2013

Somfy

ANNUAL FINANCIAL REPORT

Message from Paul Georges Despature

Chairman of the Management Board of Somfy Group

In 2013, the Group's results improved considerably in an environment that remained challenging for our activities, despite a more favourable climate over the second half. The current operating result grew by 13.9% reaching € 150.6 million and our cash flow held up very well at € 145 million. I wish to stress that Somfy Activities and Somfy Participations have each contributed at approximately the same level to growth in net profit, which testifies to the quality of the implementation of their respective strategies.

The strength of our results reflects both the growth in sales, in spite of a negative exchange rate effect, and our excellent control of operating and structure costs. At the start of 2011, we agreed to provisionally downgrade our profitability to allow Somfy Activities to accelerate its investments in the interest of developing new growth drivers. We are now beginning to reap the rewards of this strategy which is guided by a long term vision. It is for this reason that our operational expenditure returned to normal levels in 2013.

Somfy Activities returned to growth across all its territories, with the exception of Northern Europe. We are particularly pleased with the healthy sales performance in France (up 2.7%) and Germany (up 4.2%) where Somfy Activities still generates 43% of its turnover. In 2014, we will continue with our actions to consolidate our position in our traditional markets which remain the primary contributors to our profitability. We will also continue to improve the profitability of our emerging markets which now make up a quarter of our activity.

Somfy Participations saw its net asset value grow by 12.6% in 2013. In what was a difficult market environment for the majority of companies, this reflected both a consolidation of its fundamentals and an increase in its strategic appeal, thanks to the innovation and globalisation projects that we are supporting. In 2014, Somfy Participations will continue to strengthen the profile of these companies and expand its portfolio.

In 2014, the continuation of efforts to maintain the Group's efficiency and competitiveness will, we hope, serve to support the virtuous momentum that has emerged for our results.

Paul Georges Despature

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INVESTOR RELATIONS

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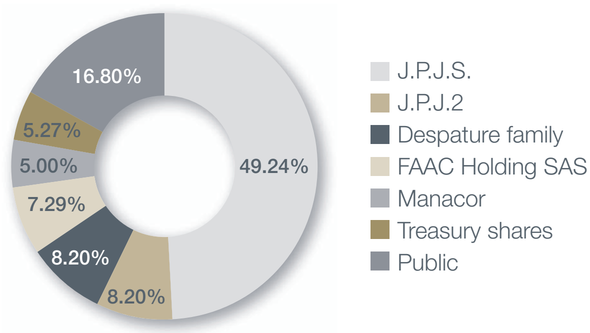
INVESTOR RELATIONS

Breakdown of capital (in %)



Capital

At 31 December 2013, Somfy SA capital amounted to € 7,836,800, divided into 7,836,800 shares with a nominal value of € 1, fully paid up and all in the same class.
The company has not issued any securities giving right to capital. Stock options that may be exercised after 31 December 2013 are purchase options. As authorized, the company owned 412,730 Somfy SA shares at 31 December 2013.

Gross dividend

Per share, in €

Net profit

Per share, in €

Listing

Somfy SA has a Management Board and a Supervisory Board and is listed on the Eurolist at Euronext Paris in Compartment A (ISIN code FR 0000120495).

Contract

On 15 June 2012, Somfy SA signed a liquidity provider agreement with Natixis.

2014 Financial calendar

28 January	Release of Quarterly Turnover (Q4 2013)
5 March	Supervisory Board
6 March	Meeting on Financial Information Annual results 2013
23 April	Release of Quarterly Turnover (Q1 2014)
23 April	Release of consolidated statements of Full-year 2013
14 May	Supervisory Board
14 May	Annual General Meeting
22 July	Release of Quarterly Turnover (Q2 2014)
28 August	Supervisory Board
28 August	Release of consolidated statements of Half-year 2014
28 August	Release of Half-year results and conference call
21 October	Release of Quarterly Turnover (Q3 2014)
6 November	Supervisory Board

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ORGANISATION

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ORGANISATION

Supervisory Board

Chairman:
Michel ROLLIER

Vice-Chairman:
Victor DESPATURE

Members:
Paule CELLARD
Jean DESPATURE
Victor DESPATURE
Xavier LEURENT
Valérie PILCER
Michel ROLLIER
Anthony STAHL

Audit Committee

Chairman:
Victor DESPATURE

Members:
Paule CELLARD
Victor DESPATURE
Valérie PILCER

Remuneration Committee

Chairman:
Michel ROLLIER

Members:
Victor DESPATURE
Michel ROLLIER

Management Board

Chairman:
Paul Georges DESPATURE

Somfy Activities CEO:
Jean-Philippe DEMAËL

Somfy Participations CEO:
Wilfrid LE NAOUR

Auditors

ERNST & YOUNG et AUTRES
LEDOUBLE SA

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OVERVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

OVERVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

€ millions	31/12/13	31/12/12*
Sales	996.8	989.6
Current operating result**	150.6	132.2
Operating result	138.8	114.8
Net profit	101.2	84.4
Net profit – Group share	99.7	83.8
Cash flow	145.0	150.9
Investments in property, plant and equipment and intangible assets	59.7	42.5
Amortisation and depreciation charges**	– 42.1	– 40.3
Shareholders' equity	928.6	863.2
Net financial debt***	– 92.3	– 31.1
Non-current assets	913.7	872.6
Average workforce	7,753	8,095

** The financial statements have been restated following the application of the revised IAS 19, the change in the CVAE tax accounting method and the recognition of deferred payments of a financial nature under financial debt.*
*** Including amortisation charges relating to intangible assets allocated following acquisitions for an amount of -€ 4.2 million in both 2013 and 2012.*
**** (–) Net financial surplus*
Takes into account liabilities related to put options granted to holders of non-controlling interests and earn-out of € 47.3 million in 2013 and € 43.0 million in 2012, unlisted bonds receivables of € 73.4 million in 2013 and € 69.4 million in 2012, and deferred payments of a financial nature of € 4.9 million in 2013 and € 5.3 million in 2012.

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MANAGEMENT BOARD REPORT

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MANAGEMENT BOARD REPORT

TO THE COMBINED GENERAL MEETING OF 14 MAY 2014

Ladies and Gentlemen,
In accordance with legal and regulatory provisions in force, the Management Board has convened you here in order to inform you on the management of your company and its subsidiaries and to submit for your approval the financial statements for the year ending 31 December 2013.

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

Highlights of the year

Changes in Group structure

In May 2013, **Somfy Activities** made a 51% equity investment in the Brazilian company **Giga** for BRL 18 million (approximately € 5.5 million, including a deferred payment of € 1.8 million). This company designs and manufactures security systems which it markets to specialised distributors and installers in Brazil. This transaction includes an earn-out clause payable in 2015 based on the results of the 2013 and 2014 financial years. It also includes a first mutual put/call option exercisable in 2016 in relation to 24% of the capital and a second one exercisable in 2018 in relation to the remaining 25%. This acquisition generated provisional goodwill of BRL 23.6 million (€ 7.3 million), which is liable to change during the 12-month allocation period from the acquisition date. This company has been fully consolidated from April 2013 and contributed € 11.2 million to Group sales in the financial year.
At the end of November 2013, **Somfy Activities** acquired the usufruct of the entire capital of the Brazilian company **Garen Automação** for BRL 20 million (€ 6.1 million). This transaction includes an earn-out clause payable in 2016 based on performance criteria. Somfy Activities will also have the option of acquiring full ownership of the securities from 2016, through the exercise of options. Garen Automação has been fully consolidated from 31 December 2013. This acquisition generated provisional goodwill of BRL 46.9 million (approximately € 14.4 million), which is liable to change during the 12-month allocation period from the acquisition date.
In July 2013, **Somfy Participations** acquired shares in **CIAT** for a total of € 3.3 million, through its subsidiary Arve Finance, thereby increasing its equity holding in this company from 44.5% to 46.1%. This increase in the holding percentage did not alter the equity accounting of this company.

Tax audits

Somfy SAS was subject to a tax assessment in relation to the 2009 and 2010 financial years. The main adjustment related to the transfer price policy implemented between a subsidiary of Somfy SA, Somfy SAS and a number of distribution subsidiaries. The proposed tax adjustment for these two years totalled € 35.6 million. No provision was established at 31 December 2012 as the Group was confident at that time of achieving a favourable outcome and had therefore classified this dispute as a contingent liability pursuant to IAS 37.
During the second half of 2013, Somfy SAS, with the assistance of its legal advisers, accepted to enter talks with the tax authorities in order to reach an outcome acceptable to all parties.
Even though the Group still considers that the arguments put forward by the tax authorities are disputable, it is now likely that Somfy SAS will be compelled to accept a portion of the tax adjustment notified.
Therefore, the Group recognised a liability in the financial statements ended 31 December 2013 for the amount it deems necessary to settle this tax risk.
A provision of € 8.4 million was thus established, with a corresponding impact on the income tax charge for the 2013 financial year. A provision was also established at 31 December 2013 for other residual impacts resulting from this tax adjustment.
Somfy SA was subject to a tax audit in relation to the 2010 and 2011 financial years. A total proposed adjustment of

€ 4.4 million (including late payment penalties) for these two years was received on 27 November 2013. A provision was recognised in the financial statements for the year ended 31 December 2013 to cover the estimated cash outflow.

Somfy Mexico SA de CV, the Group's Mexican subsidiary, has been subject to a tax audit by the tax authorities in relation to foreign trade matters. The proposed tax adjustment amounts to € 1.6 million, primarily related to customs duties. Somfy Mexico has appealed to the Mexican tax authorities which confirmed its opinion at the end of September 2013. Following this reply, Somfy Mexico has appealed to the administrative court. The Group considers that the arguments put forward by the tax authorities remain disputable and is confident in the likelihood that this ruling will be overturned. Therefore, the Group qualified the risk as a contingent liability and no provision was recognised at 31 December 2013.

Presentation of financial statements

Parent company financial results

For the year to 31 December 2013, Somfy SA sales were € 2.7 million. Net financial income amounted to € 77.6 million, including € 63.4 million in dividends paid by its subsidiaries in respect of their net profit for the year to 31 December 2012.

Net profit totalled € 62.5 million, after deducting an income tax charge of € 4.6 million.

Consolidated financial statements

Sales

Group sales totalled € 996.8 million for the full year just ended. This was an increase of 0.7% in real terms compared to the previous year (up 3.2% on a like-for-like basis), and significant added momentum over the second half-year (up 5.2% on a like-for-like basis).

Somfy Activities' sales rose from € 889.8 million to € 922.8 million (up 3.8% on a like-for-like basis), an increase that was due to growth across all regions with the exception of Northern Europe.

The most significant growth was seen in Asia-Pacific, the Americas, and Central and Eastern Europe (up 10.2%, 8.1% and 5.2% respectively on a like-for-like basis).

Germany and France also performed well (up 4.2% and 2.7% respectively on a like-for-like basis). The same was true of Southern Europe, which returned to growth despite an economic environment that remained challenging across much of the region (up 1.6% on a like-for-like basis). Northern Europe by contrast remained negative due to poor weather conditions at the beginning of the year and the weak construction market (down 1.2% on a like-for-like basis).

Somfy Participations' sales fell from € 103.1 million to € 77.3 million (down 4.1% on a like-for-like basis), a decline that resulted primarily from the deconsolidation of Cotherm. The other two fully-consolidated companies, Sirem and Zurflüh-Feller, both recovered over the latter part of the period, but reported full year declines as a result of the fall recorded over the first few months (down 7.4% and 2.9% respectively on a like-for-like basis).

Sales by customer location

€ thousands	31/12/13	31/12/12	Change N/N-1	Change N/N-1 like-for-like
France	250,936	244,398	2.7%	2.7%
Germany	144,797	138,967	4.2%	4.2%
Northern Europe	87,769	89,619	– 2.1%	– 1.2%
Central and Eastern Europe	85,025	82,144	3.5%	5.2%
Southern Europe, Middle East and Africa	161,880	161,036	0.5%	1.6%
Asia-Pacific	94,080	89,884	4.7%	10.2%
Americas	98,331	83,789	17.4%	8.1%
SOMFY ACTIVITIES	**922,818**	**889,838**	**3.7%**	**3.8%**
SOMFY PARTICIPATIONS	**77,281**	**103,068**	**– 25.0%**	**– 4.1%**
Intragroup sales	– 3,297	– 3,265	1.0%	1.0%
SOMFY GROUP	**996,801**	**989,641**	**0.7%**	**3.2%**

Results

The Group's current operating result was € 150.6 million for the financial year, a 13.9% increase in real terms, and represented 15.1% of sales compared to 13.4% in the previous financial year. This increase was due to a higher margin on cost of sales, controlled employee expenses (2.1% decline against sales growth of 0.7%) and stable external expenses.
Consolidated net profit totalled € 101.2 million over the financial year (up 19.9% in real terms). It sustained a tax charge that rose sharply (€ 39.0 million in 2013 compared to € 26.1 million in 2012), as a result of the recovery in profits and a provision for the ongoing tax dispute within Somfy SAS (€ 8.4 million) and the increase in the tax rate to 38% (additional tax charge of € 2.2 million). It also benefited from an improvement of the net non-recurring expense (€ 11.8 million in 2013 compared with € 17.3 million in 2012) and a substantially improved share of profit of equity-accounted companies (profit of € 1.5 million in 2013 compared with a loss of € 10.1 million in 2012).

Financial position

The Group had a net cash surplus of € 92.3 million at the end of December, compared to € 31.1 million twelve months previously. This was due to a marked decrease in working capital requirements and a high level of cash flow being maintained. The change was primarily due to increased cash from operating activities.
The net financial surplus corresponds to the difference between financial assets and financial liabilities. Notably, it takes into account unlisted bonds receivable, issued by certain companies in which shares are held or related entities, earn out on acquisitions, liabilities relating to options granted to minority shareholders in fully-consolidated companies and deferred settlements of a financial nature. Not included are securities in non-controlling equity investments, convertible bonds, deposits & guarantees and government grants.
The net financial surplus is detailed in note 23 to the consolidated financial statements.

Segment reporting at 31 December 2013

€ thousands	Somfy Activities	Somfy Participations	Other	Inter-segment	Consolidated
Segment sales	922,818	77,281	–	– 3,297	996,801
Segment profit/(loss) (current operating result)	145,065	5,745	– 238	–	150,572
Share of net profit/(loss) of associates	59	1,440	–	–	1,499
Cash flow	139,102	15,653	– 9,722	–	145,032
Intangible assets and PPE investments	54,301	5,395	–	–	59,696
Goodwill	205,622	21,537	–	–	227,159
Net intangible assets and PPE	261,567	48,512	–	–	310,079
Non-controlling equity investments	143	152,705	–	–	152,848
Investments in associates	2,070	107,811	–	–	109,881

Valuation of Somfy Participations portfolio

Methodology

The net asset value at December 2013 is the sum of the financial assets owned by Somfy Participations.
Financial assets defined as bonds are valued at their nominal value including accrued interest.
Regarding fully-consolidated or equity-accounted investments and assets available for sale, the assessment methods chosen are the following:

Securities of unlisted companies:
For each investment, the enterprise value is measured according to standard methods, namely:

- **Market Peer Multiples method**
  A sample of comparable companies, comprising listed companies in the same industry for which analysts regularly publish their research and estimates, is identified for each company valuation. It is stable over time and is adjusted only if a comparable sample is no longer relevant. The multiples of the companies in the sample are calculated by (i) the average market capitalisation over the last 20 trading days prior to the assessment and net debt, which is estimated by analysts at the assessment date and (ii) EBITDA and EBITA estimates for the current year and the subsequent two years,

derived from the most recent consensus among analysts at the time of the analysis. A discount may be applied on certain multiples to reflect the smaller size of companies in the sample and the company being valued. The average multiples of EBITDA (Earnings before interest, taxes, depreciation and amortisation) and EBITA (current operating result excluding amortisation of intangible assets allocated following acquisitions) of companies in the sample are applied to the recurring EBITDA and EBITA of the current year and subsequent two years of the company being valued. The enterprise value derived is calculated as the average of the values obtained by applying these multiples to investment aggregates.

- **Discounted cash flow method (DCF)**
  This method involves determining the present value of cash flows that a company will generate in the future. The cash flow projections, prepared in association with the management of the company concerned, include a critical analysis of the business plan of these companies. The discount rate used is the weighted average cost of capital and represents the level of expected return on capital employed (equity and debt required to finance the activity). It is calculated using financial data collected for the same sample as that used for multiples. The cash flow projections correspond to those used for impairment testing.
- **Choice of method**
  Where the company being valued is mature in its market, its enterprise value is calculated by averaging the market peer multiples valuation and the discounted cash flow valuation.
  For investments where the bulk of future growth depends on new markets (resulting from a change of strategy) or which are in decline or recovering, the enterprise value is calculated using the DCF method.

This multiple criteria analysis notably takes into account Somfy Participations intrinsic knowledge of its equity and its approach to medium-term investment.
The so-calculated enterprise value is increased or decreased by non-operating items, assessed at their net book value or market value if it can be reliably determined and the net financial debt, to obtain the recalculated value of 100% of the subsidiary. Financial debt is valued at its nominal value plus accrued interest. The equity stake value in the net assets is obtained by applying the percentage of ownership by Somfy Participations at the date of valuation. A minority discount is applied for certain subsidiaries with minority shareholding and/or reduced control.
Securities of listed companies are valued using the average closing price of the last 20 trading days preceding the assessment.
New investments, subsidiaries and affiliates, whether listed or unlisted, are valued at cost during the first 12 months of their acquisition. Post-acquisition, the subsidiaries establish yearly consolidated financial statements, certified by the Statutory Auditors, and update their business plans and profit forecasts for the fiscal year following the date of acquisition. After this period, companies are valued as per the above listed methods.

Somfy Participations portfolio valuation

€ millions	31/12/13	31/12/12
Portfolio valuation:		
– Equity portfolio	313.4	275.3
– Mezzanine and convertible bonds portfolio	79.0	73.0
– Private equity funds	4.1	4.0
TOTAL PORTFOLIO VALUE	**396.5**	**352.3**
Net book value of the portfolio*	240.2	234.8

** Historical cost net of writedowns.*

Post-balance sheet event

On 6 January 2014, **Somfy SA** was summoned to appear before the Regional Court of Albertville to seek annulment of the transfer of the company Spirel, which took place in 2010. Somfy SA challenges the arguments put forward by Spirel employees' legal counsel and considers that it has fulfilled its obligations. Since it cannot be held responsible for Spirel's current situation, Somfy SA is confident in the likelihood that the Court will rule in its favour.

Outlook

The Group remains cautious due to current economic and monetary uncertainty. For this reason, the action plan aimed at increasing the Group's efficiency and competiveness will continue over the coming months.
The development effort will be maintained in parallel and adjusted in line with the economic climate. Its primary aim will be to consolidate Somfy Activities' positioning in strategic markets (original business, residential access, home automation, and emerging countries) and may therefore lead to tactical acquisitions, of the same type as Giga and Garen Automação.
Similarly, new investments will be examined by Somfy Participations, with the aim of strengthening the existing companies, in particular Zurflüh-Feller, and enhancing the portfolio.

Information on the distribution of capital and holdings

Distribution of capital (Article L. 233-13 of the Commercial Code)

To the best of the company's knowledge, the distribution of capital and voting rights is as follows:

Shareholders	Number of shares	% share capital	Number of voting rights	% voting rights at AGMs
J.P.J.S. SCA	3,858,802	49.24	7,717,604	58.59
J.P.J.2 SA	643,005	8.20	1,227,275	9.32
Manacor	391,900	5.00	483,810	3.67
Despature family and other	679,942	8.68	1,200,482	9.11
Total action in concert	**5,573,649**	**71.12**	**10,629,171**	**80.70**
FAAC Holding SAS	571,400	7.29	1,142,800	8.68
Treasury shares	412,730	5.27	–	–
Other shareholders	1,279,021	16.32	1,399,481	10.63
TOTAL	**7,836,800**	**100.00**	**13,171,452**	**100.00**

In November 2010, Silchester International Investors, acting on behalf of funds under its management, declared that on 1 November 2010 it had a holding of 595,775 shares representing 7.60% of the share capital of Somfy SA. Due to the lack of disclosure of whether upward or downward threshold crossings, this company is still presumed to hold between 5% and 10% of Somfy SA's share capital.
No shareholder other than those mentioned above holds, directly or indirectly, alone or in concert with others, more than 5% of the share capital or voting rights of the company.
Changes to this list during the 2013 financial year are described below in the section "Disclosure of shareholding threshold crossings pursuant to Article L. 233-7 of the Commercial Code".

Reciprocal holdings (Articles L. 233-29 and R. 233-19 of the Commercial Code)

There are no reciprocal holdings as defined by current regulations.

Action in concert and retention agreements

Action in concert

By letter received on 7 June 2013, notably supplemented by a letter received on 18 June 2013, the limited partnership with share capital J.P.J.S., the limited companies J.P.J.2 and Manacor, the simplified joint stock company Somplus and certain members of the Despature family concluded, on 3 June 2013, a shareholders agreement constituting an action in concert between them, in relation to the company Somfy SA.

The main clauses of the agreement provide:

- **Action in concert:** the parties confirm their wish to act in concert within the meaning of Article L. 233-10 of the Commercial Code to implement a common policy with regard to Somfy SA. To that end, the parties undertake to make every effort and to consult one another, before every vote in the General Meeting of Somfy SA shareholders on resolutions relating to the appointment of members of the Supervisory Board or modification of the mode of administration or management of the company and any transaction in the capital of Somfy SA with a view to establishing a common position.
- **Maintaining the equity holding:** the parties undertake to maintain their overall equity holding in Somfy SA at more than 50% of the share capital and voting rights of this company.
- **Duration:** these undertakings are made for a period of ten years from the signature of the agreement, namely 3 June 2013. Any decision to reduce the term of the agreement will be made by a 3/4 majority of the Somfy SA shares held by the parties, it being understood that in the case of separation of the shares, the voting right will belong to the usufructary.

Collective retention agreements

A collective retention agreement relating to 60.83% of the share capital of Somfy SA and 70.08% of the voting rights of shares issued was signed on 30 December 2009 by several shareholders, including Management Board members Paul Georges Despature, Wilfrid Le Naour and Jean-Philippe Demaël, as well as Supervisory Board members Jean-Bernard Guillebert (for the duration of his term of office as member of the Supervisory Board, being until 16 May 2013), Jean Despature, Victor Despature, Xavier Leurent and Anthony Stahl, in accordance with Article 885 I bis of the General Tax Code, for a period of two years from 30 December 2009, automatically extended indefinitely after this two-year period.

In addition, ten collective retention agreements relating to 56.84% of the Somfy SA company share capital, were signed on 9 and 22 April 2010 and 13 December 2010 by a number of shareholders, including Management Board members Paul Georges Despature, Jean-Philippe Demaël and Wilfrid Le Naour and Supervisory Board member Jean-Bernard Guillebert (for the duration of his term of office as Member of the Supervisory Board, being until 16 May 2013) in accordance with Article 787 B of the General Tax Code, for a two-year period from the date of registration and automatically extended indefinitely after this period, unless one of the signatories gives notice of termination to other signatories.

Bylaws providing provisions relating to multiple voting rights (Excerpt of Article 28 of the bylaws)

"The voting right attached to the shares is proportional to the capital that they represent. All shares have the same par value and entitle their owner to one vote.

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

In the case of a capital increase by the capitalisation of reserves, profits or issue premiums, registered shares granted free of charge to a shareholder in exchange for existing shares, which already benefit from this right, will be entitled to the same double voting right.

All shares converted into bearer shares or whose ownership has been transferred shall lose their entitlement to a double voting right, except in instances provided for by law."

Disclosure of shareholding threshold crossings during the 2013 financial year, pursuant to Article L. 233-7 of the Commercial Code

The concert between (i) Paul Georges Despature, his children and the company J.P.J.S. and J.P.J.2 under his control, the company Manacor, the company Somplus and certain members of the Despature family, stated that it had, on 3 June 2013, due to certain members of the Despature family entering into the above mentioned agreement, crossed the threshold of 2/3 of the share capital of the company Somfy SA and holds 5,554,832 Somfy SA shares representing 10,212,565 voting rights, equating to 70.88% of the capital and 77.43% of the voting rights in this company[6], broken down as follows:

	Number of shares	% share capital	Number of voting rights	% voting rights
J.P.J.S.[1]	3,858,802	49.24	7,717,604	58.52
J.P.J.2[2]	633,558	8.08	1,142,902	8.67
Despature Family[5]	630,183	8.04	796,293	6.04
Manacor[3]	391,900	5.00	483,810	3.67
Somplus[4]	37,266	0.48	66,692	0.51
Paul Georges Despature and his children	3,123	0.04	5,264	0.04
TOTAL CONCERT	**5,554,832**	**70.88**	**10,212,565**	**77.43**

1. Company (registered office: 25 avenue Fosse-aux-Chênes, 59100 Roubaix) controlled by Paul Georges Despature.
2. Company (registered office: 11 A, boulevard Prince Henri, L-1724 Luxembourg, Grand Duchy of Luxembourg) controlled by Paul Georges Despature and his children.
3. Company (registered office: 11 A, boulevard Prince Henri, L-1724 Luxembourg, Grand Duchy of Luxembourg) controlled by Thierry Despature.
4. J.P.J.S. holds 35.71% of the share capital of Somplus, with the balance being owned by ten senior executives of Somfy Group.
5. Namely: Monique Delcourt (and her children), Jean Despature (and his children), Marie-Christiane Devienne (and her children), Anthony Stahl and the limited liability company PBA SARL that he controls, Françoise Leurent (and her children), Victor Despature (and his children), Chantal Ibled (and her children), Jean Despature and the limited company Yainville that he controls and Patrick Despature and the limited company Compagnie Financière Industrielle that he controls.
6. Based on a share capital comprising 7,836,800 shares representing 13,188,858 voting rights, in application of paragraph 2 of Article 223-11 of the General Regulations.

Information on the buyback of own shares

(Article L. 225-211 of the Commercial Code)

The company has implemented several successive share buyback programmes. The most recent buyback programme was launched in 2013; it was authorised by the Combined General Meeting of 16 May 2013, and had the following objectives:

- To stimulate the secondary market or ensure the liquidity of the Somfy SA share, by way of an investment services provider within a liquidity contract that complies with the Ethics Charter of AMAFI recognised by the “Autorité des Marchés Financiers”;
- To retain the shares purchased and subsequently exchange them or use them within the framework of potential acquisitions, recognising that shares acquired to that end may not exceed 5% of the company’s share capital;
- To ensure the coverage of stock option plans and/or free share allocation plans (or similar) granted to employees and/or senior executives of the Group, as well as all other shares allocated under a company or group savings scheme (or similar), in relation to employee profit-sharing and/or any other form of allocation to employees and/or senior executives of the Group;
- To cover marketable securities giving right to the allocation of shares in the company, in accordance with current regulations;
- To proceed with the possible cancellation of acquired shares, according to the authorisation granted by the General Meeting of 15 May 2012 in its seventh resolution, sitting in extraordinary session.

These transactions may notably be carried out at times of a takeover bid, in compliance with Article 232-15 of the AMF General Regulations, if the bid is entirely cash-based and buyback transactions are carried out as part of the continued implementation of an on-going programme and are not liable to make the bid fail.

The maximum purchase price is set at € 250 per share. Therefore, the maximum amount of the share buyback programme is € 195,920,000.

During the financial year just ended, on the basis of the authorisations given by the General Meetings of 2012 and 2013, the company bought back 18,695 shares at an average price of € 160.80, sold 19,454 shares at an average price of € 159.62 and transferred 14,100 shares at an average price of € 85.98 in relation to the exercise of share purchase options and 5,520 shares at an average price of € 120.15 in relation to the final allocation of free shares.

Out of the 18,695 shares acquired, 14,433 were allocated to the liquidity objective and 4,262 to covering share purchase option plans and plans to grant free shares to employees and senior executives of the Group.

Trading fees amounted to € 1,327.51.

No other shares were re-allocated for objectives other than those initially specified.

The company held 412,730 of its own shares at 31 December 2013, representing 5.27% of the capital. The value of the purchase price of the share amounted to € 176.80 for a nominal value of € 1 each, representing a total nominal value of € 412,730 (€ 862 for the liquidity contract, € 112,254 to be retained for future acquisition transactions and € 299,614 for option plans to purchase shares and/or free share allocation plans).

The Management Board will submit a new treasury share purchase plan for a period of eighteen months for shareholders' approval. This plan would replace the current programme, which will be terminated early. It would allow management to purchase up to 10% of the shares of the company, if necessary restated for any potential capital increase or decrease transactions that may be carried out over the timeframe of the programme. The objectives of this programme would be:

- To stimulate the secondary market or ensure the liquidity of the Somfy SA share, by way of an investment services provider within a liquidity contract that complies with the Ethics Charter of AMAFI recognised by the "Autorité des Marchés Financiers";
- To retain the shares purchased and subsequently exchange them or use them within the framework of potential acquisitions, recognising that shares acquired to that end may not exceed 5% of the company's share capital;
- To ensure the coverage of stock option plans and/ or free share allocation plans (or similar) granted to employees and/or senior executives of the Group, as well as all other shares allocated under a company or group savings scheme (or similar), in relation to employee profit-sharing and/or any other form of allocation to employees and/or senior executives of the Group;
- To cover marketable securities giving right to the allocation of shares in the company, in accordance with current regulations;
- To proceed with the possible cancellation of acquired shares according to the authorisation to be granted by this General Meeting of shareholders in its sixth resolution, sitting in extraordinary session.

These transactions may notably be carried out at times of a takeover bid, in compliance with the applicable legislative regulations.

The company reserves the right to use options or derivative instruments, in accordance with applicable regulations.

We propose to set the maximum purchase price at € 250 per share, and consequently the maximum amount of the share buyback programme at € 195,920,000.

As a result of the cancellation objective, we request that you authorise the Management Board, for a period of 24 months, to cancel, at its own discretion, on one or more occasions, within a limit of 10% of capital, calculated on the day on which the cancellation decision is made, reduced by the number of shares cancelled during the previous 24 months, the shares which the company holds or could hold following share buybacks exercised under the terms of its share buyback programme, and to reduce share capital by the corresponding amount pursuant to the legal and regulatory provisions in force.

The Management Board would thus be granted the power to do whatever is necessary in that respect.

Information on investments and controlled companies

Investments in French companies during the financial year ending 31 December 2013 (Article L. 233-6 of the Commercial Code):

	Direct control		Indirect control	
Company name	**Number of shares**	**% share capital**	**Number of shares**	**% share capital**
Stor'm SARL	300 shares	60.0	–	–

Names of companies directly or indirectly controlled and the portion of Somfy SA's share capital held by them (Article L. 233-13 of the Commercial Code): none of the companies controlled by Somfy SA hold shares in Somfy SA.

Elements liable to have an impact in the event of a public offering (Article L. 225-100-3 of the Commercial Code)

Under existing regulations, the following may have an impact in the event of a public offering:

- The capital structure and all direct or indirect holdings known of Somfy SA and all relevant information that is described under "Information on the distribution of capital and holdings";
- There are no bylaw restrictions to the exercise of voting rights;
- There are no securities carrying special voting rights, aside from the existence of double voting rights enjoyed by fully paid shares registered under the same named shareholder for at least four years (see excerpt from Article 28 of the bylaws);
- Voting rights attached to Somfy SA shares held by personnel through FCPE Somfy (Somfy Investment Fund Scheme) are exercised by a representative appointed by the Supervisory Board of the FCPE to represent it at the Annual General Meeting;
- Commitments signed between shareholders that could lead to restrictions on the transfer of shares and exercise of voting rights have been referred to in the "Action in concert and retention agreements" section;
- Rules governing the appointment and replacement of Management Board members and any bylaw amendments are respectively provided for in Articles 15 and 30 of the bylaws reproduced below:

Bylaw provisions relating to the appointment and replacement of members of the Management Board (Article 15)

"The Management Board is composed of a minimum of two and a maximum of five members who may or may not be shareholders.

In accordance with and for the period provided for by the law, the Supervisory Board will appoint Management Board members, determine their number, nominate the Chairman of the Management Board and determine their remuneration.

No person aged over 70 may be appointed to the Management Board. Upon reaching this age, members of the Management Board are deemed to have resigned at the Supervisory Board's next meeting.

The Supervisory Board is authorised to assign the powers of the Chairman of the Management Board, as conferred by law, to one or more members of the Management Board who carry the title of Chief Executive Officer.

Management Board members can be re-elected.

In case of a vacancy, a replacement shall be appointed for the time remaining until re-election of the Management Board.

If a Management Board member seat is vacant, the Supervisory Board must change the number of seats it had previously set or fill the vacancy within a two month time frame so that the number of Directors does not fall below the minimum required by the bylaws. Otherwise, any interested party may ask the President of the Commercial Court, acting in chambers, to make this temporary appointment. The person thus appointed may, at any time, be replaced by the Supervisory Board.

Management Board members or the Chief Executive Officer may only be dismissed by the Annual General Meeting or by the Supervisory Board. If dismissal is decided without just cause, it may give rise to damages. In the case where an individual holds an employment contract with the company, the revocation of his/her functions purely as a Management Board member or Chief Executive Officer will not terminate this contract."

Bylaw provisions relating to bylaw amendments (Excerpt of Article 30)

"Only an Extraordinary General Meeting can modify the company's bylaws in all its provisions. Nevertheless it cannot increase shareholders liabilities with the exception of transactions resulting from an exchange or regrouping of shares properly decided and executed.

It requires a two-thirds majority of votes of present or represented shareholders, including shareholders who voted by mail";

- Concerning powers, the Management Board has no delegations except those described under the sections "Information on delegations relating to share capital increases and other authorisations" and "Information on the buyback of own shares";
- Agreements concluded by the company that may be altered or terminated upon a change of control of the company are as follows: contracts signed between Somfy SA and credit institutions concerning credit facilities granted require the latter to inform the said banks of all projects related to a significant change in its shareholding, notably those resulting in a transfer of control to a new company;
- There are no particular agreements providing for benefits upon termination of the term of office of a Management Board member.

Information on the terms and conditions of retention of shares allocated free of charge to senior executives (Article L. 225-197-1 II section 4 of the Commercial Code)

At its meeting of 13 May 2009, the Supervisory Board set the number of shares that every member of the Management Board is required to retain in nominative form until the termination of their term of office: resulting in every member being required to retain 25% of the total shares allocated free of charge, this percentage being reduced to 20% at the end of four years from the allocation, then successively to 15% at the end of six years from the allocation, to 10% at the end of eight years from the allocation and to 5% until termination of their terms of office.

Information on appointments held and remuneration received during the financial year (Article L. 225-102-1 of the Commercial Code)

The Supervisory Board met on 15 November 2013 and reappointed the Management Board members. These appointments took effect on 27 November 2013, for a period of four years.

The Management Board is composed as follows:

Name	Position	Date appointed	Date term expires
Paul Georges Despature	Chairman	27 November 2013	26 November 2017
Jean-Philippe Demaël	Member	27 November 2013	26 November 2017
Wilfrid Le Naour	Member	27 November 2013	26 November 2017

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

Paul Georges DESPATURE
Chairman of the Management Board

- Chairman of the Supervisory Board of Damartex SA,
- Chairman of the Remuneration Committee of Damartex SA,
- Member of the Audit Committee of Damartex SA,
- Member of the Supervisory Board of CIAT Group SA,
- Director of FAAC SpA and Compagnie Industrielle d'Applications Thermiques SA,
- Manager of CMC SARL.

Remuneration includes a fixed part and a variable part. Variable remuneration is determined by the Supervisory Board on the recommendation of the Remuneration Committee on the basis of the measurements of performance for both the Somfy Activities and Somfy Participations branches, weighted by the contribution of each branch to the Group's net profit. A debt measurement criterion is added (net debt/ cash flow at 31 December of the relevant year).

Due to confidentiality reasons, the level of achievement of these variable remuneration quantitative criteria is not disclosed.

Details of remuneration paid during the financial year just ended are included in the summary table (page 24).

Since the termination of his employment contract on 30 June 2010, the Chairman of the Management Board only receives remuneration in respect of his term of office.

Wilfrid LE NAOUR
Chief Executive Officer of Somfy SA, Somfy Participations branch

- Chairman of the Supervisory Board of Financière Nouveau Monde SA and Direction Marty Holding - DMH SA,
- Observer of NMP SAS,
- Chairman of Provence Nouveau Monde SAS,
- Member of the Supervisory Board of Damartex SA and CIAT Group SA,
- Director of Gaviota Simbac SL, FAAC SpA, Compagnie Industrielle d'Applications Thermiques SA and Pellenc SA,
- Manager of Somfy GmbH.

Remuneration includes a fixed part and a variable part. Variable remuneration is determined by the Supervisory Board on the recommendation of the Remuneration Committee on the basis of three criteria specific to Somfy Participations:

- The change in the net asset value of equity investments,
- The percentage achievement of annual budgets,
- The improvement of Somfy Participations' financial position.

A qualitative criterion based on the Supervisory Board's approval of the strategic plan submitted has been added to these criteria.

Due to confidentiality reasons, the level of achievement of these variable remuneration quantitative criteria is not disclosed.

The variable remuneration also includes profit sharing, employee shareholding and contributions to the Group savings scheme, as described in the Chairman's report on internal control and corporate governance.

Benefits in kind consist of the use of a company car.

Details of remuneration paid during the financial year just ended appear in the summary table (page 24).

Jean-Philippe DEMAËL
Chief Executive Officer of Somfy SA, Somfy Activities branch

- Chairman of Somfy SAS,
- Chairman of the Board Office of Fondation d'Entreprise Somfy pour mieux habiter la planète,
- Chairman of the Management Board of Somfy España SA,
- Director of Automatismos Pujol SL, Asian Capital International Limited, BFT Italia SpA, Chusik Hoesa Somfy, Hong Kong CTLT Trade Co., New Unity Limited, Ningbo Dooya Mechanic & Electronic Technology Co, Ltd., Promofi BV, Sino Global International Holding Limited, Sino Link Trading Limited, Somfy Brasil Ltda, Somfy Middle East Co. Limited, Somfy Nederland BV, Somfy PTE Ltd., Somfy PTY. Limited and Somfy Taiwan Co Ltd,
- Manager of Somfy GmbH.

Remuneration includes a fixed part and a variable part. Variable remuneration is determined by the Supervisory Board on the recommendation of the Remuneration Committee on the basis of an objective scale, taking the following items into account:

- Profit growth (average annual growth of current operating result over two years),
- Return on capital employed (average ROCE over two years),
- Business development, measured by sales growth and by its differential with the sales growth of a range of reference points comprised of nine companies considered to be comparable.

Due to confidentiality reasons, the level of achievement of these variable remuneration quantitative criteria is not disclosed.

The variable remuneration also includes profit sharing, employee shareholding and contributions to the Group savings scheme, as described in the Chairman's report on internal control and corporate governance.

Benefits in kind consist of the use of a company car.

Details of remuneration paid during the year just ended appear in the summary table (page 24).

The company CMC SARL established a supplementary pension plan in 2006. This plan applies to Directors and III-C position Senior Executives, as well as Managers benefiting from an employment contract, in accordance with the categories defined by the French Convention Collective Nationale des Ingénieurs et Cadres de la Métallurgie.

The plan grants a contingent right to supplementary pension, pursuant to the so-called "Article 39", which is dependent on the seniority of the beneficiary (a minimum of 15 years). The right to a supplementary pension is acquired at a rate of 0.75% per year of service and cannot exceed 15% of the potential beneficiary's reference salary. The reference salary is defined as the average of the best three years after applying CNAV re-evaluation coefficients. Based on estimates setting at 35% the future rate of replacement provided by the compulsory pension plans when the affected population reaches retirement age, this plan should enable the rate to increase to 35 + 15 = 50% of the reference salary for beneficiaries whose career within the Group lasted 20 years or more.

Commitments of the plan and corresponding assets have been outsourced to an insurance company. Future commitments are fully covered by plan assets under management, which were measured at fair value.

Management Board member likely to be concerned by this plan: Jean-Philippe Demaël.

In relation to his employment contract prior to his appointment to the Management Board, Jean-Philippe Demaël also benefits from CMC SARL so-called "Article 83" defined contribution pension plan, applicable to Senior Executives as well as Managers benefiting from an employment contract, for whom the portion of contributions payable by the company represents 6.25% of remuneration, limited to the tranche B cap applicable to the Senior Executives' regime.

The exercise of stock options previously granted to Wilfrid Le Naour and Jean-Philippe Demaël is included in the special report presented to the Annual General Meeting, pursuant to Article L. 225-184 of the Commercial Code.

For members of the Management Board who had benefited from stock options until then, the new constraints introduced by the Law of 3 December 2008 have led the Supervisory Board to exclude them from future allocations of performance-based shares and stock options. However, the Board deemed it necessary to continue giving perspective to their contribution and bring their interest as much as possible in line with those of the shareholders and other managers, as in the past. Therefore, it was decided to grant them variable remuneration based on identical performance conditions to those used for allocating performance-based shares to Management. The proportion of the variable remuneration paid in this respect in 2013 corresponded to a performance condition achieved at 60%.

It should be noted that the Chairman of the Management Board remains excluded from stock option and performance-based share allocations and is therefore not concerned by this decision.

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

Paule CELLARD
Member of the Supervisory Board

- Member of the Audit Committee of Somfy SA,
- Member of the Supervisory Board of Damartex SA,
- Chairman of the Audit Committee of Damartex SA,
- Member of the Remuneration Committee of Damartex SA,
- Director and Member of the Audit Committee of Crédit Agricole Private Banking Luxembourg.

Jean DESPATURE
Member of the Supervisory Board

- Member of the Supervisory Board of Damartex SA,
- Chairman of the Management Board of Yainville SA,
- Director of Autoplanet, Carbeo and VGL Food.

Victor DESPATURE
Vice-Chairman of the Supervisory Board

- Chairman of the Audit Committee of Somfy SA,
- Member of the Remuneration Committee of Somfy SA and SAS Mobilis,
- Chairman and Chief Executive Officer of MCSA SA,
- Chairman of the Supervisory Board of SCA J.P.J.D., J.P.J.S., Valorest, Acanthe, Cimofat and SC Soderec,
- Member of the Supervisory Board of SAS Mobilis,
- Permanent representative of MCSA SA, Chairman of SAS MCSA-CELERC, MCSA-SIPEM and MCSA-SET,
- Manager of SARL MCSA-Tunis and of SC VICMA, DEVIN-VD and LE MARECHAL,
- Director of SA COLAM ENTREPRENDRE.

Xavier LEURENT
Member of the Supervisory Board

- Vice-Chairman and member of the Supervisory Board of Damartex SA,
- Manager of FIDEP.

Valérie PILCER
Member of the Supervisory Board

- Member of the Audit Committee of Somfy SA.

Michel ROLLIER
Chairman of the Supervisory Board

- Chairman of the Remuneration Committee of Somfy SA,
- Chairman of the Supervisory Board of Michelin,
- Chairman and Chief Executive Officer of Siparex Associés,
- Director of Lafarge.

Anthony STAHL
Member of the Supervisory Board

- Member of the Supervisory Board of Damartex SA,
- Chairman of the Management Committee of FIDEP.

At the General Meeting of 16 May 2013, the following Board members were reappointed for the following durations to allow the implementation of staggered terms of office:

- Jean Despature, for a term of four years, until the end of the General Meeting to be held in 2017, convened to approve the financial statements for the financial year just ended,
- Victor Despature, for a term of four years, until the end of the General Meeting to be held in 2017, convened to approve the financial statements for the financial year just ended,
- Xavier Leurent, for a term of two years, until the end of the General Meeting to be held in 2015, convened to approve the financial statements for the year just ended,
- Anthony Stahl, for a term of two years, until the end of the General Meeting to be held in 2015, convened to approve the financial statements for the year just ended.

Remuneration of members of the Management Board and Supervisory Board

Summary of remunerations

(€)	Attendance fees 2013	Fixed remuneration 2013	Variable remuneration 2013 (*)	Benefits in kind 2013
Members of the Management Board				
Paul Georges Despature Chairman of the Management Board	–	210,000	40,000	–
Jean-Philippe Demaël	–	415,000	140,428	4,668
Wilfrid Le Naour	–	380,000	210,428	3,989
Members of the Supervisory Board				
Jean-Bernard Guillebert Chairman of the Supervisory Board until 16/05/2013	7,400	15,039 (**)	–	–
Michel Rollier Chairman of the Supervisory Board from 16/05/2013	10,709	31,183 (**)	–	–
Paule Cellard	6,500	–	–	–
Jean Despature	4,400	–	–	–
Victor Despature	15,000	–	–	–
Xavier Leurent	4,400	–	–	–
Valérie Pilcer	10,800	–	–	–
Anthony Stahl	4,400	–	–	–

(*) Variable remuneration paid in 2013 in respect of 2012.
(**) Remuneration as Chairman of the Supervisory Board.

Options allocated and exercised during the financial year

The Chairman of the Management Board is not a beneficiary of option plans or performance-based shares.
During the financial year, no member of the Management Board received option or performance-based shares, nor benefited from performance-based shares that became available to them.

Wilfrid Le Naour – Position at 31/12/13

Plan N°	Date of allocation	Date of vesting	Allocation price	Unexercised at 31/12/12	2013 allocations	2013 exercised	2013 lapsed	Balance at 31/12/13
15	02/04/08	03/04/12	155.00	3,000	–	– 3,000	–	–
				3,000	**–**	**– 3,000**	**–**	**–**

Jean-Philippe Demaël – Position at 31/12/13

Plan N°	Date of allocation	Date of vesting	Allocation price	Unexercised at 31/12/12	2013 allocations	2013 exercised	2013 lapsed	Balance at 31/12/13
15	02/04/08	03/04/12	155.00	3,000	–	– 3,000	–	–
				3,000	**–**	**– 3,000**	**–**	**–**

Procedure for setting the remuneration of Management Board and Supervisory Board members

The remuneration of Management detailed above is proposed by the Remuneration Committee. It is revised each year on the basis of expert advice and is in line with the market.

The Remuneration Committee, having considered the Middlenext recommendations on the remuneration of Directors of listed companies, submits for approval to the Supervisory Board the various components of remuneration and the criteria for allocating the variable share of Directors' remuneration, so that their remuneration may be fixed.

At the General Meeting of 16 May 2013, the shareholders decided to set attendance fees for the next financial years at € 100,000 until otherwise specified.

The Supervisory Board apportions attendance fees among its members in proportion to their attendance at Board meetings and Audit Committee and Remuneration Committee meetings.

The Chairman of the Supervisory Board receives specific remuneration for carrying out his duties as Chairman.

Information on transactions performed by directors during the financial year (Article 223-26 of AMF General Regulations)

The company is aware that various transactions falling within the scope of Article L. 621-18-2 of the Monetary and Financial Code have been carried out during the past financial year.

Purchases (€)

Registrant and nature of transaction	Amount
Wilfrid le Naour, Member of the Management Board	465,000
Jean-Philippe Demaël, Member of the Management Board	465,000
Exercise of stock options	930,000
Michel Rollier, Chairman of the Supervisory Board	9,350
Yainville, related to Jean Despature, Member of the Supervisory Board	206,730
J.P.J.2, related to Paul Georges Despature, Chairman of the Management Board	1,588,071
Acquisition	1,804,151
TOTAL PURCHASES	**2,734,151**

Sales (€)

Registrant and nature of transaction	Amount
Wilfrid le Naour, Member of the Management Board	409,899
Jean-Philippe Demaël, Member of the Management Board	327,663
Disposal of securities issued through the exercise of stock options	737,562
TOTAL SALES	**737,562**

Corporate governance

Audit Committee

The Audit Committee currently comprises three members: Victor Despature Committee Chairman, Valérie Pilcer and Paule Cellard.

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

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

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

During the 2013 financial year, the Audit Committee met on five occasions with all members in attendance, with the exception of one absence at one meeting.

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

This department, comprising the Internal Audit Officer and the equivalent of 2.5 auditors, carries out audits that evaluate the correct application of accounting principles, the organisation and the systems put in place within the entity subject to audit.

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

Where appropriate, the main weaknesses identified in internal control are reported and recommendations are issued. A follow-up of the implementation of recommendations is made each year. A report is presented to the Management Board and to the Audit Committee.

In addition, urgent assignments that were not provided for in the audit plan may be carried out during the year at the request of the Management Board or the Audit Committee. Twice a year, the Internal Audit Officer presents a report on the activities of the Department to the Management Board and the Audit Committee.

Remuneration Committee

Following the expiry of Jean-Bernard Guillebert's term of office as member of the Supervisory Board with effect from 16 May 2013 and as result of its non-renewal, the Remuneration Committee currently comprises the following two members: Michel Rollier, Committee Chairman (independent member) and Victor Despature. Its mission is to submit proposals to the Supervisory Board, in particular in respect of the amount and calculation of Director remuneration and to provide advice concerning the amount of attendance fees.
At least once a year, the Committee calls on a firm specialised in the subject of senior executive remuneration, which provides advice on the practices that are generally applied in companies of a comparable size.
During the year just ended, it met three times. The rate of attendance by the members was 100%.
The members of the Remuneration Committee report verbally to the Board on their work and on the opinions they have issued, thus helping the Board to prepare and make decisions in terms of Directors' remuneration.

Independence of members of the Supervisory Board

As provided by the Middlenext framework, the Board has assessed the independence of its members.
Based on the independence criteria suggested by the Middlenext framework, the Supervisory Board notes that, to date, an independent member of the Board is a member who has no relationship of any nature whatsoever with Somfy SA or its management, or with a company consolidated by the Somfy Group, that may affect his/her freedom of judgment, and who meets the following criteria:
- Is not and has not been an employee and does not hold and has not held a general management position within Somfy SA or any other Group company over the last three years;
- Is not a significant customer, supplier or banker of Somfy SA or its Group, or for which Somfy SA or its Group represents a significant share of his/her business activity;
- Is not a significant shareholder of Somfy SA;
- Is not closely related to a Director or major shareholder;
- Has not been a Statutory Auditor of Somfy SA over the past three years.

In light of these criteria, the Supervisory Board considered that Paule Cellard, Valérie Pilcer and Michel Rollier qualified as independent members.

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

In 2013, Somfy Group firstly redesigned its "R&D Center" site in Cluses in order to accommodate multidisciplinary teams on project platforms. By providing a common workspace for all the functions connected to a project (design, marketing, purchasing and production), sharing and efficiency should be improved, thereby reducing the development time and the time to market for new products. 90% of Somfy Group's R&D and marketing teams are now based in Cluses and not far from the factory which assembles the value-added products.
In research related to home automation, efforts were focused on expanding the range to include new equipment. In 2013 therefore, image handling to remotely display the interior of homes, compatibility with all security sensors and energy consumption monitoring were all incorporated. In addition, to create a genuine "ecosystem" of interoperable home automation solutions, Somfy Group's R&D teams forged links with leading home, heating and security manufacturers. Development partnerships were signed with GDF Suez, Atlantic, De Dietrich and Hitachi. Lastly, in line with the Group's mission to help improve living environments, home automation research also focused on the issue of supporting elderly people in their homes. Thus, tests were carried out in Holland to develop a new concept of housing for the elderly: equipment evolves in parallel with the occupant's level of dependency and is only deployed as and when required.
In the commercial buildings market, R&D focused in 2013 on the creation of digital solutions enabling feedback and improved interaction with the building's management system. Somfy Group's aim is to launch these digital motors from 2014, notably in Asia and America. In parallel, Somfy Group has been working with Bouygues, on providing householders the opportunity to control their blinds from their computer.
In 2013, these new products and solutions were protected by the registration of 36 new patents, enhancing a portfolio of 450 active patents.

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

At 31 December 2013, the FCPE Somfy (Somfy Investment Fund Scheme) held 52,254 Somfy SA shares amounting to 0.67% of the company's share capital.

Social and environmental reporting (Article L. 225-102-1 of the Commercial Code)

A policy of Sustainable Development integrated into the Somfy Group strategy

The Somfy Group shares with its employees a culture of responsibility that underpins its Sustainable Development policy.

Somfy Group companies exercise their environmental, social and societal responsibility through the implementation of Sustainable Development strategies guided by the following objectives:

- Minimising the environmental impact of all its activities, sites and products;
- Ensuring the professional and personal development of all its employees;
- Discharging their civic responsibility by involving themselves in social issues consistent with their areas of work;
- Supporting the development of communities wherever they are established.

In the field of housing, Somfy Group sought to help improve living environments, by meeting peoples' growing expectations in terms of comfort, security, saving energy and maintaining their independence, by acting responsibly and ensuring that natural resources are preserved.

Several principles help ensure the implementation of these strategic policies:

- A continuous improvement plan measured by indicators,
- The establishment of a structured dialogue with the stakeholders: customer satisfaction survey, measuring employee commitment, investor and shareholder relations policy, active participation both internationally and locally with working groups and organisations on industry issues,
- Regular and transparent communication.

Somfy Group's Sustainable Development policy addresses the high expectations of its customers and all its stakeholders, be they the development of environmentally friendly solutions, or social or societal commitments.

Governance

The organisation as a whole and the teams within the Group contribute to the continuous improvement of the Sustainable Development policy.

Since 2008, Somfy Activities has had a Sustainable Development Department. It reports to the Group's Operations Department. Its missions are to guide the implementation of the Group's environmental commitments.

The Group Human Resources Department has the task of guiding the implementation of Somfy Activities' commitments relating to social matters.

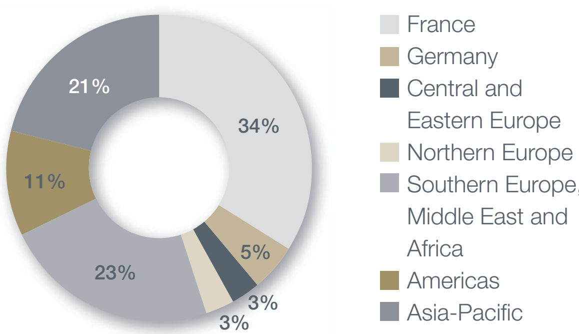
The Communications Department has the task of guiding the implementation of Somfy Activities' commitments relating to societal matters. In this regard, the Group Communications Director is a member of the Somfy Foundation Governing Board, the main driving force of the Group's citizenship policy, and whose main purpose is to support projects that fight poor housing.

The Strategic Committee for Sustainable Development brings together the Sustainable Development Director, the Group Human Resources Director and the Group Communications Director. Its mission is to ensure the coherent implementation of the three lines of Somfy Activities' Sustainable Development strategy: Planet, Employees and Company.

Social information

Contextual data

At 31 December 2013, total group workforce was 6,654 people and was analysed as follows:



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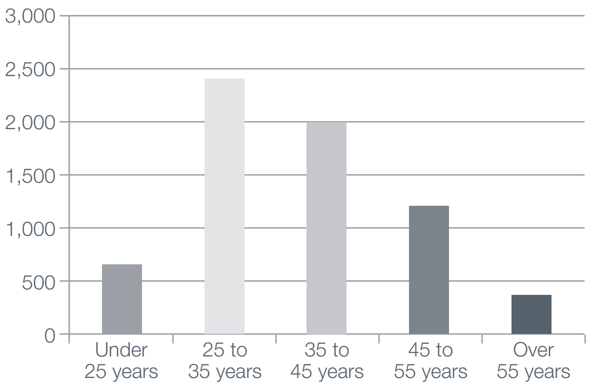
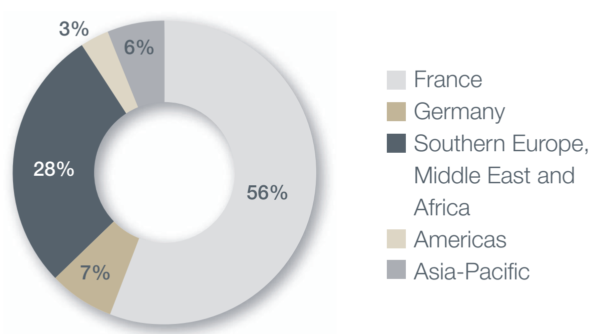
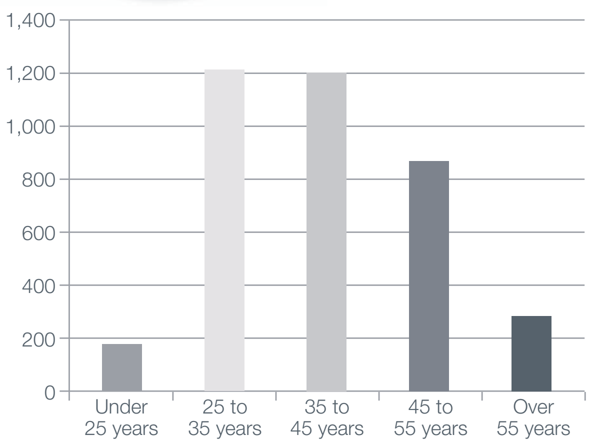


Employee expenses amounted to € 298.9 million at 31 December 2013.
The 2012 report was limited to a scope covering France, comprising 2,154 people in four companies. The 2013 report now covers nine Somfy Group companies, representing a workforce of 3,776 people, equating to 57% of the Group's total staff.
These companies are located on four continents (Europe, Africa, Asia and America) and in six countries (France, Germany, Italy, Tunisia, China and USA).





It should be noted that the expanded analysis scope of the social data will temporarily render any comparison with data from the previous report difficult.
Some companies were excluded from the scope of this report. This situation is related to the existence of very low workforces in certain organisations (distribution subsidiaries spread out over vast geographic areas such as Russia or South America), or the lack of Human Resources information systems designed for collecting data easily.

To overcome this last difficulty, an international information system is currently being deployed within the Group's main entities, its aim in the long run being to cover all Somfy Activities regions and companies.

A responsible corporate policy

The Group's Social Responsibility policy is to primarily support Somfy Group's transformation in its continued international expansion, in creating new markets and increasing its innovation activity.
In 2013, the Group continued to deploy its Human Resources road map along three main lines:
- Commitment,
- Skills and employability,
- Performance.

All the initiatives deployed are aimed at developing the Group's "Employer" brand to simultaneously make it a lever to create both commitment and external attractiveness.

Commitment

• Preamble

The measures deployed help to provide both direction to the collective project and consistency to maintain and strengthen commitment within the teams.

• Working organisation

In all the companies within the scope, the average working week complies with the applicable local legislation and varies between 35 and 40 hours of work per week.
The options for individual arrangements vary according to country and site activity. Such arrangements are better developed in Europe and in non industrial activities.

Workforce analysis by shift

	31/12/13	
Daytime work	2,321	61%
Shift work	1,279	34%
Part time work	176	5%
TOTAL	**3,776**	**100%**

Organisation by shift schedule is predominant on our production sites. Depending on the sites it varies between 25 and 90% of the workforce. Overall, shift-based organisation concerns 40% of the scope's workforce.
It should be noted that on the six industrial sites covered by this report, night work is not a permanent working arrangement.
Collective working hours can vary depending on production plans and business opportunities. This flexibility is essential in adapting to market needs.

• Social relations

Social dialogue is an important element in regulating the collective organisation of work. The company wishes to enhance its quality and role.

All the companies comply with the local laws and agreements connected with their activities.

Although not all have union representatives, social dialogue is guaranteed or implemented through meetings and/or communication with staff representative bodies or with employees directly.

In 2013, certain companies signed new agreements or amendments to agreements concluded in previous years.

Certain agreements or action plans related to issues triggered by the legislature, for example in France (professional equality) or in Italy (training).

More generally, the main agreements and amendments signed related to:

- Salary increases (France, China and Italy),
- Arrangements for the allocation and administration of profit sharing and employee shareholding to beneficiaries (France),
- The allocation of exceptional bonuses (Tunisia),
- Gender equality (France),
- Employee training (France, Italy),
- Generational contract and Forward Planning of Employment and Skills (France),
- Social dialogue framework (France).

Social dialogue is a way of making Somfy Group's social frame of reference progress and informing employees about the Group's position and its development and transformation areas.

• Health and safety

Most of the companies have an occupational health department and internal safety functions, notably strengthened in France by the support of Company Doctors and specialists in ergonomics.

At a constant scope compared with 2012, it should be noted that the frequency of work related accidents fell significantly for three of the companies concerned and increased for the fourth. Conversely, the severity increased for three of them, with only one company making progress in relation to this second indicator. Preventive actions had an effect on the frequency but they must be continued in order to reverse the severity trend.

Rate of frequency and severity

Companies	Somfy SAS		Simu SAS		Zurflüh-feller		Sirem	
Period of comparison	2012	2013	2012	2013	2012	2013	2012	2013
Frequency	15.28	7.53	17.25	12.01	20.15	34.12	80.65	69.56
Severity	0.35	0.38	0.11	0.13	0.33	0.72	4.70	3.77

Within the new 2013 scope, it should be noted that the consolidated rate of frequency was 14.55 and the severity rate was 0.42.

Safety training was completed by new and existing employees as well as specialist staff (nurses and safety officers).

By way of illustration, Somfy SAS staff completed the following safety training:

Type of training	Number of hours	Number of trainees
Reception Security	241	107
Improving how we move on a daily basis	133	19
First-aid training	728	52
Electrician accreditations	952	57
Stress management training	231	46
Professional licence for health and environmental occupations	350	1
CACES recycling training courses	367.5	35
Electrical/housing/electronic recycling accreditation	885	85
TOTAL	**3,887**	**402**

More than a quarter of staff thus received safety training, for an average of around ten hours.

The average rate of absenteeism was 4.4% for the entire reporting scope. This rate is lower than the rate observed, for example, in the metallurgy sector in France (5.4% in June 2012).

Work related accidents and occupational diseases are monitored, and preventive action implemented, by dedicated working groups or specially appointed employee representative bodies, according to country (HSWCC in France for example).

In regard to accidents at work, preventive action taken in 2012 and 2013 within companies already included in the 2012 report was successful, leading to a significant reduction in work related accidents (90 in 2012 compared to 59 in 2013).

The rate of frequency is in line with the industry average whilst the rate of severity remains significantly lower than the average rate, notably in France. The company will nevertheless continue to take action in this area as it remains unsatisfied with this situation.

The employees at highest risk are provided with individual protective equipment.

With regard to occupational diseases, the operations carried out in our production workshops are mainly assembly operations involving small parts. The main risks are those linked to repetitive assembly process operations (Musculo-Skeletal Disorders – MSD).

Close monitoring of these MSDs has been carried out for many years in the French factories, with measures targeting improvement from the design of equipment through to the training of workers in their gestures and posture. This expertise in the prevention of MSD in France has benefited other Group factories through the application of our industrial standards.

Nevertheless, the number of people affected by a recognised occupational disease has slightly increased over the last two years and warrants greater attention in terms of reducing the demanding nature of certain work situations.

Monitoring of Somfy SAS trends in occupational diseases

	2010	2011	2012	2013
Number of conditions declared	10	7	15	15
Number of people affected	7	6	8	10

In addition, action in the area of reducing psycho-social risks and managing stress has been taken, notably in France. Prevention in these areas helps to strengthen wellbeing at work and therefore employees' commitment.

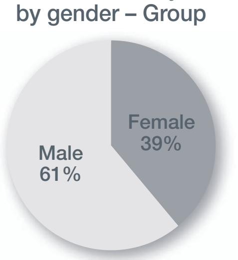
Quality of working life is a leverage tool that the company will gradually extend across its entire organisation.

• Equal treatment

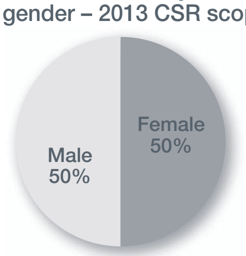
Taking into account developments in legislation, the French companies have signed agreements or action plans committing them to action in the field of professional equality.

It should be noted that, of the 3,776 employees included within the scope of this report, the workforce is almost equally split between men and women. This ratio falls to 39% women and 61% men across the Group as a whole.

Workforce analysis by gender – Group



Workforce analysis by gender – 2013 CSR scope



In the area of disability, the majority of the Group's companies are subject to local regulations with which they comply. Some take additional action, often with the support of specialist agencies, to improve the working conditions of any employees affected by specific health problems, their continued employment remaining an ongoing priority.

Several measures, such as adapting workstations or working hours, adapting premises, or support in terms of restructuring or reclassification can be seen.

In regards to recruitment, the publication of employment offers on specialist sites, participation in disability forums, partnerships with specialist agencies, etc., all create greater potential for recruiting disabled people.

In other areas, most of the companies take great care not to discriminate in any way whatsoever from the recruitment process on, and later in the career management of employees.

Certain agreements and action plans expressly refer to objectives in this regard.

Somfy Group has a network of Human Resources Managers extending across the entire scope covered by this report. One of their main roles is to ensure the respect of Human Rights, particularly examining within their scope rights and concerns relating to racial discrimination, torture, enforced disappearances, disabled people and the rights of women, children, migrants, minorities and indigenous peoples.

By way of example, the agreements signed by the French companies in the field of professional equality particularly relate to:

- Working conditions and reconciling work and the exercise of family responsibility,
- Actual remuneration,
- The training and professional qualification of women,
- Job desegregation,
- Professional career and promotion,
- Recruitment.

• Commitment survey

In late 2012, the Group conducted a survey on commitment covering its entire worldwide scope. Commitment goes beyond just team satisfaction and constitutes a key factor for the company's success.

The Group return rate for this survey was 82%.

The overall results were provided to all management and employees at the start of 2013.

These results highlighted our strengths, to be maintained, as well as our opportunities for improvement:

Opportunities	Strengths to maintain
Career opportunities	Somfy Group
Remuneration	Company image
Performance	Interesting work
Local management	Colleagues

Management was responsible for implementing and following an action plan with its team and to thereby help improve the commitment of Somfy Group employees.
To date, approximately 350 action plans (in France and internationally) have been finalised in consultation with the teams.
The main areas covered by these action plans are cooperation, training and development, Performance management, work processes, recognition, career opportunities, customer focus and management.
During the first half of 2014, a new commitment questionnaire will measure the extent to which these action plans have improved the previous score.

Employability and skills

• Preamble

All the initiatives are undertaken to ensure that the skills of Group employees are matched with the organisation's needs and to ensure the employability of staff.

• Employment

Following a global effort initiated by Group management to reduce structural costs, Somfy Group sought to maintain profitable growth as the only way to preserve its financing capacity and growth drivers.
This streamlining was accompanied by a different breakdown of staff. Thus, five companies located in Europe and the United States saw their workforce fall in 2013, whilst four others, mainly industrial sites, saw their staff numbers increase (by 3% in China and 6% in Tunisia).
In total, the workforce within the scope has remained stable, with 372 new employees for 373 people leaving (including 26 redundancies).

• Training

All levels of staff employed by all companies within the scope of the report received training.
The most popular training topics concern management, lean manufacturing, design and innovation, quality, safety, and the development of international opportunities.
New training modules were launched in the area of project management and customer focus.

Analysis of training hours

	2013	
Managers	17,065	36%
Employees and Technicians	21,090	45%
Workers	8,686	19%
Total excluding SITEM*	46,841	100%
Total including SITEM	**52,073**	

** No tracking of training hours per professional category.*

• Jobs and Skills Planning and Generations

Somfy Group has begun setting up an Observatory in France responsible for skills forecasting analysis, in particular those that may be impacted in qualitative and quantitative terms in the years ahead.
Somfy Group will provide its skills forecasting analysis, particularly in relation to affected skills, through this Observatory. In this way, the company and its employees will be mutually accountable on the issue of employability.
In parallel, a device known as HORIZON was introduced in France to support employees in relation to analysing and securing their career path and to identify further progression where applicable.
Created in the autumn of 2013, approximately 150 employees will benefit from this programme in 2014.

• Academy: Leadership and management

Somfy Group has created and deployed a new Academy focused on strengthening leadership and team management. This training programme was rolled out globally through both France and International pilot groups.
This Course, aimed at Managers' Managers, strives to strengthen our ability to adapt to internal and external change, and to encourage transformation by sharing a common managerial language and practices.
The course involves 12 days of training, spread over nine months. It covers all top management, approximately 170 people. 30 managers were thus trained in 2013, with another 30 in 2014.
In parallel, the Management Committees of the various entities have adopted the processes and tools identified during this course, and have deployed them at an operational level within their teams.
This dual approach encourages the adoption of managerial practices best suited to our organisation's challenges.

Performance

• Preamble

The Group's aim is to strengthen the culture of individual and collective performance whilst adhering to its values.

• Project to overhaul the performance review

A new mechanism to monitor performance is under construction, integrating cross entity targets to promote cooperation, and the strengthened link between performance and bonus. It should be rolled out from the end of 2014, following the training of managers.
Within the framework of the Academy "Leadership and Management", the managers are already being trained in providing feedback to and coaching their teams.
The impact of the new Performance development system will ensure quality and uniformity in the rollout of an appraisal system which:

- Expressly informs employees of the requirements and priorities related to their position (permanent tasks);
- Defines Group performance targets by entity, individual and of management;
- Explains the level of expectation in terms of skills and behaviours via a clear and common frame of reference;
- Establishes a clear link between performance and remuneration: individual increase measured against performance of permanent role and bonus measured against annual targets;
- Interacts with other HR processes (remuneration, training, career management).

Ensuring that managerial interviews are properly conducted:

- Training managers in a SMART definition of targets and in how to conduct various interviews;
- Offering support to managers on the assessment of employees in the event of a particular concern (poor performance, behaviour problem, etc.).

• Talent review

Providing better information regarding career opportunities within the Group:

- Global: People review (succession planning, identifying potential and key roles),
- France: Professional Development Process currently being finalised.

• Remuneration: Project to categorise management positions (Grading)

The aim of this project is to implement, in 2014, an organised and hierarchical system of management positions within the Group's structure through the intermediary of a Mercer assessment methodology.

The implementation of Grading will enable the provision of clear information on the rules for employees' eligibility for the different components of the remuneration packages and on employee benefits in place.

This approach will mean that common rules can be shared, enabling internal and external fairness to be better defended, and providing managers with a common tool to monitor their management teams (remuneration and career management).

The definition of benchmarks, assessment and the validation of results were completed by the management and the members of the Executive Committee at the end of 2013. Implementation and notification will take place during the first quarter of 2014.

• International Human Resources Information System: IHRIS

The Human Resources Department sought to equip the Group with an international human resources information system, able to monitor key HR processes in support of Somfy Group's economic project.

These processes notably concern staff monitoring, management and performance, team reviews, succession planning, remuneration, etc.

This Human Resources information system (HRIS) will help to build and develop an HR culture that is shared far beyond the HR community, and to provide management with new decision making aids.

The creation of this HRIS is based on a foundation of personal and professional data which was prepared during the second quarter of 2013.

Its gradual rollout across all the Group's companies is planned to start at the end of the first quarter of 2014 and will continue for between two and five years depending on the scope.

Additional HR business applications will be under consideration from the second quarter of 2014 and will form the basis of a progressive international deployment plan over the next few years so that the information system increasingly adds value for Group management and employees.

The Humans Resources roadmap is an ambitious reflection of the company's economic project. Somfy's responsible company model is gradually being strengthened, thereby supporting the Group's values and the trust of the stakeholders who are committed to the success of the connected home.

Environmental information

Nature of activities, associated risks and measures taken

The activities of the sites are tertiary, industrial and logistical. The industrial sites mainly perform product assembly operations from plastic components, metals and circuit boards sourced from outside the sites. Assembly operations do not product gas emissions, liquid releases or substances discharges, with the exception of packing waste and possible manufacturing scrap which are subject to selective sorting and recovery.

There are no machine operations generating waste material. There is no specific noise pollution generated by the industrial sites affecting local residents. Indeed, operations are situated inside the buildings and mainly consist of the assembly of small parts.

The different sites located within French territory are subject to classification levels compliant with French legislation in relation to pollution or nuisance risks that these facilities are likely to create.

The sites are subjected to an authorisation scheme for storage in covered warehouses and a registration scheme for compression facilities and installation of accumulators for recharging fork-lift trucks.

Zurflüh-Feller takes in machine operations and metal forming, plastics moulding and surface treatment.

Every year, Zurflüh-Feller, due to the nature of its activities, carries out a campaign to measure its noise emissions that has not shown any evidence of any particular environmental nuisance.

There are no facilities that correspond to the maximum level, “Authorisation with encumbrances - (AS)3” commonly known as “SEVESO”.

Conclusions on the nature of activities, associated risks and measures

For these reasons, the risk of air, soil, water and noise pollution is low or non-existent. This report does not therefore provide any information on these subjects.

In relation to these risks of pollution or nuisance that Somfy Group’s sites are likely to create and the preventive measures introduced, the amount of provisions and guarantees for environmental risks is nil.

Given this low level of environmental risk on these sites, there are no specific resources deployed. The measures introduced are managed by the facilities departments of the sites.

General environmental policy

Somfy Activities has a Sustainable Development Department. This department integrates the resources and skills necessary for the completion of projects that come under the heading “Planet”. It oversees a network of 35 eco-ambassadors who support, in each sector, the introduction of measures resulting from the Sustainable Development policy.

In 2013, Somfy Activities redefined its priorities regarding its environmental policy. The major projects completed in 2012 facilitated a better understanding of the challenges and focuses on which it could take action.

The Carbon Test® completed in 2012 identified as a priority work on electricity consumption and the use of raw materials.

Both the requirements of our markets and regulations reinforced the need to better understand the substances used in our products.

The eco-design of products was therefore identified as a **priority area**.

New requirements for eco-design were identified for integration into the specifications of new products. These requirements cover three topics:

- Controlled greenhouse gas emissions,
- Materials selected for their low impact on health and the environment,
- An available statement of the environmental impacts in line with the PEP ecopassport® programme. Somfy Activities has signed up to the PEP Eco Passport programme. This programme, developed by the electricity industry, defines a standardised method for making environmental declarations in accordance with international regulations (ISO 14025 & ISO 14040s).

Also in the field of eco-design, Sirem has put onto the market a new range of swimming pool pumps, S Series, with electricity consumption that is 10 to 20% lower than market norms.

The work begun in 2012 on collection and processing networks for end-of-life products continued in 2013, for products in the professional sector, representing the majority of the volumes put on the market:

- In France, through a contract signed with RECYLUM, an organisation authorised to process professional WEEE. This is the result of an industry approach in which Somfy Group was a stakeholder;
- In Germany, through registration with the “ElektroAltgeraete Register”.

In 2013, Somfy Group continued to introduce eco-gestures and eco-practices:

- An electric vehicle was thus introduced for distributing mail between the various sites in the Haute-Savoie region in France;
- A partnership was agreed with Corabio to increase the percentage of the organic and local products served in the company restaurant (5% in 2014, 10% in 2015 and 20% in 2016);
- The use of recycled paper was systematised for the production of printed instructions in France (saving eq. 29.3 tonnes CO_2);
- Introduction of a system to reuse laptops (more than 500 computers processed in 2013). The refurbishment of these computers is carried out by a company which employs disabled workers;
- Somfy Germany uses a gas generator, tailored to the German energy environment, to heat its new warehouses and to supply electricity to the German network.

Internal communication activities continued in 2013, aimed at raising awareness amongst Somfy Activities employees of issues related to the protection of the environment. These activities took the form of articles in various in-house publications, both in video and paper format (for example, in the in-house magazine “Imagine”, distributed in five languages to all Somfy Activities employees), or in events at the different Somfy SAS sites, such as micro-conferences during the Sustainable Development week in April.

The topics discussed included, amongst others:

- Arrangements introduced in France for the collection and processing of end-of-life products: collective procedure introduced in partnership with RECYLUM;
- Results of the survey on commuting which covered all Somfy SAS staff, and the introduction of a car-pooling platform;
- Somfy solutions to promote active energy efficiency in buildings. TaHoma is the home automation system developed by Somfy Group. It particularly provides the option to monitor energy consumption within the home.

Zurflüh-Feller put into service a system to concentrate and stabilise its emissions on surface treatment lines. This led to a reduction in the quantity of waste produced.

Initiatives to optimise production means and heating management led to a reduction in gas usage.

Pollution and waste management

	2012 scope		2013 additions to the scope	Total
	31/12/12	**31/12/13**	**31/12/13**	**31/12/13**
Quantity of non-hazardous waste (Tons)	1,777	1,406	780	2,186
Quantity of hazardous waste (Tons)	224	175	7	182
TOTAL	**2,002**	**1,581**	**787**	**2,368**
% of waste recovered		78%		77%

Electronic products that fall under the European ROHS Directive were subject to the removal of hazardous substances, so as to eliminate their impact on products that become waste on reaching the end of their life.

Sustainable use of resources

Water

Water consumption of the sites is limited to sanitary consumption. There is no manufacturing process that is likely to exhaust local water resources or that depends on a limited water supply.
Zurflüh-Feller is unusual in that it uses water from a private pond for its industrial processes.

	2012 scope		2013 additions to the scope	Total
	31/12/12	**31/12/13**	**31/12/13**	**31/12/13**
Water consumption (m^3)	22,313	20,509	32,096	52,605

99% of waste water is discharged into public treatment networks.

Energy

The companies use gas, network electricity and heating oil. Energy consumption is primarily linked to the heating and air conditioning of the premises.

	2012 scope		2013 additions to the scope	Total
	31/12/12	**31/12/13**	**31/12/13**	**31/12/13**
Gas consumption (KWh)	15,644,873	15,940,375	3,280,916	19,221,291
Electricity consumption (KWh)	18,422,149	18,204,481	5,200,964	23,405,445
TOTAL (KWH)	**34,067,022**	**34,144,856**	**8,481,880**	**42,626,736**

For its heating requirements, LianDa uses 69,751 KWh of heating oil.
In 2013, Zurflüh-Feller carried out modernisation work for monitoring and regulating its heating.
SITEM conducted an energy audit of its buildings and compressors; air conditioning management systems were put in place.
Measures to improve the performance of BFT's boilers led to a reduction in gas and electricity consumption.

Land use

There are no mining operations on any Somfy Group's sites.
Our plants have HOSHIN or 5S workshops in order to optimise the footprint of the sites. A team of specialists, integrated into the Group's Industrial Management, is dedicated to leading these projects at the Group's plants.

Adapting to the consequences of climate change

Our industrial activities do not present any risks linked to climate change, whether they relate to the growing scarcity of water, rising sea levels or the rise in temperature.

Protection of biodiversity

No site is located within or bordering a protected area that requires specific measures.
Nevertheless, Somfy SAS owns several sites in the heart of the French Alps, near Mont Blanc. Somfy Group wants to act to protect the mountain's eco-systems and is involved in local initiatives such as the "Club d'Entreprises pour la Montagne et son Développement Durable" (CEM2D) (Club of businesses supporting the mountain and its sustainable development). A charter was notably developed in 2013.

Societal information

Economic and social territorial impact of the company's activity

Employment and regional development

Leader in its fields of activity, Somfy Group contributes to local employment in all the areas where it is located. Thus, in 2013 the opening of a new industrial site SOPEM in Poland created 100 new jobs. In Tunisia, production company SITEM which has a workforce of 879, recruited 53 new employees.
In 2013, Somfy Group's ambition and intention was to continue creating jobs in France and particularly in the Rhône-Alpes region, where its business has traditionally been located. Somfy Group is a provider of direct employment in its research and development centres, its production facilities (more than 200 people recruited between 2011 and 2013 including 30 in production) and the service divisions located throughout France. Somfy Group also contributes indirectly to job creation via its sub-contractors and suppliers (more than 4,650 indirect jobs created in Europe).

On neighbouring and local populations

In order to promote regional development, Somfy Group has committed to support the lives of schools and higher education establishments in the Rhône-Alpes region. In this way, Somfy Group is a founding member of the Partner Companies Club of the Universities of Savoie ("Club des Entreprises Partenaires des Universités de Savoie"). In 2013, Somfy Group welcomed students from this university on work placement or work-study contracts.
Since 2012, Somfy Group has chaired the Board of the *Ecole Polytech Annecy Chambéry*; the University of Savoie's engineering school.
Somfy Group is heavily involved in technology clusters and competitiveness centres active in the Arve valley (Haute-Savoie), where the Group's historical sites are located.
Somfy Group is an active participant in Thésame, the technological network for mechatronics businesses, sharing experiences with other local companies, and collaborating in the development of several strategic projects. Somfy Group is also a member of the Public Interest Group MIND, an innovative Franco-Swiss platform specialised in the field of mechatronics. Alongside other companies, the CNRS (National Scientific Research Centre) and the Swiss Centre for Electronics and Microtechnology, Somfy Group is involved in developing links between businesses and research centres.
A sponsor of the French Biathlon Teams since 2005, Somfy Group sought to exercise its responsibilities towards athletes by helping them to prepare for their post sporting careers. With the help of companies and the General Council of the Haute-Savoie region, Somfy Group created the organisation Rebondir, to support the region's athletes in their career transition.

Relationships with people or organisations interested in the company's activity

In 2013, le Groupe carried out a comprehensive mapping of its stakeholders in order to better understand the challenges and expectations of each of them, and to identify those of them which are the company's priority. In 2014, this mapping will be forwarded to the Group's senior management.
In 2013, Somfy Group maintained a regular and constructive dialogue with priority stakeholders and in particular its employees, shareholders, investors, customers, suppliers and regional authorities.

- As part of the Group's Human Resources policy, several tools to promote dialogue were implemented with employees at a collective and individual level: satisfaction and commitment surveys, and individual interviews and employee appraisals. Staff representatives and managers also completed training in responsible social dialogue.

- In relation to shareholders, compliance with governance rules ensures a structured dialogue on the Group's performance targets and its strategy.
- For investors, Somfy Group has spent the year rolling out an action plan to provide them with reliable and high quality information.
- The Suppliers Quality System includes an information and exchange mechanism covering topics including social and environmental responsibility.
- Being responsive to professional customers and end users is a strategic priority for Somfy Group. For each customer profile, Somfy Group has developed dialogue activities – studies, surveys, training, services – tailored to the expectations of these stakeholders.
- Involved in the development of the areas in which the Group is located, Somfy Group has promoted dialogue in France with the various levels of public decision-making to contribute to structured policies in the areas of education, the use of research and sustainable development or to support cultural and sporting projects for local people.

Sub-contracting and suppliers

Suppliers and sub-contracting are important for Somfy Group due to the nature of its industrial activity which is essentially assembly. Indeed, all the components that form part of the composition of the products are purchased components.

In order to make progress in relation to responsible purchasing, Somfy Group, in collaboration with other manufacturers, has developed a maturity frame of reference in relation to collective and responsible purchasing: this framework incorporates the central issues of the standard, ISO 26000.

This work was carried out within the framework of PEAK, a business Research and Training network aimed at developing collaborative customer supplier relationships.

Somfy Activities has begun to introduce measures to make sure that its suppliers and sub-contractors are socially and environmentally responsible.

Thus, Somfy Activities has auditors who assess suppliers prior to their admittance to the panel. These audits are conducted on the basis of a questionnaire that includes questions on the following topics:

- Existence of an environmental policy,
- Planning to ensure that products conform to environmental requirements,
- Existence of a health and safety policy and consideration of ergonomic and safety aspects in the design of workstations.

These questions are rated, with the ratings forming part of the final assessment score of the supplier.

If significant variations are discovered, relating for example to safety in the workplace, Somfy Group may ask the supplier to take corrective action.

For every component developed by a supplier, Somfy Group requests a written undertaking relating to the European Directives REACH and ROHS.

Fair practices

As part of the growing internationalisation of its activities, Somfy Group is finalising the setting up of an Ethics Charter which will set out the Group's policy in regard to tackling corruption, compulsory or forced labour and the respect of human rights, freedom of association and the right to collective bargaining. The Group has the ambition to issue it to all Group employees.

Measures promoting consumer health and safety

Ensuring the safety of the users of its products is a top priority for Somfy Group. Alongside other leading companies in the electrical industry and the building shutters sector, Somfy Group is heavily involved in standardisation in order to ensure that the good safety practices implemented in relation to product development are maintained. This action operates on an international (IEC standards), European (CENELEC and CEN standards) or local (UL standard for the United States for example) scale.

To show that its products comply with safety standards, Somfy Group's products are accredited by independent bodies in its different territories (VDE, NF, SASO, UL, etc.).

Somfy Group acquired a quality system enabling it to ensure that its products comply with the standards and requirements in place within its markets.

To control the performance and safety of its product installations, Somfy Group has developed a network of expert installers throughout the areas in which the Group is located. These specialists benefit from professional training to help ensure that the products are installed under optimum safety conditions both for the installer and users. Somfy Group trained more than 7,000 professionals in France in 2013.

Every product is accompanied by usage and safety instructions.

A citizen's policy involving employees

The main task for the Fondation Somfy has been to implement Somfy Group's citizen's policy. Its fields of intervention are centered around the fight against poor housing, in parallel with Somfy Activities' strategic mission to improve living environment.

In 2013, the Foundation's budget of € 300,000 was used to finance three main types of action:

- Confirmation of support for the Emmaüs France charity, with the renewal of an annual agreement providing for a financial contribution to Emmaüs communities' building rehabilitation projects,

- The creation of an online crowd funding platform (www.lespetitespierres.org) enabling anyone to donate to community projects in the area of access to decent housing,
- The development of a participation programme for Somfy Group employees, “Time for Others” (“Un Temps pour les Autres”). In 2013, 108 employees took part in community projects on behalf of associations during their working hours.

Methodology note

Reporting protocol

Somfy Groups’ CSR reporting protocol is the reference guide for all those involved in CSR reporting within the Group. It is drawn up in French and English. Its purpose is to define all the Group’s CSR indicators along with their method of calculation, and to describe the procedures for their collection and for reporting in order to promote the consistency and comparability of data. This document is distributed to and applied at all levels of data preparation and reporting. The reporting protocol is updated annually to take into account Group developments.
The CSR reporting protocol also serves as a reference framework for the external verification of data, in accordance with Article L. 225-102-1 of the Commercial Code (“Grenelle 2” Law). It is available on request from Head Office.

Selection of indicators

Somfy Group’s indicators were defined by the CSR officers for each area in line with the Group’s CSR strategy and the resulting social, environmental and social objectives. They facilitate the monitoring of the CSR policy’s progress in each of the improvement areas identified by the Group and the transparent communication of the Group’s CSR performance in this report.
The indicators used comply with the Grenelle II decree and are based on the general principles of the GRI (Global Reporting Initiative) guidelines.

Collection, internal control and consolidation

The collection of CSR indicators is ensured by the CSR officers within their respective fields of expertise. They rely on their network of local experts who provide the data.
The CSR officers are also responsible for the consistency and plausibility of the data prior to its consolidation in order to generate the Group indicators included in the CSR section of the management report.

Reporting period

The data collected covers the period from 1 January to 31 December 2013.
Depending on the indicators, it can relate to:
- An annual consolidation of the data from 01/01/2013 to 31/12/2013,
- The data measured at 31/12/2013.

Where historic information is available, data is reported on the last two closed financial years.

Reporting scope

Companies which are controlled by the Group and fully consolidated within the financial reporting scope are included within the reporting scope. The concept of control means the power to govern the financial and operational policies of an affiliated company so as to benefit from its operations. Control is generally deemed to exist where the Group holds more than half of the controlled company’s voting rights.
Newly acquired companies are integrated into the reporting scope following a probationary period necessary for the introduction of reporting.
Companies which were sold during the financial year are not included within the reporting scope.

Specifics of the scope for 2013 reporting:

The reporting scope taken into account for the 2013 financial year was restricted to the following entities:
- Somfy SAS (France),
- Simu SAS (France),
- Sirem (France),
- Zurflüh-Feller (France),
- SITEM SARL (Tunisia),
- LianDa (China),
- Somfy GmbH (Germany),
- Somfy Systems Inc. (US),
- BFT SpA (Italy).

For reasons of access to information, the other Group companies have not been included. Collection of information for the companies concerned which are located outside French territory will be introduced gradually. The Group’s aim is to improve its reporting scope over the coming financial years.
It may be recalled that the 2012 reporting scope included the following companies:
- Somfy SAS (France),
- Simu SAS (France),
- Sirem (France),
- Zurflüh-Feller (France).

Methodology limitations

The methodologies used for the reporting of certain CSR indicators may present limitations due to:
- Particularities of local legislation in the various countries in which the Group is located,
- Lack of availability of information on certain scopes,
- Use of estimates in the absence of assessment tools,
- Practicalities of collecting and processing data.

Information on delegations relating to share capital increases and other authorisations
(Article L. 225-100 of the Commercial Code)

The Management Board benefits from the following delegations of authority:

	Date of General Meeting	Date authorisation expires	Authorised amount	Used during the financial year ended 31 December 2013	Residual amount at 31 December 2013
Authorisation to issue stock options	Extraordinary General Meeting 15 May 2012	14 July 2015	1.5% of share capital	Nil	1.5% of share capital
Authorisation to grant existing free shares	Extraordinary General Meeting 15 May 2012	14 July 2015	1.5% of share capital	Nil	1.5% of share capital
Authorisation to buy back shares	Ordinary General Meeting 16 May 2013	15 November 2014	10% of share capital	0.05% of share capital	4.73% of share capital
Authorisation to cancel the shares bought back by the company	Extraordinary General Meeting 15 May 2012	14 May 2014	10% of share capital	Nil	10% of share capital

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

Information on terms of payment (Article L. 441-6-1 of the Commercial Code)

At 31 December 2013 as at 31 December 2012, there are no liabilities due but unpaid to Somfy SA suppliers.
Trade receivables specific to Somfy SA's activity represent payment terms generally less than forty-five days from the end of the month.

Information on risks (Article L. 225-100 of the Commercial Code)

Financial risks

The main financial risks to which the Somfy Group is exposed are interest rate, foreign exchange rate, and liquidity and investment risks.
According to IFRS, all derivative financial instruments are measured at their fair value. Fair value is either the market value for listed instruments, or a value provided by financial institutions in accordance with traditional criteria (over-the-counter market). The amounts covered exclusively relate to current or future transactions within the framework of Somfy Group's normal business activities.
As part of the transposition of the MIF Directive that came into force on 1 November 2007, Somfy SA and its French subsidiaries opted for the "individual clients" category.

Foreign exchange risk

Somfy Group's exposure to foreign exchange risk is primarily related to its operational activities (intragroup sales of manufactured products distributed by commercial subsidiaries outside the Euro zone, these sales being denominated in local currencies and purchases denominated in local currencies).
Derivative financial instruments are primarily comprised of forward exchange contracts.
The management of foreign exchange risk is covered in note 25 to the consolidated financial statements.

Interest rate risk

Somfy Group's interest rate risk originates from its financing facilities: interest rate hedges related to Somfy Participations' LBO financial debt and to medium-term borrowings to secure Somfy SA's working capital requirements.
Somfy Participations' LBO package liabilities are hedged, in accordance with contract terms and conditions, by standard interest rate swaps (swap of variable rates for fixed rates) hedging against an increase of more than 150 basis points in EURIBOR 3 months, compared to the available rate.
The management of interest rate risk is covered in note 25 to the consolidated financial statements.

Liquidity risk

The Somfy Group must have permanent access to the necessary financial resources to allow it to finance its day-to-day activities and its investments. The Group's liquidity risk primarily arises from the obligation to repay its existing debt, the funding of its future resource requirements and observance of its financial ratios.
Funds made available by the credit institutions are subject to Somfy's SA commitment to comply with two types of financial covenants based on:
- The Group's financial structure (net financial debt/shareholder's equity) and,
- Its ability to repay (net financial debt/cash flow and net financial debt/EBITDA).

For Somfy Participations, each LBO liability is subject to compliance with covenants contracted at the time the finance packages were negotiated.
The management of liquidity risk is covered in note 25 to the consolidated financial statements.
Credit facilities and compliance with covenants are detailed in note 22.6 to the consolidated financial statements.

Investment risk

The Group's exposure to investment risk is related to its cash surplus deposited with banks.
The management of investment risk is covered in note 25 to the consolidated financial statements.

Raw material risks

Somfy Group hedges against the volatility in the price of raw materials that are significantly used in the manufacturing of its products by placing firm orders with its suppliers, depending on market conditions.

Share risks

The Group is exposed to equity risk on treasury shares, with their loss in value, due to the fall in the markets, resulting in the recognition of a tax-deductible provision of € 1.3 million. The corresponding € 0.5 million deferred tax was posted to reserves.

Legal risks

Somfy Group's operations are not subject to specific regulations. Its business does not require a specific legal or regulatory authorisation with the exception of the compulsory listing on the Register of Companies and stock exchange regulations.
Somfy Group is involved in a number of disputes in respect of its business. These should not have any significant negative impact on the Group's financial position.
To the Group's knowledge, there were no exceptional events or litigation likely to have a significant negative impact on the Group's or its subsidiaries' operations, assets or results, other than those mentioned in the highlights of the financial year.

Insurance – risk coverage

Somfy Group covers the main risks with the following insurance policies:
- "Property damage", covering buildings and their contents (equipment, goods, IT equipment) up to the maximum amount of damage likely to be incurred;
- "Resulting loss of profit".

Risks insured by these two policies include, fire, explosions, lightning, smoke, emissions, steam, impacts from airborne objects, electrical risks, storms, snow, hail, water damage, frost, machine breakage, IT equipment theft, natural disasters and other non-designated events;
- "General civil liability relating to monetary consequences of an insured entity's liability following physical injury, property damage or moral prejudice caused to a third party during or in relation to its operations";
- "Directors' civil liability";
- "Transported goods";
- In addition, "Credit" insurance contracts, both in France and internationally, enable the Group to limit the impact of customer bad debts. Approximately 60% of sales are thus insured.

Country risk

The majority of operations occur in safe areas such as Europe, the United States and Asia.
The Group does not operate in any significant hyperinflationary area.

Climate risk

Due to the nature of the products marketed (notably motors for blinds), Somfy Group's activity is partly connected to weather conditions, in particular during the first half of the year, during which sales of motors for blinds are concentrated.

Customer credit risk

Customer credit risk is linked to the receivables portfolio and the sometimes challenging economic environment in certain parts of the world. Nevertheless, customer profile, the Group's international geographic presence and the credit insurance cover help to mitigate this risk.
Customer credit risk analysis is addressed in note 18 to the consolidated financial statements.

Information on non-deductible charges (Articles 39-4 and 223 IV of the General Tax Code)

The financial statements for the financial year ended 31 December 2013 do not include any non-allowable charges with regard to the income tax base, as defined by Articles 39-4 and 223 IV of the General Tax Code.

Allocation of net profit

The Management Board proposes to allocate the net profit of € 62,455,414.44 for the year ended 31 December 2013, increased by retained earnings of € 2,045,011.20 to a total of € 64,500,425.64, as follows:

– Allocation to shareholders of a gross dividend of € 5.20 per share, being € 5.20 x 7,836,800 shares	€ 40,751,360.00
– Transfer to optional reserve	€ 23,749,065.64
	€ 64,500,425.64

A gross dividend of € 5.20 will be distributed for each share with a par value of € 1, and this carries the right to a tax rebate granted to individuals subject to income tax in France, in accordance with Article 158-3-2° of the General Tax Code.

Shares held by the company on the ex-dividend date are not entitled to dividends, with the corresponding amount of unpaid dividends being transferred to retained earnings.

The dividend will be payable on 5 June 2014; the shares must be held on 2 June 2014 (ex-date) to benefit from the dividend.

In accordance with legal provisions, it should be noted that the following dividends were paid during the last three financial years:

Financial years ending	31/12/2010	31/12/2011	31/12/2012
Number of shares eligible*	7,608,775	7,403,866	7,410,756
Par value	€ 1	€ 1	€ 1
Total dividends paid	€ 39,565,630.00	€ 38,500,103.20	€ 35,571,628.80
Dividends per share	€ 5.20	€ 5.20	€ 4.80

** Number of shares comprising the share capital, excluding treasury shares held by Somfy SA with no right to dividend.*

Dividends are fully eligible to the rebate provided for by Article 158-3-2° of the General Tax Code.

Regulated agreements

Please note that two new agreements of the same nature as those referred to in Articles L. 225-86 and subsequent of the Commercial Code were concluded during the 2013 financial year.

Stock market performance

During the 2013 financial year, the Somfy SA share price increased by 41.76%. At 31 December 2012, the last trading day before the close of the previous financial year, the share price was € 130.50, compared to € 185 at 31 December 2013.

Based on the share price at 31 December 2013 and taking into account a gross dividend per share of € 5.20, the Somfy SA share yielded 2.81%.

The market for the share recorded a monthly trading volume high of 40,425 and low of 3,960 per month, with a monthly average of 11,107 shares, compared to 11,179 shares the previous year.

Amendments to the bylaws

The following amendments to the bylaws will be proposed to the General Meeting of 14 May 2014 under the terms of two specific resolutions:

Modification of Article 13 of the company's bylaws "Indivisibility of shares - Bare ownership - Usufruct"

Shareholders will be asked to approve the replacement of the 3rd paragraph of Article 13 below:

"Unless the company is informed of an agreement to the contrary, the voting right attached to stripped treasury shares belongs to the bare owner for all decisions except those concerning the allocation of profit where it is reserved for the usufructuary. The usufructuaries validly represent the bare owners with respect to the company, unless the company is informed of an agreement to the contrary."

by the following:

"Unless the company is informed of an agreement to the contrary, the voting right attached to stripped treasury shares belongs to the bare owner for all decisions except those concerning the allocation of profit where it is reserved for the usufructuary.".

Introduction in the bylaws of an article allowing the appointment of observers and renumbering of bylaws articles as a result

Shareholders will be asked to approve the introduction into the bylaws of an article to appoint observers, who may be natural or legal persons, selected from amongst the shareholders or external to them, thereby enabling them to be invited to and to attend all Supervisory Board meetings in an advisory capacity.

You are asked to approve the introduction into the bylaws of a new Article 21 granting the Supervisory Board the capacity to appoint one or more observers.

In this regard, you will also be asked to approve the resultant renumbering of the bylaws.

Your Management Board asks you to approve the resolutions submitted to your vote.

The Management Board

5 SUPERVISORY BOARD CHAIRMAN'S REPORT

SUPERVISORY BOARD CHAIRMAN'S REPORT

Pursuant to Article L. 225-68 of the Commercial Code, we remind you of Somfy SA's corporate governance principles and inform you of developments and procedures established in relation to internal control and risk management.
The company's Financial and Legal Departments and its Internal Audit Department are the major contributors to the preparation of this report under the authority of the Chairman of the Supervisory Board.
This report was forwarded to the Statutory Auditors, submitted to the Audit Committee of 28 February 2014 for review, and to the Supervisory Board on 5 March 2014 for approval.

Corporate governance

Corporate governance code

Somfy SA refers to the Middlenext corporate governance code for listed companies issued in December 2009 (the Middlenext Code hereafter), available at:
www.middlenext.com
The Supervisory Board meeting of 27 February 2012 decided to adopt the Middlenext Code in place of the AFEP/MEDEF corporate governance code for listed companies, as it considered that its recommendations and guidelines were better suited to the company, particularly in view of its share ownership structure, with family shareholders owning more than 50% of the share capital and voting rights.

Composition of corporate governance bodies

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

Composition of the Management Board

Management Board members are appointed by the Supervisory Board in accordance with legal provisions.
The terms of office of the Chairman and the members of the Management Board expired on 26 November 2013. The Supervisory Board met on 15 November 2013 to reappoint the members of the Management Board for a term of four years, with effect from 27 November 2013.
Thus at 31 December 2013, Paul Georges Despature chaired the Management Board.
Wilfrid Le Naour – Chief Executive Officer of Somfy Participations and Jean-Philippe Demaël – Chief Executive Officer of Somfy Activities, were members of the Management Board.

Composition of the Supervisory Board

On expiry of his term of office as member of the Supervisory Board at the end of the Annual General Meeting of 16 May 2013, Jean-Bernard Guillebert did not wish to be reappointed and the Supervisory Board of Somfy SA comprises the following seven members:

Name	Position	Date appointed / renewed	Date term ends
Michel Rollier*	Chairman	(Member of the Supervisory Board: 15 May 2012 / Chairman of the Supervisory Board: 16 May 2013)	2018 AGM
Victor Despature	Vice-Chairman	16 May 2013	2017 AGM
Paule Cellard*	Member	16 May 2013	2017 AGM
Jean Despature	Member	16 May 2013	2017 AGM
Xavier Leurent	Member	16 May 2013	2015 AGM
Anthony Stahl	Member	16 May 2013	2015 AGM
Valérie Pilcer*	Member	18 May 2011	2017 AGM

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

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

Male and female representation on the Board

The Board consists of seven members, including two women, and complies with minimum female representation on the Board as required by current legislation. The company intends to continue to comply with subsequent application requirements introduced by the Law of 17 January 2011 relating to the equal representation of men and women in governance bodies. The table below summarises the changes in the composition of the Board that have taken place during the last financial year and until the date of preparation of this document (31 January 2014):

Name of members of the Board	Nature of the change	Effective date	Diversification in the composition of the Board
Jean-Bernard Guillebert	Non-renewal	16 May 2013	–
Michel Rollier	Appointment as Chairman of the Board	16 May 2013	–
Paule Cellard	Appointment as member of the Supervisory Board	16 May 2013	Diversification of the Board in terms of female membership and international experience
Jean Despature	Renewal	16 May 2013	–
Victor Despature	Renewal	16 May 2013	–
Xavier Leurent	Renewal	16 May 2013	–
Anthony Stahl	Renewal	16 May 2013	–

Conditions of preparation and organisation of the Supervisory Board's work

The Supervisory Board performs its control mission in accordance with the conditions prescribed by law.
A Chairman and a Vice-Chairman are elected from among its members, and they may call meetings of the Supervisory Board by any means, including verbally.

Independence of the members of the Supervisory Board

A group of family shareholders holds the majority stake in Somfy SA.
As provided by the Middlenext framework, the Board has assessed the independence of its members.
Based on the independence criteria suggested by the Middlenext framework, the Supervisory Board notes that, to date, an independent member of the Board is a member who has no relationship of any nature whatsoever with Somfy SA or its management, or with a company consolidated by the Somfy Group, that may affect his/her freedom of judgement, and who meets the following criteria:

- Is not and has not been an employee and does not hold and has not held a general management position within Somfy SA or any other Group company during the last three years;
- Is not a significant customer, supplier or banker of Somfy SA or its Group, or for which Somfy SA or its Group represents a significant share of his/her business activity;
- Is not a significant shareholder of Somfy SA;
- Is not closely related to a Director or major shareholder;
- Has not been a statutory auditor of Somfy SA over the past three years.

In light of these criteria, the Supervisory Board considered that Paule Cellard, Valérie Pilcer, and Michel Rollier qualified as independent members. The Board noted that there was no business relationship between the independent members and Somfy SA.
Paule Cellard provides Somfy Group with international experience in the fields of finance and risk monitoring and compliance. Valérie Pilcer provides Somfy Group with experience in the fields of finance and risk monitoring. Michel Rolier provides Somfy Group with industrial and international experience gained with the Michelin Group particularly in the fields of finance, strategy and marketing.
The other members of the Supervisory Board are members of the family and therefore have a family code of ethics, which reinforces the shared respect for the shareholders' agreement. Moreover, their own individual substantial investment naturally motivates their long-term commitment to the Group, their aim being the creation of value on a sustainable basis for all the stakeholders of Somfy SA.

Thus, in accordance with the criteria of the Middlenext Code, the following are considered independent members:

Independent members of the Board	Michel Rollier	Paule Cellard	Valérie Pilcer	Explanation in the event of non-compliance
Is not and has not been an employee and does not hold and has not held a general management position within Somfy SA or any other Group company during the last three years	X	X	X	
Is not a significant customer, supplier or banker of Somfy SA or its Group, or for which Somfy SA or its Group represents a significant share of his/her business activity*	X	X	X	
Is not a significant shareholder of Somfy SA	X	X	X	
Is not closely related to a Director or major shareholder	X	X	X	
Has not been a statutory auditor of Somfy SA over the past three years	X	X	X	
Conclusion on the independence	Independent	Independent	Independent	

** Where necessary, the materiality of relations may be debated and the assessment criteria clarified at a Board meeting.*

Operation of the Supervisory Board

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

Supervisory Board members, the number of which can never fall below the legal threshold nor exceed the legal limit, are appointed in accordance with the conditions specified by law for a term of office of four years. By exception and solely to enable the implementation or maintenance of staggered terms of office, the Ordinary General Meeting may appoint one or more members of the Supervisory Board for a term of one, two or three years.

All outgoing Supervisory Board members may be reappointed.

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

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

The Supervisory Board meets at least once quarterly on an agenda drafted by its Chairman. It met six times during 2013 and the rate of attendance was 100%.

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

Within 90 days following the end of each financial year, parent company and consolidated financial statements approved by the Management Board are sent to the Supervisory Board for review.

The Board then presents its observations on the report of the Management Board as well as on the financial statements to the General Meeting.

For the approval of the half-year financial statements, only the consolidated financial statements are prepared and submitted within this deadline.

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

The Supervisory Board asks the Management Board and Management to provide any information or analysis they deem necessary or a presentation on any specific subject.

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

The rules of operation of the Board are specified in the Board's internal regulations, which are available on the company's website.

The Board's internal regulations also include provisions aimed at preventing and managing conflicts of interest.

In this respect, internal regulations specify that should a situation arise where there appears to be a conflict of interest between corporate and direct or indirect personal interests, or the interests of the shareholder or group of shareholders he/she represents, or which may be perceived as such, the Board member concerned must:

- Inform the Board of this conflict of interest as soon as he/she becomes aware of it;
- Take all appropriate action in relation to exercising his/her term of office.

Depending on the case, he/she therefore shall:

- Abstain from voting on the relevant deliberation;
- Refrain from attending Board meetings during the period he/she is in a position of conflict of interest;
- Resign from his/her duties as a member of the Board.

The Board member may be held liable for failing to comply with these abstention and non-attendance rules.

Furthermore, the Chairman of the Board is not obliged to disclose information or documentation relating to the matter in dispute to member(s) whom he has strong grounds of suspecting are in a position of conflict of interest within the meaning of this paragraph, and will inform the Supervisory Board of this act of non-disclosure.

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

- Self-assessment by Board members on the operation of the Board and the preparation of its work, by way of a questionnaire forwarded to each member,
- Revision of the Code of Conduct of the Supervisory Board,
- Update of the risk mapping carried out in 2011,
- EURO Project with assistance from Deloitte,
- Regular updates of ongoing tax, social security and customs duties assessments within the Group,
- Review of the policy regarding equality in the workplace and equal pay.

For Somfy Activities:

- Budget and key development areas,
- Quarterly highlights by brand and operation,
- Presentation of acquisition and disposal projects,
- Detailed update on the Group's activities in China, in particular Dooya,
- Change in the structure of relations with Garen in Brazil and planned acquisition of the usufruct of the Garen securities,
- Majority investment in Giga Security in Brazil,
- Discovery report and first priorities of the new Head of the Home & Building Division,
- Focus on Human Resources: assessment and key issues by the Group Head of Human Resources,

– "Acting simply" project and its extensions within the Group presented by two members of the Executive Committee.

For Somfy Participations:

– Quarterly highlights by shareholding,
– Presentation of planned equity investments,
– Presentation of the updated business plan, the strategy and performance indicators,
– Detailed update on FAAC.

Committees established by the Supervisory Board

Audit Committee

With regard to the Audit Committee, the company applies the recommendations of the AMF's working group chaired by Mr Poupart Lafarge at the Audit Committee meeting of 22 July 2010. The recommendations in respect of the composition and chairmanship of the Committee, the competence of its members and definitions of their independence, the operation (information, evaluation and reporting on the work undertaken), as well as the recommendations relating to the execution of its legal responsibilities have been followed.

The follow-up on the effectiveness of the internal control systems has also been carried out.

In 2013, as part of its assignment relating to risks, the Audit Committee monitored risks and updated the risk mapping at an extraordinary meeting of the Audit Committee, during which the Internal Audit Officer presented the relevant information.

Following the expiry of Jean-Bernard Guillebert's term of office as member of the Supervisory Board with effect from 16 May 2013 and as a result of his non-renewal, the Audit Committee currently comprises three members: Victor Despature, Committee Chairman, Paule Cellard and Valérie Pilcer. Paule Cellard and Valérie Pilcer are independent members in accordance with the aforementioned criteria.

Victor Despature has accounting expertise. He has been a Chartered Accountant and an Auditor from 1983 to 2004. Since then, he served as the General Manager of a major family-owned group from 2002 to 2006 and as the Chairman of the Legal Committee from 2002 to 2008. He is currently Chairman of the Supervisory Board since 2012 and member of the Remuneration Committee since 2002. He has also been managing a medium-sized company in the aeronautic sub-contracting sector since 2002.

Valérie Pilcer, a graduate of the Paris École des Mines, was entrusted with various operational management duties by Société Générale from 1987, in both the international financial market division and in the Group Risk Management Department. She joined the Oddo Group in 2008 as Chief Risk Officer and then independent consulting company Pilcer & Associés in 2011. In 2012, she joined the MACIF Group as Head of Risk Management and the OFI Group's Executive Committee as Director of Innovation, methods and processes. Her expertise also extends to the financial field, with substantial experience in risk management.

Paule Cellard, graduate of ESC Paris (Business School) and with a master's degree from the Paris Assas Law School, has held various operational roles in Corporate and Investment Banking, notably as Chief Executive Officer of Indosuez Private Banking Services from 2006 to 2009, then Global Head of Compliance at Crédit Agricole Corporate and Investment Bank until 2012. From November 2012, she has been a Director and member of the Audit Committee of Crédit Agricole Private Banking Luxembourg and has founded the consulting firm KLEFI CONSEIL. She has expertise in the financial field and strong experience in risk management.

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

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

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

During the 2013 financial year, the Audit Committee met on five occasions with all members in attendance, with the exception of one absence at one meeting.

During the various Audit Committee meetings, the Chief Financial Officer presented the financial position of the Group, the accounting options adopted, the risk exposure and significant off-balance sheet commitments; Internal Audit presented the results of audits carried out, the annual audit plan and the results of the risk mapping update.

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

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

With regard to the work methods: pursuant to the recommendations of the AMF, a minimum time period for the examination of the financial statements was complied with to enable the Audit Committee to avail of the option of using external experts, as well as interviewing the Chief

Financial Officer, the Statutory Auditors and the Internal Audit Officer.

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

Remuneration Committee

Following the expiry of Jean-Bernard Guillebert's term of office as member of the Supervisory Board with effect from 16 May 2013 and as result of its non-renewal, the Remuneration Committee currently comprises the following two members: Michel Rollier, Committee Chairman (independent member) and Victor Despature. Its mission is to submit proposals to the Supervisory Board, in particular in respect of the amount and calculation of Director remuneration and to provide advice concerning the amount of attendance fees.

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

During the year just ended, it met three times. The rate of attendance by the members was 100%.

The members of the Remuneration Committee report verbally to the Board on their work and on the opinions they have issued, thus helping the Board to prepare and make decisions in terms of Directors' remuneration.

Remuneration and benefits of senior executives

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

Directors' remuneration, which is detailed in the Management Board report, is proposed by the Remuneration Committee. It is revised each year on the basis of expert advice and is in line with the market.

Remuneration of members of the Supervisory Board

The General Meeting sets the overall amount of attendance fees.

The Supervisory Board members share the said fees on a pro rata basis according to their attendance at meetings of the Board and the Audit and Remuneration Committees: € 1,100 per member per meeting of the Supervisory Board, € 1,600 per member per meeting of the Audit Committee and € 1,300 per member per meeting of the Remuneration Committee.

The Chairman of the Supervisory Board received a specific fixed remuneration that was last revised by the Board meeting of 16 May 2013.

Remuneration of senior executives

At 31 December 2013, the remuneration of the members of the Management Board comprised a fixed part and a variable part. These amounts are reviewed annually.

The variable part is based on the achievement of objectives that take account of quantitative criteria specific to the scope of operations covered:

For the Chief Executive Officer of Somfy Activities, this includes profit growth, measured by the average growth in COR (Current Operating Result) over two years; the profitability of capital used, measured by the average level of ROCE (Return On Capital Employed) over two years; and lastly, business development, measured by sales growth and by its differential with the sales growth of a range of benchmarks consisting of nine companies deemed to be comparable.

For the Chief Executive Officer of Somfy Participations, this includes growth in the net asset value of investments; the coefficient of achievement of annual budgets; and lastly, the improvement in the financial position of the Somfy Participations division.

For the Chairman of the Management Board, this includes the performance of both divisions, Somfy Activities and Somfy Participations, weighted by the contribution of each division to the Group's net profit. An additional specific criterion measures the level of Group debt.

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

Other benefits, approved by the Supervisory Board, comprise:

- The potential allocation of stock options or performance-based shares, which is the subject of a special report as prescribed by Articles L. 225-184 and L. 225-197-4 of the Commercial Code. During the year just ended, no stock option or performance-based share plans were set up;
- A so-called "Article 39" supplementary retirement scheme for members of the Management Board, senior managers and senior executives of the Group, set up by CMC SARL. Member of the Management Board concerned: Jean-Philippe Demaël, potential beneficiary of a retirement scheme;
- Benefits in kind consisting of the use of a company car, as well as profit sharing, employee shareholding and contributions to the Group savings scheme in force within CMC SARL for holders of an employment contract. Members of the Management Board concerned: Jean-Philippe Demaël and Wilfrid Le Naour. Their value is separately disclosed in the Management Board report, just as the remuneration mentioned in this report is disclosed in its entirety and includes the salaries paid under employment contracts.

The position of the Chairman of the Management Board is different, as he does not benefit from either stock options or performance-based shares. He is only remunerated in his capacity as Board member, without any other particular benefits, and has no employment contract.

Conditions of shareholders' participation in General Meetings

The bylaws allow for the following arrangements:

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

Elements liable to have an impact in the event of a public offering

The disclosures referred to by Article L. 225-100-3 of the Commercial Code relating to elements liable to have an impact in the event of a public offering are published in the paragraph entitled "Elements liable to have an impact in the event of a public offering" of the Management report prepared by the Management Board in respect of the financial year ended 31 December 2013.

Internal control

Internal control and risk management procedures implemented by the company

Company objectives in respect of internal control

The internal control function, inspired in practical terms by the AMF framework available at www.amf-france.org, has the following purposes:

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

Thus, it strives to ensure: a) compliance with laws and regulations; b) the application of instructions and directions set by General Management or the Management Board; c) the proper operation of the internal processes of the company, notably those concerning the safeguarding of its assets; d) the reliability of financial information.

It cannot provide an absolute guarantee against human error.

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

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

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

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

Internal control structures

Supervisory Board

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

Internal Audit

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

The Department, comprising the Internal Audit Officer and the equivalent of 2.5 auditors, carries out audits that evaluate the correct application of accounting principles, the organisation and the systems put in place within the entity subject to audit.

An annual audit plan, prepared together with the Management of Somfy Group, is approved by the Management Board and then validated by the Audit Committee. This audit plan is in particular based on an assessment of the level of risk of each entity and the significance of areas to be covered by an audit. The assignments included in the audit plan provide an independent assessment of the efficiency of the system of internal control in each entity.

Where appropriate, the principal weaknesses identified in internal control are reported and recommendations are issued. A follow-up of the implementation of recommendations is made each year. A report is presented to the Management Board and to the Audit Committee.

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

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

Key elements of internal control procedures

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

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

Strategic, budgetary and reporting processes

The preparation of the budget is part of an annual strategic process involving all the Activities, Business Areas and Business Units as well as the Divisions, which define their own key objectives, in line with the strategic guidelines set by General Management.

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

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

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

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

In addition, three three-year plans, in line with Group strategy and revised annually, are overseen by Management. They include:

- A product master plan that relates to the development of the product offering,
- An industrial and logistics master plan for production facilities,
- A master plan for information systems.

Preparation of financial statements

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

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

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

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

The Group team responsible for the development and control of financial statements comprises the Group Financial Department and the Financial Department of Somfy Activities, represented by its manager, and comprising:

- The consolidation team,
- The central financial control team.

This team relies on financial controllers, based in each Business Area, reporting to the Group in its ten geographical areas.

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

The Group endeavours to lead this network via international meetings and on-going training of accountants and financial controllers.

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

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

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

Intragroup purchases, sales and balance sheet items are confirmed monthly.

Inventory amounts originating from the Group are determined in all entities in order to eliminate internal profit margins on inventories.

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

The review of various contracts, deposits, sureties and guarantees also serves to identify off-balance sheet commitments.

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

Financial statements control

The Consolidation Department, after verifying the completeness of financial information, the proper application of closing procedures and restatements, performing the intragroup account reconciliations and verifying the net equity justification, performs financial statement consolidation using dedicated software.

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

Financial communication

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

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

IT systems

The BaaN integrated management package is installed in most distribution subsidiaries, excluding Asia, where ERP Accpac has been rolled out in the majority of cases.

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

Completion of the budget, monthly reporting, margin analysis by product family and legal consolidation are all carried out on the same platform (Hyperion), which improves uniformity and facilitates the analysis of information.

The BaaN Manufacturing module has been installed at the Group's main production sites (Cluses, Gray, Zriba, Bologna) which means systems can operate with the same information system integrated with logistics and finance. In 2013, BaaN Manufacturing was programmed to integrate the operations of the new factory built in Poland.

Furthermore, the various Group development centres use the CrossRoads tool, a unique data management system for the development of products throughout their life cycle. It contributes to the efficiency of development processes and to the improvement of product quality.

Lastly, the Ariane tool, which helps manage and monitor general expenses liabilities, was also rolled out at Somfy SAS, SITEM and Simu.

Internal control monitoring

An Internal Control Department is in place and has the following objectives:

- The maintenance of reliable internal control within the Group: ensuring statutory financial and reporting data is secure and reliable (risk identification, definition of control procedures), validating the Group's accounting and management methods, while ensuring these can be accommodated by IT systems;
- Internal Audit assignment follow-up: review of Internal Audit reports, identification of action plans to be implemented, action plan follow-ups;
- The development of a plan to make half-year closings more secure: including a schedule for visiting subsidiaries, identification of matters requiring attention, review of visit reports and action plan follow-up.

Members of Internal Control meet once a month to discuss the latest audit reports issued and other matters, such as year-end visits or training programmes to be provided to financial controllers.

The monitoring of the internal control ensuring better knowledge, communication and follow-up of risks and associated controls, is initiated through the following dedicated tools:

- A self-assessment tool for subsidiaries through which Internal Audit may launch monitoring programmes on specific areas;
- A software tool dedicated to the follow-up of recommendations, which more specifically allows Internal Audit to centralise all recommendations resulting

from their audits, the entities audited to capture their corresponding action plans, and the Group's Internal Control Department to follow their implementation.

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

A biannual reporting has been established for the benefit of the Executive Committee of Somfy Activities and the managers of all subsidiaries in relation to the progress of action plans and the resolution of weaknesses that have been identified.

Certain improvements are directly addressed by entities at a local level, while others are looked into centrally by the Internal Control Department and/or in collaboration with the Group's IT Department.

Lastly, the Internal Control Department is also responsible for the central monitoring of risks and the update of risk mapping, in collaboration with the Internal Audit Department specifically in relation to the methodology.

Mapping of risks

Group management firmly believes that risk management and control contributes to:

- Creating and preserving the value, assets and reputation of the company;
- Ensuring the company's decision-making and processes to facilitate the achievement of targets;
- Encouraging that actions are consistent with the company's values;
- Motivating company staff by setting out a common approach to major risks.

The mapping of Group risks is updated every year. A link exists between the risks included in this analysis and the Internal Audit plan, where relevant.

In 2013, the method used to identify operational risks changed. A thought process has also been initiated with a view to integrating the operational risk update process into the company's annual cycles and thereby involve a larger number of persons on a global level.

Strategic risks are examined during the bi-annual process of the Group's strategic review.

The results of this risk evaluation are presented each year to the Executive Committee, as well as to the Management Board and the Audit Committee.

Treasury Committee / Group Cash Management

The Group Treasury Department reports to the Group's Chief Financial Officer.

The Group Treasury Department is responsible for carrying out transactions in cash management, financing and managing risks of a financial or banking nature related to the Group's operations.

It has a duty to warn the Group's Chief Financial Officer, the Treasury Committee or the Management Board of developments in the relevant markets and the fair assessment of risks.

A Treasury Committee meeting is held each month, chaired by the Group's Chief Financial Officer, to review:

- The business and financial environment,
- Deposits,
- Funding,
- The Group's net debt,
- Off-balance sheet banking commitments,
- Foreign exchange positions,
- The Group's cash and debt positions (current and forecast),
- The Group's net financial income/(expense) (twice annually).

This Committee comprises:

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

The Chairman of the Management Board and the two Chief Executive Officers are ex-officio members and have a standing invitation to Committee meetings.

The role of the Treasury Committee is twofold:

- Strategic: to define the overall policy in terms of Group Cash Management, financing, interest and exchange rate and deposit risk management. They also include the follow-up of Group subsidiaries' equity balance sheet items;
- Operational: to guarantee the regular monitoring of Group Cash Management. These are detailed in a monthly trend chart.

The rules and procedures relating to Somfy Group's Cash Management have been formalised in the Cash Management Charter, which covers the following:

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

This charter was subject to a quality review in the second half of 2013.

A Group Treasury Charter was also introduced on 1 November 2013 to define best practices and list in a single document the guidelines that ensure the secure, economical and efficient management of financing and deposit operations, and more generally of cash management within the Somfy Group.

This Group Treasury Charter is applicable to all subsidiaries controlled directly or indirectly by Somfy SA and specifies their roles and responsibilities regarding the management of their financing, deposits, banking flows and more broadly speaking their cash management transactions.

Lastly, a foreign exchange management and reporting tool has been implemented (TITAN, published by 3V Finance).

Accreditations and quality procedures

The Somfy Group has been implementing an approach to Quality Management by following ISO 9001 processes since 1995.

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

These companies represent the vast majority of the operations consolidated by the Group.

The whole personnel of these companies are thus involved in this process, including the R&D Department, as well as the Purchasing, Manufacturing, Production, Sales and Logistics Departments.

Internal quality audits are implemented in accordance with an annual audit plan, defined according to the company's strategic priorities and in a manner so as to review the risks inherent in operational processes. Corrective or preventive actions are managed within each operating or support department.

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

Process control is implemented through compliance with the requirements specified in the various parts of the quality framework (guidelines, procedures, departmental methodological guides, etc.) and the continuous improvement principle applied to each of them.

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

Risk coverage / Insurance

The Group risk prevention and protection policy is determined by Corporate Services, in partnership with its brokers and insurers and in collaboration with the Activities. The vast majority of facilities is insured by Group policies with the objective of guaranteeing adequate coverage of risks at the best market conditions. These risks specifically include direct risks (fire, theft, etc.), loss of profit, general civil liability (including Directors' civil liability) and transport of goods. Other facilities are covered by local insurance policies.

Projects completed and in progress

Projects carried out in 2013 relating to internal control and risk management included:

- Rolling out the E-Learning module designed to provide extensive and simple training for all Somfy Activities Controllers using the Enablon tool, designed to centralise audit tasks and monitor action plans. This tool also feeds basic data to the internal control report communicated twice a year to the General Management and the Executive Committee;
- Mapping existing practices and procedures relating to cash management and banking relations for all entities of Somfy Activities, in order to guarantee that potential risks are known and treated properly. Following this analysis, action plans have been implemented by the Group's Finance Department.

The Audit Committee closely monitored the progress of these projects throughout the year.

The Chairman of the Supervisory Board

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SOMFY SA FINANCIAL RESULTS
FOR THE LAST FIVE YEARS

SOMFY SA FINANCIAL RESULTS
FOR THE LAST FIVE YEARS

€ thousands	2009	2010	2011	2012	2013
1. FINANCIAL POSITION AT BALANCE SHEET DATE					
a) Share capital	7,837	7,837	7,837	7,837	7,837
b) Number of shares issued	7,836,800	7,836,800	7,836,800	7,836,800	7,836,800
c) Number of bonds convertible into shares	–	–	–	–	–
2. OVERALL RESULT OF CURRENT OPERATIONS					
a) Sales excluding VAT	2,880	3,759	2,126	2,976	2,734
b) Profit before tax, amortisation, depreciation and provision charges	79,256	54,672	156,484	101,664	55,317
c) Income tax	3,904	306	3,706	2,984	– 4,555
d) Profit after tax, amortisation, depreciation and provision charges	83,681	54,642	128,982	87,034	62,455
e) Distributed profit	37,617	40,751	40,751	37,617	40,751
3. EARNINGS PER SHARE					
a) Earnings per share after tax, but before amortisation, depreciation and provision charges	10.61	7.02	20.44	13.35	6.48
b) Earnings per share after tax, amortisation, depreciation and provision charges	10.68	6.97	16.46	11.11	7.97
c) Dividend distributed per share	4.80	5.20	5.20	4.80	5.20
4. WORKFORCE					
a) Number of employees at end of year	7	10	8	7	6
b) Total payroll	303	428	547	738	577
c) Amount paid in relation to employee benefits (Social Security, charities, etc.)	77	129	186	347	215

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

€ thousands	Notes	31/12/13	31/12/12*
Sales	(3)	996,801	989,641
Other operating income	(4)	15,557	14,913
Cost of sales		– 360,960	– 362,351
Employee expenses		– 298,901	– 305,245
External expenses		– 161,605	– 162,902
EBITDA		190,892	174,057
Amortisation and depreciation charges	(11) & (12)	– 35,620	– 35,786
Charges to / reversal of current provisions		88	– 904
Gains and losses on disposal of non-current operating assets		– 615	– 967
EBITA		154,746	136,401
Amortisation of allocated intangible assets	(11)	– 4,174	– 4,248
CURRENT OPERATING RESULT		150,572	132,153
Other operating income and expenses	(5)	– 4,759	– 7,898
Impairment of goodwill	(10) & (11)	– 7,042	– 9,449
OPERATING RESULT		138,771	114,806
– Financial income from investments		*6,978*	*7,530*
– Financial expenses related to borrowings		*– 4,148*	*– 5,410*
Cost of net financial debt		2,830	2,120
Other financial income and expenses		– 2,901	3,619
NET FINANCIAL INCOME/(EXPENSE)	(6)	– 71	5,739
PROFIT BEFORE TAX		138,700	120,545
Income tax	(7)	– 38,998	– 26,055
Share of profit/(loss) of associates	(14)	1,499	– 10,072
NET PROFIT		101,201	84,418
Attributable to: Group share		99,704	83,807
Non-controlling interests		1,497	611
Basic earnings per share (€)	**(8)**	**13.43**	**11.32**
Diluted earnings per share (€)	**(8)**	**13.40**	**11.27**

** The financial statements have been restated following the application of the revised IAS 19 and the change of recognition method for the CVAE tax (see section A of the accounting rules and methods).*

Consolidated statement of comprehensive income

€ thousands	31/12/13	31/12/12*
Net profit for the year	101,201	84,418
Movement in gains and losses on translation of foreign currency	– 6,148	– 819
Movement in fair value of assets available for sale	14,500	3,000
Movement in fair value of interest rate hedges	675	223
Movement in fair value of foreign currency hedges	– 55	1,162
Movement in tax on items that may be reclassified to profit or loss	– 8,056	1,653
Items that may be reclassified to profit or loss	**917**	**5,219**
Movement in actuarial gains and losses	1,645	– 6,022
Movement in tax on items that will not be reclassified to profit or loss	– 856	2,117
Items that will not be reclassified to profit or loss	**789**	**– 3,905**
Items of other comprehensive income directly recognised in equity	**1,707**	**1,315**
Comprehensive income for the year**	**102,907**	**85,733**
Attributable to: Group share	101,410	85,121
Non-controlling interests**	1,497	611

** The financial statements have been restated following the application of the revised IAS 19 and the change of recognition method for the CVAE tax.*
*** The difference in the net profit with the consolidated statement of changes in equity is due to the variation in the value of the put options granted to holders of non-controlling interests: € 1.6 million at 31 December 2013 and € 0.8 million at 31 December 2012.*

Consolidated balance sheet – Assets

€ thousands	Notes	31/12/13 Net	31/12/12* Net
Non-current assets			
Goodwill	(10)	227,159	209,951
Intangible assets	(11)	65,764	69,274
Property, plant and equipment	(12)	244,316	213,792
Investments in associates	(14)	109,881	109,517
Financial assets	(15)	230,521	227,126
Other receivables	(16)	446	9,743
Deferred tax assets	(7)	35,518	33,088
Employee benefits	(26)	49	101
Total Non-current assets		**913,653**	**872,592**
Current assets			
Inventory	(17)	141,393	132,506
Trade receivables	(18)	158,050	149,002
Other receivables	(19)	19,234	15,816
Current tax assets	(7)	5,407	7,858
Financial assets	(15)	15,884	835
Derivative instruments	(25)	–	113
Cash and cash equivalents	(20)	121,496	86,797
Total Current assets		**461,464**	**392,928**
TOTAL ASSETS		**1,375,117**	**1,265,519**

** The financial statements have been restated following the application of the revised IAS 19, the change of recognition method for the CVAE tax and the reclassification of deferred settlements of a financial nature.*

Consolidated balance sheet – Equity and liabilities

€ thousands	Notes	31/12/13	31/12/12*
Shareholders' equity			
Share capital		7,837	7,837
Share premium		1,866	1,866
Other reserves		819,598	770,046
Net profit for the year		99,704	83,807
Group share		**929,005**	**863,557**
Non-controlling interests		– 363	– 382
Total shareholders' equity		**928,641**	**863,175**
Non-current liabilities			
Non-current provisions	(21)	18,078	9,647
Other financial liabilities	(22)	79,872	78,659
Other liabilities	–	1,763	1,811
Employee benefits	(26)	18,639	21,047
Deferred tax liabilities	(7)	65,181	59,809
Derivative instruments	(25)	938	1,744
Total non-current liabilities		**184,471**	**172,718**
Current liabilities			
Current provisions	(21)	19,888	12,137
Other financial liabilities	(22)	39,417	52,672
Trade payables	–	100,213	85,579
Other liabilities	(27)	95,855	75,974
Tax liabilities	(7)	6,604	3,265
Derivative instruments	(25)	28	–
Total current liabilities		**262,005**	**229,627**
TOTAL EQUITY AND LIABILITIES		**1,375,117**	**1,265,519**

** The financial statements have been restated following the application of the revised IAS 19, the change of recognition method for the CVAE tax and the reclassification of deferred settlements of a financial nature.*

Consolidated statement of changes in equity

€ thousands	Share capital (1)	Share premium	Treasury shares	Gain/loss on fair value of assets available for sale	Actuarial gains and losses	Interest rate hedges	Foreign currency hedges
At 31 December 2012	**7,837**	**1,866**	**– 74,390**	**2,870**	**– 11,461**	**– 681**	**94**
Comprehensive income recorded during the year	–	–	–	14,500	1,645	675	– 55
Treasury share transactions	–	–	– 16,650	–	–	–	–
Dividends	–	–	–	–	–	–	–
Other movements (2)	–	–	–	–	–	–	–
At 31 December 2013	**7,837**	**1,866**	**– 91,040**	**17,370**	**– 9,815**	**– 6**	**40**

(1) Share capital comprises 7,836,800 shares with a par value of € 1. No changes occurred in 2013.
(2) Including a negative amount of € 8.7 million relating to the recognition of the commitment to acquire the 49% non-controlling interest in Giga and foreign exchange gains and losses on equity transactions.

€ thousands	Share capital (1)	Share premium	Treasury shares	Gain/loss on fair value of assets available for sale	Actuarial gains and losses	Interest rate hedges	Foreign currency hedges
At 31 December 2011	**7,837**	**1,866**	**– 62,624**	**– 130**	**– 5,439**	**– 904**	**– 1,068**
Comprehensive income recorded during the year	–	–	–	3,000	– 6,022	223	1,162
Treasury share transactions	–	–	– 11,766	–	–	–	–
Dividends	–	–	–	–	–	–	–
Other movements (2)	–	–	–	–	–	–	–
At 31 December 2012	**7,837**	**1,866**	**– 74,390**	**2,870**	**– 11,461**	**– 681**	**94**

(1) Share capital comprises 7,836,800 shares with a par value of € 1. No changes occurred in 2012.
(2) Changes in consolidation scope, foreign exchange gains and losses on equity transactions.

Expenses related to acquisitions of non-controlling interests	Movements in put options	Deferred tax	Changes in foreign exchange rates	Consolidated reserves and net profit	Total shareholders' equity	Non-controlling interests	Total equity (Group share)
– 2,369	**– 8,515**	**6,041**	**7,628**	**934,254**	**863,175**	**– 382**	**863,557**
–	–	– 8,912	– 6,148	99,616	101,323	– 88	101,410
–	–	–	–	19,169	2,519	–	2,519
–	–	–	–	– 35,692	– 35,692	–	– 35,692
–	4,501	–	–	– 7,184	– 2,683	106	– 2,789
– 2,369	**– 4,014**	**– 2,871**	**1,480**	**1,010,163**	**928,641**	**– 363**	**929,005**

Expenses related to acquisitions of non-controlling interests	Movements in put options	Deferred tax	Changes in foreign exchange rates	Consolidated reserves and net profit	Total shareholders' equity	Non-controlling interests	Total equity (Group share)
–	**–**	**2,787**	**8,447**	**890,473**	**841,245**	**24**	**841,221**
–	–	3,770	– 819	83,604	84,918	– 203	85,121
–	–	–	–	– 33	– 11,799	–	– 11,799
–	–	–	–	– 38,680	– 38,680	–	– 38,680
– 2,369	– 8,515	– 516	–	– 1,109	– 12,509	– 203	– 12,306
– 2,369	**– 8,515**	**6,041**	**7,628**	**934,254**	**863,175**	**– 382**	**863,557**

Consolidated cash flow statement

€ thousands	Notes	31/12/13	31/12/12*
Consolidated net profit		**101,201**	**84,418**
Depreciation and amortisation of assets (excluding current assets)		42,343	61,675
Charges to and reversals of provisions for liabilities		928	650
Unrealised gains and losses related to fair value movements		– 44	– 1,075
Unrealised foreign exchange gains and losses		3,659	2,014
Income and expenses related to stock options and employee benefits		2,100	1,295
Depreciation, amortisation, provisions and other non-cash items		**48,987**	**64,559**
Profit on disposal of assets and others		3,040	5,139
Share of profit/(loss) of associates		– 1,499	– 2,278
Deferred tax expense		– 6,697	– 888
Cash flow		**145,032**	**150,950**
Cost of net financial debt (excluding non-cash items)		– 987	– 1,547
Dividends of non-consolidated companies		– 2,721	– 7,480
Tax expense (excluding deferred tax)		45,694	26,943
Change in working capital requirements	(30)	12,641	– 7,962
Tax paid		– 39,337	– 17,285
NET CASH FLOW FROM OPERATING ACTIVITIES (A)		**160,321**	**143,619**
Acquisition-related disbursements:			
– intangible assets and property, plant and equipment		– 55,656	– 42,222
– non-current financial assets		– 1,257	– 7,527
Disposal-related proceeds:			
– intangible assets and property, plant and equipment		806	510
– non-current financial assets**		9,059	13,150
Change in current financial assets		– 7,772	2,407
Acquisition of companies, net of cash acquired	(9)	– 8,440	– 6,671
Disposal of companies, net of cash disposed		330	– 3,513
Dividends paid by associates		286	472
Dividends paid by non-consolidated companies		2,722	7,480
Interest received		893	770
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		**– 59,030**	**– 35,144**
Increase in loans		10,022	4,006
Reimbursement of loans		– 20,390	– 47,565
Other transactions with non-controlling interests	(9)	– 1,242	– 3,854
Net increase in shareholders' equity of subsidiaries		– 511	–
Dividends and interim dividends paid		– 36,779	– 38,680
Movement in treasury shares		2,347	– 12,156
Interest paid		– 6,091	– 5,493
NET CASH FLOW USED IN FINANCING ACTIVITIES (C)		**– 52,644**	**– 103,742**
Impact of changes in foreign exchange rates on cash and cash equivalents (D)		– 3,426	– 298
NET CHANGE IN CASH AND CASH EQUIVALENTS (A + B + C + D)		**45,221**	**4,434**
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR	(30)	**70,435**	**66,002**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	(30)	**115,657**	**70,435**

** The financial statements have been restated following the application of the revised IAS 19 and the change of recognition method for the CVAE tax.*
*** Including € 8.8 million outstanding balance on the agta record selling price paid by Assa Abloy early in 2013.*

Notes to the consolidated financial statements

Somfy SA is a company governed by a Management Board and a Supervisory Board, listed on the Eurolist of Euronext Paris (Compartment A, ISIN code: FR 0000120495). The Somfy Group is structured as two separate branches: Somfy Activities, which is dedicated to the automation and control of openings and closures in residential and commercial buildings (blinds, shutters, curtains, screens, doors, gates, etc.); and Somfy Participations, which is dedicated to investments and equity shareholdings in industrial companies operating in various business sectors. The head office is based in Cluses.

On 21 February 2014, the Management Board of Somfy SA approved the consolidated financial statements of the Somfy Group for the 12-month financial year ended 31 December 2013, it being specified that the Group had total assets of € 1,375,117 thousand and realised a consolidated net profit of € 101,201 thousand (Group share: € 99,704 thousand).

Accounting rules and methods

A. Basis for preparation of the consolidated financial statements

Consolidated financial statements – Basis for preparation

The consolidated financial statements are presented in Euro thousands. All amounts are rounded to the nearest thousand of Euros, unless otherwise specified.

The financial statements have been prepared in accordance with the historical cost principle, except for a number of assets and liabilities that were measured at fair value, in particular in relation to derivative instruments.

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

The financial year-end of all companies is 31 December.

Compliance with accounting standards

In application of European Regulation 1606/2002 of 19 July 2002 on international accounting standards, the Somfy Group's consolidated financial statements for the financial year ended 31 December 2013 have been prepared in accordance with the international financial reporting standards ("IFRS") applicable at that date, as approved by the European Union at the date of preparation of these financial statements.

New standards and interpretations in force

Accounting rules and methods are identical to those used in the preparation of the consolidated financial statements at 31 December 2012, except for the following standards, amendments and interpretation adopted by the European Union, the application of which is mandatory for the financial year 2013:

- Revised IAS 19 "Employee benefits",
- IFRS 13 "Fair value measurement",
- Amendment to IAS 1 "Presentation of items of other comprehensive income (OCI)",
- Amendment to IAS 12 "Income tax - Deferred tax – Recovery of underlying assets",
- Amendment to IFRS 1 "Government loans",
- Amendment to IFRS 7 "Financial instruments: Disclosures – Offsetting financial assets and financial liabilities",
- Improvements to IFRS (May 2012),
- IFRIC 20 interpretation "Stripping Costs in the Production Phase of a Surface Mine".

The main changes related to the introduction of revised IAS 19 "Employee benefits" are as follows:

- Abolition of the different options for recognising actuarial gains and losses: actuarial gains and losses are now recognised under items of other comprehensive income and previous actuarial gains and losses not yet recognised must be included in shareholders' equity (no impact since the Group already applied this method);
- Abolition of the return on assets assumption: the financial expense corresponds to the interest calculated on the commitment, net of the value of plan assets, determined on the basis of the discount rate;
- Abolition of the deferred recognition method for past service costs: immediate recognition in the income statement of any impact related to plan changes. The opening balance, if any, is recognised in equity at the date of first-time application.
- Furthermore, henceforth the Group has opted to recognise the rights of the year in operating result and the interest charge as a financial expense.

The revised IAS 19 is applicable retroactively, with the following accounting impacts:

- A negative € 1.4 million on equity at 1 January 2012 corresponding to past service costs not yet amortised (after tax) and a positive € 0.7 million on net profit at 31 December 2012 (cancellation of the prior spreading of past service costs, net of tax);
- The reclassification of € 0.4 million from operating result to net financial expense at 31 December 2012.

Other standards of mandatory first-time application at 31 December 2013 had no material impact on the Group's financial statements.

The following standards and amendments, adopted by the European Union and whose application will become mandatory at a later stage, were not applied early:

- IAS 28 "Investments in associates and joint ventures" applicable from 1 January 2014,
- IFRS 10 "Consolidated financial statements" applicable from 1 January 2014,
- IFRS 11 "Joint arrangements" applicable from 1 January 2014,
- IFRS 12 "Disclosure of interests in other entities" applicable from 1 January 2014,
- Amendments to IAS 32 "Financial instruments: Presentation - Offsetting financial assets and financial liabilities" applicable from 1 January 2014,
- Amendment to IAS 36 "Recoverable amount disclosures for non-financial assets" applicable from 1 January 2014,
- Amendment to IAS 39 "Novation of derivatives and continuation of hedge accounting" applicable from 1 January 2014,
- IFRS 10, IFRS 11 and IFRS 12 transition guidance applicable from 1 January 2014,
- Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment entities" applicable from 1 January 2014.

The following standard, amendments and interpretation have been published by the IASB but have not yet been adopted by the European Union:

- IFRS 9 "Financial instruments",
- Amendment to IFRS 9 "Hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39",
- Amendments to IFRS 9 and IFRS 7 "Mandatory effective date and transition disclosures – Transfer of financial assets" applicable from 1 January 2015,
- Amendment to IAS 19 "Defined benefit plans: employee contributions" applicable from 1 July 2014,
- Improvements to IFRS (December 2013) applicable from 1 July 2014,
- IFRIC 21 interpretation "Levies charged by public authorities" applicable from 1 January 2014.

The Group is currently conducting analyses on the practical consequences of these new texts and the effect of their application on the financial statements.

A number of these standards are likely to change or be subject to interpretation with potentially retrospective application. These changes may result in the Group having to subsequently modify the consolidated financial statements restated under IFRS.

Voluntary change of method

At the 2009 year-end, with regard to French entities, the Somfy Group had classified the CVAE tax charge as an operating expense in consistency with the historical classification of the business tax.

Given prevailing market practice, the Group considered that henceforth the classification of the CVAE tax charge as income tax charge will provide more relevant information with respect to comparison.

Since this is a change in presentation method, the 2012 financial year was restated to provide comparable information.

The impact on operating expenses and accordingly on the income tax charge was € 3.9 million at 31 December 2012, as well as an additional income tax charge of € 0.2 million at 31 December 2012.

Assumptions and estimates

The preparation of consolidated financial statements in accordance with IFRS standards leads Management to make estimates and assumptions which affect the book value of certain assets, liabilities, income and expense items, as well as disclosures in a number of notes to the consolidated financial statements. These assumptions are by nature uncertain and may differ from actual results. The Group regularly reviews its estimates and assessments in order to take account of past experience and to integrate factors that are deemed relevant with regard to economic conditions:

The major items of the financial statements that may be subject to estimates are as follows:

- The impairment of goodwill and intangible assets and property, plant and equipment, whose measurement is specifically based on future cash flow, discount rate and net realisable value assumptions (note 13 to the consolidated financial statements),
- Retirement commitments, whose measurement is based on a number of actuarial assumptions (note 26 to the consolidated financial statements),
- Provisions for liabilities and charges,
- The measurement of options associated with stock option plans and free share allocations granted to employees (note 28 to the consolidated financial statements).

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

B. Consolidation scope

Business combinations

When a company is incorporated in the consolidation scope, the identifiable assets, liabilities and contingent liabilities of the acquired entity are measured at fair value measured at the date of acquisition, except for non-current assets classified as assets held for sale, which are recognised at the fair value net of disposal costs.

Goodwill is measured as the difference between total identifiable assets, liabilities and contingent liabilities of the acquired entity, individually estimated at fair value, and the transferred consideration (acquisition price) measured at fair value of the assets received.

At the date of the control acquisition and for each business combination, the Group can opt for the partial goodwill method (limited to the equity interest acquired by the Group) or for the full goodwill method. If it opts for the full goodwill method, minority interests are measured at fair value and the Group recognises goodwill on all identifiable assets and liabilities.
Business combinations prior to 1 January 2010 have been treated in accordance with the partial goodwill method, which was the only method applicable until that date.
In the case of a business combination achieved in stages, the previously held equity interest is remeasured at fair value at the acquisition date. The difference between the fair value and the net book value of this investment is recognised directly in operating result.
Restatements of asset and liability values relating to acquisitions recognised on a provisional basis (due to expertise work in progress or supplementary analyses) are recognised as retrospective restatements of goodwill if they occur within twelve months following the acquisition date.
Beyond this deadline, the impacts of restatements are directly recognised in profit or loss for the financial year, except for error corrections.
In addition, earn-out payments are included in the consideration transferred at their fair value at the acquisition date and regardless of their probability. During the valuation period, subsequent adjustments are offset against goodwill where they relate to facts and circumstances that existed at the acquisition date. If not, and after the end of this period, adjustments to earn-out payments are recognised directly in the income statement, unless the earn-out payments are offset against an equity instrument.
Newly-acquired companies are consolidated from the date of effective control or investment.

Consolidation methods

Exclusive control

Companies are fully consolidated when they are controlled by the Group. Control is defined as the power to govern the financial and operating policies of an affiliate so as to obtain benefits from its activities.
Control is generally deemed to exist when the Group holds over half of the voting rights of the controlled company. Financial statements of subsidiaries are included in the consolidated financial statements from the date of effective control transfer, until control ceases to exist.
Minority shareholders' interests are included in the balance sheet under a separate headline called "non-controlling interests". Non-controlling interests' share of net profit is presented separately in the income statement as an allocation of profit for the period.

Joint control and significant influence

Companies over which the Group exercises control jointly with a limited number of partners based on a contractual agreement are consolidated using the equity method.
Associates are companies over which the Group has significant influence on their financial and operating policies, but does not control them.
Companies over which the Group has significant influence are consolidated using the equity method.
Acquisition expenses are recorded in the cost of acquisition of the shares.
The consolidation scope is presented in note 36 to the consolidated financial statements.

C. Foreign exchange translation

The consolidated financial statements at 31 December 2013 have been prepared in Euros, which is the parent company's functional currency. Each Group entity determines its functional currency and items included in the financial statements of each of these entities are measured in this functional currency.

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

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

Translation of foreign subsidiaries financial statements

The financial statements of Group companies which have a different functional currency to the parent company are translated into Euro, as follows:
- Assets and liabilities, including goodwill and adjustments related to consolidation fair value are translated into Euro at the year-end exchange rate;
- Income and expenses are translated at the average exchange rate for the period, provided significant variations in the exchange rates do not call this method into question;
- Differences on translation arising are directly recorded in the consolidated financial statements equity section.

Unrealised exchange differences relating to monetary values that are an integral part of the net investment in foreign subsidiaries are recorded in translation adjustment in equity until the disposal of the investment, at which date they are taken to the income statement.
No significant Group subsidiary operates in countries whose economy is hyperinflationary.

D. Acquisition goodwill

Acquisition goodwill is measured using the method described in section B.

Acquisition goodwill is subject to impairment tests at least once annually, or more frequently when events or changes in circumstances indicate that the goodwill has been impaired (indication of impairment, see section H). Recognised impairment cannot be reversed.

Acquisition goodwill related to equity-accounted companies is posted to the "investments in associates" account. Impairment recorded on the equity-accounted value may be reversed in the event of a significant recovery in the value of the equity investment.

E. Intangible assets

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

Intangible assets primarily comprise:

Software

Internally-developed software is recognised on the balance sheet when the following two conditions are met simultaneously:

- It is probable that the future economic benefits attributable to the software will flow to the company, and;
- Its cost or value can be measured reliably.

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

Somfy Group owns two major types of software:

1. Software subject to a five stage development project and rolled out in several countries is amortised on a straight-line basis over ten years.

The five stages characterising the implementation of this type of IT projects are as follows:

- The "initialisation" stage, ending in a decision to carry out or not an IT solution research to meet a specific issue;
- The "assessment" stage, ending in the choice of a solution, often the selection of a licence;
- The "study" and "realisation" stages, resulting in a decision to implement the rollout of the solution;
- The "implementation" stage, ending in the transfer of the application to support services. This is the software rollout.

This software is particularly related to the rollout of IT systems.

Development expenses incurred during the "study" and "realisation" stages may be capitalised if all criteria defined by IAS 38 are complied with.

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

Patents

Only acquired patents and related filing expenses are capitalised.

Patents are amortised on a straight-line basis over their legal protection period.

Costs of renewal of patents are included in costs for the year.

Development costs

Development costs are recognised as balance sheet assets when all criteria defined by IAS 38 are met:

- Project technical feasibility,
- Intention to complete the intangible asset so that it is available for use or sale,
- Ability to use or sell the intangible asset,
- Generation of future economic benefits,
- Availability of resources,
- Ability to reliably measure the expenditure attributable to the intangible asset during its development.

Only development costs generated by projects dedicated to the development of new products and conducted in five stages are capitalised, as follows:

- The "assessment" stage, consisting in the production of assessment elements enabling the Group to make the decision to launch the project or not;
- The "pre-study" stage, whose objective is to select technical solutions, validate product feasibility and the marketing strategy to place the product on the market;
- The "study" stage, which enables to set the definition of the product, as well as industrial and marketing resources;
- The "realisation" stage, which consists in qualifying the product, establishing industrial resources in production facilities, as well as marketing resources. This stage also defines project closing criteria;
- The "launch" stage, featuring product manufacturing and the qualification of industrial and marketing resources.

The first two stages, entitled "assessment" and "pre-study" are research phases. Expenses incurred are thus recognised as costs for the financial year.

Development expenses incurred during the "study" and "realisation" stages may be capitalised if all criteria defined by IAS 38 are complied with.

Capitalised development costs are amortised on a straight-line basis, depending on the useful life of the asset from the date of its commissioning (four to ten years, depending on the type of product developed).

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

No residual value is recognised at Group level to determine the basis for amortisation of intangible assets.
Subsequent expenditures are generally recognised as expenses for the financial year.

Customer relationships

Customer relationships are estimated and recorded as an asset on the balance sheet as part of business combinations. These intangible assets are amortised over their estimated value in use.

Brands

Brands are estimated and recorded as an asset on the balance sheet as part of business combinations. These intangible assets have an indefinite life and are subject to impairment tests at least once a year or more frequently, when events or changes in circumstances indicate that they have been impaired (indication of impairment).

F. Property, plant and equipment (PPE)

Except for business combinations, PPE assets are initially recorded at their acquisition or production cost, which includes the purchase price and all costs necessary to make the assets operational.
Current maintenance costs are recognised as expenses for the financial year.
Straight-line depreciation is used based on the following average useful lives:

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

Taking account of the nature of PPE held by Somfy Group, no significant component was identified.
Subsequent expenditures may be capitalised if they comply with asset recognition criteria, as defined by IAS 16, in particular if it is probable that the future economic benefits of the asset will flow to the company. These criteria are considered prior to incurring the cost.
Asset residual values, useful lives and asset depreciation are reviewed, and amended if necessary, at the end of each year.
PPE recoverable amounts are reviewed when events or changes in circumstances indicate that the book value may not be recovered.
PPE are derecognised at disposal or when no future economic benefit is expected from their use or disposal. Any profit or loss resulting from the derecognition of an asset (measured as the difference between the net proceeds of the sale and the book value of the asset) is included in the income statement for the year in which the asset is derecognised.

G. Leases

• Leases that transfer virtually all the risks and rewards incident to ownership to the lessee are classified as finance leases.
These leases are classified as finance leases when the following major indicators are met (non-exhaustive list):

- Transfer of asset ownership at expiry of the lease with purchase option;
- The option exercise conditions are such as to make the transfer of ownership highly likely at the expiration of the lease;
- The lease term is for the major part of the useful life of the asset according to the lessee's conditions of use;
- The present value of minimum lease payments is close to the fair value of the leased asset at the conclusion of the contract.

Assets financed within the framework of finance leases primarily include real estate. They are recorded, from inception of the contract, in property, plant and equipment at the lower of the fair value of leased assets and the present value of minimum payments in respect of the lease.
Payments made in respect of the lease are broken down between finance charges and debt repayment, in order to obtain a constant periodic rate of interest on the outstanding liability. Finance charges are directly recognised in the income statement.
PPE acquired through finance leases are depreciated over the same periods as described above where the Group expects to gain ownership of the asset at the expiry of the contract. If not, the asset is depreciated on the basis of the shorter period of the asset useful life and the duration of the lease.
• Leases classified as operating leases are not restated and lease payments are recognised as expenses for the financial year, spread if required on a straight-line basis.

H. Impairment tests

IAS 36 defines the procedures to be applied by a company to ensure that the net book value of its assets does not exceed their recoverable amount, that is the amount to be recovered from the use or the disposal of the assets.
Except for goodwill and intangible assets with an indefinite life, which require systematic annual impairment tests at year-end, the recoverable amount of an asset is estimated every time there is an indication that the asset may be impaired.
A recoverable amount is estimated for each individual asset. If it is not possible to do so, assets are brought together in Cash Generating Units (CGUs), whose recoverable amount is subsequently measured.
A Cash Generating Unit is the smallest group of assets to which the asset belongs, which generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

CGUs have been identified within the Somfy Group. They primarily comprise the Group's legal entities that have been acquired through merger and acquisition transactions.
An impairment test involves comparing the recoverable amount of the CGU with its book value. The recoverable amount of an asset is measured at the higher of its fair value, after deduction of disposal costs, and its value in use.
If the recoverable amount exceeds the net book value of the CGU at period end, no impairment is recognised.
However, if this amount is lower than the net book value, an impairment loss equal to the difference is recognised in priority against the acquisition goodwill. This impairment loss may not be reversed.
Fair value after deduction of disposal costs is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, after deducting disposal costs.
The value in use is determined on the basis of cash flows estimated by plans and budgets for a maximum of five years. Cash flows beyond five years are extrapolated through the application of a constant or decreasing rate and discounted using long-term market rates after tax, which reflect market estimates of the time value of money and specific risks pertaining to these assets. In certain cases, cash flows can be estimated over longer periods, to be justified CGU by CGU.
For other PPE and intangible assets (excluding goodwill) with a set useful life, a previously recognised impairment loss may be reversed if there has been a change in the estimates used to determine the recoverable amount of the asset since the last impairment loss was recognised. If this is the case, the asset book value is increased to match the recoverable amount. The book value that has been increased following the reversal of an impairment loss may not exceed the book value that would have been measured, after deducting amortisation or depreciation, if no impairment loss had been recognised for this asset over the previous financial years. Following the recognition of an impairment loss reversal, the amortisation or depreciation charge is adjusted for future periods, so that the revised book value of the asset, after deducting its potential residual value, is evenly spread over the remaining value in use.

I. Financial assets

Financial assets are classified in four categories according to their nature and the purpose of ownership:
- Assets held to maturity,
- Assets measured at fair value by way of the income statement,
- Assets available for sale,
- Loans and receivables (excluding trade receivables).

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

Assets held to maturity

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

Assets measured at fair value by way of the income statement

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

Available-for-sale assets

Group investments in companies over which it neither has control, nor significant influence, nor joint control, are recognised as financial assets available for sale in accordance with IAS 39.
These securities are measured at fair value at year-end and fair value variances are directly recognised in equity where their fair value is not less than their historical value over a long period of time. Amounts thus recognised in equity are reclassified to the income statement on the disposal of assets.
Corresponding dividends are recognised in financial income in the year they are paid.
If the fair value of these assets available for sale happens to be lower than the acquisition cost, a provision for writedown is established and recognised in the income statement when there is an objective indication that the value of these assets available for sale may be impaired.
Financial assets available for sale are classified as non-current financial assets, except for those with a maturity date of less than 12 months at year-end, which are classified as current financial assets.

Loans and receivables

They represent financial assets issued or acquired by the Group in return for a direct money consideration, goods or services given to a debtor. They are measured at amortised cost, using the effective interest rate method. Long-term

loans and receivables, non-interest bearing or bearing a lower interest rate than market interest rate, are discounted if amounts are significant. Potential impairment losses are recognised in the income statement.
In addition, writedown charges are established when there is an objective indication that the value of the asset may have been impaired as a result of an event arising after its initial recognition.
This account primarily comprises guarantees and deposits paid to various lenders.

J. Inventory

Inventories are valued at their procurement cost, determined using the weighted average cost method.
In particular, inventory cost measurement takes into account the following items:
- The gross value of raw materials and supplies includes the purchase price and ancillary expenses;
- Expenses incurred to bring inventories to the place they are located, and in the condition they are in, are integrated in inventory procurement cost;
- Manufactured products are measured at production cost, which includes consumables, direct and indirect production expenses and depreciation charges of assets used in the manufacturing process;
- Intragroup profits included in inventories are eliminated;
- Borrowing costs are not included in the cost of inventory.

The value of inventories and work in progress is impaired when their net realisable value is lower than their book value.
Net realisable value is the estimated selling price under normal business conditions, after deducting estimated completion costs and estimated selling expenses.

K. Trade and other receivables

Trade and other receivables are recorded at their nominal value and a provision for writedowns is established on a case-by-case basis when receivables are unlikely to be collected.

L. Equity

Transactions between shareholders

In the event of acquisition of additional interests in a subsidiary, the difference between the price paid and the book value of non-controlling interests acquired and any related acquisition costs is recognised according to revised IFRS 3 as a reduction of the Group's consolidated shareholders' equity, and vice versa in case of disposal of interests without loss of control.

Treasury shares

The Group holds treasury shares for the following purposes:
- To stimulate the secondary market or ensure the liquidity of the Somfy SA share by way of an investment services provider within a liquidity contract that complies with the AMAFI ethics charter recognised by the "Autorité des Marchés Financiers";
- To retain the shares purchased and subsequently exchange them or use them within the framework of potential acquisitions, recognising that shares acquired to that end may not exceed 5% of the company's share capital;
- To ensure the coverage of stock option plans and/or free share allocation plans (or similar) granted to employees and/or senior executives of the Group, as well as all other shares allocated under a company or group savings scheme (or similar), in relation to employee profit-sharing and/or any other form of allocation to employees and/or senior executives of the Group;
- To cover marketable securities giving right to the allocation of shares in the company, in accordance with applicable regulations;
- To proceed with the possible cancellation of shares acquired.

Treasury shares directly held by the Group or through a liquidity contract are eliminated from equity.
On their disposal, the consideration received for the disposal of treasury shares is directly recognised as an increase of Group equity, no gain or loss is thus recognised in net profit/loss for the financial year.

M. Cash and cash equivalents

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

N. Provisions

This includes commitments with an uncertain maturity date or amounts resulting from restructuring operations, environmental risks, litigations or other risks.
A provision is established when the Group has a current obligation (legal or constructive) resulting from a past event and when future cash outflows can be measured reliably.
The Group is party to a number of litigation and arbitration proceedings with third parties or with the tax authorities of certain countries in the normal course of its business. Provisions are recorded for these proceedings when a legal, contractual or constructive obligation exists at the end of the reporting period with respect to a third party; it is

probable that an outflow of resources embodying economic benefits will be required in order to settle the obligation with no consideration in return; and a reliable estimate can be made of this obligation.

A provision for restructuring is recognised when there is an obligation toward third parties, originating from a Management decision materialised before year-end by the existence of a detailed and formal plan, which has been announced to the personnel affected or their representatives.

When the Group expects full or part repayment of an expense that was the subject of a provision, by way of the existence of an insurance contract for instance, the repayment is recognised as a separate asset but only if repayment is virtually certain.

The provision charge is taken to the income statement, net of any repayment.

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

If the impact of the time value of money is significant, provisions are discounted on the basis of a rate after tax which reflects the specific risks of the liability.

Where a provision is discounted, the increase in the provision relating to the discounting is recorded as an operating expense.

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

O. Employee benefits

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

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

For defined benefit plans relating to post-employment benefits the cost of benefits is measured using the projected unit credit method.

According to this method, the rights to benefits are allocated to periods of service depending on the plan's formula for acquisition of rights, by taking account of a straight line effect where the rate of acquisition of rights is not uniform to the periods of subsequent service.

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

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

The different defined benefit plans are the following:

- Retirement benefit plans (IFC) for all French companies, in compliance with applicable collective agreements,
- Defined benefit pension plans in international subsidiaries (United States in particular).

All actuarial differences are immediately recognised, net of deferred tax, in reserves.

Past service costs, designating the increase in an obligation arising from the introduction of a new plan or changes to an existing plan, is expensed immediately.

Expenses relating to this type of plan are recognised under employee expense and financial expense.

Curtailments, settlements and past service costs are recognised in current operating result or "Other financial income and expenses" according to their nature. The provision recognised in the balance sheet corresponds to the present value of the obligations calculated as described above, less the fair value of plan assets.

Seniority awards are treated as long-term benefits granted to employees and provided for on the basis of an actuarial evaluation at every year-end. Actuarial variances are recognised as expenses.

Also, the severance pay provision (TFR) applicable to Italian companies is treated as a long-term benefit.

A provision was established for expenses incurred in respect of ITR (Individual Training Right). This commitment, which only concerns French companies, was estimated based on several factors (cost per hour, number of hours accumulated by employees, probability of ITR being claimed by personnel, etc.).

In the limited number of cases where these expenses cannot be considered as remuneration for future services, a provision is established in the financial statements for the financial year in respect of the resulting short term commitment, provided that the obligation toward the employee is probable or certain.

P. Trade and other payables

Trade and other payables are recognised at their nominal value.

Q. Share-based payments

Some Group employees, including Directors, have received the right to the allocation of free shares, subject to the achievement of certain performance conditions, and options entitling them to acquire Somfy SA shares at a price fixed in advance. The Group does not grant warrants to subscribe for shares.
Effective allocation of options is subject to conditions being fulfilled. Each beneficiary must be employed by the Group at the date options are exercised. For some employees, the ability to exercise options is also governed by the achievement of predetermined objectives.
The price of these options and free shares is measured at fair value according to the Black & Scholes model.
During the rights vesting period, the fair value of options and free shares thus determined is split in proportion to the acquisition of rights. This expense is posted to personnel costs and offset by an increase in equity. Upon exercise of the options, the exercise price received is recorded under cash and offset in equity.
The dilutive impact of outstanding options and free shares is reflected in the calculation of diluted earnings per share.
Pursuant to the transition provisions of this standard, only option plans allocated after 7 November 2002 have been recognised in accordance with the above described principle and subjected to measurement.

R. Borrowings and borrowing costs

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

S. Purchase commitments given to non-controlling interests

Due to the lack of specific IFRS provision and in accordance with the recommendation issued by the AMF on 4 November 2009, the Group opted for the following accounting treatment in relation to commitments to acquire non-controlling interests. Upon initial recognition, these commitments are recognised as financial debt at the discounted acquisition value and offset by a reduction in the value of non-controlling interests. The difference between the book value of the non-controlling interests due to be acquired and the value of the estimated liability is accounted for:

- Under equity, for transactions arising after 1 January 2010,
- Under goodwill, for transactions arising before 1 January 2010.

T. Income tax

Current tax

The income tax consolidation agreement between Somfy SA and its directly and indirectly owned subsidiaries was renewed on 1 January 2013 for an indefinite period of time. The following companies are party to this agreement at 31 December 2013: Somfy SA, Somfy SAS, Simu SAS, CMC SARL, SEM-T SASU, Domis SA, NMP SAS, Zurflüh-Feller Holding SAS, Zurflüh-Feller SAS, Zurflüh-Feller Montage EURL, MSD EURL, CERF EURL, Provence Nouveau Monde SAS and Automatismes BFT France SAS.
Under this agreement, the difference between the sum of income taxes calculated for each company and the total for the tax integrated group is accounted for as income in the income statement of the Group's holding company.
When a subsidiary is no longer a member of the tax consolidation group, Somfy SA compensates it in accordance with the jointly agreed exit procedures, taking into account the situation at that date.

Deferred tax

Deferred tax assets and liabilities are measured at the income tax rate expected to apply to the financial year when the asset will be realised or the liability settled, on the basis of income tax rates (and tax regulations) adopted or virtually adopted at year end.
Deferred tax is recognised for the temporary differences between the book value of assets and liabilities and its tax value and restatements made on consolidation to conform to Group accounting standards (extended concept of deferred tax calculation).
Deferred tax relating to tax losses of companies not included in the tax consolidation or that have arisen prior to their inclusion in the tax consolidation are recognised when the conditions defined by IAS 12 are met:

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

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

CVAE

As indicated in section A, the CVAE tax charge is classified as income tax charge in order to provide a more relevant information with respect to comparison, given prevailing market practice.

Investment tax credit

The treatment of investment tax credits is not specifically addressed under IFRS.
A number of criteria need to be assessed on a case-by-case basis to ascertain whether to recognise the investment tax credit as income tax (IAS 12) or as a grant (IAS 20).
These criteria include the non-refundable nature or not of the tax credit should taxable profits be sufficient, the specific nature or not of the investment, the taxable nature or not of the tax credit and the number of requirements for eligibility for the tax credit.

U. Derivative financial instruments

All derivatives are measured at their fair value. Fair value is either the market value for listed instruments, or a value provided by financial institutions in accordance with traditional criteria (over the counter market).
Derivative instruments primarily comprise foreign exchange contracts and interest rate swaps.
As for the fair value of interest rate hedges, the effective portion of the fair value of foreign currency hedges recognised as eligible for hedge accounting is recognised in shareholders' equity.
The fair value movements in foreign currency and interest rate hedging instruments ineligible for hedge accounting are recognised in net financial income/loss.
The fair value of derivative instruments is recognised in the balance sheet under specific items: "current and non-current asset derivative instruments" or "current and non-current liability derivative instruments" depending on the nature of the hedged good.

V. Fair value of financial instruments

Fair value measurements are specified by level in accordance with the following fair value hierarchy:
- The instrument is quoted on an active market (level 1);
- Measurement requires the use of valuation techniques drawing on observable data, either directly (prices) or indirectly (as derived from prices) (level 2);
- At least one significant component of fair value is based on non-observable data (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service or regulatory agency, and those prices represent regularly occurring market transactions. These instruments are classified as level 1.
The fair values of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) are determined using valuation techniques. These different valuation techniques maximise the use of observable market data, where available, and rely little on the Group's estimates. The instrument is classified as level 2 if all elements required to calculate the fair value of an instrument are observable.
If one or more of the principal calculation elements is not based on observable market data, the instrument is classified as level 3.

W. Non-current assets held for disposal

An entity must classify a non-current asset (or group thereof held for sale) as held for disposal if the fair value is recovered through a sale rather than through continuing use of the asset.
When assets are held for disposal in accordance with principles defined by IFRS 5, the Group measures these assets at the lower of their book value and fair value, after deducting disposal cost, and ceases to depreciate these assets.
Assets and liabilities thus determined are recognised in a specific balance sheet item and income statement caption.

X. Earnings per share

Net earnings per share is calculated by dividing the net profit for the financial period by the average number of shares in issue over the period (number of shares issued net of treasury shares held).
Only treasury shares held by the Group and attributed at the closing to stock options plans or free shares allocations guarantee a dilutive effect on the calculation of diluted earnings per share. The Group has not issued any security giving future access to capital.

Y. Income from ordinary activities

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

Z. Operating results

Current operating result is defined as the difference between:
– Operating result including all revenues and charges, except those generated from finance activities, equity-accounted companies, discontinued operations, operations held for disposal or income tax, and,
– Other operating income and expenses.

Other operating income and expenses relate to factors that are unusual, abnormal, infrequent and particularly significant, which could mislead the understanding of the Group's consolidated performance. These notably include the capital gains and losses on asset disposals, restructuring costs and provisions of a nature liable to affect the understanding of the current operating result.
Current operating result reflects company performance.
The amortisation of intangible assets allocated as part of business combinations is included in current operating result.

AA. Net financial income/expense

Net financial income/expense comprises the following two items:

Net cost of financial debt

Includes all income/expense from net financial debt or cash surplus constituents over the period, including income/loss on interest rate hedges.

Other financial income and expenses

It includes income and expenses of a financial nature but neither of an operational nature nor a constituent of the cost of net financial debt.

BB. Segment reporting

The Group presents the relevant indicators based on two operating segments: "Somfy Activities" and "Somfy Participations". These segments are disclosed in note 3 to the consolidated financial statements.

Notes to the consolidated financial statements at 31 december 2013

Note 1: Impacts of the changes of method

The published net profit for the year ended 31 December 2012 has been restated for the following items:

€ thousands	
PUBLISHED NET PROFIT FOR THE YEAR ENDED 31 DECEMBER 2012	**83,540**
Application of IAS 19 (reclassification of past service costs: cancellation of 2012 amortisation)	1,051
Impact on deferred tax following reclassification of CVAE	177
Impact on deferred tax following application of IAS 19 (reclassification of past service costs: cancellation of 2012 amortisation)	– 350
RESTATED NET PROFIT FOR THE YEAR ENDED 31 DECEMBER 2012	**84,418**

The changes of method are described in section A of the accounting rules and methods.
The impact of revised IAS 19 on equity at 1 January 2012 was a negative € 1.4 million.

Note 2: Highlights of the year

Note 2.1: Changes in Group structure

In May 2013, **Somfy Activities** made a 51% equity investment in the Brazilian company **Giga** for BRL 18 million (approximately € 5.5 million, including a deferred payment of € 1.8 million). This company designs and manufactures security systems which it markets to specialised distributors and installers in Brazil. This transaction includes an earn-out clause payable in 2015 based on the results of the 2013 and 2014 financial years. It also includes a first mutual put/call option exercisable in 2016 in relation to 24% of the capital and a second one exercisable in 2018 in relation to the remaining 25%. This acquisition generated provisional goodwill of BRL 23.6 million (€ 7.3 million), which is liable to change during the 12-month allocation period from the acquisition date. This company has been fully consolidated from April 2013 and contributed € 11.2 million to Group sales in the financial year.
At the end of November 2013, **Somfy Activities** acquired the usufruct of the entire capital of the Brazilian company **Garen Automação** for BRL 20 million (€ 6.1 million). This transaction includes an earn-out clause payable in 2016

based on performance criteria. Somfy Activities will also have the option of acquiring full ownership of the securities from 2016, through the exercise of options. Garen Automação has been fully consolidated from 31 December 2013. This acquisition generated provisional goodwill of BRL 46.9 million (approximately € 14.4 million), which is liable to change during the 12-month allocation period from the acquisition date.

In July 2013, **Somfy Participations** acquired shares in **CIAT** for a total of € 3.3 million, through its subsidiary Arve Finance, thereby increasing its equity holding in this company from 44.5% to 46.1%. This increase in the holding percentage did not alter the equity accounting of this company.

Note 2.2: Tax audits

Somfy SAS was subject to a tax assessment in relation to the 2009 and 2010 financial years. The main adjustment related to the transfer price policy implemented between a subsidiary of Somfy SA, Somfy SAS and a number of distribution subsidiaries. The proposed tax adjustment for these two years totalled € 35.6 million. No provision was established at 31 December 2012 as the Group was confident at that time of achieving a favourable outcome and had therefore classified this dispute as a contingent liability pursuant to IAS 37.

During the second half of 2013, Somfy SAS, with the assistance of its legal advisers, accepted to enter talks with the tax authorities in order to reach an outcome acceptable to all parties.

Even though the Group still considers that the arguments put forward by the tax authorities are disputable, it is now likely that Somfy SAS will be compelled to accept a portion of the tax adjustment notified.

Therefore, the Group recognised a liability in the financial statements ended 31 December 2013 for the amount it deems necessary to settle this tax risk.

A provision of € 8.4 million was thus established, with a corresponding impact on the income tax charge for the 2013 financial year. A provision was also established at 31 December 2013 for other residual impacts resulting from this tax adjustment.

Somfy SA was subject to a tax audit in relation to the 2010 and 2011 financial years. A total proposed adjustment of € 4.4 million (including late payment penalties) for these two years was received on 27 November 2013. A provision was recognised in the financial statements for the year ended 31 December 2013 to cover the estimated cash outflow.

Somfy Mexico SA de CV, a Group's Mexican subsidiary, has been subject to a tax audit by the tax authorities in relation to foreign trade matters. The proposed tax adjustment amounts to € 1.6 million, primarily related to customs duties. Somfy Mexico has appealed to the Mexican tax authorities which confirmed its opinion at the end of September 2013. Following this reply, Somfy Mexico has appealed to the administrative court. The Group considers that the arguments put forward by the tax authorities remain disputable and is confident in the likelihood that this ruling will be overturned. Therefore, the Group qualified the risk as a contingent liability and no provision was recognised at 31 December 2013.

Note 3: Segment reporting

The Group is organised in two separate divisions:

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

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

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

At 31 December 2013

€ thousands	Somfy Activities	Somfy Participations	Other	Inter-segment	Consolidated
Segment sales	922,818	77,281	–	– 3,297	996,801
Segment profit/(loss) (current operating result)	145,065	5,745	– 238	–	150,572
Share of net profit/(loss) of associates	59	1,440	–	–	1,499
Cash flow	139,102	15,653	– 9,722	–	145,032
Intangible assets and PPE investments	54,301	5,395	–	–	59,696
Goodwill	205,622	21,537	–	–	227,159
Net intangible assets and PPE	261,567	48,512	–	–	310,079
Non-controlling equity investments	143	152,705	–	–	152,848
Investments in associates	2,070	107,811	–	–	109,881

The column “Other” mainly includes financing costs and foreign exchange differences which cannot be directly attributed to one of the two segments.

At 31 December 2012

€ thousands	Somfy Activities	Somfy Participations	Other	Inter-segment	Consolidated
Segment sales	889,838	103,068	–	– 3,265	989,641
Segment profit/(loss) (current operating result)	127,487	4,830	– 164	–	132,153
Share of net profit/(loss) of associates	– 324	– 9,748	–	–	– 10,072
Cash flow	128,162	19,988	2,800	–	150,950
Intangible assets and PPE investments	36,914	5,593	–	–	42,507
Goodwill	187,767	22,184	–	–	209,951
Net intangible assets and PPE	232,424	50,642	–	–	283,066
Non-controlling equity investments	65	138,128	–	–	138,193
Investments in associates	3,044	106,474	–	–	109,517

The column “Other” mainly includes financing costs and foreign exchange differences which cannot be directly attributed to one of the two segments.

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

€ thousands	31/12/13	31/12/12
France	114,917	113,695
Germany	10,448	10,200
Northern Europe	2,404	2,484
Central and Eastern Europe	15,108	2,212
Southern Europe, Middle East and Africa	57,881	62,798
Asia-Pacific	45,552	37,201
Americas	15,257	3,834
SOMFY ACTIVITIES	**261,567**	**232,424**
SOMFY PARTICIPATIONS	**48,512**	**50,642**
SOMFY GROUP	**310,079**	**283,066**

Sales by customer location

€ thousands	31/12/13	31/12/12	Change N/N-1	Change N/N-1 like-for-like
France	250,936	244,398	2.7%	2.7%
Germany	144,797	138,967	4.2%	4.2%
Northern Europe	87,769	89,619	– 2.1%	– 1.2%
Central and Eastern Europe	85,025	82,144	3.5%	5.2%
Southern Europe, Middle East and Africa	161,880	161,036	0.5%	1.6%
Asia-Pacific	94,080	89,884	4.7%	10.2%
Americas	98,331	83,789	17.4%	8.1%
SOMFY ACTIVITIES	**922,818**	**889,838**	**3.7%**	**3.8%**
SOMFY PARTICIPATIONS	**77,281**	**103,068**	**– 25.0%**	**– 4.1%**
Intragroup sales	– 3,297	– 3,265	1.0%	1.0%
SOMFY GROUP	**996,801**	**989,641**	**0.7%**	**3.2%**

Note 4: Other operating income

€ thousands	31/12/13	31/12/12
Capitalised production	5,468	5,525
Provision of services	3,355	3,616
Other revenues	6,734	5,773
OTHER OPERATING INCOME	**15,557**	**14,913**

Capitalised production comprises certain development expenses borne during the year.
Other revenues include accrued insurance income and tax credits.

Note 5: Other operating income and expenses

€ thousands	31/12/13	31/12/12
Charge to / reversal of non-current provisions	4,332	– 2,353
Other non-current items	– 9,024	– 1,135
– Non-current income	*386*	*954*
– Non-current expenses	*– 9,409*	*– 2,089*
Net gain/(loss) on disposal of assets	– 68	– 4,410
OTHER OPERATING INCOME AND EXPENSES	**– 4,759**	**– 7,898**

At 31 December 2013, the balance of the other operating income and expenses primarily included residual impacts from the Somfy SAS tax adjustment and a loss from the Cypriot subsidiary.
For the year ended 31 December 2012, other operating income and expenses included the capital loss on the disposal of Cotherm for € 2.3 million, the capital loss on the disposal of Klereo for € 1.0 million, and the provision for the restructuring of WAY for € 3.0 million.

Note 6: Net financial income/(expense)

€ thousands	31/12/13	31/12/12
Cost of net financial debt	2,830	2,120
– Financial income from investments	*6,978*	*7,530*
– Financial expenses related to borrowings	*– 4,148*	*– 5,410*
Effect of foreign currency translation	– 4,848	– 3,688
Other	1,947	7,308
NET FINANCIAL INCOME/(EXPENSE)	**– 71**	**5,739**

The change in net financial income/(expense) was primarily due to the decrease in dividends received from FAAC (€ 2.7 million at 31 December 2013 compared to € 7.5 million at 31 December 2012). They are recognised under the "Other" caption in net financial income/(expense).

Note 7: Current and deferred tax

Note 7.1: Tax proof

€ thousands	31/12/13	31/12/12
Profit before tax	138,700	120,545
Expenses on dividends	*1,635*	*3,505*
Dividends from non-consolidated companies	*– 2,720*	*– 7,480*
Goodwill impairment	*4,842*	*9,449*
Disposals of consolidated investments	*–*	*4,173*
Reclassification of CVAE to income tax	*– 3,213*	*– 3,864*
Other	*– 6,547*	*– 6,014*
Permanent differences	– 6,003	– 231
Net profit taxed at reduced rate*	– 20,604	– 18,444
Net profit taxable at standard rate	112,093	101,870
Tax rate in France	*38.00%*	*36.10%*
Tax charge recalculated at the French standard rate	42,595	36,775
Tax at reduced rate*	3,489	2,997
Difference in standard rate in foreign countries	*– 26,549*	*– 22,435*
Tax losses for the year, unrecognised in previous periods, deficits used	*4,059*	*2,275*
Effect of the rate difference	– 22,490	– 20,160
Tax credits**	– 4,843	– 726
Other taxes and miscellaneous***	20,247	7,169
Group tax	38,998	26,055
Effective rate	*28.12%*	*21.61%*
Current tax:	45,694	26,943
Deferred tax:	– 6,697	– 888

** Royalties taxed at reduced rate (17.1%).*
*** Including SOPEM tax credit of € 4.6 million.*
**** The main items explaining the change between 2012 and 2013 are: tax rate differential across tax consolidated companies for € 0.8 million, the 3% contribution on dividends for € 1.1 million, and the tax audit of Somfy SAS, which gave rise to a provision of € 8.4 million.*

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

Current tax assets and liabilities

The change in tax liabilities and receivables was due to the effect of tax instalments.

Retained losses capitalised or used

Deferred tax relating to losses of companies excluded from the tax consolidation or which arose before their inclusion in the tax consolidation was not capitalised where it was deemed unlikely that future taxable profits will be sufficient to absorb unused previous tax losses. The value of such losses was € 36.1 million in 2013 and € 31.2 million in 2012 (at the ordinary tax rate).
No significant deferred tax assets were recognised in 2013 in relation to tax losses arising during the financial year or in previous years.

Note 7.2: Deferred tax directly taken to equity

€ thousands	31/12/13	31/12/12
Deferred tax assets		
– Actuarial gains and losses on employee benefits	3,248	4,104
– Interest rate hedges	–	230
Deferred tax liabilities		
– Financial assets available for sale	5,843	4,923
– Interest rate hedges	1	–
– Foreign curency hedges	16	34
NET DEFERRED TAX	**– 2,612**	**– 623**

The positive difference between the fair value and historical cost of assets available for sale is recognised directly in reserves, along with the related tax.

Note 7.3: Analysis by nature

€ thousands	31/12/13 Assets	31/12/12 Assets	Income statement impact
Deferred tax on restatements related to IFRS standards and temporary differences, including:	27,500	24,771	4,217
– Restatements to employee benefits	*4,475*	*6,257*	*– 557*
– Restatements resulting from provision methods	*5,005*	*5,613*	*– 459*
– Restatements due to tax and social liabilities	*2,810*	*2,323*	*499*
– Fair value restatements	*1,864*	*1,980*	*– 117*
– Restatements on the fair value of hedge instruments	*331*	*555*	*– 14*
– Restatements resulting from acquisition expenses	*619*	*825*	*– 206*
Deferred tax on intragroup margins	8,018	8,317	106
TOTAL	**35,518**	**33,088**	**4,324**

€ thousands	31/12/13 Liabilities	31/12/12 Liabilities	Income statement impact
Deferred tax on restatements related to IFRS standards and temporary differences, including:	60,671	55,698	– 2,809
– Restatements related to the fair value of non-current assets	*13,788*	*13,520*	*– 653*
– Restatements related to leases	*10,825*	*10,386*	*440*
– Restatements due to changes in amortisation and depreciation rates	*4,208*	*5,530*	*– 1,306*
– Restatements from the capitalisation of development costs	*12,263*	*9,990*	*2,273*
Deferred tax on intragroup margins	1,208	1,172	71
Deferred tax on the elimination of intragroup provisions	1,727	1,360	367
Deferred tax on acquisition expenses	1,576	1,579	– 3
TOTAL	**65,181**	**59,809**	**– 2,374**

Note 8: Earnings per share

Basic earnings per share	31/12/13	31/12/12
Net profit - Group share (€ thousands)	99,704	83,807
Total number of shares (1)	7,836,800	7,836,800
Treasury shares* (2)	412,730	433,109
Number of shares used in calculation (1) – (2)	7,424,070	7,403,691
BASIC EARNINGS PER SHARE (€)	**13.43**	**11.32**

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

Diluted earnings per share	31/12/13	31/12/12
Net profit - Group share (€ thousands)	99,704	83,807
Total number of shares (1)	7,836,800	7,836,800
Treasury shares** (2)	397,198	398,192
Number of shares used in calculation (1) – (2)	7,439,602	7,438,608
DILUTED EARNINGS PER SHARE (€)	**13.40**	**11.27**

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

Treasury shares acquired by Somfy SA and allocated to share option plans and free share plans at the balance sheet date contribute towards diluted earnings per share. The number of shares comprising the share capital has not been modified.

Note 9: Business combinations and acquisitions of non-controlling interests

Acquisitions during 2013

Somfy Activities primarily acquired:
- 51% of **GIGA** for approximately € 5.5 million,
- 100% of the usufruct of the capital of **Garen** for € 6.1 million.

Details relating to these acquisitions are provided in note 2.1 on changes in Group structure.
The fair value of the identifiable assets and liabilities of these companies at the date of acquisition is close to their net book value. Their values are susceptible to change during the allocation period.

The table below details the assets and liabilities of the companies acquired during the period:

€ thousands	Fair value recognised at the date of acquisition Somfy Activities
Goodwill	22,878
Net intangible assets	1,325
Net property, plant and equipment	10,865
Net non-current financial assets	–
Other non-current receivables	367
Deferred tax assets	–
Inventory	4,274
Trade receivables	4,036
Other current receivables	461
Other current financial assets	839
Cash and cash equivalents, net	256
Tax receivables	– 145
Non-current provisions	– 7,674
Other non-current financial liabilities	– 23,242
Other non-current liabilities	– 150
Employee benefits	–
Deferred tax liabilities	– 141
Current provisions	–
Other current financial liabilities	– 8,389
Trade payables	– 4,155
Other current liabilities	– 1,583
Tax liabilities	– 7
Investments in associates	– 308
Non-controlling interests & impact of put options on equity*	8,651
Acquisition cost	**8,158**
Less: cash acquired	283
Total	**8,440**
Other funding	–
CASH FLOW FROM ACQUISITIONS NET OF CASH ACQUIRED	**8,440**

(+) Cash outflow

** For the acquisition of Giga, the Group opted for the partial goodwill method and allocated goodwill to the put option as deduction from equity.*

Acquisitions of non-controlling interests during 2013

Net cash flow was also impacted by the acquisition of a non-controlling interest in O&O for € 0.9 million.

Note 10: Goodwill

€ thousands	Value
AT 1 JANUARY 2012	**224,887**
Changes in scope of consolidation	– 5,421
Changes in foreign exchange rates	– 162
Other movements	96
Charge for impairment	– 9,449
AT 31 DECEMBER 2012	**209,951**
Changes in scope of consolidation	27,049
Changes in foreign exchange rates	– 5,009
Other movements	10
Charge for impairment	– 4,842
AT 31 DECEMBER 2013	**227,159**

Breakdown of goodwill by major CGU at 31 December 2013 (see note 13)

€ thousands	Gross value	Impairment	Net value
BFT	95,530	– 670	94,860
O&O	6,904	– 6,904	–
Zurflüh-Feller	17,144	–	17,144
Sirem	7,985	– 3,592	4,393
Domis	1,091	–	1,091
Axis/Somfy SAS	1,153	–	1,153
Giga	7,316	–	7,316
Garen	14,405	– 3,684	10,721
Stor'm	505	–	505
Pujol	5,680	– 5,680	–
Dooya	87,751	–	87,751
LianDa	8,319	– 8,319	–
Simu	1,862	–	1,862
Energy Eye	887	– 887	–
Other	633	– 270	363
TOTAL	**257,164**	**– 30,005**	**227,159**

Note 11: Intangible assets

€ thousands	Allocated intangible assets	Development costs	Patents and brands	Software	Other	In progress and advance payments	Total
Gross value at 1 January 2013	54,946	22,454	6,874	36,339	1,575	7,009	129,197
Acquisitions	–	306	174	1,447	134	5,737	7,798
Disposals	–	– 28	– 38	– 200	– 215	–	– 481
Changes in foreign exchange rates	– 637	– 1	– 138	– 348	– 9	–	– 1,132
Changes in scope of consolidation	–	–	461	1,352	30	–	1,843
Other movements	–	1,481	–	707	–	– 2,184	3
AT 31 DECEMBER 2013	**54,309**	**24,213**	**7,333**	**39,297**	**1,515**	**10,561**	**137,228**
Accumulated amortisation at 1 January 2013	– 14,581	– 14,202	– 2,109	– 27,828	– 1,203	–	– 59,923
Amortisation charge for the year	– 6,374	– 2,230	– 331	– 3,046	– 110	–	– 12,090
Disposals	–	28	36	159	153	–	376
Changes in foreign exchange rates	273	1	6	133	8	–	420
Changes in scope of consolidation	–	–	–	– 252	–	–	– 252
Other movements	–	– 415	362	– 41	100	–	6
AT 31 DECEMBER 2013	**– 20,682**	**– 16,819**	**– 2,036**	**– 30,875**	**– 1,052**	**–**	**– 71,464**
NET VALUE AT 31 DECEMBER 2013	**33,627**	**7,394**	**5,297**	**8,422**	**463**	**10,561***	**65,764**

** Of which € 9.5 million is in progress development costs.*

€ thousands	Allocated intangible assets	Development costs	Patents and brands	Software	Other	In progress and advance payments	Total
Gross value at 1 January 2012	56,271	19,842	6,571	34,426	1,629	5,344	124,082
Acquisitions	–	59	108	2,119	79	5,126	7,490
Disposals	– 505	– 139	– 320	– 324	–	–	– 1,288
Changes in foreign exchange rates	– 156	–	– 29	– 12	3	–	– 193
Changes in scope of consolidation	695	–	– 22	– 387	– 135	– 222	– 71
Other movements	– 1,359	2,692	567	517	–	– 3,240	– 823
AT 31 DECEMBER 2012	**54,946**	**22,454**	**6,874**	**36,339**	**1,575**	**7,009**	**129,197**
Accumulated amortisation at 1 January 2012	– 11,530	– 11,244	– 1,888	– 25,644	– 1,163	–	– 51,469
Amortisation charge for the year	– 4,439	– 2,683	– 688	– 2,884	– 158	–	– 10,852
Disposals	505	5	219	297	6	–	1,032
Changes in foreign exchange rates	74	–	2	4	– 3	–	77
Changes in scope of consolidation	–	–	– 35	398	117	–	480
Other movements	808	– 280	280	2	– 2	–	808
AT 31 DECEMBER 2012	**– 14,581**	**– 14,202**	**– 2,109**	**– 27,828**	**– 1,203**	**–**	**– 59,923**
NET VALUE AT 31 DECEMBER 2012	**40,365**	**8,252**	**4,765**	**8,511**	**372**	**7,009***	**69,274**

** Of which € 6.1 million is in progress development costs.*

Development expenses fulfilling the criteria of IAS 38 are capitalised and deemed as internally-generated intangible assets. At 31 December 2013, the gross value of these assets was € 33.7 million, of which € 9.5 million was in progress and the net value was € 16.9 million.

The amount of research and development expenses recognised during the year was € 46.0 million (net of capitalised production).

There are no contractual commitments to purchase intangible assets.

Allocated net intangible assets comprised € 32.3 million in customer relationships, € 0.4 million in patents and € 1.0 million in brands (of indefinite life) at 31 December 2013.

Note 12: Property, plant and equipment

Note 12.1: Property, plant and equipment by type

€ thousands	Land	Buildings	Plant, machinery and tools	Other	In progress and advance payments	Total
Gross value at 1 January 2013	19,046	131,263	251,989	53,904	17,560	473,762
Acquisitions	2,115	1,239	8,522	5,100	34,921	51,898
Disposals	–	– 242	– 8,758	– 4,007	–	– 13,008
Changes in foreign exchange rates	– 276	– 640	– 2,101	– 1,030	– 323	– 4,369
Changes in scope of consolidation	1,701	3,472	8,806	770	302	15,050
Other movements	71	1,250	8,547	450	– 10,333	– 15
AT 31 DECEMBER 2013	**22,657**	**136,342**	**267,005**	**55,187**	**42,127**	**523,318**
Accumulated depreciation at 1 January 2013	– 567	– 52,693	– 169,279	– 37,431	–	– 259,970
Depreciation charge for the year	– 145	– 5,706	– 18,433	– 5,702	–	– 29,986
Disposals	–	212	8,041	3,375	–	11,629
Changes in foreign exchange rates	–	56	735	621	–	1,411
Changes in scope of consolidation	–	– 100	– 1,781	– 212	–	– 2,092
Other movements	–	20	1	– 15	–	6
AT 31 DECEMBER 2013	**– 712**	**– 58,211**	**– 180,717**	**– 39,363**	**–**	**– 279,002**
NET VALUE AT 31 DECEMBER 2013	**21,945**	**78,132**	**86,288**	**15,824**	**42,127**	**244,316**

€ thousands	Land	Buildings	Plant, machinery and tools	Other	In progress and advance payments	Total
Gross value at 1 January 2012	18,589	126,528	246,843	54,373	17,902	464,235
Acquisitions	14	5,213	9,989	5,038	14,763	35,017
Disposals	–	– 1,411	– 6,005	– 3,209	–	– 10,625
Changes in foreign exchange rates	2	31	– 352	– 30	– 97	– 446
Changes in scope of consolidation	– 150	– 2,627	– 8,989	– 2,456	– 205	– 14,428
Other movements	591	3,530	10,504	188	– 14,803	10
AT 31 DECEMBER 2012	**19,046**	**131,263**	**251,989**	**53,904**	**17,560**	**473,762**
Accumulated depreciation at 1 January 2012	– 447	– 48,936	– 164,061	– 35,981	–	– 249,425
Depreciation charge for the year	– 120	– 5,527	– 18,158	– 5,662	–	– 29,467
Disposals	–	1,271	5,164	2,831	–	9,267
Changes in foreign exchange rates	–	– 20	256	23	–	259
Changes in scope of consolidation	–	537	7,499	1,360	–	9,397
Other movements	–	– 18	20	– 3	–	– 1
AT 31 DECEMBER 2012	**– 567**	**– 52,693**	**– 169,279**	**– 37,431**	**–**	**– 259,970**
NET VALUE AT 31 DECEMBER 2012	**18,479**	**78,570**	**82,710**	**16,473**	**17,560**	**213,792**

There is no significant property, plant and equipment (buildings, machinery and tools) in continuing use, with a net book value of zero.
There are no contractual commitments to purchase property, plant and equipment.

Note 12.2: Property, plant and equipment under finance leases

€ thousands	31/12/13	31/12/12
Gross value		
Land	9,243	9,243
Buildings	40,577	40,577
Buildings in progress	–	–
Plant, machinery and tools	20,650	20,682
TOTAL	**70,470**	**70,502**
Accumulated depreciation		
Land	–	–
Buildings	– 12,561	– 11,178
Plant, machinery and tools	– 14,261	– 12,818
TOTAL	**– 26,822**	**– 23,996**
NET VALUE AT 31 DECEMBER	**43,649**	**46,505**

The maturity profile of non-discounted and discounted minimum payments on finance leases is as follows:

€ thousands	2013 liabilities undiscounted	2013 liabilities discounted
1 year or less	3,200	2,795
Between 1 and 5 years	9,525	8,233
5 years or more	6,099	5,115
TOTAL	**18,824**	**16,143**

€ thousands	2012 liabilities undiscounted	2012 liabilities discounted
1 year or less	3,385	2,788
Between 1 and 5 years	11,039	9,280
5 years or more	7,586	6,314
TOTAL	**22,011**	**18,383**

Note 13: Impairment tests

At 31 December 2013, as at every year-end or every time that indications of impairment exist, the Somfy Group, in accordance with the section H of the accounting rules and methods, re-examined the value of goodwill associated with Cash Generating Units.

For the purpose of impairment tests, goodwill generated on the acquisition of Dooya has been allocated to each Cash Generating Unit and group of Cash Generating Units liable to derive economic benefits from this business combination.

The goodwill thus generated on assuming control over this company was allocated as follows:

- To the Dooya CGU, for the portion of economic benefits that is directly attributable to it. This goodwill is monitored in the local currency;
- To a combination of CGUs belonging to the Somfy Activities division, for the portion of economic benefits that will flow to this CGU. This goodwill is monitored in Euros.

Cash flows are evaluated based on budgets and three-year forecasts for companies which operate in a market they know and understand well. Generally these are companies whose strategies are not expected to change greatly. On the other hand, the period is extended to five years for companies in emerging markets, for which the growth potential and maturity are further away.

These cash flows have been projected over several years using specific growth rates which are consistent with the Group's historical growth rates.

The growth rate used to project cash flows to infinity is consistent with the long term inflation rate relevant to the countries concerned.

The discount rate used corresponds to the weighted average cost of capital and reflects the expected return on invested capital (equity and liabilities necessary to finance operations). It is calculated based on the financial data extracted from a sample of comparable companies, comprising listed companies operating in the same business segment as the companies to be valued. Risk is mainly taken into account at a cash flow level.

In 2013, cash flow discount rates, determined from market data, were 10% to 11% for the European CGUs, 15.5% to 16% for the Brazilian CGUs and 13% for the Chinese CGUs.

In 2012, cash flow discount rates, determined from market data, were 10% to 12% for the European CGUs and 13% for the Chinese CGUs.

The main assumptions used by the CGUs are specified in the following table (see note 10):

€ thousands	Gross value	Impairment	Net value	Discount rate	Rate of growth to infinity
BFT	95,530	– 670	94,860	11%	2%
O&O	6,904	– 6,904	–	–	–
Zurflüh-Feller	17,144	–	17,144	10%	2%
Sirem	7,985	– 3,592	4,393	10%	2%
Domis	1,091	–	1,091	10%	2%
Axis/Somfy SAS	1,153	–	1,153	10%	2%
Giga	7,316	–	7,316	16%	3%
Garen	14,405	– 3,684	10,721	15.5%	3%
Stor'm	505	–	505	10%	2%
Pujol	5,680	– 5,680	–	–	–
Dooya	87,751	–	87,751	13%	2.5%
LianDa	8,319	– 8,319	–	–	–
Simu	1,862	–	1,862	10%	2%
Energy Eye	887	– 887	–	–	–
Other	633	– 270	363	10%	2%
TOTAL FULLY-CONSOLIDATED COMPANIES	**257,164**	**– 30,005**	**227,159**	**–**	**–**

€ 3.7 million of Garen's goodwill was written down due to indications of impairment.
€ 2.2 million of the Pujol brand was fully written down.
Following the persisting difficulties experienced by some of its subsidiaries, whose results fall short of their business plans, the goodwill of Sirem (a Somfy Participations company) was written down by € 0.6 million.
For companies for which impairment was recognised, the revised business plan is based on the assumptions of a slightly recovering economic environment in 2014 and 2015, particularly in Europe.
During the 2012 financial year, impairment tests gave rise to the recognition of a € 2.8 million impairment on O&O, a € 5.7 million impairment on Pujol, a writedown of the equity value of Oxygen (Astélia) of € 0.5 million, all of which are Somfy Activities companies, and a € 0.9 million impairment of Sirem's goodwill, a writedown of the equity values of CIAT, Pellenc and Gaviota respectively of € 2.3 million, € 7.0 million and € 2.5 million, all of which are Somfy Participations companies.
No indication of impairment was noted on other Group CGUs at 31 December 2013.
Furthermore, no impairment loss was necessary in relation to assets with an unspecified life and the use of which is independent from other assets.

Sensitivity analysis

The Group conducted sensitivity analyses on the results of impairment tests using different assumptions for EBITDA ratio and discount rate.
Analyses of the sensitivity of calculations to assumptions considered individually, including changes deemed reasonably possible in these assumptions, have highlighted scenarios where the recoverable value would fall below the book value of assets subject to the tests, therefore requiring additional impairment of the latter:

- A one percentage point increase in the discount rate could result in a € 5.1 million impairment of Dooya's goodwill.
  A one percentage point decrease in the EBITDA to sales ratio of the last year used in the calculation of the terminal value would not have required any writedown;
- Half a percentage point increase in the discount rate could result in the need to recognise a € 6.9 million impairment of BFT's goodwill.
  A one percentage point decrease in the EBITDA to sales ratio of the last year used in the calculation of the terminal value would have required a writedown of € 4.5 million;
- The goodwill of Garen was impaired by € 3.7 million, a one and a half percentage point increase in the discount rate would have required an additional writedown of € 3.0 million at 31 December 2013.

A one percentage point decrease in the EBITDA to sales ratio used in the calculation of the terminal value would have required an additional writedown of € 0.6 million;

– The goodwill of Sirem Group was impaired by € 0.6 million, a one percentage point increase in the discount rate would have required an additional writedown of € 1.8 million at 31 December 2013.
A one percentage point decrease in the EBITDA to sales ratio of the last year used in the calculation of the terminal value would have required an additional writedown of € 1.1 million.

Note 14: Investments in associates

€ thousands	31/12/13	31/12/12
Investments in associates at the beginning of the year	109,517	115,008
Change in scope of consolidation and other*	– 205	5,373
Share of profit/(loss) of associates	1,499	2,278
Dividends paid	– 286	– 489
Changes in foreign exchange rates	– 644	– 302
Charge for impairment**	–	– 12,350
INVESTMENTS IN ASSOCIATES AT THE END OF THE YEAR	**109,881**	**109,517**

** In 2012: acquisition of 51% of Neocontrol and additional 4.5% stake in CIAT, change of Axis consolidation method.*
*** In 2012: charges of € 7 million for Pellenc, € 2.5 million for Gaviota Simbac, € 2.3 million for CIAT and € 0.5 million for Oxygen (Astélia).*

The principal equity-accounted companies are as follows:

€ thousands	31/12/13	31/12/12
CIAT held at 46.1%		
Sales	256,114	270,548
Current operating result	4,907	5,594
Net profit/(loss) (Group share)	– 12,781	– 7,731
Total balance sheet	286,128	296,476
Equity-accounted value	27,062	28,416

€ thousands	31/12/13	31/12/12
Gaviota Simbac held at 46.5%		
Sales	59,570	56,447
Current operating result	5,032	2,891
Net profit/(loss) (Group share)	1,743	– 117
Total balance sheet	69,854	68,101
Equity-accounted value	17,918	17,274

€ thousands	31/12/13	31/12/12
Pellenc held at 47.23%		
Sales	133,244	121,039
Current operating result	9,499	10,221
Net profit (Group share)	7,289	8,700
Total balance sheet	183,431	153,784
Equity-accounted value	62,832	60,784

The main assumptions used by the CGUs within the framework of impairment tests are specified in the following table:

	Discount rate	Rate of growth to infinity
CIAT	10%	2%
Gaviota Simbac	11.5%	2%
Pellenc	10%	2%
Neocontrol	20%	3%

The results of the sensitivity analyses are the following:

– The Gaviota Group remains sensitive to various parameters, and so an increase of half a percentage point in the discount rate used (11.5%) could result in a writedown of € 1.2 million.
A half a percentage point decrease in the EBITDA to sales ratio of the last year used in the calculation of the terminal value would have required a writedown of € 0.7 million at 31 December 2013;

– The Pellenc Group remains sensitive to various parameters, and so a one percentage point increase in the discount rate would have required a writedown of € 8.5 million at 31 December 2013.
A one percentage point decrease in the EBITDA to sales ratio of the last year used in the calculation of the terminal value would have required a writedown of € 4.5 million;

– The CIAT Group remains sensitive to various parameters, and so a one percentage point increase in the discount rate would have required a writedown of € 9.4 million at 31 December 2013.
A one percentage point decrease in the EBITDA to sales ratio of the last year used in the calculation of the terminal value would have required a writedown of € 6.8 million.

Note 15: Financial assets

€ thousands	31/12/13	31/12/12
Financial assets available for sale	167,937	138,271
*– Non-controlling equity investments**	*152,848*	*138,193*
– Marketable securities and other investments	*15,089*	*78*
Unlisted bonds receivable**	74,757	81,461
Loans***	1,323	5,766
Other	2,387	2,463
Current and non-current financial assets	**246,404**	**227,961**
Due within 1 year	15,884	835
Non-current financial assets	**230,521**	**227,126**

** The value of the investment in FAAC was revalued upwards by € 14.5 million.*
*** Somfy SA subscribed to a subordinated bond (mezzanine) issued by CIAT with a nominal value of € 48.0 million to be repaid in 2016. Capitalised interest amounted to € 5.5 million in 2013 and € 5.1 million in 2012. At 31 December 2012, the receivable amounted to € 73.4 million. Somfy SA also subscribed to convertible and conventional bonds issued by Garen Automaçao, valued at € 10.8 million and € 1.5 million, respectively, at 31 December 2012. The conventional bond was redeemed during the financial year. The convertible bonds were eliminated in December 2013 due to Garen's full consolidation.*
Somfy SA also subscribed to convertible bonds issued by Sofilab 4 for € 0.8 million.
**** Repayment of the € 5.4 million loan granted by Somfy SA to CIAT.*

Non-controlling equity investments notably include a 34% investment in the share capital of FAAC, valued at € 145.5 million (level 3 as defined by IFRS 7, valued using the discounted cash flow method).
Financial assets available-for-sale and marketable securities are recorded at fair value.
Financial assets realisable within one year comprise short term deposits and loans to companies over which Somfy Group has significant influence.
"Other" essentially includes deposits and guarantees.

Note 16: Other non-current receivables

The outstanding balance of € 8.8 million on the disposal of agta record was collected early in 2013.

Note 17: Inventories

€ thousands	31/12/13	31/12/12
Gross value		
Raw materials and other supplies	53,397	49,766
Finished goods and merchandise	98,794	94,134
Total	**152,191**	**143,900**
Provisions	**– 10,798**	**– 11,393**
NET VALUE	**141,393**	**132,506**

€ thousands	Value 31/12/12	Net charges	Exchange rate movement	Other movements	Value 31/12/13
Inventory provisions	– 11,393	418	177	–	– 10,798

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Note 18: Trade receivables

€ thousands	31/12/13	31/12/12
Gross value	172,185	161,791
Provision	– 14,134	– 12,789
NET VALUE	**158,050**	**149,002**

€ thousands	Value 31/12/12	Charges	Used reversals	Unused reversals	Exchange rate movements	Other movements	Value 31/12/13
Provisions for bad debts	– 12,789	– 3,681	2,017	252	256	– 188	– 14,134

At 31 December 2013, the maturity profile of trade receivables was as follows:

€ thousands	Not overdue	Overdue between				Total
		0 to 3 months	3 to 6 months	6 to 9 months	More than 9 months	
Trade receivables	102,717	48,839	5,626	3,199	11,803	172,185

There is limited customer credit risk on Spanish, Portuguese and Greek subsidiaries. They represent 5.2% of total trade receivables of the Group.
Credit insurance contracts, both in France and internationally, mitigate the consequences of customer default. Approximately 60% of sales are covered by such contracts.

Note 19: Other current receivables

€ thousands	31/12/13	31/12/12
Gross value		
Receivables from employees	1,211	1,058
Other taxes (including VAT)	9,102	6,392
Prepaid expenses	4,061	4,084
Other receivables	4,861	4,281
TOTAL	**19,234**	**15,816**

Other receivables classed as “current” are receivables due in less than one year.

Note 20: Cash and cash equivalents

€ thousands	31/12/13	31/12/12
Cash	78,403	73,325
Cash equivalents	43,093	13,472
CASH AND CASH EQUIVALENTS	**121,496**	**86,797**

Cash equivalents include deposits with a maturity of less than three months and Euro money market funds.

Note 21: Provisions

Note 21.1: Non-current provisions

€ thousands	Provisions for guarantees	Provisions for litigation	Provision for employee liability	Provisions for liabilities and charges	Total 2013
At 1 January	4,193	1,854	689	2,911	9,647
Provision charges	817	934	35	1,805	3,591
Used reversals	–	– 249	– 126	– 699	– 1,074
Unused reversals	–	– 1,002	– 69	– 518	– 1,589
Impact of foreign exchange rates	– 69	–	–	– 1,609	– 1,679
Other movements	– 23	– 33	–	9,237	9,182
AT 31 DECEMBER	**4,918**	**1,504**	**529**	**11,127**	**18,078**

The change in non-current provisions was primarily due to the full consolidation of Garen.
The charges net of reversals (used and unused) impacted the current operating result by a negative € 0.7 million.

Note 21.2: Current provisions

€ thousands	Provisions for guarantees	Provisions for litigation	Provisions for liabilities and charges	Total 2013
At 1 January	4,323	2,870	4,944	12,137
Provision charges	– 263	3,068	9,229	12,034
Used reversals	–	– 1,015	– 2,516	– 3,531
Unused reversals	–	– 692	– 52	– 744
Impact of foreign exchange rates	– 51	–	– 24	– 74
Other movements	23	3	40	66
AT 31 DECEMBER	**4,032**	**4,234**	**11,622**	**19,888**

The change in current provisions was primarily due to the establishment of a provision of € 8.4 million at Somfy SAS in relation to a tax dispute.
The charges net of reversals (used and unused) impacted current operating result by a negative € 1.1 million, other operating income and expenses by a positive € 1.7 million and income tax by a negative € 8.4 million.

Note 22: Financial liabilities

Note 22.1: Analysis by category

€ thousands	31/12/13	31/12/12
Borrowings from credit institutions	49,786	64,310
Lease commitments	16,143	18,383
Other borrowings and financial liabilities*	53,360	48,638
NON-CURRENT AND CURRENT FINANCIAL LIABILITIES	**119,289**	**131,331**
Due within 1 year	39,417	52,672
NON-CURRENT FINANCIAL LIABILITIES	**79,872**	**78,659**

** Including liabilities related to put options granted to holders of non-controlling interests and earn-out of € 47.3 million in 2013 and € 43.0 million in 2012 and deferred settlements of a financial nature of € 4.9 million in 2013 and € 5.3 million in 2012.*

Note 22.2: Analysis by maturity

€ thousands	31/12/13	31/12/12
1 year or less*	39,417	52,672
Between 1 and 5 years*	74,708	72,296
5 years or more*	5,164	6,363
TOTAL	**119,289**	**131,331**

** Including liabilities related to put options granted to holders of non-controlling interests and earn-out of € 47.3 million in 2013 and € 43.0 million in 2012 and deferred settlements of a financial nature of € 4.9 million in 2013 and € 5.3 million in 2012.*

Note 22.3: Analysis by rate

€ thousands		31/12/13	31/12/12
Variable rate	*€ 20.1 million swaps*	57,577	73,098
Fixed rate		9,390	9,684
Non-interest bearing*		52,322	48,548
TOTAL		**119,289**	**131,331**

** Including liabilities related to put options granted to holders of non-controlling interests and earn-out of € 47.3 million in 2013 and € 43.0 million in 2012 and deferred settlements of a financial nature of € 4.9 million in 2013 and € 5.3 million in 2012.*

Since debt is essentially at a variable rate, the fair value is not significantly different from the book value.

Note 22.4: Analysis by currency

€ thousands	31/12/13	31/12/12
Euro*	47,720	78,597
Other*	71,569	52,734
TOTAL	**119,289**	**131,331**

** Including liabilities related to put options granted to holders of non-controlling interests and earn-out of € 47.3 million in 2013 and € 43.0 million in 2012 and deferred settlements of a financial nature of € 4.9 million in 2013 and € 5.3 million in 2012.*

Note 22.5: Secured liabilities

At 31 December 2013, the shares of target companies pledged against Somfy SA liabilities subscribed under the LBO framework totalled € 23.3 million.

Note 22.6: Covenants

At 31 December 2013, Somfy SA had a total of € 119.6 million medium-term loan facilities (confirmed credit lines) with five banks, none of which had been drawn. Funds made available by the credit institutions are subject to Somfy SA commitment to comply with financial covenants based on the Group's financial structure (net financial debt/shareholder's equity) and its ability to repay (net financial debt/cash flow and net financial debt/EBITDA). Somfy SA was in compliance with all of these covenants at 31 December 2013.
Since 2006, Somfy Group has completed acquisitions within the framework of leveraged buy-outs which are fully consolidated into the Somfy Group financial statements. Each loan entered into with credit institutions is subject to compliance with contractually agreed covenants. At 31 December 2013, Zurflüh-Feller was in compliance with its covenants. Conversely, Sirem did not comply with its two covenants at the 2013 year-end. The debt is retained in current financial liabilities.
At 31 December 2013, CIAT, a 46.1%-owned equity-accounted company, complied with its covenants.

Note 23: Analysis of net financial debt

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

€ thousands	31/12/13	31/12/12
Financial liabilities included in net financial debt calculation*	119,211	131,153
Financial assets included in net financial debt calculation	90,042	75,444
– Marketable securities and other investments	*15,089*	*78*
*– Unlisted bonds receivables***	*73,443*	*69,413*
*– Loans****	*1,323*	*5,766*
– Other	*187*	*187*
Cash and cash equivalents	121,496	86,797
NET FINANCIAL DEBT	**– 92,327**	**– 31,088**
NET FINANCIAL DEBT BEFORE UNLISTED BONDS RECEIVABLE	**– 18,884**	**38,325**

(–) Net financial surplus

** Including liabilities related to put options granted to holders of non-controlling interests and earn-out of € 47.3 million in 2013 and € 43.0 million in 2012 and deferred settlements of a financial nature of € 4.9 million in 2013 and € 5.3 million in 2012.*
*** Somfy SA subscribed to a subordinated bond (mezzanine) issued by CIAT with a nominal value of € 48.0 million to be repaid in 2016. Capitalised interest amounted to € 5.5 million in 2013 and € 5.1 million in 2012. At 31 December 2013, the receivable amounted to € 73.4 million.*
Somfy SA also subscribed to a conventional bond issued by Garen Automaçao, which had a value of € 1.5 million at 31 December 2012 and was redeemed in the 2013 financial year.
**** Repayment of the € 5.4 million loan granted by Somfy SA to CIAT.*

Note 24: Financial instruments recognised in the balance sheet

€ thousands	Amount at 31/12/13	Loans and receivables	Assets available for sale *(Fair value recognised in reserves)*	Assets held for trading *(Fair value recognised in income statement)*	Fair value *(Fair value recognised in reserves)*	Fair value *(Fair value recognised in income statement)*
Assets						
Non-current financial assets	230,521	77,584	152,937	–	–	–
Current financial assets	15,884	15,884	–	–	–	–
Current derivative instruments	–	–	–	–	–	–
Cash and cash equivalents	121,496	118,789	–	2,707	–	–
Liabilities						
Non-current financial liabilities	79,872	32,750	–	–	47,122	–
Non-current derivative instruments	938	–	–	–	842	96
Current financial liabilities	39,417	39,267	–	–	150	–
Current derivative instruments	28	–	–	–	28	–

€ thousands	Amount at 31/12/12	Loans and receivables	Assets available for sale *(Fair value recognised in reserves)*	Assets held for trading *(Fair value recognised in income statement)*	Fair value *(Fair value recognised in reserves)*	Fair value *(Fair value recognised in income statement)*
Assets						
Non-current financial assets	227,126	88,862	138,264	–	–	–
Current financial assets	835	835	–	–	–	–
Current derivative instruments	113	–	–	–	107	6
Cash and cash equivalents	86,797	84,390	–	2,407	–	–
Liabilities						
Non-current financial liabilities	78,659	37,408	–	–	41,251	–
Non-current derivative instruments	1,744	–	–	–	1,517	227
Current financial liabilities	52,672	50,903	–	–	1,769	–
Current derivative instruments	–	–	–	–	–	–

The method for determining the fair value of non-current financial assets (non-consolidated shares) is disclosed in note 15.
The fair value of derivative instruments and cash equivalents is established with reference to observable market data (level 2 defined by IFRS 7).
There has been no change in the method of determining fair value for any category during the period.

Note 25: Risk management

Foreign exchange risk

Somfy Group is primarily exposed to foreign exchange risk through intragroup sales of manufactured products distributed by commercial subsidiaries outside the Euro zone (these sales are denominated in local currencies) and purchases denominated in local currencies.

Over 64% of consolidated Group sales are generated in the Euro zone.

Foreign currency denominated assets represent 15.0% of total assets at 31 December 2013. Consequently, a variation in foreign exchange rates would not have a significant effect on total assets.

Derivative financial instruments principally consist of forward exchange contracts.

Since 1 July 2010, Somfy Group has applied hedge accounting to foreign currency hedging instruments. The effective portion of fair value movements was therefore taken to equity and the ineffective portion was recognised in net financial expense.

The negative impact of the effective portion of hedges at 31 December 2013 was € 55 thousand on equity (€ 37 thousand net of deferred tax) and € 81 thousand on profit and loss (transfer from equity).

The ineffective portion of hedges was nil at 31 December 2013 compared to a negative € 6 thousand at 31 December 2012, which had a negative impact of € 6 thousand on the income statement.

31/12/13	Hedging of balance sheet items	Hedging of off-balance sheet items	Total *€ thousands*	Fair value *€ thousands*	Types
AUD	834	582	1,416	76	Forward sale
BRL	–	– 2,000	– 2,000	– 186	Forward purchase
CAD	290	–	290	10	Forward sale
CHF	2,013	3,502	5,515	– 38	Forward sale
CNY	– 967	– 455	– 1,422	– 11	Forward purchase and forward contract without delivery
GBP	1,768	1,135	2,903	– 31	Forward sale
HKD	564	–	564	14	Forward sale
ILS	619	1,982	2,601	– 1	Forward sale
JPY	770	–	770	78	Forward sale
KRW	697	1,055	1,751	– 3	Forward sale and forward contract without delivery
SEK	1,077	1,406	2,483	63	Forward sale
SGD	–	116	116	1	Forward sale
	7,664	**7,323**	**14,987**	**– 28**	

31/12/12	Hedging of balance sheet items	Hedging of off-balance sheet items	Total *€ thousands*	Fair value *€ thousands*	Types
AUD	1,266	722	1,988	20	Forward sale
CAD	619	–	619	23	Forward sale
CHF	1,514	1,247	2,761	15	Forward sale
GBP	1,070	938	2,008	44	Forward sale
HKD	1,283	–	1,283	11	Forward sale
ILS	307	1,786	2,093	– 25	Forward sale
JPY	584	–	584	56	Forward sale
KRW	404	1,243	1,646	– 43	Forward contract without delivery
PLN	596	–	596	– 13	Forward sale
SEK	2,144	–	2,144	46	Forward sale
SGD	474	565	1,039	17	Forward sale
TRY	763	–	763	2	Forward sale
USD	1,661	–	1,661	– 44	Forward sale
	12,686	**6,501**	**19,187**	**108**	

Interest rate risk

The majority of the Group companies' financial liabilities is at variable rate. Interest rate hedges had a nominal value of € 20.1 million at 31 December 2013 compared to € 29.5 million in 2012.
Liabilities entered into within the framework of LBOs are hedged in conformity with contractual obligations. At 31 December 2013, 86.3% of LBO liabilities were hedged. The Group applies hedge accounting to interest rate hedge instruments. Fair value movements are therefore taken to equity for their effective portion and to net financial income/(expense) for their ineffective portion.
The fair value of swaps represented a net liability of € 0.9 million in 2013 compared to € 1.7 million in 2012.
The positive impact on equity was € 0.7 million at 31 December 2013 (€ 0.4 million net of deferred tax).
Ineffective hedges totalled € 0.1 million at 31 December 2013 compared to € 0.2 million at 31 December 2012, generating a positive impact of € 0.1 million on net financial income/(expense).
The Group does not hedge fixed rates against variable rates.

Liquidity risk

Group financing essentially relies upon leases and medium-term credit facilities which have been used for acquisitions made by Somfy Participations.
Some debts are subject to compliance with covenants. The covenants are detailed in note 22.6.
The Group does not use any revolving credit facilities and does not securitise its assets.
The Group has access to confirmed medium-term bank facilities, undrawn to date (see note 22.6).

Investment risk

Given the composition of its marketable securities portfolio (interest bearing current accounts and term deposits) and the amounts involved, the Group's exposure to investment risk is low.

Note 26: Employee benefits

In respect of pension plan commitments, the Group contributes to pension plans or grants benefits to employees on retirement in compliance with the rules and regulations in place in each country.
The Group recognises actuarial gains and losses in reserves, net of deferred tax, in accordance with the method referred to in IAS 19 "Employee benefits – Actuarial gains and losses, group plans and disclosures".
At 31 December 2013, actuarial differences recognised in reserves amounted to a negative € 6.6 million (i.e. a negative € 9.8 million in "Employee benefits" and a positive € 3.2 million in deferred tax).

Movements between 2012 and 2013 can be analysed as follows:

Retirement benefits – France

€ thousands	Projected benefit obligation	Plan assets	Net initial obligation	Balance sheet position
31 DECEMBER 2012	**16,054**	**– 5,747**	**10,307**	**10,307**
Net expenses for the period:	349	– 172	177	177
– Current service cost and financial cost	*349*	–	*349*	*349*
– Return on plan assets	–	*– 172*	*– 172*	*– 172*
– Amortisation of gains and losses and past service cost	–	–	–	–
– Employee contributions	–	–	–	–
Contributions paid	–	–	–	–
Benefits paid	– 1,760	1,760	–	–
Actuarial gains & losses / Past service cost	217	9	226	226
Movements in scope of consolidation	–	–	–	–
31 DECEMBER 2013	**14,860**	**– 4,151**	**10,709**	**10,709**

€ thousands	Projected benefit obligation	Plan assets	Net initial obligation	Balance sheet position	Past service cost*
31 DECEMBER 2011	**11,882**	**– 4,139**	**7,743**	**7,129**	**614**
Net expenses for the period:	346	– 127	219	219	–
– Current service cost and financial cost	*346*	–	*346*	*346*	–
– Return on plan assets	–	*– 127*	*– 127*	*– 127*	–
– Amortisation of gains and losses and past service cost	–	–	–	–	–
– Employee contributions	–	–	–	–	–
Contributions paid	–	– 1,610	– 1,610	– 1,610	–
Benefits paid	– 107	107	–	–	–
Actuarial gains & losses / Past service cost	3,028	22	3,050	3,664	– 614
Movements in scope of consolidation	905	–	905	905	–
31 DECEMBER 2012*	**16,054**	**– 5,747**	**10,307**	**10,307**	**–**

** The financial statements have been restated following the application of revised IAS 19: elimination of the deferred recognition method of past service costs, with the balance transferred to equity.*

Retirement benefits – Other countries

€ thousands	Projected benefit obligation	Plan assets	Net initial obligation	Balance sheet position
31 DECEMBER 2012	**15,250**	**– 8,939**	**6,311**	**6,311**
Net expenses for the period:	771	– 221	550	550
– Current service cost and financial cost	*771*	–	*771*	*771*
– Return on plan assets	–	*– 285*	*– 285*	*– 285*
– Amortisation of gains and losses	–	–	–	–
– Employee contributions	–	*64*	*64*	*64*
Contributions paid	–	– 859	– 859	– 859
Benefits paid	– 214	–	– 214	– 214
Actuarial gains & losses	– 678	– 1,193	– 1,871	– 1,871
Movements in foreign exchange rates	– 696	403	– 293	– 293
Movements in scope of consolidation	–	–	–	–
31 DECEMBER 2013	**14,433**	**– 10,809**	**3,624**	**3,624**

€ thousands	Projected benefit obligation	Plan assets	Net initial obligation	Balance sheet position
31 DECEMBER 2011	**25,920**	**– 19,141**	**6,779**	**6,779**
Net expenses for the period:	622	– 697	– 75	– 75
– Current service cost and financial cost	*622*	*–*	*622*	*622*
– Return on plan assets	*–*	*– 655*	*– 655*	*– 655*
– Amortisation of gains and losses	*–*	*–*	*–*	*–*
– Employee contributions	*–*	*– 42*	*– 42*	*– 42*
Contributions paid	–	– 943	– 943	– 943
Benefits paid	– 9,360	9,246	– 114	– 114
Actuarial gains & losses	999	– 140	859	859
Movements in foreign exchange rates	– 345	155	– 190	– 190
Movements in scope of consolidation	– 2,586	2,581	– 5	– 5
31 DECEMBER 2012	**15,250**	**– 8,939**	**6,311**	**6,311**

Long service and jubilee awards

€ thousands	31/12/12	Cost	Benefits paid	Changes in scope of consolidation and foreign exchange rates	31/12/13
Actuarial liabilities	1,575	130	– 51	– 15	1,639

€ thousands	31/12/11	Cost	Benefits paid	Changes in scope of consolidation and foreign exchange rates	31/12/12
Actuarial liabilities	1,432	222	– 81	1	1,575

TFR – Trattamento di Fine Rapporto (Italian severance pay provision)

€ thousands	31/12/12	Cost	Benefits paid	Changes in scope of consolidation	31/12/13
Liabilities	2,756	997	– 1,161	26	2,618

€ thousands	31/12/11	Cost	Benefits paid	Changes in scope of consolidation	31/12/12
Liabilities	2,624	1,027	– 919	24	2,756

The impact of defined benefits on the income statement impacted employee expenses by € 0.7 million.

The main actuarial assumptions used are as follows:

At 31 December	2013	2012
Discount rate		
France	3.0%	3.0%
Germany	3.5%	3.0%
United States	4.6%	3.6%
Other	3.0 – 3.9%	3.0 – 3.6%
Long-term yield expected from plan assets		
France	2.9 – 3.0%	3.0 – 3.1%
Germany	0.0%	0.0%
United States	3.6%	6.0%
Other	2.4 – 3.0%	2.4 – 3.4%
Future salary increases		
France	1.8 – 3.0%	2.0 – 3.0%
Germany	0.0%	0.0%
United States	2.0%	2.0%
Other	2.0 – 10.0%	2.0 – 9.0%

The sensitivity of the gross retirement benefit commitment based on a variation of +1%/–1% in discount rate is –13.9%/+17.7%, respectively.
At 31 December 2013 the Individual Training Right gave rise to the recognition of a provision of € 0.6 million. Rights in respect of training were 209,567 hours at 31 December 2013 compared to 204,697 hours at the 2012 year-end. The amount of rights used during the year was not material.

Note 27: Other liabilities

€ thousands	31/12/13	31/12/12
Social liabilities	70,969	59,407
Tax liabilities	8,867	9,425
Deferred income	732	774
Fixed assets suppliers	7,955	3,872
Other	7,332	2,495
TOTAL	**95,855**	**75,974**

Other liabilities classed as "current" are liabilities due in less than one year.

Note 28: Share-based payments

In accordance with IFRS 2, share options are valued at market value at the date of allocation and subsequently amortised through the income statement over the vesting period (four years) for all plans granted since 7 November 2002.
These transactions were valued using the Black & Scholes model, which calculates the fair value of the benefit granted to date and takes account of various parameters such as the share price, exercise price, expected volatility, expected dividends, risk free interest rate and the life of the option.
Annual amortisation is calculated by an external expert for the two plans concerned.
At 31 December 2013, the cost was € 0.2 million and was recognised in employee expenses (€ 0.4 million in 2012).

Plan date	Number of beneficiaries	Number of options granted originally	Ajusted number of exercisable options*	Exercice price of option (€)	Option expiry date
31/03/06	9	36,200	6,157	185.00	31/03/14
02/04/08	50	29,550	24,475	155.00	31/01/14

** Adjustments following the separation of the Damart Group and following the exceptional distribution of reserves of 27 December 2005.*

Movements in share option plans in 2012 and 2013 were as follows:

	2013		2012	
	Number of options	Weighted average exercise price (€)	Number of options	Weighted average exercise price (€)
Unexercised options at 1 January	30,632	161.03	32,307	160.72
Options granted	–	–	–	–
Options cancelled	– 1,000	155.00	– 1,650	155.00
Options exercised	– 14,100	155.00	– 25	155.00
UNEXERCISED OPTIONS AT YEAR-END	**15,532**	**166.89**	**30,632**	**161.03**
OPTIONS EXERCISABLE AT YEAR-END	**15,532**	**166.89**	**30,632**	**161.03**

At 31 December 2013, unexercised option plans were as follows:

Plan date	Exercise price (€)	Number of unexercised options	Time remaining to option maturity (days)
31/03/06	185.00	6,157	90
02/04/08	155.00	9,375	37

In addition, at its meeting on 27 May 2011 the Management Board of Somfy Group decided to allocate Somfy SA shares, free of charge, to one hundred and thirty four beneficiaries. The acquisition of these free shares is subject to beneficiaries remaining employed by the Group and to business performance conditions based on internal financial criteria.
The final acquisition amounted to 5,520 shares granted to 121 beneficiaries.

At 31 December 2013, the free share position was as follows:

Plan date	Number of beneficiaries	Number of shares granted	Price per share (€)	Allocation date	Vesting date	Shares cancelled	Shares exercised	Number of exercisable shares at 31/12/13
27/05/11	134	9,354	191.17	03/06/13	07/06/15	– 3,834	– 5,520	–

Note 29: Proposed dividends

	31/12/13	31/12/12
Total number of shares	7,836,800	7,836,800
Treasury shares	412,730	433,109
Par value	€ 1	€ 1
Proposed dividends	€ 5.20	€ 4.80

The voting right attached to shares is proportional to the capital that they represent. Each share carries the right to a single vote.
Certain shares are entitled to a double voting right, providing they are fully paid up and have been registered in nominative form for at least four years in the name of the same shareholder at the end of the calendar year preceding each General Meeting.

Note 30: Analysis of cash flow statement

Note 30.1: Cash and cash equivalents

€ thousands	31/12/13	31/12/12
CASH AT THE START OF THE YEAR	**70,435**	**66,002**
Cash and cash equivalents	86,797	71,845
Bank overdrafts	– 16,362	– 5,843
CASH AT THE END OF THE YEAR	**115,657**	**70,435**
Cash and cash equivalents	121,496	86,797
Bank overdrafts	– 5,839	– 16,362

Note 30.2: Intangible assets and property, plant and equipment

Receivables and liabilities related to intangible assets and property, plant and equipment are included in investment activities in the cash flow statement and increased by € 4.0 million in the year ended 31 December 2013 compared to an increase of € 0.3 million in 2012.
During 2013, the Group acquired intangible assets and property, plant and equipment totalling € 59.7 million.

Note 30.3: Change in working capital requirements

€ thousands	31/12/13	31/12/12
Net decrease/(increase) in inventory	– 7,676	1,360
Net decrease/(increase) in trade receivables	– 10,581	– 10,591
Net (decrease)/increase in trade payables	14,388	– 8,715
Net movement in other receivables and payables	16,509	9,984
CHANGE IN WORKING CAPITAL REQUIREMENTS	**12,641**	**– 7,962**

Note 31: Off-balance sheet commitments

The Group's commitments comprise the following:

Note 31.1: Commitments granted

€ thousands	31/12/13	31/12/12
Guarantees, deposits and pledges granted	10,127	5,818
Interest over the remaining terms of loans	5,534	6,163
Rental payments outstanding on operating leases	23,794	23,746
Copper forward purchase	8,730	6,906
Foreign currency forward sale	7,323	6,501
Commitments to funds investments	5,020	5,915
TOTAL	**60,528**	**55,049**

Interest over the remaining terms of loans is calculated only on those loans with known maturities and not on short-term credit facilities with ad-hoc drawings.

Note 31.2: Commitments received

€ thousands	31/12/13	31/12/12
Guarantees, deposits and pledges received	17,081	18,342
Unused credit lines	126,581	149,532
TOTAL	**143,662**	**167,874**

Somfy Group also received an uncapped asset and liability guarantee from Giga's sellers.

Note 31.3: Commitments to acquire additional shares in companies not fully-consolidated

In December 2011, Somfy Participations made an equity investment of 47.23% of the capital of Pellenc. As this transaction involves a change of ownership, the agreement provides, as specified in the undertakings to sell and to purchase, for Somfy Participations to acquire all the shares by 2015, subject to the achievement of certain targets. Mr Pellenc holds a put option exercisable between 1 January 2014 and 31 December 2014. Somfy Participations holds a call option exercisable between 1 January 2015 and 30 June 2015.
In August 2012, Somfy Activities made a 51% equity investment in Neocontrol. The transaction provides for a first mutual put/call option exercisable in 2014 for 10% of the share capital, and a second option for the remaining 39% exercisable in 2017.

Note 32: Environmental information

The majority of the production sites undertake assembly work only, which, by its nature, does not generate pollution. The Group is therefore not exposed to any significant environmental risk. Nevertheless, selective sorting procedures are adopted at each site and measures to reduce energy consumption (heating, electricity) have been implemented at the main production plant in Cluses, France.
As a result, no provision for environmental risk is required.

Note 33: Employee information

Average workforce

Somfy Group's workforce at 31 December 2013, including temporary and part-time employees recorded on a full-time equivalent basis, was as follows:

	31/12/13	31/12/12
Average workforce	7,753	8,095

Note 34: Related-party disclosures

Related parties are:
- The parent company,
- Companies which exert joint control or a significant influence over the company,
- Subsidiaries,
- Associates,
- Joint ventures,
- Members of the Management Board and the Management Committee.

Note 34.1: Transactions with associates

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

€ thousands	31/12/13	31/12/12
Sales	1,018	1,690
Other revenues	172	160
Purchase of goods	1,999	1,621
Other charges	38	7
Interest received	6,021	6,086
Trade receivables	2,034	1,902
Trade payables	319	280
Borrowings	100	5,394
Accrued interest	–	20
Bonds	73,443	80,179

Note 34.2: Gross remuneration of Management and Supervisory Board members

€ thousands	31/12/13	31/12/12
Short term benefits	1,405	1,576
Post employment benefits	67	188
Share-based payments	–	13

In 2012 share-based payments represented the cost of the 2008 share option plan.
Post-employment benefits relate to costs incurred in respect of the supplementary pension plan implemented in 2006 by CMC SARL from which one member of the Management Board benefits (two members in 2012).

Note 35: Post-balance sheet event

On 6 January 2014, **Somfy SA** was summoned to appear before the Regional Court of Albertville to seek annulment of the transfer of the company Spirel, which took place in 2010. Somfy SA challenges the arguments put forward by Spirel employees' legal counsel and considers that it has fulfilled its obligations. Since it cannot be held responsible for Spirel's current situation, Somfy SA is confident in the likelihood that the Court will rule in its favour.

Note 36: Scope of consolidation

All companies have a 31 December year-end.

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

Company name	Head office	% control 31/12/13	% interest 31/12/13	% interest 31/12/12
Somfy Nordic AB	Limhamn (Sweden)	100.00	100.00	100.00
Somfy PTE Ltd	Singapore	100.00	100.00	100.00
Somfy Thailand	Bangkok (Thailand)	100.00	100.00	100.00
Somfy Taiwan Co Ltd	Taipei (Taiwan)	100.00	100.00	100.00
Dooya China	Ningbo (China)	70.00	70.00	70.00
Somfy Co Ltd	Hong Kong	100.00	100.00	100.00
Somfy China Co Ltd	Shanghai (China)	100.00	100.00	100.00
LianDa	Zhejiang (China)	95.00	95.00	95.00
Somfy Middle East Co Ltd	Limassol (Republic of Cyprus)	100.00	100.00	100.00
Somfy Egypt	Le Cairo (Egypt)	100.00	100.00	100.00
Sisa Home Automatisation Ltd	Rishone Le Zion (Israel)	100.00	100.00	100.00
Somfy Maroc SARL	Casablanca (Morocco)	100.00	100.00	100.00
Somfy Hellas SA	Acharnai (Greece)	100.00	100.00	100.00
Somfy Ev Otomasyon Sistemleri Ticaret Ltd Sti	Istanbul (Turkey)	100.00	100.00	100.00
Somfy South Africa (PTY) Limited	Durban (South Africa)	100.00	100.00	100.00
Somfy Tunisie	Tunis (Tunisia)	100.00	100.00	100.00
Somfy Tunisie Services	Tunis (Tunisia)	50.00	50.00	50.00
Somfy Mexico SA DE CV	Tlalnepantla (Mexico)	100.00	100.00	100.00
Somfy K.K.	Yokohama (Japan)	100.00	100.00	100.00
Somfy India Pvt Ltd	New Delhi (India)	100.00	100.00	100.00
Somfy ULC	Halifax (Canada)	100.00	100.00	100.00
Harmonic Design	Poway (US)	100.00	100.00	100.00
Energy Eye	Poway (US)	100.00	100.00	100.00
Simu SAS	Gray (France)	100.00	100.00	100.00
Simu GmbH	Iserlohn (Germany)	100.00	100.00	100.00
WAY SRL	San Vincenzo (Italy)	100.00	100.00	100.00
Overkiz SAS	Archamps (France)	80.00	80.00	80.00
SEM-T	Cluses (France)	100.00	100.00	100.00
DSG	Mouscron (Belgium)	100.00	100.00	100.00
TTMD SA	Geneva (Switzerland)	100.00	100.00	100.00
BFT SpA	Schio (Italy)	100.00	100.00	100.00
Automatismes BFT France SAS	Saint-Priest (France)	100.00	100.00	100.00
BFT Group Italiberica de Automatismos SL	Barcelona (Spain)	98.70	98.70	98.70
BFT Torantriebssysteme GmbH	Furth (Germany)	100.00	100.00	100.00
BFT Automation UK Limited	Stockport (UK)	100.00	100.00	100.00
BFT Benelux SA	Nivelles (Belgium)	100.00	100.00	100.00
BFT Adria d.o.o.	Drazice (Croatia)	75.00	75.00	75.00
BFT Polska Sp.zoo	Warsaw (Poland)	100.00	100.00	100.00
SACS SRL	Trento (Italy)	100.00	100.00	100.00
BFT US Inc.	Boca Raton (US)	100.00	100.00	100.00
BFT Portugal SA	Coimbra (Portugal)	100.00	100.00	100.00
BFT Gates systems Limited	Berkshire (UK)	100.00	100.00	100.00
BFT Australie	Sydney (Australia)	100.00	100.00	100.00

Company name	Head office	% control 31/12/13	% interest 31/12/13	% interest 31/12/12
BFT CZ Sro	Prague (Czech Republic)	100.00	100.00	100.00
BFT Piemonte	Dronero (Italy)	90.00	90.00	90.00
O&O	Corregio (Italy)	100.00	100.00	90.00
O&O France Distribution	Aubagne (France)	–	–	100.00
BFT Veneto	Schio (Italy)	100.00	100.00	100.00
BFT Anatolia	Istanbul (Turkey)	100.00	100.00	100.00
BFT Istanbul	Istanbul (Turkey)	100.00	100.00	100.00
BFT Grèce	Athens (Greece)	100.00	100.00	100.00
BFT Eire	Dublin (Ireland)	100.00	100.00	100.00
BFT Gulf	Dubai (United Arab Emirates)	100.00	100.00	100.00
BFT China	Shanghai (China)	100.00	100.00	100.00
BFT Romania	Jilava (Romania)	100.00	100.00	100.00
BFT New Zealand	New Zealand	100.00	100.00	–
Mastercom	Saint Laurent du Var (France)	100.00	100.00	100.00
BFT Lazio S.r.l.	Rome (Italy)	60.00	60.00	60.00
TRS Standard S.r.l.	Verona (Italy)	60.00	60.00	60.00
NMP SAS	Cluses (France)	100.00	100.00	100.00
Zurflüh-Feller Holding SAS	Autechaux Roide (France)	100.00	100.00	100.00
Zurflüh-Feller SAS	Autechaux Roide (France)	100.00	100.00	100.00
Zurflüh-Feller Montage EURL	Autechaux Roide (France)	100.00	100.00	100.00
CERF EURL	Autechaux Roide (France)	100.00	100.00	100.00
Financière Nouveau Monde SA	Miribel (France)	87.53	87.53	87.53
Sirem SAS	Miribel (France)	100.00	87.53	87.53
Aqua System Design SAS	Miribel (France)	100.00	87.53	87.53
Sirem Immobilier SNC	Miribel (France)	100.00	87.53	87.53
Sodim	Pagny le Château (France)	100.00	87.53	87.53
Equity-accounted companies				
Groupe Gaviota	Sax (Spain)	46.50	46.50	46.50
Groupe CIAT	Culoz (France)	46.10	46.10	44.50
Oxygen SARL (Astélia)	Lyon (France)	–	–	40.00
Groupe Pellenc	Pertuis (France)	47.23	47.23	47.23
Stor'm	Saint Clair de la Tour (France)	–	–	40.00
Neocontrol	Belo Horizonte (Brazil)	51.00	51.00	51.00

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PARENT COMPANY FINANCIAL STATEMENTS

8

PARENT COMPANY FINANCIAL STATEMENTS

Balance sheet at 31 December 2013

Balance sheet – Assets

€ thousands	31/12/13 Net	31/12/12 Net
Non-current assets		
Intangible assets	1	7
Property, plant and equipment	–	–
Financial assets	564,704	553,392
Total non-current assets	**564,705**	**553,398**
Current assets		
Inventory and work-in-progress	–	–
Trade receivables	825	752
Other receivables and prepaid expenses	22,684	30,670
Marketable securities	88,418	55,062
Bank and cash	3,660	482
Total current assets	**115,587**	**86,967**
TOTAL ASSETS	680,292	640,366

Balance sheet – Equity and liabilities

€ thousands	31/12/13	31/12/12
Shareholders' equity		
Share capital	7,837	7,837
Share premium	1,866	1,866
Reserves	470,239	418,777
Profit for the year	62,455	87,034
Total shareholders' equity	**542,397**	**515,514**
Provisions for liabilities and charges	**6,680**	**3,204**
Liabilities		
Borrowings and financial liabilities	2,440	24,606
Trade payables	2,828	1,006
Other liabilities and deferred income	125,946	96,036
Total liabilities	**131,215**	**121,648**
TOTAL EQUITY AND LIABILITIES	680,292	640,366

Income statement for the year ended 31 December 2013

€ thousands	31/12/13	31/12/12
Net sales	2,734	2,976
Other income	1,397	870
Other expenses:	– 10,175	– 15,363
Personnel	*– 792*	*– 1,255*
Taxes and duties	*– 138*	*– 111*
Net operating expenses	*– 9,245*	*– 13,997*
Royalties paid	–	–
Charges/reversals of amortisation, depreciation and provisions	–	–
OPERATING RESULT	– 6,044	– 11,517
Net financial income	**77,637**	**97,341**
CURRENT RESULT BEFORE TAX	71,593	85,824
Net exceptional expense	**– 4,582**	**– 1,774**
PROFIT BEFORE TAX	67,010	84,050
Income tax	– 4,555	2,984
NET PROFIT	62,455	87,034

Proposed allocation of 2013 profit

€	
Source	
Retained earnings from prior years	2,045,011.20
Net profit for the year	62,455,414.44
	64,500,425.64

€	
Allocation	
Dividends	40,751,360.00
Optional reserve	23,749,065.64
	64,500,425.64

Notes to Somfy SA financial statements

The financial statements have been prepared for the 12 month period from 1 January 2013 to 31 December 2013.

A – Significant events during the financial year

In May 2013, **Somfy SA** made a 51% equity investment in the Brazilian company **Giga** for BRL 18 million (approximately € 5.5 million, including a deferred payment of € 1.8 million). This company designs and manufactures security systems which it markets to specialised distributors and installers in Brazil.

Somfy SA was subject to a tax audit in relation to the 2010 and 2011 financial years. A total proposed adjustment of € 4.4 million (including late payment penalties) for these two years was received on 27 November 2013. A provision was recognised in the financial statements for the year ended 31 December 2013 to cover the estimated cash outflow.

B – Accounting rules and methods

The 2013 financial statements are presented in accordance with current French legislation as defined by the French Chart of Accounts and having considered CRC regulation no 99-03.

The general bases of accounting have been applied in respect of the principle of prudence, in accordance with the following basic assumptions:

– Going concern,
– Consistency of presentation from one year to the next,
– Separate accounting periods,

and in compliance with the general rules for the preparation and presentation of annual financial statements.

The method used to value the items in the accounts is the historical cost method.

Equity investments

The gross value of equity investments comprises their acquisition cost less related expenses. Writedown is recognised when the book value falls below historical cost. Book value is determined based on several assessment items, such as year-end net assets, profitability level, future prospects and share price for listed companies.

Other securities

The initial value of other securities comprises their acquisition cost less associated expenses. When the estimated realisable value is lower than cost, an impairment provision is recorded for the difference.

Marketable securities

The gross value of marketable securities comprises their purchase price less related expenses or their transfer value. Marketable securities are valued at their average quoted stock exchange price over the month of December 2013 and are impaired when this is lower than cost.
At 31 December 2013, marketable securities totalled € 71.7 million, comprising:
- Treasury shares of € 73 million,
- A provision of € 1.3 million, for the writedown of treasury shares.

Treasury shares

Pursuant to the authorisation granted to the Management Board by the Combined General Meeting of 16 May 2013, treasury shares are retained for the following purposes:
- To be granted to employees within the framework of stock option or free share allocation plans;
- To ensure the liquidity of the Somfy SA share and to stimulate the secondary market;
- To retain the shares purchased and subsequently exchange them or use them within the framework of potential acquisitions;
- To proceed with the possible cancellation of the shares acquired;
- To cover marketable securities giving right to the allocation of company shares, in accordance with applicable regulations.

These shares are classified in account 502 “Treasury shares”. Income or losses on treasury share transactions are thus recognised as financial income/expenses.
Treasury shares to be granted to employees and allocated to stock option or free share plans are valued on a plan by plan basis at the lower of acquisition cost or exercise price of the call option.
Shares not yet allocated to plans or which have expired are valued at the lower of the average purchase price of all these shares or the average quoted stock exchange price over the month of December 2013.
Shares bought and sold to ensure the liquidity and to stimulate the secondary market and shares purchased to be retained and subsequently exchanged are valued at the lower of the average purchase price of all these shares or the average quoted stock exchange price over the month of December 2013.

Somfy SA stock option and free share allocation plans

There are currently two stock option plans in force, the key features of which are disclosed in note 17.
In addition, at its meeting on 27 May 2011 the Management Board of Somfy SA decided to allocate Somfy SA shares, free of charge, to 134 beneficiaries. The acquisition of these free shares is subject to beneficiaries remaining employed by the Group and to business performance conditions based on internal financial criteria.
The final acquisition related to 5,520 shares allocated to 121 beneficiaries.

Accounts receivable from equity investments, bonds receivable and other receivables

Receivables are carried at par value. A provision for impairment is recorded when their estimated realisable value falls below carrying value and based upon the probability of their recovery.
When the equity of investments become negative, a provision for impairment is recorded with reference to the above estimated realisable value.
Accrued interest on bonds receivables are capitalised at each year-end.

Foreign currency denominated transactions

Foreign currency denominated income and expenses are recorded at their equivalent value at the transaction date. Foreign currency denominated debts, receivables and cash are recognised in the balance sheet at their exchange rate on the balance sheet date. The difference resulting from the translation of foreign currency debts and receivables at the balance sheet date exchange rate is recognised in the balance sheet as a “Translation adjustment”.
At 31 December 2013, “asset” and “liability” translation adjustments of € 3,582 thousand and -€ 557 thousand respectively, were classified under the captions “Other receivables and prepaid income” and “Other liabilities and deferred income”, respectively.

Unrealised foreign exchange losses resulting from the net exchange position by currency recorded on assets and liabilities at the balance sheet date are recorded as a provision for foreign exchange losses.

Borrowings and debts from credit institutions

Borrowings and debts from credit institutions are recorded on the balance sheet at their net value. Accrued interest is recorded on the balance sheet with the related borrowings. At 31 December 2013, the company was in compliance with all financial covenants imposed by banks on its borrowing facilities.

Interest rate hedges

Income and expenses resulting from interest rate hedges are recognised in the income statement at each contracted maturity date.
The following are recognised at year end:
- Accrued interest on interest rate hedges,
- A provision for interest rate risk was established for the unrealised loss resulting from the recognition at fair value of financial instruments whose nature as a hedge cannot be demonstrated.

Operating items

Somfy SA sales for the year to 31 December 2013 were € 2.7 million, a decline compared to the previous year. The operating result was a loss of € 6.0 million compared to a loss of € 11.5 million in 2012, primarily due to expenses related to acquisitions carried out by Somfy SA in 2012.

Financial items

The net financial income of the Somfy SA holding company was € 77.6 million, compared to € 97.3 million in 2012.
The decrease in net financial income was due to the decrease in dividends received during the period (down € 44.4 million) and the reversal of a provision for writedown of unallocated treasury shares held to serve stock option plans linked to an increase in the Somfy SA share price (up € 18.7 million).
Furthermore, interest on bank debt decreased due to the reduction of overall bank debt and were largely offset by interest on debenture loans (mezzanine) granted by Somfy SA to CIAT, Financière Nouveau Monde and Garen.

Net exceptional expense

The net exceptional expenses totalled € 4.6 million.

Net profit

The net profit was thus € 62.5 million, after inclusion of an income tax charge of € 4.6 million.

Tax consolidation

The tax consolidation agreement signed between Somfy SA and its direct and indirect subsidiaries was renewed on 1 January 2013 for an indefinite period of time.
In accordance with the agreement, the difference calculated between the income tax chargeable on the combined profits of the tax consolidation and the sum of the Group companies' individual tax charges is credited to Somfy SA, the Group's parent company. At 31 December 2013, tax savings resulting from the transfer of losses from subsidiaries are considered to be tax income.
Should a subsidiary cease to be a member of the tax consolidation, it will be compensated by Somfy SA in accordance with a jointly-agreed exit methodology, taking account of the situation at that date.
Currently there are no available Group tax losses to be used.

Post-balance sheet event

On 6 January 2014, **Somfy SA** was summoned to appear before the Regional Court of Albertville to seek annulment of the transfer of the company Spirel, which took place in 2010. Somfy SA challenges the arguments put forward by Spirel employee's legal counsel and considers that it has fulfilled its obligations. Since it cannot be held responsible for Spirel's current situation, Somfy SA is confident in the likelihood that the Court will rule in its favour.

Consolidating entity

The consolidating entity is the J.P.J.S. company.

C – Notes to the parent company financial statements at 31 December 2013

Note 1: Gross non-current assets

€ thousands	Gross value 31/12/12	Increase	Decrease	Merger movements	Other movements	Gross value 31/12/13
Intangible assets	**215**	**–**	**–**	**–**	**–**	**215**
Property, plant and equipment	**2**	**–**	**–**	**–**	**–**	**2**
Financial assets	**593,905**	**35,037**	**– 17,609**	**–**	**–**	**611,333**
Equity investments	485,913	23,255	– 2,396	–	–	506,771
Receivables from equity investments	18,449	5,024	– 10,664	–	–	12,808
Other financial assets	2,635	758	– 250	–	–	3,143
Bonds	86,910	6,000	– 4,299	–	–	88,611
	594,122	**35,037**	**– 17,609**	**–**	**–**	**611,549**

The increase in financial assets is due to equity investments of € 7.3 million, capital increases of € 15.4 million and the creation of subsidiaries for € 3 million.
The increase in other financial assets is due to capitalised interest on bonds granted to companies acquired through LBO and the decrease is due to repayments of € 1.5 million and the write-off of a € 1.7 million receivable.

Note 2: Amortisation and depreciation

€ thousands	Amount at 31/12/12	Charges	Reversals	Merger movements	Other movements	Amount at 31/12/13
Intangible assets	**208**	**6**	**–**	**–**	**–**	**214**
Concessions, patents and licences	208	6	–	–	–	214
Property, plant and equipment	**2**	**–**	**–**	**–**	**–**	**2**
	210	**6**	**–**	**–**	**–**	**216**

Note 3: Balance sheet provisions

€ thousands	Amount at 31/12/12	Charges	Reversals used	Reversals unused	Merger movements	Other movements	Amount at 31/12/13
Regulated provisions	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Provisions for liabilities and charges	**3,204**	**6,680**	**– 657**	**– 2,546**	**–**	**–**	**6,680**
Writedown provisions	**63,142**	**12,883**	**– 27,864**	**– 194**	**–**	**–**	**47,967**
On financial assets	40,516	11,619	– 5,313	– 194	–	–	46,628
On miscellaneous receivables	2,663	–	– 2,663	–	–	–	–
On marketable securities	19,963	1,264	– 19,888	–	–	–	1,339
	66,346	**19,563**	**– 28,521**	**– 2,740**	**–**	**–**	**54,647**

Note 4: Analysis of maturity of receivables

€ thousands	Total	Less than one year	More than one year
Non-current receivables			
Accounts receivable from equity investments	12,808	8,239	4,570
Other financial assets	3,143	39	3,104
Bonds	88,611	–	88,611
Current receivables			
Trade receivables	825	825	–
Miscellaneous receivables*	19,087	19,087	–
Prepaid expenses and translation adjustment	**3,597**	**3,597**	**–**
	128,072	**31,787**	**96,285**

** Including € 18,742 thousand of intragroup current accounts, primarily originating from the implementation of cash pooling at Group level.*

Note 5: Analysis of maturity of payables

€ thousands	Total	Less than one year	One to five years	More than five years
Liabilities				
Loans and related payables to credit institutions	2,440	2,440	–	–
Miscellaneous loans and financial debts	–	–	–	–
Operating liabilities				
Trade payables and related items	2,828	2,828	–	–
Other liabilities*	**125,389**	**125,389**	**–**	**–**
Deferred income and translation adjustment	**557**	**557**	**–**	**–**
	131,215	**131,215**	**–**	**–**

** Including € 124,087 thousand of intragroup current accounts, primarily originating from the implementation of cash pooling at Group level.*

Note 6: Translation adjustments on foreign currency denominated debts and receivables

€ thousands	Asset side impact Total	Asset side impact Provision for liability	Liability side impact Total
Bonds	3,305	3,305	–
Trade receivables related to equity investments	268	268	155
Miscellaneous receivables	9	9	10
Financial debts	–	–	391
	3,582	**3,582**	**557**

Note 7: Analysis of operations of related companies and equity investments

€ thousands	Total
Equity investments	506,771
Trade receivables related to equity investments	12,260
Bonds	88,638
Borrowings and financial liabilities	–
Financial income (interest and dividends)	70,389
Financial expenses (interest)	– 68
Receivables	18,736
Liabilities	124,087

Note 8: Statement of changes in shareholders' equity

€ thousands	Balance at 31/12/12 before allocation of net profit	Allocation of net profit at 31/12/12	2013 movements	Balance at 31/12/13 before allocation of net profit	Proposed allocation of 2013 net profit	Balance at 31/12/13 after allocation of net profit
Share capital	7,837	–	–	7,837	–	7,837
Share premium	1,866	–	–	1,866	–	1,866
Revaluation reserve	5,929	–	–	5,929	–	5,929
Legal reserve	791	–	–	791	–	791
Regulated reserves	–	–	–	–	–	–
Other reserves	409,806	51,669	–	461,475	23,749	485,224
Retained earnings	2,251	– 2,251	2,045	2,045	– 2,045	–
Net profit	87,034	– 87,034	62,455	62,455	– 62,455	–
Tax-regulated provisions	–	–	–	–	–	–
	515,514	**– 37,616**	**64,500**	**542,397**	**– 40,751**	**501,646**
	Movements					
SHAREHOLDERS' EQUITY AFTER ALLOCATION	**477,897**	**–**	**23,749**	**–**	**–**	**501,646**

Note 9: Deferred income

€ thousands	
Dividends	567
Accrued interest on cash accounts	44
Government, tax and duties	13
Other	–

Note 10: Accrued expenses

€ thousands	
Accrued loan interest	–
Trade payables, invoices not received	324
Employees, statutory bodies, government, duties and taxes	1,107
Miscellaneous	26
Attendance fees	7

Note 11: Share capital

€	Number of shares	Par value
Shares		
At the start of the year	7,836,800	1.0
At the end of the year	7,836,800	1.0
Convertible bonds and similar securities	–	–

Note 12: Sales breakdown

€ thousands	
France	1,590
European Union	665
Rest of the world	479
TOTAL	**2,734**

Note 13: Financial commitments

€ thousands	31/12/13	31/12/12
Guarantees and deposits received	829	1,433
Unused borrowing facilities	119,563	138,423
TOTAL COMMITMENTS RECEIVED	**120,392**	**139,855**

€ thousands	31/12/13	31/12/12
Guarantees and deposits granted	7,075	2,186
Interest on outstanding loans	–	8
Commitments to funds investments	2,984	3,678
TOTAL COMMITMENTS GIVEN	**10,059**	**5,872**

Note 14: Securitised debt

€ thousands	
Loans or liabilities from credit institutions	–

Note 15: Directors' remuneration

€ thousands	
Remuneration allotted	
– to members of the Management Board	260
– to members of the Supervisory Board	110
Pension commitments subscribed	N/A

Note 16: Workforce size at 31 December 2013

	Male	Female	Total
Executives	4	2	6

Note 17: Stock option and free share plans at 31 December 2013

Stock option plans after adjustment following the separation of the Group (€)

Plan date	Number of beneficiaries	Number of options granted	Adjusted number of options	Exercise price	Option expiry date
31/03/06	9	36,200	**6,157**	185.00	31/03/14
02/04/08	50	29,550	**24,475**	155.00	31/01/14

Analysis of unexercised options

Plan date	Exercise price (€)	Number of unexercised options	Time remaining to option maturity (days)	Plan maturity date
31/03/06	185.00	6,157	**90**	31/03/14
02/04/08	155.00	9,375	**31**	31/01/14

Movements in stock option plans

	2013		2012	
	Number of options	Weighted average exercise price (€)	Number of options	Weighted average exercise price (€)
Unexercised options at 1 January	30,632	161.03	32,307	160.72
Options granted	–	–	–	–
Options cancelled	– 1,000	155.00	– 1,650	155.00
Options exercised	– 14,100	155.00	– 25	155.00
UNEXERCISED OPTIONS AT THE END OF THE YEAR	**15,532**	**166.89**	**30,632**	**161.03**
EXERCISABLE OPTIONS AT THE END OF THE YEAR	**15,532**	**166.89**	**30,632**	**161.03**

Free share plans

Plan date	Number of beneficiaries	Number of shares granted	Price per share (€)	Allocation date	Vesting date	Shares cancelled	Shares exercised	Number of shares exercisable at 31/12/13
27/05/11	134	9,354	191.17	03/06/13	07/06/15	– 3,834	– 5,520	–

The plan of 27 May 2011 is subject to beneficiaries remaining employed by the Group and to business performance conditions based on internal financial criteria.

Note 18: Treasury shares

€ thousands		31/12/12	Increase	Decrease	Transfer	31/12/13
Stock options and free shares	€ thousands	52,833	582	– 1,876	–	51,539
	number	*314,972*	*4,262*	*– 19,620*	–	*299,614*
Liquidity contract	€ thousands	834	2,424	– 3,105	–	153
	number	*5,883*	*14,433*	*– 19,454*	–	*862*
Shares retained for potential acquisitions	€ thousands	21,279	–	–	–	21,279
	number	*112,254*	–	–	–	*112,254*
Treasury shares	€ thousands	–	–	–	–	–
	number	–	–	–	–	–
TOTAL TREASURY SHARES	**€ thousands**	**74,945**	**3,006**	**– 4,981**	**–**	**72,971**
	number	***433,109***	***18,695***	***– 39,074***	**–**	***412,730***

Note 19: List of companies included in the tax consolidation

Somfy SA	Parent company	Cluses
Somfy SAS		Cluses
Simu SAS		Gray
CMC SARL		Cluses
Domis SA		Rumilly
NMP SAS		Cluses
Automatismes BFT France SAS		Lyon
SEM-T SASU		Cluses
Zurflüh-Feller Holding SAS		Autechaux Roide
Zurflüh-Feller SAS		Autechaux Roide
Zurflüh-Feller Montage EURL		Autechaux Roide
MSD EURL		Autechaux Roide
CERF EURL		Autechaux Roide
Provence Nouveau Monde SAS		Cluses

Note 20: Breakdown of income tax at 31 December 2013

€ thousands	Result	Tax		
		Base	Rate	Total
1.Current result				
Profit for the year	71,593	71,593	–	27,205
Tax adjustments				
– Long-term capital gains and losses	–	–	–	–
– Income from equity investments	–	– 60,283	–	– 22,908
– Other	–	651	–	247
Theoretical tax	–	*11,961*	*38.0%*	*4,545*
2.Exceptional result				
Profit/loss of the year	– 4,582	– 4,582	–	– 1,741
Tax adjustments				
– Long-term capital gains and losses	–	–	–	–
– Deductions	–	–	–	–
– Reinstatements	–	2,021	–	768
Theoretical tax	–	*– 2,561*	*38.0%*	*– 973*
Total theoretical tax	**–**	**9,399**	**–**	**3,572**
Tax paid by tax consolidation companies	–	–	–	12,495
Tax charge/income for the tax consolidation	–	–	–	– 17,050
Tax charge/relief from previous periods	–	–	–	–
NET PROFIT	**–**	**–**	**–**	**62,455**

€ thousands	Before tax	Tax	After tax
Current result	71,593	– 4,545	67,048
Exceptional result	– 4,582	973	– 3,609
	67,010	**– 3,572**	**63,438**
Tax charge/income for the tax consolidation	–	–	– 17,050
Tax paid by tax consolidation companies	–	–	12,495
Tax charge/relief from previous periods	–	–	–
Theoretical tax	–	–	3,572
NET PROFIT	**–**	**–**	**62,455**

Note 21: Subsidiaries and investments

€ thousands	Share capital and premium	Reserves and retained earnings before allocation of net profit	Share of capital held %	Profit/loss for the last financial year	Sales	Dividends received
Subsidiaries (at least 34% of share capital held by the company)						
DSG	4,250	6	99.90%	– 236	–	–
Somfy SAS	20,000	63,990	100.00%	13,104	364,829	50
CMC	8	– 366	100.00%	– 314	–	–
Somfybat	6,830	9,440	100.00%	1,280	–	–
Somfy Ltd	146	1,145	100.00%	417	8,931	–
Somfy PTY Limited	306	1,788	100.00%	1,272	9,493	–
Somfy N.V.	348	36	100.00%	1,072	22,808	–
Somfy Brasil Ltda	4,838	– 59	99.62%	– 2,016	8,601	–
Somfy GmbH	1,500	13,672	100.00%	7,019	123,326	1,500
Somfy Kft	787	– 210	100.00%	– 31	2,583	–
Somfy SPOL SRO	177	1,075	100.00%	863	9,426	–
Somfy Sp.Zoo	132	1,744	100.00%	813	15,901	–
Somfy Roumanie	307	– 240	100.00%	24	731	–
Somfy JOO	314	3,835	100.00%	425	6,435	–
Somfy Italia	2,000	9,440	95.00%	– 576	17,116	–
Somfy Espana SA	93,100	6,752	100.00%	– 8,183	13,932	1,650
Somfy Systems Inc.	8,786	11,511	100.00%	1,534	51,251	–
Somfy AG	30	3,258	100.00%	3,393	21,953	–
Somfy AB	71	1,150	100.00%	638	14,840	–
Somfy PTE Ltd	533	598	100.00%	935	3,893	–
Somfy Co Ltd	10,423	131	100.00%	377	4,710	–
LianDa	6,960	– 15,244	95.00%	– 863	11,277	–
Somfy Middle East Co Ltd	62	14,020	100.00%	1,345	26,071	–
Somfy Mexico SA DE CV	27	1,374	99.75%	3	4,548	–
Somfy K.K.	205	1,717	100.00%	677	9,921	–
Promofi BV	91	1,067	100.00%	66,145	–	66,145
Simu SAS	5,000	6,045	100.00%	6,274	69,196	–
Somfy ULC Canada	904	304	100.00%	883	5,961	–
Gaviota	4,544	25,546	46.50%	1,930	43,596	54
NMP SAS	29,601	9,659	100.00%	3,966	–	4,400
Yorkshire Technology Ltd & Control	69	309	100.00%	– 31	131	–
CIAT Group	84,340	– 24,340	44.49%	582	–	6,092
Financière Nouveau Monde	14,187	– 7,057	87.53%	– 3,829	–	233
Arve Finance	3,010	– 410	50.17%	– 31	–	134

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€ thousands	Share capital and premium	Reserves and retained earnings before allocation of net profit	Share of capital held %	Profit/loss for the last financial year	Sales	Dividends received
Somfy SIA	519	– 279	100.00%	– 101	1,376	–
Somfy Pty Limited Afrique du Sud	410	– 101	100.00%	306	1,675	–
Somfy Colombie	28	28	100.00%	27	752	–
Domis	1,162	96	99.99%	1,458	10,968	–
Somfy Russie	915	– 431	100.00%	40	6,467	–
Sisa Automation	249	3,414	100.00%	924	8,731	–
Somfy Turkey	832	210	99.85%	1,036	7,619	–
Asian Capital	108,538	682	100.00%	23	–	–
Somfy Maroc	196	151	100.00%	184	3,468	–
Somfy Hellas	750	1,901	100.00%	6	5,341	–
Somfy India	1,196	– 180	99.99%	– 137	2,565	–
Somfy Bulgarie	102	– 26	99.90%	4	654	–
Stor'm	8	326	100.00%	107	887	–
Somfy Thaïlande	306	92	99.98%	187	1,281	–
Provence Nouveau Monde	63,752	– 3,627	100.00%	181	–	277
Somfy Ukraine	321	– 172	100.00%	– 61	392	–
Somfy Service Tunisie	99	– 14	50.00%	– 1	1	–
Somfy Chile	82	– 64	99.00%	32	–	–
Somfy Égypte	140	– 25	99.91%	–	–	–
Sopem	12,325	54	100.00%	4,321	–	–
Giga	688	– 611	51.00%	1,152	11,226	–
Gabr	3,139	– 376	99.99%	– 5	–	–
Financière Développement	10	–	100.00%	–	–	–

€ thousands	
Loans and advances granted to the companies above, not yet repaid	11,519
Total guarantees granted to the companies above	5,810
Dividends paid by the companies above during the year	60,695

Note 22: Equity investments at 31 December 2013

€ thousands	Gross value	Net value	Quoted value
1. Equity investments			
29,995 DSG shares	4,218	4,218	–
119,994 Vimart shares	63	23	–
1,000,000 Somfy SAS shares	8,286	8,286	–
30,000 Somfy GmbH shares	4,555	4,555	–
3,000 Somfy AB shares	534	534	–
394 Promofi BV shares	1,084	1,084	–
230 Somfy Systems Inc. shares	10,167	10,167	–
1,900,000 Somfy Italia SRL shares	2,271	2,271	–
45 Somfy AG shares	152	152	–
660 Somfy K.K. shares	194	194	–
35,000 Somfy Espana SA shares	93,161	93,161	–
13,995 Somfy N.V. shares	334	334	–
35,999 Somfy Middle East Co Ltd shares	72	72	–
100,000 Somfy Ltd shares	144	144	–
500,000 Somfy PTY Limited shares	350	350	–
80,000 Somfy JOO shares	460	460	–
1,100,000 Somfy PTE Ltd shares	514	514	–
500 CMC shares	8	8	–
2,099,990 Somfy Co Ltd shares	10,734	10,734	–
1 Somfy SPOL share	1,012	1,012	–
676 Somfy Sp.Zoo shares	1,423	1,423	–
1 Somfy Kft share	1,865	592	–
399 Somfy Mexico SA DE CV shares	44	44	–
6,692,000 Somfy Brasil Ltda shares	5,163	2,643	–
250,000 Simu SAS shares	23,937	23,937	–
51,000 FAAC SPA shares	17,373	17,373	–
3,424,299 Somfy India shares	1,197	1,197	–
544 Gaviota shares	22,157	17,346	–
52,250 LianDa shares	7,307	–	–
124,274 Somfy SRL Roumanie shares	311	119	–
100,000 Somfy ULC Canada shares	333	333	–
100 Yorkshire Technology Ltd et Control shares	2,230	–	–
2,932,600 NMP SAS shares	29,326	29,326	–
37,375,202 CIAT Group shares	36,818	27,406	–
7,294,996 Financière Nouveau Monde shares	7,295	592	–
1,510,000 Arve Finance shares	1,510	1,346	–
3,663 Somfy SIA shares	822	–	–

€ thousands	Gross value	Net value	Quoted value
4,728,000 Somfy PTY Afrique du Sud shares	387	387	–
75,000 ZF Plus shares	75	75	–
71,408 Somfy Colombie shares	30	30	–
2,499,999 Somfy Hellas shares	750	750	–
22,000 Somfy Maroc shares	202	202	–
85,825 Domis shares	3,068	3,068	–
1 Somfy Russie share	950	950	–
14,000,000 Sisa Automation shares	270	270	–
16,776 Somfy Turquie shares	875	875	–
1,175,891 Asian Capital shares	102,133	102,133	–
999 Somfy Bulgarie shares	102	102	–
500 Stor'm shares	839	839	–
9,998 Somfy Thaïlande shares	304	304	–
637,515 Provence Nouveau Monde shares	63,752	60,788	–
1 Somfy Ukraine share	330	330	–
1,000 Somfy Service Tunisie shares	52	52	–
30,690 Somfy Chile shares	83	–	–
1,099 Somfy Egypte shares	153	153	–
1,100,025 Cotherm Evolution shares	1,100	1,100	–
102,000 SOPEM shares	12,270	12,270	–
1,586,529 Sofilab 4 shares	1,587	1,587	–
100 Financière Développement shares	10	10	–
8,999,100 Gabr Participacao shares	3,016	–	–
948,600 Giga Security SA shares	6,728	6,728	–
379,449 Somfybat shares	10,280	10,280	–
	506,771	**465,233**	**–**

€ thousands	Gross value	Net value	Quoted value
2. Portfolio investments	**–**	**–**	**–**
3. Marketable securities			
Treasury shares	72,971	71,707	76,355
Other marketable securities	–	–	–
	72,971	**71,707**	**76,355**

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LEGAL DOCUMENTS

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LEGAL DOCUMENTS

Statutory Auditors' report on the parent company financial statements

To the Shareholders,

In execution of our mandate conferred to us by your General Meeting, we hereby present to you our report for the financial year ended 31 December 2013, on:

- Our audit of the accompanying Somfy SA company financial statements,
- The justification of our assessments,
- The specific legal verifications and disclosures.

The parent company financial statements have been prepared by the Management Board. It is our responsibility to express an opinion on the basis of our audit.

I. Opinion on the financial statements

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

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

II. Justification of assessments

In application of Article L. 823-9 of the Commercial Code regarding the justification of our assessments, we wish to bring to your attention the following matter:

The note to the parent company financial statements entitled "Equity investments" sets out the accounting rules and methods relating to the valuation of equity investments at year-end. We have reviewed the valuation methods used by your company and resulting calculations. As part of our assessment of these estimates, we have assured ourselves of the reasonableness of selected assumptions and resulting estimates.

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

III. Specific verifications and information

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

We have no observation to make with regard to the fairness of information provided in the Management Board report and its consistency with the financial statements, and on the documents provided to shareholders on the financial position and financial statements of the company.

As regards the information provided pursuant to Article L. 225-102-1 of the Commercial Code on remuneration and benefits provided to corporate officers as well as commitments given in their favour, we have verified their consistency with the financial statements or with the data used in the preparation of these financial statements and, where appropriate, with the information collected by your company from its parent company(ies) or subsidiaries. On the basis of this work, we confirm the accuracy and fairness of this information.

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

Paris and Lyon, 22 April 2014
The Statutory Auditors

LEDOUBLE SA	ERNST & YOUNG et Autres
Agnès Piniot	Sylvain Lauria

Statutory Auditors' special report on regulated agreements and commitments

To the Shareholders,

As Statutory Auditors to your company, we hereby present to you our report on regulated agreements and commitments.
It is our responsibility to inform you, on the basis of information given to us, of the key features and terms and conditions of the agreements and commitments which we were made aware of or discovered as part of our assignment. It is not our responsibility to comment on their usefulness and validity or to search for other such agreements and commitments. It is your responsibility, pursuant to Article R. 225-58 of the Commercial Code, to assess the interest of concluding these agreements and commitments with a view to their approval.
Furthermore, it is our responsibility, if applicable, to inform you of disclosures required by Article R. 225-58 of the Commercial Code relative to the execution, during the year just ended, of agreements and commitments already approved by the General Meeting.
We carried out the due diligence we deemed necessary in accordance with the professional standards of the Compagnie Nationale des Commissaires aux Comptes relative to this assignment. These standards require us to verify that the information given to us was consistent with the underlying documents.

Agreements and commitments submitted for approval from the General Meeting

Agreements and commitments approved during the financial year

Pursuant to Article L. 225-88 of the Commercial Code, we have been advised of the following agreements and commitments which had received prior approval by your Supervisory Board.

1. With Somfy SAS, Simu SAS, CMC SARL, Domis SA, SEM-T SAS, NMP SAS, Zurflüh-Feller SAS, Zurflüh-Feller Holding SAS, Zurflüh-Feller Montage EURL, CERF EURL, MSD EURL, Automatismes BFT France SAS and Provence Nouveau Monde SAS

Persons concerned

Wilfrid Le Naour (for Zurflüh-Feller Holding SAS and its subsidiaries via the acquisition vehicle NMP SAS and Provence Nouveau Monde SAS), Jean-Philippe Demaël (for companies pertaining to the BFT business via Somfy Spain and for Somfy SAS) and Paul-Georges Despature (for CMC SARL)

Nature and purpose

Tax consolidation agreement

Terms and conditions

On 28 February 2013, your Supervisory Board authorised the signing of a tax consolidation agreement on 1 March 2013, for an indefinite period of time, for which your company is the head of the tax consolidation group.
Your company recognised an expense of € 3,488,796 during the financial year in respect of this agreement.

2. With Automatismos Pujol SL, BFT SpA, CMC SARL, Somfy AB, Somfy BV, Somfy ULC, Somfy España SA, Somfy GmbH, Somfy JOO, Somfy Ltd, Somfy Mexico, Somfy Middle East Ltd, Somfy SAS and Somfy Systems

Persons concerned

Wilfrid Le Naour (for Somfy GmbH, Somfy Ltd, Somfy Mexico and Somfy Systems), Jean-Philippe Demaël (for Automatismos Pujol SL, BFT SpA, Somfy AB, Somfy BV, Somfy ULC, Somfy España SA, Somfy GmbH, Somfy JOO, Somfy Ltd, Somfy Middle East Ltd, Somfy SAS and Somfy Systems) and Paul Georges Despature (for CMC SARL)

Nature and purpose

Agreement related to the re-invoicing of the cost of the free Somfy SA shares allocated

Terms and conditions

On 29 August 2013, your Supervisory Board authorised the signing of agreements related to the re-invoicing of the cost of the free Somfy SA shares allocated, as part of the free share allocation plan approved by the Management Board on 27 May 2011, to the beneficiaries employed by the various above-mentioned subsidiaries, to be entered into between your company and each of the said subsidiaries.
Your company recognised an income of € 646,287 during the financial year in respect of this agreement.

Agreements and commitments already approved by the General Meeting

Agreements and commitments approved in prior years and continued during the year just ended

Pursuant to Article R. 225-57 of the Commercial Code, we have been advised that the execution of the following agreements and commitments, already approved by the General Meeting in prior years, continued during the year just ended.

With CMC SARL

Person concerned: Jean-Philippe Demaël

Nature and purpose

Supplementary pension plan pursuant to Article 39 open to employees of the company CMC SARL and members of the Management Committee with at least 15 years' service, established in 2006 and modified by the Supervisory Board on 13 May 2009

Terms and conditions

This contract gives the contingent right to an additional pension of 0.75% of the reference salary, multiplied by the number of years of service, with a ceiling of 20 years and a maximum of 15% of the reference salary, which corresponds to the average remuneration for the best three years of remuneration limited to ten Annual Ceilings of Social Security, excluding exceptional bonuses, profit sharing and employee shareholding and after applying the salary and social contribution indexing coefficients defined by the Caisse Nationale d'Assurance Vieillesse (CNAV).

Your company did not recognise any expense during the financial year in relation to this agreement.

Paris and Lyon, 22 April 2014
The Statutory Auditors

LEDOUBLE SA
Agnès Piniot

ERNST & YOUNG et Autres
Sylvain Lauria

Statutory Auditors' report prepared in application of Article L. 225-235 of the Commercial Code, on the report of the Chairman of the Supervisory Board of Somfy SA

To the Shareholders,

As Statutory Auditors to Somfy SA, and in compliance with the provisions of Article L. 225-235 of the Commercial Code, we hereby present to you our report on your company Chairman's report in accordance with Article L. 225-68 of the Commercial Code for the year ended 31 December 2013.

It is the responsibility of the Chairman to prepare and submit to the Supervisory Board for approval, a report on the internal control and risk management procedures implemented by the company and other disclosures required by Article L. 225-68 of the Commercial Code, in particular in relation to corporate governance procedures.

It is our responsibility:

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

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

Information concerning the internal control procedures and management of risks relative to the preparation and processing of financial and accounting information

The professional standards require due diligence procedures to be implemented to ensure the fairness of the information contained in the Chairman's report, concerning the internal control procedures and management of risks relative to the preparation and processing of financial and accounting information.

This due diligence notably consists of:

– Obtaining an understanding of the internal control procedures and management of risks relative to the preparation and processing of financial and accounting information supporting the information presented in the Chairman's report as well as existing documentation;
– Obtaining an understanding of the work leading to the preparation of this information and the existing documentation;
– Determining whether major deficiencies in internal control relating to the preparation and processing of accounting and financial information that we have revealed as part of our assignment are appropriately dealt with in the Chairman's report.

On the basis of our work, we have no observation to make on the description of the internal control procedures and the management of risks relating to the preparation and processing of financial and accounting information, as contained in the report of the Chairman of the Supervisory Board, prepared in accordance with the provisions of Article L. 225-68 of the Commercial Code.

Other information

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

Paris and Lyon, 22 April 2014

The Statutory Auditors

LEDOUBLE SA
Agnès Piniot

ERNST & YOUNG et Autres
Sylvain Lauria

Statutory Auditors’ report on the consolidated financial statements

To the Shareholders,

In execution of our mandate conferred to us by your General Meeting, we hereby present to you our report for the year ended 31 December 2013, on:

- Our audit of the accompanying Somfy SA consolidated financial statements,
- The justification of our assessments,
- Specific legal verification.

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

I. Opinion on the consolidated financial statements

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

We certify that the consolidated financial statements for the year have been prepared in accordance with IFRS as adopted by the European Union and give a true and fair view of the assets, financial position and profit of the Group constituted by the persons and entities included in the consolidation.

Without qualifying the above opinion, we draw your attention to the Note “Accounting rules and methods - A) Basis for preparation of the consolidated financial statements” of the notes to the consolidated financial statements which describes the changes in accounting method implemented by your company, in particular in relation to the effects of the first-time application of revised IAS 19 on employee benefits and the change of classification of the CVAE tax charge to income tax.

II. Justification of our assessments

In application of the provisions of Article L. 823-9 of the Commercial Code regarding the justification of our assessments, we wish to bring to your attention the following matters:

As part of our assessment of the accounting rules and principles implemented by your company, we verified the fairness of the above-mentioned changes in accounting method and the fairness of their presentation.

Notes D), H) and 13) to the consolidated financial statements detail the accounting rules and methods relating to the recognition and evaluation of acquisition goodwill. We have reviewed the evaluation methods used by your company and verified the resulting calculations. As part of our review of these estimates, we have assured ourselves of the reasonableness of selected assumptions and resulting estimates.

Note N) to the consolidated financial statements details the rules governing the assessment and recognition of provisions for litigation. Furthermore, Note 2 mentions the risks related to tax assessments on Group companies. We have taken note of the information disclosed to us and reviewed the assumptions on which the companies’ estimates and resulting recognition are based.

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

III. Specific verification

We have also proceeded with a verification of information relating to the Group, as presented in the Management Board report, in accordance with professional standards applicable in France.

We have no observation to make with regard to the fairness of such information and its consistency with the consolidated financial statements.

Paris and Lyon, 22 April 2014

The Statutory Auditors

LEDOUBLE SA
Agnès Piniot

ERNST & YOUNG et Autres
Sylvain Lauria

Independent verifier's report on consolidated social, environmental and societal information presented in the management report

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the shareholders,

In our quality as an independent verifier of which the admissibility of the application for accreditation has been accepted by the COFRAC, under the number n° 3-1050, and as a member of the network of one of the Statutory Auditors of the company Somfy SA, we present our report on the consolidated social, environmental and societal information established for the year ended on the 31 December 2013, presented in the section "Social and environmental reporting" of the management report, hereafter referred to as the "CSR Information," pursuant to the provisions of the article L. 225-102-1 of the French Commercial Code (Code de Commerce).

Responsibility of the company

It is the responsibility of the Management Board to establish a management report including CSR Information referred to in the article R. 225-105-1 of the French Commercial Code (Code de Commerce), in accordance with the protocols used by the company (hereafter referred to as the "Criteria"), and of which a summary is included at the end of the section "Social and environmental reporting" and next to the indicators published on a case-by-case basis.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the article L. 822-11 of the French Commercial Code (Code de Commerce). In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work:

– To attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of the article R. 225-105 of the French Commercial Code (Code de Commerce) (Attestation of presence of CSR Information);
– To express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in accordance with the Criteria (Limited assurance on CSR Information).

Our verification work was undertaken by a team of four people between October 2013 and April 2014 for an estimated duration of about ten weeks.
We conducted the work described below in accordance with the professional standards applicable in France and the Order of 13 May 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the opinion of fairness and the limited assurance report, in accordance with the international standard ISAE 3000[1].

1. Attestation of presence of CSR Information

We obtained an understanding of the company's CSR issues, based on interviews with the management of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.
We have compared the information presented in the management report with the list as provided for in the Article R. 225-105-1 of the French Commercial Code (Code de Commerce).
In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in Article R. 225-105-1, paragraph 3, of the French Commercial Code (Code de Commerce).
We verified that the information covers the consolidated perimeter, namely the entity and its subsidiaries, as aligned with the meaning of the Article L.233-1 and the entities which it controls, as aligned with the meaning of the

1. ISAE 3000 – Assurance engagements other than audits or reviews of historical information.

Article L. 233-3 of the French Commercial Code (Code de commerce) with the limitations specified in the section “Social and Environmental Reporting” of the management report, notably a reporting perimeter covering 57% of the Group’s total staff.

Based on this work and given the limitations mentioned above, we confirm the presence in the management report of the required CSR Information.

2. Limited assurance on CSR Information

Nature and scope of the work

We undertook around ten interviews with the people responsible for the preparation of the CSR Information in the different departments, in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:

- Assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;
- Verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

For the CSR Information which we considered the most important[2] :

- At the level of the consolidating entity, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report;
- At the level of the representative selection of entities that we selected[3], based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represented on average 36% of the total workforce and between 27% and 39% of the quantitative environmental information.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information taking into account, if relevant, professional best practices.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

Paris-La Défense, 22 April 2014

French original signed by:

Independent Verifier

ERNST & YOUNG et Associés

Christophe Schmeitzky
Sustainable Development Partner

Bruno Perrin
Partner

2. Environmental and Societal information: general environmental policy, water consumption, discharges and treatment, energy consumption, non-hazardous and hazardous waste production and treatment, measures undertaken to enhance resource efficiency, territorial, economic and social impact (employment, regional development, impact on regional and local populations), importance of subcontracting and the consideration of environmental and social issues in purchasing policies and relations with suppliers and subcontractors, partnership or sponsorship.
Social information: employment (total headcount and breakdown, hiring and terminations, remunerations and their evolution), absenteeism, health and safety at the work place, work accidents, notably their frequency and their severity, as well as occupational diseases, training policies, number of days of training, measures undertaken for gender equality.
3. Somfy SAS (France)

Statutory Auditors' report on the reduction of share capital

To the Shareholders,

As Statutory Auditors of your company and in completion of our assignment pursuant to Article L. 225-209 of the Commercial Code in the event of a reduction of share capital by cancellation of shares bought back, we have prepared the present report to inform you of our assessment of the causes and terms and conditions of the foreseen reduction in capital.

Your Management Board requests you delegate to it, for a period of twenty four months from the date of this General Meeting and in respect of the implementation of the authorisation for your company to purchase its own shares, all powers to cancel the shares thus purchased pursuant to the aforementioned article, up to 10% of the share capital per period of twenty four months.

We have performed the necessary due diligence with regard to the professional standards of the Compagnie Nationale des Commissaires aux Comptes in respect of this assignment. This consisted of examining whether the causes and terms and conditions of the foreseen reduction in share capital, which does not derogate from the principle of equality between shareholders, are correct.

We have no observations to make on the causes and terms and conditions of the foreseen share capital reduction.

Paris and Lyon, 22 April 2014

The Statutory Auditors

LEDOUBLE SA	ERNST & YOUNG et Autres
Agnès Piniot	Sylvain Lauria

Supervisory Board report

Ladies and Gentlemen,

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

Pursuant to Article L. 225-68 of the Commercial Code, the Management Board has kept us periodically informed on company transactions through the presentation of quarterly reports.

For verification and control purposes, the Management Board has also submitted to us the parent company financial statements and consolidated financial statements at 31 December 2013, which you are requested to approve today.

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

We hereby submit to you our observations on these financial statements and on this report pursuant to the provisions of the above-mentioned Article L. 225-68.

The content of this report fairly reflects information that was regularly provided to us during the financial year just ended.

Group sales totalled € 996.8 million for the full year just ended. This was an increase of 0.7% in real terms compared to the previous year (up 3.2% on a like-for-like basis).

Somfy Activities' sales rose from € 889.8 million to € 922.8 million (up 3.8% on a like-for-like basis). The most significant growth was seen in Asia-Pacific, the Americas, and Central and Eastern Europe. Germany and France also performed well. The same was true of Southern Europe, which returned to growth despite an economic environment that remained challenging across much of the region. Northern Europe by contrast remained negative due to poor weather conditions at the beginning of the year and the weak construction market.

Somfy Participations' sales fell from € 103.1 million to € 77.3 million (down 4.1% on a like-for-like basis), a decline that resulted primarily from the deconsolidation of Cotherm. The other two fully-consolidated companies, Sirem and Zurflüh-Feller, both recovered over the latter part of the period, but reported full year declines as a result of the fall recorded over the first few months.

The Group's current operating result was € 150.6 million for the financial year, a 13.9% increase in real terms, and represented 15.1% of sales compared to 13.4% in the previous financial year.

Somfy Activities' contribution rose from € 127.5 million to € 145.1 million (up 13.8% in real terms), due to growth in sales as well as stabilisation in both capital expenditure and main expense items.

Somfy Participations' contribution rose from € 4.8 million to € 5.7 million (up 19.0% in real terms and 88.2% on a like-for-like basis), due to the improved results of the two fully-consolidated companies and controlled structure costs.

Consolidated net profit totalled € 101.2 million over the financial year (up 19.9% in real terms). It sustained a tax charge that rose sharply, as a result of the recovery in profits and a provision for the ongoing tax dispute. It benefited from a balance of non-recurring items and of a substantially improved share of profit of equity-accounted companies.

The Group had a net cash surplus of € 92.3 million at the end of December, compared to € 31.1 million twelve months previously. This was due to a marked decrease in working capital requirements and a high level of cash flow being maintained.

On that basis, the Management Board will propose the payment of a dividend of € 5.20 per share.

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

In addition, you will be requested to authorise the Management Board to set up a new share buyback programme and to cancel the shares bought back by the company pursuant to Article L. 225-209 of the Commercial Code, and to vote on two changes to the bylaws.

Draft resolutions, in line with the agenda, will be submitted for your approval.

We do not have any specific observations to make as regards the various documents that have been brought to your attention. Therefore, we ask you to adopt the proposed resolutions.

The Supervisory Board

Draft resolutions Combined General Meeting of 14 May 2014

Ordinary session

First resolution – Approval of the parent company financial statements for the year ending 31 December 2013

The General Meeting, having considered the reports of the Management Board and the observations of the Supervisory Board, the Chairman of the Supervisory Board and the Statutory Auditors on the financial statements for the year ending 31 December 2013, approves the financial statements, as submitted, which show a net profit of € 62,455,414.44.

Second resolution – Approval of the consolidated financial statements for the year ending 31 December 2013

The General Meeting, having considered the reports of the Management Board, the Chairman of the Supervisory Board and the Statutory Auditors on the consolidated financial statements for the year ending 31 December 2013, approves the financial statements, as submitted, which show a net profit (Group share) of € 99,704,000.00.

Third resolution – Allocation of the net profit for the year and setting of the dividend

The General Meeting approves the following allocation of net profit for the financial year ending 31 December 2013, proposed by the Management Board:

Source

– Net profit for the financial year	€ 62,455,414.44
– Retained earnings	€ 2,045,011.20

Allocation

– Optional reserve	€ 23,749,065.64
– Dividend	€ 40,751,360.00

The General Meeting notes that the overall gross dividend per share is set at € 5.20, with the amount thus distributed being wholly eligible for the 40% tax rebate referred to in Article 158-3-2° of the General Tax Code.

The ex-dividend date is set at 2 June 2014.

The dividend will be paid on 5 June 2014.

It is specified that if the company holds a number of treasury shares at the ex-dividend date, the amounts corresponding to unpaid dividends in respect of these shares will be transferred to retained earnings.

Pursuant to the provisions of Article 243 (ii) of the General Tax Code, the General Meeting notes that it was reminded that the following dividends were paid during the last three financial years:

Financial year	Revenues eligible for tax rebate		Dividends ineligible for tax rebate
	Cash dividends	Other distributed earnings	
2010	€ 39,565,630.00* being € 5.20 per share	–	–
2011	€ 38,500,103.20* being € 5.20 per share	–	–
2012	€ 35,571,628.80* being € 4.80 per share	–	–

** Excluding unpaid dividends attributable to treasury shares and transferred to retained earnings.*

Dividends are fully eligible for the allowance specified under Article 158-3-2° of the General Tax Code.

Fourth resolution – Special Report of the Statutory Auditors on regulated agreements and commitments and approval of these agreements

The General Meeting, having considered the special report of the Statutory Auditors on regulated agreements and commitments, approves each of the new agreements referred to therein.

Fifth resolution – Authorisation to be granted to the Management Board for the buyback by the company of its own shares pursuant to Article L. 225-209 of the Commercial Code

The General Meeting, having considered the report of the Management Board, authorises the latter, for a period of eighteen months and in accordance with Articles L. 225-209 and subsequent of the Commercial Code, to buy back company shares, on one or several occasions as it deems appropriate, up to a maximum of 10% of the number of shares comprising the share capital, restated if necessary to take account of any increase or reduction in share capital that may take place during the timeframe of the programme.

This authorisation supersedes the authorisation granted to the Management Board by the tenth resolution to the General Meeting of 16 May 2013, sitting in ordinary session.

Acquisitions may be carried out for the following objectives:

- To stimulate the secondary market or ensure the liquidity of the Somfy SA share, by way of an investment services provider within a liquidity contract that complies with the Ethics Charter of AMAFI recognised by the “Autorité des Marchés Financiers”;
- To retain the shares purchased and subsequently exchange them or use them within the framework of

potential acquisitions, recognising that shares acquired to that end may not exceed 5% of the company's share capital;
- To ensure the coverage of stock option plans and/ or free share allocation plans (or similar) granted to employees and/or senior executives of the Group, as well as all other shares allocated under a company or group savings scheme (or similar), in relation to employee profit-sharing and/or any other form of allocation to employees and/or senior executives of the Group;
- To cover marketable securities giving right to the allocation of shares in the company, in accordance with current regulations;
- To proceed with the possible cancellation of shares acquired, subject to the authorisation to be granted by this General Meeting of shareholders in its sixth resolution, sitting in extraordinary session.

Such share purchases may be effected by all means, including by means of acquiring blocks of shares and at any times considered appropriate by the Management Board.

These transactions may notably be carried out at times of a takeover bid, in compliance with the applicable legislative provisions.

The company reserves the right to use options or derivative instruments, in accordance with applicable regulations.

The maximum purchase price is set at € 250 per share. In case of a share capital transaction, in particular a share split, reverse share split or allocation of free shares, the abovementioned price will be restated in the same proportions (a multiplier coefficient equal to the number of shares comprising the share capital before the transaction divided by the number of shares following the transaction). The maximum value of the transaction is therefore set at € 195,920,000.

The General Meeting confers all powers to the Management Board to proceed with these transactions, set their terms and conditions, conclude all agreements and fulfil all of the required formalities.

Extraordinary session

Sixth resolution – Authorisation to be granted to the Management Board to cancel shares bought back by the company within the framework set out by Article L. 225-209 of the Commercial Code

The General Meeting, having considered the report of the Management Board and the report of the Statutory Auditors:

1°) Grants authority to the Management Board to cancel shares, at its own discretion, on one or more occasions, within a limit of 10% of capital, calculated on the day on which the cancellation decision is made, reduced by the number of shares cancelled during the previous 24 months, the shares which the Company holds or could hold following share buybacks exercised within the framework of Article L. 225-209 of the Commercial Code as well as to reduce share capital by the corresponding amount pursuant to the legal and regulatory provisions in force;

2°) Sets the term of this authorisation at 24 months, starting from the current Meeting until 13 May 2016;

3°) Grants the Management Board all powers required to carry out all necessary transactions for such cancellations and ancillary reductions of share capital, to modify the company's bylaws as a result and fulfil all of the required formalities.

Seventh resolution – Modification of Article 13 of the company's bylaws "Indivisibility of shares - Bare ownership - Usufruct"

The General Meeting, having considered the report of the Management Board, decides to replace the 3rd paragraph of Article 13 below: "*Unless the company is informed of an agreement to the contrary, the voting right attached to stripped treasury shares belongs to the bare owner for all decisions except those concerning the allocation of profit where it is reserved for the usufructuary. The usufructuaries validly represent the bare owners with respect to the company, unless the company is informed of an agreement to the contrary.*"

by the following: "*Unless the company is informed of an agreement to the contrary, the voting right attached to stripped treasury shares belongs to the bare owner for all decisions except those concerning the allocation of profit where it is reserved for the usufructuary.*".

Eighth resolution – Introduction in the bylaws of an Article 21 allowing the appointment of observers and renumbering of bylaw articles as a result

The General Meeting, having considered the report of the Management Board, decides:

– To grant the Supervisory Board the authority to appoint one or more observers;
– To add to the company's bylaws as a result a new Article 21, that henceforth reads as follows; and
– To renumber the bylaw articles as a result.

"Article 21 - Observers

The Supervisory Board may appoint one or more observers, natural or legal persons, selected from amongst the shareholders or external to them. Any legal person who is appointed as observer must appoint a permanent representative.

The number of observers may not exceed three.

They are appointed for a term of four years. An observer's duties cease at the end of the General Meeting held to approve the financial statements for the year in which their term expires.

Observers may be re-elected without limitation; they may be dismissed at any time without compensation by a decision of the Supervisory Board.

The observers are invited to all Board meetings, and attend meetings of the Supervisory Board in an advisory capacity. Their right to information and communication is identical to that of the members of the Supervisory Board. They are bound by the same obligations of discretion as the members of the Supervisory Board.

They may receive financial compensation deducted from the attendance fee amount payable to members of the Supervisory Board.

Observers have the task of ensuring the application of bylaws, laws and regulations. They may give an opinion on any point on the Board's agenda and when deemed appropriate ask its Chairman to bring their comments to the attention of the General Meeting.

Observers may not, under any circumstances, interfere in the company's management nor replace the legal bodies thereof.".

Ninth resolution – Powers for formalities

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

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Statement of the person responsible for the annual financial report

I certify that, to my knowledge, the financial statements for the year just ended were established in accordance with professional accounting standards applicable in France and give a fair view of the assets, financial situation and performance of the Company and of all companies included in the consolidation scope, and that the enclosed Management Report gives a true view of the business situation, performance and financial situation of the Company and of all companies included in the consolidation, as well as a description of main risks and uncertainties encountered.

Cluses, 23 April 2014

Paul Georges Despature
Chairman of the Management Board
of Somfy SA

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