa Somfy	Seongnam (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	Cornella de Llobregat (Spain)	100.00	100.00	100.00
Automatismos Pujol SL	Sant Fruitos de Bages (Spain)	100.00	100.00	100.00
Automatismos Pujol Portugal Lda	Rio de Mouro (Portugal)	100.00	100.00	100.00
SAP SRL	Pomezia (Italy)	100.00	100.00	100.00
Somfy Systems Inc.	Dayton (United States)	100.00	100.00	100.00

Company name	Head office	% control 31/12/18	% interest 31/12/18	% interest 31/12/17
Somfy SA (Suisse)	Bassersdorf (Switzerland)	100.00	100.00	100.00
Somfy Sweden Aktiebolag	Malmö (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
Somfy (Thailand) Co., Ltd	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
Somfy Asia-Pacific Co Ltd	Hong-Kong	100.00	100.00	100.00
Ningbo Dooya Mechanic and Electronic Technology Co Ltd	Ningbo (China)	–	–	70.00
Shanghai Zhengshang Co., ltd	Shanghai (China)	–	–	70.00
Shanghai Branch	Shanghai (China)	–	–	70.00
Hui Gong Intelligence Technology LTD	Shanghai (China)	–	–	70.00
New Unity LTD	Hong-Kong	–	–	70.00
Dooya Sun Shading Technology Co. Ltd.	Ningbo (China)	–	–	70.00
Ningbo Sleepwell Co Ltd	Ningbo (China)	–	–	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
Zhejiang Lian Da Science and Technology Co., Ltd.	Zhejiang (China)	95.00	95.00	95.00
Baixing Co Ltd	Ningbo (China)	–	–	70.00
Herzborg Technology	Ningbo (China)	–	–	70.00
Shanghai Goodnight	Ningbo (China)	–	–	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	Rishon Le Zion (Israel)	100.00	100.00	100.00
Somfy Maroc	Casablanca (Morocco)	100.00	100.00	100.00
Somfy Hellas SA	Acharnai (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	Cape Town (South Africa)	100.00	100.00	100.00
Somfy Tunisie	Tunis (Tunisia)	100.00	100.00	100.00
Somfy Services	Tunis (Tunisia)	50.00	50.00	50.00
Somfy Mexico SA DE CV	Tlalnepantla (Mexico)	100.00	100.00	100.00
Syservmex SRL DE CV	Tlalnepantla (Mexico)	100.00	100.00	100.00
Somfy Kabushiki Kaisha	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	Hoofddorp (Netherlands)	100.00	100.00	100.00
Somfy LLC	Dover (United States)	100.00	100.00	100.00
Somfy ULC	Halifax (Canada)	100.00	100.00	100.00

Company name	Head office	% control 31/12/18	% interest 31/12/18	% interest 31/12/17
Simu	Gray (France)	100.00	100.00	100.00
Simu GmbH	Iserlohn (Germany)	100.00	100.00	100.00
Window Automation Industry SRL	Galliera (Italy)	100.00	100.00	100.00
Overkiz	Metz-Tessy (France)	96.63	96.63	96.63
Overkiz Asia Co. Limited	Hong-Kong	96.63	96.63	96.63
Opendoors	Cluses (France)	100.00	100.00	100.00
iHome Systems (Asia) Limited	Hong-Kong	100.00	100.00	51.00
iHome Systems (Thailand) Co. Ltd	Bangkok (Thailand)	100.00	100.00	51.00
Intelligent Home Systems (MY) Sdn. Bhd	Kuala Lumpur (Malaysia)	100.00	100.00	51.00
iHome Systems (SG) Pte. Ltd	Singapore	100.00	100.00	51.00
Somfy Protect by Myfox	Labège (France)	100.00	100.00	100.00
SEM-T	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
BFT SpA	Schio (Italy)	100.00	100.00	100.00
Automatismes BFT France	Saint-Priest (France)	100.00	100.00	100.00
BFT Group Italiberica de Automatismos SL	Granollers (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
BFT Americas Inc.	Boca Raton (United States)	100.00	100.00	100.00
BFT Portugal SA	Coimbra (Portugal)	100.00	100.00	100.00
BFT Automation (South) Ltd	Swindon (UK)	100.00	100.00	100.00
BFT Automation Australia PTY	Wetherill Park (Australia)	100.00	100.00	100.00
BFT CZ Sro	Prague (Czech Republic)	100.00	100.00	100.00
O&O SRL	Soliera (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	Kocaeli (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
Pujol Italia 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	Bucarest (Romania)	100.00	100.00	100.00
BFT Automation New Zealand	Auckland (New Zealand)	100.00	100.00	100.00
BFT Sud-Est	Saint Laurent du Var (France)	100.00	100.00	100.00
BFT Automatech Italia SRL	Verona (Italy)	100.00	100.00	100.00

Company name	Head office	% control 31/12/18	% interest 31/12/18	% interest 31/12/17
Equity-accounted companies				
Arve Finance	Cluses (France)	50.17	50.17	50.17
Neocontrol Soluções em Automação SA	Belo Horizonte (Brazil)	–	–	61.00
Neocontrol US LLC	Orlando (United States)	–	–	61.00
Hong Kong CTLT Trade Co. LTD	Hong-Kong	70.00	70.00	–
Ningbo Dooya Mechanic and Electronic Technology Co Ltd	Ningbo (China)	70.00	70.00	–
Shanghai Zhengshang Co., ltd	Shanghai (China)	70.00	70.00	–
Shanghai Branch	Shanghai (China)	70.00	70.00	–
Hui Gong Intelligence Technology LTD	Shanghai (China)	70.00	70.00	–
New Unity LTD	Hong-Kong	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	–
Baixing Co Ltd	Ningbo (China)	70.00	70.00	–
Herzborg Technology	Ningbo (China)	70.00	70.00	–
Shanghai Goodnight	Ningbo (China)	70.00	70.00	–

08
PARENT COMPANY FINANCIAL STATEMENTS

08
PARENT COMPANY FINANCIAL STATEMENTS

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

€ thousands	31/12/18	31/12/17
Net sales	3,412	3,234
Other income	1,070	483
Other expenses:	-12,072	-11,179
Personnel expenses	*-1,368*	*-1,295*
Taxes and duties	*-208*	*-224*
Net operating expenses	*-10,496*	*-9,660*
Amortisation, depreciation and provision charges/reversals	–	–
OPERATING RESULT	**-7,590**	**-7,462**
Net financial income	**101,374**	**89,112**
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	**93,784**	**81,650**
Extraordinary result	**–**	**-55**
PROFIT BEFORE TAX	**93,784**	**81,595**
Income tax	4,457	25,516
NET PROFIT	**98,241**	**107,111**

BALANCE SHEET AT 31 DECEMBER 2018

BALANCE SHEET - ASSETS

€ thousands	31/12/18 Net	31/12/17 Net
Non-current assets		
Intangible assets	1	1
Property, plant and equipment	–	–
Financial assets	409,355	414,061
Total Non-current assets	**409,355**	**414,062**
Current assets		
Inventories and work-in progress	–	–
Trade receivables	1,205	325
Other receivables and accruals	77,776	75,151
Marketable securities and term deposits	111,893	98,068
Cash and cash equivalents	191,389	121,132
Total Current assets	**382,264**	**294,677**
TOTAL ASSETS	**791,619**	**708,739**

EQUITY AND LIABILITIES

€ thousands	31/12/18	31/12/17
Shareholders' equity		
Share capital	7,400	7,400
Merger and issue premium	1,866	1,866
Reserves	483,427	420,962
Net profit	98,241	107,111
Total Shareholders' equity	**590,934**	**537,339**
Provisions for liabilities and charges	**7,756**	**6,968**
Liabilities		
Borrowings and financial liabilities	5,876	205
Trade payables	2,785	3,988
Other payables and accruals	184,268	160,239
Total Liabilities	**192,929**	**164,432**
TOTAL EQUITY AND LIABILITIES	**791,619**	**708,739**

PROPOSED ALLOCATION OF 2018 PROFIT

Euros	
Source	
Retained earnings from prior years	3,454,549.80
Net profit for the year	98,241,162.81
Legal reserve	–
	101,695,712.61

Euros	
Allocation	
Dividends	51,800,000.00
Legal reserve	–
Optional reserves	49,895,712.61
	101,695,712.61

NOTES TO THE SOMFY SA FINANCIAL STATEMENTS

The financial statements have been prepared for the 12-month period from 1 January 2018 to 31 December 2018.

A - SIGNIFICANT EVENTS OF THE FINANCIAL YEAR

—

RENEGOTIATION OF SOMFY PROTECT BY MYFOX'S EARNOUTS

Negotiations with the former shareholders of Somfy Protect by Myfox were finalised on 26 July 2018 in order to redefine both the amount of the earnouts and their maturity. They resulted in a €9.7 million reduction in securities and financial liabilities.

B - CONTINGENT LIABILITIES

—

SPIREL

The dispute between **Spirel** employees and **Somfy SA** is still ongoing before the Chambéry Court of Appeals. 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. Proceedings are still underway and a resolution is expected during 2019.

In addition, 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 Court of Appeals – were dismissed in November 2016. The employees applied to the Albertville Labour Court once again in early July 2017 and these applications were also rejected in 2018.

These factors do not alter Somfy SA's risk evaluation. Therefore, it continues to qualify these risks as contingent liabilities and no provision was recognised in relation to these disputes at 31 December 2018.

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 €13.2 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. Proceedings before the Commercial Court and the Court of Appeals are ongoing.

As the process and documentation provided by UTC currently stand, 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 2018.

At 31 December 2018, Somfy SA's financial statements include a receivable for deferred settlement 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. These proceedings are still ongoing. Somfy SA remains confident regarding the settlement of these sums and therefore no writedown in relation to these receivables was recognised at 31 December 2018.

C - POST-BALANCE SHEET EVENTS

—

To the best of Somfy SA's knowledge, no event has occurred since 31 December 2018 that is likely to have a material impact on the business and financial position of the company.

D - ACCOUNTING RULES AND METHODS

—

The 2018 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 2018 and are impaired when this is lower than cost.
At 31 December 2018, marketable securities totalled €98.4 million, comprising:
- treasury shares of €99.3 million;
- a provision of €0.9 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 2018; it was authorised by the Combined General Meeting of 16 May 2018, 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, in accordance with the authorisation granted by the Extraordinary General Meeting.

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 2018.
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 2018.
Disposals are valued based on the first in, first out method.

SOMFY SA STOCK OPTION AND FREE SHARE ALLOCATION PLANS

At 31 December 2018, no more stock option plans existed.
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 2018, the final vesting related to 8,525 shares allocated to 55 beneficiaries who are not French tax residents.
At its meeting on 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.
In addition, at its meeting on 12 November 2018 the Management Board of Somfy SA decided to allocate Somfy SA performance shares to seven beneficiaries who are employees of Somfy Protect by Myfox. The vesting of these performance related shares is subject to a condition of continued employment within the Group. Final vesting will take place on 30 June 2021. 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 2018, "Asset" and "Liability" translation adjustments of €7,701 thousand and €29 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 2018, 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.

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 2018, 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 2018

—

NOTE 1 OPERATING ITEMS

—

Somfy SA sales for the year to 31 December 2018 were €3.4 million, an increase compared with the previous year. The operating loss was €7.6 million, compared with a loss of €7.5 million in 2017.

NOTE 1.1 SALES BREAKDOWN

€ thousands	
France	1,926
European Union	1,058
Non-EU	428
TOTAL	**3,412**

NOTE 1.2 DIRECTORS' REMUNERATION

€ thousands	
Remuneration allotted	
– to members of the Management Board	899
– to members of the Supervisory Board	149
Pension commitments subscribed	N/A

NOTE 1.3 WORKFORCE AT 31 DECEMBER 2018

	Male	Female	Total
Managers & executives	8	2	10

The average workforce of Somfy SA went from four people in 2017 to six in 2018.

NOTE 2 FINANCIAL ITEMS

—

The net financial income of the Somfy SA holding company was €101.4 million, compared with €89.1 million in 2017, an increase of €12.3 million. Dividends received increased by €13.1 million and the foreign exchange difference fell by €2.3 million.

NOTE 3 EXCEPTIONAL ITEMS

—

Net exceptional income was €0 thousand compared with a loss of €55 thousand in 2017. In 2017, it was entirely comprised of a provision for liabilities and charges.

NOTE 4 INCOME TAX

An income tax gain of €4.5 million was recognised, including a €5.9 million tax consolidation profit as well as €1.3 million charge which corresponds to the cancellation of deferred income recorded in 2017 in respect of a tax claim.

NOTE 4.1 BREAKDOWN OF INCOME TAX AT 31 DECEMBER 2018

	Tax		
€ thousands	**Base**	**Rate**	**Amount**
1. Current result			
Net profit for the year	93,784	34.43%	-32,290
Tax adjustments:			
– long-term capital gains and losses	–	–	–
– income from equity investments	-104,278	34.43%	35,903
– Other	2,346	34.43%	-808
Subtotal Current Result	**-8,148**	**34.43%**	**2,805**
2.Extraordinary result			
Net profit for the year	–	–	–
Tax adjustments:			
– long-term capital gains and losses	–	–	–
– deductions	–	–	–
– reinstatements	–	–	–
Subtotal Extraordinary Result	**–**	**–**	**–**
Subtotal Total theoretical tax	**-8,148**	**34.43%**	**2,805**
3. Other tax items			
Tax paid by group tax consolidation companies	–	–	7,859
Tax charge/income for the tax consolidation group (excluding total theoretical tax)	–	–	-4,764
Contribution on distributed earnings	–	–	-255
Tax charge/relief from previous periods	–	–	-1,188
Subtotal Other tax items	**–**	**–**	**1,652**
TOTAL INCOME TAX	**–**	**–**	**4,457**

€ thousands	**Before tax**	**Tax**	**After tax**
Current result	93,784	2,805	96,589
Extraordinary result	–	–	–
Other tax items	–	1,652	1,652
ACCOUNTING RESULT	**93,784**	**4,457**	**98,241**

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 2018, 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		Gray
CMC		Cluses
Domis SA		Rumilly
Automatismes BFT France		Lyon
SEM-T		Cluses
BFT Sud-Est		Saint Laurent du Var
Opendoors		Cluses
Overkiz		Metz-Tessy
Somfy Protect by Myfox		Labège

NOTE 5 NET PROFIT

Net profit totalled €98.2 million.

NOTE 6 NON-CURRENT ASSETS

NOTE 6.1 GROSS NON-CURRENT ASSETS

€ thousands	Gross value 31/12/17	Increase	Decrease	Merger movements	Other movements	Gross value 31/12/18
Intangible assets	**215**	–	–	–	–	**215**
Property, plant and equipment	**2**	–	–	–	–	**2**
Financial assets	**446,382**	**8,067**	**-9,411**	–	**-3,303**	**441,734**
Equity investments(1)	402,180	1	-3,751	–	-274	398,156
Receivables from equity investments(2)	27,639	2,093	-1,203	–	5,100	33,629
Other financial assets(3)	24	1,270	–	–	–	1,294
Bonds(4)	16,539	4,703	-4,457	–	-8,129	8,656

(1) The decrease in equity investments is due to a €3,751 thousand capital reduction by DSG Coordination Center SA.
Other movements correspond to the capitalisation of €448 thousand in receivables from Somfy Maroc as well as an adjustment of -€722 thousand in the securities of Somfy Protect by Myfox (decrease of €9,722 thousand subsequent to the recalculation of the earnouts and increase of €9,000 thousand subsequent to a capitalisation in financial receivables (€8,000 thousand in bond loan and €1,000 thousand in current account)).
(2) Other movements in receivables from equity interests are related to the medium- and long-term reclassification of financial advances made to certain subsidiaries.
(3) The €1,270 thousand increase in other financial assets corresponds to an investment in a fund (FPCI).
(4) Bond receivables fell by €4,457 thousand as a result of the reimbursement of 2018 instalments by Garen.
Other movements primarily relate to the capitalisation of the Somfy Protect by Myfox bond loan.

NOTE 6.2 AMORTISATION AND DEPRECIATION

€ thousands	Amount at 31/12/17	Charges	Reversals	Merger movements	Other movements	Amount at 31/12/18
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 31/12/17	Charges	Reversals used	Reversals unused	Merger movements	Other movements	Amount at 31/12/18
Writedown provisions on financial assets	32,321	1,724	-1,200	-465	–	–	32,380
	32,321	**1,724**	**-1,200**	**-465**	**–**	**–**	**32,380**

NOTE 7 ANALYSIS OF MATURITY OF RECEIVABLES

—

€ thousands	Total amount	Less than 1 year	More than 1 year
Non-current receivables			
Receivables from equity investments	33,629	29,254	4,375
Other financial assets	1,294	–	1,294
Bonds	8,656	1,427	7,228
Current receivables			
Trade receivables	1,205	1,205	–
Miscellaneous receivables	70,055	69,430	625
Prepaid expenses and translation adjustment	7,721	7,721	–
	122,560	**109,038**	**13,522**

Miscellaneous receivables mainly comprise €28,001 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 totalling €9,652 thousand.

NOTE 8 DEFERRED INCOME AND OTHER RECEIVABLES

—

€ thousands	
Dividends	–
Accrued interest on cash accounts	74
Trade receivables, invoices to be issued	198
Government, tax and duties	30,675
Other (incl. CIAT)	10,918

The balance of the item "Government, tax and duties" includes the reimbursements expected from the settlement of income tax, tax credits not yet allocated and applications for tax rebates pending reimbursement.

NOTE 9 ASSET TRANSLATION ADJUSTMENTS IN FOREIGN CURRENCY-DENOMINATED DEBTS AND RECEIVABLES

—

	Asset side impact	
€ thousands	**Total**	**Provision for liability**
Bonds	5,481	5,481
Receivables from equity investments	2,203	2,203
Miscellaneous receivables	18	18
Financial debts	–	–
	7,701	**7,701**

NOTE 10 SHAREHOLDERS' EQUITY

NOTE 10.1 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ thousands	Balance at 31/12/17 before allocation of net profit	Allocation of net profit for the year to 31/12/17	2018 movements	Balance at 31/12/18 before allocation of net profit	Proposed allocation of 2018 net profit	Balance at 31/12/18 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	411,062	62,242	–	473,304	49,896	523,200
Retained earnings	3,231	-3,231	3,455	3,455	-3,455	–
Net profit	107,111	-107,111	98,241	98,241	-98,241	–
Regulated provisions	–	–	–	–	–	–
	537,339	**-48,100**	**101,696**	**590,934**	**-51,800**	**539,135**

The €3.5 million change in 2018 "Retained earnings" corresponds to dividends not paid to treasury shares.

NOTE 10.2 COMPOSITION OF SHARE CAPITAL

Euros	Number of shares	Par value
– **Shares**		
At the start of the year	37,000,000	0.2
At the end of the year	37,000,000	0.2
– **Convertible bonds and similar securities**	–	–

NOTE 10.3 TREASURY SHARES

€ thousands		31/12/17	Increase	Decrease	Transfer	31/12/18
Stock options and free shares	€ thousands	50,283	–	-205	–	50,079
	number	*1,426,185*	–	*-8,525*	–	*1,417,660*
Liquidity contract	€ thousands	929	12,170	-11,979	–	1,119
	number	*11,012*	*152,896*	*-146,505*	–	*17,403*
Shares retained for potential acquisitions	€ thousands	48,056	–	–	–	48,056
	number	*1,221,770*	–	–	–	*1,221,770*
Treasury shares	€ thousands	–	–	–	–	–
	number	–	–	–	–	–
TOTAL TREASURY SHARES	**€ thousands**	**99,269**	**12,170**	**-12,184**	**–**	**99,254**
	number	***2,658,967***	***152,896***	***-155,030***	**–**	***2,656,833***

NOTE 10.4 FREE SHARE PLANS

Plan date		Plan n°	Number of benefi-ciaries	Number of shares allocated	Price per share (€)	Allocation date	Vesting date	Revision of share number related to presence and perfor-mance conditions	Number of shares vested since plan inception	Number of shares not yet vested at 31/12/18	Number of shares potenti-ally vested at 31/12/18
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	-9,125	–	N/A
21/02/14	**Total**	**AGA 2**	**154**	**57,950**	**–**	**–**	**–**	**-31,825**	**-26,125**	**–**	**N/A**
16/06/17	**Residents and non-residents**	**AGA 3**	**195**	**138,325**	**88.82**	**01/07/19**	**01/07/19**	**-110,324**	**–**	**–**	**28,001**
12/11/18	**Myfox plan**	**AGA 4**	**7**	**5,239**	**66.26**	**30/06/21**	**30/06/21**	**–**	**–**	**–**	**5,239**

NOTE 11 BALANCE SHEET PROVISIONS

—

€ thousands	Amount at 31/12/17	Charges	Reversals used	Reversals unused	Merger movements	Other movements	Amount at 31/12/18
Regulated provisions	–	–	–	–	–	–	–
Provisions for liabilities and charges (incl. exchange losses)	6,968	788	–	–	–	–	7,756
	6,968	**788**	**–**	**–**	**–**	**–**	**7,756**

NOTE 12 ANALYSIS OF MATURITY OF PAYABLES

—

€ thousands	Total amount	Less than 1 year	1 to 5 years	More than 5 years
Liabilities				
Borrowings and debts from credit institutions	5,876	5,876	–	–
Miscellaneous loans and borrowings	–	–	–	–
Operating liabilities				
Trade payables and related items	2,785	2,785	–	–
Tax and social security payable	607	607	–	–
Other liabilities	183,632	180,069	3,563	–
Deferred income and translation adjustment	29	29	–	–
	192,930	**189,367**	**3,563**	**–**

Other liabilities mainly comprise €157,272 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 €4,957 thousand.

NOTE 13 ACCRUED EXPENSES

€ thousands	
Accrued loan interest	–
Trade payables, invoices not received	256
Employees, statutory bodies, government, duties and taxes	607
Miscellaneous	–
Attendance fees	–

NOTE 14 OFF-BALANCE SHEET COMMITMENTS

NOTE 14.1 FINANCIAL COMMITMENTS

€ thousands	31/12/18	31/12/17
– Guarantees and deposits received	8,060	11,672
– Unused credit facilities	190,000	200,000
TOTAL COMMITMENTS RECEIVED	**198,060**	**211,672**

€ thousands	31/12/18	31/12/17
– Guarantees and deposits given	–	308
– Interest on outstanding loans	–	–
– Liability guarantee on CIAT disposal	17,796	17,796
– Other	–	4,000
TOTAL COMMITMENTS GIVEN	**17,796**	**22,104**

NOTE 14.2 SECURITISED DEBT

€ thousands	
Borrowings and debts from credit institutions	–

NOTE 15 MARKET VALUE OF DERIVATIVES

NOTE 15.1 FOREIGN EXCHANGE RISKS

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).
Subsidiaries' hedges in these areas are made through the parent company Somfy SA.
Commercial transactions are covered for a period of less than 12 months. The main hedging instruments usually used by the company are forward purchases and sales.

Foreign exchange hedges by currency

31/12/18 € thousands	Contract nominal value			
	Sales	Purchases	Net total	Fair value
AUD	4,501	–	**4,501**	68
CAD	2,179	-320	**1,858**	43
CHF	6,300	–	**6,300**	-85
CNY	–	-11,936	**-11,936**	127
GBP	4,886	–	**4,886**	16
HKD	1,282	-480	**803**	-21
HUF	623	–	**623**	-6
ILS	4,421	–	**4,421**	63
JPY	3,689	–	**3,689**	-99
MXN	515	–	**515**	-11
NOK	2,553	–	**2,553**	56
PLN	5,277	–	**5,277**	-35
RON	708	–	**708**	-8
RUB	1,143	–	**1,143**	-2
SEK	1,950	–	**1,950**	-73
SGD	720	–	**720**	-20
THB	3,838	-3,320	**518**	-11
TRY	1,485	–	**1,485**	-125
USD	830	-2,620	**-1,790**	74
	46,901	**-18,676**	**28,225**	**-49**

31/12/17 € thousands	Contract nominal value			
	Sales	**Purchases**	**Net total**	**Fair value**
AUD	1,434	–	**1,434**	43
CAD	2,394	–	**2,394**	39
CHF	427	–	**427**	28
CNY	–	-17,298	**-17,298**	265
GBP	4,396	–	**4,396**	17
HKD	467	–	**467**	21
ILS	3,915	–	**3,915**	-4
JPY	444	–	**444**	43
NOK	1,413	–	**1,413**	70
PLN	3,424	-2,873	**551**	7
RUB	677	–	**677**	-3
SEK	511	–	**511**	4
SGD	749	–	**749**	-6
THB	312	–	**312**	-3
TRY	880	–	**880**	-36
USD	–	-834	**-834**	-3
	21,442	**-21,005**	**437**	**483**

Foreign exchange hedges by type

31/12/18 € thousands	Contract nominal value			
	Sales	**Purchases**	**Net total**	**Fair value**
Fair Value Hedges	13,761	-7,634	**6,128**	-49
Cash Flow Hedges	33,140	-11,043	**22,097**	
Net Investment Hedges	–	–	–	–
Trading	–	–	–	–
	46,901	**-18,676**	**28,225**	**-49**

31/12/17 € thousands	Contract nominal value			
	Sales	**Purchases**	**Net total**	**Fair value**
Fair Value Hedges	11,389	-11,458	**-68**	483
Cash Flow Hedges	10,053	-9,547	**506**	
Net Investment Hedges	–	–	–	–
Trading	–	–	–	–
	21,442	**-21,005**	**437**	**483**

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 2018, the effective portion of hedges was valued at €0.1 million and the ineffective portion was nil.

31/12/18	Tonnes	Hedging of off-balance sheet items *€ thousands*	Fair value *€ thousands*	Types
Copper	319	1,714	-63	Swap
Zinc	608	1,352	-56	Swap
	927	**3,066**	**-119**	

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

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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	668	212	100.00%	210	–	–
Somfy Activités SA	35,000	108,042	100.00%	43,827	450,377	–
CMC	8	-64	100.00%	130	–	–
Somfybat	6,830	13,577	100.00%	1,690	–	–
Somfy Ltd	146	212	100.00%	303	13,288	–
Somfy PTY Ltd	306	14	100.00%	1,121	14,241	–
NV Somfy SA	348	55	100.00%	2,016	30,525	–
Somfy Brasil LTDA	11,188	-9,956	99.99%	-1,221	4,780	–
Somfy GmbH (Germany)	1,500	5,719	100.00%	10,122	163,175	1,200
Somfy Kereskedelmi KFT	787	-158	100.00%	105	4,249	–
Somfy Spol sro	177	86	100.00%	2,042	21,402	–
Somfy spolka z ograniczona odpowiedzialnoscia	132	131	100.00%	3,253	37,932	–
Somfy SRL	307	76	100.00%	67	1,948	–
Chusik Hoesa Somfy	314	1,989	100.00%	64	6,335	–
Somfy Italia SRL	2,000	8,051	95.00%	1,534	23,961	–
Somfy España SA	10,010	73,785	100.00%	17,314	30,049	14,600
Somfy Systems Inc.	8,786	4,675	100.00%	6,377	85,024	–

€ 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 SA (Suisse)	30	1,512	100.00%	1,909	27,814	–
Somfy Sweden Aktiebolag	71	1,066	100.00%	165	7,310	–
Somfy PTE Ltd	533	192	100.00%	202	4,399	–
Somfy Co Ltd	10,423	2,194	100.00%	373	6,213	232
Zhejiang Lian Da Science and Technology Co., Ltd.	6,960	-7,265	95.00%	2,900	34,211	–
Somfy Middle East Co Ltd	62	4,052	100.00%	63	29,754	–
Somfy Mexico SA DE CV	27	1,471	99.75%	-112	4,371	–
Somfy Kabushiki Kaisha	205	1,940	100.00%	115	13,615	–
PROMOFI BV	91	26	100.00%	48,423	–	48,391
Simu	5,000	15,063	100.00%	7,983	92,076	500
Somfy ULC	904	154	100.00%	1,209	10,147	–
Arve Finance	3,010	-1,591	50.17%	-18	–	–
Somfy SIA	521	-170	100.00%	155	3,047	–
Somfy South Africa PTY Limited	410	283	100.00%	447	2,464	–
Somfy Colombia SAS	28	-375	100.00%	108	1,276	–
Domis SA	1,115	640	100.00%	334	11,600	–
Somfy Limited Liability Company	1,104	-461	100.00%	344	6,522	–
Sisa Home Automation Ltd	249	5,233	100.00%	795	12,014	–
Somfy Ev Otomasyon Sistemleri Ticaret Ltd Sti	801	1,646	99.86%	1,039	10,863	–
Asian Capital International LTD	113,776	14,165	100.00%	48	–	–
Somfy Maroc	60	216	100.00%	76	5,516	–
Somfy Hellas SA	750	543	100.00%	213	7,896	–
Somfy India Pvt Ltd	1,706	-217	100.00%	149	4,500	–
Somfy Bulgaria AD	102	224	99.90%	154	1,376	–
Somfy (Thailand) Co., Ltd	306	566	99.98%	292	2,934	–
Limited Liability Company Somfy	370	-198	100.00%	77	434	–
Somfy Services	99	-49	50.00%	-4	–	–
Somfy Egypt	140	-316	99.91%	-106	–	–
SOPEM spolka z ograniczona odpowiedzialnoscia	78,319	-1,173	100.00%	11,433	114,109	–
GABR Participações LTDA	3,139	-5,711	99.99%	-55	–	–
Somfy Argentina SRL	740	-414	99.77%	-391	2,639	–
Somfy Norway AS	67	-8	100.00%	148	7,374	–
Somfy Eastern Europe Area SP. Zoo	36	146	100.00%	70	–	–
Somfy Asia-Pacific Co Ltd	76	117	100.00%	147	–	–
Opendoors	500	-2,634	100.00%	-1,419	563	–
Somfy Protect by Myfox	583	-1,613	100.00%	4,802	14,893	–

€ thousands	
Loans and advances granted to the companies above, not yet repaid	19,755
Total guarantees granted to the companies above	–
Dividends received from the above companies during the year	105,629

NOTE 18 EQUITY INVESTMENTS AT 31 DECEMBER 2018

€ thousands		Gross value	Net value	Quoted value
Equity investments				
500,000	DSG Coordination Center SA shares	468	468	–
119,994	Vimart shares	63	23	–
1,749,999	Somfy Activités SA shares	23,286	23,286	–
30,000	Somfy GmbH (Germany) shares	4,555	4,555	–
3,000	Somfy Sweden Aktiebolag 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 SA (Suisse) shares	152	152	–
660	Somfy Kabushiki Kaisha 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	Chusik Hoesa Somfy shares	460	460	–
1,100,000	Somfy PTE Ltd shares	514	514	–
500	CMC 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 spolka z ograniczona odpowiedzialnoscia shares	1,423	1,423	–
1	Somfy Kereskedelmi KFT share	1,865	757	–
399	Somfy Mexico SA DE CV shares	44	44	–
36,378,338	Somfy Brasil LTDA shares	11,933	–	–
250,000	Simu shares	23,937	23,937	–
3,744,299	Somfy India Pvt Ltd shares	1,696	1,696	–
52,250	Zhejiang Lian Da Science and Technology Co., Ltd. shares	7,307	–	–
124,274	Somfy SRL shares	311	311	–
100,000	Somfy ULC shares	333	333	–
1,510,000	Arve Finance shares	1,510	703	–
521,197	Somfy SIA shares	822	502	–
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	–
6,974	Somfy Maroc shares	650	448	–
85,827	Domis SA shares	3,068	3,068	–
1	Somfy Limited Liability Company share	1,152	987	–
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) Co., Ltd shares	304	304	–
1	Limited Liability Company Somfy share	381	248	–
1,000	Somfy Services shares	52	52	–
1,099	Somfy Egypt shares	153	–	–
107,000	SOPEM spolka z ograniczona odpowiedzialnoscia shares	40,983	40,983	–
8,999,100	GABR Participações LTDA shares	3,016	–	–
7,684,372	Somfy Argentina SRL shares	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 shares	500	–	–
777,724	Somfy Protect by Myfox shares	26,354	26,354	–
379,449	Somfybat shares	10,280	10,280	–
		398,156	**371,879**	**–**

	Gross value	**Net value**	**Quoted value**
Portfolio investments	–	–	–
Marketable securities	–	–	–
Treasury shares	99,255	98,433	167,380
Marketable securities	–	–	–
	99,255	**98,433**	**167,380**

09
LEGAL DOCUMENTS

09
LEGAL DOCUMENTS

STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY 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 parent company financial statements of Somfy SA for the year ended 31 December 2018.

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 2018 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 2018 to the 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 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 Commercial Code 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 for the financial year just ended, 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 opinion on specific items of the parent company financial statements.

MEASUREMENT OF EQUITY INVESTMENTS

Risk identified	Our response
The net amount of the equity investments shown on the balance sheet was €365.8 million at 31 December 2018 against total assets of €791.6 million. As indicated in note "D – Equity investments" to the parent company financial statements, the carrying value of these equity investments is determined on the basis of several measurement factors, including net assets at the year-end, the level of profitability and the future outlook or the share price in the case of listed companies. This carrying value is then compared with the net book value, in order to assess the need to record an impairment charge or not. We have considered that the measurement of these equity investments is a key audit point due to their material amount in your company's financial statements, and because determining their carrying value requires the use of estimates or judgements by Management in determining the carrying value used and the assessment of the market outlook of the entities concerned.	Our work as part of the audit of your company's parent company financial statements specifically consisted of: – reviewing the measurement methods used by Management to measure the carrying value of the equity investments; – assessing, in particular via meetings with Management, the key data and assumptions on which estimates are based; we have specifically analysed the consistency of forecasts with the past performance and market outlook of the shareholdings concerned; – comparing the carrying value of the equity investments with their net book value and, where applicable, verifying the impairment amount recorded.

CLASSIFICATION OF DISPUTES AS CONTINGENT LIABILITIES

Risk identified	Our response
Your 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. Your Group Management exercises its judgement and uses estimates and assumptions when measuring these risks. Some of these risks are classified as contingent liabilities, as described in note "B – Contingent liabilities" to the parent company financial statements and, in this regard, no provision has been made for them in your company's financial statements. We have considered that the classification of the disputes as contingent liabilities is a key audit point in view of the amounts in question, and the level of judgement required from Management to determine them.	Our work as part of the audit of the company's parent company financial statements specifically consisted of: – reviewing the procedures implemented by your company 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; – analysing the answers provided to our requests for confirmation, forwarded to your company's external advisers; – assessing the main risks identified, and reviewing the assumptions used by Management to classify these risks as contingent liabilities; – assessing the appropriate nature of the information set out in note "B – Contingent liabilities" to the parent company financial statements.

SPECIFIC VERIFICATIONS

We have also performed the specific verifications required by legal and regulatory texts, in accordance with professional standards applicable in France.

INFORMATION PROVIDED REGARDING THE FINANCIAL POSITION AND THE ANNUAL FINANCIAL STATEMENTS IN THE MANAGEMENT REPORT AND IN THE 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 the other documents sent to the shareholders concerning the financial situation and the parent company financial statements.
We certify that the information relating to payment terms mentioned in Article D. 441-4 of the Commercial Code is true and fair, and consistent with 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 Commercial Code 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 Commercial Code 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 its parent company or subsidiaries. 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 factors that your company has considered as likely to have an impact in the event of a public tender or exchange offer, and provided pursuant to the provisions of Article L. 225-37-5 of the Commercial Code, 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.

INFORMATION ON OTHER LEGAL AND REGULATORY REQUIREMENTS

APPOINTMENT OF THE STATUTORY AUDITORS

We were appointed as Statutory Auditors of Somfy SA by your General Meetings of 24 May 2016 for KPMG SA and 12 May 2010 for ERNST & YOUNG et Autres.
At 31 December 2018, KPMG SA was in its third year of uninterrupted engagement and ERNST & YOUNG et Autres in its ninth year.
Previously, ERNST & YOUNG Audit had been Statutory Auditor from 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 OBJECTIVES 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 Commercial Code, 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 to the Audit Committee a report 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 report, if 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 Commercial Code and in the 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, 17 April 2019
The Statutory Auditors

KPMG Audit
A Department of KPMG SA
Stéphane Devin
Partner

ERNST & YOUNG et Autres
Sylvain Lauria
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 Commercial Code, it is your role 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 Commercial Code 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 Commercial Code.

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, 17 April 2019
The Statutory Auditors

KPMG Audit
A Department of KPMG SA
Stéphane Devin
Partner

ERNST & YOUNG et Autres
Sylvain Lauria
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 2018.

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 2018 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 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 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 2018 to the 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 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 Commercial Code 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 opinion 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 2018 was €96.2 million (€140.7 million for the gross value and €44.4 million for the impairment) against total assets of €1,184.3 million. Your 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 comparing the recoverable amount of a Cash Generating Unit ("CGU"), which is the higher of the value-in-use and the fair value less sale costs, with its book value. Value-in-use is determined based on cash flows, which are estimated using plans or budgets over a maximum period of five years; the cash flows beyond that date are extrapolated by applying a constant or decreasing rate of change, and are discounted using long-term post-tax market rates. We considered that the measurement of these goodwill amounts is one of the key points of the audit due to their material amount in your Group's financial statements and because determining the recoverable amount, 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 your Group's consolidated financial statements specifically consisted of: – reviewing the measurement methods used by Management to estimate the recoverable amount of goodwill; – assessing, in particular via meetings with Management, the operational assumptions used for determining future cash flows in light of our knowledge of the economic environment in which the Group operates; – assessing the discount rate of future cash flows; – comparing the data used for goodwill impairment tests with source data, CGU by CGU, including future cash flows; – performing sensitivity analyses on impairment tests.

CLASSIFICATION OF DISPUTES AS CONTINGENT LIABILITIES

Risk identified	Our response
Your 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 9.2 to the consolidated financial statements, Group Management exercises its judgement, and uses estimates and assumptions when measuring these risks. Some of these risks are classified as contingent liabilities, as described in notes "Highlights" and 9.2 to the consolidated financial statements and, in this regard, no provision has been made for them in the Group's financial statements. We have considered that the classification of the disputes as contingent liabilities is a key audit point in view of the amounts in question, and the level of judgement required from Management to determine them.	Our work as part of the audit of your Group's consolidated financial statements specifically consisted of: – reviewing the procedures implemented by your Group to identify and assess these risks; – familiarising ourselves with the risk assessment performed by Management and the corresponding documentation, and assessing the written consultations provided by external advisers, where applicable; – assessing the written confirmations obtained from your Group's external advisers; – assessing the main risks identified, and reviewing the assumptions used by Management to classify these risks as contingent liabilities; – assessing the appropriateness of the information presented in the notes "Highlights", 1.3 and 9.2 to the consolidated financial statements.

MEASUREMENT OF THE JOINTLY CONTROLLED SHAREHOLDING IN THE DOOYA COMPANY

Risk identified	Our response
At 31 December 2018, the jointly controlled shareholding in the Dooya company totalled €132.1 million, as indicated in note 2.4.1 to the consolidated financial statements. At 31 December 2018, your Group reassessed the value of the equity-accounted investments under the procedure set out in note 13.1 "Investments in associates and joint ventures" to the consolidated financial statements. Each investment is identified as a Cash Generating Unit (CGU). An impairment test involves comparing the recoverable amount of the CGU with its book value. The recoverable amount of an equity investment 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 investment at year-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. We considered the valuation of the jointly controlled shareholding in the Dooya company to be a key point in our audit as a result of its material amount in your Group's financial statements and since determining the value-in-use is based on discounted forecast cash flows which require the use of assumptions, estimates or judgements by Management.	Our work as part of the audit of your Group's consolidated financial statements specifically consisted of: – reviewing the procedures for implementing the impairment test in relation to the shareholding in Dooya; – assessing, in particular via meetings with Management and by comparison with market data, the main data and assumptions on which the estimates are based, notably cash flow forecasts, the long-term growth rate and the discount rate; – analysing the market outlook for Dooya; – performing sensitivity analyses on the impairment tests; – comparing the recoverable amount of the shareholding in Dooya with the net book value.

SPECIFIC VERIFICATIONS

—

As required by legal and regulatory texts, 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.

We certify that the consolidated Non-Financial Performance Statement provided for by Article L.225-102-1 of the Commercial Code is included in the information on the Group provided in the management report, it being specified that in accordance with the provisions of Article L.823-10 of said Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained in this statement; this information must be the subject of a report prepared by an Independent Verifier.

INFORMATION RESULTING FROM OTHER LEGAL AND REGULATORY REQUIREMENTS

—

APPOINTMENT OF THE STATUTORY AUDITORS

We were appointed as Statutory Auditors of Somfy SA by your General Meetings of 24 May 2016 for KPMG SA and 12 May 2010 for ERNST & YOUNG et Autres.

At 31 December 2018, KPMG SA was in its third year of uninterrupted engagement and ERNST & YOUNG et Autres in its ninth year.
Previously, ERNST & YOUNG Audit had been Statutory Auditor from 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 OBJECTIVES 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 Commercial Code, 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 to the Audit Committee a report 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 report, if 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 Commercial Code and in the 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, 17 April 2019
The Statutory Auditors

KPMG Audit
A Department of KPMG SA
Stéphane Devin
Partner

ERNST & YOUNG et Autres
Sylvain Lauria
Partner

INDEPENDENT VERIFIER'S REPORT ON THE CONSOLIDATED NON-FINANCIAL PERFORMANCE STATEMENT PRESENTED IN THE MANAGEMENT REPORT

To the General Meeting,

As the Independent Verifier accredited by the COFRAC (French Accreditation Committee) under number 3-1050 (accreditation scope available at www.cofrac.fr) and a member of the network of one of your company's Statutory Auditors (hereafter the "Entity"), we hereby present our report on the consolidated Non-Financial Performance Statement for the financial year ended 31 December 2018 (hereafter the "Statement") included in the management report pursuant to the legal and regulatory provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the Commercial Code.

RESPONSIBILITY OF THE ENTITY

—

The Management Board is responsible for preparing a Statement in accordance with the legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied in respect of these risks and the results of these policies, including key performance indicators.

The Statement was prepared in application of the entity's procedures (hereafter the "Reporting Criteria"), the significant items of which are presented in the Statement and on request from the company's registered office.

INDEPENDENCE AND QUALITY CONTROL

—

Our independence is defined by the provisions of Article L. 822-11-3 of the Commercial Code and our profession's Code of Ethics. In addition, we have implemented a quality control system which includes documented policies and procedures aimed at ensuring compliance with the applicable ethical rules, professional standards and laws and regulations.

RESPONSIBILITY OF THE INDEPENDENT VERIFIER

—

Based on our work, our role is to deliver a reasoned opinion expressing a limited assurance conclusion on:

- compliance of the Statement with the provisions referred to in Article R. 225-105 of the Commercial Code;
- the fairness of the information provided in application of section 3° of paragraphs I and II of Article R. 225-105 of the Commercial Code, *i.e.* the results of the policies, including the key performance indicators, and the actions, with respect to the main risks, hereafter the "Information".

However, it is not our responsibility to comment on:

- compliance by the entity with any other applicable legal and regulatory provisions, in particular in relation to any vigilance plan and combat corruption and tax evasion;
- the compliance of products and services with applicable regulations.

NATURE AND SCOPE OF THE WORK

—

Our work described below was carried out in accordance with the provisions of Articles A. 225-1 and subsequent of the Commercial Code setting the terms under which the Independent Verifier carries out this assignment and with professional standards relating to this work, as well as international standard ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

We have carried out work enabling us to assess the Statement's compliance with regulatory provisions and the fairness of the Information:

- we have familiarised ourselves with the business of the entity, the presentation of the main social and environmental risks associated with this business, and where applicable, its effects on respect for Human Rights and the fight against corruption and tax evasion, as well as the resulting policies and their results;
- we have assessed the appropriateness of the Reporting Criteria with regard to their relevance, comprehensiveness, reliability, neutrality and comprehensible character, by taking into consideration industry best practices where applicable;
- we have verified that the Statement covers all categories of information referred to in paragraph III of Article 225–102-1 in relation to social and environmental information, as well as compliance with Human Rights and the fight against corruption and tax evasion;
- we have verified that the Statement includes an explanation of the reasons justifying the absence of the information required by Paragraph 2 of Article L. 225-102-1;
- we have verified that the Statement presents the business model and the main risks associated with the business of the entity including, where relevant and proportionate, the risks created by its business relations, products or services, as well as the policies and measures implemented and results achieved, including key performance indicators;
- we have verified, where relevant in view of the main risks or policies presented, that the Statement presents the information stipulated in paragraph II of Article R. 225-105;
- we have assessed the selection and validation process for the main risks;
- we have enquired into the existence of internal control and risk management procedures implemented by the Entity;
- we have assessed the consistency of both the results and the key performance indicators used in relation to the main risks and policies set out;
- we have verified that the Statement includes a clear and well-founded explanation of the reasons justifying the absence of a policy relating to one or more of these risks;
- we have verified that the Statement covers the consolidated scope, *i.e.* all entities included in the consolidation scope in accordance with Article L. 233-16;
- we have assessed the information gathering process introduced by the entity aimed at ensuring the completeness and fairness of the Information;
- we have implemented for the key performance indicators and the other quantitative results set out in Appendix 1 that we considered the most significant:

- analytical procedures to verify the appropriate consolidation of the collected data as well as the consistency of their changes;
- detailed tests, based on samples, to verify the appropriate application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out with a selection of contributing entities, listed hereafter: Simu SAS and Somfy Activités SA; which cover between 36% and 62% of the consolidated data selected for these tests (36% of the workforce, 62% of energy consumption);

– we consulted documentary sources and conducted interviews to corroborate the qualitative information (actions and results) set out in Appendix 1 that we considered to be the most important;

– we have assessed the overall consistency of the Statement in light of our knowledge of all the entities included in the consolidation scope.

We consider that the work we have completed by exercising our professional judgment allow us to draw a conclusion of limited assurance; a higher level of assurance would have required more extensive verification work.

MEANS AND RESOURCES

—

Our work called on the expertise of four people and was performed between November 2018 and March 2019 for a period of approximately 11 weeks.

We conducted approximately ten interviews with the individuals responsible for preparing the Statement, representing in particular the Human Resources, Purchasing, Corporate and Internal Communications, Risk, Sustainable Development, and Health & Safety Departments.

CONCLUSION

—

On the basis of our work, we found no significant irregularity that would call into question the fact that the Non-Financial Performance Statement complies with applicable provisions and that the Information, taken in its entirety, is presented in a fair manner in accordance with the Reporting Criteria.

Paris-La Défense, 17 April 2019
Independent Verifier
ERNST & YOUNG et Associés

Christophe Schmeitzky
Sustainable Development Partner

Jean-François Bélorgey
Partner

APPENDIX 1: INFORMATION CONSIDERED TO BE THE MOST IMPORTANT

Social Information

Quantitative information (including key performance indicators)	*Qualitative information (actions or results)*
Number of hours' training % of employees who received training on at least one occasion % of individuals who achieved career development internally Rate of People Reviews performed Work accident frequency and severity rates Number of days' absence per individual due to illness, occupational disease, work related accident or commuting accident	Organisation and strategic roadmap Believe & ACT! (in particular implementation of "Better Together" driver and #EmployeeJourney booster) People Review process Organisation, awareness raising, and health and safety at work training plan

Environmental Information

Quantitative information (including key performance indicators)	*Qualitative information (actions or results)*
Proportion of products certified Act for Green Average CO_2 emissions per motor	Development plan for offers and products that improve the energy efficiency of the buildings We Act for Green action plan Action plan to minimise environmental effects

Societal information

Quantitative information (including key performance indicators)	*Qualitative information (actions or results)*
Number of Solidarity Missions organised Number of employees who have participated in a Solidarity Mission Proportion of suppliers who fulfil REACH and ROHS requirements (out of the 80 largest suppliers) Number of employees from the purchasing function trained in corruption risks	Somfy Foundation initiatives Supplier selection process

STATUTORY AUDITORS' REPORT ON THE AUTHORISATION TO ALLOCATE EXISTING OR TO BE ISSUED SHARES FREE OF CHARGE
(ANNUAL GENERAL MEETING OF 22 MAY 2019 - RESOLUTION N° 12)

To the Shareholders,

In our capacity as Statutory Auditors to your company and in the completion of our assignment pursuant to Article L. 225-197-1 of the Commercial Code, we hereby present our report on the proposed authorisation to allocate existing or to be issued shares free of charge for the benefit of both salaried employees and/or corporate officers of your company or companies related to it, a transaction which has been submitted for your approval. The total number of shares that may be allocated under this authorisation may not represent more than 1.5% of the share capital in the company on the date of this Meeting.

Your Management Board proposes that based on its report, you authorise it to allocate existing or to be issued shares free of charge for a period of 38 months.

The Management Board must prepare a report on this proposed transaction, which it intends to implement. Our role is to issue observations, where applicable, on the information thereby disclosed to you regarding the planned transaction.

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 due diligence specifically involved verifying that the terms and conditions being considered and included in the Management Board's report comply with the provisions set out by the law.

We have no observations to make on the information provided in the report of the Management Board on the planned transaction for the allocation of free shares.

Lyon, 17 April 2019
The Statutory Auditors

KPMG Audit
A Department of KPMG SA
Stéphane Devin
Partner

ERNST & YOUNG et Autres
Sylvain Lauria
Partner

DRAFT RESOLUTIONS TO THE COMBINED GENERAL MEETING OF 22 MAY 2019

ORDINARY SESSION

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FIRST RESOLUTION – Approval of the parent company financial statements for the financial year ended 31 December 2018

The General Meeting, having considered the reports of the Management Board, the observations of the Supervisory Board and the reports of the Statutory Auditors on the financial statements for the year ended 31 December 2018, approves the parent company financial statements, as submitted, which show a net profit of €98,241,162.81.

SECOND RESOLUTION – Approval of the consolidated financial statements for the financial year ended 31 December 2018

The General Meeting, having considered the reports of the Management Board and the Statutory Auditors for the financial year ended 31 December 2018, approves the consolidated financial statements, as submitted, which show a net profit (Group share) of €140,458,000.

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 2018 proposed by the Management Board:

Source

– Net profit for the financial year	€98,241,162.81
– Retained earnings	€3,454,549.80

Allocation

– Optional reserve	€49,895,712.61
– Dividends	€51,800,000.00

The General Meeting notes that the total gross dividend is set at €1.40 per share.
When it is paid to individuals who are tax residents in France, the dividend is 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 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% (Article 200 A, 13, and 158 of the 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 3 June 2019.
The dividend will be paid on 5 June 2019.
It is specified that if the company holds a number of treasury shares at the ex-dividend date, the amounts corresponding to unpaid dividends in respect of these shares will be transferred to retained earnings.
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	
2015	€39,125,797.50* being €5.70 per share	–	–
2016	€41,909,092.30* being €6.10 per share	–	–
2017	€44,645,450.20* being €1.30 per share**	–	–

* *Does not include unpaid dividends attributable to treasury shares and transferred to retained earnings.*

** *The share par value was divided by five on 24 May 2017. Since that date, share capital comprises 37,000,000 shares with a par value of €0.20 each.*

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 Anthony STAHL as member of the Supervisory Board

The General Meeting decides to renew the term of office of Anthony STAHL as member of the Supervisory Board for a period of four years, which will expire at the end of the General Meeting called in 2023 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 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", title 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 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", title 4).

EIGHTH 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 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 fixed, variable and exceptional items comprising total remuneration and benefits of any kind paid or allocated for the financial year just ended to Michel ROLLIER, Chairman of the Supervisory Board, in respect of his term of office, as presented in the report on corporate governance (section Information on remuneration, paragraph "Information on remuneration due, paid or allocated during the financial year", title 4).

NINTH 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 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 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, 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 items of remuneration comprising total remuneration and benefits of any kind attributable to the members of the Supervisory Board for their terms of office, 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 11th resolution to the General Meeting of 16 May 2018, 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 practices 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 shares in the company, 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 16 May 2018 in its 12th resolution, sitting in extraordinary session.

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 2,656,833 treasury shares held at 31 December 2018, is therefore set at €135,611,710.

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 allocate shares free of charge to 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, authorises the Management Board to proceed, pursuant to Articles L. 225-197-1 and L. 225-197-2 of the Commercial Code, with the allocation, on one or more instalments, of existing ordinary shares of the company for the benefit of:

- employees of the company or companies directly or indirectly related to it within the meaning of Article L. 225-197-2 of the Commercial Code;
- and/or corporate officers meeting the conditions set forth by Article L. 225-197-1 of the Commercial Code.

The total number of free shares allocated under this authorisation may not exceed 1.5% of the share capital at the date of this General Meeting, it being specified that from this limit will be deducted the total number of shares to which the options that may be awarded by the Management Board under the authorisation granted by the General Meeting of shareholders of 16 May 2018 in its 13th extraordinary resolution may give rise.

The allocation of shares to beneficiaries would be definitive at the end of a vesting period whose duration, which may not be less than one year, will be set by the Management Board.

Beneficiaries must, where applicable, retain these shares for a minimum period, set by the Management Board, at least equal to that required to ensure that the cumulative duration of the vesting periods, and where necessary, the retention periods, may not be less than two years.

Full powers are conferred upon the Management Board, with the option to delegate this power within the limitations provided by law, in order to:

- set the conditions and, if need be, the criteria for the allocation and performance conditions of the shares;
- determine the identity of the beneficiaries as well as the number of shares to be allocated to each of them;
- if applicable:
  - purchase the required shares within the framework of the share buyback programme and transfer them to the allocation plan,
  - determine the effect of transactions modifying the share capital or liable to impact the value of the shares granted and carried out during the vesting period on the beneficiaries' entitlements, and consequently modify or adjust, if need be, the number of shares allocated to preserve the beneficiaries' entitlements,
  - decide whether or not to set a retention requirement at the end of the vesting period and where applicable to determine its duration and to take all appropriate measures to ensure compliance therewith by the beneficiaries,
  - and generally do whatever the implementation of this authorisation will require in accordance with applicable legislation.

This authorisation is granted for a period of 38 months starting from the date of this General Meeting.

It would, where applicable, cause any unused portion of any prior authorisation to the same purpose to lapse.

THIRTEENTH 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, 18 April 2019

Pierre Ribeiro
Group CFO

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