

Report of the Chairman of the Supervisory Board

(Art. L. 225-68, paragraph 7 of the French Commercial Code)

In application of Article L. 225-68, par. 7 of the French Commercial Code, we remind you of Somfy SA corporate governance principles and inform you of current projects in terms of internal control.

All elements included in this report, which reflect our common intention to maintain responsible conduct of business in all company operations, primarily originate from indications provided by the Management Board and are based in particular on work performed by internal audit and the Group's financial services. These elements have been examined by the Audit Committee.

The objectives of the control organisation established by the Management Board are to ensure the control of operations and to prevent the various types of risks (damage or disappearance of assets, errors, irregular commitments, frauds, etc.).

Topic 1: Conditions of preparation and organisation of the work of the Supervisory Board

Organisation and role of the Supervisory Board

The Supervisory Board performs its control mission in accordance with conditions provided by law.

A Chairman and Vice-Chairman are elected among its members, who call meetings of the Supervisory Board by any means, even orally.

Regular dialogue between the members of the Board enables the effectiveness of its operation to be assessed. A formal self-evaluation exercise concerning the functioning of the Supervisory Board was carried out in 2007. Six subjects were covered (Authority, Composition, Structure and Specialised Committees, Functioning and work of the Board, Role and responsibilities, (duration of term of office) and functioning of the Board was judged satisfactory overall by its members. Certain areas for improvement were however identified, notably the definition of rules relative to the composition of the Board (size, mix of expertise and other key qualities).

In addition, an internal regulation of the Supervisory Board was formalised and covers the following subjects: Mission

of the Supervisory Board, Organisation and functioning of the Board, Specialised Committees.

Independence of the members of the Supervisory Board

A group of family shareholders holds a majority stake in Somfy SA. Out of the members of the Supervisory Board, the only one who qualifies to be classified as independent according to the AFEP-MEDEF definition is the Chairman. The other members are part of the family; they own substantial investments in the Group and have a long-term commitment to the Group, their aim being the creation of value for all the stakeholders of Somfy SA.

No member of the Supervisory Board interferes in operational management.

Nature of information provided to Board members to prepare their work

The Supervisory Board meets at least once quarterly on an agenda drafted by the Chairman. At each meeting, the Management Board presents a report on operations and results of the Group and its major subsidiaries over the past quarter.



A detailed and annotated income statement is presented by the Management Board at half-year and year-end.

The Supervisory Board also benefits from a monthly report on operations (sales). Within 75 days following the end of each financial year, consolidated financial statements approved by the Management Board are communicated to the Supervisory Board for verification. The Supervisory Board subsequently submits to the General Meeting its comments on the Management Board report and on the financial statements for the financial year.

The Supervisory Board requests from the Management Board, as often as required, any information or analysis it deems necessary.

During 2007, it met six times with a 100% attendance rate.

Specialised committees

In accordance with AMF recommendations, the Supervisory Board set up the following 2 specialised committees:

Audit committee

The Audit Committee was created on 23 April 2002 and currently comprises 3 members. Its mission is to ensure the relevance of accounting methods adopted for the preparation of consolidated and company financial statements, and verify that information collection and internal control procedures meet this objective.

During 2007, it met three times with a 100% attendance rate by members of the Committee.

Remuneration Committee

The Remuneration Committee was created on 23 April 2002 and currently comprises 2 members. Its mission is to provide advice to the Supervisory Board, in particular in respect of Directors' remuneration amount and calculation procedures.

The Remuneration Committee met twice during the financial year and regularly ensures the validity of decisions made with external experts.

Key elements of the internal control process

Somfy SA internal control process is based on the *Somfy Management Principles*, a charter defining Group values, as well as its management structure and operating rules.

Group values (International – Responsibility – Performance) provide guidance and a framework for all employee actions.

Organisation and delegation

In order to fulfil an objective of market development and coverage, Somfy SA seeks to reinforce enterprise and responsible management principles at the various hierarchical and geographical levels.

In compliance with Somfy SA bylaws, the powers of the Management Board, its Chairman and, if applicable, the managing director(s) are those granted by law.

In addition, but only by internal regulations and with no effect vis-à-vis third parties, decisions regarding the following operations are subject to unanimous decision by Management Board members:

- the purchase and disposal of property or businesses;
- the granting of loans, whose amount exceeds a third of the share capital;
- the contracting of borrowings, whose amount exceeds a third of the share capital;
- deposits, endorsements and guarantees, whose amount exceeds a third of the share capital;
- any agreement, pooling of interests, agreement or merger with other traders or companies, which goes beyond normal relationships of the company with its customers and suppliers.

Topic 2: Internal control procedures

Definition and scope of internal control

The Group's internal control procedures are drawn up in accordance with the reference framework defined by the Group under the auspices of the AMF.

Internal control is a process defined and implemented by company management, with a view to provide the following guarantees:

- Reliable accounting and financial information;
- Efficient conduct of company operations;
- Compliance with applicable local laws and regulations;
- The preservation of company assets by ensuring, amongst other, suitable protection against fraud;
- Application of instructions and directions set by the General Management or Management Board.

The Group's internal control procedures apply to all subsidiaries that are more than 50% owned or fully consolidated.

Somfy is organised around the following three major Business Groups:

- automation of rolling shutters and awnings;
- automation of interior blinds and solutions applicable to service sector properties;
- automation of gates and garage doors.

These three groups of applications, or *Business Groups*, are responsible for their own marketing, quality, product offers, development and engineering functions.

On a global level, Somfy SA distribution facilities are divided into 9 *Business Areas*. Each of these *Business Areas* is subdivided into profit centres (*Business Units*).

Somfy SA also has, in addition to General Management and Financial Management, the following departments: industry & logistics, business & marketing South, business & marketing North, organisation & management, together with the Legal, Strategic, Quality, Alliances and Partnerships Departments.

The objective of this organisation is to capitalise on the potential of market segments, increase Somfy's presence and proximity in all distribution channels, thus enhancing growth.

Within the framework of this new organisation, governance rules have been defined in order to specify the missions of Group decision-making bodies, comprising General Management (or Group Executive Board), the *Group Management Committee* and the Strategic Committee.

Principles and rules drawn up by the Supervisory Board to determine the remuneration and all benefits granted to senior executives

Directors' remuneration, which is detailed in the Management Board report, is set by the Remuneration Committee.

It is revised each year on the basis of expert advice and market conditions.

It comprises a fixed portion and a variable portion determined on the basis of objectives that take account of profit and return on capital employed. A level of debt criterion only applies to the Chairman of the Management Board.

Other benefits, approved by the Supervisory Board, comprise:

- a supplementary retirement scheme for the Chairman of the Management Board,
- a supplementary retirement scheme for other members of the Management Board,
- share options plans, which will be the subject of a special report prescribed by Article L. 225-184 of the French Commercial Code. The Chairman of the Management Board does not benefit from the Group's share option plans.

Strategic, budget and reporting process

The budget is drafted within the framework of an annual strategic process involving all *Business Groups* and *Business Units*, as well as all departments, which specify their key objectives and their 3 year plan, in line with the strategic framework determined by General Management.

The overall budget results from the consolidation of local budgets and is prepared within the framework of a repeated procedure involving all Group participants.

Following approval by Group General Management, each manager becomes responsible for meeting his/her own budget.

Measurement of the achievement of objectives set out in budgets is performed through a monthly and quarterly matrix reporting system, enabling the production of results according to a number of areas (*Business Area*, *Business Unit* and *Business Group*). Traditional financial items are included, such as operating accounts and balance sheet indicators, as well as non financial performance indicators.

Reporting is supplemented by strategic reports and a revised forecast of quarterly sales and results for the current year. These reports enable the monitoring of the achievement of objectives and to apply corrective actions, on a matrix basis and at all responsibility levels (consolidated, *Business Areas*, *Business Units*, *Business Groups*, Corporate entities, Departments, Services).

In addition, Management is in charge of the following three 3 year plans, in line with Group strategy and reviewed annually:

- the *product master plan*, which relates to the development of the product offer;
- the industrial and logistic master plan, in terms of industrial resources;
- the IT system master plan.



Treatment of accounting and financial information

Preparation of financial statements

Somfy has defined a Management Information System (MIS), a unique and common universal system for the recording of accounting and financial information.

The MIS results in the definition and application to all controlled entities of a chart of accounts, as well as the definition and application of major management procedures (inventories, non-current assets, trade receivables,...), which are formalised in the Group Procedure Manual relayed through and updated on the Group *Lotus Notes™* messaging system.

The proper application of the chart of accounts, procedures and reporting reliability is monitored by at least annual visits to subsidiaries, planned by head office Accounting and Management Control departments, 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 financial statements and control comprises the Group Financial Department and Accounting Department, Group Management and Tax, represented by their managers and comprising:

- The consolidation team;
- The central control team that also includes two controllers for the Business and Marketing Area South and two for the Business and Marketing Area North.

This team relies on controllers based in each *Business Area* relaying the Group in its 9 geographical areas. Every *business area* controlled has a functional correspondent at head office.

Since their creation, each of the 3 Business Groups also benefits from a dedicated controller.

Research and Development controlling was enhanced over the financial year.

Particular care was 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 checked by either a complete physical stock-take or a physical rolling stock-taking procedure.

Trade receivables are the subject of credit risk analyses with respect to the measurement of provisions. In addition, the company hedges this risk by entering into insurance contracts, both in France and abroad.

Intra-group purchases, sales and balance sheet items are confirmed quarterly. 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 twice yearly with the legal department, in order to identify all potential or declared risks and litigations and measure corresponding provisions for liabilities and charges, depending on how issues have progressed.

The objective of the various contract, endorsement and guarantee reviews is to identify off-balance sheet commitments.

Consolidation files that include: balance sheet, income statement, all cash flow statements and notes to the consolidated financial statement items are then forwarded to the Consolidation department according to a pre-defined schedule.

Financial statement control

The Consolidation department, after checking the exhaustiveness of financial information, the proper application of closing procedures and restatements, performing intra-group account reconciliation and checking net asset justification, performs financial statement consolidation using dedicated software. Consolidated financial statements are now prepared in accordance with IFRS. In addition, options selected were presented to and approved by the Audit Committee, followed by the Supervisory Board.

Financial communication

Following their approval by the Supervisory Board, financial statements are presented to the financial community and annual financial statements are published in a widely circulated report. Somfy SA complies with listed company obligations. In particular, the Group publishes quarterly sales figures, as well as half-year financial statements in the BALO (French journal of compulsory legal notices). In addition, presentation meetings of half year and full year results are organised each year under the care of the SFAF (French financial analyst society).

In order to comply with the new European Transparency Directive, applicable from 1 January 2007, a project group was created at the beginning of 2006 to work at reducing close-off time, in particular in respect of the half-year closing. Somfy Group will be affected by this for the half-year ending 30 June 2007.

The Group already significantly reduced the deadlines for the interim and full-year financial statements at 30 June and 31 December 2006 in order to comply with the new Transparency Directive requirements.

Thanks to personnel mobilisation and closing work reorganisation, we were able to maintain the reliability and quality of financial information.



IT systems

In replacing the local accounting and management software, Somfy SA continued the rollout of the BaaN ERP integrated package in the majority of European countries. It has been installed in the Middle East, Italy, US, Morocco and certain Eastern European countries, and the rollout will continue in 2008, notably in Brazil.

As concerns Asia, the Accpac ERP has been installed in Australia, Korea, Singapore, Hong Kong, China and India. In 2008, the rollout will continue in Taiwan.

Configuration, comprising a chart of accounts, analytical follow-up and procedures, is included for companies where ERP BaaN or Accpac is deployed, in accordance with the MIS.

The combination of budget, monthly reporting, profit margin analysis by product family and statutory consolidation within a single platform (Hyperion), implemented during the financial year, enabled us to improve information consistency and ease of analysis.

Audit Committee – Internal Audit

Organisation

The Internal Audit Department is under the supervision of the Audit Committee and reports to the Chairman of the Board. This department comprises the Internal Audit Officer and an auditor, and carries out audits that evaluate the correct application of accounting principles and organisation and systems implemented in the audited entities.

An audit assignment schedule is established annually in conjunction with Somfy SA's Management. It is subject to approval by the Management Board and validation by the Audit Committee.

It provides an independent appraisal of the efficiency of the internal control system.

If necessary, the main internal control weaknesses noted are communicated and recommendations are put forward.

A follow-up of the implementation of recommendations is performed 1 year after the final report is issued.

At 31 December 2007, virtually all Group subsidiaries had thus been subject to an audit.

At the end of 2007, Internal Audit commenced a study, on the basis of key internal control criteria, on the principal weaknesses of entities audited. This should lead to an action plan during 2008, involving all levels and the Group.

In addition, emergency assignments not included in the audit schedule may be carried out during the year upon a request from the Management Board or from the Audit Committee.

The Internal Audit Officer submits a report on his activities to the Audit Committee twice yearly.

The Chairman of the Board of Directors, the Chairman of the Audit Committee and the Internal Audit Officer signed an internal audit charter at the beginning of February 2005. It specifies the role and scope of intervention of activity of internal audit.

The scope of internal audit is similar to that of internal control described above (see 1 Definition and scope of internal control).

Internal audit monitoring

The monitoring of the Internal Audit ensures a better knowledge, communication and follow-up of risks and associated controls, is initiated

through the following dedicated tools:

- An Intranet platform that brings together the data used, registered and collected by Internal Audit in terms of internal control.
- A self-assessment tool for subsidiaries including a list of key control points. Monitoring programmes are carried out on an annual basis and the results, following detailed analysis, form the basis of any recommendations. The objective is to cover all Group subsidiaries and processes. The years 2006 and 2007 were used mainly to focus on distribution subsidiaries and related processes.

The development of this project, which was approved by the Audit Committee at the beginning of 2005, is subject to regular follow-up by this Committee.

Analysis of risks by geographical area

An analysis of Group risks by geographical area was conducted during the second half of 2005 and listed all potential risks. Therefore, we took into account the possibility that an event, action or failure to act may affect the following:

- Group capacity to deploy its strategy and meet its objectives;
- major assets required to implement our business plan (property, plant and equipment, intangible assets, human resources, corporate image...);
- Group capacity to comply with its value charter, a well as applicable laws and regulations.

Risks thus identified are treated according to two different criteria: risks related to core strategic aspects and operating risks generated by normal conduct of Group business.

The follow up of the first point was assigned to the Strategy Committee and included in the Strategic Review.



The second was subject to analysis to ensure the existence of adequate action plans (prepared, in progress or in draft) to enable their follow up and to deal with them.

This analysis by geographical area highlights risks related to the Group's position on its market (risks affecting market share and profit margins, transitory risks related to new growth driving segments, risks related to the deployment of activities abroad, foreign exchange risk), risks related to the Group's core business operations (customer default on payment, product risks, industrial risks) and risks related to support activities (human resources, IT systems, finance).

Treasury Committee – Group Cash Management

The Treasury Committee was created in March 2003. It includes Management Board members and the Treasury Officer.

It meets once a month to fulfil its role of observation, decision and implementation of the cash management policy.

It has the following two types of missions:

- strategic missions, with the objective of defining the overall policy in terms of Group Cash Management, financing, interest and exchange rate and deposit rate risk management. They also include the follow-up of Group subsidiary equity balance sheet items;
- operating missions, which guarantee regular monitoring of Group Cash Management. They are detailed in a monthly trend chart.

The optimisation, at international level, of the financial management of Group cash has resulted in the introduction of a cash pooling system incorporating almost all

of the Euro zone subsidiaries (with the exception of Austria and Greece).

In the US, a dollar cash pooling for the Group's three subsidiaries was set up during 2007.

The methodology implemented is the so-called *D-Zero Cash*, which consists in transferring daily, back and forth subsidiaries' cash surplus or requirements.

This system has a number of clear advantages, including optimisation of net financial revenues, reduced financial charges, as well as the reduction in overall Group indebtedness.

Group Cash Management now has and will have increased visibility on all involved subsidiary cash flows and will be able to optimise the use of cash.

Therefore, subsidiaries will be both free of daily cash flow management issues and get better return on their cash deposits.

Finally, these subsidiaries will be able to focus on optimising working capital requirements, which is what really is at stake in cash flow management.

Flow optimisation and, in particular, the reduction in the number of bank accounts will contribute to improved safety of this process.

Accreditation and quality procedures

Somfy SA has been ISO 9001 (Lloyd) certified since 1995, which implies the identification and monitoring of procedures.

Companies involved are Somfy SAS, Simu SAS, Spirel SAS, Siminor Castres Sarl and WAY (a combination of Asa and Mingardi), Somfy Germany and Somfy Holland.

These companies represent a majority of Group purchases and production.

Therefore, a large number of Group personnel are involved in this process including all technical services.

The monitoring of procedures resulted in methodology guides describing the tasks performed by the operating and support functions, procedures, directives and other guidelines being made available to all employees through a data base and standard application guidelines.

Internal quality audit is defined in the annual quality audit schedule, as a function of company strategic direction and product plan; company management plays a major part in quality procedures. Corrective or preventive action is managed within each operating or support department.

The list of operating and support processes coming within the scope of application of quality management, as well as indicators, reference documents and monitoring committees are defined in the company's quality manual.

Risk coverage – Insurance

The Group risk prevention and protection policy is determined by central services, in partnership with insurers involved. The majority of facilities (over 90%) are insured by group policies with the objective of guaranteeing adequate coverage of risks at best market conditions. These risks notably include direct risks (fire, theft...) loss of profit, general civil liability and transported goods. Other facilities are covered by local insurance policies.

A Directors and senior management civil liability Group policy also applies.

**The Chairman
of the Supervisory Board**

Statutory Auditors' Report, prepared in application of the last paragraph of Article L. 225-235 of the French Commercial Code, on the Somfy company's Supervisory Board Chairman's Report relating to internal control procedures pertaining to the preparation and treatment of accounting and financial information

Dear shareholders,

As Statutory Auditors to your Company, and in application of the provisions of the last paragraph of Article L. 225-235 of the Commercial Code, we present to you our report on your Company's Chairman Report in accordance with Article L. 225-68 of the French Commercial Code for the year ended 31 December 2007.

It is the responsibility of the Chairman to present in his Report, in particular, the conditions governing the preparation and organisation of the Supervisory Board's work, as well as the internal control procedures implemented within the Company.

It is our responsibility to communicate to you any observations we may have concerning information and declarations contained in the Chairman's Report regarding internal control procedures

relating to the preparation and processing of financial and accounting information.

We have carried out our work according to the professional standards in France. These require diligence procedures to verify the accuracy of the information contained in the Chairman's report, concerning the internal control procedures relative to the preparation and processing of financial and accounting information.

This diligence consists of:

- becoming aware of the internal control procedures relative to the preparation and processing of financial and accounting information supporting the information presented in the Chairman's report as well as existing documentation;
- becoming aware of the work leading to the preparation of this information and the existing documentation;
- determining whether major deficiencies in the internal control relating to the preparation and processing of accounting and financial information that we have revealed as part of our assignment are appropriately disclosed in the Chairman's report.

On the basis of our work, we have no observations to make on the description of internal control procedures relating to the preparation and processing of financial and accounting information, as contained in the Chairman's Report, prepared in accordance with the provisions of the last paragraph of Article L. 225-68 of the French Commercial Code.

CDL
Dominique Ledouble

Paris and Lyon, April 29th, 2008
The Auditors

ERNST & YOUNG Audit
Daniel Mary-Dauphin