2014

Somfy

HALF-YEAR FINANCIAL REPORT END OF JUNE

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS

Consolidated income statement

€ thousands	Notes	30/06/14 6 months	30/06/13* 6 months	31/12/13* FY
Sales		509,642	466,963	922,818
Other operating income		5,577	8,074	14,056
Cost of sales		– 184,223	– 168,375	– 337,628
Employee expenses		– 146,292	– 136,603	– 270,363
External expenses		– 79,508	– 75,722	– 150,613
EBITDA		105,196	94,337	178,269
Amortisation and depreciation charges		– 15,958	– 14,467	– 30,031
Charges/reversals to current provisions		23	– 431	– 420
Gains and losses on disposal of non-current operating assets		85	– 41	– 420
EBITA		89,346	79,399	147,399
Amortisation of intangible assets allocated		– 1,538	– 1,482	– 3,062
CURRENT OPERATING RESULT		87,808	77,916	144,336
Other operating income and expenses	(1)	227	– 816	– 4,882
Impairment of goodwill		– 17,350	– 9	– 6,395
OPERATING RESULT		70,686	77,091	133,059
– Financial income from investments		*542*	*520*	*1,101*
– Financial expenses related to borrowings		*– 2,103*	*– 1,567*	*– 2,884*
Cost of net financial debt		– 1,560	– 1,046	– 1,783
Other financial income and expenses		1,111	71	– 2,839
NET FINANCIAL INCOME/EXPENSE	(2)	– 449	– 976	– 4,622
PROFIT BEFORE TAX		70,237	76,115	128,438
Income tax	(3)	– 19,263	– 16,801	– 36,083
Share of profit/loss of associates		– 545	24	59
NET PROFIT OF CONTINUING OPERATIONS		50,429	59,339	92,413
Attributable to: Group share		50,052	59,528	91,031
Non-controlling interests		377	– 189	1,382
NET PROFIT OF OPERATIONS HELD FOR SALE OR DISTRIBUTION	(4)	4,398	2,948	8,373
Attributable to: Group share	(4)	4,381	2,970	8,461
Non-controlling interests	(4)	17	– 22	– 88
CONSOLIDATED NET PROFIT		54,827	62,287	100,786
Attributable to: Group share		54,433	62,498	99,492
Non-controlling interests		394	– 211	1,294
Basic earnings per share (€)	**(5)**	**7.37**	**8.41**	**13.58**
Diluted earnings per share (€)	**(5)**	**7.36**	**8.37**	**13.55**

** The financial statements have been restated following the determination of the fair value of Giga's assets and liabilities and the application of IFRS 5 (see Section 4.4 of Accounting rules and methods).*

Consolidated statement of comprehensive income

€ thousands	30/06/14	30/06/13*
Net profit for the period	54,827	62,287
Movement in gains and losses on translation of foreign currency	999	– 1,783
Movement in fair value of available-for-sale assets	11,500	–
Movement in fair value of interest rate hedges	258	408
Movement in fair value of foreign currency hedges	– 146	– 50
Movement in tax on items that may be reclassified to profit or loss	– 1,036	– 4,473
Items that may be reclassified to profit or loss	**11,576**	**– 5,898**
Movement in actuarial gains and losses	–	–
Movement in tax on items that will not be reclassified to profit or loss	–	–
Items that will not be reclassified to profit or loss	**–**	**–**
Items of other comprehensive income directly recognised in equity	**11,576**	**– 5,898**
Comprehensive income for the period**	**66,403**	**56,389**
Attributable to: Group share	66,009	56,600
Non-controlling interests**	394	– 211

** The financial statements have been restated following the determination of the fair value of Giga's assets and liabilities and the application of IFRS 5 (see Section 4.4 of Accounting rules and methods).*
*** The difference in the net profit with the consolidated statement of changes in equity is due to the variation in the value of the put options granted to holders of non-controlling interests: a positive €0.4 million at 30 June 2014 and a negative €0.1 million at 30 June 2013.*

Consolidated balance sheet – Assets

€ thousands	Notes	30/06/14 Net	31/12/13* Net
Non-current assets			
Goodwill	(7)	185,837	224,045
Intangible assets	(8)	48,580	69,533
Property, plant and equipment	(9)	219,106	244,016
Investments in associates	(10)	1,675	109,881
Financial assets	(11)	159,986	230,521
Other receivables		1,520	446
Deferred tax assets		32,776	35,518
Employee benefits		51	49
Total Non-current assets		**649,532**	**914,009**
Current assets			
Inventory	(12)	147,037	141,336
Trade receivables		195,302	157,796
Other receivables		14,811	19,234
Current tax assets		5,315	5,407
Financial assets	(11)	722	884
Cash and cash equivalents		110,266	136,496
Total Current assets		**473,453**	**461,152**
Assets held for sale or distribution	**(4)**	**321,015**	**–**
TOTAL ASSETS		1,444,000	1,375,161

** The financial statements have been restated following the determination of the fair value of Giga's assets and liabilities and the corrections to the opening balance sheet of Garen Automação (see Section 4.4 of Accounting rules and methods). Pursuant to the application of IFRS 5, the 2013 balance sheet has not been restated.*

Consolidated balance sheet – Equity and liabilities

€ thousands	Notes	30/06/14	31/12/13*
Shareholders' equity			
Share capital		7,837	7,837
Share premium		1,866	1,866
Other reserves		897,662	820,973
Net profit for the period		54,433	99,492
Group share		**961,799**	**930,168**
Non-controlling interests		– 344	– 364
Total shareholders' equity		**961,455**	**929,805**
Non-current liabilities			
Non-current provisions	(13)	21,255	18,078
Other financial liabilities	(14)	62,291	78,030
Other liabilities		1,534	1,763
Employee benefits		17,020	18,639
Deferred tax liabilities		51,855	66,600
Derivative instruments		–	938
Total Non-current liabilities		**153,955**	**184,047**
Current liabilities			
Current provisions	(13)	7,807	19,888
Other financial liabilities	(14)	38,856	39,417
Trade payables		109,834	100,213
Other liabilities		89,735	95,159
Tax liabilities		21,482	6,604
Derivative instruments		200	28
Total Current liabilities		**267,915**	**261,309**
Liabilities related to assets held for sale or distribution	**(4)**	**60,676**	**–**
TOTAL EQUITY AND LIABILITIES		1,444,000	1,375,161

** The financial statements have been restated following the determination of the fair value of Giga's assets and liabilities and the corrections to the opening balance sheet of Garen Automação (see Section 4.4 of Accounting rules and methods). Pursuant to the application of IFRS 5, the 2013 balance sheet has not been restated.*

Consolidated statement of changes in equity

At 30 June 2014

€ thousands	Share capital (1)	Share premium	Treasury shares	Gain/loss on fair value of available-for-sale assets	Actuarial gains and losses	Interest rate hedges	Foreign currency hedges
At 31 December 2013	**7,837**	**1,866**	**– 91,040**	**17,370**	**– 9,816**	**– 6**	**40**
Comprehensive income recorded over the period	–	–	–	11,500	–	258	– 146
Treasury share transactions	–	–	– 457	–	–	–	–
Dividends	–	–	–	–	–	–	–
Other movements (2)	–	–	–	–	–	–	–
At 30 June 2014	**7,837**	**1,866**	**– 91,497**	**28,870**	**– 9,816**	**252**	**– 107**

€ thousands	Expenses related to acquisitions of non-controlling interests	Movements in put options (3)	Deferred tax	Changes in foreign exchange rates	Consolidated reserves and net profit	Total shareholders' equity	Non-controlling interests	Total shareholders' equity (Group share)
At 31 December 2013	**– 2,369**	**– 4,014**	**– 2,871**	**1,216**	**1,011,591**	**929,805**	**– 364**	**930,168**
Comprehensive income recorded over the period	–	–	– 1,036	999	54,450	66,026	17	66,009
Treasury share transactions	–	–	–	–	2,446	1,989	–	1,989
Dividends	–	–	–	–	– 38,860	– 38,860	–	– 38,860
Other movements (2)	–	2,031	–	–	465	2,496	3	2,492
At 30 June 2014	**– 2,369**	**– 1,983**	**– 3,907**	**2,215**	**1,030,092**	**961,455**	**– 344**	**961,799**

(1) Share capital comprises 7,836,800 shares with a par value of €1. No changes occurred in the first half of 2014.
(2) Changes to the consolidation scope and foreign exchange gains and losses on equity transactions.
(3) The subsequent fair values of liabilities corresponding to put options granted to holders of non-controlling interests are recognised in equity.

At 30 June 2013

€ thousands	Share capital (1)	Share premium	Treasury shares	Gain/loss on fair value of available-for-sale assets	Actuarial gains and losses	Interest rate hedges	Foreign currency hedges
At 31 December 2012	**7,837**	**1,866**	**– 74,390**	**2,870**	**– 11,461**	**– 681**	**94**
Comprehensive income recorded over the period	–	–	–	–	–	408	– 50
Treasury share transactions	–	–	753	–	–	–	–
Dividends	–	–	–	–	–	–	–
Other movements (2)	–	–	–	–	–	–	–
At 30 June 2013	**7,837**	**1,866**	**– 73,637**	**2,870**	**– 11,461**	**– 273**	**44**

€ thousands	Expenses related to acquisitions of non-controlling interests	Movements in put options (3)	Deferred tax	Changes in foreign exchange rates	Consolidated reserves and net profit	Total share-holders' equity	Non-controlling interests	Total shareholders' equity (Group share)
At 31 December 2012	**– 2,369**	**– 8,515**	**6,041**	**7,628**	**934,254**	**863,175**	**– 382**	**863,557**
Comprehensive income recorded over the period	–	–	– 4,473	– 1,783	62,429	56,531	– 69	56,600
Treasury share transactions	–	–	–	–	– 360	393	–	393
Dividends	–	–	–	–	– 35,692	– 35,692	–	– 35,692
Other movements (2)	–	– 1,868	–	–	– 6,960	– 8,828	6	– 8,835
At 30 June 2013	**– 2,369**	**– 10,383**	**1,568**	**5,845**	**953,671**	**875,579**	**– 443**	**876,022**

(1) Share capital comprises 7,836,800 shares with a par value of €1. No changes occurred in the first half of 2013.
(2) Including a negative €6.8 million in consolidated reserves related to the recognition of the purchase commitment on the 49% non-controlling interest in Giga, changes to the consolidation scope and foreign exchange gains and losses on equity transactions.
(3) The subsequent fair values of liabilities corresponding to put options granted to holders of non-controlling interests are recognised in equity.

Consolidated cash flow statement

€ thousands	Notes	30/06/14 6 months	30/06/13* 6 months	31/12/13* FY
Net profit of continuing operations		**50,429**	**59,339**	**92,413**
Depreciation and amortisation of assets (excluding current assets)		35,125	16,565	38,714
Charges to and reversals of provisions for liabilities		784	1,565	2,522
Unrealised gains and losses related to fair value movements		26	– 133	30
Unrealised foreign exchange gains and losses		– 583	2,139	3,551
Income and expenses related to stock options and employee benefits		1,284	1,520	1,892
Depreciation, amortisation, provisions and other non-cash items		**36,637**	**21,656**	**46,709**
Profit on disposal of assets and others		– 59	– 340	105
Share of profit/loss of associates		545	– 24	– 59
Deferred tax expense		– 5,317	– 802	– 7,067
Cash flow		**82,235**	**79,829**	**132,101**
Cost of net financial debt (excluding non-cash items)		1,560	1,103	1,840
Dividends of non-consolidated companies		–	– 2,721	– 2,721
Tax expense (excluding deferred tax)		24,580	17,603	42,947
Change in working capital requirements	(16)	– 50,973	– 37,334	8,688
Tax paid		– 9,624	– 7,670	– 37,984
NET CASH FLOW FROM OPERATING ACTIVITIES (A)		**47,778**	**50,810**	**144,871**
Acquisition-related disbursements:				
– intangible assets and property, plant and equipment		– 23,149	– 23,317	– 50,353
– non-current financial assets		– 285	– 191	– 212
Disposal-related proceeds:				
– intangible assets and property, plant and equipment		441	178	750
– non-current financial assets		1,402	–	5
Change in current financial assets		258	842	1,822
Acquisition of companies, net of cash acquired	(6)	– 2,234	– 5,529	– 8,440
Disposal of companies, net of cash disposed		–	–	330
Dividends paid by unconsolidated companies		–	–	2,721
Interest received		476	280	709
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		**– 23,090**	**– 27,738**	**– 52,668**
Increase in loans		10,154	8,087	9,793
Reimbursement of loans		– 2,496	– 10,992	– 14,588
Other transactions with non-controlling interests		–	–1,389	– 1,242
Dividends and interim dividends paid		– 48,889	– 22,178	– 24,258
Movement in treasury shares		1,837	220	2,347
Interest paid		– 2,163	– 1,625	– 2,882
NET CASH FLOW USED IN FINANCING ACTIVITIES (C)		**– 41,557**	**– 27,877**	**– 30,830**
Net cash flow related to operations held for sale or distribution	(4)	5,262	2,340	2,387
Impact of changes in foreign exchange rates on cash and cash equivalents (D)		1,285	– 1,139	– 3,538
NET CHANGE IN CASH AND CASH EQUIVALENTS (A + B + C + D)		**– 10,322**	**– 3,603**	**60,221**
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR	(16)	**130,657**	**70,435**	**70,435**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	(16)	**120,335**	**66,833**	**130,657**

** The financial statements have been restated following the determination of the fair value of Giga's assets and liabilities, the corrections to the opening balance sheet of Garen Automação and the application of IFRS 5 (see Section 4.4 of Accounting rules and methods).*

Notes to the consolidated interim financial statements

1. Approval of 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: FR 0000120495).
The Somfy Group is structured as two separate branches: Somfy Activities, which is dedicated to the automation and control of openings and closures in residential and commercial buildings (blinds, shutters, curtains, screens, doors, gates, etc.); and Somfy Participations, which is dedicated to investments and equity shareholdings in industrial companies operating in various business sectors. The head office is based in Cluses.
The condensed consolidated financial statements of Somfy Group at 30 June 2014 have been prepared by the Management Board and reviewed by the Supervisory Board.

2. Highlights

Proposed demerger and quotation of Somfy Participations

At its meeting of 14 May 2014, the Supervisory Board unanimously decided to study the demerger of the Group into two companies, Somfy Activities and Somfy Participations, as proposed by the Management Board. The Management Board considers that more than six years after its creation, Somfy Participations has acquired the necessary maturity and experience to develop its activities autonomously. This project, if carried through, will provide greater visibility to both companies. It would allow their shareholders to have investments in two entities, each of which with a valuation based on the criteria specific to their business.
In the light of initial analyses, the proposed transaction could result in the transfer of certain Somfy Participations assets to a company formed for this purpose. Such company would simultaneously be floated on the stock exchange and its shares allocated to Somfy shareholders. The scope of the study also includes an option for shareholders to elect to receive a cash consideration instead of the securities.
The implementation of this transaction may be endorsed by the Supervisory Board in October and approved by the Somfy Shareholders' General Meeting in November. If approved, it will result in the floatation of Somfy Participations on the Euro MTF market of the Luxembourg stock exchange and would therefore take effect before the end of the year.
As part of its ongoing study, the Supervisory Board decided at its meeting to appoint the firm Valphi, represented by Emmanuel Dayan, as an independent expert, to carry out the valuation work and issue an opinion on the fairness of the financial terms of the proposed transaction for Somfy shareholders.
As Somfy Participations is a main and distinct activity, the net profit, cash flows and net assets are presented on a separate line, "operations held for sale or distribution". The income statement and the cash flow statement have been restated for all reported periods.

Offer to acquire stake in CIAT

On 23 July, Somfy received a firm offer from United Technologies Corporation to acquire its equity investment in the share capital of CIAT Group, a specialist in the air treatment and heat transfers of buildings.
The bid is subject to several conditions precedent, namely consultation with CIAT Group's works council, approval by CIAT Group following this consultation and the authorisation of the supervisory bodies governing this type of transaction. Final agreement could be reached during the fourth quarter of 2014 if the conditions are met as scheduled.
Somfy Participations has held an equity investment in the CIAT Group since 2008, which currently represents 46.1% of CIAT Group's share capital.
The net profit, cash flows and net assets are presented on a separate line, "operations held for sale or distribution", as this equity investment is related to the Somfy Participations scope held for sale. The income statement and the cash flow statement have been restated for all reported periods.

Goodwill impairment

Somfy Activities wrote down the goodwill of **BFT Group**, **Giga** and **Garen Automação** for a total of €17.4 million (see Note 7) and its equity investment in **Neocontrol** for €0.5 million at 30 June 2014 (see Note 10) given the business outlook of these subsidiaries.
Somfy Participations wrote down €1.1 million from the goodwill of **Sirem**. This impairment follows the downward revision of its business plan due to the difficulties encountered over the financial year by the Wellness activity. This impairment is included in the profit of operations held for sale or distribution.

Tax audits

Somfy SAS has been subject to a tax assessment in relation to the 2009 and 2010 financial years. The main adjustment related to the transfer pricing policy implemented between a subsidiary of Somfy SA, Somfy SAS and a number of distribution subsidiaries.
During the second half of 2013, Somfy SAS, with the assistance of its legal advisers, accepted to enter into talks with the tax authorities in order to reach an outcome acceptable to all parties.
The Group considered it probable that Somfy SAS would be compelled to accept part of the additional tax assessment thus notified and had therefore recognised a

liability of €8.4 million in the financial statements for the year ended 31 December 2013.
During the first half of 2014, Somfy SAS and the tax authorities agreed on the amount of this additional assessment. Somfy SAS thus recognised a liability equal to the provision made in the financial statements at 31 December 2013.

Somfy SA has been subject to a tax audit in relation to the 2010 and 2011 financial years. A liability of €3.1 million had been provisioned in the 2013 annual financial statements. During the first half of 2014, Somfy SA and the tax authorities agreed on the amount of this additional assessment. Somfy SA thus recognised a liability equal to the provision made in the financial statements at 31 December 2013.

Contingent liabilities

Somfy Mexico SA de CV, a Group's Mexican subsidiary, has been subject to a tax audit by the tax authorities in relation to foreign trade matters. The proposed tax adjustment amounts to €1.6 million, primarily related to customs duties. Somfy Mexico has appealed to the Mexican tax authorities which confirmed its opinion at the end of September 2013. Following this reply, Somfy Mexico has appealed to the administrative court. The Group considers that the arguments put forward by the tax authorities remain disputable and is confident in the likelihood that this ruling will be overturned. Therefore, the Group qualified the risk as a contingent liability and no provision was recognised.

On 6 January 2014, **Somfy SA** was summoned to appear before the Regional Court of Albertville to seek annulment of the transfer of the company **Spirel**, which took place in 2010.
Having had their first summons rejected by the Regional Court of Albertville, Spirel's employees served a new summons on 27 June 2014. This event has not altered the position of Somfy SA which remains confident in the likelihood of obtaining a favourable decision and therefore continued to record this risk as a contingent liability.

Equity investment

During June 2014, **Somfy Participations** made a 5.89% equity investment in **Lacroix** for €6.6 million. Lacroix is a French company established in 1946, and specialised in the manufacture of wood, cardboard, plastic and mixed packaging. This investment is accounted for as an asset held for sale.

3. Changes in consolidation scope

The Group did not make any major acquisition over the first six months of 2014.

4. Accounting rules and methods

In application of European Regulation 1606/2002 of 19 July 2002, the Somfy 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 2014.
These standards are available on the European Commission website at: (http://ec.europa.eu/internal_market/accounting/ias/index_en.htm).
The half-year condensed consolidated 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 2013.
The Group's consolidated financial statements for the year ended 31 December 2013 are available from the Group's website www.somfyfinance.com and upon request from head office.

4.1 New applicable standards and interpretations

4.1.1. Standards, amendments and interpretations applicable within the European Union with effect from annual periods beginning on or after 1 January 2014

The Group has applied the following standards, amendments and interpretations as of 1 January 2014 at the latest:

– IFRS 10 – Consolidated financial statements and revised IAS 27 – Separate financial statements:
  IFRS 10 replaces the former IAS 27 – Consolidated and separate financial statements and the former SIC 12 interpretation – Consolidation – Special purpose entities. This standard introduced a new definition for control based on power, exposure (and rights) to variable returns and the ability to affect those returns through its power;
– IFRS 11 – Joint arrangements and revised IAS 28 – Investments in associates and joint ventures:
  IFRS 11 and revised IAS 28 replace IAS 31 – Interests in joint ventures and IAS 28 – Investments in associates, as well as interpretation SIC 13 – Jointly controlled entities – Non-monetary contributions by venturers. The definition of joint control is based on the existence of a contractual agreement and unanimous consent of the parties sharing control. These standards primarily provide two separate accounting treatments, as IFRS 11 removed the proportional consolidation method applicable to jointly controlled entities:
  • joint arrangements that qualify as joint operations, since they give rights to assets and obligations with respect to liabilities, are recognised proportionally to the share of

assets, liabilities, income and expenses controlled by the Group in accordance with the contractual agreement. A joint operation may be conducted via a simple contract or via a jointly controlled legal entity;

• joint arrangements that qualify as joint ventures, since they provide only a right to net assets, are consolidated using the equity method;

– IFRS 12 – Disclosure of interests in other entities:
This standard covers all disclosures to be made when an entity holds interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities, irrespective of the level of control or influence exercised over the entity;

– Amendments to IFRS 10, 11 and 12 – Transition guidance:
These amendments provide clarification regarding the transition guidance for IFRS 10 and reduce the comparative information that needs to be presented by limiting adjustments to prior-period figures. In addition, as regards disclosures for unconsolidated structured entities, the amendments removed the obligation to present comparative information for periods prior to the period in which IFRS 12 is applied for the first time;

– Amendment to IAS 32 – Offsetting financial assets and financial liabilities:
This amendment clarifies offsetting rules;

– Amendment to IAS 36 – Recoverable amount disclosures for non-financial assets:
This amendment concerns disclosures on the recoverable amount of impaired assets where that amount is based on fair value less costs of disposal;

– Amendment to IAS 39 – Novation of derivatives and continuation of hedge accounting:
This amendment concerns the possibility of continuing hedge accounting in circumstances in which a derivative designated as a hedge instrument is subject to novation from one counterparty to a central counterparty as a result of new laws or regulations, providing certain conditions are met (in this context, the novation of a derivative is the replacement of the original counterparty of the contract with a new counterparty).

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

4.1.2. Standards and interpretations not yet applicable in the European Union

Text adopted by the European Union

– IFRIC 21 – Levies:
This standard specifies that the obligating event for the recognition of the liability related to the various taxes, duties and other levies that do not fall within the scope of IAS 12 depends on the provisions of the relevant legislation, irrespective of the calculation base period.

The European Union has stated that this text must be applied to annual periods beginning on or after 17 June 2014 (resulting in it being applied by the Group as of 1 January 2015) as opposed to 1 January 2014 according to the IASB.

Texts not adopted by the European Union

Subject to their being definitively adopted by the European Union, the standards, amendments to standards and interpretations presented below apply on the following dates according to the IASB:

– IFRS 9 – Financial instruments: classification and measurement and subsequent amendments to IFRS 9 and IFRS 7: application date not yet known.
This is the first of three parts of IFRS 9 – Financial instruments intended to replace IAS 39 – Financial instruments – Recognition and measurement. The first part concerns the classification and measurement of financial instruments. The effects of the application of this standard cannot be analysed independently of the other two parts that have not yet been published, which should address the impairment of financial assets and hedge accounting respectively.

– IFRS 15 – Revenue from contracts with customers: applicable from 1 January 2017:
IFRS 15 replaces IAS 11 – Construction contracts and IAS 18 – Revenue and the corresponding interpretations: IFRIC 13 – Customer loyalty programmes, IFRIC 15 – Agreements for the construction of real estate, IFRIC 18 – Transfers of assets from customers and SIC 31 – Revenue – Barter transactions involving advertising services.
This standard sets out the principles for recognising revenue from contracts with customers (except contracts covered by specific standards such as leases, insurance contracts and financial instruments). The basic principle is that revenue recognition should describe the transfer of goods or services to a customer, in an amount that reflects the payment that the entity expects to receive in return for those goods or services. The accounting standards-setter has identified five stages for implementing this standard:

• identifying the contract(s) with a customer
• identifying the performance obligations in the contract
• determining the transaction price
• allocating the transaction price to the performance obligations in the contract
• recognising revenue as the entity satisfies a performance obligation

The new standard will also improve disclosures required in the notes, provide an application guide for transactions that were not fully dealt with before (e.g. revenue from services and contract adjustments) and improve the application arrangements for contracts with multiple elements;

– Amendments to IFRS 11 – Accounting for acquisitions of interests in joint operations: applicable from 1 January 2016.
This published amendment gives details about how to recognise acquisitions of interests in a joint venture whose activity constitutes a business within the meaning of IFRS 3 – Business combinations.
For these acquisitions, an entity must apply the accounting principles relating to business combinations

under IFRS 3 and other IFRS that do not contradict the provisions of IFRS 11. It must also provide information required for business combinations in the notes. This applies at the time an interest is initially acquired, and at the time of any subsequent acquisitions. In that case, the entity must:

• measure identifiable assets and liabilities at fair value,
• expense acquisition-related costs in the period in which these costs were incurred and the services received,
• recognise deferred tax generated by the initial recognition of assets and liabilities as required by IFRS 3 and IAS 12 (Income taxes) for business combinations (except for deferred tax resulting from the initial recognition of goodwill),
• recognise under goodwill any surplus in the consideration transferred relative to the amount of identifiable assets acquired or liabilities assumed on the acquisition date,
• perform an impairment test at least once per year on the cash generating units to which goodwill has been allocated;

– Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation: applicable from 1 January 2016.
IAS 16 and IAS 38 both involve the principle whereby the basis for depreciation/amortisation corresponds to the consumption of future economic benefits embodied in an asset. The IASB has stated that using a revenue-based method for depreciation/amortisation is not appropriate, since revenue generated by a business that includes the use of an asset involves factors other than the consumption of economic benefits embodied in that asset.
The IASB has also stated that revenue is, in general, presumed to be an inappropriate basis for measuring the consumption of economic benefits embodied in an intangible asset. However, this presumption may be rebutted in certain limited circumstances.

– Amendments to IAS 19 – Defined benefit plans: employee contributions: applicable from 1 July 2014:
This amendment applies to contributions from employees or third parties to defined-benefit plans. The aim of the amendment is to simplify the recognition of contributions that are independent of the number of years of employee service, such as employee contributions calculated on the basis of a fixed percentage of salary. These contributions may be recognised as a reduction in service cost in the period in which the service is rendered, instead of being attributed to periods of service;

– Annual improvements to IFRS - 2010-2012 and 2011-2013 cycles: applicable from 1 July 2014:
In December 2013, the IASB published the Improvements to IFRS 2010-2012 and 2011-2013 as part of its annual process of reviewing and improving standards. The main amendments are as follows:

• IFRS 2 – Share-based payment: clarification of the notion of "vesting condition";
• IFRS 3 – Business combinations: accounting for contingent consideration in a business combination;
• IFRS 8 – Operating segments: disclosures regarding the criteria for the aggregation of operating segments and the reconciliation of the total of the reportable segments' assets to the entity's assets;
• IFRS 13 – Fair value measurement: clarification of the notion of fair value concerning short-term receivables and payables;
• IAS 16 – Property, plant and equipment and IAS 38 – Intangible assets: application of the revaluation method;
• IAS 24 – Related party disclosures: clarification of the notion of services performed by "key" management personnel;
• IFRS 3 – Business combinations: scope exceptions for joint ventures;
• IFRS 13 – Fair value measurement: offsetting possibilities for a portfolio of financial assets and liabilities;
• IAS 40 – Investment property: clarifying the interrelationship between IFRS 3 and IAS 40 to determine the extent to which the acquisition of a building can be analysed as a business combination within the meaning of IFRS 3.

The Group has not applied any of these new standards or amendments in advance and is in the process of assessing the impact resulting from their first-time application, with the exception of IFRS 9, since the Group is waiting for the final and complete version of the standard to be published.

4.2 Use of estimates and judgments

The preparation of the consolidated financial statements requires Management to make a number of judgments, estimates and assumptions liable to affect certain asset, liability, income and expense items, and certain information provided in the notes to the financial statements. Due to the inherently uncertain nature of assumptions, actual results may differ from these 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 judgments made and the main assumptions used by Management have been updated with the latest indicators used for the closing of the accounts at 30 June 2014.
At 30 June, Somfy Group reviews its performance indicators and, if necessary, carries out impairment tests if there is any indication that an asset may have been impaired.

4.3 Non-current assets (or groups of assets) held for sale or distribution and discontinued operations

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

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

Prior to their reclassification as “Assets held for sale or distribution”, the non-current asset or assets and liabilities of the disposal group are measured in accordance with their respective applicable standards. Following their reclassification as “Assets held for sale or distribution”, the non-current asset or disposal group is measured at the lower of its net book value and fair value less costs of these transactions, with impairment recognised if applicable. The reclassification of a non-current asset as held for sale or distribution causes the depreciation/amortisation of this asset to cease. In the case of a disposal resulting in a loss of control, the assets and liabilities of the entire subsidiary are classified as assets and liabilities “held for sale” in the “Assets held for sale or distribution” and “Liabilities related to assets held for sale or distribution” balance sheet items, as soon as the disposal meets the classification criteria of IFRS 5.

Income statement and cash flow items related to these operations held for sale or distribution are presented separately in the financial statements for all reported periods.

Balance sheet items are classified as assets and liabilities held for sale or distribution without restatement of the comparative year.

4.4 Restatement of previously-published financial statements

Previously published financial statements have been restated following the determination of the fair value of Giga’s assets and liabilities, the corrections to the opening balance sheet of Garen Automação and the application of IFRS 5.

Giga

The financial statements at 30 June and 31 December 2013 have been restated following the determination of the fair value of Giga’s assets and liabilities.

The net profit figures published for the periods ended 30 June 2013 and 31 December 2013 have therefore been restated for the following items:

€ thousands

NET PROFIT PUBLISHED AT 30 JUNE 2013	**62,462**
Amortisation charge on fair values determined for Giga	– 176
Deferred tax on amortisation charge on fair values determined for Giga	27
Other	– 27
RESTATED NET PROFIT AT 30 JUNE 2013	**62,287**

€ thousands

NET PROFIT PUBLISHED AT 31 DECEMBER 2013	**101,201**
Amortisation charge on fair values determined for Giga	– 491
Deferred tax on amortisation charge on fair values determined for Giga	75
RESTATED NET PROFIT AT 31 DECEMBER 2013	**100,786**

Garen

Due to the provisional nature of Garen Automação’s 2013 financial statements, the opening balance sheet at 31 December 2013 has been subject to corrections. Work to determine the fair value of assets and liabilities is still ongoing.

Classification as assets held for sale or distribution

As described in the note on highlights, the Group has determined that the following activities meet the criteria for classification as discontinued operations or operations sold or held for sale or distribution. These operations include Sirem, Zurflüh-Feller, Gaviota Simbac, Pellenc, Lacroix, Sofilab 4 and CIAT.

Conversely, interests held in FAAC will be maintained within the Group (classified as assets held for sale that will not be distributed as part of the proposed transaction).

The previously published income statement and cash flow statement have been restated.

For the purposes of comparison with future accounting periods, discontinued operations have been treated as fully unconsolidated. The half-year financial statements are therefore presented before elimination of transactions between continuing operations and operations sold or distributed.

The effects of restatements related to "discontinued operations and operations sold or held for sale or distribution" were as follows:

4.4.1. Income statement for the first six months of 2013 and the 2013 financial year

€ thousands	Operations held for distribution 30/06/13 6 months*	sale 30/06/13 6 months**	distribution 31/12/13 FY*	sale 31/12/13 FY**
Sales	41,515	–	77,281	–
Other operating income	1,612	–	3,532	–
Cost of sales	– 14,573	–	– 26,630	–
Employee expenses	– 15,218	–	– 28,538	–
External expenses	– 6,646	–	– 13,022	–
EBITDA	6,690	–	12,623	–
Amortisation and depreciation charges	– 2,807	–	– 5,589	–
Charges/reversals to current provisions	613	–	508	–
Gains and losses on disposal of non-current operating assets	– 13	–	– 195	–
EBITA	4,483	–	7,347	–
Amortisation of intangible assets allocated	– 801	–	– 1,602	–
CURRENT OPERATING RESULT	3,682	–	5,745	–
Other operating income and expenses	63	–	123	–
Impairment of goodwill	–	–	– 647	–
OPERATING RESULT	3,745	–	5,221	–
– Financial income from investments	*2,940*	–	*5,877*	–
– Financial expenses related to borrowings	*– 649*	–	*– 1,264*	–
Cost of net financial debt	2,291	–	4,613	–
Other financial income and expenses	– 55	–	– 59	–
NET FINANCIAL INCOME/EXPENSE	2,236	–	4,554	–
PROFIT BEFORE TAX	5,981	–	9,775	–
Income tax	– 1,729	–	– 2,841	–
Share of profit/loss of associates	– 1,055	– 249	3,385	– 1,945
NET PROFIT OF OPERATIONS HELD FOR SALE OR DISTRIBUTION	3,198	– 249	10,318	– 1,945
Attributable to: Group share	3,220	– 249	10,406	– 1,945
Non-controlling interests	– 22	–	– 88	–

** Sirem, Zurflüh-Feller, Gaviota Simbac, Pellenc, Lacroix and Sofilab 4.*
*** CIAT.*

4.4.2. Cash flow statement for the first six months of 2013 and the 2013 financial year

€ thousands	Operations held for			
	distribution 30/06/13 6 months	sale 30/06/13 6 months	distribution 31/12/13 FY	sale 31/12/13 FY
Net profit/loss of operations held for sale or distribution	**3,198**	**– 249**	**10,318**	**– 1,945**
Depreciation and amortisation of assets (excluding current assets)	3,620	–	4,120	–
Charges to and reversals of provisions for liabilities	– 585	–	– 1,594	–
Unrealised gains and losses related to fair value movements	– 48	–	– 74	–
Unrealised foreign exchange gains and losses	107	–	107	–
Income and expenses related to stock options and employee benefits	109	–	208	–
Depreciation, amortisation, provisions and other non-cash items	**3,203**	**–**	**2,767**	**–**
Profit on disposal of assets and others	13	–	2,935	–
Share of profit/loss of associates	1,055	249	– 3,385	1,945
Deferred tax expense	190	–	299	–
Cash flow	**7,658**	**–**	**12,935**	**–**
Cost of net financial debt (excluding non-cash items)	– 2,243	–	– 2,827	–
Tax expense (excluding deferred tax)	1,539	–	2,747	–
Change in working capital requirements	– 1,448	–	3,159	–
Tax paid	– 458	–	– 1,354	–
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	5,048	–	14,660	–
Acquisition-related disbursements:				
– intangible assets and property, plant and equipment	– 1,969	–	– 5,303	–
– non-current financial assets	– 377	–	– 1,047	–
Disposal-related proceeds:				
– intangible assets and property, plant and equipment	10	–	56	–
– non-current financial assets	8,841	–	9,054	–
Change in current financial assets	5,400	–	5,407	–
Dividends paid by associates	376	21	376	21
Interest received	117	–	185	–
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)	12,398	21	8,728	21
Increase in loans	9	–	229	–
Reimbursement of loans	– 961	–	– 5,802	–
Net increase in shareholders' equity of subsidiaries	–	–	– 510	–
Dividends and interim dividends paid	– 13,493	– 21	– 11,708	– 21
Interest paid	– 660	–	– 3,209	–
NET CASH FLOW USED IN FINANCING ACTIVITIES (C)	– 15,105	– 21	– 21,000	– 21
Impact of changes in foreign exchange rates on cash and cash equivalents (D)	– 1	–	– 1	–
NET CHANGE IN CASH AND CASH EQUIVALENTS (A + B + C + D)	2,340	–	2,387	–
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR	**9,816**	–	**9,816**	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**12,155**	**–**	**12,201**	**–**

5. Seasonality

Somfy Group achieves more than 50% of its sales in the first half of the year.

Segment reporting

The Group is structured in two divisions:

- **Somfy Activities**, which includes the companies whose operations come within the scope of Somfy Group's two traditional businesses, "Home & Building" and "Access";
- **Somfy Participations**, which is dedicated to investing in industrial companies outside Somfy Group's core business. This division holds interests in FAAC, Gaviota Simbac, Zurflüh-Feller, CIAT, Sirem, Pellenc, Sofilab 4 and Lacroix.

Following the announcement of the proposed demerger of Somfy Participations and the reception of an offer to acquire stake in CIAT, most of the Somfy Participations operating segment has been classified under operations held for sale or distribution. Entities concerned include Gaviota Simbac, CIAT, Pellenc, Zurflüh-Feller, Sirem, Sofilab 4 and Lacroix. Interests held in FAAC will be maintained within the Group and are presented separately in the "Other" division.

Several operating segments are monitored under the Somfy Activities division. However, in accordance with the combination criteria defined by IFRS 8, it has been decided to merge them into one segment.

No difference exists between the accounting policies applied by the segments presented and the accounting policies applied by the Group.

At 30 June 2014

€ thousands	Somfy Activities	Somfy Participations	Other*	Consolidated
Segment sales	509,642	–	–	509,642
Segment profit/loss (current operating result)	88,407	–	– 599	87,808
Share of profit/loss of associates	– 545	–	–	– 545
Cash flow	83,923	–	– 1,688	82,235
Intangible assets and PPE investments	19,671	–	–	19,671
Goodwill	185,837	–	–	185,837
Net intangible assets and PPE	267,686	–	–	267,686
Non-controlling equity investments	156	–	157,027	157,183
Investments in associates	1,675	–	–	1,675

** The column "Other" includes financing costs and foreign exchange differences that cannot be directly attributed to either of the two segments. It also comprises FAAC's non-controlling equity investment, as well as related management expenses.*

At 30 June 2013

€ thousands	Somfy Activities	Somfy Participations	Other*	Consolidated
Segment sales	466,963	–	–	466,963
Segment profit/loss (current operating result)	78,028	–	– 112	77,916
Share of profit/loss of associates	24	–	–	24
Cash flow	78,594	–	1,234	79,829
Intangible assets and PPE investments	23,444	–	–	23,444
Goodwill	193,571	22,184	–	215,755
Net intangible assets and PPE	246,361	48,888	–	295,249
Non-controlling equity investments	145	137,849	–	137,994
Investments in associates	2,612	104,880	–	107,492

** The column "Other" includes financing costs and foreign exchange differences that cannot be directly attributed to either of the two segments, as well as dividends from FAAC and related management expenses.*

At 31 December 2013

€ thousands	Somfy Activities	Somfy Participations	Other*	Consolidated
Segment sales	922,818	–	–	922,818
Segment profit/loss (current operating result)	144,574	–	– 238	144,336
Share of profit/loss of associates	59	–	–	59
Cash flow	139,102	–	– 7,001	132,101
Intangible assets and PPE investments	54,301	–	–	54,301
Goodwill	202,508	21,537	–	224,045
Net intangible assets and PPE	265,037	48,512	–	313,549
Non-controlling equity investments	143	152,705	–	152,848
Investments in associates	2,070	107,811	–	109,881

** The column "Other" includes financing costs and foreign exchange differences that cannot be directly attributed to either of the two segments, as well as dividends from FAAC and related management expenses.*

Net intangible assets and property, plant and equipment by asset location

€ thousands	30/06/14	30/06/13	31/12/13
France	113,643	113,436	114,917
Germany	10,156	10,251	10,448
Northern Europe	1,938	2,541	2,404
Central and Eastern Europe	19,741	8,175	15,108
Southern Europe, Middle East and Africa	56,882	61,435	57,881
Asia-Pacific	46,197	41,292	45,552
Americas	19,129	9,231	18,727
SOMFY ACTIVITIES	**267,686**	**246,361**	**265,037**
SOMFY PARTICIPATIONS	–	48,888	48,512
SOMFY CONSOLIDATED	**267,686**	**295,249**	**313,549**

SOMFY ACTIVITIES (CONTINUING OPERATIONS)	**267,686**
SOMFY PARTICIPATIONS (OPERATIONS HELD FOR SALE OR DISTRIBUTION)	46,304

Sales by customers' location

€ thousands	30/06/14 6 months	30/06/13 6 months	Variance N/N-1	Variance N/N-1 like-for-like	31/12/13 FY
France	136,351	133,952	1.8%	1.8%	250,936
Germany	79,055	70,342	12.4%	12.7%	144,797
Northern Europe	52,152	47,495	9.8%	9.9%	87,769
Central and Eastern Europe	46,096	39,887	15.6%	18.4%	85,025
Southern Europe, Middle East and Africa	91,767	84,488	8.6%	11.8%	161,880
Asia-Pacific	42,724	40,617	5.2%	12.0%	94,080
Americas	61,496	50,179	22.6%	1.9%	98,331
CONTINUING OPERATIONS	**509,642**	**466,963**	**9.1%**	**8.5%**	**922,818**
OPERATIONS HELD FOR SALE OR DISTRIBUTION	**41,589**	**41,515**	**0.2%**	**0.2%**	**77,281**

Notes

1. Other operating income and expenses

€ thousands	30/06/14 6 months	30/06/13 6 months	31/12/13 FY
Charge/reversal to non-current provisions	481	33	1,964
Other non-current items	– 228	– 851	– 6,779
– Non-current income	*58*	*196*	*293*
– Non-current expenses	*– 285*	*– 1,046*	*– 7,070*
Net gain/loss on disposal of assets	– 26	2	– 68
OTHER OPERATING INCOME AND EXPENSES	**227**	**– 816**	**– 4,882**

2. Net financial income/expense

€ thousands	30/06/14 6 months	30/06/13 6 months	31/12/13 FY
Cost of net financial debt	– 1,560	– 1,046	– 1,783
– Financial income from investments	*542*	*520*	*1,101*
– Financial expenses related to borrowings	*– 2,103*	*– 1,567*	*– 2,884*
Effect of foreign currency translation	1,248	– 2,276	– 4,816
Other	– 136	2,347	1,977
NET FINANCIAL INCOME/EXPENSE	**– 449**	**– 976**	**– 4,622**

Note: at 30 June 2013, the other component of net financial income/expense primarily included dividends of €2.7 million from FAAC (maintained within the Group).

3. Income taxes

€ thousands	30/06/14 6 months	30/06/13 6 months	31/12/13 FY
Profit before tax of continuing operations	70,237	76,115	128,438
Share of expenses on dividends	*5,166*	*1,300*	*1,635*
Dividends from non-consolidated companies	*–*	*– 2,585*	*– 2,720*
Goodwill impairment	*17,350*	*–*	*4,195*
Reclassification of CVAE to income tax	*– 1,593*	*– 1,243*	*– 2,597*
Other	*1,488*	*– 99*	*– 1,912*
Permanent differences	22,411	– 2,627	– 1,399
Net profit taxed at reduced rate*	– 12,419	– 10,797	– 20,604
Net profit taxable at standard rate	80,229	62,691	106,435
Tax rate in France	*38.00%*	*36.10%*	*38.00%*
Tax charge recalculated at the French standard rate	30,487	22,632	40,445
Tax at reduced rate*	2,124	1,755	3,489
*Difference in standard rate in foreign countries***	*– 14,575*	*– 10,306*	*– 26,366*
Tax losses for the year, unrecognised in previous periods, deficits used	*974*	*117*	*4,059*
Effect of the difference in tax rate	– 13,601	– 10,189	– 22,307
Tax credits***	– 2,432	– 264	– 4,843
Other taxes and miscellaneous****	2,685	2,867	19,299
Group tax	19,263	16,801	36,083
Effective rate	*27.43%*	*22.07%*	*28.09%*

** Royalties taxed at reduced rate (17.1%).*
*** The main contributing countries are Tunisia (€11.1 million) for which the tax rate is nil, China (€1.1 million) and Germany (€0.4 million).*
**** Including SOPEM tax credit for €2.2 million.*
***** Including €1.2 million related to the 3% contribution on dividends.*

The analysis of the accounting treatment of SOPEM's investment tax credit, conducted in accordance with the criteria specified in Section T of the accounting rules and methods in the consolidated financial statements of FY 2013, led the Group to consider that this tax credit falls within the scope of IAS 12. This tax credit was therefore recognised as a tax income. In order to avail of this tax credit, SOPEM has to comply with a number of commitments, such as a minimum investment value, a minimum number of people employed at the site and a deadline for completion of the investment (30 June 2020).

4. Operations held for sale or distribution

Over the first half of 2014, the Group identified discontinued operations or operations held for sale or distribution as being eligible for IFRS 5 – Non-current assets held for sale or distribution.
As described in the note on highlights, the Group has determined that the following activities meet the criteria for classification as discontinued operations or operations sold or held for sale or distribution. These operations include Sirem, Zurflüh-Feller, Gaviota Simbac, Pellenc, Lacroix, Sofilab 4 and CIAT.
Conversely, interests held in FAAC will be maintained within the Group (classified as assets held for sale that will not be distributed as part of the proposed transaction).

Income statement and cash flow items related to these operations held for sale or distribution are presented on a separate line.
Balance sheet items related to these operations held for sale or distribution are classified on a separate line under assets and liabilities without restatement of the comparative year.

4.1 Consolidated income statement of operations held for sale or distribution

	Operations held for			
€ thousands	distribution 30/06/14 6 months	sale 30/06/14 6 months	distribution 30/06/13 6 months	sale 30/06/13 6 months
Sales	41,589	–	41,515	–
Other operating income	1,585	–	1,612	–
Cost of sales	– 14,373	–	– 14,573	–
Employee expenses	– 15,260	–	– 15,218	–
External expenses	– 6,656	–	– 6,646	–
EBITDA	**6,886**	**–**	**6,690**	**–**
Amortisation and depreciation charges	– 2,728	–	– 2,807	–
Charges/reversals to current provisions	41	–	613	–
Gains and losses on disposal of non-current operating assets	– 22	–	– 13	–
EBITA	**4,177**	**–**	**4,483**	**–**
Amortisation of intangible assets allocated	– 801	–	– 801	–
CURRENT OPERATING RESULT	**3,376**	**–**	**3,682**	**–**
Other operating income and expenses	– 18	–	63	–
Impairment of goodwill	– 1,111	–	–	–
OPERATING RESULT	**2,247**	**–**	**3,745**	**–**
– Financial income from investments	*3,141*	–	*2,940*	–
– Financial expenses related to borrowings	*– 592*	–	*– 649*	–
Cost of net financial debt	2,549	–	2,291	–
Other financial income and expenses	– 30	–	– 55	–
NET FINANCIAL INCOME/EXPENSE	**2,519**	**–**	**2,236**	**–**
PROFIT BEFORE TAX	**4,766**	**–**	**5,981**	**–**
Income tax	– 2,872	–	– 1,729	–
Share of profit/loss of associates	– 398	2,903	– 1,055	– 249
NET PROFIT OF OPERATIONS HELD FOR SALE OR DISTRIBUTION	**1,495**	**2,903**	**3,198**	**– 249**
Attributable to: Group share	1,478	2,903	3,220	– 249
Non-controlling interests	17	–	– 22	–

4.2 Consolidated cash flow statement of operations held for sale or distribution

€ thousands	Operations held for distribution 30/06/14 6 months	Operations held for sale 30/06/14 6 months	Operations held for distribution 30/06/13 6 months	Operations held for sale 30/06/13 6 months
Net profit/loss of operations held for sale or distribution	**1,495**	**2,903**	**3,198**	**– 249**
Depreciation and amortisation of assets (excluding current assets)	4,077	–	3,620	–
Charges to and reversals of provisions for liabilities	– 92	–	– 585	–
Unrealised gains and losses related to fair value movements	– 24	–	– 48	–
Unrealised foreign exchange gains and losses	–	–	107	–
Income and expenses related to stock options and employee benefits	121	–	109	–
Depreciation, amortisation, provisions and other non-cash items	**4,082**	**–**	**3,203**	**–**
Profit on disposal of assets and others	22	–	13	–
Share of profit/loss of associates	398	– 2,903	1,055	249
Deferred tax expense	1,143	–	190	–
Cash flow	**7,140**	**–**	**7,658**	**–**
Cost of net financial debt (excluding non-cash items)	– 2,525	–	– 2,243	–
Tax expense (excluding deferred tax)	1,730	–	1,539	–
Change in working capital requirements	– 912	–	– 1,448	–
Tax paid	– 2,214	–	– 458	–
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	3,219	–	5,048	–
Acquisition-related disbursements:				
– intangible assets and property, plant and equipment	– 1,852	–	– 1,969	–
– non-current financial assets	– 7,029	–	– 377	–
Disposal-related proceeds:				
– intangible assets and property, plant and equipment	77	–	10	–
– non-current financial assets	–	–	8,841	–
Change in current financial assets	8	–	5,400	–
Dividends paid by associates	472	–	376	21
Interest received	165	–	117	–
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)	– 8,159	–	12,398	21
Increase in loans	1,818	–	9	–
Reimbursement of loans	– 1,054	–	– 961	–
Dividends and interim dividends paid	10,029	–	– 13,493	– 21
Interest paid	– 588	–	– 660	–
NET CASH FLOW USED IN FINANCING ACTIVITIES (C)	10,205	–	– 15,105	– 21
Impact of changes in foreign exchange rates on cash and cash equivalents (D)	– 3	–	– 1	–
NET CHANGE IN CASH AND CASH EQUIVALENTS (A + B + C + D)	5,262	–	2,340	–
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR	**12,202**	**–**	**9,816**	**–**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**17,464**	**–**	**12,155**	**–**

4.3 Details of assets and liabilities of operations held for sale or distribution

€ thousands	30/06/14
Goodwill	20,426
Intangible assets	18,411
Property, plant and equipment	27,893
Investments in associates	110,005
Non-current financial assets	90,914
Deferred tax assets	5,818
Inventories	10,752
Trade receivables	15,195
Other receivables	1,386
Current tax assets	491
Cash and cash equivalents	19,725
ASSETS HELD FOR SALE OR DISTRIBUTION	**321,015**
Non-current provisions	719
Other non-current financial liabilities	2,246
Other liabilities	54
Employee benefits	2,009
Deferred tax liabilities	14,465
Derivative instruments	656
Current provisions	342
Other current financial liabilities	25,453
Trade payables	7,566
Other liabilities	7,007
Tax liabilities	159
LIABILITIES RELATED TO ASSETS HELD FOR SALE OR DISTRIBUTION	**60,676**

5. Earnings per share

Basic earnings per share	30/06/14 6 months	30/06/13 6 months	31/12/13 FY
Net profit - Group share (€ thousands)	54,827	62,287	100,786
Total number of shares (1)	7,836,800	7,836,800	7,836,800
Treasury shares* (2)	401,866	426,404	412,730
Number of shares used in calculation (1) – (2)	7,434,934	7,410,396	7,424,070
BASIC EARNINGS PER SHARE (€)	**7.37**	**8.41**	**13.58**

** Representing the total treasury shares held by Somfy SA.*

Diluted earnings per share	30/06/14 6 months	30/06/13 6 months	31/12/13 FY
Net profit - Group share (€ thousands)	54,827	62,287	100,786
Total number of shares (1)	7,836,800	7,836,800	7,836,800
Treasury shares** (2)	390,276	397,404	397,198
Number of shares used in calculation (1) – (2)	7,446,524	7,439,396	7,439,602
DILUTED EARNINGS PER SHARE (€)	**7.36**	**8.37**	**13.55**

*** Excluding treasury shares allocated to stock option and free share plans.*

Treasury shares acquired by Somfy SA and allocated to share option plans and free share plans at the balance sheet date contribute towards diluted earnings per share.

6. Business combinations and acquisition of non-controlling interests

Acquisitions during the first half-year 2014

During June 2014, **Somfy Participations** made a 5.89% equity investment in **Lacroix** for €6.6 million. Lacroix is a French company established in 1946, and specialised in the manufacture of wood, cardboard, plastic and mixed packaging. This investment is accounted for as an asset held for sale.

Net cash flow of continuing operations is only impacted by the payment of the balance on **Giga**'s acquisition price.

Acquisitions during the financial year 2013

Pursuant to IFRS 3, the determination of the fair value of Giga's assets and liabilities had been made provisionally in the 2013 annual financial statements. It was carried out over the first half.
Due to the provisional nature of Garen Automação's 2013 financial statements, the opening balance sheet has been corrected. The determination of the fair value of assets and liabilities is in progress.
The consolidated balance sheet at 31 December 2013 has been corrected for the following adjustments:

€ thousands	Balance sheet items before restatements	Restatements Determination of the fair value of Giga's assets and liabilities	Restatements Garen Automação opening balance sheet	Balance sheet items after restatements
Goodwill	227,159	– 3,433	319	224,045
Net intangible assets	65,764	4,173	– 403	69,533
Net property, plant and equipment	244,316	–	– 300	244,016
Inventory	141,393	–	– 57	141,336
Trade receivables	158,050	–	– 254	157,796
Other non-current and current liabilities	– 97,618	–	696	– 96,922
Deferred tax liabilities	– 65,181	– 1,419	–	– 66,600
Non-current financial liabilities	– 79,872	1,842	–	– 78,030
	594,011	**1,163**	**–**	**595,174**

7. Goodwill

€ thousands	Value
AT 1 JANUARY 2014	**224,045**
Changes in scope of consolidation	–
Changes in foreign exchange rates	669
Other movements	10
Charge for impairment	– 18,461
Assets held for sale or distribution	– 20,426
AT 30 JUNE 2014	**185,837**

Impairment tests

Somfy Activities wrote down the goodwill of **BFT**: the business outlook of the latest distributors acquired in France, Italy, Spain and Portugal over the last three years has led to a revision of its business plan. Goodwill impairment of €12.7 million was recognised at 30 June 2014.
The deterioration in the economic outlook of Brazil (2013 GDP growth: 2.3% and 2014 outlook: 1.2% *Source IMF*) has led the Group to revise the business plans of its equity investments, resulting in goodwill impairment charges for:
- **Giga**: unallocated goodwill written down by BRL 3 million (€0.9 million at 30 June 2014);
- **Garen Automação**: additional goodwill impairment of BRL 11.6 million (€3.7 million at 30 June 2014).

Somfy Participations wrote down €1.1 million from the goodwill of **Sirem**. This impairment follows the downward revision of its business plan due to the difficulties encountered over the financial year by the Wellness division. This impairment is included in the profit of operations held for sale or distribution.
No indication of impairment was noted on other Group CGUs at 30 June 2014.

The Group has conducted sensitivity analyses on the results of impairment tests using various EBITDA ratio and discount rate assumptions.
In 2014, cash flow discount rates, determined from market data, are 10% to 10.5% for the European CGUs, 16% to 16.5% for the Brazilian CGUs and 13.5% for the Chinese CGUs. The rates of growth to infinity are 2.0% for the

European CGUs, 3.5% for the Brazilian CGUs and 3.0% for the Chinese CGUs.

In 2013, cash flow discount rates, determined from market data, were 10% to 11% for the European CGUs, 15.5% to 16% for the Brazilian CGUs and 13% for the Chinese CGUs. The rates of growth to infinity were 2.0% for the European CGUs, 3.0% for the Brazilian CGUs and 2.5% for the Chinese CGUs.

Sensitivity analyses 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 one percentage point increase in the discount rate could result in the need to recognise additional impairment of BRL 3.5 million (€1.1 million at 30 June 2014) on Giga's goodwill. A one 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 BRL 1.5 million (€0.5 million at 30 June 2014);
- A one percentage point increase in the discount rate could result in the need to recognise additional impairment of €14.9 million on BFT's goodwill. A one 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 €6.3 million;
- A one percentage point increase in the discount rate could result in the need to recognise additional impairment of BRL 6.3 million (€2.0 million at 30 June 2014) on Garen Automação's goodwill. A one 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 BRL 2.6 million (€0.8 million at 30 June 2014);
- A one percentage point increase in the discount rate could result in the need to recognise additional impairment of €1.6 million on Sirem's goodwill. A one 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 €1.1 million.

8. Intangible assets

€ thousands	Allocated intangible assets	Development costs	Patents and brands	Software	Other	In progress and advance payments	Total
Gross value at 1 January 2014	58,914	24,213	7,333	38,894	1,515	10,561	141,429
Acquisitions	–	4	29	464	19	2,373	2,890
Disposals	–	–	–	– 195	–	–	– 195
Changes in foreign exchange rates	186	–	– 21	89	–	–	254
Changes in scope of consolidation	–	–	–	–	–	–	–
Other movements	28	2,797	–	520	–	– 3,315	30
Assets held for sale or distribution	– 26,640	– 1,266	– 133	– 2,065	–	– 338	– 30,442
AT 30 JUNE 2014	**32,488**	**25,748**	**7,208**	**37,707**	**1,535**	**9,281**	**113,967**
Accumulated amortisation at 1 January 2014	– 21,114	– 16,819	– 2,036	– 30,875	– 1,052	–	– 71,895
Amortisation charge for the period	– 2,339	– 1,472	– 86	– 1,623	– 58	–	– 5,578
Disposals	–	–	–	97	–	–	97
Changes in foreign exchange rates	– 1	–	5	– 47	–	–	– 43
Changes in scope of consolidation	–	–	–	–	–	–	–
Other movements	–	–	– 13	– 2	18	–	3
Assets held for sale or distribution	9,476	712	131	1,712	–	–	12,031
AT 30 JUNE 2014	**– 13,977**	**– 17,579**	**– 1,999**	**– 30,739**	**– 1,092**	**–**	**– 65,386**
NET VALUE AT 30 JUNE 2014	**18,511**	**8,169**	**5,209**	**6,968**	**442**	**9,281***	**48,580**

** Of which €8.0 million is in progress development costs.*

9. Property, plant and equipment

€ thousands	Land	Buildings	Plant, machinery and tools	Other	In progress and advance payments	Total
Gross value at 1 January 2014	22,657	136,342	267,005	55,187	42,127	523,318
Acquisitions	10	2,686	4,393	3,047	8,104	18,239
Disposals	– 8	– 4	– 6,212	– 689	–	– 6,912
Changes in foreign exchange rates	133	259	577	224	– 272	922
Changes in scope of consolidation	–	–	–	–	–	–
Other movements	2,496	26,889	5,937	158	– 35,484	– 4
Assets held for sale or distribution	– 3,133	– 11,411	– 65,721	– 3,628	– 354	– 84,247
AT 30 JUNE 2014	**22,155**	**154,762**	**205,979**	**54,299**	**14,121**	**451,315**
Accumulated depreciation at 1 January 2014	– 712	– 58,212	– 181,014	– 39,364	–	– 279,302
Depreciation charge for the period	– 74	– 3,305	– 9,411	– 2,694	–	– 15,484
Disposals	–	–	5,891	665	–	6,556
Changes in foreign exchange rates	–	– 25	– 171	– 135	–	– 331
Changes in scope of consolidation	–	–	–	–	–	–
Other movements	–	118	– 1	– 119	–	– 2
Assets held for sale or distribution	575	3,699	49,460	2,620	–	56,354
AT 30 JUNE 2014	**– 211**	**– 57,726**	**– 135,245**	**– 39,027**	**–**	**– 232,209**
NET VALUE AT 30 JUNE 2014	**21,944**	**97,036**	**70,734**	**15,271**	**14,121**	**219,106**

10. Investments in associates

€ thousands	30/06/14	31/12/13
Investments in associates at the beginning of the period	109,881	109,517
Change in scope of consolidation and other*	– 52	– 205
Share of profit/loss of associates	– 1,727	1,499
Dividends paid	– 471	– 286
Changes in foreign exchange rates	363	– 644
Charge for impairment**	3,687	–
Assets held for sale or distribution	– 110,005	–
INVESTMENTS IN ASSOCIATES AT THE END OF THE PERIOD	**1,675**	**109,881**

** In 2014: acquisition of three new entities in Latin America through Gaviota Simbac.*
In 2013: change of consolidation method for Stor'm.
*** In 2014: the writedown of the equity investment in CIAT was reversed for €4.2 million (this reversal is included in the profit of operations held for sale or distribution). The stake in Neocontrol was written down by €0.5 million (this impairment is included in the share of profit of associates).*

The sensitivity tests conducted on the equity value of Neocontrol (a one percentage point increase in the discount rate and a one percentage point decrease in the EBITDA to sales ratio) did not highlight the need for additional impairment. The discount rate used at 30 June 2014 was 21% (compared with 20% in 2013) and the long-term growth rate was 3.5% (compared with 3% in 2013).

11. Financial assets

€ thousands	30/06/14	31/12/13
Available-for-sale financial assets	170,141	152,937
– Non-controlling equity investments	*170,027*	*152,848*
– Marketable securities	*114*	*89*
Unlisted bonds receivables*	77,728	74,757
Loans	1,085	1,323
Other	2,668	2,387
Assets held for sale or distribution**	– 90,914	–
NON-CURRENT AND CURRENT FINANCIAL ASSETS	**160,708**	**231,404**
Due within one year	722	884
NON-CURRENT FINANCIAL ASSETS	**159,986**	**230,521**

** Somfy SA subscribed to a subordinated bond (mezzanine) issued by CIAT with a nominal value of €48.0 million to be repaid in 2016. Capitalised interest amounted to €3.0 million in the first six months. At 30 June 2014, the receivable amounted to €76.4 million.*
Somfy SA also subscribed to convertible bonds of €0.8 million issued by Sofilab 4 in 2013.
*** The subordinated bond issued by CIAT and the convertible bond issued by Sofilab 4, both subscribed by Somfy SA, have been reclassified as "Assets held for sale or distribution".*

Non-controlling equity-investments notably include a 34% investment in the share capital of FAAC (maintained within the Group), valued at €157.0 million. This valuation was made in accordance with the DCF method taking into account an illiquidity discount of 30%. It should be noted that this growth was primarily due to the increase in price of the Somfy and Damartex shares held by FAAC.

12. Inventories

€ thousands	30/06/14	31/12/13
Gross values		
Raw materials and other supplies	55,534	53,397
Finished goods and merchandise	113,236	98,794
Total	**168,770**	**152,191**
Provisions	**– 10,982**	**– 10,855**
Assets held for sale or distribution	– 10,752	–
NET VALUES	**147,037**	**141,336**

€ thousands	Value 31/12/13	Net charges	Exchange rate movements	Other movements	Value 30/06/14
Inventory provisions	– 10,855	– 93	– 34	–	– 10,982

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13. Non-current and current provisions

Non-current provisions

€ thousands	Provisions for guarantees	Provisions for litigation	Provisions for employee liability	Provisions for liabilities and charges	Total
At 1 January 2014	4,918	1,504	529	11,127	18,078
Provision charges	254	513	20	315	1,102
Used reversals	–	– 291	–	– 39	– 330
Unused reversals	–	– 45	–	– 35	– 80
Impact of foreign exchange rates	6	–	–	647	653
Other movements	–	2,694	– 143	–	2,551
Liabilities related to assets held for sale or distribution	–	– 529	–	– 190	– 719
AT 30 JUNE 2014	**5,178**	**3,846**	**406**	**11,825**	**21,255**

Current provisions

€ thousands	Provisions for guarantees	Provisions for litigation	Provisions for liabilities and charges	Total
At 1 January 2014	4,032	4,234	11,622	19,888
Provision charges	173	40	344	557
Used reversals	–	– 429	– 9,280	– 9,709
Unused reversals	–	– 37	–	– 37
Impact of foreign exchange rates	2	–	3	5
Other movements	1	– 2,698	143	– 2,554
Liabilities related to assets held for sale or distribution	– 138	–	– 204	– 342
AT 30 JUNE 2014	**4,069**	**1,110**	**2,628**	**7,807**

14. Financial liabilities

€ thousands	30/06/14	31/12/13
Borrowings from credit institutions	64,044	49,786
Lease commitments	14,766	16,143
Other borrowings and financial liabilities*	50,036	51,518
Liabilities related to assets held for sale or distribution	– 27,699	–
NON-CURRENT AND CURRENT FINANCIAL LIABILITIES	**101,147**	**117,447**
Due within one year	64,309	39,417
Liabilities related to assets held for sale or distribution	– 25,453	–
NON-CURRENT FINANCIAL LIABILITIES	**62,291**	**78,030**

** Including liabilities related to put options granted to holders of non-controlling interests and earn-out of €43.6 million at 30 June 2014 and €45.4 million at 31 December 2013 as well as deferred settlements of €4.9 million at 30 June 2014 and €4.9 million at 31 December 2013. The largest amount relates to the put option granted to minority shareholders in Dooya, valued at €35.5 million at 30 June 2014 compared with €33.9 million at 31 December 2013 and exercisable from end 2015 on.*
The subsequent fair values of liabilities corresponding to put options granted to holders of non-controlling interests are recognised in equity.

15. Net financial debt

The net financial debt corresponds to the difference between financial assets and financial liabilities. Notably, it takes into account unlisted bonds receivable, issued by certain companies in which shares are held or related entities, earn-out on acquisitions, liabilities relating to options granted to minority shareholders in fully-consolidated companies and deferred settlements of a financial nature. Not included are securities in non-controlling equity investments, convertible bonds, deposits & guarantees and government grants.

€ thousands	30/06/14	31/12/13
Financial liabilities included in net financial debt*	128,807	117,369
Financial assets included in net financial debt	77,782	75,042
– Marketable securities	*114*	*89*
*– Unlisted bonds receivables***	*76,397*	*73,443*
– Loans	*1,085*	*1,323*
– Other	*186*	*187*
Cash and cash equivalents	129,991	136,496
Net financial debt related to operations held for sale or distribution***	68,619	–
NET FINANCIAL DEBT	**– 10,347**	**– 94,169**
NET FINANCIAL DEBT BEFORE UNLISTED BONDS RECEIVABLES	**– 10,347**	**– 20,726**

(–) Net financial surplus

** Including liabilities related to put options granted to holders of non-controlling interests and earn-out of €43.6 million at 30 June 2014 and €45.4 million at 31 December 2013 as well as deferred settlements of €4.9 million at 30 June 2014 and €4.9 million at 31 December 2013.*
*** Somfy SA subscribed to a subordinated bond (mezzanine) issued by CIAT with a nominal value of €48.0 million to be repaid in 2016. Capitalised interest amounted to €3.0 million in the first six months. At 30 June 2014, the receivable amounted to €76.4 million.*
**** The subordinated bond issued by CIAT and the convertible bond issued by Sofilab 4, both subscribed by Somfy SA, have been reclassified as "Assets held for sale or distribution".*

16. Analysis of cash flow statement

16.1 Cash and cash equivalents

€ thousands	30/06/14	30/06/13	31/12/13
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR	**130,657**	**70,435**	**70,435**
Cash and cash equivalents	136,496	86,797	86,797
Bank overdrafts	– 5,839	– 16,362	– 16,362
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**120,335**	**66,833**	**130,657**
Cash and cash equivalents*	129,991	77,749	136,496
Bank overdrafts	– 9,656	– 10,916	– 5,839

** Including €19.7 million related to cash and cash equivalents from operations held for sale or distribution.*

16.2 Change in working capital requirements

€ thousands	30/06/14	31/12/13
Net decrease/(increase) in inventory	– 15,392	– 8,748
Net decrease/(increase) in trade receivables	– 47,750	– 10,507
Net (decrease)/increase in trade payables	14,572	13,878
Net movement in other receivables and payables	– 2,402	14,065
CHANGE IN WORKING CAPITAL REQUIREMENTS	**– 50,973**	**8,688**

17. Related parties

Related parties are companies over which the Group has a significant influence and which are consolidated using the equity method. Transactions with related parties are made on arm's length terms.

€ thousands	30/06/14	30/06/13	31/12/13
Sales	154	556	1,018
Other revenues	111	94	172
Purchase of goods	1,947	1,079	1,999
Other charges	11	16	38
Interest received	2,969	3,012	6,021
Trade receivables	1,167	1,987	2,034
Trade payables	717	324	319
Borrowings	100	–	10
Accrued interest	–	10	–
Bonds	76,397	81,782	73,443

18. Dividends proposed

The gross dividend proposed at the AGM of 14 May 2014 called to approve the 2013 financial statements was €5.20. It was paid on 5 June 2014.

19. Consolidation scope

All companies have a 31 December year-end.

Company name	Head office	% control 30/06/14	% interest 30/06/14	% interest 31/12/13
Somfy SA	74300 Cluses (France)	(parent company)	(parent company)	(parent company)
Fully-consolidated companies				
Somfy SAS	Cluses (France)	100.00	100.00	100.00
CMC EURL	Cluses (France)	100.00	100.00	100.00
Somfybat SNC	Cluses (France)	100.00	100.00	100.00
Domis SA	Rumilly (France)	100.00	100.00	100.00
Stor'm	Saint Clair de la Tour (France)	100.00	100.00	100.00
SITEM SARL	Zaghouan (Tunisia)	100.00	100.00	100.00
SITEM Services	Zaghouan (Tunisia)	100.00	100.00	100.00
SOPEM	Krakow (Poland)	100.00	100.00	100.00
Somfy Ltd	Yeadon (UK)	100.00	100.00	100.00
Yorkshire Technology	Bradford (UK)	100.00	100.00	100.00
Somfy PTY Ltd	Rydalmere (Australia)	100.00	100.00	100.00
Somfy Automation Services PTY	Rydalmere (Australia)	100.00	100.00	100.00
NV Somfy SA	Zaventem (Belgium)	100.00	100.00	100.00
Somfy Brazil LTDA	Sao Paulo (Brazil)	100.00	100.00	100.00
Somfy Columbia SAS	Bogota (Colombia)	100.00	100.00	100.00
Somfy Chili	Chile	100.00	100.00	100.00
Giga Indústria e Comércio de Produtos de Segurança Eletrônica S.A.	Santa Rita do Sapucaí (Brazil)	51.00	51.00	51.00
GABR Participações LTDA	Sao Paulo (Brazil)	100.00	100.00	100.00
Garen Automação S/A	Garça (Brazil)	100.00	100.00	100.00
Somfy GmbH	Rottenburg (Germany)	100.00	100.00	100.00
Somfy GmbH	Elsbethen-Glasenbach (Austria)	100.00	100.00	100.00
Somfy KFT	Budapest (Hungary)	100.00	100.00	100.00
Somfy Sp zoo	Warsaw (Poland)	100.00	100.00	100.00
Somfy Spol sro	Prague (Czech Republic)	100.00	100.00	100.00
SC Somfy SRL	Brasov (Romania)	100.00	100.00	100.00
Somfy LLC	Moscow (Russia)	100.00	100.00	100.00
Somfy SIA	Riga (Latvia)	100.00	100.00	100.00
Somfy LLC	Kiev (Ukraine)	100.00	100.00	100.00
Somfy Bulgaria AD	Sofia (Bulgaria)	100.00	100.00	100.00
Somfy Joo	Seoul (Korea)	100.00	100.00	100.00
Somfy Italia SRL	Milan (Italy)	100.00	100.00	100.00
Somfy BV	Hoofddorp (Netherlands)	100.00	100.00	100.00
Somfy Espana SA	Barcelona (Spain)	100.00	100.00	100.00
Automatismos Pujol SL	Barcelona (Spain)	100.00	100.00	100.00
Pujol Redutores de Velocidade LDA	Esmoriz (Portugal)	100.00	100.00	100.00
Sistemi Automatici Pujol SRL	Pavona (Italy)	100.00	100.00	100.00
Somfy Systems Inc.	Cranbury NJ (US)	100.00	100.00	100.00
Somfy AG	Bassersdorf (Switzerland)	100.00	100.00	100.00

Company name	Head office	% control 30/06/14	% interest 30/06/14	% interest 31/12/13
Somfy Nordic AB	Limhamn (Sweden)	100.00	100.00	100.00
Somfy PTE Ltd	Singapore	100.00	100.00	100.00
Somfy Thailand	Bangkok (Thailand)	100.00	100.00	100.00
Somfy Taiwan Co Ltd	Taipei (Taiwan)	100.00	100.00	100.00
Dooya China	Ningbo (China)	70.00	70.00	70.00
Somfy Co Ltd	Hong Kong	100.00	100.00	100.00
Somfy China Co Ltd	Shanghai (China)	100.00	100.00	100.00
Lian Da	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 Automatisation Ltd	Rishone Le Zion (Israel)	100.00	100.00	100.00
Somfy Maroc SARL	Casablanca (Morocco)	100.00	100.00	100.00
Somfy Hellas SA	Acharnae (Greece)	100.00	100.00	100.00
Somfy Ev Otomasyon Sistemleri Ticaret Ltd Sti	Istanbul (Turkey)	100.00	100.00	100.00
Somfy South Africa (PTY) Limited	Durban (South Africa)	100.00	100.00	100.00
Somfy Tunisie	Tunis (Tunisia)	100.00	100.00	100.00
Somfy Tunisie Services	Tunis (Tunisia)	50.00	50.00	50.00
Somfy Mexico SA DE CV	Tlalnepantla (Mexico)	100.00	100.00	100.00
Somfy K.K.	Yokohama (Japan)	100.00	100.00	100.00
Somfy India Pvt Ltd	New Delhi (India)	100.00	100.00	100.00
Somfy ULC	Halifax (Canada)	100.00	100.00	100.00
Harmonic Design	Poway (US)	100.00	100.00	100.00
Energy Eye	Poway (US)	100.00	100.00	100.00
Simu SAS	Gray (France)	100.00	100.00	100.00
Simu GmbH	Iserlohn (Germany)	100.00	100.00	100.00
WAY SRL	San Vincenzo (Italy)	100.00	100.00	100.00
Overkiz SAS	Archamps (France)	80.00	80.00	80.00
SEM-T	Cluses (France)	100.00	100.00	100.00
DSG	Mouscron (Belgium)	100.00	100.00	100.00
TTMD SA	Geneva (Switzerland)	100.00	100.00	100.00
BFT SpA	Schio (Italy)	100.00	100.00	100.00
Automatismes BFT France SAS	Saint-Priest (France)	100.00	100.00	100.00
BFT Group Italiberica de Automatismos SL	Barcelona (Spain)	98.70	98.70	98.70
BFT Torantriebssysteme GmbH	Furth (Germany)	100.00	100.00	100.00
BFT Automation UK Limited	Stockport (UK)	100.00	100.00	100.00
BFT Benelux SA	Nivelles (Belgium)	100.00	100.00	100.00
BFT Adria d.o.o.	Drazice (Croatia)	75.00	75.00	75.00
BFT Polska Sp.zoo	Warsaw (Poland)	100.00	100.00	100.00
SACS SRL	Trento (Italy)	100.00	100.00	100.00
BFT US Inc.	Boca Raton (US)	100.00	100.00	100.00
BFT Portugal SA	Coimbra (Portugal)	100.00	100.00	100.00
BFT Gates systems Limited	Berkshire (UK)	100.00	100.00	100.00
BFT Australie	Sydney (Australia)	100.00	100.00	100.00

Company name	Head office	% control 30/06/14	% interest 30/06/14	% interest 31/12/13
BFT CZ Sro	Prague (Czech Republic)	100.00	100.00	100.00
BFT Piemonte	Dronero (Italy)	90.00	90.00	90.00
O&O	Corregio (Italy)	100.00	100.00	100.00
BFT Veneto	Schio (Italy)	100.00	100.00	100.00
BFT Anatolia	Istanbul (Turkey)	100.00	100.00	100.00
BFT Istanbul	Istanbul (Turkey)	100.00	100.00	100.00
BFT Grèce	Athens (Greece)	100.00	100.00	100.00
BFT Eire	Dublin (Ireland)	100.00	100.00	100.00
BFT Gulf	Dubai (United Arab Emirates)	100.00	100.00	100.00
BFT China	Shanghai (China)	100.00	100.00	100.00
BFT Romania	Bucharest (Romania)	100.00	100.00	100.00
BFT New Zealand	New Zealand	100.00	100.00	100.00
Mastercom	Saint Laurent du Var (France)	100.00	100.00	100.00
BFT Lazio S.r.l.	Rome (Italy)	60.00	60.00	60.00
TRS Standard S.r.l.	Verona (Italy)	60.00	60.00	60.00
NMP SAS	Cluses (France)	100.00	100.00	100.00
Zurflüh-Feller Holding SAS	Autechaux Roide (France)	100.00	100.00	100.00
Zurflüh-Feller SAS	Autechaux Roide (France)	100.00	100.00	100.00
Zurflüh-Feller Montage EURL	Autechaux Roide (France)	100.00	100.00	100.00
CERF EURL	Autechaux Roide (France)	100.00	100.00	100.00
Financière Nouveau Monde SA	Miribel (France)	87.53	87.53	87.53
Sirem SAS	Miribel (France)	100.00	87.53	87.53
Aqua System Design SAS	Miribel (France)	100.00	87.53	87.53
Sirem Immobilier SNC	Miribel (France)	100.00	87.53	87.53
Sodim	Pagny le Château (France)	100.00	87.53	87.53
Equity-accounted companies				
Gaviota Group	Sax (Spain)	46.50	46.50	46.50
CIAT Group	Culoz (France)	46.10	46.10	46.10
Pellenc Group	Pertuis (France)	47.23	47.23	47.23
Neocontrol	Belo Horizonte (Brazil)	51.00	51.00	51.00

20. Post-balance sheet event

On 23 July 2014, Somfy Participations, Somfy's investment division, acquired a 68.4% equity interest in Usines Métallurgiques de Vallorbe (UMV), a company based in the Vaud Canton in Switzerland.
Established in 1899, Usines Métallurgiques de Vallorbe (UMV) is a global leader in the manufacturing of high-quality files for many industries, such as forestry, jewellery and watch making.
Usines Métallurgiques de Vallorbe generates sales of approximately fifty million Swiss Francs, more than 90% of which on export markets.
This acquisition will be included in the scope of entities distributed as part of Somfy Group's proposed demerger.

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2014 FIRST HALF-YEAR BUSINESS REPORT

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2014 FIRST HALF-YEAR BUSINESS REPORT

Consolidated data (€ millions)	HY1 2014	HY1 2013	% change
Sales[(1)]	509.6	467.0	+ 9.1%
Current operating result[(1)]	87.8	77.9	+ 12.7%
Net profit of continuing operations	50.4	59.3	– 15.0%
Net profit of operations held for sale or distribution[(2)]	4.4	2.9	+ 49.2%
Consolidated net profit	54.8	62.3	- 12.0%
Cash flow of continuing operations	82.2	79.8	+ 3.0%

Disclaimer: *The planned demerger of the Group's two branches, announced in May 2014, led to the reclassification of Somfy Participations' equity investments as assets held for sale or distribution, excluding the investment in FAAC, pursuant to IFRS 5, with retroactive effect from 1 January 2014 and to the preparation of pro forma financial statements to ensure comparability.*

1. Somfy Participations' equity investments in Sirem and Zurflüh-Feller are not included in the actual (published) consolidation scope for 2014 and pro forma for 2013. Conversely, they are included in the actual (published) consolidation scope for 2013.
2. The net profit of operations held for sale or distribution corresponds to the contribution of companies included in the scope of Somfy Participations, with the exception of FAAC which would be maintained within the Group if the planned demerger of the two branches were to happen.

The Somfy Group is structured as two separate branches: Somfy Activities, which is dedicated to the automation and control of openings and closures in residential and commercial buildings (blinds, shutters, curtains, screens, doors, gates, etc.); and Somfy Participations, which is dedicated to investments and equity shareholdings in industrial companies operating in various business sectors. A project to split the two branches of the Group is being considered.

Sales

Group sales, representing Somfy Activities' contribution, totalled €509.6 million for the first six months of the financial year, thus posting growth of 9.1% on a pro forma basis and 8.5% on a like-for-like basis compared with the same period of the previous year.
Strong gains were recorded in Central and Eastern Europe, Germany and Asia-Pacific (up 18.4%, 12.7% and 12.0% respectively, on a like-for-like basis), as well as in Southern and Northern Europe (up 11.8% and 9.9% respectively, on a like-for-like basis), as a result of a good season for sales of motors and automation for blinds and the recovery in Benelux, the UK, Spain and Italy.
France also continued on an upward trend (up 1.8% on a like-for-like basis), despite sluggish economic conditions and a weak construction sector.

Results

The Group's current operating result was €87.8 million for the half year, an increase of 12.7% on a pro forma basis. It represented 17.2% of sales compared with 16.7% on the same basis for the same period of the previous year despite the continued unfavourable impact of foreign exchange movements.
The performance recorded was both attributable to sales growth and good control of the main expense items as a result of efficiency plans implemented over the last few years. The margin on cost of sales was stable, the increase in the employee expenses and external expenses was controlled (7.1% and 5.0% increases respectively against sales growth of 9.1%).
Consolidated net profit was €54.8 million, a decline of 12.0% on a pro forma basis. It takes into account a significant loss on non-recurring items, a substantial increase in income tax (a charge of €19.3 million in 2014 compared with €16.8 million in 2013), primarily due to the increase in the income tax rate to 38%, and a substantial positive contribution from operations held for sale or distribution.
The decline recorded was of an exceptional nature, essentially attributable to non-recurring operating expenses, the majority of which corresponded to provisions for goodwill impairment of newly-acquired entities. Excluding the latter, net profit would have totalled €69.6 million and would have grown by 11.7%.

Financial position

The balance sheet shows a net cash surplus of €10.3 million at the end of June, compared with net financial debt of €50.3 million twelve months previously, before taking account of bonds receivable.
This improvement reflects a substantial level of cash flow and good control of working capital requirements.
The net financial debt corresponds to the difference between financial assets and financial liabilities. Notably, it takes into account unlisted bonds receivable, issued by certain companies in which shares are held or related entities, earn-out on acquisitions, liabilities relating to options granted to minority shareholders in fully-consolidated companies and deferred settlements of a financial nature. Not included are securities in non-controlling equity investments, convertible bonds, deposits & guarantees and government grants.
The net financial surplus is detailed in note 15 to the condensed consolidated interim financial statements.

Seasonality

Somfy Group achieves more than 50% of its sales in the first half of the year.

Highlights

Proposed demerger and quotation of Somfy Participations

At its meeting of 14 May 2014, the Supervisory Board unanimously decided to study the demerger of the Group into two companies, Somfy Activities and Somfy Participations, as proposed by the Management Board. The Management Board considers that more than six years after its creation, Somfy Participations has acquired the necessary maturity and experience to develop its activities autonomously. This project, if carried through, will provide greater visibility to both companies. It would allow their shareholders to have investments in two entities, each of which with a valuation based on the criteria specific to their business.
In the light of initial analyses, the proposed transaction could result in the transfer of certain Somfy Participations assets to a company formed for this purpose. Such company would simultaneously be floated on the stock exchange and its shares allocated to Somfy shareholders. The scope of the study also includes an option for shareholders to elect to receive a cash consideration instead of the securities.
The implementation of this transaction may be endorsed by the Supervisory Board in October and approved by the Somfy Shareholders' General Meeting in November. If approved, it will result in the floatation of Somfy Participations on the Euro MTF market of the Luxembourg stock exchange and would therefore take effect before the end of the year.
As part of its ongoing study, the Supervisory Board decided at its meeting to appoint the firm Valphi, represented by Emmanuel Dayan, as an independent expert, to carry out the valuation work and issue an opinion on the fairness of the financial terms of the proposed transaction for Somfy shareholders.
As Somfy Participations is a main and distinct activity, the net profit, cash flows and net assets are presented on a separate line, "operations held for sale or distribution". The income statement and the cash flow statement have been restated for all reported periods.

Offer to acquire stake in CIAT

On 23 July, Somfy received a firm offer from United Technologies Corporation to acquire its equity investment in the share capital of CIAT Group, a specialist in the air treatment and heat transfers of buildings.
The bid is subject to several conditions precedent, namely consultation with CIAT Group's works council, approval by CIAT Group following this consultation and the authorisation of the supervisory bodies governing this type of transaction. Final agreement could be reached during the fourth quarter of 2014 if the conditions are met as scheduled.
Somfy Participations has held an equity investment in the CIAT Group since 2008, which currently represents 46.1% of CIAT Group's share capital.
The net profit, cash flows and net assets are presented on a separate line, "operations held for sale or distribution", as this equity investment is related to the Somfy Participations scope held for sale. The income statement and the cash flow statement have been restated for all reported periods.

Goodwill impairment

Somfy Activities wrote down the goodwill of **BFT**: the business outlook of the latest distributors acquired in France, Italy, Spain and Portugal over the last three years has led to a revision of its business plan. Goodwill impairment of €12.7 million was recognised at 30 June 2014.
The deterioration in the economic outlook of Brazil (2013 GDP growth: 2.3% and 2014 outlook: 1.2% *Source IMF*) has led the Group to revise the business plans of its equity investments, resulting in goodwill impairment charges for:
- **Giga**: unallocated goodwill written down by BRL 3 million (€0.9 million at 30 June 2014);
- **Garen Automação**: additional goodwill impairment of BRL 11.6 million (€3.7 million at 30 June 2014); and
- **Neocontrol**: equity value written down by BRL 1.6 million (€0.5 million at 30 June 2014).

Somfy Participations wrote down €1.1 million from the goodwill of **Sirem**. This impairment follows the downward revision of its business plan due to the difficulties encountered over the financial year by the Wellness division. This impairment is included in the profit of operations held for sale or distribution.

Tax audits

Somfy SAS has been subject to a tax assessment in relation to the 2009 and 2010 financial years. The main adjustment related to the transfer pricing policy implemented between a subsidiary of Somfy SA, Somfy SAS and a number of distribution subsidiaries.
During the second half of 2013, Somfy SAS, with the assistance of its legal advisers, accepted to enter into talks with the tax authorities in order to reach an outcome acceptable to all parties.
The Group considered it probable that Somfy SAS would be compelled to accept part of the additional tax assessment thus notified and had therefore recognised a liability of €8.4 million in the financial statements for the year ended 31 December 2013.
During the first half of 2014, Somfy SAS and the tax authorities agreed on the amount of this additional assessment. Somfy SAS thus recognised a liability equal to the provision made in the financial statements at 31 December 2013.

Somfy SA has been subject to a tax audit in relation to the 2010 and 2011 financial years. A liability of €3.1 million had been provisioned in the 2013 annual financial statements. During the first half of 2014, Somfy SA and the tax authorities agreed on the amount of this additional assessment. Somfy SA thus recognised a liability equal to the provision made in the financial statements at 31 December 2013.

Contingent liabilities

Somfy Mexico SA de CV, a Group's Mexican subsidiary, has been subject to a tax audit by the tax authorities in relation to foreign trade matters. The proposed tax adjustment amounts to € 1.6 million, primarily related to customs duties. Somfy Mexico has appealed to the Mexican tax authorities which confirmed its opinion at the end of September 2013. Following this reply, Somfy Mexico has appealed to the administrative court. The Group considers that the arguments put forward by the tax authorities remain disputable and is confident in the likelihood that this ruling will be overturned. Therefore, the Group qualified the risk as a contingent liability and no provision was recognised.

On 6 January 2014, **Somfy SA** was summoned to appear before the Regional Court of Albertville to seek annulment of the transfer of the company **Spirel**, which took place in 2010. Having had their first summons rejected by the Regional Court of Albertville, Spirel's employees served a new summons on 27 June 2014. This event has not altered the position of Somfy SA which remains confident in the likelihood of obtaining a favourable decision and therefore continued to record this risk as a contingent liability.

Equity investment

During June 2014, **Somfy Participations** made a 5.89% equity investment in **Lacroix** for €6.6 million. Lacroix is a French company established in 1946, and specialised in the manufacture of wood, cardboard, plastic and mixed packaging. This investment is accounted for as an asset held for sale.

Changes in consolidation scope

The Group did not make any major acquisition over the first six months of 2014.

Post balance-sheet event

On 23 July 2014, Somfy Participations, Somfy's investment division, acquired a 68.4% equity interest in Usines Métallurgiques de Vallorbe (UMV), a company based in the Vaud Canton in Switzerland.
Established in 1899, Usines Métallurgiques de Vallorbe (UMV) is a global leader in the manufacturing of high-quality files for many industries, such as forestry, jewellery and watch making.
Usines Métallurgiques de Vallorbe generates sales of approximately fifty million Swiss Francs, more than 90% of which on export markets.
This acquisition will be included in the scope of entities distributed as part of Somfy Group's proposed demerger.

Outlook

The strategy implemented over the last two years will be continued and tailored to the current economic situation during the second half of the year in order to preserve the level of profitability. Likewise, investment in innovation will be maintained and directed chiefly at Somfy Activities' strategic markets (motors, automation, home automation).
The next six months should also and above all be marked by the proposed demerger of the Group's two branches, Somfy Activities and Somfy Participations.

The transaction will be submitted for approval to the Supervisory Board next October and to the General Meeting in November. If authorised, Somfy Participations will be floated on the Euro MTF market of the Luxembourg stock exchange, chosen for its adequacy with the activity and size of Somfy Participations.

FAAC will be excluded from Somfy Participations' portfolio as part of this transaction and will be retained within the Group's scope due to existing complementarities with Somfy Activities (gate and garage door automation and systems). CIAT will also be excluded if the takeover bid submitted by UTC in July 2014 is carried through.

Related parties

These are companies over which the Group exerts significant influence. They are consolidated using the equity method.
The main transactions between Somfy and associated companies may be summarised as follows:
– Balance sheet:
  • bond issues and long term advances granted by Somfy to associated companies,
  • trade receivable/payable accounts as a result of Somfy's business relations with these subsidiaries.
– Income statement:
  • financial income related to loans and advances,
  • merchandise sales/purchases.

Somfy SA

For the half-year to 30 June 2014, Somfy SA generated sales of €0.9 million. The net financial income was €139.0 million, including €136.2 million in dividends paid by the subsidiaries in respect of their net profit for the year to 31 December 2013.
Net profit was €131.7 million, after taking account of a €1.9 million income tax charge.

Statement from the individual responsible for the half-year report

I certify that, to the best of my knowledge, the condensed 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 consolidation, and that the half-year business report gives a true and fair view of significant events that occurred during the first six months of the financial year, their impact on the financial statements, the main transactions carried out between related parties, as well as a description of the major risks and uncertainties for the remaining six months of the financial year.

Cluses, 28 August 2014

Paul Georges DESPATURE
Chairman of the Management Board of Somfy SA

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STATUTORY AUDITORS' REPORT ON THE 2014 INTERIM FINANCIAL REPORT

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STATUTORY AUDITORS' REPORT
ON THE 2014 INTERIM FINANCIAL REPORT

To the Shareholders,

In execution of our mandate conferred to us by your General Meeting and pursuant to Article L. 451-1-2 III of the Monetary and Financial Code, we have proceeded with:
- A limited review of the accompanying condensed consolidated interim financial statements of the Somfy SA company, for the period from 1 January to 30 June 2014;
- A review of the information disclosed in the half-year business report.

The 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 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 professional auditing standards applicable in France. Consequently, this review can only guarantee reasonable assurance, not to the same degree as 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 half-year condensed consolidated financial statements with IAS 34 – a standard of the IFRS framework relating to interim financial reporting as adopted within the European Union.

Without qualifying the above opinion, we draw your attention to the notes to the condensed consolidated interim financial statements "Restatement of previously-published financial statements" of the Section "Accounting rules and methods" and "Operations held for sale or distribution" of the Section "Notes", which notably discloses the effects of the application of IFRS 5 "Non-current assets held for sale and discontinued operations" on the presentation of the financial statements at 30 June 2014.

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 observations to make with regard to the fairness of such information and its consistency with the condensed consolidated interim financial statements.

Paris and Lyon, 28 August 2014
The Statutory Auditors

LEDOUBLE
Agnès Piniot

ERNST & YOUNG et Autres
Sylvain Lauria