

# BETTER LIVING



Layout/Production: Explorations.  
Cover photo: ©Adrien Daste – Photos p.3: ©Paolo Verzone

Explorations 

# MESSAGE FROM THE MANAGEMENT BOARD



**Jean Guillaume DESPATURE**  
Chairman of the Management Board



**Pierre RIBEIRO**  
Group CFO,  
member of the Management Board

2016 continued in line with 2015, with a buoyant market sustained by the growing interest of consumers in connected solutions, and an ongoing investment effort by Somfy to support the digitalisation of its market and sustain its performance over the long-term. Within this positive background, the Group is nevertheless paying particular attention to maintaining a good level of profitability – 15.7% of its sales – in line with previous financial years.

With overall sales growing 10.2% on a like-for-like basis, all the Group's Activities and geographic regions fully capitalised on the dynamism of their markets. Even in countries with less promising economic outlooks, such as France and the United Kingdom, the Somfy model demonstrated its full strength.

Within a construction sector undergoing huge change as a result of the digital revolution and the advent of connected objects, Somfy continued to make the transformation of both its range and the company its priority. The Group intensified its investments in several areas strategic for the future: R&D, sales forces, recognition of the Somfy brand, as well as in its manufacturing base to support both the launch of new products and the development of the business. Somfy's digital transformation also passed a significant milestone, in particular with the roll-out of a new customer and consumer relationship management tool. In order to accelerate its capacity to develop the Connected Home market, the Group also completed the acquisition of three start-ups from the digital world. These enable Somfy to better meet consumer expectations, enhance it with new skills and provide greater access to new markets.

Over the next two years, the Group intends to pursue this targeted investment strategy and be in a position to turn connected solutions into both a major value creation driver in its historical market, as well as a new business line development driver thanks to connected applications that are linked to Somfy's core business.

In order to prioritise its actions, the Group has drafted a strategic three-year roadmap, consistent with its growth model, which is based on four priorities: strengthening ties with the end user, being the leader in market development for interior solutions, operational excellence and the company's people-based and societal project.

The Group's sound financial position and its good level of profitability lead us to look to the implementation of our strategic project with confidence.

**The Management Board**

# CONTENTS

## 01

### INVESTOR RELATIONS

- P.8 Breakdown of capital (in %)
- P.8 Capital
- P.8 Gross dividend
- P.8 Net profit
- P.8 Listing
- P.8 Contract
- P.8 2017 financial calendar

## 02

### ORGANISATION

- P.10 Supervisory Board
- P.10 Audit Committee
- P.10 Remuneration Committee
- P.10 Management Board
- P.10 Auditors
- P.10 For further information

## 03

### OVERVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

- P.12

## 04

### MANAGEMENT BOARD REPORT

- P.14 Highlights of the year
- P.15 Presentation of financial statements
- P.16 Post-balance sheet events
- P.17 Outlook
- P.17 List of existing branches
- P.17 Value of intercompany loans granted
- P.17 Information on the distribution of share capital and holdings
- P.20 Elements liable to have an impact in the event of a public offering
- P.21 Information on the terms and conditions for the retention of shares allocated free of charge to executive corporate officers
- P.21 Information on appointments held and remuneration received during the financial year
- P.26 Information on transactions performed by directors during the financial year
- P.26 Information on research and development activities
- P.27 Information on employee shareholding
- P.27 Social and environmental reporting
- P.43 Information on delegations relating to share capital increases and other authorisations
- P.44 Combined General Meeting of 17 May 2017
- P.46 Informations on payment terms
- P.46 Information on risks
- P.47 Information on non-deductible charges
- P.47 Allocation of net profit
- P.47 Regulated agreements
- P.48 Stock market performance

## 05

### SUPERVISORY BOARD “SAY ON PAY” REPORT

- P.50 Approval of the principles and criteria for the determination, apportionment and allocation of the elements that comprise the total remuneration and benefits payable to the members of the Management and Supervisory Boards
- P.50 Principles and criteria for the determination, apportionment and allocation of the elements that comprise the total remuneration and benefits of any nature payable to the members of the Management Board
- P.51 Other commitments to Management Board members
- P.51 Reminder of the agreements concluded with Group companies
- P.52 Principles and criteria for the determination, apportionment and allocation of the elements that comprise the total remuneration and benefits of any nature payable to the members of the Supervisory Board

## 06

### SUPERVISORY BOARD CHAIRMAN’S REPORT

- P.54 Corporate governance
- P.59 Internal control

## 07

### SOMFY SA FINANCIAL RESULTS FOR THE LAST FIVE YEARS

- P.64

## 08

### CONSOLIDATED FINANCIAL STATEMENTS

- P.66 Key figures
- P.69 2016 highlights
- P.70 Post-balance sheet events
- P.71 Consolidated income statement
- P.72 Consolidated statement of comprehensive income
- P.73 Consolidated balance sheet – Assets
- P.74 Consolidated balance sheet – Equity and liabilities
- P.75 Consolidated statement of changes in equity
- P.76 Consolidated cash flow statement
- P.77 Notes to the consolidated financial statements

## 09

### PARENT COMPANY FINANCIAL STATEMENTS

- P.112 Income statement for the year ended 31 December 2016
- P.113 Balance sheet at 31 December 2016
- P.113 Proposed allocation of 2016 profit
- P.114 Notes to the Somfy SA financial statements

## 10

### LEGAL DOCUMENTS

- P.128 Statutory Auditors’ report on the annual financial statements
- P.129 Statutory Auditors’ special report on regulated agreements and commitments
- P.130 Statutory Auditors’ report, prepared in application of Article L. 225-235 of the French Commercial Code (Code de Commerce), on the report of the Chairman of the Supervisory Board of Somfy SA
- P.131 Statutory Auditors’ report on the consolidated financial statements
- P.132 Independent verifier’s report on consolidated social, environmental and societal information presented in the management report
- P.134 Supervisory Board report
- P.135 Draft resolutions Combined General Meeting of 17 May 2017



# 01

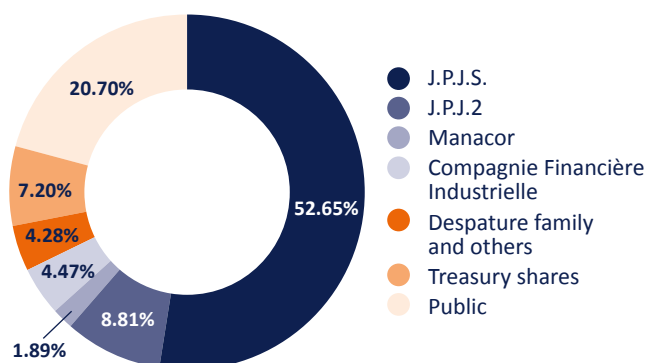
## INVESTOR RELATIONS

- P.8 Breakdown of capital (in %)
- P.8 Capital
- P.8 Gross dividend
- P.8 Net profit
- P.8 Listing
- P.8 Contract
- P.8 2017 financial calendar

# 01

## INVESTOR RELATIONS

### BREAKDOWN OF CAPITAL (IN %)



### CAPITAL

At 31 December 2016, Somfy SA capital amounted to €7,400,000, divided into 7,400,000 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. As authorized, the company owned 532,707 Somfy SA shares at 31 December 2016.

### GROSS DIVIDEND

Per share, in €

31/12/15	5.70
31/12/16	6.10

### NET PROFIT

Per share, in €

31/12/15	23.84
31/12/16	20.55

### 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.

### 2017 FINANCIAL CALENDAR

<b>26 January</b>	Release of 2016 Full-Year Turnover
<b>8 March</b>	Release of 2016 Full-Year Results
<b>9 March</b>	Financial Information Meeting - Presentation of 2016 Full-Year Results
<b>30 March</b>	Investor Day
<b>20 April</b>	Release of 2016 Full-Year Consolidated Statements
<b>20 April</b>	Release of Quarterly Turnover (Q1 2017)
<b>17 May</b>	Annual General Meeting
<b>20 July</b>	Release of 2017 Half-Year Turnover
<b>6 September</b>	Release of 2017 Half-Year Consolidated Statements
<b>6 September</b>	Release of 2017 Half-Year Results and Conference Call
<b>19 October</b>	Release of Turnover for the First Nine Months of FY 2017



# 02 ORGANISATION

- P.10 Supervisory Board
- P.10 Audit Committee
- P.10 Remuneration Committee
- P.10 Management Board
- P.10 Auditors
- P.10 For further information

# 02 ORGANISATION

## SUPERVISORY BOARD

**Chairman:**

Michel ROLLIER

**Vice-Chairman:**

Victor DESPATURE

**Members:**

Paule CELLARD  
Jean DESPATURE  
Bernard HOURS  
Valérie PILCER  
Anthony STAHL

## AUDIT COMMITTEE

**Chairman:**

Victor DESPATURE

**Members:**

Paule CELLARD  
Valérie PILCER

## REMUNERATION COMMITTEE

**Chairman:**

Michel ROLLIER

**Member:**

Victor DESPATURE

## MANAGEMENT BOARD

**Chairman:**

Jean Guillaume DESPATURE

**Group CFO:**

Pierre RIBEIRO

## AUDITORS

ERNST & YOUNG et Autres  
KPMG SA

## FOR FURTHER INFORMATION

Pierre RIBEIRO

**Group CFO**

Telephone: (33) 4 50 40 48 49

Fax: (33) 4 50 40 19 61

E-mail: pierre.ribeiro@dsgsomfy.com

[www.somfyfinance.com](http://www.somfyfinance.com)

# 03

## OVERVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

# 03

## OVERVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

€ millions	31/12/16	31/12/15
Net sales	1,131.7	1,061.1
Current operating result*	177.7	165.6
Operating result	177.5	165.7
Net profit from continuing operations	143.4	158.8
Net profit/(loss) of operations distributed or held for sale	–	5.9
Consolidated net profit	143.4	164.8
Net profit – Group share	141.1	163.7
Cash flow	181.7	171.6
Net investments in property, plant and equipment and intangible assets	64.5	47.2
Amortisation and depreciation charges*	– 39.5	– 38.9
Shareholders' equity	657.9	577.9
Net financial debt**	– 14.6	– 1.2
Non-current assets	557.1	518.3
Net assets held for sale	–	0.9
Average workforce	7,928	7,824

\* Including amortisation charges relating to intangible assets allocated following acquisitions for an amount of – €2.4 million in 2016 and – €2.8 million in 2015.

\*\* (–) Net financial surplus.

Takes into account liabilities related to put options granted to holders of non-controlling interests and earnout of €81.4 million in 2016 and €45.8 million in 2015, and deferred payments of a financial nature of €5.6 million in 2016 and €5.8 million in 2015.

# O4

## MANAGEMENT BOARD REPORT

- P.14 Highlights of the year
- P.15 Presentation of financial statements
- P.16 Post-balance sheet events
- P.17 Outlook
- P.17 List of existing branches
- P.17 Value of intercompany loans granted
- P.17 Information on the distribution of share capital and holdings
- P.20 Elements liable to have an impact in the event of a public offering
- P.21 Information on the terms and conditions for the retention of shares allocated free of charge to executive corporate officers
- P.21 Information on appointments held and remuneration received during the financial year
- P.26 Information on transactions performed by directors during the financial year
- P.26 Information on research and development activities
- P.27 Information on employee shareholding
- P.27 Social and environmental reporting
- P.43 Information on delegations relating to share capital increases and other authorisations
- P.44 Combined General Meeting of 17 May 2017
- P.46 Informations on payment terms
- P.46 Information on risks
- P.47 Information on non-deductible charges
- P.47 Allocation of net profit
- P.47 Regulated agreements
- P.48 Stock market performance

## 04

# MANAGEMENT BOARD REPORT

## TO THE COMBINED GENERAL MEETING OF 17 MAY 2017

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 ended 31 December 2016.

Somfy Group is the global leader in opening and closing automation for both residential and commercial buildings, and a key player in the connected home.

### HIGHLIGHTS OF THE YEAR

#### GIGA

At the end of 2015, **Somfy SA** decided to sell the shares held in **Giga** back to the Gouvêa family.

At 31 December 2015, the financial statements of the Giga entity were treated in accordance with IFRS 5. Balance sheet items were classified as assets and liabilities held for sale and income statement and cash flow statement items were not restated. In addition, a provision for writedown was recognised to cover the estimated risk.

An agreement was signed on 30 May 2016, providing for the sale of the shares for a token price and the disposal of all loans granted by the Group to Giga of €4.6 million for €1.2 million. Given the writedown recognised in 2015, the disposal had a €0.3 million positive impact on net profit for the year to 31 December 2016.

#### ACQUISITION OF MYFOX

On 27 October 2016, **Somfy SA** acquired the entire share capital of **Myfox**, the Toulouse-based specialist in the design, development and marketing of connected home security solutions (alarm systems, security cameras and related services), from the company's founding family and investors.

**Myfox** addresses a customer base of specialist superstores (Leroy Merlin, Fnac, Castorama, etc.), professionals and individuals (online shopping sites).

The transaction marks an important stage as the Somfy Group takes its digital strategy to the next level and consolidates its positioning as a key player in the connected home market.

The financial flows resulting from the acquisition are detailed as follows:

- Acquisition on 27 October 2016 of all Myfox SAS shares for a token price of €1,
- Concurrent increase of €8 million in the share capital of Myfox SAS,
- Recognition of earnout totalling €20.1 million (payable in 2018 and 2021) calculated on performance parameters (sales, EBITDA and net debt).

**Myfox** has been fully consolidated since the acquisition date (October 2016) and contributed sales of €1.3 million and a current operating loss of €1.1 million. Provisional goodwill is €24.1 million. Purchase price allocation will take place in 2017.

#### ACQUISITION OF IHOME

On 2 December 2016, Somfy Group acquired 51% of the share capital of **iHome Systems** for €1.9 million. This holding company is based in Hong Kong and also owns three subsidiaries established in Thailand, Malaysia and Singapore.

**iHome Group** is an integrator of residential automation solutions for luxury condominiums and villas: lighting, curtains, access controls, air conditioning, sound systems, home cinemas, etc.

The transaction includes mutual put and call options which will allow the Group to acquire an additional stake of 29% in 2021 and the balance of 20% in 2026. A debt relating to these put options has been recognised for €1.9 million in Group reserves.

Entities of **iHome Group** have been fully consolidated since the acquisition date (December 2016). Provisional goodwill is €1.5 million. Purchase price allocation will take place in 2017.

#### OTHER CHANGES IN GROUP STRUCTURE

Apart from the transactions discussed above, the Group made no major acquisition during the 2016 financial year.

#### CONTINGENT LIABILITIES

The dispute between **Spirel** employees and **Somfy SA** is ongoing before the Albertville District Court. The employees seek annulment of the transfer of the Spirel securities, which took place in 2010, and to have Somfy SA ordered to pay them damages for the alleged deliberate bankruptcy of Spirel and non-material damage caused as a result of the anxiety, disappointment and vexation they deem to have been victim of, for a total of approximately €8.2 million. The submissions of Chappel Industries France and Spirel have been tabled and hearings took place in February 2017.

The Court's deliberation is due to take place in April 2017.

During 2016, the liquidator of the company Spirel also sought to have Somfy SA ordered to refund advances of €2.9 million paid by the AGS (Guarantee Fund for the payment of salary claims) in the event the disposal was declared null and void.

Somfy SA continues to dispute the arguments put forward by counsel for the Spirel employees, believes it has complied with its obligations and remains confident of its chances of receiving a favourable ruling.

In addition, in the course of July 2015 the employees also brought Spirel, Chappel Industries France et Somfy SA before the Albertville Labour Court, disputing the grounds for their dismissal and claiming damages of a substantially similar amount to that claimed before the District Court. Due to the absence of submissions and documents provided by the plaintiffs indicating the grounds on which the employees based their demands, the Labour Court ordered the file to be removed in October 2016.

Therefore, the Group continues to qualify these risks as contingent liabilities and no provision was recognised in relation to these disputes at 31 December 2016.

On 5 January 2015, **Somfy SA** transferred its 46.1% equity investment in the share capital of CIAT Group to **United Technologies Corporation**, realising a consolidated net capital gain of €5.9 million, recognised under "Net profit from operations held for sale or distribution". A deferred settlement of €10.5 million at 31 December 2016, relating to the disposal of the shares is included in Somfy SA's financial statements with payment spread until 2019.

On 31 March 2016, United Technologies Corporation filed a claim against the sellers of the CIAT shares under the liability guarantee for a total of €22 million (Somfy's share being €10 million).

The requests included in the claim are unfounded and insufficiently detailed and justified, leading the Group to send a letter dated 2 May 2016 to UTC, requesting detailed documentation. To date, no reply has been received by the Group.

It remains confident that this dispute will be resolved favourably and as such has qualified the risk as a contingent liability and no provision was recognised at 31 December 2016.

## PRESENTATION OF FINANCIAL STATEMENTS

### PARENT COMPANY DATA

Over the year ended 31 December 2016, Somfy SA generated sales of €2.9 million. Net financial income amounted to €127.0 million, including €122.6 million in dividends paid by the subsidiaries in respect of their net profit for the year to 31 December 2015.

Net extraordinary expense totalled €1.5 million, corresponding to the impact resulting from the disposal of Giga's shares and loans.

Net profit was €119.4 million, after inclusion of an income tax gain of €1.1 million.

### CONSOLIDATED DATA

#### SALES

Group sales totalled €1,131.7 million for 2016, an increase of 6.7% in real terms despite material negative exchange rate and consolidation

scope effects. Sales increased by 10.2% on a like-for-like basis, 12.1% in the first half-year and 8.2% in the second.

The growth recorded over the second part of the year was all the more significant as it reflected an acceleration over the last quarter in spite of an increasingly unfavourable base effect as the months went on.

Another positive development was that all activities and geographic regions<sup>1</sup> posted growth for the second consecutive year.

The most noteworthy performances were recorded in America, Central and Eastern Europe, Asia-Pacific and Southern Europe. They illustrate the vitality of territories such as Poland, the Czech Republic, China, Turkey and the countries of the Levant, and they also testify to the recovery of historical markets such as Italy, the Iberian Peninsula and the United States.

Increases were lower yet nevertheless positive in Germany and France, as well as in Northern Europe, despite the decline seen in the United Kingdom.

#### SALES BY CUSTOMER LOCATION

€ thousands	31/12/16	31/12/15	Change N/N-1	Change N/N-1 like-for-like
France	272,611	254,060	7.3%	6.9%
Germany	176,430	165,153	6.8%	7.2%
Northern Europe	105,689	103,865	1.8%	5.2%
Central and Eastern Europe	118,635	104,756	13.2%	16.0%
Southern Europe, Middle East and Africa	207,226	190,160	9.0%	10.9%
Asia-Pacific	127,763	115,176	10.9%	13.8%
Americas	123,384	127,979	-3.6%	16.8%
<b>SOMFY CONSOLIDATED</b>	<b>1,131,739</b>	<b>1,061,149</b>	<b>6.7%</b>	<b>10.2%</b>

1. Germany, America, Asia-Pacific, Central and Eastern Europe, Northern Europe, Southern Europe and France are all considered as autonomous geographic regions in the sales breakdown, due to their respective scopes and weightings.

**RESULTS**

The Group's current operating result was €177.7 million for the financial year, representing 15.7% of sales and growth of 7.3% in real terms.

Growth was impacted by exchange rate fluctuations as well as by higher structure costs, due to increased strategic investments (research and development, digital transformation, sales forces and brand).

Consolidated net profit totalled €143.4 million. Restated for exceptional items, which were particularly high the previous year due to changes in scope and adjustments made to provisions<sup>2</sup>, growth was 12.7%.

**FINANCIAL POSITION**

Cash flow was €181.7 million for the financial year and covered the increase in working capital requirements, the rise in investments, the distribution of dividends and acquisitions over the financial year<sup>3</sup>.

The financial position remained very healthy, with a net cash surplus of €14.6 million at the end of December, compared with €1.2 million at the start of the year.

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, earnout 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, deposits & guarantees and government grants.

Net financial debt is detailed in Note 7.2.3 to the consolidated financial statements.

**SEGMENT REPORTING AT 31 DECEMBER 2016**

€ thousands	Europe, Middle East & Africa	Asia & Americas	Eliminations between regions	Consolidated
Segment sales	879,693	334,011	– 81,965	1,131,739
Inter-segment sales	– 54,123	– 27,842	81,965	–
Segment sales - Contribution to sales	825,570	306,169	–	1,131,739
Segment current operating result	149,179	28,564	–	177,743
Share of net profit/(loss) from associates	– 2	– 683	–	– 684
Cash flow	155,364	26,329	–	181,693
Net investments in intangible assets and PPE	50,326	14,199	–	64,525
Goodwill	109,909	95,659	–	205,568
Net intangible assets and PPE	236,260	62,812	–	299,072
Non-controlling equity investments	120	–	–	120
Investments in associates	722	1,158	–	1,880

**POST-BALANCE SHEET EVENTS**

No significant post-balance sheet event has occurred since 31 December 2016.

2. The capital gains resulting from the exits from the share capital of CIAT and Faac (€39.8 million) and tax income (€4.5 million) increased the financial statements for the 2015 financial year, while the provisions for writedown on the interests in Garen Automação and Giga (€6.7 million) decreased them. Net profit adjusted for non-recurring items was €127.2 million in 2015.

3. The Group acquired the companies iHome et Myfox during the year.



## OUTLOOK

The 2017 financial year should see a slowdown in Sales growth, given the high level of the comparison base and persisting economic and political uncertainties in several countries, and by a relative stability in current operating margin<sup>4</sup>, taking into account the integration of newly-acquired companies and the decision to ramp up the investment policy.

The financial year will also be marked by the roll-out of the strategic plan, *Believe and ACT*. The aim of this plan is to position the Group as a key player in the connected home, with an increased contribution to comfort, security and energy saving, and enabling it to fully capitalise on the great potential of the market, driven by digitalisation, the increasing motorisation of interior products and improvements in the energy performance of buildings.

## LIST OF EXISTING BRANCHES

(ARTICLE L. 232-1 OF THE COMMERCIAL CODE)

Somfy SA had no such branches at 31 December 2016.

## VALUE OF INTERCOMPANY LOANS GRANTED

(ARTICLE L. 232-1 OF THE COMMERCIAL CODE)

Somfy SA had not granted any intercompany loans at 31 December 2016.

## INFORMATION ON THE DISTRIBUTION OF SHARE CAPITAL AND HOLDINGS

### DISTRIBUTION OF SHARE CAPITAL

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

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

Shareholding structure at 31/12/16	Number of shares	% share capital	Theoretical voting rights	% theoretical voting rights	Voting rights at AGMs	% voting rights at AGMs
J.P.J.S. SCA	3,896,068	52.65%	7,754,870	60.73%	7,754,870	64.16%
J.P.J.2 SA	652,005	8.81%	1,285,563*	10.07%	1,276,563	10.56%
Compagnie Financière Industrielle	330,775	4.47%	661,550	5.18%	661,550	5.47%
Despature family and others	316,899	4.28%	620,515	4.86%	620,515	5.13%
Manacor	140,000	1.89%	280,000**	2.19%	140,000	1.16%
<b>TOTAL CONCERT</b>	<b>5,335,747</b>	<b>72.10%</b>	<b>10,602,498</b>	<b>83.04%</b>	<b>10,453,498</b>	<b>86.49%</b>
Treasury shares	532,707	7.20%	532,707	4.17%	—	—
Other holders of registered and bearer shares	1,531,546	20.70%	1,633,204	12.79%	1,633,204	13.51%
<b>TOTAL</b>	<b>7,400,000</b>	<b>100.00%</b>	<b>12,768,409</b>	<b>100.00%</b>	<b>12,086,702</b>	<b>100.00%</b>

\* Including 9,000 voting rights not exercisable until 9 January 2019, due to late declaration of threshold crossing.

\*\* Including 140,000 voting rights not exercisable until 9 January 2017, due to late declaration of threshold crossing.

The identity of controlling individuals is detailed in the section "Disclosure of shareholding threshold crossings pursuant to Article L. 233-7 of the Commercial Code".

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 8.05% of the share capital of Somfy SA. Due to the lack of disclosure regarding the attainment of 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 2016 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 were no reciprocal holdings as defined by current regulations at the date of preparation of this report.

4. Current operating margin, which corresponds to current operating result as a proportion of sales (COR/Sales), is an interesting performance indicator as it reflects operating profitability.

## ACTION IN CONCERT AND RETENTION AGREEMENTS

### ACTION IN CONCERT

On 3 June 2013, the limited partnership with share capital J.P.J.S., the limited companies J.P.J.2 and Manacor and certain members of the Despature family concluded 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 ¾ 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 usufructuary.

### COLLECTIVE RETENTION AGREEMENTS

To the company knowledge, a collective retention agreement relating to 64.93% of the share capital of Somfy SA and more than 20% of the voting rights of shares issued was signed on 31 December 2015 by several shareholders, including Management Board members Jean Guillaume Despature and Pierre Ribeiro, as well as Supervisory Board members Jean Despature, Victor Despature, Anthony Stahl and Michel Rollier, in accordance with Article 885 I bis of the General Tax Code, for a period of two years from 31 December 2015, automatically extended indefinitely after this two-year period.

In addition, the company is aware of six collective retention agreements relating to a total of between 49.33% and 54.23% of the Somfy SA company share capital, signed by several shareholders 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.

### BYLAW PROVISIONS RELATING TO DOUBLE VOTING RIGHTS (Excerpt of Article 29 of the bylaws)

"The voting right attached to shares is proportional to the capital that they represent. All capital and dividend 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 2016 FINANCIAL YEAR, PURSUANT TO ARTICLE L. 233-7 OF THE COMMERCIAL CODE

#### DISCLOSURE OF THRESHOLD CROSSINGS 216C2484

By letter received on 28 October 2016, supplemented by a letter received on 2 November 2016, the limited company governed by Luxembourg Law Manacor<sup>5</sup> (11 avenue Émile Reuter, L-2420 Luxembourg, Grand-Duchy of Luxembourg), declared that on 26 October 2016 it crossed below the threshold of 5% of the share capital and voting rights in Somfy and held 140,000 Somfy shares representing 280,000 voting rights, equating to 1.89% of the share capital and 2.19% of the voting rights in this company<sup>6</sup>.

This threshold crossing was the result of the sale of 230,400 Somfy shares as part of a private placement<sup>7</sup>.

On this occasion, the concert between Paul Georges Despature, his children and the company J.P.J.S.<sup>8</sup> and J.P.J.2<sup>9</sup> under his control, the company Compagnie Financière Industrielle<sup>10</sup>, the company Manacor<sup>5</sup> and certain members of the Despature family had not crossed any threshold and stated that at 26 October 2016 5,325,645 Somfy shares were held, representing 10,586,046 voting rights, equating to 71.97% of the share capital and 82.94% of the voting rights in this company<sup>6</sup>, broken down as follows:

	Number of shares	% share capital	Number of voting rights	% voting rights
J.P.J.S. <sup>8</sup>	3,896,068	52.65	7,754,870	60.76
J.P.J.2 <sup>9</sup>	643,005	8.69	1,272,463	9.97
Compagnie Financière Industrielle <sup>10</sup>	330,775	4.47	661,550	5.18
Despature Family	312,614	4.22	610,872	4.79
Manacor SA <sup>5</sup>	140,000	1.89	280,000	2.19
Paul Georges Despature	3,183	0.04	6,291	0.05
<b>TOTAL CONCERT</b>	<b>5,325,645</b>	<b>71.97</b>	<b>10,586,046</b>	<b>82.94</b>

5. Ultimately controlled by Thierry Despature.

6. Based on a share capital comprising 7,400,000 shares representing 12,763,073 voting rights (taking account of the loss of 230,400 double voting rights as a result of the transaction), in application of paragraph 2 of Article 223-11 of the General Regulations.

7. See press release issued by Somfy on 25 October 2016.

8. Limited partnership with shares (registered office: 25 avenue Fosse-aux-Chênes, 59100 Roubaix, France) controlled by Paul Georges Despature and his children.

9. Limited company (registered office: 29 route de l'aéroport, 1215 Geneva 15, Switzerland) controlled by Paul Georges Despature and his children.

10. Limited company incorporated in Luxembourg (registered office: 15, boulevard Roosevelt, L-2450 Luxembourg, Grand Duchy of Luxembourg) controlled by Patrick Despature.

**CORRECTION OF D&I 216C2484 DATED 3 NOVEMBER 2016**

1. By letter received on 28 October 2016, supplemented by a letter received on 2 November 2016, the limited company governed by Luxembourg Law Manacor<sup>11</sup> (11 avenue Émile Reuter, L-2420 Luxembourg, Grand-Duchy of Luxembourg), declared that on 26 October 2016, following the disposal of 230,400 shares, it crossed below the threshold of 5% of the share capital and voting rights in Somfy, as part of a private placement<sup>12</sup>, and held 140,000 Somfy shares at that date representing 280,000 voting rights, equating to 1.89% of the share capital and 2.19% of the voting rights in this company<sup>13</sup>.

2. By letter received on 9 January 2017, the limited company governed by Swiss law J.P.J.2<sup>14</sup> (29 route de l'aéroport, 1215 Geneva 15, Switzerland), declared that on 26 October 2016, for regularisation purposes and following the acquisition of 9,000 shares as part of a private placement<sup>12</sup>, it crossed over the threshold of 10% of voting rights in Somfy and held at that date 652,005 Somfy shares representing 1,281,463 voting rights, equating to 8.81% of the share capital and 10.04% of the voting rights in this company<sup>13</sup>. On this occasion, the concert between Paul Georges Despature, his children and the companies J.P.J.S.<sup>15</sup> and J.P.J.2<sup>14</sup> under his control, the company Compagnie Financière Industrielle<sup>16</sup>, the company Manacor<sup>11</sup> and certain members of the Despature family had not crossed any threshold and stated that it held 5,334,645 Somfy shares representing 10,595,046 voting rights at 26 October 2016, equating to 72.09% of the share capital and 83.01% of the voting rights in this company<sup>13</sup>, broken down as follows:

	Number of shares	% share capital	Number of voting rights	% voting rights
J.P.J.S. <sup>15</sup>	3,896,068	52.65	7,754,870	60.76
J.P.J.2 <sup>14</sup>	652,005	8.81	1,281,463	10.04
Compagnie Financière Industrielle <sup>16</sup>	330,775	4.47	661,550	5.18
Despature Family	312,614	4.22	610,872	4.79
Manacor SA <sup>11</sup>	140,000	1.89	280,000	2.19
Paul Georges Despature	3,183	0.04	6,291	0.05
<b>TOTAL CONCERT</b>	<b>5,334,645</b>	<b>72.09</b>	<b>10,595,046</b>	<b>83.01</b>

The said concert stated that at 9 January 2017 5,335,747 Somfy shares were held representing 10,602,498 voting rights, equating to 72.10% of the share capital and 83.04% of voting rights in this company<sup>17</sup>, broken down as follows:

	Number of shares	% share capital	Number of voting rights	% voting rights
J.P.J.S. <sup>15</sup>	3,896,068	52.65	7,754,870	60.73
J.P.J.2 <sup>14</sup>	652,005	8.81	1,285,563	10.07
Compagnie Financière Industrielle <sup>16</sup>	330,775	4.47	661,550	5.18
Despature Family	313,716	4.24	614,224	4.81
Manacor SA <sup>11</sup>	140,000	1.89	280,000	2.19
Paul Georges Despature	3,183	0.04	6,291	0.05
<b>TOTAL CONCERT</b>	<b>5,335,747</b>	<b>72.10</b>	<b>10,602,498</b>	<b>83.04</b>

3. By letter received on 9 January 2017, the following declaration of intent was filed:

"J.P.J.2<sup>14</sup> stated that:

- The acquisition was carried out as part of a private placement of shares, financed by J.P.J.2 through a personal advance granted by Paul Georges Despature at his own expense;
- J.P.J.2 SA is a member of the concert that controls the company;
- J.P.J.2 SA is not considering continuing its purchases;
- J.P.J.2 SA controls Somfy via a concert and does not intend to alter its strategy regarding the company;
- J.P.J.2 SA is not considering the implementation within Somfy of any of the transactions referred to in Article 223-17 I, 6° of the AMF's General Regulations (aside from potential alignment of the bylaws with applicable regulations);
- J.P.J.2 SA is not a party to any agreement or instruments referred to in Article L. 233-9-1, paragraphs 4 and 4 bis, nor to temporary transfer agreements relating to the issuer's shares and/or voting rights;
- J.P.J.2 SA is not considering requesting its appointment or the appointment of one or more persons to the issuer's Management Board or Supervisory Board."

The company is not aware of any other threshold crossings at the date of preparation of this report.

11. Ultimately controlled by Thierry Despature.

12. See press release issued by Somfy on 25 October 2016.

13. Based on a share capital comprising 7,400,000 shares representing 12,763,073 voting rights (taking account of the loss of 230,400 double voting rights as a result of the transaction), in application of paragraph 2 of Article 223-11 of the General Regulations.

14. Limited company (registered office: 29 route de l'aéroport, 1215 Geneva 15, Switzerland) controlled by Paul Georges Despature and his children.

15. Limited partnership with shares (registered office: 25 avenue Fosse-aux-Chênes, 59100 Roubaix, France) controlled by Paul Georges Despature and his children.

16. Limited company incorporated in Luxembourg (registered office: 15, boulevard Roosevelt, L-2450 Luxembourg, Grand Duchy of Luxembourg) controlled by Patrick Despature.

17. Based on a share capital comprising 7,400,000 shares representing 12,768,409 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 2016; it was authorised by the Combined General Meeting of 24 May 2016, and had the following objectives:

- To stimulate the secondary market or ensure the liquidity of the Somfy share, by way of an investment services provider within a liquidity contract that complies with the Ethics Charter of AMAFI recognised by regulations;
- To retain the shares purchased and subsequently exchange them or use them as payment within the framework of potential acquisitions;
- To ensure the coverage of stock option plans and/or free share allocation plans (or similar) granted to employees and/or corporate officers 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 corporate officers of the Group;
- To cover marketable securities giving right to the allocation of company shares, in accordance with applicable regulations;
- To proceed with the possible cancellation of shares acquired, in accordance with the authorisation granted or to be granted by the Extraordinary General Meeting.

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

The maximum purchase price was set at €480 per share, with the maximum amount of the share buyback programme set at €97,977,600, taking account of the 535,880 treasury shares held at 31 December 2015.

During the financial year just ended, on the basis of the authorisation given by the General Meetings of 2015 and 2016, the company bought back 16,684 shares at an average price of €346.26, sold 16,457 shares at an average price of €344.08 and transferred 3,400 shares priced for final vesting of free shares.

All of the 16,684 shares acquired were allocated to the liquidity objective.

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

The company held 532,707 of its own shares at 31 December 2016, representing 7.20% of the share capital; the value of the purchase price of one share amounted to €185.94 for a par value of €1 each, representing a total nominal value of €532,707 (€616 for the liquidity contract, €246,854 to be retained for future acquisition transactions and €285,237 to cover share purchase option plans and/or free share allocation plans).

## INFORMATION ON INVESTMENTS AND CONTROLLED COMPANIES

**Investments in French companies during the financial year ended 31 December 2016** (Article L. 233-6 of the Commercial Code):

Company name	Direct control		Indirect control	
	Number of shares	% share capital	Number of shares	% share capital
Myfox SAS	12,106,493 shares	100	–	–

**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 held shares in Somfy SA at the date of preparation of this report.

## 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 and to the company knowledge, the following may have an impact in the event of a public offering:

- The capital structure and all known direct or indirect holdings in Somfy SA and all relevant information is described under “Information on the distribution of share capital and holdings”;
- There are no bylaw restrictions to the exercise of voting rights or agreements providing for preferential transfer or acquisition of shares, excepting those described in the section “Action in concert and retention agreements” of this report;
- 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 29 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 of this report;
- Rules governing the appointment and replacement of Management Board members and any bylaw amendments are respectively provided for in Articles 15 and 31 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 are private persons and 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, appoint one of them as 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 members 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 31)

"The Extraordinary General Meeting alone is authorised to amend any bylaw 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 "; It is specified that an amendment to this article of the bylaws will be submitted to the General Meeting to align it with the provisions of Article L. 225-65 of the Commercial Code as amended by the law n° 2016-1691 of 9 December 2016, as follows:

"The Extraordinary General Meeting alone is authorised to amend any bylaw provisions, it being specified that it can delegate to the Supervisory Board authority to align the bylaws with applicable legal and regulatory provisions, in accordance with Article L. 225-65 of the Commercial Code. Nevertheless, it cannot increase shareholders' liabilities with the exception of transactions resulting from an exchange or regrouping of shares properly decided and executed."

- 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 Management Board members or employees, if they resign or are dismissed without fair or serious cause or if their employment is terminated as a result of a public offering.

#### **INFORMATION ON THE TERMS AND CONDITIONS FOR THE RETENTION OF SHARES ALLOCATED FREE OF CHARGE TO EXECUTIVE CORPORATE OFFICERS** (ARTICLE L. 225-197-1 II PARAGRAPH 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)

At 31 December 2016, the Management Board was composed as follows:

Name	Position	Date appointed	Date term ends
Jean Guillaume DESPATURE*	Chairman	6 November 2014	26 November 2017
Pierre RIBEIRO	Chief Financial Officer	6 November 2014	26 November 2017

\* It is specified that Jean-Philippe Demaël resigned from the Management Board and as Chairman of the Management Board on 9 March 2016. Jean Guillaume Despature was appointed Chairman of the Management Board on 9 March 2016.

#### **APPOINTMENTS HELD BY MANAGEMENT BOARD MEMBERS AND REMUNERATION RECEIVED FROM SOMFY SA AND SUBSIDIARIES UNDER ITS CONTROL**

It should be noted that members of the Management Board benefit from an employment contract concluded with Somfy SA's subsidiaries prior to their appointment to the Board. It has become apparent to the company that, in order to attract and retain talent, members of the Management Board must be able to continue to enjoy the protection guaranteed by an employment contract. As a result, the employment contracts of the members of the Management Board that predated their respective terms of office have been maintained.



## Summary table of benefits of corporate officers at 31 December 2016

	Employment contract		Defined benefit pension plans	
	yes	no	yes	no
<b>Executive corporate officers</b> Name: Jean Guillaume DESPATURE Position: Chairman of the Management Board Start of term of office: 06/11/14 End of term of office: 26/11/17	✓			✗
Name: Pierre RIBEIRO Position: Member of the Management Board Start of term of office: 06/11/14 End of term of office: 26/11/17	✓			✗
Name: Jean-Philippe DEMAËL Position: Chairman of the Management Board Start of term of office: 27/11/13 End of term of office: 09/03/16	✓		✓	

**Jean Guillaume DESPATURE****Chairman of the Management Board (from 9 March 2016)**

- Chairman of the Supervisory Board of Damartex SA (company listed on Alternext),
- Chairman of the Remuneration Committee and member of the Audit Committee of Damartex SA (company listed on Alternext),
- Chairman of the Board of Directors of Financière Développement Suisse SA,
- Chairman of the Somfy Foundation (in the position of Permanent Representative of the Founder – Somfy SAS) and Les Petites Pierres endowment fund,
- Director of TTMD SA (Somfy Group company) and Acacia SA,
- Director of DSG (Somfy Group company) and Edify, Grand-Saconnex branch,
- Manager of FIDEP and CMC (Somfy Group company),
- Chairman of the Board of Directors of BFT SpA (Somfy Group company),
- Chairman of Myfox SAS (Somfy Group company).

Remuneration includes a fixed part and a variable part. Variable remuneration is determined by the Supervisory Board on the recommendation of the Remuneration Committee. It is based on the achievement of objectives that take account of quantitative financial and qualitative criteria. For the part based on quantitative criteria (referred to as “financial” criteria), the criteria used are profit growth, measured by the average growth in Current Operating Result over two years; the growth in 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 part based on qualitative criteria (referred to as “non-financial” criteria), the criteria used concern the quality performance within the company, the monitoring of the Quality Management System (QMS), and the implementation of the Development Master Plan (DMP). These non-financial criteria are weighted by a coefficient representing the Supervisory Board’s assessment, upon proposal by the Remuneration Committee, of the personal and managerial involvement of the Management Board member concerned. For confidentiality reasons the expected level of achievement of quantitative criteria, as well as the qualitative criteria, which are predetermined by the Supervisory Board, are not publicly disclosed. Benefits in kind consist of the use of a company car. The LTI bonus is intended to promote the collective development of Somfy and to ensure the loyalty of employee beneficiaries.

It is based on the achievement of a level of COR (Current Operating Result) for Somfy in 2014 and 2015 and subject to beneficiaries being employed by the Group at 30 June 2016. Jean Guillaume Despature is a beneficiary of this bonus in respect of his employment contract, which predates his appointment to the Management Board.

In respect of his employment contract, which predates his appointment to the Management Board, Jean Guillaume Despature is also a beneficiary of the defined contribution pension plan of the company DSG SA, which applies equally to senior executives and employee managers. This is the second mandatory pillar for companies based in the Swiss Confederation.

The principles and criteria used to determine, apportion and allocate the various fixed, variable and exceptional items of remuneration comprising total remuneration and benefits attributable to the Chairman of the Management Board are specified in the new separate report prepared in accordance with Article L. 225-82-2 of the Commercial Code (page 50).

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

**Pierre RIBEIRO****Member of the management Board – Chief Financial Officer**

- Director of Asian Capital International Limited, Sino Global International Holdings Limited, Sino Link Trading Limited and Promofi BV,
- Member of the Board of Directors of BFT SpA,
- Chairman and Director of TTMD SA,
- Director of DSG.

The above terms of office are exercised within unlisted Somfy Group companies.

Remuneration includes a fixed part and a variable part. Variable remuneration is determined by the Supervisory Board on the recommendation of the Remuneration Committee. It is based on the achievement of objectives that take account of quantitative financial and qualitative criteria. For the part based on quantitative criteria (referred to as “financial” criteria), the criteria used are profit growth, measured by the average growth in Current Operating Result over two years; the growth in 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 part based on qualitative criteria (referred to as “non-financial” criteria), the criteria used concern the quality performance within the company, the

monitoring of the Quality Management System (QMS), and the implementation of the Development Master Plan (DMP). These non-financial criteria are weighted by a coefficient representing the Supervisory Board's assessment, upon proposal by the Remuneration Committee, of the personal and managerial involvement of the Management Board member concerned. For confidentiality reasons the expected level of achievement of quantitative criteria, as well as the qualitative criteria, which are predetermined by the Supervisory Board, are not publicly disclosed.

The variable remuneration also includes the incentive bonus, profit sharing and contributions to the Group savings scheme, as described in the report of the Chairman of the Supervisory Board. The LTI bonus is intended to promote the collective development of Somfy and to ensure the loyalty of employee beneficiaries. It is based on the achievement of a level of COR (Current Operating Result) for Somfy in 2014 and 2015 and subject to beneficiaries being employed by the Group at 30 June 2016. Pierre Ribeiro is a beneficiary of this bonus in respect of his employment contract, which predates his appointment to the Management Board.

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

In respect of his employment contract, which predates his appointment to the Management Board, Pierre Ribeiro is also a beneficiary of the defined contribution pension plan of the company CMC SARL (Article 83), which applies equally to senior executives and employee managers. The value of this life annuity was estimated at €8,336 at 31 December 2016 for a pension at the age of 65.

The company's commitment is limited to the amount of contributions paid during the financial year, with the annual charge borne by the company calculated at the rate of 6.25% of employer contribution on the reference salary made up of tranches A and B set for the French senior executive's pension plan. Total charges borne by the company for 2016 were €9,654.

The principles and criteria used to determine, apportion and allocate the various fixed, variable and exceptional items of remuneration comprising total remuneration and benefits attributable to the member of the Management Board are specified in the new separate report prepared in accordance with Article L. 225-82-2 of the Commercial Code (page 50).

Details of remuneration paid during the financial year just ended are included in the summary table (page 25).

#### **Jean-Philippe DEMAËL**

##### **Chairman of the Management Board (until 9 March 2016)**

- Chairman of Somfy SAS,
- Chairman of the Board Committee of the Somfy Corporate Foundation "pour mieux habiter la planète",
- Member of the Board of Directors of the endowment fund "Les Petites Pierres",
- Director of Ningbo Dooya Mechanic & Electronic Technology Co. Ltd, Hong Kong CTLT Trade Co. Limited, New Unity Limited and Somfy Middle East Co. Limited,
- Member of the Advisory Committee of Somfy Brasil Ltda,
- Manager of Somfy GmbH,
- Chairman of BFT SpA.

The above terms of office are exercised within unlisted Somfy Group companies.

Jean-Philippe Demaël's remuneration includes a fixed part and a variable part.

Variable remuneration is determined by the Supervisory Board on the recommendation of the Remuneration Committee. It is based on the achievement of objectives that take account of quantitative financial and qualitative criteria. For the part based on quantitative criteria (referred to as "financial" criteria), the criteria used are profit growth, measured by the average growth in Current

Operating Result over two years; the growth in 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 part based on qualitative criteria (referred to as "non-financial" criteria), the criteria used concern the quality performance within the company, the monitoring of the Quality Management System (QMS), and the implementation of the Development Master Plan (DMP). These non-financial criteria are weighted by a coefficient representing the Supervisory Board's assessment, upon proposal by the Remuneration Committee, of the personal and managerial involvement of the Management Board member concerned. For confidentiality reasons the expected level of achievement of quantitative criteria, as well as the qualitative criteria, which are predetermined by the Supervisory Board, are not publicly disclosed.

The variable remuneration also includes the incentive bonus, profit sharing and contributions to the Group savings scheme, as described in the report of the Chairman of the Supervisory Board. Benefits in kind consist of the use of a company car.

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 (collective bargaining agreement for engineers and managers in the metalworking industry).

The plan grants a contingent right to a supplementary pension, pursuant to the so-called "Article 39", which is dependent on the length of service 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.

Member of the Management Board concerned: Jean-Philippe Demaël, potential beneficiary of this pension plan. Due to his departure, he is no longer a potential beneficiary of the contract granting a contingent right to an additional supplementary pension (namely "Article 39"), and the company no longer has any commitment in this respect.

In relation to his employment contract predating his appointment to the Management Board, Jean-Philippe Demaël is also a beneficiary of CMC SARL's defined contribution pension plan (Article 83), applicable to senior executives as well as employee managers.

The value of this life annuity was estimated at €8,615 at 31 December 2016 for a pension at the age of 65.

The company's commitment is limited to the amount of contributions paid during the financial year, with the annual charge borne by the company calculated at the rate of 6.25% of employer contribution on the reference salary made up of tranches A and B set for the French senior executive's pension plan. Total charges borne by the company for the duration of the term of office on the Management Board are €1,998.

Details of remuneration paid during the financial year just ended are included in the summary table (page 25).

## APPOINTMENTS HELD BY SUPERVISORY BOARD MEMBERS AND REMUNERATION RECEIVED 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 (company listed on Alternext),
- Chairman of the Audit Committee of Damartex SA (company listed on Alternext),
- Member of the Remuneration Committee of Damartex SA (company listed on Alternext),
- Director and Chairman of the Audit Committee of CA INDOSUEZ Wealth Management Europe.

### Jean DESPATURE

#### Member of the Supervisory Board

- Member of the Supervisory Board of Damartex SA (company listed on Alternext),
- Chairman of the Board of Directors of Yainville SA,
- Director of Autoplanet.

### 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 Mobilis SAS,
- 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 Mobilis SAS,
- Permanent representative of MCSA SA: Chairman of SAS MCSA-CELERC, MCSA-SIPEM and MCSA-SET,
- Manager of SARL MCSA-Tunis and SC Vicma, Devin-VD and Le Maréchal,
- Director of Edify SA (company listed on the Euro-MTF market of the Luxembourg stock exchange).

### Bernard HOURS

#### Member of the Supervisory Board

- Member of the Board of Directors of Essilor (company listed on Euronext),
- Member of the Corporate Officers and Remuneration Committee of Essilor (company listed on Euronext),
- Member of the Strategic Committee of Essilor (company listed on Euronext),
- Member of the Corporate Social Responsibility Committee of Essilor,
- Non-executive member of the Board of Directors of Verlinvest,
- Member of the Board of Directors of Vitacoco.

### 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 (company listed on Euronext),
- Chairman and Chief Executive Officer of Siparex Associés,
- Director of Lafarge (company listed on Euronext),

- Chairman of Association Nationale des Sociétés par Actions,
- Member of Haut Comité de Gouvernement d'Entreprise,
- Chairman of Plateforme de la Filière Automobile.

### Anthony STAHL

#### Member of the Supervisory Board

- Chairman of the Supervisory Board of Damartex SA (company listed on Alternext),
- Chairman of the Management Committee of FIDEP.

Apart from the terms of office and duties performed by the members of the Supervisory Board within Somfy SA, all the other terms of office and duties are performed outside the Somfy Group. No change to the composition of the Supervisory Board took place during the 2016 financial year.

Regarding the composition of the Supervisory Board, shareholders at the next General Meeting will be asked to:

- Appoint Florence Noblot, to replace Valérie Pilcer, as member of the Supervisory Board;
- Appoint Sophie Desormière, to replace Jean Despature, as member of the Supervisory Board;
- Reappoint Paule Cellard, as member of the Supervisory Board;
- Appoint Marie Bavarel-Despature, as member of the Supervisory Board;
- Reappoint Victor Despature, as member of the Supervisory Board;
- Approve the principles and criteria used to determine, apportion and allocate the various fixed, variable and exceptional items of remuneration comprising total remuneration and benefits of any nature attributable to the Chairman of the Management Board and the member of the Management Board and Chief Financial Officer;
- Approve the principles and criteria used to determine, apportion and allocate the various fixed, variable and exceptional items of remuneration comprising total remuneration and benefits of any nature attributable to the members of the Supervisory Board.

## REMUNERATION PAID IN 2016 TO MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

### SUMMARY TABLE OF REMUNERATION (including remuneration paid by the company and controlled companies)

Jean Guillaume DESPATURE Chairman of the Management Board	2016	
	due	paid
Euros		
Fixed remuneration	480,000	480,000
Exceptional remuneration*	–	10,000
Annual variable remuneration	320,000	200,000
LTI premium	–	14,925
Benefits in kind	3,907	3,907
<b>TOTAL</b>	<b>803,907</b>	<b>708,832</b>

\* Adjustment paid in 2016 for 2015 term of office.



Pierre RIBEIRO Member of the Management Board	2016		Jean-Philippe DEMAËL Chairman of the Management Board until 9 March 2016	2016	
	due	paid		due	paid
Euros			Euros		
Fixed remuneration	330,000	330,000	Fixed remuneration	153,026	153,026
Annual variable remuneration	220,000	200,000	Annual variable remuneration	–	300,000
Incentive bonus, profit sharing, contribution to the Group savings scheme	51,408	46,407	Incentive bonus, profit sharing, contribution to the Group savings scheme	7,583	45,884
LTI premium	–	23,085	Benefits in kind	1,729	1,729
Benefits in kind	7,150	7,150	<b>TOTAL</b>	<b>162,338</b>	<b>500,638</b>
<b>TOTAL</b>	<b>608,558</b>	<b>606,643</b>			

Beginning with this financial year, the Middelnext Code recommends the use of a table showing the previous two financial years. Exceptionally, this table is presented according to the previous recommendation since the comparison with previous financial years is not relevant given the changes made to the composition of the Management Board during 2016.

Members of the Supervisory Board	Amounts paid during the 2016 financial year		Amounts paid during the 2015 financial year		Amounts paid during the 2014 financial year	
	due	paid	due	paid	due	paid
<b>Michel ROLLIER</b>						
Attendance fees	3,600	3,600	2,600	2,600	3,900	3,900
Other remuneration as Chairman of the Supervisory Board	75,000	75,000	75,000	75,000	50,000	50,000
<b>Paule CELLARD</b>						
Attendance fees	14,400	14,400	9,200	9,200	13,000	13,000
<b>Jean DESPATURE</b>						
Attendance fees	6,400	6,400	4,400	4,400	6,600	6,600
<b>Victor DESPATURE</b>						
Attendance fees	18,000	18,000	13,100	13,100	17,400	17,400
<b>Xavier LEURENT</b>						
Attendance fees	–	–	2,200	2,200	6,600	6,600
<b>Valérie PILCER</b>						
Attendance fees	14,400	14,400	9,200	9,200	14,600	14,600
<b>Bernard HOURS</b>						
Attendance fees	60,000	60,000	38,167	38,167	–	–
<b>Anthony STAHL*</b>						
Attendance fees	–	–	–	–	–	–

\* No longer wishes to receive attendance fees for this term of office.

No remuneration was paid by the controlling company.

#### OPTIONS ALLOCATED AND EXERCISED DURING THE FINANCIAL YEAR

During the financial year, no new options were allocated to members of the Management Board and no member exercised any options. Likewise, no new allocation of performance-based shares was implemented during the financial year.

Pierre Ribeiro, member of the Management Board, was a beneficiary of the vesting at 30 June 2016, after performance conditions were met, of 110 performance-based shares whose initial allocation was decided in February 2014 for the benefit of a number of Group managers and senior executives, i.e. prior to his appointment to the Management Board. This plan is defined as 2 + 2, with the shares remaining unavailable until June 2018, two years after the vesting date.

In relation of the same plan, Jean Guillaume Despature, Chairman of the Management Board was a beneficiary, after performance conditions were met, of 60 performance-based shares whose initial allocation was decided in February 2014, i.e. prior to his appointment to the Management Board. This plan is defined as 4 + 0, with the shares being both vested and available on 30 June 2018.

## INFORMATION ON TRANSACTIONS PERFORMED BY DIRECTORS DURING THE FINANCIAL YEAR (ARTICLE 223-26 OF AMF GENERAL REGULATIONS)

The company is aware that the following transaction falling within the scope of Article L. 621-18-2 of the Monetary and Financial Code was carried out during the past financial year (AMF opinion n° 2016DD444283):

### PURCHASES (euros)

Registrant and nature of transaction	Amount
Acquisition	13,860
Price per share	330.00
Number of shares	42
<b>TOTAL PURCHASES</b>	<b>13,860</b>

### SALES (euros)

Registrant and nature of transaction	Amount
NIL	
Disposal	–
<b>TOTAL SALES</b>	<b>–</b>

## INFORMATION ON RESEARCH AND DEVELOPMENT ACTIVITIES (ARTICLES L. 232-1 AND L. 233-26 OF THE COMMERCIAL CODE)

In the area of R&D, the year 2016 saw a continuation of the previous year's work, especially in terms of product launches. As for connectivity, efforts for all the Group's brands were stepped up, in the form of new offerings or acquisitions. The Technical Departments of the Home & Building Activity and BFT also experienced changes, and the new Innovation Department set up in late 2015 yielded its initial results.

In 2016, at the initiative of the Innovation and Corporate Marketing Departments, Somfy Group created the mysomfy.com platform to host an open community (recruiting open to the general public on the basis of the projects to be co-designed) to conduct "crowd-storming" as well as a closed community (selective recruiting of product users in our markets) for tests and studies involving experienced users.

The innovation of MySomfyLab is the possibility it offers of conducting open or closed conversations online to explore the next areas of opportunity and also to test innovative concepts in direct contact with the market. It was launched in June 2016 and three conversations were held at the end of the year.

The closed section of MySomfyLab can be used to easily test all the components of the marketing mix, whether for a basic development or a complete offering, and in a very responsive and flexible way. Launched in France in 2016, it has already seen significant activity.

The Innovation Department also structured the prospecting and monitoring approach by creating an internal network of around 15 individuals, mainly from Somfy SAS, whose work includes these two aspects (technological monitoring, competition monitoring, standards monitoring, sustainable development, purchasing, intelligence marketing, etc.).

The result of this work is shared with all employees by the Yammer Group in "Open Café" sessions and also via a twice-yearly in-house magazine, EXPLORE, which presents the Group's main areas of focus in terms of prospecting and monitoring.

The Home & Building Activity continued to be very active in 2016. First, with a view to continually improving mastery of key know-how in terms of development, Home & Building's Technical Department finished its recruiting and became completely operational. It handles the transformation of innovations and new technological bricks into components and sub-assemblies that can be industrialised and integrated into new offerings and solutions. While continuing to strengthen its mechanical and electronics engineering, it also boosted its skills in systems engineering. High-level coordination has now been set up between our mechatronics architectures coordinated by the Home & Building Activity and our digital architectures coordinated by the Connected Solutions Activity.

Another methodological development is the introduction of an agile structure and a dedicated process in Home & Building, to be

able to respond even more effectively to the specific needs of our key accounts. This move is part of our commitment to strengthening our partnerships with these customers, in particular in the area of interior products. Whether it involves curtains or awnings, co-development with these partners is a significant growth lever in the US, the Middle East and Asia.

Launched in 2015 and recognised in 2016 with the innovation award at the EquipBaie Trade show (France), the RS100 Smooth&Smart Operator range is available for sale throughout the European market. Other remarkable innovations include the solar offering for rolling shutters and the new control centre for motorised openings in residential and office buildings: the TouchBuco IB+, which offers a simple touchscreen interface for managing automated functions while enabling productivity gains both during its implementation and later in its use in the buildings.

However, the main developments in R&D were in the Connected Solutions Activity.

The Group continued to redeploy its connected home activities. After creating the Connected Solutions Activity in 2015, it announced the formation of Somfy Protect, a division dedicated to security, in late 2016.

This division encompasses all security-related developments – videophones, cameras, detectors and alarms – within the Connected Solutions Activity. The creation of this division got underway in 2016 with the transfer of the Security Business Group, which had previously been part of our Access Activity. At the end of 2016, this move was strengthened by the acquisition of Myfox, a French firm specialised in connected security.

The new Somfy Protect division will expand the Group's connected security offering. The Somfy Protect range includes many unique technologies protected by a portfolio of international patents, in particular IntelliTAG™, the world's first window/door sensor that is composed of a single piece and triggers a preventive alarm upon the first vibrations of a break-in attempt.

The creation of this Somfy Protect division demonstrates Somfy Group's commitment to boosting its expertise in the area of security and is the natural continuation of the early 2016 consolidation of Opendoors SAS into the Connected Solutions Activity, which allowed Somfy to expand its connected offering with a motorised locking solution.

The development teams immediately set to work to put the new Myfox offering on the market under the Somfy brand and to make it compatible with the Somfy ecosystem. The result of these efforts, Somfy One, won two CES Innovation Awards – in the Smart Home and Embedded Technologies categories – at the 2017 International Consumer Electronics Show in Las Vegas.

Connected Solutions is also continuing to develop its TaHoma platform for the connected home, as well as its Connexoon offer-

ings, which are connected products specialised by application. Finally, Somfy is also continuing its growth on the connected home market in Asia with a partnership with iHome, an integrator of connected solutions dedicated to automation in high-rise residential buildings in Southeast Asia.

This ambition is taking concrete form with the introduction of an R&D team in the Connected Solutions Activity in Hong Kong with two initial hires in 2016.

In 2016, BFT launched the first electromechanical operator designed for suspended garage doors using MEMS technology, which is to say equipped with gyroscopes and accelerometers. This allows the automated product to have virtual switches, which gives installers the opportunity to more quickly and easily complete their installations. A patent application has been filed.

The U-Link protocol and its associated communication system, launched in 2015, continue to be enhanced. The Universal Link platform that ensures U-Link's interoperability now has a Wi-Fi interface. Moreover, lighting control is now possible, as is control of previously installed wired BFT products.

Finally, BFT hired a Development Director with a view to optimising coordination between the three R&D divisions based in Italy (Schio, Correggio and Borgo Valsugana).

In 2016, the SIMU brand continued its investments in connectivity by increasing its staff of electronic engineers by 30% and also by improving its communication protocol dedicated to Industrial and Commercial Shutters to better meet regulatory needs in this area (CSTB certification).

In 2016, Somfy Group filed 41 new patent applications. The portfolio is made up of 2,007 patents.

## INFORMATION ON EMPLOYEE SHAREHOLDING (ARTICLE L. 225-102 OF THE COMMERCIAL CODE)

At 31 December 2016, the FCPE Somfy (Somfy Investment Fund Scheme) held 51,800 Somfy SA shares amounting to 0.7% of the company's share capital.

## SOCIAL AND ENVIRONMENTAL REPORTING (ARTICLE L. 225-102-1 OF THE COMMERCIAL CODE)

### A SUSTAINABLE DEVELOPMENT POLICY IN LINE WITH SOMFY GROUP'S CORPORATE IDENTITY AND THE STRATEGIC VISION IT PORTRAYS

Following the roll-out and sharing of the Group's new identity in 2015, the year 2016 was a chance to reaffirm its corporate culture and expand its identity framework to formulate a vision shared by all Group employees: improve consumers' living spaces by making our innovations accessible to more people.

In 2016, the name *Somfy Spirit* was devised to designate the Group's personality in a document describing our corporate culture. Although it has changed over time, this personality is rooted in the history of the Group's formation and depends upon the women and men who bring it to life, with two specific areas of focus:

- **entrepreneurial spirit**
- **personal fulfilment**

*Somfy Spirit* is first and foremost the Group's identity – the things that are specific to it and make it unique: its visions and values. It also defines the basics of the growth model that has over the years allowed the company to expand and constantly reinvent itself. Finally, it establishes the management principles that unite the teams on a daily basis.

In 1994, as Somfy accelerated its internationalisation, its managers felt the need to document this identity in a Management Charter, which the Group updated in 2005. Then, in 2016, as Somfy accelerated its transformation towards a digitalisation of its solutions, its managers wanted to carry out a collective project. The result is *Somfy Spirit* Book, a reference document available to employees that translates all the ways in which the *Somfy Spirit* is expressed.

The world in which we live is rapidly changing. At a time when home automation is becoming increasingly digitised, some major challenges lie ahead for the Group. *Somfy Spirit* is the solid foundation allowing the company to meet these challenges while staying confident about its collective future.

To this end, the Group also relies on its own one-of-a-kind **growth**

**model**. For over 40 years now, it has allowed the Group to grow and to take confident action together with all its stakeholders.

This growth model is based on:

- **Independence**, since Somfy remains free while mastering all the basics of its business, from innovation to distribution;
- **Continuity**, since Somfy works to ensure the continuation of its strategy and the stability of its teams;
- **Foresight**, since from the time of its founding, Somfy has been making bold moves and taking advantage of developments and opportunities ahead of its competitors;
- a **Global-Local Alliance**, since Somfy Group is committed to combining local impetus with the strength of the global approach made available to each entity.

For Somfy, the men and women acting responsibly to achieve a shared goal are the heart of the business. To this end, Somfy relies upon a flexible organisation that continually adapts to strategic challenges as well as developments in its markets.

Somfy uses three operating principles that allow it to make effective decisions, ensure collaboration between the various entities and implement its strategy in a volatile and complex world:

- **co-construction**, which promotes alignment and effectiveness of implementation powered by the creativity and diversity of each staff member;
- **subsidiarity**, which guarantees our agility and ability to delegate decision-making for optimised performance;
- **cross-functionality**, which facilitates teamwork and de-partitioning to achieve better results.

Somfy's management principles guide its employees' behaviour, actions and decisions day in and day out. This is why it is essential for the Group to:

- **rally** the teams around a shared goal and ambition;
- contribute to the **personal development** of each staff member, encouraging autonomy and responsibility;
- take action to ensure **customer** satisfaction. The Group promotes proximity and the keeping of commitments;
- encourage **cooperation** founded on teamwork and cross-functional initiatives to achieve common goals in a spirit of sharing and fellowship;

– set examples and embody its **values**, ensuring that it continues to earn the trust employees, customers and partners place in it. The values (Boldness, Respect, Openness and Proximity) and Somfy Group's mission, which are all embodied by our growth model, put CSR goals at the heart of our value creation. They support Group employees' commitment and serve the long-term interests of the Group and its stakeholders. This assists with the gradual yet decisive implementation of Sustainable Development drivers in the Group's strategy and operations.

The main levers of the Group's entities are monitoring the professional and personal development of all staff members, improving their work environment, minimising the environmental impact of all our operations, sites and products, and bearing their responsibility by getting involved in society issues that are related to their business areas.

These levers are gradually being strengthened with an ongoing improvement approach measured by indicators and the implementation of dialogue with all stakeholders as well as regular, transparent communications.

**Somfy Group's Sustainable Development policy** is the declaration of its corporate identity. It seeks to meet, even surpass the expectations of its customers and stakeholders, to unite them in a greater ambition; the achievement of the Group's mission: providing better living environments for all, not only in terms of comfort but also energy saving, security and independence for the people who live there.

## GOVERNANCE

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

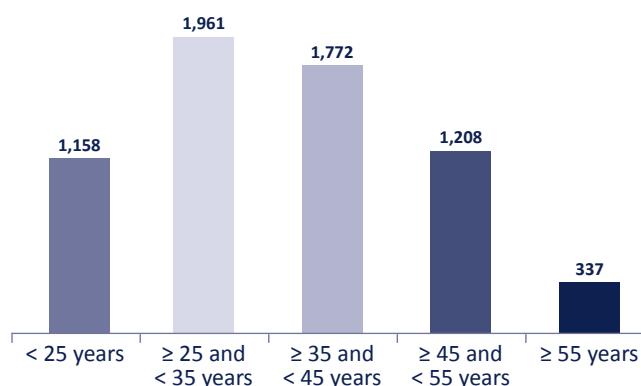
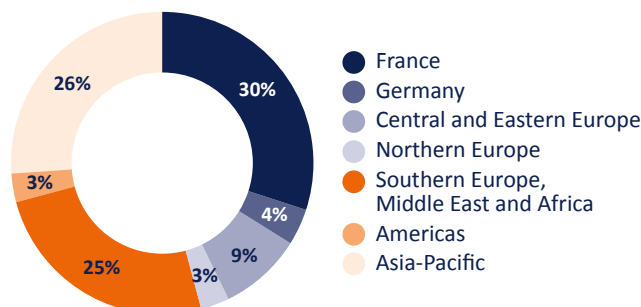
For the past nine years, Somfy has had a Sustainable Development Department. It reports to the Group's Industrial Department. Its missions are to guide the implementation of the Group's environmental commitments. The organisation as a whole and the teams within the Group also contribute to the continuous improvement of the Sustainable Development policy.

In 2016, in order to ensure efficiency and consistency with its strategy, Somfy created an Organisation and Management Department which the Group's Human Resources, Communication and Information Systems Departments report to. The task of the Group Human Resources Department and the Group Communications Department is to guide the implementation of Somfy's commitments relating to social and 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.

## SOCIAL INFORMATION

### CONTEXTUAL DATA

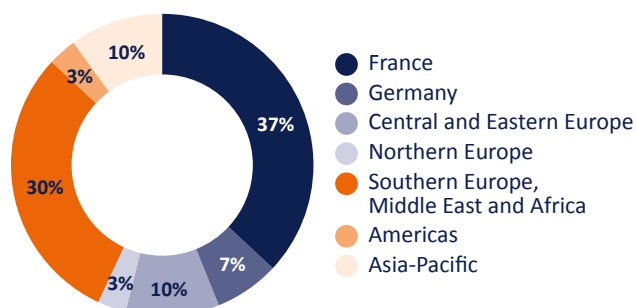
At 31 December 2016, the total Group workforce was 6,436 people (excluding temporary workers) and was analysed as follows:



### CLARIFICATION REGARDING SCOPE

The scope of analysis of the social data for the preparation of the 2016 CSR report increased. The report now covers 41 Somfy Group companies, 14 additions in relation to the 2015 CSR scope; and 4,942 employees at 31 December 2016, representing 76.8% of the Group's total workforce – an increase of almost eight points compared to the previous year (68.9% of the Group in 2015).

These 41 companies in the 2016 CSR scope are spread across five continents, and 30 countries (South Africa, Germany, UK, Australia, Austria, Belgium, Brazil, China, South Korea, Egypt, Spain, United States, France, Greece, India, Israel, Italy, Japan, Morocco, Norway, Netherlands, Poland, Republic of Cyprus, Czech Republic, Russia, Singapore, Sweden, Switzerland, Tunisia and Turkey).



Information was collected for 2015 and 2016, which enabled data and their variations to be compared on a constant group structure basis throughout the analysis. As such, 2015 comparison data has been restated (in comparison with the 2015 published data) to incorporate the broader data consolidation scope, and in some cases slight amendments to the protocol (data collection framework).



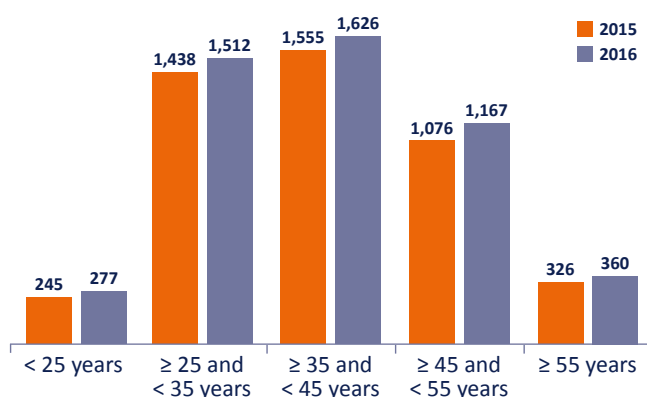
## WORKFORCE

Over the 2016 financial year, the workforce grew 6.5%, going from 4,640 to 4,942 employees.

The increase in workforce is representative of the Group's international development.

Central and Eastern Europe account for most of the expanded scope with five new entities that together represent 34% of new additions to the scope. It is also the geographic region that has seen its workforce grow the most, proportionally, between 2015 and 2016 (up 26%), mainly due to the sharp increase of the workforce at our Polish factory SOPEM, which grew by 40.2%, going from 234 to 328 employees.

Once again this year, 35-44 year olds are the age group most represented in the scope. However, the age groups which have changed the most year-on-year are the under 25s and over 55s. This proves that the Group is both preparing its future generations, and surrounding itself with experienced people.



## PAYROLL

Across the Group, employee expenses amounted to €333.8 million at 31 December 2016, compared with €313.3 million at 31 December 2015.

Within the CSR scope, these totalled €276.6 million at 31 December 2016, representing almost 83% of the Group compared with €255.8 million at 31 December 2015 representing 81.7% of the Group.

It should be noted that employee expenses for the 2015 CSR scope, published in last year's report, represented 74% of the Group.

## A RESPONSIBLE SOCIAL POLICY

The Group's Social Responsibility policy is to support Somfy Group's transformation in its continued international expansion, in creating new markets and increasing its innovation activity.

The human context in 2016 was impacted by three major events: the change in governance, the strengthening of corporate culture with *Somfy Spirit*, and the postponement in announcing the *Believe !* initiative in order for it to be redrafted and implemented in a more targeted manner. During this transitional year, it seemed necessary for the Group to maintain and put into effect initiatives that were already in place under the *Better living together* banner. The *Somfy Spirit* and the desire to strive towards ever more personal development have thus been real sources of inspiration in creating the roadmap in the field of Human Resources around the following three priorities:

- **Caring for people;**
- **Preparing future generations;**
- **Embodying Somfy attitudes.**

## CARING FOR PEOPLE

Financial results are far from being the only element that ensure Somfy Group's continuity. Employees' **commitment**, **motivation** and **well-being** are key criteria enabling the Group to be sustainably productive and competitive. It is therefore essential for the Group to understand its teams in order to better support and value them.

The measures deployed help to provide both direction to the collective project and consistency to maintain and strengthen commitment within the teams. Each employee is a key player in this development. A whole series of social measures are currently in place so that everyone is involved in the ongoing changes: access to information, development possibilities etc. They also include a formalisation of the practices ensuring that everyone receives balanced support and is listened to more.

The strategic issue of competitiveness calls for every employee to feel recognised, individually involved and to share a desire for collective success.

These aspects are essential for employees' personal development. Thus the Somfyscope, a survey carried out every two years with Somfy Group employee<sup>18</sup>, measures commitment rates across all teams.

### Somfyscope 2016

Commitment expresses employees' engagement, participation and motivation. It is a key factor in corporate success because it has a direct impact both on company results and employee well-being, at all levels of the organisation. The methodology used in this study – component analysis – has helped identify the key factors of Somfy employee commitment.

The Somfy commitment model is thus based on five indicators:

- **commitment to Somfy:** this includes trust in the organisation, to what extent employees identify with Somfy Group, and the perception they have of Somfy management;
- **organisational effectiveness:** this includes the level of flexibility, employee perception of the quality of products and services supplied, and cooperation;
- **own work:** this includes satisfaction with one's position and level of responsibility, energy, and working conditions;
- **prospects and management:** this includes each employee's prospects within the Group, and support from one's immediate superior;
- **recognition:** this includes compensation and benefits.

The results of these surveys are used to identify Somfy Group strengths and areas for improvement, and to implement action plans. The 2016 survey produced a record participation rate of 84% (89% when surveyed electronically), representing more than 4,000 employees. The Chairman of the Management Board, Jean Guillaume Despature, sees a *"sign of great interest for Somfy and the hope of seeing a strengthening of the Somfy Spirit"*. His demand is that *"Somfy place the fulfilment of its employees at the centre of its priorities."*<sup>19</sup>

The Group's Director of Organisation and Management also highlighted that the level of commitment measured by this third survey reached 56.3% – up 5.4 points compared to the previous survey. *"In terms of strengths, we can note greater confidence in top management and the Group's future, as well as a strong sense of achievement on a daily basis, together with a clear perception of everyone's contribution to Somfy's success. There is also a real pride in belonging to the Group."*<sup>20</sup>

Action plans implemented after Somfyscope 2014 led to an increase in the level of satisfaction for priority levers. Some of

18. Electronic and paper-based survey available in 14 languages.

19. Source: SomfyNews, Newsletter Group, February 2017.

20. Source: SomfyNews, Newsletter Group, February 2017.

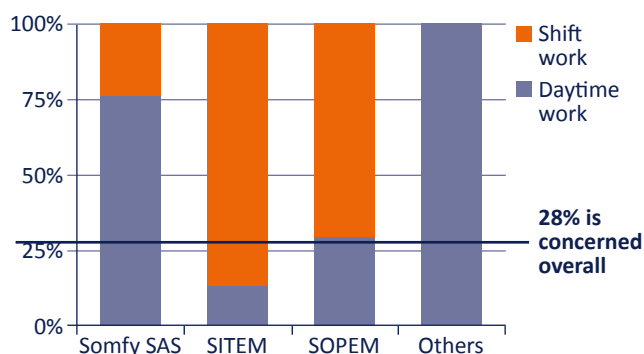
them, namely processes, cooperation and embodiment of values remain key levers for improving the rate of commitment.

The results of the survey offered positive feedback regarding the transformation processes taking place within Somfy. Managers will be responsible for implementing and monitoring an action plan with their teams and thereby helping to strengthen the commitment of Somfy Group employees.

### Work organisation

In all the companies within the scope, the average working week complies with the applicable local legislation and varies between 35 and 45 hours of work per week. The most common working week is 40 hours, covering more than 54.6% of the staff within the scope of the study.

Organisation by shift schedule concerned the following production sites in 2016: Somfy SAS, SITEM and SOPEM. None of the new entities in the scope practise this type of organisation. Overall, this organisation applied to approximately 28% of employees included in the scope. Note that 4.9% of the total workforce is part-time, mainly in Europe and to a lesser extent in the United States, Australia, Russia, Singapore, Israel and Japan.



Collective working hours can vary depending on production plans and business opportunities. This flexibility is essential in adapting to market needs. One of the adjustment parameters at industrial level is night time working, which takes place on an ad hoc basis in the event of a production peak.

### Social relations

Social dialogue refers to all the relationships and interactions that exist within the company between Management, executive staff, staff representatives and employees. It is an important component in regulating the collective organisation of work, and it enables Somfy Group's social frame of reference to progress and employees to be informed about the Group's position and its areas of development and transformation. The company wishes to enhance its quality and role.

All the companies in the CSR review scope comply with the local laws and agreements connected with their activities.

Faced with the complexity in which the Group is developing and in order to better connect the strategic challenges and the economic constraints with employees' aspirations and expectations, the social dialogue drive has been particularly strengthened with employees in France. Although not all companies in the CSR review scope have union representatives, social dialogue is guaranteed or implemented through regular meetings and/or communication with staff representative bodies or with employees directly. Where there are no trade union representatives, the management principles of *Somfy Spirit* thus serve as standards to implement dialogue with employees and bring them together on a common project.

Generally, the companies in France, Italy, Germany, Tunisia and Poland have union representation, as well as LianDa, in China. The others, which are smaller in terms of workforce and subject

to fewer requirements in this field, encourage social dialogue via direct meetings with employees.

Certain companies signed new agreements in 2016 or amendments to agreements in place, primarily in the fields of social dialogue (France), salaries and employee benefits (China, France, Italy and Tunisia), work organisation and working time (France), quality of working life (Italy), training (Italy), and health and safety (Italy, China).

Somfy SAS, representing 30.3% of the 2016 workforce in the CSR scope, signed six agreements for this purpose in partnership with staff representative bodies in 2016.

For Somfy SAS, in the context of ongoing dialogue with trade unions or staff representatives concerning health and safety at work, 14 meetings of the Health, Safety and Working Conditions Committee (HSWCC) were held in 2016 for three sites of the entity. Several countries including Poland, France, Norway and Sweden have taken action to improve the "Quality of Working Life". These improvements have taken the form, for example, of time and financial assistance for sporting activities, a concierge service, or childcare through child minding organisations in France.

### Somfy SAS Working Time Agreement

Between late 2015 and 2016, the Social Affairs Department of Somfy SAS worked closely with social partners to secure the signing of a new Working Time Agreement on 26 July 2016. It became effective on 1 January 2017.

This new organisation of working time at Somfy SAS is the result of a joint effort between management and social partners. With this new agreement, the company was keen to respond to both the economic and human challenges that the Group faces today, and to strengthen team supervision both in terms of working hours and workload. The goal is to empower managers and employees to promote a good work-life balance, and to set out clear and fair management rules for all.

The spirit of this agreement thus aims to encourage flexibility and fairness. In 2016, to complement the agreement's presentation and assimilation by teams, communication kits were made available, a connected hotline was set up, and Human Resources Managers were on hand to assist with further information.

With this new agreement managers are now more than ever the key players in the balanced approach between "Well-being" and "Performance".

### Health and safety

The development of health and safety is one of the key pillars of Somfy's human project characterised by the desire to live better together within the Group. Somfy's corporate responsibility begins with a guarantee to ensure everyone's physical safety and discover a quality of life within their working environment that encourages commitment.

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. Efforts have been made in many countries to reduce the exposure to risks and to improve working conditions. The roll-out of a solution to manage occupational risks began in France in 2016.

The Dutch subsidiary for example has started to gradually replace its office furniture in order to improve the ergonomics of employee workstations. Likewise, ergonomics is a subject at the heart of SOPEM's concerns in Poland, where working postures are regularly analysed and even corrected for both production and administrative staff. Within Somfy SAS, a Safety Officer was appointed in order to improve safety management with the intention of making it a field of expertise.

### Work accidents frequency and severity rate indicators

In 2016, many companies within the CSR scope strengthened their communication and awareness raising initiatives in the field of occupational risks. Specific examples involve tangible initiatives on our industrial sites (pedestrian walkways, evacuation signage, safety induction booklets, skylight renovation, etc.) and more broadly awareness concerning mobile employees in relation to the issue of travel risks.

In accordance with the decisions taken as part of the preparation of the 2015 report, we have decided to split the review of these frequency<sup>21</sup> and severity<sup>22</sup> rates according to the industrial or commercial activity of the companies. The changes observed in 2015 are due to corrections and the addition of new companies into the CSR scope.

	Industrial sites		Distribution subsidiaries		Consolidation		
	2015	2016	2015	2016	2015 Published	2015 Restated*	2016
Frequency rate	7.49	5.74	0.83	2.68	5.99	5.42	4.77
Severity rate	0.16	0.15	–	0.03	0.12	0.11	0.11

\* The changes are due to adjustments, changes in protocol and the addition of new companies to the CSR scope.

The target set in 2015 by the industrial organisation to reduce the frequency rate has clearly been achieved. This indicator was also used in the Somfy SAS incentive agreement.

Overall, in spite of the fact that the number of days of absence caused by these accidents increased by almost 4%, the frequency rate improved and the severity rate has remained stable. In fact, the number of accidents has fallen by 7% year-on-year, and the hours worked paid have increased by nearly 6%, which has a direct impact on these indicators.

Staff at distribution subsidiaries are less vulnerable to the risk of workplace accidents than employees at industrial sites. This is reflected in the frequency and severity rates which are lower at distribution subsidiaries (respectively 2.68 and 0.03) than at industrial sites (5.74 and 0.15). At distribution subsidiary level, the frequency rate of 2.68 can be explained by seven workplace accidents for an average number of less than 12 days' absence per person.

Somfy SAS and SITEM account for 78% of accidents of the industrial CSR scope. As a result, both these entities have intensified their efforts with, amongst other things, the continuation of Short Interval Management (SIM) that give rise to daily reviews with production employees during which problems detected are reported. The latter are immediately resolved insofar as possible, and if needs be employees have five more senior levels whom they can address. Between 2015 and 2016 their overall frequency rate fell from 8.55 to 6.61; and the severity level from 0.18 to 0.16.

Work-related accidents and occupational diseases are always investigated, and preventive action implemented, by dedicated working groups or specially appointed employee representative bodies, according to country (HSWCC in France for example). The number of employees affected by a recognised occupational disease has increased from eight to nine people throughout the scope.<sup>23</sup> Most recognition of occupational diseases is related to Musculo-Skeletal Disorders (MSDs). Preventive measures have also been continued: gestures and postures training, workstation ergonomics, and production station rotation.

Initiatives related to Psycho-Social Risks (PSR) problems, and more generally to quality of working life, launched in France in 2014, have been maintained and strengthened: expanding and formalising the monitoring network, training employees and managers in stress management, organisation of rest and relaxation measures, and Sustainable Development initiatives.

In 2016, absences due to common illness, occupational diseases, as well as work- and commuting-related accidents resulted in 4.1%<sup>24</sup> of absenteeism (3.8% in 2015); days of absence being taken into consideration according to the calendar day protocol, i.e. including Saturday and Sunday.

### Equal treatment

Somfy Group pays particular attention to avoiding any form of discrimination and to encouraging the equal treatment of employees and applicants as far as possible. It is important to highlight the diversity in both our activities and in the people who are developing and supporting them.

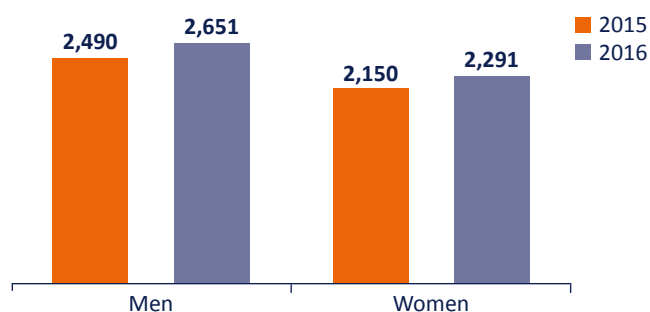
**In terms of professional equality**, taking into account developments in legislation, the French companies have signed agreements or drafted action plans committing them to setting improvement targets in this field and implementing measures to achieve them. Somfy signed an agreement in 2013, amended in September 2014 and which expired at the end of 2016.

A review of this agreement highlighted areas of progress to be expanded on with all stakeholders. The levers that seem to have been most effective in achieving goals are those related to the improvement of working conditions and the relationship between work and family life. New negotiations are scheduled in 2017.

In 2016, the female workforce within the CSR scope grew by 6.6% (6.5% for male staff), and the ratio of male to female employees changed slightly with 54% men and 46% women. In 2015, the male/female ratio was 51/49; this change is due to the fact that 75% of employees newly integrated into the scope of study are men.

Analysis of workforce by gender	31/12/15 Published	31/12/15 Restated*	31/12/16	Change
Men	2,147	2,490	2,651	161
Women	2,040	2,150	2,291	141
<b>TOTAL</b>	<b>4,187</b>	<b>4,640</b>	<b>4,942</b>	<b>302</b>

\*The changes are due to adjustments, changes in protocol and the addition of new companies to the CSR scope.



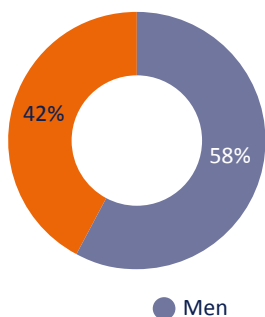
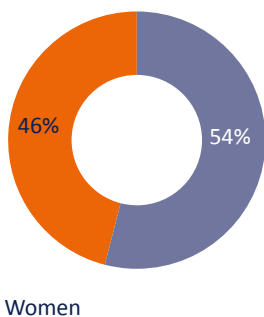
It should be noted that across the Group, this workforce ratio remained similar to that of 2015, namely 58% men and 42% women.

21. Method for calculating the frequency rate = (Number of work-related accidents / Hours worked paid) \* 1,000,000.

22. Method for calculating the severity rate = (Days absent due to work-related accidents / Hours worked paid) \* 1,000.

23. Given the diversity of regulatory approaches and even the lack of legal reporting requirements in certain countries, information on occupational diseases mainly concerns France.

24. Calculation method for absenteeism = (Sum of days absent in calendar days) / (hours worked and paid / (legal number of working hours per week / 5)).

Analysis of 2016  
Group workforceAnalysis of 2016 workforce  
within the CSR scope

This variation between the Group and the CSR scope can be explained by the presence in the 2016 scope of three major production sites with overwhelmingly female staff (SOPEM, SITEM and LianDa) with an overall proportion of 76.5% women.

**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 recognition, restructuring or reclassification can be seen.

**In the area of ethics**, the majority of Somfy Group employees have now been informed of the existence of the Ethics Charter, which was launched in 2015, and have been made aware of its contents and trained in ethical concepts by their managers. This Charter is a tool for the promotion of dialogue between employees so that ethics is an open matter understood by all. More details are provided in the societal section of this report.

Somfy Group has a network of Human Resources Managers extending across the entire scope covered by this report. One of their 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.

## PREPARING FUTURE GENERATIONS

The company continued its effort to ensure that the skills of Group employees are matched with the organisation's needs, to ensure the employability of staff and prepare tomorrow's generation of managers.

### Employment

In 2016, there were 762 recruitments, higher than the number of departures (459), which included 32 redundancies. Moreover, the rate of voluntary turnover<sup>25</sup>, exclusively involving resignations and retirement, was 4.4% (vs 4.2% in 2015).

It should be noted that the company continued to focus on internal mobility. As such, in France<sup>26</sup>, more than 39% of positions<sup>27</sup> were filled via internal mobility.

Somfy SAS in France and SITEM in Tunisia account for no less than 48% of the workforce within the scope of the study in 2016. 41% of employees who joined us in 2016 are based in France.

Below is an overview of the changes in workforce by geographical zone:

Workforce analysis by geographic region	31/12/15 Published	31/12/15 Restated*	31/12/16	Change
France	1,623	1,719	1,842	123
Germany	282	313	322	9
Central and Eastern Europe	234	389	492	103
Northern Europe	134	134	150	16
Southern Europe, Middle East and Africa	1,393	1,476	1,503	27
Americas	115	148	153	5
Asia-Pacific	406	461	480	19
<b>TOTAL</b>	<b>4,187</b>	<b>4,640</b>	<b>4,942</b>	<b>302</b>

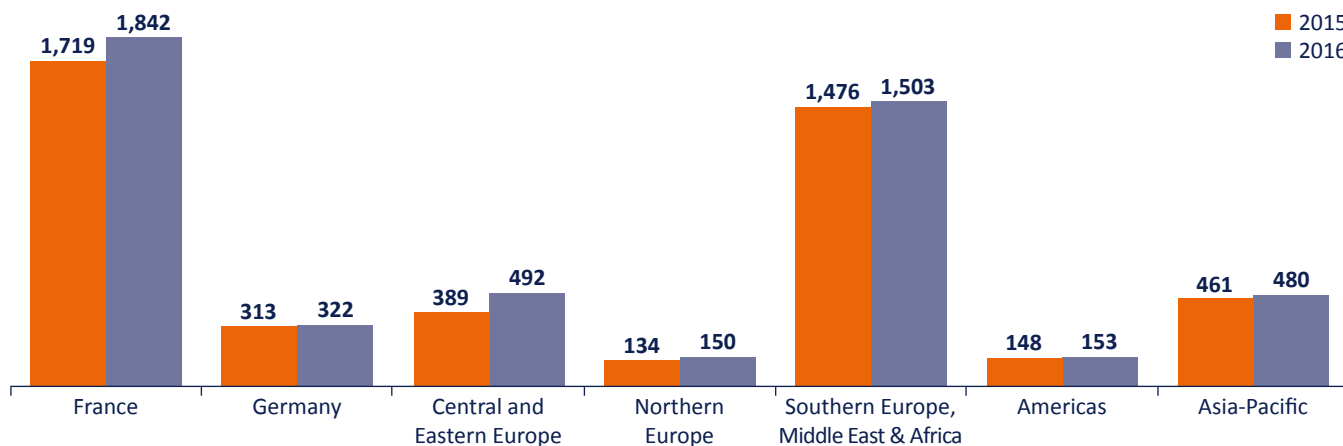
\* The changes are due to adjustments, changes in protocol and the addition of new companies to the CSR scope.

25. Voluntary turnover calculation method: the ratio between the number of departures due to resignation and retirement over a given period AND the number of employees at the end of the previous period (year).

26. At Somfy SAS.

27. Method of calculation = internal mobility / (sum of internal mobility + new fixed-term contracts + change to fixed-term contract).





### International Human Resources Information System: IHRIS

During 2016, the roll-out of IHRIS (International Human Resources Information System) continued and at the end of the year covered 4,000 people, or 62% of the Group's workforce, across 47 countries. The companies added to the tool this year were: Somfy PTY Ltd, Domis SA, BFT Italia SpA, Automatismes BFT France SAS, LianDa and the Northern Europe region, i.e. an increase of 27% in terms of coverage compared with 2015. This information system will help to build and develop a shared HR culture and to provide management with new decision-making aids.

### Training

Investment in training focused on initiatives likely to help the Group achieve its transformation objectives, in order to act in a more agile, prompt and simple way both collectively and individually, and to support cooperation and performance.

The number of training hours<sup>28</sup> in 2016 for the entire CSR scope was approximately 70,000.

In 2015 at Somfy SAS 8.2% of training was in-house. In 2016, 14.8% of training courses were taught this way, and overall 2% of training took place via e-learning.

The main training areas used in 2016 generally involved the development or strengthening of:

- professional expertise development (products, digital marketing, quality, HR skills amongst others) for 25 subsidiaries within the CSR scope;
- Health & Safety for 15 subsidiaries within the CSR scope - Somfy SAS has for example devoted 18% of its total number of training hours to this topic;
- management skills for 12 subsidiaries within the CSR scope;
- intercultural skills;
- personal development;
- office automation skills;
- project management.

### The Somfy Academies

The "Management and Leadership" Academy, created in 2013, is aimed at managers' managers. This system, which alternates ten days of training, mentoring and exchange of best practices, aims to promote transformation and meet Somfy's expectations in relation to the attitude of management. This enables managers to better manage complexity and to guide projects with their team more efficiently. In 2016, approximately 40 new managers and executives

received this training. The members of this academy (130 to date) were involved in defining the Group's strategic directions for the new 2016/2020 cycle to closely interweave our economic and human project over the next five years.

The purpose of the "Quality Academy" established in 2014 is to support the management line in the transformation of the Quality culture. It enables awareness to be raised in relation to the overall Quality strategies and the central role of the customer. It is aimed at managers and business managers working on "We all have a role to play in customer satisfaction" as part of the "Customer First" programme. 110 managers from the departments of offering development, customer relations, supply chain management, product manufacturing and provision as well as quality have benefited from this Academy since its inception.

A third Academy, "Business in Motion", was created in 2015, and primarily involves managers in the Business Areas of marketing & communication, product development, and controlling. The purpose of this Academy is to develop a common language, and offers tools to evaluate, prioritise, build and launch new business opportunities. The Academy was rolled out in France and Asia in 2016 covering about 140 managers.

### EMBODYING SOMFY ATTITUDES

First of all, the *Somfy Spirit* described before Social Information, is a powerful tool to highlight and explain the managerial approach expected within Somfy Group.

It is also through the development of key HR business processes – Annual Performance Management, People Review, Talent Review, Grading – supported by dedicated solutions, that Somfy Group continuously measures both individual and collective performance to serve its corporate project. The aims of the entire system are to guide and enhance the development of resources to make them a lever of commitment and attractiveness both internally and externally.

This is to ensure that Somfy DNA and values are well respected and shared by all, so that personal performance benefits the competitiveness of the entire Group.

The Somfy Foundation also helps to advocate the Group's values and to join forces with staff members in ten countries since 2016. More details are provided in Societal Information.

### Annual Performance Management

For Somfy, each employee contributes to the creation of value by implementing the Group's strategy, which is translated into collective and individual goals. They do so by applying the *Somfy Spirit* principles, and through skill development.

During their annual appraisal, each employee can have an open discussion with their manager, away from everyday constraints.

28. Published training hours refer to sessions lasting more than two hours.

NB: in 2016, part of the hours reported by Somfy SAS concerned planned hours rather than effectively attended hours.

It is a unique opportunity to review the position, gauge strengths and areas for improvement, assess the year's activity, as well as to set specific goals together with the means to achieve them and their evaluation criteria. At Somfy Group the dialogue between manager and employee concerning performance and personal development is a particular point of focus.

Somfy has developed a new Annual Performance Management (APM) tool which was rolled out this year to 862 employees of the Group. The managerial principles of *Somfy Spirit* have been detailed in a skills framework applicable to all managers. This skills framework enables a diagnosis of the soft skills required for the position by identifying the strengths and development priorities of the employee.

This new tool covers 33 countries, 25 of which are in the 2016 CSR scope (Austria, Australia, Belgium, Brazil, China, Czech Republic, France, Germany, Greece, India, Israel, Italy, Japan, Morocco, Netherlands, Poland, Russia, South Korea, Spain, Sweden, Switzerland, Tunisia, Turkey, United Kingdom and USA).

It thus makes it possible to:

- ensure employees adopt strategic goals, and to specify their actual contribution to these goals;
- allow the manager to talk about the meaning of the employee's goals by putting overall challenges into perspective;
- set SMART goals (Specific, Measurable, Ambitious, Realistic, and Timed);
- ensure consistency between individual and collective goals;
- ensure proper application of *Somfy Spirit* operational and managerial principles.

### People Review

The People Review uses as input data the strategic issues of each scope, their translation in the target organisation, and elements of the annual appraisal, namely:

- overall performance level;
- skills identified in the employee;
- employee's development potential as identified by their line manager.

The People Review is a special occasion for collective decision-making, bringing together for the same scope the Human Resources Manager and other managers involved in the organisation's challenges (organisation charts, vacant positions, risk of knowledge loss, etc.) and employee development.

It allows the adoption of short and medium-term scenarios covering the development of people and organisations, as well as the action plans incorporating these decisions. It is a demanding exercise that requires combining career development aspirations, employee skills (both technical and behavioural), and the company's future requirements.

### Talent Review

Once the People Reviews has been carried out locally at each scope, a Talent Review is organised at Group level. Its input data is the Group's overall strategic issues, their translation into the target organisation, and elements from the People Reviews.

A unique opportunity for collective decision-making, the Talent Review brings together at Group level Human Resources Management and Executive Committee members to discuss the organisational challenges and preparation of high-potential employees for a managerial role.

In 2016, succession planning was launched at Group level in order to identify key positions and potential successors in the event of a vacant position, and to build action plans aimed at preparing high-potential employees for management positions in the medium- and long-term.

### Remuneration: Project to categorise management positions

Extensive streamlining work has been ongoing within the Group since 2014 to identify the various positions. The aim of this Grading (or classification) project is to assess the burden of responsibility of each position within Somfy, by accurately describing each role and the skills it requires. This work, carried out gradually, is necessary to improve fairness, particularly in relation to supporting and assessing different employees. This was supplemented by a more transparent vision in relation to the remuneration and employee benefits to which everyone may be entitled.

Until 2016, the Grading project has involved assessing benchmark positions for Somfy SAS and for the Asia-Pacific Business & Marketing Area, analysing internal equity of remuneration within Somfy's gradings, comparing Somfy's remuneration levels with market practices, and communicating with managers. Its implementation provides managers with a common tool to monitor their management teams (remuneration and benefits).

In conclusion, the 2016 Human Resources roadmap focused on *Better living together* remains ambitious, and in 2017 will leave its place to, amongst others, the driver of *Better Together*, which is more involved and integrated into the new strategic and human project. As with *Let's* in its time, this project will provide direction and set targets.

## ENVIRONMENTAL INFORMATION

The 2016 CSR scope covers, among others, seven of the eight factories located around the world, representing 76.4% of the Group's industrial workforce.

### NATURE OF ACTIVITIES, ASSOCIATED RISKS AND MEASURES TAKEN

The activities of the sites are of tertiary, industrial and logistical natures.

Industrial sites mainly perform product assembly operations from plastic and metallic components and circuit boards sourced from outside the sites. Assembly operations do not produce gas emissions, liquid releases or substance 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.

Given the type of activity, there are no risks relating to food wastage. The different sites are subject to classification levels compliant with local regulations in relation to pollution or nuisance risks that these facilities are likely to create.

The French sites are subject 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.

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

In 2015, the priority given in previous years to eco-design was confirmed by the launch of the Act for Green® label, which designates products that meet eco-design requirements.

This priority can be traced back to the results of a Bilan Carbone® (carbon assessment) carried out in 2012<sup>29</sup>. This carbon assessment had established work on electricity consumption and the use of raw materials as priorities.

In 2015, three products were launched on the market with this Act for Green® label.

2016 saw the confirmation of this commitment with the certification of three new products: Roll up 28 WT, Eolis 3D RTS and Situo Variation.

Act for Green® is based on a framework taken into account by Research & Development teams. It incorporates requirements that are broken down according to several subject areas:

- Controlling greenhouse gas emissions through moderate electricity use and the choice of appropriate raw materials,
- Seeking to use recycled and recyclable raw materials in the composition of products,
- Materials selected for their low impact on health and the environment,
- Product durability,
- An available statement of the environmental impacts in line with the PEP ecopassport® programme in which Somfy participates.

This programme, developed by the electricity industry, defines a standardised method for making environmental declarations in accordance with international regulations (ISO 14025 & ISO 14040s). The information contained in this PEP ecopassport® has been independently verified by Bureau Veritas CODDE.

Specific initiatives regarding internal communication were carried out, aimed at Research & Development and marketing teams in particular, for the purpose of including these eco-design requirements in all stages of product creation and commercial launch. A roadmap for the integration of projects in the Act for Green® programme had been drafted for the next three years.

Requests, both customer and regulatory, in relation to understanding the substances used in our products have intensified. Work has been undertaken with the development of procedures and the completion of analyses to confirm the conformity of Somfy products with the REACH and ROHS European Directives.

Somfy has a Sustainable Development Department. This Department integrates the resources and skills necessary for the completion of projects that come under the heading “Planet”. The Sustainable Development Department rolls out its policy by working with the teams concerned in Somfy Group’s various sites and businesses.

In 2016, Somfy Group continued to implement measures to reduce the environmental impact of its sites:

- At Somfy SAS:
  - Actions stepped up in terms of mobility, particularly through the Mobil’Arve programme in Haute-Savoie (France), aimed at reducing the impact of commuter pollution in a zone covered by an air pollution plan. A “Mobility Challenge” day aimed at changing commuting practices saw the participation of more than 30% of employees present;
  - Car-pooling site in Haute-Savoie (France). 196 Somfy employees use this private community to easily find a co-driver amongst their colleagues (up 46 employees compared with 2015);
  - The measures introduced under the partnership with Corabio made it possible to achieve the target of serving 16% local and organic products in Somfy’s company restaurant in Cluses (up 6% compared with 2015);
  - Reuse of laptops: 236 products handled in 2016 including 138 computers. The update and removal of computer data is performed by a company promoting the employment of

disabled people. These computers and various accessories are then reused, thereby breathing new life into them. In 2016, 99% of the equipment was reusable, with the remaining 1% sent for recycling.

- The SOPEM factory in Poland has an environmental policy based on the following areas:
  - conserving natural resources,
  - contributing to sustainable development,
  - cooperating with partners for environmental protection,
  - improving energy efficiency.
- In Italy, BFT has an ISO 14001 certified structure. Instructions on the sorting and reduction of waste in manufacturing zones have been implemented by internal “environment experts” and employees responsible for waste management. This happens through meetings and general communication with staff or information campaigns. Measures have also been implemented in relation to eco-design with priority accorded to reducing the energy consumption of products, to packaging and recyclable oils. Internal communication initiatives continued in 2016 in support of corporate initiatives. They took the form of articles in the various in-house magazines, both in digital and paper format (for example, in the in-house magazine “Tam-Tam”), information meetings at the sites or internal seminars. Communication themes addressed mainly focused on the Act for Green® programme.

## POLLUTION AND WASTE MANAGEMENT

WASTE (Tonnes)	31/12/15 Published	31/12/15 Restated	31/12/16
Non-hazardous waste	2,254	2,934	2,954
Hazardous waste	19	19	22
<b>TOTAL WASTE</b>	<b>2,273</b>	<b>2,953</b>	<b>2,976</b>
Recovered waste	2,021	2,701	2,679
% of waste recovered	89%	91%	90%

*There was no change in the consolidation scope in 2016 - Strictly like-for-like.*

*Note: the restated 2016 and 2015 values take into account waste consisting of Somfy SAS pallets.*

Electronic products that fall under the ROHS European directive are no longer considered dangerous substances. Somfy also applies this requirement to products sold outside Europe.

In an effort to continuously improve the quality of waste sorting, procedures have been implemented by SOPEM, which conducts a monthly audit. Results are shared by management and the teams concerned.

## SUSTAINABLE USE OF RESOURCES

### Water

Water consumption at the sites is limited to the toilet facilities. At Somfy’s various industrial sites, there are no manufacturing processes likely to exhaust local water resources or that depend on a limited water supply.

WATER CONSUMPTION (m³)	31/12/15 Published	31/12/15 Restated	31/12/16
Water consumption	46,652	50,375	57,615

*There was no change in the consolidation scope in 2016 - Strictly like-for-like.*

*Note: 2015 values have been restated to take meter reading dates into account, and to adjust consumption over a one-year period. Sites concerned: Somfy SAS (Bonneville) and BFT Italy.*

29. Carbon assessment carried out in 2012 based on 2011 data.

96% of waste water is discharged into public treatment networks. The remaining 4% corresponds to storage in fire safety tanks.

### Energy

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

ENERGY CONSUMPTION (KWh)	31/12/15 Published	31/12/16
Gas	11,331,615	12,443,779
Electricity	13,725,776	13,901,375
Mineral fuel	78,156	89,924
<b>TOTAL ENERGY CONSUMPTION</b>	<b>25,135,547</b>	<b>26,435,078</b>

*There was no change in the consolidation scope in 2016 - Strictly like-for-like.*

*Note: Somfy does not report consumption that is not part of site operational activity (e.g. tests of fire safety systems).*

Simu SAS carried out an energy audit that detected potential to improve compressed air production in the factory.

The energy audit carried out by Somfy SAS confirmed approaches already taken in previous years concerning modernisation of thermal comfort and insulation systems, and the replacement of fluorescent lighting by LEDs. The work is being carried out in gradual instalments as workshops and offices are renovated.

SOPEM's new production hall, built in 2016, has also been equipped with a LED lighting system that saves 60% energy compared to conventional lighting. In 2016, SITEM saw its first full year of lighting using this technology.

At the WAY site in Italy 100% of electricity used now comes from renewable production sources. The energy is purchased from Metaenergia who guarantee that its origin is solar, wind, or geothermal.

### Raw materials

Somfy has incorporated requirements aimed at minimising the depletion of raw materials in its Act for Green® framework:

- Use of packaging materials with a minimum of 50% recycled fibres;
- Use of recycled paper in product instructions;
- Ensuring products can be repaired as much as possible;
- Ensuring durability of remote controls with products resistant to cumulative shocks.

Regarding the collection and processing of end of life products, in 2013, Somfy implemented measures for professional sector products, which represented most of the volume put on the market. In France, Somfy signed a contract 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 2016, Somfy continued in its efforts in this area through working within the various professional bodies to improve the industry. In order to anticipate certain regulatory and legislative developments concerning the Eco-Design European Directive (ERP), Somfy has invested in a project led by RECYLUM that aims to propose a method for calculating the rate of recyclability of products.

Since late 2015, SITEM has set up a reusable metal packaging system with its tube supplier, which saves an estimated 67 tonnes of cardboard annually.

### LAND USE

There are no mining operations on any Somfy Group's sites.

Our plants have regular HOSHIN or 5S workshops in order to optimise the footprint of the sites. A team of specialists, integrated into the Group's Industrial Department, is dedicated to leading these projects at the Group's plants.

### 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.

Somfy uses the results of a carbon assessment<sup>30</sup> to determine significant greenhouse gas emission generated by the company's activity, in particular through use of the goods and services that it produces.

This carbon assessment carried out on scopes 1, 2 and 3 and on the Somfy SAS scope has helped prioritise the various causes of greenhouse gas emissions. This assessment was carried out with the help of Eco2 Initiative.

The items of product electrical consumption (use-usage) and raw materials (inputs) both account for 85% of Somfy SAS's greenhouse gas emissions.

These two items relate to products manufactured and thus to industrial site activity.

Since the nature of industrial site activity is identical and has not changed since 2011, the Somfy SAS carbon assessment is representative of all the Group's industrial sites. The emissions of various items are proportional to the activity of each industrial site. The ranking of greenhouse gas emissions is therefore deemed to be the same between 2011 and 2016, and at all sites.

Quantities manufactured by Somfy SAS accounted for 25% of all quantities produced by the Group in 2011.

This led to the establishment of the Act For Green® programme described in the "General Environmental Policy" section. As this programme applies gradually to all products and markets, it leads to a reduction of greenhouse gas emissions across all production sites.

However other items, such as transport or energy consumption, are not neglected, with mobility programmes at Somfy SAS, or energy consumption reduction initiatives at sites (see the Energy section in this report).

CO<sub>2</sub> emissions from emissions related to electricity, gas and mineral fuel production represented 6,373 tonnes of CO<sub>2</sub><sup>31</sup> in 2016.

### PROTECTION OF BIODIVERSITY

The SOPEM factory in Poland is located on the edge of protected sites belonging to the Natura 2000 network:

- Puszcza Niepolomicka PLB 120002,
- Torfowisko Wielkie PLH120080.

Somfy SAS owns several sites in the heart of the French Alps, near Mont Blanc. Somfy 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.

<sup>30</sup>. Carbon assessment carried out in 2012 based on 2011 data.

<sup>31</sup>. The conversion of KWh to CO<sub>2</sub> was calculated based on the conversion factors provided by IAE.



## SOCIETAL INFORMATION

### TERRITORIAL, ECONOMIC AND SOCIAL IMPACT

#### Consideration of the local impact of the company's activity in relation to employment and regional development

Leader in its business sectors, Somfy Group achieved growth, which in 2016 had a positive impact on both direct and indirect employment across all the regions in which it operates, as suggested by the 6% increase in the Group's workforce. In 2016, all of the Group's operations and regions reported Sales growth for the second consecutive year.

As was the case the previous year, the strong development of the Eastern Europe region resulted in the recruitment of staff at the SOPEM factory. This development of local employment was accompanied by a transfer of Group knowledge and skills. In 2016, Somfy Group continued to have a positive impact on employment in France, where its activities have traditionally been located.

The Group prioritises the local recruitment of senior executives and employees, as this offers advantages in terms of the understanding of local issues and cultures which is essential in particular in the residential sector. The recruitment of local executives in the factories also enables management to be more discriminating and better adapted culturally not only during social dialogue but also in terms of performance improvement.

The desire to favour local recruitment within the Group is equalled by the emphasis which is placed on our commonalities, first and foremost the *Somfy Spirit* corporate culture that was communicated to the entire Group during two connected events, one of which was specifically designed with factory and logistics staff in mind. The document, published in 17 languages, is now given to all newcomers, along with the company's strategy and its Ethics Charter.

Moreover, the Group wants production sites to be autonomous in their methods and their supply. The sites have autonomy in their choice of suppliers from a panel jointly constructed and managed by Group Purchasing. The aim is to maintain consistency in the purchasing strategy whilst going as far as possible to ensure local implementation in relation to sub-contracting and supply. This openness is beneficial to the Group which in return benefits from successful local initiatives which can then be rolled out elsewhere. Group policy aimed at ensuring Research and Development (R&D) centres are located close to production centres and the main consumer-dense areas led in 2015 to the creation of two R&D divisions - in China for curtain motorisation and in Poland for motorisation of exterior venetian blinds. SOPEM's R&D division was inaugurated in 2016.

#### Consideration of the impact on neighbouring and local populations

In order to promote regional development, Somfy Group participates in and supports higher education establishments in the Rhône-Alpes region. In 2015, Somfy Group became a founder member of the Université Savoie Mont Blanc (USMB) Foundation alongside the Assemblée des Pays de Savoie (regional government) and the Université Savoie Mont Blanc Business Club. This selection forms part of the longstanding relationship between the University and Somfy, which has continued since the creation in 1991 of the Club des Entreprises, of which Somfy's Paul Dreyfus was the inaugural chairman. Somfy is working alongside the University to bring the academic world closer to the business world. This is the aim of the University-created Foundation. Thus, as part of this Business Club, the University has links that help identify opportunities for its students who are looking for professional training contracts.

Moreover, since 2012, the Group has chaired the Board of the École Polytech Annecy Chambéry, the University's engineering school. In total, 38 graduates of the University have stated they have worked for Somfy during or after their studies, 12 of whom hold a Master's degree. In 2016, Somfy provided financial support for the 5<sup>th</sup> edition of PolyNightWork, an annual competition organised by the Polytech schools, held in Annecy this year.

As preparing future generations is a priority area for Somfy Group's Human Resources, it was also in this context of openness and local ties that in 2016 Somfy SAS welcomed over 300 pupils and students from schools and universities in the region and further afield, as well as more than 140 association members, sharing Somfy's working practices with them along with staff members' enthusiasm for their profession.

Somfy Group is heavily involved in competitiveness centres and technology clusters active in the Arve valley (Haute-Savoie), where the Group's historical sites are located. Somfy is particularly active in the Competitiveness Division of Mont-Blanc Industries, where it mixes with a number of leading and successful mechatronics businesses such as Altran-NSI, NTN-SNR, Seb-Téfal, Stäubli, etc. Somfy is involved in Thésame, a technology network for mechatronics businesses and MIND, a Public Interest Group and innovative Franco-Swiss platform specialised in the mechatronics field. Mechatronics is the synergetic and systematic combination of mechanics, electronics and real time computing, and is at the heart of Somfy's expertise. These collaborations enable the company to be committed to local industrial development whilst continuing to benefit from the input of skills and innovations into our design and industrialisation processes.

In 2014 in particular, Somfy Group launched the research and development project COMETE (Cloud pour la maison intelligente et l'efficacité énergétique / Cloud for the smart home and energy efficiency), whose purpose is to develop home automation systems aimed at improving the energy efficiency of buildings. The project brings together nine partners, businesses and research laboratories from the Rhône-Alpes region. COMETE is financially supported by the FUI (Fonds Unique Interministériel), the Rhône-Alpes Region, the Haute-Savoie and Isère departmental councils, and the Communauté de Communes (federation of local councils) of Grésivaudan. After three years of this project's development, Somfy Group believes that COMETE will lead to the creation of 40 local jobs.

In 2016, Somfy's presence on the Executive Board of Mont-Blanc Industries Competitiveness Division led the company's participation in a certain number of brainstorming sessions about the development of the Division's means of action within the framework of the NOTRe law (New Territorial Organisation of the French Republic).

On a different note, the Group has a role of director within the Board of Directors of the Arve Mont Blanc Intercompany Occupational Health Service, whose purpose is to promote and encourage the prevention of occupation risks in the Vallée de l'Arve, action which involves the health and safety risks for Group employees being better taken into account.

Somfy España SA has been a member of the Catalonia Energy Efficiency Cluster (CEEC) since 2012. The CEEC is an association where it is possible to establish links between members (over 100 members<sup>32</sup>) and create new relationships, partnerships, and even new business (lobbying). Several working groups exist within the association; Somfy participates in four of them including one called "Low-emission and net-zero-energy buildings (for professional use)". This working group was responsible for drafting the "**Energy rehabilitation of buildings**" document<sup>33</sup>, which Somfy worked on from September 2015 onwards, in partnership with the Catalan government and other companies, before it was published in October 2016.

32. <http://bit.ly/2l0Xhln>

33. <http://bit.ly/2kR2b8m>

It is a practical guide for professionals (architects, engineers, installers, builders, property developers, etc.) on cost efficiency and the adequacy of energy-saving technology for different types of residential buildings, specific to Catalan climate zones.

## RELATIONS WITH STAKEHOLDERS

### Conditions for dialogue with stakeholders

The Group annually reviews its communication plan in relation to its stakeholders, to ensure they are kept regularly informed and to facilitate as much as possible constructive discussions in relation to the Group's strategy and management with the stakeholders identified as priorities: employees, shareholders, investors, customers, users, suppliers and regional governments. We distinguish between customers, a term that refers to the professionals or distributors who buy and sell, integrate, or install our products; users, a term that refers to the end users of our products, whether they are the customers of our customers, users of our solutions in offices or communal facilities, or consumers buying our products on our websites.

The social section of this report summarises all the developments and improvements made as part of the dialogue with employees and social partners.

Being responsive to professional customers is a strategic priority for Somfy Group and it is structured within a programme called "Customer First". For each customer profile, Somfy Group has developed dialogue-based activities – studies, surveys, training, services – tailored to the expectations of these stakeholders.

Users are regularly consulted as part of the development of our new offers. A forum moderated by Somfy gives them a voice in France. Other users can reply to questions – this is the case for 80% of answers – as well as company employees. 120,000 questions are consulted each month by those using this forum, which received almost 967,000 visits in 2016, representing 80,600 unique visitors per month. This allows our hotline to be more efficient and to answer calls more quickly and has led to productivity gains in this telephone support service.

Involved in the development of the areas in which the Group is located, Somfy Group has led dialogue in France with the various levels of public decision-making to contribute to action in the areas of education, employment, research and development, or to support cultural and sporting projects for local people, by trying where possible to replicate these events within the company for the benefit of employees. These programmes include the Mont-Blanc Photo Festival (Pays du Mont-Blanc), Salon du Livre Esperluette (Cluses), Musiques en Stock (Cluses), Pleins Feux Festival (Bonneville), MB Race (Pays du Mont-Blanc) and various sports clubs (Cluses). This collaboration can take the form of patronage or sponsorship, since the visibility of Somfy's initiatives by Group employees or local residents is one of the aims of this commitment.

### Acts of support, partnership or sponsorship

#### Action to support top young athletes

In 2014, Somfy created Somfy Ski Talents, a sponsorship programme for top young skiers, which as well as financially supporting young athletes, offers to help them, where applicable, to prepare for their transition into, or in finding out about, the business world. Thus in 2015, Jonas Devouassoux completed a placement at the R&D centre. Lastly, we help young athletes to build their reputations by passing on their news via our social networks.

#### A citizen's policy involving employees

Somfy Group is committed to improving the living conditions of all, and the company's Foundation was established in 2004 to support this worthwhile cause. The latter's activity really took off

after 2011 when a dedicated team was set up, a larger budget was allocated, and it refocused its actions on housing issues. Since then it has pursued its civic action, helping people live together better, and fighting against poor housing.

The Foundation is now a philanthropic organisation in its own right, both in terms of financial and human contributions. Both initiatives are implemented through the international programme A House is A Home and the crowdfunding platform Les Petites Pierres<sup>34</sup>.

In 2016, the Group gave the Foundation almost €300,000, and strengthened the operational team by recruiting an additional staff member.

#### Les Petites Pierres

The endowment fund Les Petites Pierres is an online crowdfunding platform<sup>34</sup>. It enables anyone to donate to community projects in the area of access to decent housing. In 2016, the platform enabled 47 new projects to be funded (i.e. 93 projects since its inception in 2013), for an amount of €173,000 topped up by the Group, which is 18% more than the previous year. The threshold of €1 million for the benefit of non-profit organisations was thus crossed during the year. In addition to project financing, non-profits also receive assistance with digital skills learning, thereby helping them to independently leverage their various communities and other partners.

#### A House is A Home

Because it is both important and socially responsible to make a commitment in the countries where the company operates, the Somfy Foundation is now working with ten non-profit organisations fighting against inadequate housing in ten different countries (Brazil, Germany, Spain, Belgium, Lebanon, Poland, China, United States, Australia, France). Poor housing is a problem experienced worldwide. As an international company, Somfy wishes to make its own contribution by ensuring decent housing is available to as many people as possible.

The Somfy Foundation, through its socially-responsible commitment, gives real substance to the values of responsibility, openness and respect for the company. The A House is A Home programme, started in January 2015, started working with new regions in 2016. The same goals are at the heart of both the A House is A Home and Les Petites Pierres programmes: steadily forging the bonds of humanity that form the basis of a balanced society, developing lasting relationships, and working hand-in-hand with community partners identified as stakeholders and project leaders. This helps promote the values of solidarity within the company.

#### Employee involvement

Personal philanthropy is at the service of the programmes A House is A Home and Les Petites Pierres.

Established in France, for Somfy SAS, in 2016 this personal philanthropy saw the skills and energy of 165 employees donated to non-profit organisations over the course of 62 days of solidarity. They were 117 in 2015, an increase of 41%, demonstrating the interest shown by employees in this programme.

In addition, internationalisation of the Foundation's actions has been made possible thanks to the very active involvement of Somfy's subsidiaries. The latter have taken both financial and human commitments: they have organised their HR and legal framework in order for their employees to be involved in solidarity initiatives during working hours.

To cite just one example, a partnership between the NGO Habitat for Humanity in Poland, Somfy's Polish subsidiary, and the Somfy Foundation helped a multigenerational family who were living in substandard conditions near Kraków.

34. [www.lespetitespierres.org](http://www.lespetitespierres.org)

Somfy Foundation is thus one of the very few (1%) of foundations surveyed by Ernst & Young who carry out actions both in France and abroad<sup>35</sup>.

## 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 Group has begun to introduce measures to make sure that its suppliers and sub-contractors are socially and environmentally responsible. Thus, Somfy 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,
- Organisation 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.

In accordance with the regulations adopted by the US Securities and Exchange Commission in 2012, Somfy Group implemented its duty of diligence in respect of its supply chain, in order to ensure that the supplies used in its products do not contain any "Conflict Minerals".

## FAIR PRACTICES

The roll-out of the Ethics Charter was launched in September 2015 and continued, as planned, in 2016. The majority of Somfy Group employees have now been informed of the existence of the Charter and its contents, and have been made aware of and trained in its ethical concepts by their managers.

*"As it continues to grow, Somfy Group benefits from greater visibility in many countries and on increasingly diversified markets. This development is generating new challenges and imposing new demands. Protecting the reputation of the Group therefore requires us to reinforce our need for exemplary behaviour in our day-to-day activities. Our leadership position on several of our business sectors and our ambition for the future imply greater responsibilities, which we readily accept. And the success of our business will not last unless we clearly assert our requirements as an ethical and responsible business."*

*In this context, Somfy Group has drawn up an Ethics Charter which will become a point of reference in terms of individual and group behaviour, and will guide our day-to-day activities. We want to make this a Charter that brings people together, and share our aspirations with the men and women who join our Group."*<sup>36</sup>

35. Source: Overview of foundations and endowment funds created by corporate philanthropists, Ernst & Young, September 2016 survey based on a panel of 632 foundations.

36. Source: Introduction of the Ethics Charter by the Management Board.

This Charter divides our principles into five areas:

- Compliance with legislation and regulations,
- Upright behaviour,
- Respect for people,
- Integrity towards our customers and our business and financial partners,
- Responsibility towards society and the environment.



It is a common and unifying document based on a single set of principles applicable to all Somfy Group employees in each of its constituting entities. This Charter is also a tool for the promotion of dialogue between employees so that ethics is an open matter understood by all.

To facilitate its circulation, it has been translated into 19 languages, and 30 ethics contacts have been appointed within the Group's different companies. Supported by managers, they can be consulted in the event of an ethical conflict or dilemma. An Ethics Committee has been set up to lead the process in relation to all the Group's ethical issues and to handle any alerts that may be reported via a dedicated and secure email address. A dedicated e-learning platform and a deployment kit complement this system; the package is accessible to the Group's managers, who are responsible for ensuring its roll-out and applying its principles within their scope.

Somfy Group and its employees particularly seek to respect the regulations of the countries in which it operates in relation to organisation of work, whilst subscribing to the principles and objectives of the fundamental conventions of the International Labour Organisation (ILO) and by aiming to adopt the practices of a responsible and management respectful of everyone.

This is reflected in a commitment to:

- Respect differences, improve diversity and reject discrimination;
- Reject any kind of harassment, notably moral and sexual;
- Ensure the health, safety and decent working conditions for the company's employees and partners;
- Seek to develop the skills and employability of staff;
- Seek the professional development of employees;
- Guarantee constructive social dialogue.

The Group's Ethics Charter reaffirms the fact that the company rejects all illegal child labour and the use of forced labour, seeks to establish constructive social dialogue and rejects all forms of discrimination and corruption, whether active or passive.

## 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 products are accredited by independent bodies in its different territories (VDE, NF, SASO, UL, etc.).

Somfy Group acquired a Quality Management 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 the installation of its products, 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. Every product is accompanied by usage and safety instructions.

Somfy publishes online manuals on its websites. They are available on 38 of our sites intended for users of our solutions (also on our sites for professionals) and are translated into between 12 and 18 languages depending on the product listing. In addition, 32 YouTube channels around the world broadcast presentations on



products and their operating instructions, usage tips, and even demonstrations on installation and programming.

The Quality Management System is the backbone of performance for Somfy Group: it must enable each employee to become a regular advocate of customer satisfaction. In order to respond to Somfy's development, customer expectations and those of all stakeholders, the Group's Quality Management System has been revised. Based on the Group's core values and principles, it aims to implement an ongoing drive of continuous improvement at the service of performance and customer satisfaction. It is intended to be simple, used and useful, and able to meet high standards as and when necessary. Independent of any organisations, it clarifies cross-company operations and promotes cooperation. This system is the common foundation that accommodates all. It is incumbent upon teams to elaborate on it and make it work in their own context.

Thanks to the outstanding work accomplished with a Quality project that has gradually been deployed across the Group, one of the tangible results directly affected consumers as customer returns have seen a 25% decrease in the past two years.

## 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 societal 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 monitoring 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 2016.

Depending on the indicators, it can relate to:

- An annual consolidation of the data from 1 January 2016 to 31 December 2016,
- The data measured at 31 December 2016.

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

### REPORTING SCOPE

According to Article L. 225-102-1 of the Commercial Code, are included within the reporting scope companies which are controlled by the Group and fully consolidated within the financial 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.

For reasons of organisation and access to information, all Group companies have not yet been included. The Group wants to use perimeters that are more relevant depending on the topics covered. Thus, certain companies are excluded from the social scope due to the existence of very low workforces in certain organisations (distribution subsidiaries spread out over vast geographic areas such as 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 companies, its aim in the long run being to cover all Somfy regions and companies.

The distribution subsidiaries are excluded from the environmental scope due to their low environmental impact in comparison with the industrial sites.

In the short term, the Group plans to integrate all significant companies that it fully owns. Only one company, Dooya, owned at 70% and comprising an industrial site, is not integrated. The CSR scope workforce covers 76.8% of the Group's total workforce in 2016.

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 2016 reporting:

The social reporting scope taken into account for the 2016 financial year was restricted to the following entities:

- Somfy SAS (France),
- Simu SAS (France),
- SITEM SARL (Tunisia),
- LianDa (China),
- Somfy China Co Ltd (China),
- Somfy GmbH (Germany),
- Somfy Systems Inc. (USA),
- BFT Italia SpA (Italy),
- Somfy Italia SRL (Italy),
- WAY SRL (Italy),
- Somfy Nederland BV (Netherlands),
- Somfy Ltd (UK),
- NV Somfy SA (Belgium),
- Somfy Sweden AB (Sweden),
- Somfy Norway AS (Norway),
- Somfy Middle East Co Ltd (Republic of Cyprus),
- Somfy Egypt (Egypt),



- Somfy Maroc SARL (Morocco),
- Somfy Ev Otomasyon Sistemleri Ticaret Ltd Sti (Turkey),
- Somfy South Africa (PTY) Limited (South Africa),
- Somfy Tunisie (Tunisia),
- SOPEM (Poland),
- Somfy K.K. (Japan),
- Somfy PTY Ltd (Australia),
- Somfy Joo (Korea),
- Automatismos Pujol SL (Spain),
- Somfy España SA (Spain),
- Automatismes BFT France SAS (France),
- Somfy Sp zoo (Poland),
- Somfy LLC (Russia),
- Somfy Brazil LTDA (Brazil),
- Somfy India Pvt Ltd (India),
- Overkiz SAS (France),
- Sisa Home Automation Ltd (Israel),
- Simu GmbH (Germany),
- O&O SRL (Italy),
- Somfy AG (Switzerland),
- Somfy Hellas SA (Greece),
- Somfy GmbH (Austria),
- Somfy Spol sro (Czech Republic),
- Somfy PTE Ltd (Singapore).

It may be recalled that the 2015 social reporting scope included the following companies:

- Somfy SAS (France),
- Simu SAS (France),
- SITEM SARL (Tunisia),
- LianDa (China),
- Somfy China Co Ltd (China),
- Somfy GmbH (Germany),
- Somfy Systems Inc. (USA),
- BFT Italia SpA (Italy),
- Somfy Italia SRL (Italy),
- WAY SRL (Italy),
- Somfy Nederland BV (Netherlands),
- Somfy Ltd (UK),
- NV Somfy SA (Belgium),
- Somfy Sweden AB (Sweden),
- Somfy Norway AS (Norway),
- Somfy Middle East Co Ltd (Republic of Cyprus),
- Somfy Egypt (Egypt),
- Somfy Maroc SARL (Morocco),
- Somfy Ev Otomasyon Sistemleri Ticaret Ltd Sti (Turkey),
- Somfy South Africa (PTY) Limited (South Africa),
- Somfy Tunisie (Tunisia),
- SOPEM (Poland),
- Somfy K.K. (Japan),
- Somfy PTY Ltd (Australia),
- Somfy Joo (Korea),
- Automatismos Pujol SL (Spain),
- Somfy España SA (Spain).

The environmental reporting scope taken into account for the 2016 financial year was restricted to the following entities, as in 2015:

- Somfy SAS (France),
- Simu SAS (France),
- SITEM SARL (Tunisia),
- LianDa (China),
- BFT Italia SpA (Italy),
- WAY SRL (Italy),
- SOPEM (Poland).

## 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.

## CSR CROSS-REFERENCE TABLE BASED ON DECREE N° 2012-557 OF 24 APRIL 2012

Social information	Pages
<b>Employment</b>	
Total workforce and employee distribution by gender, age and geographic region	28, 29, 31 and 32
Recruitments and redundancies	32 and 33
Remuneration and its evolution	29 and 34
<b>Work organisation</b>	
Organisation of working hours	30
Absenteeism	31
<b>Social relations</b>	
Organisation of social dialogue – including procedures regarding information, consultation and negotiation with employees	30
Collective bargaining agreements	30
<b>Health and safety</b>	
Health and safety at work	30 and 31
Review of agreements signed with trade unions or employee representatives in terms of health and safety at work	30
Work accidents, particularly their frequency and severity, and occupational diseases	31
<b>Training</b>	
Training policies	33
Total number of training hours	33
<b>Equal treatment</b>	
Measures taken to promote gender equality	31 and 32
Measures taken to promote the employment and integration of disabled employees	32
Anti-discrimination policy	31 and 32
<b>Promotion of and compliance with ILO fundamental conventions</b>	
Relating to freedom of association and collective bargaining	39
Relating to the elimination of employment and occupational discrimination	39
Relating to the suppression of forced or compulsory labour	39
Relating to the effective abolition of child labour	39
Environmental information	Pages
<b>General environmental policy</b>	
Company organisation to take into account environmental issues and, where applicable, environmental assessment and certification processes	35
Training and employee information actions conducted in relation to environmental protection	35
Resources allocated to avoiding environmental risks and pollution	34
Amount of provisions and guarantees for environmental risks, providing this information is not liable to seriously prejudice the company in an ongoing litigation	34
<b>Pollution</b>	
Measures to prevent, reduce or remediate air, water and soil pollution emissions that seriously damage the environment	35
Taking into account noise pollution and all types of pollution specific to a particular activity	35
<b>Circular economy</b>	
Measures to reduce, recycle and otherwise recover and dispose of waste	35
Actions to combat food waste	34
Consumption and supply of water in line with local constraints	35 and 36
Consumption of raw materials and measures taken to make more efficient use of them	36
Energy consumption and measures taken to improve energy efficiency and the use of renewable energy sources	36
Land use	36
<b>Climate change</b>	
Significant sources of greenhouse gases emitted as a result of company operations, in particular due to the use of the goods and services it manufactures	36
Adaptation to the consequences of climate change	36
<b>Protection of biodiversity</b>	
Measures taken to safeguard or increase biodiversity	36

Societal information	Pages
<b>Territorial, economic and social impact of the company's activities</b>	
On employment and regional development	37
On the neighbouring and local populations	37 and 38
<b>Relations with individuals and organisations interested in the company's activity, particularly social integration and educational institutions, environmental protection organisations, consumer associations and local communities</b>	
Conditions of dialogue with these individuals or organisations	38
Acts of partnership or sponsorship	38 and 39
<b>Sub-contracting and suppliers</b>	
Taking into account social and environmental issues in purchasing policies	39
Significance of sub-contracting and inclusion of social and environmental responsibilities in relationships with suppliers and sub-contractors	39
<b>Fair practices</b>	
Measures taken to avoid corruption	39
Measures taken to safeguard the health and safety of consumers	39 and 40
<b>Other measures taken to safeguard human rights</b>	32

## 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 authorisations:

	Date of AGM	Date authorisation expires	Authorised amount	Used during the financial year ended 31/12/16	Residual amount at 31/12/16
Authorisation to issue stock options	Extraordinary General Meeting 13 May 2015	12 July 2018	1.5% of share capital on date of AGM	Nil	1.5% of share capital on date of AGM
Authorisation to grant existing free shares	Extraordinary General Meeting 24 May 2016	23 July 2019	1.5% of share capital on date of AGM Charged to the allocation of subscription options	Nil	1.5% of share capital on date of AGM

It is also specified that the Management Board has been authorised to buy back shares, details of which are provided in the paragraph on the buyback of own shares, and to cancel the shares bought back by the company, as set by the 11<sup>th</sup> resolution of the Extraordinary General Meeting of 24 May 2016. This latter authorisation is for up to a maximum of 10% of the share capital and is in effect until 23 May 2018. It was not used during the 2016 financial year.

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.

## COMBINED GENERAL MEETING OF 17 MAY 2017

**COMPOSITION OF THE SUPERVISORY BOARD  
(resolutions 5 to 9)**

It will be proposed that you:

- appoint Florence Noblot, as member of the Supervisory Board to replace Valérie Pilcer, who did not wish to have her term of office renewed, for a period of four years, which will expire at the end of the General Meeting called in 2021 to approve the financial statements for the year just ended;
- appoint Sophie Desormière, as member of the Supervisory Board to replace Jean Despature, who did not wish to have his term of office renewed, for a period of four years, which will expire at the end of the General Meeting called in 2021 to approve the financial statements for the year just ended;
- reappoint Paule Cellard, as member of the Supervisory Board for a period of four years, which will expire at the end of the General Meeting called in 2021 to approve the financial statements for the year just ended;
- appoint Marie Bavarel-Despature, as member of the Supervisory Board, in addition to the current members, for a period of three years, which will expire at the end of the General Meeting called in 2020 to approve the financial statements for the year just ended;
- reappoint Victor Despature, as member of the Supervisory Board for a period of three years, which will expire at the end of the General Meeting called in 2020 to approve the financial statements for the year just ended.

**APPROVAL OF THE PRINCIPLES AND CRITERIA USED TO DETERMINE, APPORTION AND ALLOCATE THE FIXED, VARIABLE AND EXCEPTIONAL ITEMS OF REMUNERATION COMPRISING TOTAL REMUNERATION AND BENEFITS OF ANY NATURE ATTRIBUTABLE TO THE CHAIRMAN OF THE MANAGEMENT BOARD AND TO THE MEMBER OF THE MANAGEMENT BOARD AND CHIEF FINANCIAL OFFICER (resolution 10)**

You will be asked to approve the principles and criteria used to determine, apportion and allocate the fixed, variable and exceptional items of remuneration comprising total remuneration and benefits of any nature attributable, as part of their terms of office, to the Chairman of the Management Board and to the member of the Management Board and Chief Financial Officer, as presented in the report attached to the report referred to in Articles L. 225-100 and L. 225-102 of the Commercial Code.

**APPROVAL OF THE PRINCIPLES AND CRITERIA USED TO DETERMINE, APPORTION AND ALLOCATE THE FIXED, VARIABLE AND EXCEPTIONAL ITEMS COMPRISING TOTAL REMUNERATION AND BENEFITS OF ANY NATURE ATTRIBUTABLE TO THE MEMBERS OF THE SUPERVISORY BOARD (resolution 11)**

You will be asked to approve the principles and criteria used to determine, apportion and allocate the fixed, variable and exceptional items of remuneration comprising total remuneration and benefits of any nature attributable, as part of their terms of office, to the members of the Supervisory Board, as presented in the report attached to the report referred to in Articles L. 225-100 and L. 225-102 of the Commercial Code.

**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 (resolution 12)**

A share buyback plan for a period of 18 months will be submitted for your approval. This plan would replace the current programme, which would 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 share, by way of an investment services provider within a liquidity contract that complies with the Ethics Charter of AMAFI recognised by regulations, it being specified that within this framework the number of shares considered for the calculation of the limit specified above corresponds to the number of shares purchased less the number of shares resold;
- To retain the shares purchased and subsequently exchange them or use them as payment within the framework of potential acquisitions;
- To ensure the coverage of stock option plans and/or free share allocation plans (or similar) granted to employees and/or corporate officers 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 corporate officers of the Group;
- To cover marketable securities giving right to the allocation of company shares, in accordance with applicable regulations;
- To proceed with the possible cancellation of shares acquired, subject to the authorisation granted by the General Meeting of shareholders of 24 May 2016 in its eleventh resolution, sitting in extraordinary session.

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

We propose to set the maximum purchase price at €600 per share. The maximum value of the transaction, taking account of the 532,707 treasury shares held at 31 December 2016, is therefore set at €124,375,800.

**DELEGATION OF AUTHORITY TO BE GRANTED TO THE MANAGEMENT BOARD FOR THE PURPOSE OF SPLITTING THE PAR VALUE OF SHARES (resolution 13)**

You will be asked to set the par value of the shares in the company at €0.20 and, consequently, to split each share with a par value of €1, by exchanging these shares at a transfer rate of five €0.20 shares against one €1 share, it being specified that this division would take effect on a date set by the Management Board.

It is specified that the double voting right, as provided for by the provisions of Article 29 of the bylaws, is allocated upon the issue of registered shares of €0.20 resulting from the division of registered shares of €1 bearing this right, the stipulated period of four years not being interrupted by the exchange.

The €0.20 shares would unconditionally replace the €1 shares which would be cancelled, and this exchange will not result in a change in the relationship between the company and its shareholders.

You will be asked to approve this delegation and authorise the Management Board to carry out this exchange on a date following the dividend payment date, determine the number of existing shares, amend the bylaws accordingly and more generally, do all that is necessary to implement these decisions no later than the end of the General Meeting held in 2018 to approve the financial statements for the previous financial year.

## ALIGNMENT OF BYLAWS (resolution 14)

It will be proposed to amend Articles 5, 23 and 31 of the bylaws as follows:

### 1. Concerning the transfer of the registered office

#### (Article 5 of the bylaws):

- To align the bylaws with the provisions of Article L. 225-65 of the Commercial Code as amended by the law n° 2016-1691 of 9 December 2016;
- To amend paragraph 1 of Article 5 of the bylaws accordingly and as follows, the remainder of the article remaining unchanged: “The registered office may be transferred to any location within the French territory, by simple decision of the Supervisory Board, subject to ratification of this decision at the next Ordinary General Meeting.”

### 2. Concerning Alternate Statutory Auditors

#### (Article 23 of the bylaws):

- To align the bylaws with the provisions of Article L. 823-1 of the Commercial Code as amended by the law n° 2016-1691 of 9 December 2016;
- To amend paragraph 1 of Article 23 of the bylaws accordingly and as follows, the remainder of the article remaining unchanged: “Control is exercised by two principal Statutory Auditors and, if applicable, two alternate Statutory Auditors, who are appointed and perform their assignment in accordance with the law.”

### 3. Concerning the capacity for the Extraordinary General Meeting to delegate to the Supervisory Board its authority to align the bylaws with applicable regulations

#### (Article 31 of the bylaws):

- To align the bylaws with the provisions of Article L. 225-65 of the Commercial Code as amended by the law n° 2016-1691 of 9 December 2016;
- To amend paragraph 1 of Article 31 of the bylaws accordingly and as follows, the remainder of the article remaining unchanged: “The Extraordinary General Meeting alone is authorised to amend any bylaw provisions, it being specified that it can delegate to the Supervisory Board authority to align the bylaws with applicable legal and regulatory provisions, in accordance with Article L. 225-65 of the Commercial Code. Nevertheless, it cannot increase shareholders’ liabilities with the exception of transactions resulting from an exchange or regrouping of shares properly decided and executed.”

## AMENDMENT OF ARTICLE 15 OF THE BYLAWS REGARDING THE CALCULATION METHOD FOR THE DURATION OF THE TERMS OF OFFICE OF MANAGEMENT BOARD MEMBERS (resolution 15)

It will be proposed that you modify the calculation method for the duration of the terms of office of Management Board members to provide for their expiry at the end of the General Meeting called to approve the financial statements for the year then ended and held during the year in which the said terms of office expire, and to amend paragraph 2 of Article 15 of the bylaws accordingly and as follows, the remainder of the article remaining unchanged:

“In accordance with the law, the Supervisory Board will appoint Management Board members, determine their number, appoint one of them as Chairman of the Management Board and determine their remuneration. Management Board members are appointed for a term of four years which will cease at the end of the General Meeting called to approve the financial statements for the year then ended and held during the year in which their term expires.”

## AMENDMENT OF ARTICLE 17 OF THE BYLAWS ON MANAGEMENT BOARD POWERS (resolution 16)

It will be proposed that you modify Article 17 of the bylaws as follows to align it with the provisions of Article L. 225-68 of the Commercial Code as amended by the law n° 2016-1691 of 9 December 2016, which removed the legal requirement of the Supervisory Board’s prior approval for property disposals, the complete or partial sale of equity investments or the granting of sureties, and thus:

- Cancel paragraph 5 of Article 17 of the bylaws accordingly, the remainder of the article remaining unchanged;
- Amend paragraph 6 (which will become paragraph 5) of Article 17 of the bylaws accordingly and as follows, the remainder of the article remaining unchanged:

“The Management Board may not, without the Supervisory Board’s authorisation and in accordance with the law, grant sureties, deposits or guarantees on behalf of the company. This authorisation cannot be given in a general and unlimited manner, but solely within a maximum total amount set by the Supervisory Board. It can also set an amount per commitment in excess of which the surety, deposit or guarantee cannot be given.”

## DELEGATION TO BE GRANTED TO THE SUPERVISORY BOARD TO ALIGN THE BYLAWS WITH LEGAL AND REGULATORY PROVISIONS (resolution 17)

It will be proposed that you delegate to the Supervisory Board your authority to proceed with the necessary amendments to the bylaws in order to align them with legal and regulatory provisions, subject to ratification of such amendments by the next Extraordinary General Meeting, in accordance with Article L. 225-65 of the Commercial Code.

## INFORMATION ON PAYMENT TERMS (ARTICLE L. 441-6-1 OF THE COMMERCIAL CODE)

At 31 December 2016 as at 31 December 2015, there were no liabilities due but unpaid to Somfy SA suppliers. Trade receivables specific to Somfy SA's activity represent payment terms generally less than 45 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 foreign exchange rate, interest 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).

At comparable terms and conditions, the Group gives priority to natural hedges (foreign currency purchases related to sales in the same currency). The derivative financial instruments put into place are forward foreign exchange contracts for the main currencies.

The management of foreign exchange risk is covered in Note 7.3 to the consolidated financial statements.

#### INTEREST RATE RISK

Somfy Group is exposed to risks associated with the effect of fluctuation in interest rates. Management of the interest rate relative to Group debt is based on consolidated position and market conditions. The primary objective of the rate risk management policy is to control Group financing costs.

The management of the interest rate risk is covered in Note 7.3 to the consolidated financial statements.

#### LIQUIDITY RISK

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 requirements and observance of its financial ratios.

The granting of credit facilities is subject to Somfy SA's commitments to its banking partners 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).

The management of liquidity risk is covered in Note 7.3 to the consolidated financial statements.

Credit facilities and compliance with covenants are detailed in Note 7.2.2.6 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 7.3 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. Given the share price, it was not necessary to record a provision for write-down at 31 December 2016.

### 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 in 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";
- "Corporate officers' civil liability";
- "Transported goods";
- In addition, credit insurance contracts, both in France and internationally, mitigate the consequences of customer default. Approximately 75% of sales are covered by such contracts.



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 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.

The management of credit risk is covered in Note 4.5 to the consolidated financial statements.

**INFORMATION ON NON DEDUCTIBLE CHARGE**  
(ARTICLES 39-4 AND 223 IV OF THE GENERAL TAX CODE)

The financial statements for the financial year ended 31 December 2016 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 €119,374,767.93 for the year ended 31 December 2016, increased by retained earnings of €3,054,202.50, to a total of €122,428,970.43, as follows:

- |                                                                                                     |                |
|-----------------------------------------------------------------------------------------------------|----------------|
| - Allocation to shareholders of a gross dividend of €6.10 per share, being €6.10 x 7,400,000 shares | €45,140,000.00 |
| - Transfer to optional reserve                                                                      | €77,288,970.43 |

**€122,428,970.43**

A gross dividend of €6.10 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 6 June 2016; the shares must be held on 2 June 2017 (ex-dividend date).

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

Financial Year	Revenues eligible for tax rebate		Revenue not eligible for tax rebate
	Cash dividends	Other distributed earnings	
2013	€38,666,435.60* being €5,20 per share	—	—
2014	€35,693,533.20* being €5,20 per share	€391,840.00, each share conferring the right to either 1 Edify SA share or a cash sum of €50.00**	—
2015	€39,125,797.50* being €5.70 per share	—	—

\* Does not include unpaid dividends attributable to treasury shares and transferred to retained earnings.

**\*\* The General Meeting of Shareholders of 27 November 2014 decided on the exceptional distribution of €391,840,000.00, which was taken from the “General Reserve” item, it being specified that each Somfy share conferred entitlement to either one Edify SA share or a cash payment of €50.00, according to the shareholder’s preference.**

## REGULATED AGREEMENTS

It is specified that the Supervisory Board of 9 March 2016 reviewed the regulated agreement, which was in effect during the financial year and justified its usefulness to the company.

Please note that no 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 2016 financial year.



---

## STOCK MARKET PERFORMANCE

---

During the 2016 financial year, the Somfy SA share price increased by + 11.06%. At 31 December 2015, the last trading day before the close of the previous financial year, the share price was €349, compared with €387.60 at 30 December 2016.

Based on this last share price and taking account of a gross dividend per share of €6.10, the Somfy SA share yielded 1.6%.

The market for the share recorded a monthly trading volume high of 31,583 and low of 6,498 per month, with a monthly average of 14,720 shares, compared with 8,401 shares the previous year.

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

**The Management Board**

# 05

## SUPERVISORY BOARD “SAY ON PAY” REPORT

(ARTICLE L. 225-82-2 OF THE COMMERCIAL CODE)

- P.50 Approval of the principles and criteria for the determination, apportionment and allocation of the elements that comprise the total remuneration and benefits payable to the members of the Management and Supervisory Boards
- P.50 Principles and criteria for the determination, apportionment and allocation of the elements that comprise the total remuneration and benefits of any nature payable to the members of the Management Board
- P.51 Other commitments to Management Board members
- P.51 Reminder of the agreements concluded with Group companies
- P.52 Principles and criteria for the determination, apportionment and allocation of the elements that comprise the total remuneration and benefits of any nature payable to the members of the Supervisory Board

## 05

# SUPERVISORY BOARD "SAY ON PAY" REPORT

(ARTICLE L. 225-82-2 OF THE COMMERCIAL CODE)

## APPROVAL OF THE PRINCIPLES AND CRITERIA FOR THE DETERMINATION, APPORTIONMENT AND ALLOCATION OF THE ELEMENTS THAT COMPRISE THE TOTAL REMUNERATION AND BENEFITS PAYABLE TO THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS (SEE RESOLUTIONS 10 & 11)

In the context of determining the total remuneration of executive corporate officers, the Supervisory Board, acting on a proposal from the Remuneration Committee, has taken the following principles into account in keeping with Recommendation R13 of the Middledent Code of Corporate Governance of September 2016:

- **Completeness:** determination of remuneration received by corporate officers must be complete: fixed components, variable components (bonus), stock options, free shares, attendance fees, pension terms and special benefits must be taken into account in the overall level of assessment of remuneration.
- **Balance between the elements of the remuneration:** each remuneration component must be substantiated and correspond to the company's general interest.
- **Benchmark:** the remuneration must be assessed, insofar as possible, within the context of a business sector and the benchmark market, and be proportionate to the company's situation, while paying due attention to its inflationary effects.
- **Consistency:** executive corporate officers' remuneration must be determined in a manner consistent with that of other officers and employees in the company.
- **Clarity of the rules:** the rules must be simple and transparent; the performance criteria used to determine the variable part of remuneration, or, where applicable, the allocation of options or free shares, must be linked to the company's performance and correspond to its goals, be demanding, accountable and to the greatest extent possible, sustainable. They should be detailed without calling into question the confidentiality that may be justified for certain elements.
- **Reasonableness:** the method determining the remuneration and allocation of options or free shares must be balanced and take into account at the same time the company's general interest, market practices and officer performance.
- **Transparency:** shareholders' annual information on the total remuneration and benefits received by officers is conducted in accordance with applicable regulations.

## PRINCIPLES AND CRITERIA FOR THE DETERMINATION, APPORTIONMENT AND ALLOCATION OF THE ELEMENTS THAT COMPRISE THE TOTAL REMUNERATION AND BENEFITS OF ANY NATURE PAYABLE TO THE MEMBERS OF THE MANAGEMENT BOARD

These principles and criteria established by the Board, based on recommendations of the Remuneration Committee are as follows:

### FIXED REMUNERATION

— It is determined in accordance with market practice, and regularly benchmarked by a recognised and renowned expert from a firm specialising in executive remuneration. It is set upon appointment, and changes every year during the term of office. It is reviewed and benchmarked again with each appointment renewal. As of 2017 it includes the payment of a bonus in favour of Management Board members, introduced following the removal of the previous "Article 39" additional pension scheme.

### ANNUAL VARIABLE REMUNERATION

— Annual variable remuneration is capped at a maximum of the annual fixed remuneration. For the Chairman of the Management Board, this cap is a maximum of 99% of the fixed amount, i.e. 84% of the quantitative variable on financial criteria, and 15% of the

qualitative variable on non-financial criteria. This cap is a maximum of 75% of the fixed amount for other Management Board members, i.e. 60% of the quantitative variable on financial criteria, and 15% of the qualitative variable on non-financial criteria.

The criteria for determining annual variable remuneration are as follows:

- The quantitative criteria based on financial items are profit growth, measured by the average growth in COR (Current Operating Result) over two years; the growth in 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. The expected level of achievement for the quantitative criteria has been predefined further to a proposal by the Remuneration

Committee. The expected level of achievement for the quantitative criteria has not been publicly disclosed for reasons of confidentiality.

- The qualitative criteria were predefined further to a proposal by the Remuneration Committee. They are weighted by the Remuneration Committee's assessment of the personal and managerial involvement of the Management Board member concerned. The expected level of achievement of qualitative criteria has not been publicly disclosed for reasons of confidentiality.

### LONG TERM REMUNERATION

—  
The members of the Management Board, as well as the Chairman, are beneficiaries of the free allocation of performance shares under the same conditions, and subject to the same performance criteria as for allocations granted to the Group's executives and senior executives. The criteria used are usually based on the level of Current Operating Result and the development of Sales growth.

The payment of variable, and possibly exceptional, remuneration elements allocated for the corporate mandate and for the 2017 financial year is subject to the Ordinary General Meeting's approval of the remuneration elements of the Management Board members and Chairman, paid or allocated for said financial year. No payment for variable or exceptional remuneration may be made before the date at which the Meeting will specifically deliberate on these variable and exceptional remuneration elements (ex post vote in 2018).

Unless there are exceptional circumstances, these allocations are granted on an annual basis and are limited to an allocated amount which may not exceed 150% of annual fixed remuneration.

### OTHER BENEFITS

—  
Management Board members and the Chairman each have their own company car which they may use privately.

### EXCEPTIONAL REMUNERATION

—  
The Supervisory Board may decide, further to a proposal of the Remuneration Committee and under very special circumstances, to grant exceptional remuneration to Management Board members or the Chairman. Such a payment may be made in the event of a major transaction for the company, or if there is exceptional outperformance which is not taken into account in the criteria determining the variable remuneration for the financial year.

## OTHER COMMITMENTS TO MANAGEMENT BOARD MEMBERS

### TERMINATION BENEFIT

—  
There is no such commitment concerning Management Board members or the Chairman.

### PENSION

- Members of the Management Board are beneficiaries of the mandatory group pension schemes applicable to executives and senior executives of Group companies.  
For the Chairman of the Management Board who is not territorially eligible for French pension plans, the applicable scheme is the mandatory group scheme applicable to senior executives for companies based in the Swiss Confederation.
- There is no pension scheme with defined benefits covered by Article L. 137-11 of the French Social Security Code (supplementary pension plan), for the benefit of Management Board members or the Chairman.
- The members and the Chairman of the Management Board benefit, like Group executives when they retire, from a retirement bonus (*Indemnité de Fin de Carrière*, or IFC) as provided for by the National Collective Bargaining Agreement for Executives and Engineers in the Metalwork Industry (IDCC 650).

### PROVIDENT FUND

—  
The members of the Management Board and the Chairman are beneficiaries of the group provident fund scheme (death & disability insurance) which applies to the Group's senior executives. Unless they justify personal insurance coverage elsewhere, they are also affiliated to the "Mutual Health Insurance" scheme which is mandatory for Group employees.

### NON-COMPETITION CLAUSE

—  
There is no such commitment concerning Management Board members or the Chairman.

## REMINDER OF THE AGREEMENTS CONCLUDED WITH GROUP COMPANIES (ELEMENTS NOT SUBJECT TO A VOTE)

### EMPLOYMENT CONTRACT

—  
It should be noted that members of the Management Board benefit from an employment contract concluded with Somfy SA's subsidiaries which has been maintained after their appointment to the Board.

## PRINCIPLES AND CRITERIA FOR THE DETERMINATION, APPORTIONMENT AND ALLOCATION OF THE ELEMENTS THAT COMPRISE THE TOTAL REMUNERATION AND BENEFITS OF ANY NATURE PAYABLE TO THE MEMBERS OF THE SUPERVISORY BOARD

The principles and criteria established by the Board, based on recommendations of the Remuneration Committee are as follows:

### FIXED REMUNERATION

- The General Meeting sets the overall amount of attendance fees for all Board members. The Supervisory Board apportions attendance fees among its members in proportion to the attendance of each member at Board meetings and Audit Committee and Remuneration Committee meetings.
- The Chairman of the Supervisory Board receives specific remuneration in relation to his duties as Chairman. This remuneration is fixed and changes upon each renewal of appointment, or when the Board finds that there is a lasting change to the Chairman's workload.
- The Supervisory Board reserves the right to allocate specific remuneration to one of its members in order to reward specific services other than participation in the Supervisory Board's routine work.

### VARIABLE REMUNERATION

— No member of the Supervisory Board receives variable remuneration based on performance criteria.

### OTHER BENEFITS

— The members and Chairman of the Supervisory Board do not receive any other remuneration or benefits in addition to the remuneration mentioned above, which qualifies as attendance fees.

We invite you to approve the principles and criteria set out above by voting the 10<sup>th</sup> and 11<sup>th</sup> resolutions.

**The Supervisory Board**

# 06

## SUPERVISORY BOARD CHAIRMAN'S REPORT

P.54 Corporate governance

P.59 Internal control



# 06

## 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 6 March 2017 for review, and to the Supervisory Board on 8 March 2017 for approval.

### CORPORATE GOVERNANCE

#### CORPORATE GOVERNANCE CODE

Somfy SA refers to the Middelnext corporate governance code for listed companies revised on 14 September 2016 (the Middelnext Code hereafter), available at [www.middelnext.com](http://www.middelnext.com).

During 2017, the Board will look into the areas requiring attention in compliance with the new R19 recommendation of the Middelnext Code.

Following the publication of the new edition of the Middelnext Code in September 2016, the Board amended its internal regulations at its meeting of 8 March 2017 and noted that the company had rejected the application of the following recommendations:

Recommendations rejected	Explain
Audit Committee to be chaired by an independent member (R6)	The Chairman of the Audit Committee is a member of the controlling family, whose training and professional experience qualify him to hold this position. Furthermore, the other two members of the Audit Committee are independent members.
Presentation of the remuneration due and paid to members of the Management Board over three financial years (R13)	Given the changes made to the composition of the Management Board during the 2016 financial year, a comparison with previous financial years is not relevant. Details for 2014 and 2015 are therefore not included but are available online in reports for previous years via the company's website.

#### COMPOSITION OF CORPORATE GOVERNANCE BODIES

Somfy 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 the conditions and for the period provided by law.

At 31 December 2016, the Management Board was chaired by Jean Guillaume Despature; the other member was Pierre Ribeiro, the latter also being Group CFO.

The Supervisory Board of 9 March 2016:

- Noted Jean-Philippe Demaël's resignation from his office as a member and Chairman of the Management Board with effect from 9 March 2016;
- Unanimously appointed Jean Guillaume Despature, a member of the Management Board, as Chairman of the Management Board with effect from 9 March 2016 for the term of the Management Board offices which expire on 26 November 2017, the date when the Management Board will be renewed.

## COMPOSITION OF THE SUPERVISORY BOARD

The Somfy SA Supervisory Board consists of seven members:

Name	Position	Age	Nationality	Date appointed/renewed	Date term ends
Michel Rollier*	Chairman	72	French	(Member of the Supervisory Board: 15 May 2012/Chairman of the Supervisory Board: 16 May 2013)	2018 AGM
Victor Despature	Vice-Chairman	66	French	16 May 2013	2017 AGM
Paule Cellard*	Member	61	French	16 May 2013	2017 AGM
Jean Despature	Member	66	French	16 May 2013	2017 AGM
Bernard Hours*	Member	60	French	13 May 2015	2019 AGM
Anthony Stahl	Member	43	French	13 May 2015	2019 AGM
Valérie Pilcer*	Member	53	French	18 May 2011	2017 AGM

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

There was no change to the composition of the Supervisory Board during the last financial year and as of the date of this report (31 January 2017).

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 currently consists of seven members, including two women. The company will comply with the legal provisions regarding gender equality applicable at the end of the Annual General Meeting held in 2017, namely, given the size of the Board, a maximum difference of two between the number of members of each gender.

### Self-assessment of the Supervisory Board

At its meeting of 23 May 2016, the Board carried out an assessment of its operation and its work via a questionnaire sent out to each Board member. It led to the identification of an area for improvement regarding the sharing of the strategy and the clarification of the roadmap priorities, both prerequisites for the exercising of the management control of the Management Board granted to the Supervisory Board.

## 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 Middenext framework, the Board assesses the independence of its members every year and at the time of their appointment.

Based on the independence criteria suggested by the Middenext 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 or executive corporate officer of Somfy SA or any other Group company during the last five years;
- Has not had, during the past two years, and does not have, any significant business relationship with the company or its Group (customer, supplier, competitor, service provider, creditor, banker, etc.);
- Is not a significant shareholder of the company or holds a significant percentage of voting rights;
- Does not have a close relationship or family connection with a corporate officer or a significant shareholder;
- Has not been, over the previous six years, a Statutory Auditor of the company.

In light of these criteria, the Supervisory Board considered that Paule Cellard, Valérie Pilcer, Bernard Hours and Michel Rollier qualified as independent members. The Board noted that there was no business relationship between the independent members and Somfy Group.

Paule Cellard provides Somfy Group with international experience in the fields of finance and risk monitoring and compliance. Valérie Pilcer provides Somfy Group with international experience in the fields of finance and risk monitoring. Michel Rollier provides Somfy Group with industrial and international experience gained with the Michelin Group particularly in the fields of finance, strategy and marketing. Bernard Hours provides Somfy Group with international experience gained with the Danone Group particularly in the fields of 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.

Summary table:

Independent members of the Supervisory Board	Michel Rollier	Paule Cellard	Valérie Pilcer	Bernard Hours	Explanation in the event of non-compliance
Is not and has not been an employee or an executive corporate officer of the company or any other Group company during the last five years	X	X	X	X	
Has not had, during the past two years, and does not have, any significant* business relationship with the company or its Group (customer, supplier, competitor, service provider, creditor, banker, etc.)	X	X	X	X	
Is not a significant shareholder of the company or holds a significant percentage of voting rights	X	X	X	X	
Does not have a close relationship or family connection with a corporate officer or a significant shareholder	X	X	X	X	
Has not been a Statutory Auditor of the company over the previous six years	X	X	X	X	
Conclusion on independence	Independent	Independent	Independent	Independent	

\* Where necessary, the material nature of relationships may be debated and the assessment criteria clarified at a Board meeting.  
To date, no business relationship exists.

## 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 75 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. During the 2016 financial year, it met on five occasions with all members in attendance.

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, the 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 to the Supervisory Board within three months of interim closing.

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 Supervisory Board is required in every case where a commitment does not meet these conditions. It is specified that, in accordance with the Middledenext Code, the physical presence of members is preferred, as is video-conferencing over telephone conversations.

The rules of operation of the Supervisory Board are specified in the Supervisory 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, the 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, 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 members 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. It is specified that, from 2017, the Board will conduct an annual review of the known potential conflicts of interests in accordance with the new R2 recommendation of the Middledenext Code. The principal subjects discussed at meetings of the Supervisory Board during the year were the following:

- Quarterly highlights by brand, activity and geographic region,
- Presentation of the *Believe! 2020* project by Business Group and Business Area,
- Presentation of the main budget priorities for 2017,
- Presentation of the three-year Group Industrial Blueprint,
- Presentation of the new Group acquisition procedure,
- Presentation of the results of the Pulse survey measuring the commitment of teams,
- Regular update on the “Customer First” Quality project,
- Update on the Innovation Department’s activity,
- Update on the Group’s business in China,
- Update on internal control and risk control,
- Update on the Group’s market share,
- Acquisition of the entire share capital of Myfox SAS (France) and of 51% of the share capital of iHome Systems (Asia) Co Ltd (Hong Kong),
- Planned joint-venture in China with acquisition of 49% of the share capital,
- Disposal of the share capital held in Giga Industria e Comercio de Produtos de Segurança Eletrônica S.A.(Brazil),
- Change in the composition of the Management Board,
- Update on the terms of office of the Statutory Auditors at the end of the Annual General Meeting called to approve the financial statements for the financial year ended 31 December 2015,
- Review of the policy regarding equality in the workplace and equal pay,
- Review of Audit Committee reports,
- Findings of the Remuneration Committee,
- Allocation of attendance fees,
- Update on the assessment of the Board’s operation and work.

## 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 and risk management systems has also been carried out.

In 2016, 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.

The Audit Committee 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 was a Chartered Accountant and an Auditor from 1983 to 2000. 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 of this family-owned group since 2012 and member of the Remuneration Committee since 2000. He has also been managing a medium-sized company in the aeronautic sub-contracting sector since 2000.

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. In particular, between 2006 and 2009 she was CEO of Gestion Privée Indosuez, and was subsequently Global Director of Compliance for Crédit Agricole Corporate & Investment Bank, until 2012. Since November 2012, she has been a Director of CA INDOSUEZ Wealth Management Europe and since December 2015 has chaired the Audit Committee. She has also created her own consultancy 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 process of financial information and, if necessary, formulate recommendations to ensure its integrity;
- Monitor the efficiency of internal control and risk management systems, as well as of the internal audit where applicable, regarding the processes related to the preparation and processing of accounting and financial information, without it affecting its independence;
- Monitor the completion by the Statutory Auditors of their assignment, taking into account the observations and findings of the Haut Conseil du Commissariat aux Comptes (Statutory Auditors’ Supervisory Body) following the audits performed pursuant to Articles L. 821-9 and subsequent;
- Ensures the latter’s independence;
- Take part in their selection by issuing a recommendation on the Statutory Auditors proposed for appointment by the General Meeting;
- Approve the provision of services other than the certification of the financial statements, mentioned in Article L. 822-11-2 of the Commercial Code.

The Audit Committee regularly reports on the performance of its assignments to the Supervisory Board, and also reports on the results of the assignment to certify the financial statements, on the way in which this mission has contributed to the integrity of financial information and on the role it has played in this process. It shall inform the Supervisory Board without delay of any difficulty encountered.

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

During the 2016 financial year, the Audit Committee met on four occasions with all members in attendance.

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

In addition to the recurring subjects mentioned above, the main topics discussed during Audit Committee meetings in 2016 were the following:

- The new internal control and risk management function,
- The reform of the audit resulting from Order n° 2016-315 of 17 March 2016, which came into force on 17 June 2016,
- Consideration of the share par value division.

Pursuant to Article L. 823-16 of the Commercial Code, the Statutory Auditors presented to the Supervisory Board their general work programme as well as the various surveys 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 with 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 provided 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.

In accordance with the obligation arising from the reform of the audit, the rules for the approval by the Audit Committee of the services provided by the auditors have been formally set out in a procedure.

With regard to the work methods: 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.

The Chairman of the Audit Committee reports to the Supervisory Board on the work carried out by the Audit Committee and its findings during the Supervisory Board meetings called to approve the half-year and annual financial statements.

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

### **Remuneration Committee**

The Remuneration Committee currently comprises 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 of and calculation methods for corporate officers' remuneration, including findings on the variable remuneration for the year just ended and proposals to be issued for the coming financial year, and to issue an opinion concerning the amount of attendance fees. Upon its request, external persons who are not members may attend Committee meetings.

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.

It met twice during the year just ended. The rate of attendance by the members was 100%.

The Remuneration Committee is called upon to decide on the succession of management resulting from the new R14 recommendation of the Middledenext Code.

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

## **REMUNERATION AND BENEFITS OF CORPORATE OFFICERS**

### **PRINCIPLES AND RULES DRAWN UP BY THE SUPERVISORY BOARD TO DETERMINE THE REMUNERATION AND ALL BENEFITS GRANTED TO CORPORATE OFFICERS**

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. In this regard, it is specified that in its ninth ordinary resolution, the Annual General Meeting of 24 May 2016 set the overall amount for attendance fees to be allocated to members of the Board at €200,000.

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: €1,600 per member per meeting of the Supervisory Board, €2,000 per member per meeting of the Audit Committee and €1,800 per member per meeting of the Remuneration Committee. Since his appointment as a member of the Supervisory Board, the Board decided to allocate to Bernard Hours, for his participation in Supervisory Board meetings, business reviews and various meetings and business travel undertaken in France and internationally on the company's behalf, a gross annual fixed sum of €60,000 in attendance fees, to the exclusion of any other remuneration.

The Chairman of the Supervisory Board receives specific remuneration in relation to his duties as Chairman. This remuneration is fixed and was last revised at the Board meeting of 13 May 2015.

#### **Remuneration of members of the Management Board**

Members of the Management Board benefit from an employment contract concluded with Somfy SA's subsidiaries.

It has become apparent to the company that, in order to attract and retain talent, members of the Management Board must enjoy the protection guaranteed by an employment contract.

As a result, the employment contracts of the members of the Management Board that predated their respective terms of office have been maintained.

At 31 December 2016, 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 financial criteria and qualitative criteria. To strengthen solidarity within the Management Board, the bases and criteria for calculating the variable remuneration have been standardised for all Management Board members. The criteria used for the quantitative part (referred to as "financial" criteria) are profit growth, measured by the average growth in COR (Current Operating Result) over two years; the growth in 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. The criteria used for the qualitative part (referred to as "non-financial" criteria) concern the quality performance within the company, the monitoring of the Quality Management System (QMS), and the implementation of the Development Master Plan (DMP). These non-financial criteria are weighted by a coefficient representing the Supervisory Board's assessment, upon proposal by the Remuneration Committee, of the personal and managerial involvement of the Management Board



member concerned. For confidentiality reasons, the expected level of achievement of quantitative criteria, as well as the qualitative criteria, which are predetermined by the Supervisory Board, are not publicly disclosed.

Other benefits, approved by the Supervisory Board, that may be granted comprise:

- The potential allocation of stock options or performance-based shares, which are 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 plans or performance-based share plans were set up;
- The benefit in kind represented by the use of a company car: those concerned are Jean-Philippe Demaël, Jean Guillaume Despature and Pierre Ribeiro;
- The benefit of the incentive bonus, profit sharing and the additional amount paid to the personal payments made to the employee savings plan applicable within CMC SARL and Somfy SAS for holders of employment contracts. Members of the Management Board concerned: Jean-Philippe Demaël and Pierre Ribeiro;
- A defined contribution pension scheme for which the company's obligation is limited to the payment of its share of the contribution to the insurance company which manages the scheme: the persons concerned are Jean-Philippe Demaël, Jean Guillaume Despature and Pierre Ribeiro;
- A so-called "Article 39" supplementary retirement scheme for senior executives and directors of the Group, set up by CMC SARL. Person concerned: Jean-Philippe Demaël. As a result of his leaving the company, Jean-Philippe Demaël is no longer a beneficiary of this scheme and the company no longer has any obligation in this regard.

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.

## 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 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 in the name of the intermediary recorded on their behalf if he/she resides abroad) at midnight Paris time on the second 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;
- The attendance in person 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 2016.

## INTERNAL CONTROL

### INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES IMPLEMENTED BY THE COMPANY

#### COMPANY OBJECTIVES IN TERMS OF INTERNAL CONTROL PROCEDURES

The internal control function, inspired in practical terms by the AMF framework available at [www.amf-france.org](http://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 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 guidelines 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.

### 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 Group CFO, a member of the Management Board.

The department is made up of an Internal Audit Manager and the equivalent of 2.6 full time auditors, and carries out audits in all the Group's subsidiaries, based on an annual audit plan.

This plan, prepared together with the Management of Somfy Group, is approved by the Management Board and then validated by the Audit Committee. It 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. Monitoring of the implementation of the recommendations takes place twice a year, as well as during monitoring assignments on the ground. Every 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 Manager presents a report on the activities of the Department to the Management Board, to the Executive Committee 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 jurisdiction.

### 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 all 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 complemented 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 PSMP (Products and Solutions Master Plan) which relates to the development of the range of products and solutions,
- 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 framework 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, planned 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 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 at least one 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 stocktaking 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](http://www.somfyfinance.com)) as well as via a primary information provider ([www.lesechos-comfi.fr](http://www.lesechos-comfi.fr)).

The other regulated information referred to in Article 221-1 of the AMF's General Regulations is also available on both these sites. 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 is installed on the Group's main production sites: Cluses, Gray, Zriba, Bologna and Kraków. 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.

An IT Systems transformation programme, initiated in 2015 to support the digital transformation of internal operational practices and in relation to customers, also delivered its first achievements:

- A first subsidiary is now using our new customer relationship management (CRM) platform based on Salesforce; it therefore provides a 360° view of the customer, monitoring of customer satisfaction over time and a more digital relationship with our customers;
- Somfy employees are now using a modern and digitally-oriented platform for communication and collaboration, with the Microsoft's collaborative OFFICE 365 suite: corporate social network, documentary management and company email.

This transformation programme will continue in 2017 with the deployment of the new CRM platform across a large number of our subsidiaries and the roll-out of eShop solutions for our B2B and B2C customers.

#### **Internal control monitoring**

The Internal Control Department created in 2016 reports to the Group CFO, a member of the Management Board. The Department is made up of the Head of Internal Control and representatives responsible for leading internal control at local level.

The internal control function coordinates management actions, ensuring the following:

- Compliance with laws and regulations,
- The application of the instructions and guidelines set by the Management Board,
- The smooth running of the Group's processes and operations, notably those that help safeguard its assets and prevent fraud,
- The reliability of reporting (both financial and non-financial).

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

In order to fulfil its coordinating and monitoring role, the Department has dedicated tools, specifically:

- A self-assessment tool for subsidiaries through which campaigns can be launched on specific topics or procedures;
- 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 process has also been established for the benefit of the Group Executive Committee 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 other cross-Group functions.

Lastly, the Internal Control Department is also responsible for the

centralised 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;
- Securing the company's decision-making and processes to facilitate the achievement of targets;
- Encouraging actions that are consistent with the company's values;
- Bringing company staff together around a common approach to major risks.

The mapping of Group risks is updated every year. In 2016, the methodology for identifying operational risks changed. This mapping is now carried out over the first quarter by the operational scopes with the help of a risk framework, which makes consolidating the results and updating the Group's risk mapping easier. The Executive Committee approves this mapping and identifies the risks that will be monitored by this body. The corresponding action plans are subsequently updated in October in order to include the necessary resources in the budgetary process. Strategic risks are examined during the biannual process of the Group's strategic review.

Where relevant, a connection is made between the risks included in this mapping and the internal audit plan.

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

#### **Treasury Committee/Group Cash Management**

The Group Treasury Department reports to the Group 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, and providing technical support to subsidiaries' cross-company functions, in connection with the Group's operations.

It has a duty to warn the Group 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 Treasurer, to review:

- Deposits,
- Funding,
- The Group's net debt,
- Off-balance sheet banking commitments,
- Foreign exchange positions,
- A macroeconomic review of the market,
- The Group's cash and debt positions (current and forecast),
- Miscellaneous items: ongoing acquisitions, follow up of late payments, guarantees/securities, Group loans,
- Miscellaneous projects (cash-pooling, optimisation of cash management systems...),
- The Group's net financial income/(expense) (twice annually).

This Committee comprises the following members:

- The Group CFO,
- The Financial Manager of holding companies (optional),
- The Head of Group Consolidation (optional),
- The Group Treasurer,
- Members of the Group Treasury Department.

Members of the Management Board 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, and interest rate, exchange rate and investment 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's actions. 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 2016.

A Group Treasury Charter has been in place since 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 and bank relations 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.

The proposed international multi-currency cash-pooling was finalised in July 2016 with HSBC for APAC and BNP Paribas for North America and Europe.

#### **Accreditations and quality procedures**

The Somfy Group has been implementing an approach to quality management and continuous improvement by following ISO 9001 processes since 1995.

As of this year, all the companies which manufacture and design for the Somfy and Simu brands are ISO 9001 version 2015 certified under a single certificate issued by the organisation AFNOR (Somfy SAS, Simu SAS, SITEM, Somfy GmbH, Domis, SOPEM and LianDa (as of 2018)).

The others are certified by regional bodies: WAY (combination of Asa and Mingardi), BFT SpA and Somfy BV.

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

The entire 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 control the risks inherent in operational processes. Corrective or preventive actions are managed within each operating or support department. Medium-term improvement measures relating to our practices, tools and methods, to the benefit of performance and customer satisfaction, are led by Group process managers appointed by the Executive Committee.

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 roll-out and monitoring.

#### **Risk coverage - Insurance**

The Group risk prevention and protection policy is determined by Corporate Services, in collaboration with insured entities and in partnership with its brokers and insurers. The vast majority of facilities are insured by Group policies which include direct risks (fire, theft, etc.), loss of profit, general civil liability (including corporate officers' civil liability) and transport of goods. Other units and risks are covered by insurance policies that fall within the remit of local managers, and if necessary, with the support of Corporate Services.

#### **PROJECTS COMPLETED AND IN PROGRESS**

The main project in 2016 relating to internal control and risk management involved implementing the majority of the recommendations identified following the analysis of the Group's internal control and risk management function performed in 2015 by an external consulting firm.

We have in particular:

- Formally set out and circulated a general Internal Control policy, which reaffirms the Group's ambitions in the area of Internal Control and Risk Management and clarifies the roles and responsibilities of each of the stakeholders;
- Defined a Group frame of reference containing the key controls for each major process, on which the entity Managers must assess themselves annually;
- Deployed a network of local internal controllers meaning internal control can be performed on the ground and methodology guides and tools developed centrally can be delivered;
- Defined a Group Risk frame of reference in order to formalise and consolidate the assessments of each scope, cross-company functions and audit observations.

The selection of a new Risk Management and Internal Control tool was also initiated at the end of 2016.

**Chairman of the Supervisory Board**

07

## SOMFY SA FINANCIAL RESULTS FOR THE LAST FIVE YEARS

## 07

# SOMFY SA FINANCIAL RESULTS FOR THE LAST FIVE YEARS

En milliers d'euros	2012	2013	2014	2015	2016
<b>1. Situation financière en fin d'exercice</b>					
a) Capital social	7 837	7 837	7 837	7 400	7 400
b) Nombre d'actions émises	7 836 800	7 836 800	7 836 800	7 400 000	7 400 000
c) Nombre d'obligations convertibles en actions	–	–	–	–	–
<b>2. Résultat global des opérations effectives</b>					
a) Chiffre d'affaires HT	2 976	2 734	1 815	3 449	2 919
b) Résultat avant impôts, amortissements et provisions	101 664	55 317	100 934	285 381	106 992
c) Impôt sur les bénéfices	2 984	– 4 555	– 13 835	3 426	1 089
d) Résultat après impôts, amortissements et provisions	87 034	62 455	104 596	279 484	119 375
e) Montant des bénéfices distribués	37 617	40 751	40 751	42 180	45 140
<b>3. Résultat des opérations réduit à une seule action</b>					
a) Résultat après impôts, mais avant amortissements et provisions	13,35	6,48	11,11	39,03	14,61
b) Résultat après impôts, amortissements et provisions	11,11	7,97	13,35	37,77	16,13
c) Dividende versé à chaque action	4,80	5,20	5,20	5,70	6,10
<b>4. Personnel</b>					
a) Effectifs inscrits fin de période	7	6	6	4	3
b) Montant de la masse salariale	738	577	856	455	724
c) Montant des sommes versées au titre des avantages sociaux (Sécurité Sociale, œuvres sociales, etc.)	347	215	316	28	207



# 08

## CONSOLIDATED FINANCIAL STATEMENTS

P.66	Key figures		
P.69	2016 highlights		
P.70	Post-balance sheet events		
P.71	Consolidated income statement		
P.72	Consolidated statement of comprehensive income		
P.73	Consolidated balance sheet – Assets		
P.74	Consolidated balance sheet – Equity and liabilities		
P.75	Consolidated statement of changes in equity		
P.76	Consolidated cash flow statement		
P.77	Notes to the consolidated financial statements		
P.77	<u>Note 1 : Accounting principles</u>	P.97	<u>Note 8: Analysis of cash flow statement</u>
P.77	1.1 Consolidated financial statements – Basis for preparation	P.97	8.1 Cash and cash equivalents
P.77	1.2 Compliance with accounting standards	P.97	8.2 Intangible assets and property, plant and equipment
P.77	1.3 Judgements and estimates	P.98	8.3 Change in working capital requirements
P.77	1.4 New applicable standards and interpretations	P.98	8.4 Companies acquisitions and disposals, net of cash acquired or disposed of
P.78	<u>Note 2: Consolidation scope</u>	P.99	<u>Note 9: Provisions and contingent liabilities</u>
P.78	2.1 Consolidation method	P.99	9.1 Provisions
P.78	2.2 Foreign exchange translation	P.100	9.2 Contingent liabilities
P.79	2.3 Business combinations	P.100	<u>Note 10: Employee information</u>
P.79	2.4 Non-current assets (or groups thereof) held for sale or distribution and discontinued operations	P.100	10.1 Workforce
P.80	<u>Note 3: Segment reporting</u>	P.100	10.2 Employee benefits
P.81	<u>Note 4: Performance-related data</u>	P.103	10.3 Share-based payments
P.81	4.1 Sales	P.104	<u>Note 11: Current and deferred tax</u>
P.82	4.2 Other operating income and expenses	P.105	11.1 Tax proof
P.82	4.3 Alternative performance measures	P.105	11.2 Deferred tax recognised in other comprehensive income
P.83	4.4 Inventories	P.106	11.3 Analysis by nature
P.83	4.5 Trade receivables	P.106	<u>Note 12: Off-balance sheet commitments</u>
P.84	4.6 Other current and non-current receivables	P.106	12.1 Commitments given
P.84	4.7 Other current and non-current liabilities	P.106	12.2 Commitments received
P.84	<u>Note 5: Property, plant and equipment and intangible assets</u>	P.107	12.3 Commitments to acquire additional shares in companies not fully-consolidated
P.84	5.1 Goodwill and impairment tests	P.107	<u>Note 13: Investments in associates and related parties</u>
P.86	5.2 Other intangible assets	P.107	13.1 Investments in associates
P.88	5.3 Property, plant and equipment	P.107	13.2 Related-party disclosures
P.91	<u>Note 6: Equity and earnings per share</u>	P.107	<u>Note 14: Statutory auditors' fees</u>
P.91	6.1 Equity	P.108	<u>Note 15: List of consolidated entities and accounted for under the equity method</u>
P.91	6.2 Earnings per share		
P.92	<u>Note 7: Financial items</u>		
P.92	7.1 Net financial income/(expense)		
P.92	7.2 Financial assets and liabilities		
P.96	7.3 Financial risk management policy		

# 08

## CONSOLIDATED FINANCIAL STATEMENTS

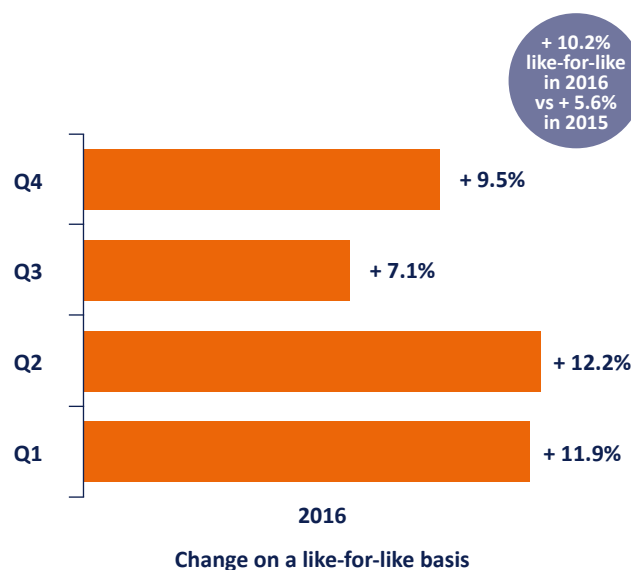
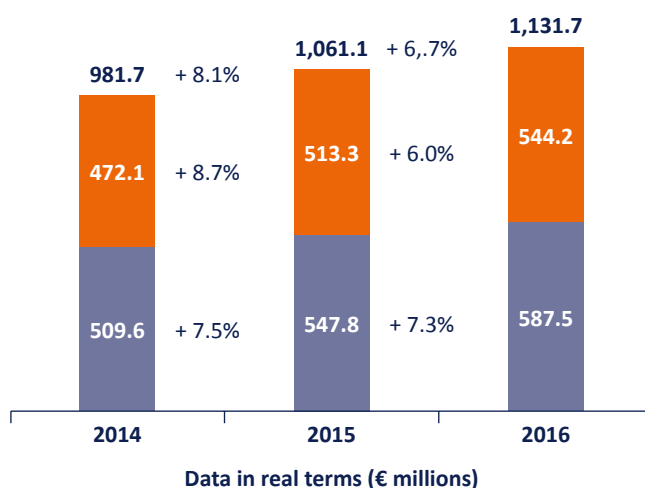
### KEY FIGURES

€ thousands	31/12/16	31/12/15
Sales	1,131.7	1,061.1
Current operating result	177.7	165.6
Net profit	143.4	164.8
Net investments in property, plant and equipment and intangible assets	64.5	47.2
Cash flow	181.7	171.6
Net financial debt	- 14.6	- 1.2

(-) Net financial surplus.

### SALES GROWTH BY CUSTOMER LOCATION

Consolidated data (€ millions)	2015	2016	2015/16 change
Sales	1,061.1	1,137.7	+ 6.7%



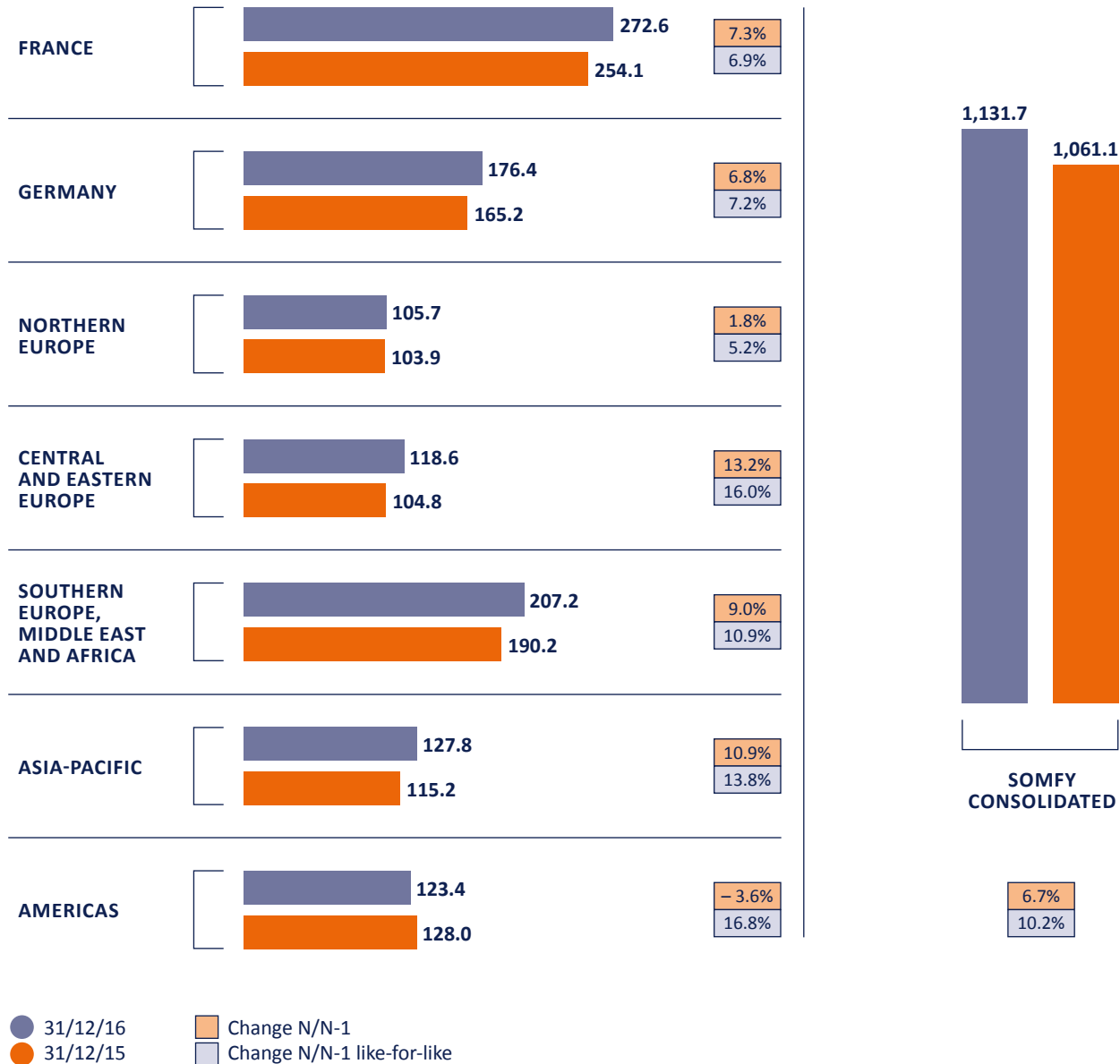
Group sales totalled €1,131.7 million for the year just ended, an increase of 6.7% in real terms compared with the same period last year, despite material negative exchange rate<sup>1</sup> and consolidation scope<sup>2</sup> effects. Its growth was 10.2% on a like-for-like basis, including 12.1% in the first half-year and 8.2% in the second.

1. The currency fluctuations recorded year-to-year reduced Group sales by €18.4 million during the 2016 financial year.

2. The companies that exited the consolidation scope contributed €19.0 million to Group sales during the 2015 financial year and the newly-acquired companies contributed €1.5 million to sales during the 2016 financial year.

The growth seen over the second part of the financial year is all the more remarkable as it demonstrates an acceleration at the end of the period (up 7.1% and +9.5% respectively on a like-for-like basis in the third and fourth quarters), in spite of an increasingly unfavourable base effect as the half-year went on<sup>3</sup>, and followed a particularly dynamic start to the year (up 11.9% and 12.2% respectively on a like-for-like basis in the first and second quarters). Another source of satisfaction was that all activities and geographic regions<sup>4</sup> posted growth for the second consecutive year. The most noteworthy performances were achieved in America,

Central and Eastern Europe, Asia-Pacific and Southern Europe<sup>5</sup> (up 16.8%, 16.0%, +13.8% and 10.9% respectively on a like-for-like basis). They illustrate the vitality of the new territories, as seen in Poland, the Czech Republic, China, India, Turkey and the countries of the Levant, and they also testify to the recovery of historical markets such as the United States, Italy and the Iberian Peninsula. Growth was lower, yet nonetheless very positive in Germany and France (up 7.2% and 6.9% respectively on a like-for-like basis over the financial year), as well as in Northern Europe (up 5.2% on a like-for-like basis), in spite of the decline in the United Kingdom.



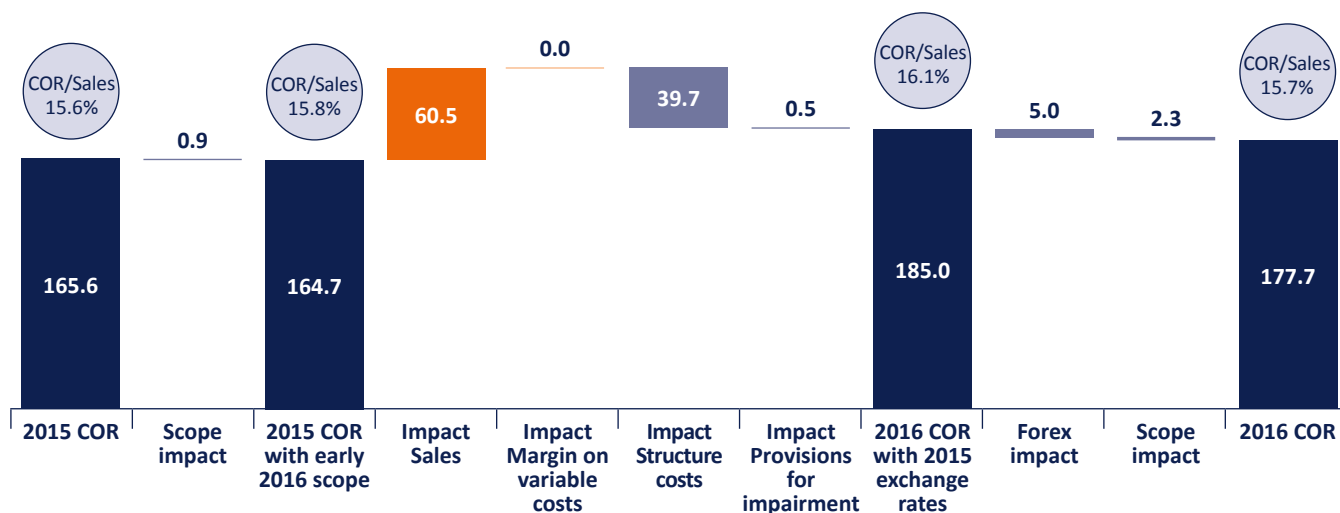
3. Group sales grew by 0.8%, 4.7%, 8.2% and 9.3% respectively on a like-for-like basis over the first, second, third and fourth quarters of the 2015 financial year.

4. Germany, America, Asia-Pacific, Central and Eastern Europe, Northern Europe, Southern Europe and France are all considered as autonomous geographic regions in the sales breakdown, due to their respective scopes and weightings.

5. Africa and the Middle East are included in Southern Europe.

## GROWTH IN CURRENT OPERATING RESULT

Consolidated data (€ millions)	2015	2016	Change 15/16
Current operating result	165.6	177.7	+ 7.3%
Current operating margin (COR/sales) <sup>6</sup>	15.6%	15.7%	+ 0.1 bp



The Group's current operating result was €177.7 million for the financial year, representing 15.7% of sales and growth of 7.3% in real terms. Growth was impacted by exchange rate fluctuations as well as by higher structure costs, due to increased strategic investments (research and development, digital transformation, sales forces and brand).

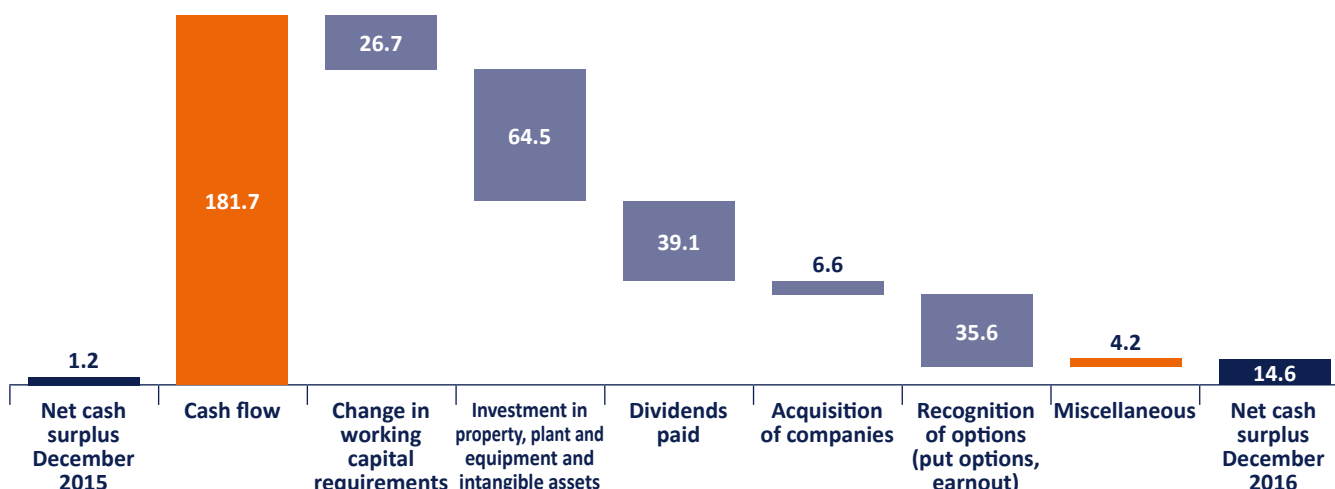
## GROWTH IN NET PROFIT

Consolidated net profit totalled €143.4 million. Restated for exceptional items, which were particularly high the previous year due to changes in scope and adjustments made to provisions<sup>7</sup>, growth was 12.7%.

6. Current operating margin, which corresponds to current operating result as a proportion of sales (COR/Sales), is an interesting performance indicator as it reflects operating profitability.

7. The capital gains resulting from the exits from the share capital of CIAT and Faac (€39.8 million) and tax income (€4.5 million) increased the financial statements for the 2015 financial year, while the provisions for writedown on the interests in Garen Automação and Giga (€6.7 million) decreased them. Net profit adjusted for non-recurring items was €127.2 million in 2015.

## NET FINANCIAL DEBT



Cash flow was €181.7 million for the financial year and covered the increase in working capital requirements, the rise in investments, the distribution of dividends and acquisitions over the financial year<sup>8</sup>.

The financial position remained very healthy, with a net cash surplus<sup>9</sup> of €14.6 million at the end of December, compared with €1.2 million at the start of the year.

## OUTLOOK

The 2017 financial year should see a slowdown in sales growth, given the high level of the comparison base and persisting economic and political uncertainties in several countries, and by a relative stability in current operating margin, taking into account the integration of newly-acquired companies and the decision to ramp up the investment policy.

The year will also be marked by the roll-out of the strategic plan, *Believe* and *ACT*. The aim of this plan is to position the Group as a key player in the connected home, with an increased contribution to comfort, security and energy saving, and enabling it to fully capitalise on the great potential of the market, driven by digitalisation, the increasing motorisation of interior products and improvements in the energy performance of buildings.

## 2016 HIGHLIGHTS

### GIGA

At the end of 2015, **Somfy SA** decided to sell the shares held in **Giga** back to the Gouvéa family.

At 31 December 2015, the financial statements of the Giga entity were treated in accordance with IFRS 5. Balance sheet items were classified as assets and liabilities held for sale and income statement and cash flow statement items were not restated. In addition, a provision for writedown was recognised to cover the estimated risk.

An agreement was signed on 30 May 2016, providing for the sale of the shares for a token price and the disposal of all loans granted by the Group to Giga of €4.6 million for €1.2 million. Given the writedown recognised in 2015, the disposal had a €0.3 million positive impact on net profit for the year to 31 December 2016.

### ACQUISITION OF MYFOX

On 27 October 2016, **Somfy SA** acquired the entire share capital of **Myfox**, the Toulouse-based specialist in the design, development and marketing of connected home security solutions (alarm systems,

security cameras and related services), from the company's founding family and investors.

Myfox addresses a customer base of specialist superstores (Leroy Merlin, Fnac, Castorama, etc.), professionals and individuals (online shopping sites).

The transaction marks an important stage as the Somfy Group takes its digital strategy to the next level and consolidates its positioning as a key player in the connected home market.

The financial flows resulting from the acquisition are detailed as follows:

- Acquisition on 27 October 2016 of all Myfox SAS shares for a token price of €1,
- Concurrent increase of €8 million in the share capital of Myfox SAS,
- Recognition of earnout totalling €20.1 million (payable in 2018 and 2021) calculated on performance parameters (sales, EBITDA and net debt).

Myfox has been fully consolidated since the acquisition date (October 2016) and contributed sales of €1.3 million and a current operating loss of €1.1 million. Provisional goodwill is €24.1 million. Purchase price allocation will take place in 2017.

8. The Group acquired the companies iHome and Myfox during the year.

9. The net cash surplus corresponds to the difference between financial assets and financial liabilities. It takes into account both deferrals in payments and earnout on acquisitions as well as liabilities related to put option granted to holders of non-controlling interests.

## ACQUISITION OF IHOME

On 2 December, 2016, Somfy Group acquired 51% of the share capital of **iHome Systems** for €1.9 million. This holding company is based in Hong Kong and also owns three subsidiaries established in Thailand, Malaysia and Singapore.

iHome Group is an integrator of residential automation solutions for luxury condominiums and villas: lighting, curtains, access controls, air conditioning, sound systems, home cinemas, etc.

The transaction includes mutual put and call options which will allow the Group to acquire an additional stake of 29% in 2021 and the balance of 20% in 2026. A debt relating to these put options has been recognised for €1.9 million in Group reserves.

Entities of iHome Group have been fully consolidated since the acquisition date (December 2016). Provisional goodwill is €1.5 million. Purchase price allocation will take place in 2017.

## OTHER CHANGES IN GROUP STRUCTURE

Apart from the transactions discussed above, the Group made no major acquisition during the 2016 financial year.

## CONTINGENT LIABILITIES

The dispute between **Spirel** employees and **Somfy SA** is ongoing before the Albertville District Court. The employees seek annulment of the transfer of the Spirel securities, which took place in 2010, and to have Somfy SA ordered to pay them damages for the alleged deliberate bankruptcy of Spirel and non-material damage caused as a result of the anxiety, disappointment and vexation they deem to have been victim of, for a total of approximately €8.2 million. The submissions of Chappel Industries France and Spirel have been tabled and hearings took place in February 2017. The Court's deliberation is due to take place in April 2017.

During 2016, the liquidator of the company Spirel also sought to have Somfy SA ordered to refund advances of €2.9 million paid by the AGS (Guarantee Fund for the payment of salary claims) in the event the disposal was declared null and void.

Somfy SA continues to dispute the arguments put forward by counsel for the Spirel employees, believes it has complied with its obligations and remains confident of its chances of receiving a favourable ruling.

In addition, in the course of July 2015 the employees also brought Spirel, Chappel Industries France et Somfy SA before the Albertville Labour Court, disputing the grounds for their dismissal and claiming damages of a substantially similar amount to those claimed before the District Court. Due to the absence of submissions and documents provided by the plaintiffs indicating the grounds on which the employees based their demands, the Labour Court ordered the file to be removed in October 2016.

Therefore, the Group continues to qualify these risks as contingent liabilities and no provision was recognised in relation to these disputes at 31 December 2016.

On 5 January 2015, **Somfy SA** transferred its 46.1% equity investment in CIAT Group to **United Technologies Corporation**, realising a consolidated net capital gain of €5.9 million, recognised under "Net profit from operations held for sale or distribution". A deferred settlement of €10.5 million at 31 December 2016, relating to the disposal of the shares is included in Somfy SA's financial statements with payment spread until 2019.

On 31 March 2016, United Technologies Corporation filed a claim against the sellers of the CIAT shares under the liability guarantee for a total of €22 million (Somfy's share being €10 million).

The requests included in the claim are unfounded and insufficiently detailed and justified, leading the Group to send a letter dated 2 May 2016 to UTC, requesting detailed documentation. To date, no reply has been received by the Group.

It remains confident that this dispute will be resolved favourably and as such has qualified the risk as a contingent liability and no provision was recognised at 31 December 2016.

## POST-BALANCE SHEET EVENTS

No significant post-balance sheet event has occurred since 31 December 2016.



## CONSOLIDATED INCOME STATEMENT

€ thousands	Notes	31/12/16	31/12/15
Sales	(4.1.1)	1,131,739	1,061,149
Other operating income	(4.1.2)	18,219	14,141
Cost of sales		– 410,100	– 381,075
Employee expenses		– 333,783	– 313,290
External expenses		– 189,259	– 175,956
<b>EBITDA</b>		<b>216,816</b>	<b>204,971</b>
Amortisation and depreciation charges	(5.2) & (5.3)	– 39,465	– 38,888
Charges to/reversal of current provisions		978	– 373
Gains and losses on disposal of non-current operating assets		– 587	– 107
<b>CURRENT OPERATING RESULT</b>		<b>177,743</b>	<b>165,602</b>
Other operating income and expenses	(4.2)	– 218	118
Impairment of goodwill	(5.1)	–	–
<b>OPERATING RESULT</b>		<b>177,525</b>	<b>165,720</b>
– Financial income from investments		1,980	1,347
– Financial expenses related to borrowings		– 2,825	– 4,354
Cost of net financial debt		– 845	– 3,007
Other financial income and expenses		– 1,272	14,476
<b>NET FINANCIAL INCOME/(EXPENSE)</b>	<b>(7.1)</b>	<b>– 2,117</b>	<b>11,469</b>
<b>PROFIT BEFORE TAX</b>		<b>175,408</b>	<b>177,189</b>
Income tax	(11.1)	– 31,286	– 18,442
Share of net profit/(loss) from associates	(13.1)	– 684	101
<b>NET PROFIT FROM CONTINUING OPERATIONS</b>		<b>143,437</b>	<b>158,848</b>
<b>NET PROFIT FROM OPERATIONS HELD FOR SALE OR DISTRIBUTION</b>	<b>(2.4)</b>	<b>–</b>	<b>5,946</b>
<b>CONSOLIDATED NET PROFIT</b>		<b>143,437</b>	<b>164,794</b>
Attributable to Group share		141,097	163,669
Attributable to Non-controlling interests		2,341	1,126
<b>Basic earnings per share (€)</b>	<b>(6.2)</b>	<b>20.55</b>	<b>23.84</b>
<b>Diluted earnings per share (€)</b>	<b>(6.2)</b>	<b>20.54</b>	<b>23.81</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

€ thousands	31/12/16	31/12/15
Net profit for the period	143,437	164,794
Movement in gains and losses on translation of foreign currency	– 4,993	5,305
Movement in fair value of assets available for sale	–	– 17,370
Movement in fair value of foreign currency hedges	– 630	471
Movement in tax on items that may be reclassified to profit or loss	216	5,536
<b>Items that may be reclassified to profit or loss</b>	<b>– 5,407</b>	<b>– 6,058</b>
Movement in actuarial gains and losses	– 2,478	– 1,890
Movement in tax on items that will not be reclassified to profit or loss	1,075	713
<b>Items that will not be reclassified to profit or loss</b>	<b>– 1,403</b>	<b>– 1,177</b>
<b>Items of other comprehensive income directly recognised in equity</b>	<b>– 6,810</b>	<b>– 7,235</b>
<b>Total comprehensive income for the period</b>	<b>136,627</b>	<b>157,559</b>
Attributable to Group share	134,287	156,434
Attributable to Non-controlling interests	2,341	1,126

**CONSOLIDATED BALANCE SHEET – ASSETS**

€ thousands	Notes	31/12/16 Net	31/12/15 Net
<b>Non-current assets</b>			
Goodwill	(5.1)	205,568	182,269
Net intangible assets	(5.2)	44,515	43,492
Net property, plant and equipment	(5.3.1)	254,557	231,230
Investments in associates	(13.1)	1,880	2,258
Financial assets	(7.2.1)	2,588	2,354
Other receivables	(4.6.2)	3,885	18,119
Deferred tax assets	(11.3)	44,118	38,505
Employee benefits	(10.2.1)	–	38
<b>Total Non-current assets</b>		<b>557,111</b>	<b>518,266</b>
<b>Current assets</b>			
Inventories	(4.4)	169,744	154,091
Trade receivables	(4.5)	162,433	142,538
Other receivables	(4.6.1)	39,923	27,892
Current tax assets	(11.1)	21,494	17,404
Financial assets	(7.2.1)	747	820
Derivative instruments - assets	(7.2.4)	4	226
Cash and cash equivalents	(7.2.5)	133,847	103,787
<b>Total Current assets</b>		<b>528,192</b>	<b>446,758</b>
<b>Assets held for sale or distribution</b>	<b>(2.4)</b>	<b>–</b>	<b>2,732</b>
<b>TOTAL ASSETS</b>		<b>1,085,303</b>	<b>967,755</b>

**CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES**

€ thousands	Notes	31/12/16	31/12/15
<b>Shareholders' equity</b>			
Share capital		7,400	7,400
Share premium		1,866	1,866
Other reserves		507,297	404,725
Net profit for the period		141,097	163,669
<b>Group share</b>		<b>657,660</b>	<b>577,659</b>
Non-controlling interests		252	262
<b>Total Shareholders' equity</b>		<b>657,911</b>	<b>577,921</b>
<b>Non-current liabilities</b>			
Non-current provisions	(9.1.1)	13,180	13,236
Other financial liabilities	(7.2.2)	36,348	14,723
Other liabilities	(4.7.2)	1,543	1,715
Employee benefits	(10.2.1)	26,802	21,983
Deferred tax liabilities	(11.3)	37,004	36,860
<b>Total Non-current liabilities</b>		<b>114,876</b>	<b>88,518</b>
<b>Current liabilities</b>			
Current provisions	(9.1.2)	8,581	8,580
Other financial liabilities	(7.2.2)	83,235	88,529
Trade payables		115,023	106,608
Other liabilities	(4.7.1)	95,740	90,883
Tax liabilities	(11.1)	9,557	4,913
Derivative instruments – liabilities	(7.2.4)	379	–
<b>Total Current liabilities</b>		<b>312,516</b>	<b>299,512</b>
<b>Liabilities linked to assets held for sale or distribution</b>	<b>(2.4)</b>	<b>–</b>	<b>1,804</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,085,303</b>	<b>967,755</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousands	Share capital <sup>10</sup>	Share premium	Treasury shares	Changes in foreign exchange rates	Consolidated reserves	Total shareholders' equity	Non-controlling interests	Total equity (Group share)
<b>At 31 December 2014</b>	<b>7,837</b>	<b>1,866</b>	<b>- 72,013</b>	<b>9,210</b>	<b>623,938</b>	<b>570,839</b>	<b>210</b>	<b>570,629</b>
Total comprehensive income for the period	–	–	–	5,305	151,120	156,425	– 8	156,434
Treasury share transactions <sup>11</sup>	– 437	–	– 27,262	–	– 87,506	– 115,205	–	– 115,205
Dividends	–	–	–	–	– 35,694	– 35,694	–	– 35,694
Other movements <sup>12</sup>	–	–	–	–	1,556	1,556	60	1,496
<b>At 31 December 2015</b>	<b>7,400</b>	<b>1,866</b>	<b>- 99,275</b>	<b>14,515</b>	<b>653,415</b>	<b>577,921</b>	<b>262</b>	<b>577,659</b>
Total comprehensive income for the period	–	–	–	– 4,993	139,291	134,298	11	134,287
Treasury share transactions	–	–	221	–	– 85	136	–	136
Dividends	–	–	–	–	– 39,126	– 39,126	–	– 39,126
Other movements <sup>12</sup>	–	–	–	–	– 15,318	– 15,318	– 21	– 15,297
<b>At 31 December 2016</b>	<b>7,400</b>	<b>1,866</b>	<b>- 99,054</b>	<b>9,522</b>	<b>738,177</b>	<b>657,911</b>	<b>252</b>	<b>657,660</b>

The difference in the net profit with the comprehensive income corresponds to the reclassification of the share of minority interests subject to the put option to “Shareholders’ equity – Group share”, pursuant to IAS 32, representing a negative €2.3 million at 31 December 2016 and a negative €1.1 million at 31 December 2015.

10. Share capital comprises 7,400,000 shares with a par value of €1 each. No changes occurred during the 2016 financial year.

11. Cancellation of the 571,400 shares received as part of the Faac transaction.

12. Other movements comprise changes to the consolidation scope and foreign exchange gains and losses on equity transactions, as well as the subsequent fair values of liabilities corresponding to put options granted to holders of non-controlling interests. The flow for the financial year mainly corresponds to the change in the fair value of the Dooya put option, iHome put options, Myfox earnouts and the reclassification of the Giga put option through consolidated reserves.

## CONSOLIDATED CASH FLOW STATEMENT

€ thousands	Notes	31/12/16	31/12/15
<b>Consolidated net profit</b>		<b>143,437</b>	<b>164,794</b>
Net profit from operations held for sale or distribution		–	– 5,946
<b>Net profit from continuing operations</b>		<b>143,437</b>	<b>158,848</b>
Depreciation and amortisation of assets (excluding current assets)		43,553	50,487
Charges to/reversals of provisions for liabilities		– 203	– 843
Unrealised gains and losses related to fair value movements		263	– 11
Unrealised foreign exchange gains and losses		– 5,877	6,033
Income and expenses related to stock options and employee benefits		3,631	3,687
<b>Depreciation, amortisation, provisions and other non-cash items</b>		<b>41,368</b>	<b>59,353</b>
Profit on disposal of assets and others		1,523	– 35,674
Share of net profit/(loss) from associates		37	– 101
Deferred tax expense		– 4,673	– 10,795
<b>Cash flow</b>		<b>181,693</b>	<b>171,632</b>
Cost of net financial debt (excluding non-cash items)		845	3,007
Tax expense (excluding deferred tax)		35,956	29,154
Change in working capital requirements	(8.3)	– 27,344	231
Tax paid		– 35,350	– 37,687
<b>NET CASH FLOW FROM OPERATING ACTIVITIES (A)</b>		<b>155,799</b>	<b>166,335</b>
Acquisition-related disbursements:			
– intangible assets and property, plant and equipment	(8.2)	– 65,579	– 49,496
– non-current financial assets		– 591	– 118
Disposal-related proceeds:			
– intangible assets and property, plant and equipment	(8.2)	1,053	2,282
– non-current financial assets		4,400	150,754
Change in current financial assets		1,556	304
Acquisition of companies, net of cash acquired	(8.4)	– 4,629	– 2,291
Disposal of companies, net of cash disposed	(8.4)	1,205	–
Dividends paid by non-consolidated companies		1	1
Interest received		222	397
<b>NET CASH FLOW FROM INVESTING ACTIVITIES (B)</b>		<b>– 62,362</b>	<b>101,833</b>
Increase in loans		–	2,255
Reimbursement of loans		– 23,783	– 200,400
Net increase in shareholders' equity of subsidiaries		5	27
Dividends and interim dividends paid		– 39,126	– 35,694
Movement in treasury shares		– 49	– 115,618
Interest paid		– 2,840	– 4,622
<b>NET CASH FLOW FROM FINANCING AND CAPITAL ACTIVITIES (C)</b>		<b>– 65,793</b>	<b>– 354,053</b>
Net cash flow from operations held for sale or distribution (D)	(2.4)	–	82,836
Impact of changes in foreign exchange rates on cash and cash equivalents (E)		– 667	2,145
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS (A + B + C + D + E)</b>		<b>26,976</b>	<b>– 903</b>
<b>CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD</b>	<b>(8.1)</b>	<b>99,272</b>	<b>100,175</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>(8.1)</b>	<b>126,249</b>	<b>99,272</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**Somfy SA** is a company governed by a Management Board and a Supervisory Board, listed on the Eurolist of Euronext Paris (Compartment A, ISIN code: FR 0000120495). Somfy Group is specialised in opening and closing automation and controls for both residential and commercial buildings (motors for blinds, shutters, curtains, screens, doors, gates, etc.). The head office is based in Cluses, Haute-Savoie, France.

Somfy SA is a 52.65%-subsidiary of the French company J.P.J.S.

On 7 March 2017, the Management Board approved the IFRS consolidated financial statements of the **Somfy Group** for the 12-month financial year ended 31 December 2016. Total assets were €1,085,303 thousand and consolidated net profit €143,437 thousand (Group share: €141,097 thousand).

All accounting rules and methods are included in the various Notes which are grouped by theme and highlighted in colour for greater readability and relevance.

### NOTE 1 – ACCOUNTING PRINCIPLES

#### NOTE 1.1: CONSOLIDATED FINANCIAL STATEMENTS – BASIS FOR PREPARATION

The consolidated financial statements are presented in thousands of Euros. 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 homogeneous accounting methods.

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

#### NOTE 1.2: 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 2016 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.

#### NOTE 1.3: JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires Management to make a number of judgments, estimates and assumptions liable to affect the values of certain assets, liabilities, and income and expense items in the financial statements, and certain information provided in the notes to the financial statements. Due to the inherently uncertain nature of the assumptions, actual results may differ from estimates. The Group reviews its estimates and assessments on a regular basis to take past experience into account and incorporate factors considered relevant under current economic conditions.

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 5.1 to the consolidated financial statements),
- Retirement commitments, whose measurement is based on a number of actuarial assumptions (Note 10.2.1 to the consolidated financial statements),
- Provisions (Note 9.1 to the consolidated financial statements),
- The measurement of options associated with stock option plans and free share allocations granted to employees (Note 10.3 to the consolidated financial statements).

As part of the preparation of these annual consolidated financial statements, the main judgments made and the main assumptions used by Management have been updated based on the latest indicators available.

At 31 December, Somfy Group reviews its performance indicators and, if necessary, carries out impairment tests if there is any indication that an asset may have been impaired.

#### NOTE 1.4: NEW APPLICABLE STANDARDS AND INTERPRETATIONS

##### Note 1.4.1: Standards, amendments and interpretations whose application is mandatory for financial years beginning on or after 1 January 2016

The Group has applied the following standards, amendments and interpretations as of 1 January 2016 at the latest:

Standards	Content	Application date
Annual improvements to IFRS	2010-2012 cycle 2012-2014 cycle	Applicable from 1 January 2016
Amendments to IAS 16 and IAS 38	Clarification on acceptable methods of depreciation and amortisation	Applicable from 1 January 2016
Amendment to IAS 1	Presentation of financial statements: disclosure initiative	Applicable from 1 January 2016
Amendments to IFRS 11	Acquisition of an interest in a joint operation	Applicable from 1 January 2016

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

**Note 1.4.2: Standards, amendments and interpretations whose application is not yet mandatory**

Standards	Content	Application date
IFRS 9	Financial instruments: classification and measurement and subsequent amendments to IFRS 9 and IFRS 7	Applicable from 1 January 2018
IFRS 15	Revenue recognition	Applicable from 1 January 2018
Amendments to IFRS 2	Classification and measurement of share-based payment transactions	Applicable from 1 January 2018 according to the IASB, not yet approved by the EU
Annual improvements to IFRS	2014-2016 cycle	Applicable from 1 January 2017 or 2018
Amendments to IFRS 15	Clarification of IFRS 15	Applicable from 1 January 2018 according to the IASB, not yet approved by the EU
IFRS 16	Leases	Applicable from 1 January 2019 according to the IASB, not yet approved by the EU
Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses	Applicable from 1 January 2017 according to the IASB, not yet approved by the EU
Amendments to IAS 7	Disclosure initiative	Applicable from 1 January 2017 according to the IASB, not yet approved by the EU
IFRIC 22	Foreign currency transactions and advance consideration	Applicable from 1 January 2018 according to the IASB, not yet approved by the EU

The Group did not opt for the early application of any of these new standards or amendments and is currently assessing the impact resulting from their initial application.

Detailed information is available on the following website: <http://www.ifrs.org>

IFRS 15 sets out the principles for revenue recognition based on a five-step model framework:

- identify the contract,
- identify the various performance obligations, i.e. list the goods or services the seller is committed to supply to the purchaser,
- determine the total price of the contract,
- allocate the total price to each performance obligation,
- recognise revenue and ancillary costs when a performance obligation is satisfied.

Application of this new approach, based on ongoing analyses, did not have any material impact on Somfy Group's financial statements.

Analysis of the impact of IFRS 16 "Leases" is ongoing within Somfy Group.

For information, the amount of commitments due to be paid at 31 December 2016 is specified in Note 12.1.

The restatement of lease contracts will lead to an increase in operating result, financial expenses, non-current assets and financial liabilities.

It is not expected to have any material impact on shareholders' equity and net profit based on ongoing reviews.

Likewise, the changes introduced by IFRS 9 should only have a limited impact on the presentation of the financial statements.

**NOTE 2 – CONSOLIDATION SCOPE****NOTE 2.1: CONSOLIDATION METHOD****EXCLUSIVE CONTROL**

Companies are fully consolidated when they are controlled by the Group. 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. 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 recognised using the equity method. Acquisition expenses are recorded in the cost of acquisition of the shares.

The consolidation scope is presented in Note 15 to the consolidated financial statements.

**NOTE 2.2: FOREIGN EXCHANGE TRANSLATION**

The consolidated financial statements at 31 December 2016 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 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 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;
- The resulting translation adjustments are recognised in items of other comprehensive income with a corresponding entry in the translation reserve under shareholders' equity.

Unrealised exchange differences relating to monetary values that are an integral part of the net investment in foreign subsidiaries are recorded in translation reserve 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.

### NOTE 2.3: 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 (purchase price) measured at fair value of the assets received.

At the date of the 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 profit.

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 12 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, earnout payments are included in the acquisition cost 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 earnout payments are recognised directly in the income statement, unless the earnout payments are offset against an equity instrument.

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

### NOTE 2.4: NON-CURRENT ASSETS (OR GROUPS THEREOF) HELD FOR SALE OR DISTRIBUTION AND DISCONTINUED OPERATIONS

#### ASSETS HELD FOR SALE

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

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

Prior to their reclassification as “Assets held for sale”, the non-current asset or assets and liabilities of the disposal group are measured in accordance with their respective applicable standards. Following their reclassification as “Assets held for sale”, the non-current asset or group of assets is measured at the lower of its net book value and its fair value less costs to sell, an impairment loss being recognised where relevant.

On reclassification of a non-current asset as held for sale, the depreciation/amortisation of this asset ceases. In the case of a disposal resulting in a loss of control, the assets and liabilities of the entire subsidiary are classified as assets and liabilities “held for sale” in the “Assets held for sale” and “Liabilities linked to assets held for sale” balance sheet items, as soon as the disposal meets the classification criteria of IFRS 5.

Pursuant to the application of IFRS 5:

- In the case of balance sheet items reclassified as assets and liabilities held for sale, no adjustments are made to comparative figures for prior periods;
- Income statement and cash flow statement items relating to the individual assets held for sale are not restated.

**DISCONTINUED OPERATIONS**

A discontinued operation is a component of Group activities whose business and cash flows are clearly separate from the remainder of the Group and:

- represents either a separate major line of business or a geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation takes place at the time of sale or earlier if the activity meets the criteria for classification as held for sale.

When an activity is classified as a discontinued operation, the comparative statement of comprehensive income is restated as if the entity had met the criteria for classification as a discontinued operation from the start of the comparative period.

It should be noted that during the 2015 financial year, the Group finalised the disposal transaction of **CIAT Group**, returned the usufruct of the share capital of **Garen Automação** and took the decision to sell **Giga**.

These events have been treated in 2015 in accordance with IFRS 5 in the financial statements:

- Balance sheet items were classified as assets and liabilities held for sale or distribution without restatement of the comparative year;
- Income statement and cash flow items related to these operations held for sale or distributed were presented separately in the financial statements for all reported periods (demerger transaction);
- Income statement and cash flow statement items relating to the individual assets held for sale were not restated (Giga and Garen Automação).

At 31 December 2015, net profit of “operations held for sale” related solely to the disposal of CIAT (€5.9 million) and “net cash flow of operations sold” related to the demerger of the Group’s two operating divisions, representing an outflow of €18.6 million, the disposal of CIAT (an inflow of €103.1 million) and the negative closing balance of cash and cash equivalents of the entities Garen Automação and Giga of €1.7 million.

At 31 December 2015, “Assets and liabilities of operations held for sale” related solely to the entity Giga (net assets of €0.9 million).

On 30 May 2016, the Group sold Giga’s shares for a token price and disposed of all loans granted by the Group to Giga of €4.6 million for €1.2 million. Given the writedown recognised in 2015, the disposal had a €0.3 million positive impact in net financial expense for the year to 31 December 2016.

**NOTE 3 – SEGMENT REPORTING**

In accordance with the provisions of IFRS 8 – Operating Segments, the information for each segment set out below is based on the internal reporting process used by General Management to assess performance and allocate resources to the various segments. General Management is the chief operating decision-maker within the meaning of IFRS 8.

Somfy includes entities the business of which comes under the “Home & Building”, “Access” and “Connected Solutions” applications and is structured in two geographic regions.

The geographic location of assets is used as sole segment reporting criterion. Management makes its decisions based on this strategic focus using reporting by geographic region as its key analysis tool.

The two geographic regions are:

- Europe, Middle East & Africa (EMEA),
- Asia & Americas (A&A).

**AT 31 DECEMBER 2016**

€ thousands	Europe, Middle East & Africa	Asia & Americas	Intra-regional eliminations	Consolidated
Segment sales	879,693	334,011	– 81,965	1,131,739
Intra-segment sales	– 54,123	– 27,842	81,965	–
Segment sales – Contribution to sales	825,570	306,169	–	1,131,739
Segment current operating result	149,179	28,564	–	177,743
Share of net profit/(loss) from associates	– 2	– 683	–	– 684
Cash flow	155,364	26,329	–	181,693
Net investments in intangible assets and PPE	50,326	14,199	–	64,525
Goodwill	109,909	95,659	–	205,568
Net intangible assets and PPE	236,260	62,812	–	299,072
Investments in associates	722	1,158	–	1,880

## AT 31 DECEMBER 2015

€ thousands	Europe, Middle East & Africa	Asia & Americas	Intra-regional eliminations	Consolidated
Segment sales	811,467	319,051	– 69,369	1,061,149
Intra-segment sales	– 44,986	– 24,382	69,369	–
Segment sales – Contribution to sales	766,481	294,668	–	1,061,149
Segment current operating result	142,468	23,134	–	165,602
Net profit/(loss) from operations sold or held for sale (IFRS 5)	5,946	–	–	5,946
Share of net profit/(loss) from associates	–	101	–	101
Cash flow	154,096	17,535	–	171,632
Net investments in intangible assets and PPE	39,051	8,163	–	47,214
Goodwill	86,532	95,738	–	182,269
Net intangible assets and PPE	214,847	59,876	–	274,722
Investments in associates	723	1,535	–	2,258
Net assets held for sale (IFRS 5)	–	928	–	928

## NOTE 4 – PERFORMANCE-RELATED DATA

## NOTE 4.1: SALES

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..

## Note 4.1.1: Sales by customer location

This presentation by customer location was supplemented by our segment reporting pursuant to IFRS 8, which is based on the geographic regions in which our assets are based, namely Europe, Middle East & Africa (EMEA) and Asia & Americas (A&A).

€ thousands	31/12/16	31/12/15	Change N/N-1	Change N/N-1 change like-for-like
France	272,611	254,060	7.3%	6.9%
Germany	176,430	165,153	6.8%	7.2%
Northern Europe	105,689	103,865	1.8%	5.2%
Central and Eastern Europe	118,635	104,756	13.2%	16.0%
Southern Europe, Middle East and Africa	207,226	190,160	9.0%	10.9%
Asia-Pacific	127,763	115,176	10.9%	13.8%
Americas	123,384	127,979	– 3.6%	16.8%
<b>TOTAL SALES</b>	<b>1,131,739</b>	<b>1,061,149</b>	<b>6.7%</b>	<b>10.2%</b>

For further information, please refer to the “Key figures” section.

**Note 4.1.2: Other operating income**

€ thousands	31/12/16	31/12/15
Capitalised production	6,772	4,420
Provision of services	3,705	3,316
Other income	7,741	6,405
<b>OTHER OPERATING INCOME</b>	<b>18,219</b>	<b>14,141</b>

Capitalised production comprises certain development expenses borne during the year.

Other income include accrued insurance income and tax credits.

**NOTE 4.2: OTHER OPERATING INCOME AND EXPENSES**

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.

€ thousands	31/12/16	31/12/15
Charge to/reversal of non-current provisions	–	635
Other non-current items	– 214	– 498
– Non-current income	153	544
– Non-current expenses	– 367	– 1,042
Net gain/(loss) on disposal of non-current assets	– 3	– 19
<b>OTHER OPERATING INCOME AND EXPENSES</b>	<b>– 218</b>	<b>118</b>

**NOTE 4.3: ALTERNATIVE PERFORMANCE MEASURES**

Current operating margin, which corresponds to current operating result as a proportion of sales (COR/Sales), is an interesting performance indicator as it reflects operating profitability.

ROCE corresponds to the return on capital invested (or employed) after tax, equating to the ratio, expressed as a percentage, between the Current Operating Result after tax applied at a normative rate and the capital invested (or employed). Capital invested corresponds to the sum of shareholders' equity (with the effects of goodwill impairment being neutralised) and the net financial debt.

€ thousands	31/12/16	31/12/15
Current operating result	177,743	165,602
Sales	1,131,739	1,061,149
<b>CURRENT OPERATING MARGIN</b>	<b>15.7%</b>	<b>15.6%</b>

€ thousands	Notes	31/12/16	31/12/15
Current operating result		177,743	165,602
Restated effective tax rate	(11.1)	17.84%	18.40%
<b>Current operating result after tax effect</b>		<b>146,034</b>	<b>135,132</b>
Shareholders' equity		657,911	577,921
Neutralisation of goodwill impairment	(5.1.2)	35,946	36,234
Restated shareholders' equity		693,857	614,155
Net financial debt	(7.2.3)	– 14,562	– 1,186
<b>Capital invested (capital employed)</b>		<b>679,295</b>	<b>612,969</b>
<b>ROCE (RETURN ON CAPITAL EMPLOYED)</b>		<b>21.5%</b>	<b>22.0%</b>



**NOTE 4.4: INVENTORIES**

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.

€ thousands	31/12/16	31/12/15
<b>Gross value</b>		
Raw materials and other supplies	56,059	52,900
Finished goods and merchandise	125,143	111,903
<b>Total</b>	<b>181,202</b>	<b>164,803</b>
<b>Provisions</b>	<b>– 11,458</b>	<b>– 10,712</b>
<b>NET VALUES</b>	<b>169,744</b>	<b>154,091</b>

€ thousands	Value 31/12/15	Net charges	Exchange rate movement	Change in scope	Value 31/12/16
Inventory provisions	– 10,712	– 98	– 24	– 624	– 11,458

**NOTE 4.5: TRADE RECEIVABLES**

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

€ thousands	31/12/16	31/12/15
Gross value	178,360	158,093
Provision	– 15,926	– 15,555
<b>NET VALUE</b>	<b>162,433</b>	<b>142,538</b>

€ thousands	Value 31/12/15	Charges	Reversals used	Reversals unused	Exchange rate movement	Change in scope	Other movements	Value 31/12/16
Provisions for bad debts	– 15,555	– 2,251	1,055	930	129	– 232	– 1	– 15,926

At 31 December 2016, 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	128,298	29,123	5,456	2,308	13,175	178,360

Credit insurance contracts, both in France and internationally, mitigate the consequences of customer default. Approximately 75% of Group sales have been declared.

**NOTE 4.6: OTHER CURRENT AND NON-CURRENT RECEIVABLES****Note 4.6.1: Other current receivables**

€ thousands	31/12/16	31/12/15
<b>Gross value</b>		
Receivables from employees	3,545	1,364
Other taxes (including VAT)	11,830	10,807
Prepaid expenses	6,333	7,266
Other receivables	18,215	8,455
<b>TOTAL</b>	<b>39,923</b>	<b>27,892</b>

The item "Other receivables" notably includes current receivables of €15.4 million at 31 December 2016 and €5.6 million at 31 December 2015 on the disposal of CIAT and the Faac transaction.

**Note 4.6.2: Other non-current receivables**

€ thousands	31/12/16	31/12/15
<b>Gross value</b>		
Other operating receivables	15	84
Other non-operating receivables	3,870	18,035
<b>TOTAL</b>	<b>3,885</b>	<b>18,119</b>

The item "Other non-operating receivables" notably includes non-current receivables of €3.9 million at 31 December 2016 and €18.0 million at 31 December 2015 on the disposal of CIAT and the Faac transaction.

**NOTE 4.7: OTHER CURRENT AND NON-CURRENT LIABILITIES**

Trade and other payables are recognised at their nominal value.

**Note 4.7.1: Other current liabilities**

€ thousands	31/12/16	31/12/15
Social liabilities	78,625	74,520
Tax liabilities	8,483	9,333
Deferred income	834	565
Fixed assets suppliers	5,776	4,138
Other	2,021	2,327
<b>TOTAL</b>	<b>95,740</b>	<b>90,883</b>

**Note 4.7.2: Other non-current liabilities**

€ thousands	31/12/16	31/12/15
Other operating liabilities	333	455
Other non-operating liabilities	1,210	1,260
<b>TOTAL</b>	<b>1,543</b>	<b>1,715</b>

**NOTE 5 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS****NOTE 5.1: GOODWILL AND IMPAIRMENT TESTS****Note 5.1.1: Goodwill**

Acquisition goodwill is measured using the method described in Note 2.3.

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 Note 5.1.2). Recognised impairment cannot be reversed.

Acquisition goodwill related to equity-accounted companies is posted to the "Investments in associates" account (see Note 13.1). Impairment recorded on the equity-accounted value may be reversed in the event of a significant recovery in the value of the equity investment.

€ thousands	Value
At 1 January 2015	188,377
Changes in scope of consolidation	– 8,603
Changes in foreign exchange rates	2,495
Charge for impairment	–
<b>AT 31 DECEMBER 2015</b>	<b>182,269</b>
Changes in scope of consolidation	25,686
Changes in foreign exchange rates	– 2,388
Charge for impairment	–
<b>AT 31 DECEMBER 2016</b>	<b>205,568</b>

**Note 5.1.2: 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.

At 31 December 2016, as at every year-end or every time that indications of impairment exist, the Somfy Group 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 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 2016, cash flow discount rates, determined from market data, were 10% for the European CGUs, 12.5% for the Chinese CGUs and 15% for other Asian CGUs.

In 2015, cash flow discount rates, determined from market data, were 10% for the European CGUs and 12.5% for the Chinese CGUs.

#### Breakdown of the goodwill of the main CGUs and details of the main assumptions used for each CGU at 31 December 2016:

€ thousands	Gross value	Impairment	Net value	Discount rate	Rate of growth to infinity
BFT	95,502	– 13,874	81,628	10.0%	2.0%
O&O	6,904	– 6,904	–	–	–
Domis	1,091	–	1,091	10.0%	2.0%
Axis/Somfy SAS	1,153	–	1,153	10.0%	2.0%
Stor'm	505	–	505	10.0%	2.0%
Pujol	5,680	– 5,680	–	–	–
Dooya	93,303	–	93,303	12.5%	2.5%
LianDa	9,488	– 9,488	–	–	–
Myfox	24,147	–	24,147	10.0%	2.0%
iHome	1,539	–	1,539	15.0%	2.5%
Simu	1,862	–	1,862	10.0%	2.0%
Other	339	–	339	10.0%	2.0%
<b>TOTAL FULLY-CONSOLIDATED COMPANIES</b>	<b>241,513</b>	<b>– 35,946</b>	<b>205,568</b>	<b>–</b>	<b>–</b>

Following a review of the value of the goodwill, no impairment charge was recognised during the 2016 financial year. Furthermore, no impairment was necessary in relation to assets with an indefinite 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 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 €3.9 million impairment of Dooya's goodwill.

A two percentage point decrease in the EBITDA to sales ratio of the normative flow used in the calculation of the terminal value would have required an impairment of €2.2 million.

- The total impairment of the BFT goodwill at the end of 2016 was €13.9 million. A one percentage point increase in the discount rate would result in an additional impairment of €0.5 million.

A two and a half percentage point decrease in the EBITDA to sales ratio of the normative flow used in the calculation of the terminal value would have required an additional impairment of €0.7 million.

## NOTE 5.2: OTHER INTANGIBLE ASSETS

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

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:

- **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 “initiation” 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 roll-out of the solution;
- The “implementation” stage, ending in the transfer of the application to support services. This is the software roll-out.

This software is particularly related to the roll-out 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.

- **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 roll-out.

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

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

## 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).

€ thousands	Allocated intangible assets	Devel- opment costs	Patents and brands	Software	Other	In progress and advance payments	Total
Gross value at 1 January 2016	31,961	35,868	8,816	41,703	1,577	2,813	122,737
Acquisitions	–	7	92	1,214	40	8,376	9,729
Disposals	– 3,836	– 463	– 200	– 748	– 1	–	– 5,248
Changes in foreign exchange rates	– 869	–	– 78	– 29	– 4	–	– 979
Changes in scope of consolidation	–	1,880	373	–	659	735	3,647
Other movements	–	1,007	– 1	2,998	20	– 4,005	19
<b>AT 31 DECEMBER 2016</b>	<b>27,256</b>	<b>38,298</b>	<b>9,003</b>	<b>45,138</b>	<b>2,290</b>	<b>7,920</b>	<b>129,905</b>
Accumulated amortisation at 1 January 2016	– 19,378	– 22,216	– 2,700	– 33,771	– 1,181	–	– 79,245
Amortisation charge for the period	– 2,428	– 3,450	– 572	– 2,830	– 74	–	– 9,355
Disposals	3,836	333	173	631	–	–	4,973
Changes in foreign exchange rates	464	–	– 54	17	4	–	430
Changes in scope of consolidation	–	– 1,386	– 229	–	– 560	–	– 2,175
Other movements	–	–	1	– 3	– 17	–	– 19
<b>AT 31 DECEMBER 2016</b>	<b>– 17,506</b>	<b>– 26,718</b>	<b>– 3,381</b>	<b>– 35,956</b>	<b>– 1,828</b>	<b>–</b>	<b>– 85,390</b>
<b>NET VALUE AT 31 DECEMBER 2016</b>	<b>9,750</b>	<b>11,580</b>	<b>5,622</b>	<b>9,182</b>	<b>463</b>	<b>7,920*</b>	<b>44,515</b>

\* Of which development expenses in progress amounting to €6.9 million.

€ thousands	Allocated intangible assets	Devel- opment costs	Patents and brands	Software	Other	In progress and advance payments	Total
Gross value at 1 January 2015	34,801	32,459	7,764	37,945	1,518	4,887	119,375
Acquisitions	–	5	47	2,675	28	4,225	6,980
Disposals	–	– 361	– 17	– 907	– 41	–	– 1,326
Changes in foreign exchange rates	1,223	–	280	63	– 1	–	1,564
Changes in scope of consolidation	–	–	763	– 776	76	–	63
Other movements	–	3,765	2	2,706	– 3	– 6,299	171
Reclassification related to assets held for sale	– 4,063	–	– 22	– 4	–	–	– 4,089
<b>AT 31 DECEMBER 2015</b>	<b>31,961</b>	<b>35,868</b>	<b>8,816</b>	<b>41,703</b>	<b>1,577</b>	<b>2,813</b>	<b>122,737</b>
Accumulated amortisation at 1 January 2015	– 20,336	– 18,921	– 2,353	– 31,709	– 1,136	–	– 74,456
Amortisation charge for the period	– 2,773	– 3,295	– 328	– 3,110	– 88	–	– 9,595
Disposals	–	–	17	898	41	–	956
Changes in foreign exchange rates	– 332	–	– 37	– 52	–	–	– 420
Changes in scope of consolidation	–	–	–	379	–	–	379
Other movements	–	–	2	– 181	2	–	– 177
Reclassification related to assets held for sale	4,063	–	–	4	–	–	4,067
<b>AT 31 DECEMBER 2015</b>	<b>– 19,378</b>	<b>– 22,216</b>	<b>– 2,700</b>	<b>– 33,771</b>	<b>– 1,181</b>	<b>–</b>	<b>– 79,245</b>
<b>NET VALUE AT 31 DECEMBER 2015</b>	<b>12,583</b>	<b>13,652</b>	<b>6,117</b>	<b>7,932</b>	<b>396</b>	<b>2,813*</b>	<b>43,492</b>

\* Of which development expenses in progress amounting to €2.7 million.

Development expenses fulfilling the criteria of IAS 38 are capitalised and deemed as internally-generated intangible assets. At 31 December 2016, the gross value of these assets was €45.2 million, of which €6.9 million was in progress and the net value was €18.5 million. The amount of research and development expenses recognised during the year was €70.3 million (net of capitalised production). There are no contractual commitments to purchase intangible assets. Net intangible assets recognised in the context of business combinations comprised €9.8 million in customer relationships at 31 December 2016 (€12.6 million at 31 December 2015).

**NOTE 5.3: PROPERTY, PLANT AND EQUIPMENT**

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.



**Note 5.3.1: Property, plant and equipment by type**

	Land	Buildings	Plant, machinery and tools	Other	In progress and advance payments	Total
<b>€ thousands</b>						
Gross value at 1 January 2016	21,605	168,560	228,391	61,176	12,366	492,098
Acquisitions	15	1,190	9,874	10,570	35,078	56,727
Disposals	–	– 55	– 9,805	– 3,071	–	– 12,931
Changes in foreign exchange rates	– 160	– 1,415	– 980	88	– 130	– 2,596
Changes in scope of consolidation	–	–	294	599	72	965
Other movements	141	1,957	16,690	686	– 19,496	– 22
<b>AT 31 DECEMBER 2016</b>	<b>21,600</b>	<b>170,238</b>	<b>244,464</b>	<b>70,048</b>	<b>27,890</b>	<b>534,241</b>
Accumulated depreciation at 1 January 2016	– 441	– 67,430	– 150,560	– 42,437	–	– 260,868
Depreciation charge for the period	– 169	– 7,143	– 16,286	– 6,513	–	– 30,111
Disposals	–	29	8,750	2,784	–	11,563
Changes in foreign exchange rates	9	66	317	– 67	–	324
Changes in scope of consolidation	–	–	– 183	– 430	–	– 613
Other movements	–	–	– 35	57	–	22
<b>AT 31 DECEMBER 2016</b>	<b>– 601</b>	<b>– 74,479</b>	<b>– 157,998</b>	<b>– 46,606</b>	<b>–</b>	<b>– 279,684</b>
<b>NET VALUE AT 31 DECEMBER 2016</b>	<b>20,999</b>	<b>95,759</b>	<b>86,466</b>	<b>23,442</b>	<b>27,890</b>	<b>254,557</b>

	Land	Buildings	Plant, machinery and tools	Other	In progress and advance payments	Total
<b>€ thousands</b>						
Gross value at 1 January 2015	22,625	160,782	217,472	56,363	15,354	472,597
Acquisitions	9	7,217	8,478	8,739	15,902	40,346
Disposals	– 174	– 999	– 6,861	– 5,205	–	– 13,240
Changes in foreign exchange rates	5	1,827	1,228	727	150	3,938
Changes in scope of consolidation	– 1,390	– 3,050	– 5,946	– 326	– 155	– 10,867
Other movements	529	2,783	14,461	1,059	– 18,886	– 54
Reclassification related to assets held for sale	–	–	– 441	– 180	–	– 621
<b>AT 31 DECEMBER 2015</b>	<b>21,605</b>	<b>168,560</b>	<b>228,391</b>	<b>61,176</b>	<b>12,366</b>	<b>492,098</b>
Accumulated depreciation at 1 January 2015	– 345	– 61,113	– 141,446	– 41,057	–	– 243,962
Depreciation charge for the period	– 98	– 6,840	– 16,500	– 5,856	–	– 29,294
Disposals	–	595	5,969	4,638	–	11,202
Changes in foreign exchange rates	2	– 278	– 794	– 564	–	– 1,634
Changes in scope of consolidation	–	206	2,119	240	–	2,566
Other movements	–	–	– 25	79	–	54
Reclassification related to assets held for sale	–	–	117	82	–	199
<b>AT 31 DECEMBER 2015</b>	<b>– 441</b>	<b>– 67,430</b>	<b>– 150,560</b>	<b>– 42,437</b>	<b>–</b>	<b>– 260,868</b>
<b>NET VALUE AT 31 DECEMBER 2015</b>	<b>21,164</b>	<b>101,131</b>	<b>77,831</b>	<b>18,739</b>	<b>12,366</b>	<b>231,230</b>

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 5.3.2: Property, plant and equipment under finance 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-cumulative criteria and 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.

	Land	Buildings	Plant, machinery and tools	Total
<b>€ thousands</b>				
Gross value at 1 January 2016	7,979	32,045	218	40,242
Acquisitions	–	–	–	–
Disposals	–	–	– 178	– 178
Changes in foreign exchange rates	–	–	– 2	– 2
Changes in scope of consolidation	–	–	–	–
Other movements	–	–	–	–
<b>AT 31 DECEMBER 2016</b>	<b>7,979</b>	<b>32,045</b>	<b>38</b>	<b>40,062</b>
Accumulated depreciation at 1 January 2016	–	– 11,988	– 159	– 12,147
Depreciation charge for the period	–	– 1,061	– 27	– 1,088
Disposals	–	–	156	156
Changes in foreign exchange rates	–	–	2	2
Changes in scope of consolidation	–	–	–	–
Other movements	–	–	–	–
<b>AT 31 DECEMBER 2016</b>	<b>–</b>	<b>– 13,049</b>	<b>– 28</b>	<b>– 13,077</b>
<b>NET VALUE AT 31 DECEMBER 2016</b>	<b>7,979</b>	<b>18,996</b>	<b>10</b>	<b>26,985</b>

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

€ thousands	Undiscounted 2016 debt	Discounted 2016 debt	€ thousands	Undiscounted 2015 debt	Discounted 2015 debt
1 year or less	2,236	1,930	1 year or less	2,576	2,233
Between 1 and 5 years	4,350	3,486	Between 1 and 5 years	5,968	4,951
5 years or more	2,974	2,598	5 years or more	3,616	3,075
<b>TOTAL</b>	<b>9,560</b>	<b>8,014</b>	<b>TOTAL</b>	<b>12,160</b>	<b>10,259</b>

## NOTE 6 – EQUITY AND EARNINGS PER SHARE

### NOTE 6.1: EQUITY

#### Note 6.1.1: 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 as a reduction of the Group's consolidated shareholders' equity, and vice versa in case of disposal of interests without loss of control.

#### Note 6.1.2: Treasury shares

The Group holds treasury shares for the following purposes:

- To stimulate the secondary market or ensure the liquidity of the Somfy 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 as payment within the framework of potential acquisitions;
- To ensure the coverage of stock option plans and/or free share allocation plans (or similar) granted to employees and/or corporate officers 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 corporate officers of the Group;
- To cover marketable securities giving right to the allocation of company shares, 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 recognised as a decrease in 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.

#### Note 6.1.3: Proposed dividends

	31/12/16	31/12/15
Total number of shares	7,400,000	7,400,000
Treasury shares	532,707	535,880
Par value	€1	€1
Proposed dividends	€6.10	€5.20

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 6.2: 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 allocated 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 securities giving future access to capital.

Basic earnings per share	31/12/16	31/12/15
Net profit - Group share (€ thousands)	141,097	163,669
Total number of shares (1)	7,400,000	7,400,000
Treasury shares* (2)	532,707	535,880
Number of shares used in calculation (1) – (2)	6,867,293	6,864,120
<b>EARNINGS PER SHARE (€)</b>	<b>20.55</b>	<b>23.84</b>

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

Diluted earnings per share	31/12/16	31/12/15
Net profit - Group share (€ thousands)	141,097	163,669
Total number of shares (1)	7,400,000	7,400,000
Treasury shares** (2)	531,002	527,010
Number of shares used in calculation (1) – (2)	6,868,998	6,872,990
<b>DILUTED EARNINGS PER SHARE (€)</b>	<b>20.54</b>	<b>23.81</b>

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

The number of shares comprising the share capital was not modified during the financial year.

## NOTE 7 – FINANCIAL ITEMS

### NOTE 7.1: 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

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

€ thousands	31/12/16	31/12/15
Cost of net financial debt	– 845	– 3,007
– <i>Financial income from investments</i>	1,980	1,347
– <i>Financial expenses related to borrowings</i>	– 2,825	– 4,354
Foreign exchange effect	3,233	– 9,500
Other	– 4,505	23,976
<b>NET FINANCIAL INCOME/(EXPENSE)</b>	<b>– 2,117</b>	<b>11,469</b>

Net financial expense was €2.1 million for the year to 31 December 2016, compared with an income of €11.5 million for the year to 31 December 2015. Restated for non-recurring items (foreign exchange gain of €0.3 million on the exit of Giga and €1.1 million reversal of provision on Garen financial assets), net financial expense to 31 December 2016 was €3.5 million. Likewise, net financial expense to the end of December 2015 was €9.9 million if restated for the cancellation of the Faac shares for a positive €35.7 million (after related costs) and the writedown of the Brazilian financial assets for a negative €14.4 million. The change in restated net financial income/(expense) between the year ended December 2015 and the year ended 31 December 2016 was mainly due to a more favourable exchange rates effect and a lower net financial interest expense due to the reduction in debt.

### NOTE 7.2: FINANCIAL ASSETS AND LIABILITIES

#### Note 7.2.1: Financial assets

Financial assets are classified in the following 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.

Financial assets are initially recognised at historical cost, which corresponds to the fair value of the purchase price, increased by acquisition costs, with the exception of assets measured at fair value by way of the income statement, whose acquisition costs are recognised in the income statement.

#### 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.

#### ASSETS AVAILABLE FOR SALE

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 assets are measured at fair value at the balance sheet date with changes in their fair value recorded in items of other comprehensive income and accumulated in the fair value reserve of shareholders' equity, with the exception of losses in value. Amounts thus accumulated in equity are reclassified to the income statement on the derecognition of the 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

Loans and receivables correspond to deposits and guarantees and other non-current receivables, trade receivables, certain other current receivables and cash and cash equivalents not classified as assets held for trading (term deposits). 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.

€ thousands	Financial assets available for sale	Non-controlling equity investments	Marketable securities	Loans	Other	Current and non-current financial assets	Realisable within 1 year	Non-current financial assets
At 1 January 2016	348	182	166	475	2,351	3,174	820	2,354
Increase	51	3	48	4,429	540	5,020	–	5,020
Decrease	–	–	–	–1,392	–163	–1,556	–1,556	–
Net change in impairment	–65	–65	–	–3,439	64	–3,440	–	–3,440
Changes in foreign exchange rates	–	–	–	2	7	8	–7	15
Changes in scope of consolidation	–	–	–	–	128	128	3	125
Other movements	–	–	–	–	–	–	1,487	–1,487
<b>AT 31 DECEMBER 2016</b>	<b>334</b>	<b>120</b>	<b>214</b>	<b>75</b>	<b>2,926</b>	<b>3,335</b>	<b>747</b>	<b>2,588</b>

Financial assets realisable within one year mainly comprise short-term deposits.  
“Other” essentially includes deposits and guarantees.

#### Note 7.2.2: Financial liabilities

##### 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.

Borrowings and miscellaneous financial debt include the debt relating to the put options granted to the holders of non-controlling interests and to earnouts, which amounted to €81.4 million at 31 December 2016 and €45.8 million at 31 December 2015, as well as to deferred settlements of €5.6 million at 31 December 2016 and to €5.8 million at 31 December 2015. The change is due to the recognition of put options and earnout on acquisitions completed during the financial year (€22.0 million), and the discounting of the put option granted to the minority shareholders in Dooya, which represented €58.7 million at 31 December 2016 compared with €44.8 million at 31 December 2015 and which became exercisable at the end of 2015.

The subsequent fair values of liabilities corresponding to put options granted to holders of non-controlling interests are recognised in equity. Since debt is essentially at a variable rate, the fair value is not significantly different from the book value.

##### Note 7.2.2.1: Analysis by category

€ thousands	Borrowings from credit institutions	Lease commitments	Other borrowings and financial liabilities	Bank overdrafts	Current and non-current financial liabilities	Due within 1 year	Non-current financial liabilities
At 1 January 2016	36,814	10,259	51,664	4,515	103,252	88,529	14,723
New/repayment of borrowings	–21,340	–2,245	–240	2,184	–21,640	–21,421	–219
Impact of the revaluation of put options	–	–	16,143	–	16,143	16,143	–
Changes in foreign exchange rates	–638	–	–2,321	855	–2,105	–2,001	–103
Changes in scope of consolidation	1,550	–	22,341	43	23,934	128	23,806
Other movements	–	–	–	–	–	1,859	–1,859
<b>AT 31 DECEMBER 2016</b>	<b>16,386</b>	<b>8,014</b>	<b>87,586</b>	<b>7,598</b>	<b>119,584</b>	<b>83,235</b>	<b>36,348</b>

**Note 7.2.2.2: Analysis by maturity**

€ thousands	31/12/16	31/12/15
1 year or less	83,235	88,529
Between 1 and 5 years	33,476	11,599
5 years or more	2,872	3,124
<b>TOTAL</b>	<b>119,584</b>	<b>103,252</b>

**Note 7.2.2.3: Analysis by rate**

€ thousands	31/12/16	31/12/15
Variable rate	15,609	33,746
Fixed rate	15,815	17,961
Non-interest bearing	88,159	51,546
<b>TOTAL</b>	<b>119,584</b>	<b>103,252</b>

**Note 7.2.2.4: Analysis by currency**

€ thousands	31/12/16	31/12/15
Euros	37,746	33,986
Other	81,837	69,267
<b>TOTAL</b>	<b>119,584</b>	<b>103,252</b>

**Note 7.2.2.5: Secured liabilities**

The Group had no liabilities secured by collateral at 31 December 2016.

**Note 7.2.2.6: Covenants**

At 31 December 2016, Somfy SA had a total of €126.3 million undrawn medium-term loan facilities (confirmed credit lines) with six banks. 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 2016. Somfy SA also had undrawn overdraft facilities totalling €53 million at 31 December 2016.

**Note 7.2.3: 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, earnout 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, deposits & guarantees and government grants.

€ thousands	31/12/16	31/12/15
Financial liabilities included in net financial debt calculation	119,573	103,242
Financial assets included in net financial debt calculation	288	641
– Marketable securities	214	166
– Loans	74	475
Cash and cash equivalents	133,847	103,787
<b>NET FINANCIAL DEBT</b>	<b>– 14,562</b>	<b>– 1,186</b>

(-) Net financial surplus.

The financial liabilities included in net financial debt include the debt relating to the put options granted to the holders of non-controlling interests and to earnouts, which amounted to €81.4 million at 31 December 2016 and €45.8 million at 31 December 2015, as well as to deferred settlements of €5.6 million at 31 December 2016 and €5.8 million at 31 December 2015. Restated for these items, the net financial surplus was €96 million at 31 December 2016, compared with €47 million at 31 December 2015.

**Note 7.2.4: Derivative financial instruments****DERIVATIVE FINANCIAL INSTRUMENTS**

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 usual criteria (over-the-counter market).

Derivative financial instruments primarily comprise foreign exchange contracts and interest rate swaps.

For derivatives designated as cash flow hedge instruments, the effective portion of fair value movements of the derivatives is recognised in items of other comprehensive income and accumulated in the hedging reserve. Any ineffective portion in the fair value movement of derivatives is immediately recognised through net profit.

The fair value movements in foreign currency and interest rate hedging instruments ineligible for hedge accounting are recognised in net financial income/expense.

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.

**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 pricing elements is not based on observable market prices, the instrument is classified as Level 3.



€ thousands	Amount at 31 December 2016	Loans and receivables (Fair value equal to net book value)	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)
<b>Assets</b>						
Non-current financial assets	2,588	2,254	334	—	—	—
Current financial assets	747	747	—	—	—	—
Current derivative instruments	4	—	—	—	4	—
Cash and cash equivalents	133,847	133,847	—	—	—	—
<b>Liabilities</b>						
Non-current financial liabilities	36,348	13,680	—	—	22,668	—
Current financial liabilities	83,235	24,496	—	—	58,739	—
Current derivative instruments	379	—	—	—	379	—

€ thousands	Amount at 31 December 2015	Loans and receivables (Fair value equal to net book value)	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)
<b>Assets</b>						
Non-current financial assets	2,354	2,006	348	—	—	—
Current financial assets	820	820	—	—	—	—
Current derivative instruments	226	—	—	—	226	—
Cash and cash equivalents	103,787	102,746	—	1,041	—	—
<b>Liabilities</b>						
Non-current financial liabilities	14,723	13,913	—	—	810	—
Current financial liabilities	88,529	43,507	—	—	45,022	—
Current derivative instruments	—	—	—	—	—	—

There were no interest rate swaps at 31 December 2016.

The net book value of current assets and liabilities is deemed to be a reasonable approximation of their fair value due to their short-term nature. For securities available for sale, which mainly comprise unlisted equity securities, it is not deemed possible to reliably measure their fair value. They are therefore recognised at cost and written down if applicable.

For variable rate borrowings and debt, net book value is deemed to be a reasonable approximation of their fair value.

The fair value of derivative instruments and cash equivalents is established with reference to observable market data (Level 2).

Potential earnouts related to business acquisitions are measured at their balance sheet fair value, based in particular on the future earnings prospects of the businesses acquired (Level 3).

There has been no change in the method of determining fair value for any category during the period.

#### Note 7.2.5: Cash and cash equivalents

Cash includes bank balances (bank assets and overdrafts) and cash in hand.

Cash equivalents are short term investments, very liquid, easily convertible into a known amount of cash and subject to a negligible risk of unfavourable change in value.

€ thousands	31/12/16	31/12/15
Cash	126,121	94,495
Cash equivalents	7,726	9,292
<b>CASH AND CASH EQUIVALENTS</b>	<b>133,847</b>	<b>103,787</b>

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

**NOTE 7.3: FINANCIAL RISK MANAGEMENT POLICY****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.

Almost 60% of consolidated Group sales are generated in the Euro zone. Foreign currency denominated assets represent 20% of total assets at 31 December 2016. Consequently, a variation in foreign exchange rates would not have a significant effect on total assets.

At comparable terms and conditions, the Group gives priority to natural hedges (foreign currency purchases related to sales in the same currency). The derivative financial instruments put into place are forward foreign exchange contracts.

Since 1 July 2010, Somfy Group has applied hedge accounting to foreign currency hedging instruments. The effective portion of fair value movements is therefore taken to equity and the ineffective portion is recognised in net financial expense.

The negative impact of the effective portion of hedges at 31 December 2016 was €0.6 million on equity (€0.4 million net of deferred tax) and €0.3 million on profit and loss (transfer from equity). The ineffective portion of hedges was nil at 31 December 2015 and 2016.

31/12/16	Hedging of balance sheet items	Hedging of off-balance sheet items	Total € thousands	Fair value € thousands	Types
AUD	2,368	2,143	4,511	– 86	Forward sale and purchase
CAD	656	1,017	1,673	– 45	Forward sale
CHF	1,066	2,816	3,882	– 43	Forward sale
CNY	– 3,873	– 5,826	– 9,699	92	Forward purchase
GBP	2,521	1,092	3,613	26	Forward sale
HKD	896	1,157	2,054	– 111	Forward sale
ILS	1,384	2,204	3,588	– 158	Forward sale
JPY	1,750	2,407	4,157	221	Forward sale and purchase
NOK	223	1,633	1,855	– 29	Forward sale
PLN	1,257	–	1,257	13	Forward sale
RUB	403	890	1,293	– 148	Forward sale
SEK	264	526	791	– 15	Forward sale
SGD	133	401	534	– 1	Forward sale
THB	115	51	167	– 7	Forward sale
USD	2,103	– 438	1,665	– 82	Forward sale and purchase
	<b>11,266</b>	<b>10,073</b>	<b>21,339</b>	<b>– 375</b>	

31/12/15	Hedging of balance sheet items	Hedging of off-balance sheet items	Total € thousands	Fair value € thousands	Types
AUD	2,898	2,321	5,218	– 76	Forward sale
CAD	447	797	1,244	46	Forward sale
CHF	6,385	963	7,348	86	Forward sale
CNY	–	– 8,869	– 8,869	54	Forward purchase
GBP	2,851	3,753	6,604	145	Forward sale
HKD	4,219	1,063	5,282	– 49	Forward sale
ILS	2,182	3,573	5,755	– 66	Forward sale
INR	–	104	104	3	Forward sale and Non-Deliverable Forward contract
JPY	2,172	1,408	3,580	– 39	Forward sale
KRW	569	755	1,323	39	Forward sale and Non-Deliverable Forward contract
NOK	22	1,111	1,133	37	Forward sale
PLN	1,036	–	1,036	7	Forward sale
RUB	235	414	649	61	Forward sale
SEK	1,303	2,262	3,565	– 30	Forward sale
SGD	3,342	940	4,281	–	Forward sale
TRY	1,899	3,180	5,079	– 11	Forward sale
USD	24,289	5,504	29,793	19	Forward sale
ZAR	2	56	59	–	Forward sale
	53,851	19,333	73,185	226	

### Interest rate risk

The majority of the Group companies' financial liabilities is at variable rate.

The Group applies hedge accounting to interest rate hedge instruments. The effective portion of fair value movements is therefore recognised in other comprehensive income and the ineffective portion is recognised in net financial expense.

The Group did not use any interest-rate hedge instruments during the 2016 financial year.

### Liquidity risk

External Group financing essentially relies upon leases and medium-term credit facilities.

Some debts are subject to compliance with covenants. The covenants are detailed in Note 7.2.2.6.

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, which are undrawn to date (see Note 7.2.2.6).

### 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 8 – ANALYSIS OF CASH FLOW STATEMENT

### NOTE 8.1: CASH AND CASH EQUIVALENTS

€ thousands	31/12/16	31/12/15
<b>CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD</b>	<b>99,272</b>	<b>100,175</b>
Cash and cash equivalents at the start of the period	103,787	102,587
Bank overdrafts	– 4,515	– 2,413
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>126,249</b>	<b>99,272</b>
Cash and cash equivalents at the end of the period	133,847	103,787
Bank overdrafts	– 7,598	– 4,515

### NOTE 8.2: 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 €0.9 million in the year ended 31 December 2016 compared with a decrease of €2.2 million in 2015.

During 2016, the Group acquired intangible assets and property, plant and equipment totalling €66.5 million, compared with €47.3 million in 2015.

Net of cash receipts related to disposals of intangible assets and property, plant and equipment, investments totalled €64.5 million in 2016 compared with €47.2 million in 2015.

**NOTE 8.3: CHANGE IN WORKING CAPITAL REQUIREMENTS**

€ thousands	31/12/16	31/12/15
Net decrease/(increase) in inventory	– 15,255	– 14,962
Net decrease/(increase) in trade receivables	– 19,552	2,885
Net (decrease)/increase in trade payables	7,497	13,277
Net movement in other receivables and payables	– 33	– 970
<b>CHANGE IN WORKING CAPITAL REQUIREMENTS</b>	<b>– 27,344</b>	<b>231</b>

**NOTE 8.4: COMPANIES ACQUISITIONS AND DISPOSALS, NET OF CASH ACQUIRED OR DISPOSED OF**

€ thousands	iHome Group	Myfox	Total
Goodwill	1,539	24,147	25,686
Net intangible assets	–	1,472	1,472
Net property, plant and equipment	16	337	352
Net non-current financial assets	10	115	125
Other non-current receivables	–	–	–
Deferred tax assets	–	38	38
Inventories	78	750	828
Trade receivables	735	966	1,701
Other current receivables	31	962	993
Other current financial assets	3	–	3
Net cash and cash equivalents	251	– 2,838	– 2,587
Tax receivables	–	365	365
Non-current provisions	–	– 181	– 181
Other non-current financial liabilities	– 1,890	– 21,971	– 23,861
Deferred tax liabilities	–	–	–
Employee benefits	–	– 104	– 104
Other non-current liabilities	–	–	–
Current provisions	–	– 157	– 157
Other current financial liabilities	–	– 192	– 192
Trade payables	– 259	– 2,027	– 2,286
Other current liabilities	– 134	– 1,683	– 1,817
Tax liabilities	–	–	–
Non-controlling interests and impact of put options on equity	1,514	–	1,514
<b>ACQUISITION COST PAID</b>	<b>1,893</b>	<b>–</b>	<b>1,893</b>
Less: cash acquired	– 251	2,838	2,587
<b>NET CASH FLOW RESULTING FROM THE ACQUISITION LESS CASH ACQUIRED</b>	<b>1,642</b>	<b>2,838</b>	<b>4,480</b>

(+) Cash outflow.

Net cash flow resulting from acquisitions also includes the purchase of non-controlling interests in BFT Piemonte and BFT Adria totalling €0.1 million.

The cash flow corresponding to disposal of companies, net of cash disposed, is impacted only by the disposal of Giga for €1.2 million.

## NOTE 9 – PROVISIONS AND CONTINGENT LIABILITIES

### NOTE 9.1: PROVISIONS

This includes commitments with an uncertain maturity date or amounts resulting from restructuring operations, 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.

Similarly, if the Group has uncertainties concerning the tax treatment it has adopted in respect of certain events or transactions, provisions are recognised if it is probable that the Group's tax liabilities would be reassessed in the event of a tax audit.

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.

#### Note 9.1.1: Non-current provisions

€ thousands	Provisions for guarantees	Provisions for litigation	Provisions for employee liability	Provisions for liabilities and charges	Total 2016
At 1 January 2016	5,727	1,988	540	4,982	13,236
Charges	489	1,142	58	839	2,528
Used reversals	—	– 326	– 151	– 1,059	– 1,536
Unused reversals	—	– 1,124	—	– 72	– 1,196
Change in foreign exchange rates	21	3	—	– 60	– 35
Change in consolidation scope	—	161	—	20	181
Other movements	—	—	—	1	1
<b>AT 31 DECEMBER 2016</b>	<b>6,238</b>	<b>1,844</b>	<b>447</b>	<b>4,651</b>	<b>13,180</b>

#### Note 9.1.2: Current provisions

€ thousands	Provisions for guarantees	Provisions for litigation	Provisions for liabilities and charges	Total 2016
At 1 January 2016	4,989	1,266	2,325	8,580
Charges	408	333	414	1,155
Used reversals	—	– 248	– 379	– 627
Unused reversals	—	– 126	– 542	– 668
Change in foreign exchange rates	– 18	—	1	– 17
Change in consolidation scope	157	—	—	157
Other movements	—	1	—	1
<b>AT 31 DECEMBER 2016</b>	<b>5,536</b>	<b>1,226</b>	<b>1,819</b>	<b>8,581</b>

**NOTE 9.2: CONTINGENT LIABILITIES**

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.

All the Group's contingent liabilities are listed in the Highlights.

**NOTE 10 – EMPLOYEE INFORMATION****NOTE 10.1: WORKFORCE**

Somfy Group's average workforce at 31 December 2016, including temporary and part-time employees recorded on a full-time equivalent basis, was as follows:

	31/12/16	31/12/15
Average workforce	7,928	7,824

**NOTE 10.2: EMPLOYEE BENEFITS****Note 10.2.1: Pensions and other long-term 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. 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 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.

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).

Re-measurements of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding amounts accounted for in the calculation of net interest on the net liability) and, if applicable, the change in the effect of assets ceiling (excluding amounts accounted for in the calculation of net interest on the net liability) are recognized immediately in other comprehensive income.

The past service cost resulting from a plan amendment or curtailment of an existing plan is immediately expensed.

Expenses relating to this type of plan are recognised under employee expenses and for accretion expenses under net financial expense.

Curtailments, settlements and past service costs are recognised in current operating result or "Other financial income and expenses" according to their nature.

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 gains and losses are recognised as expenses.

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

At 31 December 2016, actuarial differences recognised in reserves amounted to –€9.4 million (i.e. –€14.8 million in "Employee benefits" and a positive €5.4 million in deferred tax).



Movements between 2015 and 2016 can be analysed as follows:

#### Retirement benefits – France

€ thousands	Gross obligation	Plan assets	Net obligation	Balance sheet position
<b>AT 31 DECEMBER 2015</b>	<b>15,720</b>	<b>– 2,594</b>	<b>13,126</b>	<b>13,126</b>
Net expense for the period:	1,572	– 51	1,521	1,521
– Current service cost and financial cost	1,572	–	1,572	1,572
– Return on plan assets	–	– 51	– 51	– 51
– Employee contributions	–	–	–	–
Contributions paid	–	–	–	–
Benefits paid	– 222	48	– 174	– 174
Actuarial gains & losses/Past service cost	2,274	47	2,321	2,321
Change in consolidation scope	736	–	736	736
<b>AT 31 DECEMBER 2016</b>	<b>20,080</b>	<b>– 2,550</b>	<b>17,530</b>	<b>17,530</b>

€ thousands	Gross obligation	Plan assets	Net obligation	Balance sheet position
<b>AT 31 DECEMBER 2014</b>	<b>13,125</b>	<b>– 1,863</b>	<b>11,262</b>	<b>11,262</b>
Net expense for the period:	1,333	– 123	1,210	1,210
– Current service cost and financial cost	1,333	–	1,333	1,333
– Return on plan assets	–	– 36	– 36	– 36
– Employee contributions	–	– 87	– 87	– 87
Contributions paid	–	– 525	– 525	– 525
Benefits paid	– 89	89	–	–
Actuarial gains & losses/Past service cost	1,351	– 172	1,179	1,179
Change in consolidation scope	–	–	–	–
<b>AT 31 DECEMBER 2015</b>	<b>15,720</b>	<b>– 2,594</b>	<b>13,126</b>	<b>13,126</b>

#### Retirement benefits – Other countries

€ thousands	Gross obligation	Plan assets	Net obligation	Balance sheet position
<b>AT 31 DECEMBER 2015</b>	<b>19,910</b>	<b>– 15,258</b>	<b>4,652</b>	<b>4,652</b>
Net expense for the period:	1,299	– 417	882	882
– Current service cost and financial cost	1,299	–	1,299	1,299
– Return on plan assets	–	– 417	– 417	– 417
– Employee contributions	–	–	–	–
Contributions paid	–	– 28	– 28	– 28
Benefits paid	– 492	258	– 234	– 234
Actuarial gains and losses	– 220	378	158	158
Movements in foreign exchange rates	527	– 484	43	43
Change in consolidation scope	– 634	–	– 634	– 634
<b>AT 31 DECEMBER 2016</b>	<b>20,390</b>	<b>– 15,551</b>	<b>4,839</b>	<b>4,839</b>

€ thousands	Gross obligation	Plan assets	Net obligation	Balance sheet position
<b>AT 31 DECEMBER 2014</b>	<b>16,953</b>	<b>– 12,562</b>	<b>4,391</b>	<b>4,391</b>
Net expense for the period:	1,303	– 488	815	815
– Current service cost and financial cost	1,303	–	1,303	1,303
– Return on plan assets	–	– 488	– 488	– 488
– Employee contributions	–	–	–	–
Contributions paid	– 134	– 937	– 1,071	– 1,071
Benefits paid	– 169	– 212	– 381	– 381
Actuarial gains and losses	353	365	718	718
Movements in foreign exchange rates	1,604	– 1,424	180	180
Change in consolidation scope	–	–	–	–
<b>AT 31 DECEMBER 2015</b>	<b>19,910</b>	<b>– 15,258</b>	<b>4,652</b>	<b>4,652</b>

#### Long service and jubilee awards

	31/12/15	Cost	Benefits paid	Changes in scope of consolidation and foreign exchange rates	31/12/16
<b>€ thousands</b>					
Actuarial liabilities	2,082	122	– 48	16	2,172

	31/12/14	Cost	Benefits paid	Changes in scope of consolidation and foreign exchange rates	31/12/15
<b>€ thousands</b>					
Actuarial liabilities	1,871	259	– 48	–	2,082

#### TFR – Trattamento di Fine Rapporto (Italian severance pay provision)

	31/12/15	Cost	Benefits paid	Changes in scope of consolidation	31/12/16
<b>€ thousands</b>					
Liabilities	2,085	971	– 785	– 10	2,261

	31/12/14	Cost	Benefits paid	Changes in scope of consolidation	31/12/15
<b>€ thousands</b>					
Liabilities	2,607	1,037	– 1,558	– 1	2,085

The impact of defined benefits schemes on the income statement impacted net profit by €2.4 million.

The main actuarial assumptions used are as follows:

At 31 December	2016	2015
<b>Discount rate</b>		
France	1.5%	2.0%
Germany	1.5%	2.0%
United States	4.0%	4.0%
Other	1.0 – 4.0%	1.0 – 3.9%
<b>Future salary increases</b>		
France	2.0 – 2.3%	2.0 – 2.6%
Germany	0.0%	0.0%
United States	2.0%	2.0%
Other	1.0 – 10.0%	1.0 – 10.0%

The sensitivity of the gross retirement benefit commitment based on a variation of +0.5%/–0.5% in discount rate is –6.25%/+6.89%, respectively.

#### Note 10.2.2: Gross remuneration of Management Board and Supervisory Board members

€ thousands	31/12/16	31/12/15
Short term benefits	1,816	1,766
Post-employment benefits	495	225

Post-employment benefits correspond to retirement benefits associated with the employment contracts of Management Board members.

#### NOTE 10.3: SHARE-BASED PAYMENTS

Some Group employees, including senior executives, 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 and free shares is subject to conditions being fulfilled. Each beneficiary must be employed by the Group at the date options are exercised or free shares vested. For some employees, the ability to exercise options is also governed by the achievement of predetermined objectives.

Options 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. The fair value of free shares is

determined using an approach that faithfully replicates the methodology that would be used by a bank's trading room should beneficiaries request a price from the latter to monetise their shares.

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 expenses 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.

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.

At 31 December 2016, no more stock option plans existed.

At its meeting of 21 February 2014, the Management Board of Somfy SA decided to allocate Somfy SA shares, free of charge, to 154 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.

At 31 December 2016, the free share position was as follows:

Plan date		Number of beneficiaries	Number of shares granted	Price per share (€)	Allocation date	Vesting date	Revision related to presence and performance conditions	Shares exercised	Number of shares definitely granted at 31/12/16
21/02/14	Residents	86	7,270	179.92	30/06/16	01/07/18	– 3,870	– 3,400	–
21/02/14	Non-residents	68	4,320	169.86	30/06/18	NA	– 2,495	– 120	1,705
		<b>154</b>	<b>11,590</b>				<b>– 6,365</b>	<b>– 3,520</b>	<b>1,705</b>

## NOTE 11 – CURRENT AND DEFERRED TAX

### CURRENT TAX

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.

The following companies are party to this agreement at 31 December 2016: Somfy SA, Somfy SAS, Simu SAS, CMC SARL, SEM-T SASU, Domis SA, BFT Sud Est SAS, Opendoors SAS and Automatismes BFT France SAS.

Under this agreement, the difference between the sum of income taxes calculated for each company and the total of the tax integrated group is accounted for as income in the income statement of the Group's holding company.

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.

### 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

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.

### TAX ON DIVIDENDS

This tax takes the form of an additional income tax contribution of 3% based on distributed dividends (including interim dividends)

This tax, which is based on gross dividends as voted by the General Meeting and is payable by the distributing company, is designed as an additional income tax contribution and falls within the scope of IAS 12. Therefore, it is recognised as an income tax charge within the income statement only once the dividends have been approved by the competent corporate body.

### 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.

The CICE tax credit is recognised as an IAS 20 operating grant as a deduction to employee expenses.

The CIR tax credit is recognised as an IAS 20 investment grant in other operating income.

The analysis of the accounting treatment of SOPEM's investment tax credit, carried out in accordance with the criteria set out above, led the Group to conclude that it falls within the scope of IAS 12. This tax credit was therefore accounted for as tax income. In order to benefit from this tax credit, SOPEM is required to meet a number of commitments, such as an investment threshold, a minimum number of people employed at the site and a deadline for finalising the investment (30 June 2020).

## NOTE 11.1: TAX PROOF

€ thousands	31/12/16	31/12/15
<b>Profit before tax from continuing operations</b>	<b>175,408</b>	<b>177,189</b>
<i>Share of expenses on dividends</i>	1,591	8,366
<i>Dividends of non-consolidated companies (Faac transaction)</i>	–	– 38,343
<i>Reclassification of CVAE to Income tax</i>	– 3,273	– 3,101
<i>Reclassification of CICE to Employee expenses</i>	– 2,041	– 1,995
<i>Reclassification of CIR to Other operating income</i>	– 5,501	– 4,409
<i>Other</i>	– 1,226	– 4,254
Permanent differences	– 10,450	– 43,736
Net profit taxed at reduced rate	– 27,118	– 24,039
Net profit taxable at standard rate	137,840	109,414
<i>Tax rate in France</i>	34.43%	38.00%
Tax charge recalculated at the French standard rate	47,458	41,577
Tax at reduced rate	4,203	4,111
<i>Difference in standard rate in foreign countries</i>	– 24,282	– 27,039
<i>Tax losses for the year, unrecognised in previous periods, deficits used</i>	779	211
Effect of the rate difference	– 23,503	– 26,828
Tax credits	– 5,421	– 2,361
Other taxes and miscellaneous	8,549	1,943
<b>Group tax</b>	<b>31,286</b>	<b>18,442</b>
<b>Effective rate</b>	<b>17.84%</b>	<b>10.41%</b>

The results taxed at a **reduced rate** involve royalties, which were taxed at 15.5% (17.1% in 2015).

The main countries that contributed to the **difference in the tax rate** were Tunisia (€15.8 million), Germany (€0.7 million), other European countries (€4.7 million), Middle Eastern countries (€0.4 million), Hong Kong (€0.6 million) and China (€1.6 million).

**Tax credits** were primarily affected by the SOPEM tax credit (Poland): €5.0 million in 2016 compared with €2.3 million in 2015.

**Other taxes and miscellaneous items** included, in particular, the French Corporate Value-Added Contribution (CVAE), which amounted to €3.3 million in 2016 and €3.1 million in 2015, and the 3% contribution on dividends, which amounted to €1.2 million in 2016 compared with €1.1 million in 2015. In 2016, they also included the impact of an exceptional contribution of 7.5% in Tunisia (€3.8 million).

In France, the standard rate decreased from 38% in 2015 to 34.43% in 2016 and the reduced rate from 17.1% in 2015 to 15.5% in 2016. Likewise, the full effect on the Group's French companies of the change in the standard rate to 28% introduced by the 2017 Finance Act will be seen in 2019. Deferred tax arising from 2019 thus reflect this change of rate, resulting in a gain of €0.5 million for the financial year.

Restated for non-recurring items (gain on the exit from Faac's share capital, impairment of financial interests in Garen Automação and Giga, change to deferred tax rates in both France and Spain), the effective tax rate was 18.4% for the year ended 31 December 2015.

**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 was not capitalised where it was deemed unlikely that future taxable profits will be sufficient to absorb unused previous tax losses. The total amount of these losses was €60.2 million at the end of 2016, based on the standard tax rate, compared with €35.3 million at the end of 2015.

No significant deferred tax assets were recognised in 2016 in relation to tax losses arising during the financial year or in previous years.

**NOTE 11.2: DEFERRED TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME**

€ thousands	31/12/16	31/12/15
Deferred tax assets		
– Actuarial gains and losses on retirement benefits	5,462	4,387
– Foreign currency hedges	130	–
Deferred tax liabilities		
– Foreign currency hedges	–	87
<b>NET DEFERRED TAX</b>	<b>5,592</b>	<b>4,301</b>

**NOTE 11.3: ANALYSIS BY NATURE**

€ thousands	31/12/16 Assets	31/12/15 Assets	Of which income statement impact
Deferred tax on restatements related to standards and timing differences, including:	34,829	30,347	4,310
– Restatements to employee benefits	4,685	3,974	235
– Restatements resulting from provision methods	8,155	7,373	780
– Restatements due to tax and social liabilities	3,277	3,224	– 168
– Restatements due to SOPEM tax credit	13,072	10,172	3,273
– Restatements on the fair value of hedge instruments	130	–	–
– Restatements resulting from acquisition expenses	457	299	157
Deferred tax on intragroup margins	9,289	8,158	1,096
<b>TOTAL</b>	<b>44,118</b>	<b>38,505</b>	<b>5,405</b>

€ thousands	31/12/16 Liabilities	31/12/15 Liabilities	Of which income statement impact
Deferred tax on restatements related to standards and timing differences, including:	35,625	35,524	706
– Restatements related to the fair value of non-current assets	706	718	– 12
– Restatements related to leases	9,068	8,615	453
– Restatements related to differences in amortisation and depreciation	9,498	9,213	339
– Restatements from the capitalisation of development costs	5,875	5,543	330
Deferred tax on intragroup margins	1,319	1,276	30
Deferred tax on the elimination of intragroup provisions	1	1	–
Deferred tax on acquisition expenses	59	59	–
<b>TOTAL</b>	<b>37,004</b>	<b>36,860</b>	<b>736</b>

**NOTE 12 – OFF-BALANCE SHEET COMMITMENTS**

The Group's commitments comprise the following:

**NOTE 12.1: COMMITMENTS GIVEN**

€ thousands	31/12/16	31/12/15
Guarantees & deposits granted and liability guarantee on CIAT disposal	19,989	18,780
Interest over the remaining terms of borrowings	1,873	2,606
Rental payments outstanding on operating leases	27,006	24,668
Copper forward purchase	1,323	5,066
Foreign currency forward sale	10,073	19,333
<b>TOTAL</b>	<b>60,264</b>	<b>70,453</b>

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 12.2: COMMITMENTS RECEIVED**

€ thousands	31/12/16	31/12/15
Guarantees & deposits and liability guarantees (Myfox, iHome)	15,486	8,940
Unused credit lines	136,205	137,678
<b>TOTAL</b>	<b>151,691</b>	<b>146,618</b>



**NOTE 12.3: COMMITMENTS TO ACQUIRE ADDITIONAL SHARES IN COMPANIES NOT FULLY-CONSOLIDATED**

Due to the lack of specific IFRS provisions 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.

Somfy held a 61% stake in Neocontrol (accounted for under the equity method) at 31 December 2016 with the transaction comprising mutual put and call options for the balance of 39%, exercisable in 2017.

**NOTE 13 – INVESTMENTS IN ASSOCIATES AND RELATED PARTIES****NOTE 13.1: INVESTMENTS IN ASSOCIATES**

€ thousands	31/12/16	31/12/15
Investments in associates at the beginning of the year	2,258	1,680
Change in scope of consolidation and other	–	983
Share of profit/(loss) from associates	– 684	101
Dividends paid	–	–
Changes in foreign exchange rates	306	– 506
<b>INVESTMENTS IN ASSOCIATES AT THE END OF THE PERIOD</b>	<b>1,880</b>	<b>2,258</b>

“Investments in associates” consists of investments in Neocontrol and Arve Finance.

For the purposes of the impairment test on the investment in Neocontrol, a discount rate of 16.5% and a growth rate to infinity of 3.5% were used.

An impairment charge of €0.6 million was recorded during the 2016 financial year.

A two-percentage point increase in the discount rate could result in the need to recognise additional impairment of €0.2 million. A two percentage point decrease in the EBITDA to sales ratio of the normative flow used in the calculation of the terminal value would have required an additional impairment of €0.1 million.

**NOTE 13.2: RELATED-PARTY DISCLOSURES**

Related parties notably includes:

- The parent company,
- Companies which exert joint control or a significant influence over the company,
- Subsidiaries,
- Associates,
- Joint ventures,
- Members of the Management Board, the Supervisory Board and the Management Committee.

**Transactions with associates**

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

€ thousands	31/12/16	31/12/15
Purchase of goods	319	95
Trade payables	297	–
Borrowings	–	100

This only applied to Arve Finance and Neocontrol, both at 31 December 2015 and 2016.

**NOTE 14 – STATUTORY AUDITORS' FEES**

Pursuant to Regulation n° 2016-09 issued by the Autorité des Normes Comptables (ANC), the following table indicates the fees net of tax (excluding disbursements) paid by the parent company and its subsidiaries to the Statutory Auditors for their terms of office:

€ thousands	Ernst & Young	KPMG	Total
Certification of financial statements	922	99	1,021
Other services	280	53	334
<b>TOTAL</b>	<b>1,203</b>	<b>152</b>	<b>1,355</b>

**NOTE 15 - LIST OF CONSOLIDATED ENTITIES AND ACCOUNTED FOR UNDER THE EQUITY METHOD**

Company name	Head office	% control 31/12/16	% interest 31/12/16	% interest 31/12/15
Somfy SA	74300 Cluses (France)	(parent company)	(parent company)	(parent company)
<b>Full consolidated companies</b>				
Somfy SAS	Cluses (France)	100.00	100.00	100.00
CMC SARL	Cluses (France)	100.00	100.00	100.00
Somfybat SNC	Cluses (France)	100.00	100.00	100.00
Domis SA	Rumilly (France)	100.00	100.00	100.00
Stor'm	Saint Clair de la Tour (France)	100.00	100.00	100.00
SITEM SARL	Zaghuan (Tunisia)	100.00	100.00	100.00
SITEM Services SARL	Zaghuan (Tunisia)	100.00	100.00	100.00
SOPEM	Krakow (Poland)	100.00	100.00	100.00
Somfy Eastern Europe Area SP. Zoo	Warsaw (Poland)	100.00	100.00	100.00
Somfy Ltd	Yeadon (UK)	100.00	100.00	100.00
Somfy PTY Ltd	Rydalmere (Australia)	100.00	100.00	100.00
Somfy Automation Services PTY Ltd	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 Argentina	Buenos Aires (Argentina)	100.00	100.00	100.00
Giga Indústria e Comércio de Produtos de Segurança Eletrônica S.A.	Santa Rita do Sapucaí (Brazil)	—	—	51.00
GABR Participações LTDA	Sao Paulo (Brazil)	100.00	100.00	100.00
Somfy GmbH	Rottenburg (Germany)	100.00	100.00	100.00
HIMOTION BV	Leiden (Netherlands)	100.00	100.00	100.00
Somfy GmbH	Elsbethen-Glasenbach (Austria)	100.00	100.00	100.00
Somfy KFT	Budapest (Hungary)	100.00	100.00	100.00
Somfy Sp zoo	Warsaw (Poland)	100.00	100.00	100.00
Somfy Spol sro	Prague (Czech Republic)	100.00	100.00	100.00
SC Somfy SRL	Brasov (Romania)	100.00	100.00	100.00
Somfy LLC	Moscow (Russia)	100.00	100.00	100.00
Somfy SIA	Riga (Latvia)	100.00	100.00	100.00
Somfy LLC	Kiev (Ukraine)	100.00	100.00	100.00
Somfy Bulgaria AD	Sofia (Bulgaria)	100.00	100.00	100.00
Somfy Joo	Seoul (Korea)	100.00	100.00	100.00
Somfy Italia SRL	Milan (Italy)	100.00	100.00	100.00
Somfy Nederland BV	Hoofddorp (Netherlands)	100.00	100.00	100.00
Somfy España SA	Barcelona (Spain)	100.00	100.00	100.00
Automatismos Pujol SL	Barcelona (Spain)	100.00	100.00	100.00
Automatismos Pujol Portugal Lda	Esmoriz (Portugal)	100.00	100.00	100.00
Sistemi Automatici Pujol SAP 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
Somfy Sweden AB	Limhamn (Sweden)	100.00	100.00	100.00

Company name	Head office	% control 31/12/16	% interest 31/12/16	% interest 31/12/15
Somfy Norway AS	Skedsmokorset (Norway)	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
Asian Capital International LTD	Hong Kong	100.00	100.00	100.00
Sino Global International Holdings LTD	Hong Kong	100.00	100.00	100.00
Sino Link Trading LTD	Hong Kong	100.00	100.00	100.00
Hong Kong CTLT Trade Co. LTD	Hong Kong	70.00	70.00	70.00
Somfy Asia-Pacific Co Ltd	Hong Kong	100.00	100.00	100.00
Dooya China	Ningbo (China)	70.00	70.00	70.00
Shanghai Zhengshang Co., Ltd	Shanghai (China)	70.00	70.00	—
Shanghai Branch	Shanghai (China)	70.00	70.00	—
Hui Gong Intelligence Technology LTD	Shanghai (China)	70.00	70.00	—
New Unity LTD	Hong Kong	70.00	70.00	70.00
Ningbo Sleepwell Co Ltd	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
Baixing Co Ltd	Ningbo (China)	70.00	70.00	70.00
Herzborg Technology	Ningbo (China)	70.00	70.00	70.00
Shanghai Goodnight	Ningbo (China)	70.00	70.00	70.00
Somfy Middle East Co Ltd	Limassol (Republic of Cyprus)	100.00	100.00	100.00
Somfy Egypt	Cairo (Egypt)	100.00	100.00	100.00
Sisa Home Automation Ltd	Rishone Le Zion (Israel)	100.00	100.00	100.00
Somfy Maroc SARL	Casablanca (Morocco)	100.00	100.00	100.00
Somfy Hellas SA	Acharnae (Greece)	100.00	100.00	100.00
Somfy Ev Otomasyon Sistemleri Ticaret Ltd Sti	Istanbul (Turkey)	100.00	100.00	100.00
Somfy South Africa (PTY) Limited	Durban (South Africa)	100.00	100.00	100.00
Somfy Tunisie	Tunis (Tunisia)	100.00	100.00	100.00
Somfy Tunisie Services	Tunis (Tunisia)	50.00	50.00	50.00
Somfy Mexico SA DE CV	Tlalnepantla (Mexico)	100.00	100.00	100.00
Syservmex	Tlalnepantla (Mexico)	100.00	100.00	100.00
Somfy K.K.	Tokyo (Japan)	100.00	100.00	100.00
Somfy India Pvt Ltd	New Dehli (India)	100.00	100.00	100.00
PROMOFI BV	Hoofddorp (Netherlands)	100.00	100.00	100.00
FIGEST BV	Leiden (Netherlands)	100.00	100.00	100.00
Somfy LLC USA	Dover (US)	100.00	100.00	100.00
Somfy ULC	Halifax (Canada)	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	Galliera (Italy)	100.00	100.00	100.00
Overkiz SAS	Archamps (France)	96.63	96.63	80.00
Opendoors SAS	Cluses (France)	100.00	100.00	100.00
iHome Systems (Asia Limited)	Hong Kong	51.00	51.00	—
iHome Systems (Thailand) Co. Ltd	Bangkok (Thailand)	51.00	51.00	—

Company name	Head office	% control 31/12/16	% interest 31/12/16	% interest 31/12/15
Intelligent Home Systems (MY) Sdn. Bhd	Kuala Lumpur (Malaysia)	51.00	51.00	–
iHome Systems (SG) Pte. Ltd	Singapore	51.00	51.00	–
Myfox SAS	Labège (France)	100.00	100.00	–
Myfox Inc	Campbell (US)	100.00	100.00	–
SEM-T SASU	Cluses (France)	100.00	100.00	100.00
DSG Coordination Center SA	Geneva (Switzerland)	100.00	100.00	100.00
TTMD SA	Geneva (Switzerland)	100.00	100.00	100.00
BFT Italia 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)	99.02	99.02	98.70
BFT Torantriebssysteme GmbH	Furth (Germany)	100.00	100.00	100.00
BFT Automation UK Ltd	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)	100.00	100.00	75.00
BFT Polska Sp zoo	Zielonka (Poland)	100.00	100.00	100.00
SACS SRL	Borgo Valsugana (Italy)	100.00	100.00	100.00
BFT Americas Inc.	Boca Raton (US)	100.00	100.00	100.00
BFT Portugal SA	Coimbra (Portugal)	100.00	100.00	100.00
BFT Automation (South) Ltd	Berkshire (UK)	100.00	100.00	100.00
BFT Automation Australia PTY	Sydney (Australia)	100.00	100.00	100.00
BFT CZ Sro	Prague (Czech Republic)	100.00	100.00	100.00
BFT Piemonte SRL	Dronero (Italy)	100.00	100.00	90.00
O&O SRL	Corregio (Italy)	100.00	100.00	100.00
BFT Veneto SRL	Schio (Italy)	100.00	100.00	100.00
BFT Otomasyon Kapi	Istanbul (Turkey)	100.00	100.00	100.00
BFT Istanbul	Istanbul (Turkey)	100.00	100.00	100.00
BFT Greece	Athens (Greece)	100.00	100.00	100.00
BFT Automation Ireland	Dublin (Ireland)	100.00	100.00	100.00
BFT Automation Systems PTL	Hyderabad (India)	51.00	51.00	51.00
Nord Logistica E Servizi SRL	Schio (Italy)	100.00	100.00	100.00
BFT Middle East FZO	Dubai (United Arab Emirates)	100.00	100.00	100.00
BFT Auto Gate and Door (Shanghai) Co. Ltd	Shanghai (China)	100.00	100.00	100.00
BFT Gates and Doors SRL	Bucharest (Romania)	100.00	100.00	100.00
BFT New Zealand	Auckland (New Zealand)	100.00	100.00	100.00
BFT Sud Est SAS	Saint Laurent du Var (France)	100.00	100.00	100.00
BFT Lazio SRL	Rome (Italy)	100.00	100.00	100.00
TRS Standard SRL	Verona (Italy)	100.00	100.00	100.00
<b>Equity-accounted companies</b>				
Arve Finance	Cluses (France)	50.17	50.17	50.17
Neocontrol	Belo Horizonte (Brazil)	61.00	61.00	61.00

# 09

## PARENT COMPANY FINANCIAL STATEMENTS

- P.112 Income statement for the year ended 31 December 2016
- P.113 Balance sheet at 31 December 2016
- P.113 Proposed allocation of 2016 profit
- P.114 Notes to the Somfy SA financial statements

# 09

## PARENT COMPANY FINANCIAL STATEMENTS

### INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

€ thousands	31/12/16	31/12/15
Net sales	2,919	3,449
Other income	743	393
Other expenses	– 10,858	– 15,133
<i>Personnel expenses</i>	– 930	– 484
<i>Taxes and duties</i>	– 254	– 573
<i>Net operating expenses</i>	– 9,673	– 14,075
Amortisation, depreciation and provision charges/reversals	–	–
<b>OPERATING RESULT</b>	<b>– 7,196</b>	<b>– 11,291</b>
<b>Net financial income</b>	<b>127,018</b>	<b>287,793</b>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAX</b>	<b>119,822</b>	<b>276,503</b>
<b>Extraordinary result</b>	<b>– 1,537</b>	<b>– 445</b>
<b>PROFIT BEFORE TAX</b>	<b>118,285</b>	<b>276,057</b>
Income tax	1,089	3,426
<b>NET PROFIT</b>	<b>119,375</b>	<b>279,484</b>



## BALANCE SHEET AT 31 DECEMBER 2016

## ASSETS

€ thousands	31/12/16 Net	31/12/15 Net
<b>Non-current assets</b>		
Intangible assets	1	1
Property, plant and equipment	—	—
Financial assets	377,748	349,623
<b>Total Non-current assets</b>	<b>377,749</b>	<b>349,624</b>
<b>Current assets</b>		
Inventories and work-in progress	—	—
Trade receivables	331	221
Other receivables and accruals	115,134	80,377
Marketable securities	98,849	98,265
Cash and cash equivalents	53,591	2,281
<b>Total Current assets</b>	<b>267,905</b>	<b>181,145</b>
<b>TOTAL ASSETS</b>	<b>645,653</b>	<b>530,768</b>

## EQUITY AND LIABILITIES

€ thousands	31/12/16	31/12/15
<b>Shareholders' equity</b>		
Share capital	7,400	7,400
Merger and issue premium	1,866	1,866
Reserves	343,496	103,138
Net profit	119,375	279,484
<b>Total Shareholders' equity</b>	<b>472,137</b>	<b>391,888</b>
<b>Provisions for liabilities and charges</b>	<b>4,305</b>	<b>8,574</b>
<b>Liabilities</b>		
Borrowings and financial liabilities	45,930	60,725
Trade payables	3,781	1,030
Other payables and accruals	119,500	68,551
<b>Total Liabilities</b>	<b>169,211</b>	<b>130,306</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>645,653</b>	<b>530,768</b>

## PROPOSED ALLOCATION OF 2016 PROFIT

Euros		Euros	
<b>Source</b>		<b>Allocation</b>	
Retained earnings from prior years	3,054,202.50	Dividends	45,140,000.00
Net profit for the year	119,374,767.93	Legal reserve	—
Legal reserve	—	Optional reserves	77,288,970.43
	<b>122,428,970.43</b>		<b>122,428,970.43</b>

## NOTES TO THE SOMFY SA FINANCIAL STATEMENTS

The financial statements have been prepared for the 12-month period from 1 January 2016 to 31 December 2016.

### A - SIGNIFICANT EVENTS OF THE FINANCIAL YEAR

#### GIGA

At the end of 2015, **Somfy SA** decided to sell the shares held in **Giga** back to the Gouvéa family. At 31 December 2015, a provision for writedown was recognised to cover the estimated risk.

An agreement was signed on 30 May 2016, providing for the sale of the shares for a token price and the disposal of all loans granted by Somfy SA to Giga of €4.6 million for €1.2 million. Given the writedown recognised in 2015, the disposal had a €1.5 million negative impact on net profit for the year to 31 December 2016.

#### ACQUISITION OF MYFOX

On 27 October 2016, **Somfy SA** acquired the entire share capital of **Myfox**, the Toulouse-based specialist in the design, development and marketing of connected home security solutions (alarm systems, security cameras and related services), from the company's founding family and investors.

The financial impact resulting from the acquisition is detailed as follows:

- Acquisition on 27 October 2016 of all Myfox SAS shares for a token price of €1,
- Concurrent increase of €8 million in the share capital of Myfox SAS,
- Recognition of earnout (payable in 2018 and 2021) calculated on performance parameters (sales, EBITDA and net debt).

### B - CONTINGENT LIABILITIES

#### SPIREL

The dispute between **Spirel** employees and **Somfy SA** is ongoing before the Albertville District Court. The employees seek annulment of the transfer of the Spirel securities, which took place in 2010, and to have Somfy SA ordered to pay them damages for the alleged deliberate bankruptcy of Spirel and non-material damage caused as a result of the anxiety, disappointment and vexation they deem to have been victim of, for a total of approximately €8.2 million. The submissions of Chappel Industries France and Spirel have been tabled and hearings took place in February 2017. The Court's deliberations is due to take place in April 2017.

During 2016, the liquidator of the company Spirel also sought to have Somfy SA ordered to refund advances of €2.9 million paid by the AGS (Guarantee Fund for the payment of salary claims) in the event the disposal was declared null and void.

Somfy SA continues to dispute the arguments put forward by counsel for the Spirel employees, believes it has complied with its obligations and remains confident of its chances of receiving a favourable ruling.

In addition, in the course of July 2015 the employees also brought Spirel, Chappel Industries France et Somfy SA before the Albertville Labour Court, disputing the grounds for their dismissal and claiming damages of a substantially similar amount to that claimed before the District Court. Due to the absence of submissions and documents provided by the plaintiffs indicating the grounds on which the employees based their demands, the Labour Court ordered the file to be removed in October 2016.

Therefore, Somfy SA continues to qualify these risks as contingent liabilities and no provision was recognised in relation to these disputes at 31 December 2016.

#### CIAT

On 5 January 2015, **Somfy SA** transferred its 44.49% equity investment in the share capital of CIAT Group to **United Technologies Corporation**. A deferred settlement of €10.5 million relating to the disposal of the shares is included in Somfy SA's financial statements with payment spread until 2019.

On 31 March 2016, United Technologies Corporation filed a claim against the sellers of the CIAT shares under the liability guarantee for a total of €22 million (Somfy's share being €10 million).

The requests included in the claim are unfounded and insufficiently detailed and justified, leading Somfy SA to send a letter dated 2 May 2016 to UTC, requesting detailed documentation. To date, no reply has been received by Somfy SA. It remains confident that this dispute will be resolved favourably and as such has qualified the risk as a contingent liability and no provision was recognised at 31 December 2016.

### C - POST-BALANCE SHEET EVENTS

To the best of Somfy SA's knowledge, no event has occurred since 31 December 2016 that is likely to have a material impact on the business and financial position of the company.

### D - ACCOUNTING RULES AND METHODS

The 2016 financial statements have been prepared in accordance with the general accounting rules prescribed by the French Chart of Accounts derived from ANC regulation n° 2014-03 amended by regulation n° 2016-07 of 4 November 2016.

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 accounting methods 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, calculated using the first in, first out method. Marketable securities are valued at their average quoted stock exchange price over the month of December 2016 and are impaired when this is lower than cost.

At 31 December 2016, marketable securities totalled €98.8 million, comprising:

- Treasury shares of €99.1 million,
- A provision of €0.2 million for the writedown of treasury shares.

## TREASURY SHARES

The company has implemented several successive share buyback programmes. The most recent buyback programme was launched in 2016; it was authorised by the Combined General Meeting of 24 May 2016, and had the following objectives:

- To stimulate the secondary market or ensure the liquidity of the Somfy share, by way of an investment services provider within a liquidity contract that complies with the Ethics Charter of AMAFI recognised by regulations;
- To retain the shares purchased and subsequently exchange them or use them as payment within the framework of potential acquisitions;
- To ensure the coverage of stock option plans and/or free share allocation plans (or similar) granted to employees and/or corporate officers 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 corporate officers of the Group;
- To cover marketable securities giving right to the allocation of company shares, in accordance with applicable regulations;
- To proceed with the possible cancellation of shares acquired, in accordance with the authorisation granted or to be granted by the Extraordinary General Meeting.

The company reserved the right to use options or derivative instruments, 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 lapsed 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 2016.

Allocations are valued based on the first in, first out method.

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 2016.

Disposals are valued based on the first in, first out method.

## SOMFY SA STOCK OPTION AND FREE SHARE ALLOCATION PLANS

At 31 December 2016, no more stock option plans existed.

In addition, at its meeting on 21 February 2014 the Management Board of Somfy SA decided to allocate Somfy SA shares, free of charge, to 154 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. 3,400 shares were definitively vested to 80 French tax resident beneficiaries.

Final vesting will take place on 30 June 2018 for non-French tax residents.

## ACCOUNTS RECEIVABLE FROM EQUITY INVESTMENTS, BONDS RECEIVABLE AND OTHER RECEIVABLES

Receivables are carried at their nominal 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 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 2016, “asset” and “liability” translation adjustments of €4.3 million and –€0.1 million respectively, were classified under the captions “Other receivables and accruals” and “Other liabilities and accruals”, 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 2016, the company complied 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.

## E - CONSOLIDATING ENTITY

—  
Somfy SA is a 52.65%-subsidiary of the company J.P.J.S. which is the consolidating parent company.

## F – NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2016

### NOTE 1: OPERATING ITEMS

Somfy SA sales for the year to 31 December 2016 were €2.9 million, a decline compared with the previous year. The operating loss was €7.2 million, compared with €11.3 million in 2015.

#### Note 1.1: Sales breakdown

€ thousands	
France	1,670
European Union	832
Non-EU	418
<b>TOTAL</b>	<b>2,919</b>

#### Note 1.2: Directors' remuneration

€ thousands	
Remuneration allotted	
– to members of the Management Board	289
– to members of the Supervisory Board	192
Pension commitments subscribed	N/A

#### Note 1.3: Workforce at 31 December 2016

	Male	Female	Total
Managers & executives	2	1	3

### NOTE 2: FINANCIAL ITEMS

The net financial income of the Somfy SA holding company was €127.0 million, compared with €287.8 million in 2015, a decline of €160.8 million of which €149.1 million was related to the exit transaction from Faac, which took place in 2015.

Interest on bank debt decreased due to the reduction of overall bank debt but were largely offset by interest on debenture loans granted by Somfy SA to Garen.

### NOTE 3: EXCEPTIONAL ITEMS

Net exceptional expense was €1.5 million, being due entirely to the disposal of Giga shares and loans.

Note that the impact of this transaction has been recognised in net exceptional income, including the reversal of provisions initially charged to net financial expense.

**NOTE 4: INCOME TAX**

An income tax gain of €1.1 million was recognised, including a €2.4 million tax consolidation profit.

**Note 4.1: Breakdown of income tax at 31 December 2016**

€ thousands	Tax		
	Base	Rate	Amount
<b>1. Current result</b>			
Net profit for the year	119,822	34.43%	– 41,255
Tax adjustments			
– Long-term capital gains and losses	–	34.43%	–
– Income from equity investments	– 121,005	34.43%	41,662
– Other	– 101	34.43%	35
<b>Subtotal Current result</b>	<b>– 1,285</b>	<b>34.43%</b>	<b>442</b>
<b>2. Extraordinary result</b>			
Net profit for the year	– 1,537	34.43%	529
Tax adjustments			
– Long-term capital gains and losses	–	34.43%	–
– Deductions	–	34.43%	–
– Reinstatements	–	34.43%	–
<b>Subtotal Extraordinary result</b>	<b>– 1,537</b>	<b>34.43%</b>	<b>529</b>
<b>Subtotal Total theoretical tax</b>	<b>– 2,822</b>	<b>34.43%</b>	<b>972</b>
<b>3. Other tax items</b>			
Tax paid by group tax consolidation companies	–	–	6,974
Tax charge/income for the tax consolidation group (excluding total theoretical tax)	–	–	– 5,506
Contribution on distributed earnings	–	–	– 1,174
Tax charge/relief from previous periods	–	–	– 176
<b>Subtotal Other tax items</b>	<b>–</b>	<b>–</b>	<b>118</b>
<b>TOTAL INCOME TAX</b>	<b>–</b>	<b>–</b>	<b>1,089</b>

€ thousands	Before tax	Tax	After tax
Current result	119,822	442	120,265
Extraordinary result	– 1,537	529	– 1,008
Other tax items	–	118	118
<b>ACCOUNTING RESULT</b>	<b>118,285</b>	<b>1,089</b>	<b>119,375</b>

**Note 4.2: 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 2016, 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.

**List of companies included in tax consolidation group**

Somfy SA	Parent company	Cluses
Somfy SAS		Cluses
Simu SAS		Gray
CMC SARL		Cluses
Domis SA		Rumilly
Automatismes BFT France SAS		Lyon
SEM-T SASU		Cluses
BFT Sud Est SAS		Saint Laurent du Var
Opendoors SAS		Cluses

**NOTE 5: NET PROFIT**

Net profit totalled €119.4 million.

**NOTE 6: NON-CURRENT ASSETS****Note 6.1: Gross non-current assets**

€ thousands	Gross value 31/12/15	Increase	Decrease	Merger movements	Other movements	Gross value 31/12/16
<b>Intangible assets</b>	<b>215</b>	—	—	—	—	<b>215</b>
Property, plant and equipment	2	—	—	—	—	2
<b>Financial assets</b>	<b>386,437</b>	<b>36,372</b>	<b>— 14,466</b>	—	—	<b>408,343</b>
Equity investments	365,379	30,342	— 6,728	—	—	388,993
Receivables from equity investments	11,851	2,053	— 7,739	—	—	6,165
Other financial assets	24	—	—	—	—	24
Bonds	9,184	3,977	—	—	—	13,161
	<b>386,654</b>	<b>36,372</b>	<b>— 14,466</b>	—	—	<b>408,560</b>

The increase in financial assets is due to an equity investment of €28 million and a share capital increase of €2 million.

The decrease in financial assets is due to the disposal of Giga, including €7 million for the securities and €3 million for the loan.

**Note 6.2: Amortisation and depreciation**

€ thousands	Amount 31/12/15	Charges	Reversals	Merger movements	Other movements	Amount 31/12/16
<b>Intangible assets</b>	<b>214</b>	—	—	—	—	<b>214</b>
Concessions, patents and licences	214	—	—	—	—	214
<b>Property, plant and equipment</b>	<b>2</b>	—	—	—	—	<b>2</b>
	<b>216</b>	—	—	—	—	<b>216</b>



**Note 6.3: Writedown of non-current assets**

€ thousands	Amount 31/12/15	Charges	Reversals used	Reversals unused	Merger movements	Other movements	Amount 31/12/16
Writedown provisions on financial assets	36,814	2,986	– 8,673	– 531	–	–	30,595
	<b>36,814</b>	<b>2,986</b>	<b>– 8,673</b>	<b>– 531</b>	<b>–</b>	<b>–</b>	<b>30,595</b>

**NOTE 7: ANALYSIS OF MATURITY OF RECEIVABLES**

€ thousands	Total	Less than 1 years	More than 1 year
<b>Non-current receivables</b>			
Receivables from equity investments	6,165	6,046	119
Other financial assets	24	–	24
Bonds issued	13,161	–	13,161
<b>Current receivables</b>			
Trade receivables	331	331	–
Miscellaneous receivables*	110,807	106,937	3,870
<b>Prepaid expenses and translation adjustment</b>	<b>4,327</b>	<b>4,327</b>	<b>–</b>
	<b>134,815</b>	<b>117,640</b>	<b>17,175</b>

\* This item mainly comprises €73,204 thousand of intragroup current accounts, primarily originating from the implementation of cash pooling at Group level, as well as receivables on the disposals of CIAT and Faac for a total amount of €19,260 thousand.

**NOTE 8: DEFERRED INCOME AND OTHER RECEIVABLES**

€ thousands	
Dividends	–
Accrued interest on cash accounts	–
Trade receivables, invoices to be issued	–
Government, tax and duties	17,306
Other (CIAT, Faac)	19,260

"Government, tax and duties" correspond to the refund expected upon settlement of income tax and tax credits not yet allocated.

**NOTE 9: ASSET TRANSLATION ADJUSTMENTS ON FOREIGN CURRENCY DENOMINATED DEBTS AND RECEIVABLES**

€ thousands	Asset impact	
	Total	Provision for liability
Bonds	3,639	3,639
Receivables from equity investments	615	615
Miscellaneous receivables	51	51
Financial debts	–	–
	<b>4,305</b>	<b>4,305</b>

**NOTE 10: SHAREHOLDERS' EQUITY****Note 10.1: Statement of changes in shareholders' equity**

€ thousands	Balance at 31/12/15 before allocation of net profit	Allocation of net profit for the year to 31/12/15	2016 movements	Balance at 31/12/16 before allocation of net profit	Proposed allocation of 2016 net profit	Balance at 31/12/16 after allocation of net profit
Share capital	7,400	–	–	7,400	–	7,400
Share premium	1,866	–	–	1,866	–	1,866
Revaluation reserve	5,929	–	–	5,929	–	5,929
Legal reserve	791	– 51	–	740	–	740
Regulated reserves	–	–	–	–	–	–
Other reserves	91,361	242,412	–	333,773	77,289	411,062
Retained earnings	5,058	– 5,058	3,054	3,054	– 3,054	–
Net profit	279,484	– 279,484	119,375	119,375	– 119,375	–
Regulated provisions	–	–	–	–	–	–
	<b>391,888</b>	<b>– 42,180</b>	<b>122,429</b>	<b>472,137</b>	<b>– 45,140</b>	<b>426,997</b>

**Note 10.2: Share capital**

Euros	Number of shares	Par value
<b>– Shares</b>		
At the start of the year	7,400,000	1
At the end of the year	7,400,000	1
<b>– Convertible bonds and similar securities</b>	–	–

**Note 10.3: Treasury shares**

€ thousands		31/12/15	Increase	Decrease	Transfer	31/12/16
Stock options and free shares	€ thousands	50,620	–	– 337	–	50,283
	number	288,637	–	– 3,400	–	285,237
Liquidity contract	€ thousands	120	5,777	– 5,662	–	235
	number	389	16,684	– 16,457	–	616
Shares retained for potential acquisitions	€ thousands	48,535	–	–	–	48,535
	number	246,854	–	–	–	246,854
Treasury shares	€ thousands	–	–	–	–	–
	number	–	–	–	–	–
<b>TOTAL TREASURY SHARES</b>	€ thousands	<b>99,275</b>	<b>5,777</b>	<b>– 5,999</b>	<b>–</b>	<b>99,053</b>
	number	<b>535,880</b>	<b>16,684</b>	<b>– 19,857</b>	<b>–</b>	<b>532,707</b>

**Note 10.4: Free share plans**

Plan date		Number of beneficiaries	Number of shares granted	Price per share (€)	Allocation date	Vesting date	Revision related to presence and performance conditions	Shares exercised	Number of shares definitely granted at 31/12/16
21/02/14	Residents	86	7,270	179.92	30/06/16	01/07/18	– 3,870	– 3,400	–
21/02/14	Non-residents	68	4,320	169.86	30/06/18	N/A	– 2,495	– 120	1,705
		<b>154</b>	<b>11,590</b>				<b>– 6,365</b>	<b>– 3,520</b>	<b>1,705</b>

The plan of 21 February 2014 is subject to beneficiaries remaining employed by the Group and to business performance conditions based on internal financial criteria.

**NOTE 11: BALANCE SHEET PROVISIONS**

€ thousands	Amount at 31/12/15	Charges	Reversals used	Reversals unused	Merger movements	Other movements	Amount at 31/12/16
Regulated provisions	–	–	–	–	–	–	–
Provisions for liabilities and charges (exchange losses)	8,574	–	– 4,269	–	–	–	4,305
	<b>8,574</b>	<b>–</b>	<b>– 4,269</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,305</b>

**NOTE 12: ANALYSIS OF MATURITY OF PAYABLES**

€ thousands	Total	Less than 1 year	1 to 5 years	More than 5 years
<b>Liabilities</b>				
Loans and borrowings from credit institutions	6,180	6,180	–	–
Miscellaneous loans and borrowings	39,750	39,750	–	–
<b>Operating liabilities</b>				
Trade payables and related items	3,781	3,781	–	–
Tax and social security payable	620	620	–	–
<b>Other liabilities*</b>	118,805	98,755	20,050	–
<b>Deferred income and translation adjustment</b>	75	75	–	–
	<b>169,211</b>	<b>149,161</b>	<b>20,050</b>	<b>–</b>

\* This item mainly comprises €88,232 thousand of intragroup current accounts, primarily originating from the implementation of cash pooling at Group level, as well as earnouts on the acquisition of the company Myfox for €20,050 thousand.

**NOTE 13: ACCRUED EXPENSES**

€ thousands	
Accrued loan interest	–
Trade payables, invoices not received	606
Employees, statutory bodies, government, duties and taxes	614
Miscellaneous	14
Attendance fees	–

**NOTE 14: OFF-BALANCE SHEET COMMITMENTS****Note 14.1: Financial commitments**

€ thousands	31/12/16	31/12/15
– Guarantees and deposits received	13,408	8,940
– Unused credit facilities	126,250	129,500
<b>TOTAL COMMITMENTS RECEIVED</b>	<b>139,658</b>	<b>138,440</b>
– Guarantees and deposits given	1,799	698
– Interest on outstanding loans	–	11
– Liability guarantee on CIAT disposal	17,796	17,796
<b>TOTAL COMMITMENTS GIVEN</b>	<b>19,595</b>	<b>18,505</b>

**Note 14.2: Securitised debt**

€ thousands	
Borrowings and debts from credit institutions	–

**NOTE 15: MARKET VALUE OF DERIVATIVES**

31/12/16	Hedging of balance sheet items	Hedging of off-balance sheet items	Total € thousands	Fair value € thousands	Types
AUD	2,368	2,143	4,511	– 86	Forward sale and purchase
CAD	656	1,017	1,673	– 45	Forward sale
CHF	1,066	2,816	3,882	– 43	Forward sale
CNY	– 3,873	– 5,826	– 9,699	92	Forward purchase
GBP	2,521	1,092	3,613	26	Forward sale
HKD	896	1,157	2,054	– 111	Forward sale
ILS	1,384	2,204	3,588	– 158	Forward sale
JPY	1,750	2,407	4,157	221	Forward sale and purchase
NOK	223	1,633	1,855	– 29	Forward sale
PLN	1,257	–	1,257	13	Forward sale
RUB	403	890	1,293	– 148	Forward sale
SEK	264	526	791	– 15	Forward sale
SGD	133	401	534	– 1	Forward sale
THB	115	51	167	– 7	Forward sale
USD	2,103	– 438	1,665	– 82	Forward sale and purchase
	<b>11,266</b>	<b>10,073</b>	<b>21,339</b>	<b>– 375</b>	

## NOTE 16: 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
<i>Subsidiaries (at least 34% of share capital held by the company)</i>						
DSG Coordination Center SA	4,316	1,337	99.98%	6	–	–
Somfy SAS	20,000	36,046	100.00%	32,281	396,359	90
CMC SARL	8	– 548	100.00%	325	–	–
Somfybat SNC	6,830	11,110	100.00%	1,283	–	–
Somfy Ltd	146	– 22	100.00%	598	10,788	–
Somfy PTY Ltd	306	1,352	100.00%	1,131	12,636	–
NV Somfy SA	348	45	100.00%	1,417	26,964	–
Somfy Brazil LTDA	11,188	– 6,419	99.99%	– 732	6,285	–
Somfy GmbH	1,500	4,049	100.00%	8,718	150,668	700
Somfy KFT	787	– 155	100.00%	125	4,080	–
Somfy Spol sro	177	185	100.00%	757	15,515	–
Somfy Sp zoo	132	2,821	100.00%	2,184	26,569	–
SC Somfy SRL	307	– 67	100.00%	150	1,447	–
Somfy Joo	314	3,726	100.00%	193	5,842	–
Somfy Italia SRL	2,000	6,839	95.00%	1,718	20,731	–
Somfy España SA	93,100	4,439	100.00%	9,531	22,572	7,000
Somfy Systems Inc.	8,786	2,360	100.00%	4,095	82,004	–
Somfy AG	30	1,474	100.00%	1,498	26,058	–
Somfy Sweden AB	71	1,097	100.00%	360	6,325	–
Somfy PTE Ltd	533	936	100.00%	315	3,387	–
Somfy Co Ltd	10,423	2,923	100.00%	513	5,447	174
LianDa	6,960	– 14,439	95.00%	3,398	31,479	–
Somfy Middle East Co Ltd	62	782	100.00%	251	33,660	–
Somfy Mexico SA DE CV	27	480	99.75%	423	5,412	–
Somfy K.K.	205	2,015	100.00%	249	12,299	–
PROMOFI BV	91	1,564	100.00%	48,463	–	48,500
Simu SAS	5,000	7,384	100.00%	8,977	81,220	–
Somfy ULC	904	993	100.00%	712	7,554	–
Arve Finance	3,010	– 1,568	50.17%	– 3	–	–
Somfy SIA	521	– 318	100.00%	79	1,721	–
Somfy South Africa (PTY) Limited	410	321	100.00%	497	2,084	–
Somfy Colombia SAS	28	53	100.00%	– 108	1,246	–
Domis SA	1,115	98	100.00%	389	10,644	–
Somfy LLC	1,104	– 608	100.00%	267	5,614	–
Sisa Home Automation Ltd	249	4,751	100.00%	1,233	12,174	–
Somfy Ev Otomasyon Sistemleri Ticaret Ltd Sti	801	2,478	99.86%	177	10,104	–
Asian Capital International LTD	113,776	28,601	100.00%	– 286	–	–
Somfy Maroc SARL	196	241	100.00%	– 340	3,962	–

€ 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 Hellas SA	750	1,364	100.00%	247	6,366	–
Somfy India Pvt Ltd	1,706	26	100.00%	– 5	3,673	–
Somfy Bulgaria AD	102	99	99.90%	71	1,171	–
Stor'm	8	610	100.00%	84	1,112	–
Somfy Thailand	306	422	99.98%	290	1,968	–
Somfy LLC	370	– 292	100.00%	42	287	–
Somfy Tunisie Services	99	– 25	50.00%	– 3	–	–
Somfy Egypt	140	– 101	99.91%	– 124	–	–
SOPem	53,054	– 2,256	100.00%	10,957	70,704	–
GABR Participações LTDA	3,139	– 6,424	99.99%	– 21	–	–
Somfy Argentina	740	– 304	99.77%	253	3,195	–
Somfy Norway AS	67	60	100.00%	145	5,844	–
Somfy Eastern Europe Area SP. Zoo	36	8	100.00%	63	–	–
Somfy Asia-Pacific Co Ltd	76	76	100.00%	75	–	–
Opendoors SAS	500	– 56	100.00%	– 1,249	228	–
Myfox SAS	17,654	– 13,734	100.00%	– 1,126	1,285	–

## € thousands

Loans and advances granted to the companies above, not yet repaid	6,165
Total guarantees granted to the companies above	472
Dividends paid by the companies above during the year	122,562



## NOTE 17: EQUITY INVESTMENTS AT 31 DECEMBER 2016

€ thousands	Gross value	Net value	Quoted value
<b>Equity investments</b>			
4,504,249 DSG Coordination Center SA 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 Sweden 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	—
50 Somfy AG shares	152	152	—
660 Somfy K.K. shares	194	194	—
35,000 Somfy España SA shares	93,161	93,161	—
13,995 NV Somfy SA shares	334	334	—
35,999 Somfy Middle East Co Ltd shares	72	72	—
100,000 Somfy Ltd shares	144	144	—
500,000 Somfy PTY Ltd shares	350	350	—
80,000 Somfy Joo shares	460	460	—
1,100,000 Somfy PTE Ltd shares	514	514	—
500 CMC SARL shares	8	8	—
2,099,990 Somfy Co Ltd shares	10,734	10,734	—
1 Somfy Spol sro share	1,012	1,012	—
676 Somfy Sp zoo shares	1,423	1,423	—
1 Somfy KFT share	1,865	757	—
399 Somfy Mexico SA DE CV shares	44	44	—
36,378,338 Somfy Brazil LTDA shares	11,933	3,854	—
250,000 Simu SAS shares	23,937	23,937	—
3,744,299 Somfy India Pvt Ltd shares	1,696	1,696	—
52,250 LianDa shares	7,307	—	—
124,274 SC Somfy SRL shares	311	311	—
100,000 Somfy ULC shares	333	333	—
1,510,000 Arve Finance shares	1,510	723	—
521,197 Somfy SIA shares	822	199	—
4,728,000 Somfy South Africa (PTY) Limited shares	387	387	—
71,408 Somfy Colombia SAS shares	30	—	—
2,499,999 Somfy Hellas SA shares	750	750	—
22,000 Somfy Maroc SARL shares	202	96	—
85,827 Domis SA shares	3,068	3,068	—
1 Somfy LLC share	1,152	764	—
14,000,000 Sisa Home Automation Ltd shares	270	270	—

€ thousands	Gross value	Net value	Quoted value
16,776 Somfy Ev Otomasyon Sistemleri Ticaret Ltd Sti shares	875	875	—
1,220,956,515 Asian Capital International LTD shares	107,369	107,369	—
999 Somfy Bulgaria AD shares	102	102	—
500 Stor'm shares	839	839	—
9,998 Somfy Thailand shares	304	304	—
1 Somfy LLC share	381	90	—
1,000 Somfy Tunisie Services shares	52	52	—
1,099 Somfy Egypt shares	153	—	—
107,000 SOPEM shares	40,983	40,983	—
8,999,100 GABR Participações LTDA shares	3,016	—	—
5,372,727 Somfy Argentina shares	562	562	—
500 Somfy Norway AS shares	57	57	—
1,500 Somfy Eastern Europe Area SP. Zoo shares	36	36	—
650,000 Somfy Asia-Pacific Co Ltd shares	77	77	—
50,000 Opendoors SAS shares	500	500	—
21,796,663 Myfox SAS shares	28,050	28,050	—
379,449 Somfybat SNC shares	10,280	10,280	—
	<b>388,993</b>	<b>367,065</b>	—

€ thousands	Gross value	Net value	Quoted value
<b>Portfolio investments</b>	—	—	—
<b>Marketable securities</b>			
Treasury shares	99,053	98,849	206,477
Marketable securities	—	—	—
	<b>99,053</b>	<b>98,849</b>	<b>206,477</b>

# 10

## LEGAL DOCUMENTS

- P.128 Statutory Auditors' report on the annual financial statements
- P.129 Statutory Auditors' special report on regulated agreements and commitments
- P.130 Statutory Auditors' report, prepared in application of Article L. 225-235 of the French Commercial Code (Code de Commerce), on the report of the Chairman of the Supervisory Board of Somfy SA
- P.131 Statutory Auditors' report on the consolidated financial statements
- P.132 Independent verifier's report on consolidated social, environmental and societal information presented in the management report
- P.134 Supervisory Board report
- P.135 Draft resolutions Combined General Meeting of 17 May 2017

# 10

## LEGAL DOCUMENTS

### STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting, we hereby present our report for the financial year ended 31 December 2016 on:

- The audit of the accompanying annual financial statements of Somfy SA,
- The justification of our assessments,
- The specific verifications and information required by law.

These annual financial statements have been prepared by the Management Board. Our role is to express an opinion on these annual financial statements based on our audit.

#### I. OPINION ON THE ANNUAL FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance on whether the annual financial statements are free from material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence supporting the amounts and disclosures in the annual financial statements. An audit also includes evaluating the appropriateness of the accounting principles used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the annual financial statements give a true and fair view of the assets and liabilities and of the financial position of the company as at 31 December 2016 and of the results of its operations for the year then ended in accordance with French accounting principles.

#### II. JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (Code de Commerce) relating to the

justification of our assessments, we bring to your attention the following matters:

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 verified the reasonableness of selected assumptions and resulting estimates.

These assessments were made as part of our audit of the annual financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

#### III. SPECIFIC VERIFICATIONS AND INFORMATION

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

We have no matters to report as to the fair presentation and the consistency with the annual financial statements of the information given in the Management Board report and in the documents addressed to shareholders with respect to the financial position and the annual financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code (Code de Commerce) relating to remunerations and benefits received by corporate officers and any other commitments made in their favour, we have verified their consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights and mutual shareholders has been properly disclosed in the management report.

Lyon, 19 April 2017  
The Statutory Auditors

KPMG Audit  
Division of KPMG SA  
Stéphane Devin  
Partner

ERNST & YOUNG et Autres  
Lionel Denjean  
Partner

## STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

To the Shareholders,

As Statutory Auditors to your company, we hereby present our report on regulated agreements and commitments.

It is our responsibility to inform you, based on the information that has been given to us, of the key features and terms and conditions, as well as the grounds for the company's interest, of the agreements and commitments of which we have been made aware or that we may have discovered as part of our assignment, without having to comment on their usefulness and validity or to search for other such agreements and commitments. It is your responsibility, pursuant to the provisions of Article R. 225-58 of the French Commercial Code (Code de Commerce), 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 L. 225-58 of the French Commercial Code (Code de Commerce) relative to the execution, during the year just ended, of agreements and commitments already approved by the General Meeting.

We have performed the due diligence we deemed necessary with regard to 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 TO THE GENERAL MEETING

We hereby inform you that we have not been advised of any agreements or commitments authorised during the financial year that required approval from the General Meeting pursuant to Article L. 225-86 of the French Commercial Code (Code de Commerce).

### AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING

#### AGREEMENTS AND COMMITMENTS APPROVED IN PRIOR YEARS

Pursuant to Article R. 225-57 of the French Commercial Code (Code de Commerce), 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.

#### Co-contractor

CMC SARL

#### Person concerned

Jean-Philippe Demaël, Chairman of the Management Board until 9 March 2016.

#### Nature and purpose

Supplementary pension plan pursuant to Article 39 open to employees of the company CMC and members of the Management Committee with at least 15 years' service: 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. The additional maximum pension thus represents 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, incentive bonus and profit sharing and after applying the salary and social contribution indexing coefficients defined by the Caisse Nationale d'Assurance Vieillesse (CNAV).

#### Terms and conditions

This agreement did not have any effect in the accounts of the company for the 2016 financial year.

It should be noted that this agreement was terminated on 9 March 2016 as a result of Jean-Philippe Demaël resignation from his office of Chairman of the Management Board on the same date.

Lyon, 19 April 2017  
The Statutory Auditors

KPMG Audit  
Division of KPMG SA  
Stéphane Devin  
Partner

ERNST & YOUNG et Autres  
Lionel Denjean  
Partner

## STATUTORY AUDITORS' REPORT, PREPARED IN APPLICATION OF ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE (CODE DE COMMERCE), 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 French Commercial Code (Code de Commerce), we hereby present our report on your company Chairman's report in accordance with Article L. 225-68 of the French Commercial Code (Code de Commerce) for the year ended 31 December 2016.

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 French Commercial Code (Code de Commerce), 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 French Commercial Code (Code de Commerce), it being specified that it 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 French Commercial Code (Code de Commerce).

### 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 French Commercial Code (Code de Commerce).

Lyon, 19 April 2017  
The Statutory Auditors

KPMG Audit  
Division of KPMG SA  
Stéphane Devin  
Partner

ERNST & YOUNG et Autres  
Lionel Denjean  
Partner

## STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting, we hereby present our report for the financial year ended 31 December 2016 on:

- The audit of the accompanying consolidated financial statements of Somfy SA,
- The justification of our assessments,
- The specific verification required by law.

The consolidated financial statements have been prepared by the Management Board. Our role is to express an opinion on these consolidated financial statements based on our audit.

### I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance on whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of the accounting principles used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2016 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### II. JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (Code de Commerce) relating to the justification of our assessments, we bring to your attention the following matters:

Note 5.1 to the consolidated financial statements details the accounting rules and methods relating to the recognition and evaluation of goodwill. We have reviewed the valuation methods used by your Group and resulting calculations. As part of our assessment of these estimates, we have verified the reasonableness of selected assumptions and resulting estimates. These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

### III. SPECIFIC VERIFICATION

As required by law we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Lyon, 19 April 2017  
The Statutory Auditors

KPMG Audit  
Division of KPMG SA  
Stéphane Devin  
Partner

ERNST & YOUNG et Autres  
Lionel Denjean  
Partner



## 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 accredited by the COFRAC<sup>1</sup>, 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 2016, presented in chapter "Social and Environmental Reporting" included in 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), prepared 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 chapter "Social and Environmental Reporting" under the headline "methodology note" 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 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 two people between October 2016 and April 2017 for an estimated duration of 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 limited assurance, in accordance with the international standard ISAE 3000<sup>2</sup>.

1. Scope available at [www.cofrac.fr](http://www.cofrac.fr)

2. ISAE 3000 – Assurance engagements other than audits or reviews of historical information.

## 1. ATTESTATION OF PRESENCE OF CSR INFORMATION

### Nature and scope of the work

Interviews with the management of relevant departments allowed us to obtain an understanding of the company's strategy on Sustainable Development based on the social and environmental consequences linked to the company's activities and related to 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, 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 Article L. 233-3 of the French Commercial Code (Code de Commerce) with the limitations specified in the chapter "Social and Environmental Reporting" of the management report, notably a reporting perimeter which represents 76.8% of the total Group headcount.

### Conclusion

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 ten interviews with the people responsible for the preparation of the CSR Information in various departments, namely Environment, Human Resources, Communication, Purchasing and Finance, the people in charge of the data collection process and, if applicable, with 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, comprehensiveness, 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<sup>3</sup>:

- At the level of the parent company, 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, verified their coherence and consistency with the other information presented in the management report.
- At the level of the representative entities that we selected<sup>4</sup>, 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 37% of the workforce as at 31 December 2016, 60% of environmental quantitative information.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the company. Eventually, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information.

We consider that the sample methods and the 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.

#### Observations

Without qualifying the conclusion expressed above, we draw your attention to the fact that the indicator “number of training hours” is constituted in part of number of planned hours rather than effectively attended hours for the entity Somfy SAS representing 49% of the hours reported to the Group.

Paris-La Défense, 20 April 2017

Independent Verifier

ERNST & YOUNG et Associés

Christophe Schmeitzky

Partner, Sustainable Performance & Transformation

Bruno Perrin

Partner

3. Environmental and societal information: general environmental policy, water consumption, discharges and treatment, energy consumption, significant sources of carbon emissions, 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, hiring and terminations), absenteeism, health and safety at the work place, work accidents, notably their frequency and their severity, training policies, number of hours of training, measures undertaken for gender equality.

4. Somfy SAS (France) and SOPEM (Poland).

## 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 and consolidated financial statements at 31 December 2016, which you are requested to approve today.

The Management Board has also provided us with its 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.

This report fairly reflects information that was regularly provided to us during the financial year just ended.

Group sales totalled €1,131.7 million for 2016, an increase of 6.7% in real terms despite material negative exchange rate and consolidation scope effects. Sales increased by 10.2% on a like-for-like basis, 12.1% in the first half-year and 8.2% in the second.

The growth recorded over the second part of the year was all the more significant as it reflected an acceleration over the last quarter in spite of an increasingly unfavourable base effect as the months went on.

Another positive development was that all activities and geographic regions<sup>5</sup> posted growth for the second consecutive year.

The most noteworthy performances were recorded in America, Central and Eastern Europe, Asia-Pacific and Southern Europe. They illustrate the vitality of territories such as Poland, the Czech Republic, China, Turkey and the countries of the Levant, and they also testify to the recovery of historical markets such as Italy, the Iberian Peninsula and the United States.

Increases were lower yet nevertheless positive in Germany and France, as well as in Northern Europe, despite the decline seen in the United Kingdom.

The Group's current operating result was €177.7 million for the financial year, representing 15.7% of sales and growth of 7.3% in real terms.

Growth was impacted by exchange rate fluctuations as well as by higher structure costs, due to increased strategic investments (research and development, digital transformation, sales forces, brand).

Consolidated net profit totalled €143.4 million. Restated for exceptional items, which were particularly high the previous year due to changes in scope and adjustments made to provisions<sup>6</sup>, growth was 12.7%.

Cash flow was €181.7 million for the financial year and covered the increase in working capital requirements, the rise in investments, the distribution of dividends and acquisitions over the financial year<sup>7</sup>.

The financial position remained very healthy, with a net cash surplus<sup>8</sup> of €14.6 million at the end of December, compared with €1.2 million at the start of the year.

On this basis, the Management Board proposes the payment of a gross dividend of €6.10 per share, an increase of 7.0% compared with the dividend paid last year.

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

Furthermore, you will be asked to authorise the Management Board to:

- Implement a new treasury share buy-back programme;
- Bring Articles 5, 23 and 31 of the bylaws into line with legal and regulatory provisions.

You will also, in particular, be asked to vote on:

- The renewal of the terms of office and/or the appointment of the members of the Supervisory Board;
- The approval of the principles and criteria for the determination, apportionment and allocation of the elements that comprise the remuneration and benefits payable to the members of the Management and Supervisory Boards;
- The delegation of authority to be granted to the Management Board for the purpose of splitting the par value of Somfy SA shares;
- The amendment of Articles 15 and 17 of the company's bylaws;
- A delegation to be granted to the Supervisory Board in order to bring the bylaws into line with legal and regulatory provisions.

Draft resolutions, in line with the agenda, will be submitted for your approval.

We have no specific observations to make regarding the various documents that have been submitted to you (in particular the Management Board report), or in relation to the parent company and consolidated financial statements for the 2016 financial year. Therefore, we ask you to adopt the proposed resolutions.

The Supervisory Board wishes to reiterate its satisfaction with the Management Board's performance in light of the excellent results of the financial year as well as its confidence in this new management team.

**The Supervisory Board**

5. Germany, America, Asia-Pacific, Central and Eastern Europe, Northern Europe, Southern Europe and France are all considered as autonomous geographic regions in the sales breakdown, due to their respective scopes and weightings.

6. The capital gains resulting from the exits from the share capital of CIAT and Faac (€39.8 million) and tax income (€4.5 million) increased the financial statements for the 2015 financial year, while the provisions for writedown on the interests in Garen Automação and Giga (€6.7 million) decreased them. Net profit adjusted for non-recurring items was €127.2 million in 2015.

7. The Group acquired the companies iHome et Myfox during the year.

8. The net cash surplus corresponds to the difference between financial assets and financial liabilities. It takes into account both deferrals in payments and earnout on acquisitions as well as liabilities related to put option granted to holders of non-controlling interests.

## DRAFT RESOLUTIONS COMBINED GENERAL MEETING OF 17 MAY 2017

## ORDINARY SESSION

**FIRST RESOLUTION – Approval of the parent company financial statements for the financial year ended 31 December 2016**

The General Meeting, having considered the reports of the Management Board, the Chairman of the Supervisory Board and the Statutory Auditors for the financial year ended 31 December 2016, and the observations of the Supervisory Board, approves the financial statements, as submitted, which show a net profit of €119,374,767.93.

**SECOND RESOLUTION – Approval of the consolidated financial statements for the financial year ended 31 December 2016**

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 at 31 December 2016, approves the financial statements, as submitted, which show a net profit (Group share) of €141,097,000.

**THIRD RESOLUTION – Allocation of net profit for the financial year and setting of dividend**

The General Meeting approves the following allocation of net profit for the financial year ended 31 December 2016, proposed by the Management Board:

**Source**

– Net profit for the financial year	€119,374,767.93
– Retained earnings	€3,054,202.50

**Allocation**

– Other reserves	€77,288,970.43
– Dividends	€45,140,000.00

The General Meeting notes that the overall gross dividend per share is set at €6.10, 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 2017.

The dividend will be paid on 6 June 2017.

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		Revenue not eligible for tax rebate
	Cash dividends	Other distributed earnings	
2013	€38,666,435.60* being €5.20 per share	–	–
2014	€35,693,533.20* being €5.20 per share	€391,840,000.00, each share conferring the right to either one Edify SA share or a cash sum of €50.00**	–
2015	€39,125,797.50* being €5.70 per share	–	–

\* Does not include unpaid dividends attributable to treasury shares and transferred to retained earnings.

\*\* The General Meeting of Shareholders of 27 November 2014 decided on the exceptional distribution of €391,840,000.00, which was taken from the "General Reserve" item, it being specified that each Somfy share conferred entitlement to either one Edify SA share or a cash payment of €50.00, according to the shareholder's preference.

**FOURTH RESOLUTION – Special report of the Statutory Auditors on regulated agreements and commitments - Noting the absence of new agreements**

The General Meeting, having considered the special report of the Statutory Auditors mentioning the absence of new agreements of the type referred to in Articles L. 225-86 and subsequent of the Commercial Code, simply acknowledges this fact.

**FIFTH RESOLUTION – Appointment of Florence Noblot to replace Valérie Pilcer as member of the Supervisory Board**

The General Meeting decides to appoint Florence Noblot to replace Valérie Pilcer, who did not wish to have her term of office renewed, as member of the Supervisory Board for a period of four years which will expire at the end of the General Meeting called in 2021 to approve the financial statements for the year just ended.

**SIXTH RESOLUTION – Appointment of Sophie Desormière to replace Jean Despature as member of the Supervisory Board**

The General Meeting decides to appoint Sophie Desormière to replace Jean Despature, who did not wish to have his term of office renewed, as member of the Supervisory Board for a period of four years which will expire at the end of the General Meeting called in 2021 to approve the financial statements for the year just ended.

**SEVENTH RESOLUTION - Renewal of the term of office of Paule Cellard as member of the Supervisory Board**

The General Meeting decides to renew the term of office of Paule Cellard as member of the Supervisory Board for a period of four years, which will expire at the end of the General Meeting called in 2021 to approve the financial statements for the year just ended.

#### **EIGHTH RESOLUTION – Appointment of Marie Bavarel-Despature as member of the Supervisory Board**

The General Meeting decides to appoint Marie Bavarel-Despature as member of the Supervisory Board, in addition to current members, for a period of three years (pursuant to the provisions of Article 18 of the bylaws) which will expire at the end of the General Meeting called in 2020 to approve the financial statements for the year just ended.

#### **NINTH RESOLUTION – Renewal of the term of office of Victor Despature as member of the Supervisory Board**

The General Meeting decides to appoint Victor Despature as member of the Supervisory Board, for a period of three years (pursuant to the provisions of Article 18 of the bylaws) which will expire at the end of the General Meeting called in 2020 to approve the financial statements for the year just ended.

#### **TENTH RESOLUTION – Approval of the principles and criteria used to determine, apportion and allocate the fixed, variable and exceptional items of remuneration comprising total remuneration and benefits of any nature attributable to the Chairman of the Management Board and to the member of the Management Board and Chief Financial Officer**

The General Meeting, acting pursuant to Article L. 225-82-2 of the Commercial Code, approves the principles and criteria used to determine, apportion and allocate the fixed, variable and exceptional items of remuneration comprising total remuneration and benefits of any nature attributable, as part of their terms of office, to the Chairman of the Management Board and to the member of the Management Board and Chief Financial Officer, as presented in the report attached to the report referred to in Articles L. 225-100 and L. 225-102 of the Commercial Code.

#### **ELEVENTH RESOLUTION – Approval of the principles and criteria used to determine, apportion and allocate the fixed, variable and exceptional items of remuneration comprising total remuneration and benefits of any nature attributable to the members of the Supervisory Board**

The General Meeting, acting pursuant to Article L. 225-82-2 of the Commercial Code, approves the principles and criteria used to determine, apportion and allocate the fixed, variable and exceptional items of remuneration comprising total remuneration and benefits of any nature attributable, as part of their terms of office, to the members of the Supervisory Board, as presented in the report attached to the report referred to in Articles L. 225-100 and L. 225-102 of the Commercial Code.

#### **TWELFTH 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 24 May 2016, 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 share, by way of an investment services provider within a liquidity contract that complies with the Ethics Charter of AMAFI recognised by regulations, it being specified that within this framework the number of shares considered for the calculation of the limit specified above corresponds to the number of shares purchased less the number of shares resold;
- To retain the shares purchased and subsequently exchange them or use them as payment within the framework of potential acquisitions;
- To ensure the coverage of stock option plans and/or free share allocation plans (or similar) granted to employees and/or corporate officers 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 corporate officers 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 granted by the General Meeting of shareholders of 24 May 2016 in its eleventh 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.

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

The maximum purchase price is set at €600 per share. In case of a share capital transaction, in particular a share split, reverse share split or allocation of free shares to shareholders, 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, taking account of the 532,707 treasury shares held at 31 December 2016, is therefore set at €124,375,800.

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**

#### **THIRTEENTH RESOLUTION – Delegation of authority to be granted to the Management Board for the purpose of splitting the par value of shares**

The General Meeting, having taken note of the Management Board's report, decides to set at €0.20 the par value of each share in the company and consequently, to split each share – each with a par value of €1 – by exchanging these shares at a transfer rate of five €0.20 shares against one €1.

Where appropriate, it is specified that this delegation terminates the delegation granted to the Management Board by the thirteenth resolution of the General Meeting of 24 May 2016, sitting in extraordinary session.

This division will take effect on a date to be set by the Management Board.

The double voting right as provided for by the provisions of Article 29 of the bylaws, is allocated upon the issue of registered shares of €0.20 resulting from the division of registered shares of €1 bearing this right, the stipulated period of four years not being interrupted by the exchange.

The General Meeting takes notes that as a result of the exchange of shares, the €0.20 shares would unconditionally replace the €1 shares which will be cancelled, and this exchange will not result in a change in the relationship between the company and its shareholders.



The General Meeting grants the Management Board the power to:

- Carry out this exchange on a date following the dividend payment date;
- Determine the number of €0.20 shares existing at that time and amend the bylaws accordingly;
- Carry out any adjustment operations made necessary by the transaction;
- And more generally, do whatever is necessary to implement these decisions no later than the end of the Meeting held in 2018 to approve the financial statements for the financial year just ended.

#### **FOURTEENTH RESOLUTION – Alignment of Articles 5, 23 and 31 of the bylaws**

The General Meeting, having considered the report of the Management Board, decides:

##### **1. Concerning the transfer of the registered office**

###### **(Article 5 of the bylaws):**

- To align the bylaws with the provisions of Article L. 225-65 of the Commercial Code as amended by the law n° 2016-1691 of 9 December 2016;
- To amend paragraph 1 of Article 5 of the bylaws accordingly and as follows, the remainder of the article remaining unchanged: “The registered office may be transferred to any location within the French territory, by simple decision of the Supervisory Board, subject to ratification of this decision at the next Ordinary General Meeting.”

##### **2. Concerning Alternate Statutory Auditors**

###### **(Article 23 of the bylaws):**

- To align the bylaws with the provisions of Article L. 823-1 of the Commercial Code as amended by the law n° 2016-1691 of 9 December 2016;
- To amend paragraph 1 of Article 23 of the bylaws accordingly and as follows, the remainder of the article remaining unchanged: “Control is exercised by two principal Statutory Auditors and, if applicable, two alternate Statutory Auditors, who are appointed and perform their assignment in accordance with the law.”

##### **3. Concerning the capacity for the Extraordinary General Meeting to delegate to the Supervisory Board its authority to align the bylaws with applicable regulations (Article 31 of the bylaws):**

- To align the bylaws with the provisions of Article L. 225-65 of the Commercial Code as amended by the law n° 2016-1691 of 9 December 2016;
- To amend paragraph 1 of Article 31 of the bylaws accordingly and as follows, the remainder of the article remaining unchanged: “The Extraordinary General Meeting alone is authorised to amend any bylaw provisions, it being specified that it can delegate to the Supervisory Board authority to align the bylaws with applicable legal and regulatory provisions, in accordance with Article L. 225-65 of the Commercial Code. Nevertheless, it cannot increase shareholders’ liabilities with the exception of transactions resulting from an exchange or regrouping of shares properly decided and executed.”

#### **FIFTEENTH RESOLUTION – Amendment of Article 15 of the bylaws regarding the calculation method for the duration of the terms of office of Management Board members**

The General Meeting, having considered the report of the Management Board, decides:

- To modify the calculation method for the duration of the terms of office of Management Board members to provide for their expiry at the end of the General Meeting called to approve the financial statements for the year then ended and held during the year in which the said terms of office expire;
- To amend paragraph 2 of Article 15 of the bylaws accordingly and as follows, the remainder of the article remaining unchanged:

“In accordance with the law, the Supervisory Board will appoint Management Board members, determine their number, appoint one of them as Chairman of the Management Board and determine their remuneration. Management Board members are appointed for a term of four years which will cease at the end of the General Meeting called to approve the financial statements for the year then ended and held during the year in which their term expires.”

#### **SIXTEENTH RESOLUTION – Amendment of Article 17 of the bylaws on Management Board powers**

The General Meeting, having considered the report of the Management Board, decides:

- To align the bylaws with the provisions of Article L. 225-68 of the Commercial Code as amended by the law n° 2016-1691 of 9 December 2016, which removed the legal requirement of the Supervisory Board’s prior approval for property disposals, the complete or partial sale of equity investments or the granting of sureties;
- Cancel paragraph 5 of Article 17 of the bylaws accordingly, the remainder of the article remaining unchanged;
- Amend paragraph 6 (which will become the new paragraph 5) of Article 17 of the bylaws accordingly and as follows, the remainder of the article remaining unchanged: “The Management Board may not, without the Supervisory Board’s authorisation and in accordance with the law, grant sureties, deposits or guarantees on behalf of the company. This authorisation cannot be given in a general and unlimited manner, but solely within a maximum total amount set by the Supervisory Board. It can also set an amount per commitment in excess of which the surety, deposit or guarantee cannot be given.”

#### **SEVENTEENTH RESOLUTION – Delegation to be granted to the Supervisory Board to align the bylaws with legal and regulatory provisions**

The General Meeting, ruling in application of the provisions of Article L. 225-65 of the Commercial Code, having considered the Management Board’s report, delegates to the Supervisory Board its authority to proceed with the necessary amendments to the bylaws in order to align them with legal and regulatory provisions, subject to ratification of such amendments by the next Extraordinary General Meeting.

#### **EIGHTEENTH 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.

---

## 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, 20 April 2017

**Pierre Ribeiro**  
Group CFO







**SOMFY SA**  
**50 AVENUE DU NOUVEAU-MONDE**  
**BP 152 - 74307 CLUSES CEDEX - FRANCE**  
**TEL.: +33 (0) 4 50 96 70 00**  
**[www.somfy-groupe.com](http://www.somfy-groupe.com)**

---

---