# Annual Report
2007

somfy

**With 38 years of experience, Somfy is the world leader in automatic controls of openings and closures for homes and commercial buildings.**

Driven by a culture of innovation embodied by its 4,700 employees worldwide, Somfy designs and develops solutions for economical, eco-friendly buildings, always offering greater comfort, for a safe and simple life.

Somfy solutions only let the best of the climate inside, and make a scientifically recognised contribution to energy savings in buildings.

Already a major presence in energy-efficient commercial buildings, Somfy's solutions are also perfectly suited to the renovation of existing buildings.

For this reason, **in 2007, Somfy worked to improve the energy efficiency of existing buildings,** with customers (manufacturers, installers, distributors) and specifiers (architects, interior designers, engineers) in order to develop sustainable housing.

4,700

**employees**

720.2

**million euros in sales**

**of which**

72%

**was generated outside France**

# Somfy

Why put off until tomorrow
what we can do today?

# Somfy solutions

can generate up to 30% energy savings in refurbishment projects without affecting the structure of the building or the way it is used.

**Wireless technologies**

Somfy is developing its unique expertise in radio technology. Without wires between the motor and the controls, Somfy solutions are easy to incorporate into home improvement schemes.



## Energy savings in buildings

**A global challenge: recognition for Somfy**

### A business reality

Since 1969, Somfy has been providing solutions for the motorisation and automation of building openings. Because they bring the best of the climate inside and provide dynamic insulation, Somfy technologies play a recognised role in energy savings.

Fully conscious of the issues surrounding this pioneering activity, Somfy is focusing all of its expertise on improving the energy performance of homes as part of its educational and informative program, Bioclimatic Facade Initiatives. Around the world, Somfy's teams are working to standardise the integration of Somfy solutions in new and existing buildings. In 2007, Somfy trained more than 15,000 installers on its innovative procedures, and raised awareness among 50,000 specifiers of their benefits in terms of energy and comfort.

### Solutions for commercial and residential buildings

Somfy devises innovative solutions to control openings in homes and offices, responding to two criteria: ease of use, both in new buildings and refurbishment projects, and the capacity to integrate with other automatic systems for buildings.

To improve the energy performance of buildings, Somfy offers a variety of solutions that meet the demands of each type of building. For residential buildings, Somfy has developed the Home Motion concept, so that automation can gradually be introduced into homes as the owner needs. In 2007, Somfy launched YeSseo, a range of wireless products compatible with the io-homecontrol® universal communication protocol. In commercial buildings, Somfy is enhancing its expertise in the Control of Dynamic Façades, with automatic controls for all shutters and solar protection systems.

**Interior and exterior roller shutters & solar protection**
With their integrated motor, window coverings are lowered and raised automatically according to the time of day and the weather.

## Bringing the best of the climate inside

Somfy solutions contribute to the dynamic insulation of buildings. The automatic control of solar protection and roller shutters reduces heat transfer between the inside and outside by 25%. Solar screens block up to 80% of infrared rays, which are responsible for overheating. At night, open windows provide natural ventilation. In summer, a well designed system can reduce interior temperatures by 9°C. In winter, the automation of openings prevents heat loss.

### Scientific recognition

Somfy works hard to have the energy efficiency of its solutions recognised by the scientific community, by forming partnerships with universities. This approval represents an essential element for the Group's research, for it enables Somfy to gain recognition from key players in the construction industry. In July 2007, Somfy brought together the world's twenty leading universities to define a joint research program on building.

In every country possible, Somfy is a member of bodies that assess and issue certification for the performance of its energy-saving solutions. In response to the pressing challenge of renovating old buildings, this process proves that it is possible to achieve rapid and tangible results without altering the structure of a building, and without affecting the way it is used.

> "In 2007, Somfy contributed to the construction and renovation of over 1,000 homes and offices with fully automatic solutions."

**Solar sensor**
Fitted on the side of a building, the solar sensor automatically raises and lowers solar shades. In the summer, the interior is kept comfortably cool.

## Optimising natural light

Automatic solar protection provides optimal visual comfort and pleasant natural light throughout the day. Increased natural light reduces lighting needs by 50% to 80%.

### The fruit of ongoing innovation

In both automatic façades for commercial buildings and in Home Motion, Somfy is a genuine pioneer. Through its various brands, the Group today has a structured, operational offering. However, it never ceases to focus on the development of new applications. In 2007, Somfy was one of France's 50 most innovative companies, with 35 patents registered.

### Major growth prospects

The growing awareness around the world of the need for improved energy efficiency in buildings is a response to two challenges: reducing global warming and protecting natural resources.

Buildings alone now account for 40% of the world's energy consumption. Today, many countries have imposed drastic energy regulations, encouraging a new generation of energy-efficient buildings. However, the renovation of existing buildings remains a major challenge. This will be the subject of massive efforts in coming years, particularly in Europe. In France alone, there are an estimated 40 million homes, three-quarters of which were built before the first thermal standards were introduced in 1975.

**Remote control**
By memorising a range of settings, Somfy remote controls can be used to programme all types of openings and closures around the home according to the time of day.



## Awareness-raising led naturally by Somfy

For Somfy, with its long-standing track record in the field, environmental action is both legitimate and necessary. Originating in the Alps, the Group has for the past 15 years been supporting activities to protect the natural environment, particularly in the mountains. In 2007, Somfy decided to refocus the actions of its Foundation on housing, in order to support its policy of innovation through its business activities.

In 2007, Somfy also gave an additional boost to the exemplary energy performance of its commercial and production sites.

> “In 2007, Somfy raised awareness among 50,000 specifiers of their benefits in terms of energy and comfort.”

## Reducing energy consumption

When fitted with Somfy solutions, building openings respond to outside weather conditions. The result is decreased dependence on heating and air conditioning. The use of air conditioning can be reduced by 28%.



# In 2007, Somfy

**created Bioclimatic Façade Initiatives**

### Educating professionals

In all countries where the Group operates, Somfy is developing a sustained policy of educating its customers through its Experts programme. In 2007, 15,000 installers were trained and informed on the benefits of Somfy's wireless automation solutions.

In regions of the world where environmental awareness is still in its early stages, Somfy works closely with manufacturers to promote the use of solar protection systems in buildings.

### Working with architects and interior designers

In the residential and commercial sectors, architects are in a powerful position to convey the effectiveness of Somfy solutions to construction companies as well as to companies and individuals planning renovation and building projects.

Previously more narrowly targeted, Somfy's training and communication programs were expanded in 2007 through a partnership with the International Union of Architects, which has 1.5 million members throughout the world. This partnership has enabled Somfy to take part in the Union's conferences and debates. Joint training modules will be set up in 2008.

**Motorisation for windows and skylights**
Fitted on the façades of buildings, Somfy motors automatically open and close windows and skylights to provide natural ventilation at night.

**io-homecontrol®**
In partnership with other manufacturers, Somfy has created io-homecontrol®, a universal communication protocol that controls all devices around the home. Window coverings, lighting, heating and air conditioning systems can all communicate with one another.



## Contributing to research

Because innovation is only truly effective when shared, Somfy is linking the work of its R&D teams to international research. In order to compile credible and quantified information on energy savings achieved by its automatic solutions, Somfy is working closely with eight universities around the world: Delft (Netherlands), ISE (Germany), BRE (UK), Lund (Sweden), Carnegie Mellon (United States), Berkeley (United States), Tsinghua (Peking) and Tanghi (Shanghai). This partnership also allows Somfy to adapt its solutions to the standards of each country.

With its partners, Somfy is also seeking to implement tools to measure the energy performance of buildings.

> “Somfy brought together the world’s eight leading universities to define a joint research programme on buildings.”

# Contents

# Message from Paul Georges Despature

## Chairman of the Board



**Somfy's good results in 2007 are proof of the success of our development model, which is based on strong support for growth and a long-term strategic vision. These same two principles will continue to guide our actions and ambitions for 2008 and beyond.**

With sales up by 10% despite a mixed performance in the second half, 2007 demonstrated Somfy's very great growth potential. In order to build on this development, Somfy continued to implement its actions as part of a long-term vision. In 2007, this meant investing in better geographic coverage and commercial networks. We also followed our pioneer approach to increase the standing of Somfy solutions applicable to energy performance in buildings. This emerging market promises a rosy future, in new and renovated buildings alike.

Achieving a balance between organic and external growth has always been one of the founding principles of Somfy's development model. Every year we acquire two or three companies, as opportunities arise. This both strengthens our expertise and opens doors to new markets outside our core business.

Today, Somfy wishes to develop and improve the performance of our investment outside our core business. It is the vocation of Somfy Participations, a new branch of our Group, that we have created alongside Somfy Activities which is dedicated to our core business. With Somfy Participations, we will make new investments in a financial and entrepreneurial way. This new Group structure will also make our two-pronged growth strategy more clear.

Of course, Somfy Activities will continue to benefit from all the financial and human resources it needs for future development.

At the heart of our two branches, quality of management and staff training will be of equal importance. Managers of companies under Somfy Participations will be able to attend the Somfy Academy which has already trained over 400 people with newly enriched programs.

Effectively, sustainable growth will not come without a permanent effort in training and personal development of the men and women that make up Somfy Group.

# Interview with Wilfrid Le Naour

**CEO**

**How would you summarise 2007?**
By pursuing our strategy we posted good results despite a difficult environment. Our results would have been better if the German market had not declined in the second half and if the value of the dollar had not fallen throughout the year. The impact of the depreciation of various currencies against the euro caused a €6.8 million fall in sales in 2007.

**What lessons have you learnt this year?**
Once again, our business model has proved successful: along with the healthy growth in our business, we were able to maintain our gross margins. This result is especially impressive given that two of our acquisitions, the LianDa factory in China and Stehle, will not be profitable before 2009.
Despite this, our business model has proved solid, and I would go as far as to say that it is in peak form. We continued to reduce prices regularly on the market, reflecting our cost-cutting efforts. Next, without having to implement a particularly aggressive sales strategy, we continued to increase our market share in a pretty competitive context. Finally, the launch of new products enabled us to create value.

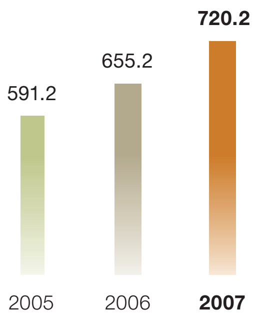
**The global economy is entering a sluggish period. What steps will you take to cope with this?**
Firstly, we will strengthen our business model, which stimulates our growth. In 2007, the recruitment of fifty employees by the Business Groups consolidated our potential for innovation, while the hundred sales staff who joined our teams around the world are supporting the development of our installer networks and our geographic deployment. We will also continue to optimise our production facilities, which are an important lever of growth: the expansion of our factory in Tunisia will give it a capacity of 3.5 million motors by 2010.
We can also count on the structural growth of our business. We will continue to benefit from the rapid growth in our activities relating to energy efficiency. The good performance in 2007 of our Door & Gate business led by our BFT brand is also very encouraging for the future.
Finally, the change in our internal structure during the first half of 2007 has given us a greater competitive edge. By splitting our Management Committee into two committees, one of which regularly unites all of our Business Area directors, we have strengthened dialogue between head office and our people out in the field, while also boosting our responsiveness and efficiency.

**What is the outlook for 2008?**
We are confident, despite the level of uncertainty over European household consumption in the spring, on which much of our seasonal window coverings business depends. Thanks to the launch of new products, and Somfy's expansion into new territories, we have put everything in place to support the growth of our businesses in 2008. We have already had several successes since the beginning of the year. We have gained new customers and won market share from our competitors in many countries.

# 2007 Somfy in figures

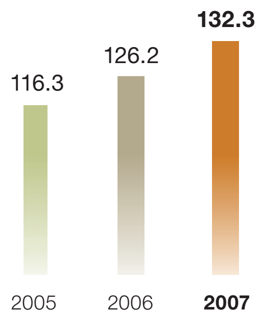
(in million euros)

## Sales



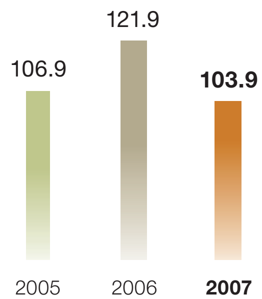

With Cotherm's 12 month contribution in 2007, instead of 6 months in 2006, and the integration of the PDT subsidiary, reported sales were up 9.9%. Organic sales growth remained strong in 2007 (+8,3% on like-for-like and at constant exchange rates) although the second half year decreased in Northern Europe and Germany.

## Operating income



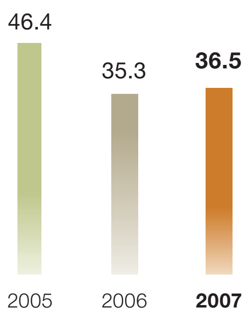

Operating income increased by 4.8%. Negative factors included lowered average sales price, the strength of the euro against main currencies and the diluted effect of a full year of Cotherm, which were partially compensated by production cost savings and the controlled progression of structure costs.

## Net income



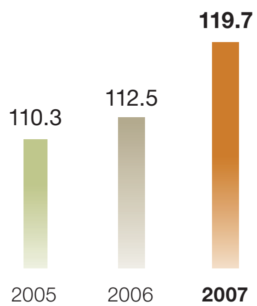

2007 net income decreased by 14.8%. Year 2006 had an exceptional contribution from FAAC, consolidated by equity method, for a total of €28.7 million. Excluding this impact, net income growth was 11.5%. The financial result was slightly lowered while the negative balance of exceptional elements was more reduced in 2007 vs. 2006 (which produced an exceptional amortisation of the acquisition goodwill from WAY for €7.3 million).

## Industrial and commercial investments



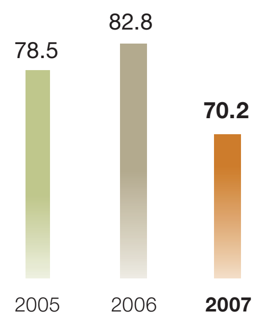

The investment effort remained constant in 2007, notably with the implementation of a technocenter in Cluses and the extension of industrial capacities in Tunisia and France.

## Cash flow from operating activities




Cash flow from operating activities was logically on the rise with the progression of net income excluding companies with equity method.

## Net excess cash

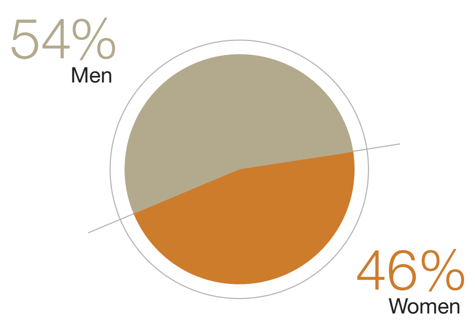


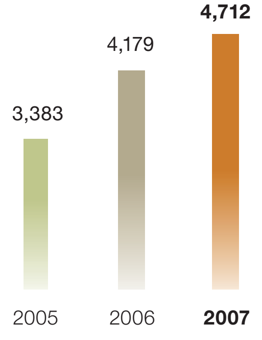

Net excess cash decreased slightly with the repurchase of own shares for €22 million (which thus disappear from the treasury) and an exceptional and punctual increase of working capital at closing due to altered tax payments.

## Sales by geographic zone

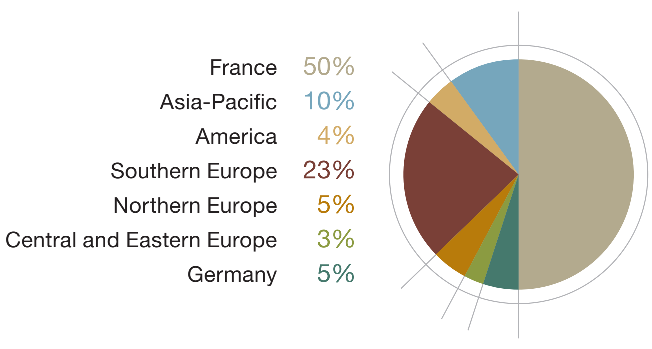
| in thousand € | 2007 | 2006 | N/N-1 | N/N-1 change, like-for-like |
|---|---|---|---|---|
| France | 203,027 | 187,619 | 8.2% | 6.3% |
| Germany | 97,540 | 96,658 | 0.9% | 0.8% |
| Northern Europe | 107,493 | 91,912 | 17.0% | 9.0% |
| Central and Eastern Europe | 50,819 | 42,601 | 19.3% | 16.5% |
| Southern Europe | 146,894 | 128,695 | 14.1% | 11.5% |
| Asia-Pacific | 44,820 | 38,662 | 15.9% | 17.6% |
| America | 69,629 | 69,024 | 0.9% | 6.8% |
| **Total** | **720,222** | **655,171** | **9.9%** | **8.3%** |

## Average workforce

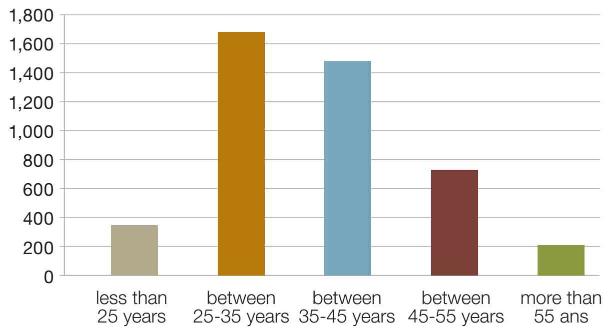



## Workforce analysis by geographic zone




## Workforce analysis by age



# Profile

## Somfy: one business, three activities

Somfy Group's activities are based on one business: the automatic control of openings and closures in homes and buildings. Over time, Somfy has extended its areas of expertise, which today cover three Business Groups, one for each application: Shutter & Awning, Window & Blind, and Door & Gate. Each application is managed by a Business Group working directly with teams in the field to generate growth, while reflecting the specific characteristics of each market and region.

To ensure profitable growth, Somfy implements a two-pronged strategy of organic and external growth, specifically based on a sustained innovation policy and robust geographic expansion.

Somfy is a market leader present in 51 markets, operating through 52 subsidiaries, 23 agencies and 19 offices spread across 5 continents. With its eight factories, Somfy has efficient and flexible industrial assembly facilities. Its high quality standards satisfy 220 million end-users and 30,000 professional customers around the world.



220

**million end-users around the world**

+27%

**Increase in sales of radio motors in 2007**

## Shutter & Awning

With its longstanding business activity, Somfy's goal is to both lead and control the market for the motorisation of roller shutters and solar protection. To achieve this, the Group is focusing on two areas: developing Radio Technology Somfy® through a range of value-added products, and winning back market share with more traditional products. In 2007, this strategy fulfilled all of its objectives and enabled Somfy to develop this business profitably, despite a lacklustre economy. In 2007, roller shutter and awning products allowed the Group to gain 1% market share worldwide.

With more than 4 million systems equipped around the world, Radio Technology Somfy® (RTS) has become the reference for automating openings and closures with wireless centralised controls.



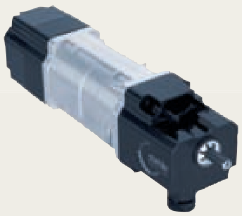
## Door & Gate

To develop this business, which has existed for nearly ten years, Somfy structures its offer according to professional requirements and organises its distribution networks accordingly. In 2007, this strategy was achieved through major external growth, with the integration of two distributors (in Portugal and the UK) and the acquisition of PD Technology Ltd, a British company that complements Somfy's expertise. Spearheading this business, BFT posted excellent results in 2007 with sales up by 17%. The launch of new products in 2008 opens up encouraging prospects for growth.

Somfy develops motorisation systems for all types of gates (swinging, sliding) and garage doors (sectioned, roller, folding) associated with a large range of remote controls and radio accessories.

## Window & Blind

With this emerging business which offers good potential for growth, Somfy plays a pioneering role. In the residential sector and in dynamic façades for commercial buildings, its development strategy is based on an innovative product range, the creation and development of niche markets, and a sustained training programme for specifiers. The energy performance of homes is one of the key factors in the expansion of this business, in which Somfy has posted successive growth in recent years. In 2007, this dynamism was shown by an increase of 18% in sales.



Thanks to the acquisition of Stehle in 2006, Somfy extended its technical know-how to square motors designed for exterior venetian blinds. This adds to its large portfolio of tubular motor ranges.

# Innovation

## Driving profitable growth in 2007

Somfy pursued its policy of sustained innovation to drive the development of its three business activities. More than 100 new products were thus launched in the last two years. This strategy is a response to three objectives: offering added value to customers, generating new markets and stimulating emerging activities, and meeting the new demands of its markets, especially those created by regulatory changes in the building industry. Led by the Business Groups, the design and launch of new products takes place in close proximity to the end markets, in partnership with the subsidiaries of each country.

By always offering greater comfort for end-users, while making its products more user-friendly and attractive, Somfy's new automation solutions launched in 2007 have allowed the Group to increase its technological lead.



### With YeSseo, Somfy takes another step towards Home Motion

Comprising 8 remote controls and 5 actuator receivers, the YeSseo range was successfully launched in 5 European markets in 2007 (France, Germany, Switzerland, Austria, Spain). These are the first Somfy products that are compatible with the io-homecontrol® wireless communication protocol, which is used by several manufacturers. User-friendly and totally secure, the system enables all io-homecontrol® products to communicate with each other, in order to enhance comfort and security and to reduce energy bills. 25 engineers worked full time for 3 years on this project.

### Success of Sonesse silent motors in North America

Sonesse, the innovative silent motors with RTS radio receivers, operate much more quietly than other motors on the market. Available in two models, this system works with both roller awnings and protective screens. Launched in North America in 2007, Sonesse motors are the ideal solution for Somfy's upmarket clientele.



## Launch of Glystro motors for curtains in Asia

Glystro RTS is a complete motorisation system for curtain rails, which automatically opens and closes all types of curtain. This discreet system blends in perfectly with decoration schemes and is compatible with all RTS remote controls. In Asia, these motors are particularly popular in hotels.

## After its sun sensor, Somfy designs a wind sensor

A discreet and easy to fit sensor, the Eolis 3D WireFree protects awnings by retracting them when it detects strong vibrations caused by the wind. With its 3D movement sensor, this patented technology launched worldwide in 2008 provides optimal awning protection, thanks to its sensitivity threshold that can be set to suit individual requirements.


## Secure motorisation for garage doors with Dexxo Pro io

A motorisation system that can be used with the vast majority of garage doors, Dexxo Pro io offers great comfort in terms of security and use. Compatible with the io-homecontrol® communication protocol, Dexxo Pro io incorporates a data feedback system and emits an audible signal to confirm that the garage door is locked.

# Industry & Logistics

## Sustaining competitiveness and innovation

In 2007, the Group significantly increased its production capacity by 10%. At the same time, Somfy optimised its industrial facilities to improve its competitive edge. This was achieved through efforts made in three areas: improving productivity, reducing production costs and continuing to improve quality. This revitalisation of its production facilities ensures that Somfy remains fully in step with market demands.

8
**production sites**

1
**international logistics centre**

50
**logistic warehouses**

### Improving Somfy's competitive lead

In 2007, Somfy's industrial facilities allowed the Group to maintain profitability despite the rising costs of raw materials, while enabling it to continue to reduce selling prices. Over the last three years, the Group decreased costs by 7.7% with 3.2% in 2007.

The creation of a proper industrial network at Somfy's new production site in Tunisia, which opened in 2006, bore fruit in 2007. The localisation of Somfy's key specialist suppliers on site is a very effective operational lever, which ensures a highly responsive supply chain. There will be further integration of the supplier network in 2008.

The Chinese factory LianDa, a joint venture between Somfy and local partner YueQiu, went into production in 2006, but has not completely met its operational objectives. Levers for improvement were identified and implemented in 2007.

### Ramp-up of the Tunisia site

The ramp-up of production at Somfy's site in Tunisia has helped sustain the Group's growth in activity. For its first full year in operation, the factory produced more than 1.8 million motors, and is expected to maintain this rate in 2008.



SITEM, the Group's Tunisian site which produces Somfy's core range of motors, is complementary to its network of European factories, which remain efficient and competitive thanks to their great adaptability to demand.

## Success of the Quality process

Quality is a fundamental competitive advantage in both entry-level products and value-added solutions. In 2007, Somfy deployed its "% to ppm" (parts per million) program across all its production sites, with the aim of reducing product returns to below 1%.

In 2007, nearly 500 action plans were launched in the Group's 8 factories, Logistics and Purchasing departments and 3 Business Groups. The plans are structured around 3 areas for improvement: reducing customer return rate, eliminating faults detected internally, and improving methodology, tools and behaviour. These targeted actions are supported by the intervention of outside consultants who help employees understand how they each play a role in quality improvement.

The "% to ppm" program has already achieved clear results in 2007. It will become a permanent feature in our organisation in 2008.

## Encouraging synergies

Somfy's eight production units pursue the common goal of industrial excellence. Every day, they are able to assemble 4 million components and produce 43,000 motors. From product design to quality control and packaging, each site benefits from the support and expertise of Somfy's industrial network, to meet quality standards and drive costs down. While advocating the adaptation of processes to the culture of each country, Somfy also encourages sharing best practices.

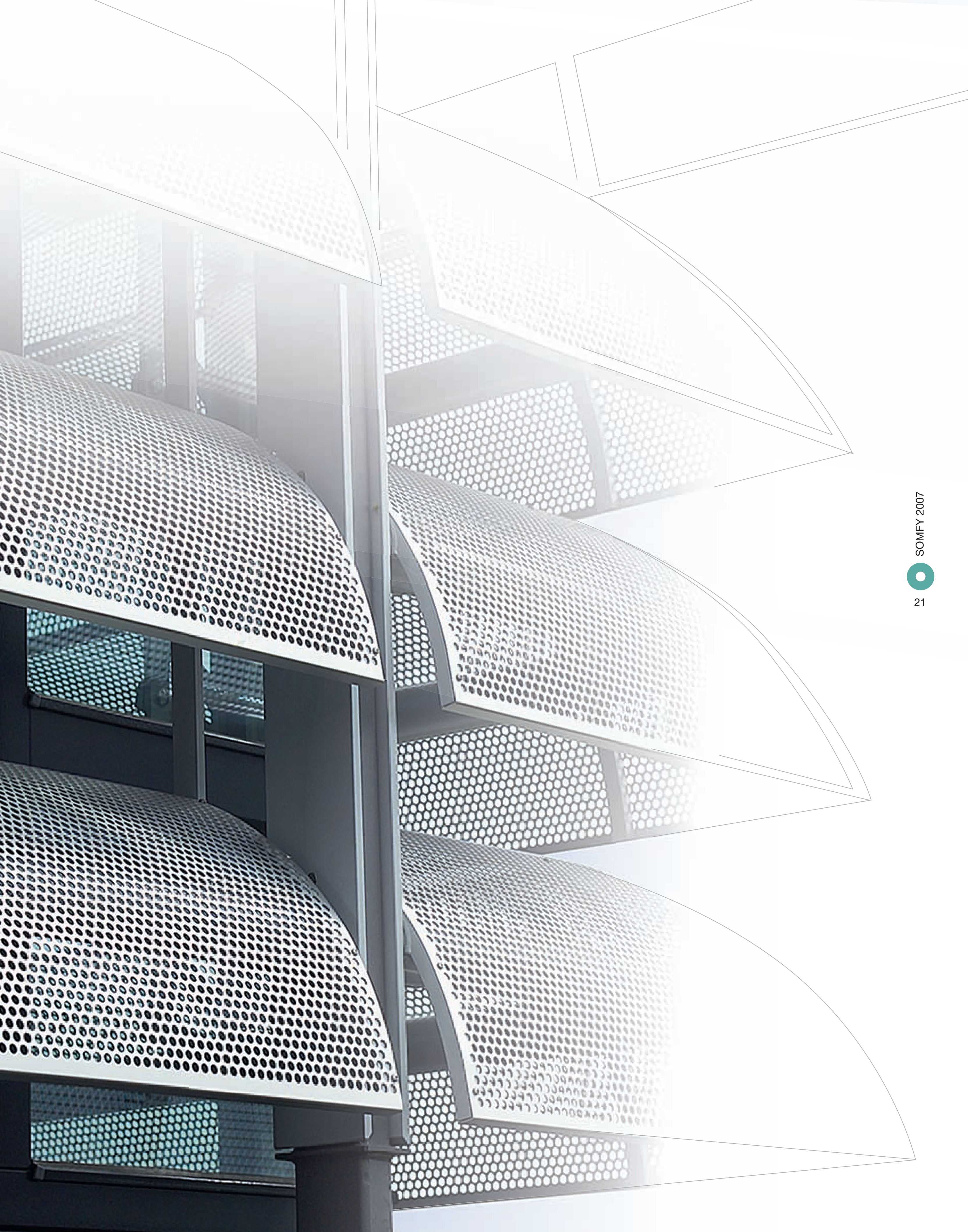
## Optimising the supply chain

In 2007, the Integrated Management software, already in use in the Finance, Sales and Logistics departments, was deployed at the Cluses factory. This system, which will eventually be used to control all of the Group's processes, will be installed at all of the Group's production sites by 2010.

# Activity by region

## Another year of growth

**In 2007, Somfy posted sustained growth in most regions where the Group is present.** This growth reflects the sound performance of its markets despite the slowdown in the second half, and demonstrates the success of Somfy's sales policy, which has helped the Group increase its market share. In 2007, the Group continued to optimise the operational efficiency of its regional structure. Its Business Areas are now grouped into two Business & Marketing Areas, North and South, in charge of managing their performance and human resources, deploying the Group's strategy and encouraging the sharing of best practices.

All 67 meters of the Media Tower in the southern quarter of Dusseldorf are filled with high-tech offices on 19 floors. An example of architectural innovation, the façade is entirely made of glass and is distinguished by its internal structure. With a double skin façade, air circulates freely between the offices.
Somfy's participation in this ventilation system includes the motorisation of 685 venetian blinds with the Animeo IB+.
Installed in the façade, they allow outside air to enter the building for night cooling.

# Media Tower, Dusseldorf, Germany

OUR MARKETS IN FRANCE AND GERMANY

# Successful innovation and aggressive strategy

In France, Somfy's activities are in line with its objectives, and its results continue to improve. In Germany, where Somfy's business suffered in the lacklustre property market, it was able to maintain stable results by increasing market share. The launch of new products offers a good outlook in 2008.

+6.3%
Growth in sales in France in 2007

+0.8%
Growth in sales in Germany in 2007

28.2%
Contribution of French market to the Group's overall sales

13.5%
Contribution of German market to the Group's overall sales



## Regained market share

In these two mature markets, France and Germany, Somfy continues to win back market share. In France, a quarter of growth achieved in 2007 was a direct result of this aggressive strategy. While its policy of cutting prices was slightly offset by the rise in the cost of raw materials, the effects of Somfy's Quality and Innovation strategies played a large part in winning back market share and creating customer loyalty.
In Germany, the increase in market share offset the slight decline in the residential building market and the negative efforts of the weather, which affected the awning season. Products launched in 2006, such as Oximo WT, helped Somfy to win market share in the roller shutter sector. The acquisition in 2006 of Stehle (now Sun Protection Technology), which specialises in the manufacture of motors for external venetian blinds, helped the Group to win new customers in this segment.

## More value-added products

In France and Germany, the good radio technology performance supported profitable growth of Somfy's activities.
In France, nearly a third of sales are now achieved through value-added products with integral radio motors. With Simu products, the proportion of radio motors rose above 20%, and the brand enjoyed further growth in 2007.
The YeSseo range has been on the market since summer 2007 in France and Germany, and initial sales are encouraging. In Germany, around a hundred specialist companies received the "YeSseo Expert" certification. With this new type of product, which will help to increase motorisation rate in homes, Somfy is once again proving its technological advantage and vision of the development of Home Motion in the long term.

## Forming close relationships with the building industry

On the home energy performance market, Somfy plays a pioneering role. In this context, an understanding of the demands and issues of building is a key factor in the acceleration of motorisation. In 2007, Somfy organised a greater number of events for its product specifiers. In Germany, the Living Architecture seminar gathered 85 architects in Frankfurt in September, to discuss bioclimatic façades. In 2008, Somfy will step up its communication on the benefits of its high quality products, as a consequence of this phase of dialogue with other players in its field.

Somfy's role in the construction of Lidl's regional headquarters was to supply automatic Animeo IB+ motors for a hundred internal and external venetian blinds.

The Animeo IB+ system responds to levels of light, wind and rain in order to minimise energy consumption in the building and provide a more comfortable environment for occupants, by controlling the level of light entering the building in order to optimise temperature and lighting in each room. Flexible and user-friendly, Animeo IB+ technology also offers personal programming options that can be adapted to individual needs.

# Lidl Centre, Salzburg, Austria

OUR MARKETS IN NORTHERN, CENTRAL AND EASTERN EUROPE

# Growth in radio technology

In Northern Europe, the slowdown in business was more than offset by the gain in market share. In Central and Eastern Europe, Somfy continued to deploy its people and its expertise in order to exploit the growth of emerging economies.

+9.0%
Growth in sales in Northern Europe in 2007

+16.5%
Growth in sales in Central & Eastern Europe in 2007

14.9%
Contribution of the Northern European market to the Group's overall sales

7.1%
Contribution of the Central & Eastern European market to the Group's overall sales





## Regained
### market share in Northern Europe

In Northern Europe, Somfy registered reasonable growth of between 8% and 9%, with very contrasting half-year performances. Following a positive start in the awning market, activity suffered from the economic slowdown in the second half of 2007. This temporary setback was, however, offset by the continuing growth in market share. This growth was notably achieved by expanding the network of Expert installers. In Belgium, for example, Somfy opened a new B2B site to supply product information and marketing materials, while enabling customers to register online for training.
In Northern Europe, Switzerland and Austria, Somfy was also rewarded for its communication campaigns aimed at end-users.

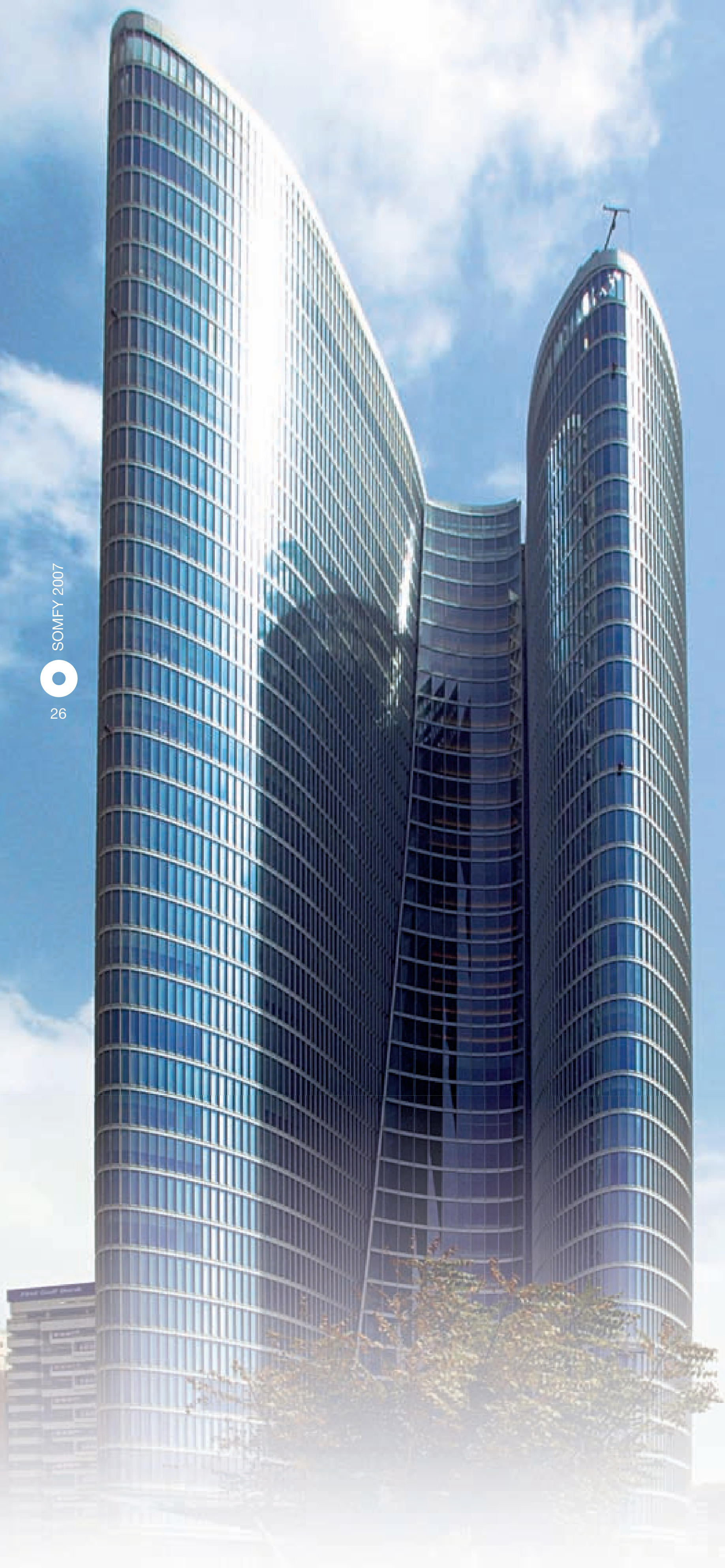
Another key factor in the growth of Somfy's market share was the broadening of its expertise. In Britain, Somfy expanded its offer with the integration of PD Technology Ltd, the UK leader in the development of sensors for roller garage doors and commercial access.

## Ongoing
### geographic expansion in the East

Eastern European markets continued to record very strong growth. Countries like Poland and the Czech Republic saw their sales grow by over 20%. Unlike competing suppliers, Somfy has not yet created close links with its customers. To exploit this major developmental potential, Somfy pursued its geographic expansion. In 2007, Somfy opened a new subsidiary in Romania and expanded its sales networks in Russia.

## Growth
### of radio technology

In Northern Europe, Somfy radio technology now represents half of motor sales. Also noted in Nordic countries, this spread of radio technology is closely linked to the growing awareness of the need to optimise the energy performance of buildings. In "emerging" countries in the region, value-added products also enjoyed growing success, particularly in Eastern Europe, where Radio Technology Somfy® saw strong growth in 2007.





For their headquarters, the ADIA corporate investment capital wanted a building opening to the exterior that would reflect both their engagement to transparency and the environment. Made of two wings turned towards the sea and linked by a central atrium, the building façade made entirely of glass takes into account the thermal needs of a country with summer heat waves. The architects privileged natural ventilation, thanks to Somfy motors integrated into the façades, which allow fresh night air into the building. 6,531 venetian blinds were also installed in the double glazing which react automatically to light and heat and lower when the sun is at its highest.

# Abu Dhabi Investment Authority (ADIA), United Arab Emirates

OUR MARKETS IN SOUTHERN EUROPE, THE MIDDLE EAST AND SOUTH AMERICA

# A positive trend

In 2007, Somfy met its growth targets for Southern Europe, which comprises traditional markets where the Group has won some major new customers. Investments allocated to developing growth markets in the Middle East and South America have borne fruit.

+11.5%
Growth in sales in Southern Europe in 2007

20.4%
Contribution of the Southern European market to the Group's overall sales



## Tactical
**new start in Italy**

In Italy, the industrial restructuring carried out in the past few years and the expansion of sales forces have brought rewards. Somfy now has facilities that are adapted to the lack of structured distribution in this market. In 2007, Group activities were back on a positive track. Driven by the healthy performance of its partnerships with manufacturers, Somfy successfully won back the awning market, through gaining market share and the success of its radio technology. Buoyed by these encouraging results, in 2007 Somfy launched its Expert training programme in Italy.
In Spain, activity was slightly down due to the worldwide property situation. The update in quality achieved by Asa through the launch of its integrated radio range received a very positive response on this market.
In 2007, all the Group's brands operating in Southern Europe (Somfy, Simu, Asa and Mingardi) benefited from this favourable environment.

## Investments
**bear fruit in the Middle East**

In 2007, Somfy's activities in the Middle East continued to register strong growth. In Greece, the launch last year of the Expert network was a great success, with motor sales increased threefold. Somfy continued to invest in this market, which offers excellent prospects for growth. In 2007, 1,000 installers benefited from Somfy's training program, while the public was introduced to the range of Somfy products through an advertising campaign on the television and radio and in the press.
Somfy's subsidiary in Jordan posted further strong growth in 2007, while in Israel the Group created a logistics department and warehouse facilities.
Somfy also continued to develop its networks in all markets where it is taking a pioneering approach. In Jordan, Somfy carried out its first communications campaign in the B2B press. In Egypt, 40 installers took the intensive training programme on the Oximo motor.

## Somfy's presence
**boosted in South America**

Somfy consolidated its presence on the South American continent, notably by expanding its sales teams in Argentina. For the first time, the brand took part in the country's biggest building event. In Brazil, where Somfy launched its battery motors, which operate without electricity, sales of interior products grew by 25% in 2007. Also in Brazil, with its Mingardi brand, Somfy launched a new heat-resistant automatic solution for windows.

When the Federal Environmental Protection Agency decided to renovate its regional office in Denver, it naturally set their sights high, by aiming to obtain the LEED silver certification, in recognition for its compliance with strict green building standards. For the building façades, the Agency chose Somfy's Animeo IB+ range of centralised controls and its solar detection system. In all, 360 Concept 25 motors and 87 Animeo IB+ systems now control the Agency's venetian blinds according to a predetermined schedule, optimising natural light while eliminating solar glare.

# Environmental Protection Agency, Denver, USA

# The sustainable housing revolution is here

In a sluggish economy, Somfy continued to generate growth by developing the market for interior products, which is now Somfy's most important application in North America.

+6.8%
Growth in sales in America in 2007

9.7%
Contribution of the American market to the Group's overall sales

More than 1,000
Somfy Experts trained in 2007



## Confirmed growth
### of interior products

Despite the difficult context, North America ended 2007 with 6.8% growth in activity, an increase of 0.9% taking into account the depreciation of the dollar against the euro.
The lack of cyclonic activity in 2007 led to a major slowdown in the roller shutter business in the United States. However, the decline in sales in this market, which is particularly strong in Florida, was offset by the excellent performance of blinds and other interior products, which posted a 30% increase in sales over the year.
The continued growth of the battery-powered WireFree motors, as well as the launch of the silent Sonesse motors, allowed Somfy to consolidate its position as leader in motors for blinds in North America.

## The role
### of business maker

In this market, where Somfy plays a pioneering role in most of its activities, the Group is working hard to harness the major potential for growth in the automation of interior blinds (venetian, roller, pleated). In 2007, Somfy pursued its strategy of creating new blind markets in the residential and commercial sectors, by leveraging several complementary factors:

- Innovation, by developing products that fulfil the specific demands of the North American market, notably high-end solutions that respect the aesthetic criteria of interior designers;
- More sales people in the field, to increase the brand's post-distribution presence, particularly among installers and specifiers;
- Training for installers, with the launch in 2007 of the Somfy Experts programme, which covers more than 1,000 professionals.

## A new economy:
### energy savings

In North America, Somfy's activity is stimulated by the growing demand for buildings which are energy efficient and have little impact on the environment. In the United States, the effectiveness of Somfy's automatic solutions has been recognised by the LEED rating awarded by the Green Building Council.
Three years after their deployment in the United States, the green building solutions developed for the residential sector have won recognition from the market, from Somfy's customers (manufacturers, suppliers) and specifiers (interior designers, architects). With this solid foundation in place, in 2007 Somfy began forming a network to market its products to interior designers through partnerships with big US retail chains. This enhanced visibility via the main intermediaries between the brand and end-users has been built on Somfy's low consumption, silent motors, and its Home Motion solutions.

Samsung installed their headquarters in Samsung Seocho Town, which they built in the center of the new business quarters in the south of the city. This ambitious project became the construction of three immense glass towers. For two of the towers, Samsung used Somfy's Animeo IB+ automation range to motorise 8,288 interior and exterior venitian blinds. This solution allows an individual or group control of the blinds and a program of different scenarios according to the time of day.

# The Samsung towers In Korea

OUR MARKETS IN ASIA-PACIFIC

# Development on every front

Somfy posted very strong growth in Asia-Pacific, driven by dynamic markets in China and South Korea. To support this development, the Group continues to expand its geographical network and train its teams of installers.

+17.6%
Growth in sales in Asia-Pacific in 2007

6.2%
Contribution of the Asia-Pacific market to the Group's overall sales



## Back to growth in South Korea

In South Korea, Somfy's second biggest market in the region, the Group saw a return to growth on the residential segment, thanks to the restructuring of its company i-blind. In 2007, automatic systems for commercial buildings benefited fully from customers' greater awareness of energy saving issues. The effectiveness of Somfy's solutions was recognised when they won the Energy Winner prize at the beginning of the year. i-blind diversified its clientele by signing a contract with Hyundai to fit an upmarket car model with pleated blinds.

In the rest of the region, Somfy focused on exploiting the major growth potential of every country where the Group operates. Boosted by preparations for the 2008 Olympics in Beijing, the Chinese market saw considerable growth in both the commercial and residential sectors. Still emerging, Somfy's activity in the countries of South East Asia registered very encouraging growth of more than 25% in 2007.

## Exploring new markets

On its Asian markets, most of which display a strong potential for growth, Somfy is expanding its geographical coverage. In 2007, the Group opened new offices in China and expanded its sales forces across the region.

By innovating and focusing on its value-added radio technology, Somfy is playing a pioneering role in niche markets identified as being profitable in the long term. In 2007, the launch of new products aided the emergence of the interior products activity in Asia. Somfy's range of curtain motors, Glystro, received a very encouraging response in China. Valued for their dual benefits of energy efficiency and comfort, motors and automatic systems for blinds are becoming increasingly popular in upmarket hotels in India, Thailand and Singapore.

In China, Somfy now produces some of its products sold locally through its joint venture created in 2006 with the Chinese company YueQiu. The jointly run factory, LianDa, was brought into line with Somfy's standards in order to launch the first motors using radio technology on the Chinese market.

## Increased visibility among specifiers

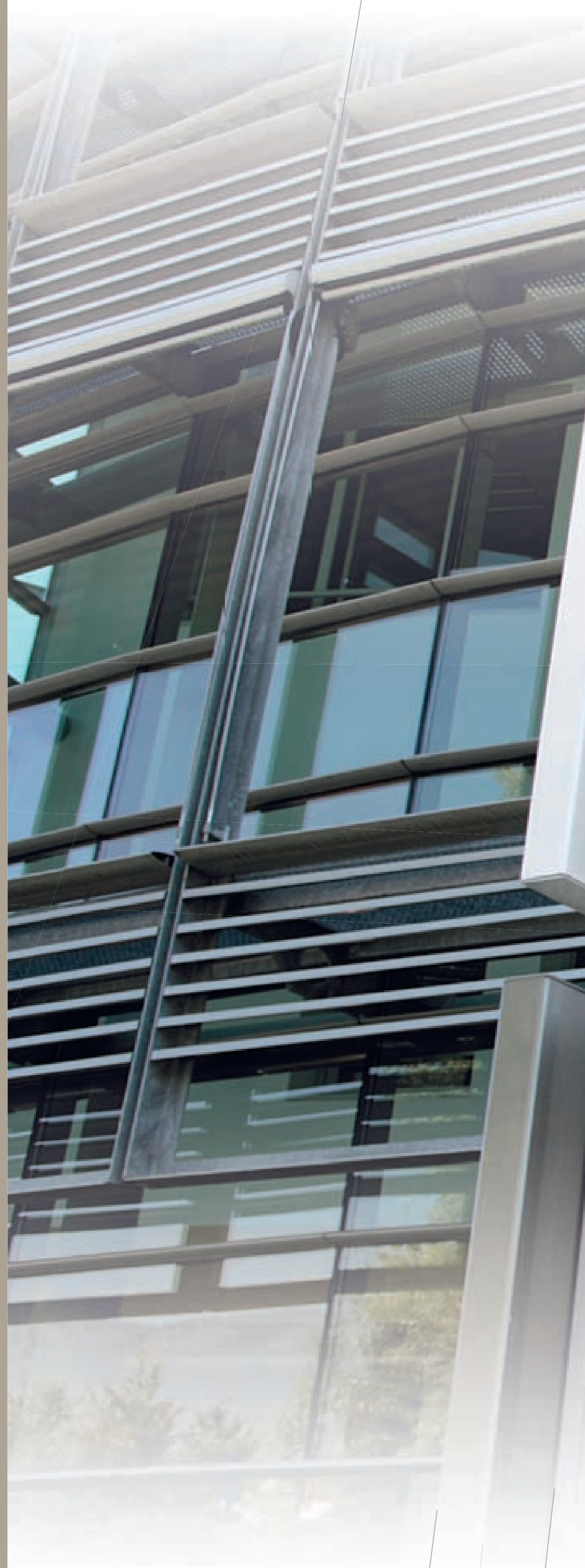
To support the development of its activities in Asia-Pacific, Somfy continues to invest in training for its installers, and for specifiers such as interior designers and architects.

In Australia, Somfy used TV advertising for the first time in Australia, to make people aware of its distributor network.

# Social and environmental responsibilities

## Mobilising and sharing our expertise

**Operating on all continents,** Somfy manages its Human Resources as close to the field as possible in order to adapt to the specific nature of each culture and market. Around the world, Somfy strives to involve its 4,700 employees in the Group's performance by creating attractive career opportunities and valuing the skills of each individual. In 2007, Somfy strengthened the links between its teams and the Group's environmental efforts by refocusing the work of its Foundation on the residential sector.




somfy

Organisation and Human Resources

# Supporting the Group's growth

Somfy manages its teams through its operational entities wherever possible, to support the Group's growth and the development of its activities. Year 2007 was marked by the consolidation of the Group's Human Resources policy, notably by boosting its training programmes.

4,700
employees

A network of
12
HR leaders worldwide

28,000
hours of training provided in 2007

+13%
headcount increase in 2007

## Welcoming new employees

In 2007, the Group welcomed 270 new employees to support the development of its activities. In France, 53 people, mainly technicians and engineers, joined the Business Groups based at the Group's headquarters. South America, Southern Europe and the Middle East also continue to expand their workforces, particularly in terms of sales staff. Over the year, Somfy also pursued its external growth with the acquisition and integration of 5 companies: PD Technology Ltd and BFT Gates Systems in the UK, BFT Portugal, Stehle in Germany and Variosys in France.

The integration of these new employees is based on a pragmatic Human Resources policy which takes into account the cultures of individuals and the specific characteristics of each site. Based on the management principles propagated by managers, the HR network and the annual HR cycle are used to communicate the fundamentals of the Somfy culture: openmindedness; development opportunities for everyone; emphasis on responsibility; encouraging performance.

As of December 31st, 2007, Somfy had 4,700 employees in 52 countries.

## Enhanced training programs

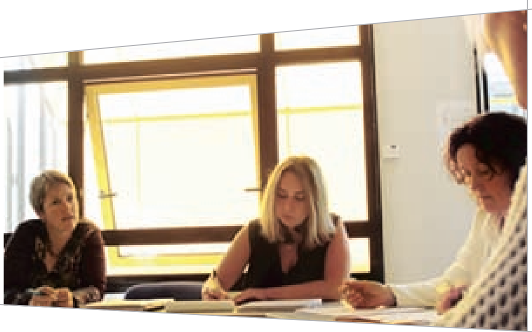
Somfy encourages the development of skills through a sustained, responsive training policy. In 2007, the Group widened the scope of its training tools to meet operational needs and aid the integration and recruitment of a large number of new employees. In France, training benefited 4% of the workforce, or 1000 employees, who benefited from 28,000 hours of training.

In order to accelerate internal transmission of expertise and to encourage the exchange of best practices, Somfy has introduced mentoring for its employees. This method, which pairs up experienced employees with new recruits, is currently used for job handovers. The mentoring system was tested in France with 5 pairs of employees in 2007; the experience was positive and will be further developed in 2008.

## Promoting managerial qualities

Managers play an essential role in disseminating Somfy's cultures and values to every employee around the world. In order to encourage delegation among team leaders, in 2007 Somfy launched its training programme for managers throughout the whole Group.

At the same time, the Somfy Academy program was expanded with a fifth module aimed at new managers. In 2007, this program was used to train 25 employees in people management, finance, customer marketing, strategy and innovation.



Sustainable development

# Developing sustainable housing

Spearheading the Group's long-term commitment to the environment, the Somfy Foundation refocused its activities on housing in 2007. Its involvement in efforts to reduce the energy consumption of buildings was represented in particular by the Group's role in the launch of the first World Clean Energy Awards.

400,000

euros consecrated on Somfy Foundation

5

programs financed in partnership with the Emergency Architects

## Efforts refocused on Somfy's core business

For the past four years, Somfy Foundation has been supporting and developing projects of all kinds, often initiated by non-governmental organisations (NGOs) and associations. In 2007, it spent €400,000 on initiatives in France and other countries. Because Somfy Foundation's purpose is to contribute to the development of sustainable, eco-friendly housing, its work has been refocused on the Group's core business: housing. This strategic positioning reflects the Group's professional expertise, and mobilises the employees of all its subsidiaries in the pursuit of a common goal, thereby strengthening their commitment to sustainable development.

## Closer partnership with Emergency Architects

Since the Asian tsunami in 2004, Somfy Foundation has worked alongside the NGO Emergency Architects on large-scale humanitarian programs. Somfy Foundation has increased its involvement in the field by sharing its technological expertise and through the participation of its subsidiaries around the world, wherever possible. In Australia, for example, Somfy has been working with Emergency Architects on the Salomon Islands. In 2007, the Somfy Foundation also funded a program to rebuild several villages in Sudan's Darfur region. In Lebanon, where Emergency Architects have been working since 2006, the Foundation has helped to build schools.

## World Clean Energy Awards: promoting clean energies

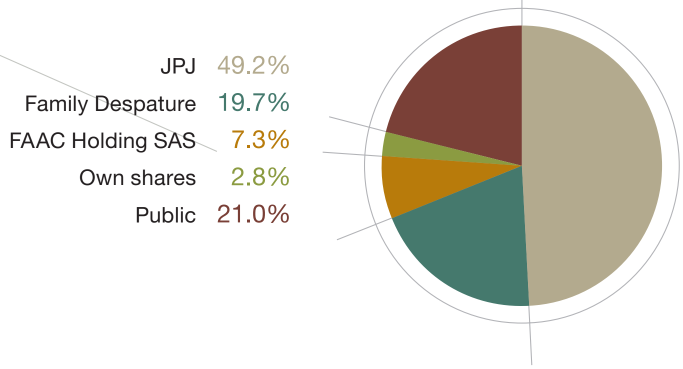
In 2007, Somfy helped launch the World Clean Energy Awards to encourage local initiatives based on clean energy. The first Awards went to several projects selected from 70 entries in major sectors such as building, transport and services. The members of the jury gave an Award to Envirofit for its kit to reduce toxic emissions produced by two-stroke engines in the Philippines, and also to a project in Kenya that installs solar panels to furnish electricity for Kibera slum-dwellers.

## Somfy's CEO reports to the United Nations Commission on Sustainable Development

In May 2007, Wilfrid Le Naour reported to the United Nations Commission on Sustainable Development on the importance of improving the energy efficiency of residential and commercial buildings, which alone are responsible for around 20% of the world's energy consumption. Basing his argument on the fact that new buildings represent annually just 5% of existing buildings, Mr Le Naour put the case for the introduction of government policies to encourage renovation.

# Shareholder Relations

## Breakdown of capital in %



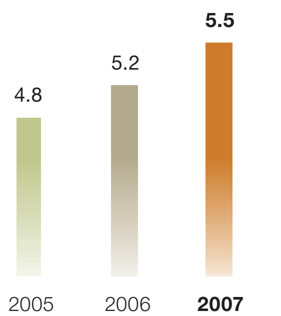

## Capital

At December 31st 2007, 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.

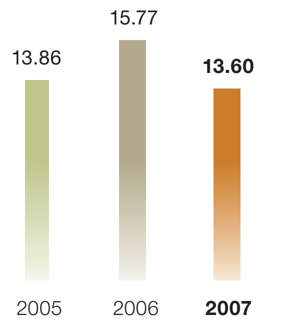
The company has not issued any securities giving rights to capital.

Stock options that may be exercised after December 31st 2007 are purchase options. As authorised, the company owned 221,438 Somfy shares at December 31st 2007.

## Net dividend
per share, in euros




## Net income
per share, in euros




## 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 witn Société Générale Securities.

## Financial Calendar

| | |
|---|---|
| 25 January 2008 | Release of quaterly sales (Q4 2007) |
| 28 February 2008 | Supervisory Board |
| 29 February 2008 | Financial Information Meeting – annual results 2007 |
| 25 April 2008 | Release of quaterly sales (Q1 2008) |
| 30 April 2008 | 2007 Consolidated Accounts release |
| 14 May 2008 | General Assembly |
| 25 July 2008 | Release of quaterly sales (Q2 2008) |
| 28 August 2008 | Supervisory Board |
| 29 August 2008 | Financial Information Meeting – 1st half results 2008 |
| 29 August 2008 | 2008 1st half results release |
| 24 October 2008 | Release of quaterly sales (Q3 2008) |
| 12 November 2008 | Supervisory Board |

# Organisation

## Supervisory Board

**Chairman:** Jean-Bernard Guillebert

**Vice-Chairman:** Jean Despature

**Members:** Société JPJ 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

## For further information:

Nicolas Duchemin
CFO

Telephone: +33 (0) 4 50 40 48 49
Fax: +33 (0) 4 50 40 19 61
email: nduchemin@dsgsomfy.com

www.somfyfinance.com

# Financial Report

# **Overview** of consolidated financial statements

| In € millions | 31/12/07 | 31/12/06 |
|---|---|---|
| Sales | 720.2 | 655.2 |
| Operating current profit | 132.3 | 126.2 |
| Operating profit | 131.2 | 118.5 |
| Net profit | 103.9 | 121.9 |
| Net profit (Group share) | 103.5 | 121.6 |
| Cash Flow | 119.7 | 112.5 |
| Investments in property, plant and equipment | 36.5 | 35.3 |
| Amortisation and depreciation* | –22.8 | –20.5 |
| Net asset | 648.4 | 591.3 |
| Excess cash | 70.2 | 82.8 |
| Non-current assets | 535.5 | 497.2 |
| Average workforce size | 4,712 | 4,179 |

* Excluding the writedown of €7.3 million aristing from an impairment test in 2006.

# Management Board **Report** to the Annual General Meeting of 14 May 2008

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 2007.

## Highlights

- Somfy made the acquisition, via its BFT SpA subsidiary, of two companies: BFT Portugal and Gates System. These two companies distribute BFT products and were acquired in March 2007 and April 2007 for €1.5 million and €4.6 million, respectively. At 31 December 2007, they had achieved 2007 sales of €2.6 million and €4.4 million, respectively. Goodwill was €1.7 million and €2.8 million, respectively.
- Somfy made the acquisition of PD Technology Ltd for €2.0 million. This British company manufactures garage door detection sensors. PD Technology Ltd has been included in the Somfy Group structure since 1 January 2007 and contributed €3.9 million to consolidated sales and generated a €0.4 million goodwill.

  Somfy will also be under an obligation to pay a GBP 300 thousand earn-out if certain performance indicators are met.

  Due to the high probability that these objectives will be met, the earn-out has already been recognised in the Group's consolidated financial statements.
- Somfy made the acquisition, at the beginning of July 2007, of 40% of Firstinnov for €2.2 million. This company develops and markets data transfer and remote control electronic systems for the swimming pool, automotive and house automation markets.

The transaction includes a purchase option on the remainder of Firstinnov shares, which Somfy may exercise from 2010.

## Presentation of Group and parent company financial results

### Parent company financial results

At 31 December 2007, Somfy SA sales were €1.6 million. Financial income amounted to €74.0 million, including €77.5 million in dividends paid by its subsidiaries in respect of their net profit at 31 December 2006.
Net profit amounted to €72.3 million and includes an income tax saving of €2.8 million, as a result of the tax grouping arrangement.

### Group financial results

Sales for the year came to €720.2 million, up by 9.9% (+8.3% on like for like). This performance confirms the strengthened positions in countries where the Group is established.
All regions registered growth on a like-for-like basis. However, a number of them recorded a decline from the Summer, as they were adversely affected by an unfavourable basis effect (strong growth in third and fourth quarters 2006).
This observation particularly applied to Germany, which grew 0.8% over the financial year but posted a 14.0% decline over the last six months of the year, and Northern Europe, which grew 9.0% over the year and by 1.8% over the last six months.
France posted growth of 6.3% over the financial year and 5.5% over the second half-year, Southern Europe grew 11.5% over the financial year and 9.9% over the second half, and Eastern and Central Europe grew 16.5% over the financial year and 12.7% over the second half.
Asia-Pacific achieved full-year growth of 17.6% and was up 13.2% over the last six months.
Finally, North America grew 6.8% over the financial year, following a difficult start of the year and by 10.7% over the second half (these growth rates were brought down in real terms to 0.9% and 3.4%, respectively, due to the loss in value of the US dollar against the euro).

| In € thousands | 31/12/07 | 31/12/06 | N/N–1 | N/N–1 like for like basis |
|---|---|---|---|---|
| France | 203,027 | 187,619 | 8.2% | 6.3% |
| Germany | 97,540 | 96,658 | 0.9% | 0.8% |
| Northern Europe | 107,493 | 91,912 | 17.0% | 9.0% |
| Eastern and Central Europe | 50,819 | 42,601 | 19.3% | 16.5% |
| Southern Europe | 146,894 | 128,695 | 14.1% | 11.5% |
| Asia-Pacific | 44,820 | 38,662 | 15.9% | 17.6% |
| America | 69,629 | 69,024 | 0.9% | 6.8% |
| **Total** | **720,222** | **655,171** | **9.9%** | **8.3%** |



## Results

Operating current profit for the financial year increased by 4.8% to €132.3 million. Growth in operating profit was more pronounced: 10.7% to €131.2 million, with markedly lower exceptional expenses in 2007 than in 2006 (impairment of Italian subsidiary WAY's goodwill).

Despite lower average selling prices (3.7% overall), rising raw material prices and Cotherm's full-year dilutive impact, the gross profit margin was maintained at a high level. It remained stable in our core business due to the growing operational impact of the Zriba plant in Tunisia and actions implemented at BFT's.

Rising structure costs were a reflection of the numerous projects launched, both with regard to innovation (more than 50 engineers and technicians hired) and business development (stepped up workforce with 100 new hires). Amortisation and depreciation charges also increased, due to the significant investment programme implemented over the past few years and to the capitalisation of certain R&D expenses.

Net finance expense was rather low whereas the income tax rate improved. As forecasted, the contribution from equity-accounted companies sharply declined, due to the non-recurring nature of the capital gain arising from the disposal of Faac in 2006 (Somfy's share was €28.7 million).

Net profit decreased from €121.9 to €103.9 million (–14.8%). It grew, excluding the 2006 Faac capital gain, from €93.2 to €103.9 million (+11.5%).

## Financial position

Net cash surplus was €70.2 million at the end of the 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.

At 31 December 2007, segment information was as follows:

| In € thousands | France | Germany | Northern Europe | Eastern and Central Europe | Southern Europe | Asia Pacific | Americas | Inter-area eliminations | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| Segment sales (Turnover) | 441,247 | 103,224 | 99,717 | 36,436 | 221,566 | 38,159 | 61,964 | –282,091 | **720,222** |
| *Intra segment sales* | *–219,256* | *–4,098* | *–260* | *–188* | *–57,641* | *–27* | *–621* | *282,091* | ***0*** |
| Segment profit/ loss (profit from operations) | 69,364 | 2,766 | 12,193 | 2,766 | 42,936 | 2,441 | 3,314 | –3,443 | **132,337** |
| Investment in equity accounted companies | 5 | - | - | - | 13,048 | - | - | - | **13,053** |
| Segment net profit | 79,731 | 1,623 | 9,430 | 1,920 | 45,405 | 1,175 | 1,582 | –36,983 | **103,883** |
| Segment assets* | 378,868 | 28,495 | 50,742 | 16,540 | 253,748 | 32,434 | 32,360 | –119,546 | **673,641** |
| Segment assets available for sales ** | 67,367 | - | - | - | 11 | 33 | - | - | **67,411** |
| Equity accounted companies | 2,474 | - | - | - | 150,575 | - | - | - | **153,049** |
| Segment liabilities | 202,275 | 17,024 | 24,076 | 9,862 | 70,449 | 16,712 | 11,795 | –106,483 | **245,710** |
| Segment investments | 24,526 | 787 | 460 | 511 | 7,722 | 1,226 | 1,296 | - | **36,528** |
| Segment asset amortisations | –14,902 | –1,477 | –722 | –446 | –3,693 | –536 | –970 | - | **–22,746** |

* Without financial assets available for sale.

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

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

# Events incurred after the Balance Sheet closing

- On 18 January 2008, Somfy SA acquired on the market a number of Agta Record shares, so that since that date the Company owns 3,438,928 Agta Record shares, being 25.88% of the share capital and voting rights of this company. The crossing of the 25% threshold was declared, on 25 January 2008, to the Autorité des Marchés Financiers, which gave its ruling under n° 208C0186 published in the BALO of 30 January 2008.

- On 6 November 2007, Somfy signed an agreement with a view to acquiring the Zurflüh-Feller company.

Established in 1920, Zurflüh-Feller is based in Autechaux-Roide (Doubs, France) and employs a workforce of about 400. The Company specialises in designing and manufacturing roller shutter components and accessories (winches, fasteners, reeling drums, cranks…). As a highly industrially-integrated company, Zurflüh-Feller has total control over production and quality and holds a significant patent portfolio. Its customers are roller shutter manufacturers and distributors.

Zurflüh-Feller reported 2006 net sales of €58 million, of which 6% were exports, primarily to Germany. The Company has experienced continuing growth since 1986 and has growth potential in new market segments and in export markets.

Completion of the transaction is subject to usual conditions precedent.

Somfy's objective in this transaction is to accelerate Zurflüh-Feller's expansion, especially internationally, by making the experience acquired by Somfy in that field available to the Company.

# Outlook

The Group remains prudent in the short term due to economic and monetary environment volatility and property market uncertainties. However, its recognised strengths: wide product range, global distribution network and strong business model enable the Group to expect significant sales growth in the current financial year.



# 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 2007:

| | Number of shares held | % share capital | % voting rights* |
|---|---|---|---|
| J.P.J. SCA** | 3,858,802 | 49.24 | 59.63 |
| Despature family | 1,543,791 | 19.70 | 20.93 |
| FAAC Holding SAS | 571,400 | 7.29 | 4.48 |
| Northern Trust | 558,703 | 7.13 | 4.38 |

* Based on share capital comprising 7,836,800 shares at 31 December 2007 representing 12,765,819 voting rights, in application of Article 223-11 of AMF general regulations.

** There is a binding agreement between JPJ SCA, a limited partnership, and the Despature family.

### 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 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 some 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 quarters 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: Article 885 I

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 I of the General Tax Code and expiring at 1 January 2010, inclusive. Beyond that date, the commitment will be automatically extended for successive 12 months periods, unless one of the signatories gives notice of termination to other signatories.

In addition, eight collective retention agreements of which seven relate to 50.65% of the Somfy SA company share capital were signed on 24 and 29 December 2003 and one relating to 50.08% of the share capital of the company was signed on 27 April 2006 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 registration and automatically extended for successive three months periods, 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 most recent programme was launched in 2007; it was authorised by the Annual General Meeting of 15 may 2007 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.

During the financial year, the Management Board made use of the authorisation granted and bought 117,301 shares at an average price of €210.97, sold 5,108 shares at an average price of €222.95 and allocated 18,062 shares at an average price of €76.15 in respect of exercised options. Trading expenses totalled €23,238.

No shares were cancelled and the number of shares held through this authorisation was 221,438 at 31 December 2007. They accounted for 2.83% of the share capital, with an average purchase price of €162.66 per share, 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 would replace the current programme, which will be terminated early. It would allow management to purchase up to 10% of the shares of the company; the main objectives of the programme would be:

- to stimulate the market and provide liquidity by way of an investment services provider within a liquidity contract that complies with the Ethics Charter of AFEI recognised by the "Autorité des Marchés Financiers";
- to cover option plans to purchase shares or the free grant of shares.

The Management Board notes that 110,000 treasury shares were purchased in the 2007 financial year. Furthermore, 30,000 and 1,724 shares have been purchased on January and March 2008 respectively. These shares have been allocated to cover share option programmes or other allocations to employees or directors of the company.

### Information on investments and controlled companies

- Investments in French companies during the financial year ending 31 December 2007 (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 |
| **Firstinnov** | 320 shares | 40.00 | - | |

- 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 French 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, Cotherm Participations and Cotherm Développement,
– Chairman of the Management Board of Fidep,
– Director of FAAC SpA,
– Manager of CMC SARL.

Remuneration: €709,920, including €268,920 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 two years)*,
- coverage ratio *(net borrowings/cash flow at 31 December).*

In addition, a supplementary retirement plan was implemented in 1983 by the holding company of that time, which became Somfy SA. This plan changed and was the object in 1997 of a new contract signed by Damart System ICC, subsequently called DSG SA, a subsidiary of Somfy SA. This plan 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, Somfy Pte Ltd, Somfy KK and NMP SAS.

– Director of Promofi BV, Somfy BV, Somfy Joo Co Ltd, Somfy ULC, Somfy India PVT Ltd, Somfy Italia srl, Harmonic Design Inc., Gaviota Simbac SL, FAAC SpA, BFT SpA, Somfy Nordic AB and SISA Home Automation Ltd,
– Manager of Somfy GmbH, SCI du 43 rue du Battant and SCI du 97 rue du Battant,
– Employee of CMC SARL.

Remuneration: €593,040 including €220,000 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).*

**• Nicolas DUCHEMIN**

– Member of the Supervisory Board of Damartex,
– Director of Somfy España SA, Somfy Mexico SA de CV and Simu USA Inc.,
– Employee of CMC SARL.

Remuneration: €211,206, including €12,000 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).*

A supplementary pension plan was established in 2006 by the company CMC (SARL). This plan applies to Directors and III-C-position Executives, as well as Managers benefiting from an employment contract, in accordance with the categories defined by the French Convention Collective Nationale des Ingénieurs et Cadres de la Métallurgie.
The plan grants an contingent right to supplementary pension, pursuant to the so-called "Article 39", which is a function of the seniority of the beneficiary (a minimum of 15 years). The right to supplementary pension is acquired at a rate of 0.75% per year of service and cannot exceed 15% of the potential beneficiary's reference salary. Based on estimates setting at 35% the rate of future portion served by the compulsory pension plans upon retiral of the concerned individuals, the new plan should increase the rate to 35 + 15 = 50% of the reference salary for beneficiaries whose career within the Group lasted 20 years or more.
Commitments of the plan and corresponding assets have been outsourced to an insurance company. Future commitments are fully covered by plan assets under management, which were measured at fair value.

Management Board members likely to be concerned by the plan are Wilfrid Le NAOUR and Nicolas DUCHEMIN.
The granting and exercise of stock options relating to these two directors and included in the special report presented to the Annual General Meeting, pursuant to Article L. 225-184 of the 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: €1,800.

**• Victor DESPATURE**

– Chairman of the Supervisory Board of SCA Boulinvest, Soparthlon B and J.P.J. SCA,
– Chairman and Chief Executive Officer of MCSA,
– Member of the Supervisory Board of Damartex,
– Permanent representative of MCSA, Chairman of SAS Sipem, Celerc and ADC,
– Permanent representative of SCA Cimoflu, member of the Supervisory Board of SCA Soparchan B,
– Manager of SC Sopardic, Horatio, Point Du Jour, Soparboul and Vicma,
– Manager of Devin-VD.

Remuneration: €9,300.

**• Jean–Bernard GUILLEBERT**

– Vice-Chairman of the Supervisory Board of Groupe Auchan and Damartex.

Remuneration: €33,650.

**• Xavier LEURENT**

– Member of the Supervisory Board of Damartex.
– Manager of Fidep

Remuneration: €2,400.

**• 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. 223-26 of AMF general regulations)

The Company is aware that various buying transactions (selling and transfer) falling within the scope of Article L. 621-18-2 of the French Monetary and Financial Code, have been carried out for the respective amounts of €89,493,405, €17,745.30 and €11,254.50, during the past financial year.

# 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 together 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 of each entity. If necessary, the main internal control weaknesses noted are communicated and recommendations are put forward.

At 31 December 2007, virtually all Group subsidiaries have been subject to at least one 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 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 2007.

## 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 2007 and regularly verifies the relevance of its choices with external experts.

# Information on Research and Development activities

## (Articles L. 232-1 and L. 233-26 of the French Commercial Code)

Somfy brought together all its product development and marketing teams (350 people) into a single building, the **Technocentre**, with the objective of improving the efficiency of its innovation and product launch processes. This €8 million investment also enabled a significant increase in the size of the testing laboratory (from 2,000 to 3,500 $m^2$, while at the same time dedicating a large area to end product applications (blinds, roller shutters, garage doors, for a total floor area of 3,200 $m^2$).

At the same time, the Group recruited more than a hundred technicians and engineers to support its strategic policy of maintaining a competitive gap in terms of new range and new technology development.

In concrete terms, this was reflected in 2007 in the filing of 35 patents, being nearly 100 in 3 years. Somfy is thus one of the top 20 French companies in terms of know-how and expertise protection.

Similarly, Somfy has launched more than 100 products in 2 years, thereby demonstrating the vigour of its innovation policy.

The new battery-powered curtain engines, such as **Glystro** in American and Asian markets, were very successful. **Sonesse** silent engines (44db instead of 50db) met with interest in Northern European countries.

In addition, a new wireless transmission protocol, shared with several major building industry manufacturers, was developed: **io-homecontrol**, which allows interaction among various home equipment and provides consumers with a new way of managing their comfort.

Somfy's research also focuses on implementing new technologies, such as solar power and those dedicated to automated building Facade Management systems, and thus participates in the overall sustainable development effort and in reducing energy consumption.

## Information on employee shareholding
### (Article L. 225-102 of the French Commercial Code)

At 31 December 2007, the Somfy Investment Trust held 40,530 Somfy shares amounting to 0.52% of its share capital.

## Information on the environmental impact of company activities
### (Article L. 225-102-1 of the French Commercial Code)

The guidelines and regulations concerning energy consumption in the building industry all have the purpose of reducing $CO_2$ emissions.

For example, the new thermal regulations in France target a 15% reduction in energy consumption and the implementation in the US of "green buildings".

Somfy, with the benefits brought by its solutions, naturally fits in with these trends. In fact, automated solar protection enables the reduction of both lighting consumption by 50 to 80%, air conditioning needs by 28%, and internal/external thermal transfer by 25%. In order to promote these advantages, the Group created the Bioclimatic Facade Management concept in 2007 and is committed to rolling it out to all concerned targets with its specialty dedicated teams. Thus Somfy brought together 20 international scientists and university staff, in July, to share their thoughts on the subject. Also in October, over 100 architects from 15 different countries attended a seminar on bioclimatic facades. In addition, the Somfy foundation sponsored the first World Clean Energy Awards event, enabling Wilfrid le Naour, its Chief Executive Officer, to act with the United Nations commission for sustainable development in New York.

Lastly, the Group is associated with a number of industrial property companies to launch the innovation project called "Homes", that seeks to reduce energy consumption in housing by using new shared technologies.
In addition, Somfy completely renovated its old logistics building in order to bring together all its development, quality and marketing staff, being over 400 people. This was the occasion to use the company's expertise and to fit the building with its solutions. Thus the walls were converted into bioclimatic facades to optimise the external natural sources such as light, heat or cold. The windows and the Venetian blinds were powered and programmed on one hand for night cooling in order to ventilate the offices during the summer nights and on the other hand to avoid occupants of the premises being dazzled thanks to the direction of the slats.

As concerns the production sites, these carry out assembly which by its nature is non-polluting. The Group is thus not exposed to a significant risk concerning the environment. However, selective sorting measures are adopted on every site and steps are taken to reduce energy consumption (heating, electricity) at the principal production unit in Cluses, France. Lastly, a study was launched at the end of 2007 to be carried out in 2008 of a carbon balance first of all in the factory and then at all industrial sites.

| | Quantity | Value (K€) |
|---|---|---|
| Water ($m^3$) | 22,452 | 88 |
| Electricity (KW) | 17,997 | 1,282 |
| Copper (Tons) | 923 | 7,621 |

## Information on the impact of Group activities on its employees
### (Article L. 225-102-1 of the French Commercial Code)

In addition to the increase in the workforce size relating to acquisitions made during the year (60 people), Company growth **required** a significant recruitment effort, with 270 new recruits.
53 technicians and engineers dedicated to the development of our product offering and over 100 sales persons for the various subsidiaries were recruited in 2007. The latter's' mission is to enhance Somfy's presence in the distribution field and contribute to gain market shares, a key factor of the Group's strategy.
At December 2007, the Group employed a workforce of **4,700**, spread across 52 countries.
2007 efforts were also focused on accelerating employee skill development, both through the **integration of new recruits** and through dedicated **training and skill transfer** programmes.
The integration of new recruits was improved with the implementation of individual integration plans and a training

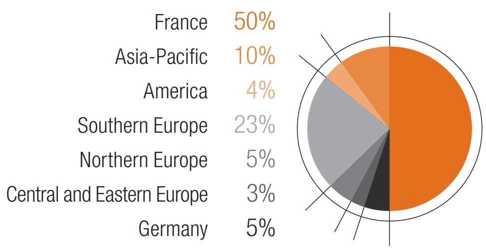
programme called “Managing at Somfy”, which brought together 20 managers in its first session.

**Strengthened management, technical skills and operational efficiency** were at the core of the training effort, depending on the needs of our organisations. Thus, 28,000 training hours were provided in France to nearly 1,000 employees, representing more than 4% of total payroll costs.
For instance, in-house job training programmes dedicated to specific and precise skills were implemented. A skill transfer programme based on mentoring was successfully tested in 2007 and will be expanded in 2008.
This is an efficient method for the in-depth transfer of expertise between two individuals, with one person transferring his/her knowledge to the other.
In terms of management development, we focused on delegation with a dedicated Manager programme, which is currently being rolled-out throughout the Group.
Finally, the Somfy Academy continued to operate and grew to 40 participants, brought together in 2 new sessions dedicated to end-consumer approach and personnel management, which contributed to strengthening the Group’s management network.
**Mobility** is another key element to preparing for the future: it concerned more than 30% of positions created in France.
Knowledge sharing, network cooperative work and information gathering, all of which in real time, are the priority objectives set by the Group. The launch of the “Teepee” intranet in January contributed, in concrete terms, to these ambitions. Every day, more than 400 employees connect to the intranet through departmental (marketing, development, quality, finance) or communication databases (portal, strategy).

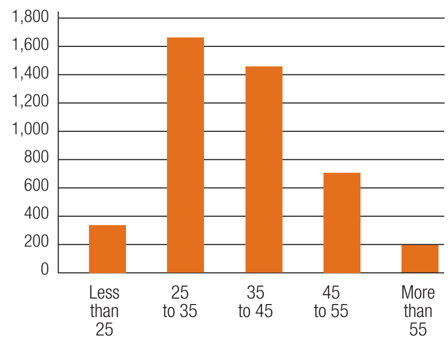
Test workstations have been installed at the Cluses plant in order to also provide access to production personnel. A measure will be taken in 2008 to validate the efficiency of this initiative and gage its possible extension.

## Some figures

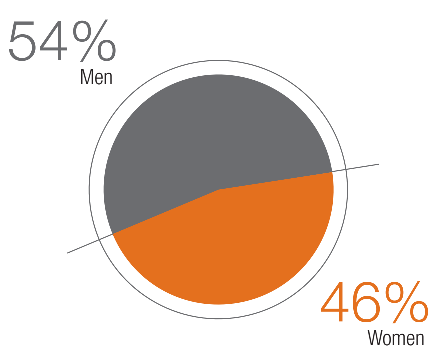
- **Workforce analysis by geographical areas**




- **Workforce analysis by age**




- **Workforce analysis by gender**




# Information on delegations relating to share capital increases

## (Article L. 225-100 of the French Commercial Code)

The Management Board does not benefit from any delegation of authority or powers granted by the General Meeting in application of Articles L. 225 129-1 and L. 225-129-2 of the French Commercial Code.

# Information on other risks

## (Articles L. 225-100 paragraph 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 financial instruments are primarily comprised of forward foreign exchange contracts, foreign currency options and interest rate swaps.
According to IFRS, 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/loss.
The decision was motivated by the low

impact on the Group's net assets, which does not justify the implementation of complex accounting monitoring.

At 31 December 2007, the Group had contracted three interest rate hedging instruments with our banks. A standard interest rate swap (swap of fixed rate – variable rate) on €30 million and two instruments hedging the LBO debt relating to Cotherm Participations: a standard swap on €7.8 million and a corridor – progressive tunnel – on €2 million. These transactions enable the hedging interest rates relating to medium term borrowings and to PPE leases.

Concerning this indebtedness, at 31 December 2007, Somfy SA had a borrowing facility at 5 and 6 years of €120 million from 5 bank institutions, not used at the 31 December 2007 balance sheet date.

The granting of new facilities was subject to commitments given by Somfy SA 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 2007 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.

Over 70% of consolidated sales are realised in the Euro zone.

Derivative instruments are primarily comprised of forward exchange contracts and foreign exchange options and accumulators.

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

The fair value of hedging instruments amounted to +€528 thousand at 31 December 2007 compared to +€602 thousand at 31 December 2006, being a negative impact of €74 thousand on net profit.

## Share risk

In 2007, the Group entered into an equity swap contract which does not relate to treasury shares but to non-group shares. It was contracted from a financial institution.

The Group is exposed to the risk of movements in the value of this equity swap contract of a maximum notional value of €16.5 million. This instrument was recognised at fair value in the Group's financial statements, with changes in its value posted to the Income Statement. The instrument fair value was a negative €1.9 million at 31 December 2007.

## Legal risks

The Somfy Group's operations are not subject to specific regulations. Its business does not require a specific legal or regulatory authorisation 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-deductible charges

## (Articles 39-4 and 223 IV of the French General Tax Code)

The financial statements at 31 December 2007 do not include any non-allowable charges with regard to the income tax base, as defined by articles 39-4 and 223 IV 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 2007 €72,274,785.28

increased by retained earnings €1,165,065.20

thus totalling **€73,439,850.48**

as follows:

- allocation to shareholders of a net dividend per share of €5.50, being €5.50 x 7,836,800 shares €43,102, 400.00
- transfer to available reserve €30,337,450.48

**€73,439,850.48**

A net dividend of €5.50 will be distributed for each share of a nominal value of €1, and this carries the right to a tax abatement per share granted to individuals subject to income tax in France, in accordance with article 158 3 2° of the General Tax 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 on 22 May 2008 at the counter of paying institutions.

In accordance with legal provisions, the following dividends were paid during the last three financial years: **(see chart on the bottom of page).**

# Stock market developments and performance

The share performed poorly in the 2007 financial year. In spite of an aggressive policy focused on gaining market shares, product innovation and development in export markets, the share was affected by a stormy mid-caps sector: certain fund managers who had invested in Somfy shares reduced their positions to cope with redemptions.

At 29 December 2006, the last trading day before closing the previous financial year, the share price was €205.20. The share then reached €214 on 29 January following the release of 2006 sales figures exceeding market expectations. Taking account of prudent medium-term outlook, the share price reached €232 on 31 August following the release of half-year results in line with consensus. Downward pressure intensified from the end of October within the bearish context affecting all financial markets, impacted by the subprime crisis; the share traded at €200 at 31 December, the last trading day of the year.

Based on the share price at 31 December 2007 and taking into account a net dividend of €5.50, the Somfy share yielded 2.75%.

The market for the share recorded monthly trading extremes of 262,374 and 7,694 shares, with a monthly average of 41,725 shares against 15,430 shares the previous year.

**The Management Board**

| Financial year ending | 31/12/04 | 31/12/05 | 31/12/06 |
|---|---|---|---|
| Number of shares eligible for dividend* | 7,710,185 | 7,717,750 | 7,612,749 |
| Par value | €1 | €1 | €1 |
| Total distributed dividend | €35,466,851.00 | €37,045,200.00 | €39,586,294.80 |
| Dividend per share** | €4.60 | €4.80 | €5.20 |

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

** The dividend paid to individuals subjected to income tax in France after 1 January 2005 is eligible for a tax abatement, as compensation for the loss of tax credit, in accordance with Article 158-3-2° of the General Tax Code.

# **Report** of the Chairman of the Supervisory Board

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

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

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

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

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

### Organisation and role of the Supervisory Board

The Supervisory Board performs its control mission in accordance with conditions provided by law.
A Chairman and Vice-Chairman are elected among its members, who call meetings of the Supervisory Board by any means, even orally.
Regular dialogue between the members of the Board enables the effectiveness of its operation to be assessed. A formal self-evaluation exercise concerning the functioning of the Supervisory Board was carried out in 2007. Six subjects were covered (Authority, Composition, Structure and Specialised Committees, Functioning and work of the Board, Role and responsibilities, (duration of term of office) and functioning of the Board was judged satisfactory overall by its members. Certain areas for improvement were however identified, notably the definition of rules relative to the composition of the Board (size, mix of expertise and other key qualities).
In addition, an internal regulation of the Supervisory Board was formalised and covers the following subjects: Mission of the Supervisory Board, Organisation and functioning of the Board, Specialised Committees.

### Independence of the members of the Supervisory Board

A group of family shareholders holds a majority stake in Somfy SA. Out of the members of the Supervisory Board, the only one who qualifies to be classified as independent according to the AFEP-MEDEF definition is the Chairman. The other members are part of the family; they own substantial investments in the Group and have a long-term commitment to the Group, their aim being the creation of value for all the stakeholders of Somfy SA.
No member of the Supervisory Board interferes in operational management.

### Nature of information provided to Board members to prepare their work

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

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

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

Within 75 days following the end of each financial year, consolidated financial statements approved by the Management Board are communicated to the Supervisory Board for verification.

The Supervisory Board subsequently submits to the General Meeting its comments on the Management Board report and on the financial statements for the financial year.

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

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

## Specialised committees

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

### Audit committee

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

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

### Remuneration Committee

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

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

# Topic 2: Internal control procedures

## Definition and scope of internal control

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

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

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

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

## Key elements of the internal control process

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

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

### Organisation and delegation

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

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

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

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

Somfy is organised around the following three major Business Groups:

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

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

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

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

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

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

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

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

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

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

Other benefits, approved by the Supervisory Board, comprise:

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

## Strategic, budget and reporting process

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

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

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

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

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

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

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

## Treatment of accounting and financial information

### Preparation of financial statements

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

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

The Group team responsible for financial statements and control comprises the Group Financial Department and Accounting Department, Group Management and Tax, represented by their managers and comprising:

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

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

Since their creation, each of the 3 Business Groups also benefits from a dedicated controller.
Research and Development controlling was enhanced over the financial year.

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

At each year-end, inventories are checked by either a complete physical stock-take or a physical rolling stock-taking procedure.

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

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

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

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

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

### Financial statement control

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

### Financial communication

Following their approval by the Supervisory Board, financial statements are presented to the financial community and annual financial statements are published in a widely circulated report.
Somfy SA complies with listed company obligations. In particular, the Group publishes quarterly sales figures, as well as half-year financial statements in the BALO (French journal of compulsory legal notices). In addition, presentation meetings of half year and full year results are organised each year under the care of the SFAF (French financial analyst society).
In order to comply with the new European Transparency Directive, applicable from 1 January 2007, a project group was created at the beginning of 2006 to work at reducing close-off time, in particular in respect of the half-year closing. Somfy Group will be affected by this for the half-year ending 30 June 2007.
The Group already significantly reduced the deadlines for the interim and full-year financial statements at 30 June and 31 December 2006 in order to comply with the new Transparency Directive requirements.
Thanks to personnel mobilisation and closing work reorganisation, we were able to maintain the reliability and quality of financial information.

### IT systems

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

As concerns Asia, the Accpac ERP has been installed in Australia, Korea, Singapore, Hong Kong, China and India. In 2008, the rollout will continue in Taiwan.
Configuration, comprising a chart of accounts, analytical follow-up and procedures, is included for companies where ERP BaaN or Accpac is deployed, in accordance with the MIS.

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

## Audit Committee – Internal Audit

### Organisation

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

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

A follow-up of the implementation of recommendations is performed 1 year after the final report is issued.
At 31 December 2007, virtually all Group subsidiaries had thus been subject to an audit.

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

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

The Internal Audit Officer submits a report on his activities to the Audit Committee twice yearly.
The Chairman of the Board of Directors, the Chairman of the Audit Committee and the Internal Audit Officer signed an internal audit charter at the beginning of February 2005. It specifies the role and scope of intervention of activity of internal audit.
The scope of internal audit is similar to that of internal control described above (see 1 Definition and scope of internal control).

### Internal audit monitoring

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

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

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

### Analysis of risks by geographical area

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

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

Risks thus identified are treated according to two different criteria: risks related to core strategic aspects and operating risks generated by normal conduct of Group business.
The follow up of the first point was assigned to the Strategy Committee and included in the Strategic Review.

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

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

## Treasury Committee – Group Cash Management

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

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

It has the following two types of missions:

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

The optimisation, at international level, of the financial management of Group cash has resulted in the introduction of a cash pooling system incorporating almost all of the Euro zone subsidiaries (with the exception of Austria and Greece).

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

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

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

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

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

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

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

## Accreditation and quality procedures

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

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

These companies represent a majority of Group purchases and production.

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

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

Internal quality audit is defined in the annual quality audit schedule, as a function of company strategic direction and product plan; company management plays a major part in quality procedures.

Corrective or preventive action is managed within each operating or support department.

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

## Risk coverage – Insurance

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

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

**The Chairman of the Supervisory Board**

# Somfy SA financial **statements** for the last five years

| In € thousands | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|
| **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 VAT | 2,220 | 3,111 | 4,807 | 3,216 | 1,571 |
| b) Profit before tax, depreciation and provisions | 22,832 | 63,452 | 80,432 | 87,332 | 70,907 |
| c) Income tax | 3,463 | 3,022 | 15,948 | 2,610 | 2,999 |
| d) Profit after tax, depreciation and provisions | 24,429 | 66,865 | 97,012 | 89,937 | 72,275 |
| e) Distributed profit | 32,915 | 36,049 | 37,617 | 40,751 | 43,102 |
| **3. Operation results per share** | | | | | |
| a) Profit after tax, but before depreciation and provisions | 3.36 | 8.48 | 12.30 | 11.48 | 9.43 |
| b) Profit after tax, depreciation and provisions | 3.12 | 8.53 | 12.38 | 11.48 | 9.22 |
| c) Dividend distributed per share | 4.20 | 4.60 | 4.80 | 5.20 | 5.50 |
| **4. Workforce** | | | | | |
| a) Number of employees | 6 | 9 | 7 | 6 | 5 |
| b) Total payroll | 447 | 413 | 352 | 301 | 224 |
| c) Amount paid in relation to social benefits (social security, charities, etc.) | 190 | 155 | 120 | 103 | 67 |

# Consolidated financial statements

## Assets

| In € thousands | Notes | 31/12/07 Net | 31/12/06 Net |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Goodwill | (9) | 101,539 | 98,323 |
| Net intangible assets | (10) | 24,623 | 21,593 |
| Net proprety, plant and equipement | (11) | 163,137 | 152,118 |
| Equity accounted subsidiaries | (13) | 153,049 | 152,194 |
| Financial assets | (14) | 70,224 | 51,073 |
| Other receivables | – | 5,317 | 4,990 |
| Deferred tax assets | (7) | 17,401 | 16,912 |
| Commitments from personnel | (23) | 32 | 2 |
| Asset derivative instruments | (22) | 231 | 11 |
| **Total** | | **535,553** | **497,216** |
| **CURRENT ASSETS** | | | |
| Inventories | (15) | 96,028 | 83,304 |
| Trade receivables | (16) | 127,958 | 121,536 |
| Other receivables | (17) | 12,268 | 14,180 |
| Tax assets receivables | – | 3,997 | 2,223 |
| Financial assets | (14) | 28,316 | 27,242 |
| Asset derivative instruments | (22) | 583 | 801 |
| Cash and cash equivalents | (18) | 89,398 | 100,046 |
| **Total** | | **358,548** | **349,332** |
| **TOTAL ASSETS** | | **894,101** | **846,548** |

# Equity and Liabilities

| In € thousands | Notes | 31/12/07 | 31/12/06 |
|---|---|---|---|
| **EQUITY** | | | |
| Share capital | | 7,837 | 7,837 |
| Share premium | | 1,866 | 1,866 |
| Other reserves | | 535,039 | 459,860 |
| Net profit for the year | | 103,547 | 121,614 |
| **Group share** | **(26)** | **648,289** | **591,177** |
| Minority interests | | 102 | 118 |
| **Total** | | **648,391** | **591,295** |
| **NON-CURRENT LIABILITIES** | | | |
| Non-current provisions | (19) | 6,608 | 6,180 |
| Financial liabilities | (20) | 36,687 | 37,185 |
| Other debts | – | 4,357 | 4,313 |
| Commitments to personnel | (23) | 11,485 | 10,660 |
| Deferred tax liabilities | (7) | 31,850 | 30,738 |
| Liability derivative instruments | (22) | 2,290 | 0 |
| **Total** | | **93,277** | **89,076** |
| **CURRENT LIABILITIES** | | | |
| Current provisions | (19) | 4,975 | 4,592 |
| Financial liabilities | (20) | 12,737 | 10,143 |
| Trade payables | – | 78,409 | 83,210 |
| Other payables | (24) | 52,005 | 51,997 |
| Income tax payable | – | 4,252 | 16,110 |
| Liability derivative instruments | (22) | 55 | 125 |
| **Total** | | **152,433** | **166,177** |
| **TOTAL EQUITY AND LIABILITIES** | | **894,101** | **846,548** |

# Consolidated Income statement

| In € thousands | Notes | 31/12/07 | 31/12/06 |
|---|---|---|---|
| **SALES** | **(2)** | **720,222** | **655,171** |
| Other operating revenues | (3) | 4,731 | 6,941 |
| Cost of sales | | –241,818 | –212,646 |
| Personnel costs | | –206,739 | –188,667 |
| Other operating expenses | | –122,497 | –114,319 |
| Depreciation, amortisation and provision charges | | –22,745 | –20,281 |
| Current provision charges (reversals) | (4) | 1,183 | 43 |
| **OPERATING CURRENT PROFIT** | | **132,337** | **126,242** |
| Other revenue / (charges) from operations | (5) | –1,152 | –7,757 |
| **OPERATING PROFIT** | | **131,185** | **118,485** |
| *Financial profit from investments* | | *3,929* | *2,251* |
| *Debt-related financial charges* | | *–4,789* | *–3,284* |
| Debt servicing cost, net | | –860 | –1,033 |
| Other financial income/(loss) | | –648 | 1,072 |
| **NET FINANCE COSTS** | **(6)** | **–1,508** | **39** |
| **PROFIT BEFORE TAX AND SHARE OF ASSOCIATE EARNINGS** | | **129,677** | **118,524** |
| Income tax | (7) | –38,847 | –38,326 |
| Share of associate companies earnings | (13) | 13,053 | 41,697 |
| **NET PROFIT** | | **103,883** | **121,895** |
| Net profit - group share | | 103,547 | 121,614 |
| Minority interests | | 336 | 281 |
| Earnings per share (in euro) | (8) | 13.60 | 15.77 |
| Diluted earnings per share (in euro) | | 13.49 | 15.61 |

# Consolidated statement of changes in equity

| In € thousands | Share Capital[1] | Share premium | Treasury shares | Other reserves | Currency translation differences | Consolidated reserves and net profit | Total equity (Group share) | Minority interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **At 31 December 2005** | **7,837** | **1,866** | **–10,700** | **42,840** | **2,259** | **456,074** | **500,175** | **74** | **500,249** |
| Variation of fair value assets available for sale | – | – | – | 11,338 | – | –137 | 11,201 | – | 11,201 |
| Translation adjustments | – | – | – | – | –2,730 | – | –2,730 | 2 | –2,728 |
| **Income and expenses recorded directly in equity** | **–** | **–** | **–** | **11,338** | **–2,730** | **–137** | **8,471** | **2** | **8,473** |
| Net profit at 31.12.05 | – | – | – | – | – | 121,614 | 121,614 | –11 | 121,603 |
| **Total income and expenses** | **–** | **–** | **–** | **11,338** | **–2,730** | **121,477** | **130,085** | **–9** | **130,076** |
| Treasury share transactions | – | – | –3,023 | – | | 485 | –2,538 | – | –2,538 |
| Dividends distribution | – | – | – | – | – | –36,561 | –36,561 | – | –36,561 |
| Other variations[3] | – | – | – | – | – | 16 | 16 | 53 | 69 |
| **At 31 December 2006** | **7,837** | **1,866** | **–13,723** | **54,178[2]** | **–471** | **541,491** | **591,177** | **118** | **591,295** |
| Variation of fair value assets available for sale | – | – | – | 18,116 | – | –130 | 17,986 | – | 17,986 |
| Translation adjustments | – | – | – | – | –3,212 | – | –3,212 | –5 | –3,217 |
| **Income and expenses recorded directly in equity** | **–** | **–** | **–** | **18,116** | **–3,212** | **–130** | **14,774** | **–5** | **14,769** |
| Net profit at 31.12.06 | – | – | – | – | – | 103,547 | 103,547 | 8 | 103,555[4] |
| **Total income and expenses** | **–** | **–** | **–** | **18,116** | **–3,212** | **103,417** | **118,321** | **3** | **118,324** |
| Treasury share transactions | – | – | –22,284 | – | – | 624 | –21,660 | – | –21,660 |
| Dividends distribution | – | – | – | – | – | –39,586 | –39,586 | –14 | –39,600 |
| Other variations[3] | – | – | – | – | – | 37 | 37 | –5 | 32 |
| **At 31 December 2007** | **7,837** | **1,866** | **–36,007** | **72,294[2]** | **–3,683** | **605,983** | **648,289** | **102** | **648,391** |

(1) Share capital is comprised of 7,836,800 shares with a nominal value of €1. No change occurred during the 2006 and 2007 financial years.
(2) See notes 13 & 14.
(3) Changes in consolidation scope, translation adjustments on share capital transactions.
(4) Puts granted to minority shareholders are posted to debts at strike value (K€292 in 2006 and K€328 in 2007).

# Consolidated cash flow statement

| In € thousands | Notes | 31/12/07 | 31/12/06 |
|---|---|---|---|
| **Net profit** | | **103,883** | **121,895** |
| Depreciation or amortisation/assets (except current assets) | | 22,249 | 27,838 |
| Depreciation on provisions/liabilities | | 218 | –80 |
| Unrealised gains and losses on fair value variations | | 2,218 | –887 |
| Unrealised exchange gains and losses | | 14 | 1,398 |
| Stock options, pensions and other personnel advantages | | 2,793 | 2,975 |
| **Amortisation, depreciation, provisions and other non-cash adjustments** | | **27,492** | **31,244** |
| Gains/losses on disposal of assets | | 356 | 401 |
| Elimination of share of associate companies earnings | | –13,053 | –41,697 |
| Deferred tax charge | | 1,020 | 633 |
| **Cash flow** | | **119,698** | **112,476** |
| Net cost of financial debt (excluding non-cash items) | | 627 | 1,440 |
| Dividends from non-group companies | | –1,032 | –912 |
| Tax income (excl. deferred tax) | | 37,827 | 37,693 |
| Movement in working capital requirements | (27) | –23,123 | –10,843 |
| Income tax paid | | –51,711 | –13,417 |
| **NET CASH FROM OPERATING ACTIVITIES (A)** | | **82 286** | **126,437** |
| **Cash out related to acquisitions on non-current assets** | | | |
| – intangible assets and property, plant and equipment | | –32,046 | –36,450 |
| – non-current financial investments | | –1,331 | –3,642 |
| **Cash in related to disposals on non-current assets** | | | |
| – intangible assets and property, plant and equipment | | 1,896 | 540 |
| – non-current financial investments | | 100 | 254 |
| Movement in current financial assets | | –160 | –9,532 |
| Acquisition of subsidiaries net of cash acquired | (27) | –8,796 | –5,130 |
| Dividends paid by associate companies | | 12,050 | 11,547 |
| Dividends paid by non-consolidated companies | | 1,032 | 590 |
| Interest received | | 3,802 | 2,143 |
| **NET CASH USED IN INVESTING ACTIVITIES (B)** | | **–23,453** | **–39,680** |
| New borrowings | | 3,163 | 89 |
| Reimbursement of borrowings | | –6,853 | –30,354 |
| Increase in share capital | | – | 107 |
| Dividends paid | | –39,599 | –67,909 |
| Movement in stock options | | –22,044 | –3,035 |
| Interest paid | | –4,367 | –3,862 |
| **NET CASH FROM (USED IN) FINANCING ACTIVITIES (C)** | | **–69,700** | **–104,964** |
| **Impact of exchange rate changes (D)** | | **–331** | **–1,050** |
| **INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)** | | **–11,198** | **–19,257** |
| **OPENING CASH EQUIVALENT CASH** | **(27)** | **99,746** | **119,003** |
| **CLOSING CASH EQUIVALENT CASH** | **(27)** | **88,548** | **99,746** |

# 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 28.2% of sales for the last trading year, Southern Europe (20.4%), Northern Europe (14.9%), Germany (13.5%), and America (9.7%).

On 28 February 2008, the Management Board of Somfy SA approved the consolidated financial statements of the Group for the 12 month financial year ended 31 December 2007, and it is specified that the Group had K€894,101 in assets and realised a net profit of K€103,883 (Group part K€103,547).

# 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 2006 were prepared in accordance with the financial information international standards ("IFRS") applicable at that date, as approved by the European Union at the date of preparation of these financial statements.

Accounting rules and methods are identical to those used in the preparation of the consolidated financial statements at 31 December 2006, except for the following standards, amendments and interpretations adopted by the European Union and whose application became compulsory from 1 January 2007:

- amendments to IAS 1 relating to share capital disclosures,
- "Financial instruments disclosures",
- IFRIC7 "Applying the restatement approach under IAS 29 – Financial Reporting in hyperinflationary Economies",
- IFRS 8: "Scope of IFRS2",
- IFRIC 9: "Reassessment of embedded derivatives",
- IFRIC10:"Interim Financial Reporting and Impairment".

Also, the Group did not apply any standard early, in particular each of these following standards already published and for subsequent application:

- Amendment to IAS23 requiring capitalisation of borrowing costs applicable from 1 January 2009,
- IFRS 8 "Operating segments" effective from 1 January 2009,
- IFRIC 11: Interpretation "Group and treasury share transactions", applicable since 1 March 2007,
- IFRIC 12: "Service Concession Arrangements" effective from 1 January 2008,
- IFRIC 13: "Customer Loyalty Programmes" effective from 1 July 2008,
- IFRC 14: "The limit on a Defined Benefit Asset, Minimum Funding Requirement and their interaction" effective from 1 January 2008.

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.

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 principles.

### Judgements and estimations

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:

- amortisation of goodwill and intangible assets whose measurement is based in particular on future cash flow, discount rate and net realisable value assumptions (Note12 to the consolidated financial statements),
- retirement commitments whose measurement is based on a number of actuarial assumptions (Note 23 to the consolidated financial statements),
- provisions for liabilities and charges,
- measurement of options associated with stock option plans granted to employees.

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. At 31 December 2007, the Group continued to apply the method recommended in French texts.
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 purchase commitments of minority interests as financial debts, offset by a reduction in minority interests and the possibility of an eventual additional goodwill.
The principle selected in terms of recognition of minority interest purchase is described in paragraph S.
The revision to the standard published by the IASB on 10 January 2008, but not yet adopted by the EU, indicates that, acquisitions of minority interests are to be treated in accordance with IAS27; this recognises that this additional acquisition should be taken directly to equity. This accounting treatment will apply to financial periods starting from 1 July 2009 and it will not have a retrospective application.

### Consolidation methods

**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 as allocation of profit for the period.

**Significant influence**

Associates are companies over which the Group has significant influence on their financial and operating policy, but does not control.
Companies over which the Group has significant influence are consolidated using the equity method.
Goodwill from these entities is included in the carrying value of the investment.
The consolidation scope is presented in Note 33.

## C – Foreign exchange translation

Consolidated financial statements at 31 December 2007 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).

### 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.

Unrealized exchange differences relating to monetary values that are an integral part of the net investment in foreign subsidiaries are recorded in translation adjustment in equity until the disposal of the investment, at which date they are taken to the income statement.
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 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 can not be reversed.
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:

1 – 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 rollout of IT systems. Development expenses incurred during the "study" and "implementation" stages may be capitalised if all criteria defined by IAS 38 are complied with.

2 – 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 first two stages, entitled "assessment" and "pre-study" are research phases. Expenses incurred are thus reco-gnised as costs for the financial year.
Development expenses incurred during the "study" and "implementation" stages may be capitalised if all criteria defined by IAS 38 are complied with.

Capitalised development costs are amortised on a straight-line basis, depending on the useful life of the asset (4 or 10 years, depending on the type of product developed).
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.

## 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

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

Subsequent expenses may be capitalised if they comply with asset recognition criteria, as defined by IAS 16, in particular if it is probable that future economic benefits of the asset will flow to the company. These criteria are considered prior to the commitment to the cost.
Asset residual values, useful lives and asset depreciation are reviewed, and amended if necessary, at each year end.
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.

## 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):

- the 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 financed within the framework of finance leases primarily include real estate. They are booked, 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 and 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 highest 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.
Cash Generating Units (CGUs) have been identified within Somfy Group. They primarily comprise the Group's legal entities that were acquired through growth by acquisition transactions.
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. 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 equally 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

Group investments in the companies over which it neither has control, significant influence nor joint control are recognised as financial assets held for sale.
These securities 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.
Corresponding dividends are recognised in the year they are paid.
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 there 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 there 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.

## 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:

- 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 produc-tion expenses and depreciation charges of assets used in the manufacturing process;
- intra-group profits included in inventories are eliminated;
- borrowing costs are not included in the cost of inventory.

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.

## 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 discounting 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, the rights to benefits are allocated to periods of service as a function of the plan's formula for acquisition of rights, by taking account of a straight line effect where the rate of acquisition of rights is not uniform to the periods to subsequent service.

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,
- defined benefit pension plans in international subsidiaries (United States and Netherlands 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.

Pursuant to IAS19, seniority awards are treated as long-term benefits granted to employees and provided for on the basis of an actuarial evaluation and every year end. Actuarial variances are taken to income.

Also, the Italian severance pay provision (TFR) is treated as long-term benefits.

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 can not 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 – Suppliers and other creditors

Suppliers and other creditors are recognised at their nominal value.

### Q – Share remuneration

Some Group employees, including Directors, have received options giving them the right to acquire Somfy shares at a price fixed in advance. The Group does not grant warrants to subscribe for shares.
Effective allocation of options is subject to conditions being fulfilled. Each beneficiary must be employed by the Group at the date options are exercised. For some employees, the ability to exercise options is also governed by the achievement of set objectives.
Fair value is determined according to the Black & Scholes model.
During the four-year rights vesting period, the fair value of options thus determined is amortised pro-rata to rights acquisition. This expense is posted to personnel costs and offset by an increase in equity. Upon exercise of the options, the exercise price received is recorded under cash and offset in equity.
The dilutive impact of outstanding options is reflected in the calculation of earnings per share.
Pursuant to 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.

### R – 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.

### S – 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.
The Group elected to recognise as goodwill the difference between the discounted fair value of the exercise price of the options and the amount of minority interest written off from equity.
This goodwill is restated every year for the change in the exercise price of the options and the change in minority interest. This is the accounting treatment that best reflects the actual transaction and which would be used if options were exercised today.
The results of current IFRIC and IASB studies might lead, in the future, to a different accounting treatment than described above.

### T – 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 2007: Somfy SA, Somfy SAS, Spirel SAS, Simu SAS, CMC SARL, Somfy Development 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 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 tax are recognised for the temporary differences between the book value of assets and liabilities and their tax value and restatements made on consolidation to conform to Group accounting standards (extended concept of deferred tax calculation).

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.

## U – Derivative financial instruments

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

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

## V – 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.

## W – 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).
Only treasury shares held by the Group and attributed at the closing to stock options plans guarantee a dilutive effect on the calculation of diluted earnings per share. The Group has issued no security giving access in time to capital.

## X – 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.

## Y – Profit from operations

Profit from operations is defined as the difference between:

- profit from operations from all revenue and charges, except those generated from finance activities, equity-accounted companies, discontinued operations, operations held for disposal or income tax, and,
- other operating revenue and charges.

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.

## Z – 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.

### Other financial income/expense

It includes revenues/charges of a financial nature but neither of an operational nature nor a constituent of net debt cost.

## AA – 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.

# Notes to the consolidated financial statements at 31 December 2007

## 1. HIGHLIGHTS AND CHANGES IN CONSOLIDATION SCOPE

Somfy made the acquisition, via its BFT SpA subsidiary, of two companies: **BFT Portugal** and **Gates System**. These two companies distribute BFT products and were acquired in March 2007 and April 2007 for €1.5 million and €4.6 million, respectively. At 31 December 2007, they had achieved 2007 sales of €2.6 million and €4.4 million, respectively. Goodwill was €1.7 million and €2.8 million, respectively.

Somfy made the acquisition of **PD Technology Ltd** for €2.0 million. This British company manufactures garage door detection sensors. PD Technology Ltd has been included in the Somfy Group structure since 1 January 2007 and contributed €3.9 million to consolidated sales and generated a €0.4 million goodwill.

Somfy will also be under an obligation to pay a GBP 300 thousand earn-out if certain performance indicators are met. Due to the high probability that these objectives will be met, the earn-out has already been recognised in the Group's consolidated financial statements.

Somfy made the acquisition, at the beginning of July 2007, of 40% of Firstinnov for €2.2 million. This company develops and markets data transfer and remote control electronic systems for the swimming pool, automotive and house automation markets.

The transaction includes a purchase option on the remainder of Firstinnov shares, which Somfy may exercise from 2010.

## 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 2007**

| In € thousands | France | Germany | Northern Europe | Eastern and Central Europe | Southern Europe | Asia Pacific | Americas | Inter-area eliminations | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| Segment sales (Turnover) | 441,247 | 103,224 | 99,717 | 36,436 | 221,566 | 38,159 | 61,964 | –282,091 | **720,222** |
| *Intra segment sales* | *–219,256* | *–4,098* | *–260* | *–188* | *–57,641* | *–27* | *–621* | *282,091* | ***0*** |
| Segment profit/loss (profit from operations) | 69,364 | 2,766 | 12,193 | 2,766 | 42,936 | 2,441 | 3,314 | –3,443 | **132,337** |
| Investment in equity accounted companies | 5 | - | - | - | 13,048 | - | - | - | **13,053** |
| Segment net profit | 79,731 | 1,623 | 9,430 | 1,920 | 45,405 | 1,175 | 1,582 | –36,983 | **103,883** |
| Segment assets* | 378,868 | 28,495 | 50,742 | 16,540 | 253,748 | 32,434 | 32,360 | –119,546 | **673,641** |
| Segment assets available for sales ** | 67,367 | - | - | - | 11 | 33 | - | - | **67,411** |
| Equity accounted companies | 2,474 | - | - | - | 150,575 | - | - | - | **153,049** |
| Segment liabilities | 202,275 | 17,024 | 24,076 | 9,862 | 70,449 | 16,712 | 11,795 | –106,483 | **245,710** |
| Segment investments | 24,526 | 787 | 460 | 511 | 7,722 | 1,226 | 1,296 | - | **36,528** |
| Segment asset amortisations | –14,902 | –1,477 | –722 | –446 | –3,693 | –536 | –970 | - | **–22,746** |

* Without financial assets available for sale.

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

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

**At 31 December 2006**

| In € thousands | France | Germany | Northern Europe | Eastern and Central Europe | Southern Europe | Asia Pacific | Americas | Inter-area eliminations | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| Segment sales | 410,449 | 102,826 | 83,223 | 31,752 | 178,810 | 33,617 | 62,284 | –247,790 | **655,171** |
| *Intra segment sales* | *–213,720* | *–3,960* | *–335* | *–281* | *–29,212* | *–29* | *–253* | *247,790* | *0* |
| Segment profit/loss (profit from operations) | 80,123 | 3,452 | 9,485 | 2,246 | 28,721 | 1,766 | 4,648 | –4,199 | **126,242** |
| Investment in equity accounted companies | 29 | – | – | – | 41,668 | – | – | – | **41,697** |
| Segment net profit | 78,736 | 1,796 | 7,251 | 2,247 | 52,835 | 760 | 3,348 | –25,078 | **121,895** |
| Segment assets* | 369,220 | 36,533 | 40,457 | 15,778 | 234,059 | 30,685 | 36,082 | –116,759 | **646,055** |
| Segment assets held for sales ** | 48,255 | – | – | 34 | 10 | – | – | – | **48,299** |
| Equity accounted companies | 270 | – | – | – | 151,924 | – | – | – | **152,194** |
| Segment liabilities | 207,468 | 23,735 | 25,161 | 8,103 | 66,273 | 13,797 | 15,395 | –104,679 | **255,253** |
| Segment investments | 18,267 | 613 | 392 | 316 | 7,523 | 6,925 | 1,397 | 0 | **35,433** |
| Segment asset depreciation charges | –13,403 | –1,390 | –521 | –445 | –3,100 | –491 | –931 | 0 | **–20,281** |

* 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 entities are located, and other areas.

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 giving a detailed information based on the geographic areas by implementation of assets, has also to establish the sales according to customers' location.

| In € thousands | 31/12/07 | 31/12/06 | N/N–1 | N/N-1 like for like basis |
|---|---|---|---|---|
| France | 203,027 | 187,619 | 8.2% | 6.3% |
| Germany | 97,540 | 96,658 | 0.9% | 0.8% |
| Northern Europe | 107,493 | 91,912 | 17.0% | 9.0% |
| Eastern and Central Europe | 50,819 | 42,601 | 19.3% | 16.5% |
| Southern Europe | 146,894 | 128,695 | 14.1% | 11.5% |
| Asia Pacific | 44,820 | 38,662 | 15.9% | 17.6% |
| America | 69,629 | 69,024 | 0.9% | 6.8% |
| **Total** | **720,222** | **655,171** | **9.9%** | **8.3%** |



## 3. OTHER OPERATING REVENUES

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| Capitalised production cost | 2,595 | 4,618 |
| Services provided | 1,645 | 1,742 |
| Other revenues | 491 | 581 |
| **Other operating revenues** | **4,731** | **6,941** |

Other revenues primarily include royalties and insurance payments received.
Production capitalised comprises development costs incurred during the year.

## 4. CURRENT PROVISION CHARGES

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| Movements on provisions for liabilities and charges | 1,183 | 43 |
| **Current provision charges (reversals)** | **1,183** | **43** |

The other provisions for inventories, the guarantee and the personnel were allocated to the related costs.
The releases of provisions for liabilities and charges in 2007 relate to transactions that were completed in our favour.

## 5. OTHER OPERATING CHARGES AND INCOME

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| Movements on non-current provisions | –724 | –272 |
| Other non-current items | –72 | 232 |
| *– Non-current income* | *4,104* | *559* |
| *– Non-current charges* | *–4,176* | *–327* |
| Capital gains and losses on the disposal of fixed assets | –356 | –402 |
| Goodwill writedown | 0 | –7,315 |
| **Other operating charges and income** | **–1,152** | **–7,757** |

At 31 December 2007, the non-current provisions include mainly restructuring carried out within the Group. The non-current income relates to the conclusion of operating transactions that were favourable to the company, such as litigations.

At 31 December 2006, Somfy wrote down the balance of acquisition goodwill (€7.3 million) relating to the Italian subsidiary WAY, whose sales growth rate may decline over the coming years.



## 6. FINANCIAL LOSS

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| Net borrowing costs | –860 | –1,033 |
| *– Financial profit from investments* | *3,929* | *2,251* |
| *– Debt-related financial charges* | *–4,789* | *–3,284* |
| Translation adjustment | 245 | 160 |
| Dividends received | –893 | 912 |
| **Net finance cost** | **–1,508** | **39** |

## 7. CURRENT TAX AND DEFERRED TAX

### 7.1. TAX PROOF

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| **Profit before tax** | **129,677** | **118,524** |
| *Merger loss related to holding company reorganisation* | *–* | *–2,904* |
| *Share of expenses and charges on dividends* | *1,800* | *1,176* |
| *Goodwill writedown after impairment test* | *–* | *7,315* |
| *Other* | *1,286* | *2,001* |
| **Permanent differences** | **3,086** | **7,588** |
| **Profit taxable at reduced rate *** | **–10,948** | **–10,035** |
| **Profit taxable at current rate** | **121,815** | **116,077** |
| Income tax rate in France | 34.40% | 34.40% |
| **Theoretical income tax payable at current rate** | **41,904** | **39,930** |
| **Taxes at reduced rate *** | **1,697** | **1,555** |
| *Difference with other countries tax rates* | *–7,508* | *–3,356* |
| *Unrecognised tax losses of prior years* | *1,219* | *–232* |
| **Impact of tax rate differences** | **–6,289** | **–3,588** |
| **Tax credits** | **–956** | **–878** |
| **Other taxes and miscellaneous** | **2,491** | **1,307** |
| **Group income tax payable** | **38,847** | **38,326** |
| Effective income tax rate | 29.96% | 32.34% |
| **current income tax:** | **37,827** | **37,693** |
| **deferred income tax:** | **1,020** | **633** |

* Royalties at a lower rate of 15.5%.

### Losses capitalised and used

Deferred taxes relative to tax losses of companies not included in the income tax integration or prior to entering the tax integration group, have not been capitalised, as it is unlikely that future taxable profits will be sufficient to absorb the prior tax losses that are unused. These losses amount to €7,674 thousand in 2007 and €9,030 thousand in 2006. (at the standard rate).

No deferred tax assets were recognised in 2007 in respect of tax losses arising during the current or previous financial years.

## 7.2. INCOME TAX DIRECTLY RECOGNISED IN SHAREHOLDERS' EQUITY

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| Deferred tax liabilities | | |
| – Assets available for sales | 1,023 | 1,721 |
| – Equity accounted companies | 800 | 800 |
| **Total** | **1,823** | **2,521** |

The difference between the fair value and historical cost of assets available for sales has a direct impact in reserves and related tax liabilities.

## 7.3. ANALYSIS BY NATURE

| In € thousands | 31/12/07 Assets | 31/12/06 Assets | P & L impact |
|---|---|---|---|
| Restatement of temporary differences including: | 9,376 | 8,722 | 770 |
| *– Deferred tax assets related to changes in provision methods* | *2,669* | *2,188* | *534* |
| *– Deferred tax assets related to pensions* | *2,287* | *2,162* | *151* |
| *– Deferred tax assets related to tax and social debts* | *1,956* | *1,856* | *96* |
| Deferred tax on Intra-Group margin | 8,025 | 8,122 | 177 |
| Other | 0 | 68 | –68 |
| **Total** | **17,401** | **16,912** | **879** |

| In € thousands | 31/12/07 Liabilities | 31/12/06 Liabilities | P & L impact |
|---|---|---|---|
| Restatement of temporary differences including: | 30,664 | 29,384 | 2,036 |
| *– Deferred tax liabilities related to changes in depreciation rates* | *11,879* | *12,093* | *–214* |
| *– Deferred tax liabilities related to leases* | *5,934* | *5,537* | *398* |
| *– Deferred tax liabilities related to the capitalisation of development costs* | *4,161* | *3,412* | *749* |
| Deferred tax on Intra-Group margin | 889 | 1,021 | –102 |
| Deferred tax on elimination of Intra-Group provisions | 297 | 333 | –35 |
| **Total** | **31,850** | **30,738** | **1,899** |

## 8. EARNINGS PER SHARE

| | 31/12/07 | 31/12/06 |
|---|---|---|
| Net profit - Group share (in euro thousands) | 103,547 | 121,614 |
| Total number of shares issued (1) | 7,836,800 | 7,836,800 |
| Treasury shares * (2) | 221,438 | 127,307 |
| Number of shares used for calculation (1) - (2) | 7,615,362 | 7,709,493 |
| **Earnings per share - Basic (euro)** | **13.60** | **15.77** |

*Represent all treasury shares owned by Somfy SA.

110,000 shares were repurchased in March 2007. These shares will be allocated to cover future option programmes or other allocations to employees or senior executives.

| | 31/12/07 | 31/12/06 |
|---|---|---|
| Net profit - Group share (in euro thousands) | 103,547 | 121,614 |
| Total number of shares issued (1) | 7,836,800 | 7,836,800 |
| Treasury shares ** (2) | 161,022 | 45,750 |
| Number of shares used for calculation (1) - (2) | 7,675,778 | 7,791,050 |
| **Earnings per share - Diluted (euro)** | **13.49** | **15.61** |

'** Are excluded the treasury shares allocated to stock option plans.

Treasury shares acquired by Somfy SA and allocated at year end to stock option plans contribute to dilute earnings per share. The number of shares comprising the share capital has not been changed.

## 9. BUSINESS COMBINAISON AND GOODWILL

| In € thousands | Amount 31/12/06 | Change in Scope | Translation adjustment | Other | Amount 31/12/07 |
|---|---|---|---|---|---|
| BFT SpA | 77,507 | 5,079 | –263 | 64 | 82,387 |
| Simu SAS | 1,862 | – | – | – | 1,862 |
| WAY SRL | 0 | – | – | – | 0 |
| Cotherm Participation | 10,470 | – | – | –899 | 9,571 |
| Stehle | 1,379 | – | – | –1,243 | 136 |
| Domis | 1,091 | – | – | – | 1,091 |
| Lian Da | 5,693 | – | –222 | 297 | 5,768 |
| Others | 321 | 454 | –51 | – | 724 |
| **Total** | **98,323** | **5,533** | **–536** | **–1,781** | **101,539** |
| Gaviota & Simbac SL* | 9,068 | – | – | – | 9,068 |
| Faac Spa* | 1,243 | – | – | – | 1,243 |
| Firstinnov* | 0 | 1,888 | – | – | 1,888 |
| **Total** | **108,634** | **7,421** | **–536** | **–1,781** | **113,738** |

* Goodwill arising on equity accounted companies is recorded under the heading “equity accounted company”.

| In € thousands | Amount 31/12/05 | Change in Scope | Depreciation | Translation adjustment | Amount 31/12/06 |
|---|---|---|---|---|---|
| BFT SpA | 76,660 | 847 | – | – | 77,507 |
| Simu SAS | 1,862 | – | – | – | 1,862 |
| WAY SRL | 7,315 | – | –7,315 | – | 0 |
| Cotherm Participation | 0 | 10,470 | – | – | 10,470 |
| Stehle | 0 | 1,379 | – | – | 1,379 |
| Domis | 1,091 | – | – | – | 1,091 |
| Lian Da | 578 | 5,171 | – | –56 | 5,693 |
| Others | 309 | – | – | 12 | 321 |
| **Total** | **87,815** | **17,867** | **–7,315** | **–44** | **98,323** |
| Gaviota & Simbac SL* | 9,068 | – | – | – | 9,068 |
| Faac Spa* | 1,243 | – | – | – | 1,243 |
| **Total** | **98,126** | **17,867** | **–7,315** | **–44** | **108,634** |

* Goodwill arising on equity accounted companies is recorded under the heading “equity accounted company”.

• Somfy made the acquisition, via its BFT SpA subsidiary, of two companies: **BFT Portugal and Gates System**. These two companies distribute BFT products and were acquired in March 2007 and April 2007 for €1.5 million and €4.6 million, respectively. At 31 December 2007, they had achieved 2007 sales of €2.6 million and €4.4 million, respectively.
Goodwill was €1.7 million and €2.8 million, respectively.
The restatement to Group standards had no significant impact on the net equity of these two companies.

• Somfy made the acquisition of **PD Technology Ltd** for €2.0 million. This British company manufactures garage door detection sensors. PD Technology Ltd has been included in the Somfy Group structure since 1 January 2007 and contributed €3.9 million to consolidated sales and generated a €0.4 million goodwill.
At the time of acquisition, the patents were valued at their fair value of €0.8 million.
Somfy will also be under an obligation to pay a GBP 300 thousand earn-out if certain performance indicators are met. Due to the high probability that these objectives will be met, the earn-out has already been recognised in the Group's consolidated financial statements.

• Somfy made the acquisition, at the beginning of July 2007, of 40% of **Firstinnov** for €2.2 million. This company develops and markets data transfer and remote control electronic systems for the swimming pool, automotive and house automation markets.
The transaction includes a purchase option on the remainder of Firstinnov shares, which Somfy may exercise from 2010.

This company is equity acounted and generated goodwill of €1.9 million.
Additional information relative to these acquisitions is disclosed in Note 27.3.



## 10. INTANGIBLE FIXED ASSETS

| In € thousands | Development costs | Patents and brands | Software | Other | Work in progress and advance payments | Total |
|---|---|---|---|---|---|---|
| **Gross value at 1 January** | **3,035** | **5,346** | **23,704** | **635** | **7,043** | **39,763** |
| Acquisitions | – | 144 | 1,409 | 34 | 3,161 | 4,748 |
| Disposals | –98 | – | –396 | – | – | –494 |
| Impact of changes in foreign exchange rates | – | –484 | –77 | –15 | – | –576 |
| Impact of changes in scope | – | 1,641 | – | – | – | 1,641 |
| Other movements | 8,201 | 8 | 673 | –8 | –7,633 | 1,241 |
| **At 31 December 2007** | **11,138** | **6,655** | **25,313** | **646** | **2,571** | **46 323** |
| **Accumulated amortisation at 1 January** | **–338** | **–1,839** | **–15,588** | **–405** | **0** | **–18,170** |
| Amortisation charges for the financial year | –1,289 | –545 | –2,211 | –74 | – | –4,119 |
| Disposals | – | – | 377 | – | – | 377 |
| Impact of changes in foreign exchange rates | – | 143 | 63 | 5 | – | 211 |
| Impact of changes in scope | – | – | – | – | – | 0 |
| Other movements | – | – | 1 | 0 | – | 1 |
| **At 31 December 2007** | **–1,627** | **–2,241** | **–17,358** | **–474** | **0** | **–21,700** |
| **Net value at 31 December 2007** | **9,511** | **4,414** | **7,955** | **172** | **2,571*** | **24,623** |

* Of which K€2,253 of current development expenses.

| In € thousands | Development costs | Patents and brands | Software | Other | Work in progress and advance payments | Total |
|---|---|---|---|---|---|---|
| **Gross value at 1 January** | **103** | **5,209** | **21,273** | **680** | **6,838** | **34,103** |
| Acquisitions | – | 484 | 537 | 43 | 4,770 | 5,834 |
| Disposals | – | – | –90 | –9 | – | –99 |
| Impact of changes in foreign exchange rates | – | –377 | –69 | –15 | – | –461 |
| Impact of changes in scope | – | 0 | 385 | 0 | – | 385 |
| Other movements | 2,932 | 30 | 1,668 | –64 | –4,565 | 1 |
| **At 31 December 2006** | **3,035** | **5,346** | **23,704** | **635** | **7,043** | **39,763** |
| **Accumulated amortisation at 1 January** | **–12** | **–1,605** | **–13,051** | **–353** | **0** | **–15,021** |
| Amortisation charges for the financial year | –326 | –434 | –2,227 | –57 | – | –3,044 |
| Disposals | – | – | 89 | – | – | 89 |
| Impact of changes in foreign exchange rates | – | 110 | 60 | 3 | – | 173 |
| Impact of changes in scope | – | – | –365 | 0 | – | –365 |
| Other movements | – | 90 | –94 | 2 | – | –2 |
| **At 31 December 2006** | **–338** | **–1,839** | **–15,588** | **–405** | **0** | **–18,170** |
| **Net value at 31 December 2006** | **2,697** | **3,507** | **8,116** | **230** | **7,043*** | **21,593** |

* Of which K€6,883 of current development expenses.

Development costs complying with the criteria of IAS38 are capitalised and are considered as internally generated intangible assets. At 31 December 2007, development costs amounted to €13,391 thousands, of which nearly €2,253 as work in progress.

Research and development costs of €30.8 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.

## 11. PROPERTY, PLANT AND EQUIPMENT (PPE)

### 11.1. PROPERTY, PLANT AND EQUIPMENT BY NATURE

| In € thousands | Land | Buildings | Machinery and tools | Other | Work in progress and advance payments | Total |
|---|---|---|---|---|---|---|
| **Gross value at 1 January** | **12,288** | **92,995** | **149,260** | **32,466** | **8,361** | **295,370** |
| Acquisitions | – | 1,632 | 9,981 | 5,957 | 14,009 | 31,579 |
| Disposals | –114 | –617 | –5,786 | –3,422 | – | –9,939 |
| Impact of changes in foreign exchange rates | –9 | –59 | –392 | –554 | –23 | –1,037 |
| Impact of changes in scope | 79 | 317 | 72 | 698 | – | 1,166 |
| Other movements | – | 1,146 | 4,371 | 1,596 | –8,754 | –1,641 |
| **At 31 December 2007** | **12,244** | **95,414** | **157,506** | **36,741** | **13,593** | **315,498** |
| **Accumulated amortisation at 1 January** | **–113** | **–29,241** | **–92,146** | **–21,752** | **0** | **–143,252** |
| Depreciation charges for the financial year | –2 | –3,324 | –11,493 | –3,881 | – | –18,700 |
| Disposals | – | 309 | 4,744 | 2,753 | – | 7,806 |
| Impact of changes in foreign exchange rates | – | 37 | 217 | 323 | – | 577 |
| Impact of changes in scope | – | – | –10 | –423 | – | –433 |
| Other movements | – | –45 | 1,686 | – | – | 1,641 |
| **At 31 December 2007** | **–115** | **–32,264** | **–97,002** | **–22,980** | **0** | **–152,361** |
| **Net value at 31 December 2007** | **12,129** | **63,150** | **60,504** | **13,761** | **13,593** | **163,137** |

| In € thousands | Land | Buildings | Machinery and tools | Other | Work in progress and advance payments | Total |
|---|---|---|---|---|---|---|
| **Gross value at 1 January** | **11,982** | **86,823** | **124,623** | **31,649** | **10,296** | **265,373** |
| Acquisitions | – | 1,825 | 6,943 | 4,939 | 10,171 | 23,878 |
| Disposals | –165 | –63 | –2,003 | –1,669 | – | –3,900 |
| Impact of changes in foreign exchange rates | –9 | –52 | –305 | –423 | –29 | –818 |
| Impact of changes in scope | 480 | 1,275 | 7,594 | 1,653 | 34 | 11,036 |
| Other movements | – | 3,187 | 12,408 | –3,683 | –12,111 | –199 |
| **At 31 December 2006** | **12,288** | **92,995** | **149,260** | **32,466** | **8,361** | **295,370** |
| **Accumulated amortisation at 1 January** | **–108** | **–25,808** | **–75,201** | **–21,780** | **0** | **–122,897** |
| Depreciation charges for the financial year | –5 | –3,176 | –11,169 | –3,128 | – | –17,478 |
| Disposals | – | 60 | 1,584 | 1,326 | – | 2,970 |
| Impact of changes in foreign exchange rates | – | 35 | 198 | 236 | – | 469 |
| Impact of changes in scope | – | –4 | –5,335 | –1,163 | – | –6,502 |
| Other movements | – | –348 | –2,223 | 2,757 | – | 186 |
| **At 31 December 2006** | **–113** | **–29,241** | **–92,146** | **–21,752** | **0** | **–143,252** |
| **Net value at 31 December 2006** | **12,175** | **63,754** | **57,114** | **10,714** | **8,361** | **152,118** |

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

## 11.2. LEASED PROPERTY, PLANT AND EQUIPMENT

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| **Gross value** | | |
| Land | 5,137 | 5,137 |
| Buildings | 48,940 | 48,940 |
| Buildings in progress | 4,913 | – |
| Technical installations, material and tools | 1,076 | 1,076 |
| **Total** | **60,066** | **55,153** |
| **Cumulated depreciation** | | |
| Land | – | – |
| Buildings | –13,543 | –11,923 |
| Technical installations, material and tools | –636 | –529 |
| **Total** | **–14,179** | **–12,452** |
| **Net value at 31 December** | **45,887** | **42,701** |



The maturity date of undiscounted and discounted minimum payments relating to the finance leases can be analysed as follows:

| In € thousands | Undiscounted 2007 liability | Discounted 2007 liability |
|---|---|---|
| Less than one year | 5,732 | 4,430 |
| 1 to 5 years | 17,999 | 14,989 |
| More than 5 years | 9,503 | 8,503 |
| **Total** | **33,234** | **27,922** |

| In € thousands | Undiscounted 2006 liability | Discounted 2006 liability |
|---|---|---|
| Less than one year | 5,366 | 4,275 |
| 1 to 5 years | 18,037 | 14,862 |
| More than 5 years | 8,643 | 8,113 |
| **Total** | **32,046** | **27,250** |

## 11.3. SURETIES

Tangible assets given as a guarantee of bank debts amount to K€2,797.

## 12. IMPAIRMENT TESTS

At 31 December 2007, 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 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 value of CGUs is the higher of fair value of the assets less the cost of selling and their value in use. The value in use is obtained using Discounted Cash Flow (cash flow over 5 years).

Cash flows were measured using budgets and long-term plans.
Cash flows were projected for a number of years by using specific growth rates consistent with Group historical growth. The growth rate used to project cash flow to infinity was 1.8%.

The discount rate in 2007 and 2006 for cash flows was determined notably from market data (9% for European companies and 11% for companies in the US region and 11.4% for the Chinese company).

At 31 December 2007, the impairment tests disclosed no requirement for writedown.

At 31 December 2007, the discounted value of the Way CGU became lower than its net book value. The balance of goodwill of €7.3 million was thus fully written down. This loss in value is due mainly to increased competition in all segments of Way's entry-level products. This may be reflected in a stagnation in product volumes as well as a tightening of margins. No other asset was written down.

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

**Sensitivity analysis**
The Group carried out sensitivity analyses on the results of impairment tests as a function of the various assumptions of long-term growth rates and the discount rate.

These sensitivity analyses (movement of +/- 10% in the discount rate and +/- 20% in the growth rate to infinity) had no impact on the conclusions of the impairment tests.

## 13. EQUITY ACCOUNTED COMPANIES

| In € thousands | At 31/12/07 | At 31/12/06 |
|---|---|---|
| Opening share of equity | 152,194 | 118,618 |
| Changes in consolidation scope * | 2,200 | – |
| Fair value movements ** | –2,135 | 3,533 |
| Share of net profit for the financial year | 13,053 | 41,697 |
| Dividends paid | –12,050 | –11,547 |
| Translation adjustment | –213 | –107 |
| **Closing share of equity ** ** | **153,049** | **152,194** |

* Acquisition of company Firstinnov.
** Fair value relates to assets avaible for sales owned by FAAC (K€32,162 in 2007 and K€34,297 in 2006) and deferred tax related to a tax impact (K€–800 loss in 2007 and 2006).

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

The share in the profit for the year is inflated by a significant capital gain of €84.4 million after tax on the disposal of land and buildings realised by Faac, the Italian subsidiary that is equity accounted. Somfy has thus included additional profit of €28.7 million in its 2006 results in respect of its 34% share.

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| **Faac, 34% held by the Group** | | |
| Sales | 173,819 | 154,939 |
| Profit from operations | 32,403 | 32,562 |
| Net profit (Group share) | 31,464 | 115,132 |
| Total assets | 436,575 | 439,339 |
| Shareholders’ equity (Group share) | 382,201 | 390,640 |
| Residual acquisition goodwill | 1,243 | 1,243 |

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| **Gaviota - Simbac, 46,5% held by the Group** | | |
| Sales | 80,685 | 77,350 |
| Profit from operations | 9,373 | 9,286 |
| Net profit | 4,897 | 5,427 |
| Total assets | 69,347 | 65,620 |
| Total assets | 22,185 | 18,916 |
| Residual acquisition goodwill | 9,068 | 9,068 |

## 14. FINANCIAL ASSETS

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| Financial assets available for sales | 95,601 | 75,443 |
| *– Investments in uncontrolled companies ** | *66,411* | *46,298* |
| *– Marketable securities ** | *29,190* | *29,145* |
| Loans ** | 884 | 899 |
| Others | 2,055 | 1,973 |
| **Non-current and current financial assets** | **98,540** | **78,315** |
| Due within 1 year | 28,316 | 27,242 |
| **Non-current financial assets** | **70,224** | **51,073** |

* The difference between the fair value and the acquisition price of assets available for sale was K€22,402 in 2006 (K€20,682 net of deferred tax) and K€86,406 in 2007 (K€85,383 net of deferred tax).
** Including a K€122 and K€153 provision at 31/12/07 and 31/12/06, 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 24.89% at 31 December 2007, 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 available for sale and is measured at fair value at year-end. Changes in fair value are directly recognised in equity. Fair value amounted to €65.1million at 31 December 2007.

## 15. INVENTORIES

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| **Gross values** | | |
| Raw material and other supplies | 35,129 | 29,484 |
| Finished products and merchandise | 68,634 | 62,615 |
| **TOTAL** | **103,763** | **92,099** |
| Provisions | –7,735 | –8,795 |
| **Net value** | **96,028** | **83,304** |

| In € thousands | Value at 31/12/2006 | Net provision charges | Translation adjustment | Other movements | Value at 31/12/2007 |
|---|---|---|---|---|---|
| Provisions on inventories | –8,795 | 1,016 | 108 | –64 | –7,735 |



## 16. TRADE RECEIVABLES

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| Gross value | 134,179 | 127,086 |
| Provision | –6,221 | –5,550 |
| **Net value** | **127,958** | **121,536** |

| In € thousands | Value at 31/12/2006 | Net provision charges | Translation adjustment | Other movements | Value at 31/12/2007 |
|---|---|---|---|---|---|
| Provisions on inventories | –5,550 | –595 | 63 | –139 | –6,221 |

Trade receivables include receivables due within one year.
Credit insurance contracts both in France and internationally, limit the consequence of customer default. Some 50% of total sales are declared.

## 17. OTHER RECEIVABLES

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| **Gross values** | | |
| Personnel receivables | 952 | 774 |
| Other tax receivables (including VAT) | 6,382 | 6,350 |
| Accrued expenses | 3,834 | 3,379 |
| Other receivables * | 1,100 | 3,677 |
| **Total** | **12,268** | **14,180** |

Other receivables classified as “current” are receivables due within one year.

## 18. CASH AND CASH EQUIVALENTS

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| Cash | 34,101 | 50,659 |
| Cash equivalents | 55,297 | 49,387 |
| **Total** | **89,398** | **100,046** |

Cash equivalents primarily include deposits with a maturity date of less than 3 months and euro monetary UCITS.
The average return rate is near 3.88%.

## 19. PROVISIONS

### 19.1. NON-CURRENT PROVISIONS

| In € thousands | Provisions for guarantees | Provisions for litigations | Provision for agents | Provisions for liabilities and other risks | Total 2007 |
|---|---|---|---|---|---|
| **At 1 January** | **4,076** | **101** | **616** | **1,387** | **6,180** |
| Charges | 288 | 865 | 74 | 251 | 1,478 |
| Used reversals | – | –52 | – | –5 | –57 |
| Unused reversals | – | – | – | –1,202 | –1,202 |
| Impact of translation adjustment | –38 | – | – | – | –38 |
| Other movements | –1,237 | 226 | – | 1,258 | 247 |
| **At 31 December** | **3,089** | **1,140** | **690** | **1,689** | **6,608** |

The net provision charges of used or unused reversals impacted the operating current income for –€294 thousands and the other revenue/charges from operations for +€513 thousands.

### 19.2. CURRENT PROVISIONS

| In € thousands | Provisions for guarantees | Provisions for litigations | Provisions for liabilities and other risks | Total 2007 |
|---|---|---|---|---|
| **At 1 January** | **2,131** | **1,522** | **940** | **4,593** |
| Charges | 382 | 454 | 1,079 | 1,915 |
| Used reversals | – | –288 | –290 | –578 |
| Unused reversals | – | –563 | –149 | –712 |
| Impact of translation adjustment | –27 | – | – | –27 |
| Other movements | – | –216 | – | –216 |
| **At 31 December** | **2,486** | **909** | **1,580** | **4,975** |

The net provision charges of used or unused reversals impacted the operating current income for +€127 thousands and the other revenue/charges from operations for –€752 thousands.

## 20. OTHER FINANCIAL DEBTS

### 20.1. ANALYSIS BY CATEGORY

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| Borrowings from credit institutions | 21,058 | 18,444 |
| Lease borrowings | 27,922 | 27,250 |
| Misc. Borrowings and financial debts | 444 | 1,634 |
| **Non-current and current financial debts** | **49,424** | **47,328** |
| Due within one year | 12,737 | 10,143 |
| **Current financial debts** | **36,687** | **37,185** |

### 20.2. ANALYSIS BY MATURITY

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| Within 1 year | 12,737 | 10,143 |
| 1 to 5 years | 22,716 | 23,765 |
| Over 5 years | 13,971 | 13,420 |
| **Total** | **49,424** | **47,328** |

### 20.3. ANALYSIS BY RATE TYPE

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| Variable rate (rate swaps and caps for M€ 39,8) | 47,986 | 44,699 |
| Fixed rate | 999 | 1,017 |
| No rate | 439 | 1,612 |
| **Total** | **49,424** | **47,328** |

The average debt cost is about 4.26%.

## 20.4. ANALYSIS BY CURRENCY

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| Euros | 43,685 | 42,799 |
| USD | 2,138 | 2,210 |
| Other | 3,601 | 2,319 |
| **Total** | **49,424** | **47,328** |

## 20.5. BORROWINGS SECURED BY COLLATERAL

| In € thousands | Debt guaranteed at 31/12/07 | Secured debts * at 31/12/07 |
|---|---|---|
| Loans and borrowings from credit institutions | 14,173 | 22,797 |

* Secured debts relate to buildings and investments secured debts.

## 20.6. COVENANTS

At 31 December 2007, Somfy SA had a total of €120 million in confirmed medium-term loan facilities with five banks, not used. Funds made available under this arrangement are subject to an undertaking by Somfy 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). Somfy SA complies with all covenants as at December 2007.

At 31 December 2006, Cotherm Participations SA subscribed to a loan for €15 million as part of an LBO.
The provision of this funding by credit institutions is subject to a commitment made by Cotherm SAS to meet financial covenants.
Two ratios (net financial debt/restated EBITDA) and Free cash flow/Debt servicing) were not complied with at 31 December 2007. The non compliance with these two ratios was mainly due to a significant movement in cash between 2007 and 2008. Cotherm financed from its own resources a part of the extension of the Vinay building but did not receive the proceeds of its former building until early in 2008. In addition, Cotherm incurred non-recurring costs related to this extension. Neither the business model of Cotherm, nor the classification of this debt as non-current debt are called into question.

## 21. ANALYSIS OF NET CASH SURPLUS

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| Financial debts | 49,424 | 47,328 |
| Financial assets | 30,180 | 30,120 |
| *– Marketable securities* | *29,190* | *29,145* |
| *– Other* | *990* | *975* |
| Cash and cash equivalents | 89,398 | 100,046 |
| **Net cash surplus** | **70,154** | **82,838** |

## 22. RISK MANAGEMENT

### Translation risks

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

These amounted to +€528 thousand at 31 December 2007 compared to +€602 thousand at 31 December 2006, being a negative impact of –€74 thousand on net profit.

| 31/12/07 | Hedging of balance sheet items | Hedging of off-balance sheet items | Total in euro thousands | Fair value in euro thousands | Types |
|---|---|---|---|---|---|
| AUD | 1,164 | 1,244 | 2,408 | 65 | Short hedge, Accumulator |
| CAD | 989 | 919 | 1,908 | –2 | Short hedge, Accumulator |
| CHF | 303 | 3,060 | 3,363 | –1 | Short hedge |
| GBP | 1,509 | 0 | 1,509 | 111 | Short hedge |
| HUF | 0 | 801 | 801 | 8 | Short hedge, Accumulator |
| JPY | 743 | 961 | 1,704 | 135 | Short hedge |
| PLN | 443 | 807 | 1,250 | –52 | Short hedge |
| SEK | 913 | 1,639 | 2,552 | 77 | Short hedge |
| SGD | 0 | 1,021 | 1,021 | 18 | Short hedge |
| USD | 5,781 | 9,271 | 15,052 | 169 | Short hedge, Accumulator |
| | **11,845** | **19,723** | **31,568** | **528** | |

| 31/12/06 | Hedging of balance sheet items | Hedging of off-balance sheet items | Total in euro thousands | Fair value in euro thousands | Types |
|---|---|---|---|---|---|
| AUD | 1,711 | 1,013 | 2,724 | 13 | Short hedge, Accumulator |
| CHF | 508 | 3,330 | 3,838 | 27 | Short hedge, Accumulator, option |
| GBP | 849 | 5,684 | 6,533 | –59 | Short hedge |
| JPY | 1,128 | 0 | 1,128 | 97 | Short hedge |
| SEK | 656 | 4,906 | 5,562 | –66 | Short hedge |
| USD | 4,342 | 10,064 | 14,406 | 590 | Short hedge, Accumulator |
| | **9,194** | **24,997** | **34,191** | **602** | |



**Interest rate risk**

The majority of Group company financial debt carries a variable rate. Interest rate hedges had a nominal value of €39.8 million at 31 December 2007 against €14.8 million at 31 December 2006.

The fair value of swaps represented a liability of €131 thousand in 2007, compared to a liability of €85 thousand in 2006.

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. Thus, they have no impact on Group net profit.
Other Somfy SA and Damartex shares held by the equity accounted Faac are retained in the equity value of this subgroup and thus contribute to consolidated reserves.

**Share risk**

In 2007, the Group entered into an equity swap contract which does not relate to treasury shares but to non-group shares. It was contracted from a financial institution.

The Group is exposed to the risk of movements in the value of this equity swap contract of a maximum notional value of €16.5 million. This instrument was recognised at fair value in the Group's financial statements, with changes in its value posted to the Income Statement. The instrument fair value was a negative €1.9 million at 31 December 2007.

An underlying movement of +/- 1.0%, changes the fair value by +/- 7.4% compared to its value at 31 December 2007, which represents +/- €140 thousand.

## 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 2006 and 2007 financial years may be analysed as follows:

**Retirement commitments - France**

| In € thousands | Benefit obligation | Plan assets | Net initial obligation | Net amount recognized in financial statements | Unrecognized net actuarial gains/(losses) and past services |
|---|---|---|---|---|---|
| **31 December 2006** | **8,354** | **–1,710** | **6,644** | **4,591** | **2,053** |
| **Net periodic pension cost:** | **627** | **–32** | **595** | **1,105** | **–510** |
| – Current service cost and interest cost | 627 | – | 627 | 627 | 0 |
| – Expected return on assets | – | –32 | –32 | –32 | 0 |
| – Amortisation of actuarial amount/past services | – | – | 0 | 510 | –510 |
| – Contributions by employees | – | – | 0 | 0 | 0 |
| **Contribution by employers** | **–** | **–344** | **–344** | **–344** | **0** |
| **Benefits paid** | **–378** | **304** | **–74** | **–74** | **0** |
| **Net actuarial gains/(losses) recognized in the year** | **9** | **–10** | **–1** | **0** | **–1** |
| Exchange differences | – | – | 0 | 0 | 0 |
| Changes in consolidation scope | – | – | 0 | 0 | 0 |
| **31 December 2007** | **8,612** | **–1,792** | **6,820** | **5,278** | **1,542** |

| In € thousands | Benefit obligation | Plan assets | Net initial obligation | Net amount recognized in financial statements | Past services |
|---|---|---|---|---|---|
| **31 December 2005** | **5,294** | **–1,289** | **4,005** | **4,005** | **0** |
| **Net periodic pension cost:** | **–24** | **–70** | **–94** | **636** | **–730** |
| – Service cost and interest cost | –24 | 0 | –24 | –24 | – |
| – Expected return on assets | 0 | –70 | –70 | –70 | – |
| – Amortisation of actuarial amount/past services | 0 | 0 | 0 | 730 | –730 |
| **Employer's contribution** | **0** | **–459** | **–459** | **–459** | **0** |
| **Paids to participant** | **–152** | **152** | **0** | **0** | **–** |
| **Actuarial spreads generated** | **2,783** | **0** | **2,783** | **0** | **2,783** |
| Translation adjustments | 0 | 0 | 0 | 0 | – |
| Changes in consolidation scope | 453 | –44 | 409 | 409 | – |
| **31 December 2006** | **8,354** | **–1,710** | **6,644** | **4,591** | **2,053** |

**Retirement commitments - Others**

| In € thousands | Benefit obligation | Plan assets | net initial obligation | Net amount recognized in financial statements | Unrecognized net actuarial gains/(losses) |
|---|---|---|---|---|---|
| **31 December 2006** | **16,881** | **–13,744** | **3,137** | **1,792** | **1,345** |
| **Net periodic pension cost:** | **907** | **–419** | **488** | **548** | **– 60** |
| – Current service cost and interest cost | 907 | – | 907 | 907 | 0 |
| – Expected return on assets | – | –347 | –347 | –347 | 0 |
| – Amortisation of actuarial amount | – | – | 0 | 60 | –60 |
| – Contributions by employees | – | –72 | –72 | –72 | 0 |
| **Contribution by employers** | **–** | **–559** | **–559** | **–559** | **0** |
| **Benefits paid** | **–76** | **53** | **–23** | **–23** | **0** |
| **Net actuarial gains/(losses) recognized in the year** | **104** | **–59** | **45** | **0** | **45** |
| Exchange differences | –703 | 510 | –193 | –54 | –138 |
| Changes in consolidation scope | – | – | 0 | 0 | 0 |
| **31 December 2007** | **17,113** | **–14,218** | **2,895** | **1,704** | **1,192** |

| In € thousands | Benefit obligation | Plan assets | Net initial obligation | Net amount recognized in financial statements | Unrecognized net actuarial gains/(losses) |
|---|---|---|---|---|---|
| **31 December 2005** | **14,198** | **–12,189** | **2,009** | **967** | **1,042** |
| **Net periodic pension cost:** | **1,800** | **–626** | **1,174** | **1,256** | **–82** |
| – Service cost and interest cost | 1,800 | 0 | 1,800 | 1,800 | 0 |
| – Expected return on assets | 0 | –626 | –626 | –626 | 0 |
| – Amortisation of actuarial amount | 0 | 0 | 0 | 82 | –82 |
| **Employer’s contribution** | **0** | **–318** | **–318** | **–318** | **0** |
| **Paids to participant** | **–58** | **30** | **–28** | **–28** | **0** |
| **Actuarial spreads generated** | **745** | **–231** | **514** | **0** | **514** |
| Translation adjustments | –671 | 457 | –214 | –85 | –129 |
| Changes in consolidation scope | 867 | –867 | 0 | 0 | 0 |
| **31 December 2006** | **16,881** | **–13,744** | **3,137** | **1,792** | **1,345** |

**Employee seniority awards**

| In € thousands | 31/12/06 | Cost | Benefits paid | Change in cons. Scope | 31/12/07 |
|---|---|---|---|---|---|
| **Actuarial commitments** | **1,050** | **83** | **–39** | **–** | **1,094** |

| In € thousands | 31/12/05 | Cost | Benefits paid | Change in cons. Scope | 31/12/06 |
|---|---|---|---|---|---|
| **Actuarial commitments** | **1,270** | **–195** | **–25** | **–** | **1,050** |

**TFR- Severance Pay Reserve**

| In € thousands | 31/12/06 | Cost | Benefits paid | Change in cons. Scope | 31/12/07 |
|---|---|---|---|---|---|
| **Commitments** | **3,225** | **651** | **–499** | **–** | **3,377** |

| In € thousands | 31/12/05 | Cost | Benefits paid | Change in cons. Scope | 31/12/06 |
|---|---|---|---|---|---|
| **Commitments** | **2,923** | **780** | **–478** | | **3,225** |

Actuarial differences at 31 December 2007 amounted to €1,384 thousand, compared to €1,345 thousand, at 31 December 2006.

A new supplementary pension plan was established in 2006 by CMC (SARL). This plan applies to Directors and III-C-position Executives, as well as Managers benefiting from an employment contract, in accordance with the categories defined by the French Convention Collective Nationale des Ingénieurs et Cadres de la Métallurgie. The cost of past service amounted to €2,053 thousand at 31 December 2006 and was amortised over the time that the corresponding rights are acquired by the employees. The impact will be around €700 thousand per year.
The impact of defined benefits had a €1,653 thousand impact on personnel costs in the income statement.

The main assumptions used in calculations are the following:

| At 31 December | 2007 | 2006 |
|---|---|---|
| **Discount rate** | | |
| France | 4% | 4% |
| Germany | 4.50% | 5% |
| United States | 6% | 6% |
| Italy | n/a | n/a |
| Others | 1% – 4.5% | 2% – 5% |
| **Long term yield expected from pension plan assets** | | |
| France | 2.4 – 3.5% | 3.5% |
| Germany | 5% – 6% | 5% – 6% |
| United States | 6% | 6% |
| Italy | n/a | n/a |
| Others | 2.3% – 4.5% | 2.3% – 4.5% |
| **Future salary increases** | | |
| France | 1.4 – 2.8% | 2.80% |
| Germany | 1% | 1% |
| United States | 2% | 2% |
| Italy | n/a | n/a |
| Others | 2.5 – 3.5% | 2.5 – 3.5% |

The Individual Training Right gave rise at 31 December 2007 to the recognition of a provision of €185 thousand. The rights in respect of training amounted to 47,589 hours at 31 December 2006 compared to 90,205 hours at the 2007 year end. The amount of hours used was insignificant.

## 24. OTHER DEBTS

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| Social security liabilities | 41,693 | 41,061 |
| Tax liabilities | 7,602 | 8,298 |
| Accrued revenue | 1,054 | 744 |
| Others | 1,656 | 1,894 |
| **Total** | **52,005** | **51,997** |

Other debts classified as “current” are debts due within one year.

## 25. SHARE-BASED PAYMENTS

Pursuant to IFRS2, stock options are measured at market value at the date of allocation and then amortised in the income statement for the period when the rights are vested to employees (5 years) for all plans granted from 7 November 2002.
These transactions were measured using the Black & Sholes model, which provides the fair value of the benefit thus granted and takes account notably of various parameters such as the share price, exercise price, expected volatility, expected dividends, interest rates with no risk as well as the life of the option.

A new plan was set up in 2006 for 36,200 Somfy share purchase options at a price of €185. Vesting of these options is subject to the achievement of conditions. Every beneficiary must be employed within the Group at the date of exercise of their options. In addition, for some of them, the right to exercise part of their options is also conditional on the achievement of predefined objectives.
The annual charge is calculated by an external expert for the two plans concerned.
At 31 December 2007, the cost was €384 thousand and was accounted in "personnel expenses" (€505 thousand in 2006).

| Plan date | Number of beneficiaries | Number of shares allocated | Restated number of shares * | Option exercice price (in euro) | Restated option exercice price * (in euros) | Option expiry date |
|---|---|---|---|---|---|---|
| 17/07/2001 | 51 | 21,000 | 6,188 | 78.00 | 65.35 | 31/01/2008 |
| 05/12/2002 | 54 | 20,300 | 17,695 | 100.00 | 97.70 | 31/01/2009 |
| 01/12/2003 | 62 | 20,150 | 20,088 | 128.00 | 125.05 | 31/01/2010 |
| 31/03/2006 | 96 | 36,200 | – | 185.00 | – | 31/03/2011 |

* Adjustments following the scission of the Damart Group and following the exceptional reserves distribution on Dec. 27th, 2005.

The following movements on share option plans arose in 2005 and 2006:

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price (€) | Number of options | Weighted average exercise price (€) |
| **Options outstanding at 1 January** | **81,557** | **140.68** | **60,983** | **96.10** |
| Options granted | – | | 37,710 | 181.36 |
| Options cancelled | –3,079 | 161.07 | –359 | 109.43 |
| Options exercised | –18,062 | 87.14 | –16,777 | 65.25 |
| **Options non-exercised at year-end** | **60,416** | **154.92** | **81,557** | **140.68** |
| Options exercisable at year-end | 26,066 | 115.27 | 25,269 | 88.44 |

At 31 December 2007, the unexercised option plans are the following:

| Plan dated | Exercise price (in euro) | Number of options | Number of days remaining before option expiry date |
|---|---|---|---|
| 17/07/2001 | 65.35 | 1,450 | 31 |
| 05/12/2002 | 97.70 | 6,155 | 397 |
| 01/12/2003 | 125.05 | 18,461 | 762 |
| 03/04/2006 | 185.00 | 34,350 | 2,282 |

## 26. ANALYSIS OF EQUITY

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| Total number of shares | 7,836,800 | 7,836,800 |
| Treasury shares | 221,438 | 127,307 |
| Nominal value | €1 | €1 |
| Proposed dividends per share | €5.50 | €5.20 |

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.

Shareholders' equity is analysed as follows:

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| Share capital | 7,837 | 7,837 |
| Legal reserve | 791 | 791 |
| Share premium | 1,866 | 1,866 |
| Translation adjustment | –3,683 | –471 |
| Other reserves * | 537,931 | 459,540 |
| Net profit for the year | 103,547 | 121,614 |
| **Equity (Group share)** | **648,289** | **591,177** |

* The impact of treasury shares and fair value is detailed in equity variation statement.

## 27. ANALYSIS OF CASH FLOW STATEMENT

### 27.1. CASH AND CASH EQUIVALENTS

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| **OPENING BALANCE** | **99,746** | **119,003** |
| Opening cash and cash equivalents | 100,046 | 122,316 |
| Bank overdrafts | –300 | –3,313 |
| **CLOSING BALANCE** | **88,548** | **99,746** |
| Closing cash and cash equivalents | 89,398 | 100,046 |
| Bank overdrafts | –850 | –300 |

### 27.2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment debts and receivables are now classified under investment activities and represent –€0.4 million at 31 December 2007 against –€1.0 million in 2006.

In 2007, the group acquired intangible non-current assets and PPE for a total amount of €36.5 million of which €4.9 million was financed by lease-borrowings.

In 2006, intangible asset acquisitions included market share purchases (€5.7 million) effected essentially by the LianDa subsidiary and recorded under goodwill in the balance sheet.

### 27.3. SUBSIDIARY ACQUISITIONS AND DISPOSALS, NET OF SUBSIDIARY CASH AND CASH EQUIVALENTS

At 31 December 2007, this item was affected by the acquisition of Gates System, BFT Portugal, PD Technology and Firstinnov.
The fair value of assets and liabilities acquired were the following:

| In € thousands | Total |
|---|---|
| Acquisition goodwill | 7,134 |
| Net non-current assets | 2,367 |
| Deferred tax asset | 111 |
| Inventories | 1,249 |
| Trade receivables | 2,511 |
| Other current receivables | 294 |
| Current tax asset | 24 |
| Cash and cash equivalents | 1,096 |
| Deferred tax liability | –351 |
| Other non-current liabilities | –585 |
| Current and non-current loans | –866 |
| Non-current provisions | –35 |
| Trade payables | –2,128 |
| Other current liabilities | –887 |
| Tax liabilities | –354 |
| Share acquired in associate companies | 312 |
| **Total acquisition cost** | **9,892** |
| Less: acquired cash | –1,096 |
| **Cash flow from the acquisition after deduction of acquired cash** | **8,796** |

At 31 December 2006, this item was primarily affected by the acquisition of Cotherm.
The fair value of assets and liabilities acquired were the following:

| In € thousands | Total |
|---|---|
| Acquisition goodwill | 12,795 |
| Net non-current assets | 4,635 |
| Inventories | 7,035 |
| Trade receivables | 7,021 |
| Other current receivables | 1,236 |
| Cash and equivalent cash | 5,011 |
| Current and non current loans | –17,085 |
| Trade payables | –3,868 |
| Other liabilities and provisions | –6,576 |
| Minority | –56 |
| **Total acquisition cost** | **10,148** |
| Less: acquired cash | –5,011 |
| **Cash flow from the acquisition after deduction of acquired cash** | **5,137** |



## 27.4. WORKING CAPITAL NEEDED

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| Net movement in inventories | –13,056 | –11,358 |
| Net movement in trade receivables | –5,310 | –12,011 |
| Movement in trade payables | –5,773 | 12,016 |
| Movement in other receivables and liabilities | 1,016 | 510 |
| **Movement in working capital requirements** | **–23,123** | **–10,843** |

## 28. OFF-BALANCE SHEET COMMITMENTS

Group off-balance sheet commitments are analysed as follows:

**Commitments given:**

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| Guarantees and pledges given * | 3,605 | 24,600 |
| Interest over the remaining term of loans | 8,191 | 7,967 |
| Rents over the remaining term of leases | 10,746 | 6,490 |
| Hedging on copper | 149 | 149 |
| Foreign exchange forward sale contracts | 19,723 | 24,997 |
| **Total** | **42,414** | **64,203** |

* Including a €24.6 million deposit pledged by Somfy SA in relation to a loan repaid early in 2004, which has been released in 2007,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:**

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| Guarantees and pledges received | 2,031 | 1,000 |
| Unused lines of credit | 109,121 | 130,704 |
| **Total** | **111,152** | **131,704** |

## 29. INFORMATION ON ENVIRONMENTAL RISKS

Somfy SA 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. Nevertheless, selective sorting procedures have been adopted at all sites and measures to reduce the consumption of energy (heating and electricity) have been implemented at the main production plant in Cluses in France.

Against this background, no provision was required for environmental risks.

## 30. WORKFORCE INFORMATION

### 30.1. AVERAGE WORKFORCE

Somfy SA group's average workforce size at 31 December 2007, with temporary and part-time employees recorded on a fulltime equivalents basis, was as follows:

| | 31/12/07 | 31/12/06 |
|---|---|---|
| Average workforce | 4,712 | 4,179 |

## 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.

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| Sales | 4,642 | 4,578 |
| Other revenues | 260 | 469 |
| Purchases of good | 2,600 | 3,327 |
| Other charges | 54 | 79 |
| Interest received | 20 | 23 |
| Trade receivables | 1,790 | 1,704 |
| Trade payables | 417 | 589 |
| Loans | 800 | 800 |





### 31.2. GROSS REMUNERATION OF MANAGEMENT AND SUPERVISORY BOARD MEMBERS

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| Short term employee benefits | 1,566 | 1,814 |
| Post-employment benefits * | 111 | 127 |
| Share-based remuneration | 63 | 81 |

* Incl. past services cost.

Share-based remuneration represents the cost of the 2003 and 2006 stock option plans.
Post-employment benefits correspond to costs in respect of the new supplementary pension plan set up in 2006 by CMC (SARL) and which benefits two members of the Management Board.

## 32. POST-BALANCE SHEET EVENTS

In February 2007, SOMFY signed an agreement with the shareholders in PD Technologies Ltd to purchase this company in full. This English company manufactures garage door detection sensors and realised sales of £ 3 million over the last published financial year.

- On 18 January 2008, Somfy SA acquired on the market a number of Agta Record shares, so that since that date the Company owns 3,438,928 Agta Record shares, being 25.88% of the share capital and voting rights of this company. The crossing of the 25% threshold was declared, on 25 January 2008, to the *Autorité des Marchés* Financiers, which gave its ruling under n° 208C0186 published in the BALO of 30 January 2008.
- On 6 November 2007, Somfy signed an agreement with a view to acquiring the Zurflüh-Feller company.

Established in 1920, Zurflüh-Feller is based in Autechaux-Roide (Doubs, France) and employs a workforce of about 400. The Company specialises in designing and manufacturing roller shutter components and accessories (winches, fasteners, reeling drums, cranks…). As a highly industrially-integrated company, Zurflüh-Feller has total control over production and quality and holds a significant patent portfolio. Its customers are roller shutter manufacturers and distributors.

Zurflüh-Feller reported 2006 net sales of €58 million, of which 6% were exports, primarily to Germany. The Company has experienced continuing growth since 1986 and has growth potential in new market segments and in export markets.

Completion of the transaction is subject to usual conditions precedent.

Somfy's objective in this transaction is to accelerate Zurflüh-Feller's expansion, especially internationally, by making the experience acquired by Somfy in that field available to the Company.

# 33. CONSOLIDATION SCOPE

Consolidated and equity accounted companies at 31 December 2007:

| Company name | Head office | % controlled 31/12/07 | % held 31/12/07 | % held 31/12/06 |
|---|---|---|---|---|
| Somfy SA | 74300 Cluses (France) | (parent company) | | |
| **Fully consolidated companies** | | | | |
| Somfy SAS | 74300 Cluses (France) | 100.00 | 100.00 | 100.00 |
| Spirel SAS | 73660 St Rémy de Maurienne (France) | 100.00 | 100.00 | 100.00 |
| Somfy GmbH | Rottenburg (Germany) | 100.00 | 100.00 | 100.00 |
| Somfy Ges. mbH | Elsbethen-Glasenbach (Austria) | 100.00 | 100.00 | 100.00 |
| Somfy KFT | Budapest (Hungary) | 100.00 | 100.00 | 100.00 |
| Somfy Sp zoo | Varsovie (Poland) | 100.00 | 100.00 | 100.00 |
| Somfy Spol sro | Praha (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 | Barcelone (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 | Séoul (Korea) | 100.00 | 100.00 | 100.00 |
| Somfy PTE Ltd | Singapour | 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 | 80.00 |
| Somfybat SNC | 74300 Cluses (France) | 100.00 | 100.00 | 100.00 |
| Somfy Maroc SarL | Casablanca (Marocco) | 100.00 | 100.00 | 100.00 |
| Somfy Hellas SA | Athenes (Grreece) | 100.00 | 100.00 | 100.00 |
| Somfy Mexico SA DE CV | Edo de Mex. (Mexique) | 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 ) | 100.00 | 100.00 | 100.00 |
| Simu U.S.A. Inc | Boca Raton FL (United States) | 100.00 | 100.00 | 100.00 |
| Simu 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 Technologies Castres Sarl | 81100 Castres (France) | 100.00 | 100.00 | 100.00 |
| Domis SA | 74150 Rumilly (France) | 100.00 | 100.00 | 100.00 |
| Harmonic Design | Californie 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 Russia LLC | Moscou (Russia) | 100.00 | 100.00 | 100.00 |
| SITEM SarL | Tunis (Tunisia) | 100.00 | 100.00 | 100.00 |
| SITEM Services | Tunis (Tunisia) | 100.00 | 100.00 | 100.00 |
| Domaster SAS | Cluses (France) | 100.00 | 100.00 | 100.00 |
| Somfy Ev Otomasyon Sistemleri Ticalet Ltd Sti | Usküd (Turkey) | 100.00 | 100.00 | 100.00 |
| Sun Protection Technology GmbH | Rottenburg (Germany) | 100.00 | 100.00 | 100.00 |
| Stehle Hungaria Bt | Györ (Hungary) | 100.00 | 100.00 | 100.00 |
| PD Technology Ltd | Bradfortd (UK) | 100.00 | 100.00 | – |
| DSG | Mouscron (Belgium) | 99.98 | 99,98 | 99.98 |
| BFT SpA | Schio (Italy) | 100.00 | 100.00 | 100.00 |
| SARL Automatismes BFT France SAS | Lyon (France) | 100.00 | 100.00 | 100.00 |
| BFT Group Italiberica de Automatismos | Barcelone (Spain ) | 98.70 | 98,70 | 98.70 |
| BFT Torantriebssysteme GmbH | Furth (Allemagne) | 60.00 | 60,00 | 60.00 |
| BFT Automation UK Ltd | Stockport (England ) | 100.00 | 100.00 | 100.00 |
| BFT Benelux SA | Nivelles (Belgium) | 100.00 | 100.00 | 100.00 |
| BFT Adria d.o.o. | Croatia | 75.00 | 75,00 | 75.00 |
| BFT US Inc. | Boca Raton FL (United States) | 100.00 | 100.00 | 100.00 |
| BFT Polska Sp.zoo | Warszawa (Poland) | 100.00 | 100.00 | 100.00 |
| BFTPortugal SA | Coimbra (Portugal) | 100.00 | 100.00 | – |
| BFT Gates Systems Limited | Berkshire (UK) | 100.00 | 100.00 | – |
| SACS SrL | Borgo Valsugana (Italy) | 66.85 | 66.85 | 66.85 |
| Cotherm Participation SA | 38470 Vinay (France) | 65.00 | 65.00 | 65.00 |
| Cotherm Développement SA | 38470 Vinay (France) | 100.00 | 65.00 | 65.00 |
| Cotherm SAS | 38470 Vinay (France) | 100.00 | 65.00 | 65.00 |
| Cotherm Tunisie Sarl | Ben Arous (Tunisia) | 100.00 | 65.00 | 65.00 |
| M&M components Ltd | Suffolk (England) | 95.00 | 61.75 | 61.75 |
| Cotherm North America | Warwick (United States) | 50.00 | 32.50 | 32.50 |
| **Equity accounted consolidated companies** | | | | |
| Faac SpA | Bologne (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) | 30.00 | 30.00 | 30.00 |
| Firstinnov | Montesson (France) | 40.00 | 40.00 | – |

# **Summary** of Somfy SA statutory accounts

## Assets

| In € thousands | 31/12/07 Net | 31/12/06 Net |
|---|---|---|
| **NON-CURRENT ASSETS** | | |
| Intangible assets | 1 | 0 |
| Property, plant and equipment | 0 | 0 |
| Financial assets | 424,805 | 423,828 |
| **Total** | **424,806** | **423,828** |
| **CURRENT ASSETS** | | |
| Inventories | 0 | 0 |
| Trade receivables | 156 | 326 |
| Other receivables | 10,961 | 10,971 |
| Marketable securities | 110,243 | 76,603 |
| Cash | 1,277 | 6,096 |
| **Total** | **122,637** | **93,997** |
| **TOTAL ASSETS** | **547,442** | **517,825** |



## Liabilities

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| **EQUITY** | | |
| Share capital | 7,837 | 7,837 |
| Share premium | 1,866 | 1,866 |
| Reserve | 375,805 | 320,240 |
| Profit for the year | 72,275 | 89,937 |
| **Total** | **457,783** | **419,881** |
| Provisions for liabilities and charges | 3,432 | 1,167 |
| **LIABILITIES** | | |
| Loans and financial debt | 503 | 2 |
| Trade receivables | 374 | 501 |
| Other | 85,350 | 96,273 |
| **Total** | **86,227** | **96,777** |
| **TOTAL EQUITY AND LIABILITIES** | **547,442** | **517,825** |

# Income statement

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| Sales | 1,571 | 3,216 |
| Other operating revenues | | |
| Other costs: | –6,931 | –6,206 |
| *Personnel* | *–494* | *–466* |
| *Taxes and duties* | *–50* | *–55* |
| *Net operating costs* | *–6,386* | *–5,685* |
| Amortisation, depreciation and provisions | 584 | –5 |
| **OPERATING LOSS** | **–4,776** | **–2,995** |
| Financial income | 73,971 | 90,000 |
| **PROFIT ON ORDINARY ACTIVITIES BEFORE TAX** | **69,195** | **87,004** |
| Exceptional income/(expense) | 82 | 323 |
| **PROFIT BEFORE TAX** | **69,277** | **87,327** |
| Income tax | 2,998 | 2,610 |
| **NET PROFIT** | **72,275** | **89,937** |

# Notes to Somfy SA financial statements*

The financial year had a duration of 12 months, from 1 January 2007 to 31 December 2007.

## Accounting rules and methods

The annual report for the period ended at 31 December 2007, was established in accordance with French 1999 National Accounting Code standards.
Generally accepted accounting principles 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.
In addition, pursuant to the derogation of regulation CRC 2005-09, the company elected to maintain the periods of use previously applied for amortisation/depreciation of non-current assets that cannot be split into components.

## 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.
An equity accounting difference at 31 December 2007, amounting to €160.8 million was accounted 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.
Investment securities are evaluated on the basis of stock exchange prices at 31 December 2007 and a provision is established when these prices are below purchase value.

## Treasury Shares

Treasury shares are solely destined to be allocated to employees as part of a share purchase plan. These shares have been recorded in account 502 under "Treasury shares".

## 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 become negative, a provision for writedown is established in relation to the above realisable value.

## Operating elements

At 31 December 2007, sales by Somfy SA were €1.6 million against €3.2 million in 2006. The operating loss was €-4.8 million against €-2.9 million in 2006, due to the decrease in turnover.

## Financial elements

The financial income of parent company Somfy SA is of €74.0 million; it essentially comprises dividends received from its subsidiaries for an amount of €77.5 million.

## Net profit

Net profit thus amounted to €72.3 million, after taking into account a tax saving of €2.8 million.

## Tax grouping

The income tax grouping agreement between Somfy SA and its directly and indirectly owned subsidiaries was renewed on 1 January 2007 for a further 5 years, till December 31st, 2012.
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

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

Statement of Somfy SA, the Group's holding company.
At 31 December 2007, a benefit of €2.8 million was realised pursuant to this agreement.
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 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 four 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.

# Note 1 – Financial commitments

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| Sureties, deposits received | 1,870 | 1,000 |
| Unused credit lines | 103,250 | 125,000 |
| **TOTAL** | **105,120** | **126,000** |

| In € thousands | 31/12/07 | 31/12/06 |
|---|---|---|
| Sureties, deposits given | 11,291 | 27,542 |
| **TOTAL** | **11,291** | **27,542** |

## Note 2 – Stock Options at 31 December 2007

**Share subscription options after adjustment following the scission of the Group and following the exceptional distribution of reserves on Dec. 27, 2005 (€)**

| Plan date | Number of beneficiaries | Number of options allocated | Adjusted number of options | Option exercise price (€) | Adjusted option exercise price (€) | Maturity option exercise date |
|---|---|---|---|---|---|---|
| 17/07/2001 | 51 | 21,000 | 6,188 | 78.00 | 65.35 | 31/01/2008 |
| 05/12/2002 | 54 | 20,300 | 17,695 | 100.00 | 97.70 | 31/01/2009 |
| 01/12/2003 | 62 | 20,150 | 20,088 | 128.00 | 125.05 | 31/01/2010 |
| 31/03/2006 | 96 | 36,200 | 36,200 | 185.00 | 185.00 | 31/03/2011 |





**Options not yet exercised**

| Plan date | Exercise price of option (€) | Number of options outstanding | Number of days remaining before option expiry date |
|---|---|---|---|
| 17/07/2001 | 65.35 | 1,450 | 31 |
| 05/12/2002 | 97.70 | 6,155 | 397 |
| 01/12/2003 | 125.05 | 18,461 | 762 |
| 31/03/2006 | 185.00 | 34,350 | 2,282 |

**Movements in options plans**

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise | Number of options | Weighted average exercise |
| **Options outstanding at 1st January** | **81,557** | **€140.14** | **60,983** | **€96.10** |
| Options granted | – | – | 37,710 | €181.36 |
| Options cancelled | –3,079 | €161.07 | –359 | €109.43 |
| Options exercised | –18,062 | €87.14 | –16,777 | €65.25 |
| **Options not exercised at year-end** | **60,416** | **€154.92** | **81,557** | **€140.68** |
| Options exercisable at year-end | 26,066 | €115.27 | 25,269 | €88.44 |

# Note 3 – Somfy SA changes in equity

| In € thousands | Balance at 31/12/06 before allocation of profit | Allocation of profit 31/12/2006 | Movements in 2007 | Balance at 31/12/07 before allocation of profit | Proposed allocation of 2007 profit | Balance at 31/12/07 after allocation of profit |
|---|---|---|---|---|---|---|
| Share capital | 7,837 | | | 7,837 | | 7,837 |
| Share premium | 1,866 | | | 1,866 | | 1,866 |
| Revaluation reserve | 161,509 | | 5,213 | 166,722 | | 166,722 |
| Legal reserve | 791 | | | 791 | | 791 |
| Other reserves | 157,369 | 49,757 | | 207,126 | 30,338 | 237,464 |
| Retained earnings | 571 | –571 | 1,165 | 1,165 | –1,165 | 0 |
| Profit for the year | 89,937 | –89,937 | 72,275 | 72,275 | –72,275 | 0 |
| | **419,881** | **–40,751** | **78,653** | **457,783** | **–43,102** | **414,680** |
| | | | **Change** | | | |
| Equity after allocation after allocation | 379,129 | | 35,551 | | | 414,680 |

# Statutory Auditor's 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 2007, 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.

We certify that the financial statements are in accordance with the French rules and principles, and give a true and fair view of the results for the year just ended as well as the financial position and the assets of the company at the end of this year.

## 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. The securities eligible as part of this option are in respect of fully consolidated companies, whose historic acquisition cost was €261.7 million.

The equity value of these investments amounted to €422.5 million at 31 December 2007, thus having a favourable impact on the Somfy SA company's equity of €160.8 million at that date;

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,
- the sincerity and agreement with the financial statements of information provided in the report by the Management Board and in documents addressed to shareholders on the financial position and the 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, April 29th, 2008

**The Auditors**

**CDL**
**Dominique Ledouble**

**ERNST & YOUNG Audit**
**Daniel Mary-Dauphin**

# **Statutory Auditors'** Special Report on regulated agreements and commitments

Dear shareholders,

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

It is not our responsibility to search for the potential existence of other agreements and commitments, 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 R. 225-58 of the Commercial Code, 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 advised of any agreement nor any commitment concluded during the year and subject to the provision of Article L. 225-86 of the Commercial Code.

In addition, pursuant to the Commercial Code, we were informed of the execution of the following agreements and commitments, that were approved in the course of previous years.

## 1. With the CMC company

### Nature and object

Supplementary pension plan Article 39 open to employees of the CMC company, members of the management committee with 15 years service.

### Terms and conditions

This contract, authorised on 31 May 2006, gives the right to an additional pension of 0.75% of annual salary, multiplied by the number of years service, with a ceiling of twenty years and a maximum of 15% of the reference salary, this corresponds to the average remuneration for the last four years excluding exceptional bonuses and profit-sharing.

## 2. With 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 Technologies Castres S.A.R.L.

### Nature and object

Tax grouping agreement.

### Terms and conditions

Your company authorised the signature of a tax grouping agreement on 28 June 2002, for which your company is the leading company of a tax group. This tax grouping agreement continued throughout the year and was renewed on 4 December 2006 for a period of five years with effect from 1 January 2007.

We have carried out the work according to professional standards in France: these standards require diligence procedures to verify the agreement of the information given to us with the base documents from which it was prepared.

Paris and Lyon, April 29th, 2008

**The Auditors**

**CDL**
**Dominique Ledouble**

**ERNST & YOUNG Audit**
**Daniel Mary-Dauphin**

# **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 2007.

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.

## I. Opinion on the consolidated financial statements

We have conducted our audit in accordance with French Generally Accepted Auditing Standards with the exception of one point described in the following paragraph. 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.

Subject to this, we certify that the consolidated financial statements for the year are in accordance with IFRS as adopted by the European Union and give a true and fair view of the assets, financial position and profit of the group constituted by the persons and entities included in the consolidation.

## 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:

- Notes h) and 12) 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 verification

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, April 29th, 2008
**The Auditors**

**CDL**
**Dominique Ledouble**

**ERNST & YOUNG Audit**
**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 2007.

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

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

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

This diligence consists of:

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

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

Paris and Lyon, April 29th, 2008

**The Auditors**

**CDL**
**Dominique Ledouble**

**ERNST & YOUNG Audit**
**Daniel Mary-Dauphin**

# Supervisory Board **Report**

Ladies and Gentlemen,

The Management Board has convened this Annual 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 on transactions through the presentation of quarterly reports.

The Management Board submitted to us, for verification and control purposes, the company's financial statements and consolidated statements at 31 December 2007, which you are requested to validate today.

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 were also kept informed on the realisation of acquisition transactions such as the acquisition of PD Technology Ltd and the investment in Firstinnov, as well as the progress of the discussions with the senior management of Zurflüch-Feller resulting in the signing of a protocol with a view to its buyout.

Consolidated sales were €720.2 million, an increase of 8.3% (on a like-for-like basis), in line with the strengthening of positions on the majority of markets.

All geographic areas recorded sustained growth over the year. Despite a decrease over the last six months, Germany and northern Europe grew by 0.8% and 9.0% respectively.

France recorded a 6.3% increase, Southern Europe an 11.5% increase, Eastern Europe and Central Europe a 16.5% increase and Asia-Pacific a 17.6% increase.

After a difficult start of the year, North America recorded a 6.8% increase.

As concerns results, profit from operations was up 4.8% to €132.3 million. In addition, the financial expense was €1.5 million. The net profit declined 14.8% from €121.9 to €103.9 million. Net of the Faac capital gain in 2006, it increased by 11.5% from €93.1 million to €103.9 million.

The quality of the financial structure, which includes net cash of €70.2 million, enabled the Management Board to propose the distribution of a net dividend of €5.50 per share.

The report of the Management Board also provides all information required by regulations in force.

In addition, you will be requested to authorise the Management Board to set up a new share buyback programme.

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.**

# **Proposed** Resolutions

## ANNUAL GENERAL MEETING OF 14 MAY 2008

### 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 2007, 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 2007, as presented, which resulted in a Group net profit of €103,547,000, 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 year ended 31 December 2007

| | |
|---|---|
| | €72,274,785.28 |
| increased by retained earnings | €1,165,065.20 |
| thus totalling | **€73,439,850.48** |

as follows:

- allocation to shareholders of a net dividend per share of €5.50, being €5.50 x 7,836,800 shares
  €43,102,400.00
- transfer to available reserve
  €30,337,450.48

**€73,439,850.48**

A net dividend of €5.50 will be distributed for each share of a nominal value of 1, and this carries the right to a tax abatement per share granted to individuals subject to income tax in France, in accordance with Article 158-3-2° of the General Taxation Code.
The shares held by the company at the time of payment are not entitled to dividends, with the corresponding amounts transferred to retained earnings.

The dividend will be payable from 22 May 2008 at the counter of paying institutions.

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

| Financial years ending | 31/12/04 | 31/12/05 | 31/12/06 |
|---|---|---|---|
| Number of shares eligible for dividends* | 7,710,185 | 7,717,750 | 7,612,749 |
| Par value | €1 | €1 | €1 |
| Total distributed dividends | €35,466,851.00 | €37,045,200.00 | €39,586,294.80 |
| Dividend per share** | €4.60 | €4.80 | €5.20 |

* Excluding treasury shares held by Somfy SA with no right to dividend.
** Dividends paid to individuals subject to income tax in France after 1 January 2005 are eligible for a tax abatement, as compensation for the loss of tax credit, in accordance with Article 158-3-2° of the General Tax Code.

## 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 these agreements therein as well as their terms and conditions of execution.

## FIFTH RESOLUTION

The General Meeting decides to set the global amount of fees to be shared among Supervisory Board members at €60,000 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 newprogramme, authorises the Management Board to acquire company shares under the conditions provided by Articles L. 225-209 and subsequent of the Commercial
Code and that of the European Regulation n° 2273/2003 of 22 December 2003, with a view to carry out the following:

- stimulate the market for the share and ensure liquidity via an investment services provider within a liquidity contract that conforms to the AFEI ethics charter recognised by the Autorité des Marchés Financiers;
- ensure the coverage of option plans to purchase shares granted to employees and senior executives of the Group.

The General Meeting sets, for shares with a nominal value of €1, a maximum purchase price of €260, excluding expenses and commission, and the number of shares that may be repurchased at 10% of the share capital of this day, being 783,680 shares for a maximum amount of €203,756,800.

The acquisition, disposal or transfer of shares may be made at any time, including a period of a public offer, and by any means on the market, or principal to principal, including by acquisition or disposal of blocks with no limit on this means of the share of the buyback programme.

Shareholders will be informed every year by the Management Board, at the General Meeting, of the precise allocation of shares acquired to the various objectives pursued for all shares repurchased as well as any subsequent reallocations. The General Meeting notes that the information concerning shares repurchased during the year just ended and their related allocation by the Management Board in its report.

This authorisation is given for a period of eighteen months with effect from today. It fully replaces the authorisation granted to the Management Board by the Annual General Meeting of 15 May 2007 concerning the previous share buyback programme.

The General Meeting confers all powers to the Management Board, with the facility to sub-delegate, to decide and implement the present authorisation, to set, if necessary, the terms and approve the conditions, to carry out the share buyback programme, and notably to issue stock exchange instructions, conclude all agreements, make all declarations to the Autorité des Marchés Financiers and any other organisation, complete all formalities and, in general, do everything that is required.

## SEVENTH RESOLUTION

The General Meeting grants all powers to the bearer of copies or extracts of the present minutes to complete all formalities required by law.

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