SOMFY

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Living Somfy

Half-Year Financial Report 2019

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2019 HALF-YEAR BUSINESS REPORT

KEY FIGURES

€ millions	30/06/19	30/06/18	% change
Sales	615.1	586.1	+4.9%
Current operating result	114.9	104.0	+10.5%
Net profit from continuing operations	91.2	80.6	+13.2%
Net profit from operations treated in accordance with IFRS 5*	—	2.6	N/S
Consolidated net profit	91.2	83.2	+9.6%
Net investments in intangible assets and property, plant and equipment	24.3	29.1	-16.4%
New rights to use assets	14.1	—	N/S
Cash flow	117.4	101.7	+15.5%
Net financial debt	-174.7	-124.0	—

(-) Net financial surplus.
** Dooya (see note 4 to the consolidated financial statements).*

The impacts of applying IFRS 16 to the aggregates presented above are detailed in note 3.3.1.

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.

SALES GROWTH BY CUSTOMER LOCATION

Group sales totalled €615.1 million for the first six months of the financial year, an increase of 4.9% in real terms and 4.7% on a like-for-like basis, including 4.3% and 5.1% during the first and second quarters, respectively. It is in line with the trend seen in previous half-years and reflects the continued mixed fortunes of the different geographic regions[1].

Significant growth was recorded in Northern Europe (up 15.8%) and Central & Eastern Europe (up 15.7%), reflecting the increasing momentum of new industrialised countries such as Hungary, Poland, the Czech Republic and Romania, as well as the strength of historical territories such as Benelux, the United Kingdom and Scandinavia, a result of the healthy trajectory of local markets and the successful launch of new products in recent months.

Significant growth was also recorded in Germany (up 6.1%), continuing the recovery seen at the end of last year, as well as in Central & South America (up 5.0%), Asia & Pacific (up 3.5%) and China (up 10.5%).

In contrast, there were variable performances in France (up 2.3%), following the change in fiscal measures relating to the energy transition, North America (up 1.0%), as a result of unfavourable base effects and adverse weather conditions, Southern Europe (up 0.6%), due to the weaker Italian economy, and in Africa & Middle East (down 12.4%), as a result of the instability of several countries in the region and unavoidably more restrictive sales terms.

Sales[2] of the equity-accounted Dooya totalled €87.4 million over the half-year, an increase of 10.0% in real terms and 9.4% on a like-for-like basis. This reflects significant growth both in China (up 9.3%) and the rest of the world (up 9.5%).

CHANGE IN CURRENT OPERATING RESULT

The current operating result for the half-year stood at €114.9 million, up 10.5% in real terms, equating to 18.7% of sales compared with 17.7% over the same period of the previous year. It was barely impacted by exchange rate fluctuations, unlike the previous year, or by the new accounting rules for leases (application of IFRS 16), and grew 9.2% on a like-for-like basis.

The improvement seen was due to sales growth, good management of sales prices, optimisation of production costs (savings on purchases and productivity gains) and tight control of operating expenses. It also reflects the stabilisation in investments deemed strategic (digitalisation of structures, consolidation of the sales force, etc.).

(1) The figures included in brackets after the geographic regions refer to like-for-like variations. They are calculated based on customer location.
(2) The sales figures provided refer to the sales amounts generated with customers outside the Group.

CHANGE IN NET PROFIT

Consolidated net profit grew 9.6% to €91.2 million. This reflects a slightly negative net financial expense, a slightly positive share of net profit from associates and a proportionate increase in the tax expense.

NET FINANCIAL DEBT

Equity rose from €894.4 million to €939.6 million in the half-year, while the net cash surplus[1] fell from €222.4 million to €174.7 million, mainly due to a €50.1 million liability being recognised against capitalised leases (as a result of the switch to IFRS 16).
This strong cash performance is explained by the sharp increase in cash flow, partly due to the new method of recognising the aforementioned leases, and by the limited increase in working capital requirements.

ALTERNATIVE PERFORMANCE MEASURES

The N/N-1 change on a like-for-like basis, current operating margin and net financial debt are Alternative Performance Measures (APMs), definitions and calculation details of which are included in note 6.3 of the notes to the consolidated financial statements.

OUTLOOK

More than half of Somfy's sales are generated in the first half of the year.
Current market data does not suggest significant changes in trends within the different geographical regions over the coming months. Similarly, ongoing projects and developments do not point to any reversal in the main expense items over the second half of the year.
That is why the growth in sales over the financial year should be in the region of the figure published at the end of June, and the current operating margin rate should be slightly higher than that recorded last year, it being specified that the improvement seen over the first six months cannot be extrapolated due to the disparity between the half-years.

HIGHLIGHTS

FIRST-TIME APPLICATION OF IFRS 16

IFRS 16 "Leases", adoption of which is compulsory with effect from 1 January 2019, was applied for the first time to the financial statements to 30 June 2019, using the simplified retrospective approach.
The impact of this first-time application on existing leases at 1 January 2019 was €42.1 million on non-current assets and financial debt and €6.8 million on EBITDA. The impact on shareholders' equity, current operating result and net profit is not material.

CHANGES TO THE CONSOLIDATION SCOPE

There were no major changes to the consolidation scope during the first half of 2019.

CONTINGENT LIABILITIES

The Court of Appeal of Chambéry issued its ruling on 21 May 2019 on the dispute between **Spirel** employees and **Somfy SA**. The claims of the employees in respect of the alleged deliberate bankruptcy of Spirel and the non-material damage caused as a result of anxiety, disappointment and vexation were judged inadmissible, thereby confirming the April 2017 ruling of the High Court of Albertville. The employees filed an appeal in cassation in August 2019.
It should be noted that their claims for damages totalled €8.2 million. The liquidator of the company Spirel had 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.
Proceedings before the Labour Court – dismissed in 2016 and 2018 and involving the employees contesting the grounds for their dismissal and claiming damages of a substantially similar amount to that sought before the Court of Appeal – are still ongoing.
These factors do not alter the Group's risk evaluation. Consequently, it continues to qualify these risks as contingent liabilities and no provision was thus recognised in relation to these disputes at 30 June 2019.

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 complaint 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 seeking for the liability guarantee. Proceedings before the Commercial Court and the Court of Appeal are ongoing.
As the proceedings and the documentation provided by UTC currently stand, the Group continues to contest the entirety of UTC's claims and remains confident regarding the outcome of this dispute. It has qualified this risk as a contingent liability and no provision was therefore recognised at 30 June 2019.
At 30 June 2019, 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. 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 30 June 2019.

POST BALANCE-SHEET EVENT

No significant post-balance sheet event has occurred since 30 June 2019.

(1) The net cash surplus corresponds to the difference between cash and cash equivalents and financial liabilities.

02

2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

02
2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The financial statements set out below include the effects of adopting IFRS 16 as detailed in note 3.3.1.

CONSOLIDATED INCOME STATEMENT

€ thousands	Notes	30/06/19 6 months	30/06/18 6 months
Sales	(6.1)	615,118	586,148
Other operating income		8,654	8,583
Cost of sales		-221,811	-209,698
Employee expenses		-182,212	-174,684
External expenses		-77,563	-87,128
EBITDA		**142,187**	**123,222**
Amortisation and depreciation charges	(7.2) & (7.3)	-27,329	-19,010
Charges to/reversal of current provisions		153	-159
Gains and losses on disposal of non-current operating assets		-84	-33
CURRENT OPERATING RESULT		**114,927**	**104,020**
Other operating income and expenses	(6.2)	60	9,456
Goodwill impairment	(6.2) & (7.1.1)	-710	-9,700
OPERATING RESULT		**114,277**	**103,776**
– *Financial income from investments*		*604*	*475*
– *Financial expenses related to borrowings*		*-1,678*	*-1,119*
Cost of net financial debt		-1,074	-644
Other financial income and expenses		-824	-1,854
NET FINANCIAL EXPENSE	**(9.1)**	**-1,898**	**-2,498**
PROFIT BEFORE TAX		**112,379**	**101,278**
Income tax	(13)	-22,524	-20,707
Share of net profit/(loss) from associates	(14.1)	1,333	-4
NET PROFIT FROM CONTINUING OPERATIONS		**91,187**	**80,568**
NET PROFIT FROM OPERATIONS TREATED IN ACCORDANCE WITH IFRS 5	**(4)**	**—**	**2,630**
CONSOLIDATED NET PROFIT		**91,187**	**83,198**
Attributable to Group share		91,205	83,276
Attributable to Non-controlling interests		-18	-79
Basic earnings per share (€)	**(8.2)**	**2.65**	**2.42**
Diluted earnings per share (€)	**(8.2)**	**2.65**	**2.42**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousands	30/06/19	30/06/18
Consolidated net profit	**91,187**	**83,198**
Movement in gains and losses on translation of foreign currency	1,665	-3,449
Movement in fair value of foreign currency hedges	-196	-563
Movement in tax on items that may be reclassified to profit or loss	67	193
Items that may be reclassified to profit or loss	**1,536**	**-3,819**
Movement in actuarial gains and losses	-1,563	—
Movement in tax on items that will not be reclassified to profit or loss	538	—
Items that will not be reclassified to profit or loss	**-1,025**	**—**
Items of other comprehensive income	**511**	**-3,819**
Total comprehensive income for the period	**91,698**	**79,379**
Attributable to Group share	91,716	79,457
Attributable to Non-controlling interests	-18	-79

CONSOLIDATED BALANCE SHEET – ASSETS

€ thousands	Notes	30/06/19 Net	31/12/18 Net
Non-current assets			
Goodwill	(7.1.1)	95,421	96,225
Net intangible assets	(7.2)	36,457	37,064
Net property, plant and equipment	(7.3)	296,480	243,898
Investments in associates and joint ventures	(14.1)	134,213	132,781
Financial assets	(9.2.1)	4,083	3,849
Other receivables	(6.5.1)	627	632
Deferred tax assets		26,190	25,720
Employee benefits		3	—
Total Non-current assets		**593,474**	**540,170**
Current assets			
Inventories	(6.4)	175,329	175,003
Trade receivables		201,503	140,086
Other receivables	(6.5.2)	28,417	31,921
Current tax assets		26,834	37,281
Financial assets	(9.2.1)	504	448
Derivative instruments – assets		28	—
Cash and cash equivalents		261,511	259,345
Total Current assets		**694,125**	**644,085**
TOTAL ASSETS		**1,287,600**	**1,184,255**

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

€ thousands	Notes	30/06/19	31/12/18
Shareholders' equity			
Share capital		7,400	7,400
Share premium		1,866	1,866
Other reserves		839,012	744,605
Net profit for the period		91,205	140,458
Group share		**939,483**	**894,329**
Non-controlling interests		70	64
Total Shareholders' equity		**939,553**	**894,394**
Non-current liabilities			
Non-current provisions	(11.1.1)	8,976	8,936
Other financial liabilities	(9.2.2)	54,782	11,597
Other liabilities		1,263	1,252
Employee benefits		29,188	27,439
Deferred tax liabilities		15,036	16,772
Total Non-current liabilities		**109,246**	**65,996**
Current liabilities			
Current provisions	(11.1.2)	6,927	7,489
Other financial liabilities	(9.2.2)	32,292	25,650
Trade payables		99,254	90,128
Other liabilities		91,192	95,224
Tax liabilities		8,745	5,207
Derivative instruments – liabilities		392	168
Total Current liabilities		**238,801**	**223,866**
TOTAL EQUITY AND LIABILITIES		**1,287,600**	**1,184,255**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousands	Share capital*	Share premium	Treasury shares	Changes in foreign exchange rates	Consoli-dated reserves	Total shareholders' equity	Non-controlling interests	Total equity (Group share)
AT 31 DECEMBER 2018	**7,400**	**1,866**	**-99,256**	**-5,083**	**989,466**	**894,394**	**64**	**894,329**
Total comprehensive income for the period	—	—	—	1,665	90,033	**91,698**	-18	**91,716**
Treasury share transactions	—	—	679	—	942	**1,621**	—	**1,621**
Dividends	—	—	—	—	-48,094	**-48,094**	—	**-48,094**
Other movements**	—	—	—	—	-66	**-66**	24	**-90**
AT 30 JUNE 2019	**7,400**	**1,866**	**-98,577**	**-3,418**	**1,032,282**	**939,553**	**70**	**939,483**
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	—	—	—	-3,449	82,828	**79,379**	-79	**79,457**
Treasury share transactions	—	—	-512	—	657	**145**	—	**145**
Dividends	—	—	—	—	-44,645	**-44,645**	—	**-44,645**
Other movements**	—	—	—	-7,198	42,914	**35,716**	58	**35,658**
AT 30 JUNE 2018	**7,400**	**1,866**	**-99,782**	**-4,264**	**936,039**	**841,259**	**52**	**841,207**

* *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 figure for the first half of 2018 mainly corresponded to the impact of the deconsolidation of the put option related to the Dooya shareholding. 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. The subsequent changes to liabilities are recognised under "Equity – Group share".

The first-time application of IFRS 16 had no material impact on shareholders' equity.

CONSOLIDATED CASH FLOW STATEMENT

€ thousands	Notes	30/06/19 6 months	30/06/18 6 months
Consolidated net profit		**91,187**	**83,198**
Net profit from operations treated in accordance with IFRS 5		—	-2,630
Net profit from continuing operations		**91,187**	**80,568**
Depreciation and amortisation of assets (excluding current assets)		28,135	27,207
Charges to/reversals of provisions for liabilities		19	196
Unrealised gains and losses related to fair value movements		82	-9,629
Unrealised foreign exchange gains and losses		-1,962	1,529
Income and expenses related to stock options and employee benefits		2,908	2,362
Depreciation, amortisation, provisions and other non-cash items		**29,181**	**21,665**
Profit on disposal of assets and others		84	3
Share of net profit/(loss) from associates		-1,333	4
Deferred tax expense		-1,708	-580
Cash flow		**117,412**	**101,661**
Cost of net financial debt (excluding non-cash items)		1,074	644
Tax expense (excluding deferred tax)		24,231	21,288
Change in working capital requirements	(10.2)	-53,130	-66,911
Tax paid		-10,220	-12,450
NET CASH FLOW FROM OPERATING ACTIVITIES (A)		**79,366**	**44,233**
Acquisition-related disbursements:			
– intangible assets and property, plant and equipment		-24,463	-29,718
– non-current financial assets		-350	-819
Disposal-related proceeds:			
– intangible assets and property, plant and equipment		159	629
Change in current financial assets		1,169	3,218
Acquisition of companies, net of cash acquired	(9.2.2)	-869	-1,442
Interest received		360	175
NET CASH FLOW FROM INVESTING ACTIVITIES (B)		**-23,995**	**-27,956**
Increase in borrowings	(9.2.2)	2	73
Repayment of borrowings and lease liabilities	(9.2.2)	-7,067	-1,038
Dividends and interim dividends paid		-48,094	-44,707
Movement in treasury shares		919	-482
Interest paid		-1,685	-1,118
NET CASH FLOW FROM FINANCING AND CAPITAL ACTIVITIES (C)		**-55,924**	**-47,273**
Net cash flow from operations treated in accordance with IFRS 5 (D)	(4)	—	-20,340
Impact of changes in foreign exchange rates on cash and cash equivalents (E)		1,443	-681
NET CHANGE IN CASH AND CASH EQUIVALENTS (A + B + C + D + E)		**890**	**-52,017**
CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	**(10.1)**	**253,413**	**212,564**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**(10.1)**	**254,304**	**160,547**

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%-owned subsidiary of the French company J.P.J.S.
The **Group**'s condensed consolidated IFRS financial statements for the half-year ended 30 June 2019 were prepared by the Management Board on 30 August 2019. At its meeting of 10 September 2019, the Supervisory Board, following verification and review, did not issue any observations and duly authorised their publication. Total assets were €1,287,600 thousand and consolidated net profit €91,187 thousand (Group share: €91,205 thousand).

NOTE 1 HIGHLIGHTS

NOTE 1.1 FIRST-TIME APPLICATION OF IFRS 16

IFRS 16 "Leases", adoption of which is compulsory with effect from 1 January 2019, was applied for the first time to the financial statements to 30 June 2019, using the simplified retrospective approach.
The impact of this first-time application on existing leases at 1 January 2019 was €42.1 million on non-current assets and financial debt and €6.8 million on EBITDA. The impact on shareholders' equity, current operating result and net profit is not material.

NOTE 1.2 CHANGES TO THE CONSOLIDATION SCOPE

There were no major changes to the consolidation scope during the first half of 2019.

NOTE 1.3 CONTINGENT LIABILITIES

The Court of Appeal of Chambéry issued its ruling on 21 May 2019 on the dispute between **Spirel** employees and **Somfy SA**. The claims of the employees in respect of the alleged deliberate bankruptcy of Spirel and the non-material damage caused as a result of anxiety, disappointment and vexation were judged inadmissible, thereby confirming the April 2017 ruling of the High Court of Albertville. The employees filed an appeal in cassation in August 2019.
It should be noted that their claims for damages totalled €8.2 million. The liquidator of the company Spirel had 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.
Proceedings before the Labour Court – dismissed in 2016 and 2018 and involving the employees contesting the grounds for their dismissal and claiming damages of a substantially similar amount to that sought before the Court of Appeal – are still ongoing.
These factors do not alter the Group's risk evaluation. Consequently, it continues to qualify these risks as contingent liabilities and no provision was thus recognised in relation to these disputes at 30 June 2019.

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 complaint 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 Appeal are ongoing.
As the proceedings and the documentation provided by UTC currently stand, the Group continues to contest the entirety of UTC's claims and remains confident regarding the outcome of this dispute. It has qualified this risk as a contingent liability and no provision was therefore recognised at 30 June 2019.
At 30 June 2019, 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. 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 30 June 2019.

NOTE 2 POST BALANCE-SHEET EVENT

No significant post-balance sheet event has occurred since 30 June 2019.

NOTE 3 ACCOUNTING RULES AND METHODS

NOTE 3.1 COMPLIANCE WITH ACCOUNTING STANDARDS

In application of European regulation 1606/2002 of 19 July 2002, the Group's condensed consolidated financial statements have been prepared in accordance with IFRS (International Financial Reporting Standards) published by the IASB (International Accounting Standards Board), as adopted by the European Union at 30 June 2019.
These standards are available on the IASB website at https://www.ifrs.org/issued-standards/.
The accounting rules and methods applied when preparing the condensed consolidated interim financial statements are consistent with those used when preparing the consolidated annual financial statements for the year ended 31 December 2018, with the exception of IFRS and associated amendments and interpretations as adopted by the European Union and the IASB, adoption of which is mandatory for financial years beginning on or after 1 January 2019, and which the Group had not opted to adopt early (see note 3.3.1).
The condensed consolidated interim financial statements have been prepared in accordance with the international financial reporting standard IAS 34 ("Interim financial reporting"). They do not contain all disclosures and notes included in the full-year financial statements. As a result, they must be read in conjunction with the Group's consolidated financial statements at 31 December 2018.
The Group's consolidated financial statements for the year ended 31 December 2018 are available on the Group's website www.somfyfinance.com and upon request from head office.

NOTE 3.2 JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires Management to make a number of judgements, estimates and assumptions liable to affect the values of assets, liabilities, and income and expense items in the financial statements, and information provided in certain 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.
As part of the preparation of these consolidated interim financial statements, the main judgements made and the main assumptions (described in the 2018 annual financial statements) used by Management have been updated based on the latest indicators available.
At 30 June, the Group reviews its performance indicators and, if necessary, carries out impairment tests if there is any indication that an asset may have been impaired.

NOTE 3.3 NEW APPLICABLE STANDARDS AND INTERPRETATIONS

Note 3.3.1 Standards, amendments and interpretations applicable within the European Union from the financial year beginning on or after 1 January 2019

The Group has applied the following standards, amendments and interpretations as of 1 January 2019:

Standards	Content	Application date
IFRS 16	Leases	Applicable from 1 January 2019
Amendment to IFRS 9	Prepayment Features with Negative Compensation	Applicable from 1 January 2019
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	Applicable from 1 January 2019
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	Applicable from 1 January 2019
Annual improvements to IFRS	2015-2017 cycle (IFRS 3, IFRS 11, IAS 12, IAS 23)	Applicable from 1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	Applicable from 1 January 2019

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, corresponding to the discounted value of future payments. Furthermore, instead of lease expenses associated with these leases, the Group has recognised amortisation expenses in operating profit and financial expenses in net financial expense.

The restatement of lease contracts leads to an increase in operating result, financial expenses, non-current assets and financial liabilities.

The Group's lease agreements are relatively standard. The impact of this new standard primarily concerns 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 has adopted this standard with effect from 1 January 2019; for periods up to 31 December 2018, IAS 17 applies. Concerning transitional provisions, the standard is applied in a simplified retrospective manner. This method consists of recognising the cumulative effect of first-time application as an adjustment to opening equity, taking the right-of-use asset as equal to the amount of lease obligations.

Somfy has opted to adopt the exemptions provided for short-term leases and low-value assets. Leases with a term of 12 months or less, as well as those relating to low-value assets (US$5,000 or less), have therefore not been restated and the corresponding lease payments continue to be recognised in operating expenses. Leases relating to low-value assets mainly concern small items of IT equipment.

The lease term is defined on a case-by-case basis and corresponds to the non-cancellable period of the lease taking into account any optional periods that are reasonably certain to be exercised.

The discount rate used to calculate the lease liability for each asset is determined based on the marginal borrowing rate at the date of first-time application of IFRS 16 (1 January 2019). This is the rate of interest the lessee would have to pay to borrow the funds needed to acquire the asset over a similar term and in a similar economic environment.

Impact of first-time application on existing leases on 1 January 2019

The impact of this first-time application on existing leases at 1 January 2019 was €42.1 million on non-current assets and financial debt and €6.8 million on EBITDA. The impact on shareholders' equity, current operating result and net profit is not material.

€ thousands	01/01/19
Assets	
Net property, plant and equipment	42,105
TOTAL ASSETS	**42,105**
Liabilities	
Other non-current financial liabilities	30,671
Other current financial liabilities	11,434
TOTAL LIABILITIES	**42,105**

The reconciliation of IAS 17 lease commitments at 31 December 2018 and the lease liability recognised at 1 January 2019 is as follows:

€ thousands	
Operating lease commitments at 31/12/18	54,704
Adjustment to lease terms and agreements	-5,613
Weighted marginal borrowing rate at 01/01/19	2.9%
Discounting effect	-3,848
Exemptions applied to short-term leases and low value assets	-3,138
LEASE LIABILITY AT 01/01/19	**42,105**

The liability in respect of leases previously classed as finance leases under IAS 17 has been reclassified as an opening lease liability (see note 9.2.2). Similarly, for these leases, the book value of right-of-use assets has been determined as the value of the underlying leased asset calculated under IAS 17.

Main impacts at 30 June 2019
The main impacts of IFRS 16 on the financial statements at 30 June 2019 are as follows:

INCOME STATEMENT

€ thousands	**30/06/19**	**IFRS 16 impacts**
Current operating result	114,927	243
Net financial expense	-1,898	-568
Consolidated net profit	91,187	-326

CONSOLIDATED BALANCE SHEET

€ thousands	**30/06/19**	**IFRS 16 impacts**
Assets		
Net property, plant and equipment	296,480	49,807
Equity and liabilities		
Shareholders' equity	939,553	-326
Other non-current financial liabilities	54,782	43,085
Other current financial liabilities	32,292	7,048

The impact of IFRS 16 on net financial debt at 30 June 2019 was €50.1 million.

CONSOLIDATED CASH FLOW STATEMENT

€ thousands	**30/06/19**	**IFRS 16 impacts**
Cash flow	117,412	6,264
Cost of net financial debt (excluding non-cash items)	1,074	568
Net cash flow from financing and capital activities	-55,924	-6,831
Net change in cash and cash equivalents	890	—

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

Note 3.3.2 Standards and interpretations whose application is not yet mandatory

Standards	Content	Application date
Amendment to IFRS 3	Definition of a Business	Applicable from 1 January 2020 according to the IASB, not yet approved by the EU
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 the Conceptual Framework in IFRS Standards	Amendments to References to the Conceptual Framework in IFRS Standards	Applicable from 1 January 2020 according to the IASB, not yet approved by the EU

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

NOTE 3.4 SEASONALITY

The Group sees seasonal variations in its activities which could affect, from one half-year to another, the level of sales. As such, interim results are not necessarily indicative of the results that may be expected for the year as a whole. More than half of Somfy's sales are generated in the first half of the year.

NOTE 4 OPERATIONS TREATED IN ACCORDANCE WITH IFRS 5 – MAJOR IMPACTS IN 2018

It should be noted that new rules of governance within Dooya were adopted at the end of June 2018 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.
Given the change in governance detailed above, it met the IFRS 5 criteria for classification as "Discontinued Operations". The Group replaced the term "Discontinued Operations" with the term "Operations treated in accordance with IFRS 5" throughout this half-year financial report, terminology that is more appropriate to the transaction.
The impacts of the transaction had been isolated in a specific item in the income statement and the cash flow statement to 30 June 2018 (see note 5 of the 2018 interim financial report).

NOTE 5 SEGMENT REPORTING

Somfy includes entities whose business 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 30 JUNE 2019

€ thousands	Europe, Middle East & Africa	Asia & Americas	Intra-regional eliminations	Consolidated
Segment sales	553,170	106,675	-44,726	**615,118**
Intra-segment sales	-31,785	-12,941	44,726	**—**
Segment sales – Contribution to sales	521,385	93,733	—	**615,118**
Segment current operating result	107,381	7,546	—	**114,927**
Share of net profit/(loss) from associates	-2	1,334	—	**1,333**
Cash flow	108,351	9,060	—	**117,412**
Net investments in intangible assets and PPE	23,653	651	—	**24,304**
New rights-of-use assets	13,439	640	—	**14,079**
Goodwill	93,983	1,439	—	**95,421**
Net intangible assets and PPE	310,580	22,358	—	**332,938**
Investments in associates and joint ventures	701	133,512	—	**134,213**

Current operating result and property, plant and equipment are both impacted by the application of IFRS 16 (see note 3.3.1).

AT 30 JUNE 2018

€ thousands	Europe, Middle East & Africa	Asia & Americas	Intra-regional eliminations	Consolidated
Segment sales	529,188	101,425	-44,464	**586,148**
Intra-segment sales	-30,227	-14,237	44,464	**—**
Segment sales – Contribution to sales	498,960	87,188	—	**586,148**
Segment current operating result	98,000	6,020	—	**104,020**
Net profit from operations treated in accordance with IFRS 5	—	2,630	—	**2,630**
Share of net profit/(loss) from associates	-4	—	—	**-4**
Cash flow	96,706	4,956	—	**101,661**
Net investments in intangible assets and PPE	28,311	778	—	**29,089**
Goodwill	94,285	2,522	—	**96,807**
Net intangible assets and PPE	264,108	7,928	—	**272,036**
Investments in associates and joint ventures	708	132,164	—	**132,872**

NOTE 6 PERFORMANCE-RELATED DATA

—

NOTE 6.1 SALES BY CUSTOMER LOCATION

This presentation by customer location is 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	30/06/19 6 months	30/06/18 6 months	Change N/N-1	Change N/N-1 like-for-like
France	178,804	174,675	2.4%	2.3%
Germany	95,497	89,975	6.1%	6.1%
Northern Europe	73,427	63,532	15.6%	15.8%
Central & Eastern Europe	73,240	63,447	15.4%	15.7%
Southern Europe	64,667	64,044	1.0%	0.6%
Africa & Middle East	31,816	38,298	-16.9%	-12.4%
Asia & Pacific (excluding China)	26,515	25,190	5.3%	3.5%
China	6,738	6,024	11.9%	10.5%
North America	53,232	49,413	7.7%	1.0%
Central & South America	11,182	11,550	-3.2%	5.0%
TOTAL SALES	**615,118**	**586,148**	**4.9%**	**4.7%**

NOTE 6.2 OTHER OPERATING INCOME AND EXPENSES

€ thousands	30/06/19 6 months	30/06/18 6 months
Charge to/reversal of non-current provisions	177	30
Other non-current items	-118	9,396
– *Non-current income*	*236*	*9,765*
– *Non-current expenses*	*-355*	*-369*
Net gain/(loss) on disposal of non-current assets	—	30
OTHER OPERATING INCOME AND EXPENSES	**60**	**9,456**
GOODWILL IMPAIRMENT	**-710**	**-9,700**

It should be noted that at 30 June 2018, the renegotiations of Myfox's earnouts had resulted in the recognition of a non-recurring income of €9.7 million (adjustment to financial debt). At the same time, a €9.7 million goodwill impairment was recorded.

NOTE 6.3 ALTERNATIVE PERFORMANCE MEASURES

Note 6.3.1 Change N/N-1 like-for-like

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

At 30/06/19	Sales	Current operating result
CHANGE N/N-1 LIKE-FOR-LIKE	**4.7%**	**9.2%**
Forex impact	0.2%	1.0%
Scope impact	—	—
Change in accounting method impact	—	0.2%
CHANGE N/N-1 AT ACTUAL ACCOUNTING METHOD, EXCHANGE RATES AND SCOPE	**4.9%**	**10.5%**

The item "Change in accounting method impact" relates to the impact of IFRS 16.

Note 6.3.2 Current operating margin

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

€ thousands	30/06/19 6 months	30/06/18 6 months
Current operating result	114,927	104,020
Sales	615,118	586,148
CURRENT OPERATING MARGIN	**18.7%**	**17.7%**

Since the current operating result is affected by the application of IFRS 16 (see note 3.3.1), this change of accounting policy has a knock-on effect on the current operating margin.

Note 6.3.3 Net financial debt

Net financial debt corresponds to the difference between financial assets and financial liabilities. It particularly takes into account unlisted bonds receivable, issued by certain companies in which shares are held or related entities, as well as earnouts on acquisitions, liabilities relating to options granted to minority shareholders in fully-consolidated companies and deferred settlements of a financial nature. It does not include securities in non-controlling equity investments, deposits & guarantees, and government grants.
Net financial debt is impacted by the application of IFRS 16 in 2019.
Details of the calculation of the net financial debt are provided in note 9.2.3.

NOTE 6.4 INVENTORIES

€ thousands	30/06/19	31/12/18
Gross values		
Raw materials and other supplies	55,644	57,499
Finished goods and merchandise	135,257	131,253
Total	**190,901**	**188,752**
Provisions	**-15,572**	**-13,749**
NET VALUES	**175,329**	**175,003**

€ thousands	Value 31/12/18	Net charges	Exchange rate movements	Changes in consolidation scope and method	Value 30/06/19
Inventory provisions	-13,749	-1,783	-40	—	**-15,572**

NOTE 6.5 OTHER NON-CURRENT AND CURRENT RECEIVABLES

Note 6.5.1 Other non-current receivables

€ thousands	30/06/19	31/12/18
Gross values		
Other operating receivables	2	8
Other non-operating receivables	625	625
TOTAL	**627**	**632**

Note 6.5.2 Other current receivables

€ thousands	30/06/19	31/12/18
Gross values		
Receivables from employees	595	716
Other taxes (including VAT)	4,667	11,231
Prepaid expenses	10,605	7,585
Other receivables	12,550	12,390
TOTAL	**28,417**	**31,921**

“Other receivables” notably include current receivables on the disposal of CIAT totalling €9.7 million at both 30 June 2019 and 31 December 2018.

NOTE 7 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

NOTE 7.1 GOODWILL AND IMPAIRMENT TEST

Note 7.1.1 Goodwill

€ thousands	Value
At 1 January 2019	96,225
Impact of changes in consolidation scope and method	—
Impact of changes in foreign exchange rates	-94
Charge for impairment	-710
AT 30 JUNE 2019	**95,421**

The charge for impairment related to iHome.

Note 7.1.2 Impairment test

The revision of the iHome business plan led to the recognition of goodwill impairment of €0.7 million at 30 June 2019.
For the purposes of the impairment test, a discount rate of 18.0% and a growth rate to infinity of 2.5% were used.
No indication of impairment was noted on other Group CGUs at 30 June 2019 as part of the review of material intangible assets.

Sensitivity analysis
The Group has conducted sensitivity analyses on the results of impairment tests using different assumptions for EBITDA ratio and discount rate. Analyses of the sensitivity of calculations to assumptions considered individually, including changes deemed reasonably possible in these assumptions, have highlighted scenarios where the recoverable value would fall below the book value of assets subject to the tests, therefore requiring additional impairment of the latter: a two-percentage point increase in the discount rate could result in the need to recognise additional impairment of €0.3 million on iHome's goodwill. A two-percentage point decrease in the EBITDA to sales ratio of the last year used in the calculation of the terminal value would require additional impairment of €0.2 million.

NOTE 7.2 OTHER INTANGIBLE ASSETS

€ thousands	Allocated intangible assets	Development costs	Patents and brands	Software	Other	In progress and advance payments	Total
Gross value at 1 January 2019	9,789	48,957	4,244	53,588	2,061	5,799	**124,437**
Acquisitions	—	—	39	428	2	3,767	**4,236**
Disposals	—	—	—	-64	—	—	**-64**
Impact of changes in foreign exchange rates	-10	2	1	18	1	1	**13**
Impact of changes in consolidation scope and method	—	—	—	—	—	—	**—**
Other movements	—	1,006	-1	1,345	323	-2,600	**73**
AT 30 JUNE 2019	**9,780**	**49,964**	**4,283**	**55,315**	**2,387**	**6,966**	**128,695**
Accumulated amortisation at 1 January 2019	-7,027	-33,763	-3,304	-41,617	-1,662	—	**-87,373**
Amortisation charge for the period	-516	-1,954	-220	-2,152	-26	—	**-4,868**
Disposals	—	—	—	23	—	—	**23**
Impact of changes in foreign exchange rates	9	-2	-2	-11	—	—	**-6**
Impact of changes in consolidation scope and method	—	—	—	—	—	—	**—**
Other movements	—	41	—	-55	—	—	**-14**
AT 30 JUNE 2019	**-7,535**	**-35,677**	**-3,525**	**-43,812**	**-1,689**	**—**	**-92,238**
NET VALUE AT 30 JUNE 2019	**2,245**	**14,287**	**758**	**11,503**	**698**	**6,966***	**36,457**

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

NOTE 7.3 PROPERTY, PLANT AND EQUIPMENT

The application of IFRS 16 “Leases” from 1 January 2019 and its impact are detailed in notes 3.3.1 and 1.1.
Leases are recognised in the balance sheet with effect from their start date at the present value of future payments based on the lessee’s marginal borrowing rate at the date of the lease agreement. This is the rate of interest the lessee would have to pay to borrow the funds needed to acquire the asset over a similar term and in a similar economic environment.
Leases are recognised under “lease liabilities”, with a corresponding entry on the asset side under “rights of use in relation to leases”, with each item stated in the relevant category of underlying asset. PPE financed through leases are depreciated over the same periods as PPE acquired outright 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. In the income statement, depreciation is recognised within the operating margin and interest expenses in net financial income/(expense). The tax impact of this consolidation restatement is taken into account through the recognition of deferred taxes.
Leases corresponding to assets of low unit value and those whose term is short are recognised directly in operating expenses.

€ thousands	Land	Buildings	Rights to use land and buildings	Plant, machinery and tools	Rights to use plant, machinery and tools	Other property, plant and equipment	Rights to use other property, plant and equipment	In progress and advance payments	Total
Gross value at 1 January 2019	22,710	161,468	—	278,180	—	67,182	—	22,187	**551,726**
Impact of the application of IFRS 16 from 1 January 2019	—	—	34,523	—	420	—	7,162	—	**42,105**
Acquisitions	—	356	11,933	2,883	251	1,784	1,895	13,634	**32,736**
Disposals	—	-86	-23	-2,541	-5	-2,218	-58	—	**-4,932**
Impact of changes in foreign exchange rates	75	267	136	431	—	192	1	58	**1,161**
Impact of changes in consolidation scope and method	—	—	—	—	—	—	—	—	**—**
Other movements	-6,537	-15,784	23,305	7,996	6	1,065	104	-10,229	**-73**
AT 30 JUNE 2019	**16,248**	**146,222**	**69,874**	**286,949**	**672**	**68,006**	**9,103**	**25,649**	**622,723**
Accumulated depreciation at 1 January 2019	-965	-83,380	—	-176,376	—	-47,106	—	—	**-307,828**
Depreciation charge for the period	-126	-2,686	-4,545	-9,841	-112	-3,287	-2,221	—	**-22,818**
Disposals	—	78	23	2,470	5	2,111	43	—	**4,730**
Impact of changes in foreign exchange rates	-9	-57	11	-171	—	-116	1	—	**-341**
Impact of changes in consolidation scope and method	—	—	—	—	—	—	—	—	**—**
Other movements	—	8,167	-8,150	46	-6	-4	-39	—	**14**
AT 30 JUNE 2019	**-1,100**	**-77,878**	**-12,662**	**-183,872**	**-113**	**-48,402**	**-2,215**	**—**	**-326,243**
NET VALUE AT 30 JUNE 2019	**15,148**	**68,343**	**57,213**	**103,077**	**559**	**19,603**	**6,888**	**25,649**	**296,480**

The impact of IFRS 16 application with effect from 1 January 2019 on property, plant and equipment is €42.1 million.
Other changes in leased assets also include the reclassification at 1 January 2019 of leases initially restated under IAS 17, consisting of land and buildings with a gross value of €23.3 million and €8.2 million in associated accumulated depreciation.

NOTE 8 DIVIDENDS AND EARNINGS PER SHARE

NOTE 8.1 DIVIDENDS

The gross dividend proposed at the AGM of 22 May 2019 called to approve the 2018 financial statements was €1.40. It was paid on 5 June 2019.

NOTE 8.2 EARNINGS PER SHARE

Basic earnings per share	**30/06/19 6 months**	**30/06/18 6 months**
Net profit – Group share (€ thousands)	91,205	83,276
Total number of shares (1)	37,000,000	37,000,000
Treasury shares* (2)	2,614,446	2,656,504
Number of shares used in calculation (1) - (2)	34,385,554	34,343,496
BASIC EARNINGS PER SHARE (€)	**2.65**	**2.42**

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

Diluted earnings per share	**30/06/19 6 months**	**30/06/18 6 months**
Net profit – Group share (€ thousands)	91,205	83,276
Total number of shares (1)	37,000,000	37,000,000
Treasury shares** (2)	2,550,867	2,656,504
Number of shares used in calculation (1) - (2)	34,449,133	34,343,496
DILUTED EARNINGS PER SHARE (€)	**2.65**	**2.42**

** *Free shares are excluded.*

Diluted earnings per share take into account shares allocated free of charge in determining the "number of shares used in calculation".

NOTE 9 FINANCIAL ITEMS

NOTE 9.1 NET FINANCIAL INCOME/(EXPENSE)

€ thousands	**30/06/19 6 months**	**30/06/18 6 months**
Cost of net financial debt	-1,074	-644
– *Financial income from investments*	*604*	*475*
– *Financial expenses related to borrowings*	*-1,678*	*-1,119*
Of which financial charges related to IFRS 16 and IAS 17	*-529*	*-38*
Effect of foreign currency translation	-942	-3,233
Other	117	1,379
NET FINANCIAL EXPENSE	**-1,898**	**-2,498**

Net financial expense was €1.9 million for the six months to 30 June 2019, compared with an expense of €2.5 million for the period to 30 June 2018. The fall was mainly due to an improvement in unrealised exchange rate effects on foreign currency receivables and payables (USD and TRY in particular), partly offset by a lower reversal of the provisions on Garen's financial assets in 2019 (€0.3 million in 2019 compared with €1.5 million in 2018).

NOTE 9.2 FINANCIAL ASSETS AND LIABILITIES

Note 9.2.1 Financial assets

€ thousands	Equity investments	Loans	Deposits and guarantees	Other	Non-current and current financial assets	Realisable within 1 year	Non-current financial assets
At 1 January 2019	1,509	286	2,499	3	**4,297**	448	**3,849**
Increase	239	597	111	—	**947**	1	**946**
Decrease	—	-1,102	-68	—	**-1,170**	-1,170	—
Net change in impairment	1	261	—	—	**262**	—	**262**
Impact of changes in foreign exchange rates	—	1	-1	—	—	2	**-2**
Impact of changes in consolidation scope and method	—	—	—	—	—	—	—
Fair value recognised in items of other comprehensive income	—	—	—	—	—	—	—
Other movements	—	250	—	—	**250**	1,222	**-972**
AT 30 JUNE 2019	**1,749**	**294**	**2,541**	**3**	**4,587**	**504**	**4,083**
Non-current financial assets	1,749	230	2,103	—	**4,083**	—	—
Current financial assets	—	64	438	3	**504**	—	—

Financial assets realisable within one year mainly comprise short-term deposits.

Note 9.2.2 Financial liabilities

€ thousands	Borrowings from credit institutions	Lease liabilities	Other borrowings and financial liabilities	Total liabilities from financing activities	Bank overdrafts	Non-current and current financial liabilities	Due within 1 year	Non-current financial liabilities
At 1 January 2019	1,532	4,973	24,810	**31,316**	5,932	**37,248**	25,650	**11,597**
Increase in borrowings	—	—	2	**2**	1,309	**1,312**	1,309	**2**
Repayment of borrowings and lease liabilities	-170	-6,863	-34	**-7,067**	-1	**-7,067**	-7,067	—
Other movements related to business acquisitions	—	—	-869	**-869**	—	**-869**	-869	—
Total cash movements	**-170**	**-6,863**	**-901**	**-7,933**	**1,309**	**-6,625**	**-6,627**	**2**
Impact of the application of IFRS 16 from 1 January 2019	—	42,105	—	**42,105**	—	**42,105**	11,434	**30,671**
Impact of the revaluation of put options	—	—	123	**123**	—	**123**	—	**123**
Impact of changes in foreign exchange rates	6	146	3	**156**	-33	**123**	1,036	**-913**
New lease liabilities	—	14,099	—	**14,099**	—	**14,099**	—	**14,099**
Impact of changes in consolidation scope and method	—	—	—	—	—	—	—	—
Other movements	—	—	1	**1**	—	**1**	799	**-798**
Total non-cash movements	**6**	**56,350**	**127**	**56,483**	**-33**	**56,451**	**13,269**	**43,182**
AT 30 JUNE 2019	**1,369**	**54,461**	**24,037**	**79,866**	**7,207**	**87,074**	**32,292**	**54,782**
Non-current financial liabilities	1,160	46,808	6,814	**54,782**	—	**54,782**	—	—
Current financial liabilities	208	7,653	17,223	**25,084**	7,207	**32,292**	—	—

Financial liabilities have been impacted by the application of IFRS 16 on 1 January 2019 in the amount of €42.1 million.
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 €24.0 million at 30 June 2019 and €24.8 million at 31 December 2018.

At 30 June 2019, the financial liabilities include the fair value of the put option granted to the Dooya partners, 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.
The subsequent fair values of liabilities corresponding to put options granted to holders of non-controlling interests are recognised in equity.

Note 9.2.3 Analysis of net financial debt

Net financial debt is defined in note 6.3.3.

€ thousands	30/06/19	31/12/18
Financial liabilities included in net financial debt calculation	87,074	37,242
– *Of which liabilities related to lease agreements (IFRS 16 and IAS 17)**	*54,461*	*4,973*
Financial assets included in net financial debt calculation	294	286
– *Marketable securities*	—	—
– *Loans*	*294*	*286*
– *Miscellaneous*	—	—
Cash and cash equivalents	261,511	259,345
NET FINANCIAL DEBT	**-174,731**	**-222,389**
Liabilities related to put options and earnouts	24,038	24,778
RESTATED NET FINANCIAL DEBT	**-198,769**	**-247,168**

* *At 31 December 2018, in accordance with IAS 17, only finance leases were restated in the balance sheet. The adoption of IFRS 16 in place of IAS 17 with effect from 1 January 2019 resulted in all leases being restated, leading to a €42.1 million increase in financial liabilities at that date.*

NOTE 10 ANALYSIS OF CASH FLOW STATEMENT

NOTE 10.1 CASH AND CASH EQUIVALENTS

€ thousands	30/06/19 6 months	30/06/18 6 months
CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	**253,413**	**212,564**
Cash and cash equivalents at the start of the period	259,345	212,834
Bank overdrafts	-5,932	-269
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**254,304**	**160,547**
Cash and cash equivalents at the end of the period	261,511	174,540
Bank overdrafts	-7,207	-13,993

NOTE 10.2 CHANGE IN WORKING CAPITAL REQUIREMENTS

€ thousands	30/06/19 6 months	30/06/18 6 months
Net decrease/(increase) in inventory	633	-21,345
Net decrease/(increase) in trade receivables	-61,220	-63,950
Net (decrease)/increase in trade payables	8,648	18,138
Net movement in other receivables and payables	-1,191	246
CHANGE IN WORKING CAPITAL REQUIREMENTS	**-53,130**	**-66,911**

NOTE 11 PROVISIONS AND CONTINGENT LIABILITIES

NOTE 11.1 PROVISIONS

Note 11.1.1 Non-current provisions

€ thousands	Provisions for guarantees	Provisions for litigation	Provision for agents	Provisions for liabilities and charges	Total 2019
At 1 January 2019	5,620	1,074	437	1,805	**8,936**
Charges	—	584	3	16	**603**
Reversals used	-49	-392	—	-18	**-459**
Reversals unused	—	-79	—	-45	**-124**
Impact of changes in foreign exchange rates	17	—	—	3	**20**
Impact of changes in consolidation scope and method	—	—	—	—	**—**
Other movements	—	—	—	—	**—**
AT 30 JUNE 2019	**5,588**	**1,187**	**440**	**1,761**	**8,976**

Note 11.1.2 Current provisions

€ thousands	Provisions for guarantees	Provisions for litigation	Provisions for liabilities and charges	Total 2019
At 1 January 2019	4,371	641	2,477	**7,489**
Charges	—	6	218	**224**
Reversals used	-56	-223	-348	**-627**
Reversals unused	—	-51	-139	**-190**
Impact of changes in foreign exchange rates	14	—	17	**31**
Impact of changes in consolidation scope and method	—	—	—	**—**
Other movements	—	—	—	**—**
AT 30 JUNE 2019	**4,329**	**373**	**2,224**	**6,927**

NOTE 11.2 CONTINGENT LIABILITIES

All the Group's contingent liabilities are listed in the Highlights.

NOTE 12 WORKFORCE

The Group's average workforce at 30 June 2019, including temporary and part-time employees recorded on a full-time equivalent basis, was as follows:

	30/06/19	30/06/18
Average workforce	6,447	6,320

NOTE 13 INCOME TAX

€ thousands	30/06/19 6 months	30/06/18 6 months
Profit before tax from continuing operations	**112,379**	**101,278**
Share of expenses on dividends	*1,391*	*1,819*
Goodwill impairment	*710*	*—*
Reclassification of CVAE to Income tax	*-1,914*	*-1,844*
Reclassification of CICE to Employee expenses	*—*	*-1,061*
Reclassification of CIR to Other operating income	*-3,118*	*-2,465*
Other	*1,038*	*61*
Permanent differences	-1,893	-3,490
Net profit taxed at reduced rate	-18,979	-17,990
Net profit taxable at standard rate	91,507	79,799
Tax rate in France	*34.43%*	*34.43%*
Tax charge recalculated at the French standard rate	31,506	27,475
Tax at reduced rate	2,942	2,788
Difference in standard rate in foreign countries	*-13,158*	*-13,058*
Tax losses for the year, unrecognised in previous periods, deficits used	*-369*	*1,230*
Effect of the rate difference	-13,527	-11,827
Tax credits	-1,294	-1,323
Other taxes and miscellaneous	2,897	3,594
GROUP TAX	**22,524**	**20,707**
Effective rate	***20.04%***	***20.45%***

The results taxed at a **reduced rate** involve royalties, which were taxed at 15.5% (unchanged from 2018).
The main countries that contributed to the **difference in the tax rate** were Tunisia (€7.0 million), the US (€0.8 million), Germany (€0.4 million), other European countries (€4.4 million) and Middle Eastern countries (€0.4 million).
Tax credits were primarily affected by the SOPEM tax credit (Poland): €1.3 million at both 30 June 2019 and 30 June 2018.
Other taxes and miscellaneous items include in particular the French Corporate Value-Added Contribution (CVAE), which amounted to €1.9 million at 30 June 2019 and €1.8 million at 30 June 2018.

NOTE 14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES, AND RELATED PARTIES

NOTE 14.1 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

€ thousands	30/06/19	31/12/18
Investments in associates at the beginning of the year	132,781	425
Changes in consolidation scope and method	—	131,754
Share of profit/(loss) from associates	1,333	1,429
Dividends paid	—	—
Changes in foreign exchange rates	457	-827
Other	-358	—
INVESTMENTS IN ASSOCIATES AT THE END OF THE PERIOD	**134,213**	**132,781**
of which Investments in associates and joint ventures	134,213	132,781

"Investments in associates and joint ventures" comprises investments in Dooya and Arve Finance.

Dooya's performance over the first six months was as follows:

€ thousands	30/06/19	30/06/18
Income statement		
Sales	89,164	83,400
Current operating result	3,416	-5,626
Net profit	1,906	-5,839

NOTE 14.2 RELATED PARTIES

Associates are companies over which the Group has a significant influence or exercises 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 €1.8 million over the six months to 30 June 2019, €6.5 million over the 12 months to 31 December 2018 and €4.0 million over the 6 months to 30 June 2018. Group trade payables with Dooya stood at €0.9 million at 30 June 2019, €1.3 million at 31 December 2018 and €2.0 million at 30 June 2018.

Transactions with other related parties involved negligible amounts.

NOTE 15 LIST OF CONSOLIDATED ENTITIES

Company name	Head office	% control 30/06/19	% interest 30/06/19	% interest 31/12/18
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 (United Kingdom)	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 Soluçõesem Automação SA	Belo Horizonte (Brazil)	100.00	100.00	100.00
Neocontrol US LLC	Orlando (United States)	100.00	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
Somfy SA (Suisse)	Bassersdorf (Switzerland)	100.00	100.00	100.00
Somfy Sweden Aktiebolag	Malmö (Sweden)	100.00	100.00	100.00

Company name	Head office	% control 30/06/19	% interest 30/06/19	% interest 31/12/18
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
Somfy Asia-Pacific Co Ltd	Hong Kong	100.00	100.00	100.00
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
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
Somfy Saudi Arabia LLC	Jeddah (Saudi Arabia)	75.00	75.00	—
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
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
iHomeSystems (Asia) Limited	Hong Kong	100.00	100.00	100.00
iHome Systems (Thailand) Co. Ltd	Bangkok (Thailand)	100.00	100.00	100.00
Somfy Automation Malaysia Sdn. Bhd	Kuala Lumpur (Malaysia)	100.00	100.00	100.00
iHome Systems (SG) Pte. Ltd	Singapore	—	—	100.00
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
BFT SpA	Schio (Italy)	100.00	100.00	100.00

Company name	Head office	% control 30/06/19	% interest 30/06/19	% interest 31/12/18
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 (United Kingdom)	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 (United Kingdom)	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	Bucharest (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
Equity-accounted companies				
Arve Finance	Cluses (France)	50.17	50.17	50.17
Hong Kong CTLT Trade Co. LTD	Hong Kong	70.00	70.00	70.00
Ningbo Dooya Mechanic and Electronic Technology Co Ltd	Ningbo (China)	70.00	70.00	70.00
Shanghai Zhengshang Co., ltd	Shanghai (China)	70.00	70.00	70.00
Shanghai Branch	Shanghai (China)	70.00	70.00	70.00
Hui Gong Intelligence Technology LTD	Shanghai (China)	70.00	70.00	70.00
New Unity LTD	Hong Kong	70.00	70.00	70.00
Dooya Sun Shading Technology Co. Ltd.	Ningbo (China)	70.00	70.00	70.00
Ningbo Sleepwell Co Ltd	Ningbo (China)	70.00	70.00	70.00
Baixing Co Ltd	Ningbo (China)	70.00	70.00	70.00
Shanghai Goodnight	Ningbo (China)	70.00	70.00	70.00

03
STATUTORY AUDITORS' REPORT ON THE 2019 INTERIM FINANCIAL REPORT

03

STATUTORY AUDITORS' REPORT ON THE 2019 INTERIM FINANCIAL REPORT

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting and pursuant to Article L. 451-1-2 III of the French Monetary and Financial Code, we have conducted:

- a limited review of the accompanying condensed consolidated interim financial statements of the company Somfy SA, for the period from 1 January to 30 June 2019;
- a review of the information disclosed in the half-year business report.

Your Management Board is responsible for the preparation of the condensed consolidated interim financial statements. It is our responsibility to express an opinion on these financial statements on the basis of our limited review.

OPINION ON THE FINANCIAL STATEMENTS

We have conducted our limited review in accordance with the professional auditing standards applicable in France. A limited review consists principally of making inquiries of persons responsible for financial and accounting matters and applying analytical procedures. The scope is substantially less than an audit conducted in accordance with the professional auditing standards applicable in France. Consequently, this review can only provide reasonable assurance, to a lesser degree than an audit, as to whether the interim financial statements are free of material misstatements.

Based on our limited review, nothing has come to our attention that would challenge the compliance of the condensed consolidated interim financial statements with IAS 34 – a standard of the IFRS framework relating to interim financial reporting as adopted within the European Union.

Without calling into question the conclusion expressed above, we would like to draw your attention to note 1.1, "First-time application of IFRS 16", and note 3.3.1, "Standards, amendments and interpretations applicable within the European Union from the financial year beginning on or after 1 January 2019", in the notes to the condensed interim financial statements, which set out the impacts of adopting IFRS 16 "Leases" with effect from 1 January 2019.

SPECIFIC VERIFICATION

We have also verified the information disclosed in the half-year business report commenting on the condensed consolidated interim financial statements, which were the subject of our limited review.

We have no observation to make with regard to the fairness of such information and its consistency with the condensed consolidated interim financial statements.

Lyon, 10 September 2019
The Statutory Auditors

KPMG Audit
A division of KPMG SA
Stéphane Devin
Partner

ERNST & YOUNG et Autres
Sylvain Lauria
Partner

04
STATEMENT FROM THE INDIVIDUAL RESPONSIBLE FOR THE 2019 HALF-YEAR FINANCIAL REPORT

04

STATEMENT FROM THE INDIVIDUAL RESPONSIBLE FOR THE 2019 HALF-YEAR FINANCIAL REPORT

I certify that, to the best of my knowledge, the condensed consolidated interim financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the net equity position, financial position and financial performance of the company and all companies included in the consolidation, and that the half-year business report gives a true and fair view of the significant events that occurred during the first six months of the financial year, their impact on the financial statements, the main transactions conducted between related parties, as well as a description of the major risks and uncertainties for the remaining six months of the financial year.

Cluses, 10 September 2019

Pierre Ribeiro
Group CFO

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