

## Annual report



2003



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## Profile

Somfy International's activities are focused around one core business: **automated** opening and closing systems for homes and commercial buildings.

Geographic growth is a strategic priority, and the Somfy group is present in **43 countries**, through a network of 45 subsidiaries and 17 offices on five continents.

Through this strong presence in the market place, Somfy International is able to **anticipate** new consumer needs and enrich its innovation programmes.

With four **production facilities**, the Somfy Group has an industrial assembly infrastructure designed for high volumes.

Since its foundation, the Group has pursued a profitable and sustainable **growth strategy** for the benefit of its customers, employees and shareholders.

# Message from the Chairman of the Board



Paul Georges Despature

“ The quality of our results in an unfavourable economic climate testifies to the commitment and know-how of the men and women who make up Somfy International. ”

**2003** has once again provided proof of the strength of Somfy's business model.

Founded on a capacity for innovation, industrial and logistic excellence and a presence alongside its customers and at the heart of its markets, this model has once again delivered business growth and improved results on the Group's behalf.

#### **People:**

##### **Somfy International's most important resource**

With more than 3,200 employees covering 35 nationalities, managing this primary source of wealth is a high priority for Somfy International.

In a long term perspective, the Group attaches great importance to the quality of its recruits, the development of its competencies and the deployment of its three values: International, Responsibility, and Performance.

##### **Successful integration of BFT**

The acquisition in March 2004 of the Italian company BFT, specialising in controls for gates sold to the professional market, marks an important milestone in our development. It is the recognition of our desire to take up strong positions on the growing market of control systems for gates and garage doors.

BFT has a sound reputation for quality and professionalism among all players in this field. We will put all our efforts into helping the company develop and successfully integrate the Group while still respecting its own identity. It will keep its brand name and organisation within Somfy International. This will be one of the main challenges for the coming year.

##### **Confidence for 2004**

Whatever surprises the economic climate may hold in store for us in 2004, we know that we can count on the know-how and commitment of all our teams to build on the bases of our business model, and carry our projects through to successful completion.

# Message from the CEO

“ 2003 saw the launch of many new products bringing high added-value to customers and end users. ”



Wilfrid Le Naour

In spite of an uncertain economic climate marked by the strong appreciation of the euro, Somfy International's results for the year 2003 are satisfactory.

Their main features are:

- Higher growth than for the electrical equipment for buildings sector as a whole,
- A bigger increase in operating income than in turnover,
- A stronger financial position.

## Growth driven by strategic projects

Much accelerated in the second six-month period, business growth concerned all markets, with notably a strong second half in France, a genuine upturn in Germany and confirmation of the potential in the Asia Pacific zone. This performance was driven by the completion of several projects all building on our fundamentals.

- 2003 saw the launch of several new products bringing more added value to customers and end-users. Sales of radio integrated motors were particularly significant, growing by 38% to account for 17% of all installations in 2003.
- From a structural point of view, the re-organisation of our 45 worldwide subsidiaries into seven zones produced the desired effect: all of our new or re-organised subsidiaries made growth and market share gains above and beyond business plan forecasts.
- Lastly our industrial system, rolled out into all production sites, continues to provide substantial gains in productivity, enabling us to associate our customers in the dynamic development of the market.

## Outlook for 2004:

### Pursue our Business Model and integrate BFT

With 2004 dividing up into a first half where we have decent visibility and a second half that remains uncertain, we intend to pursue our business growth by focusing on two priority issues: the consolidation of our business model and the integration of the Italian company BFT, acquired early in the year.

Several other projects for the future are on-going, the objective being to continually improve by driving Somfy's development forward.

Some of the more significant ones are:

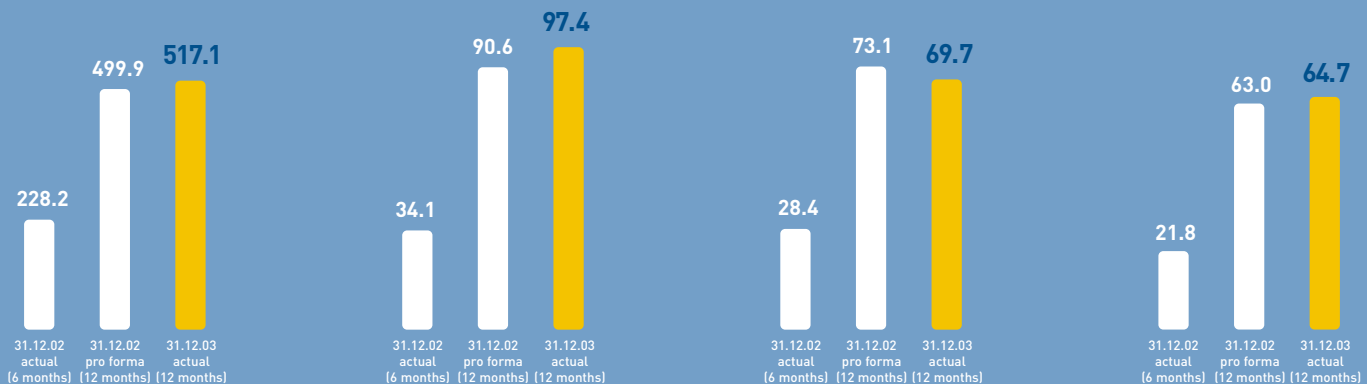
- designing and planning our new logistics centre, scheduled for 2005,
- creating a new assembly plant in Tunisia, to be operational in 2005, in preparation for increasing production volumes,
- preparing for the launch of a new generation of two-way radios, planned for 2005,
- implementing new industrial synergies, following the consolidation of BFT on April 1<sup>st</sup>, 2004. An ambitious strategic plan is currently being established and deployed.

Several new managers and employees have joined Somfy. The quality of our workforce, their enthusiasm and the cohesion of their actions are vital ingredients as much for these new projects for internal growth as for external developments. Our efforts and investments in strategic training, communication and deployment are among our foremost preoccupations for the year 2004.

### Preliminary comments

For exceptional reasons, the fiscal period to December 31<sup>st</sup> 2002 was six months: we are therefore presenting pro forma twelve-month results to December 31<sup>st</sup> 2002. The pro forma figures were established on a like-for-like basis to facilitate their understanding.

# Somfy in figures



### Sales € million

Consolidated sales were up by 3.4% in real terms and by 6% at constant rates, the difference being due to the fall in the dollar.

Following a mediocre first half, Somfy International once again recorded growth in the second half (+11.1% at constant rates).

There were sustained levels of business in most geographic zones.

### Operating income € million

Operating income, up by 7.5%, represents 18.8% of turnover as opposed to 18.1% last year.

New purchasing gains, a good product mix and the increase in sales were able to compensate for the slight decrease in average selling prices, and explain this improvement.

### Net income before goodwill amortization € million

Net income before goodwill amortization reached 13.5% of turnover against 14.6% on December 31<sup>st</sup> 2002 (12 months).

An increased tax rate, a significant decline in exceptional profit and the decreasing contribution of profits from equity-accounted companies account for this drop.

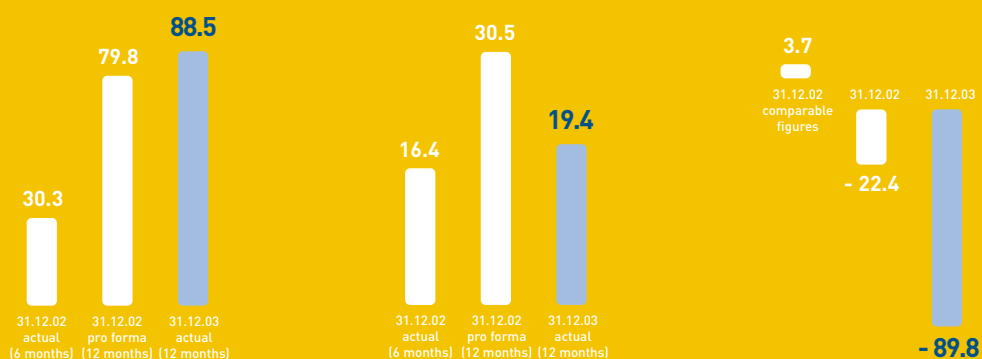
### Net income € million

Net income for 2003 was up by 2.7%, and represented 12.5% of turnover.

Unlike 2002, amortization of goodwill included hardly any exceptional items.

## Sales by geographic zone

€ million	Pro forma 31.12.2002 (12 months)	Actual 31.12.2003 (12 months)	Change N/N-1	Change N/N-1 at constant rates
France	145.5	152.9	5.1%	5.1%
Germany	80.6	83.7	3.8%	3.8%
North Europe	77.2	78.2	1.3%	2.1%
East and Central Europe	29.3	31.0	5.8%	8.9%
South Europe	86.2	92.2	7.0%	7.0%
Asia Pacific	25.5	27.2	6.7%	15.8%
Americas	55.6	51.9	-6.5%	10.7%
<b>Total</b>	<b>499.9</b>	<b>517.1</b>	<b>3.4 %</b>	<b>6.0 %</b>



### Cash flow from operating activities

€ million

Cash flow from operating activities increased by 11% in line with the Group's economic performance. This provides finance for investments and is a major contributor to improving treasury results.

### Industrial and commercial investments

€ million

Investment levels were considerably lower in 2003 because installed capacity was sufficient. The Group's main investments were for technical installations and production machines. This was not a typical year and 2004 is expected to return to levels of investment comparable to previous years.

### Net debt

("-" = excess cash)  
€ million

The increase in cash flow from operating activities combined with the lower levels of investment and the reduction in needs for working capital have led to a significant increase in excess cash (net cash – debts). This increased in 2003 by €67.4 million to €89.8 million on closing date.



200 million  
users

# Somfy's core business

Somfy is the only well-known consumer brand operating on this segment of the market. Through automated openings, it offers the promise of a better quality of life and everyday comfort. End-user satisfaction lies at the heart of the Group's strategy.

## A field of activity

### The automation of opening and closing systems in buildings

Somfy Group develops a range of innovative solutions for the automation of all types of opening and closing systems in homes and commercial buildings.

This activity is divided into six markets:

- Residential Closures: roller shutters.
- External Solar Protection: awnings, etc.
- Residential Access: gates and garage doors.
- Interior Window Coverings and Decoration: Venetian blinds, interior blinds, curtains, drapes.
- Commercial Access: shop fronts.
- Commercial Building Solutions: complete, customised solutions to control all opening and closing systems in buildings.



20,000

**customers**  
around the world

Present in 43 countries through a network of 45 subsidiaries and 17 offices, Somfy International supplies and supports 20,000 customers around the world of varying profiles: building opening manufacturers, assemblers, installers, Do-It-Yourself (DIY) chains.

4 **production**  
**facilities**

an industrial capacity of  
**32,000 motors per day**

With four main production facilities, the group has an industrial capability designed for large volumes. It can be modulated to account for rapid growth and variations due to the seasonal aspect of the business.

## Two worlds

### Homes and commercial buildings

In homes, Somfy solutions provide practical answers to the demands of everyday living: security, lighting and thermal comfort, time savings.

They contribute to the occupants' well-being and simplify life by cutting out day-to-day constraints. They are easy-to-use, reliable, and bring added value to the end-user.

In commercial buildings, automated opening and closing systems make the building more economic and productive for its owners and more comfortable for its users. They respond to a change in architectural trends, with more and more buildings now designed to be environmentally-friendly.

## The product offer

### The largest on the market

It is made up of:

- A full range of tubular and non-tubular motors;
- *Radio Technology Somfy™*, which enables control of several openings around the house with one single remote control;
- A range of automatic controls: wind and wind/sun sensors, timers, alarms;
- A full range of fixed and remote control switches.

**Somfy's strategy is based on growth, and organised around four major axes:**

- **Reinforcing the drive for more competitive prices making motorised systems more accessible and therefore more widespread;**
- **Innovating in products to increase competitive advantage and to be ahead of new end-users' needs;**
- **Striving for operational excellence and proximity to the market;**
- **Developing through acquisitions, in conjunction with organic growth.**

## **Make automation accessible to more people**

More accessible automation is a key factor in market growth and a strategic priority for Somfy. While mature markets such as France and Germany enjoy high rates of motorisation, other regions (Asia, English-speaking countries, southern Europe) have great development potential.

To take advantage of all growth opportunities, Somfy International will pursue its strategy to bring down the price of motorisation.

This is made possible by the continuing reduction in production costs and the drive for industrial synergy, where the Group stepped up its efforts in 2003.

By passing a large share of the gains on to the market, Somfy International has strengthened its competitive position while making the products more accessible to a greater number of users.

# Strategy



Making automation more accessible is a key strategic challenge

## Product Innovation

### a source of competitive edge

On more mature markets, product innovation is the primary source of competitive edge, as well as being a way of controlling the market. The successful growth of radio technology proves this.

The result of Research and Development investment over several years, *Radio Technology Somfy™* contributes significantly to the dynamics of the market today. One sixth of all motors sold have integrated radio even though the average sale price of a radio integrated motor is 50% higher than for a standard motor.

For professionals, wireless technology means easy installation and integration. By offering features of comfort, security and simplicity around the home, Somfy meets the demands of consumers who want technology which is both useful and provides peace of mind.

## Consolidation

### of the fundamentals

The results obtained in 2003 reflect the work carried out day after day by the people of Somfy building on two of the Group's other fundamentals: presence in the field and the quest for industrial excellence.

Somfy International's industrial resources, which are designed to assemble large volumes, are such as to guarantee the company's promise of quality to customers, while producing at the best costs on the market.

By establishing new quality standards and introducing synergy-building processes, the Group has been able to further strengthen its operational performance in 2003.

With facilities opening in Asia and the Middle East, Somfy International is moving into some promising new markets. Its local presence enables the company to understand the cultures of each country and to respond to customer demands in increasingly diversified distribution channels.

## External growth

### to serve the strategic project

As a complement to organic growth, development through acquisitions is a way of reaching an ambitious goal: becoming the reference among automatic opening systems in houses and commercial buildings.

The acquisition of the Italian company BFT, which was completed early in 2004, is a tangible example of Somfy's intention to become established in the market of controls for gates and garage doors. Well known for the quality of its products and services, BFT has successfully built up a strong relationship with a customer base of professional distributors and specialised installers.

To ensure successful integration, Somfy has decided to preserve the independence of the brand and the organisation, which have both proven their worth, and to find the best industrial and marketing synergy to serve BFT's growth.



+ 38%

Number of radio  
integrated motors

China,  
Malaysia,  
Dubai,  
Israel

4

new subsidiaries and offices  
opened in 2003

# Innovation



**With new products out in all segments of the market in 2003, innovation is the driving force behind Somfy International's growth.**

## **Respond to the needs of each market segment**

The 2003 innovations presented at the last R+T expo in Stuttgart (the major professional trade show) add depth to what is already the widest range on the market.

They also contribute to segmenting the range, which is important when dealing with the diverse demands which may come from the manager of a social housing complex or an individual householder wanting specific features for his home.

Some innovations make motorisation accessible to more people. This is the case for the Oximo RTS motor which can fit any type of rolling shutter, or the Clic & Up solution introduced in 2001 for the rental market, where international sales (France, Germany, Japan) are very promising.

Other new products introduced in 2003 meet the demands of specific applications, such as Animeo, a range of controls for commercial buildings, and other new remote controls and radio receivers aimed at the interior decoration market.

Somfy is also continuing to develop applications based on radio technology, such as the relay between rolling shutters and alarm systems, which meet an emerging demand that architects and design offices are beginning to make for homes.

zoom  
2003



14

new products  
or solutions  
launched in 2003

## Electronics and radio

### Consolidate technical leadership

Following the rapid market breakthrough of radio transmitters (1.5 million *RadioTechnology Somfy*™ equipped motors), Somfy International is stepping up efforts to further reinforce its leadership position.

Investments in this area focus on:

- Quality, with a policy that includes the sourcing of components from approved suppliers and the testing of designs and performances beyond the standards of normal use, right up to extreme conditions;
- Hands-on management of the standards programmes, by taking an active role in their definition and evolution in the buildings sector;
- Planning for the future by developing a new radio protocol that will offer new, enhanced features.

## An effective organisation for research and development

Anticipating the needs of both professionals and users is the focus of Somfy's innovation strategy.

This ability relies on the effective and efficient organisation of the Research and Development department.

With more than 260 engineers and technicians working on five international design platforms (three in France, one in Germany and one in the USA) and three local design offices (two opened in 2003 in San Diego and Tokyo), Somfy International has a development structure that is without equal on the market.

## New development processes

In 2003 new processes were introduced within this organisation.

Their goal is to:

- Detect new trends as far in advance as possible;
- Respond quickly to needs expressed by customers;
- Reduce time to market for innovations.

These processes are managed by multi-skilled teams (research, technical, marketing, design).

Meanwhile, Somfy International also reviewed its systematic protection of intellectual property in 2003.

In a much fiercer competitive environment, the intention is to safeguard innovations and to guarantee full technological protection for industrial customers.

Somfy International files 45 patent requests every year and currently has a capital of 280 patented inventions.

Through the drive for operational excellence, the industrial system contributes to customer satisfaction by guaranteeing the quality of products and services.

In 2005, a new

25,000 m<sup>2</sup>  
logistics plant

### A new production site for growth

Somfy International continuously upgrades its industrial infrastructure in anticipation of growth.

The Group has opened an assembly line in China to encourage the development of the local subsidiary.

With four main assembly plants providing a total production capacity of 32,000 motors a day, the Group currently has an industrial system, built for large volumes, that is flexible and reactive. Using a network of specialist suppliers, the system is designed for final assembly and product personalisation. It is capable of producing differentiated products but with the cost advantages of large-scale production.

# Industrial excellence





## A new logistics plant

In 2004, the project for a new logistics plant in Bonneville near Cluses is to absorb the constantly increasing volumes. With a surface area of 25,000 m<sup>2</sup>, the site will work to a dual-objective of improved costs and better service quality.

It will also provide faster and better shipments to customers.

## SPS, a system designed to be productive

SPS, the Somfy Production System, launched in January 2003 to become more profitable and competitive, organises the different plants around a single common model of industrial excellence. In 2003, six sites joined the system, which is benchmarked against the automotive industry and uses self-assessment audit techniques.

At the same time, the Group continued its drive for industrial synergy along three lines: continuous improvement of buying performance; reduction in product costs; organisation of production sites into networks, in order to benefit from their complementarity.



2 new facilities  
in China

zoom  
2003

## Quality

### Commitments to all customers

Somfy's product quality reflects the company's commitment to satisfy its customers.

Somfy International's quality system is a global process that includes supplier quality assurance (80% of incoming goods are supplier controlled). It also keeps an ear to the ground with a worldwide watch programme where six engineers and 35 technicians check on products in operation.

All products are 100% tested against industry standards and internally defined performance specifications. They are designed for a lifespan of over ten years and Somfy underwrites a full guarantee of five years.

Somfy's products have obtained 600 standard approvals from 43 different countries.

The return rate from customers is less than 1%. Somfy has been certified to ISO standard 9001 since 1995. The whole company was involved in a major improvement programme for the renewal of this standard in 2003.



# Distribution

**zoom**  
2003

## **Somfy accelerates its move into Do-It-Yourself (DIY) chains**

To make its DIY programme more attractive and more powerful, Somfy International has brought several products together under its own brand name: alarm systems and motors for gates, garage doors and rolling shutters. The offer benefits from new packaging and a consumer advertising campaign based around the buying process.

Launched in France and Germany in 2003, the programme will gradually be rolled out across other European countries through 2004. Today 450 meters of shelf space show Somfy's colours in Castorama and BHV in France, and Somfy teams have set up nearly 600 displays in sales outlets. 100 stores in Germany and 20 in Scandinavia have been chosen to sell alarms.

**Reinforcing presence in growth markets  
and keeping an increasingly diverse  
customer base satisfied are two priorities  
for the Group in 2003.**

## **New locations in high growth zones**

With four new offices and subsidiaries in Beijing, Kuala Lumpur, Israel and Dubai, Somfy International intends to seize every opportunity available in areas of high development. The Asia zone saw sales increase by 15.8 % (at constant rates) and the development of residential and commercial markets in countries like China (the Beijing Opera) are potentially huge sources of growth.



14,000

professional  
installers

trained around the world

zoom

2003

### **The Somfy brand publishes a consumer guide**

As the leading brand in terms of brand awareness, Somfy offers the best solutions for consumers wanting to know more about automatic opening systems in the home.

Somfy has recently produced a consumer manual to explain the benefits of the systems and to guide them in their choices.

The manual, published by seven subsidiaries, was relayed by an advertising campaign carried in European home decoration magazines.

**Somfy  
International**

is present in

43 countries

## **Helping the development of different customer bases**

Across its 45 subsidiaries and 17 offices, the Group gives full delegation to the teams in permanent contact with the field. Somfy International uses its presence in the field to respond in the best way to the growing diversity of customers and distribution channels. The Group leads this trend, which opens up new and easy access to automatic controls for consumers. It is for this reason too that Somfy maintains a coherent development strategy, by offering different customers products and services adapted to their needs.

## **Create a suitable range of products and services**

A noteworthy development in the profession of installing motorised systems has been the rapid growth or the new arrival of different players in the field such as carpenters and electricians.

In the light of this, many countries, including France, Spain and the UK, used 2003 to review the structure of their qualified professional networks. The number of partners doubled in France. 14,000 professionals worldwide had some form of technical or marketing training with Somfy during the year.

Somfy International is pursuing its loyalty programme towards awning and rolling shutter manufacturers. A key account management department has been set up to provide better service to customers working internationally.

At the end of 2003, the co-marketing *Powered by Somfy* programme had been signed by 280 manufacturers. Lastly, Somfy International stepped up its presence in DIY stores in several markets: France, Germany, Scandinavia. This distribution channel gives the Somfy™ brand direct exposure to end-users, while giving the company a better insight into their needs, a key strategic issue for the Group. The medium-term objective is for 10% of turnover to come through DIY stores.

The human resource policy has two primary objectives:

- Recruiting, training and preparing the best teams of people to respond to the Group's strategic challenges.
- Supporting all employees who wish to pursue a career in Somfy International.

## Recruiting

going for diversity

Somfy International headcount increased by 6% in 2003. An integration process (Somfy employee manual, meet-the-company seminar) helps new employees feel at home.

The 3,236 employees of the Group (at end of 2003) represent more than 35 different nationalities. This international dimension is reflected in a culture which appreciates the diversity of the people and their professional backgrounds and which translates into the values of open-mindedness, listening and respect for others.

the strategic process (objectives, budgets, action plans) and the needs of each department. It results in individual and group training initiatives.

Somfy International invests close to 4% of the payroll in training in various sites in France. In 2003 some 150 employees of all nationalities were enrolled in the *Somfy Academy*, the Group's international management programme.

## Participation

and motivation

As well as an on-going drive for improvement, performance also signifies a quest for profit. Concerning this economic objective, the Group's management believes in making people responsible and motivated. Compensation is more and more individualised and profit sharing systems are in place, from which more than 70% of Somfy International employees benefit.

# Human Resources

## Training

for the purpose of performance

One of the challenges for the human resource policy is to enable anyone with a professional goal to realise it within Somfy International.

Through the communication of vacant positions, internal mobility is encouraged at all times to serve the needs of the Group.

Training is organised to upgrade employees' professional skills so they can evolve within the Group, take on new responsibilities and contribute to achieving the strategic goals, while realising their own personal projects.

The Group's training plan is built through an annual human resource cycle that links in to the main stages of

3,236  
employees



## Adapting the organisation to new processes

After adopting in 2002 a new process for top-level thinking that results in the annual *Strategic Roadbook*, Somfy International is continuing to adjust its organisation.

The *New Deal*, introduced in 2003, is a global sales and marketing organisation. Somfy International's markets are organised into seven large geographic zones, or Business Areas, with a Business & Marketing division at Group level. This organisation makes it easier for information coming in from the field to be used in marketing strategies and for synergy to be leveraged within the Business Areas.

The Product Master Plan guarantees that Somfy International's product plan will be fully coherent across the Group and in line with market needs and potential.

Lastly, the Somfy Production System applied to the industrial organisation is the benchmark model for excellence for all production activities.

## Values for action

International, Responsibility, Performance – the three Group values have an operational vocation. They unite all employees and serve as anchors during the implementation of strategy and actions.

Being International – This means building on the diversity of our cultures and personalities while adhering to common codes of practice.

Responsibility – This is each individual's sense of initiative and autonomy when working towards negotiated and agreed objectives.

Performance – This is the ambition for excellence we each pursue in our work and that we all share for our company.

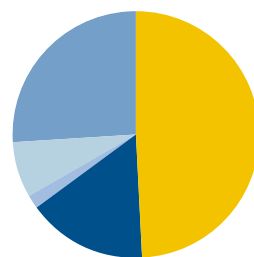
# and Organisation



35  
different  
cultures  
serving  
the markets

## Capital

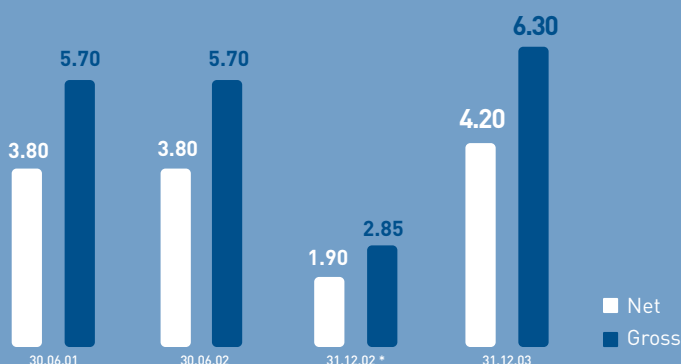
At December 31<sup>st</sup> 2003, the capital was €7,836,800, divided into 7,836,800 shares of a nominal value of one euro, fully paid up and all in the same class. The company has not issued securities giving right to capital. The stock options that may be exercised after December 31<sup>st</sup> 2003 are purchase options. As authorised, the company owned 142,560 Somfy shares at December 31<sup>st</sup> 2003.



- 49.2% JPJ
- 15.7% Despature family
- 1.8% Somfy
- 7.3% FAAC Spa
- 26.0% Public

**Breakdown of Capital**  
in %

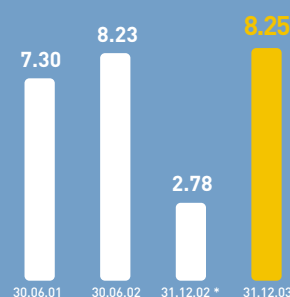
# Shareholder relations



## Dividend

per share in euros

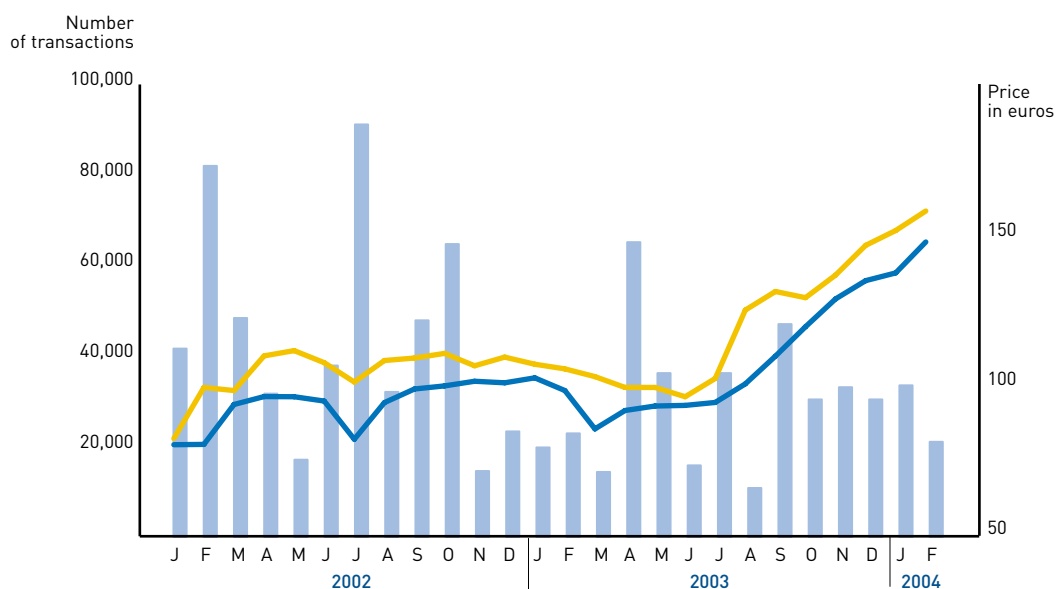
\*Exceptional six-month fiscal period.



## Net Income

euros per share

\*Exceptional six-month fiscal period.



**Somfy share prices**

## Quotation

Premier marché Euronext Paris  
Euroclear Code: 12049

## Index

Somfy International  
is included in the SBF 250 index

## Agreement

Somfy International signed  
a liquidity provider agreement  
with Société Générale Securities  
on December 2<sup>nd</sup>, 2002.

- Monthly transactions  
in number of shares
- Highest price
- Lowest price

Management Report

2003



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Management Report

2003

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# Overview of Consolidated Financial Statements

*In euro millions*

	31.12.03 12 MONTHS	31.12.02 12 MONTHS PRO-FORMA*	31.12.02 6 MONTHS
Sales before tax	517.1	499.9	228.2
Operating profit	97.4	90.6	34.1
Profit from ordinary activities	96.5	89.2	33.6
Net profit	64.7	63.0	21.8
Group net profit	64.7	63.0	21.8
Cash	88.5	79.8	30.3
Investments in property, plant and equipment	19.4	30.5	16.4
Amortization charge	21.0	19.8	9.5
Goodwill amortization charge	4.9	10.0	6.5
Net worth	351.6	306.1	306.1
Net indebtedness**	-89.8	-22.4	-22.4
Non-current assets	204.4	211.0	211.0
Average workforce size	3,236	3,081	3,128

\* Financial statements established on the basis of:

- pro-forma financial statements at 31 December 2001 and 30 June 2002, for which the Devianne Group, which used to be consolidated by proportional integration, is equity-accounted at 31 December 2002,
- financial statements published at 31 December 2002.

\*\* Financial income.

# Management Board Report

Joint General Meeting on 3 June 2004

Ladies and Gentlemen,

In accordance with legal and regulatory provisions in force, the Management Board has convened you here in order to report on the management of your company and its subsidiaries and to submit for your approval the financial statements for the year ending 31 December 2003.

## Highlights

Somfy International Group has just ended its financial year at 31 December 2003, a 12-month period, after an exceptional 6-month period ending 31 December 2002.

However, in order to facilitate analysis, comparison of the 2003 financial year data (12 months) is made against the pro-forma 2002 financial year data (12 months), including the Devianne Group that was equity accounted for the calendar year.

The Somfy Russia subsidiary was created at the end of 2002 and was consolidated for the first time during the last financial year.

In addition, two new companies were established and consolidated during the financial year: Somfy China Co in China and SISA Automation in Israel.

## Presentation of Group and Parent Company financial results

### Somfy International SA (Parent Company) financial results

#### > Operating results

The operating profit was significantly impacted by a provision for trade litigation of €1.2 million.

#### > Net finance income

Net finance income realised by the Group holding company Somfy International SA primarily related to €25.9 million in dividend income received from Group subsidiaries.

#### > Net exceptional costs

Unlike the year 2002, when the exceptional loss of Group holding company Somfy International SA was affected by a capital loss (arising from the demerger into two separately listed companies of the former Damart SA group), no major exceptional element occurred in 2003.

#### > Net profit

Net profit thus amounted to €24.4 million and includes in particular an income tax saving of €4.1 million, as a result of the tax grouping arrangement. The tax audit, which was disclosed in post-balance sheet events in the financial statements at 31 December 2002, resulted in a demand for tax arrears of €5.2 million (including interest). This tax adjustment is mostly offset by exceptional tax reductions.

# Management Board Report

Joint General Meeting on 3 June 2004

## Group financial results

### > Sales

Consolidated sales, at €517.1 million, increased by 3.4% in real terms and 6% on a constant exchange rate basis. The difference relates mainly to the decrease of USD exchange rate vs Euro.

This performance was the result of a significant improvement in operations during the second half of the year (up 8.1% in real terms); the second semester accounting roughly for 45% of annual sales.

It reflected the good health of the operations in most Business areas.

In France (up 5.1%), the housing sector held up well given the current economic situation. Somfy France, after a mixed first semester (up 1.9%), ended the year with strong growth on four consecutive months, especially due to the postponement of the awning season to the second half.

Despite a difficult start to the year and an unfavourable economic environment, Germany achieved an increase of 3.8% for the year. The strong growth in sales recorded in the second half was favoured by Government incentives on consumers spendings.

Results in Northern Europe (up 2.1%) are mixed: on one hand, the UK grew significantly (up 12.7%), while on the other hand, Scandinavian countries receded, due to a mature market and a difficult economic situation.

Asia, North and South America took advantage of the sharp growth in the automatic solar protection awning market and recorded strong growth rates (up 15.8% and 10.7%, respectively, at constant exchange rates).

In Asia, growth was especially strong in Korea (up 33.8%).

The same analysis applies to Central Europe (up 8.9% at constant exchange rates), thanks in particular to Switzerland (up 18.0%) and Eastern Countries (Poland, Hungary, Czech Republic). The Russian subsidiary launched its operations in 2003.

Southern Europe (up 7% at constant exchange rates) recorded strong growth in Spain and the Middle East. Thus Spain, excluding Gaviota, which is 46.5% held, increased by 17%. Conversely, business remained weak in Italy (down 1.5%).

Thanks to the development of motorisation, and to the constant improvement of radio controlled motors, company growth exceeded that of the electrical appliance market. Sales of integrated radio controlled motors increased by 38%, and now account for 1/6 of all motors sold.

New products launched in 2003 enhanced the company's offer:

- Oximo RTS, motors for roller shutters - Somfy Radio Technology.
- Animeo: solar protection automation for the commercial building sector.
- Axovia 220: gate motorisation.
- New range of ergonomic remote controls.

*In euro millions*

	PRO-FORMA 31.12.2002 (12 MONTHS)	ACT. 31.12.2003 (12 MONTHS)	CHANGE N/N-1	CHANGE N/N-1 CONSTANT EXCHANGE RATE
France	145.5	152.9	5.1%	5.1%
Germany	80.6	83.7	3.8%	3.8%
Northern Europe	77.2	78.2	1.3%	2.1%
Central and Eastern Europe	29.3	31.0	5.8%	8.9%
Southern Europe	86.2	92.2	7.0%	7.0%
Asia/Pacific	25.5	27.2	6.7%	15.8%
Americas	55.5	51.9	-6.5%	10.7%
<b>Total</b>	<b>499.9</b>	<b>517.1</b>	<b>3.4%</b>	<b>6.0%</b>

## > Results

Operating profit for the financial year was €97.4 million, an increase of 7.5%. It represents 18.8% of sales against 18.1% the previous year.

In addition to the growth of sales and favourable impact of the product mix (development of integrated radio controlled motors carrying a higher average selling price), these good results were achieved by the implementation of a competitive strategy of constantly reducing the price of motorisation and improving direct costs. Purchasing costs were reduced by 2.5% during the financial year.

In order to improve its competitiveness and ability to innovate, Somfy International increased its research and development staff. Sales teams have been reinforced in Asia and the Middle East, following the strong growth in these regions.

Somfy International also attended the Stuttgart R+T tradeshow, that runs every 3 years, a must for professionals globally.

Net financial income and expense amounted to a balance of €0.9 million in cost. Income from investments based on cash surpluses was totally absorbed by foreign exchange losses resulting from the weakness of the US dollar and the Korean won.

While profit on ordinary activities before tax increased by 8.2% to €96.5 million, net profit increase was slower, with a rise of 2.7% over the 2002 pro-forma financial statements.

The significant fall in goodwill amortization was more than offset by the rise of tax rate, the fall in exceptional income (release of subsidiary provisions in 2002), and a smaller contribution from equity-accounted companies.

The contribution from FAAC, of which Somfy International holds a 34% stake, dropped significantly because of losses incurred by a newly acquired company and the complete writeoff of the goodwill initially recorded in respect of this company.

Cash flow increased by 11.0%.

## > Financial structure

Investments in intangibles and property, plant and equipment amounted to €19.4 million and primarily concerned machinery and production tools.

From one year to the next, working capital requirements decreased by €11 million. Inventory and trade receivables were stable, while other debts increased. Tax payable at 31 December 2003 actually increased, reflecting a 12-month financial year against 6 months at 31 December 2002.

Net operating working capital amounted to 14.1% of sales.

Net cash increased by €32.5 million, as a result of an increase in operating cash flows generated, combined with a decrease in working capital and a low level of investment.

Net financial assets (cash minus indebtedness) increased by €67.4 million during the financial year and amounted to €89.8 million at closing.

# Management Board Report

Joint General Meeting on 3 June 2004

## 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 2003:

	NUMBER OF SHARES HELD	% SHARE CAPITAL	% VOTING RIGHTS
JPJ SCA*	3,858,802	49.24	58.46
Despature family*	1,228,941	15.68	16.96
FAAC SpA	571,400	7.29	8.78
Northern Trust	558,703	7.13	4.29

\* 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. For the same par value, each ordinary or preferred share entitles its holder to one vote.

A double voting right is granted 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' agreement

JPJ SCA and certain members of the Despature family are bound by a special agreement and have signed a pre-emption agreement concerning their respective holdings of Somfy International 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 International SA shares. It was signed for a period of 15 years, effective from 17 May 1997.

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

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

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

At the Extraordinary General Meetings of 7 December 2000, 6 December 2001 and 5 June 2003, shareholders authorised the company to implement a programme to repurchase its own shares. The main objectives of this programme are to:

- stabilise the price of the share by systematically intervening against the trend,
- purchase or sell shares based on market conditions.

During the past financial period, this authorisation was once again used, resulting in the purchase of 32,449 shares, at an average price of €98.99, and the sale of 7,587 shares at an average price of €109.11. Total transaction fees amounted to €7,000.41.

No shares were cancelled and the number of shares held through this authorisation amounted to 43,519 at 31 December 2003. They accounted for 0.6% of the share capital, with an average purchase price per share of €89.80 at a par value of €1.

### > Information on French company investments and controlled companies

Investments in French companies during the financial year ending 31 December 2003 (Article L. 233-6 of the French Commercial Code): no investments were made in French companies during the financial year.

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

## Corporate governance

### Audit committee

The mission of the Audit Committee, which was established on 23 April 2002, 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.

Under the responsibility of the Supervisory Board, the Internal Audit Committee carries out audits that evaluate accounting principles, as well as the organisation and systems implemented in entities audited.

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.

Implementation of recommendations is followed up 6 months after the issuance of the final report.

A schedule of audit assignments is prepared annually with the collaboration of Somfy Group's management and the Supervisory Board.

To date, 7 companies have been subjected to such audits.

The medium-term objective is to cover the Group's main subsidiaries.

In addition, emergency assignments not included in the audit schedule may be carried out during the year upon a management request. In this case, the Audit Committee shall be informed of such changes.

The Audit Committee met to review the annual accounts for the year ending 31 December 2003.

### Remuneration committee

The mission of the Remuneration Committee, which was established on 23 April 2002, is to submit proposals to the Supervisory Board, notably concerning the amount and methods of calculation of remuneration of executive officers and senior managers, in addition to providing advice on fees.

The Remuneration Committee met twice during the financial period ending 31 December 2003.

## Information on research and development activities (Articles L. 232-1 and L. 233-26 of the French Commercial Code)

Research and Development plays an important part in the growth and sustainability of Somfy International Group.

At 31 December 2003, this department employed a workforce of 246, with 75% based in France.

The year 2003 witnessed the completion of a large number of projects. This includes products launched at the 2003 Stuttgart tradeshow, which have had a major impact on our customers, as well as on all market influencers.

Some of our innovations, such as Oximo RTS, are already being considered as major advances on the market.

14 new products or solutions were launched in 2003 by all the brands of the Group.

In line with our radio strategy, a new range of shutter and blind products now bring tangible benefits to installers and users alike, while fulfilling our industrial rationalisation and optimisation objectives.

The launch of new gate actuators in the professional segment provides our installing partners with an extended range of products.

Finally, an innovative natural light management offer for the office building market results in a better working quality and improved illumination and thermal comfort at a minimal energy cost. This offer fully complies with new European directives based on the Kyoto agreement.

In addition, two new centres were added to Somfy International's development structures, one in Tokyo and one in San Diego. They enable the Group to improve its approach of standards and design methods specific to these areas, and to benefit from innovative technologies.

Capital expenditure was also incurred within the test laboratory. 42 new patent applications were filed in 2003, essentially concerning electronic and mechanical applications.

# Management Board Report

Joint General Meeting on 3 June 2004

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

The development of employees and their skills is highly important for the Somfy International Group, and its growth depends on it.

The daily operations of our entities are driven by a search for performance, by a sense of responsibility at all levels and by being open to international markets.

### Somfy International's men and women

The Group employed an average workforce of 3,236 in 2003, representing over 35 different cultures at the service of our markets.

Over half our workers are under 35, with 44% women and 56% men, and have varied skills. Their skills are spread evenly among selling, marketing, direct customer support, development and industrial technical areas.

#### Business area

- 49% of our resources are dedicated to selling and customer support.
- 51% to industrial and product development operations.

#### Age

- under 25: 5%
- 25 - 35: 45%
- 35 - 45: 32.5%
- 45 - 55: 13.5%
- over 55: 4%

#### Geographical distribution

- France: 60%
- Germany: 8%
- Northern Europe: 7%
- Southern Europe: 14%
- North America: 5%
- Central Europe: 3%
- Asia and Pacific: 3%

## Recruitment

The Group has recruited nearly 6% new employees in 2003, mostly in our growth markets.

The number of departures was lower than the number of employees recruited, within a context where turnover remains low.

### Human resources management: the search for performance

- We favour short chains of command and a management style that gives a sense of responsibility, supported by management practices based on the search for performance and the satisfaction of our workforce.
- Training and skill development is a key element of the group's human resources policy. For instance, we devote nearly 4% of our staff costs to it in our various French sites.
- We have an international training programme for our managers, the "Somfy Academy": over 150 managers from all countries already took part in this programme in 2002 and 2003.
- An internal satisfaction enquiry is launched every two years of all employees of the Group in order to evaluate the performance of our management.
- On one hand, we develop the tailoring of salaries, and on the other hand, a profit-sharing plan, by implementing collective remuneration systems. Over 70% of our workforce benefit from these plans.
- In order to share and explain our strategy, our organisation and to share our corporate culture, Somfy International has developed internal communication practices:
  - Intranet / Internet
  - Internal newspapers
  - Integration of new employees
  - Information meetings / Internal events.

## Allocation of net profit

The Management Board proposes to successively:

- allocate €266,302.10 from retained earnings to a discretionary reserve,
- allocate net profit for the financial year, ending 31 December 2003 **€24,428,878.15** increased by a transfer from the discretionary reserve: **€8,485,681.85**  
**€32,914,560.00**
- to the distribution of a €4.20 net dividend per share, for a total dividend of €32,914,560.00.

The €4.20 net dividend, when combined with the €2.10 tax credit per share for shareholders entitled to it, will provide the latter a gross dividend of €6.30.

Treasury shares held by the company are not entitled to dividends, with the corresponding amounts transferred to retained earnings.

The dividend will be payable from 17 June 2004 at the counter of paying institutions.

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

<i>Financial year ending</i>	<b>30 JUNE 2001</b>	<b>30 JUNE 2002</b>	<b>31 DECEMBER 2002 (6 MONTHS FINANCIAL YEAR)</b>
Number of shares eligible for dividends*	7,713,819	7,719,131	7,696,641
Par value	€1	€1	€1
Total distributed dividends	€29,312,512.20	€29,332,697.80	€14,623,617.90
Dividend per share			
- Net amount	€3.80	€3.80	€1.90
- 50% tax credit	€1.90	€1.90	€0.95
- Gross amount	€5.70	€5.70	€2.85

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

## Information on the transition to IFRS

In order to understand the new standards and grasp their impact on our consolidated financial statements, an IAS project group was created at the beginning of 2003. The first phase of this project, "the diagnosis phase", ended in November when the steering committee validated the options suggested by the project group.

The application of IAS standards will not cause major changes at Group level. The diagnosis phase revealed the adjustments that need to be carried out to comply with standards and options chosen.

Adjustments are already well targeted and have been roughly estimated. Impact will mostly affect intangible assets (capitalisation of development costs) and property, plant and equipment (change of depreciation periods). The change of standard will thus mainly affect industrial companies.

In addition, the strict application of standards would compel us to reclassify stock options as a deduction from equity and not to systematically amortize goodwill. Instead, impairment tests will be carried out each year to justify their value.

The project group is currently fine-tuning calculation of the impact and is setting up the necessary computer tools.



# Management Board Report

Joint General Meeting on 3 June 2004

## Stock market developments and performance

The Somfy share price increased by almost 35% since 1 January. It markedly outperformed both the CAC 40 (up 15%) and the SBF 250 (up 13%), its reference index.

At 31 December 2002, the last trading day before closing the previous financial year, the share price was €103. After a drop to €92 in May, it kept on appreciating and reached €129 on 19 September, followed by a year-high at €142.90 on 22 December.

Based on the share price at 31 December, of €138, and taking into account a gross dividend of €6.30, the SOMFY share yielded 4.57%.

The market of the share recorded monthly trading extremes of 64,614 and 11,423 shares, with a monthly average of 30,408 shares against 45,655 shares the previous year.

## Post balance sheet events

- Somfy International acquired the **Italian company BFT** at the end of March 2004.

The BFT company offers a very wide range of electro-mechanical and hydraulic automation systems for gates, garage doors, metal shutters, and road gates, as well as the corresponding control units and systems. The diversity and technical nature of the company enables it to cover all applications, from individual or collective housing, commercial or professional buildings, to road or car park equipment.

The company takes care of the design, the development and the certification of its products and sub-contracts their assembly to external partners. Great flexibility results from this organisation. The company is based in Schio, in the province of Vicenza, where it owns a 15,000 m<sup>2</sup> logistical platform from which it supplies its customers, distributors and subsidiaries. Its main markets are Italy, France and Spain, each with 40%, 22% and 8% of sales, respectively.

BFT's sales in 2002, its most recent financial year, amounted to €57.3 million, with a €6.9 million operating profit and a €3.7 million net profit. It has 160 employees.

BFT will enable Somfy International to accelerate its development on the gate automation market distributed through professional networks, which will complement its own selling networks, and to generate synergies in industrial and technical areas, in particular in electronics.

- Recent changes within the Board of Directors of Gaviota-Simbac require a change in the consolidation method. Gaviota-Simbac, which was to date proportionally consolidated, will be equity accounted from 1 January 2004.

## Outlook

The improvement of the economic situation noted during the second half of 2003 should be confirmed during the first half of this year.

However, the Group remains cautious as regards its expectations for the second half of the year and closely monitors the evolution of its transaction currencies, the US dollar in particular.

The year 2004 will see the start of construction of a new 25,000 m<sup>2</sup> logistics centre in Bonneville in Haute-Savoie, France, with a view to being operational in 2005.

A new subsidiary is planned to open in Turkey.

The positioning of the Somfy Group in growth markets and the strength of its business model do however allow it to anticipate the future with confidence, despite the uncertainty of the economic situation.

The Board

# Consolidated Financial Statements

# Consolidated Financial Statements

## Consolidated balance sheet

### Assets

*In euro thousands*

	NOTES	31.12.03 NET	31.12.02 NET
<b>Non-current assets</b>			
Acquisition goodwill	(1)	21,773	26,708
Intangible assets	(2)	10,897	13,773
Property, plant and equipment	(3)	84,002	86,633
Financial investments	(4)	26,849	25,506
Equity-accounted investments	(5)	60,919	58,425
<b>TOTAL NON-CURRENT ASSETS</b>		<b>204,440</b>	<b>211,045</b>
<b>CURRENT ASSETS</b>			
Inventory	(6)	64,799	71,760
Trade receivables	(7)	92,975	84,166
Other receivables	(7)	36,427	32,909
Marketable securities	(8)	108,913	77,875
Cash	(8)	28,111	25,715
<b>TOTAL CURRENT ASSETS</b>		<b>331,225</b>	<b>292,425</b>
<b>TOTAL ASSETS</b>		<b>535,665</b>	<b>503,470</b>

## Equity and liabilities

*In euro thousands*

	NOTES	31.12.03	31.12.02
<b>Equity</b>			
Share capital		7,837	7,837
Share, merger and transfer premiums		1,866	1,866
Reserves and retained earnings		348,072	298,072
Other equity		-6,146	-1,644
<b>TOTAL EQUITY</b>		<b>351,629</b>	<b>306,131</b>
<b>MINORITY INTEREST</b>		<b>-19</b>	<b>-15</b>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	<b>(9)</b>	<b>14,377</b>	<b>11,780</b>
<b>Liabilities</b>			
Borrowings*	(10-12)	48,628	82,349
Trade payables	(11)	58,324	57,824
Other liabilities		62,726	45,401
<b>TOTAL LIABILITIES</b>		<b>169,678</b>	<b>185,574</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>535,665</b>	<b>503,470</b>

* Non-current upon issue		38,335	73,238
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# Consolidated Financial Statements

## Consolidated income statement

*In euro thousands*

	NOTES	31.12.03 (12 MONTHS)	31.12.02 (12 MONTHS) PRO-FORMA*	31.12.02 (6 MONTHS)
<b>Sales</b>		<b>517,102</b>	<b>499,873</b>	<b>228,167</b>
Other operating revenues		5,196	7,763	3,808
Cost of sales		163,080	161,006	74,339
Personnel costs		146,663	141,931	69,909
Other operating expenses		84,705	86,219	41,249
Duties and taxes		5,550	5,625	2,772
Depreciation, amortization and provision charges		24,943	22,234	9,568
<b>OPERATING PROFIT</b>		<b>97,357</b>	<b>90,621</b>	<b>34,138</b>
<b>NET FINANCE COSTS</b>	(13)	<b>-887</b>	<b>-1,331</b>	<b>-545</b>
<b>PROFIT FROM ORDINARY ACTIVITIES</b>		<b>96,470</b>	<b>89,290</b>	<b>33,593</b>
<b>NET EXCEPTIONAL INCOME</b>	(14)	<b>200</b>	<b>3,837</b>	<b>1,000</b>
<b>PROFIT BEFORE TAX</b>		<b>96,670</b>	<b>93,127</b>	<b>34,593</b>
Income tax	(15)	32,158	28,617	11,114
<b>PROFIT BEFORE ACQUISITION GOODWILL AMORTIZATION AND SHARE OF ASSOCIATE EARNINGS</b>		<b>64,512</b>	<b>64,510</b>	<b>23,479</b>
Share of associate companies earnings		5,065	8,570	4,836
Acquisition goodwill amortization	(1)	4,940	10,060	6,524
<b>GROUP NET PROFIT</b>		<b>64,637</b>	<b>63,020</b>	<b>21,791</b>
Minority interest		-6	-17	-8
Net profit		64,643	63,037	21,799
<b>EARNINGS PER SHARE (€) - BASIC</b>		<b>8.25</b>	<b>8.04</b>	<b>2.78</b>
<b>EARNINGS PER SHARE (€) - DILUTED</b>		<b>8.25</b>	<b>8.04</b>	<b>2.78</b>

\* Financial statements established on the basis of:

- pro-forma financial statements at 31 December 2001 and 30 June 2002, for which the Devianne Group, which used to be consolidated by proportional integration, is equity-accounted at 31 December 2002.

## Consolidated statement of changes in equity

*In euro thousands*

	SHARE CAPITAL	SHARE PREMIUM	RESERVES/ RETAINED EARNINGS	NET PROFIT FOR YEAR	TRANSLATION ADJUSTMENT	TOTAL EQUITY
<b>At 30 June 2002</b>	<b>7,837</b>	<b>1,866</b>	<b>350,214</b>	<b>64,390</b>	<b>1,641</b>	<b>425,948</b>
Allocation of net profit	-	-	64,390	-64,390	-	0
Dividend distribution	-	-	-29,332	-	-	-29,332
Translation adjustment	-	-	-	-	-819	-819
Damartex disposal	-	-	-108,987	-	-2,466	-111,453
Other reserve movements*	-	-	-13	-	-	-13
2002 (6 months) net profit	-	-	-	21,799	-	21,799
<b>At 31 December 2002</b>	<b>7,837</b>	<b>1,866</b>	<b>276,272</b>	<b>21,799</b>	<b>-1,644</b>	<b>306,131</b>
Allocation of net profit	-	-	21,799	-21,799	-	0
Dividend distribution	-	-	-14,624	-	-	-14,624
Translation adjustment	-	-	-	-	-4,502	-4,502
Other reserve movements*	-	-	-18	-	-	-18
2003 (12 months) net profit	-	-	-	64,643	-	64,643
<b>At 31 Decembre 2003</b>	<b>7,837</b>	<b>1,866</b>	<b>283,429</b>	<b>64,643</b>	<b>-6,146</b>	<b>351,629</b>

\* Exchange differences on share capital transactions.

# Consolidated Financial Statements

## Consolidated cash flow statement

In euro thousands

	31.12.03 (12 MONTHS)	31.12.02 (12 MONTHS) PRO-FORMA	31.12.02 (6 MONTHS)
<b>Operating activities</b>			
<b>Group net profit</b>	<b>64,637</b>	<b>63,020</b>	<b>21,791</b>
Somfy International SA net contribution to Damartex	-	300	-
Net profit from consolidated companies	64,637	63,320	21,791
Elimination of share of associate companies' earnings	-5,065	-8,570	-4,836
Elimination of non-cash items:			
- Depreciation, amortization and provision charges	28,754	25,673	13,784
- Loss on disposal of non-current assets	143	-615	-379
<b>Cash generated from operations</b>	<b>88,469</b>	<b>79,808</b>	<b>30,360</b>
Inventory net movements	4,460	-2,053	-2,404
Trade receivables net movements	-10,090	806	36,731
Trade payables net movements	729	4,153	-17,331
Other working capital net movements	16,628	122	-9,206
<b>Total working capital net movements</b>	<b>11,727</b>	<b>3,028</b>	<b>7,790</b>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>100,196</b>	<b>82,836</b>	<b>38,150</b>
<b>Investing activities</b>			
Acquisition of non-current assets:			
- Intangible assets	2,007	8,813	5,109
- Property, plant and equipment	17,387	21,724	11,274
- Financial investments	2,177	3,286	2,421
Disposal of non-current assets	-2,162	-4,703	-1,610
Changes in group structure	-251	-250	-5,524
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>19,158</b>	<b>28,870</b>	<b>11,670</b>
<b>Financing activities</b>			
Dividends paid to parent company shareholders	-12,347	-27,369	-27,599
Increase in share capital	-	57	82
Net increase in borrowings	-34,341	5,172	7,816
<b>NET CASH FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>-46,688</b>	<b>-22,140</b>	<b>-19,701</b>
<b>Impact of exchange rate changes</b>	<b>-1,810</b>	<b>-1,278</b>	<b>457</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>32,540</b>	<b>30,548</b>	<b>7,236</b>
<b>CASH AND CASH EQUIVALENTS – OPENING BALANCE</b>	<b>95,576</b>	<b>65,028</b>	<b>88,340</b>
<b>CASH AND CASH EQUIVALENTS – CLOSING BALANCE</b>	<b>128,116</b>	<b>95,576</b>	<b>95,576</b>

## Notes to the consolidated financial statements

Consolidated financial statements for Somfy International Group for the financial period ending 31 December 2003 cover a twelve-month period. The Group had €535,665,000 assets at 31 December 2003 and realised a group net profit and net profit of €64,643,000 and €64,637,000 respectively for the year then ended.

The consolidated financial statements have been prepared in accordance with French generally accepted accounting principles, including CRC regulation 99-02 of 29 April 1999, effective since 1 July 2000.

The Group applies all of the recommended methods defined in CRC 99-02, notably:

- the recording of a provision for all pension benefit commitments and related commitments;
- the restatement of finance lease transactions;
- the use of the progress method for long-term contracts;
- the recording in the consolidated financial statements of translation adjustments recorded in the accounts of Group companies;
- the allocation over the term of the loan of borrowing costs and bond issue and redemption premiums.

All asset, liability, revenue and expense items included in the consolidated financial statements have been valued using standard Group methods. Other restatements recorded, pursuant to CRC 99-02, include:

- the cancellation of parent companies' equity investments in and receivables from subsidiaries, including related provisions;
- the elimination of all inventory and guaranteed provisions holding gains arising from intra-Group transactions, with the corresponding tax impact adjusted accordingly;
- the elimination of dividends and all capital gains and losses arising from intra-Group transactions.

## Note 1 - Consolidation scope and accounting

### 1-1 Changes in consolidation scope

Somfy International Group has just ended its financial year at 31 December 2003, a 12-month period, after an exceptional 6 months period to 31 December 2002.

However, in order to facilitate analysis, comparison of the 2003 financial year data (12 months) is made against the pro-forma 2002 financial year data (12 months), including the Devianne Group that was equity accounted for the calendar year.

The Somfy Russia subsidiary was created at the end of 2002 and was consolidated for the first time during the last financial year.

In addition, two new companies were established and consolidated during the financial year: Somfy China Co in China and SISA Automation in Israel.



# Consolidated Financial Statements

## Consolidated and equity accounted companies at 31 December 2003

Companies have 31 December 2003 year-ends, except those with a 30 June 2003 year-end identified by (1).

COMPANY NAME	HEAD OFFICE	SIREN NUMBER (FRENCH COMPANIES)	% CONTROLLED 31.12.03	% HELD 31.12.03	% HELD 31.12.02
Somfy International SA	74300 Cluses (France)	476.980.362	(parent company)		
<b>Fully consolidated companies</b>					
Fontenoy-Malvert SNC	01210 Ferney-Voltaire (France)	342.895.612	100.00	100.00	100.00
Financière Orvale	01210 Ferney-Voltaire (France)	345.215.164	100.00	100.00	100.00
DSG <sup>(1)</sup>	Mouscron (Belgium)	-	99.98	99.98	99.98
Somfy SAS	74300 Cluses (France)	303.970.230	100.00	100.00	100.00
Spirel SAS	73660 St-Rémy-de-Maurienne (France)	301.857.744	100.00	100.00	100.00
Somfy GmbH	Rottenburg (Germany)	-	100.00	100.00	100.00
Somfy Ges.mb H.	Elsbethen-Glasenbach (Austria)	-	100.00	100.00	100.00
Somfy KFT	Budapest (Hungary)	-	100.00	100.00	100.00
Somfy Sp zoo	Warsaw (Poland)	-	100.00	100.00	100.00
Somfy Spol sro	Prague (Czech Republic)	-	100.00	100.00	100.00
Somfy AB	Limhamn (Sweden)	-	100.00	100.00	100.00
Somfy BV	Hoofddorp (Netherlands)	-	100.00	100.00	100.00
Somfy Systems Inc.	Cranbury NJ (USA)	-	100.00	100.00	100.00
Somfy Italia SRL	Trezzano sul Naviglio (Italy)	-	100.00	100.00	100.00
Somfy AG	Bassersdorf (Switzerland)	-	100.00	100.00	100.00
Somfy K.K.	Yokohama (Japan)	-	100.00	100.00	100.00
Somfy Espana SA	Barcelona (Spain)	-	100.00	100.00	100.00
NV Somfy SA	Zaventem (Belgium)	-	100.00	100.00	100.00
Somfy Middle East Co Ltd	Limassol (Cyprus)	-	100.00	100.00	100.00
Somfy Ltd	Yeadon (England)	-	100.00	100.00	100.00
Somfy PTY Ltd	Rydalmere (Australia)	-	100.00	100.00	100.00
Somfy Joo	Seoul (Korea)	-	100.00	100.00	100.00
Somfy PTE Ltd	Singapore	-	100.00	100.00	100.00
Somfy Co Ltd	Hong Kong	-	100.00	100.00	100.00
Somfybat SNC	74300 Cluses (France)	377.887.161	100.00	100.00	100.00
Somfy Maroc SARL	Casablanca (Morocco)	-	100.00	100.00	100.00
Somfy Hellas SA	Athens (Greece)	-	100.00	100.00	100.00
Somfy Mexico SA DE CV	Edo de Mex. (Mexico)	-	100.00	100.00	100.00
Somfy Brazil LTDA	Sao Paulo (Brazil)	-	100.00	100.00	100.00
Somfy India Pvt Ltd	New Dehli (India)	-	100.00	100.00	100.00
Simu SAS	70100 Gray (France)	425.650.090	100.00	100.00	100.00
Simu USA Inc	Boca Raton FL (USA)	-	100.00	100.00	100.00
Simbac GmbH	Iserlohn (Germany)	-	100.00	100.00	100.00
Simu Polska SP ZOO	Kielce (Poland)	-	90.00	90.00	90.00
Simu RT SPOL SRO	Zlin (Czech Republic)	-	100.00	100.00	100.00
Galax System AB	Stenkullen (Sweden)	-	100.00	100.00	100.00
Manaras USA LLC	Newark NJ (USA)	-	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
ASA SRL	Galliera Bologna (Italy)	-	100.00	100.00	100.00
Siminor SAS	92230 Gennevilliers (France)	775.695.497	100.00	100.00	100.00
Siminor Technologies Castres SARL	81100 Castres (France)	333.277.267	100.00	100.00	100.00
Mingardi Magnetic Spa	Zola Predosa 40 069 (Italy)	-	100.00	100.00	100.00
Markis & Persienn Pagarna AB	Lund (Sweden)	-	99.95	99.95	99.95
Domis SA	74150 Rumilly (France)	422.485.359	100.00	100.00	100.00
Harmonic Design	California 91355 (USA)	-	100.00	100.00	100.00
Sisa Home Automatisatation LTD	Rishone Le Zion (Israel)	-	100.00	100.00	-
Somfy China LTD	Shanghai (China)	-	100.00	100.00	-
<b>Proportionally consolidated companies</b>					
Simbac Middle East SAL	Beirut (Lebanon)	-	50.00	50.00	50.00
Gaviota Simbac SL	Sax Alicante (Spain)	-	46.50	46.50	46.50
Simbac Spa	Mezzago (Italy)	-	46.50	46.50	46.50
<b>Equity accounted companies</b>					
Faac Spa	Bologna (Italy)	-	34.00	34.00	34.00
Devianne	59290 Wasquehal (France)	318.650.272	47.50	47.50	47.50
Primvet	59290 Wasquehal (France)	316.916.246	47.50	47.50	47.50
Cevimod	59290 Wasquehal (France)	327.323.770	47.50	47.50	47.50
Carrare	59290 Wasquehal (France)	402.757.439	47.50	47.50	47.50
Disport	59290 Wasquehal (France)	314.515.206	47.50	47.50	47.50
L'or bleu	59290 Wasquehal (France)	424.506.319	-	-	47.50

## 1-2 Consolidation methods

Assets and liabilities of companies directly or indirectly controlled by Somfy International SA (ownership interest exceeds 50%) are consolidated using the full consolidation method, which includes the recognition of minority interests for any shareholdings not held by the Group.

Companies in which Somfy International SA exercises significant influence are accounted for using the equity method. Significant influence is ordinarily deemed to have occurred when the Group's holdings in a subsidiary exceeds 20%. However, other factors such as effective participation on the Board of Directors or involvement in the management of the company are taken into account. Major equity accounted investments include the Faac and Devianne Groups.

Companies in which Somfy International SA exercises joint control together with other shareholders are accounted for using the proportional consolidation method when certain criteria are met (limited number of associates each with the same level of ownership, existence of a contract governing the exercise of power and joint control in the making of key decisions). Major proportionally consolidated investments include the Gaviota Simbac Group and the Simbac Middle-East Company.

There are some companies that meet the criteria described above, but that are not included in the consolidation. With the exception of Agta Record, these companies are not significant. Their consolidation would have no material impact on the consolidated financial statements.

Although Agta Record meets the criteria for accounting using the equity method by virtue of the Group's 24.93% equity stake in it at 31 December 2003, it has instead been accounted for under the cost method as it was not able to submit audited accounts in time for consolidation.

## 1-3 Foreign exchange translation

### > 1-3-1 Translation of foreign currency denominated transactions

All foreign currency denominated transactions are translated into Euros, either at the exchange rate on the transaction date or at the budgeted rate. Any exchange gains or losses arising from differences between this rate and the exchange rates obtained ultimately from the transaction, after taking any hedge cover into account, are recorded in the Income Statement.

Debts and receivables in foreign currencies are translated at year-end exchange rates, with any exchange gains or losses arising from differences between the historical rate and year-end rate recorded in the consolidated Income Statement, after taking into account the impact of hedges.

## Investments in companies accounted for under the cost method

COMPANY NAME <i>In euro thousands</i>	EQUITY AT 31.12.03	% HELD	GROSS VALUE	NET VALUE
SIMU RT (Prague)	n/a	99.00%	n/a	n/a
Vimart	23	100.00%	63	23
Aceper	n/a	33.00%	1,088	1,088
Agta Record	65,441	24.93%	23,358	23,358

# Consolidated Financial Statements

## > 1-3-2 Translation of foreign currency denominated financial statements

Assets and liabilities in foreign currencies are translated at the year-end exchange rate, while Income Statement items are translated at the average exchange rate for the period 1 January to 31 December 2003, with any differences on translation recorded as a translation adjustment in the consolidated financial statements equity section.

When a foreign company is disposed of or liquidated, any translation adjustments specific to it are transferred to the Income Statement.

## 1-4 Year-end date

The consolidated financial statements were prepared using a 31 December 2003 year-end. Companies with different year-end dates prepared interim financial statements at this date.

## 1-5 Acquisition goodwill

### > 1-5-1 Valuation method

Acquisition goodwill arises when the cost of acquiring a company exceeds the fair market value of the identifiable net assets of an acquired company.

Acquisition goodwill is amortized on a straight-line basis, between 8 and 12 years for commercial companies and between 10 and 20 years for industrial companies. The amortization periods can be adjusted to reflect set targets and anticipated strategic and commercial prospects.

Exceptional amortization is recorded to reflect any long-term negative developments of significance.

In addition, differences arising between the purchase cost of a stake in a company and the corresponding share in this company's net assets, result in the restatement of the values of these identifiable assets and liabilities at the date of their inclusion in the consolidation scope to reflect any differences in value arising from the ownership stake. The Group avails itself of the financial year following the year of acquisition to finalise these valuations and record the necessary adjustments.

### > 1-5-2 Analysis of movements

Exceptional amortization of acquisition goodwill was recorded at 31 December 2003 in relation to the Persienn Pagarna AB company in the amount of €1.2 million. Since the company did not reach the previously anticipated level of activity, its acquisition goodwill was fully amortized.

<i>In euro thousands</i>	<b>GROSS VALUE 31.12.02</b>	<b>CHANGE IN GROUP STRUCTURE</b>	<b>TRANSLATION ADJUSTMENT</b>	<b>GROSS VALUE 31.12.03</b>	<b>AMORTIZATION CHARGE 31.12.03</b>	<b>ACCUMULATED AMORTIZATION 31.12.03</b>	<b>NET VALUE 31.12.03</b>
Simu SAS	18,605	-	-	18,605	1,240	16,743	1,862
Faac Spa	10,454	-	-	10,454	621	9,211	1,243
Asa SRL	9,039	-	-	9,039	602	3,721	5,318
Persienn Pagarna AB	1,898	-	-	1,898	1,186	1,898	0
Mingardi	2,722	-	-	2,722	181	725	1,997
Gaviota & Simbac SL	13,136	-	-	13,136	841	3,200	9,936
Domis	1,586	-	-	1,586	198	495	1,091
Other <sup>(1)</sup>	12,779	-	39	12,818	71	12,492	326
<b>TOTAL</b>	<b>70,219</b>	<b>0</b>	<b>39</b>	<b>70,258</b>	<b>4,940</b>	<b>48,485</b>	<b>21,773</b>

(1) Insignificant or fully amortized amounts.

## Note 2 - Intangible assets

### 2-1 Valuation methods

Intangible assets primarily comprise:

- ERP information systems software, which is amortized on a straight-line basis over a period of 3 to 5 years, reflecting its useful economic life,
- patents, particularly those covering low-voltage electronic systems that were acquired during the financial period with the purchase of Harmonic Design,
- business goodwill, which is not amortized but is subject to write-downs when its fair market value falls below its book value. It primarily relates to the Group's Bosch motorised garage doors and rolling shutters operations, whose business goodwill has been fully amortized.

### 2-2 Analysis of movements

<i>In euro thousands</i>	<b>BALANCE 31.12.02</b>	<b>INCREASES</b>	<b>DECREASES</b>	<b>OTHER MOVEMENTS <sup>(1)</sup></b>	<b>BALANCE 31.12.03</b>
<b>Gross values</b>					
Research and development costs	0	-	-	-	0
Patents and software	24,872	1,472	-97	-595	25,652
Business goodwill	4,015	77	-	-4	4,088
Other intangible assets	538	64	-521	-51	30
Advances and prepayments	156	394	-	-171	379
<b>TOTAL - GROSS VALUE</b>	<b>29,581</b>	<b>2,007</b>	<b>-618</b>	<b>-821</b>	<b>30,149</b>
<b>Accumulated amortization</b>					
Research and development costs	0	-	-	-	0
Patents and software	-12,642	-2,856	89	92	-15,317
Business goodwill	-3,123	-794	-	-4	-3,921
Other intangible assets	-43	-66	62	33	-14
<b>TOTAL - ACCUMULATED AMORTIZATION</b>	<b>-15,808</b>	<b>-3,716</b>	<b>151</b>	<b>121</b>	<b>-19,252</b>
<b>TOTAL - NET VALUE</b>	<b>13,773</b>	<b>-1,709</b>	<b>-467</b>	<b>-700</b>	<b>10,897</b>

(1) Other movements primarily relate to translation adjustments.

### 2-3 Research and Development costs

Research and Development costs incurred by the Somfy International Group are not capitalised and accordingly are expensed as incurred.

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## Note 3 - Property, plant and equipment (PPE)

### 3-1 Valuation methods

PPE assets are recorded at their acquisition or production cost and include all costs necessary to make them operational.

Buildings and lands acquired through finance leases are recorded as an asset at their historical cost, with the corresponding debt recorded as borrowings.

Under normal operating conditions, the use of straight-line depreciation throughout the Group is considered economically justified based on the following average useful lives:

- buildings: 15 to 20 years
- machinery and tools: 3 to 10 years
- transport vehicles: 3 to 5 years
- office furniture and equipment: 5 to 10 years
- fittings and fixtures: 8 to 10 years
- computer hardware: 3 to 5 years

These assets are written down when their net book value exceeds their value in use or probable realisable value where it concerns an asset that can be disposed of separately.

### 3-2 Analysis of movements

*In euro thousands*

	BALANCE 31.12.02	INCREASES	DECREASES	OTHER MOVEMENTS <sup>(1)</sup>	BALANCE 31.12.03
<b>Gross values</b>					
Land	5,586	54	-	-23	5,617
Land - finance leases	2,402	-	-	-	2,402
Buildings	25,624	1,847	-935	-42	26,494
Buildings - finance leases	33,803	74	-	-	33,877
Machinery, equipment and tools	113,404	8,382	-6,678	3,974	119,082
Machinery, equipment and tools - finance leases	1,076	-	-	-	1,076
Other PPE	26,479	2,567	-3,011	-1,815	24,220
PPE under construction	2,502	3,456	-60	-2,514	3,384
Advances and prepayments	852	1,007	-39	-794	1,026
<b>TOTAL - GROSS VALUE</b>	<b>211,728</b>	<b>17,387</b>	<b>-10,723</b>	<b>-1,214</b>	<b>217,178</b>
<b>Accumulated depreciation</b>					
Land	-90	-8	-	-	-98
Buildings	-10,824	-1,289	88	43	-11,982
Buildings - finance leases	-10,829	-1,662	-	-	-12,491
Machinery, equipment and tools	-83,344	-12,233	6,352	-574	-89,799
Machinery, equipment and tools - finance leases	-201	-215	-	-	-416
Other PPE	-19,807	-2,605	2,811	1,211	-18,390
<b>TOTAL - ACCUMULATED AMORTIZATION</b>	<b>-125,095</b>	<b>-18,012</b>	<b>9,251</b>	<b>680</b>	<b>-133,176</b>
<b>TOTAL - NET VALUE</b>	<b>86,633</b>	<b>-625</b>	<b>-1,472</b>	<b>-534</b>	<b>84,002</b>

(1) Other movements primarily relate to translation adjustments.

### 3-3 Mortgages

Mortgages on PPE as guarantees for bank loans amounted to €2,322 thousand at 31 December 2003.

## Note 4 - Financial investments

### 4-1 Valuation methods

Investments in companies accounted for under the full consolidation method or proportional consolidation method have been fully eliminated, replaced by the assets and liabilities of these companies on a full basis for fully consolidated companies and on a pro-rata basis reflecting the percentage of ownership for proportionally consolidated companies.

Other equity investments are carried at acquisition cost. Provisions are established in the event their market value falls below cost.

Deposits paid to landlords are reported as other financial investments.

### 4-2 Analysis of movements

*In euro thousands*

	BALANCE 31.12.02	INCREASES	DECREASES	OTHER MOVEMENTS	BALANCE 31.12.03
<b>Gross values</b>					
Long-term equity investments	23,065	1,802	-159	-172	24,536
Other equity investments	89	-	-15	15	89
Financial receivables	152	95	-39	-6	202
Other financial investments	2,320	280	-185	-213	2,202
<b>TOTAL - GROSS VALUE</b>	<b>25,626</b>	<b>2,177</b>	<b>-398</b>	<b>-376</b>	<b>27,029</b>
Provision for writedowns	-120	-66	-	6	-180
<b>TOTAL - NET VALUE</b>	<b>25,506</b>	<b>2,111</b>	<b>-398</b>	<b>-370</b>	<b>26,849</b>

### 4-3 Analysis of market value of long-term equity investments

*In euro thousands*

	GROSS VALUE	NET VALUE	MARKET VALUE
As at 31 December 2003	24,625	24,569	-
comprising:			
Agta Record	23,358	23,358	29,009
Aceper	1,088	1,088	not listed
Other	179	123	not listed

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## Note 5 - Equity accounted investments

### 5-1 Valuation methods

Equity investments in companies accounted for under the equity method reflect the Group's stake in the net assets of these companies in the consolidated financial statements.

### 5-2 Analysis of movements

<i>In euro thousands</i>	<b>31.12.03 (12 MONTHS)</b>	<b>31.12.02 (6 MONTHS)</b>
Share of opening net assets	58,425	44,031
Change in Group structure <sup>(1)</sup>	-	11,387
Pro-rata share of net profit	5,065	4,836
Less: dividends received	- 2,277	- 1,734
Translation adjustment	- 294	- 95
<b>SHARE OF CLOSING NET ASSETS</b>	<b>60,919</b>	<b>58,425</b>

(1) Equity accounting of Devianne Group.

## Note 6 - Inventory

### 6-1 Valuation methods

Materials, supplies and finished goods are valued at their purchase or production cost, as appropriate. Merchandise resold in its original state is generally valued using the weighted-average-cost method. Inventory and work-in-process are written down when their probable net realisable value is less than their purchase or production cost.

Holding gains arising from the sale of inventory between Group companies are eliminated, with the corresponding tax impact adjusted accordingly.

### 6-2 Analysis of movements

<i>In euro thousands</i>	<b>31.12.03</b>	<b>31.12.02</b>
Gross values		
Raw materials and supplies	19,689	20,311
Finished goods and merchandise	54,926	60,791
<b>TOTAL - GROSS VALUE</b>	<b>74,615</b>	<b>81,102</b>
Provision for writedowns	-9,816	-9,342
<b>TOTAL - NET VALUE</b>	<b>64,799</b>	<b>71,760</b>

<i>In euro thousands</i>	<b>BALANCE 31.12.02</b>	<b>WRITEDOWN CHARGES</b>	<b>TRANSLATION ADJUSTMENT</b>	<b>OTHER MOVEMENTS</b>	<b>BALANCE 31.12.03</b>
Provision for writedowns	-9,342	-774	300	-	-9,816

## Note 7 - Trade and other receivables

### 7-1 Analysis by nature

#### Trade receivables

*In euro thousands*

	31.12.03	31.12.02
<b>Gross value</b>	<b>98,926</b>	<b>90,530</b>
Provision for writedowns	- 5,951	- 6,364
<b>TOTAL - NET VALUE</b>	<b>92,975</b>	<b>84,166</b>

#### Other receivables and accruals

*In euro thousands*

	31.12.03	31.12.02
<b>Gross value</b>		
Other operating receivables	6,485	5,230
Current accounts - receivables	823	867
Miscellaneous receivables and uncalled subscribed share capital	14,128	21,660
Prepaid expenses and deferred charges	2,925	3,029
Deferred tax assets	12,650	11,525
<b>TOTAL - GROSS VALUE</b>	<b>37,011</b>	<b>42,311</b>
Provision for writedowns	- 584	- 9,402
<b>TOTAL - NET VALUE</b>	<b>36,427</b>	<b>32,909</b>

*In euro thousands*

	BALANCE 31.12.02	WRITEDOWN CHARGES	TRANSLATION ADJUSTMENT	OTHER MOVEMENTS	BALANCE 31.12.03
Provision for writedowns					
Trade receivables	- 6,364	327	86	-	- 5,951
Other receivables and accruals	- 9,402	8,818	-	-	- 584

### 7-2 Analysis by maturity

*In euro thousands*

	TOTAL	WITHIN 1 YEAR	AFTER 1 YEAR
<b>Trade receivables</b>	<b>98,926</b>	<b>98,926</b>	<b>0</b>
<b>Other receivables and accruals</b>	<b>37,011</b>	<b>33,764</b>	<b>3,247</b>
Other operating receivables	6,485	6,485	-
Current accounts - receivables	823	823	-
Miscellaneous receivables and uncalled subscribed share capital	14,128	10,881	3,247
Prepaid expenses and deferred charges	2,925	2,925	-
Deferred tax assets	12,650	12,650	-

No receivables are due after a period of 5 years.



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## Note 8 - Cash and marketable securities

### 8-1 Analysis by nature

<i>In euro thousands</i>	31.12.03	31.12.02
Treasury shares	10,288	7,950
Other securities	99,068	71,638
<b>TOTAL - MARKETABLE SECURITIES</b>	<b>109,356</b>	<b>79,588</b>
Cash	28,111	25,715
<b>TOTAL - GROSS VALUE</b>	<b>137,467</b>	<b>105,303</b>
Provision for writedowns	-443	-1,713
<b>TOTAL - NET VALUE</b>	<b>137,024</b>	<b>103,590</b>

<i>In euro thousands</i>	BALANCE 31.12.02	WRITEDOWN CHARGES	TRANSLATION ADJUSTMENT	OTHER MOVEMENTS	BALANCE 31.12.03
Provision for writedowns					
Marketable securities	-1,713	1,271	-	-	-442

Marketable securities are written down when their market value is less than their book cost.

### 8-2 Market value of marketable securities

<i>In euro thousands</i>	GROSS VALUE	NET VALUE	MARKET VALUE
As at 31 December 2003	109,356	108,913	111,767

## Note 9 - Provisions for liabilities and charges

### 9-1 Valuation methods

Provisions for liabilities and charges are established to provide for the potential financial consequences arising from litigation, breach of contract and returned goods, as well as to provide for likely charges arising from various commitments, including pension and income tax. They are classified by their nature and by the probable timing of their realisation. A provision's charge or reversal is based on the recurring nature of an operating or financial item or its exceptional nature.

Disclosure of additional information regarding provisions for lawsuits may seriously prejudice the Company's position in lawsuits opposing the Company and third parties.

Regarding **pension commitments**, the Group, in accordance with the generally accepted accounting principles

and practices of each country, contributes to pension plans or grants employees indemnities and benefits on departure. A study of such benefits granted is carried out.

This results in either the establishment of a pension benefits or termination benefits provision, or, in the case of certain countries, the recognition of a liability or the payment of premiums to insurance companies who assume responsibility for such risks. Payments are suspended when premiums paid to insurance companies cover an amount at least equal to the calculated pension commitment.

The commitment is calculated retrospectively, taking into account the rights acquired by employees at year-end. This indemnity is calculated by estimating those rights acquired at the age of retirement according to the collective agreement, taking into account the employee turnover rate and the probability of surviving until the age of retirement.

All provisions are revalued and readjusted at year-end.

### 9-2 Analysis of movements

Provisions for short-term liabilities and charges are treated as liabilities in the Consolidated Cash Flow Statement.

*In euro thousands*

	BALANCE 31.12.02	PROVISION CHARGES	PROVISION REVERSALS	UNUSED REVERSALS	TRANSLATION ADJUSTMENT	BALANCE 31.12.03
Provisions for long term liabilities and charges	9,285	3,414	-1,176	-218	-170	11,135
Provisions for short term liabilities and charges	2,495	1,074	-326	0	-1	3,242
<b>TOTAL</b>	<b>11,780</b>	<b>4,488</b>	<b>-1,502</b>	<b>-218</b>	<b>-171</b>	<b>14,377</b>
	<b>31.12.02</b>	<b>31.12.03</b>				
Provision for liabilities guarantee	305	138				
Provision for litigation	1,776	3,990				
Provision for miscellaneous charges	1,542	1,617				
Provision for pension benefits	3,791	4,834				
Provision for returns and customer guarantees	4,366	3,798				
<b>Total</b>	<b>11,780</b>	<b>14,377</b>				

Provision charges net of reversals amounted to €2.8 million, of which €3.3 million related to ordinary activities and (€0.5) million related to exceptional activities.

# Consolidated Financial Statements

## Note 10 - Borrowings

### 10-1 Analysis by nature

<i>In euro thousands</i>	31.12.03	31.12.02
Loans from financial institutions	25,968	57,549
Finance leases	19,689	21,931
Other financial loans	2,971	2,869
<b>TOTAL</b>	<b>48,628</b>	<b>82,349</b>

### 10-2 Analysis by maturity

<i>In euro thousands</i>	TOTAL	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	AFTER 5 YEARS
<b>Borrowings</b>	<b>48,628</b>	<b>17,312</b>	<b>21,402</b>	<b>9,914</b>
Loans from financial institutions	25,968	14,052	11,622	294
Finance leases	19,689	2,728	9,748	7,213
Other financial loans	2,971	532	32	2,407

### 10-3 Analysis by rate type

Borrowings for all Group companies are mainly at variable rates.

Following an increase of both European and American long-term rates, we deemed it prudent to partially hedge our position.

#### Borrowings by rate type

<i>In euro thousands</i>	HEDGES AT 31.12.03	31.12.03
Variable rate	Rate swap for an amount of €12 million	46,159
Fixed rate	none	-
No rate	none	2,469
<b>TOTAL</b>		<b>48,628</b>

## 10-4 Analysis by currency

### Borrowings by currency

<i>In euro thousands</i>	<b>31.12.03</b>	<b>31.12.02</b>
Euros	40,567	74,081
\$ USD	2,873	3,472
\$ CAD	2,957	2,900
SEK	1,033	1,091
Other	1,198	805
<b>TOTAL</b>	<b>48,628</b>	<b>82,349</b>

The Group's policy is to limit to the maximum the exposure to risks related to fluctuations in the currency markets. This exposure to exchange rate risks results from commercial and financial transactions that are mainly carried out between Group companies, with more than two-thirds of volumes being transacted in the Euro zone.

Within the context of a very volatile currency market in 2003, the Group's policy consisted of optimizing, by all non-speculative means, the consequences of its exposure to risks generated by the significant variations experienced on these markets.

Market instruments enabled us to fully hedge a significant percentage of our intra-group sales liable to exchange exposure. Thus, 70 to 90% of the Group's regular commercial transactions were covered. When the counterpart is recorded in the Balance Sheet, the difference between the invoice rate and the cover rate is recorded as income or expense.

In the opposite case, hedged positions corresponding to future firm transactions are considered as symmetrical to the future position.

Hedging transactions without counterpart were marked to market at year-end; a provision was made for the potential loss.

## 10-5 Borrowings secured by collateral

<i>In euro thousands</i>	<b>SECURED BORROWINGS 31.12.03</b>	<b>COLLATERAL* 31.12.03</b>
<b>Loans from financial institutions</b>	1,475	2,322

\* Collateral is primarily in the form of property mortgages.

## 10-6 Covenants

At 31 December 2003, Somfy International SA had €82 million in an available loan facility with five banks, of which €7.0 million had been used.

Funds made available under this arrangement are subject to an undertaking by Somfy International SA to comply with the financial covenants relating to the financial structure of the Group (debt/equity ratio) and its repayment capability (financial debts/free cash flow ratio).

All covenants were complied with at 31 December 2003.

# Consolidated Financial Statements

## Note 11 - Trade payables and other liabilities

<i>In euro thousands</i>	<b>31.12.03</b>	<b>31.12.02</b>
<b>Trade payables</b>	<b>58,324</b>	<b>57,824</b>
<b>Other liabilities and accruals</b>	<b>62,726</b>	<b>45,401</b>
Tax and social security liabilities	29,884	27,529
Other operating liabilities	5,954	5,110
Miscellaneous liabilities	19,880	5,798
Deferred revenues	8	39
Deferred tax liabilities	7,000	6,925

All trade payables and other liabilities are due within one year.

## Note 12 - Analysis of net financial position

<i>In euro thousands</i>	<b>31.12.03</b>	<b>31.12.02</b>
Cash	28,111	25,715
Marketable securities	108,913	77,875
Current accounts - receivable	823	867
Bank overdrafts	-9,794	-9,026
Current accounts - payables	63	145
<b>CASH AND CASH EQUIVALENTS</b>	<b>128,116</b>	<b>95,576</b>
Non-current borrowings	-38,336	-73,238
<b>NET FINANCIAL ASSETS</b>	<b>89,780</b>	<b>22,338</b>

## Note 13 - Net finance costs

*In euro thousands*

	31.12.03	31.12.02 PRO-FORMA	31.12.02
<b>Financial income</b>			
Finance income including interest received	2,483	3,735	2,417
Foreign exchange gains	3,495	3,160	1,548
Marketable securities disposal gains	0	81	27
<b>Financial costs</b>			
Interest and other financing expenses	2,386	3,849	2,119
Foreign exchange losses	5,655	2,995	2,208
Net writedown charges/(reversals)	-1,204	1,463	210
Marketable securities disposal loss	28	0	0
<b>TOTAL</b>	<b>-887</b>	<b>-1,331</b>	<b>-545</b>

### Translation adjustment

*In euro thousands*

	31.12.03	31.12.02 PRO-FORMA	31.12.02
<b>Amount included in net finance costs</b>	<b>12</b>	<b>-118</b>	<b>-125</b>

## Note 14 - Net exceptional income

All transactions not directly arising from the ordinary business of the Group are treated as exceptional. The ordinary business of the Group concerns all on-going and recurring activities, within the framework of the group operating as a going concern. All transactions relating to non-current asset disposals and share capital activities are treated as exceptional items.

*In euro thousands*

	31.12.03	31.12.02 PRO-FORMA	31.12.02
<b>Exceptional income</b>			
Operating and investment activities	1,972	2,340	1,023
On capital transactions	1,976	1,920	1,419
<b>Exceptional costs</b>			
Operating and investment activities	1,890	2,616	1,522
On capital transactions	1,660	1,304	1,040
Net provision charges/(reversals)	198	-3,497	-1,120
<b>TOTAL</b>	<b>200</b>	<b>3,837</b>	<b>1,000</b>

Net exceptional income at 31 December 2003 is primarily comprised of:

- Asset disposals: €0.3 million
- Release of a guarantee of liabilities: €0.2 million
- Net interest related to tax litigation: -€0.2 million

# Consolidated Financial Statements

## Note 15- Income tax

### 15-1 Group income tax integration agreement

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

The following companies are a party to this agreement: Somfy International SA, Fontenoy-Malvert SNC, Financière Orvale SA, Somfy SAS, Spirel SAS, Simu SAS, Monseigneur SAS, CMC Sarl, Somfy Development SAS, Siminor SAS, Siminor Castres, Fiteco and Domis SA.

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. A tax benefit of €4.1 million was realised pursuant to this agreement for the financial period under review.

When a subsidiary is no longer a member of the income tax integration group, Somfy International SA compensates it in accordance with the jointly agreed exit procedures, taking into account the situation at that date.

### 15-2 Determination of income tax

<i>In euro thousands</i>	<b>31.12.03</b>
<b>Profit before tax</b>	<b>96,670</b>
Income tax rate	35.42%
	34,241
Difference between rates	-3,030
Permanent differences	-430
Unrecognised tax losses	938
Taxable income offset against tax losses	-1,929
Tax credits	-41
Taxes and others	2,409
<b>Total</b>	<b>32,158</b>
Effective income tax rate	33.27%
allocated: income tax payable	33,393
deferred income tax	-1,235

### 15-3 Deferred income tax

#### > 15-3-1 Valuation methods

Deferred income tax arises from temporary differences between the book values of assets and liabilities and their values per Income Tax law, and from restatements made during consolidation within the framework of the standardisation of Group accounting policies. Deferred income tax is calculated using the liability method. The tax rate used in France for the calculation of deferred income tax is 35.42%.

As a matter of prudence, deferred income tax benefits arising from tax losses of companies not included in the income tax integration or prior to entering the tax integration group, have not been recognised where the prospect of recovery is uncertain. These amounted to €3.3 million at 31 December 2003 (tax losses at the standard rate).

#### > 15-3-2 Analysis by nature

<i>In euro thousands</i>	<b>31.12.03 ASSETS</b>	<b>31.12.03 LIABILITIES</b>
Restatement of Group accounting policies	859	4,994
Deferred tax on inventory holding gains	6,659	1,013
Deferred tax on fair market value of PPE	-	450
Deferred tax on elimination of intra-Group provisions	-	187
Temporary differences	4,778	356
Other	354	-
<b>Total</b>	<b>12,650</b>	<b>7,000</b>

## Note 16- Earnings per share

### 16-1 Valuation methods

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). Shares allocated to stock options are not considered as treasury shares.

The basic and diluted earnings per share figures are the same, as the Company has not issued any securities granting access to share capital.

### 16-2 Determination of earnings per share

	31.12.03 12 MONTHS	31.12.02 12 MONTHS PRO-FORMA	31.12.02 6 MONTHS
Net profit (in € thousands)	64,643	63,037	21,799
Total number of shares issued	7,836,800	7,836,800	7,836,800
Total number of shares in circulation	7,836,800	7,836,800	7,836,800
<b>Earnings per share - Basic (€)</b>	<b>8.25</b>	<b>8.04</b>	<b>2.78</b>
<b>Earnings per share - Diluted (€)</b>	<b>8.25</b>	<b>8.04</b>	<b>2.78</b>

There exists no financial instrument that has a diluting effect on the shares of Somfy International SA.

## Note 17 - Treasury shares and stock option plans

Treasury shares acquired by the parent company primarily comprised shares acquired for allocation to employees pursuant to a stock option plan, with the remaining shares to be used to stabilise the share price (share liquidity contract).

Treasury shares are recorded at their acquisition cost and include related transaction charges.

A provision for write-down is established by comparing historical value with market value or exercise price, as applicable.

PLAN DATE	NUMBER OF BENEFICIARIES	NUMBER OF OPTIONS ALLOCATED	ADJUSTED NUMBER OF OPTIONS	OPTION EXERCISE PRICE (€)	OPTION ADJUSTED EXERCISE PRICE (€)	OPTION EXERCISE DATE	NUMBER OF OPTIONS TO BE EXERCISED AT 31.12.03
19.02.1999	2	4,000	4,664	67.12	57.56	07.06.2004	4,664
17.12.1999	55	22,200	25,918	75.00	64.32	17.12.2006	15,067
29.09.2000	69	38,780	45,275	75.00	64.32	31.01.2007	20,973
17.07.2001	51	21,000	24,514	78.00	66.89	31.01.2008	17,887
05.12.2002	54	20,300	20,300	100.00	100.00	31.01.2009	20,300
01.12.2003	62	20,150	20,150	128.00	128.00	31.01.2010	20,150
<b>TOTAL</b>							<b>99,041</b>



# Consolidated Financial Statements

## Note 18 – Off-balance sheet commitments

### 18-1 Off-Balance Sheet commitments arising from ordinary activities

#### Commitments given

<i>In euro thousands</i>	31.12.03	31.12.02
Guarantees	2,128	3,626
Interest to be paid over the remaining term of loans	4,200	5,457
Rents to be paid over the remaining term of leases	6,541	9,493
Mortgages	2,322	3,158
Foreign exchange forward sale contracts	19,664	25,578
<b>TOTAL</b>	<b>34,855</b>	<b>47,312</b>

Foreign exchange forward sale contracts primarily concern sales realised in Australia, Switzerland, the United Kingdom, the United States, Japan and Sweden.

#### Commitments received

<i>In euro thousands</i>	31.12.03	31.12.02
Guarantees	2,153	3,137
Unused lines of credit	81,916	89,182
<b>TOTAL</b>	<b>84,069</b>	<b>92,319</b>

### 18-2 Complex commitments

Somfy International Group paid €4.5 million on 1 July 2002 to acquire Harmonic Design Inc in full. This acquisition is subject to an 'earn out' option during the first six years, on the basis of sales growth and the maintenance of the gross profit margin.

As this price supplement cannot be accurately estimated, it was not accounted for at 31 December 2003.

## Note 19- Environmental risks

As the majority of Somfy International Group's production sites carry out only assembly work, which does not generate any pollution, the Group is accordingly not exposed to any significant environmental risk.

## Note 20- Group workforce

Somfy International Group's average workforce size at 31 December 2002, with temporary and part-time employees recorded on a full-time equivalents basis:

	31.12.03	31.12.02 PRO-FORMA	31.12.02
Average workforce size	3,236	3,081	3,128

## Note 21- Management and Supervisory Board members' remuneration

Members of the Management Board and Supervisory Board of Somfy International SA received €1,100,000 in remuneration and benefits for the financial period ending 31 December 2003, for services rendered to Group companies.

## Note 22- Segment information

No analysis by business segment is provided as all companies within the Group, regardless of their location, operate within only one identifiable sector of activity: motors and automatic control systems for building openings.

An analysis of sales by geographic region is provided on a secondary basis.

### Analysis of sales by geographic region

*In euro thousands*

	31.12.2003	31.12.2002 PRO-FORMA 12 MONTHS	31.12.2002 6 MONTHS
France	152,862	145,509	66,043
Germany	83,680	80,613	36,941
Northern Europe	78,176	77,193	32,405
Central Europe	31,011	29,306	15,136
Southern Europe	92,240	86,204	39,088
Asia/Pacific	27,227	25,520	13,904
North and South Americas	51,906	55,528	24,650
<b>TOTAL</b>	<b>517,102</b>	<b>499,873</b>	<b>228,167</b>

## Note 23 - Post-balance sheet events

Somfy International acquired the Italian company BFT at the end of March 2004.

BFT's sales in 2002, its most recent financial year, amounted to €57.3 million, with a €6.9 million operating profit and a €3.7 million net profit. It has 160 employees.

Recent changes within the Board of Directors of Gaviota-Simbac require a change in the consolidation method. Gaviota-Simbac, which was to date proportionally consolidated, will be equity accounted from 1 January 2004.

# Management Bodies\*

## Supervisory Board

**Chairman:** Jean-Bernard Guillebert

**Vice-President:** Jean Despature

**Members:** Jean-Pierre Devienne

Victor Despature, on behalf of J.P.J. SA

Xavier Leurent

Anthony Stahl

Gauthier Toulemonde

## Audit Committee

Jean-Bernard Guillebert

Victor Despature

## Compensation Committee

Jean-Bernard Guillebert

Victor Despature

## Management Board

**Chairman:** Paul Georges Despature

**CEO:** Wilfrid Le Naour

**CFO:** Nicolas Duchemin

## Statutory Auditors

Ernst and Young Audit

CDL

## Head of financial information

Nicolas Duchemin

CFO

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