

CHAIRMAN'S REPORT ON INTERNAL CONTROL AND CORPORATE GOVERNANCE

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

The Company's Financial and Legal departments and its Internal Audit function are the major contributors to the preparation of this report under the authority of the Chairman of the Supervisory Board.

This report has been submitted to the Supervisory Board for its approval on 24 February 2011 and passed on to the Statutory Auditors.

I – CORPORATE GOVERNANCE

COMPOSITION OF CORPORATE GOVERNANCE BODIES

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

1. Composition of the Management Board

Management Board members are appointed by the Supervisory Board in accordance with legal provisions.

At 31 December 2010, Paul Georges DESPATURE chaired the Management Board.

Wilfrid LE NAOUR, Chief Executive Officer of Somfy Participations and Jean-Philippe DEMAËL, Chief Executive Officer of Somfy Activities, are members of the Management Board.

2. Composition of the Supervisory Board

The Supervisory Board of Somfy SA is made up of five members:

Name	Position	Date appointed	Date term expires
Jean-Bernard GUILLEBERT*	Chairman	15 May 2007	2013
Jean DESPATURE	Vice-Chairman	15 May 2007	2013
Victor DESPATURE	Member	15 May 2007	2013
Xavier LEURENT	Member	15 May 2007	2013
Anthony STAHL	Member	15 May 2007	2013

* Independent member according to the definition of independence adopted by the Company.

The list of other appointments held outside Somfy SA is included in the Management Board report in respect of information required by Article L. 225-102-1 of the Commercial Code.

Male and Female representation on the Board

Currently the Board does not have any female members. Equal representation of men and women on the Board is one of the principles to be assessed next by the Board, it being specified that the Company intends to abide by the legal obligations in this area.

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

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

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

1. Independence of the members of the Supervisory Board

A group of family shareholders holds a majority stake in Somfy SA.

As provided by the AFEP/MEDEF framework, the Board has assessed the independence of its members.

Based on the independence criteria suggested by the AFEP/MEDEF framework, the Supervisory Board notes that, to date, an independent member of the Board is a member who has no relationship of any nature whatsoever with Somfy SA or its management, or with a company consolidated by Somfy group, that may affect his/her freedom of judgement, and who meets the following criteria:

- is not an employee and does not hold a general management position within the Group,
- is not, directly or indirectly, a significant customer, supplier, investment or finance banker of Somfy SA or its Group, or for which Somfy SA or its Group represent a significant share of his/her business activity,
- is not closely related to a shareholder or Director,
- has not been a statutory auditor of a Group company over the past five years,
- is not a shareholder and does not control a shareholder who holds, individually or in concert, more than 10% of the share capital or voting rights at Somfy SA's general meetings.

In light of these criteria, the Supervisory Board considered that only Jean-Bernard GUILLEBERT qualified as an independent member.

The latter provides Somfy group with all his experience in the fields of finance, strategy and risk monitoring.

The other members of the Supervisory Board are part of the family, which, under the AFEP/MEDEF framework, excludes them from qualification as independent members.

However, the other members of the Supervisory Board have a family code of ethics, which strengthens the shared respect for the social contract. Moreover, their own individual substantial investment naturally motivates their long-term commitment to the Group, their aim being the creation of value for all the stakeholders of Somfy SA.

2. Operation of the Supervisory Board

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

Supervisory Board members, the number of which can never fall below the legal threshold or exceed the legal ceiling, are appointed in accordance with the conditions specified by law for a term of office of six years.

All outgoing Supervisory Board members can be re-appointed.

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

No one can be appointed a member of the Supervisory Board, if, being over seventy five years old, his appointment leads to over a third of the members of the Supervisory Board being over that age.

The Supervisory Board meets at least once quarterly on an agenda drafted by its Chairman. It met five times over 2010 and one absence was noted.

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

Within 60 days following the end of each financial year, parent company and consolidated financial statements approved by the Management Board are sent to the Supervisory Board for review. For the approval of the half-year financial statements, only the consolidated financial statements are prepared and submitted within this deadline. The Board then presents its observations on the Report of the Management Board as well as on the financial statements to the General Meeting.

The Chairman of the Supervisory Board also benefits from monthly meetings with the Chairman of the Management Board on the current operations of the Group.

The Supervisory Board may request from the Management Board and Management any information or analysis it deems necessary, or a presentation on any specific subject.

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

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

For Somfy Activities:

- budget and key development areas,
- quarterly highlights by brand and operation,
- presentation of external growth achieved by Somfy Activities from 2004 to 2010,
- detailed information on acquisition prospects in emerging markets.

For Somfy Participations:

- quarterly highlights by shareholding,
- presentation on the valuation method used to calculate the net asset value of each investment,
- information on acquisition targets by shareholding,
- acquisition plans for share capital in the holding company of the Parquets Marty group,
- disposal plans for the shares held in the agta record AG company.

3. Committees established by the Supervisory Board

Audit Committee

In respect of the Audit Committee, the Company has only partially applied the working group report presided over by Mr Poupart Lafarge on the Audit Committee meeting of 22 July 2010. The recommendations in respect of the oversight of the Committee, the competence of its members and definitions of their independence, the evaluation and reporting on the work undertaken, as well as the recommendations relating to the execution of its legal responsibilities, have been followed.

Follow-up on the effectiveness of the internal control systems has equally been maintained and taking control of the assignment in respect of risks will essentially be completed during the current financial year.

The Audit Committee currently comprises 2 members: Jean-Bernard GUILLEBERT who chairs the Committee and Victor DESPATRE. Jean-Bernard GUILLEBERT is independent

in accordance with the above-mentioned criteria and has experience in financial and accounting matters in view of his academic background (HEC) and his professional career path, during which he notably operated both as an investment banker and capital markets director within a large international bank.

Victor DESPATURE also has accounting expertise, having practised as a Chartered Accountant from 1983 to 2003 and as an auditor from 1990 to 2004, registered with Compagnie Régionale de Limoges.

The Committee's mission is to monitor the preparation of the consolidated and parent company accounts, and the efficiency of internal and risk management systems. It is also informed of due diligence carried out by the Statutory Auditors in their legal assignment to audit the parent company and consolidated financial statements, ensures the latter's independence and is involved in their selection.

The Audit Committee supervises the work of Internal Audit and approves the annual audit plan. It proposes, directs and ensures the follow-up of Internal Audit assignments.

Since its creation, it has met at each half-year and year-end.

During the 2010 financial year, the Audit Committee met on four occasions, and the level of attendance was 100%.

During the various Audit Committee meetings, the Chief Financial Officer presented the financial position of the Group, the accounting options adopted and the risk exposure. Internal Audit presented the results of audits carried out and the audit plan and the procedures to update the risk analysis.

Pursuant to Article L. 823-16 of the Commercial Code, the Statutory Auditors presented their general work programme as well as the various tests they carried out, the changes that they felt should be made to the financial statements or other accounting documents before their approval, while making all relevant observations on the valuation methods used in their preparation; possible irregularities and errors discovered and the conclusions leading to the observations and corrections above to the results of the period compared to those of the previous period.

In addition, the Statutory Auditors communicate every year to the Audit Committee a declaration of independence and an update of the information described in Article L. 820-3 detailing the services carried out by the members of the network to which the Statutory Auditors are affiliated, as well as the services carried out in respect of due diligence directly related to the assignment.

As far as the work methods are concerned: pursuant to the recommendations of the AMF, a minimum time period for the examination of the financial statements was met to enable the Audit Committee to use the possibility of calling on external experts, as well as interviewing the Chief Financial Officer, the Statutory Auditors and the Internal Audit Officer.

Minutes of each Audit Committee meeting are provided to the Supervisory Board so that it is aware of matters discussed.

Remuneration Committee

The Remuneration Committee currently comprises two members: Victor DESPATURE and Jean-Bernard GUILLEBERT. Its mission is to submit proposals to the Supervisory Board, in particular in respect of the amount and methods of calculation of Director and senior management remuneration and to provide advice on the amount of attendance fees.

The Committee calls on a firm specialised in the subject of senior executive remuneration, which provides advice on the practices that are generally applied in companies of a comparable size.

During the year just ended, it met twice. The level of attendance by the members was 100%.

During the period, the Remuneration Committee made proposals to the Supervisory Board, particularly concerning:

- fixed remuneration of members of the Management Board,
- changes introduced to the calculation methods for variable remuneration of Management Board members, favouring the retention of the previous scale of two quantitative criteria, which has been effective since 2006, but developing them to allow the inclusion of future plans which incur expenses before contributing to profits and by completing this scale by adding a criterion measuring the growth of the Group.

CORPORATE GOVERNANCE FRAMEWORK

Somfy SA refers to the AFEP-MEDEF Corporate Governance Code of listed companies of December 2008, available on the following website: www.code-afep-medef.com.

However, the following provisions were eliminated for the reasons described below:

- The Supervisory Board expressed a reservation in relation to cumulating a term of office and an employment contract. Effectively the Board wishes, in the interest of the Company, to retain its capacity to determine, on a case by case basis, the most suitable terms and conditions for each executive concerned, in order in particular to avoid the extra expense that a breach or non-concession of a contract of employment may cause. This reservation would apply both to directors in office, upon renewing their terms of office, and to the appointment of new directors, either from within or outside the Group. In any event, the Board will ensure, as in the past, that the levels of remuneration and benefits granted to directors remain broadly in line with those granted by companies of a similar profile, based on performance and the achievement of objectives, which are sources of motivation.
- Similarly, the independence of Supervisory Board members, as defined in this Code in respect of the criteria of a maximum term of office of twelve years or the fact of not being or having been a director of the Group or an employee during the last

five years, cannot fully be transposed to Somfy SA's historic model, as a company in which a group of family shareholders holds a majority shareholding. Board members who are also members of this family are very much involved in the Group and the quality of Board deliberations is guaranteed by the social and financial interest they have in the Company and motivates their long-term commitment.

- The proportion of independent members of 1/3 of the Board and 2/3 required for the Audit Committee as well as the recommendation on the length of terms of office are not met for the same reasons of being inappropriate to the shareholding structure.
- The Company has not yet been in a position to comply with the recommendation for at least one female representative at the next meeting, none of the terms of office approaching their end at the moment.
- In the same line, the term of office of Board members, set at a maximum of four years in the corporate governance framework, will remain set at six years within Somfy SA, as stipulated in its bylaws. Given their specific situation, as indicated above, Board members are committed in the long term, with the objective of creating value for all Somfy SA stakeholders.
- The company has not to date set up an Appointments Committee, nor entrusted this assignment to the Remuneration Committee.

An internal regulation of the Supervisory Board was formalised and deals with the following matters: Mission of the Supervisory Board, Organisation and functioning of the Board and the specialised Committees.

A process of evaluating the work of the Board was set up in 2007 and renewed in 2010.

This evaluation takes place internally through self-assessment questionnaires intended for the members of the Supervisory Board, focused on the following subjects: composition and stability of the Board, vision and strategic considerations, operational rules, quality of information, deliberations and decision making, operations conducted in the best manner, strategic challenges, agendas and the relationship with members of the Management Board.

The presentation of the results of this evaluation has been the subject of discussion by the Board.

On that occasion, the Board particularly contemplated the following improvement targets for the Board's operation: supplementary presentations will be produced for both Somfy Activities and Somfy Participations and training likely to enrich the contribution of members of the Supervisory Board will be considered.

REMUNERATION AND BENEFITS OF SENIOR EXECUTIVES

1. 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 proposed by the Remuneration Committee. It is revised each year on the basis of expert advice and is in line with the Market.

A. Remuneration of members of the Supervisory Board

The General Meeting sets the overall amount of attendance fees.

The Supervisory Board members share the said fees pro rata to their attendance at meetings of the Board and Audit and Remuneration Committees.

The Chairman of the Supervisory Board received a specific fixed remuneration that was set by the Board meeting of 26 February 2009.

B. Remuneration of senior executives

At 31 December 2010, the remuneration of the members of the Management Board comprised a fixed part and a variable part and these amounts are reviewed annually.

The variable part is based on the achievement of objectives that now take account of three quantitative criteria:

- profit growth, measured by the average growth in COR (Current Operating Result) over two years,
- profitability of capital used, measured by the average level of ROCE (Return On Capital Employed) over two years,
- business development, measured by sales growth and by its differential between the sales growth of a range of reference points comprised of nine companies considered to be comparable.

This process is accompanied by qualitative criteria. For confidentiality reasons the level of achievement of quantitative criteria, as well as the qualitative criteria, which are predetermined, are not publicly disclosed.

The variable remuneration based upon quantitative criteria may not exceed a maximum expressed as a percentage of the fixed remuneration.

Other benefits, approved by the Supervisory Board, comprise:

- share options plans, which will be the subject of a special report prescribed by Article L. 225-184 of the Commercial Code. During the year just ended, no stock option or performance plans were set up.
- a so-called "Article 39" supplementary retirement scheme for members of the Management Board, senior executives and directors of the Group. This scheme was set up by CMC SARL. By virtue of their employment contract with this company,

prior to their appointment to the Management Board, Jean-Philippe DEMAËL and Wilfrid LE NAOUR, members of the Management Board, are potential beneficiaries of this retirement scheme.

- benefits in kind include the use of a company car, as well as profit sharing, employee shareholding and subscription to employee payments effected on the Group savings scheme in force within CMC SARL. It is also by virtue of their employment contracts with this company that Jean-Philippe DEMAËL and Wilfrid LE NAOUR, members of the Management Board, are beneficiaries of these benefits. Their value is separately disclosed in the Management Board report, just as the remuneration repeated in this report is disclosed in its entirety and includes the salaries paid under employment contracts.

The situation of the Chairman of the Management Board is different as he does not benefit from either share options or performance-based shares and under his former employment contract he did not have use of a company car, nor did he have access to a Group savings plan. His employment contract terminated on 30 June 2010 and has given rise to a payment of a fixed retirement benefit set by the Collective Agreement. At this same date, the Chairman of the Management Board requested the settlement of his retirement pension and is no longer remunerated other than in his capacity as Board member, without any other particular benefits.

2. Conditions of shareholders participation in General Meetings

The bylaws allow the following arrangements:

- All shareholders have a right to attend General Meetings and participate in their deliberations, in a personal capacity or by proxy.
- They may vote remotely. If the Management Board or Supervisory Board provide for this at the time of the notice of the meeting, all shareholders may participate in General Meetings by video-conference or by any communication means that enable their identification on terms and conditions set by law and regulations and that are mentioned in the notice of the meeting: the shareholder will be, in this case, deemed to be present for calculation of quorum and majority.
- The right to participate in Meetings is subject to the proof by shareholders of their identity and the registration of the securities in their names (or name of intermediary recorded on their behalf if they reside abroad) at midnight Paris time on the third working day preceding the meeting, either in a nominative amount, or in the records of bearer shares held by an authorised intermediary, and this in one of the places mentioned in the notice of the meeting. As for bearer shares, the authorised intermediary must provide a certificate of shareholding.
- The presence of the shareholder cancels all proxy or remote voting.

3. Element liable to have an impact in the event of a public offering

The disclosures referred to by Article L. 225-100-3 of the Commercial Code relating to elements liable to have an impact in the event of a public offering are published in the paragraph entitled "Elements liable to have an impact in the event of a public offering" of the Management Report prepared by the Management Board in respect of the financial year ended 31 December 2010.

II – INTERNAL CONTROL

INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES IMPLEMENTED BY THE COMPANY

1. Company's objectives in respect of internal control procedures

The internal control function, inspired by the AMF framework that is available at www.amf-france.org, has the following purpose:

- to ensure that management action or the completion of transactions as well as the behaviour of personnel is in line with the framework defined by the Management Board under the control of the Supervisory Board in conditions defined by the bylaws, applicable laws and regulations, and by the internal values, standards and rules of the Company;
- to verify that the accounting, financial and management information reported to the Management Board and Supervisory Board or to Committees formed within them, fairly reflects the operations and position of the Company by checking their reliability, traceability and availability;
- to prevent and control the risks arising from the business and the risk of errors or fraud, particularly in the accounting and financial areas;
- to secure the property, plant and equipment and intangible assets.

Thus, it ensures:

- a) the compliance with laws and regulations;
- b) the application of instructions and directions set by General Management or the Management Board;
- c) the correct functioning of the internal processes of the company, notably those concerning the safeguarding of its assets;
- d) the reliability of financial information. It does not provide an absolute guarantee against any human error.

As far as Somfy Participations is concerned, it should be noted that the companies in which Somfy SA has invested as part of LBO projects and where it holds a majority shareholding are Cotherm Participations SA, NMP SAS (Zurflüh-Feller) and Financière Nouveau Monde SA (Sirem).

As concerns financial investments, the attention given by Somfy SA to these companies relates particularly to the financial statements of companies and notably, compliance with banking covenants as well as a follow-up of their strategies. In the event that areas of progress are identified in other domains by the Management of the company or Somfy SA, the latter proposes to the company concerned the resources or contacts to contribute to its development.

In this respect, Internal Audit may form part of the resources provided.

As a result of the above, the developments that follow relate virtually exclusively to Somfy Activities.

2. Internal control structures

Supervisory Board

Under French law, it comprises the body that controls the management of the company that is carried out by the Management Board.

Internal Audit

Under the supervision of the Audit Committee, the Internal Audit department reports to the Chairman of the Management Board, and by delegation to the Group's Chief Financial Officer.

The department, comprising the Internal Audit Officer and two auditors, carries out audits that evaluate the correct application of accounting principles, the organisation and systems put in place within the entity subject to audit.

An annual audit plan, prepared together with the Management of Somfy SA is approved by the Management Board then validated by the Audit Committee. The assignments included in the audit plan provide an independent appreciation of the efficiency of the system of internal control in each entity.

Where appropriate, the principal weaknesses identified in internal control are reported and recommendations are issued. A follow-up of the implementation of recommendations is made between one and three years after the release of the final report.

In addition, urgent assignments that were not provided for in the audit plan may be carried out during the year on the request of the Management Board or the Audit Committee.

Twice a year, the Internal Audit Officer presents a report on the activities of the department to the Management Board and the Audit Committee.

In 2010 the Internal Audit Charter defining the powers and responsibilities of Internal Audit within Somfy group and specifying its assignments was updated.

3. Key elements of the internal control process

The processes and organisation described hereafter were implemented by the Management Board, as internal control is within its jurisdiction.

Description of internal control procedures relative to the preparation of accounting and financial information

Strategic, budgetary and reporting process

The preparation of the budget is part of an annual strategic process involving all the Activities, Business Areas and Business Units as well as the divisions, that define their essential objectives and their three-year plan, in line with the strategic guidelines set by General Management.

The overall budget is prepared as part of a repetitive process involving all Group players. It is the result of the consolidation of local budgets.

After approval by the General Management of the Group, every manager becomes responsible for meeting his/her own budget.

The measurement of the achievement of objectives set in the budgets is carried out through a system of matrix reporting on a monthly and quarterly basis, that enables results to be produced on a number of bases (Business Area, Business Unit, and Activity). It comprises the standard financial data: operating accounts and balance sheet indicators, and non-financial performance indicators.

Reporting is completed by strategic reports, and quarterly updates of forecast sales and profit of the current year. These measurements enable a follow-up of the achievement of objectives and provide corrective actions, on a matrix basis and at all levels of responsibility (consolidation, Business Areas, Business Units, Activities, Legal Companies, Departments and Services).

In addition, three three-year plans, in line with Group strategy and revised annually, are led by Management. This is:

1. a product master plan that relates to the development of the product offering;
2. an industrial and logistics master plan for production facilities;
3. a master plan for information systems.

Preparation of financial statements

The Somfy group has defined a unique and common system for the recording of accounting and financial information.

It results in the definition and application to all subsidiaries of a chart of accounts, as well as the definition and application of major management procedures (inventories, non-current assets, trade receivables, etc.), which are formalised in the Group Procedure Manual relayed through and updated on the Group's 'Teepee' intranet.

Furthermore, the Group pursues its policy of rolling out common software and a joint ERP.

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 the development and control over financial statements 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

This team relies on management controllers based in each Business Area reporting to the Group in its nine geographical areas.

In addition, each of the three Activities, also benefits from a dedicated controller.

The Group endeavours to lead this network via international meetings and ongoing training of the accountants and management controllers.

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 rolling physical stocktaking procedure.

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

Intragroup purchases, sales and balance sheet items are confirmed monthly. Inventory amounts originating from the Group are determined in all entities in order to eliminate internal profit margins on inventories.

A pre-closing meeting is organised each half-year with the legal department to identify all liabilities and possible or stated litigation and to calculate, with reference to the progress of cases, corresponding provisions for liabilities and charges.

The review of various contracts, deposits, sureties and guarantees also has the purpose of identifying off-balance sheet commitments.

The consolidation packages, including: balance sheet, income statement, all flow tables and related data, are then sent to the Consolidation department according to a predefined planning schedule.

Financial statements control

The Consolidation department, after checking the exhaustiveness of financial information, the proper application of closing procedures and restatements, performing intragroup account reconciliation and checking net equity justification, performs financial statement consolidation using dedicated software.

Consolidated financial statements are prepared in accordance with IFRS. In addition, accounting options selected were presented to and approved by the Audit Committee.

Financial communication

Following their approval by the Supervisory Board, the half-year and full-year financial statements are presented to the financial community under the auspices of the SFAF (French financial analyst society) and published in a report posted on the financial issuer's website (www.somfyfinance.com) as well as on a regulatory professional publishing network (www.lesechos-comfi.fr).

The other disclosures required by the Transparency Directive, in particular quarterly information and reports on internal control and corporate governance are also posted on these two websites. Relevant information relating to the Company's business activities is presented to the Audit Committee.

IT systems

The BaaN integrated management package is now installed in most distribution subsidiaries, excluding Asia, where ERP Accpac was rolled out in all subsidiaries.

For the companies that have an ERP (BaaN or Accpac) installed, standard parameters are included (comprising a chart of accounts, analytical follow-up and procedures).

Completion of the budget, monthly reporting, margin analysis by product family and legal consolidation are all carried out on the same platform (Hyperion), which improves the uniformity as well as facilitating the analysis of information. The migration to the new version took place in 2010 in order to increase its data processing and analysis capacity.

In 2010 the migration from the GPAO Tolas tool to the BaaN Manufacturing module continued and concerned the Zriba site in Tunisia. Therefore, the Cluses, Gray and Zriba sites all operate under the same integrated IT system. In 2011, this same migration will take place for the Way site in Italy, the purpose being to integrate as far as possible all the production activities of the Somfy group (from procurement to distribution) with logistics and finance.

Furthermore, the CrossRoads system, aimed at setting up a unique data management system for the development of products right through their life cycle, will be rolled out in 2011 at the different development centres of the Group. It will

contribute to the efficiency of the development processes and the improvement of product quality.

Lastly, the 2010 implementation of a unique Identity and Access Rights Management tool further improved the level of control, already strong, of IT security.

Internal control monitoring

The monitoring of the internal control ensuring 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 through which monitoring programmes are carried out on an annual basis. In 2010 the analysis of the Customer Returns/After-Sales Service processes was led with the help of this tool,
- a dedicated software tool dedicated to following the recommendations, which more specifically allows Internal Audit to centralise the recommendations resulting from their audits, the entities audited to take hold of their corresponding action plans, and the Group's Internal Control department to follow their implementation. All assignments completed since 2004 are in the process of being recorded.

The use of all these resources is closely monitored by the Audit Committee, which is regularly informed of the progress achieved and results obtained.

In 2010, Somfy Activities implemented an Internal Control department, which particularly ensures that the recommendations coming out of the audit reports are implemented appropriately.

In addition, an Internal Control Committee, supervised by the Accounting-Management Control Department was entrusted in particular with the following missions:

- implementation of reliable internal control within the Group: making statutory and reporting data secure and reliable (risk identification, control procedure definition), and validation of the Group's accounting and management procedures, while at the same time ensuring their feasibility within the IT systems,
- Internal Audit assignment follow-up: review of Internal Audit reports, identification of action plans to be implemented, action plan follow-up,
- organisation of a plan to make half-year closings more secure: subsidiary visit schedule, identification of matters requiring attention, review of visit reports and action plans follow-up.

This Committee met three times in 2010.

Analysis of risks

An analysis of Group risks conducted at the end of 2005 is the subject of regular updates. A link exists between the risks included in this analysis and the Internal Audit plan, when it is relevant.

Strategic risks are included in the bi-annual process of the Group's strategic review, and operational risks are followed up by Group executives to ensure the existence of action plans.

In 2010, Internal Audit supported Management in formalising and regulating the process of updating the analysis (method, model documents, etc.), with the continuing objective of encouraging everyone to take responsibility for managing these risks.

The results of this project have been presented to the Audit Committee and Supervisory Board.

Treasury Committee/Group Cash management

The Treasury Committee comprises:

- the Chief Financial Officer of Somfy group,
- the Administrative and Financial Manager of Somfy Activities,
- the Financial Manager of holding companies,
- the Group Treasurer.

Amongst these members are the Chairman of the Management Board and the two Chief Executive Officers.

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:

1. 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.
2. operating missions, which guarantee regular monitoring of Group Cash Management. They are detailed in a monthly trend chart.

Since 1 June 2010, the rules and procedures related to Somfy group's cash management have been formalised in the Cash Management Charter, revised annually and including the following:

- Ethics
- Liquidity/exchange rate/interest rate risk
- Deposit of excess cash
- Counterparty risk
- Governance

Furthermore, it has been decided that hedge accounting will be applied from 2011 to all exchange rate transactions entered into since 1 July 2010.

Accreditations and quality procedures

Somfy group has been implementing an approach to quality management by following ISO 9001 processes since 1995.

Companies currently ISO 9001-certified by Lloyd Register Quality Assurance – LRQA or by other local organisations are Somfy SAS, Simu SAS, WAY (combination of Asa and Mingardi), Sitem, Harmonic, Somfy GmbH, Somfy BV and BFT Spa Schio.

These companies represent the vast majority of the Group's operations.

All personnel of these companies are thus involved in this process, including the R&D service, as well as the purchasing, manufacturing, production, selling and logistics departments.

Internal quality audits are implemented following an annual quality audit plan, defined according to the company strategic direction; and to control the risks from operational processes. Corrective or preventive actions are managed within each operating or support department.

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

Processes control is implemented through compliance with the provisions specified in the various items of the quality framework (Directives, procedures, departmental methodological guides, etc.) and the continuous improvement principle applied to each of them.

The Quality approach is a key area of the Group's strategy and the Management of the Company is committed to its rollout and monitoring.

Risk coverage – Insurance

The Group risk prevention and protection policy is determined by Corporate services, in partnership with its brokers and insurers. The vast majority of facilities 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, etc.), loss of profit, general civil liability (including Directors' civil liability) and transported goods. Other facilities are covered by local insurance policies.

PROJECTS COMPLETED AND IN PROGRESS

Encouraged by the Audit Committee, Internal Audit sought to make the follow-up of recommendations issued at the time of field audits more professional by setting up a procedure given to all operations audited that describes in a formal manner the method of follow-up, those responsible for it, the timeframe, etc. and a dedicated software package to facilitate this follow-up.

This package notably enables, via a database centralising all recommendations issued, the automation of the follow-up of these (direct involvement of those audited and commitment by them by inputting the action plans and timeframes, alert systems related to the timeframe, follow-up as a function of the importance of the risks identified, etc.). The package also enables the recommendations to be sorted by status, subject, subsidiary, shareholder, level of criticality, action timeframe, etc.

This package is designed to be used by:

- the auditors. The core of the applications consists of issuing recommendations and action plans, follow-up of their completion, and bringing together all this work in the form of reports. The recommendations may relate to weaknesses and to categories of risks,
- those audited. An alert system warns these being audited of the recommendations concerning them being put online. Thereafter, the recommendations may be sorted by importance, subject or implementation timeframe to define action plans that are effective and pragmatic. The action plans are input directly into the package,
- the internal control department. A report generator enables the construction in a fully personalised manner of a consolidated view or to obtain statistics on the recommendations and their implementation.

This project started in 2009 by the selection of a package and its commissioning continued into 2010 with the inclusion of the recommendations history into the software tool. From 2011, all parties concerned will be required to use it and the pertinent reporting will be available to Management and the Audit Committee concerning the follow-up of audit results.

The Chairman of the Supervisory Board

STATUTORY AUDITORS' REPORT PREPARED IN APPLICATION OF ARTICLE L. 225-235 OF THE COMMERCIAL CODE, ON THE REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD OF SOMFY SA

To the Shareholders,

As Statutory Auditors to Somfy SA, and in application of the provisions of the last paragraph of Article L. 225-235 of the Commercial Code, we hereby present to you our report on your Company Chairman's Report in accordance with Article L. 225-68 of the Commercial Code on the financial statements for the year ended 31 December 2010.

It is the responsibility of the Chairman to submit his Report for approval by the Supervisory Board, including the internal control and risk management procedures implemented within the Company and the other disclosures required by Article L. 225-68 of the Commercial Code, in particular in relation to corporate governance procedures.

It is our responsibility:

- to communicate to you any observations we may have concerning the information contained in the Chairman's Report regarding internal control procedures and the management of risks relating to the preparation and processing of financial and accounting information, and
- to certify that this report includes all other disclosures required by Article L. 225-68 of the Commercial Code, it being specified that it is not our responsibility to verify the fairness of these disclosures.

We have carried out our work in accordance with the professional standards applicable in France.

INFORMATION CONCERNING THE INTERNAL CONTROL PROCEDURES AND MANAGEMENT OF RISKS RELATIVE TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

The professional standards applicable in France require due diligence procedures to be implemented to verify the fairness of

the information contained in the Chairman's report, concerning the internal control procedures and management of risks relative to the preparation and processing of financial and accounting information. This due diligence notably consists of:

- becoming aware of the internal control procedures and management of risks 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 dealt with in the Report of the Chairman.

On the basis of our work, we have no observations to make on the description of internal control procedures and management of risks 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 Article L. 225-68 of the Commercial Code.

OTHER INFORMATION

We certify that the report of Chairman of the Supervisory Board includes all other disclosures required by Article L. 225-68 of the Commercial Code.

Paris and Lyon, 26 April 2011
The Statutory Auditors

LEDOUBLE S.A.
Frédéric Ledouble

ERNST & YOUNG et Autres
Sylvain Lauria