2005

Challenge Master Create Develop Strengthen Build

somfy

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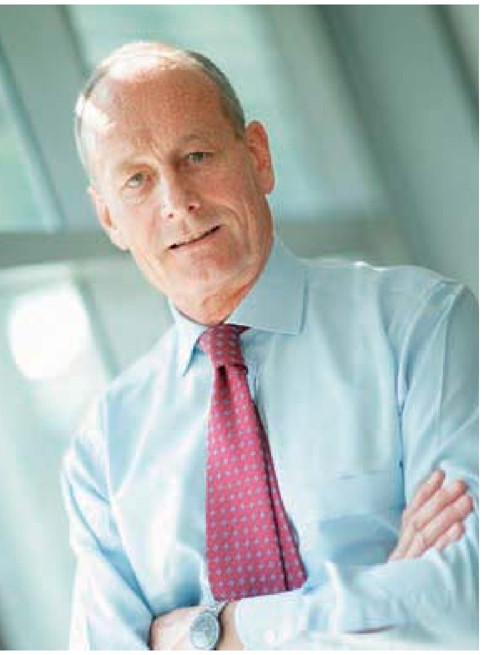
Profile

Somfy's activities are based on one business: the automatic control of openings and closures in homes and buildings. The Group is expanding and is currently present in 47 countries, via a network of 45 subsidiaries and 20 offices in all 5 continents. Somfy uses this local presence to anticipate consumer needs and guide innovation programmes. 9 production sites constitute an industrial infrastructure geared towards mass production. To satisfy 210 million end-users and 25,000 professional customers, Somfy manages a portfolio of 5 professional and consumer brands. Since it was created, the Group has pursued a strategy of profitable and lasting growth, serving its customers, employees and shareholders.

3,500	591.2	including 70%	45
employees	sales in million euros	outside France	subsidiaries spread across 5 continents

Message from Paul Georges Despature

CHAIRMAN OF THE BOARD



2005 was a year of consolidation and investments. Despite business growth falling significantly short of objectives, Somfy reported very good results, marked by a rise in operating income, in particular. This performance is all the more remarkable for being achieved in a year in which unprecedented measures were undertaken to prepare for the future.

We invested for Somfy's future in each one of our strategic areas: product innovation, industrial infrastructure, commercial network, the Somfy brand and our organisation. These investments demonstrate our entrepreneurial approach based on a mid-to-long term vision.

« In 2005, we invested for Somfy's future in each one of our strategic areas. »

Our two key strategies for 2006 are anticipation and speed of response. Programmes to improve industrial and logistics productivity combined with an organisational structure that is closer to our markets and customers will reinforce our speed of response for dealing with Europe's unpredictable economic situation. Product developments undertaken in recent years will enable us to implement a significant number of product launches in 2006 and 2007.

These projects will help us boost growth and enable us to maintain the quality of our economic and financial performance. They are supported by committed and motivated teams with whom we can tackle the future with confidence.

Interview with Wilfrid Le Naour

CHIEF EXECUTIVE OFFICER

> The consolidation of our results in 2005 is an excellent performance. It confirms that we have adopted the right strategy of parallel reductions in prices and costs.

What were the key economic trends in 2005?
As was the case in 2004, worldwide growth was unevenly distributed between geographical areas. Asia and the United States enjoyed sustained growth, while Europe continued to report a more modest performance. In this context, Somfy's sales have risen by 3.9% in real terms. This increase indicates a significant improvement between the first and second half-years, a trend observed in the majority of our operating zones.

How would you assess Somfy's activity?
In the roller shutters and terrace awnings market, we were faced with strong competition on entry-level products, a segment in which we lost market share.
On the other hand, we are reinforcing our positions in radio-integrated motors, which have gained 15% in volume terms. We have reported good performance in blinds and commercial building applications. This activity is boosted by growth in the United States and Asia, and by increasing trends for energy savings in the building industry.
As for gates and garage doors, BFT reported higher growth than its competitors.
This performance reflects the successful integration of BFT within the Group. In a market in which we are the challengers, Somfy recorded its first successes among professional networks.

Why did Somfy decide to accelerate its growth strategy despite a less favourable economic climate in Europe?
We did indeed launch a new cycle of investments in 2005. We are convinced that there is major growth potential in all our markets.
We are therefore equipping ourselves with the resources to grasp these opportunities in the future.
In line with this vision, our investments focused particularly on:
- Research and development into innovations, in preparation for a considerable number of product launches scheduled for 2006.
- The Somfy brand, which was allocated an additional €2.6 million for its media investment programme.
- The industrial infrastructure, including the opening of a new logistics centre in France and a production unit in Tunisia.

Given the scale of our investments (€40.5 million in capital expenditure), and the weak economic context in Europe, consolidating our results in 2005 is an excellent performance.
It confirms that we have chosen the right strategy: parallel reductions in prices and costs.

What are your prospects for 2006?
We are going to take on the necessary resources to continue implementing our strategy.
Several projects have been identified as priorities for 2006:
- Launching a significant number of innovations to satisfy new requirements in fully developing markets.
- Winning back entry-level segments in the roller shutter and awning markets.
- Geographical expansion with the opening of new subsidiaries for the Somfy and BFT brands.

We are also continuing the media investment programme to boost the Somfy brand.
Finally, our new organisational structure, implemented in September 2005, holds all our teams accountable for fulfilling these objectives. This enables us to increase our speed of response and handle rapid changes observed in certain market segments.

Six strategic axes

1

Driving and mastering developments in the roller shutter and solar protection motorisation markets. Ensuring profitable growth in this market.

The automatic control of roller shutters and awnings is Somfy's core business and original market. Leader in this segment, the Group has set itself the objective of harnessing the high potential in this activity to preserve its market share and guarantee profitable growth. Somfy has outlined several priorities for driving developments in this market:
product range segmentation, price control, key account management and quality improvement.

2

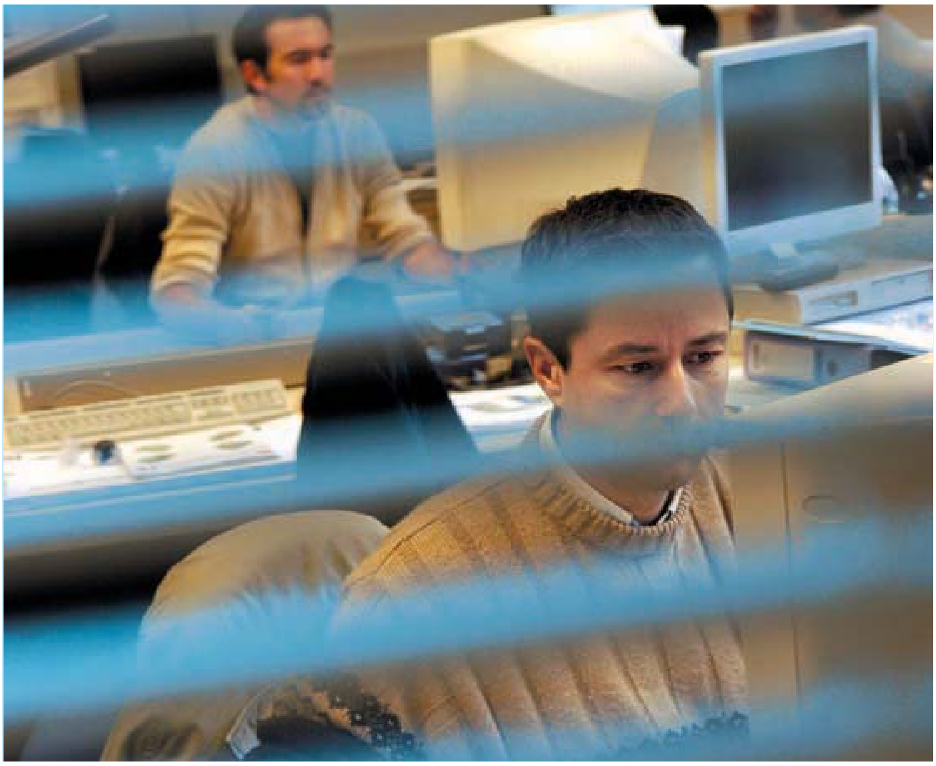
Catching up and overtaking competitors in the gates and garage doors market.

A challenger in this market, Somfy draws on all its talent, expertise, and resources to accelerate its growth. While capitalising on BFT's recognition in this sector, Somfy will mobilise synergies in industry and marketing to fulfil its objective: catching up with its competitors and leaving them behind.
The Group's presence on an international scale is a genuine advantage for developing this activity.

3

Creating and developing new automatic control solutions for blinds and commercial building façades.

These are pioneering activities where Somfy must adopt a winning strategy to create competitive advantages and become a benchmark in these new applications.



4

Developing Somfy's presence in all distribution channels.

With its markets growing and diversifying, Somfy has to handle a diverse distribution arena.
The Group relies on a portfolio of brands with complementary positioning to propose a range of products and services adapted to suit each professional customer profile.
This strategy can be developed over time and, more importantly, geographically, to take on board the specific features of different territories.

5

Strengthening and exploiting all our networks: geographic, internal and external in all fields.

Over time, Somfy has succeeded in surrounding itself with a network of expertise.
This is a unique advantage and an excellent source of knowledge, talent and partners.
The Group therefore invests on an internal basis to raise the level of professional skills, and externally to secure alliances and partnerships.

6

Raising awareness of the Somfy brand and giving it meaning.

The Somfy brand is an asset that enhances the value of the Group. Large-scale ongoing media investment programmes establish the reputation and image of the Somfy brand with regard to all its target groups, end-users and professionals.

2005 Somfy in figures

591.2
million euros

Sales

Consolidated reported sales were up 3.9% compared to 2004.
On a like-for-like basis, this growth represented 1.9%, with two very different half-years:
- 0.2% for the first half, and + 4.2% for the second half.

116.3
million euros

Operating income

Compared to 2004, restated to meet IFRS, operating income for 2005 was slightly higher (up €400,000). As a percentage of sales, this figure came out slightly below the 20% mark at 19.7%, compared to 20.4% in 2004.
This stable performance, achieved in a mediocre economic environment, was the result of continuous pressure on production costs, which made up for a rise in development expenses. Structural costs were also kept under control.

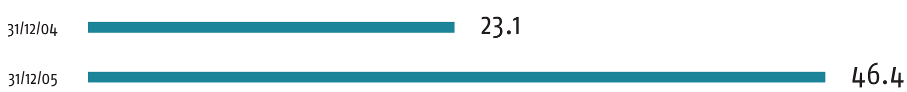
106.9
million euros

Net income

Net income, at €106.9 million, rose significantly (+ 21.7%). It was boosted by a number of exceptional, non-recurrent elements such as the sale of Devianne and the one-off reduction in the average tax rate as a result of legal restructuring.

46.4
million euros

Industrial and commercial investments



In 2005 industrial and commercial investments increased very considerably: in fact they more than doubled compared to 2004. This was mainly the result of new industrial and logistics sites being opened, and the launch of new products being prepared.

Sales by geographic zone

in million euros	2005	2004	% change	% change, like-for-like*
France	177.6	170.5	4.1%	2.2%
Germany	83.5	87.8	-4.9%	-5.2%
Northern Europe	81.4	86.4	-5.8%	-1.6%
Central and Eastern Europe	37.0	34.8	6.3%	2.9%
Southern Europe	112.4	102.0	10.2%	2.3%
Asia-Pacific	35.4	30.8	14.8%	9.4%
Americas	63.9	56.8	12.6%	11.0%
Total	**591.2**	**569.1**	**3.9%**	**1.9%**

* like-for-like consolidation, including BFT for 9 months.

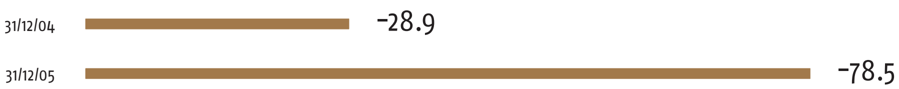
Cashflow from operating activities

Cashflow from operating activities grew by 14.9%.

110.3

million euros

Net debt ("-" = excess cash)



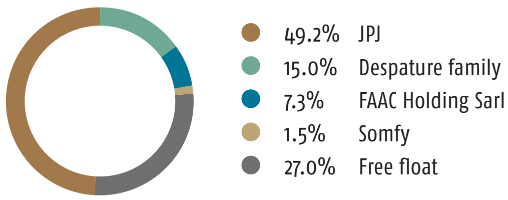
Excess cash increased by nearly €50 million between 2004 and 2005, thanks to a high cashflow level and firm control of working capital requirements.

-78.5

million euros

Shareholder relations

Breakdown of capital



Capital

At 31 December 2005, Somfy's capital amounted to 7,836,800 euros, divided into 7,836,800 shares with a nominal value of one euro, fully paid up and all in the same class. The company has not issued any securities giving rights to capital. Stock options that may be exercised after 31 December 2005 are purchase options.
As authorised, the company owned 121,564 Somfy shares at 31 December 2005.

Net dividend

Per share, in euros

Financial Calendar

27 January 2006	Release of quarterly sales (Q4 2005)
6 March 2006	Supervisory Board
7 March 2006	Meeting on Financial Information – annual results 2005
28 April 2006	Release of quarterly sales (Q1 2006)
31 May 2006	Supervisory Board
31 May 2006	General Assembly
28 July 2006	Release of quarterly sales (Q2 2006)
11 September 2006	Supervisory Board
12 September 2006	Meeting on Financial Information – 1st half results 2006
27 October 2006	Release of quarterly sales (Q3 2006)
4 December 2006	Supervisory Board
March 2007	Supervisory Board
March 2007	Meeting on Financial Information – annual results 2006

Net income

Per share, in euros

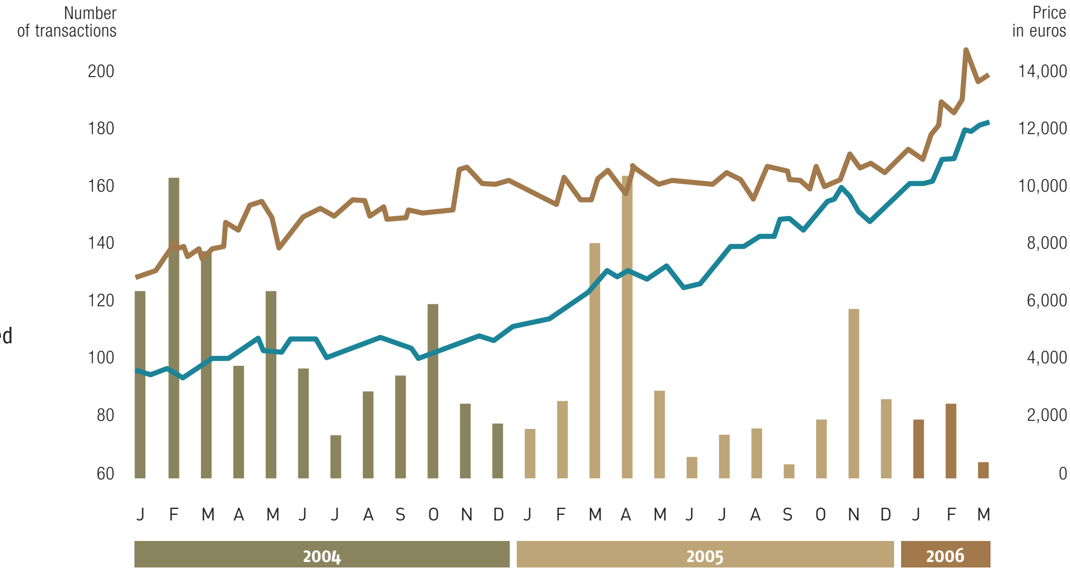
Somfy share price

Listing

Somfy SA, which has a Supervisory Board and a Management Board, is listed on the Eurolist of Euronext Paris, Compartment A, ISIN Code: FR 0000120495.

Agreement

On 6 December 2005, Somfy SA signed a liquidity provider agreement with Société Générale Securities.



● Monthly transactions
● Highest share price
● Lowest share price

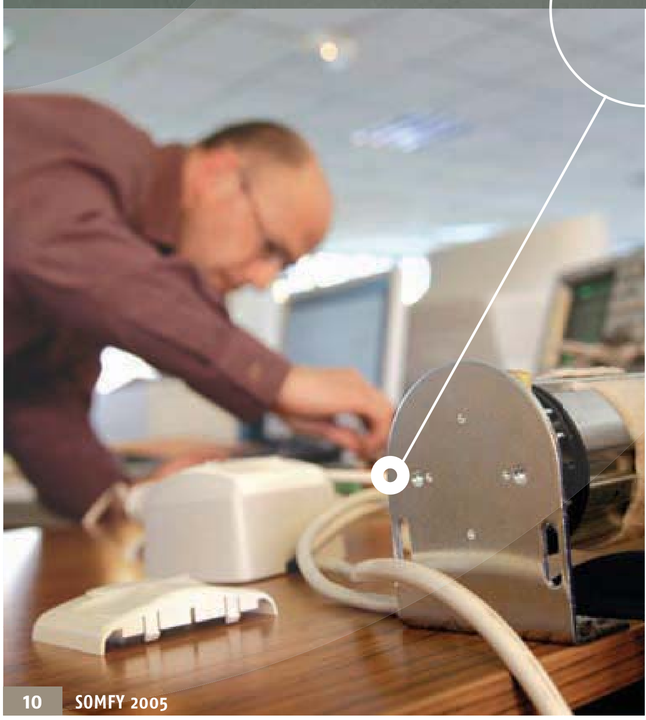
Somfy
2005
Key events

"Time to Market" accelerates innovation P 13

Start-up for the international logistics centre P 25

Brand: a new media investment cycle P 27

An organisation to boost growth P 29



Innovating in order to create a special new relationship between people and their environment.

Achieving profitable growth

In its original business activity, Somfy set itself a double objective: pursue growth and control market developments.

+15%

Growth in volume of radio-integrated motors

Wireless technology makes its mark

In 2005, three trends were visible on the roller shutters and awnings market:

- The arrival of new competitors offering low-cost products.
- Development of value-added motorisation, with a continued rise in radio-integrated motors, in particular (+ 15% in volume).
- Increasing sensitivity to weather conditions in the awning market.

In this context, Somfy has lost market share in the entry-level segments, including a 5% decrease in volume for awning motors.

On the other hand, the Group reinforced its positions in the domain of integrated radio motorisation. With over three million installations throughout the world, Radio Technology Somfy™ has made its mark as the benchmark for automated openings in the home.

New product range segmentation

To take advantage of development opportunities in this market, Somfy began updating its product range in 2005.

This action, which capitalises on radio technology, is in line with two strategic objectives:

- Accelerating motorisation rates, by developing ranges of motors which are easy to integrate and install in all types of roller shutters.
- Creating value, by responding to the expectations of end-users, seeking comfort, security and energy savings.

  The new RTS collection and io-homecontrol® —a universal wireless communication protocol— scheduled for launch in 2006 offer a variety of new functionalities: interoperability of home equipment, a variety of programmable scenarios for animating openings, and zone-by-zone control of the home.

The RTS collection of controls has been entirely renewed to reinforce the success of radio technology.

Controlling price developments

In a more competitive environment, Somfy also confirmed its strategy of parallel price and cost reductions in 2005.

Ongoing productivity gains and opening a new factory in Tunisia will contribute to maintaining its leadership in the cost domain.

With the creation of the company LianDa, born of Somfy's association with the Chinese manufacturer YueQiu, 2006 will see Somfy continuing to develop in a fully-expanding Chinese market.

This operation will provide the Group with the resources necessary to be a competitive supplier for manufacturers purchasing low-cost products in Asia, thereby enabling us to win back the entry-level market.

Managing a diverse customer base
Fuelled by the increasing popularity and accessibility of motorisation, the profile and expectations of the various market stakeholders continue to evolve, as shown by the creation of new installer networks and the increased need for competitiveness and flexibility expressed by roller shutter manufacturers. On the basis of its strong territory-based presence and a portfolio of complementary brands, Somfy has implemented a series of measures tailored to each type of customer. In 2005, Group subsidiaries launched a whole series of initiatives in the field, including the creation of dedicated sales teams for each distribution channel, continuing partnership programmes with manufacturers and installer-training.

60
new products showcased at R+T 2006

Trends
As seen at the Batimat 2005 and R+T 2006 trade shows

These international trade shows bring together all the professionals involved in the automatic control of building openings.
They also provide an opportunity to observe market trends.
Key trends observed include:

- Enhanced product ranges, through radio technology, electronic functionalities, product design, and choice of materials and colours.
- Rise in the number of products integrating several functions in a single application (for example: roller shutter plus screen).
- Increasing awareness of the need to reduce the end-user's energy bill and therefore consumption.

« Thanks to io-homecontrol, Somfy is an early arrival on the home-control market »
Alain Hubault, Manager, io-homecontrol project

Product benefits
io-homecontrol®

io-homecontrol® is a universal wireless communication protocol developed with Velux and Honeywell.
With the io range, home-owners can control not only openings, but also heating, air-conditioning and lighting in their home.
io-home control® is also the first radio technology which provides feedback.
Remote controls allow users to monitor current activity and confirm that commands have been properly executed.

3 questions

to Gilles Chemin

Manager, Awnings Project

1 What are the developments in the awning market?

In a more mature market, particularly in Europe, two segments are currently making swift progress: the lower- and higher-end ranges. Mass-market retailers offer low-cost motorised ranges. The top end of the market has been boosted by new expectations from consumers, who are always seeking extra sophistication in terms of visual comfort. Terraces and particularly verandas are now seen as a genuine extension of the home, and users are prepared to pay for ever greater levels of comfort.

2 How do you react to these expectations?

By innovating. Hence the new Telis 4 Soliris RTS remote control combined with an autonomous solar sensor can be used with a heating control module and light intensity control, for enhanced comfort on the terrace in spring or autumn.

In 2006, we are also launching the Météolis station which manages the veranda ambiance as a whole, thanks to software which controls climate settings in accordance with the seasons.

3 What innovations have you come up with in the field of motorisation?

We have been working on an enhanced version of the Orea RTS radio-integrated motor, designed for motorised terrace awnings. We also offer a wired version, since many terraces are managed by wall-mounted controls.

Key event

"Time to Market" accelerates innovation

To provide a timely response to market expectations and reduce development costs, Somfy has created the "Time to Market" management programme.

Launched at the start of 2005, "T2M" provides development teams with new management, scheduling and risk management methods. These methods go hand in hand with a performance evaluation system which includes individual bonuses to reward commitment to the projects and updated employee profit-sharing criteria.

The "Time to Market" programme has been applied to seven innovation projects, including four which focus on the roller shutter and awning activity in particular:

- Launch of the Wem 50 motor, in response to new expectations from professionals in the shutter and awning market.
- Reinforcing the RTS range in all European markets.
- Creating Euro 40, a compact motor with integrated radio technology.
- Developing RTX radio technology. This new generation includes many original functionalities, for professionals and end-users alike, and will reinforce Somfy's leadership in the radio domain.

Offering continuously enhanced comfort and light, while still minimising energy consumption.

BLINDS AND COMMERCIAL SOLUTIONS

Creating and developing pioneer markets

Somfy is innovating in a market that perfectly complements roller shutter motorisation, and looks set for strong and lasting growth.

30

new patents filed in 2005

High growth in Asia and the United States

The markets for motorising blinds and curtains in the residential and commercial sectors have enjoyed ongoing growth in 2005, in the United States and Asia in particular. Throughout the world and following the Kyoto protocol, an increasing number of major projects include energy saving requirements in their specifications. This trend is very favourable to the installation of motorised solar protection. In the United States, the upmarket blind segment has been boosted by the current craze for interior design: Each year, 77 million windows are fitted with curtains or screens. In a market where motorisation is still relatively scarce, the equipment rate is progressing fast.

Commercial buildings: the rise of Dynamic Façade Management

Automatic control of solar protection installed on the façades of buildings provides an effective response to an issue that is ever present in the commercial building sector: providing maximum comfort for occupants, while consuming a minimum amount of energy.
To better fulfil professionals' requirements, Somfy enriched its Animeo range in 2005. Designed for Dynamic Façade Management, it can be used for any size of building. Animeo Compact is a new range specifically designed for small commercial buildings (schools, showrooms, retirement homes). Targeting a diversified professional sector and installer customers in particular, its ease of installation and configuration does not require any specialist expertise. For medium-sized buildings, Animeo IB+ offers new functionalities and is now compatible with Radio Technology Somfy™ for increased flexibility of use. As regards major architectural projects, the Group has reinforced its teams of engineers and technicians to work alongside architects and building managers in designing automation solutions which can be integrated into technical management systems (lighting, air-conditioning, security). This offer is completed by the launch of motorisation systems for interior products. Glystro is a silent curtain

Automatic control of façades is in line with a new architectural trend which is increasingly attentive to environmental concerns. It offers occupants high-quality visual and thermal comfort.

motor, used in conference rooms for example. It was tested in three markets in 2005: Korea, the Netherlands and the United States.

Motorisation of blinds and curtains in the home: specific approaches and range
In 2005, Somfy chose to concentrate its innovation efforts on the United States before tackling territories in Asia and Northern Europe. With the support of its San Diego-based design centre, the Group has developed a complete range of battery-powered motors for all blind configurations. Since they do not require wiring, these products are very easy to install. To complement these products, Somfy has also developed a silent motorisation range, silence being crucial in the interior design sector. Finally, the Group has reinforced its positions in the market of cinema-screen motorisation, a particularly buoyant sector in the US.
From a distribution point of view, Somfy United States has created a sales force dedicated to blinds to provide a better service for traditional customers (blind assemblers, installers and manufacturers) and respond to expectations in a new channel: interior designers.

7

On average, US consumers redecorate their homes every seven years

The "live façade" is a membrane, playing host to numerous exchanges between the inside and outside of a building. By reacting in real time to climatic variations, automated solar protection allows for more intelligent, more economical, more aesthetic, and above all, more environmentally-friendly flow management.

Benchmark

Buildings and the Kyoto protocol

By ratifying the Kyoto protocol, finalized in 1997, the signatory States undertook to reduce their CO^2 emissions by 5.2% for the period 2008-2012. The building industry's contribution to the production of greenhouse gases is significant, with 40% of our energy expenditure stemming from the construction and building sector (both residential and commercial). The potential for energy savings in this sector has been estimated at 25%.
To contribute to achieving these environmental objectives several areas of action are available to building professionals: energy savings linked to lighting and heating; reduction of air-conditioning; implementation of effective, motorised and automated solar protection.
Through its research centres and collaborating closely on an ongoing basis with numerous scientific organisations in several countries, Somfy is working towards reducing energy consumption in the building industry.

3 questions
to Emmanuelle Gauvrit

General Manager, Somfy China

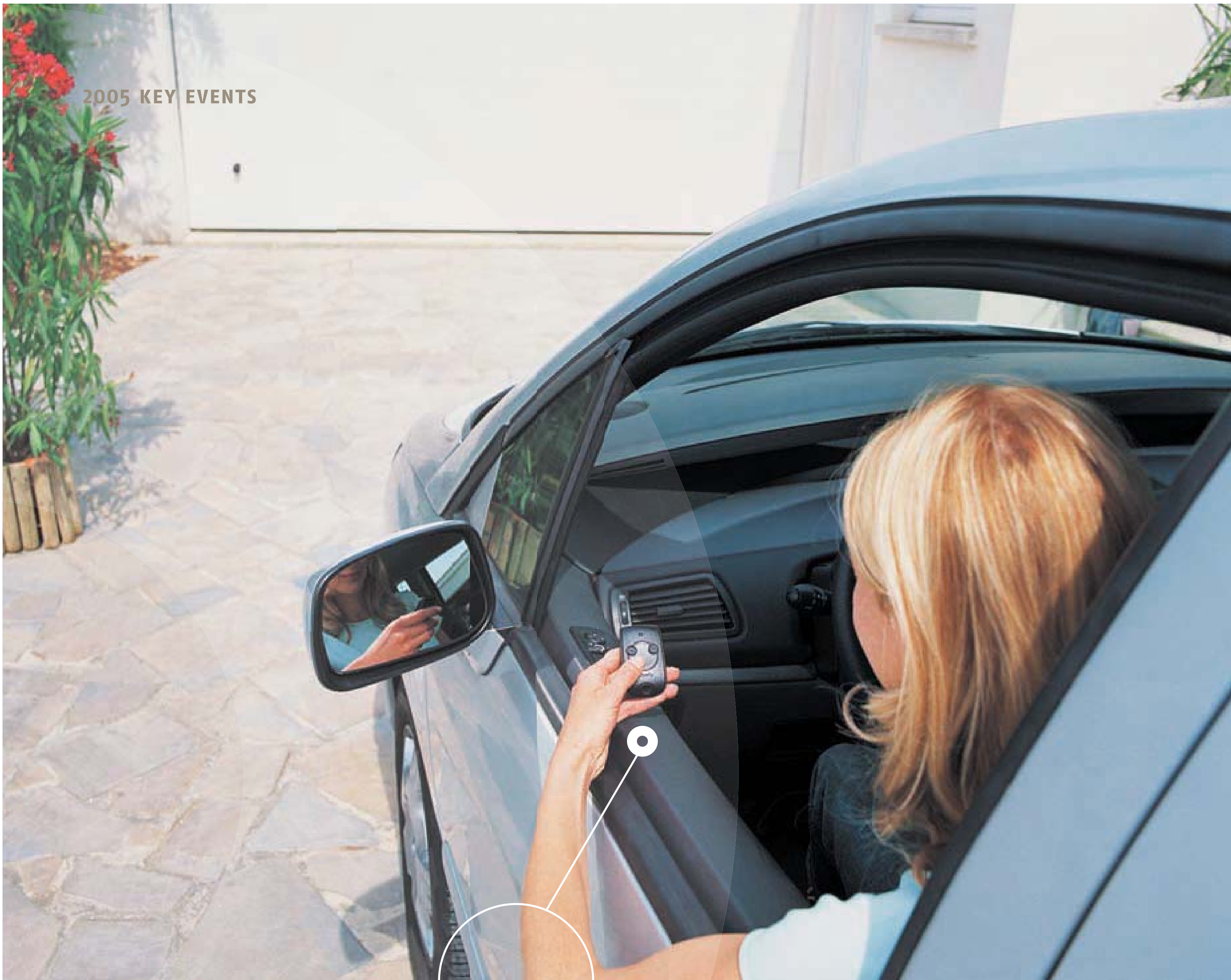
1 What's the development potential of the Asian market?
The market is enjoying sustained growth. It is currently driven by the strong development of large-scale commercial buildings. In the future, the emergence of residential development will take over. In this domain, the scope of requirements is vast. We have been operating in Asia since 1985 and since then we have intensified our presence by opening offices and subsidiaries. In China, Somfy is present in five cities: Chengdu, Guangzhou, Beijing, Shanghai and Shenyang. We have a subsidiary in Hong Kong and another in Taiwan.

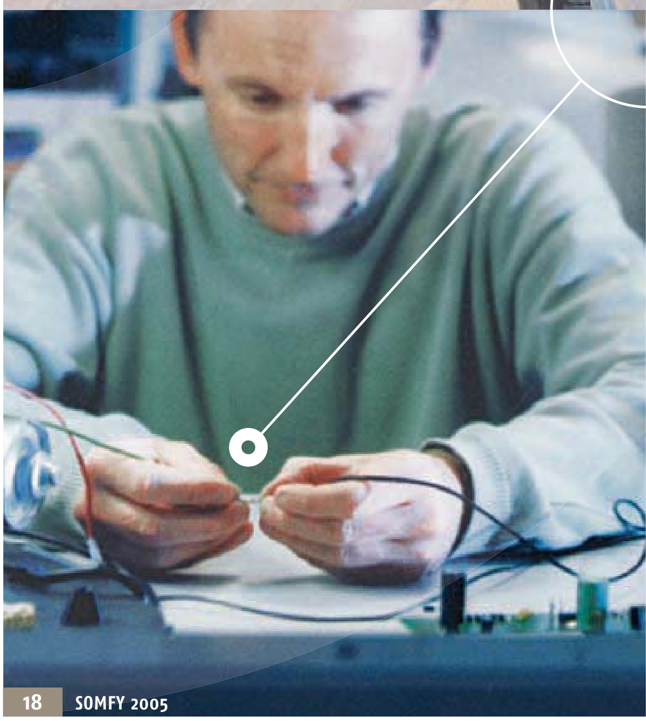
2 How are you tackling this market?
To develop in China and South Korea, Somfy must innovate and break with usual practices. Since the concept of motorisation is not widespread in South Korea, there is no organised retail network. The Group has therefore created i-Blind, a company which sells and installs comprehensive solutions for end-users in South Korea.
China, for its part, is a market for entry-level motors.

3 Why create specific brands?
Using tactical brands is an essential element of our strategy in China since it allows us to target the entry-level segment, while the Somfy brand is positioned at the mid-to-top end of the market. The purpose of one of our tactical brands is to block the development of Chinese brands. Launched in 2005, the JingHua brand covers projection screen applications in the local market, initial results are encouraging. Finally, we have just created the LianDa brand, providing new impetus for tackling our Chinese competitors head-on.

Key event
Green Building, from utopia to reality

In the 21st century, homes will be environmentally-friendly
In line with the Rio declarations, reaffirmed in Agenda 21 and the Kyoto protocol, the need to control our energy expenditure has an ever greater impact on the building-sector economic chain and its key players: architects, developers, materials manufacturers, engineers and IT-experts. These professionals take account of environmental concerns in their constructions, an area that is becoming a legal obligation in many countries. They also respond to the requirements of consumers, who are ever more attracted by the chance to translate natural comfort into a lifestyle for the home.
Having created Dynamic Façade Management, Somfy participates actively in this key architectural trend, also present in the United States under the name of Green Building. Designed for end-users and building managers, Dynamic Façade Management provides three key benefits: visual comfort, thermal comfort and energy savings.
Within Somfy Living Architecture, a team of 25 engineers work on exclusive basis with architects and specifiers, to assist and advise them on their projects. In practice, Somfy teams work alongside architects and project managers seeking environmentally-friendly solutions.
Upstream, Somfy teams work in close collaboration with universities throughout the world.





The need for security and peace of mind at home has revitalised the market for motorised gates and garage doors.

GATES AND GARAGE DOORS

Challenging and overtaking our competitors

Thanks to the successful integration of BFT, Somfy combines product innovations with industrial and commercial synergies to implement its growth strategy.

3

BFT is ranked third in the European market

Somfy: an ambitious strategy
Competitive and structured, the garage doors and gates motorisation market reported dynamic growth in all territories in 2005. Consumers' requirements for increased home security and the increasing popularity of automated systems, supported by mass-market retail, number among the key factors in this growth. Currently a challenger, Somfy intends to become a major player in this market. While capitalising on BFT's experience, Somfy is accelerating its development strategy via two distribution channels: professional installers and DIY stores. Renewing the range and mobilising all synergies in the industrial, marketing and distribution domains were the key elements of 2005.

BFT: excellent performances
BFT, the number three player in the European market, reported higher growth in 2005 than its competitors. This positive result was underpinned by the implementation of several strategic projects.
BFT used innovation to pursue the enrichment of its product plan, one of the most successful in Europe's professional circuits. Very well established with regard to wholesale electrician and specialist installer networks, the company has also reinforced links with its customers, as demonstrated by the success of its training programmes involving several hundred professionals.
Finally, BFT continued its international expansion by opening three new subsidiaries in Belgium, Croatia and Poland and developing its market share in South America.
The level of results obtained also demonstrates the company's successful integration within the Group. In 2005, efforts to find synergies between BFT and Somfy focused specifically on the production, purchasing and distribution domains.

There is excellent potential for expansion in the gates and garage doors market in Europe, Eastern Europe and the Middle East.

Professional channels: initial successes
Launched in June 2005, Axovia Multipro, a universal gate motor, was well received by installers. This innovation gave Somfy the opportunity to move into a competitive professional channel, with high potential for development. The company is also seeking to exploit its expertise in the roller shutter market to develop the roller garage door sector. Capitalising on the scope of the range, the Group intends to target awning and roller shutter installers, traditional Somfy customers, who are in a position to expand their activities to include garage doors and gates.

DIY stores: a year of investments
With regard to DIY stores, our performances in 2005 were more varied. We enjoyed growth in France where the brand is leader, however, Somfy had to cope with strong competition in Germany. Despite this context, 2005 was a year of investments.
Thanks to innovation programmes, we considerably expanded and updated our DIY-store ranges. A great number of product launches are being prepared for 2006/2007. At the same time, Somfy developed its organisational structure by creating a team dedicated to the garage doors and gates activity. Its mission is to accelerate synergies between the Somfy and BFT brands and respond to the specific practices and rhythms of the market.

3 questions

to Arnaud Heurtault

Manager, Doors & Gates Technical & Engineering Department

1 What do DIY stores expect from you?
DIY stores want to offer their customers a comprehensive range, including entry-level products. They also expect a rapid level of response, in accordance with the specific pace of mass-market distribution, especially during promotional periods. Finally, each company is keen to stock a specific product offering, to differentiate itself from competitors.

2 What solutions do you offer them?
We have implemented an action programme designed to reinforce our competitiveness and flexibility. These actions are many and varied, from adopting fixed-cost development methods to creating a promotional catalogue. To differentiate individual ranges, we have created a short series, composed of two basic products and three variables, which allows each different company to define a specific range.

3 What decisions have been taken regarding production organisation?
Unlike a number of our competitors, we have opted to assemble products designed for DIY stores in Europe. This strategy guarantees more reliable deadlines and faster response time to contribute to our customers' promotional activities. As regards product assembly, we have implemented a new type of production line, upon which the number of operators can vary from one to six. This allows us to increase our capacity in accordance with "rush" periods.

Product benefits

Axovia Multi pro

Designed for professional installers, Axovia Multi pro is a universal gate motor, which can be adapted to suit all installation types thanks to its four different arm systems. Devised to facilitate the work of professionals, it is characterised by ease of installation and setting speed.
Compatible with the Radio Technology Somfy control ranges, it offers end-users a variety of customisation options.

Key event

Somfy updates its DIY store offer

As part of the "Time to Market" programme, several innovation projects were brought to fruition in 2005. Launched during 2006, these new products will reinforce the presence of the Somfy brand in DIY stores.

Some Highlights:

- Creation of GDO T, an entry-level motorisation range for garage doors.
- Development of a range of control points for motorised gates and garage doors, offering benefits for the end-user and creating value for Somfy and its customers.
- Enhancing the value of the overall Somfy offering.

Thanks to harmonised radio protocols, end-users can now take advantage of the same radio technology for all brand products. In addition, more attractive packaging, using new visibility guidelines will be deployed from 2006 for all products present in this distribution channel.

Giving customers the products they expect in terms of functionality and quality but also, more and more so, price.

Working towards industrial excellence

With the integration of new production sites and the deployment of an international logistics centre, Somfy is reinforcing the competitiveness of its industrial infrastructure.

9

assembly plants

Reinforced industrial facility

In 2005, Somfy opened a new plant in Tunisia, thereby enabling the Group to reinforce its production capacities in response to potential growth in volumes.
Thanks to these operations, Somfy is equipping itself with the resources necessary to develop in fully-expanding markets, while satisfying new competitiveness requirements expressed by its customers.

Competitiveness: a priority objective

Enhancing competitiveness is an objective shared by all production teams. A progress approach for industrial excellence, the Somfy Production System (SPS), was implemented throughout the Group's plants in 2005. The purchasing departments also made a direct contribution to improving competitiveness in two areas:

- Developing supplier partnerships, offering performance and savings.
- Seeking industrial synergies which favour inter-group purchasing, and rationalising the supplier panel.

Towards total quality

Towards the end of 2005, in response to new market stakes and to increase its competitive advantage, Somfy defined new progress objectives for its Quality policy.
These objectives led Somfy to develop a long-term programme entitled "**% to ppm**" ("parts per million"). This programme fixes new quality performance criteria which are even more ambitious than before. It mobilizes all employees around clear objectives: less than 1% product returns; 100% satisfaction in handling customer and end-user problems.
As part of this programme, the organisational structure of the quality domain has been developed with the appointment of quality managers who are close to the field in each activity branch. A Group Quality Department has been set up to guarantee consistency between all actions for the company as a whole.

Within Group subsidiaries, Quality managers take on board customers' expectations, analyse them and forward the necessary information to industrial and development teams.

ID Card
Simu

Activity . . . . roller shutter motors and automation for assemblers.
Employees 276
Sales . . . . €55.75 million
Production site . . . Gray

Within the Somfy Group's industrial structure, Simu assembles products which are then distributed using its own brand or other Group brands.

3 questions
to Boris Pogrebniak
Simu Industrial Director

1 What motivated you to extend your production site by 4,000 m²?
This decision illustrates our approach of continually adapting our industrial infrastructure. We are increasing our capacities in anticipation of growth in volume, but also to make room for assembling new products.

2 What steps have been taken to reinforce the competitiveness of the industrial infrastructure?
Seeking to improve competitiveness involves acting on several fronts: human, technical and organisational. At Simu, we apply the SPS (Somfy Production System) guidelines which promote a systematic approach and allow us to evaluate our progress to date. In 2005, concerning six industrial excellence criteria, we improved by over six points.
We also implemented an ideas management system which encourages employees to come up with new ideas and rewards the best suggestions. Finally, in response to our growth requirements, we have adapted the organisation of our technical and operating departments and made further improvements to our production flow management.

3 Why change your Quality policy?
Increasing demands from customers and end-users create continual new challenges for our Quality teams. In response, we worked on key subjects in 2005, such as improved diagnosis of problem causes and handling quality non-conformance.
We also adopted a new method for assessing our quality performance. Far more stringent, the % to ppm programme defines a ratio of defects for every million products, rather than for every hundred products.

Benchmark
Quality

- **80%** of incoming components are quality controlled by the supplier
- **100%** product testing
- Total **5-year** guarantee
- Over **600** product norm approvals in the world
- Customer return rate of less than **0.6%**

Key event
Start-up for the international logistics centre

27,000 m²

Floor area of the international logistics centre at Bonneville

The worldwide distribution center for Somfy branded products started activity in late December 2005.

Meeting growth requirements for the next ten years
Not far from the historic headquarters in Cluses, the new centre mobilised a team of ten people for two years and involved investment of €20 million. It responds to the logistics requirements caused by constant increases in product volumes and the arrival of new distribution channels. "International logistics has always been viewed as one of Somfy's competitive advantages," explains Christophe Jouvensal, Logistics Director. "DIY stores have expressed new requirements and our traditional customers are looking for increased services, traceability and flexibility. To achieve this, we have defined a new infrastructure capable of handling the next ten years' growth, while guaranteeing a service rate of 98% within 48 hours."

Mission: to supply 25,000 customers worldwide
With a total floor area of 27,000 m², of which 5,000 m² are dedicated to customising products in accordance with customer specifications, the new site is designed to fulfil our international logistics mission: customising and delivering Somfy-brand products to Somfy's distribution subsidiaries or their customers, under agreed conditions, cost-effectively.
The centre employs over 200 staff.
We have carried out a full review of our logistics organisation processes to optimise order information and physical flows.

BRAND

Building the Somfy brand

The Somfy brand, market leader in terms of brand awareness, has enjoyed unprecedented media investments.

210

million end-users throughout the world

The Somfy brand's new identity, launched in 2004, was adopted by all Group distribution subsidiaries in 2005 and subsequently deployed for all professional customers.
The brand has also benefited from a cycle of ongoing media investments, designed to reinforce its presence with regard to the general public. In a more acute competitive context, the Group will be pursuing its media investments in 2006 to strengthen its lead. This programme will be supported by local initiatives, implemented by subsidiaries, aiming to reinforce the quality of relations between the Somfy brand and the consumer.

The Somfy brand combines values originating from the Group's technological know-how with more emotive values–simplicity, emotion, enhancement–which reflect its close relationship with end-users.

3 questions
to Daniel Batlle
Director of Somfy Spain

1 How have you deployed the new Somfy brand among your customers?

In 2005, we presented the new identity to all our professional targets—manufacturers, installer networks, architects and specifiers—to explain “home motion”, the new expression of Somfy’s business.
We have implemented a very varied action plan, including a seminar for our major manufacturing customers and active participation at the main trade shows: Construmat (Spain) and Concreta (Portugal).
In-house, the “brand ambassador” concept has made each employee aware that they too are responsible for conveying our brand values in their relations with customers and professional contacts.

2 How far have you got in developing professional networks?

Somfy Spain is pursuing the development of its professional networks. 2005 saw the launch of the Somfy Experts “business to consumer” installer network.
All our networks and professional partnership programmes have also adopted the new Somfy brand image across the board.

3 What about your communication investments for the general public?

In Spain, the Somfy brand has been present in the mass-market media since 1993.
In spring 2006, we will be investing in a national-scale television advertising campaign for the first time. This action will be supported by a programme of magazine press inserts. Somfy Spain is the first-ranked advertiser in its business sector. Our actions are effective because they are deployed on a long-term basis. In five years, Spanish consumers’ awareness of the Somfy brand has risen by 60%.

Key event
New media investment cycle

The new Somfy brand launch was supported by a significant rise in European media investments.
An additional €2.6 million were invested, providing a total budget of €6 million in 2005. Advertising campaigns, combining television and the magazine press, were deployed in France, Germany and Spain. These media plans, reinforced by campaigns on European channels (Euronews and Eurosport), enabled us to construct a comprehensive and consistent brand image for Europe as a whole. Moreover, brand awareness levels increased significantly in France, Germany and Spain. Sponsorship activity in 2005/2006 —Somfy is the main partner of the French Biathlon Teams— also contributed to reinforcing the brand’s visibility. The media impact of the Winter Olympics in Turin and the excellent results achieved by the biathletes at this event were of considerable benefit to Somfy.

ORGANISATION AND HUMAN RESOURCES

Adapting skills and organisations

In 2005, Somfy updated its organisational structure. While accompanying the implementation of this project, the Human Resources team ensures that each and every employee can contribute to Group success and develop their individual talents.

3,500

employees of whom 1,100 are based outside France, representing over 35 nationalities

Attracting talent

To sustain its development, Somfy strives to attract top talent and encourage loyalty. Recruitment programmes have enabled us to recruit 144 new employees in France. A source of staff loyalty, reinforcing internal mobility has helped us fill 40% of vacant positions.

Skills development

In a competitive and evolving environment, it is important to optimise staff training on a continual basis. The Group's four training cycles have benefited over 762 employees. Somfy Academy has welcomed 101 managers of 30 different nationalities, over 5 sessions. In France, our training policy represents 4.5% of total payroll. Within the Group, almost one in two employees received training in 2005.

Matching Group requirements and employee expectations

The annual Human Resources cycle cross-references Somfy's strategic orientations with the requirements of each department. Reinstating individual employee appraisals has enabled us to ensure greater correspondence between Group requirements and employee expectations. Thanks to the implementation of "people reviews", all managers enjoyed the benefit of individual monitoring.

All employees are responsible for their professional development and take an active role in their career. Managers are responsible for developing their teams.

Shared principles and values

In 2005, Somfy finalised a new Management Charter known as Somfy Management Principles. The charter defines the principles which govern the manner in which employees should act, work and live within the Group. It also serves as a reminder of the characteristics of Group identity and the values which bring together all employees, i.e. International, Performance and Responsibility. This tool has been communicated and explained to every Group employee.

45%

of staff are involved in distribution

3 questions

to Carlo Sprenger

Director of Human Resources, Somfy Germany and Northern Europe

1 What is the impact of the new organisational structure on subsidiaries?
This new organisation confirms the principle of sharing responsibility between subsidiary teams and those of different Business Groups with regard to activity and results objectives.
To ensure its success, we have defined three priorities: sharing the same objectives between teams, respecting transparency and choosing the right organisational structure in terms of principles, skills and systems.

2 How have you developed your organisational structure in 2005?
The changes implemented contribute to the success of the Group's strategic objectives, while taking account of the specific features of each subsidiary and each market. In Northern Europe, for example, we have set up specific commercial teams for each distribution channel. This decision is in line with one of the Group's strategic objectives.
The organisation and profiles of the teams are in phase with the requirements of local markets.

3 Somfy has defined a new Management Charter at the Group level. How do you apply it?
The crucial point is to ensure that these principles are actually put into practice.
Our mission is to ensure that the spirit of the Management Charter is fully respected and oversee its implementation.

Key event

An organisation to boost growth

In September 2005, Somfy adopted a new organisational structure. Anticipating the key market evolutions, it will allow Somfy to fulfil three major challenges.

1. Taking on board the heterogeneity and complexity of the environment.
Somfy is now present in several markets. Each features its own specific dynamics in terms of customers, competitors and product requirements, and therefore demands specific approaches. To take advantage of the growth potential available in each of these markets, Somfy has created three "Business Groups" specialising in different applications:
"Shutter & Awning"
dedicated to roller shutters and awnings.
"Window & Blind"
dedicated to the motorisation of blinds and curtains, automatic window control and façade management for commercial buildings.
"Door & Gate"
dedicated to solutions for gates and garage doors.

2. Mobilising all staff and holding them accountable for profitable growth objectives.
The new organisational structure confirms the principle of subsidiarity in decision-making. It confers a greater level of autonomy to teams, and gives them the resources necessary for achieving their objectives.

3. Increasing transversal and collective approaches.
This is a key development for enhancing the performance of an ever-expanding Group.
To promote change, creating multidisciplinary transversal teams and developing dialogue and discussion, as well as a sense of general interest are encouraged.

Organisation

Supervisory Board

Chairman: Jean-Bernard Guillebert
Vice-Chairman: Jean Despature
Members: Jean-Pierre Devienne
J.P.J. represented by Victor Despature
Xavier Leurent
Anthony Stahl

Audit Committee

Jean-Bernard Guillebert
Victor Despature
Nicolas Duchemin

Remuneration Committee

Jean-Bernard Guillebert
Victor Despature

Management Board

Chairman: Paul Georges Despature
CEO: Wilfrid Le Naour
Member: Nicolas Duchemin

Auditors

Ernst and Young Audit
CDL

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SOMFY
Annual report
2005

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Overview of consolidated financial statements

€ millions	31/12/05	31/12/04
Sales excl. tax	591.2	569.1
Profit from operations	116.3	115.9
Operating profit	116.7	113.7
Net profit	106.9	87.7
Net profit (Group share)	106.9	87.7
Cash flow	110.3	96.0
Investments in property, plant and equipment	46.4	23.1
Amortisation and depreciation	-17.3	-17.6
Net assets	500.3	448.7
Net debt *	-78.5	-28.9
Non-current assets	430.8	402.4
Average workforce size	3,383	3,257

* Negative figures = net cash surplus.

Management Board Report

Joint General Meeting on 31 May 2006

Ladies and Gentlemen,

In accordance with legal and regulatory provisions in force, the Management Board has convened you here in order to inform you of the management of your company and its subsidiaries and to submit for your approval the financial statements for the year ending 31 December 2005.

Highlights

- Following the announcement during the first half of 2005 that SOMFY was disposing of its investment in Devianne Group, SOMFY sold all of this investment on 29 September 2005. This investment was equity-accounted at 31 December 2004.

- SOMFY signed a partnership agreement with YueQiu, the leader on the Chinese home automation market. A joint venture called **Lian Da** has been created, of which SOMFY holds 80% and YueQiu 20%.

Presentation of Group and parent company financial results

Parent company financial results

At 31 December 2005, SOMFY SA sales were €4.8 million. Financial income amounted to €115.4 million, including €117.0 million in dividends paid by its subsidiaries in respect of their net profit at 31 December 2004.

Net profit thus amounted to €97.0 million and includes an income tax saving of €13.4 million, as a result of the tax grouping arrangement, which includes non-recurring tax savings generated by a legal restructuring.

The regulation CRC2002-10 in respect of depreciation, amortisation and impairment of assets, and CRC 2004-06 in respect of the recognition and valuation of assets applicable from 1 January, had no impact on the financial statements of the company.

Group financial results

Since 1 January 2005, SOMFY Group has prepared its consolidated financial statements in accordance with IFRS standards.

Financial statements at 31 December 2004 were published in accordance with the French 99.02 standards. They were restated to IFRS in order to provide comparative data.

Sales

Consolidated sales increased by 3.9% in real terms and 1.9% on a comparable basis to €591.2 million.
The increase shows a marked improvement between the first and second year-half (down 0.2% and up 4.2%, respectively, on a comparable data basis). This trend was noted in most of the major areas where the Group is established.

On a comparable data basis, major areas performed as follows:

France recorded a modest increase (up 2.2%).

Germany recovered month after month, recorded renewed growth in the last quarter and managed to limit its downturn to 5.2% over the financial year. Northern Europe performed in a similar manner (down 1.6%).

Eastern and Central Europe also finished the financial year on a high note and thus managed to recover all the ground lost at the beginning of the year (up 2.9%).

All other areas registered growth over the financial year: Southern Europe (up 2.3%), Asia-Pacific (up 9.4%) and North America (up 11.0%).

Management Board Report

€ millions	31/12/2005	31/12/2004	N/N-1	N/N-1 Like – for-like basis *
France	177.6	170.5	4.1%	2.2%
Germany	83.5	87.8	-4.9%	-5.2%
Northern Europe	81.4	86.4	-5.8%	-1.6%
Central and Eastern Europe	37.0	34.8	6.3%	2.9%
Southern Europe	112.4	102.0	10.2%	2.3%
Asia Pacific	35.4	30.8	14.8%	9.4%
Americas	63.9	56.8	12.6%	11.0%
Total	**591.2**	**569.1**	**3.9%**	**1.9%**

* Comparable consolidation scope : incl. 9 months, excl. Persienn Pagarma.

Results

Profit from operations for the financial year recorded a slight increase to €116.3 million. It represents 19.7% of sales against 18.8% (French GAAP) in 2003 and 20.4% in 2004.

Profit margins held up thanks to relentless efforts on production costs, which were stepped up again at the end of the year, and to controlled structure costs. However, research and development budgets were increased, in order to prepare numerous product launches planned for 2006.
A communication plan on the SOMFY brand, including TV advertising campaigns in France, Germany and Spain has been implemented.

Similarly, the planned industrial and development investments were launched, with in particular the opening of a new logistics centre in France, a production facility in Tunisia and of distribution subsidiaries in Belgium, Croatia, Middle-East and Poland.

The Group realised a total of €40.5 million in property, plant and equipment investments in 2005, in order to prepare for future growth.

Profit before tax increased from €113.1 million to €116.1 million, and net profit from €87.7 million to €106.9 million.

The increase in net profit primarily reflects the exceptional and non-recurring improvement in the average tax rate, following legal restructuring performed within the Group.

Financial structure

Net financial income at the end of the financial year amounted to €78.5 million, a €49.6 million increase compared to the previous financial year.

Operations of the Company and of controlled subsidiaries by geographical areas

SOMFY operates in a single business segment. Therefore, the company opted for segment information by geographical areas, based on the location of the assets.

€ millions	France	Germany	Northern Europe	Eastern and Central Europe	Southern Europe	Asia Pacific	Americas	Inter-area eliminations	Total
Segment sales	358,506	88,500	72,238	29,241	151,456	30,082	57,855	- 196,716	591,162
Intra segment sales	*-177,822*	*-3,396*	*-296*	*-27*	*-15,099*	*-16*	*-60*	*196,716*	*0*
Segment profit/loss (profit from operations)	71,236	3,260	9,497	2,457	21,846	3,030	6,318	-1,317	116,327
Investment in equity accounted companies	-	-	-	-	11,690	-	-	-	11,690
Segment net profit	106,925	2,261	7,366	1,729	24,946	2,339	3,545	-42,199	106,912
Segment assets*	322,585	32,720	35,081	14,596	217,739	28,624	34,649	-85,033	600,961
Segment assets held for sales	176,964	210	9,676	35	27,230	-	-	-172,514	41,601**
Equity accounted companies	240	-	-	-	118,378	-	-	-	118,618
Segment liabilities	195,054	21,829	24,953	8,578	60,356	10,045	14,474	-74,358	260,931
Segment investments	36,019	436	586	475	7,391	527	1,009	-	46,443
Segment asset depreciation charges	-11,422	-1,413	-521	-383	-2,706	-323	-566	-	-17,334

* After deduction of assets held for sale.

** This item primarily comprises the fair value of Agta Reocrd shares.

Most eliminations are carried out between France, where production facilities are located, and other areas.

Post balance sheet events

No post balance sheet event occurred.

Management Board Report

Outlook

Developments undertaken in 2005 will be pursued in 2006 and 2007, in particular in respect of industrial and logistic productivity improvement programmes. Last but not least, a large number of new products will be launched. These, combined with significant marketing efforts deployed in 47 countries, enable us to look to the future with confidence.

Information on shareholders and share capital

Major shareholders
(article L. 233-13 of the French Commercial Code)

Shareholders owning more than 5% of the share capital at 31 December 2005:

	Number of shares held	% share capital	% voting rights
J.P.J. SCA*	3,858,802	49.24	60.71
Despature family	1,172,260	14.96	17.71
FAAC HOLDING SARL**	571,400	7.29	4.56
Northern Trust	558,703	7.13	4.46

* There is a binding agreement between JPJ SCA, a limited partnership, and the Despature family.
** During the 2005 financial year, the FAAC SpA company transferred all its 571,000 shares to the benefit of its subsidiary FAAC HOLDING SARL.

Conditions for acquiring multiple voting rights

The voting right attached to the shares is proportional to the capital that they represent. Each share entitles its holder to one vote.

A voting right that is double that conferred on shares, considering the share capital they represent, is allocated to all fully paid shares that have been duly registered for at least four years in the name of the same shareholder at the end of the calendar year preceding that of each Meeting.

Shareholders' agreement

• Actions in concert and pre-emption agreement

JPJ SCA and certain members of the Despature family are bound by a special agreement and have signed a pre-emption agreement concerning their respective holdings of SOMFY SA shares.

This agreement, which was submitted to the French Financial Markets Commission on 5 March 1998, sets the conditions under which the pre-emption right may be exercised in the event of transfer by the signatories of their SOMFY SA shares. It was signed for a period of 15 years, effective from 17 May 1997.

It is binding on the signatories and their minor beneficiaries in the event of death, and for all their minor descendants who might be entitled to shares through disposal or gift.

Any changes to this agreement, particularly regarding its duration, must be decided by a three-quarter majority of the share capital of SOMFY SA represented by all the signatories. JPJ SCA shall administer the agreement for an unlimited period.

• Collective retention agreements

A collective retention agreement relating to 51.33% of the share capital of SOMFY SA was signed on 24 December 2003 by several shareholders, including Management Board members Paul Georges Despature, Wilfrid Le Naour and Nicolas Duchemin and Supervisory Board member Jean-Bernard Guillebert, in accordance with article 885 1 bis of the General Tax Code and expiring at 1 January 2010, inclusive. Beyond that date, the commitment will be automatically extended for successive periods of 12 months, unless one of the signatories gives notice of termination to other signatories.

In addition, eight collective retention agreements relating to 51.49% of the SOMFY SA Company share capital were signed on 24 and 29 December 2003 by a number of shareholders, including Management Board members Paul-Georges Despature, Wilfrid Le Naour and Nicolas Duchemin and Supervisory Board member Jean-Bernard Guillebert, in accordance with article 787 B of the General Tax Code, for a two year period from the date of establishment and automatically extended for successive periods of three months, unless one of the signatories gives notice of termination to other signatories.

Information on the purchase of own shares (article L. 225-211 of the French Commercial Code)

The Company has implemented several successive treasury share purchase programmes. The last programme was launched in 2005 (visa 05-383); it was authorised by the Combined General Meeting of 2 June 2005 and had the following objectives:
- to stimulate the market and provide liquidity by way of an investment services provider within a liquidity contract that conforms to the Ethics Charter of AFEI recognised by the "Autorité des Marchés Financiers" (French exchange supervisory authority);
- to cover option plans to purchase shares or the free grant of shares;
- to retain the shares for subsequent use in exchange or consideration, or other, as part of an acquisition.

During the financial year, the Management Board made use of the authorisation granted and bought 15,611 shares at an average price of €162.66, sold 8,300 shares at an average price of €162.47 and granted 23,631 shares at an average price of €68.44 in respect of exercised options. Trading expenses totalled €2,935.02.

No shares were cancelled and the number of shares held through this authorisation amounted to 121,564 at 31 December 2005. They accounted for 1.56% of the share capital, with an average purchase price per share of €88.85 with a par value of €1.

The Management Board will submit for the shareholders' approval a new treasury share purchase plan for a period of eighteen months. This plan will replace the current programme, which will be terminated early. It would allow management to purchase up to 10% (at programme starting date) of the shares of the Company; the main objectives of the programme would be:
- to stimulate the market and carry out transactions against market-trend within the framework of a liquidity contract, which complies with the AFEI Ethics Charter contracted with an investment service provider;
- to cover share subscription option plans or the granting of free shares.

Since the growth by acquisition objective is no longer pursued, the 30,268 shares previously allocated to this objective were reallocated by the Management Board to cover share option programmes or other distributions to employees or directors of the company.

In addition, since the granting of share purchase option plans is one of the objectives of the above-mentioned share buyback programme, the Management Board will submit for the shareholders' approval to renew the Board's authorisation to grant options giving right to purchase existing shares of the company, under conditions to be determined by the Board, to the benefit of personnel and directors of the company and of associates, as defined by article L. 225-180 of the French

Management Board Report

Commercial Code, selected by the Board.
The total maximum number of shares that can be allocated in accordance with this authorisation shall not exceed 1.5% of the share capital at the close of the General Meeting.
Options may be exercised within a maximum of 6 years from the date of allocation. The Management Board may allocate them in one or several occasions during a period of thirty-eight months from the date of the General Meeting.
In accordance with the law, the share purchase price may not be less than 95% of the average quoted share price over the last twenty trading days preceding the Management Board meeting granting the options. In addition, the share purchase price on the day the shares are granted cannot be less than 95% of the average purchase price of the treasury shares held by the company, in accordance with the law, at the date when options are granted.

Information on French company investments and controlled companies

- Investments in French companies during the financial year ending 31 December 2005 (article L. 233-6 of the French Commercial Code):

	Direct control		Indirect control	
Company name	**Number of shares**	**% of share capital**	**Number of shares**	**% of share capital**
DEVIANNE	45,600 shares	47.50	-	-
JFB	3,284 shares	50.00	-	-
JFB	-	-	3,283 shares held by Fontenoy-Malvart SNC	50.00

- Names of companies directly or indirectly controlled and fraction of SOMFY SA share capital held by them (article L. 233-13 of the French Commercial Code): none of the companies controlled by SOMFY SA held shares in it.

Information on appointments held and remuneration received during the financial year

(article L. 225-102-1 of the Commercial Code)

Appointments held by Management Board members and remuneration received from SOMFY SA and subsidiaries under its control

- **Paul Georges DESPATURE**

- Chairman of the Supervisory Board of Damartex
- Chairman of the Management Board of Fidep
- Director of FAAC SpA
- Manager of CMC SARL

Remuneration: €855,000, including €435,000 variable. Variable remuneration is determined by the Remuneration Committee on the basis of an objective scale, which takes the following three items into account:
- profit growth (average annual growth of profit from operations over two years),
- return on capital employed (average ROCE over 2 years),
- coverage ratio (net borrowings / cash flow at 31 December).

In addition, a supplementary retirement scheme was implemented in 1983 by the holding company of that time, which became SOMFY SA. This plan changed and was the object of a new contract signed by Damart System ICC, subsequently called DSG SA, a subsidiary of SOMFY SA.

This scheme applies to the Senior Management and Director category, in accordance with hierarchy coefficients defined by the Mail Order and Textile industries collective agreements.
The contract grants a contingent right to a differential supplementary pension, called "article 39", which is a function of beneficiaries' length of service (a minimum of 15 years). With over 35 year service at retirement, the commitment corresponds to the difference between 50% of the reference salary and the amount to be paid by compulsory pension schemes.

The current Chairman of the Management Board is a member of this plan, since he is employed by Damart System ICC, which subsequently became DSG SA.
The commitments of this contract and corresponding assets are outsourced to an insurance company. Future commitments are fully covered by the managed assets of the scheme, measured at their fair value.
This old scheme has been closed and no longer accepts any new members.

• **Wilfrid LE NAOUR**
- Chairman of SOMFY SAS, SOMFY Development SAS, NV SOMFY SA, SOMFY Systems Inc., Simu USA Inc., SOMFY AG, SOMFY China Co Ltd, SOMFY Co Ltd, SOMFY España SA, SOMFY Hellas SA, SOMFY Ltd, SOMFY Mexico SA de CV, SOMFY Middle East Co Ltd, SOMFY Pty Ltd and SOMFY Pte Ltd,
- Vice-Chairman of SOMFY Nordic AB,
- Director of Promofi BV, SOMFY BV, SOMFY KK, SOMFY Joo Co Ltd, SOMFY ULC, SOMFY India PVT Ltd, SOMFY Italia srl, Mingardi srl, Klasso Holding AB, Harmonic Design Inc., I-Blind Co Ltd, Gaviota Simbac SL, FAAC SpA and BFT SpA,
- Manager of SOMFY GmbH, SCI du 43 rue du Battant and SCI du 93 rue du Battant.

Remuneration: €578,070, including €232,000 variable. Variable remuneration is determined by the Remuneration Committee on the basis of an objective scale, which takes the following two items into account:
- profit growth (average annual growth of profit from operations over two years),
- return on capital employed (average ROCE over 2 years).

• **Nicolas DUCHEMIN**
- Member of the Supervisory Board of Damartex

Remuneration: €202,482, including €34,000 variable. Variable remuneration is determined by the Remuneration Committee on the basis of an objective scale, which takes the following two items into account:
- profit growth (average annual growth of profit from operations over two years),
- return on capital employed (average ROCE over two years).

The granting and exercise of stock options in relation to two last directors are subject to a special report, as provided by article L. 225-184 of the French Commercial Code.

Appointments held by Supervisory Board members and remuneration from SOMFY SA and subsidiaries under its control

• **Jean DESPATURE**
- Member of the Supervisory Board of Damartex

Remuneration: €2,400

• **Victor DESPATURE**
- Chairman of the Supervisory Board of SCA ATN, Boulinvest, J.P.J., Samauchan and Soparthlon B
- Member of the Supervisory Board of Damartex
- Chairman of SAS Restag and Tapima
- Chairman and Chief Executive Officer of Mero-Meca SA
- Representative of Mero-Meca SA, Chairman of Sipem SAS
- Permanent representative of DEVIN-VD to the Management Board of La Mouette SA
- Manager of SCA Acanthe, Cimofat, Cimoflu, Valma and Valorest
- Manager of DEVIN-VD, Leomav, Point du Jour, Soderec, Soparboul and Vicma

Remuneration: €5,400

• **Jean-Pierre DEVIENNE**
- Member of the Supervisory Board of Damartex

Remuneration: €2,400

• **Jean-Bernard GUILLEBERT**
- Vice-Chairman of the Supervisory Board of Groupe Auchan and Damartex

Remuneration: €21,200

Management Board Report

• **Xavier LEURENT**
– Member of the Supervisory Board of Damartex
– Manager of Fidep
Remuneration: €1,800

• **Anthony STAHL**
– Member of the Supervisory Board of Damartex and J.P.J. SCA
Remuneration: €2,400

Information on transactions performed by directors during the financial year

(article L. 222-15-3 of AMF general regulations)

Over the last financial year, the AMF was informed by the company of various purchase and selling transactions performed by Directors, who purchased a total amount of €441,242 and sold €1,296,000 of the company's shares.

Corporate governance

Audit Committee

The mission of the Audit Committee, which was established on 23 April 2002 and currently comprises 3 members, is to ensure the relevance and consistency of accounting policies and methods used in the preparation of the consolidated and parent company accounts, and to verify that internal procedures regarding the collection and control of information ensure this.

Since its creation, the Audit Committee met at least at each half-year closing.

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

An audit assignment schedule is established annually in conjunction with SOMFY SA's Management. It is subject to approval by the Management Board and validation by the Audit Committee. It provides an independent appraisal of the efficiency of the internal control system. If necessary, the main internal control weaknesses noted are communicated and recommendations are put forward.

To date, 28 Group companies have been subjected to similar audits or, if necessary, to a follow-up audit.

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

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

The Chairman of the Management Board, the Chairman of the Audit Committee and the Internal Audit Officer signed an internal audit charter at the beginning of February 2005. It specifies the role and scope of intervention of activity of internal audit. The scope includes subsidiaries in which the Group holds at least 50% of the share capital or that are wholly consolidated, including BFT.

The Audit Committee met to review the annual accounts for the year ending 31 December 2005.

Remuneration Committee

The mission of the Remuneration Committee, which was established on 23 April 2002 and comprises 2 members, is to submit proposals to the Supervisory Board, notably concerning the amount and methods of calculation of remuneration of executive officers.

The Remuneration Committee met twice during the year ending 31 December 2005 and regularly verifies the relevance of its choices with external experts.

Information on Research and Development activities

(articles L. 232-1 et L. 233-26 of the French Commercial Code)

Research and Development plays an important part in the growth of SOMFY; it lies at the heart of the Group's strategy of widening and differentiating its offer.

The Group has 5 international development centres. The largest is located in France with 80% of total Research and Development personnel. Centres located in Germany and Sweden specialise in service offer, the United States centre in residential interior solar protection products, and finally, the Japanese centre is dedicated to compliance with Asian market standards and specifications.

The last 5 years were marked by continuing investment in terms of technology, offer and design. In parallel, all development centres focused their efforts in 2005 on improving efficiency and reducing costs. Thus, the "Time to Market" project was implemented in order to streamline the functioning of project teams, in particular through new working methods. Seven key projects were determined within this framework.

Our new offer focuses on new communication technologies. A universal wireless communication protocol "io homecontrol", has been developed in partnership with a number of major building industry participants, such as Honeywell and Velux. All radio systems have been reviewed and altered to comply with these new technologies and designs.

2005 also saw the launch of a new autonomous and silent IWC product range. These products are extremely successful in the United States and have great potential in Asia/Pacific areas.

Beyond this mobilisation on all projects launched in 2005 and 2006, SOMFY's ambition is still to anticipate market needs by working at developing tomorrow's technologies and, in the medium term, constitute a portfolio of new products.

Research and Development expenses recognised as charges for the financial year amounted to €19.6 million. Intangible assets of €5.5 million were capitalised in 2005.

Information on employee shareholding

(article L. 225-102 of the French Commercial Code)

At 31 December 2005, the SOMFY Investment Trust held 34,858 SOMFY shares amounting to 0.44% of its share capital.

Information on environmental risk

(article L. 225-102-1 of the French Commercial Code)

SOMFY contributes to create buildings that are more respectful of the environment and takes action to better understand and preserve natural habitats. The Company puts all its knowledge of dynamic facade management to the service of a more comfortable, economical and environmentally friendly architecture.

SOMFY is actively committed to all its communities in terms of the environment. In order to put its commitment into concrete form, SOMFY has created its own foundation, whose objective is to take action for the environment in all countries where SOMFY is established.

SOMFY International Group's major production sites only undertake assembly work, which does not generate any pollution. Accordingly, the Group is not exposed to any significant environmental risk.

Management Board Report

	Quantity	Value (k€)
Water (m^3)	22,452	53
Gas (m^3)	2,367,861	846
Electricity (kW)	12,088	1,007
Copper (tonnes)	668	3,340

Information on the impact of group activities on its employees

(article L. 225-102-1 of the French Commercial Code)

SOMFY Group employs a workforce of 3,383 of 35 different nationalities. They bring a wealth of skills and personalities that guarantee the future development of the Group.

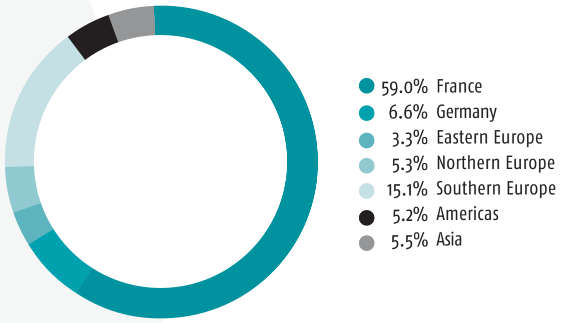
In 2005, Human Resources accompanied and supported the Group's operational projects in terms of organisation and development, resulting in action plans relating to the following:

- Finalisation of the implementation of the HR cycle in all SOMFY entities, in particular through the revision of annual reviews and the follow-up of all managers by "people reviews",
- a recruiting plan of 144 personnel in France, including 97 permanent. In addition, increased internal mobility affecting 39 employees enabled 40% of vacant positions to be filled,
- a training policy, which amounted to 22,500 hours and 4.5% of payroll expenses in France. This is the equivalent of an average 22 hours training per employee, of which 54% is dedicated to job training, 18% to management skills, 10% to operations and 18% to international skills. In addition, the SOMFY Academy brought together 101 managers from 30 different nationalities in 5 modules,
- the launch of SOMFY Management Principles, which define the basis of SOMFY Group management, and their deployment towards each employee. They include the characteristics of its identity, as well as the principles governing how we act, operate, work and live together within SOMFY Group.

- The ambition of the HR policy is to help everyone to be responsible for and participate to their own professional development within SOMFY.

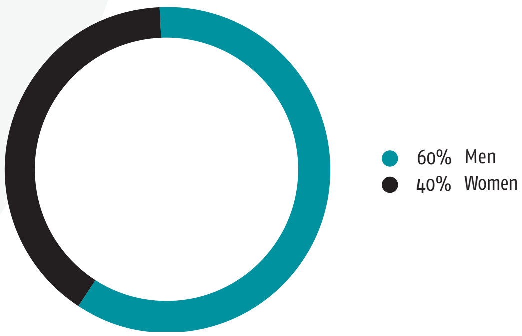
Workforce information:

- Workforce analysis by geographical areas



- Workforce analysis by age

- Workforce analysis by gender



Information on other risks

(articles L. 225-100 al 4 and 6 and L. 225-102-1 of the French Commercial Code)

Financial risks

In order to optimise management of exposure to foreign exchange risks and interest rate risks resulting from operations, SOMFY uses financial hedging instruments provided by financial markets. Transactions were solely carried out as a protection objective, not for speculative purposes. Derivative instruments are primarily comprised of foreign exchange contracts, foreign currency options and interest rate swaps.

The Group elected to apply IAS 32/39 from 1 January 2004.

Thus, all derivatives are measured at fair value. Fair value is either the market value for listed instruments, or a value provided by financial institutions in accordance with traditional criteria (over-the-counter market).

According to this standard, derivatives considered as hedging items are recognised differently, depending on their classification as:

- fair value hedging,
- cash flow hedging,
- hedging of a net investment made abroad.

The Group elected not to apply hedging accounting. Fair value changes are thus directly recognised in financial income/loss.

The decision was motivated by the low impact on the Group's net assets, which does not justify the implementation of complex accountancy monitoring.

Thus at 31 December 2005, the Group had contracted two interest rate hedging instruments with our banks. A standard interest rate swap (swap of fix rate – variable rate) on €5 million and a preferential cap on €30 million. These transactions enable us to hedge interest rates relating to our medium term borrowings and to our PPE leases.

At 31 December 2004, SOMFY had a borrowing facility at 5 and 6 years of €105 million from 5 bank institutions. €22.2 million had been drawn down at that date.

SOMFY SA committed to those banks that it would comply with two financial ratios, relating to the Group's financial structure (net borrowings to equity) and its coverage ratio (net borrowings to cash flow).

Both ratios were met at the 31 December 2005 balance sheet date.

Foreign exchange risk

SOMFY's exposure to foreign exchange risk is related both to a portion of intra-group sales of manufactured products originating from France (these sales being denominated in local currencies) and to the translation in reporting currency (Euro) of the financial statements of subsidiaries at the end of the financial year. However, over 70% of its consolidated sales are realised in the Euro Zone.

Derivative instruments are primarily comprised of forward exchange contracts and foreign exchange options. The Group elected to apply IAS 32/39 from 1 January 2004. Thus, all derivatives are measured at fair value at the end of each financial year.

The Group elected not to apply hedging accounting. Fair value changes are thus directly recognised in financial income/loss.

The exchange rate of the US dollar, which reached extreme levels (1.1797, yearly high) at 31 December, had a negative impact on determining the fair value of hedging instruments. Their fair value amounted to a negative €133 thousand at 31 December 2005, compared to €835,000 at 31 December 2004, resulting in a negative €968 thousand impact on net profit.

Management Board Report

Legal risks

The SOMFY Group's operations are not subject to specific regulations, with the exception of the compulsory listing on the Register of Companies and stock exchange regulations. The SOMFY group is involved in a number of minor disputes in respect of its business. These should not have any significant negative impact on the Group's financial structure.

To the Group's knowledge, there were no exceptional events or litigation likely to have a significant negative impact on the Group or its subsidiaries' operations, assets or results.

Insurance – risk coverage

SOMFY Group is covered by several polices, with regards to the following risks:
- "Property damage" insurance, covering buildings and their contents (equipment, goods, IT equipment) up to the maximum amount of damage likely to be incurred,
- "Resulting loss of profit" insurance.

Risks insured by these two policies include fire, explosions, lightning, smoke, emissions, steam, impacts from airborne objects, electric risks, storms, snow, hail, water damage, frost, machine breakage, IT equipment theft, natural disasters and other non designated events.

- General civil liability relating to monetary consequences of insured entity's liability following physical injury, property damage or moral prejudice caused to a third party during or in relation to Group operations,
- Directors' civil liability,
- Transported goods insurance,
- In addition, credit insurance contracts, both in France and internationally, enable the Group to limit the impact of customer bad debts. About 50% of sales are thus insured.

Country risks

The majority of operations occur in safe areas such as Europe, the United States and Asia.

The Group does not operate in any hyperinflation economies.

Information on non-allowable charges (articles L. 39-4 and 223 quater of the French General Tax Code)

The financial statements at 31 December 2005 do not include any non-allowable charges with regard to the income tax base, as defined by articles 39-4 and 223 quater of the General Tax Code.

Allocation of net profit

The Management Board proposes to allocate the Company net profit for the year ended 31 December 2005

amounting to	€97,012,181.28
increased by retained earnings	€1,234,739.93
thus totalling	€98,246,921.21

As follows:

• allocation to shareholders of a net dividend per share of €4.80, or €4.80 X 7,836,800 shares	€37,616,640.00
• transfer to available reserve	€60,630,281.21
	€98,246,921.21

A net dividend of €4.80 will be distributed for each share of a nominal of €1, and this carries the right to a 40% tax abatement per share granted to individuals subjected to income tax in France, in accordance with article 158-3-2 of the General Taxation Code. Treasury shares held by the company are not entitled to dividends, with the corresponding amounts transferred to retained earnings. The dividend will be payable from 8 June 2006 at the counter of paying institutions.

In accordance with legal provisions, the following dividends were paid during the last three financial years, including related tax credits:

Financial year ending	31/12/2002 (6 months financial period)	31/12/2003	31/12/2004
Number of shares eligible for dividends*	7,696,641	7,698,420	7,710,185
Par value	€1	€1	€1
Total distributed dividends	€14,623,617.90	€32,333,364.00	€35,466,851,00
Dividend per share			
– Net amount	€1.90	€4.20	€4.60
– 50% tax credit	€0.95	€2.10	**
– Gross amount	€2.85	€6.30	€4.60

* Excluding treasury shares held by SOMFY International SA with no right to dividend.

** The dividend paid in respect of the financial year ended 31 December 2004 did not carry a tax credit but a tax abatement was granted to individuals subjected to income tax in France, in accordance with article 158-3-2 of the General Taxation Code.

Stock market developments and performance

At 31 December 2003, the last trading day before closing the previous financial year, the share price was €164.

The 2005 financial year appears to have been a transitional year, within the context of economic lethargy and unstable European consumption; the share price changed little as a result of the lack of visibility. It reached its yearly high at €174 on 7 October 2005, followed by a fall of no significance to €166 on 18 October, due to profit taking. Following the announcement of the payment of an exceptional €4 cash dividend per share on 10 January 2006, the price regularly increased and reached €180.40 on 30 December 2005, the last trading day of the year.

Based on the share price at 30 December 2005 and taking into account a net dividend of €4.80 the SOMFY share yielded 2.67%. The exceptional dividend provided an additional return of 2.22% on that basis.

The market for the share recorded monthly trading extremes of 32,897 and 8,316 shares, with a monthly average of 17,704 shares against 20,451 shares the previous year.

The Management Board

Law on financial security

Report of the Chairman of the Supervisory Board

(article L. 117 Law n° 2003-706 of 1 August 2003)

In application of the financial security law of 1 August 2003, we remind you of SOMFY SA corporate governance principles and inform you of current projects in terms of internal control.

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

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

Conditions of preparation and organisation of the works of the Supervisory Board

Organisation and role of the Supervisory Board

The Supervisory Board performs its control mission in accordance with conditions provided by law.
A Chairman and Vice-Chairman are elected among its members, which call meetings of the Supervisory Board by any means, even orally.

Nature of information provided to Board members to prepare their work

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

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

The Supervisory Board also benefits from a monthly report on operations (sales).

Within 75 days following the end of each financial year, consolidated financial statements approved by the Management Board are communicated to the Supervisory Board for verification. The Supervisory Board subsequently submits to the General Meeting its comments on the Management Board report and on the financial statements for the financial year.

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

Specialised Committees

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

- **Audit Committee**

The Audit Committee was created on 23 April 2002 and currently comprises 3 members. Its mission is to ensure the relevance of accounting methods adopted for the preparation of consolidated and company financial statements and verify that information collection and internal control procedures meet this objective.
The Audit Committee met four times during the 2005 financial year, twice at half-year close and twice within the framework of internal control project follow-up.

- **Remuneration Committee**

The Remuneration Committee was created on 23 April 2002 and currently comprises 2 members. Its mission is to provide advice to the Supervisory Board, in particular in respect of Directors' remuneration amount and calculation procedures.
The Remuneration Committee met twice during the financial year and regularly ensures the validity of decisions made with external experts.

Internal control procedures

Definition of internal control

Internal control is a process defined and implemented by company management, with a view to provide the following guarantees:
- reliable accounting and financial information;
- efficient conduct of company operations;
- compliance with applicable local laws and regulations;
- the preservation of company assets by ensuring in particular suitable protection against fraud.

Key elements of the internal control process

SOMFY SA internal control process is based on the SOMFY Management Principles, a charter defining Group values as well as its management structure and operating rules.
Group values (International – Responsibility – Performance) provide guidance and a framework for all employee actions.

• Organisation and delegation

In order to fulfill an objective of market development and coverage, SOMFY SA seeks to reinforce enterprise and responsibility management principles at the different hierarchical and geographical levels.

In compliance with SOMFY SA bylaws, the powers of the Management Board, its Chairman and, if applicable, the managing director(s) are those granted by law.
In addition, but only by internal regulations and with no effect vis-à-vis third parties, decisions regarding the following operations are subject to unanimous decision by Management Board members:
- the purchase and disposal of property or businesses;
- the granting of loans, whose amount exceeds a third of the share capital;
- the contracting of borrowings, whose amount exceeds a third of the share capital;
- deposits, endorsements and guarantees, whose amount exceeds a third of the share capital;
- any agreement, pooling of interests, agreement or merger with other traders or companies, which goes beyond normal relationships of the company with its customers and suppliers.

The SOMFY organisation evolved in 2005 so as to better correspond with the following three major sets of applications:
- automation of rolling shutters and awnings;
- automation of interior blinds and solutions applicable to service sector properties;
- automation of gates and garage doors.

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

On a global level, SOMFY SA distribution facilities are divided into 7 Business Areas. Each of these Business Areas is subdivided into Business Units.

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

The objective of this new organisation is to capitalise on the potentials of market segments, develop SOMFY's presence and proximity in all distribution channels, thus enhancing growth.

Within the framework of this new organisation, governance rules were defined in order to specify the missions of Group decision-making bodies, comprising General Management, the Group Management Committee and the Strategic Committee.

Law on financial security

(article L. 117 Law n°2003-706 of 1 August 2003)

• Strategic, budget and reporting process

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

The overall budget results from the consolidation of local budgets and is prepared within the framework of a repeated procedure involving all Group participants. Following approval by Group General Management, each manager becomes responsible for meeting his/her own budget.

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

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

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

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

• Treatment of accounting and financial information

- Preparation of financial statements

SOMFY has defined a Management Information System (MIS), a unique and common universal system for the recording of accounting and financial information.
The MIS results in the definition and application to all controlled entities of a chart of accounts, as well as the definition and application of major management procedures (inventories, non-current assets, trade receivables...), which are materialised in the Group Procedure Manual relayed through and updated on the Group Lotus Notes™ messaging system.

The proper application of the chart of accounts, reporting procedures and reporting reliability is monitored by at least annual visits to subsidiaries, planned by head office Accounting and Management Control departments, within the context of year-end and half-year close. It is also verified during the budget preparation and monthly reporting processes.

The Group team responsible for financial statement preparation and control comprises:

- Group Financial Department;
- Accounting and Tax Department;
- Management Control Department;
- accounting specialists, responsible for the consolidation of monthly reports and statutory accounts, as well as consolidation standards and procedures;
- controllers, in charge of industrial or distribution management control, budget procedures, analysis and recommendations.

This team draws on management controllers based in each Business Area relaying the Group in its 7 geographical areas. Every business area controlled has a functional correspondent at head office. Since their creation, each of the 3 Business Groups has also benefited from a dedicated management controller.

Management control of the Research and Development function was stepped up over the previous financial year.

Particular care was taken with risk analysis, through a review of asset provisions and provisions for liability and charges, as well as off-balance sheet commitments.

At each year-end, inventories are checked by either a complete physical stock-take or a physical rolling stock-taking procedure. Stock-taking procedures are overseen by statutory auditors, who also take part in physical stock-takes.

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

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

A pre-close meeting is organised twice yearly with the legal department, in order to identify all potential or declared risks and litigations and measure corresponding provisions for risks and charges, depending on how issues have progressed.

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

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

- Financial statement control

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

- Financial communication

Following their approval by the Supervisory Board, financial statements are presented to the financial community and annual financial statements are published in a widely circulated report.

SOMFY SA complies with listed company obligations. In particular, the Group publishes quarterly sales figures, as well as half-year financial statements to the BALO (French journal of compulsory legal notices). In addition, presentation meetings of half year and full year results are organised each year under the care of the SFAF (French financial analyst society).

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

- IT systems

SOMFY SA has deployed the BaaN ERP integrated software package in most European countries it operates in, to replace local accounting and management software. BaaN ERP deployment was implemented in 2004 in the Middle-East, in 2005 in Italy and the United States and will be pursued in 2006 in a number of Eastern European countries.

Law on financial security

(article L. 117 Law n°2003-706 of 1 August 2003)

As regards the Asia area, ERP Accpac was installed in Australia and Korea during 2005. The deployment will be pursued in 2006 in Singapore, Shanghai and Hong-Kong.

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

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

- **Audit Committee – Internal Audit**

- Organisation

The Internal Audit Department is under the supervision of the Audit Committee and reports to the Chairman of the Board.

This department comprises the Internal Audit Officer and an auditor, and carries out audits that evaluate the correct application of accounting principles and organisation and systems implemented in the audited entities.

An audit assignment schedule is established annually in conjunction with SOMFY SA's Management. It is subject to approval by the Management Board and validation by the Audit Committee.It provides an independent appraisal of the efficiency of the internal control system. If necessary, the main internal control weaknesses noted are communicated and recommendations are put forward. A follow-up of the implementation of recommendations is performed 1 year after the final report is issued.

To date, 28 Group companies have been subject to similar audits or, if necessary, to a follow-up audit.

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

The Internal Audit Officer submits a report on his activities to the Audit Committee twice yearly.
The Chairman of the Board of Directors, the Chairman of the Audit Committee and the Internal Audit Officer signed an internal audit charter at the beginning of February 2005. It specifies the role and scope of intervention of activity of internal audit. The scope includes subsidiaries in which the Group holds at least 50% of the share capital or that are wholly consolidated. Due to shareholdings of 34% and 24.93% in FAAC and AGTA, respectively, these companies were not subject to internal control appraisal by the Internal Audit Department.

- Internal audit monitoring

As indicated last year, an internal control monitoring project aimed at improving knowledge, communication and follow-up of risks and associated controls was initiated, following a recommendation of the Audit Committee.
The development of this project, which was approved by the Audit Committee at the beginning of 2005, is subject to regular follow-up by this Committee, which held two extraordinary meetings in the financial year just ended.

The Internal Audit Department is in charge of monitoring this project, which performed the following action during the financial year:

- An intranet platform that brings together the data used, registered and collected by Internal Audit in terms of internal control was created and made available to Group managers in October 2005.
- A self-assessment tool for subsidiaries was established and a list of key control points was defined. Following configuration of the tool, a first test campaign was carried out during the last quarter of 2005 in 15 subsidiaries covering all Business Areas. Results are currently being analysed and will be the object of recommendations if necessary. The objective is to include all Group subsidiaries in future campaigns.

– Analysis of risks by geographical area

An analysis of Group risks by geographical area was conducted during the second half of 2005 and listed all potential risks.
Therefore, we took into account the possibility that an event, action or failure to act may affect the following:
- Group capacity to deploy its strategy and meet its objectives;
- major assets required to implement our business plan (property, plant and equipment, intangible assets, human resources, corporate image...);
- Group capacity to comply with its value charter, a well as applicable laws and regulations.

Results which at this stage do not rely on risk analysis per se, but on senior managers' perception of these risks, were endorsed by the Group's Management Committee, acting as a Risk Committee.
Risks that were thus identified are treated according to two different criteria: risks related to core strategic aspects and operating risks generated by normal conduct of Group business.
Follow-up of the former was entrusted to the Strategic Committee and has already been integrated to Strategic Review. The latter will be the object of detailed analysis, followed by action plans when necessary. These stages will be monitored by the most competent Group governing bodies.

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

• Treasury Committee / Group Cash Management

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

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

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

The optimisation on an international level of the financial management of Group cash through a cash pooling system is being pursued and is reaching completion. It was fully automated for all French subsidiaries as early as 2005. It has been effectively implemented in the German subsidiary, the three Italian subsidiaries and Spain at the beginning of 2006. Belgium, Holland and Austria will be fully operational in the next few months.
The methodology implemented is the so-called D-Zero Cash, which consists in transferring daily, back and forth subsidiaries' cash surplus or requirements.
This system has a number of clear advantages, including optimisation of net financial revenues, reduced financial charges, as well as the reduction in overall Group indebtedness.
Group Cash Management now has and will have increased visibility on all involved subsidiary cash flows and will be able to optimise the use of cash. Therefore, subsidiaries will be both free of daily cash flow management issues and get better return on their cash deposits.
Finally, these subsidiaries will be able to focus on optimising working capital requirements, which is at stake in cash flow management within sales subsidiaries.
Flow optimisation and, in particular, the reduction in the number of bank accounts will contribute to improved safety of this process.

Law on financial security

(article L. 117 Law n° 2003-706 of 1 August 2003)

• Accreditation and quality procedures

SOMFY SA has been ISO 9001 (Lloyd) certified since 1995, which implies the identification and monitoring of procedures.
Companies involved are SOMFY SAS, Simu SAS, Spirel SAS, Siminor Castres Sarl and WAY (a combination of Asa and Mingardi), SOMFY Germany and SOMFY Holland.
These companies represent a majority of Group purchases and production. Therefore, a large number of Group personnel are involved in this process including all technical services.

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

Internal quality audit is defined in the annual quality audit schedule, as a function of company strategic direction and product plan; company management plays a major part in quality procedures. Corrective or preventive action is managed within each operating or support department. The list of operating and support processes coming within the scope of application of quality management, as well as indicators, reference documents and monitoring committees are defined in the company's quality manual.

• Risk coverage – Insurance

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

The Chairman
of the Supervisory Board

SOMFY SA financial statements
for the last five years

€ thousands	2001/2002	2002	2003	2004	2005
1. Financial position at balance sheet date					
a) Equity	7,837	7,837	7,837	7,837	**7,837**
b) Number of shares issued	7,836,800	7,836,800	7,836,800	7,836,800	**7,836,800**
c) Number of bonds convertible into shares	-	-	-	-	**-**
2. Overall results of current operations					
a) Sales before tax	97	1,049	2,220	3,111	**4,807**
b) Profit before tax, depreciation and provisions	31,857	-28,470	22,832	63,452	**80,432**
c) Income tax	6,981	1,127	3,463	3,022	**15,948**
d) Profit after tax, depreciation and provisions	38,738	-27,381	24,429	66,865	**97,012**
e) Distributed profit	29,780	14,890	32,915	36,049	**37,617**
3. Operation results per share					
a) Profit after tax, but before depreciation and provisions	4.96	-3.49	3.36	8.48	**12.30**
b) Profit after tax,depreciation and provisions	4.94	-3.49	3.12	8.53	**12.38**
c) Dividend distributed per share	3.80	1.90	4.20	4.60	**4.80**
4. Workforce					
a) Number of employees	8	8	6	9	**7**
b) Total payroll	641	109	447	413	**352**
c) Amount paid in relation to social benefits (Social security, charities, etc.)	221	46	190	155	**120**

Consolidated financial statements

CONSOLIDATED BALANCE SHEET ASSETS

€ thousands	Notes	31/12/2005 Net	31/12/2004 Net
NON-CURRENT ASSETS			
Acquisition goodwill	(9)	87,815	87,250
Net intangible assets	(10)	19,082	15,469
Net property, plant and equipment	(11)	142,476	118,357
Equity accounted subsidiaries	(13)	118,618	118,222
Financial assets	(14)	44,503	43,632
Other receivables	-	3,671	3,664
Deferred tax assets	(7)	14,595	15,780
Commitments from personnel	(23)	0	57
Total		**430,760**	**402 431**
CURRENT ASSETS			
Inventories	(15)	66,118	71,311
Trade receivables	(16)	105,092	101,435
Other receivables	(17)	10,971	10,252
Tax assets receivables	-	13,204	2,662
Financial assets	(14)	12,586	18,917
Asset derivative instruments	(22)	134	1,026
Cash and cash equivalents	(18)	122,316	57,158
Total		**330,421**	**262,760**
Non-current assets held for disposal and discontinued activities		0	0
TOTAL ASSETS		**761,181**	**665,191**

EQUITY AND LIABILITIES

€ thousands	Notes	31/12/2005	31/12/2004
EQUITY			
Share capital	-	7,837	7,837
Share premium	-	1,866	1,866
Other reserves	-	383,551	351,356
Net profit for the year	-	106,921	87,613
Group share	**(26)**	**500,175**	**448,672**
Minority interests	-	74	24
Total	**-**	**500 249**	**448,696**
NON-CURRENT LIABILITIES			
Long-term provisions	(19)	6,157	6,834
Financial liabilities	(20)	38,030	32,936
Other debts	-	1,733	-
Commitments to personnel	(23)	9,165	7,642
Deferred tax liabilities	(7)	26,304	26,445
Liability derivative instruments	(22)	88	111
Total	**-**	**81,477**	**73,968**
CURRENT LIABILITIES			
Short-term provisions	(19)	5,453	5,570
Financial liabilities	(20)	24,175	20,866
Trade payables	-	68,755	67,817
Other payables	(24)	77,675	43,280
Income tax payable	-	3,131	4,803
Liability derivative instruments	(22)	266	191
Total	**-**	**179,455**	**142,527**
Non-current liabilities held for disposal and discontinued activities	-	0	0
TOTAL EQUITY AND LIABILITIES	**-**	**761,181**	**665,191**

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CONSOLIDATED INCOME STATEMENT

€ thousands	Notes	31/12/2005	31/12/2004
Sales	-	591,162	569,080
Other operating revenues	(3)	8,367	5,795
Cost of sales	-	-194,337	-183,738
Personnel costs	-	-166,849	-160,344
Other operating expenses	-	-106,618	-97,094
Depreciation, amortisation and provision charges	-	-17,334	-17,598
Current provision charges / (reversals)	(4)	1,936	-250
Profit from operations	**-**	**116,327**	**115,851**
Other revenue / (charges) from operations	(5)	408	-2,216
Operating profit	**-**	**116,735**	**113,635**
Debt servicing cost, net	-	-1,218	-2,090
Other financial income / (loss)	-	545	1,509
Net finance costs	**(6)**	**-673**	**-581**
Profit before tax and share of associate earnings	**-**	**116,062**	**113,054**
Income tax	(7)	-24,020	-37,095
Share of associate companies earnings	(13)	11,690	10,823
Profit before earnings from discontinued activities	**-**	**103,732**	**86,782**
Net profit of discontinued activities	(32)	3,180	861
Net profit	**-**	**106,912**	**87,643**
Minority interests	-	-9	30
Net profit – group share	-	106,921	87,613
Earnings per share (in euro)	(8)	13.86	11.38
Diluted earnings per share (in euro)	-	13.86	11.38
Net earnings per share of discontinued activities (in euro)	(8)	0.41	0.11
Diluted net earnings per share of discontinued activities (in euro)	-	0.41	0.11

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousands	Share capital*	Share premium	Treasury	Impacts directly reco-gnised in equity	Conso-lidated reserves	Net profit for the year	Trans-lation adjust-ments	Total equity	Minority interests	Total equity (Group share)
At 31 December 2003	**7,837**	**1,866**	**-10,039**	**22,116**	**359,157**	**0**	**0**	**380,937**	**-16**	**380,921**
Allocation of net profit	-	-	-	-	-	-	-	0	-	**0**
Treasury share transactions	-	-	-953	-	1,112	-	-	159	-	**159**
Dividend distribution	-	-	-	-	-32,336	-	-	-32,336	-	**-32,336**
Translation adjustments	-	-	-	-	-	-	-1,509	-1,509	-	**-1,509**
Fair value adjustments	-	-	-	13,536	267	-	-	13,803	-	**13,803**
Other adjustments ***	-	-	-	-	5	-	-	5	10	**15**
Net profit at 31/12/04	-	-	-	-	-	87,613	-	87,613	30	**87,643**
At 31 December 2004	**7,837**	**1,866**	**-10,992**	**35,653****	**328,205**	**87,613**	**-1,509**	**448,672**	**24**	**448,696**
Allocation of net profit	-	-	-	-	87,613	-87,613	-	0	-	**0**
Treasury share transactions	-	-	292	-	346	-	-	638	-	**638**
Dividend distribution	-	-	-	-	-66,816	-	-	-66,816	-	**-66,816**
Translation adjustments	-	-	-	-	-	-	3,768	3,768	76	**3,844**
Fair value adjustments	-	-	-	7,187	121	-	-	7,308	-	**7,308**
Other adjustments ***	-	-	-	-	-316	-	-	-316	-17	**-333**
Net profit at 31/12/05	-	-	-	-	-	106,921	-	106,921	-9	**106,912**
At 31 December 2005	**7,837**	**1,866**	**-10,700**	**42,840****	**349,153**	**106,921**	**2,259**	**500,175**	**74**	**500,249**

* Share capital is comprised of 7,836,800 shares with a nominal value of €1. No change occurred during the 2004 and 2005 financial years.

** See Notes 13 & 14.

*** Changes in consolidation scope, translation adjustments on share capital transactions.

Consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT

€ thousands	Notes	31/12/2005	31/12/2004
OPERATING ACTIVITIES			
Group net profit	**-**	**106,912**	**87,643**
Elimination of share of associate companies' earnings	-	-11,690	-10,823
Net profit of discontinued activities	-	-3,180	-861
Deferred tax losses	-	3,784	738
Depreciation, amortization and provision charges	-	15,924	18,847
Gain/Loss on disposal of assets	-	-526	304
Other	-	-925	0
Elimination of non-cash items and items unrelated to operations	**-**	**3,387**	**8 205**
Inventory net movements	-	6,439	-1,798
Trade receivables net movements	-	-2,571	-774
Trade payables net movements	-	-158	384
Other working capital net movements	-	-9,253	-3,854
Total working capital net movements	**-**	**-5,543**	**-6,042**
NET CASH FROM OPERATING ACTIVITIES (A)	**-**	**104,756**	**89,806**
INVESTING ACTIVITIES			
Acquisition of non-current assets:			
• Intangible assets	-	-5,870	-4,382
• Property, plant and equipment	(27)	-28,949	-18,316
• Financial investments	-	-760	-2,660
Disposal of assets	-	10,394	9,285
Changes in group structure	(27)	19,060	-61,837
NET CASH USED IN INVESTING ACTIVITIES (B)	**-**	**-6,125**	**-77,910**
FINANCING ACTIVITIES			
Dividends paid to parent company shareholders	-	-32,524	-30,557
Increase in share capital	-	0	0
Net increase in borrowings	-	-4,814	-12,888
Treasury share movements	-	639	159
NET CASH FROM/(USED IN) FINANCING ACTIVITIES (C)	**-**	**-36,699**	**-43,286**
Impact of exchange rate changes (D)	**-**	**1,817**	**-635**
INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**-**	**63,749**	**-32,025**
OPENING BALANCE	**(27)**	**-55,254**	**-87,279**
CLOSING BALANCE	**(27)**	**119,003**	**55,254**

Consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SOMFY SA is a company governed by a Management Board and a Supervisory Board, listed on the Eurolist of Euronext Paris (Compartment A, ISIN code: FR 0000120495).

SOMFY is the world leader in motors and controls for openings and closures in homes and buildings. Its main markets are France which accounted for 30% of sales for the last trading year, Southern Europe (19%), Germany (14%), Northern Europe (14%) and America (11%).

On 6 March 2006, the Management Board of SOMFY SA approved the consolidated financial statements of the Group for the 12 month financial year ended 31 December 2005. The Group had €761,181 thousand in assets at 31 December 2005 and realised a group net profit and net profit of €106,921 thousand and €106,912 thousand respectively.

ACCOUNTING RULES AND METHODS

a – Preparation of consolidated financial statements

Compliance with accounting standards

In application of European Regulation 1606/2002 of 19 July 2002 on international standards, SOMFY Group consolidated financial statements for the financial year ended 31 December 2005 were prepared in accordance with IAS/IFRS international accounting standards ("IFRSs") applicable at that date, as approved by the European Union at the date of preparation of these financial statements.

SOMFY Group elected to apply IAS 39 "Financial instruments: recognition and measurement" and IAS 32 "Financial instruments: disclosure and presentation" from 1 January 2004.

SOMFY Group did not opt for the early application at 31 December 2005 of standards which became compulsory after 1 January 2006. Therefore, the Group did not apply early the following options, interpretations or standards, which became compulsory after 31 December 2005: IFRIC 4 "Determining Whether an Arrangement Contains a Lease", IAS 39 "Fair value option", IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities", IFRS 7 "Financial instruments: disclosures", IAS 19 "Amendment of IAS 19 Employee benefits", IAS 39 "Cash Flow Hedge Accounting of Forecast Intragroup Transactions", IFRIC 6 "Liabilities Arising from Participating in a Specific Market" IFRIC 7 "Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economies".
The Group is currently conducting analyses on the practical consequences of these new regulations and their impact on financial statements.

A number of these standards are likely to change or be subject to interpretation with potentially retrospective application. These amendments may cause the Group to subsequently change IFRS restated consolidated financial statements.

Consolidated financial statements – Basis for preparation

Consolidated financial statements are presented in Euro. All amounts are rounded to the nearest thousand of Euro, unless otherwise specified.

Financial statements were prepared according to the historical cost principle, except for a number of accounts that were measured at fair value, in particular in relation to derivative instruments.

Consolidated financial statements include the financial statements of SOMFY SA and its subsidiaries at 31 December of each year. The financial statements of subsidiaries are prepared for the same reference period as the parent company and on the basis of standard accounting methods.

Consolidated financial statements

The financial year end of all companies is 31 December.

All intra-group balances, transactions, as well as unrealised expenses and income included in the book value of assets and resulting from intra-group transactions have been fully eliminated.

The financial statements of each Group company were prepared in accordance with accounting principles and regulations applicable in their respective countries. They are restated to comply with Group consolidation principles.

Judgements and estimates

The preparation of consolidated financial statements in accordance with IFRS standards lead Management to produce estimates and assumptions which affect the book value of certain asset, liability, income and expense items, as well as disclosures in a number of notes to the consolidated financial statements. These assumptions are by nature uncertain and may differ from actual results. The Group regularly reviews its estimates and assessments in order to take into account past experience and to integrate factors that are deemed pertinent with regard to economic conditions.
The major items of the financial statements that may be the object of estimates are as follows:
- goodwill and intangible asset writedowns,
- retirement benefits,
- provisions for liabilities.

Financial statements reflect the best estimates, on the basis of available information at year-end close.

b – Consolidation scope

Business combinations

When a company is incorporated in the consolidation scope, the identifiable assets, liabilities and contingent liabilities, complying with IFRS recognition criteria, of the acquired entity are recognised at fair value measured at the date of acquisition, except for non-current assets classified as assets held for sale, which are recognised at the fair value net of disposal costs.
Only identifiable liabilities complying with the recognition criteria of a liability of the acquired entity are recognised in the combination. Therefore, a restructuring liability is not recognised as a liability of the acquired entity if this entity does not have an actual obligation to carry out this restructuring at the date of acquisition.

Goodwill is measured as the difference between total identifiable assets, liabilities and contingent liabilities of the acquired entity, individually estimated at fair value, and the acquisition cost of the shares of the acquired entity.

Restatements of asset and liability values relating to acquisitions recognised on a provisional basis (due to expertise works in progress or supplementary analyses) are recognised as retrospective restatements of goodwill if they occur within the twelve months following the acquisition date. Beyond this deadline, the impacts of restatements are directly recognised in profit or loss for the financial year, except for error corrections.

Newly acquired companies are consolidated from the date of effective control.

The acquisition of minority interests is currently not covered by IFRS standards. IASB's current reflections on the recognition of this type of transaction come within the framework of the expected amendments of IFRS 3 "Business combinations". Therefore, the Group retained the method applied in accordance with French regulations, in the absence of specific rules.

In the case of the acquisition of additional interests in a subsidiary, the difference between the consideration paid and the book value of the acquired minority interest, as shown by the Group's consolidated financial statements before the acquisition, is recognised as goodwill.
In the current form of IAS 27 and IAS 32, these standards lead groups to record firm or conditional purchase commitments of minority interests as financial debts or non-current liabilities, offset by a reduction in minority interests.
The principle selected in terms of recognition of minority interest purchase is described in Note r of the notes to the Consolidated financial statements.

Consolidation method

Exclusive control

Companies are fully consolidated when the Group generally holds a majority investment (over 50% of the share capital is controlled) in them and are controlled by the Group. Control is defined as the power to govern the financial and operating policies of an affiliate so as to obtain benefits from its activities.
Control is generally deemed to exist when the Group holds over half of the voting rights of the controlled company. Financial statements of subsidiaries are included in the consolidated financial statements from the date of effective transfer, until control ceases to exist.
Minority shareholders' interests are included in the balance sheet under a separate headline called "minority interests". Minority interest share of net profit is presented separately in the income statement.

Joint control

Companies jointly controlled by the Group and a limited number of associates pursuant to a contractual arrangement are proportionally consolidated.
Assets, liabilities, income and expenses are consolidated pro rata to SOMFY's investment in the share capital of the company.

Significant influence

Companies the Group has significant influence in, but does not control, are equity-accounted.

The consolidation scope is presented in Note 33.

c - Foreign exchange translation

Consolidated financial statements at 31 December 2005 were prepared in Euro, which is the parent company's functional currency. Each Group entity determines its functional currency and items included in the financial statements of each of these entities are measured in this functional currency.

Recognition of foreign currency denominated transactions in the financial statements of consolidated companies

All foreign currency denominated income statement transactions are translated at the exchange rate applicable on the transaction date. Foreign currency denominated amounts included in the balance sheet are translated at the exchange rate applicable at year-end. Resulting translation differences are recorded in the income statement.

When positions have been hedged, the derivative instrument is recognised in the balance sheet and the change in fair value is included in the income statement. The Group does not apply hedge accounting (see Note 22).

Consolidated financial statements

Translation of foreign subsidiary financial statements

The financial statements of Group companies which have a different functional currency to the parent company are translated using the "year-end rate" method, as follows:
- Assets and liabilities, including goodwill and adjustments related to consolidation fair value are translated into Euro at the year-end exchange rate.
- Income and expenses are translated at the average exchange rate for the period, provided significant variations in the exchange rates do not call this method into question, with any differences on translation directly recorded in the consolidated financial statements equity section.
- Translation differences relating to monetary items that are an integral part of net investments in foreign subsidiaries are recorded in equity as translation differences.

In the case an entity is disposed of, translation differences are recognised in income for the period.

In order to prepare its IFRS opening balance sheet, the Group cleared accumulated translation differences at 1 January 2004, which was taken to consolidated reserves, in accordance with the option provided by IFRS1. This adjustment had no impact on total opening equity.

No Group subsidiary operates in high inflation countries.

d – Acquisition goodwill

Acquisition goodwill is measured at cost, which is the difference between the cost of shares in consolidated companies and the purchaser's share of the fair value of identifiable assets, liabilities and contingent liabilities.

Acquisition goodwill is no longer amortised on a straight-line basis from 1 January 2004, but is subject to impairment tests at least once annually, or more frequently when events or changes in circumstances indicate that the goodwill has been impaired. Recognised writedowns cannot be reversed.

Negative differences between the acquisition cost and the purchaser's share in the fair value of acquired identifiable assets, liabilities and contingent liabilities (negative goodwill) are directly recorded in income for the financial year, after verification of their amount.

Acquisition goodwill related to equity-accounted companies is posted to the "equity accounted investments" account.

e – Intangible assets

Intangible assets acquired by the Group are recognised at cost, after deduction of accumulated amortisation and potential writedowns.

Intangible assets primarily comprise:

- **Software**

Internally developed software is recognised on the balance sheet when the following two conditions are met:
- it is probable that the future economic benefits attributable to the software will flow to the company, and
- its cost or value can be measured reliably.

Conditions defined by IAS 38 in terms of development cost capitalisation must also be met (including project technical feasibility, the intention to complete the software and availability of resources).

SOMFY owns two major types of software:
- Software subject to a five stage development project and deployed in several countries is amortised on a straight-line basis over 10 years.

The five stages characterising the implementation of this type of IT projects are as follows:
- the "initialisation stage", ending in a decision to carry out or not an IT solution research to a specific issue,
- the "assessment" stage, ending in the choice of a solution, often the selection of a license,
- the "study" and "realisation" stages, resulting in a decision to implement the deployment of the solution,
- the "implementation" stage, ending in the transfer of the application to support services. This is the software roll-out.

This type of software is linked in particular to the deployment of IT systems.

The "assessment and "pre-study" stages are research stages. Expenditure incurred during the "study" and "realisation" stages and dedicated to development can be capitalised if IAS 38 criteria are met.

"Ready-to-use" software, that is software whose operation by SOMFY is not subject to a five stage project. It is amortised on a straight-line basis over four years.

- **Patents**

Only acquired patents and related patenting expenses are capitalised. This primarily includes low-voltage electronic systems provided by the Harmonic Design company.

Patents are amortised on a straight-line basis over their legal protection period. Patent renewal expenses are recognised as expenses for the financial year.

- **Development costs**

Development costs are thus recognised as balance sheet assets when all criteria defined by IAS 38 are met:
- project technical feasibility,
- intention to complete the intangible asset so that it is available for use or sale,
- ability to use or sell the intangible asset,
- how the intangible asset will generate probable future economic benefits,
- availability of resources,
- the ability to reliably measure the expenditure attributable to the intangible asset during its development.

Only development costs generated by projects dedicated to the development of new products and conducted in five stages can be capitalised, as follows:
- the "assessment" stage, consisting in the production of assessment elements enabling the Group to take the decision to launch the project or not,
- the "pre-study" stage, whose objective is to select technical solutions, validate product feasibility and the marketing strategy to place the product on the market,
- the "study" stage, which enables to set the definition of the product, as well as industrial and marketing resources,
- the "realisation" stage, which consists in qualifying the product, establishing industrial resources in production facilities, as well as marketing resources. This stage also defines project closing criteria,
- the "launch" stage, featuring product manufacturing and the qualification of industrial and marketing resources.

The "assessment" and "pre-study" stages are research stages. Expenditures incurred during the "study" and "realisation" stages and dedicated to development can be capitalised if IAS 38 criteria are met.

Capitalised development costs are amortised on a straight-line basis, depending on the useful life of the asset (5 or 10 years, depending on the type of product developed).

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The value of projects in progress is recognised as an intangible asset in progress, until the "launch" stage, which marks the beginning of project roll-out.

No residual value is recognised at Group level to determine the basis for amortisation of intangible assets.

Subsequent expenditures are generally recognised as expenses for the financial year.

PPE recoverable amounts are reviewed when events or changes in circumstances indicate that the book value may not be recovered.
PPE are derecognised at disposal or when no future economic benefit is expected from their use or disposal. Any profit or loss resulting from the derecognition of an asset (measured as the difference between the net proceeds of the sale and the book value of the asset) is included in the income statement for the year in which the asset is derecognised.

f - Property, plant and equipment (ppe)

PPE assets are initially recorded at their acquisition or production cost and include the purchase price and all costs necessary to make them operational.
Current maintenance costs are recognised as expenses for the financial year.

Straight-line depreciation is used based on the following average useful lives:

• Buildings:	20 to 30 years
• Machinery and tools:	5 to 10 years
• Transport vehicles:	3 to 5 years
• Office furniture and equipment:	5 to 10 years
• Fittings and fixtures:	8 to 10 years

The cost of each major inspection visit must be recognised in the PPE net book value for replacement of the asset purposes, if recognition criteria are met. The Group is generally not subject to this type of obligation at this stage.

Taking into account the nature of PPE held by SOMFY, no significant component was identified.

Subsequent expenditures are recognised as assets if they comply with the recognition criteria of IAS 16. These criteria are assessed before the expense is incurred.

Asset residual values, useful lives and asset depreciation are reviewed, and amended if necessary, at each year-end.

g - Leases

Leases that transfer all the risks and rewards incident to ownership to the lessee are classified as finance leases.

Leases are classified as finance leases when the following major indicators are met (non-exhaustive list):
- transfer of asset ownership at the expiration of the lease with purchase option,
- the option exercise conditions are such as to make the transfer of ownership highly likely at the expiration of the lease,
- the lease term is for the major part of the useful life of the asset according to the lessee's conditions of use,
- the present value of minimum lease payments approximates fair value of the leased asset at the conclusion of the contract.

Assets thus financed within the framework of finance leases are recognised, from the beginning of the contract, in property, plant and equipment at the lower of the fair value of leased assets and the present value of minimum payments in respect of the lease.

Payments made in respect of the lease are broken down between finance charges and debt repayment, in order to obtain a constant periodic rate of interest on the outstanding liability. Finance charges are directly recognised in the income statement.

PPE acquired through finance leases are depreciated over the same duration as described above, if the Group expects to gain ownership of the asset at the expiration of the contract. If not, the asset is depreciated on the basis of the shorter period of the asset useful life and the duration of the lease.

Leases classified as operating leases are not restated. Lease payments are recognised as expenses for the financial year, spread if required on a straight-line basis.

h - Impairment tests

IAS 36 defines the procedures to be applied by a company to ensure that the net book value of its assets does not exceed their recoverable amount, that is the amount to be recovered from the use or the disposal of the assets.

Except for goodwill and intangible assets with an unlimited useful life, which require systematic annual impairment tests, the recoverable amount of an asset is estimated every time there is an indication that the asset may be impaired.
The recoverable amount of an asset is measured at the higher of its fair value, after deduction of disposal costs, and its value in use.

Fair value after deduction of disposal costs is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, after deducting disposal costs.

Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and its disposal at the end of its useful life.
Recoverable amount is estimated for each individual asset. If it is not possible to do so, assets are brought together in Cash Generating Units, whose recoverable amount is subsequently measured.

A Cash Generating Unit is the smallest group of assets to which the asset belongs that generates cash inflows, which are largely independent of the cash inflows from other assets or groups of assets.

The identification of related cash generating units was conducted within SOMFY Group.

The recoverable amount of a CGU is measured at the higher of the fair value of its assets, after deduction of disposal costs, and their value in use.

The value in use is determined on the basis of cash flows estimated by plans and budgets of a maximum of 5 years. Cash flows beyond 5 years are extrapolated through the application of a constant or decreasing rate and discounted using long-term market rates before tax, which reflect market estimates of the time value of money and specific risks pertaining to these assets.

The recoverable amount is then compared to the book value of the CGU.

If this amount exceeds the net book value of the CGU at period end, no impairment is recognised.

However, if this amount is lower than the net book value, a goodwill impairment loss equal to the difference is recognised in priority against the acquisition goodwill. This impairment loss may not be reversed.

As for other PPE and intangible assets with a set useful life, a previously recognised impairment loss may be reversed if there has been a change in the estimates used to determine the recoverable amount of the asset since the last impairment loss was recognised. If this is the case, the asset book value is increased to match the recoverable amount. The book value increased following the reversal of an impairment loss may not exceed the book value that would have been measured, after deducting depreciation, if no impairment loss had been recognised for this asset over the previous financial years.

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An impairment loss reversal is recognised as income, except if the asset is recognised at its revalued amount, in which case the impairment is to be treated as a revaluation increase. Following the recognition of an impairment loss reversal, the depreciation charge is adjusted for future periods, so that the revised book value of the asset, after deducting its potential residual value, is systematically spread over the remaining value in use.

i -Financial assets

Financial assets are classified in four categories according to their nature and the intent of ownership:

- assets held until maturity,
- assets measured at fair value by way of the income statement,
- assets held for disposal,
- loans and receivables (excluding trade receivables).

Financial assets are initially recognised at the cost corresponding to the fair value of the purchase price, increased by acquisition costs.

Assets held until maturity

They solely comprise fixed income securities purchased with the intent of holding them until maturity. They are measured at amortised cost using the effective interest rate method. Amortised cost is measured by taking into account any discount received or premium paid at acquisition, over the period running from the acquisition to the maturity date. Profit and loss are recognised in the income statement when assets are derecognised or their value is impaired. The same applies to writedown charges. The Group does not have any of these assets to date.

Assets measured at fair value by way of the income statement

They represent assets held for transaction purposes, that is assets acquired by the company with a view to dispose of them in the short term. They are measured at fair value and fair value variances are recognised in the income statement. Marketable securities complying with the definition of financial assets held for transaction purposes are measured at fair value at year-end and recognised as current financial assets. Fair value variances are recognised in the income statement.

Assets held for sale

Financial assets also include Group investments in the companies over which it neither has control, significant influence nor joint control. Corresponding dividends are recognised in the year they are paid.

These securities are considered as "held for disposal".

Therefore, they are measured at fair value at year-end and fair value variances are directly recognised in equity. Amounts recognised in equity are reclassified to the income statement on the disposal of assets.

If the fair value of these assets held for disposal happens to be lower than the acquisition cost, a provision for writedown is established and recognised in the income statement when here is an objective indication that the value of these assets held for disposal may be impaired.

Financial assets held for disposal are classified as non-current financial assets, except for those with a maturity date of less than 12 months at year-end, which are classified as current financial assets.

Loans and receivables

They represent financial assets issued or acquired by the Group in return for a direct money consideration, goods or services given to a debtor. They are measured at amortised cost, using the effective interest rate method. Long-term loans and receivables, non interest-bearing or bearing a lower interest rate than market interest rate, are discounted if amounts are significant. Potential impairment losses are recognised in the income statement.

In addition, writedown charges are established when here is an objective indication that the value of the asset may have been impaired as a result of an event arising after its initial recognition.

This account is primarily comprised of guarantees and deposits paid to various lenders.

At SOMFY Group level, financial assets include investments in companies over which the Group neither has control nor significant influence, certain marketable securities, loans and derivative instruments.
These instruments are classified as non-current assets, except for those with a maturity date of less than 12 months at year-end, which are classified as current financial assets.

j - Inventory

Materials, supplies and finished goods are valued at their purchase or production cost, as appropriate.
In particular, inventory cost measurement takes into account the following items:

- borrowing costs are not included in inventory costs,
- gross value of raw materials and supplies include the purchase price and ancillary expenses,
- expenses incurred to bring inventories to the place they are located and in the condition they are in are integrated in inventory procurement cost,
- manufactured products are measured at production cost, which includes consumables, direct and indirect production expenses and depreciation charges of assets used in the manufacturing process,
- intra-group profits included in inventories are eliminated.

The value of inventories and works in progress is impaired when their net realisable value is lower than their purchase or production cost.
Net realisable value is the estimated selling price under normal business conditions, after deducting estimated completion cost and estimated cost of sale.

k - Trade and other receivables

Trade and other receivables are recorded on the balance sheet at their nominal value and a provision for write-downs is established when receivables are unlikely to be collected.

l - Treasury shares

The Group holds treasury shares for the following purposes:

- regulate share price by systematic intervention against market trend,
- purchase or sell shares depending on market conditions,
- cover stock option plans previously allocated or to be allocated.

Treasury shares directly held by the Group of through a liquidity contract are deducted from equity at consolidation.

Consideration received at the disposal of treasury shares is directly recognised as an increase of Group equity, no gain or loss is thus recognised in net profit/loss for the financial year.

m - Cash and marketable securities

Cash includes bank balances (bank assets and overdrafts) and cash in hand.
Cash equivalent primarily comprises OPCVM (pooled investments - financial assets held for transaction purposes), which are short term, very liquid, easily convertible into a known amount of cash and subject to negligible risk of change in value.

Other financial investments are classified as financial assets in current or non-current balance sheet items, according to their maturity date or nature.

n - Provisions

This includes commitments with an uncertain maturity date or amounts resulting from restructuring operations, environmental risks, litigations or other risks.
A provision is established when the Group has a current obligation (legal or implied) resulting from a past event and when future cash outflows can be measured reliably.
A provision for restructuring is only be recognised when there is an obligation toward third parties, originating from a Management decision materialised before year-end by the existence of a detailed and formal plan, which has been announced to the personnel affected.

When the Group expects full or part repayment of the provision, the repayment is recognised as a separate asset but only if repayment is virtually certain.
The provision charge is taken to the income statement, net of any repayment.

In order to cover costs inherent in guarantees given to customers, the Group recognises a provision for charges. This provision represents the estimated amount, based on statistics of charges recognised in the past, of repairs during the guarantee period. At each year-end, this provision is reversed for the actual amount of services rendered recorded as expenses for the financial year.

If the impact of the time value of money is significant, provisions are discounted on the basis of a rate before tax which reflects, if necessary, the specific risks of the liability.
Where a provision is discounted, the increase in the provision relating to the passage of time is recorded as an operating cost.

Contingent liabilities correspond to potential obligations arising from past events, whose existence will only be confirmed by the occurrence of uncertain future events, which are beyond the entity's control, or from current obligations for which no cash outflow is likely to occur. Except for those generated by business combinations, contingent liabilities are not recognised but are detailed in the notes to the financial statements.

o - Employee benefits

As regards pension commitments, the Group contributes to pension plans or grants benefits to personnel at retirement, in compliance with local practice and regulations applicable in each particular country. These benefits have been measured.

Contributions paid in respect of plans analysed as defined contribution plans, for which the Group has no other obligation than paying contributions, are recognised as expenses for the financial year.

As for defined benefit plans relating to post-employment benefits, the cost of benefits are measured using the projected unit credit method.
According to this method, each period of service gives rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

The amount of future payments corresponding to benefits granted to employees are measured on the basis of salary increase, retirement age and death rate assumptions, then discounted to their present value on the basis of long term bond interest rates of prime issuers.

These plans are either financed – their assets being managed separately and independently from the Group, or not – their commitments being recognised in the balance sheet under "employee commitments".

The different defined benefit plans are the following:
- retirement benefit plans (IFC) for all French companies, in compliance with applicable collective agreements,
- seniority awards paid after a certain number of years of service (French médailles du travail),
- "trattamento di fine rapporto" (Severance pay) (TFR) for Italian Companies,
- defined benefit pension plans in international subsidiaries (United States in particular).

In application of IAS 19, actuarial losses and gains related to experience and/or changes in actuarial assumptions are amortised in future charges of each company over the probable average remaining active life of employees, after application of a 10% corridor of the greater of the value of commitments and the value of plan assets.

The cost of past services is recognised as an expense on a straight-line basis over the average remaining time before corresponding rights are acquired by employees. If benefit rights have already been acquired at the adoption or change of a pension plan, the cost of past services are recognised immediately.

At first application of IFRS on 1 January 2004, actuarial differences were recognised in equity.

Commitments to be paid to employees on active duty in respect of seniority awards are recognised in the form of provisions.

The Group retained under IFRS the French GAAP treatment of individual training rights, in accordance with Notice n) 2004-F of 13 October 2004 of the CNC Emergency Committee in relation to the "Recognition of Individual Training Rights – ITR". Expenses incurred in respect of ITR are recognised as expenses for the period. Therefore, they do not give rise to any provisions. The number of hours at year-end of available training hours that have not been requested by employees is contained in the notes to the consolidated financial statements.
In the limited number of cases when these expenses cannot be considered as remuneration for future services, a provision is established in the financial statements for the financial year in respect of the resulting short term commitment, provided that the obligation toward the employee is probable or certain.

p – Share remuneration

Group employees, including Directors, are partly remunerated in the form of share indexed transactions, according to which they receive equity instruments as consideration for services rendered (transactions settled in equity instruments).

Transactions settled in equity instruments with employees are measured at fair value of instruments at the date of allocation. Fair value is determined according to the Black & Scholes model.

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The cost of transactions settled in equity instruments is recognised in the period when performance and/or service conditions are met and offset by a corresponding increase in equity. This period finishes at the date when employee obtain unconditional right to these instruments (acquisition date of rights). The cumulative charge recorded in respect of these transactions at each year-end until the acquisition date of rights reflects the passing of this acquisition period and the Group's best estimate at that date of the number of instruments that will be acquired. The income or expense recognised in the income statement for the period corresponds to the difference between cumulative charges at the end of the period and cumulative charges at the beginning of the period. The dilutive impact of outstanding options is reflected in the calculation of earnings per share.

No expense is recognised for instruments that are eventually not acquired, except for those whose acquisition depends on market conditions. The latter are considered as acquired, whether market conditions are met or not, provided other performance conditions are met.
If the terms and conditions of equity instrument remuneration are changed, an expense is recognised for the minimum amount that would have been recognised if no change had arisen. An expense is also recognised to take into account the impact of changes that increase the fair value of the agreement based on share remuneration or that are beneficial in any other way to employee. It is measured at the date of change.

If equity instrument remuneration is cancelled, it is treated as if it had been acquired at the date of cancellation. Any expense relating to the transaction that has not been recognised until then is recorded immediately. However, when a new agreement replaces the cancelled agreement and is considered as such at the date it is allocated, both agreements are treated as if the first agreement had been modified, as described in the previous paragraph.

In accordance with the transition provisions of this standard, only option plans allocated after 7 November 2002 were recognised in accordance with the above described principle and subjected to measurement.

q - Borrowings

At initial recognition, bonds and other interest-bearing debts are measured at fair value, increased by transaction costs that are directly attributable to the issuance of the liability. Fair value generally equals the amount of cash received.
Issuing charges and premiums, as well as bond redemption premiums are taken into consideration in measuring amortised cost according to the effective rate method. Therefore, they are recognised in the income statement on an actuarial basis over the duration of the liability.

Borrowing interest is recognised as an expense for the financial year.

r - Purchase commitments given to minority interests

The current provisions of IAS 27 and IAS 32 lead groups to record firm or conditional purchase commitments of minority interests in financial debt, offset by a reduction in minority interests.
When the commitment value exceeds the value of minority interests, the difference is recognised as goodwill.

At each year-end, the fair value of minority interest commitments is reviewed. The corresponding liability is restated and offset in goodwill.

The results of IFRIC and IASB studies may lead to a different accounting treatment than described above.

s – Income tax

Current tax

The income tax grouping agreement between SOMFY SA and its directly and indirectly owned subsidiaries was renewed on 1 July 2002 for a further 5 years, beginning with the 6-month financial period ending 31 December 2002.

The following companies are party to this agreement at 31 December 2005: SOMFY SA, Fontenoy-Malvart SNC, SOMFY SAS, Spirel SAS, Simu SAS, CMC SARL, SOMFY Development SAS, Siminor SAS, Siminor Technologies Castres SARL, Domis SA, Domaster SAS.

Under this agreement, the difference between the sum of income taxes calculated for each company and the total for the tax integrated Group is accounted for as income in the Income Statement of the Group's holding company. When a subsidiary is no longer a member of the income tax integration group, SOMFY International SA compensates it in accordance with the jointly agreed exit procedures, taking into account the situation at that date.

Deferred income tax

Deferred tax assets and liabilities are measured at the income tax rate expected to apply to the financial year when the asset will be realised or the liability settled, on the basis of income tax rates (and tax regulations) adopted or quasi-adopted at year-end.

Deferred income tax arises from temporary differences between the book value of assets and liabilities and their values per Income Tax law.

Deferred income tax relating to tax losses of companies not included in the tax group or arisen prior to their inclusion in the tax grouping are recognised when the conditions defined by IAS 12 are met:

- the entity has sufficient taxable temporary differences with a single tax authority and for the same entity, which will generate taxable amounts against which unused tax losses and tax credits can be offset before they expire;
- it is likely that the entity will generate taxable profits before unused tax losses and tax credits expire;
- unused tax losses result from identifiable causes, which will probably not re-occur; and
- opportunities related to the entity tax management will generate taxable profits for the financial year during which unused tax losses and tax credits can be allocated.

In the event it is unlikely that the entity will make sufficient profits to allocate unused tax losses or tax credits, deferred tax assets are not recognised.

t – Derivative financial instruments

The Group elected to apply IAS 32/39 standards from 1 January 2004.

According to this standard, derivatives considered as hedging items are recognised differently, depending on their classification as:

- fair value hedging,
- cash flow hedging
- hedging of a net investment made abroad.

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All derivatives are measured at fair value. Fair value is either the market value for listed instruments, or a value provided by financial institutions in accordance with traditional criteria (over-the-counter market).

Derivative instruments are primarily comprised of foreign exchange contracts, foreign currency options and interest rate swaps.

The Group elected not to apply hedging accounting. Fair value changes are thus directly recognised in financial income/loss.

The decision was motivated by the low impact on the Group's net assets, which does not justify the implementation of complex accountancy monitoring.

The fair value of derivatives is recognised in the balance sheet under "Current financial assets" and "Current financial liabilities".

u - Non-current assets held for disposal

An entity must classify a non-current asset (or a group held for sale) as held for disposal if the fair value is recovered through a sale rather than through continuing use of the asset.

When assets are held for disposal in accordance with principles defined by IFRS 5, the Group measures these assets at the lower of their book value and fair value, after deducting disposal cost, and ceases to depreciate these assets.
Assets and liabilities thus determined are recognised in a specific balance sheet item.

v - Earnings per share

Earnings per share are calculated by dividing the net profit for the financial period by the total number of shares in issue (number of shares issued net of treasury shares held).

Net diluted earnings per share takes into consideration shares issued following the exercise of share subscription options, after deducting treasury shares.
The basic and diluted earnings per share figures are the same, as the Company has not issued any securities granting access to share capital.

w - Income from ordinary activities

Group sales include all income from ordinary activities of consolidated companies. Income from ordinary activities is recognised when it is probable that future economic benefits will flow to the Group and that they can be measured reliably. Income from ordinary activities is recognised at the fair value of the consideration received or to be received.

Sales of goods are recognised at delivery to final customers.

x - Profit from operations

Profit from operations is defined as the difference between profit from operations from all revenue and charges not generated by finance activities, equity-accounted companies, discontinued operations, operations held for disposal or income tax, and other operating revenue and charges.

The other operating revenues and charges correspond to unusual, abnormal or rare items. They include capital gains and losses on the disposal of assets, restructuring costs and provisions that may disrupt the profit from operations comparability.

Profit from operations reflects company performance.

y – Financial income/expense

Financial income/expense comprises the following two items:

· **Net debt cost**
Includes all income/expense from net financial debt constituents over the period, including interest rate hedging income/losses.

· **Other financial income/expense**
Includes revenues/charges of a financial nature but neither of an operational nature nor a constituent of net debt cost.

z – Segment information

The sole segment information criteria selected is by geographical area. Currently, Management takes decisions on the basis of this strategic axis, using reporting by geographical areas as a key analysis tool. The geographical axis also matches the Group's functional organisation.

Since SOMFY does not have separate business segments, only first level information is provided.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2005

1 – Highlights and changes in consolidation scope

- Following the announcement during the first half of 2005 that SOMFY was disposing of its investment in Devianne Group, SOMFY sold all of this investment on 29 September 2005. This investment was equity accounted at 31 December 2004.

- SOMFY signed a partnership agreement with YueQiu, the leader on the Chinese home automation market. A joint venture called **Lian Da** has been created, of which SOMFY holds 80% and YueQiu 20%.

2 – Segment information

In application of IAS 14 Segment Reporting, since SOMFY Group operates in a single business segment, the company opted for segment information by geographical areas, based on where assets are established.

At 31 December 2005

€ millions	France	Germany	Northern Europe	Eastern and Central Europe	Southern Europe	Asia Pacific	Americas	Inter-area eliminations	Total
Segment sales	358,506	88,500	72,238	29,241	151,456	30,082	57,855	–196,716	**591,162**
Intra segment sales	*–177,822*	*–3,396*	*–296*	*–27*	*–15,099*	*–16*	*–60*	*196,716*	***0***
Segment profit/ loss (profit from operations)	71,236	3,260	9,497	2,457	21,846	3,030	6,318	–1,317	**116,327**
Investment in equity accounted companies	–	–	–	–	11,690	–	–	–	**11,690**
Segment net profit	106,925	2,261	7,366	1,729	24,946	2,339	3,545	–42,199	**106,912**
Segment assets*	322,585	32,720	35,081	14,596	217,739	28,624	34,649	–85,033	**600,961**
Segment assets held for sales	176,964	210	9,676	35	27,230	–	–	–172,514	**41,601****
Equity accounted companies	240	–	–	–	118,378	–	–	–	**118,618**
Segment liabilities	195,054	21,829	24,953	8,578	60,356	10,045	14,474	–74,358	**260,931**
Segment investments	36,019	436	586	475	7,391	527	1,009	–	**46,443**
Segment asset depreciation charges	–11,422	–1,413	–521	–383	–2,706	–323	–566	–	**–17,334**

* After deduction of assets held for sale.

**This item primarily comprises the fair value of Agta Reocrd shares.

Most eliminations are carried out between France, where production facilities are located, and other areas.

At 31 December 2004

€ millions	France	Germany	Northern Europe	Eastern and Central Europe	Southern Europe	Asia Pacific	Americas	Inter-area eliminations	Total
Segment sales	351,073	92,612	76,728	28,320	131,911	26,232	52,510	-190,306	**569,080**
Intra segment sales	*-173,955*	*-4,928*	*-366*	*-20*	*-10,942*	*-18*	*-77*	*190,306*	***0***
Segment profit/ loss (profit from operations)	77,362	4,785	8,427	3,103	18,633	2,467	4,201	-3,127	**115,851**
Investment in equity accounted companies	892	-	-	-	10,719	-	-	73	**11,684**
Segment net profit	63,599	3,244	3,977	2,438	21,311	1,930	2,544	-11,400	**87,643**
Segment assets*	251,222	32,530	32,798	14,035	264,733	17,827	29,131	-135,154	**507,122**
Segment assets held for sales	263,232	210	506	35	1,278	-	-	-225,415	**39,846****
Equity accounted companies	13,046	-	-	-	105,064	-	-	113	**118,223**
Segment liabilities	210,410	21,900	16,877	7,833	62,988	8,608	13,607	-125,729	**216,494**
Segment investments	16,431	1,243	592	463	3,302	514	550	-	**23,095**
Segment asset depreciation charges	-11,495	-1,422	-702	-324	-2,314	-309	-1,031	-	**-17,597**

* After deduction of assets held for sale.

**This item primarily comprises the fair value of Agta Reocrd shares.

Most eliminations are carried out between France, where production facilities are located, and other areas.
Sales in France include the disposal of Devianne during the second half of 2005, which had a €3,180 thousand impact on net profit for the period.

Transfer prices between geographical areas are established on the basis of an internal selling price measured according to the cost price of manufactured products. These prices are determined for the entire year.
The Group discloses detailed information on the basis of geographical segments by location of assets. It also has to provide sales figures according to the geographical location of customers.

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€ thousands	31/12/05	31/12/04
France	177,556	170,496
Germany	83,470	87,767
Northern Europe	81,373	86,366
Eastern and Central Europe	37,032	34,838
Southern Europe	112,351	101,993
Asia - Pacific	35,446	30,824
Americas	63,934	56,796
Total	**591,162**	**569,080**

3 - Other operating revenues

€ thousands	31/12/05	31/12/04
Capitalised production costs	4,861	2,164
Services provided	2,388	2,960
Other revenues	1,118	671
Other operating revenues	**8,367**	**5,795**

Other revenues primarily include royalties and insurance payments received.

4 - Current provision charges

€ thousands	31/12/05	31/12/04
Movements on provisions for customer guarantee	18	-1,440
Movements on provisions for customer risk	1,285	140
Movements on provisions for liabilities and charges	633	1,050
Current provision charges / (reversals)	**1,936**	**-250**

Inventory provision charges are included in cost of sales.

5 – Other operating charges and income

€ thousands	31/12/05	31/12/04
Movements on non-current provisions	442	-1,786
Other non-current items	-560	-127
• *Non-current income*	*755*	*812*
• *Non-current charges*	*-1,315*	*-939*
Capital gains and losses on the disposal of fixed assets	526	-303
Other operating charges and income	**408**	**-2,216**

The 2004 financial year was affected by a €1.2 million tax arrears provision charge.
The capital gain on the disposal of fixed assets primarily comprises the sale of buildings.
No loss was recognised in respect of the impairment tests performed at 31 December 2005.

6 – Financial loss

€ thousands	31/12/05	31/12/04
Net borrowing costs	-991	-2,090
• *Financial income from investments*	*1,946*	*1,631*
• *Debt-related financial charges*	*-2,937*	*-3,721*
Translation adjustment	-451	943
Dividends received	769	566
Net finance cost	**-673**	**-581**

7 - Deferred tax

7.1 - Analysis of tax rate

€ thousands	31/12/05	31/12/04
Profit before tax	**116,062**	**113,054**
Merger loss related to holding company reorganisation	-35,472	-
Share of expenses and charges	2,369	561
Other	-553	-3,933
Permanent differences	**-33,656**	**-3,372**
Profit taxable at reduced rate	**-9,203**	**-9,039**
Profit taxable at current rate	**73,203**	**100,643**
Income tax rate in France	34.40%	35.42%
Theoretical income tax payable at current rate	**25,182**	**35,648**
Difference with other countries tax rates	-1,680	-1,303
Unrecognised tax losses of prior years	253	620
Impact of tax rate differences	**-1,427**	**-683**
Income tax payable at normal rate	**23,755**	**34,965**
Tax credits	**-430**	**-879**
Other taxes and miscellaneous	**695**	**3,009**
Group income tax payable	**24,020**	**37,095**
Effective income tax rate	**20.70%**	**32.81%**
• **allocated: income tax payable**	**20,236**	**36,212**
• **deferred income tax**	**3,784**	**883**

Royalties to which a lower rate applies (15.0%) are allocated to tax losses previously generated at the lower rate and not recognised.
The apparent income tax rate amounted to 20.70%, compared with 32.63% in 2004. The improvement of the effective income tax rate is due to a tax savings generated by the restructuring of holding companies and is a non-recurrent event.

Capitalised and used tax losses
Tax losses capitalised at 31 December 2004 were fully allocated during 2005.
As a matter of prudence, deferred income tax benefits arising from tax losses of companies not included in the income tax integration or prior to entering the tax integration group, have not been recognised when the prospect of recovery is uncertain. These amounted to €9,709 thousand at 31 December 2005 (tax losses at the standard rate).
No deferred tax assets were recognised in 2005 in respect of tax losses arising during the current or previous financial years.

7.2 – Income tax directly posted to the shareholders' equity

€ thousands	31/12/05	31/12/04
Deferred tax liabilities		
• Assets held for disposal	1,077	2,331
• Equity accounted companies	800	800
Total	**1,077**	2,331

The difference between the fair value and historical cost of assets held for disposal has a direct impact in reserves and related tax liabilities.
In addition, deferred tax is recognised for the tax impact related to future dividend distributions by equity accounted companies.

7.3 – Analysis by nature

€ thousands	31/12/05 Assets	31/12/04 Assets
Restatement of temporary differences	7,594	8,465
including:		
• *deferred tax related to changes in provision methods*	*1,923*	*2,283*
• *deferred tax related to pensions*	*1,908*	*1,482*
• *deferred tax related to tax and social security payments*	*1,793*	*1,752*
Deferred tax on Intra-Group transactions	6,951	6,902
Other	50	413
Total	**14,595**	**15,780**

€ thousands	31/12/05 Liabilities	31/12/04 Liabilities
Restatement of temporary differences	25,032	25,151
including:		
• *deferred tax related to changes in depreciation rates*	*11,757*	*13,113*
• *deferred tax related to leases*	*4,714*	*4,117*
• *deferred tax related to the capitalisation of development costs*	*1,926*	*574*
Deferred tax on Intra-Group transactions	1,052	1,074
Deferred tax on elimination of intra-Group provisions	220	221
Total	**26,304**	**26,446**

8 - Earnings per share

	31/12/05	31/12/04
Net profit – Group share (in € thousands)	106,921	87,613
Total number of shares issued (1)	7,836,800	7,836,800
Treasury shares (2)	121,564	137,884
Number of shares in circulation (1)-(2)	7,715,236	7,698,916
Earnings per share - Basic (euro)	**13.86**	**11.38**
Earnings per share - Diluted (euro)	**13.86**	**11.38**

	31/12/05	31/12/04
Net profit of discontinued activities (€ thousands)	3,180	861
Total number of shares issued (1)	7,836,800	7,836,800
Treasury shares (2)	121,564	137,884
Number of shares in circulation (1)-(2)	7,715,236	7,698,916
Earnings per share of discontinued activities - Basic (euro)	**0.41**	**0.11**
Earnings per share of discontinued activities - Diluted (euro)	**0.41**	**0.11**

There was no change in the number of shares comprising the share capital.
There exists no financial instrument that has a diluting effect on the shares of SOMFY SA. In fact, stock options granted are purchase options and do not give rise to the issue of new shares.

9 - Acquisition goodwill

€ thousands	Gross value 31/12/04	Change in Group	Translation adjustment	Gross value 31/12/05
BFT	76,660	–	–	76,660
Simu SAS	1,862	–	–	1,862
WAY SRL	7,315	–	–	7,315
Domis	1,091	–	–	1,091
Lian Da	–	578	–	578
Other	322	–	-13	309
Total	**87,250**	**578**	**-13**	**87,815**
Gaviota & Simbac SL*	9,068	–	–	9,068
Faac Spa*	1,243	–	–	1,243
Total	**97,561**	**578**	**-13**	**98,126**

* Goodwill related to equity accounted companies was recognised under "equity accounted investments".

€ thousands	Gross value 01/01/04	Change in Group	Translation adjustment	Gross value 31/12/04
BFT	0	76,660	–	76,660
Simu SAS	1,862	–	–	1,862
WAY SRL	7,315	–	–	7,315
Domis	1,091	–	–	1,091
Gaviota & Simbac SL**	11,377	-11,377	–	0
Other	320	–	2	322
Total	**21,965**	**65,283**	**2**	**87,250**
Gaviota & Simbac SL*	–	9,068	–	9,068
Faac Spa*	1,243	–	–	1,243
Total	**23,208**	**74,351**	**2**	**97,561**

* Goodwill related to equity accounted companies was recognised under "equity accounted investments".

** Gaviota-Simbac Group, which had been proportionally accounted until 31 December 2004, is now equity accounted.

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At the end of March 2004, SOMFY SA acquired the Italian company BFT for an overall amount of €92 million, including borrowings of €23.0 million. The compliance with accounting standards had a positive impact of €3.5 million on BFT shareholders' equity.
Goodwill of €76.6 million was recognised. At 31 December 2004, BFT contributed €12.1 million to net property, plant and equipment and €44.6 million to sales over a 9 month period.
No restatement of the fair values initially established at the acquisition of BFT was performed during the 2005 financial year.

Due to changes within the Board of Directors of Gaviota–Simbac, the two companies are now equity accounted. They were previously proportionally accounted until 31 December 2003.
At the end of 2005, SOMFY signed a partnership agreement with YueQiu, the leader on the Chinese home automation market. A joint venture called Lian Da has been created, of which SOMFY holds 80% and YueQiu 20%. In accordance with principles defined in Note r, a €578 thousand acquisition goodwill was recognised at 31 December 2005 in respect of the commitment to purchase minority interests in Lian Da.

10 – Intangible fixed assets

€ thousands	Development costs	Patents and brands	Software	Other	Work in progress and advance payments	Total 2005
Gross value						
At 1 January	–	4,648	20,195	447	2,932	**28,222**
Acquisitions	12	249	322	138	5,149	**5,870**
Disposals	-12	-59	-499	-58	–	**-628**
Impact of changes in foreign exchange rates	–	485	87	24	11	**607**
Impact of changes in Group structure	–	–	–	–	–	**0**
Other movements	103	-114	1,168	129	-1,254	**32**
At 31 December	**103**	**5,209**	**21,273**	**680**	**6,838**	**34,103**
Accumulated amortisation						
At 1 January	–	-1,225	-11,229	-298	–	**-12,752**
Amortisation charges for the financial year	-12	-372	-2,157	-48	–	**-2,589**
Disposals	–	44	450	16	–	**510**
Impact of changes in foreign exchange rates	–	-104	-69	-6	–	**-179**
Impact of changes in Group structure	–	–	–	–	–	**0**
Other movements	–	52	-46	-17	–	**-11**
At 31 December	**-12**	**-1,605**	**-13,051**	**-353**	**0**	**-15,021**
Net value at 31 December	**91**	**3,604**	**8,222**	**327**	**6,838***	**19,082**

* Including €5,496 thousand in R&D work in progress assets.

€ thousands	Develop-ment costs	Patents and brands	Software	Other	Work in progress and advance payments	Total 2004
Gross value						
At 1 January	–	4,815	18,780	821	379	**24,795**
Acquisitions	–	262	1,361	1	2,758	**4,382**
Disposals	–	-6	-772	-658	–	**-1,436**
Impact of changes in foreign exchange rates	–	-244	-21	0	-10	**-275**
Impact of changes in Group structure	–	-195	-93	26	–	**-262**
Other movements	–	16	940	257	-195	**1,018**
At 31 December	**0**	**4,648**	**20,195**	**447**	**2,932**	**28,222**
Accumulated amortisation						
At 1 January	–	-1,070	-9,832	-742	–	**-11,644**
Amortisation charges for the financial year	–	-356	-2,162	-24	–	**-2,542**
Disposals	–	–	650	666	–	**1,316**
Impact of changes in foreign exchange rates	–	49	20	–	–	**69**
Impact of changes in Group structure	–	152	28	-18	–	**162**
Other movements	–	–	67	-180	–	**-113**
At 31 December	**0**	**-1,225**	**-11,229**	**-298**	**0**	**-12,752**
Net value at 31 December	**0**	**3,423**	**8,966**	**149**	**2,932***	**15,470**

Development costs complying with the criteria of IAS 38 are capitalised and are considered as internally generated intangible assets. At 31 December 2005, development costs amounted to €5,599, of which nearly the full amount was recognised as work in progress and was thus not amortised, since products had not reached the pre-production stage.

Research and development costs of €19.6 million were recognised as charges for the financial year.

There are no contractual agreements for the acquisition of intangible fixed assets.

There are no other intangible assets with an undetermined useful life.

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11 – Property, plant and equipment (PPE)

11.1 – Property, plant and equipment by nature

€ thousands	Land	Buildings	Machinery and tools	Other	Work in progress and advance payments	Total 2005
Gross value						
At 1 January	10,736	62,998	126,684	26,576	6,938	**233,932**
Acquisitions	1,368	16,194	8,456	3,719	10,836	**40,573**
Disposals	-163	-1,846	-4,811	-2,389	–	**-9,209**
Impact of changes in foreign exchange rates	-3	-44	366	535	33	**887**
Impact of changes in Group structure	–	–	–	–	–	**0**
Other movements	44	9,521	-2,698	-166	-7,511	**-810**
At 31 December	**11,982**	**86,823**	**127,997**	**28,275**	**10,296**	**265,373**
Accumulated amortisation						
At 1 January	-103	-19,907	-76,526	-19,039	–	**-115,575**
Depreciation charges for the financial year	-6	-2,576	-9,701	-2,464	–	**-14,747**
Disposals	1	1,125	4,209	1,937	–	**7,272**
Impact of changes in foreign exchange rates	–	17	-240	-315	–	**-538**
Impact of changes in Group structure	–	–	–	–	–	**0**
Other movements	–	-4,467	5,042	116	–	**691**
At 31 December	**-108**	**-25,808**	**-77,216**	**-19,765**	**0**	**-122,897**
Net value at 31 December	**11,874**	**61,015**	**50,781**	**8,510**	**10,296**	**142,476**

€ thousands	Land	Buildings	Machinery and tools	Other	Work in progress and advance payments	Total 2005
Gross value						
At 1 January	8,019	60,371	120,157	24,221	4,407	**217,175**
Acquisitions	0	694	6,582	3,444	7,993	**18,713**
Disposals	–	-2	-3,733	-2,749	–	**-6,484**
Impact of changes in foreign exchange rates	4	21	-143	-54	-10	**-182**
Impact of changes in Group structure	2,296	3,601	– 8	1,624	-22	**7,491**
Other movements	417	-1,687	3,829	90	-5,430	**-2,781**
At 31 December	**10,736**	**62,998**	**126,684**	**26,576**	**6,938**	**233,932**
Accumulated amortisation						
At 1 January	-96	-17,958	-68,654	-17,709	–	**-104,417**
Depreciation charges for the financial year	-7	-2,362	-10,473	-2,466	–	**-15,308**
Disposals	–	2	3,246	2,347	–	**5,595**
Impact of changes in foreign exchange rates	–	-10	96	53	–	**139**
Impact of changes in Group structure	–	439	-987	-1,224	–	**-1,772**
Other movements	–	-18	246	-40	–	**188**
At 31 December	**-103**	**-19,907**	**-76,526**	**-19,039**	**0**	**-115,575**
Net value at 31 December	**10,633**	**43,091**	**50,158**	**7,537**	**6,938**	**118,357**

Significant PPE (buildings, machinery and tools) used have no book value equal to zero.

11.2 – Leased property, plant and equipment

€ thousands	2005	2004
Gross value		
Land	5,137	4,269
Buildings	46,843	36,533
Technical installations, material and tools	1,076	1,076
Total	**53,056**	**41,878**
Cumulated depreciation		
Land	–	–
Buildings	-10,299	-9,750
Technical installations, material and tools	-421	-314
Total	**-10,720**	**-10,064**
Net value at 31 December	**42,336**	**31,814**

The change from year to year resulted from the lease financed acquisition of a logistics centre in Bonneville.
The maturity date of undiscounted and discounted minimum payments relating to the finance leases can be analysed as follows:

€ thousands	Undiscounted 2005 liability	Discounted 2005 liability
Less than 1 year	5,106	4,144
1 to 5 years	16,664	14,506
More than 5 years	11,748	10,570
Total	**33,518**	**29,220**

€ thousands	Undiscounted 2004 liability	Discounted 2004 liability
Less than 1 year	3,732	3,136
1 to 5 years	12,242	11,365
More than 5 years	5,611	4,701
Total	**21,585**	**19,202**

11.3 – Sureties

At 31 December 2005, the Group no longer had any PPE given as guarantees for bank debts.

12 - Impairment tests

In 2005, as in any year or in any occasion there is an indication that the value of assets may have been impaired, SOMFY Group reassessed acquisition goodwill related to Cash Generating Units, in accordance with the provisions of IAS 36. The Group defines CGU's based on how acquisition goodwill, whose economic benefits are expected to flow to the Group, is monitored.

The recoverable amount of CGU's is the higher of the fair value of assets after deducting disposal costs and the value in use. Value in use is measured using the discounted cash flow method.

Cash flows were measured based on long-term budgets and plans.

Cash flows were projected over several years by introducing specific growth rates that are consistent with Group historical growth rates.
The growth rate selected for infinite cash flow projections was 1.8%.

The cash flow discount rate was determined in particular on the basis of market data (9% for European companies and 7% for companies operating in the US).

Present value was always higher than the net book value of CGU's at 31 December 2004 and 2005. Therefore, no impairment loss was recognised.

Similarly, no impairment loss was recorded during the financial year for assets with a definite useful life, which are independent from other assets.

13 - Equity accounted companies

€ thousands	**At 31/12/05**	**At 31/12/04**
Opening share of equity	118,222	83,501
Changes in consolidation scope*	-12,332	20,093
Fair value movements**	3,848	4,777
Share of net profit for the financial year***	11,690	11,683
Dividends paid	-2,945	-1,778
Translation adjustment	135	-54
Closing share of equity**	**118,618**	**118,222**

* Equity-accounting of Devianne Group and Gaviota-Simbac in 2004 and disposal of Devianne Group in 2005.
** Fair value relates to assets held for disposal owned by FAAC (€26,918 thousand in 2004 and €30,764 thousand in 2005) and deferred tax related to a tax impact (€800 thousand loss in 2004 and 2005).
*** Including the share in Devianne net profit, recorded under "net profit of discontinued activities" in the income statement.

The "equity accounted companies" item almost fully comprises the Faac and Gaviota-Simbac groups.

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€ thousands	31/12/05	31/12/04
Faac, 34% held by the Group		
Sales	137,518	133,388
Profit from operations	30,570	31,431
Net profit (Group share)	26,472	25,433
Total assets	309,789	284,309
Shareholders' equity (Group share)	272,035	240,900
Residual acquisition goodwill	1,243	1,243

€ thousands	31/12/05	31/12/04
Gaviota-Simbac, 46.5% held by the Group		
Sales	70,304	66,860
Profit from operations	9,178	7,017
Net profit	5,785	4,608
Total assets	53,911	53,893
Shareholders' equity	33,497	27,871
Residual acquisition goodwill	9,068	9,068

An assessment of the investment in Faac was conducted in 2005 by an independent expert. It confirmed the recoverable amount of this asset.

14 – Financial assets

€ thousands	31/12/05	31/12/04
Assets held for disposal	54,167	58,738
• *Investments in uncontrolled companies**	*36,919*	*35,322*
• *Marketable securities**	*17,248*	*23,416*
Loans**	1,124	1,643
Financial assets held to maturity	–	494
Others	1,798	1,674
Non-current and current financial assets	**57,089**	**62,549**
Due within 1 year	12,586	18,917
Non-current financial assets	**44,503**	**43,632**

* The difference between the fair value and the acquisition price of assets held for disposal was €12,277 thousand in 2004 (€9,740 thousand net of deferred tax) and €13,952 in 2005 (€12,875 thousand net of deferred tax).

** Including a €138 thousand and €94 thousand provision at 31/12/05 and 31/12/04, respectively.

Financial assets due within one year comprise marketable securities.

The "other" item primarily relates to guarantees and deposits.

Agta Record, of which the Group held 24.93% at 31 December 2005, does not meet the conditions required to be equity accounted. Currently, SOMFY owns over 20% of Agta Record but has no significant influence in this company, for the following reasons:

- it has no representative in the Board of Directors,
- it does not take part in the policy determination process,
- no transactions occurred between SOMFY and Agta Record.

Therefore, the Agta Record investment is considered as held for disposal and measured at fair value at year-end. Changes in fair value are directly recognised in equity. Fair value amounted to €36.8 million at 31 December 2005.

15 - Inventories

€ thousands	31/12/05	31/12/04
Gross values		
Raw materials and other supplies	24,215	19,726
Finished products and merchandise	50,039	61,338
Total	**74,254**	81,064
Provisions	**-8,136**	-9,753
Net value	**66,118**	71,311

€ thousands	Value at 31/12/04	Net provision charges	Translation adjustment	Other movements	Value at 31/12/05
Inventory provisions	-9,753	1,322	-207	502	-8,136

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16 - Trade receivables

€ thousands	31/12/05	31/12/04
Gross value	109,720	107,271
Provision	-4,628	-5,836
Net value	**105,092**	**101,435**

€ thousands	Value at 31/12/04	Net provision charges	Translation adjustment	Other movements	Value at 31/12/05
Trade receivable provision	-5,836	1,284	-76	-	-4,628

Trade receivables include receivables due within one year.

17 - Other receivables

€ thousands	31/12/05	31/12/04
Gross values		
Personnel receivables	485	435
Other tax receivables (including VAT)	5,675	4,417
Accrued expenses	3,127	3,311
Other receivables*	1,684	2,089
Total	**10,971**	**10,252**

* The "other receivables" item primarily includes receivables and advance payments on non-current assets.

Other receivables classified as "current" are receivables due within one year.

18 - Cash and cash equivalents

€ thousands	31/12/05	31/12/04
Cash	61,345	40,895
Cash equivalents	60,971	16,263
Total	**122,316**	**57,158**

Cash equivalents primarily include deposits with a maturity date of less than 3 months and euro monetary UCITS.

19 - Provisions

19.1 - Non-current provisions

€ thousands	Provisions for guarantees	Provisions for litigations	Provisions for liabilities and other risks	Total 2005
At 1 January	**3,972**	**1,250**	**1,612**	**6,834**
Charges	75	-	974	**1,049**
Used reversals	-	-	-338	**-338**
Unused reversals	-	-1,200	-10	**-1,210**
Impact of translation adjustment	41	-	9	**50**
Other movements	-228	-	-	**-228**
At 31 December	**3,860**	**50**	**2,247**	**6,157**

The net impact of non-current provisions on other operating revenue and charges in the income statement amounted to €59 thousand. Other amounts (provision charges after deducting used and unused reversals) affect the profit from operations.

19.2 - Current provisions

€ thousands	Provisions for guarantees	Provisions for litigations	Provisions for liabilities and other risks	Total 2005
At 1 January	**1,761**	**2,107**	**1,702**	**5,570**
Charges	-93	223	1,750	**1,880**
Used reversals	-	-557	-1,369	**-1,926**
Unused reversals	-	-156	-155	**-311**
Impact of translation adjustment	20	-6	14	**28**
Other movements	212	0	0	**212**
At 31 December	**1,900**	**1,611**	**1,942**	**5,453**

The net impact of non-current provisions on other operating revenue and charges of the income statement amounted to €618 thousand. Other amounts (provision charges after deducting used and unused reversals) affect the profit from operations.

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20 - Other financial debts

20.1 - Analysis by category

€ thousands	31/12/05	31/12/04
Borrowings from credit institutions	31,896	33,038
Lease borrowings	29,220	19,202
Misc. borrowings and financial debts	1,089	1,562
Non-current and current financial debts	**62,205**	**53,802**
Due within one year	24,175	20,866
Current financial debts	**38,030**	**32,936**

20.2 - Analysis by maturity

€ thousands	31/12/05	31/12/04
Within 1 year	24,175	20,866
1 to 5 years	17,428	26,691
Over 5 years	20,602	6,245
Total	**62,205**	**53,802**

20.3 - Analysis by rate type

€ thousands	31/12/05	31/12/04
Variable rate (*rate swaps and caps for an amount of €35 million)*	61,132	52,234
Fixed rate	–	–
No rate	1,073	1,568
Total	**62,205**	**53,802**

20.4 – Analysis by currency

€ thousands	31/12/05	31/12/04
Euros	55,320	41,746
USD	3,070	1,127
CAD	2,921	4,187
Other	894	6,742
Total	**62,205**	**53,802**

20.5 – Borrowings secured by collateral

At 31 December 2005, no debt was secured by collateral.

20.6 – Covenants

At 31 December 2005, SOMFY International SA had €105 million in confirmed medium-term loan facilities with five banks, of which €22.2 million had been drawn.
Funds made available under this arrangement are subject to an undertaking by SOMFY International SA to comply with the financial covenants relating to the financial structure of the Group (debt/equity ratio) and its repayment capability (financial debt, cash flow ratio).
All covenants were complied with at 31 December 2005.

21 – Analysis of net borrowings

€ thousands	31/12/05	31/12/04
Financial debts	62,205	53,802
Financial assets	18,373	25,553
• *Marketable securities*	*17,248*	*23,416*
• *Other*	*1,125*	*2,137*
Cash and cash equivalents	122,316	57,158
Net indebtedness*	**-78,484**	**-28,909**

* Negative figure = net cash surplus.

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22 - Risk management

SOMFY Group is exposed to translation risks by intra-group sales of manufactured products from France to other countries (denominated in local currencies) and by the translation into recognition currency (Euro) of subsidiary financial statements at balance sheet date.
However, over 70% of consolidated sales are generated in the Euro zone.

Derivative instruments primarily comprise foreign exchange contracts and foreign currency options.

The Group elected to apply IAS 32/39 standards from 1 January 2004. Therefore, derivative instruments are measured at fair value at each year-end.

The Group elected not to apply hedging accounting. Fair value changes are thus directly recognised in financial income/expense.

The exchange rate of the US dollar, which reached extreme levels (1.1797, yearly high) at 31 December, had a negative impact on determining the fair value of hedging instruments. Their fair value amounted to a negative (€133 thousand) at 31 December 2005, compared to €835,000 at 31 December 2004, resulting in a (€968 thousand) impact on net profit.

31/12/05	Hedging of balance sheet items	Hedging of off-balance sheet items	Total (€ thousands)	Fair value (€ thousands)	Types
AUD	1,346	494	**1,840**	**2**	**Short hedge**
CHF	706	1,144	**1,850**	**46**	**Short hedge**
GBP	1,060	1,992	**3,052**	**33**	**Short hedge, Accumulator**
HKD	491	0	**491**	**8**	**Short hedge**
JPY	958	372	**1,330**	**195**	**Short hedge, Accumulator**
PLN	662	0	**662**	**-115**	**Short hedge**
SGD	63	0	**63**	**-3**	**Short hedge**
USD	1,541	11,373	**12,914**	**-299**	**Short hedge, Accumulator, Vanilla option**
	6,827	15,375	**22,202**	**-133**	

31/12/05	Hedging of balance sheet items	Hedging of off-balance sheet items	Total (€ thousands)	Fair value (€ thousands)	Types
AUD	0	2,574	**2,574**	**43**	**KO option, Accumulator, Double ration option**
CHF	522	3,589	**4,111**	**54**	**Short hedge, Accumulator, KO option**
CZK	223	537	**760**	**-26**	**Short hedge**
GBP	647	680	**1,327**	**77**	**Short hedge, Accumulator**
HKD	446	0	**446**	**96**	**Short hedge**
HUF	377	205	**582**	**-45**	**Short hedge**
JPY	1,200	2,423	**3,623**	**358**	**Short hedge, Accumulator, Assymetric term**
PLN	759	682	**1,441**	**-111**	**Short hedge**
SEK	394	3,147	**3,541**	**-9**	**Short hedge**
SGD	62	501	**563**	**34**	**Short hedge**
USD	588	5,439	**6,027**	**365**	**Short hedge, Accumulator, KO option**
	5,218	19,777	**24,995**	**835**	

Interest rate risk

The majority of Group company financial debt carries a variable rate. Interest rate hedges had a nominal value of €35 million at 31 December 2004 and 2005.
The fair value of swaps represented a liability of €88 thousand in 2005, compared to a liability of €11 thousand in 2004.
The Group does not hedge fixed rates against variable rates.

Liquidity risk

Group financing essentially relies on leases and medium-term credit facilities, which are only occasionally used due to the high level of Group net cash.
The Group does not use revolving credits or securitise its receivables.

Deposit risk

Due to the allocation of its marketable security portfolio, the Group is not exposed to the share price fluctuation risk, except for treasury shares. Treasury shares held by the parent company are deducted from reserves at consolidation. Therefore, they have no impact on Group net profit.
Other SOMFY SA and Damartex shares held by the equity accounted Faac company are retained in the equity value of this sub-group and thus contribute to consolidated reserves.

23 – Employee Benefits

As regards pension commitments, the Group contributes to pension plans or grants benefits to personnel at retirement, in compliance with local practice and regulations applicable in each particular country.
Changes between the 2004 and 2005 financial years may be analysed as follows:

Retirement commitments – FRANCE

€ thousands	Benefit obligation	Plan assets	Net obligation	Net amount recognized in financial statements	Amounts unrecognized
1 January 2005	**4,129**	**-1,315**	**2,814**	**2,814**	**0**
Net periodic pension cost:	**1,242**	**-38**	**1,204**	**1,204**	**0**
• Service cost and interest cost	1,242	0	1,242	1,242	0
• Expected return on assets	0	-38	-38	-38	0
• Amortisation of actuarial amount	0	0	0	0	0
Employer's contribution	**0**	**0**	**0**	**0**	**0**
Paids to participants	**-77**	**64**	**-13**	**-13**	**0**
Actuarial spreads generated	**0**	**0**	**0**	**0**	**0**
Translation adjustments	**0**	**0**	**0**	**0**	**0**
Changes in consolidation scope	**0**	**0**	**0**	**0**	**0**
31 December 2005	**5,294**	**-1,289**	**4,005**	**4,005**	**0**

€ thousands	Benefit obligation	Plan assets	Net obligation	Net amount recognized in financial statements	Amounts unrecognized
1 January 2004	**3,604**	**-1,354**	**2,250**	**2,250**	**0**
Net periodic pension cost:	**623**	**-59**	**564**	**564**	**0**
• Service cost and interest cost	623	0	623	623	0
• Expected return on assets	0	-59	-59	-59	0
• Amortisation of actuarial amount	0	0	0	0	0
Employer's contribution	**-24**	**24**	**0**	**0**	**0**
Paids to participants	**-74**	**74**	**0**	**0**	**0**
Actuarial spreads generated	**0**	**0**	**0**	**0**	**0**
Translation adjustments	**0**	**0**	**0**	**0**	**0**
Changes in consolidation scope	**0**	**0**	**0**	**0**	**0**
31 December 2005	**4,129**	**-1,315**	**2,814**	**2,814**	**0**

Retirement commitments – OTHERS

€ thousands	Benefit obligation	Plan assets	Net obligation	Net amount recognized in financial statements	Amounts unrecognized
1 January 2005	**12,597**	**-10,568**	**2,029**	**1,183**	**845**
Net periodic pension cost:	**939**	**-465**	**474**	**514**	**-40**
• Service cost and interest cost	939	0	939	939	0
• Expected return on assets	0	-465	-465	-465	0
• Amortisation of actuarial amount	0	0	0	40	-40
Employer's contribution	**0**	**-292**	**-292**	**-292**	**0**
Paids to participants	**-198**	**-262**	**-460**	**-460**	**0**
Actuarial spreads generated	**121**	**-18**	**103**	**0**	**103**
Translation adjustments	**634**	**-498**	**136**	**2**	**134**
Changes in consolidation scope	**105**	**-85**	**20**	**20**	**0**
31 December 2005	**14,198**	**-12,189**	**2,009**	**967**	**1,042**

€ thousands	Benefit obligation	Plan assets	Net obligation	Net amount recognized in financial statements	Amounts unrecognized
1 January 2004	**13,539**	**-8,018**	**5,521**	**5,489**	**32**
Net periodic pension cost:	940	-343	597	597	0
• Service cost and interest cost	940	0	940	940	0
• Expected return on assets	0	-343	-343	-343	0
• Amortisation of actuarial amount	0	0	0	0	0
Employer's contribution	**0**	**-4,758**	**-4,758**	**-4,758**	**0**
Paids to participants	**-2,705**	**2,555**	**-150**	**-150**	**0**
Actuarial spreads generated	**1,035**	**-190**	**845**	**0**	**845**
Translation adjustments	**-212**	**186**	**-26**	**6**	**-32**
Changes in consolidation scope	**0**	**0**	**0**	**0**	**0**
31 December 2005	**12,597**	**-10,568**	**2,029**	**1,184**	**845**

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Employee seniority awards

€ thousands	31/12/04	Cost	Benefits paid	Change in cons. scope	31/12/05
Actuarial commitments	1,070	257	-57	-	1,270

€ thousands	31/12/03	Cost	Benefits paid	Change in cons. scope	31/12/04
Actuarial commitments	950	143	-23	-	1,070

TFR- Trattamento Di Rapporto

€ thousands	31/12/04	Cost	Benefits paid	Change in cons. scope	31/12/05
Actuarial commitments	2,517	781	-375	-	2,923

€ thousands	31/12/03	Cost	Benefits paid	Change in cons. scope	31/12/04
Actuarial commitments	1,400	863	-491	745	2,517

Actuarial differences at 31 December 2005 amounted to €1,042 thousand, compared to €845 thousand at 31 December 2004. The impact of defined benefits had a €2,756 thousand impact on personnel costs in the income statement.

The main assumptions used in calculations are the following:

€ thousands	2005	2004
Discount rate		
France	4.0%	4.9%
Germany	5.0%	6.0%
United States	6.0%	6.0%
Italy	n/a	n/a
Others	2.0% - 5.0%	2.0% - 5.0%
Long term yield expected from pension plan assets		
France	3.0%	3.0%
Germany	5.0% - 6.0%	5.0% - 6.0%
United States	6.0%	6.0%
Italy	n/a	n/a
Others	2.3% - 4.5%	2.3% - 4.5%
Future salary increases		
France	2.2% - 3.0%	2.2% - 3.0%
Germany	1.0%	1.0%
United States	2.0%	2.0%
Italy	n/a	n/a
Others	2.5% - 3.5%	2.5% - 3.5%

The Group retained under IFRS the French GAAP treatment of individual training rights, in accordance with Notice n) 2004-F of 13 October 2004 of the CNC Emergency Committee in relation to the "Recognition of Individual Training Rights – ITR". The number at year-end of available training hours that have not been requested by employees amounted to 19,278 hours.

24 - Other debts

€ thousands	31/12/05	31/12/04
Social security liabilities	33,233	31,610
Tax liabilities	7,579	6,469
Accrued revenue	1,093	461
Dividends payable	31,347	0
Others*	4,423	4,742
Total	**77,675**	43,282

* The "others" item primarily includes debts related to non-current assets.

Other debts classified as "current" are debts due within one year.

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25 - Share-based payments

Stock options are measured at the market value at the date of allocation. They are subsequently amortised in the income statement for the period when rights are vested to employees (5 years). This is applicable to all plans granted as from 7 November 2002. The charge for the financial year is measured by an external expert for the two plans concerned (2002 and 2003 plans). It amounted to €265 thousand in 2005 and 2004.

Plan date	Number of beneficiaries	Number of shares allocated	Restated number of shares	Option exercise price	Restated option exercise price	Option expiry date
17/12/99	55	22,200	25,918	75.00	64.32	17/12/06
29/09/00	69	38,780	45,275	75.00	64.32	31/01/07
17/07/01	51	21,000	24,514	78.00	66.89	31/01/08
05/12/02	54	20,300	20,300	100.00	100.00	31/01/09
01/12/03	62	20,150	20,150	128.00	128.00	31/01/10

The following movements on share option plans arose in 2004 and 2005:

	2005		2004	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at 1 January	86,335	87.50	92,683	86.31
Options granted	-	-	-	-
Options cancelled	-1,681	90.99	-2,331	80.06
Options exercised	-23,671	65.11	-4,017	64.32
Options non-exercised at year-end	60,983	96.10	86,335	87.50
Options exercisable at year-end	22,833	65.36	30,145	64.32

At 31 December 2005, the following option plans remained unexercised:

Plan dated	Exercise price (in euro)	Number of options	Number of days remaining before option expiry date
17/12/99	64.32	4,055	351
29/09/00	64.32	9,495	396
17/07/01	66.89	9,283	761
05/12//02	100.00	18,400	1,127
01/12/03	128.00	19,750	1,492

26 – Analysis of equity

	31/12/05	31/12/04
Total number of shares	7,836,800	7,836,800
Treasury shares	121,564	137,884
Par value	€1	€1
Dividend per share submitted for approval	€4.80	€4.60

The voting right attached to the shares is proportional to the capital that they represent. Each share of the company entitles its holder to one vote.
A voting right that is double that conferred on shares, considering the share capital they represent, is allocated to all fully paid shares that have been duly registered for at least four years in the name of the same shareholder at the end of the financial year preceding that of each Meeting.

Equity may be analysed as follows:

€ thousands	31/12/05	31/12/04
Share capital	7,837	7,837
Legal reserve	791	791
Share premium	1,866	1,866
Translation adjustment	2,259	-1,509
Other reserves	380,501	352,074
Net profit for the year	106,921	87,613
Equity (Group share)	**500,175**	**448,672**

27 – Analysis of cash flow statement

27.1 – Cash and cash equivalents

€ thousands	31/12/05	31/12/04
OPENING BALANCE	**55,254**	**87,279**
Opening cash and cash equivalents	57,158	97,017
Bank overdrafts	-1,904	-9,738
CLOSING BALANCE	**119,003**	**55,254**
Closing cash and cash equivalents	122,316	57,158
Bank overdrafts	-3,313	-1,904

Other deposits are classified as financial assets because they do not comply with the cash and cash equivalent definition of IAS 7. They are now classified under investment activities in the cash flow statement.

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27.2 - Property, plant and equipment

Property, plant and equipment debts and receivables are now classified under investment activities.
During the 2005 financial year, the Group acquired intangible non-current assets and PPE for a total amount of €40.6 million, of which €10.8 million was financed by finance leases and €0.9 million by debts on non-current assets.

During the 2004 financial year, the Group acquired intangible non-current assets and PPE for a total amount of €18.8 million, of which €0.4 million was financed by debts on non-current assets.

27.3 - Subsidiary acquisitions and disposals, net of subsidiary cash and cash equivalents

At 31 December 2004, this item was primarily affected by two major events: the acquisition of BFT and the change in consolidation method regarding Gaviota-Simbac.

BFT acquisition

The fair value of acquired assets and liabilities were the following:

€ thousands	
Acquisition goodwill	76,269
Net non-current assets	12,874
Inventories	9,448
Trade receivables	14,603
Other receivables	2,186
Cash	6,637
Borrowings	-27,940
Trade payables	-14,919
Other debts and provisions	-8,923
Total acquisition cost	70,235
Less: acquired cash	-6,637
Cash flow resulting from the acquisition after deduction of acquired cash	63,598

Gaviota-Simbac

Following changes within the Board of Directors of Gaviota-Simbac at the end of 2004, these two companies that were proportionally consolidated up to 31 December 2003 are now equity accounted.
The change in consolidation method resulted in a cash increase of €2,395 thousand, equivalent to 46.5% of Gaviota-Simabc bank overdrafts at 31 December 2003.

At 31 December 2005, this item was primarily affected by the disposal of Devianne. In fact, SOMFY disposed of its investment in Devianne Group, after having concurrently purchased an additional 52.6% of its share capital so that Devianne Group was fully-owned by the Group. These transactions had an overall impact of €18,392 thousand on the cash flow statement.

28 - Off-balance sheet commitments

Group off-balance sheet commitments may be analysed as follows:

Commitments given:

€ thousands	31/12/05	31/12/04
• Guarantees and pledges given*	26,966	28,581
• Interest over the remaining term of loans	5,010	3,036
• Rents over the remaining term of leases	8,291	8,478
• Mortgages	-	1,623
• Foreign exchange forward sale contracts	15,375	19,777
Total	**55,642**	**61,495**

* Incl. a €24.6 million deposit pledged by SOMFY SA in relation to a loan repaid early in 2004, which will not be released until 2007, the final maturity initially provided in the contract.

Interest to be paid over the remaining term of loans are solely calculated for loans with known maturity dates, not for short-term lines of credit with occasional drawings.

Commitments received:

€ thousands	31/12/05	31/12/04
• Guarantees and pledges received	3,000	3,000
• Unused lines of credit	95,069	95,182
Total	**98,069**	**98,182**

Complex commitments

HDI earn-out option was renegotiated in December 2005. HDI agreed to pay former shareholders a share of royalties billed and for which payments were received in respect of the use of patents, for a minimum amount of US$ 300 thousand for 4 years. Due to royalty billing prospects over the next few years, this commitment was not deemed as constituting an additional liability at 31 December 2005, since the US$ 300 thousand amount will be offset by royalties billed.

29 - Information on environmental risks

SOMFY contributes to create buildings that are more respectful of the environment and takes action to better understand and preserve natural habitats. The Company puts all its knowledge of dynamic façade management to the service of a more comfortable, more economical and more environment-friendly architecture.

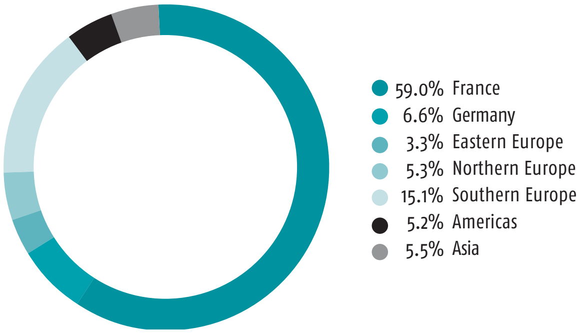
SOMFY is actively committed to all its communities in terms of the environment. In order to put its commitment into concrete form, SOMFY has created its own foundation, whose objective is to take action for the environment in all countries where SOMFY is established.

SOMFY International Group's major production sites only undertake assembly work, which does not generate any pollution. Accordingly, the Group is not exposed to any significant environmental risk.

Workforce information

SOMFY International Group's average workforce size at 31 December 2005, with temporary and part-time employees recorded on a fulltime equivalents basis, was as follows:

€ thousands	31/12/05	31/12/04
Average workforce	**3,383**	**3,257**



31 – Information on related parties

Related parties include:
- the parent company,
- entities that exercise joint control or have significant influence over the entity,
- subsidiaries,
- associate companies,
- joint-ventures,
- management Board and Management Committee members.

31.1 – Transactions with associate companies

Associate companies are companies over which the Group has significant influence and which are consolidated using the equity method. Transactions with associate companies are carried out at market prices.

€ thousands	31/12/05	31/12/04
Sales	4,958	5,077
Other revenues	475	432
Cost of sales	2,830	2,628
Other charges	117	177
Interest received	41	41
Trade receivables	1,717	1,354
Trade payables	644	807
Loans	1,050	1,550

31.2 – Gross remuneration of management and supervisory board members

€ thousands	31/12/05	31/12/04
Cash-based remuneration	1,671	1,462
Share-based remuneration	43	42

Share-based remuneration represents the amortising of the 2002 and 2003 stock option plans granted to Directors.

32 – Activities disposed of

During the second half of 2005, SOMFY disposed of its investment in Devianne Group. Devianne was equity accounted at 31 December 2004.

Profit from operations disposed is only affected by the disposal of Devianne Group and includes a consolidated capital gain of €2.2 million and Devianne net profit for the first half of 2005 of €1.0 million (€0.8 million in 2004).

Devianne operates 36 clothing stores of an average surface area of 900 m^2, primarily established in Northern, Eastern and Western France. It realised sales of €61 million in 2004.

33 - Consolidation scope

Consolidated and equity accounted companies at 31 December 2005:
All companies have 31 December 2005 year-end.

Company name	Head office	SIREN number (French companies)	% controlled 31/12/05	% held 31/12/05	% held 31/12/04
SOMFY SA	74300 Cluses (France)	476.980.362	(parent company)	-	-
Fully consolidated companies					
Fontenoy-Malvart SNC	01210 Ferney-Voltaire (France)	342.895.612	100.00	100.00	100.00
DSG	Mouscron (Belgium)		99.98	99.98	99.98
SOMFY SAS	74300 Cluses (France)	303.970.230	100.00	100.00	100.00
Spirel SAS	73660 St-Rémy-de-Maurienne (France)	301.857.744	100.00	100.00	100.00
SOMFY GmbH	Rottenburg (Germany)		100.00	100.00	100.00
SOMFY Ges.mb H.	Elsbethen-Glasenbach (Austria)		100.00	100.00	100.00
SOMFY KFT	Budapest (Hungary)		100.00	100.00	100.00
SOMFY Sp zoo	Waarsaw (Poland)		100.00	100.00	100.00
SOMFY Spol sro	Prague (Czech Republic)		100.00	100.00	100.00
SOMFY AB	Limhamn (Sweden)		100.00	100.00	100.00
SOMFY BV	Hoofddorp (Netherlands)		100.00	100.00	100.00
SOMFY Systems Inc.	Cranbury NJ (United States)		100.00	100.00	100.00
SOMFY Italia SRL	Trezzano sul Naviglio (Italy)		100.00	100.00	100.00
SOMFY AG	Bassersdorf (Switzerland)		100.00	100.00	100.00
SOMFY K.K.	Yokohama (Japan)		100.00	100.00	100.00
SOMFY Espana SA	Barcelona (Spain)		100.00	100.00	100.00
NV SOMFY SA	Zaventem (Belgium)		100.00	100.00	100.00
SOMFY Middle East Co Ltd	Limassol (Republic of Cyprus)		100.00	100.00	100.00
SOMFY Ltd	Yeadon (England)		100.00	100.00	100.00
SOMFY PTY Ltd	Rydalmere (Australia)		100.00	100.00	100.00
SOMFY Joo	Seoul (Korea)		100.00	100.00	100.00
SOMFY PTE Ltd	Singapore		100.00	100.00	100.00
SOMFY Co Ltd	Hong Kong		100.00	100.00	100.00
Lian Da	Zhejiang (China)		80.00	80.00	-
Somfybat SNC	74300 Cluses (France)	377.887.161	100.00	100.00	100.00
SOMFY Maroc SARL	Casablanca (Marocco)		100.00	100.00	100.00
SOMFY Hellas SA	Athenes (Greece)		100.00	100.00	100.00
SOMFY Mexico SA DE CV	Edo de Mex. (Mexico)		100.00	100.00	100.00
SOMFY Brazil LTDA	Sao Paulo (Brazil)		100.00	100.00	100.00
SOMFY India Pvt Ltd	New Dehli (India)		100.00	100.00	100.00
Simu SAS	70100 Gray (France)	425.650.090	100.00	100.00	100.00
Simu U.S.A. Inc	Boca Raton FL (United States)		100.00	100.00	100.00
Simbac GmbH	Iserlohn (Germany)		100.00	100.00	100.00
Simu RT SPOL SRO	Zlin (Czech Republic)		100.00	100.00	100.00
SOMFY ULC	Halifax (Canada)		100.00	100.00	100.00
Hal en Co BV	Maastricht (Netherlands)		100.00	100.00	100.00
WAY SRL	Galliera Bologne (Italy)		100.00	100.00	100.00
Siminor SAS	92230 Gennevilliers (France)	775.695.497	100.00	100.00	100.00
Siminor Technologies Castres SARL	81100 Castres (France)	333.277.267	100.00	100.00	100.00
Domis SA	74150 Rumilly (France)	422.485.359	100.00	100.00	100.00
Harmonic Design	California 91355 (United States)		100.00	100.00	100.00
Sisa Home Automatisation LTD	Rishone Le Zion (Israel)		100.00	100.00	100.00
SOMFY China LTD	Shanghai (China)		100.00	100.00	100.00
SOMFY Russie LLC	Moscow (Russia)		100.00	100.00	100.00
SITEM	Tunis (Tunisia)		100.00	100.00	100.00
SITEM Services	Tunis (Tunisia)		100.00	100.00	-
Domaster SAS	Cluses (France)	452.475.460	100.00	100.00	100.00
SOMFY Ev Otomasyon Sistemleri Ticalet Ltd Sti	Usküd (Turkey)		100.00	100.00	100.00
BFT Spa	Schio (Italiy)		100.00	100.00	100.00
SARL Automatismes BFT France SAS	Lyon (France)	398.376.350	100.00	100.00	100.00
Automatismo BFT centro SL	Barcelone (Spain)		95.06	95.06	91.50
BFT Torantriebssysteme Gmh	Furth (Germany)		60.00	60.00	60.00
BFT Automation UK Limited	Stockport (England)		100.00	100.00	100.00
BFT Benelux SA	Nivelles (Belgium)		100.00	100.00	-
BFT Adria d.o.o.	Croatia		75.00	75.00	-
Sociétés consolidées par mise en équivalence					
Faac Spa	Bologna (Italy)		34.00	34.00	34.00
Gaviota Simbac SL	Sax Alicante (Spain)		46.50	46.50	46.50
Simbac Spa	Mezzago (Italy)		46.50	46.50	46.50
BFT france	Marseille (France)	389.823.352	30.00	30.00	30.00

34 - Post-balance sheet events

No post-balance sheet event occurred.

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TRANSITION TO IFRS

Context of publication

In application of European Regulation 1606/2002 of 19 July 2002 on international standards, SOMFY Group consolidated financial statements for the financial year ended 31 December 2005 were prepared in accordance with IAS/IFRS international accounting standards ("IFRSs") applicable at that date, as approved by the European Union at the date of preparation of these financial statements.

The 2005 financial statements are the first to be prepared in accordance with IFRS. They are presented along with comparative data for the 2004 financial year, prepared according to the same standards.

In accordance with AMF recommendation on disclosures during the transition period, SOMFY Group prepared the following 2004 financial information in respect of the transition to IAS/IFRS standards:

- a reconciliation of income statement at 31 December 2004 according to French and IFRS standards,
- a reconciliation of balance sheet at 31 December 2004 according to French and IFRS standards.

This 2004 financial information was prepared in accordance with IAS/IFRS standards and interpretations that SOMFY Group considers will be applied to consolidated financial statements at 31 December 2005.

Therefore, the basis of preparation of the 2004 financial information described in the notes below results from the following:

- IFRS standards and interpretations whose application was compulsory at 31 December 2005, as they are known to date,
- the Group's anticipation to date of the resolution of technical matters and projects in progress currently being discussed by the IASB and IFRIC, which could be applicable in respect of 2005 consolidated financial statements,
- options selected and exemptions used by the Group for the preparation of its first IFRS consolidated financial statements for the 2005 financial year.

Translation project organisation

In order to be able to publish half-yearly and annual accounts according to new standards from 2005, SOMFY has taken the following steps:

- creation in 2003 of a project group. Familiarisation with new standards and identification of qualitative differences between CRC 99-02 and IFRS standards;
- 2004: impact estimation, drafting of new procedures and migration to new consolidation software allowing the production of IFRS information.

Presentation of standards and interpretations applied

The Group adopted the standards included in a stable "platform" of standards whose application will be compulsory for the financial years beginning on or after 1 January 2005.

IFRS standards with an impact on Group financial statements are the following:

First application of international financial reporting standards (IFRS 1)

With regards to establishing its opening balance sheet, the Group complied with the provisions of IFRS 1 regarding first application of international standards and exceptions to the retrospective application principle of all IFRS standards.

Within this context, SOMFY has selected the following options and exceptions defined by IFRS 1:

- business combinations prior to 1 January 2004 were not subject to retrospective restatements,
- actuarial differences on pension commitments were recognised as a contra-entry in equity for their cumulative amount at 1 January 2004,
- the cumulative amount of translation differences at 1 January 2004 was cleared by a contra-entry to consolidated reserves, the amount of opening equity thus remaining unchanged.

IAS 32 and 39 were applied with effect from 1 January 2004.

Tangible assets (IAS 16)

The application of IAS 16, relating mainly to valuation recognition and depreciation of property, plant and equipment, has a significant impact on the group's consolidated financial statements.

At the time of the first adoption of IFRS, the standard IFRS 1 provides the possibility of carrying out or not, a valuation of all or part of the property, plant and equipment..
SOMFY elected to retain the historic cost for the valuation of property, plant and equipment at the time of the first adoption of IFRS.
For subsequent valuations, the Group will apply the benchmark treatment defined in IAS 16.

Taking account of the nature of the non current assets held by the SOMFY Group, no significant components were identified.

Some of the rules relating to depreciation have changed:
- the bases of calculating depreciation were not revised, the Group believes that the residual values are not significant (excluding the value of land),
- the duration of depreciation was reviewed and has been determined as a function of the probable useful life for the business. Within the framework of the new standards, the useful lives have been extended compared to the current French accounting principles and have been applied retrospectively in accordance with IFRS 1.

Non current assets used that are lease financed are already recognised as assets in the consolidated financial statements and are now depreciated in accordance with the new depreciable lives.

• Buildings	20 to 30 years
• Machinery and tools	5 to 10 years
• Transport vehicles	3 to 5 years
• Office furniture and equipment	5 to 10 years
• Fixtures and fittings	8 to 10 years

Acquisition goodwill and business combinations (IFRS 3)

The first application of IFRS standards will not change the recognition conditions previously used for business combinations and acquisition goodwill. The Group has not restated business combinations prior to 1 January 2004, in accordance with an option included in IFRS 1.

Acquisition goodwill is no longer amortized (no impact on opening balance sheet) but is subject to impairment tests on a periodic basis.
Implementation of impairment tests, according to methods described in IAS 36 has no impact on the opening balance sheet.

Intangible assets (IAS 38)

Application of IAS 38, which essentially relates to valuation, recognition and amortization of intangible assets, had a limited impact on Group consolidated accounts at 1 January 2004.

In order to be recognised, intangible assets have to comply with the asset definition and with a number of criteria. The Group has thus deducted from assets all patent and brand application expenses, as they do not relate to assets acquired by the Group's companies.

In addition, amortisation terms were reviewed and determined according to probable duration of use of assets by the company. Within the framework of the new standards, terms were extended and are applied retrospectively in accordance with IFRS 1.

Application of IAS 38 principles will compel the Group to recognise certain internally generated non-current assets. SOMFY incurs development expenses in relation to computer software or new product development, which were previously treated as expenses for the financial year. From 1 January 2004, development expenses are capitalised in Group accounts, since all criteria required to avail of this recognition method have been fulfilled.

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Impairment of assets (IAS 36)

IAS 36 defines the procedures to be applied by a company to ensure that the net book value of its assets does not exceed their recoverable amount, that is the amount to be recovered from the use or the disposal of the assets.

Except for goodwill and intangible assets with an unlimited useful life, which require systematic annual impairment tests, the recoverable amount of an asset should be estimated every time there is an indication that the asset may be impaired.
The recoverable amount of an asset is measured at the higher of its fair value, after deduction of disposal costs, and its value in use.

Fair value after deduction of disposal costs is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, after deducting disposal costs.

Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and its disposal at the end of its useful life.

Recoverable amount should be estimated for each individual asset. If it is not possible to do so, assets are brought together in Cash Generating Units, whose recoverable amount is subsequently measured.
A Cash-Generating Unit is the smallest group of assets to which the asset belongs that generates cash inflows, which are largely independent of the cash inflows from other assets or groups of assets.

The identification of related cash-generating units was conducted within SOMFY Group.

The recoverable amount of a CGU is measured at the higher of the fair value of its assets, after deduction of disposal costs, and their value in use.

The value in use is determined on the basis of cash flows based on plans and budgets of a maximum of 5 years. Cash flows beyond 5 years are extrapolated through the application of a constant or decreasing rate of change and discounted using long-term market rates before tax, which reflect market estimates of the time value of money and specific risks pertaining to these assets.

The recoverable amount is then compared to the book value of the CGU.

If this amount exceeds the net book value of the CGU at period end, no impairment should be recognised.

However, if this amount is lower then the net book value, an impairment loss equal to the difference should be recognised in priority against goodwill. This impairment loss may not be reversed.

As for other PPE and intangible assets with a set useful life, a previously recognised impairment loss may be reversed if there has been a change in the estimates used to determine the recoverable amount of the asset since the last impairment loss was recognised. If this is the case, the asset book value is increased to match the recoverable amount. The book value increased following the reversal of an impairment loss may not exceed the book value that would have been determined, after deducting depreciation, if no impairment loss had been recognised for this asset over the previous financial years.

An impairment loss reversal should be recognised as income, except if the asset is recognised at its revalued amount, in which case the impairment is to be treated as a revaluation increase. Following the recognition of an impairment loss reversal, the depreciation charge should be adjusted for future periods, so that the revised book value of the asset, after deducting its potential residual value, is systematically spread over the remaining period in use.

Employee benefits (IAS 19)

IAS 19 does not affect consolidated equity at first application of IFRS standards. The Group has changed its accounting method following CNC recommendation 2003-R.01. Actuarial differences at 31 December 2003 were recognised as a contra-entry to the net opening position at 1 January 2004.

Financial instruments (IAS 32, 39)

The Group elected to apply IAS 32/39 in its opening balance sheet at 1 January 2004.
As a result non-consolidated investments, fixed investments or marketable securities are considered as "assets available for sale" and are valued at their fair value, SOMFY Group measured the following items at fair value:
- Damartex SA and SOMFY SA shares held by FAAC, which is equity accounted in SOMFY consolidated financial statements,
- the non-consolidated investment in Agta Record,
- marketable securities included in the balance sheet.

Interest rate and exchange rate derivative instruments that qualify as hedging are recorded in the balance sheet, whether the instrument hedges an item recognised on the balance sheet (fair value hedge) or not (cash flow hedge).
All derivatives are measured at fair value. Fair value is either the market value for listed instruments, or a value provided by financial institutions in accordance with traditional criteria (over-the-counter market).

The Group elected not to apply hedging accounting. Fair value changes are thus directly recognised in financial income/expense.

The decision was motivated by the low impact on the Group's net assets, which does not justify the implementation of complex accountancy monitoring.

Treasury shares

The application of IFRS 2 and IAS 32-39 caused changes in treasury share recognition.
The Group holds treasury shares for the following purposes:
- regulate share price by systematic intervention against market trend,
- purchase or sell shares depending on market conditions,
- cover stock option plans previously allocated or to be allocated.

Treasury shares are directly deducted from equity in the opening balance sheet. They were previously recorded under marketable securities, as per regulation 99.02.

According to IFRS 2, share subscription options must be valued at market price at their allocation, then amortised in the income statement over the period of employee acquisition (5 years) for all plans allocated since 7 November 2002.
These transactions were measured using the Black & Scholes valuation model, which provides the fair value of the benefit thus granted and takes into account, in particular, a number of parameters such as the share price, exercise price, expected volatility, expected dividends, the risk-free interest rate, as well as the lifespan of the option.

Deferred taxes (IAS 12)

According to provisions of IAS 12, deferred tax relating to all temporary differences must be recognised.

In addition, deferred tax for tax impact relating to future distributions of equity accounted companies, which are not recognised under French GAAP, were recognised at 1 January 2004 within the framework of the new standards.

Consolidated financial statements

Présentation des états financiers (IAS 1)

IAS/IFRS standard application has significant impact on financial information presentation.

According to IAS 1, the balance sheet is presented using a current and non-current element classification. In addition, certain specific rules regarding offset between assets and liabilities led to reclassifications (for instance, pension assets and liabilities).

The income statement may be presented by nature or by function. The Group elected presentation by nature.

SOMFY will communicate information required by IAS 14 using tables, analysing first its operations by geographical areas reflecting the organisation in "Business areas" (first level), followed by segment analysis (second level). SOMFY operates in a single business segment: motorization and automatic operation of house and building doors and windows.

Other standards

Other IAS/IFRS do not require any specific comment and their application does not have any major impact on IFRS opening balance sheet.

Reconciliation of consolidated equity and consolidated net profit

Impacts are presented in each table net of deferred income tax.

€ thousands	01/01/04	31/12/04
Consolidated equity according to French accounting standards	**347,552**	**387,924**
Development costs	0	1,070
Intangible assets (extension of amortisation periods)	2,387	2,829
Property, plant and equipment (extension of depreciation periods)	18,617	19,908
Treasury shares	-10,039	-10,174
Fair value of assets available for sale	22,512	36,716
Fair value of interest rate hedging instruments	81	-73
Fair value of exchange rate hedging instruments	610	355
Cancellation of tax impact	-800	-800
Cancellation of goodwill amortisation	0	10,941
Consolidated equity according to IFRS standards	**380,921**	**448,696**

€ thousands	31/12/04
Consolidated net profit according to French accounting standards	**74,208**
Development costs	1,070
Intangible assets (extension of amortisation periods)	444
Property, plant and equipment (extension of depreciation periods)	1,292
Treasury shares	-294
Fair value of assets available for sale	-66
Fair value of interest rate hedging instruments	-154
Fair value of exchange rate hedging instruments	202
Cancellation of goodwill amortisation	10,941
Consolidated net profit according to IFRS standards	**87,643**

Reconciliation of consolidated net profit at 31 December 2004

€ thousands	31/12/04 according to French standards*	Adjustments	31/12/04 according to IFRS standards
Sales	**569,080**	**-**	**569,080**
Other operating revenues	4,150	1,645	5,795
Cost of sales	-180,969	-2,769	-183,738
Personnel costs	-160,081	-263	-160,344
Other operating expenses	-97,203	109	-97,094
Depreciation and amortisation charges	-20,776	3,178	-17,598
Current provision charges	-250	0	-250
Profit from operations	**113,951**	**1,900**	**115,851**
Other operating income/(expense)**	-12,739	10,523	-2,216
Operating profit	**101,212**	**12,423**	**113,635**
Net borrowing costs	-2,034	-56	-2,090
Other finance income/(expense)	-946	2,455	1,509
Net finance income /(expense)	**-2,980**	**2,399**	**-581**
Profit before tax and share of associate earnings	**98,232**	**14,822**	**113,054**
Income tax	-35,586	-1,509	-37,095
Share of associate companies earnings	11,562	-739	10,823
Profit before earnings from discontinued activities and activities held for disposal	**74,208**	**12,574**	**86,782**
Net earnings from discontinued activities and activities held for disposal	0	861	861
Group net profit	**74,208**	**13,435**	**87,643**
Minority interests	30	0	30
Net profit (Group share)	74,178	13,435	87,613

* French accounting principles, according to IFRS presentation methods.

* * Including goodwill amortisation.

Consolidated financial statements

Reconciliation of consolidated balance sheet at 1 January 2004

€ thousands	31/12/04 according to French standards*	Adjustments	31/12/04 according to IFRS standards
Non-current assets			
Acquisition goodwill	23,214	-1,249	21,965
Intangible assets	9,455	3,696	13,151
Property, plant and equipment	84,002	28,756	112,758
Equity accounted companies	60,919	22,582	83,501
Financial assets	31,557	358	31,915
Other receivables	3,024	-	3,024
Deferred tax assets	12,955	337	13,292
Asset derivative instruments	0	125	125
Total	**225,126**	**54,608**	**279,734**
Current assets			
Inventories	64,799	-	64,799
Trade receivables	92,975	-	92,975
Other receivables	14,169	-	14,169
Current tax receivables	4,738	-	4,738
Financial assets	35,179	-9,912	25,267
Asset derivative instruments	0	2,757	2,757
Cash and cash equivalents	98,024	-1,008	97,016
Total	**309,884**	**-8,163**	**301,721**
Total assets	**535,010**	**46,445**	**581,455**

* French accounting principles, according to IFRS presentation methods.

€ thousands	01/01/04 according to French standards*	Adjustments	01/01/04 according to IFRS standards
Equity			
Share capital	7,837	–	7,837
Share premium	1,866	–	1,866
Other reserves	337,865	33,370	371,235
Group share	**347,568**	**33,370**	**380,937**
Minority interests	-16	0	-16
Total	**347,552**	**33,370**	**380,921**
Non-current liabilities			
Non-current provisions	4,537	–	4,537
Other financial debts	26,525	–	26,525
Employee commitments	10,121	–	10,121
Deferred tax liabilities	7,000	12,361	19,361
Total	**48,183**	**12,361**	**60,544**
Current liabilities			
Current provisions	4,586	–	4,586
Other financial debts	22,048	–	22,048
Trade payables	56,975	568	57,543
Other liabilities	50,745	–	50,745
Income tax payable	4,921	–	4,921
Liability derivative instruments	0	147	147
Total	**139,275**	**715**	**139,990**
Total equity and liabilities	**535,010**	**46,445**	**581,455**

* French accounting principles, according to IFRS presentation methods.

Consolidated financial statements

Reconciliation of consolidated balance sheet at 31 December 2004

€ thousands	31/12/04 according to French standards*	Adjustments	31/12/04 according to IFRS standards
Non-current assets			
Acquisition goodwill	76,425	10,825	87,250
Intangible assets	9,451	6,018	15,469
Property, plant and equipment	87,610	30,747	118,357
Equity accounted companies	91,990	26,232	118,222
Financial assets	31,706	11,926	43,632
Other receivables	3,664	-	3,664
Deferred tax assets	15,675	105	15,780
Employee commitments	57	-	57
Total	**316,578**	**85,853**	**402,431**
Current assets			
Inventories	71,311	-	71,311
Trade receivables	101,435	-	101,435
Other receivables	10,252	-	10,252
Current tax receivables	2,662	-	2,662
Financial assets	28,770	-9,853	18,917
Asset derivative instruments	0	1,026	1,026
Cash and cash equivalents	57,189	-31	57,158
Total	**271,619**	**-8,858**	**262,760**
Total assets	**588,197**	**76,995**	**665,191**

* French accounting principles, according to IFRS presentation methods.

€ thousands	31/12/04 according to French standards*	Adjustments	31/12/04 according to IFRS standards
Equity			
Share capital	7,837	-	7,837
Share premium	1,866	-	1,866
Other reserves	304,023	47,333	351,356
Net profit for the year	74,174	13,439	87,613
Group share	**387,900**	**60,772**	**448,672**
Minority interests	24	0	24
Total	**387,924**	**60,772**	**448,696**
Non-current liabilities			
Non-current provisions	6,834	-	6,834
Other financial debts	32,939	-	32,936
Employee commitments	7,660	-	7,660
Deferred tax liabilities	10,750	15,692	26,445
Liability derivative instruments	0	111	111
Total	**58,183**	**15,803**	**73,986**
Current liabilities			
Current provisions	5,570	-	5,570
Other financial debts	20,866	-	20,866
Trade payables	68,284	229	67,817
Other liabilities	42,566	-	43,262
Income tax payable	4,803	-	4,803
Liability derivative instruments	0	191	191
Total	**142,090**	**420**	**142,509**
Total equity and liabilities	**588,197**	**76,995**	**665,191**

* French accounting principles, according to IFRS presentation methods.

SOMFY SA summarised financial results

SOMFY SA BALANCE SHEET

€ thousands	31/12/05 Net	31/12/04 Net
NON-CURRENT		
Acquisition		0
Intangible assets	5	1
Property, plant and equipment	0	114
Financial assets	415,867	480,939
Total	**415,872**	481,054
CURRENT ASSETS		
Inventories	0	0
Trade receivables	478	1,084
Other receivables	20,744	22,834
Marketable securities	70,634	33,437
Cash	1,050	347
Total	**92,906**	57,701
Total assets	**508,778**	538,755

SOMFY SA PROFIT AND LOSS

€ thousands	31/12/05	31/12/04
EQUITY		
Share capital	7,837	7,837
Share premium	1,866	1,866
Reserve	261,356	263,716
Profit for the year	97,012	66,865
Total	**368,071**	340,283
Provisions for liabilities and charges	1,291	2,871
LIABILITIES		
Loans and financial debt	22,225	24,023
Trade receivables	1,152	1,339
Other	116,039	170,238
Total	**139,416**	195,600
Total equity and liabilities	**508,778**	538,755

SOMFY SA INCOME STATEMENT

€ thousands	31/12/05	31/12/04
Sales	4,807	3,111
Other operating revenues		4
Other costs:	-6,300	-6,943
- Personnel	-592	-578
- Taxes and duties	-37	-29
- Advertising	0	0
- Net operating costs	-5,671	-6,336
- Royalties payable		
Amortisation, depreciation and provisions	1,198	391
OPERATING LOSS	-295	-3,437
Financial income	115,436	66,942
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	115,141	63,505
Exceptional income/(expense)	-34,077	338
PROFIT BEFORE TAX	81,064	63,843
Income tax	15,948	3,022
NET PROFIT	97,012	66,865

SOMFY SA summarised financial results

NOTES TO SOMFY SA FINANCIAL STATEMENTS*

The financial year had a duration of 12 months, from 1 January 2005 to 31 December 2005.

Accounting rules and methods

The annual report for the period ended at 31 December 2005, was established in accordance with French 1999 National Accounting Code standards

General accounting conventions were applied in accordance with the prudence concept and in compliance with basic assumptions:

- going concern,
- continuity in the application of accounting methods from one financial year to another, with the exception of the change described below,
- independence of financial years and compliance with general rules of annual report preparation and presentation.

The basic method selected for evaluation of accounting items is the historical cost method.
Since the financial year ended at 30 June 1998, investments in fully controlled companies have been equity accounted.

The regulation CRC2002-10 in respect of depreciation, amortisation and impairment of assets, and CRC 2004-06 in respect of the recognition and valuation of assets applicable from 1 January, had no impact on the financial statements of the company.

Shares in controlled companies

The equity accounting method enables SOMFY SA to record the share of equity, before allocation of the share of profit the parent company is entitled to, as the value of shares held in each fully controlled and fully consolidated company.
Equity is determined after adjustment for harmonisation carried out for consolidation. The net amount of first consolidation non-allocated difference is then added to equity.
An equity accounting difference at 31 December 2005, amounting to €157.1 million was taken directly to equity.

Marketable securities

Gross value of marketable securities is evaluated at purchase cost (excluding additional expenses) or at the value at which it is transferred.
Investments securities are evaluated on the basis of stock exchange prices at 31 December 2005 and a provision is established when these prices are below purchase value.

Receivables due from investments and other receivables

Receivable balances are valued at their nominal value. A provision for writedown is established when realisable value is below book value.
When the net assets of investments that are not subject to equity accounting becomes negative, a provision for writedown is established in relation to the above realisable value.

* Detailed SOMFY SA accounts are available upon request to Mme Meynard at the company registered office: 50, avenue du Nouveau Monde – F 74300 Cluses.

Operating elements

At 31 December 2005, sales by SOMFY SA were €4.8 million. The operating profit included a release of a provision for trade litigation.

Financial elements

The financial income of parent company SOMFY SA essentially comprises dividends received from its subsidiaries for an amount of €117.0 million.

Net profit

Net profit thus amounted to €97.0 million, with the inclusion of a tax grouping gain of €13.3 million comprising a non-recurring tax saving as a result of a legal reorganisation.

Tax grouping

The income tax grouping agreement between SOMFY International SA and its directly and indirectly owned subsidiaries was renewed on 1 July 2002 for a further 5 years, beginning with the 6-month financial period ending 31 December 2002 as a result of the change of balance sheet date to 31 December.

Under this agreement, the difference between the sum of income taxes calculated for each company and the total for the tax integrated Group is accounted for as income in the Income Statement of SOMFY SA, the Group's holding company. At 31 December 2005, a tax benefit of €13.4 million was realised pursuant to this agreement for the financial period under review.
Tax savings generated through losses transferred from loss-making subsidiaries are considered as tax income. When a subsidiary is no longer a member of the income tax integration group, SOMFY International SA compensates it in accordance with the jointly agreed exit procedures, taking into account the situation at that date.

To date, no tax losses carried forward are available.

SOMFY SA share subscription option plans

There are currently five share subscription option plans. Their main features are described in note 2.
Following the contribution of part of SOMFY SA assets, as well as the distribution on 1 July 2002 of 7,713,691 DAMARTEX shares, price and number of share subscription options were restated in accordance with provisions of Articles 174-12 and 174-13 of the Decree dated 23 March 1967.

SOMFY SA summarised financial results

Note 1 – Financial commitments

€ thousands	31/12/05	31/12/04
Sureties, deposits received	1,000	1,000
Unused credit lines	82,800	81,000
Total	**83,800**	82,000

€ thousands	31/12/05	31/12/04
Sureties, deposits given	33,661	34,274
Interest on loans outstanding	23	23
Total	**33,684**	34,297

Note 2 – Stocks options

Plan date	Number of beneficiaries	Number of options allocated	Adjusted number of options	Option exercise price	Option exercise price	Maturity option exercise date
17/12/1999	55	22,200	25,918	€75.00	€64.32	17/12/2006
29/09/2000	69	38,780	45,275	€75.00	€64.32	21/01/2007
17/07/2001	51	21,000	24,514	€78.00	€66.89	31/01/2008
05/12/2002	54	20,300	20,300	€100.00	€100.00	31/01/2009
01/12/2003	62	20,150	20,150	€128.00	€128.00	31/01/2010

Plan date	Exercise price of option	Number of options outstanding	Number of days remaining before option expiry date
17/12/1999	€64.32	4,055	351
29/09/2000	€64.32	9,495	396
17/07/2001	€66.89	9,283	761
05/12/2002	€100.00	18,400	1,127
01/12/2003	€128.00	19,750	1,492

	2005		2004	
	Number of options	Weighted average exercise	Number of options	Weighted average exercise
Options outstanding at 1st January	86,335	€87.50	92,683	€86.31
Options granted	–	–	–	–
Options cancelled	-1,681	€90.99	-2,331	€80.06
Options exercised	-23,671	€65.11	-4,017	€64.32
Options not exercised at year-end	60,983	€96.10	**86,335**	**€87.50**
Options exercisable at year-end	22,833	€65.36	**30,145**	**€64.32**

Note 3 – Changes in equity

€ thousands	Balance at 31/12/04 before allocation of profit	Allocation of profit 31/12/04	Movements in 2005	Balance at 31/12/05 before allocation of profit	Proposed allocation of 2005 profit	Balance at 31/12/05 after allocation of profit
Share capital	7,837	–	–	7,837	–	7,837
Share premium	1,866	–	–	1,866	–	1,866
Revaluation reserve	165,486	–	-2,410	163,076	–	163,076
Legal reserve	791	–	–	791	–	791
Regulated reserves	26,592	-26,592	–	0	–	0
Other reserves	70,917	56,685	-31,347	96,254	60,630	156,884
Retained earnings	-71	724	582	1,235	-1,235	0
Profit for the year	66,865	-66,865	97,012	97,012	-97,012	0
Regulated provisions	0	–	0	0	–	0
	340,283	-36,049	63,837	368,071	-37,617	330,454
		Variation				
Equity after allocation	304,234	–	26,220	–	–	330,454

Legal documents

STATUTORY AUDITORS' REPORT ON SOMFY SA FINANCIAL STATEMENTS

Dear shareholders,

In execution of our mandate conferred to us by your General Meeting, we hereby present you our report for the financial year ended 31 December 2005, regarding the following:
- our audit of the accompanying SOMFY SA company financial statements;
- our observations on the audit;
- specific legal verifications and disclosures.

Financial statements have been prepared by the Management Board. It is our responsibility to express an opinion, on the basis of our audit.

I. Opinion on the financial statements

We have conducted our audit in accordance with French Generally Accepted Auditing Standards. These standards require that we plan to obtain reasonable assurance on whether the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonableness basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in accordance with French Generally Accepted Accounting Standards, the financial position of the group as well as the results of all subsidiaries included in the consolidated results.

Without calling into question the opinion expressed above, we bring to your attention the change in accounting method described in the note to the consolidated financial statements on the first application, as from 1 January 2005, of Conseil National de la Comptabilité recommendation n° 2002-10 and 2004-06 relating to assets.

II. Audit observations

In application of article L. 823-9 of the French Commercial Code regarding Statutory Auditors' observations, we wish to bring to your attention the following matters:
- As specified in the note entitled "Investments" in the notes to the financial statements and in accordance with opinion n° 34 of the Conseil National de la Comptabilité, SOMFY SA has historically selected the equity method of recognition of investments in fully controlled companies. Their historic acquisition cost amounted to €189.6 million;
- The equity value of these investments amounted to €346.7 million at 31 December 2005, thus having a favourable impact on the SOMFY SA company's equity of €157.1 million at that date;

As part of our review of the rules and accounting principles adopted by your company, we have verified the appropriateness of the accounting method described above and of the information disclosed in the note to the financial statements and we have assured ourselves of their correct application.

Our review of these matters was performed within the framework of our statutory audit of the annual financial statements, and accordingly contributed to the issuance of our unqualified audit opinion in the first part of this Report.

III. Specific verification and information

We have also proceeded with specific verifications required by law, in accordance with professional standards applicable in France.

We have no observations to make with regard to the fairness of information provided in the Management Board report and its consistency with annual financial statements, as well as with documents presented to the shareholders regarding the financial position and annual financial statements.

In application of the Law, we have assured ourselves that information relating to shareholdings and the identity of entities or individuals holding shares and voting rights has been communicated to you in the Management Board report.

Paris and Lyon, 15 May 2006

Statutory Auditors

CDL	ERNST & YOUNG Audit
Dominique Ledouble	Daniel Mary-Dauphin

STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS

Dear shareholders,

As Statutory Auditors to your Company, we present to you our Report on the Regulated Agreements.

It is not our responsibility to search for the potential existence of other agreements, but, on the basis of information given to us, to inform you of the key features of those that we have been made aware of, without having to pass judgement on their usefulness and validity. It is your responsibility, pursuant to article 117 of the Decree of 23 March 1967, to assess whether it is in your interest that these agreements be entered into prior to your approval.
We inform you that we were not made aware of any agreement entered into during the financial year and referred to in article L. 225-86 of the French Commercial Code.

In addition, pursuant to the Decree of 23 March 1967, we were made aware that the execution of the following agreement, which had been approved during a previous financial year, was continued during the 2005 financial year.

Tax grouping agreement

Companies concerned
Fontenoy Malvart S.N.C., SOMFY S.A.S., Spirel S.A.S., Simu S.A.S., SOMFY Development S.A.S., CMC S.A.R.L., Domis S.A., Domaster S.A.S., Siminor S.A.S., Siminor Technologies Castres S.A.R.L.

Conditions
Your company authorised the signature of a tax grouping agreement dated 28 June 2002, headed by your company, which was continued during the 2005 financial year.

Paris and Lyon, 15 May 2006

Statutory Auditors

CDL	ERNST & YOUNG Audit
Dominique Ledouble	Daniel Mary-Dauphin

Legal documents

STATUTORY AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

Dear shareholders,

In execution of our mandate conferred to us by your General Meeting, we have audited the accompanying consolidated financial statements of the SOMFY company, for the year ended 31 December 2005.

The consolidated financial statements have been prepared by the Board of Directors. It is our responsibility to express an opinion, on the basis of our audit. The consolidated financial statements have been prepared for the first time in accordance with IFRS accounting standards as they were adopted by the European Union. 2004 data have been restated and included in 2005 financial statements for comparison purposes.

I. Opinion on the consolidated financial statements

We have conducted our audit in accordance with French Generally Accepted Auditing Standards. These standards require that we plan to obtain reasonable assurance on whether the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in accordance with IFRS accounting standards as approved by the European Union, the financial position of the group as well as the results of all subsidiaries included in the consolidated results.

II. Audit observations

In application of article L. 823-9 of the French Commercial Code regarding Statutory Auditors' observations, we wish to bring to your attention the following matters:

- Note 10 of the notes to the financial statements details the rules and accounting methods relating to the recognition and evaluation of acquisition goodwill. We have reviewed the evaluation methods used by your company and verified the resulting calculations. As part of our review of these estimates, we have assured ourselves of the reasonableness of selected assumptions and resulting estimates.

Our review of these matters was performed within the framework of our statutory audit of the consolidated financial statements, and accordingly contributed to the issuance of our unqualified audit opinion in the first part of this Report.

III. Specific verifications

We have also proceeded with a verification of information relating to the Group, as presented in the Directors' Report, in accordance with professional standards in France. We have no observations to make with regard to the fairness of such information and its consistency with the consolidated financial statements.

Paris and Lyon, 15 May 2006

Statutory Auditors

CDL	ERNST & YOUNG Audit
Dominique Ledouble	Daniel Mary-Dauphin

STATUTORY AUDITORS' REPORT, PREPARED IN APPLICATION OF THE LAST PARAGRAPH OF ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE, ON THE SOMFY COMPANY'S SUPERVISORY BOARD CHAIRMAN'S REPORT RELATING TO INTERNAL CONTROL PROCEDURES PERTAINING TO THE PREPARATION AND TREATMENT OF ACCOUNTING AND FINANCIAL INFORMATION

Dear shareholders,

As Statutory Auditors to your Company, and in application of the provisions of the last paragraph of article L. 225-235 of the Commercial Code, we present to you our report on your Company's Chairman Report in accordance with article L. 225-68 of the French Commercial Code for the year ended 31 December 2005.

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

It is our responsibility to communicate to you any observations we may have concerning information and declarations contained in the Chairman's Report regarding internal control procedures relating to the preparation and processing of financial and accounting information.

We have performed our work in accordance with French professional standards. These standards require the implementation of due diligence procedures in order to understand the accuracy of the information given in the Chairman's Report, concerning the internal control procedures relative to the preparation and processing of financial and account information. This diligence consists of:

- undertaking the objectives and general organisation of internal controls, as well as the internal control procedure relating to the preparation and processing of financial and accounting information, as presented in the Chairman's Report;
- undertaking the work underlying the information provided in this report.

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

Paris and Lyon, 15 May 2006

Statutory Auditors

CDL	ERNST & YOUNG Audit
Dominique Ledouble	Daniel Mary-Dauphin

Legal documents

EXTRAORDINARY GENERAL MEETING OF 31 MAY 2006

STATUTORY AUDITORS' SPECIAL REPORT ON THE GRANTING OF SHARE PURCHASE OPTIONS TO EMPLOYEES AND EXECUTIVE MANAGEMENT

Dear shareholders,

As Statutory Auditors to your company and in carrying out the assignment covered by article L. 225-177 of the Commercial Code and article 174-19 of the Decree of 23 March 1967, we have prepared the present report on the proposed grant of share purchase options for the benefit of executives and senior staff of SOMFY SA, as defined by the Management Board of the Company.

It is the responsibility of the Management Board to prepare a report on the conditions governing the acquisition of the share purchase options by executives and senior staff of the Company, as well as on the proposed conditions for establishing the purchase price. It is our responsibility to provide our opinion on the proposed conditions for establishing the purchase price.

We have performed our work in accordance with French professional standards. These standards require the implementation of due diligence procedures in order to verify that the proposed conditions for the establishment of the purchase price are mentioned in the Management Board report, that the said conditions comply with legal provisions, are able to enlighten shareholders and are not evidently inappropriate.

We have no observations to make on the proposed conditions.

Paris and Lyon, 15 May 2006

Statutory Auditors

CDL	ERNST & YOUNG Audit
Dominique Ledouble	Daniel Mary-Dauphin

ANNUAL GENERAL MEETING OF 31 MAY 2006

STATUTORY AUDITORS' REPORT ON THE CAPITAL INCREASE WITH CANCELLATION OF THE SUBSCRIPTION PRE-EMPTION RIGHT RESERVED TO EMPLOYEES THAT ARE MEMBERS OF A COMPANY SAVINGS PLAN

Dear shareholders,

As Statutory Auditors to your company and in carrying out the assignment covered by article L. 225-138 of the Commercial Code, we present to you our report on the €500,000 capital increase project reserved for SOMFY SA employees, which will be submitted to your approval.

This increase in capital is submitted to your approval, in application of articles L. 225-129-6 of the Commercial Code and L. 443-5 of the Labour Code.

Your Management Board proposes to you, on the basis of its Report, to delegate to itself, for a period of twenty-six months, within the framework of article L. 225-129-1, the power to determine the conditions of this transaction and proposes to you to cancel your subscription pre-emption right.

We have performed our work in accordance with French professional standards. These standards require the implementation of due diligence procedures in order to verify the conditions according to which the issue price was established.

Subject to subsequent assessment of the conditions of the proposed capital increase, we have no observations to make on the conditions, given in the Management Board Report, according to which the issue price was established.

Since the issue price has not yet been established, we have no opinion on the final conditions of implementation of the capital increase, and consequently, on the proposal made to you to cancel your subscription pre-emption right, whose principle yet logically results from the transaction submitted to your approval.

In accordance with article 155-2 of the Decree of 23 March 1967, we will prepare a complementary report upon the implementation of the capital increase by your Management Board.

Paris and Lyon, 15 May 2006

Statutory Auditors

CDL
Dominique Ledouble

ERNST & YOUNG Audit
Daniel Mary-Dauphin

Legal documents
Supervisory board report
Combined general meeting of 31 May 2006

Dear shareholders,

The Management Board has convened this Combined General Meeting in order to submit for your approval the Group's financial statements for the year just ended.

In accordance with article L. 225-68 of the Commercial Code, the Management Board has kept us periodically informed of transactions affecting the Group through the preparation of quarterly reports.

The Management Board submitted to us, for verification and control purposes, the company's financial and consolidated statements at 31 December 2005, which you are requested to validate today, as well as consolidated financial statements.

The Management Board also provided us with the report, which has just been presented to you.

We hereby submit to you our observations on these financial statements and on this report, in accordance with the above-mentioned article L. 225-68.

The content of this report reflects information that was regularly provided to us during the financial year just ended. We have also been able to follow the principal steps pertaining to the partnership with YueQiu in China.

Consolidated sales were up by 3.9% to €591.2 million. This increase was driven by a significant improvement in sales in the second half if the year in most geographical areas.

Thus, due to a recovery in growth in the last quarter, the decline in sales was contained in Germany (down 5.2%) and Northern Europe (down 1.6%). Southern and Central Europe were up 2.9% and achieved a sustained level of sales at the end of the year, which offset the decline earlier in the year. All other areas ended the year with growth.

With regards to the results, profit from operations grew very modestly to €116.3 million, representing 19.7% of sales compared to 20.4% the previous year. Net profit increased from €87.7 million to €106.9 million; it benefited from the specific and non-recurring sharp fall in the average tax rate.

The Management Board report highlights the sound financial structure, which allowed the Group to generate cash surplus of €78.5 million at the year-end. This position allows the Management Board to propose the distribution of a net dividend per share of €4.80.
The Management Board report also provides all information required by applicable regulations.

In addition, you will be asked to authorise the Management Board to implement a new treasury share purchase programme and the use of the option plan for share purchase.

You will be submitted proposed resolutions to that effect, in line with the agenda.

We do not have any specific observations to formulate as regards the various documents that have been brought to your attention. Therefore, we ask you to adopt the proposed resolutions.

The Supervisory Board.

Legal documents

Proposed resolutions

Combined general meeting of 31 May 2006

First resolution

The General Meeting, having considered the reports of the Management Board, the Supervisory Board, the Chairman of the Supervisory Board and the Statutory Auditors, and the financial statements for the year ended 31 December 2005, approves these reports and financial statements as they were submitted, as well as the transactions reflected in these accounts or summarised in these reports.

As a result, it grants a full discharge to the Directors, with no reserve, for the execution of their duties and to the Statutory Auditors for the execution of their audit in the said year.

Second resolution

The General Meeting, having considered the reports of the Management Board, the Supervisory Board and the Statutory Auditors on the consolidated financial statements, approves the consolidated financial statements for the financial year ended 31 December 2005, as presented, which resulted in a Group net profit of €106,921,000, as well as the transactions reflected in these accounts or summarised in these reports.

Third resolution

The Management Board proposes to allocate the Company net profit for the financial year ended 31 December 2005 of:

	€97,012,181.28
increased by retained earnings:	€1,234,739.93
thus totalling:	€98,246,921.21
as follows:	
• allocation to shareholders of a net dividend per share of €4.80, or €4.80 X 7,836,800 shares	€37,616,640.00
• transfer to the special reserve	€60,630,281.21
	€98,246,921.21

A net dividend of €4.80 will be distributed for each share of a nominal of €1, and this carries the right to a 40% tax abatement per share granted to individuals subjected to income tax in France, in accordance with article 158-3-2 of the General Taxation Code.
Treasury shares held by the company are not entitled to dividends, with the corresponding amounts transferred to retained earnings.
The dividend will be payable from 8 June 2006 at the counter of paying institutions.

In accordance with legal provisions, the following dividends were paid during the last three financial years, including related tax credits:

Financial year ending	**31/12/2002 (exercice 6 mois)**	**31/12/2003**	**31/12/2004**
Number of shares eligible for dividends*	7,696,641	7,698,420	7,710,185
Par value	€1	€1	€1
Total distributed dividends	€14,623,617.90	€32,333,364.00	€35,466,851.00
Dividend per share			
- Net amount	€1.90	€4.20	€4.60
- 50% tax credit	€0.95	€2.10	**
- Gross amount	€2.85	€6.30	€4.60

* Excluding treasury shares held by SOMFY International SA with no right to dividend.
** The dividend paid in respect of the financial year ended 31 December 2004 did not carry a tax credit but a tax abatement was granted to individuals subjected to income tax in France, in accordance with article 158-3-2 of the General Taxation Code.

Legal documents

Combined general meeting of 31 May 2006

Fourth resolution

The General Meeting, having considered the special report of the Statutory Auditors on the agreements covered by article L. 225-86 and subsequent of the French Commercial Code, approves this report and formally records that no agreement was concluded during the financial year.

Fifth resolution

The General Meeting decides to set the global amount of fees to be shared among Supervisory Board members at €30,000 for the current financial year, in accordance with article 20 of the Bylaws.

Sixth resolution

The General Meeting, having considered the report of the Management Board, the Special Report on the share buyback programme and the description of the new programme, decides that the Management Board may purchase shares of the Company, pursuant to the conditions specified by articles L. 225-109 and subsequent of the French Commercial Code and European Regulation no 2273/2003 of 22 December 2003, in order to:

- Stimulate the share market activity and trade against market trends within the framework of a liquidity contract complying with the AFEI Ethics Charter and entered into with an investment services provider,
- Cover share subscription option plans allocated to employees and directors of the Group Subject to approval of the seventh resolution by the Extraordinary General Meeting, or
- Permit the allocation of free shares to the benefit of employees or directors of the Group.

The General Meeting set the maximum purchase price at €260 for shares of a nominal value of €1, excluding fees or commissions, and the maximum number of shares that can be purchased at 10% of the share capital as at today's date that is 783,680 shares, for a total maximum amount of €203,756,800.

Purchase, disposal or transfer of these shares may occur at any time, including during a period of public offering, and by any means on the over-the-counter-market, including through the acquisition or disposal of blocks of shares, without limitation to the share of the treasury share purchase programme that may be carried out by this method.

The Management Board will inform shareholders every year at the Annual General Meeting of the precise allocation of repurchased shares to the various objectives, as well as potential subsequent reallocations. With regard to the 30,268 shares allocated to the growth by acquisition objective, the General Meeting takes note of their re-allocation by the Management Board, as described in its report.

This authorisation was granted for eighteen months from today's date. It cancels and replaces the authorisation granted to the Management Board by the Combined General Meeting of 2 June 2005 regarding the previous share buyback programme.

The General Meeting grants all powers to the Management Board, along with the ability to delegate these powers, to decide and implement this authorisation and, if necessary, to specify the terms more precisely and define the procedures of application to implement the share buyback programme, in particular to submit all stock market orders, sign all agreements and present all information to be disclosed to the Autorité des Marchés Financiers and all other organisations, complete all formalities and generally to take all necessary steps.

Seventh resolution

The General Meeting, having met quorum conditions and the required majorities for an Extraordinary General Meeting, after having considered the Management Board and Statutory Auditors' reports:

- authorises the Management Board, within the framework of the provisions of the French Commercial Code, to proceed with the allocation to employees and directors of the company and French and foreign companies and groups associated to the Group, in accordance with article L. 225-180 of the Commercial Code, as these individuals are defined by the Management Board, of options giving right to purchase existing shares of the company arising from purchases made by the company, in accordance with conditions provided by law;
- decides that the total maximum number of options that can be allocated in accordance with this authorisation shall not exceed 1.5% of the number of shares comprising the share capital at the date of the General Meeting;
- determines the duration of validity of this authorisation at thirty-eight months, from this date;
- decides, in accordance with the law that the share purchase price may not be less than 95% of the average quoted share price over the last twenty trading days preceding the Management Board meeting granting the options. In addition, the share purchase price on the day the options are granted cannot be less than 95% of the average purchase price of the treasury shares held by the company, in accordance with the law, at the date when options are granted.
- decides that no option may be exercised after six years from the date of allocation.

All powers are granted to the Management Board, within the limits set out below, to:

- determine the conditions of option allocation and exercise provisions. These conditions may include clauses prohibiting immediate resale of all or part of the shares. However, compulsory share retention may not exceed three years from the date options are exercised. The Board may make any amendment or subsequent change to the option exercise conditions, if necessary;
- determine the list of option beneficiaries as provided above;
- decide the conditions in which share price and number may be adjusted, in particular in the various assumptions provided by articles 174-8 to 174-16 of the Decree n° 67-236 of 23 March 1967;
- determine the exercise period or periods of the options thus granted;
- provide for the capacity to temporarily suspend the exercise of options for maximum of three months, in the event of financial transactions involving the exercise of a right attached to shares.

Eighth resolution

The General Meeting, having met quorum conditions and the required majorities for an Extraordinary General Meeting, after having considered the Management Board report and Statutory Auditors' special report, and in accordance with articles L. 225-129-6 and L. 225-138-1 of the French Commercial Code and articles L. 443-1 and subsequent of the French Labour Code:

- delegates to the Management Board all necessary powers to proceed with share capital increases, in one several instances and on its sole deliberations, by issuing shares reserved for members of a corporate savings plan;

Legal documents

Combined general meeting of 31 May 2006

- decides that all beneficiaries of authorised capital increases will directly, or through the intermediary of a corporate mutual fund or any other structure or entity permitted by applicable legal or regulatory provisions, become members of a corporate savings plan established by the company and companies associated to the Group, in accordance with article L. 225-180 of the Commercial Code, which also comply with conditions potentially determined by the Management Board;
- decides that this delegation expressly implies that shareholders waive their preferential subscription right to the said beneficiaries;
- determines the duration of validity of this authorisation at twenty-six months, from this date;
- decides to limit the maximum nominal amount of shares that may thus be issued to €500,000;
- decides that the price of shares to be issued, in application of paragraph 1 of this delegation, may not be lower than 20% (or 30% when the unavailability period provided by the plan, in application of article L. 443-6 of the French Labour Code exceeds 10 years) of the average quoted share price over the last twenty trading days preceding the Management Board decision determining the date of opening up of the subscription, nor exceed this average price;
- decides that all powers are granted to the Management Board, within the above-mentioned limits and conditions and those established by applicable regulations, to take any measures pertaining to capital increases, in particular determine their terms and conditions, make ancillary amendments to bylaws, allocate all expenses to premiums received at the issue of shares and deduct from this, the amount required to increase the legal reserve to a tenth of the new share capital, after each capital increase.

Ninth resolution

The Combined General Meeting grants all powers to the bearer of copies or extracts of the present minutes to complete all formalities required by law.

Design and production: W PRINTEL
Photos: Arnaud Childeric, Ambroise Tézenas, Photothèque SOMFY, Getty Images

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