LIVING SOMFY

ANNUAL FINANCIAL REPORT 2019

TO BE THE PREFERRED PARTNER FOR WINDOW AND DOOR AUTOMATION

SOMFY

MESSAGE FROM THE MANAGEMENT BOARD

Jean Guillaume DESPATURE
Chairman of the Management Board

Pierre RIBEIRO
Member of the Management Board and
Chief Financial Officer

Somfy achieved very healthy results in 2019 – organic growth met expectations, profitability grew strongly, and the Group stepped up its transformation in parallel.

With a 6.5% increase in real terms, Group sales were in line with the sustained average pro forma trend of the last five years (6.2% growth). The financial year was marked by a strong sales performance in Europe and an acceleration in growth in the United States over the second half-year, a market that is starting to benefit from significant innovation initiatives relating to the development of interior products. In 2019, interior products and connected solutions acted as accelerators of Somfy's growth.

Current operating margin stood at 17.1% of sales and returned to its highest level in ten years. This improvement of 1.3 base points is the result of tight cost control and of the operational excellence dynamic that has been ongoing for three years, which in 2019 translated into productivity gains. Dooya(1) continued to record significant growth and also returned to a good level of profitability.

The Group's financial position grew considerably stronger with cash flow increasing 23% to €220.1 million, and a net financial surplus of €310.5 million at the end of the financial year. This was despite the negative impact of the recognition of €48.3 million in financial liabilities related to future property leases under the new IFRS 16.

Somfy is developing in a market that is being structurally driven by the need for comfort, safety and energy efficiency in the home. In 2019, operational and financial performance reflected the relevance of the transformation strategy implemented over the last three years, based on four pillars (solution interoperability, interior products, operational excellence and CSR). From 2020, the new strategic framework – Ambition 2030 – driven by a ten-year vision, will allow the Group to further accelerate its transformation, notably thanks to a more functional structure and a segmentation of geographic regions and business lines, which will allow for better prioritisation of actions and investments.

Within the context of the current epidemic (Covid-19), the global picture remains uncertain and is evolving rapidly. At this stage, it is difficult to measure the consequences in 2020 on business activity and on the Group in particular.

The Management Board

(1) 70% of Dooya's profit is included in the Group's consolidated net profit as a share of Somfy's equity investment in this company.

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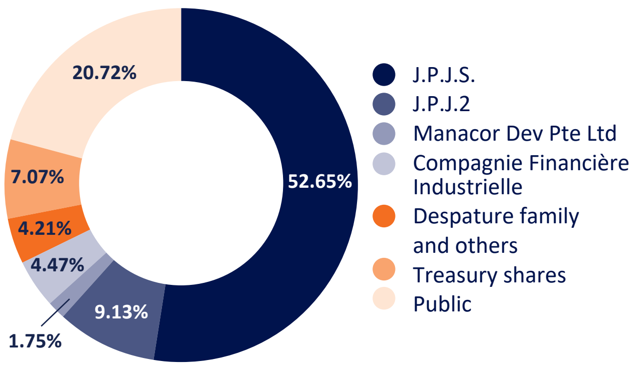
RECENT EVENTS SINCE 2 MARCH 2020

01
INVESTOR RELATIONS

01
INVESTOR RELATIONS

BREAKDOWN OF CAPITAL IN %



CAPITAL

At 31 December 2019, Somfy SA capital amounted to €7,400,000, divided into 37,000,000 shares with a nominal value of €0.20, fully paid up and all in the same class.
The company has not issued any securities giving right to capital. As authorised, the company owned 2,616,647 Somfy SA shares at 31 December 2019.

GROSS DIVIDEND

Per share, in €

NET PROFIT

Per share, in €

LISTING

Somfy SA has a Management Board and a Supervisory Board and is listed on the Eurolist at Euronext Paris in compartment A (ISIN Code FR0013199916).

CONTRACT

On 20 June 2018, Somfy SA signed a liquidity provider agreement with ODDO BHF.

2020 FINANCIAL CALENDAR

23 January	Release of 2019 Full-Year Turnover
4 March	Release of 2019 Full-Year Results
5 March	Financial Information Meeting – Presentation of 2019 Full-Year Results
16 April	Release of 2019 Annual Financial Report
21 April	Release of Quarterly Turnover (Q1 2020)
13 May[1]	Annual General Meeting
21 July	Release of 2020 Half-Year Turnover
9 September	Release of 2020 Half-Year Financial Report
9 September	Release of 2020 Half-Year Results and Conference Call
20 October	Release of Turnover for the First Nine Months of FY 2020

(1) See information on this subject in the press release of 7 April 2020 in chapter 10 Recent events since 2 March 2020.

02 ORGANISATION

02 ORGANISATION

SUPERVISORY BOARD

Chairman:
Michel Rollier*

Vice-Chairman:
Victor Despature

Members:
Marie Bavarel-Despature
Paule Cellard*
Sophie Desormière*
Florence Noblot*
Anthony Stahl

AUDIT COMMITTEE

Chairman:
Victor Despature

Member:
Paule Cellard*

REMUNERATION COMMITTEE

Chairman:
Michel Rollier*

Member:
Victor Despature

MANAGEMENT BOARD

Chairman:
Jean Guillaume Despature

Member and Chief Financial Officer:
Pierre Ribeiro

AUDITORS

ERNST & YOUNG et Autres
KPMG SA

FOR FURTHER INFORMATION

Pierre Ribeiro
Member of the Management Board and Chief Financial Officer
Telephone: (33) 4 50 40 48 49
E-mail: pierre.ribeiro@dsgsomfy.com
www.somfyfinance.com

** Independent member.*

03
OVERVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

03

OVERVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

€ millions	31/12/19	31/12/18
Sales	1,200.2	1,126.7
Current operating result	204.8	177.8
Operating result	201.6	170.1
Net profit from continuing operations	163.2	137.7
Net profit from operations treated in accordance with IFRS 5	–	2.6
Consolidated net profit	163.2	140.4
Net profit – Group share	163.2	140.5
Cash flow	220.1	178.6
Net investments in property, plant and equipment and intangible assets	53.3	57.3
New right-of-use assets - IFRS 16	19.1	–
Amortisation and depreciation charges*	-58.0	-40.6
Shareholders’ equity	1,012.8	894.4
Net financial debt**	-310.5	-222.4
Non-current assets	598.9	540.2
Average workforce	6,223	6,168

The 2019 financial statements are impacted by the first-time application of IFRS 16 on leases (see Chapter 7 Consolidated financial statements).
* *Excluding goodwill impairment.*
** *(-) Net financial surplus.*

04
MANAGEMENT BOARD MANAGEMENT REPORT

04 MANAGEMENT BOARD MANAGEMENT REPORT

TO THE COMBINED GENERAL MEETING OF 13 MAY 2020[1] APPROVED AS OF 2 MARCH 2020

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 2019.
Founded in 1969 in the Arve Valley, in the Haute-Savoie region of France, and now operating in 58 countries, Somfy is the preferred partner for window and door automation and a pioneer in the connected home. The Group is constantly innovating to guarantee comfort, well-being and safety in the home and is committed to promoting sustainable development.

HIGHLIGHTS OF THE YEAR

FIRST-TIME APPLICATION OF IFRS 16

IFRS 16 "Leases", whose application was mandatory from 1 January 2019, was applied for the first time to the financial statements to 31 December 2019, using the simplified retrospective approach.
The impact of this first-time adoption on existing leases at 1 January 2019 was €42.1 million on non-current assets and financial debt and €14.1 million on EBITDA for the financial year. The impact on shareholders' equity, current operating result and net profit is not material.

CHANGES TO THE CONSOLIDATION SCOPE

There were no material changes to the consolidation scope during 2019 financial year.

CONTINGENT LIABILITIES

The Court of Appeal of Chambéry issued its ruling on 21 May 2019 on the dispute between **Spirel** employees and **Somfy SA**. The claims of the employees in respect of the alleged deliberate bankruptcy of Spirel and the non-material damage caused as a result of anxiety, disappointment and vexation were judged inadmissible, thereby confirming the April 2017 ruling of the High Court of Albertville. The employees filed an appeal in cassation in August 2019.
It should be noted that their claims for damages totalled €8.2 million. The liquidator of the company Spirel had 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.
Proceedings before the Labour Court – dismissed in 2016 and 2018 and involving the employees contesting the grounds for their dismissal and claiming damages of a substantially similar amount to that sought before the Court of Appeal – are still ongoing.
These factors do not alter the Group's risk evaluation. Consequently, it continues to qualify these risks as contingent liabilities and no provision was thus recognised in relation to these disputes at 31 December 2019.

On 5 January 2015, **Somfy SA** transferred its 46.1% direct and indirect equity investment in the share capital of **CIAT Group** to United Technologies Corporation. On 31 March 2016, United Technologies Corporation filed a complaint against the sellers of the CIAT shares under the liability guarantee for a total of €28.6 million (Somfy's share being €13.2 million). The Group considers these requests to be unfounded, and insufficiently detailed and justified. In mid-November 2017, UTC brought an action against the sellers before the Paris Commercial Court for the liability guarantee. Proceedings before the Commercial Court and the Court of Appeal are ongoing.
As the proceedings and the documentation provided by UTC currently stand, the Group continues to contest the entirety of UTC's claims and remains confident regarding the outcome of this dispute. It has qualified the risk as a contingent liability and no provision was therefore recognised at 31 December 2019.
At 31 December 2019, Somfy SA's financial statements include a receivable for deferred settlement in relation to the sale of the CIAT shares for the sum of €9.7 million. In early July 2017, Somfy SA and the other sellers brought an action against UTC before the Paris Commercial Court seeking the fulfilment of the acquisition contract and the settlement of the deferred payments falling due. These proceedings are still ongoing. Somfy SA remains confident regarding the settlement of these sums and therefore no writedown in relation to these receivables was recognised at 31 December 2019.

(1) See information on this subject in the press release of 7 April 2020 in chapter 10 Recent events since 2 March 2020.

NEW ORGANISATIONAL STRUCTURE

—

The building industry is undergoing profound transformations with accelerated digitalisation, the need for greater energy efficiency, ever shorter innovation cycles and more. These are all challenges that Somfy has begun to tackle thanks to its Believe & Act strategic plan first implemented in 2017 but now need to take a step further.

The current organisation, whose foundations date back to 2004, has enabled the Group to expand its range of applications, becoming a pioneer of smart home solutions and expanding its geographical presence. After a decade of strong and profitable growth and progress in its main market segments, Somfy aims to accelerate in order to continue establishing its leadership in its markets.

In order to meet these challenges, the Group has set up a new organisation guided by three major principles: **a function-based architecture** to support the Group's development; **a customer-centric organisation** with reduced interfaces to facilitate decision-making and optimise resource allocation; and finally a strong focus on the **digitalisation of its products, customer relations and operations**.

The first definitive act of this change is the appointment of a new Executive Committee, along with the creation of a Strategy & Insights Division, the reorganisation of the three activities that are Home & Building, Access and Connected Solutions into three Divisions: Products & Services, Engineering & Customer Satisfaction, and Operations & Supply Chain. Finally, the sales subsidiaries will be split into two new geographical areas, for greater transversality.

In addition to the new organisation, the Executive Committee—under the supervision of Jean Guillaume Despature, Chairman of the Management Board—will work on defining and implementing a new, three-year strategic plan, based on the achievements brought by the Believe & Act plan.

PRESENTATION OF FINANCIAL STATEMENTS

PARENT COMPANY DATA

—

Over the year ended 31 December 2019, Somfy SA generated sales of €3.7 million. Net financial income amounted to €122.1 million, including €126.2 million in dividends paid by the subsidiaries in respect of their net profit for the year to 31 December 2018.

Net profit was €115.0 million, after inclusion of a tax income of €2.9 million.

CONSOLIDATED DATA

—

SALES

Group sales were €1,200.2 million over the year just ended, an increase of 6.1% on a like-for-like basis, including 4.7% in the first half-year and 7.5% in the second, and of 6.5% in real terms.

This expansion follows several years of steady growth and reflects progress within all geographical regions, with the exception of Africa & the Middle East, for contextual reasons. It attests to the growing interest of all types of consumers in motorised and connected solutions for the home, due to the need for comfort and safety and the growing awareness of energy and environmental issues.

The most noteworthy growth was recorded in Central & Eastern Europe, as a result of excellent performances in Poland, Hungary and the Czech Republic, as well as Northern Europe.

Significant increases were also posted in China, France and Germany, as well as in Central & South America and North America, thanks to a sharp upturn over the last quarter, particularly in Brazil and the United States. Growth was however more modest in Asia-Pacific (excluding China) and Southern Europe.

In contrast, the trend remained negative in Africa & the Middle East, although it improved significantly over the second half-year.

Sales of the now equity-accounted Chinese subsidiary Dooya totalled €187.5 million over the financial year, an increase of 9.3% in real terms and 8.2% on a like-for-like basis.

SALES BY CUSTOMER LOCATION

€ thousands	31/12/19	31/12/18	Change N/N-1	Change N/N-1 on a like-for-like basis
France	341,548	324,493	5.3%	5.2%
Germany	186,538	178,339	4.6%	4.6%
Northern Europe	134,911	120,489	12.0%	12.1%
Central & Eastern Europe	152,278	131,548	15.8%	15.3%
Southern Europe	121,910	119,152	2.3%	1.7%
Africa & Middle East	64,236	67,209	-4.4%	-2.5%
Asia-Pacific (excluding China)	57,595	54,834	5.0%	3.0%
China	14,923	13,740	8.6%	6.8%
North America	102,972	93,645	10.0%	4.5%
Central & South America	23,331	23,270	0.3%	6.7%
TOTAL SALES	**1,200,241**	**1,126,719**	**6.5%**	**6.1%**

RESULTS

Current operating result stood at €204.8 million over the financial year, up 15.2% in real terms, and represented 17.1% of sales, compared with 15.8% in the previous year. It benefited from a positive impact of €3.1 million from changes in exchange rates and €0.4 million from the application of the new lease recognition rule (IFRS 16).
This improvement was due to both high sales, particularly during the second half-year, and a modest increase in structure costs, as a result of the normalisation of "strategic" expenditure following a period of substantial investment.
Consolidated net profit grew 16.3% to €163.2 million. It includes a net non-current operating expense of €3.2 million, a positive contribution from associates of €3.8 million and an income tax charge of €37.2 million.
Reflecting these solid results, return on capital employed (ROCE) was 22.2% (23.7% restated for the impact of IFRS 16), compared with 20.4% in the previous year.

FINANCIAL POSITION

Group equity rose from €894.4 million to €1,012.8 million over the financial year, while the net financial surplus rose from €222.4 million to €310.5 million, despite the recognition of financial liabilities of €48.3 million following the application of IFRS 16 to leases.
The hike in net financial surplus was due to the increase in cash flow and the decline in working capital requirements.

ALTERNATIVE PERFORMANCE MEASURES

The change N/N-1 on a like-for-like basis, current operating margin, ROCE and net financial debt are Alternative Performance Measures (APMs), definitions and calculation details of which are included in note 4.3 to the consolidated financial statements.

SEGMENT REPORTING AT 31 DECEMBER 2019

€ thousands	Europe, Middle East & Africa	Asia & Americas	Intra-regional eliminations	Consolidated
Segment sales	1,071,415	217,938	-89,112	**1,200,241**
Intra-segment sales	-61,632	-27,480	89,112	**–**
Segment sales – Contribution to sales	1,009,783	190,458	–	**1,200,241**
Segment current operating result	190,143	14,687	–	**204,830**
Share of net profit/(loss) from associates	-6	3,852	–	**3,846**
Cash flow	206,805	13,286	–	**220,091**
Net investments in intangible assets and PPE	51,489	1,817	–	**53,307**
New right-of-use assets	17,996	1,142	–	**19,138**
Goodwill	94,090	1,462	–	**95,553**
Net intangible assets and PPE	315,155	21,378	–	**336,533**
Investments in associates and joint ventures	697	135,852	–	**136,549**

STOCK MARKET PERFORMANCE

During the 2019 financial year, the Somfy SA share price increased by 38.9%. At 31 December 2018, the last trading day before the close of the previous financial year, the share price was €63.00, compared with €87.50 at 31 December 2019. Over the same period, the CAC 40 and CAC All-Tradable indices (formerly SBF 250) increased by 26.4% and 25.1% respectively.
Based on this last share price and taking account of a gross dividend per share of €1.55[1], the Somfy SA share yielded 1.8%.
The market for the share recorded a monthly trading volume high of 138,855 and low of 27,067 per month, with a monthly average of 70,970 shares, compared with 93,111 shares the previous year.

POST-BALANCE SHEET EVENT

Within the context of the current epidemic (Covid-19), the global picture remains uncertain and is evolving rapidly. At this stage, it is difficult to measure the consequences in 2020 on business activity and on the Group in particular[2].

OUTLOOK

The ongoing changes in the building sector, due to the energy transition, digitalisation and changes to society have led the Group to review its structure and to announce, in January 2020, the appointment of a new Executive Committee, a consequence of which was the merger of the three existing activities into a single unit and the re-segmentation of the ten geographic regions into two major sales territories.

(1) See information on this subject in the press release of 7 April 2020 in chapter 10 Recent events since 2 March 2020.
(2) See information on this subject in the press release of 23 March 2020 in chapter 10 Recent events since 2 March 2020.

This restructuring, guided by a long-term project named Ambition 2030, will help improve the efficiency of operating processes, thanks in particular to a streamlined organisational structure as well as greater customer proximity and a better allocation of resources. It will also serve as a platform for defining and implementing the strategic plan over the coming years.

Investment will continue to enable the Group to strengthen its positioning and competitive advantage within its core business, and will specifically focus on product innovation, optimising information systems with the roll-out of the new integrated management software package (SAP ERP), and the digitalisation of ranges and operations.

The policy of openness and partnerships will be pursued in parallel, and will continue to fit in with the same strategy of collaborating with complementary partners and accessing new ecosystems that are compatible with the international standard Zigbee 3.0[(1)], thereby positioning the Group as an undisputed leader in the world of the connected home.

The Group was not adversely affected by Brexit in 2019 and does not expect to be in 2020. However, within the context of the current epidemic (Covid-19), the global picture remains uncertain and is evolving rapidly. At this stage, it is difficult to measure the consequences in 2020 on business activity and on the Group in particular[(2)].

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

Somfy had no such branches at 31 December 2019.

VALUE OF INTERCOMPANY LOANS GRANTED
(ARTICLE L. 511-6 3 *BIS* OF THE MONETARY AND FINANCIAL CODE)

Somfy SA had not granted any intercompany loans at 31 December 2019.

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

Trade receivables specific to Somfy SA's activity represent payment terms generally less than 45 days from the end of the month.

	Article D. 441 L.-1°: Invoices *received*, unpaid and overdue at year-end						**Article D. 441 L.-2°: Invoices *issued*, unpaid and overdue at year-end**					
	0 day *(for information only)*	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days or more**	**Total** *(1 day or more)*	**0 day** *(for information only)*	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days or more**	**Total** *(1 day or more)*
(A) Late payment ranges												
Number of invoices concerned	43	–	–	–	–	–	52					–
Total value of invoices concerned exc. VAT	1,331,500	–	–	–	–	–	656,266	–	–	–	–	–
Percentage of total value of purchases exc. VAT over the financial year	11.32%	–	–	–	–	–						
Percentage of revenue exc. VAT over the financial year							17.71%	–	–	–	–	–
(B) Invoices excluded from (A) relating to contested or unrecorded trade payables and receivables												
Number of invoices excluded	–	–	–	–	–	–	–	–	–	–	–	–
Total value of invoices excluded exc. VAT	–	–	–	–	–	–	–	–	–	–	–	–
(C) Standard payment terms used (contractual or statutory period - Article L. 441-6 or Article L. 443-1 of the Commercial Code)												
Payment terms used for calculating late payments	☑ Contractual terms							☑ Contractual terms: within 10 days after the end of the month				
	☐ Statutory terms							☐ Statutory terms				

(1) *The radio protocol Zigbee 3.0, the leading standard for the connected home, has more than 400 partners, including Amazon, Apple, Google, Philips, Samsung and Somfy. It facilitates convergence and interoperability between each of these manufacturers' products.*

(2) *See information on this subject in the press release of 23 March 2020 in chapter 10 Recent events since 2 March 2020.*

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 31/12/19	Number of shares	% share capital	Theoretical voting rights	% theoretical voting rights	Voting rights at AGMs	% of voting rights at General Meetings
J.P.J.S. SCA*	19,480,340	52.65%	38,960,680	61.39%	38,960,680	64.03%
J.P.J.2 SA**	3,376,695	9.13%	6,591,720	10.39%	6,591,720	10.83%
Compagnie Financière Industrielle***	1,653,875	4.47%	3,307,750	5.21%	3,307,750	5.44%
Despature family and others	1,557,321	4.21%	3,104,381	4.89%	3,104,381	5.10%
Manacor Dev Pte Ltd	647,502	1.75%	647,502	1.02%	647,502	1.06%
TOTAL SHAREHOLDERS' CONCERT	**26,715,733**	**72.20%**	**52,612,033**	**82.90%**	**52,612,033**	**86.46%**
Treasury shares	2,616,647	7.07%	2,616,647	4.12%	–	–
Other holders of registered and bearer shares	7,667,620	20.72%	8,237,849	12.98%	8,237,849	13.54%
TOTAL	**37,000,000**	**100.00%**	**63,466,529**	**100.00%**	**60,849,882**	**100.00%**

* *Limited partnership with share capital (registered office: 160 boulevard de Fourmies, 59100 Roubaix) controlled by Paul Georges Despature and his children Alexis Despature, Jean Guillaume Despature (Chairman of the Management Board of Somfy SA) and Marie Bavarel-Despature (member of the Supervisory Board of Somfy SA).*

** *Limited company (registered office: 29 route de l'aéroport, 1215 Geneva 15, Switzerland) controlled by Paul Georges Despature and his children Alexis Despature, Jean Guillaume Despature (Chairman of the Management Board of Somfy SA) and Marie Bavarel-Despature (member of the Supervisory Board of Somfy SA).*

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

In January 2020, Silchester International Investors, acting on behalf of funds under its management, declared that on 21 January 2020 it had a holding of 2,409,859 shares representing 6.51% 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.
To the best of the company's knowledge and at the date of preparation of this document, 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 2019 financial year, if any, are described below in the paragraph "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.

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

—

At 31 December 2019, the shares held by employees *via* the Somfy FCPE (investment fund) or directly in registered form following a free share allocation under Article L. 225-197-1 of the Commercial Code (authorised subsequent to 6 August 2015) totalled 328,530 Somfy shares, representing 0.89% of the share capital.

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

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 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.

Furthermore, the company is aware of:

- six collective retention agreements relating to a total of between 49.33% and 54.23% of Somfy SA's share capital, signed by several shareholders in accordance with Article 787 B of the General Tax Code, for an indeterminate period from the date of registration unless one of the signatories gives notice of termination;
- one collective retention agreement relating to 52.91% of Somfy SA's share capital, signed by several shareholders in accordance with Article 787 B of the General Tax Code, for a period of two years from the date of registration.

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 2019 FINANCIAL YEAR, PURSUANT TO ARTICLE L. 233-7 OF THE COMMERCIAL CODE

—

The company is not aware of any threshold crossings having taken place during the 2019 financial year.

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 2019; it was authorised by the Combined General Meeting of 22 May 2019 in its 11th resolution, sitting in ordinary session, 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 practices 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 16 May 2018 in its 12th resolution, sitting in extraordinary session.

Such share purchases could 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 reserved the right to use options or derivative instruments, in accordance with applicable regulations.

The maximum purchase price was set at €130 per share, with the maximum amount of the share buyback programme set at €135,611,710, taking account of the 2,658,833 treasury shares held at 31 December 2018.

During the financial year just ended, on the basis of the authorisation given by the General Meetings of 2018 and 2019, the company bought back 31,896 shares at an average price of €80.01, sold 41,663 shares at an average price of €72.57 and transferred 30,419 shares at an average price of €24.03 for final vesting of performance shares granted free of charge on 16 June 2017.

All of the 31,896 shares acquired were allocated to the liquidity objective.

No trading fees were paid during the financial year.

The company held 2,616,647 of its own shares at 31 December 2019, representing 7.07% of the share capital; the value of the purchase price of one share amounted to €37.47 for a par value of €0.20 each, representing a total nominal value of €523,329.40 (€1,527.20 for the liquidity contract, €244,354 to be retained for future acquisition transactions and €277,448.20 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 2019 (ARTICLE L. 233-6 OF THE COMMERCIAL CODE)

	Direct control		Indirect control	
Company name	**Number of shares**	**% share capital**	**Number of shares**	**% share capital**
–	–	–	–	–

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.

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

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

€

Purchases	
Registrant and nature of transaction	**Amount**
J.P.J.2, related to Jean Guillaume Despature, Chairman of the Management Board and Marie Bavarel-Despature, member of the Supervisory Board	
Total amount of acquisition	973,200
Average unit price	81.10
Number of shares	12,000
TOTAL PURCHASES	**973,200**

€

Free shares vested	
Registrant and nature of transaction	**Amount**
Pierre Ribeiro, member of the Management Board and Chief Financial Officer	
Total amount of acquisition	–
Average unit price	–
Number of shares	1,756
TOTAL PURCHASES	**–**

€

Free shares vested	
Registrant and nature of transaction	**Amount**
Jean Guillaume Despature, Chairman of the Management Board	
Total amount of acquisition	–
Average unit price	–
Number of shares	1,756
TOTAL PURCHASES	**–**

€

Sales	
Registrant and nature of transaction	**Amount**
NONE	
Disposal	–
TOTAL SALES	**–**

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

In 2019, the Research and Development activities carried out in line with the established roadmap. The Group filed 44 patent applications with the patent office INPI (Institut National de la Propriété Industrielle) which had published 38 of them in 2018. At the end of 2019, Somfy had a portfolio of 2,212 registered patents.
Thanks to the eco-design efforts made in 2019, more than 50% of Somfy products sold worldwide will be Act for Green® certified in 2020. Act for Green® certification is one of the levers of the Group's environmental programme aimed at reducing its carbon footprint.

76 new products and services marketed by the Group in 2019
In October 2019, the Group presented its first motorised sliding window to the market. Following three years of research, in joint development with the French group Liébot, there are 15 patents pending in relation to this project, including nine for Somfy and two jointly innovated with its partner. With a motor integrated into a sliding window, this range is a precursor of future developments to address environmental challenges related to indoor air quality, while overcoming ventilation related constraints: lack of time, concerns regarding burglary or loss of heat. This initial project from the new "Somfy air" programme won the "Innovation Award" at the 2019 Batimat Mondial du Bâtiment trade show.

In 2019, specific efforts were made to strengthen the Interior Product range. A preview of Somfy's range integrating the global radio standard Zigbee 3.0 was unveiled at the 2019 CES trade show, before its launch at the CEDIA Expo home technologies trade show in the United States. Zigbee 3.0 is now the undisputed standard for the Connected Home. Backed by an alliance of more than 400 manufacturers including Amazon, Apple, Google and IKEA, it guarantees the interoperability of their equipment. Silent motorisation is also a major technology lever in the Interior Products market. Launched commercially in late 2019, the Sonesse ULTRA range was presented at the 2020 CES trade show. At 38 decibels, which equates to the sound level of the rustling of leaves, the new Sonesse ULTRA range is the quietest motorisation solution for blinds and curtains on the market.
Lastly, the collaborative creativity platform My Somfy Lab has stepped up its activity. In 2019, 14 research projects were the subject of user feedback, including six in the form of user tests of the solutions (beta-tests) and the remainder in the form of exploratory studies. This interactive platform which comprises 3,645 registered contributors (an increase of 44%) resulted in 1,307 ideas and 6,092 questionnaire responses, an intense level of activity that included 2,151 comments and more than 7,421 "Likes".

2019 NON-FINANCIAL PERFORMANCE STATEMENT (ARTICLE L. 225-102-1 OF THE COMMERCIAL CODE)

PRESENTATION OF THE BUSINESS MODEL
—

PRESENTATION OF SOMFY

Somfy has spent the last 50 years making everyday life easier for millions of users around the world by developing smart home and building management solutions. The Group innovates to automate and connect all types of equipment to open, close and shade windows, terraces, doors and gates using connected motors that operate them together using intelligence and make them interoperable with other household equipment. In addition to motorisation, Somfy solutions include accessories for control, comfort and security. Occupants are central to Somfy's concerns and the Group constantly strives to create reliable long-term solutions that offer a better way of living and increased well-being for everyone. This is what Somfy calls smart living.

Somfy has 6,067 employees worldwide, of which 5,711 excluding temporary staff, operates in 58 countries, and generated sales of €1,200.2 million in 2019, up by 6.5% in real terms, with a current operating result of €204.8 million, *i.e.* 17.1% of sales.

The Somfy spirit and its vision for tomorrow

Somfy shares its vision for the future with every employee *via* a document that has been translated into 17 languages, called Somfy Spirit, which lies at the heart of the Group's collective vision:

"Inspiring a better way of living accessible to all".

This vision is born of the firm belief that everyone throughout the world aspires to a safe, healthy and eco-friendly living environment for themselves and their family. To meet these basic needs and improve living environments, Somfy has created innovative solutions for the home and buildings in three areas:
- comfort and well-being for everyone irrespective of their age;
- security for both people and property;
- environmental conservation.

Today, Somfy offers a line of products that is unique to the market

For the past 50 years, the Group has been improving living environments by integrating technology into window, terrace, door and gate equipment. At the forefront of the digitalisation of buildings, Somfy is a pioneer in smart living or connected home, designing for occupants new functions for new and existing buildings that match the aspirations of everyone. Somfy's ambition is to make smart living accessible to all and release the potential of the connected home through attractive product lines and interoperability with home equipment and its new control methods – voice, home automation, artificial intelligence.
Through each of its subsidiaries and brands, the Group is committed to making these innovations as widely accessible as possible. Somfy is a genuine local stakeholder, with a presence on five continents, and adapts its product lines to the expectations and specific features of each of its markets. In this way, Somfy contributes to the development of both its customers and its partners, by making the excellence of its products and services a constant objective.
Somfy's growth and success depend on the entrepreneurial spirit of all the men and women who make up the Group. It is also based on their personal quest for individual fulfilment through a collective project. Over time, increasing numbers of market players have been involved in this project, on the clear assumption that

benefits for the end user cannot be fully fulfilled unless all stakeholders in the ecosystem contribute to and play their part in value creation through partnerships.

Development model

Providing useful, safe, simple and accessible solutions is at the heart of the value creation model that Somfy develops with all its stakeholders. This commitment influences the adoption of new technologies by the user and by the building industry, as well as the adaptability of solutions to each person's own habits, to ensure a better living environment for all.
Today, Somfy continues:

- to create and develop new markets as part of a business model that will enable everyone – the Group and its stakeholders – to provide their own distinctive features and share the benefits;
- to provide tailored and sustainable solutions that promote energy savings and offer comfort and security, and to do so by implementing the vision that guides the Group – "Inspiring a better way of living accessible to all", and its new ambition, "Being the preferred partner for window and door automation".

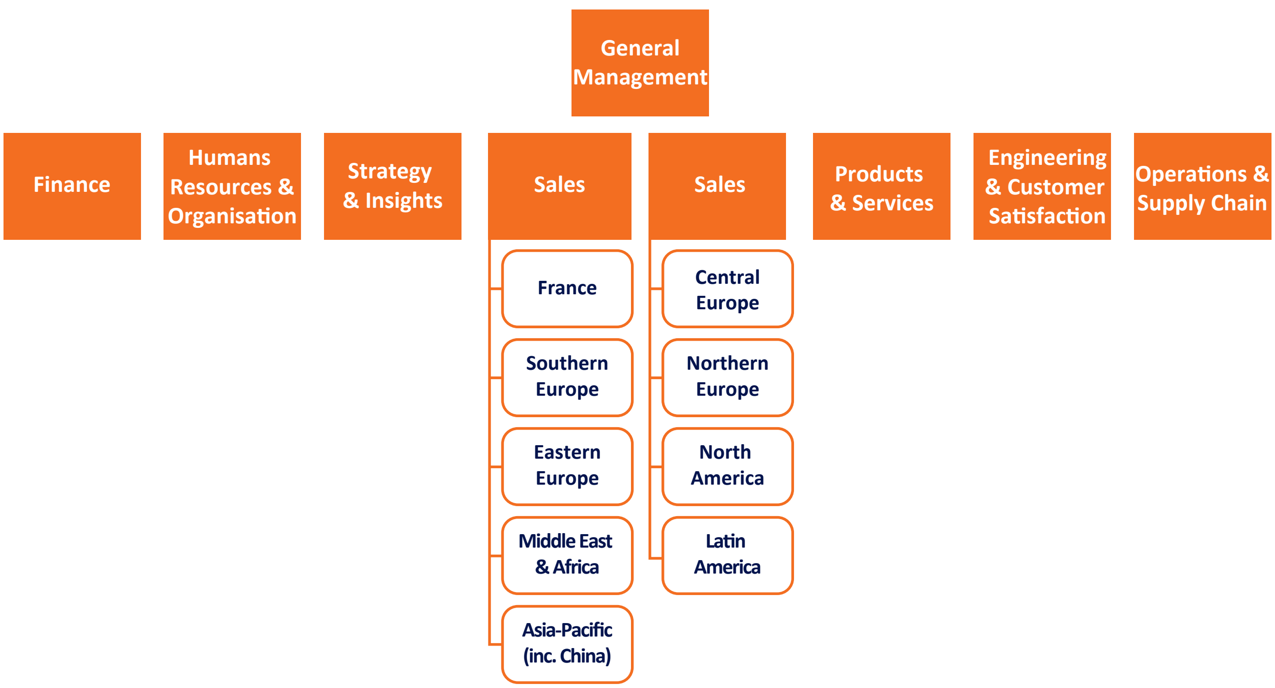
In order to ensure its continuing development, a three-year strategic plan, Believe & ACT!, was rolled out between 2017 and 2019, incorporating four drivers: "Closer to our End Users", "Bolder on the Interior Market", "Stronger on Operational Excellence" and "Better Together".
In 2019, Somfy realised that its markets were changing at an accelerated pace, led by changing lifestyles and working patterns, the growing digitalisation of houses and buildings, the need for better energy efficiency, ever shorter innovation cycles, and smartphone driven connectivity. These changes are mirrored in the company and call for rapid responses and innovative solutions.
Somfy has therefore looked ahead to the next ten years in order to develop a new strategic framework, **Ambition 2030**, which is based around four pillars:

- delivering on performance, with a new segmentation of its activities and territories;
- adding more value for customers and users, through Somfy's products, services and contribution to a more sustainable development;
- inventing the smart living of the future, by offering innovation and partnerships;
- a new mindset, "One Somfy, One Team", which is the human pillar of Ambition 2030, to leverage the strength of being a Group.

BASIC ORGANISATIONAL PRINCIPLES OF SOMFY

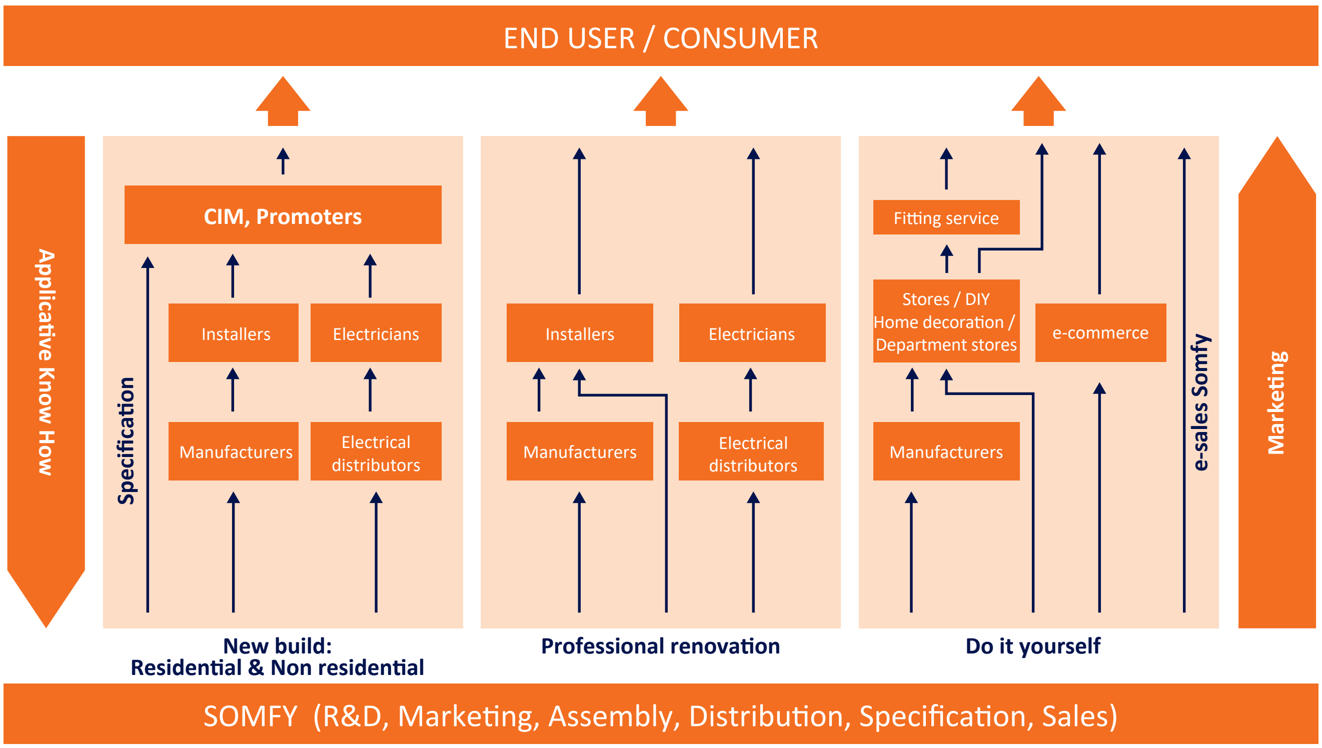
In order to address the increasingly radical transformations of the building industry and oversee the objectives of its ten-year project, Ambition 2030, on 1 January 2020 the Group implemented a new structure guided by three major principles:

- a function-based structure, constructed around global professions in order to support the Group's development;
- a more customer-centric organisation, with a reduced number of interfaces to ensure rapid decision-making and to optimise the allocation of resources;
- an organisational model that facilitates the digitalisation of products, customer relations and operations.

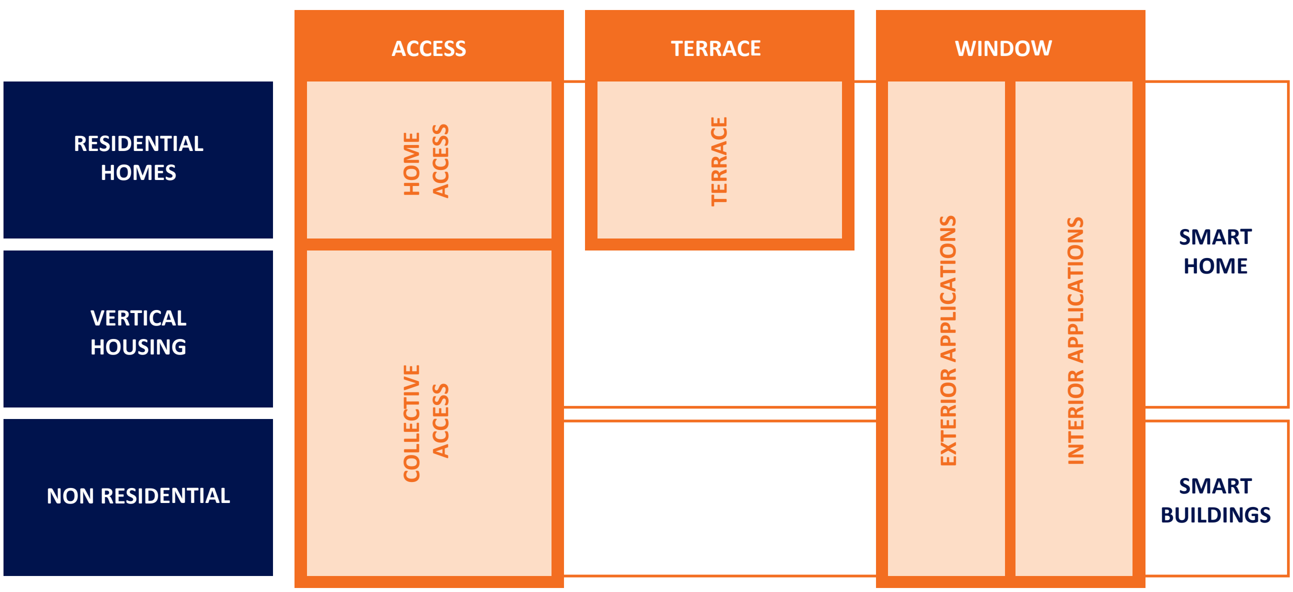


DESCRIPTION OF GROUP ACTIVITIES

Somfy is first and foremost an equipment manufacturer and assembler that designs, assembles and supplies motors and automation solutions (control systems and sensors) for manufacturers and installers who integrate the solution into a carrier product: blind, shutter, door or gate, to then market this, sometimes bespoke, end product within a network or to resellers, or to the installer on a site.
Somfy also develops finished products (certain motors, automation products and control systems, connected objects, digital applications) that may be sold by prescribers, networks, retailer installers or resellers, *via* large specialist and DIY stores, and online, either directly or indirectly.



Finally, the products may, by design, be installed indiscriminately in individual homes, small businesses, apartment blocks, office blocks, hotels and collective residences.



This diversity has two consequences. The first is that the markets in which Somfy operates are globalised on account of the size of the main participants, and yet very local as they depend on the uses of a particular building and construction methods. The second is the relative overlapping of Somfy's different product categories, which gives the Group the option of combining its brands and ranges to provide customers with solutions that incorporate ranges from across all its activities.

For these reasons, Somfy retains the geographic dimension as the key to understanding its performance to the extent that it optimally reports the underlying dynamics in the Group's markets: the buoyancy of the construction and renovation market, momentum of distribution circuits, and changing occupant uses.
A description of the performance of the different geographical areas can be found on page 15 of this report.

THE SOMFY BUSINESS MODEL

CONTRIBUTIONS TO MODEL

HUMAN ASSETS
- **5,711** employees[1]

INTELLECTUAL ASSETS
- **2,122** patents filed
- **23** Experts (Expert Program)

FINANCIAL ASSETS
- Stable shareholding **= 72.21%**
- Cash flow **= €220.1 million**

PRODUCTION ASSETS
- Somfy in **58 countries**
- **8** industrial locations
- CAPEX = **€53.3 million**

SOCIETAL ASSETS
- Matching contribution Les Petites Pierres 2019 **= €145 thousand**
- Foundation budget 2019 **= €350 thousand**

NATURAL ASSETS
- Low consumption of natural resources

PROFITABLE GROWTH MODEL

SOMFY SPIRIT
Inspiring a better way of living accessible to all.

OUR VISION
Everyone around the world aspires for themselves and their loved-ones to enjoy a safe, healthy, and environmentally-friendly living environment. To meet these essential needs of improving living environments, Somfy creates innovative solutions for homes and buildings, in three key areas:
- comfort and well-being for everyone at all ages;
- the security of people and property;
- protection of the environment.

OUR AMBITION
To be the preferred partner for window & door automation.

OUR STRATEGIC FRAMEWORK
4 strategic pillars serving our 2030 ambition:

- **Forward-looking in Smart Living**
- **Rising value to customers**
- **Delivering performance**
- **Inspiring & Engaging**

OUR KEY ACTIVITIES
- Research & Development
- Marketing
- Specification
- Assembly
- Distribution
- Sales

STAKEHOLDERS VALUE CREATION

EMPLOYEES
- Employee expenses **= €359.2 million**
- Training **= 83,996 hours**[2]
- Engagement **= 82.1%**[3]

CUSTOMERS & USERS
- CNPS[4] = **68**
- Manufactured motors[5] **= 179 million**
- Connected devices[6] **= 5,167,909**

INVESTORS
- Sales **= €1,200.2 million**
- COR **= €204.8 million**
- ROCE **= 22.2%**

SUPPLIERS
- Local purchase volume (< 500 km) = **45.9%**

ENVIRONMENT
- **50%+** Act for Green products®
- Standby consumption of motors sold in 2019 = **37.41 kg CO_2/year**[7]

CITIZENS
- **545** unique participants to solidarity days

(1) Exclusing temporary workers
(2) Social reporting scope
(3) Response rate to internal engagement survey
(4) Customer Net Promoter Score (customer satisfaction indicator) = % of promoters – % of detractors
(5) Numbers of motors manufactured since Somfy creation
(6) Numbers of objects connected with Somfy cloud
(7) According to standards of PEP ecopassport®

A SUSTAINABLE DEVELOPMENT POLICY IN LINE WITH THE GROUP'S AMBITION AND VISION

—

KEY FEATURES OF THIS POLICY

With the strategic framework Ambition 2030 rolled out over the course of 2019, Somfy is incorporating its Corporate Social Responsibility (CSR) ahead of its strategy in order to make it the foundation for the Group's sustainable growth. The CSR topic features in each of the four strategic pillars of Ambition 2030.
This thought process has helped to formally set out Somfy's sustainable development policy, which is structured into four sections in line with each of the pillars of Ambition 2030:
1. Improving living environments for all;
2. Consumer respect;
3. Reduction of environmental impact;
4. Employee commitment.

Given that ethics in everyday behaviour and compliance with the law are prerequisites, they form a transversal axis of this sustainable development policy.
The four sections of Somfy's sustainable development policy respectively address four long-term objectives, which are themselves structured into three-level action plans: immediate compliance, three-year strategy and ambition by 2030.
These four long-term objectives are:
- to make progress in achieving the vision, "Inspiring a better way of living accessible to all";
- to have loyal customers and consumers who trust the Group;
- to make the environment an innovation driver for Somfy and its value chain;
- to involve and motivate employees in line with the vision.

These objectives are consistent with the sustainable development policy pursued in 2019, the main programmes of which are developed as part of the management of the non-financial risks expanded upon below.

GOVERNANCE

—

The strategic framework of the Group's sustainable development policy within Ambition 2030 was set out by the Strategic and Executive Committees. This policy was presented to the Supervisory Board as part of Ambition 2030.

In 2019, a strengthened Sustainable Development Department was created, with effect from 1 January 2020. It is attached to the CEO and Chairman of the Management Board, and includes environmental performance and social commitment, as well as the teams from the Somfy Foundation and the Endowment Fund Les Petites Pierres.

In 2019, the Steering Committee for Sustainable Development brought together the Sustainable Development Department with the HR, Communications and Procurement functions as well as the Chair of the Ethics Committee. It ensured the monitoring of the various policies implemented. It actively contributed to the Strategic Committee's work on CSR.

The various policies are communicated to the Group's head office and its subsidiaries *via* coordinators or the local manager. In addition, the Human Resources Department works in coordination with the heads of the Foundation and of the Group's Social Commitment to make the Group's socially responsible policy a driver of commitment and belonging for employees and candidates, and it also helps to roll out these policies within the Group. Across Somfy Activités SA's scope, the Act for Green® and Employee Commitment indicators are included in the employee incentive scheme.

ASSOCIATED RISKS

—

The challenges related to this sustainable development policy have long been acknowledged and were already taken into consideration in the strategic plan prior to Ambition 2030 (source – Somfy 2018 Annual Financial Report). The risks were identified within the framework of the Sustainable Development Steering Committee based on ISO 9004, Managing for the Sustained Success of an Organisation - a Quality Management Approach, as well as on the basis of the materiality matrix developed across the scope of Somfy Activités SA, which complements this approach and confirms that this sustainable development policy is in line with the expectations of stakeholders. The relevance of these risks, the long-term objectives detailed previously and the policies to be implemented have all been reformulated or confirmed by the Strategic Committee as part of the work to draft Ambition 2030.

This work has highlighted four types of risk for Somfy. Firstly, the issue of sustainable development is a lever that Somfy must take ownership of. Its business model and solutions help to limit the contribution of buildings to global warming, and Somfy seeks to serve the common good in both its vision and its values. These are therefore significant commitment factors for employees and stakeholders. Secondly, climate change is in itself a risk for everyone, and that we must strive to combat both collectively and individually. There also exists, for all companies, a risk to image and reputation from doing nothing or not doing enough to promote sustainable development, which is heightened for companies that claim to make a positive contribution to the fight against global warming or that they are acting in the public interest. Lastly, social, technological and environmental changes all have impacts on activities, which we must take into account and anticipate.

Themes	Major non-financial risks	Pages
Social/Human Capital	Inadequate resources in terms of talents and skills	26
	Employee health and safety	28
Environmental	Impact of global warming on the business model Acceptability of solutions and processes	30 30
	Contribution to climate change	31
Societal	Company reputation and image with its stakeholders	34
	Attractiveness of the company and its employments areas	35
Ethics and combating corruption	Risk of non-ethical behaviour and corruption	37
	Non-compliance of the supply chain with CSR standards	38

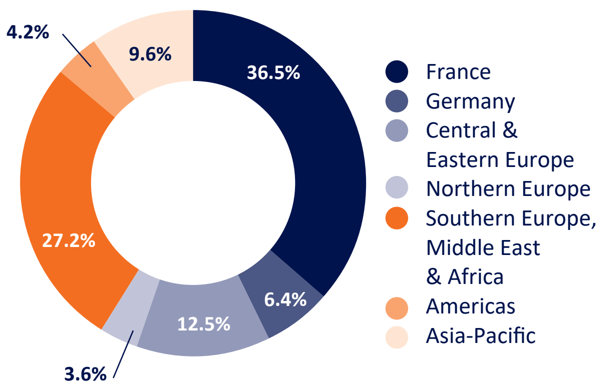
Given the nature of its activities, Somfy believes that the following topics do not represent major CSR risks and do not warrant further discussion in this Management Report: combatting food waste, food poverty and animal welfare and promoting responsible, fairly traded and sustainable food consumption. Fight against tax evasion is not considered as a major CSR risk. It is developed on page 39.

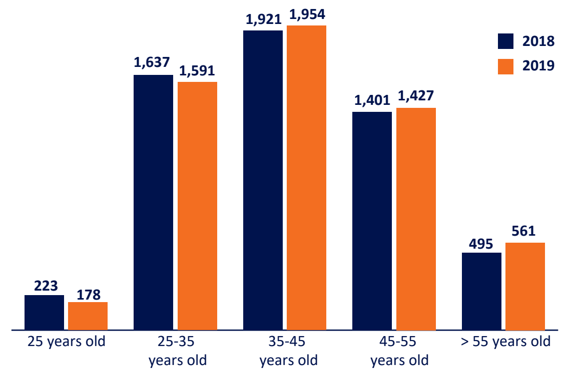
SOCIAL POLICY PERFORMANCE

The professional development of employees is critical to their engagement, which in turn drives innovation and performance and is therefore a key growth driver. The Group's appeal and its employees' engagement are linked to the professional development offered and also to the respect they are given through health and safety, and more generally their working conditions.
In 2018, Somfy's biennial commitment survey had a **participation rate of 82.1%**, a high score that demonstrates the deep commitment of employees.

OVERALL GROUP WORKFORCE AND EMPLOYEE STRUCTURE BY AGE AND GEOGRAPHIC REGION

At 31 December 2019, total Group workforce was 5,711 people (excluding temporary workers), compared with 5,677 in 2018, an increase of 0.6%, and was analysed as follows:





IMPROVING THE VISIBILITY OF RECRUITMENTS, RETAINING TALENTS AND DEVELOPING THE SKILLS THE COMPANY NEEDS

Human capital is an important element of the business model. Through their skills and expertise, this human capital gives Somfy the ability to respond effectively to the challenges posed by the digital transformation of companies, new business models and the development of the company.
In order to prevent an inadequacy of talents and skills in this human capital, Somfy has introduced a policy of employee professional development which aims to gain the maximum potential from this human capital by developing their internal employability. The areas of this policy are: improving the visibility of internal recruitments, retaining talents, and the development of the skills the company needs.
In addition, Somfy is pursuing a policy that maximises the results of its societal and environmental measures to make it attractive to external candidates.
The indicators are the following: staff turnover, change in the implementation rates of the People Review (support in professional development *via* the assessment of skills and the recognition of performance). These indicators and all social data are monitored within the scope known as the CSR (Corporate Social Responsibility) scope, in which the monitoring of such data makes sense. It relates to 41 Group companies and a workforce at 31 December 2019 of 5,269 people, representing 92.3% of the Group's total workforce.

Plan to support the professional development of employees and internal mobility

Roll-out of the application tool within the Group
In order to promote internal mobility within the Group, a single tool for managing internal and external applications has been implemented across all the French legal entities and the Eastern Europe Business Area (Poland, Czech Republic, Hungary, Romania, Russia, Lithuania and Ukraine). The ambition is to continue to roll out this solution to other subsidiaries in 2020 in order to continue to improve internal mobility within the Group.

Improvement of the People Review process
The People Review process helps to identify those of the employees capable of moving on to positions of greater responsibility within the Group. This process feeds into succession plans to ensure the continuity of execution necessary for the Group's performance in the event of an employee's departure. It also makes it possible to identify the collective training needs of employees. This process relies on support that is progressively enhanced and whose international roll-out (SOPEM in Poland in particular) is continuing.

Internal mobility and promotion
Each time this is possible, Somfy prioritises internal mobility by drawing on employees who are in a position to progress within the Group.

Skills mapping
A substantial part of Somfy's success and appeal is based on its ability to develop the talent of its current and future employees. In order to make development paths more effective, Somfy has a shared framework to map its jobs and its skills. Launched in September 2018, this project aims to identify its business sectors and existing jobs, in order to define the skills required to perform them. At the end of 2019, 60% of Somfy's professions were covered. This framework is integrated into the performance assessment tool which feeds the People Review process. This facilitates a uniform assessment of employees' skills to identify and then address the gap between skills needs and skills recorded.

Skills development plan

The skills development plan is one of the outcomes of the People Review process combined with the professional appraisal interview. It is the result of the consolidation of the skills development requirements identified by the dialogue between the manager and their employee and translates initially into individual training or guidance plans. It subsequently outlines the structuring axes of the training policy, that are three to date:

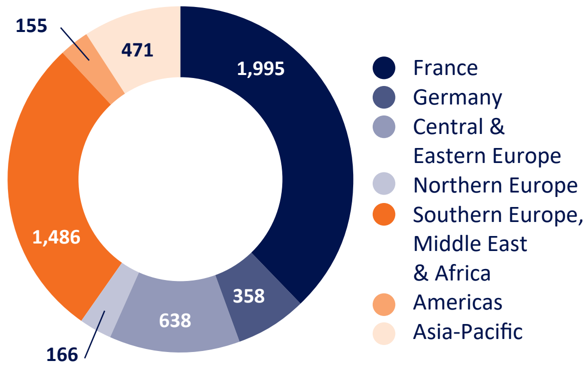
- improving the operational excellence of teams: quality training, training on working methods, integration of new employees;
- working better together: training in management, in health and safety, intercultural training, training trainers, and transversal operation for business experts;
- specific business training: training in new technologies, business intelligence.

Attractiveness of Somfy to external candidates

Somfy is an attractive company. Over the 2019 financial year, the workforce grew 1.68% over the CSR scope, going from 5,182 to 5,269 employees. 70% of this workforce is accounted for by the seven industrial sites within the CSR scope.

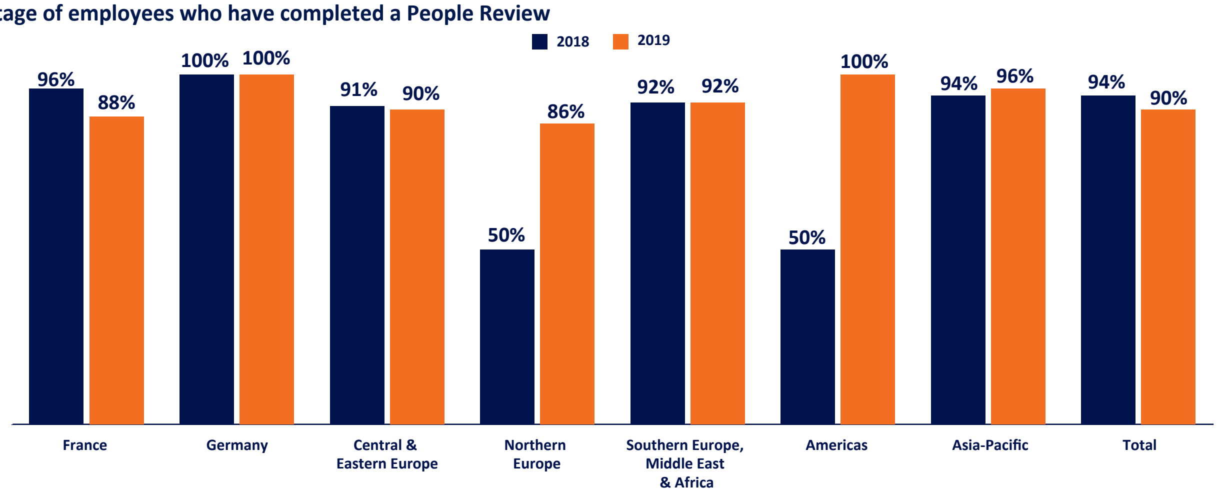
90% of the increase in staff was split between France, Eastern and Central Europe, and Asia-Pacific, primarily within the entity Somfy Activités SA and at the manufacturing sites SOPEM in Poland and Lian Da in China.

100% of the decrease in the workforce relates to the Southern Europe and Middle East region, mainly the Middle East scope.



Results of the policy of employee professional development

Percentage of employees who have completed a People Review

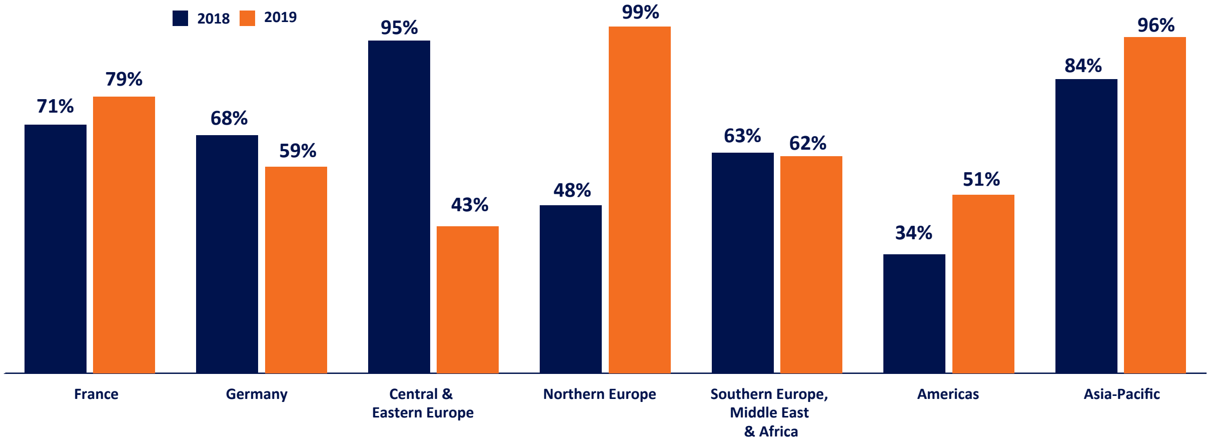


The percentage of completion of People Reviews fell slightly, from 94% in 2018 to 90% as a result of a reorganisation within one of the French subsidiaries, Simu, where People Reviews could not be conducted. Nevertheless, the international roll-out and its integration into the HR procedure are underway as shown by the improvements in the indicator in Northern Europe and the Americas.

Percentage of employees who progressed (internal mobility or promotion)

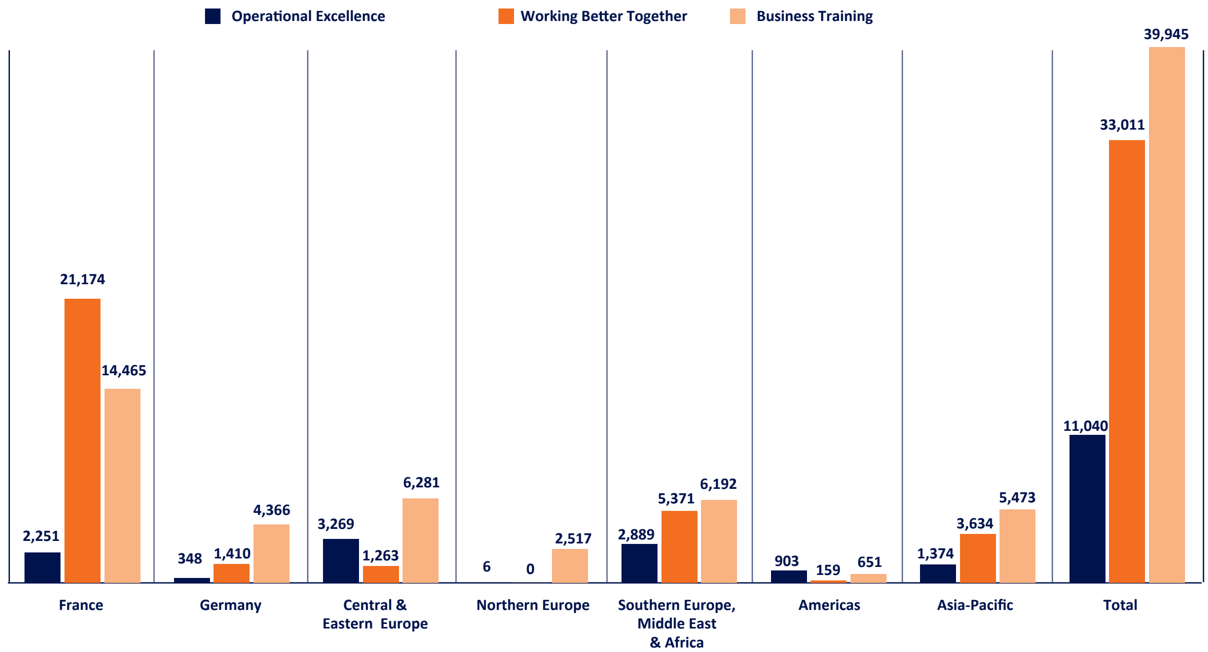
The rate of internal development rose slightly between 2018 and 2019, going from 7.74% to 8.29% of the workforce. Management will continue its efforts (definition of a mobility policy in 2020) in order to improve the rate of internal mobility.

Percentage of employees who received training



Monitoring this policy relies on the introduction, which took place in 2018, of the indicator relating to the **number of employees who received two hours of training or more at least once**. For 2018, this indicator stood at 70.4%, *i.e.* more than two of every three employees. In 2019, 3,679 employees received training on at least one occasion, equating to **70%** of staff, the same level as the previous year.

Number of hours training delivered to employees, by training area (Improving Operational Excellence, Working Better Together and Specific Business Training)



Representing a total of 83,996 hours' training, an increase of 10.2% in relation to 2018, a figure far higher than the increase in the number of employees.

GUARANTEEING THE PERFORMANCE OF OPERATIONS AND RESPECT FOR EMPLOYEES WHILE ENSURING THAT OCCUPATIONAL HEALTH AND SAFETY CONDITIONS ARE CONSISTENT WITH THEIR EXPECTATIONS

The development of health and safety is one of the key pillars of Somfy's human resources project. The health and safety risk is inherent in the performance of manufacturing and logistics activities. Employees at head office and the distribution subsidiaries are also exposed to psychosocial risks and the risk of on-site accidents. Somfy's primary corporate responsibility is to ensure the physical safety of employees and to provide them with a working environment that supports their professional development.

Prevention of accidents at work and reduction of musculoskeletal disorders

Efforts have been made in many countries to reduce the exposure to risks and to improve working conditions:

- within the French entity Somfy Activités SA, all managers attended an on-site refresher course on health and safety at work;
- within the Tunisian entity SITEM the following elements were introduced:
  - fire safety action plan (vulnerability study),
  - processing of all accidents and safety risks *via* 8D analysis and implementation of resulting measures,
  - assessment of occupational risks,
  - identification of pedestrian zones within production,

- introduction of lockout instructions during electrical work.

Prevention of psychosocial risks

The prevention of psychosocial risks requires training that takes place either face-to-face or remotely (e-learning), as well a communication campaign. E-learning training on the definition of psychosocial risks is accessible to all Group employees. Somfy Activités SA managers received training on how to spot minor signs of cases of psychosocial risks.

Lastly, a mapping of those involved in the prevention of psychosocial risks was conducted within Somfy Activités SA.

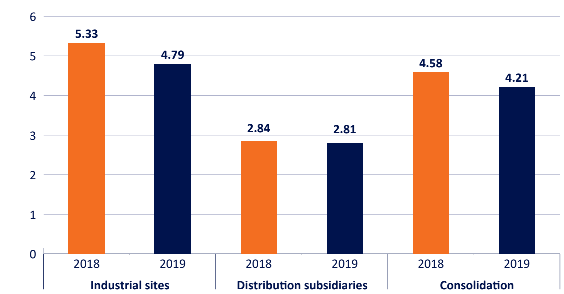
Listening and personalised support service within Somfy Activités SA

Somfy's Management wanted to introduce an anonymous telephone listening and personalised support service. This service provides emotional support at difficult times, offering employees and managers information, guidance and assistance in seeking solutions appropriate to their situation.

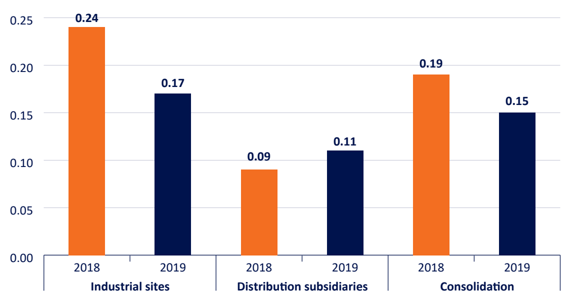
Results of the health and safety at work policy

The key performance indicator monitored concerns the rates of frequency and severity of accidents at work:

Frequency rate



Severity rate



All the preventive measures related to accidents at work and musculoskeletal disorders have had a significant impact on both the frequency (5% reduction) and severity (17% reduction in days' absence due to accidents) of work-related accidents.

This reduction primarily relates to the industrial sites where the risk of accidents is the most significant.

The other indicator monitored is the average number of days' absence per individual: this indicator stood at 11.23 days in 2019 compared with 10.32 days in 2018. This increase was primarily due to a rise in the number of days' absence for illness (up 10.7% in 2019 in relation to 2018) excluding occupational disease, work-related accidents and commuting accidents.

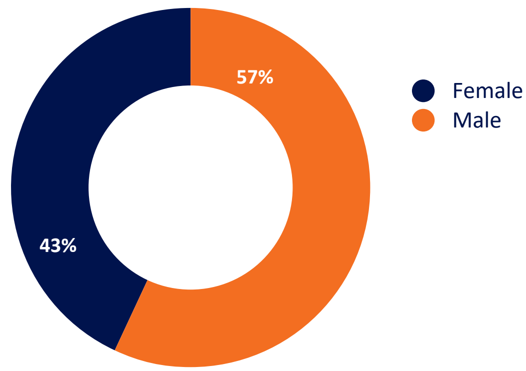
ENSURING DIVERSITY OF EMPLOYEES WITHIN THE GROUP TO IMPROVE PERFORMANCE

Given the nature of the Group's activities and its presence in 58 countries, with a workforce comprising many nationalities, Somfy does not consider the issue of diversity to constitute a risk but rather an opportunity. Ambition 2030 also underlines the importance for Somfy of having diverse and inclusive teams, willing to welcome people with disabilities or with unusual professional backgrounds.

Gender parity

This measure is intended to achieve better gender parity in the company. Within the scope of Somfy Activités SA, it is driven by an Agreement on Gender Equality in the Workplace, with in particular a renewed objective to achieve a rate of 30% female at manager level by 2021. This agreement also contains areas requiring attention in relation to remuneration. A process has been introduced to ensure that individuals on maternity and paternity leave are not excluded from wage increase.

In 2019, as in 2018, Somfy achieved a score of 89 on the gender parity index within the scope of Somfy Activités SA. At Group level, in 2019 the ratio of men to women in the workforce was stable with a breakdown of 57% men and 43% women.



Combatting prejudice and exclusion

Through the Disability Agreement of 21 October 2019, the Management of Somfy Activités SA underlined its desire to initiate a drive and the mobilisation of everyone to promote the employment of workers with disabilities. This agreement, covering 2020-2022, is intended to improve the overall employment rate through action in the following areas:

- developing the recruitment of new employees with disabilities on the various sites;
- improving measures to accommodate and integrate new employees within the Somfy Activités SA sites;
- continuing to apply measures to retain employees in the workforce, in particular through communication with disabled employees;
- developing relationships and framework agreements with service providers in the sector, and enabling them in particular to gain new skills;
- improving communication with employees, and their managers and those involved in the disabled sector in relation to the disability policy, raising awareness and training;
- maintaining the momentum of the disability policy.

ENVIRONMENTAL POLICY PERFORMANCE

Somfy is an industrial company whose products are installed in buildings. Worldwide, buildings account for approximately 20% of greenhouse gas generation. By promoting the smart control of opening and closing systems in homes and buildings, Somfy helps to reduce their energy consumption, by acting on light levels and by reducing needs for heating and air conditioning. Thus, Somfy solutions improve the energy efficiency of the buildings in which they are installed.

Analysis of environmental concerns therefore focused on three aspects: consideration of the impact of global warming on the business model; the common good and taking into account the impact of operations on global warming and more generally the environment; and the potential operational consequences for the activities.

The risks related to climate change identified are:

- impact of global warming on the business model:
  The solutions provided by the Group offer energy savings in the buildings in which they are installed. Demand for the solutions offered by Somfy should remain steady and this environment should stimulate innovation in research into responses to global warming;
- perceptions of Somfy's environmental performance by stakeholders:
  Independently of the notion of vulnerability in relation to climate change, the desire to limit the environmental impact of its operations is a priority for Somfy. How its action plans are viewed by its stakeholders is key to ensuring the acceptability of the Group's operations in the long-term in the territories in which it operates. The Group must lead by example and help to adapt to climate change in the regions in which it operates in order to ensure the longevity of both its activity and its strategy of attracting and retaining talent;
- impact on the industrial structure:
  Climate change involves impacts that could affect the Group's operations, in particular access to energy and water, as well as physical effects on buildings. These risks have been assessed as minor. Conversely, the environmental impact of its operations contributes to global warming and must therefore be taken into account in the general interest and to meet the expectations of stakeholders.

To manage these risks, Somfy implements a general policy of reducing its environmental impact.

GENERAL POLICY TO MANAGE ENVIRONMENTAL AND CLIMATE RELATED RISKS

Combatting global warming is a priority for the Group, which was reaffirmed by General Management in 2019. An effective policy of combatting climate change involves firstly measuring, and then reducing, greenhouse gas emissions. In 2020, Somfy is launching a Carbon Assessment® globally, taking into account its entire carbon footprint. This assessment will form the baseline year from which the company's own energy conservation and efficiency targets will be developed in order to manage the Group's impact on global warming. The "We Act for Green" programme is the manifestation of Somfy's environmental policy. "We Act for Green" is aimed at reducing Somfy's environmental impact and transforming environmental problems into innovation opportunities for the Group and its value chain. It is structured around four pillars:

1. "Green Benefits": Somfy products and solutions enable buildings to reduce their energy consumption;
2. "Green Products": Somfy products and solutions are eco-designed in accordance with the "Act for Green®" framework;
3. "Green Teams": Somfy products are developed, manufactured and distributed by teams who introduce environmentally friendly practices to their workplaces;
4. "Green Operations": Somfy's production sites take into account their environmental impact.

Green Benefits

Solar protection systems motorised and automated by Somfy's solutions help to reduce the energy consumption of buildings. This is achieved both by limiting the winter heat loss of buildings and by protecting them from the heat in summer, thereby improving comfort in the summer and helping to reduce the installed air conditioning capacity.

The ONIX, ES-SO, ESTIA, BBSA and London South Bank University studies have all shown that Somfy solutions and their carrier products could lead to a reduction in energy usage in relation to the heating, air conditioning and lighting of buildings. The ONIX study demonstrated a reduction of approximately 29% under real conditions. Large-scale heating studies of buildings are ongoing in order to consolidate these results, refine the Group's calculation models and better quantify their impacts. In any event, the interim results of this work are similar and confirm the positive impact of the Group's solutions on the energy consumption of buildings.

Somfy's business model as a response to global warming issues is reaffirmed as part of Ambition 2030 and in its pillars "Forward-looking in Smart Living" and "Rising value to Customers".

Green Products

These products are awarded an Act for Green® label when they meet stringent eco-design requirements.

The origins of Act for Green® can be traced back to the results of a Carbon Assessment® carried out in 2012[1]. This Carbon Assessment® had established work on electricity consumption and the use of raw materials as priorities.

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;
- a 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.

A roadmap for the integration of projects in the Act for Green® programme had been drafted in collaboration with development teams for the next two years.

(1) Carbon Assessment® carried out in 2012 based on 2011 data.

The target defined at the start of the policy, in 2015, was to achieve certification for 80% of amounts of Somfy brand products sold in 2020. The updated roadmap shows that the threshold achieved at the end of 2020 will be above 65%.

Requests, both from customers and regulatory, in relation to awareness of the substances used in products have continued. Somfy actively monitors regulatory developments and conducts detailed laboratory analysis of substances. The Group is monitoring the progress and implementation of these regulations by taking part in the FIEEC's[(1)] "GT Substances" working groups.

In Europe, end-of-life products are collected and processed under the WEEE (Waste Electrical and Electronic Equipment) Directive. These collection and processing initiatives are organised by environmental organisations with which Somfy has contracts in different countries of the European Union.

In general terms, Somfy contributes to the implementation of the circular economy through its involvement in professional organisations such as the FIEEC, IGNES[(2)] and the Technical Committee 111[(3)].

Green Teams

Driven by the desire to protect the environment and in accordance with its values and those of its workforce, Somfy encourages its employees to increase the number of green initiatives and best practices. Somfy has committed to promoting environmentally friendly practices amongst its employees and its local ecosystem: a network of volunteer eco-ambassadors promotes environmental initiatives amongst their colleagues. In 2019, this network of eco-ambassadors was made up of 43 people, across 17 of the Group's sites in 12 countries. The network covers 3,165 employees, equating to 55% of Somfy's workforce.

These eco-practices are coordinated and promoted through a webzine, website and in-house social network. In addition, the Group has incorporated the presentation of its sustainable development policy and values into the induction days for new employees.

The Green Teams programme has a dual objective. It involves raising awareness and changing mindsets to ensure everyone understands the importance of environmental issues, while responding very favourably to ever greater demands for commitment from the Group's employees and stakeholders.

Green Operations

The Group rolls out action plans in order to limit its reliance on energy supplies.

Moreover, the industrial sites are traditionally subject to physical risks. In Somfy's case, its factories are fairly new and built in accordance with the standards applicable to buildings in the countries in which Somfy operates.

Climate change is faced with the geographical location of the Group's infrastructures. Changes in rainfall and their impact on water resources is not a direct risk for the Group's manufacturing sites. The industrial processes employed in the factories do not use water. Furthermore, the industrial sites are inland from coastal areas and are therefore not at risk from rising waters. Lastly, the number of sites located in areas subject to an increase in the severity of tropical storms is low. The vast majority of physical risks related to climate change should therefore not directly affect the Group's industrial structure.

ACTIONS AND EFFECTS OF THESE POLICIES ON THE ENERGY EFFICIENCY OF PRODUCTS AND TAKING CLIMATE CHANGE INTO ACCOUNT

Results of the Green Buildings action plan

Somfy is a member of the Active House Alliance, which promotes healthier, more comfortable buildings that do not have a negative impact on the climate[(4)].

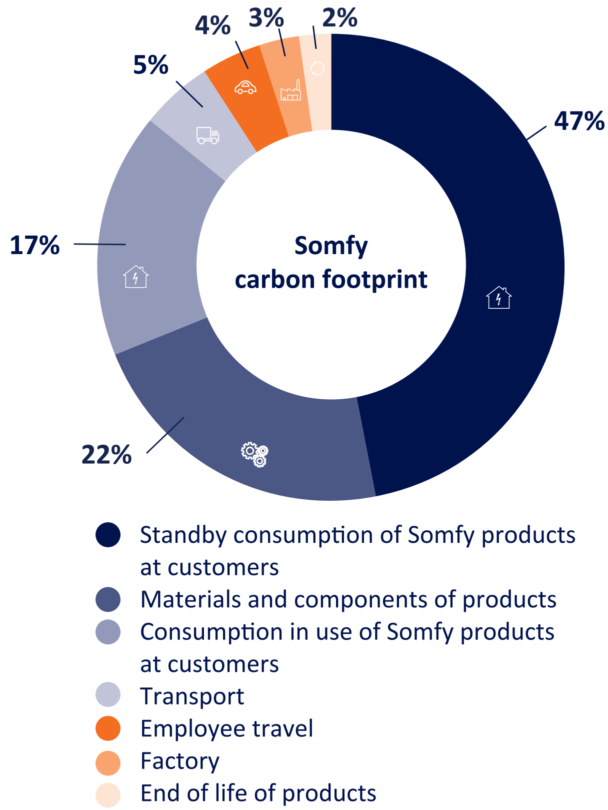
The efficiency of Somfy solutions in reducing the energy consumption of buildings is also recognised by French legislation. Its solutions have been integrated into regulation RT2012 which transposes European Directive EPBD (2010/31/EU) into French law. It is aimed at reducing by a factor of three the energy consumption of new buildings so that the construction sector becomes carbon neutral by 2050.

In this context, animeo Connect, the range of controls for fully connected solar protection, was awarded the Solar Impulse Efficient Solution label[(5)] by the Solar Impulse Foundation. This solution considerably enhances opportunities for energy conservation and increased comfort for occupants.

(1) FIEEC: French Federation of Electric, Electronic and Communication Industries.
(2) IGNES: French Association of Digital Power and Security Engineering Industries.
(3) INTERNATIONAL ELECTROTECHNICAL COMMISSION Technical Committee 111: Environmental standard for electrical and electronic products and systems.
(4) https://www.activehouse.info/about/about-active-house/.
(5) https://solarimpulse.com/efficient-solutions-search?_method=POST&_method=GET&search=&search-hidden=&autocomplete=26&autocomplete-category=Solutions&autocomplete-field=solutionList&autocomplete-label=animeo+Connect.

Results of the Green Products action plan

Eco-design and Act for Green®



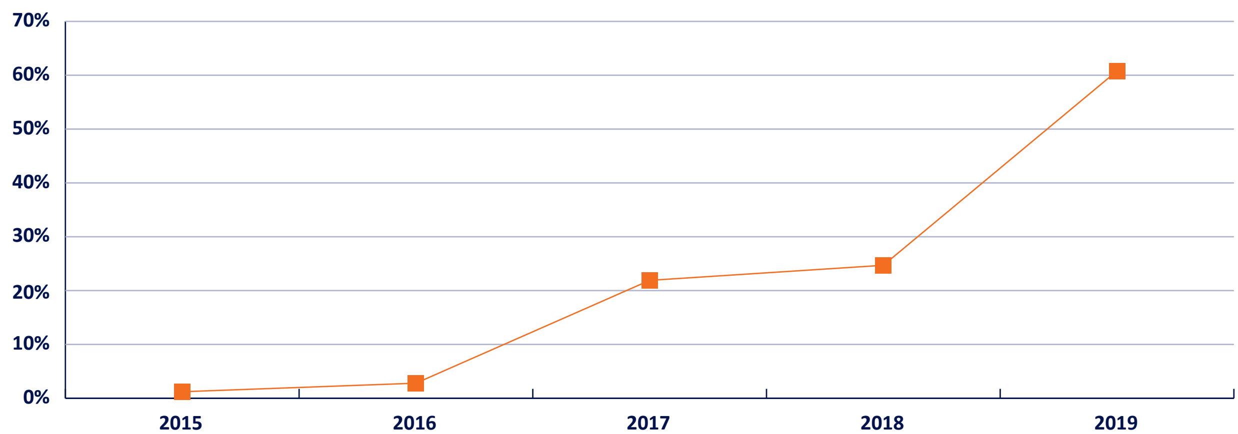
Although Somfy solutions help lower the overall carbon impact of buildings, the Group is also committed to reducing the impact of its activities on global warming. Somfy is using the results of a Carbon Assessment® carried out using 2011 data. The eco-design policy is based on this assessment. A new Carbon Assessment® will be carried out in 2020 in order to update choices. This eco-design programme, Act for Green®, is gradually being applied to all product ranges and markets. The project integration targets in the programme have been met. Compliance with the roadmap permits its extension, as planned, over the next two years.

In addition, the continuing eco-design efforts are reflected in a higher rate of products covered in the Somfy portfolio. In 2019, 13 new ranges of products were certified Act for Green®:

- nine motorisation ranges;
- four ranges of control systems.

As a result, the proportion of products sold under the Somfy brand(1) which bear the Act for Green® label continues to increase and rose from 24% in 2018 to 60.77% in 2019. The 2018 figure (24%) was recalculated in relation to the information published last year (28%) in order to better match the exact definition of the indicator and be consistent with the 2019 figure.

% of products sold under the Somfy brand and bearing the Act for Green® label



Greenhouse gas emissions resulting from the use of raw materials that form part of the composition of the products are also taken into account:

- analyses of the lifecycles of products conducted on the control systems highlight that the microprocessor generates the largest portion of GHG emissions, accounting for over 25%. By way of example, the Act for Green® criteria recommend the use of QFN type microprocessors which, in comparison with the QFP versions prohibited by Act for Green® generate a five-fold reduction in greenhouse gas emissions;
- research into the use of recycled plastics is also ongoing. However, the plastic materials used in Electrical and Electronic Equipment (EEE) must meet very high specifications and standards in relation to fire testing and dielectric properties (notably CEI 335-1, UL 746 C). These materials are not currently available on the recycled plastics market. Somfy is supporting

(1) Home & Building products scope historically taken into account. In relation to the Somfy brand all activities scope, it is 54%.

the circular economy-focused work of the FIEEC to make progress in this field.

Somfy has decided to monitor a significant indicator concerning its greenhouse gas emissions and regarding which it is able to take action: the CO_2 emissions related to the energy consumption of its electronic motors when on standby.

	2017	2018	2019
CO_2 emission per electronic motor related to consumption on standby	40.30kg of CO_2	39.38kg of CO_2	37.41kg of CO_2

This reduction of 7.17% in two years is a result of the first initiatives taken under the Act for Green® eco-design programme. The data used in the calculation was provided by the Group and has a low level of uncertainty. However, the emission factor used is based on average European data, ultimately resulting in a level of uncertainty classed as medium.

Waste processing

Somfy takes into account the impact of waste on the entire lifecycle of its products, from their production through to their end of life reprocessing.

Industrial waste from the Group's manufacturing sites

Waste *(Tonnes)*	31/12/18	31/12/19
Non-hazardous waste	4,055	4,326
Hazardous waste	41	29
TOTAL WASTE	**4,096**	**4,355**
Recycled	3,692	3,979
Recycling rate	90%	91%

The increase in the total amount of waste generated is 6.3% for a 6.5% increase in activity.

Somfy products are covered by the European WEEE Directive 2012/19/EU on waste electrical and electronic equipment. Somfy's membership of local environmental organisations or trade bodies professional means that it falls within the scope of this Directive regarding the processing of end of life products.

Somfy is involved, within its trade associations, in the promotion of the circular economy within its industry, an example being Somfy's active participation in the GT circular economy of the IGNES trade body in France.

Somfy is also active in this field within the association G.R.E.En which is testing the software Upcycléa.

Results of the Green Teams action plan

Eco-behaviour and eco-habits of employees

Mobility plays an important role in these eco-friendly habits:

The Group's head office is located in Haute-Savoie, in the Arve Valley. Due to weather conditions and its specific topography, it is an area sensitive to episodes of air pollution. It is also covered by an Air Protection Plan. Somfy focused on measures to help reduce this pollution by seeking to influence the means of transport used for commuting to and from work. Several practical steps have been introduced, such as the bicycle mileage allowance, the car sharing site Klaxit, electric bicycle loans, the partial reimbursement of season tickets for public transport for Somfy Activités SA, the installation of electric vehicle charging stations and the gradual introduction of hybrid (electric and petrol) vehicles to replace diesel in the company's vehicle fleet.

The "Mobility Challenge" day, aimed at changing commuting habits was held again in 2019.

Since the softest mobility is the type that is not undertaken, agreements have been reached to promote remote working amongst eligible employees. Currently, out of an estimated maximum of 1,300 employees eligible to work remotely, more than 750 have already done so on at least one occasion, representing a ratio of almost 58% of eligible employees. The average number of days worked remotely per employee is 16 per year per person.

Other green habits:

In 2019, at least 19 green habits were included at all the Group's locations. They included, in particular, the distribution of recyclable mugs and containers; the sorting of waste and its anaerobic digestion for use in public transport; limiting the use of plastic cups and aluminium capsules for coffee, choosing low carbon taxi companies, carbon offsetting of a logistics seminar.

At the Cluses company restaurant, proactive measures in favour of organic food and local produce has increased the amount of organic food served to 18%.

In respect of reusing IT equipment, 1,298 items were processed in 2019 including 987 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 2019, 88% of the equipment was reusable, with the remaining 12% sent for recycling.

Involvement of teams in the local ecosystem

Somfy is one of the founder members of the organisation G.R.E.En (Groupement pour la Responsabilité Environnementale des Entreprises) which brings together companies and communities from the Haute-Savoie and Mont-Blanc regions. This organisation promotes initiatives to support the sustainable development of these territories. Somfy takes part, for example, in working groups and active events related to eco-mobility, energy efficiency and the circular economy.

Somfy is involved locally in the grouping of local authorities' Regional Air and Energy Climate Plan where a proportion of its French manufacturing sites are located, the 2CCAM (Communauté de Communes Cluses Arve & Montagne).

As part of this same drive, the Sustainable Development Department often leads initiatives to raise awareness amongst younger generations of sustainable development issues. These initiatives take the form of participation in presentations and lessons in primary and secondary schools, and universities in Haute-Savoie and elsewhere.

Results of the Green Operations action plan

Water usage and discharge of wastewater

The industrial assembly processes do not use water. The water volumes cited below are therefore exclusively related to the daily domestic consumption of the sites, which explains the relatively low volumes used and discharged.

Water consumption	31/12/18	31/12/19
Water consumption in m^3	45,733	46,685

All the manufacturing sites are connected to wastewater collection and treatment networks, and their reprocessing rate stood at 100%.

Greenhouse gas, combatting global warming and energy efficiency

In addition to the eco-design measures implemented as part of the Act for Green® programme, efforts have been made in relation to operations.

A Greenhouse Gas Emissions Assessment (GGEA) relating to the 2018 financial year was conducted in 2019 covering the scope of Somfy Activités SA. This entity includes one of the Group's major industrial sites and 29% of its workforce, equating to 1,641 employees out of a total of 5,711. In comparison with the GGEA completed in 2014, the results are encouraging. The amounts of greenhouse gas released into the atmosphere fell in absolute terms, down 6% to 3,484 tCO_2e, while the workforce grew by 2.6% over the same period.

A Group-wide Carbon Assessment® is being prepared for 2020. The exact quantification of GHG emissions will determine the key potential for improvement to limit the impact of Somfy's activities. The new strategic cycle launched in the same year has made combatting global warming a major strategic priority.

The greenhouse gas emissions of the manufacturing sites are monitored and calculated using actual energy usage readings.

Energy consumption	31/12/18	31/12/19
Gas *(KWH)*	12,016,326	12,546,919
Electricity *(KWH)*	14,988,502	13,991,315
Mineral fuel *(KWH)*	171,071	139,622
TOTAL ENERGY CONSUMPTION *(KWH)*	**27,175,899**	**26,677,856**
TOTAL GHG EMISSIONS IN CO_2EQ *(TONNES)*	**6,776**	**6,752**

Efforts are continuing with investments in the production and distribution infrastructures in order to improve their energy efficiency and reduce greenhouse gas emissions. In 2019, an energy audit was carried out at Somfy Activités SA's sites to identify new ways of reducing energy consumption.

In 2019, the following began or ended:

- the replacement of old lighting systems with low energy LED bulbs at the R&D Center, WAY, BFT and Lian Da sites;
- insulation work at the sites;
- boiler replacements.

Measures to support biodiversity

As an industrial business mindful of its carbon footprint, Somfy is duty bound to focus on protecting biodiversity. A proactive policy has been introduced, in connection with the drive to make the Group's business model carbon neutral.

Somfy Activités SA owns several sites in the heart of the French Alps, near Mont Blanc. Somfy acts to preserve mountain ecosystems by becoming involved in local initiatives. The company is a member of the Club d'Entreprises pour la Montagne et son Développement Durable (CEM2D).

Environmental certification and compliance

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.

The factory complies with strict requirements regarding the protection of its local environment. Compliance with environmental standards was also a precondition for setting up any plant.

BFT is ISO 14001 certified in relation to its three major sites.

Lastly, the Group operates in 58 countries. In 2019, the Group was not the subject of any appeal or proceedings relating to any potential violation of national environmental regulations in the countries in which it operates. However, these positive results cannot be deemed to be an end in themselves and the company intends to continue to implement proactive policies to ensure that the number of legal actions remains at zero.

PROGRAMME'S PERFORMANCE IN RELATION TO SOCIETAL COMMITMENT

GENERAL DESCRIPTION OF SOCIETAL COMMITMENTS

As with all companies, Somfy must ensure the consistency of both its image and its reputation. What it promotes in terms of values and ambition for its employees and customers must correspond to the reality perceived by them. To embody its vision of "inspiring a better way of living accessible to all", Somfy has for a long time chosen to pursue a committed societal policy, embodying this vision in initiatives and areas that contribute to the common good and where Somfy has legitimacy. This consistency is essential to ensure customer loyalty, maintain the commitment of employees, retain talents and keep the skills acquired.

Somfy's societal commitments are focused on two areas: since 2004, a citizen commitment to combat poor housing *via* human and financial sponsorship; and for more than 20 years, a commitment by Somfy to the local and regional ecosystem surrounding its head office, in Cluses - a policy that is intended to be duplicated at its other major sites.

In addition to the fact that these commitments are longstanding and pre-date the existence of reports on CSR in Somfy's annual financial report, the risks addressed by this policy of societal commitment are of two types: firstly, it is a significant driver of employee commitment, and secondly, it has a positive effect on Somfy's image and reputation in the eyes of its stakeholders in general and promotes the appeal of both Somfy and its employment areas to external candidates.

A CITIZEN AND SPONSORSHIP COMMITMENT COMPONENT TO EMBODY A VISION AND VALUES

Description of Somfy's citizen commitment scheme and sponsorship policy

Somfy's citizen action embodies a desire to improve living environments for all, and to make this improvement accessible to all. Somfy's policy of citizen commitment took the shape of a corporate foundation, created in 2004, whose aim was to combat poor housing and social exclusion *via* housing. A leader in the building industry and a promoter of better housing for all, this area of involvement where Somfy has credibility is both a logical and coherent choice. In 2019, the Group committed €350,000 in the Somfy Foundation's initiatives and provide both it and the Endowment Fund Les Petites Pierres with an operational team of five full-time equivalents.

The Somfy Foundation

The Somfy Foundation is a lever that enables the Group to respond to the high expectations of its external and internal stakeholders that there should be consistency between what the Group says about improving living environments and its day-to-day actions.

The Foundation wants to be a recognised player in the fight against poor housing. The Foundation combines financial sponsorship (each year €350,000 is allocated to the Somfy Foundation) and human sponsorship (every Somfy Activités SA employee can give three working days to the Somfy Foundation's initiatives). The ambition upheld by the Foundation is to continue to build the human connections that form a balanced society, develop sustainable relationships and collaborate with community partners identified as project participants and leaders, by connecting Somfy employees *via* human or skills sponsorship. This helps promote the values of solidarity within the company.

Seven different formats enable Somfy employees to find the one that suits them. Somfy offers employees wishing to do so to offer help to organisations who request it *via* their business expertise, either in the form of long-term individual support (Solidarity Talents), or in the form of interactive classes for several organisations (Solidarity Workshops). Human sponsorship is also provided by the employee giving time to renovation projects, or projects to improve premises (Solidarity Projects). This format often takes the form of a team initiative. Another collective format is that of the hackathon organised each year for the benefit of organisations to help them resolve any challenges that they face (Solidarity Challenges). Lastly, support for employees is possible to help them take their Solidarity Leave: they are granted support and a budget to enable them, over their time off and for a trip for which they are responsible, to work with a local organisation. The last format is intended to support employees ahead of their retirement, by helping them to explore the voluntary sector and to help them prepare for this new stage.

Les Petites Pierres Endowment Fund

The Endowment Fund Les Petites Pierres is a crowdfunding platform initiated by the Somfy Foundation. Based on a digital crowdfunding platform and personalised support for organisations, it allows individuals to donate to charity projects in the field of acceptable housing, with each donation matched by the Endowment Fund, on the principle of one euro matched for each euro donated. The ongoing development of the platform has led the Endowment Fund to open itself to other partners. In addition to the Somfy Foundation, other major backers of the Fund include the Schneider Electric Foundation, the BTP+ Foundation and the company Valfidus.

A House is A Home

The Group considers it important to make a citizen commitment in the countries in which it operates. With the A House is A Home programme, launched in January 2015, the Somfy Foundation is taking action internationally outside the scope of Somfy Activités SA. Through this programme, Somfy subsidiaries work alongside the Somfy Foundation. In consultation with the Foundation, subsidiaries identify projects which promote decent living conditions for the most underprivileged, and provide financial support, often topped up by skill-based patronage from their employees. The A House is A Home programme was consolidated in 2017 with the introduction of human sponsorship in certain subsidiaries in addition to the financial support provided.

Employee involvement

As part of the **Somfy Foundation's Solidarity Missions**, all employees have the opportunity to commit some of their working time, together with the Foundation, to offer their energy and skills to the charitable organisations. In France, in particular, employees have a right to **three solidarity days each year**. This is part of a human, *pro bono*, sponsorship approach which offers organisations essential support and also creates value for company employees.

Results of Somfy's citizen commitment scheme and sponsorship policy

Somfy Foundation initiatives

In 2019, 87 Solidarity Missions were offered to Somfy Activités SA staff, and 477 individual employees took part in a Solidarity Mission in 2019 in France. For 2019, the Somfy Foundation granted funding of €176,406 to the Les Petites Pierres Endowment Fund.

Les Petites Pierres

In the 2019 financial year, 83 non-profit projects were financially supported by the Les Petites Pierres Endowment Fund. This represents total grants provided to organisations for 2019 of €1,157,873, representing 4,303 donations by individuals with €650,617 matched by partners of the Fund, including €145,000 from the Somfy Foundation.

An impact study conducted in 2019 highlighted that in addition to project funding, non-profit organisations derive great benefits from assistance with digital skills learning, thereby helping them to leverage their various communities and other partners independently.

A House is a Home

In 2019, ten projects were proposed as part of this programme. Seven countries took part in the programme and provided financial or human support to the Somfy Foundation, facilitating the involvement of 67 individual employees. The countries involved were France, the United States, Germany, Hungary, Belgium, Brazil and Australia.

Employee involvement

A single indicator is used to measure the strength of Somfy's entire policy relating to societal commitment. It relates to the involvement of employees in the Foundation's initiatives, measured in the number of unique employees who have participated in the Foundation's work.

The number of employees participating in these Solidarity Missions has increased steadily since these initiatives were launched in July 2012.

In 2019, 545 unique employees took part in a Somfy Foundation initiative around the world.

A COMMITMENT COMPONENT IN THE REGIONS AND EMPLOYMENT AREAS IN RELATION TO STAKEHOLDERS

Somfy employees are also engaged in local and national initiatives, primarily through professional associations but also through local charitable organisations thereby boosting the attractiveness of local areas and ecosystems.

Action to support resident populations and the local ecosystem in Haute-Savoie

In order to promote regional development, Somfy participates in and supports higher education and research establishments along with the Haute-Savoie district. Somfy is a founding member of the Fondation Université Savoie Mont Blanc (USMB) university foundation and the Club des Entreprises de l'Université Savoie Mont Blanc business club and works with the University to bring together the academic and business worlds. Somfy also sits on the Board of Directors of Polytech Annecy-Chambéry. In this way, the University has representatives to facilitate job openings for its students who are seeking skills training contracts and can also identify new training requirements in the region, such as training in Polytech Annecy-Chambéry's "Data Usage Computing" which meets the needs of the industry of the future and of Somfy today. This policy promotes the emergence of pool of talents for the company as can be seen in particular in Somfy's presence at "work-placement job dating" events and on work placement events organised by the Business Club.
Somfy is heavily involved in competitiveness centres and technology or methodology expertise clusters active in the Arve Valley (Haute-Savoie), where the Group's head office is located. These organisations, boosted by the economic action of the Auvergne-Rhône-Alpes region, have more wide-ranging and deeper effects thereby laying the ground for national or European initiatives with selected partners in the future. Somfy is a member of the governing Board of the CIMES Competitiveness Center and chairs the organisation Thésame. These collaborations enable the company to be committed to enhancing the attractiveness of the local area whilst continuing to benefit from the input of skills and innovations into its design and industrialisation processes. The ecosystems that it includes also enable interaction and sharing between all Somfy's regional stakeholders: institutions, associations, local suppliers and customers.
Lastly, Somfy is a sponsor of various initiatives in the Cluses and Bonneville areas to ensure that local populations, employees living near their place of work and their children can all see and benefit from Somfy's involvement locally. It involves supporting sports clubs where children of local employees play (often shift workers).

Action to support top athletes

Somfy has been a partner of the French Ski Federation and the French Biathlon Team since 2005, and all Nordic Skiing since 2014 (Biathlon, Cross Country, Ski Jumping, Nordic Combined). A committed supporter of sporting initiatives for more than 20 years, the Group also sponsors established and emerging athletes individually: Anaïs Bescond, Clément Parisse, Antonin Guigonnat, Julia Simon and Émilien Jacquelin.
For more than ten years, Somfy has been a partner of Martin Fourcade, multiple Olympic medallist and 11-time world champion. Martin Fourcade is a Somfy brand ambassador and sponsor of the Les Petites Pierres Endowment Fund.
In 2019, Somfy supported three local ski clubs that provide biathlon training to young people and enabled them to meet their idols.

CONDITIONS FOR DIALOGUE WITH STAKEHOLDERS

A communication policy that is reviewed annually

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.

Ongoing dialogue with public authorities

Involved in the development of the areas in which the Group is located, Somfy 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 relay these events within the company for the benefit of employees. The cultural and sporting programmes include: Plein Feux Festival (Bonneville), MB Race (Pays du Mont-Blanc) and the centenary of Carpano & Pons (Cluses). This collaboration can take the form of patronage or sponsorship.
It is within this context that in 2019, Somfy took responsibility as leader in the Arve Valley region of the initiative "France, one chance, companies commit!", for the promotion of inclusion within companies, thereby supporting a French government initiative, covered by DIRECCTE (French Regional Department of Enterprise, Competition, Consumer Affairs, Labour and Employment) and Medef (French Business Confederation). The Minister of Labour, Muriel Pénicaud, visited Somfy on this occasion and spoke with stakeholders about this initiative in the Arve Valley region.
Somfy also sought to support Cluses council's initiative to promote Priority Neighbourhoods in the town's policy and more generally primary schools, by co-financing a string orchestra for the neighbouring school, Laurent Molliex, in partnership with the Cluses School of Music, as part of the national initiative, "An Orchestra at School".

Dialogue with customers and consumers

For several years, Somfy has been initiating a dialogue not only with its customers but also with users of its products and solutions. It is a promotional tool for the brand and a guarantee to continue developing simple and useful products for the consumer.

Protection of user data and management of the digital risk
Somfy has introduced a comprehensive monitoring and employee training policy to protect the company against malicious attacks on its information systems or on the connected objects ecosystems (objects, applications, servers). Each year, an audit plan is prepared by professional experts for the two categories of digital risks (information systems on the one hand and connected objects on the other), presented and discussed with the heads of Internal Audit and Risk Management. In addition to the training of employees (programmer training is currently being developed), this includes penetration tests carried out in accordance with current standards.

Dialogue with users

Users are regularly consulted as part of the development of new offers.

The My Somfy Lab platform allows studies to be conducted with Internet users interested in the Somfy market without necessarily being users of it brands. A part of the platform is closed to the public and operates by invitation. 2,300 users and customers are grouped into communities. 41 projects have been completed since the launch of the platform in 2016. It covers three countries and the feedback rate for surveys is 28%, which represents a high level of engagement. In 2019, the open version accessible to all resulted in 1,307 ideas and 6,092 answers to questionnaires for 14 projects, an intense level of activity that included 2,151 comments and more than 7,421 “Likes”.

In France, a forum moderated by Somfy gives the floor to consumers. To date, more than 60,000 questions have been posted there and the forum receives 160,000 unique monthly visits. The 76,000 registered participants since the launch of the forum in 2013 enables the hotline to be more efficient and to answer calls more quickly. Similar initiatives exist in other countries.

Somfy’s consumer information websites were used by 10,064,988 unique visitors in 2019.

Measuring customer satisfaction

Being responsive to professional customers is a priority for Somfy. In 50 years, the Group has built a reputation for being close and attentive to its customers. Within a relatively young market that is growing and constantly changing, Somfy’s leadership and its desire to be a trusted partner requires changing needs to be monitored. For each customer profile, the Group has developed dialogue-based activities – studies, surveys, training, services – tailored to the needs of these stakeholders. Customer satisfaction is tracked *via* an international survey that assesses Somfy’s score in terms of customers promoting the Somfy brand. This quality survey shows that the Net Promoter Score was 68, which is a good result and helps to identify areas for improvement.

PERFORMANCE OF THE ETHICAL APPROACH AND THE ANTI-CORRUPTION POLICY

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COMMITMENT TO ETHICS AND COMBATTING CORRUPTION

Through the Ambition 2030 strategic framework and its sustainable development policy, Somfy is determined to strengthen its stakeholders’ confidence in its ability to conduct its business ethically. That is why the Group has made ethics a cross-company focus of this policy. Risks related to non-ethical behaviour and corruption within the company, and their repercussions in terms of image and reputation as well as the financial impacts, are taken all the more seriously by Somfy given that the Group is committed to being the preferred partner for window and door automation.

Business ethics and employee integrity are essential to preserving Somfy’s image and reputation and protecting its staff. Employees must comply with the laws and regulations in force within the jurisdictions in which Somfy pursues its activities, as well as with Somfy’s values and policies in terms of ethical principles. To do this, Somfy promotes a strong ethical culture at every level of the organisation.

The aim of this approach and policy is to strengthen the confidence of stakeholders in the way in which Somfy pursues its international development.

ETHICAL ACTION PLAN

Since 2015, Somfy has had a Code of Ethics which is a point of reference for employees in relation to individual and collective behaviour, and a framework for everyday actions, enabling them to embody the Group’s values. This Code is a common and unifying document, which guides every employee in their decision-making; it is also a tool to promote dialogue between employees so that ethics is an open matter understood by all. It is systematically provided to employee on joining the Group and is available on the website in 23 languages.

Drivers of the Ethics function

The Supervisory and Management Boards provide strong support to the Ethics Committee and oversee the ethics function.

The Ethics Committee is a structure that enables a collegiate vision of ethics to be developed and rolled out and its application monitored. It is made up of four members appointed by the Management Board for a renewable term of office of three years, as well as an Ethics Manager appointed from within its ranks to lead both the system and the Committee.

The Ethics Committee relies on a network of Ethics officers to oversee local communication and close coordination, ensuring the solution’s effectiveness. The majority of these local officers are members of the Human Resources community. As well as providing coordination and support at local level, they are often responsible for resolving difficulties locally. They help to provide the most appropriate solutions to the questions asked by employees on the ground.

The Managers are responsible for the roll-out and application of the Code of Ethics within their scope, including in relation to new arrivals.

Every employee must understand and apply the principles set out in the Group’s Code of Ethics. They also all have a duty to whistleblow if they become aware of any facts or practices that are unethical. Employees are also encouraged to report any concerns relating to ethical principles or behaviour to their manager, their local Ethics officer, or the Ethics Committee.

The Ethics function also naturally has strong links with other support functions. As such, the Head of Ethics has regular interaction with the Legal, Internal Control and Risks, Internal Audit, Sustainable Development and Environment, Corporate Affairs, Finance, Safety, and Human Resources Departments, as well as with all the Group’s Operational Departments.

Ethical reporting system

In addition to reporting direct exchanges, a whistleblowing system allows anyone to report serious matters so that they can be taken into consideration and treated in accordance with the applicable legal and regulatory provisions. Included in the anti-corruption compliance programme rolled out within the Group, this whistleblowing mechanism also allows Somfy to meet the requirements of law n°2016-1691 of 9 December 2016 on transparency, the fight against corruption and the modernisation of the economy, known as the “Sapin 2 law” (hereafter the “law”). The Group thus decided to introduce a unique mechanism to bring itself into line with the requirements of this law.

This system complements the mechanism in force within the Group since 2015 and which facilitates the confidential and safe reporting of any behaviour in contravention of the Code of Ethics. A specific procedure has been formally set out in 23 languages to present this system and the conditions of its use. It is intended to apply to all the Group’s entities, subject to its adaptation to existing provisions under local legislation. A privacy policy relating to the personal data processed as part of this mechanism is provided to the individuals concerned.

The indicator used to monitor the performance of the ethics mechanism is the number of ethics alerts reported to the Ethics Committee, which was nine in 2019 (against 12 in 2018). However, this slightly lower figure shows that the alert escalation system is working well. Of the nine alerts received, eight were admissible, six of which are closed at 31 December 2019.

Somfy is also a member of the Business Ethics Group, an organisation that has set itself the task of promoting ethics and compliance in the management and governance of French companies. The Group's Ethics Committee thus remains connected with other professionals responsible for ethical issues within companies and organisations.

ANTI-CORRUPTION PROGRAMME

In addition to the Group's Ethics Code and following the enactment of the law on transparency, the fight against corruption and the modernisation of the economy, Somfy has implemented an anti-corruption programme. In this way, the Group has formally set out mapping dedicated to the analysis of corruption related risks in each of its geographic regions, in accordance with its activities. The Group also decided to adopt the Middlenext Anti-Corruption Code of Conduct. This Code of Conduct is designed to guide business behaviour. Somfy supplemented it with several appendices in order to provide practical advice, examples and links to other procedures. In addition to these documents, e-learning materials are currently being rolled out and face-to-face training has also been introduced for those employees expected to be the most exposed. The warning system introduced in 2015 to escalate non-ethical behaviours (as mentioned above) was extended to meet the requirements of the French "Sapin 2" anticorruption legislation. Accounting controls were also implemented to detect potential fraudulent acts. Lastly, procedures are currently being rolled out to assess third parties with whom the Group already works, and prior to any new relationship. A screening tool has also been purchased in order to consult public databases reporting potentially sensitive information about its partners. Validation workflows are in the process of being configured and will allow the assessments made and resultant decisions taken to be traced.

Several indicators are monitored, notably those relating to training:

- in France, 1,251 employees completed anti-corruption e-learning training in 2019 within Somfy Activités SA, representing 100% of the individuals concerned and employed on the date of the campaign;
- in the Group's other entities, 1,182 additional individuals completed this same module in their native language, representing 100% of the people concerned in deployed areas and employed in the workforce on the dates of the local campaigns;
- 646 people judged to be more exposed to the corruption risk received face-to-face training, as well as 194 Directors, who are members of the various Management Committees.

The roll-out of local training will continue in 2020.

As of 31 December 2019, neither Somfy nor any of its subsidiaries had been found guilty of or were under investigation in relation to corruption.

RELATIONSHIPS WITH SUBCONTRACTORS AND SUPPLIERS

Relationships with suppliers and subcontracting are important for the Group due to the nature of its industrial activity which is essentially assembly. The components of its products are all purchased. Somfy is dedicated to ensuring the entire value chain is involved in its commitment to corporate social responsibility. This policy is reflected in the new contractual framework with a view to deploying the Group's CSR commitments in the upstream supply chain: employment, the environment, fair practices and combating corruption, conflict minerals and hazardous substances.

To respect its commitments, Somfy has launched a supplier risk-management approach covering the following topics: geopolitical risks and corruption, combating modern slavery, environmental impacts of supplier processes and has mapped the risks at between 1-low risk to 4-high risk.

Furthermore, in France, Somfy is a member of the organisation Thésame, where it jointly finances a programme called PEAK which develops collaborative and innovative approaches in relation to the procurement function within a sector. Somfy has jointly financed three dissertations on the subject.

The indicators monitored by Somfy regarding relationships with subcontracting and suppliers are:

- the volume of purchases made locally, meaning within 500km of the assembly site. In 2019, 45.9% of purchases met this criterion;
- the number of suppliers covered by a supplier risk analysis. In 2019, the top five were audited, and in 2020 the top 40 should be, and in 2021 the top 80.

For every component developed by a supplier, the Group requests a written undertaking relating to the European Directives REACH and ROHS. **100% of the top 80 suppliers (69% in the previous report), representing 88% of purchasing amounts, comply with REACH/ROHS requirements (results from the 2019 campaign).**

In accordance with the regulations adopted by the US Securities and Exchange Commission in 2012, the 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". Of the nine suppliers affected by "conflict minerals", 100% are compliant.

QUALITY CUSTOMS LABEL

Somfy is also an Authorised Economic Operator. This quality customs label is internationally recognised (World Customs Organisation). AEO programmes around the world have become flagship Customs/Business Partnership programmes as they enable customs to share their security responsibilities with the private sector. This certification is subject to a very extensive audit not only in terms of customs, but also in relation to safety and security for compliance purposes. The terms and conditions related to this certification cover a range of issues such as:

- compliance with regulations and notably in relation to previous convictions;
- reliability of the company's logistics and accounting system (including audit trail);
- the company's financial solvency;
- traceability of logistics flows;
- securing of business partners (customers, suppliers, service providers, etc.);
- IT safety and security;
- overall compliance.

Being an AEO therefore means being an economic player recognised as reliable by the European and global customs authorities.

FIGHT AGAINST TAX EVASION

Somfy undertakes to observe the spirit and the letter of the law in all countries in which it does business. It wants a frank and transparent relationship with all tax authorities, seeks to clarify all uncertainties and resolve all disputes in due course. It considers that it pays its fair share of taxes in those countries in which it operates.

Furthermore, the Group undertakes to pursue the following actions in its drive for tax transparency and to combat tax evasion:

- participate in compulsory reporting such as the Country-by-Country Reporting for France;
- monitor that intragroup transactions comply with arm's length principles and OECD actions on base erosion and profit shifting (BEPS).

METHODOLOGY NOTE

The Non-Financial Performance Statement was drafted using the reporting protocol introduced for the 2019 CSR reporting in accordance with Article L. 225-102-1 of the Commercial Code.

REPORTING PROTOCOL

The 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 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. It is available on request from Head Office.

SELECTION OF INDICATORS

The Group's indicators were defined by the CSR officers for each area in line with the Group's CSR strategy, the non-financial risks identified and the resulting social, environmental, societal and ethical objectives. They address the main challenges (risks and opportunities) inherent in the Group's activity and illustrate, through clear communication, the Group's non-financial performance and the policies it has introduced to address these challenges, while at the same time supporting the CSR approach in each of the progress drivers identified by the Group.

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 2019.

Depending on the indicators, it can relate to:

- an annual consolidation of the data from 1 January 2019 to 31 December 2019;
- the data measured at 31 December 2019.

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

Unless otherwise specified, when 2019 and 2018 data are referred to, it is on a comparable scope basis.

REPORTING SCOPE

Pursuant to Article L. 225-102-1 of the Commercial Code, companies which are controlled by the Group and fully consolidated within the financial reporting scope are included within the reporting scope. The concept of control means the power to govern the financial and operational policies of an affiliated company so as to benefit from its operations. Control is generally deemed to exist where the Group holds more than half of the controlled company's voting rights.

For reasons of organisation and access to information, not all Group companies have yet been included. The Group wants to use perimeters that are more relevant depending on the topics covered. As such, 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.

However, the Group integrates all significant companies that it fully owns.

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.

As a follow-up to changes in control and governance at the Chinese subsidiary Dooya, which has left the full consolidation scope and is now consolidated using the equity method, Dooya is no longer part of the CSR scope.

Specifics of the scope for 2019 reporting

The scope of analysis of the social data for the preparation of the 2019 CSR report was stable. It related to 41 Group companies and a workforce at 31 December 2019 of 5,269 people, representing 92.3% of the Group's total workforce.

These companies are spread across five continents, and 30 countries (South Africa, Germany, 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, United Kingdom, Russia, Singapore, Sweden, Switzerland, Tunisia and Turkey).

The social reporting scope includes the following entities:

- Automatismes BFT France (France);
- Automatismos Pujol SL (Spain);
- BFT SpA (Italy);
- Chusik Hoesa Somfy (South Korea);
- N.V Somfy S.A (Belgium);
- O&O SRL (Italy);
- Overkiz (France);
- Simu (France);
- Simu GmbH (Germany);
- Sisa Home Automation Ltd (Israel);
- SITEM (Tunisia);
- Somfy Activités SA (France);

- Somfy Brasil LTDA (Brazil);
- Somfy China Co Ltd (China);
- Somfy Egypt (Egypt);
- Somfy España SA (Spain);
- Somfy EV Otomasyon Sistemleri Ticaret Ltd Sti (Turkey);
- Somfy GmbH (Germany);
- Somfy GmbH (Austria);
- Somfy Hellas SA (Greece);
- Somfy India Pvt Ltd (India);
- Somfy Italia SRL (Italy);
- Somfy Kabushiki Kaisha (Japan);
- Somfy Limited Liability Company (Russia);
- Somfy Ltd (UK);
- Somfy Maroc (Morocco);
- Somfy Middle East Co. Ltd (Republic of Cyprus);
- Somfy Nederland BV (Netherlands);
- Somfy Norway AS (Norway);
- Somfy PTE Ltd (Singapore);
- Somfy PTY. Ltd (Australia);
- Somfy SA (Switzerland);
- Somfy South Africa PTY Limited (South Africa);
- Somfy spol s.r.o. (Czech Republic);
- Somfy spolka z ograniczona odpowiedzialnoscia (Poland);
- Somfy Sweden Aktiebolag (Sweden);
- Somfy Systems Inc (USA);
- Somfy Tunisie (Tunisia);
- SOPEM spolka z ograniczona odpowiedzialnoscia (Poland);
- Window Automation Industry SRL (Italy);
- Zhejiang Lian Da Science and Technology Co., Ltd. (China).

The environmental reporting scope taken into account for the 2019 financial year includes to the following entities:

- BFT SpA (Italy);
- Simu (France);
- SITEM (Tunisia);
- Somfy Activités SA (France);
- SOPEM spolka z ograniczona odpowiedzialnoscia (Poland);
- Window Automation Industry SRL (Italy);
- Zhejiang Lian Da Science and Technology Co., Ltd. (China).

METHODOLOGY LIMITATIONS

The methodologies used for the reporting of certain CSR indicators may present limitations due to:

- particularities of local legislation in the various countries in which the Group is located;
- lack of availability of information on certain scopes;
- use of estimates in the absence of assessment tools;
- practicalities of collecting and processing data.

INFORMATION ON RISKS (ARTICLE L. 225-100-1 OF THE COMMERCIAL CODE)

Epidemiological risks (example: Covid-19) and their consequences are not developed in this section but are not such as to change the Group's risk information as described in the following paragraphs[1].

FINANCIAL RISKS

The main financial risks to which the Group is exposed are foreign exchange, interest rate, liquidity, credit and raw material 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 the 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 "non-professional customers" category.

FOREIGN EXCHANGE RISK

Somfy'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

The Group is exposed to interest rate risks. 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

The 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/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.

(1) See information on this subject in the press release of 23 March 2020 in chapter 10 Recent events since 2 March 2020.

CREDIT RISK

The Group's exposure to credit risk is related to its cash surplus deposited with banks.
The management of credit risk is covered in note 7.3 to the consolidated financial statements.

RAW MATERIAL RISK

The Group is exposed to fluctuations in the price of the raw materials used in the manufacture of its products (copper and zinc in particular).
To maintain its profitability, the Group must be able to cover for or offset this risk or pass it on to its customers. It has, however, introduced procedures designed to limit its exposure to risks associated with changes in the prices of raw materials.
The management of raw material risk is covered in note 7.3 to the consolidated financial statements.

EQUITY RISK

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The Group is exposed to equity risk on treasury shares. Given the share price, it was not necessary to record a provision for writedown at 31 December 2019.

LEGAL RISKS

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The Group's operations are not subject to specific regulations. Its activities do not require specific legal or regulatory authorisation.
The 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.

INSURANCE – RISK COVERAGE

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The Group covers the main risks with the following insurance policies:

- "Property damage", covering buildings and their contents in all locations (equipment, goods, IT equipment) as well as resulting monetary and operational losses.
  The events insured are, as a minimum, fire, explosions, lightning, smoke, emissions, steam, impacts from airborne objects, vehicle collisions, electrical risks, storms, hurricanes, cyclones, snow, hail, water damage, frost, machine breakage, computer risks, malicious acts, acts of vandalism, popular movements and IT equipment theft, natural disasters, except where local circumstances make this impossible;
- "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 85% of sales are covered by such contracts.

COUNTRY RISK

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The country risk is analysed from two perspectives. The first relates to the distribution activities most of which takes place in safe regions such as Europe and the United States, as opposed to regions that are the most exposed to economic, geopolitical and monetary uncertainties like China, Latin America and the Middle East which represent less than 10% of the Group's sales. The second perspective relates to the production and procurement activities which are more exposed than the distribution activities, since Somfy has production sites in Tunisia and China, and a large proportion of its suppliers of components have close connections with Asia, and more specifically China. In relation to this second perspective, given the level of risk, business continuity plans have been developed in order to reduce and control this risk.
The Group was not adversely affected by Brexit in 2019 and does not expect to be in 2020.

FINANCIAL RISKS ATTRIBUTABLE TO THE EFFECTS OF CLIMATE CHANGE AND A LOW-CARBON STRATEGY

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Somfy's activity is partly focused on exterior (motorisation of shutters and patio awnings) and interior (motorisation of curtains and blinds) sun protection. Weather conditions have an impact on both the volume of products sold and on their installation, in particular over the first half-year, during which sales of motorisations for awnings are concentrated.
As part of its industrial activities, the Group is exposed to a certain number of risks attributable to climate conditions (storms, earthquakes, floods, etc.) and therefore, more generally, to climate change. The Group has introduced a risk assessment for this and has the insurance it needs to protect it from any financial consequences.
The fight against climate change has been taken into account in the design of its products through its Act for Green® programme. The Group is also working on optimising the use of raw materials, energy efficiency and recyclability to reduce the carbon footprint of its products. In relation to risk assessments linked to climate change and actions introduced by the Group to mitigate them as part of its environmental approach, see section "Non-Financial Performance Statement", paragraph "Environmental Policy Performance" of this report.

CUSTOMER CREDIT RISK

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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.

NON-FINANCIAL RISKS

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Non-financial risks are covered in the Non-financial Performance Statement (page 25).

DESCRIPTION OF INTERNAL CONTROL AND MANAGEMENT OF RISKS PROCEDURES RELATIVE TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION
(ARTICLE L. 225-100-1 OF THE COMMERCIAL CODE)

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 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 intranet.

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) as well as *via* a primary information provider (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).

The new ERP chosen by the Group will be gradually rolled out starting from 2020.

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.

TREASURY COMMITTEE/GROUP CASH MANAGEMENT

—

The Group Treasury Department reports to the member of the Management Board and 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 member of the Management Board and 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, guaranties/securities, Group loans;
- miscellaneous projects (netting, optimisation of cash management systems, securing the management of banking powers…);
- the Group's net financial income/(expense) (twice annually).

This Committee comprises the following members:

- the member of the Management Board and Chief Financial Officer;
- the Group Treasurer;
- the Group Head of Consolidation.

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 the 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 2019.

In addition, a Group Treasury Charter has been in place since 1 November 2013. It defines 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 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.

INTERNAL CONTROL MONITORING

—

The Internal Control Department reports to the member of the Management Board and Chief Financial Officer. The Department is made up of the Head of Internal Control, a long-term trainee 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, or ongoing projects.

In order to fulfil its coordinating and monitoring role, the Department implemented a dedicated GRC tool (Governance, Risks & Compliance), specifically:

- to initiate a self-assessment campaign for subsidiaries each year, including a framework of key controls;
- to monitor all the tasks of Internal Audit, as well as the related recommendations and the corresponding action plans;
- to assess the Group's risks, at several levels (BU, BA/BG, BMA/Activities), to consolidate the results at Group level and to link them with action plans.

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 quarterly 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.

APPROVAL OF THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (RESOLUTIONS 1 AND 2)

We would ask you to approve the parent company financial statements for the year ended 31 December 2019, which show a net profit of €114,988,135.63, and the consolidated financial statements for the year ended 31 December 2019, which show a net profit (Group share) of €163,227,000.00, as submitted.

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

The financial statements for the financial year ended 31 December 2019 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 €114,988,135.63 for the year ended 31 December 2019, increased by retained earnings of €3,705,891, to a total of €118,694,026.63, as follows:

– allocation to shareholders of a gross dividend of €1.55[(1)] per share, being €1.55[(1)] x 37,000,000 shares	€57,350,000.00[(1)]
– transfer to optional reserve	€ 61,344,026.63[(1)]
	€ 118,694,026.63

A gross dividend of €1.55[(1)] will be distributed for each share with a par value of €0.20.

When it is paid to individuals who are tax residents in France, the dividend is subject to a single fixed-levy deduction at source on the gross dividend at the flat rate of 12.8% (Article 200 A of the General Tax Code), or at the express, irrevocable and comprehensive wishes of the taxpayer, to income tax calculated according to a sliding scale after notably an allowance of 40% (Articles 200 A, 13, and 158 of the General Tax Code). The dividend is also subject to social security contributions at the rate of 17.2%.

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

The dividend will be payable on 5 June 2020 and the ex-dividend date will be 3 June 2020.

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
	Dividends	Other distributed earnings	
2016	€41,909,092.30* being €6.10 per share	–	–
2017	€44,645,450.20* being €1.30** per share	–	–
2018	€48,094,109.00* being €1.40 per share	–	–

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

*** The share par value was divided by five on 24 May 2017. Since that date, share capital comprises 37,000,000 shares with a par value of €0.20 each.*

COMBINED GENERAL MEETING OF 13 MAY 2020[(1)]

ORDINARY SESSION

1. Approval of the parent company financial statements for the year ended 31 December 2019.
2. Approval of the consolidated financial statements for the year ended 31 December 2019.
3. Allocation of net profit for the financial year and setting of dividend.
4. Special report of the Statutory Auditors on regulated agreements - Noting the absence of new agreements.
5. Renewal of the term of office of Victor DESPATURE as member of the Supervisory Board.
6. Renewal of the term of office of Marie BAVAREL-DESPATURE as member of the Supervisory Board.
7. Appointment of Bertrand PARMENTIER as member of the Supervisory Board.
8. Fixed annual sum to be allocated to members of the Supervisory Board.
9. Approval of the remuneration policy for the Chairman of the Management Board and the member(s) of the Management Board.
10. Approval of the remuneration policy for members of the Supervisory Board.
11. Approval of the information referred to in paragraph I of Article L. 225-37-3 of the Commercial Code.
12. Approval of the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid during or allocated in respect of the financial year just ended to Jean Guillaume DESPATURE, Chairman of the Management Board.

(1) See information on this subject in the press release of 7 April 2020 in chapter 10 Recent events since 2 March 2020.

13. Approval of the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid during or allocated in respect of the financial year just ended to Pierre RIBEIRO, member of the Management Board and Chief Financial Officer.
14. Approval of the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid during or allocated in respect of the financial year just ended to Michel ROLLIER, Chairman of the Supervisory Board.
15. 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, duration of the authorisation, objectives, terms and conditions, cap.

EXTRAORDINARY SESSION

—

16. Authorisation to be granted to the Management Board to cancel shares bought back by the company within the framework set out by Article L. 225-209 of the Commercial Code, duration of the authorisation, cap.
17. Amendment to the bylaws setting out the terms and conditions of appointment of the members of the Board representing the employees, on the basis of Article L. 225-79-2 of the Commercial Code.
18. Applicable textual references in the event of a coding change.
19. Powers to complete formalities.

RENEWAL OF THE TERM OF OFFICE OF VICTOR DESPATURE AS MEMBER OF THE SUPERVISORY BOARD (resolution 5)

—

We hereby remind you that Victor DESPATURE's term of office as a member of the Supervisory Board expires at the end of the next Annual General Meeting.

It will be proposed to renew the term of office of Victor DESPATURE as member of the Supervisory Board for a period of one year, which will expire at the end of the General Meeting called in 2021 to approve the financial statements for the year then ended, in accordance with Article 18 of the bylaws.

RENEWAL OF THE TERM OF OFFICE OF MARIE BAVAREL-DESPATURE AS MEMBER OF THE SUPERVISORY BOARD (resolution 6)

—

We hereby remind you that Marie BAVAREL-DESPATURE's term of office as a member of the Supervisory Board expires at the end of the next Annual General Meeting.

It will be proposed to renew the term of office of Marie BAVAREL-DESPATURE as member of the Supervisory Board for a period of four years, which will expire at the end of the General Meeting called in 2024 to approve the financial statements for the year then ended.

APPOINTMENT OF BERTRAND PARMENTIER AS MEMBER OF THE SUPERVISORY BOARD (resolution 7)

—

It will be proposed to appoint Bertrand PARMENTIER as member of the Supervisory Board for a period of four years, which will expire at the end of the General Meeting called in 2024 to approve the financial statements for the year then ended.

INDEPENDENCE AND GENDER EQUALITY

It is specified that the Supervisory Board considers that:
- Victor DESPATURE and Marie BAVAREL-DESPATURE cannot be deemed to be independent members in light of the Middlenext Code, used by the company as a framework of reference in relation to corporate governance;
- Bertrand PARMENTIER can be deemed to be independent in light of said criteria. In this regard, it is specifically noted that the individual in question has no business relationship with the Group.

Subject to the approval of these re-appointments and appointment, the Board would comprise four women and four men, in accordance with parity rules, and five independent members, in accordance with Middlenext recommendations.

EXPERTISE, EXPERIENCE AND SKILLS

The information concerning the expertise and experience of Victor DESPATURE and Marie BAVAREL-DESPATURE are detailed in the paragraph "Expertise and experience of the members of the Supervisory Board" of the report on corporate governance which is included in the 2019 Annual Financial Report.

Information concerning the expertise and experience of Bertrand PARMENTIER is detailed in the notice of meeting.

FIXED ANNUAL SUM TO BE ALLOCATED TO MEMBERS OF THE SUPERVISORY BOARD (resolution 8)

—

You will be asked to approve an increase in the annual fixed amount allocated to the Supervisory Board from €200,000 to €350,000, for the current financial year and until further notice.

APPROVAL OF THE REMUNERATION POLICY FOR THE CHAIRMAN OF THE MANAGEMENT BOARD AND THE MEMBER(S) OF THE MANAGEMENT BOARD (resolution 9)

—

It will be proposed that you approve the remuneration policy of the Chairman and member(s) of the Management Board as presented in the report on corporate governance included in the 2019 Annual Financial Report (paragraph "Corporate officers' remuneration policy").

APPROVAL OF THE REMUNERATION POLICY FOR MEMBERS OF THE SUPERVISORY BOARD (resolution 10)

—

It will be proposed that you approve the remuneration policy of the members of the Supervisory Board as presented in the report on corporate governance included in the 2019 Annual Financial Report (paragraph "Corporate officers' remuneration policy").

APPROVAL OF THE INFORMATION REFERRED TO IN PARAGRAPH I OF ARTICLE L. 225-37-3 OF THE COMMERCIAL CODE (resolution 11)

—

You will be asked to approve the information included in paragraph I of Article L. 225-37-3 of the Commercial Code, presented in the paragraph "Information referred to in paragraph I of Article L. 225-37-3 of the Commercial Code" of the report on corporate governance included in the 2019 Annual Financial Report.

APPROVAL OF THE FIXED, VARIABLE AND EXCEPTIONAL ITEMS COMPRISING THE TOTAL REMUNERATION AND BENEFITS OF ANY KIND PAID DURING OR ALLOCATED IN RESPECT OF THE FINANCIAL YEAR JUST ENDED TO JEAN GUILLAUME DESPATURE, CHAIRMAN OF THE MANAGEMENT BOARD (resolution 12)

—

It will be proposed that you approve the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid during or allocated in respect of the financial year just ended to Jean Guillaume DESPATURE, Chairman of the Management Board, as presented in the report on corporate governance included in the 2019 Annual Financial Report, paragraph “Fixed, variable and exceptional items comprising total remuneration and benefits of any kind paid or allocated during the financial year just ended to the Chairman of the Management Board, members of the Management Board and the Chairman of the Supervisory Board”.

APPROVAL OF THE FIXED, VARIABLE AND EXCEPTIONAL ITEMS COMPRISING THE TOTAL REMUNERATION AND BENEFITS OF ANY KIND PAID DURING OR ALLOCATED IN RESPECT OF THE FINANCIAL YEAR JUST ENDED TO PIERRE RIBEIRO, MEMBER OF THE MANAGEMENT BOARD AND CHIEF FINANCIAL OFFICER (resolution 13)

—

It will be proposed that you approve the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid during or allocated in respect of the financial year just ended to Pierre RIBEIRO, member of the Management Board and Chief Financial Officer, as presented in the report on corporate governance included in the 2019 Annual Financial Report, paragraph “Fixed, variable and exceptional items comprising total remuneration and benefits of any kind paid or allocated during the financial year just ended to the Chairman of the Management Board, members of the Management Board and the Chairman of the Supervisory Board”.

APPROVAL OF THE FIXED, VARIABLE AND EXCEPTIONAL ITEMS COMPRISING THE TOTAL REMUNERATION AND BENEFITS OF ANY KIND PAID DURING OR ALLOCATED IN RESPECT OF THE FINANCIAL YEAR JUST ENDED TO MICHEL ROLLIER, CHAIRMAN OF THE SUPERVISORY BOARD (resolution 14)

—

It will be proposed that you approve the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid during or allocated in respect of the financial year just ended to Michel ROLLIER, Chairman of the Supervisory Board, as presented in the report on corporate governance included in the 2019 Annual Financial Report, paragraph “Fixed, variable and exceptional items comprising total remuneration and benefits of any kind paid or allocated during the financial year just ended to the Chairman of the Management Board, members of the Management Board and the Chairman of the Supervisory Board”.

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, DURATION OF THE AUTHORISATION, OBJECTIVES, TERMS AND CONDITIONS, CAP (resolution 15)

—

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.

This authorisation would supersede the authorisation granted to the Management Board by the 11th resolution to the General Meeting of 22 May 2019, sitting in ordinary session.

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 practices 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, in accordance with the authorisation granted or to be granted by the Extraordinary General Meeting.

Such share purchases could 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 would reserve the right to use options or derivative instruments, in accordance with applicable regulations.

We propose to set the maximum purchase price at €170 per share.

The maximum value of the transaction, taking account of the 2,616,647 treasury shares held at 31 December 2019, is therefore set at €184,170,010.

AUTHORISATION TO BE GRANTED TO THE MANAGEMENT BOARD TO CANCEL SHARES BOUGHT BACK BY THE COMPANY WITHIN THE FRAMEWORK SET OUT BY ARTICLE L. 225-209 OF THE COMMERCIAL CODE (resolution 16)

—

It will be proposed that you approve the authorisation to be given to the Management Board:

1) to cancel the shares bought back by the company under the mechanism of Article L. 225-209 of the Commercial Code, at its own discretion, on one or more occasions, within a limit of 10% of capital, calculated on the day on which the cancellation decision is made, reduced by the number of shares cancelled during the previous 24 months, the shares which the company holds or could hold following share buybacks exercised within the framework of Article L. 225-209 of the Commercial Code as well as to reduce share capital by the corresponding amount pursuant to the legal and regulatory provisions in force;
2) to set the term of this authorisation at 24 months starting from the General Meeting of 13 May 2020[1];
3) to grant the Management Board all powers required to carry out all necessary transactions for such cancellations and ancillary reductions of share capital, to modify the company's bylaws as a result and fulfil all of the required formalities.

AMENDMENT TO THE BYLAWS SETTING OUT THE TERMS AND CONDITIONS OF APPOINTMENT OF THE MEMBERS OF THE BOARD REPRESENTING THE EMPLOYEES, ON THE BASIS OF ARTICLE L. 225-79-2 OF THE COMMERCIAL CODE (resolution 17)

—

It will be proposed that you amend the bylaws to set out the terms and conditions of appointment of the members of the Board representing the employees, on the basis of Article L. 225-79-2 of the Commercial Code, and consequently:

- to add an A. before the first paragraph of Article 18 *bis* of the bylaws;
- to add at the end of Article 18 *bis* of the bylaws, the following paragraphs, with the rest of the Article remaining unchanged:

"B. If the company meets the conditions for the application of Article L. 225-79-2 of the Commercial Code and cannot invoke the exceptions set out by this same text, the Supervisory Board will include a member representing the Group's employees.

If the Supervisory Board includes one or two members appointed under Article L. 225-79 of the Commercial Code and paragraph A of this Article, this obligation is not binding upon the company once the number of such members is at least equal to the number set out below.

The number of Board members to be taken into account in determining the number of members representing employees is assessed on the appointment date of the employee representatives to the Board. Neither the members elected by the employees pursuant to Article L. 225-79 of the Commercial Code, nor the members representing employee shareholders appointed pursuant to Article L. 225-71 of the Commercial Code are taken into account in this respect.

If the number of members appointed by the General Meeting exceeds eight, a second member representing employees is appointed, in accordance with the provisions set out below, within six months of appointment of the new member.

If the number of members appointed by the General Meeting is reduced to eight or less, this reduction will not affect the duration of the term of office of employee representatives to the Board, whose term will expire as normal.

In the event of the vacancy of a member representing employees for any reason whatsoever, said vacancy is filled pursuant to regulatory provisions.

Supervisory Board members representing employees are appointed for a period of four years.

APPOINTMENT PROCEDURE

Board members representing employees are appointed by the Group's Works Council.

In the event that the company exits the scope of Article L. 225-79-2 of the Commercial Code, the term of office of employee representatives on the Board expires at the end of the meeting during which the Board acknowledges the exit from the scope of application".

TEXTUAL REFERENCES APPLICABLE IN THE EVENT OF A CODING CHANGE (resolution 18)

—

You will be asked to acknowledge the following: the textual references referred to in all the resolutions submitted to the General Meeting on 13 May 2020[1] will refer to the legal and regulatory provisions applicable on the date of the preparation of said resolutions and in the event of any change to the codification of said provisions, the textual references corresponding to the new coding shall replace them.

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

The Management Board

(1) See information on this subject in the press release of 7 April 2020 in chapter 10 Recent events since 2 March 2020.

05
REPORT ON CORPORATE GOVERNANCE

05
REPORT ON CORPORATE GOVERNANCE

Pursuant to Article L. 225-68 of the Commercial Code, we remind you of Somfy SA's corporate governance principles and hereby present information in relation to corporate officers' remuneration and elements liable to have an impact in the event of a public offering. We also inform you of our observations on the Management Board's management report and on the financial statements for the year just ended.
The company's Financial and Legal Departments are the major contributors to the preparation of this report under the authority of the Supervisory Board.
This report was forwarded to the Statutory Auditors, submitted to the Audit Committee of 3 March 2020 for review, and to the Supervisory Board on 4 March 2020 for approval.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE CODE

—

Somfy SA refers to the Middlenext Corporate Governance Code for listed companies revised on 14 September 2016 (hereafter the Middlenext Code), available at www.middlenext.com.
At its meeting of 14 November 2019, the Board reviewed the areas requiring attention in compliance with recommendation R19 of the Middlenext Code.

Among the recommendations of the Middlenext Code, the Board noted that the company had rejected the application of the following recommendation:

Rejected recommendation	Explanation
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 member of the Audit Committee is an independent member.

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 accordance with legal provisions.
Management Board members are appointed for a term of four years which will expire 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 of office expires.

At 31 December 2019, the Management Board was composed as follows:

Name	Position	Age	Date reappointed	Date term ends
Jean Guillaume Despature	Chairman	42	17 May 2017	2021 AGM
Pierre Ribeiro	Member and Chief Financial Officer	53	17 May 2017	2021 AGM

COMPOSITION OF THE SUPERVISORY BOARD

At the date of preparation of this document, the Somfy SA Supervisory Board consisted of seven members:

Name	Position	Age	Nationality	Date appointed	Date term ends	Audit Committee	Remuneration Committee
Michel Rollier	Chairman Independent member	75	French	Member of the Supervisory Board: 15 May 2012/ Chairman of the Supervisory Board: 16 May 2013	2022 AGM	–	Chairman
Victor Despature	Vice-Chairman	70	French	15 May 2007	2020 AGM	Chairman	Member
Paule Cellard	Independent member	64	French	16 May 2013	2021 AGM	Member	–
Anthony Stahl	Member	46	French	28 June 2002	2023 AGM	–	–
Marie Bavarel-Despature	Member	39	French-Swiss	17 May 2017	2020 AGM	–	–
Sophie Desormière	Independent member	53	French	17 May 2017	2021 AGM	–	–
Florence Noblot	Independent member	56	French	17 May 2017	2021 AGM	–	–

Relevant expertise and experience are detailed in the section “Expertise and experience of the members of the Supervisory Board”.

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

- reappoint Victor Despature as a member of the Supervisory Board for a period of one year which will expire at the end of the General Meeting to be held in 2021 to approve the financial statements for the year then ended;
- reappoint Marie Bavarel-Despature as a member of the Supervisory Board for a period of four years which will expire at the end of the General Meeting to be held in 2024 to approve the financial statements for the year then ended;
- appoint Bertrand Parmentier as a member of the Supervisory Board for a period of four years which will expire at the end of the General Meeting to be held in 2024 to approve the financial statements for the year then ended.

There were no changes in the Board’s membership over the period. Anthony Stahl was reappointed to the Supervisory Board at the General Meeting of 22 May 2019 for a term of four years, expiring at the end of the General Meeting to be held in 2023 to approve the financial statements for the year then ended.

Equal representation of men and women on the Board

The Board currently consists of seven members, including four women. As such, the company complies with the legal provisions regarding gender equality 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

During the financial year 2019, an assessment of the operation and the work of the Board and its Audit and Remuneration Committees was carried out based on a questionnaire sent to each member of the Supervisory Board. It highlighted overall satisfaction and some areas for improvement, which were discussed between the Chairman and members of the Supervisory Board on 10 September 2019, without Management Board members being present. It was agreed to take these findings into account in the future.

CONDITIONS OF PREPARATION AND ORGANISATION OF THE SUPERVISORY BOARD’S WORK

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

INDEPENDENCE OF THE MEMBERS OF THE SUPERVISORY BOARD

A group of family shareholders holds the majority stake in Somfy SA.
As provided by the Middlenext framework, the Board assesses the independence of its members every year and at the time of their appointment.
Based on the independence criteria suggested by the Middlenext framework, independent members:

- are not and have not been an employee or executive corporate officer of Somfy SA or any other Group company during the last five years;
- have not had, during the past two years, and do not have any significant business relationship with the company or its Group (customer, supplier, competitor, service provider, creditor, banker, etc.);
- are not a significant shareholder of the company and do not hold a significant percentage of voting rights;
- do not have a close relationship or family connection with a corporate officer or a significant shareholder;
- have not been, over the previous six years, a Statutory Auditor of the company.

The Supervisory Board notes that, to date, four members of the Board: Paule Cellard, Sophie Desormière, Florence Noblot and Michel Rollier, meet these criteria and can therefore be deemed to be independent members, with no material relationship with Somfy SA or its Management, or with a company consolidated by the Group, that may affect his/her freedom of judgement.

Summary table:

Independent members of the Supervisory Board	Michel Rollier	Paule Cellard	Sophie Desormière	Florence Noblot	Explanation in the event of non-compliance
Are not and have 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	
Have not had, during the past two years, and do not have any significant business relationship* with the company or its Group (customer, supplier, competitor, service provider, creditor, banker, etc.);	X	X	X	X	
Are not a significant shareholder of the company and do not hold a significant percentage of voting rights	X	X	X	X	
Do not have a close relationship or family connection with a corporate officer or a significant shareholder	X	X	X	X	
Have not been a Statutory Auditor of the company over the previous six years	X	X	X	X	
Conclusion regarding independence	Independent	Independent	Independent	Independent	

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

EXPERTISE AND EXPERIENCE OF THE MEMBERS OF THE SUPERVISORY BOARD

As regards the independent members of the Supervisory Board, Paule Cellard brings to the Group her international experience in the fields of finance, risk management and compliance; Michel Rollier brings to the Group the full breadth of his industrial and international experience gained with the Michelin Group, particularly in the fields of finance, strategy and marketing; Sophie Desormière brings to the Group her industrial and international experience gained first with the Valeo Group and then the Solvay Group in the fields of strategy, sales and marketing, as well as her expertise in investment strategy gained as Chief Executive Officer of AALPS Capital; and Florence Noblot brings to the Group her experience gained with the DHL Group in Europe and Asia (China and Singapore) in the fields of strategy, sales and marketing.
The other members of the Supervisory Board, in addition to the respective expertise and professional experience they bring to the Group, 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 substantial individual investment naturally motivates their long-term commitment and thus their aim to create sustainable value for all the stakeholders of Somfy SA.

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 period of four years. As an 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, their appointment leads to over a third of the members of the Supervisory Board being over that age.
The Supervisory Board meets at least once a quarter on an agenda drafted by its Chairman. During the 2019 financial year, it met on seven occasions with an attendance rate of 98%.
Supervisory Board meetings either take place at the registered office or at any other location specified in the notice of the meeting.
Pursuant to Article 19 of the bylaws and Article 5 of the internal regulations, Supervisory Board members who participate in Board meetings using videoconferencing or telecommunication means both enabling them to be identified and guaranteeing their effective participation, in accordance with the conditions provided for by the regulations, are deemed to be present for quorum and majority calculation purposes. However, this provision does not apply to the review and audit of parent company and consolidated financial statements.
It is specified that, in accordance with the Middlenext Code, the physical presence of members is preferred and, if members are unable to attend, videoconferencing is preferred over telephone conversations.

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

Within three months 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 Management Board report as well as on the financial statements to the General Meeting; these observations are included in this report on corporate governance.

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 the half-year end.

The Supervisory Board asks the Management Board and Management to provide any information or analysis they deem necessary or to submit 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 and 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 (except as otherwise provided in the regulations).

It should be noted that the company's bylaws were amended by the General Meeting of 3 December 2019 in order to provide for the option of implementing Article L. 225-79 of the Commercial Code, pursuant to which the members of the Board representing the employees are elected by the company's employees.

It is also specified that pursuant to the French "Loi Pacte" legislation, changes have occurred regarding members representing employees on the Boards of companies fulfilling certain criteria, as a result of which a proposal will be submitted to the General Meeting of 13 May 2020[(1)] to amend the company's bylaws to reflect these provisions. In this respect, the Management Board has decided to propose that the employee representative on the Supervisory Board, referred to in Article L. 225-79-2 of the Commercial Code, be appointed by the Group's Works Council provided for in Article L. 2331-1 of the Labour Code.

Where applicable, the employee representative on the Supervisory Board would take office no later than six months after the amendment to the bylaws.

The rules of operation of the Supervisory Board are specified in its 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 they represent, 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 shall therefore:

- abstain from participating in discussions and from voting on the relevant deliberation;
- refrain from attending Board meetings during the period he/she is faced with a 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 will not be obliged to disclose information or documentation relating to the matter in dispute to any member(s) about whom he has strong grounds for suspecting is (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."

At its meeting during the afternoon of 22 May 2019, the Board conducted an annual review of the known potential conflicts of interests in accordance with recommendation R2 of the Middlenext Code.

The main issue discussed during meetings of the Supervisory Board during the financial year were the following:

- quarterly highlights;
- presentation of the Balanced Score Card of the Believe & ACT strategic plan;
- 2030 vision, mission and ambition;
- presentation of the proposed new Group organisation;
- presentation of the new Balanced Score Card introduced as part of the new organisation;
- selection of the new ERP;
- Quality update;
- Supply Chain Strategic Plan;
- digitalisation of the core business;
- discovery report by the Group Head of Human Resources & Organisation;
- VR100 roadmap;
- presentation of the Eastern Europe Business Area by its Managing Director;
- update on proposed acquisitions;
- update on Dooya;
- presentation of corruption risk mapping – Sapin 2 Act;
- update on the Group's market share;
- variable remuneration regarding the respective terms of office of the Chairman and the member of the Management Board and Chief Financial Officer for the financial year just ended; exceptional remuneration awarded to the member of the Management Board and Chief Financial Officer for the financial year just ended; guidelines for determining the variable remuneration of Management Board members for the coming financial year; fixed remuneration regarding the respective terms of office of the members of the Management Board for the coming financial year; PER (*Prime Équivalent Retraite* - Pension Equivalent Premium) bonus related to the respective terms of office of Management Board members for the coming financial year;
- assessment by the Supervisory Board of its operation and the preparation of its work;
- update on the independence of the members of the Supervisory Board;
- review of the company's policy regarding equality in the workplace and equal pay;
- review of Audit Committee reports;
- findings of the Remuneration Committee;
- breakdown of the remuneration of members of the Supervisory Board;
- presentation of the main budget priorities for 2020.

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 chairing of the Committee, the competence of its members and definitions

(1) See information on this subject in the press release of 7 April 2020 in chapter 10 Recent events since 2 March 2020.

of independence, the operation (disclosure, evaluation and reporting on the work undertaken), as well as the recommendations relating to the performance of its legal responsibilities have been followed.

Follow-up work on the effectiveness of the internal control and risk management systems has also been carried out.

In 2019, 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 Control and Risk Management Officer presented the relevant information.

The Audit Committee comprises two members: Victor Despature, Chairman, and Paule Cellard, an independent member in accordance with the criteria mentioned in the above paragraph “Independence of the members of the Supervisory Board”.

Victor Despature has accounting expertise. He is a Chartered Accountant and an Auditor (state registered), and performed these roles from 1983 to 2000. Since then, he served on the management of a major family-owned group from 2002 to 2006, acting as Chairman of the Legal Committee from 2002 to 2008 and as Chairman of the Supervisory Board from 2012 to 2017. He was also a member of the Remuneration Committee of this group from 2002 to 2017. Between 2000 and 2017, he also led a medium-sized company operating in the aeronautic sub-contracting sector and has been the Chairman of the latter’s Supervisory Board since 1 July 2017. He has also been a member of the Board of Directors of Edify SA since 16 September 2014 and Chairman of its Audit Committee since 19 March 2015. Paule Cellard, a 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, until 2012, Global Director of Compliance for Crédit Agricole Corporate & Investment Bank. Since November 2012, she has been a Director of CA INDOSUEZ Wealth Management Europe, where she has been chairing the Audit and Risk Committee since December 2015. Since February 2017, she has been a Director of HSBC France. She is also a member of the Risk and Internal Control Committees of HSBC France. She has expertise in the financial field and extensive experience in risk management.

The Committee’s duties are to:

- monitor the process of preparing financial information and, where 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;
- participate 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. It meets as often as necessary, and at least twice every financial year, prior to the Supervisory Board’s review of the half-year and annual financial statements and/or the proposed appointment of Statutory Auditors.

During the 2019 financial year, the Audit Committee met on four occasions each time with all members in attendance.

During the various Audit Committee meetings, the Chief Financial Officer and the Group Head of Consolidation presented the financial position of the Group, the accounting options adopted, the risk exposure, the significant off-balance sheet commitments and the 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 collaboration with the Internal Control and Risk Officer.

In addition to the recurring topics set out above, the following were specifically presented to the Audit Committee in 2019:

- an annual update on the Group’s ethics policy and implementation of the anti-corruption programme to comply with the Sapin 2 Act, presented by the Group Ethics Officer;
- a presentation of the new audit approach, illustrated with examples, by the Statutory Auditors;
- update on IFRS 16 and the progress of the Group project by the Group Head of Consolidation;
- a summary of the main recent and upcoming regulatory developments, and in particular the impact of the Pacte Act, by the Statutory Auditors.

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 that required approval, making 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 submit 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 services other than the audit of the financial statements.

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. The total cost of these services is reported in note 14 to the consolidated financial statements. Furthermore, the Statutory Auditors and the Audit Committee had a number of discussions about the supplementary report prepared for the Audit Committee by the Statutory Auditors.

With regard to working 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, 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 for its information.

Remuneration Committee

The Remuneration Committee 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 financial year just ended and proposals to be issued for the coming financial year, and to issue an opinion concerning the amount of the remuneration of Supervisory Board members.
External persons who are not members may attend meetings at the Committee's request.
At least once a year, the Committee calls on a firm specialised in the subject of senior executive remuneration, which provides advice on the practices that are generally applied in companies of a comparable size.
During the year just ended, it met three times. The rate of attendance by the members was 100%.
The Remuneration Committee is called upon to consider the succession of management resulting from recommendation R14 of the Middlenext Code; such consideration took place at its meeting of 5 February 2019. This item will be discussed again in 2020.
The members of the Remuneration Committee report verbally to the Supervisory Board on the work carried out and the opinions issued, thus helping the Board to prepare and make decisions in terms of corporate officers' remuneration.

CONDITIONS OF SHAREHOLDERS' PARTICIPATION IN GENERAL MEETINGS

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The bylaws include the following provisions:
- all shareholders have a right to attend General Meetings and participate in their deliberations, in person or by proxy;
- they may vote remotely. If the Management Board or Supervisory Board provides for this when convening the meeting, all shareholders may also participate in General Meetings by videoconference or by any communication means enabling 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 General Meetings is contingent upon the shareholder providing proof of their identity and on the registration of the securities in their name (or in the name of the intermediary recorded on their behalf if they reside 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;
- the attendance in person of the shareholder supersedes all proxy or remote voting.

INFORMATION ON TERMS OF OFFICE AND DUTIES

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TERMS OF OFFICE AND DUTIES OF MEMBERS OF THE MANAGEMENT BOARD

- **Jean Guillaume DESPATURE**
  Chairman of the Management Board
  - Chairman of the Supervisory Board of Damartex SA (non-Group company listed on Euronext Growth),
  - Chairman of the Remuneration Committee and member of the Audit Committee of Damartex SA (non-Group company listed on Euronext Growth),
  - Director of Financière Développement Suisse SA (non-Group company),
  - Chairman of the Somfy Corporate Foundation (as Permanent Representative of the Founder – Somfy Activités SA),
  - Chairman of the Les Petites Pierres Endowment Fund (as Permanent Representative of the Somfy Corporate Foundation, itself represented by Somfy Activités SA),
  - Director of Acacia SA (non-Group company),
  - Managing Director of DSG Coordination Center SA,
  - Manager of FIDEP (non-Group company) and CMC,
  - Chairman of the Board of Directors of BFT SpA,
  - Chairman and Chairman of the Supervisory Board of Somfy Protect by Myfox.

- **Pierre RIBEIRO**
  Member of the Management Board and Chief Financial Officer
  - Director of Asian Capital International Limited, Sino Global International Holdings Limited, Sino Link Trading Limited, New Unity Limited, Hong Kong CTLT Trade Co., Limited, Somfy Asia-Pacific Co Ltd, Chusik Hoesa Somfy, FIGEST BV and PROMOFI BV,
  - Chairman, Director and Representative Director of Somfy Kabushiki Kaisha,
  - Chairman of the Board and Director of Somfy Systems Inc,
  - Director and Vice-Chairman of Somfy Activités SA,
  - Permanent Representative of Somfy Activités SA, Manager of Somfybat,
  - Member of the Board of Directors of BFT SpA,
  - Director of DSG Coordination Center SA.

The above terms of office are exercised within unlisted Group companies, unless otherwise indicated.

TERMS OF OFFICE AND DUTIES OF MEMBERS OF THE SUPERVISORY BOARD

- **Paule CELLARD**
  Independent member of the Supervisory Board
  - Member of the Audit Committee of Somfy SA,
  - Member of the Supervisory Board of Damartex SA (company listed on Euronext Growth),
  - Chair of the Audit Committee of Damartex SA (company listed on Euronext Growth),
  - Member of the Remuneration Committee of Damartex SA (company listed on Euronext Growth),
  - Member of the Board of Directors of INDOSUEZ Wealth Management Europe,
  - Chair of the Audit Committee and of the Risk Management and Internal Control Committee of INDOSUEZ Wealth Management Europe,
  - Member of the Board of Directors of HSBC France,
  - Chair of the Risk and Internal Control Committees of HSBC France.

- **Victor DESPATURE**
  Vice-Chairman of the Supervisory Board
  - Chairman of the Audit Committee of Somfy SA,
  - Member of the Remuneration Committee of Somfy SA,
  - Chairman of the Supervisory Board of MCSA SA,
  - Manager of SARL MCSA-Tunis, SC Vicma and SC Devin-VD,
  - Director of La Société Meison,
  - Director and Chairman of the Audit Committee of Edify SA (company listed on the Euro-MTF market of the Luxembourg stock exchange).

– **Michel ROLLIER**
Chairman of the Supervisory Board – Independent member of the Board
- Chairman of the Remuneration Committee of Somfy SA,
- Chairman of the Supervisory Board of Michelin (company listed on Euronext),
- Member of the Remuneration and Appointments Committee of Michelin (company listed on Euronext),
- Chairman of the Board of Directors of Siparex Associés,
- Chairman of the Association Nationale des Sociétés par Actions (ANSA).

– **Anthony STAHL**
Member of the Supervisory Board
- Member of the Supervisory Board of Damartex SA (company listed on Euronext Growth),
- Chairman of the Management Committee of FIDEP.

– **Marie BAVAREL-DESPATURE**
Member of the Supervisory Board
- Member of the Supervisory Board of Damartex SA (company listed on Euronext Growth),
- Manager of FIDEP,
- Member of the Board of Directors of the On Seniors' Side Foundation (Damartex).

– **Sophie DESORMIÈRE**
Independent member of the Supervisory Board
- Member of the Board of Directors of Gentherm,
- Chief Executive Officer of AALPS Capital.

– **Florence NOBLOT**
Independent member of the Supervisory Board
- Member of the Supervisory Board of Elis SA,
- Chair of the Appointments and Remuneration Committee of Elis SA.

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 Group.

FINANCIAL AUTHORISATIONS

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The Management Board benefits from the following authorisations:

	Date of AGM	Date authorisation expires	Authorised amount	Used during the financial year ended 31 December 2019	Residual amount at 31 December 2019
Authorisation to issue stock options	Extraordinary General Meeting 16 May 2018	15 July 2021	1.5% of share capital on date of AGM Charged to the allocation of free shares	Nil	1.5% of share capital on date of AGM
Authorisation to grant existing free shares	Extraordinary General Meeting 22 May 2019	21 July 2022	1.5% of share capital on date of AGM Charged to the allocation of SOs*	**	1.4808% of share capital on date of AGM

* *Stock options.*
** *Free allocation of 7,095 shares, representing 0.0192% of the share capital, agreed by the Management Board on 15 November 2019.*

It is further specified that the Management Board has a share buyback authorisation, granted by the General Meeting of 22 May 2019 in its 11th ordinary resolution, details of which are set out in the section on the buyback of own shares in the Management Board's management report, and an authorisation to cancel shares purchased by the company, granted by the General Meeting of 16 May 2018 in its 12th extraordinary resolution. This latter authorisation covers a maximum of 10% of the share capital and is valid until 15 May 2020. It was not used during the 2019 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.

REGULATED AGREEMENTS

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Please note that no regulated agreement concluded and authorised during previous financial years and with continuing effect during the financial year just ended is to be reported, and 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 2019 financial year.

AGREEMENTS CONCLUDED BETWEEN A CORPORATE OFFICER OR SHAREHOLDER HOLDING MORE THAN 10% OF VOTING RIGHTS AND A CONTROLLED ENTITY (EXCLUDING CURRENT AGREEMENTS)

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None.

EVALUATION PROCEDURES FOR CURRENT AGREEMENTS CONCLUDED UNDER STANDARD CONDITIONS - ASSESSMENT OF THE ABSENCE OF CURRENT AGREEMENTS CONCLUDED UNDER STANDARD CONDITIONS AS REFERRED TO IN ARTICLE L. 225-86 OF THE COMMERCIAL CODE

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An evaluation procedure for current agreements concluded under standard conditions was adopted at the Supervisory Board meeting of 4 March 2020. This procedure provides that each year the company's Finance and Legal Departments list the agreements covered by Article L. 225-86 of the Commercial Code and assess whether the criteria for qualifying as a current agreement concluded under standard conditions are met. The Finance and Legal Departments will report once a year on their work to the Audit Committee and to the Board.
At the Board meeting of 4 March, it was noted that there are no current agreements concluded under standard conditions as referred to in Article L. 225-86 of the Commercial Code.

INFORMATION ON REMUNERATION

CORPORATE OFFICERS' REMUNERATION POLICY (RESOLUTIONS 9 AND 10 OF THE GENERAL MEETING OF 13 MAY 2020[(1)])

Upon proposal of the Remuneration Committee and taking into account the recommendations of the Middlenext Code, the Supervisory Board has established a remuneration policy for each of the company's corporate officers that is in line with its corporate interest, contributes to its sustainability and conforms to its business strategy as described in the Management Board's management report in the chapter "Non-financial performance statement". To this end, the Supervisory Board has set the remuneration policy for executive corporate officers in light of these factors, in particular by setting criteria for their variable remuneration and the definitive allocation of free shares that are aligned with the company's strategy and environment, in order to promote its competitiveness over the medium and long term and achieve profitable and sustainable growth.

The Supervisory Board determines, reviews and implements the remuneration policy for each of the corporate officers on the recommendation of the Remuneration Committee. It is specified that the members of the Management Board do not attend the deliberations of the Supervisory Board on these matters.

No remuneration component, of any kind whatsoever, may be determined, allocated or paid by the company, nor any commitment made by the company, if it does not comply with the approved remuneration policy or, if no policy is in place, with the existing remuneration or practices within the company.

However, under exceptional circumstances the Supervisory Board may depart from the remuneration policy, if such departure is temporary, is in the company's interest and is necessary to ensure the company's continued existence or viability, only for the following remuneration components: annual variable remuneration, exceptional remuneration and allocation of free shares. The Supervisory Board will rule on the recommendations of the Remuneration Committee and will verify whether this departure is in line with the company's interests and necessary to ensure the company's continued existence or viability. This information will be brought to the attention of shareholders in the next report on corporate governance.

As part of the decision-making process used to determine and review the remuneration policy, the terms and conditions of remuneration and employment of the company's employees were taken into account by the Remuneration Committee and the Supervisory Board, in particular the information referred to in paragraph 6, section I of Article L. 225-37-3 (fairness ratios).

In the event of a change in governance, the remuneration policy will be applied to the company's new corporate officers, with the necessary adjustments where applicable.

The Supervisory Board, acting on a proposal from the Remuneration Committee, has taken the following principles into account, in accordance with recommendation R13 of the Middlenext Code on Corporate Governance of September 2016:

- **completeness:** determination of remuneration received by executive corporate officers must be complete: fixed portion, variable potion (bonus), stock options, free shares, attendance fees, pension terms and special benefits must all be taken into account in the overall assessment of remuneration;
- **balance between remuneration components:** 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, must be demanding, accountable and to the greatest extent possible, sustainable. They should be detailed without however jeopardising 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:** information on the total remuneration and benefits received by officers is provided to shareholders annually in accordance with applicable regulations.

REMUNERATION POLICY REGARDING THE CHAIRMAN AND MEMBER(s) OF THE MANAGEMENT BOARD

The remuneration policy regarding the Chairman and member(s) of the Management Board, set by the Supervisory Board based on the recommendations of the Remuneration Committee, is as follows:

Fixed remuneration

It is determined in accordance with market practice, and regularly benchmarked by a recognised and reputable expert from a firm specialising in executive remuneration. It is set upon appointment and changes only little every year during the term of office. It is reviewed and benchmarked again each time the term of office is renewed. Since 2017, it has included the payment of a Pension Equivalent Premium introduced for members of the Management Board in order to offset the lack of pension contributions on the upper portions of their remuneration.

Annual variable remuneration

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, non-financial criteria.

Annual variable remuneration is capped at a maximum of the annual basic fixed remuneration.

For the Chairman of the Management Board, this cap is a maximum of 99% of the basic fixed amount, *i.e.* 84% of the quantitative variable on financial criteria, and 15% of the qualitative variable on non-financial criteria.

(1) See information on this subject in the press release of 7 April 2020 in chapter 10 Recent events since 2 March 2020.

The cap is calculated as follows:
- the quantitative component, ranging from 0% to 120% and based on financial criteria, applies to the target bonus of 70% of the basic fixed remuneration (BFR);
- the qualitative component, ranging from 0% to 15% and based on non-financial criteria, applies to the BFR. This component is weighted by a coefficient of 0 to 1 representing the Remuneration Committee's assessment of the personal and managerial involvement of the Management Board member concerned.

Annual variable remuneration is therefore capped at a maximum of 99% of the BFR:
maximum annual variable remuneration = (BFR x 70% x 120%) + (BFR x 15% x 1)

For the other members of the Management Board, this cap is a maximum of 75% of the basic fixed amount, *i.e*. 60% of the quantitative variable based on financial criteria, and 15% of the qualitative variable based on non-financial criteria.
The cap is calculated as follows:
- the quantitative component, ranging from 0% to 120% and based on financial criteria, applies to the target bonus of 50% of the basic fixed remuneration (BFR);
- the qualitative component, ranging from 0% to 15% and based on non-financial criteria, applies to the BFR. This component is weighted by a coefficient of 0 to 1 representing the Remuneration Committee's assessment of the personal and managerial involvement of the Management Board member concerned.

Annual variable remuneration is therefore capped at a maximum of 75% of the BFR:
maximum annual variable remuneration = (BFR x 50% x 120%) + (BFR x 15% x 1)

The criteria for determining annual variable remuneration and the methods for assessing these criteria are as follows:
- the quantitative criteria based on financial items for 2020 ("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 in relation to a range of benchmarks consisting of nine companies deemed to be comparable.
  The expected level of achievement for the quantitative criteria has been predefined by the Supervisory Board further to a proposal by the Remuneration Committee but is not disclosed for reasons of confidentiality;
- the qualitative, non-financial criteria are predefined by the Supervisory Board further to a proposal by the Remuneration Committee. For 2020, they include a CSR criterion aimed at stepping up the eco-design of products, a criterion linked to the roll-out of the "So! One" ERP project, a criterion related to the definition of the "Convergence Somfy-BFT", and lastly, a criterion related to the Group's multi-brand strategy. These non-financial criteria 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 such qualitative criteria has not been publicly disclosed for reasons of confidentiality.

For 2020, the financial and non-financial criteria will apply to current members of the Management Board as follows:

	Financial criteria	**Non-financial criteria**
Jean Guillaume DESPATURE, Chairman of the Management Board	– change in results (COR) – increase in return on capital employed (ROCE) – sales growth – differential between Somfy sales and the sales of nine benchmark companies	– growth in eco-design of products (CSR) – roll-out of the "So! One" project – definition of the multi-brand strategy
Pierre RIBEIRO, Member of the Management Board and Chief Financial Officer	– change in results (COR) – increase in return on capital employed (ROCE) – sales growth – differential between Somfy sales and the sales of nine benchmark companies	– growth in eco-design of products (CSR) – roll-out of the "So! One" project – definition of the "Somfy-BFT convergence"

These variable remuneration criteria contribute to meeting the objectives of the remuneration policy since they are in line with the company's corporate interest, contribute to its sustainability and are aligned with its business strategy.
To determine the extent to which the financial performance criteria provided for the calculation of variable compensation have been met, the Supervisory Board notably relies on the consolidated financial statements audited by the Statutory Auditors.

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 notably be made in the event of completion of a major transaction for the company or of exceptional over-achievement that is not taken into account in the criteria determining the variable remuneration for the financial year.
The Supervisory Board can also decide, upon the proposal of the Remuneration Committee, to grant exceptional remuneration to the members or Chairman of the Management Board in the case of economic, political or social events that require the company's governance to take exceptional action to preserve the interests of the business.
In all cases, the amount of exceptional remuneration thus decided may not exceed a maximum of 100% of the fixed annual remuneration.
The Supervisory Board may also decide, on the recommendation of the Remuneration Committee, to grant exceptional remuneration in the form of an introductory bonus for new corporate officers in the event of a change in governance.
The amount of exceptional remuneration agreed in such a case may not exceed a maximum of 300% of the annual fixed remuneration.

This introductory bonus will be conditional on a period of employment with the company of at least 18 months following the date of arrival and must be returned in the event of departure before 18 months, irrespective of whether this departure is instigated by the corporate officer or the company.

The payment of variable, and possibly exceptional, remuneration elements allocated in relation to financial year N to each member of the Management Board is subject to approval in year N+1 by the Ordinary General Meeting of the remuneration elements paid in year N or allocated in relation to financial year N.

Allocation of free shares

The members of the Management Board, as well as the Chairman, may be the beneficiaries of allocations of free shares, subject to one or more performance conditions, 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.
Other criteria may be taken into account, based in particular on the company's corporate social responsibility.
Performance-related conditions are assessed over a period identical to that used for the plan's vesting period.
Except under specific circumstances, these allocations are granted on an annual basis and are limited on initial allocation to an allocated amount that corresponds to the book value calculated at fair value and which may not exceed 150% of the annual fixed remuneration.
In the event of a change in the composition of the Management Board, the Supervisory Board may authorise a specific allocation in the form of an introductory bonus in favour of a new member of the Management Board. In such a case, the amount granted, corresponding to the book value calculated at fair value, may not exceed 300% of the annual fixed remuneration. The vesting period of the plan must be a minimum of two years.
In order to determine the extent to which the performance criteria provided set out for the allocation of performance shares free of charge have been met, the Supervisory Board has established the following assessment methods. Financial performance criteria are based on indicators that are reviewed by the Statutory Auditors as part of their annual audit of the financial statements.
In addition, the Group's Internal Audit Department is entrusted by the Management Board with an audit assignment to validate the data taken into account for the calculation of performance conditions.
The vesting and, where applicable, retention periods applicable after vesting are defined by the Management Board at the time of allocation and comply with the authorisation of the General Meeting, *i.e.*:

- the allocation of shares will be definitive at the end of a vesting period whose duration may not be less than one year;
- where applicable, the shares shall be retained for a minimum period at least equal to that required to ensure that the cumulative duration of the vesting periods, and where necessary, the retention periods, may not be less than two years.

Moreover, 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 registered 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.
These free share allocation criteria contribute to the objectives of the remuneration policy since they are in line with the company's corporate interest, they contribute to its sustainability and they are aligned with its business strategy.

Commitments

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 necessary 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 pre-dated their respective terms of office have been maintained.

Severance pay

The Chairman and members of the Management Board do not benefit from any undertaking of this kind in respect of their terms of office.
In the event of termination of the employment contract, the legal and/or contractual provisions will apply.
In the event of a change in the composition of the Management Board, the Supervisory Board may decide to grant a new member of the Management Board severance pay not exceeding two years' fixed and variable compensation, subject to a minimum of two years in office and to the same financial and non-financial criteria as those used to determine the annual variable remuneration. This severance pay will be paid in full if the variable rate for the financial year preceding the departure represents at least 60% of the target bonus. Below a rate of 60%, the severance pay will be reduced proportionally.

Pension

Members of the Management Board are beneficiaries of the mandatory collective 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 Social Security Code (supplementary pension plan), for the benefit of Management Board members or the Chairman.
Like Group executives, the members and the Chairman of the Management Board benefit, 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). Currently, given the age of the beneficiaries, such compensation is not likely to be paid before 2028 and the Supervisory Board has not deemed it necessary to set a performance condition at this stage.

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-compete clause

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

In the event of a change in the composition of the Management Board, the Supervisory Board may decide to grant a non-competition indemnity to a new member for a period of one year, which may be renewable once and applicable to companies involved in a competing business. The Supervisory Board will decide, after the member of the Management Board has ceased to hold office, whether or not to apply this non-compete clause, from which the outgoing member may be exempted. Its payment will, in any case, be waived in the event of retirement.

Benefits of any kind

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

REMUNERATION POLICY FOR THE CHAIRMAN AND THE MEMBERS OF THE SUPERVISORY BOARD

The remuneration policy for the Chairman and members of the Supervisory Board, set by the Supervisory Board based on the recommendations of the Remuneration Committee, is as follows:

- the General Meeting allocates to the members of the Supervisory Board a fixed annual sum as remuneration for their activity;
- the Supervisory Board sets the amount allocated to each member according to their actual attendance at meetings of the Supervisory Board and the Audit and Remuneration Committees, with the option of providing for a different rule, if necessary, for members with an employment contract. The remuneration allocated includes one part that remunerates responsibility and one part that remunerates attendance;
- in addition to his remuneration for his duties as member of the Supervisory Board, the Chairman of the Supervisory Board receives specific remuneration for his duties as Chairman. This remuneration is fixed and changes upon each extension to his/her appointment, or when the Supervisory Board observes that there has been a permanent 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;
- finally, in the event of the appointment of one or more members representing employees on the Supervisory Board, the employees will continue to receive remuneration under their employment contract. It is specified that the member(s) representing employees on the Supervisory Board shall not receive any remuneration for his(their) office as member(s) of the Supervisory Board.

INFORMATION ON THE TERMS OF OFFICE AND EMPLOYMENT AND/OR SERVICE CONTRACTS OF CORPORATE OFFICERS WITH THE COMPANY

The terms of office of the members of the Management Board and the members of the Supervisory Board are set out on pages 50 and 52 of the report on corporate governance in chapter 5 of the 2019 Annual Financial Report.

As of the date of preparation of this report, no member of the Management Board or Supervisory Board is bound to the company by a contract of employment or a contract for the provision of services.

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.

Finally, in the course of 2020, the Supervisory Board should see the addition of a member representing employees who will be bound to one of the Group's companies by an employment contract.

INFORMATION REFERRED TO IN PARAGRAPH I OF ARTICLE L. 225-37-3 OF THE COMMERCIAL CODE FOR EACH CORPORATE OFFICER OF THE COMPANY (RESOLUTION 11 OF THE GENERAL MEETING OF 13 MAY 2020[(1)])

It is specified that the total remuneration of each executive corporate officer complies with the remuneration policy approved by the General Meeting of 22 May 2019 in its 9th and 10th resolutions.

JEAN GUILLAUME DESPATURE CHAIRMAN OF THE MANAGEMENT BOARD

In accordance with the principles and criteria approved by the General Meeting of 22 May 2019, remuneration comprises a fixed portion, a variable portion, long-term remuneration and other benefits detailed below. The fixed portion consists of the basic fixed remuneration and also includes the payment of a PER (*Prime Équivalent Retraite* - Pension Equivalent Premium) bonus in favour of Management Board members, introduced following the removal of the previous "Article 39" supplementary pension scheme.

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 for 2019 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, the criteria selected for 2019 (so-called "non-financial" criteria) relate to the company's strategy and include the launch of the 10-year vision, the definition of the new organisational model and the launch of the Zigbee and Smartwindow product ranges. 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 levels 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.

As regards long-term remuneration, 1,756 performance shares allocated free of charge by Somfy SA to Jean Guillaume Despature were vested on 30 June 2019 under the Performance Share Allocation Plan n°3 agreed by the Management Board on 16 June 2017, and the allocation of 3,576 performance shares was agreed by the Management Board on 20 May 2019. Details are provided in tables 3 and 4 below.

(1) See information on this subject in the press release of 7 April 2020 in chapter 10 Recent events since 2 March 2020.

In respect of his employment contract, which pre-dates his appointment to the Management Board, Jean Guillaume Despature is also a beneficiary of the defined contribution pension plan of the company DSG Coordination Center SA, which applies equally to senior executives and employee directors. This is the second mandatory pillar for companies based in the Swiss Confederation. The company's commitment is limited to the amount of contributions paid during the financial year.
Details of total remuneration allocated in respect of and paid during the financial year just ended are included in the summary table (page 62).

PIERRE RIBEIRO
MEMBER OF THE MANAGEMENT BOARD AND CHIEF FINANCIAL OFFICER

In accordance with the principles and criteria approved by the General Meeting of 22 May 2019, remuneration comprises a fixed portion, a variable portion, long-term remuneration and other benefits detailed below. The fixed portion consists of the basic fixed remuneration and also includes the payment of a PER (*Prime Équivalent Retraite* - Pension Equivalent Premium) bonus in favour of Management Board members, introduced following the removal of the previous "Article 39" supplementary pension scheme.
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 for 2019 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, the criteria selected for 2019 (so-called "non-financial" criteria) relate to the company's strategy and include the launch of the 10-year vision, the definition of the new organisational model and the Dooya's finance operational organisation. 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 have been predetermined by the Supervisory Board, is not publicly disclosed.
Benefits in kind consist of the use of a company car.
As regards long-term remuneration, 1,756 performance shares allocated free of charge by Somfy to Pierre Ribeiro were vested on 30 June 2019 under the Performance Share Allocation Plan n°3, and the allocation of 3,576 performance shares was agreed by the Management Board on 20 May 2019. Details are provided in tables 3 and 4 below.
Under his employment contract, which pre-dates his appointment to the Management Board, Pierre Ribeiro is eligible for incentive bonus, profit-sharing and employer's contributions from the company CMC.
He is also a beneficiary of CMC's defined contribution pension plan (Article 83), which applies to both senior executives and employee directors. The company's commitment is limited to the amount of contributions paid during the financial year.
Details of total remuneration allocated in respect of and paid during the financial year just ended are included in the summary table (page 63).

SUMMARY TABLE OF TOTAL REMUNERATION PAID IN 2019 OR ALLOCATED IN RESPECT OF 2019 TO MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD (including remuneration paid by the company and companies under its control)

Table 1: Summary of remuneration and allocated options and shares

Jean Guillaume DESPATURE, Chairman of the Management Board	**Gross, €**	**Allocated for the 2019 financial year**	**Allocated for the 2018 financial year**	**Allocated for the 2017 financial year**
Remuneration allocated for the financial year *(as detailed in table 2)*	Term of office	996,816	892,880	676,148
	Employment contract	336,094	301,312	229,989
Value of options granted during the financial year	Term of office Employment contract	nil	nil	nil
Value of performance based shares granted during the financial year *(as detailed in table 3)*	Term of office	225,348	nil	307,856
	Employment contract	nil	nil	nil
Value of other long-term remuneration plans	Term of office	nil	nil	nil
	Employment contract	nil	nil	nil
TOTAL		**1,558,258**	**1,194,192**	**1,213,993**

Pierre RIBEIRO, Member of the Management Board and Chief Financial Officer	**Gross, €**	**Allocated for the 2019 financial year**	**Allocated for the 2018 financial year**	**Allocated for the 2017 financial year**
Remuneration allocated for the financial year *(as detailed in table 2)*	Term of office	147,775	140,789	114,850
	Employment contract	634,678	596,478	527,020
Value of options granted during the financial year	Term of office Employment contract	nil	nil	nil
Value of performance based shares granted during the financial year *(as detailed in table 3)*	Term of office	225,348	nil	307,856
	Employment contract	nil	nil	nil
Value of other long-term remuneration plans	Term of office	nil	nil	nil
	Employment contract	nil	nil	nil
TOTAL		**1,007,801**	**737,267**	**949,726**

Table 2: Overview of the remuneration of each executive corporate officer

		2019		**2018**		**2017**	
Jean Guillaume DESPATURE, Chairman of the Management Board	**Gross, €**	**Allocated for the financial year**	**Paid during the financial year**	**Allocated for the financial year**	**Paid during the financial year**	**Allocated for the financial year**	**Paid during the financial year**
Basic fixed remuneration (BFR)	Term of office	459,000	459,000	450,000	450,000	367,000	367,000
	Employment contract	153,000	153,000	150,000	150,000	123,000	123,000
Fixed remuneration - Pension Equivalent Premium	Term of office	83,316	83,316	79,880	79,880	61,648	61,648
	Employment contract	27,770	27,770	26,627	26,627	20,661	20,661
Annual variable remuneration* **	Term of office	454,500	363,000	363,000	247,500	247,500	243,333
	Employment contract	151,500	121,000	121,000	82,500	82,500	76,667
Exceptional remuneration	Term of office	–	–	–	–	–	–
	Employment contract	–	–	–	–	–	–
Incentive bonus, profit-sharing, employer's contribution	Term of office	–	–	–	–	–	–
	Employment contract	–	–	–	–	–	–
Benefits in kind	Term of office	–	–	–	–	–	–
	Employment contract	3,824	3,824	3,685	3,685	3,828	3,828
TOTAL		**1,332,910**	**1,210,910**	**1,194,192**	**1,040,192**	**906,137**	**896,137**
** Relative proportion of variable remuneration to fixed remuneration:*							
Term of office		*99.0%*	–	*80.7%*	–	*67.4%*	–
Employment contract		*99.0%*	–	*80.7%*	–	*67.1%*	–

*** For Jean Guillaume Despature, the performance criteria were applied as follows:*
Annual variable remuneration is capped at a maximum of the annual fixed remuneration.
This cap represents a maximum of 99% of the basic fixed remuneration, i.e. 84% for the quantitative variable remuneration based on financial criteria, and 15% for the qualitative variable remuneration based on non-financial criteria, as described in the paragraph "Remuneration policy regarding the Chairman and member(s) of the Management Board - Annual variable remuneration" on page 57.
The target bonus is 70% of the basic fixed remuneration.
For the 2018 financial year, the COR and ROCE quantitative criteria were 73.7%, the growth multiplier was 1.36, resulting in a quantitative bonus rate of 100.4% of the target bonus. The quantitative variable portion based on financial criteria was therefore 70.3% of the basic fixed remuneration.
The qualitative variable portion based on non-financial criteria was 10.3% of the basic fixed remuneration.
The total bonus is calculated as follows:
total bonus = basic fixed remuneration X % quantitative bonus + basic fixed remuneration X % qualitative bonus, i.e. €600,000 x (70% x 100.4%) + €600,000 x 10.3% = €483,480 rounded to €484,000, i.e. 80.7% of the annual basic fixed remuneration.
For the 2019 financial year, the COR and ROCE quantitative criteria were 115.87%, the growth multiplier was 1.29, resulting in a quantitative bonus rate of 149.6%, capped at 120% of the target bonus. The quantitative variable portion based on financial criteria was therefore 120% of the basic fixed remuneration.
The qualitative variable portion based on non-financial criteria was 15% of the basic fixed remuneration.
The total bonus is calculated as follows:
total bonus = basic fixed remuneration X % quantitative bonus + basic fixed remuneration X % qualitative bonus, i.e. (€612,000 x 70% x 120%) + (€612,000 x 15%) = €605,880 rounded to €606,000, i.e. 99% of the annual basic fixed remuneration, which is the authorised maximum and which reflects the 2019 financial year's healthy performance.

Pierre RIBEIRO, Member of the Management Board and Chief Financial Officer	Gross, €	2019 Allocated for the financial year	2019 Paid during the financial year	2018 Allocated for the financial year	2018 Paid during the financial year	2017 Allocated for the financial year	2017 Paid during the financial year
Basic fixed remuneration (BFR)	Term of office	76,560	76,560	75,000	75,000	70,000	70,000
	Employment contract	290,640	290,640	285,000	285,000	270,000	270,000
Fixed remuneration - Pension Equivalent Premium	Term of office	15,915	15,915	15,289	15,289	13,850	13,850
	Employment contract	60,410	60,410	58,098	58,098	53,420	53,420
Annual variable remuneration* **	Term of office	55,300	45,500	45,500	31,000	31,000	45,294
	Employment contract	220,700	172,500	172,500	142,000	142,000	174,705
Exceptional remuneration	Term of office	–	5,000	5,000	–	–	–
	Employment contract	–	20,000	20,000	–	–	–
Incentive bonus, profit-sharing, employer's contribution	Term of office	–	–	–	–	–	–
	Employment contract	55,229	54,151	54,150	53,463	54,870	52,711
Benefits in kind	Term of office	–	–	–	–	–	–
	Employment contract	7,699	7,699	6,730	6,730	6,730	6,730
TOTAL		**782,453**	**748,375**	**737,267**	**666,580**	**641,870**	**686,710**
** Relative proportion of variable remuneration to fixed remuneration:*							
Term of office		*72.2%*	–	*60.7%*	–	*44.3%*	–
Employment contract		*75.9%*	–	*60.5%*	–	*52.6%*	–

*** For Pierre Ribeiro, the performance criteria were applied as follows:*
Annual variable remuneration is capped at a maximum of the annual basic fixed remuneration.
This cap represents a maximum of 75% of the basic fixed remuneration, i.e. 60% for the quantitative variable remuneration based on financial criteria, and 15% for the qualitative variable remuneration based on non-financial criteria, as described in the paragraph "Remuneration policy regarding the Chairman and member(s) of the Management Board - Annual variable remuneration" on page 58.
The target bonus is 50% of the basic fixed remuneration.
For the 2018 financial year, the ROC and ROCE quantitative criteria were 73.7%, the growth multiplier was 1.36, resulting in a quantitative bonus rate of 100.4% of the target bonus. The quantitative variable portion based on financial criteria was therefore 50.2% of the basic fixed remuneration.
The qualitative variable portion based on non-financial criteria was 10.3% of the basic fixed remuneration.
The total bonus is calculated as follows:
total bonus = basic fixed remuneration X % quantitative bonus + basic fixed remuneration X % qualitative bonus, i.e. €360,000 x (50% x 100.4%) + €360,000 x 10.3% = €217,800 rounded to €218,000, i.e. 60.6% of the annual basic fixed remuneration.
For the 2019 financial year, the COR and ROCE quantitative criteria were 115.87%, the growth multiplier was 1.29, resulting in a quantitative bonus rate of 149.6%, capped at 120% of the target bonus. The quantitative variable portion based on financial criteria was therefore 120% of the basic fixed remuneration.
The qualitative variable portion based on non-financial criteria was 15% of the basic fixed remuneration.
The total bonus is calculated as follows:
total bonus = basic fixed remuneration X % quantitative bonus + basic fixed remuneration X % qualitative bonus, i.e. (€367,200 x 50% x 120%) + (€367,200 x 15%) = €275,400 rounded to €276,000, i.e. 75% of the annual basic fixed remuneration, which is the authorised maximum and which reflects the 2019 financial year's healthy performance.

These remuneration components contribute to the objectives of the remuneration policy since they are in line with the company's corporate interest, they contribute to its sustainability and they are aligned with its business strategy.

Performance shares allocated or vested during the financial year

Table 3: Performance shares allocated free of charge to each member of the Management Board

Performance shares allocated by the Shareholders' General Meeting during the financial year to each corporate officer *via* the issuer and by any Group entity	Plan n° and date	Number of shares allocated during the financial year	Value of shares as per the method used in the consolidated financial statements (IFRS 2)	Allocation date	Vesting date	Performance conditions
Jean Guillaume Despature	2021 Free Performance Share Plan of 20 May 2019	3,576	€225,348	30/06/21	01/07/21	– sales growth for the year ended 31 December 2020 – change in current operating result for the year ended 31 December 2020 – % of Home & Building products sold under the Somfy brand and certified "Act for Green" in the year ended 31 December 2020
Pierre Ribeiro	2021 Free Performance Share Plan of 20 May 2019	3,576	€225,348	30/06/21	01/07/21	– sales growth for the year ended 31 December 2020 – change in current operating result for the year ended 31 December 2020 – % of Home & Building products sold under the Somfy brand and certified "Act for Green" in the year ended 31 December 2020

Table 4: Performance shares vested during the financial year to each executive corporate officer

Performance shares vested during the financial year to each executive corporate officer	Plan n° and date	Number of shares vested* during the financial year
Jean Guillaume Despature	Free Performance Share Plan n°3 of 16 June 2017	1,756
Pierre Ribeiro	Free Performance Share Plan n°3 of 16 June 2017	1,756

* *Subject to the retention obligation mentioned in the remuneration policy for corporate officers (page 59).*

Benefits of executive corporate officers

Table 5: Summary table of executive corporate officers' benefits

Executive corporate officers	Employment contract		Supplementary pension scheme		Compensation or benefits due or liable to be due as a result of termination or change of role		Compensation relating to a non-compete clause	
	yes	no	yes	no	yes	no	yes	no
Name: Jean Guillaume DESPATURE Position: Chairman of the Management Board Start of term of office: 17/05/17 End of term of office: 2021 AGM	✓ with an entity included in the Group's consolidation scope			✗		✗		✗
Name: Pierre RIBEIRO Position: Member of the Management Board and Chief Financial Officer Start of term of office: 17/05/17 End of term of office: 2021 AGM	✓ with an entity included in the Group's consolidation scope			✗		✗		✗

Compensation or benefits due or liable to be due as a result of the termination or change of terms of office

The Chairman and members of the Management Board do not benefit from any allocation of this type in respect of their terms of office.

In the event of termination of the employment contract, the legal and/or contractual provisions shall apply.

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 Social Security Code (supplementary pension plan), for the benefit of Management Board members or the Chairman.

Like Group executives, the members and the Chairman of the Management Board benefit, 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). Given the age of the beneficiaries, such compensation is not likely to be paid before 2028 and the Supervisory Board has not deemed it necessary to set a performance condition at this stage.

Non-compete clause

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

Table 6: Remuneration received by non-executive corporate officers

Members of the Supervisory Board	2019 financial year		2018 financial year		2017 financial year	
Gross, €	Allocated for the financial year	Paid during the financial year	Allocated for the financial year	Paid during the financial year	Allocated for the financial year	Paid during the financial year
Michel ROLLIER						
Remuneration for term of office as member of the Supervisory Board	3,600	3,600	5,400	5,400	3,600	3,600
Remuneration for term of office as Chairman of the Supervisory Board	100,000	100,000	90,625	90,625	75,000	75,000
Paule CELLARD						
Remuneration for term of office as member of the Supervisory Board	16,000	16,000	14,400	14,400	12,800	12,800
Victor DESPATURE						
Remuneration for term of office as member of the Supervisory Board	19,600	19,600	17,800	17,800	16,200	16,200
Anthony STAHL*						
Remuneration for term of office as member of the Supervisory Board	–	–	–	–	–	–
Florence NOBLOT						
Remuneration for term of office as member of the Supervisory Board	8,000	8,000	4,800	4,800	3,200	3,200
Sophie DESORMIÈRE						
Remuneration for term of office as member of the Supervisory Board	8,000	8,000	8,000	8,000	4,800	4,800
Marie BAVAREL-DESPATURE						
Remuneration for term of office as member of the Supervisory Board	8,000	8,000	8,000	8,000	4,800	4,800
Bernard HOURS						
Remuneration for term of office as member of the Supervisory Board	–	–	–	–	22,500	22,500
Jean DESPATURE						
Remuneration for term of office as member of the Supervisory Board	–	–	–	–	1,600	1,600
Valérie PILCER						
Remuneration for term of office as member of the Supervisory Board	–	–	–	–	5,600	5,600
TOTAL	**163,200**	**163,200**	**149,025**	**149,025**	**150,100**	**150,100**

* *No longer wishes to receive remuneration in respect of this term of office.*

Table 7: Fairness ratios

Under the provisions of sub-paragraph 6° of paragraph I of Article L. 225-37-3 of the Commercial Code which limits the comparison to the scope of "employees of the company" only, ratios are calculated by comparing the remuneration of corporate officers with that of employees of Somfy SA, whose restricted workforce notably includes Executive Committee members.

For corporate officers, as for Somfy SA employees, the total remuneration paid during the financial year was used. It comprises:

- the fixed portion;
- the variable portion paid during financial year N in respect of N-1;
- the exceptional remuneration paid during financial year N;
- performance shares granted in respect of financial year N and valued at the IFRS value;
- employee savings;
- benefits in kind (salary portion).

2019 financial year		Chairman of the Management Board	Member of the Management Board	Chairman of the Supervisory Board
Remuneration as executive corporate officer	–	1,436,258	973,722	103,600
Ratio to average employee salary	–	3.41	2.31	0.25
Ratio to median employee salary	–	2.87	1.95	0.21
Annual change in executive corporate officer's remuneration	–	38.1%	46.1%	7.9%
Annual change in average salary of employees excluding corporate officers	–	4.1%	4.1%	4.1%
Average salary of employees excluding corporate officers	421,268	–	–	–
Median salary of employees excluding corporate officers	499,731	–	–	–
Annual change in company performance: consolidated net profit	16.3%	–	–	–
Annual change in company performance: consolidated current operating result	15.2%	–	–	–

2018 financial year		Chairman of the Management Board	Member of the Management Board	Chairman of the Supervisory Board
Remuneration as executive corporate officer	–	1,040,192	666,580	96,025
Ratio to average employee salary	–	2.57	1.65	0.24
Ratio to median employee salary	–	2.42	1.55	0.22
Annual change in executive corporate officer's remuneration	–	-13.6%	-33.0%	22.2%
Annual change in average salary of employees excluding corporate officers	–	6.2%	6.2%	6.2%
Average salary of employees excluding corporate officers	404,577	–	–	–
Median salary of employees excluding corporate officers	429,716	–	–	–
Annual change in company performance: consolidated net profit	-11.0%	–	–	–
Annual change in company performance: consolidated current operating result	1.8%	–	–	–

2017 financial year		Chairman of the Management Board	Member of the Management Board	Chairman of the Supervisory Board
Remuneration as executive corporate officer	–	1,203,993	994,566	78,600
Ratio to average employee salary	–	3.16	2.61	0.21
Ratio to median employee salary	–	3.16	2.61	0.21
Annual change in executive corporate officer's remuneration	–	44.6%	63.9%	0.0%
Annual change in average salary of employees excluding corporate officers	–	18.4%	18.4%	18.4%
Average salary of employees excluding corporate officers	380,906	–	–	–
Median salary of employees excluding corporate officers	380,906	–	–	–
Annual change in company performance: consolidated net profit	10.1%	–	–	–
Annual change in company performance: consolidated current operating result	-5.2%	–	–	–

2016 financial year		Chairman of the Management Board	Member of the Management Board	Chairman of the Supervisory Board
Remuneration as executive corporate officer	–	832,574	606,643	78,600
Ratio to average employee salary	–	2.59	1.89	0.24
Ratio to median employee salary	–	2.24	1.63	0.21
Annual change in executive corporate officer's remuneration	–	2.4%	28.6%	1.3%
Annual change in average salary of employees excluding corporate officers	–	2.4%	2.4%	2.4%
Average salary of employees excluding corporate officers	321,703	–	–	–
Median salary of employees excluding corporate officers	371,594	–	–	–
Annual change in company performance: consolidated net profit	-13.0%	–	–	–
Annual change in company performance: consolidated current operating result	7.3%	–	–	–

2015 financial year		Chairman of the Management Board	Member of the Management Board	Chairman of the Supervisory Board
Remuneration as executive corporate officer	–	812,802	471,597	77,600
Ratio to average employee salary	–	2.59	1.50	0.25
Ratio to median employee salary	–	2.26	1.31	0.22
Annual change in executive corporate officer's remuneration	–	74.4%	-27.8%	44.0%
Annual change in average salary of employees excluding corporate officers	–	7.3%	7.3%	7.3%
Average salary of employees excluding corporate officers	314,259	–	–	–
Median salary of employees excluding corporate officers	359,933	–	–	–
Annual change in company performance: consolidated net profit	332.9%	–	–	–
Annual change in company performance: consolidated current operating result	10.6%	–	–	–

FIXED, VARIABLE AND EXCEPTIONAL ITEMS COMPRISING TOTAL REMUNERATION AND BENEFITS OF ANY KIND PAID OR ALLOCATED DURING THE FINANCIAL YEAR JUST ENDED TO THE CHAIRMAN OF THE MANAGEMENT BOARD, MEMBERS OF THE MANAGEMENT BOARD AND THE CHAIRMAN OF THE SUPERVISORY BOARD (RESOLUTIONS 12 TO 14 OF THE GENERAL MEETING OF 13 MAY 2020[(1)])

The items of remuneration paid or allocated during the 2019 financial year and presented hereafter are submitted for your approval pursuant to Article 225-100 paragraph 2 of the Commercial Code.

RESOLUTION 12: JEAN GUILLAUME DESPATURE, CHAIRMAN OF THE MANAGEMENT BOARD – AMOUNTS PAID DURING OR ALLOCATED IN RESPECT OF THE FINANCIAL YEAR JUST ENDED

The total remuneration paid during or allocated in respect of the financial year just ended consists of:

- **the fixed remuneration allocated in respect of 2019 and paid in 2019**, comprising gross basic remuneration of €612,000 (including €459,000 gross for the term of office and €153,000 gross for the employment contract) and the Pension Equivalent Premium amounting to €111,086 gross (including €83,316 gross for the term of office and €27,770 gross for the employment contract), in accordance with the remuneration policy adopted at the General Meeting of 22 May 2019;
- **the variable remuneration allocated in respect of 2018 and paid in 2019**, as adopted at the General Meeting of 22 May 2019, amounting to €484,000 gross (including €363,000 gross for the term of office and €121,000 gross for the employment contract);
- **the variable remuneration allocated in respect of the 2019 financial year**, totalling €606,000 gross (including €454,500 gross for the term of office and €151,500 gross for the employment contract), **and to be paid in 2020** following the General Meeting and subject to its approval. The quantitative and qualitative criteria used to determine this variable remuneration are described in the paragraph "Information referred to in paragraph I of Article L. 225-37-3 of the Commercial Code for each corporate officer of the company" on page 60;
- **a benefit in kind** granted in 2019 and represented by the use of a company car with a book value of €3,824, in accordance with the 2019 remuneration policy adopted at the General Meeting of 22 May 2019;
- **the allocation free of charge of 3,576 performance shares** agreed by the Management Board on 20 May 2019, in accordance with the remuneration policy adopted at the General Meeting of 16 May 2018, with a book value under IFRS 2 of €225,348.

It should also be noted that:

- the vesting of 1,756 performance shares allocated free of charge to Jean Guillaume Despature took place on 30 June 2019 under the Free Performance Share Allocation Plan n°3 agreed by the Management Board on 16 June 2017 (no amount subject to *ex-post* vote);
- Jean Guillaume Despature benefits from a defined contribution pension commitment (no amount subject to *ex-post* vote).

RESOLUTION 13: PIERRE RIBEIRO, MEMBER OF THE MANAGEMENT BOARD AND CHIEF FINANCIAL OFFICER – AMOUNTS PAID DURING OR ALLOCATED IN RESPECT OF THE FINANCIAL YEAR JUST ENDED

The total remuneration paid during or allocated in respect of the financial year just ended consists of:

- **the fixed remuneration allocated in respect of 2019 and paid in 2019**, comprising gross basic remuneration of €367,200 (including €76,560 gross for the term of office and €290,640 gross for the employment contract) and the Pension Equivalent Premium amounting to €76,325 gross (including €15,915 gross for the term of office and €60,410 gross for the employment contract), in accordance with the remuneration policy adopted at the General Meeting of 22 May 2019;
- **the variable remuneration allocated in respect of 2018 and paid in 2019**, as adopted at the General Meeting of 22 May 2019, amounting to €218,000 gross (including €45,500 gross for the term of office and €172,500 gross for the employment contract);
- **the variable remuneration allocated in respect of the 2019 financial year**, totalling €276,000 gross (including €55,300 gross for the term of office and €220,700 gross for the employment contract), **and to be paid in 2020** following the General Meeting and subject to its approval. The quantitative and qualitative criteria used to determine this variable remuneration are described in the paragraph "Information referred to in paragraph I of Article L. 225-37-3 of the Commercial Code for each corporate officer of the company" on page 61;
- **the exceptional remuneration allocated in respect of 2018 and paid in 2019**, as adopted at the General Meeting of 22 May 2019, amounting to €25,000 gross (including €5,000 for the term of office and €20,000 for the employment contract). It should be noted that this exceptional remuneration was awarded because of the particularly important work carried out during the 2018 financial year on the structuring of subsidiaries and shareholdings;
- **a benefit in kind** granted in 2019 and represented by the use of a company car with a book value of €7,699, in accordance with the 2019 remuneration policy adopted at the General Meeting of 22 May 2019;
- **an employee savings plan related to the employment contract** (profit-sharing, incentive bonus, employer's contribution) amounting to €55,229 due in respect of the 2019 financial year and to be paid in 2020;
- **the allocation free of charge of 3,576 performance shares** agreed by the Management Board on 20 May 2019, in accordance with the remuneration policy adopted at the General Meeting of 16 May 2018, and with a book value under IFRS 2 of €225,348.

It should also be noted that:

- the vesting of 1,756 performance shares allocated free of charge to Pierre Ribeiro took place on 30 June 2019 under the Free Performance Share Allocation Plan n°3 agreed by the Management Board on 16 June 2017 (no amount subject to *ex-post* vote);

(1) See information on this subject in the press release of 7 April 2020 in chapter 10 Recent events since 2 March 2020.

- Pierre Ribeiro benefits from a defined contribution pension commitment (no amount subject to *ex-post* vote).

RESOLUTION 14: MICHEL ROLLIER, CHAIRMAN OF THE SUPERVISORY BOARD – AMOUNTS PAID DURING OR ALLOCATED IN RESPECT OF THE FINANCIAL YEAR JUST ENDED

Remuneration for the 2019 financial year consists of remuneration of €100,000 gross paid in respect of his role as Chairman of the Supervisory Board and remuneration of €3,600 gross for his participation in Specialised Committees.

INFORMATION ON THE TERMS AND CONDITIONS FOR THE RETENTION OF SHARES ALLOCATED FREE OF CHARGE TO EXECUTIVE CORPORATE OFFICERS

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 registered 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 ELEMENTS LIABLE TO HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFERING

In accordance with existing regulations and to the best of company's 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 capital and holdings" in the Management Board's management report;
- there are no statutory restrictions regarding the exercise of voting rights or agreements providing for preferential conditions for the transfer or acquisition of shares, excepting those described in the section "Action in concert and retention agreements" of the Management Board's management 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 in the Management Board's management report);
- voting rights attached to Somfy SA shares held by personnel through FCPE actions 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 the exercise of voting rights have been referred to in the "Action in concert and retention agreements" section of the Management Board's management 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;
- concerning powers, the Management Board has no delegations except those described under the section "Financial authorisations" of this report;
- agreements concluded by the company that are amended 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 former 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 compensation to be paid 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.

OBSERVATIONS OF THE SUPERVISORY BOARD ON THE MANAGEMENT BOARD'S MANAGEMENT REPORT AND THE FINANCIAL STATEMENTS FOR THE YEAR JUST ENDED

Ladies and Gentlemen,

The Management Board has convened this Combined General Meeting specifically 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 auditing purposes, the Management Board has also submitted to us the parent company and consolidated financial statements at 31 December 2019, 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 the information that was regularly provided to us during the financial year just ended.

Group sales were €1,200.2 million over the year just ended, an increase of 6.1% on a like-for-like basis, including 4.7% in the first half-year and 7.5% in the second, and 6.5% in real terms.

This expansion follows several years of steady growth and reflects progress within all geographical regions, with the exception of Africa & the Middle East, for contextual reasons. It attests to the growing interest of all types of consumers in motorised and connected solutions for the home, due to the need for comfort and safety and the growing awareness of energy and environmental issues.

The most noteworthy growth was recorded in Central & Eastern Europe, as a result of excellent performances in Poland, Hungary and the Czech Republic, as well as Northern Europe.

Significant increases were also posted in China, France and Germany, as well as in Central & South America and North America, thanks to a sharp upturn over the last quarter, particularly in Brazil and the United States. Growth was however more modest in Asia-Pacific (excluding China) and Southern Europe.

In contrast, the trend remained negative in Africa & the Middle East, although it improved significantly over the second half-year.

Sales of the now equity-accounted Chinese subsidiary Dooya totalled €187.5 million over the financial year, an increase of 9.3% in real terms and 8.2% on a like-for-like basis.

Current operating result stood at €204.8 million over the financial year, up 15.2% in real terms, and represented 17.1% of sales, compared with 15.8% in the previous year. It benefited from a positive impact of €3.1 million from changes in exchange rates and €0.4 million from the application of the new lease recognition rule (IFRS 16).

This improvement was due to both high sales, particularly during the second half-year, and a modest increase in structure costs, as a result of the normalisation of "strategic" expenditure, following a period of substantial investment.

Consolidated net profit grew 16.3% to €163.2 million. It includes a net non-current operating expense of €3.2 million, a positive contribution from associates of €3.8 million and an income tax charge of €37.2 million.

Reflecting these solid results, return on capital employed (ROCE) was 22.2% (23.7% restated for the impact of IFRS 16) compared with 20.4% in the previous year.

Group equity rose from €894.4 million to €1,012.8 million over the financial year, while the net financial surplus rose from €222.4 million to €310.5 million, despite the recognition of financial liabilities of €48.3 million following the application of IFRS 16 to leases.

The hike in net financial surplus was due to the increase in cash flow and the decline in working capital requirements.

The Management Board will propose the payment of a dividend of €1.55[1] per share at the next Annual General Meeting, an increase of 10.7% compared with the dividend paid last year.

The Management Board's report 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;
- cancel company shares bought back by the company, not exceeding 10% of the share capital.

You will also, in particular, be asked to vote on:

- the renewal of the terms of office of two members of the Supervisory Board;
- the appointment of a new member of the Supervisory Board;
- the review of the fixed annual sum to be allocated to members of the Supervisory Board;
- the approval of the remuneration policy for the Chairman of the Management Board and the member(s) of the Management Board;
- the approval of the remuneration policy for members of the Supervisory Board;
- the approval of the information referred to in section I of Article L.225-37-3 of the Commercial Code;
- the approval of the fixed, variable and exceptional items making up the total remuneration and all benefits in kind paid during or allocated in respect of the financial year just ended to Jean Guillaume DESPATURE, Chairman of the Management Board;
- the approval of the fixed, variable and exceptional items making up the total remuneration and all benefits in kind paid during or allocated in respect of the financial year just ended to Pierre RIBEIRO, member of the Management Board and Chief Financial Officer;
- the approval of the fixed, variable and exceptional items making up the total remuneration and all benefits in kind paid during or allocated in respect of the financial year just ended to Michel ROLLIER, Chairman of the Supervisory Board;
- the amendment to the bylaws setting out the terms and conditions of appointment of the members of the Board representing the employees, on the basis of Article L. 225-79-2 of the Commercial Code.

(1) See information on this subject in the press release of 7 April 2020 in chapter 10 Recent events since 2 March 2020.

Draft resolutions, in line with the agenda, will be submitted for your approval.

We have no specific comments to make regarding the various documents that have been submitted to you (in particular the Management Board's management report), or in relation to the parent company and consolidated financial statements for the 2019 financial year. Therefore, we ask you to adopt the proposed resolutions.

In addition, the Board would like to point out that 2019 was another year of business development with sustained growth in current operating profitability. 2019 was also marked by the completion of a new organisation to support the Group's ambitious 2030 strategy.

The Supervisory Board

06

SOMFY SA FINANCIAL RESULTS FOR THE LAST FIVE YEARS

06
SOMFY SA FINANCIAL RESULTS FOR THE LAST FIVE YEARS

€ thousands	2015	2016	2017	2018	2019
1. Financial position at the balance sheet date					
a) Share capital	7,400	7,400	7,400	7,400	7,400
b) Number of shares issued	7,400,000	7,400,000	37,000,000	37,000,000	37,000,000
c) Number of bonds convertible into shares	–	–	–	–	–
2. Overall result of current operations					
a) Net sales	3,449	2,919	3,234	3,412	3,705
b) Profit before tax, amortisation, depreciation and provision charges	285,381	106,992	86,979	94,252	116,910
c) Income tax	3,426	1,089	25,516	4,457	2,913
d) Profit after tax, amortisation, depreciation and provision charges	279,484	119,375	107,111	98,241	114,988
e) Distributed profit*	42,180	45,140	48,100	51,800	57,350(1)
3. Earnings per share					
a) Earnings per share after tax, but before amortisation, depreciation and provision charges	39.03	14.61	3.04	2.67	3.24
b) Earnings per share after tax, amortisation, depreciation and provision charges	37.77	16.13	2.89	2.66	3.11
c) Dividend distributed per share	5.70	6.10	1.30	1.40	1.55(1)
4. Workforce					
a) Number of employees at end of year	4	3	4	10	11
b) Total payroll paid	455	724	959	1,146	1,586
c) Amount paid in relation to employee benefits (Social Security, charities, etc.)	28	207	326	222	395

* *This amount corresponds to the proposed dividend for the last financial year ended before its approval by the General Meeting (which is held in N+1). Consequently, it includes the amount of the dividend relating to treasury shares that will not be paid.*

(1) See information on this subject in the press release of 7 April 2020 in chapter 10 Recent events since 2 March 2020.

07
CONSOLIDATED FINANCIAL STATEMENTS

07 CONSOLIDATED FINANCIAL STATEMENTS

KEY FIGURES

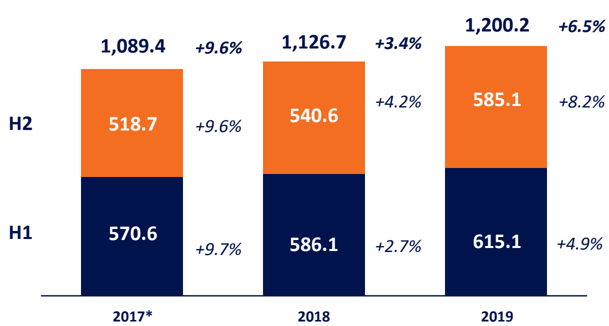
€ millions	31/12/19	31/12/18
Sales	1,200.2	1,126.7
Current operating result	204.8	177.8
Net profit from continuing operations	163.2	137.7
Net profit from operations treated in accordance with IFRS 5*	–	2.6
Consolidated net profit	163.2	140.4
Net investments in property, plant and equipment and intangible assets	53.3	57.3
New right-of-use assets	19.1	–
Cash flow	220.1	178.6
Net financial debt	-310.5	-222.4

(-) Net financial surplus.
** Dooya (see note 2.4).*

SALES GROWTH BY CUSTOMER LOCATION

Data in € millions	2017*	2018	2019	19/18 change
Sales	1,089.4	1,126.7	1,200.2	+6.5%

** Financial statements have been restated following the change in the consolidation method of Dooya (application of IFRS 5).*



Group sales posted an increase of 6.5% in real terms over the financial year just ended, standing at €1,200.2 million, an amount that reflects a slightly positive forex impact of €4.9 million.

Sales increased by 6.1% on a like-for-like basis, including 4.7% in the first half-year and 7.5% in the second. This follows several years of steady growth(1) and reflects advances within all operational regions, with the exception of Africa & the Middle East, for contextual reasons.

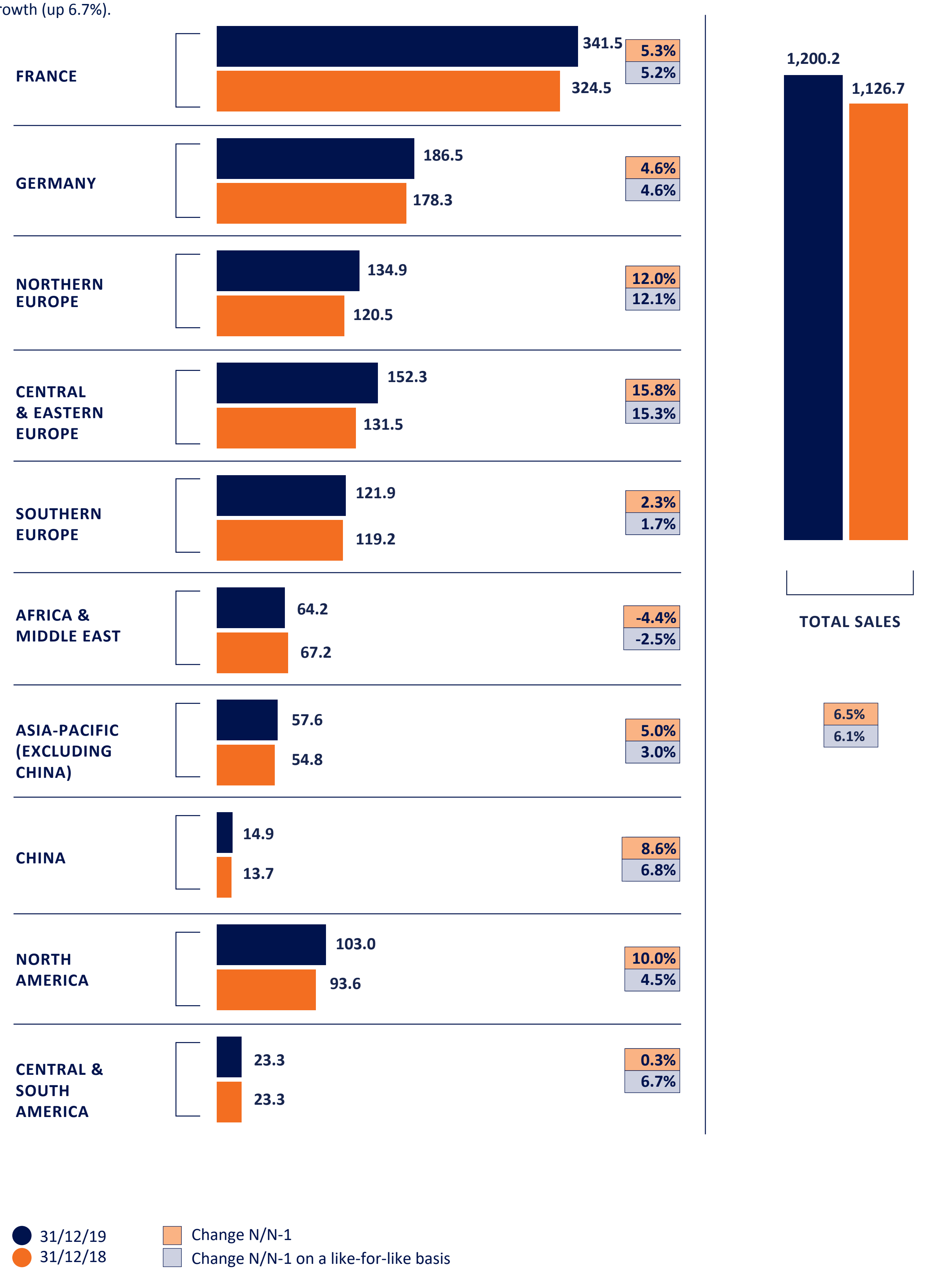
These performances reflect the growing interest of all types of customers in motorised and connected solutions for the home, as well as the success of the many partnerships and products recently launched by the Group, and vindicate the policy of innovation and digitalisation and the strategy of international expansion implemented over the years.

The most noteworthy growth(2) was recorded in Central & Eastern Europe (up 15.3%), as a result of excellent performances in Poland, Hungary and the Czech Republic, as well as Northern Europe (up 12.1%) despite a decline over the last quarter, primarily due to an unfavourable base effect.

Significant increases were also posted in China (up 6.8%), France (5.2%) and Germany (4.6%), despite a negative calendar effect at the end of the year, as well as in Central & Southern America (up 6.7%) and North America (4.5%), thanks to a sharp upturn over the last quarter, particularly in Brazil and the United States. Growth was however more modest in Asia-Pacific (up 3.0% excluding China) and Southern Europe (1.7%).

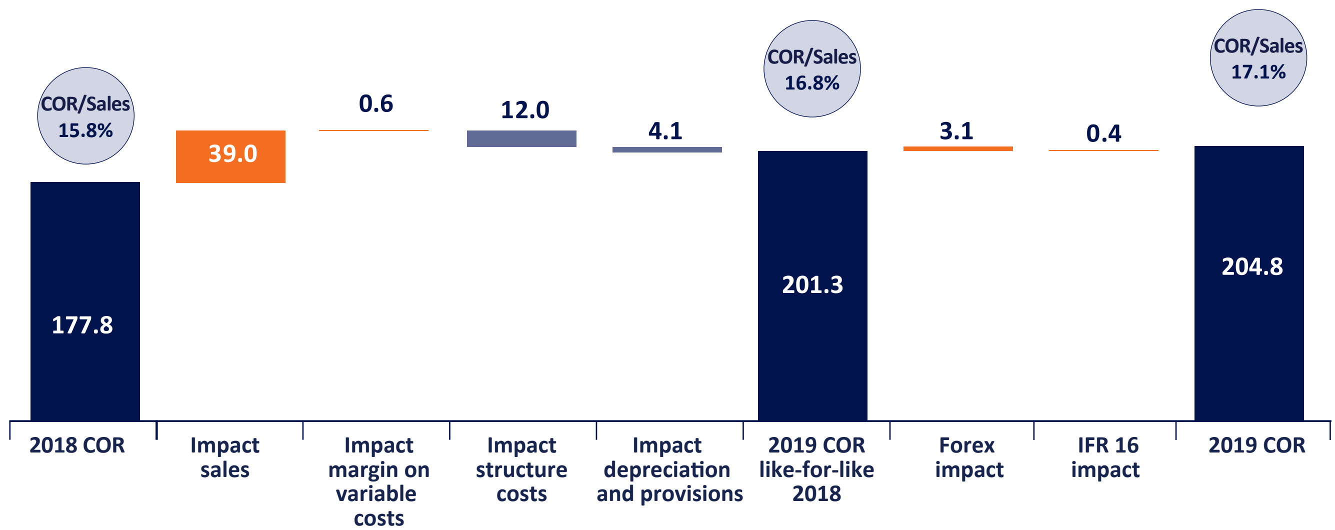
(1) Group sales, after restatement of Dooya's share, grew 9.2% on a like-for-like basis in 2017, and 5.2% in 2018 on the same basis.
(2) Figures in brackets following the names of geographic regions indicate changes on a like-for-like basis for the year to end December. They are calculated based on customer location.

In contrast, the trend remained negative in Africa & the Middle East (down 2.5%), although it improved significantly over the second half-year, due in particular to the recovery seen in the Persian Gulf countries and Turkey.
Sales of the now equity-accounted Dooya totalled €187.5 million over the financial year, an increase of 9.3% in real terms and 8.2% on a like-for-like basis. This reflects the resilience of business in China (up 9.9%), in view of the local environment, and continued strong Export growth (up 6.7%).



GROWTH IN CURRENT OPERATING RESULT

Data in € millions	2018	2019	19/18 change
Current operating result	177.8	204.8	+15.2%
Current operating margin (COR/sales)	15.8%	17.1%	+ 130 bps

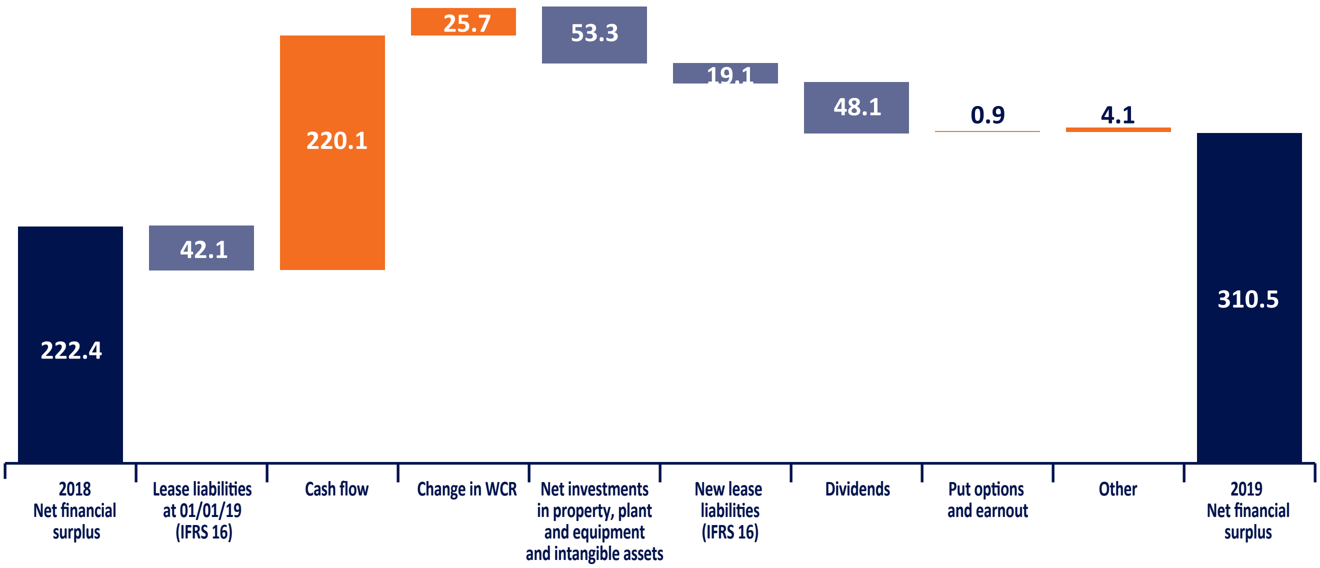


Current operating result stood at €204.8 million over the financial year, up 15.2% in real terms, and represented 17.1% of sales, compared with 15.8% in the previous year. It benefited from a positive impact of €3.1 million from changes in exchange rates and €0.4 million from the application of the new lease recognition rule (IFRS 16).
This improvement was due to both high sales, particularly during the second half-year, and a modest increase in structure costs, as a result of the normalisation of "strategic" expenditure following a period of substantial investment.

GROWTH IN NET PROFIT

Consolidated net profit grew 16.3% to €163.2 million. It includes a net non-current operating expense of €3.2 million, a positive contribution from associates of €3.8 million and an income tax charge of €37.2 million.
Reflecting these solid results, return on capital employed (ROCE) was 22.2% (23.7% restated for the impact of IFRS 16), compared with 20.4% in the previous year.

NET FINANCIAL DEBT



Group equity rose from €894.4 million to €1,012.8 million over the financial year, while the net financial surplus rose from €222.4 million to €310.5 million, despite the recognition of financial liabilities of €48.3 million following the application of IFRS 16 to leases.
The hike in net financial surplus was due to the increase in cash flow and the decline in working capital requirements.

OUTLOOK

The ongoing changes in the building sector, due to the energy transition, digitalisation and changes to society have led the Group to review its structure and to announce, in January 2020, the appointment of a new Executive Committee, a consequence of which was the merger of the three existing activities into a single unit and the re-segmentation of the ten geographic regions into two major sales territories.
This restructuring, guided by a long-term projection named Ambition 2030, will help improve the efficiency of operating processes, thanks in particular to a streamlined organisational structure as well as greater customer proximity and a better allocation of resources. It will also serve as a platform for defining and implementing the strategic plan over the coming years.
Investment will continue to enable the Group to strengthen its positioning and competitive advantage within its core business, and will specifically focus on product innovation, optimising information systems with the roll-out of the new integrated management software package (SAP ERP), and the digitalisation of ranges and operations.
The policy of openness and partnerships will be pursued in parallel, and will continue to fit in with the same strategy of collaborating with complementary partners and accessing new ecosystems that are compatible with the international standard Zigbee 3.0[(1)], thereby positioning the Group as an undisputed leader in the world of the connected home.
The Group was not adversely affected by Brexit in 2019 and does not expect to be in 2020. However, within the context of the current epidemic (Covid-19), the global picture remains uncertain and is evolving rapidly. At this stage, it is difficult to measure the consequences in 2020 on business activity and on the Group in particular[(2)].

2019 HIGHLIGHTS

FIRST-TIME APPLICATION OF IFRS 16

IFRS 16 "Leases", whose application was mandatory from 1 January 2019, was applied for the first time to the financial statements to 31 December 2019, using the simplified retrospective approach.
The impact of this first-time adoption on existing leases at 1 January 2019 was €42.1 million on non-current assets and financial debt and €14.1 million on EBITDA for the financial year. The impact on shareholders' equity, current operating result and net profit is not material.

CHANGES TO THE CONSOLIDATION SCOPE

There were no material changes to the consolidation scope during 2019 financial year.

CONTINGENT LIABILITIES

The Court of Appeal of Chambéry issued its ruling on 21 May 2019 on the dispute between **Spirel** employees and **Somfy SA**. The claims of the employees in respect of the alleged deliberate bankruptcy of Spirel and the non-material damage caused as a result of anxiety, disappointment and vexation were judged inadmissible, thereby confirming the April 2017 ruling of the High Court of Albertville. The employees filed an appeal in cassation in August 2019.

(1) The radio protocol Zigbee 3.0, the leading standard for the connected home, has more than 400 partners, including Amazon, Apple, Google, Philips, Samsung and Somfy. It facilitates convergence and interoperability between each of these manufacturers' products.
(2) See information on this subject in the press release of 23 March 2020 in chapter 10 Recent events since 2 March 2020.

It should be noted that their claims for damages totalled €8.2 million. The liquidator of the company Spirel had 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.
Proceedings before the Labour Court – dismissed in 2016 and 2018 and involving the employees contesting the grounds for their dismissal and claiming damages of a substantially similar amount to that sought before the Court of Appeal – are still ongoing.
These factors do not alter the Group's risk evaluation. Consequently, it continues to qualify these risks as contingent liabilities and no provision was thus recognised in relation to these disputes at 31 December 2019.

On 5 January 2015, **Somfy SA** transferred its 46.1% direct and indirect equity investment in the share capital of **CIAT Group** to United Technologies Corporation. On 31 March 2016, United Technologies Corporation filed a complaint against the sellers of the CIAT shares under the liability guarantee for a total of €28.6 million (Somfy's share being €13.2 million). The Group considers these requests to be unfounded, and insufficiently detailed and justified. In mid-November 2017, UTC brought an action against the sellers before the Paris Commercial Court for the liability guarantee. Proceedings before the Commercial Court and the Court of Appeal are ongoing.
As the proceedings and the documentation provided by UTC currently stand, the Group continues to contest the entirety of UTC's claims and remains confident regarding the outcome of this dispute. It has qualified this risk as a contingent liability and no provision was therefore recognised at 31 December 2019.
At 31 December 2019, Somfy SA's financial statements include a receivable for deferred settlement in relation to the sale of the CIAT shares for the sum of €9.7 million. In early July 2017, Somfy SA and the other sellers brought an action against UTC before the Paris Commercial Court seeking the fulfilment of the acquisition contract and the settlement of the deferred payments falling due. These proceedings are still ongoing. Somfy SA remains confident regarding the settlement of these sums and therefore no writedown in relation to these receivables was recognised at 31 December 2019.

NEW ORGANISATIONAL STRUCTURE

—

The building industry is undergoing profound transformations with accelerated digitalisation, the need for greater energy efficiency, ever shorter innovation cycles and more. These are all challenges that Somfy has begun to tackle thanks to its Believe & Act strategic plan first implemented in 2017 but now need to take a step further.
The current organisation, whose foundations date back to 2004, has enabled the Group to expand its range of applications, becoming a pioneer of smart home solutions and expanding its geographical presence. After a decade of strong and profitable growth and progress in its main market segments, Somfy aims to accelerate in order to continue establishing its leadership in its markets.
In order to meet these challenges, the Group has set up a new organisation guided by three major principles: **a function-based architecture** to support the Group's development; **a customer-centric organisation** with reduced interfaces to facilitate decision-making and optimise resource allocation; and finally a strong focus on the **digitalisation of its products, customer relations and operations**.
The first definitive act of this change is the appointment of a new Executive Committee, along with the creation of a Strategy & Insights Division, the reorganisation of the three activities that are Home & Building, Access and Connected Solutions into three Divisions: Products & Services, Engineering & Customer Satisfaction, and Operations & Supply Chain. Finally, the sales subsidiaries will be split into two new geographical areas, for greater transversality.
In addition to the new organisation, the Executive Committee—under the supervision of Jean Guillaume Despature, Chairman of the Management Board—will work on defining and implementing a new, three-year strategic plan, based on the achievements brought by the Believe & Act plan.

POST-BALANCE SHEET EVENT

Within the context of the current epidemic (Covid-19), the global picture remains uncertain and is evolving rapidly. At this stage, it is difficult to measure the consequences in 2020 on business activity and on the Group in particular[1].

(1) See information on this subject in the press release of 23 March 2020 in chapter 10 Recent events since 2 March 2020.

CONSOLIDATED INCOME STATEMENT

€ thousands	Notes	31/12/19	31/12/18
Sales	(4.1.1)	1,200,241	1,126,719
Other operating income	(4.1.2)	20,122	17,967
Cost of sales		-439,181	-412,683
Employee expenses		-359,219	-342,134
External expenses		-159,568	-171,894
EBITDA		**262,394**	**217,975**
Amortisation and depreciation charges	(5.2) & (5.3)	-57,642	-40,009
Charges to/reversal of current provisions		102	-43
Gains and losses on disposal of non-current operating assets		-24	-78
CURRENT OPERATING RESULT		**204,830**	**177,845**
Other operating income and expenses	(4.2)	-2,515	2,440
Goodwill impairment	(5.1.1)	-717	-10,143
OPERATING RESULT		**201,598**	**170,142**
– *Financial income from investments*		*1,313*	*1,050*
– *Financial expenses related to borrowings*		*-3,308*	*-2,299*
Cost of net financial debt		-1,995	-1,249
Other financial income and expenses		-3,071	-3,056
NET FINANCIAL EXPENSE	**(7.1)**	**-5,066**	**-4,305**
PROFIT BEFORE TAX		**196,533**	**165,837**
Income tax	(11.1)	-37,170	-29,530
Share of net profit/(loss) from associates	(13.1)	3,846	1,429
NET PROFIT FROM CONTINUING OPERATIONS		**163,209**	**137,736**
NET PROFIT FROM OPERATIONS TREATED IN ACCORDANCE WITH IFRS 5	**(2.4)**	**–**	**2,630**
CONSOLIDATED NET PROFIT		**163,209**	**140,366**
Attributable to Group share		163,227	140,458
Attributable to Non-controlling interests		-18	-92
Basic earnings per share (€)	**(6.2)**	**4.75**	**4.09**
Diluted earnings per share (€)	**(6.2)**	**4.74**	**4.09**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousands	31/12/19	31/12/18
Consolidated net profit	**163,209**	**140,366**
Movement in gains and losses on translation of foreign currency	2,955	-11,466
Movement in fair value of foreign currency hedges	-182	-742
Movement in tax on items that may be reclassified to profit or loss	32	255
Items that may be reclassified to profit or loss	**2,805**	**-11,953**
Movement in actuarial gains and losses	-2,637	-3,283
Movement in tax on items that will not be reclassified to profit or loss	19	924
Items that will not be reclassified to profit or loss	**-2,618**	**-2,359**
Items of other comprehensive income	**187**	**-14,312**
Total comprehensive income for the period	**163,396**	**126,054**
Attributable to Group share	163,414	126,146
Attributable to Non-controlling interests	-18	-92

CONSOLIDATED BALANCE SHEET - ASSETS

€ thousands	Notes	31/12/19 Net	31/12/18 Net
Non-current assets			
Goodwill	(5.1.1)	95,553	96,225
Net intangible assets	(5.2)	39,219	37,064
Net property, plant and equipment	(5.3)	297,314	243,898
Investments in associates and joint ventures	(13.1)	136,549	132,781
Financial assets	(7.2.1)	4,216	3,849
Other receivables	(4.6.2)	36	632
Deferred tax assets	(11.3)	25,305	25,720
Employee benefits	(10.2.1)	683	–
Total Non-current assets		**598,875**	**540,170**
Current assets			
Inventories	(4.4)	169,596	175,003
Trade receivables	(4.5)	138,035	140,086
Other receivables	(4.6.1)	35,833	31,921
Current tax assets	(11.1)	27,724	37,281
Financial assets	(7.2.1)	477	448
Derivative instruments - assets	(7.2.4)	160	–
Cash and cash equivalents	(7.2.5)	387,547	259,345
Total Current assets		**759,371**	**644,085**
TOTAL ASSETS		**1,358,246**	**1,184,255**

CONSOLIDATED BALANCE SHEET - EQUITY AND LIABILITIES

€ thousands	Notes	31/12/19	31/12/18
Shareholders' equity			
Share capital		7,400	7,400
Share premium		1,866	1,866
Other reserves		840,282	744,605
Net profit for the period		163,227	140,458
Group share		**1,012,775**	**894,329**
Non-controlling interests		74	64
Total Shareholders' equity		**1,012,849**	**894,394**
Non-current liabilities			
Non-current provisions	(9.1.1)	8,548	8,936
Other financial liabilities	(7.2.2)	45,030	11,597
Other liabilities	(4.7.2)	1,296	1,252
Employee benefits	(10.2.1)	30,507	27,439
Deferred tax liabilities	(11.3)	16,240	16,772
Total Non-current liabilities		**101,622**	**65,996**
Current liabilities			
Current provisions	(9.1.2)	11,253	7,489
Other financial liabilities	(7.2.2)	32,267	25,650
Trade payables		90,003	90,128
Other liabilities	(4.7.1)	102,462	95,224
Tax liabilities	(11.1)	7,281	5,207
Derivative instruments - liabilities	(7.2.4)	511	168
Total Current liabilities		**243,776**	**223,866**
TOTAL EQUITY AND LIABILITIES		**1,358,246**	**1,184,255**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousands	Share capital*	Share premium	Treasury shares	Changes in foreign exchange rates	Conso-lidated reserves	Total share-holders' equity	Non-controlling interests	Total equity (Group share)
AT 31 DECEMBER 2017	**7,400**	**1,866**	**-99,270**	**6,383**	**854,285**	**770,665**	**73**	**770,592**
Total comprehensive income for the period	–	–	–	-11,466	137,520	**126,054**	-92	**126,146**
Treasury share transactions	–	–	14	–	139	**153**	–	**153**
Dividends	–	–	–	–	-44,645	**-44,645**	–	**-44,645**
Other movements**	–	–	–	–	42,167	**42,167**	84	**42,083**
AT 31 DECEMBER 2018	**7,400**	**1,866**	**-99,256**	**-5,083**	**989,466**	**894,394**	**64**	**894,329**
Total comprehensive income for the period	–	–	–	2,955	160,441	**163,396**	-18	**163,414**
Treasury share transactions	–	–	1,202	–	1,061	**2,263**	–	**2,263**
Dividends	–	–	–	–	-48,094	**-48,094**	–	**-48,094**
Other movements**	–	–	–	–	891	**891**	28	**863**
AT 31 DECEMBER 2019	**7,400**	**1,866**	**-98,054**	**-2,128**	**1,103,765**	**1,012,849**	**74**	**1,012,775**

* *Share capital comprises 37,000,000 shares with a par value of €0.20 each.*

** *Other movements include changes to the consolidation scope, exchange rate differences on transactions involving the share capital, as well as liabilities and subsequent changes in liabilities corresponding to put options granted to holders of non-controlling interests. The flow for the 2018 financial year mainly corresponds to the impact of the deconsolidation of the put option related to the Dooya shareholding (see note 2.4). This item also includes the reclassification in "Equity - Group share" of the portion of comprehensive income attributable to non-controlling interests covered by a put option.*

Liabilities corresponding to put options granted to holders of non-controlling interests are recognised in consideration for the non-controlling interests that are the subject of the put option, and for Group Equity, where the balance is concerned. Subsequent changes to liabilities are recognised under "Equity - Group share".

CONSOLIDATED CASH FLOW STATEMENT

€ thousands	Notes	31/12/19	31/12/18
Consolidated net profit		**163,209**	**140,366**
Net profit from operations treated in accordance with IFRS 5		–	-2,630
Net profit from continuing operations		**163,209**	**137,736**
Depreciation and amortisation of assets (excluding current assets)		57,739	48,685
Charges to/reversals of provisions for liabilities		-379	-106
Unrealised gains and losses related to fair value movements		-14	-9,212
Unrealised foreign exchange gains and losses		-1,238	-1,475
Income and expenses related to stock options and employee benefits		4,854	4,093
Depreciation, amortisation, provisions and other non-cash items		**60,963**	**41,985**
Profit on disposal of assets and others		33	90
Share of net profit/(loss) from associates		-3,845	-1,429
Deferred tax expense		-270	174
Cash flow		**220,091**	**178,556**
Cost of net financial debt (excluding non-cash items)		1,995	1,249
Tax expense (excluding deferred tax)		37,439	29,357
Change in working capital requirements	(8.3)	14,001	-1,506
Tax paid		-25,774	-36,551
NET CASH FLOW FROM OPERATING ACTIVITIES (A)		**247,752**	**171,106**
Acquisition-related disbursements:			
– intangible assets and property, plant and equipment	(8.2)	-54,257	-58,378
– non-current financial assets		-514	-1,465
Disposal-related proceeds:			
– intangible assets and property, plant and equipment	(8.2)	950	1,035
– non-current financial assets		–	1
Change in current financial assets		2,274	4,690
Acquisition of companies, net of cash acquired	(8.4)	-870	-7,110
Dividends paid by non-consolidated companies		–	–
Interest received		812	435
NET CASH FLOW FROM INVESTING ACTIVITIES (B)		**-51,605**	**-60,793**
Increase in loans		–	171
Repayment of borrowings and lease liabilities		-14,868	-1,869
Net increase in shareholders' equity of subsidiaries		–	1
Dividends and interim dividends paid		-48,094	-44,705
Movement in treasury shares		747	-463
Interest paid		-3,308	-2,294
NET CASH FLOW FROM FINANCING AND CAPITAL ACTIVITIES (C)		**-65,523**	**-49,158**
Net cash flow from operations treated in accordance with IFRS 5 (D)	(2.4)	–	-20,340
Impact of changes in foreign exchange rates on cash and cash equivalents (E)		2,152	34
NET CHANGE IN CASH AND CASH EQUIVALENTS (A + B + C + D + E)		**132,776**	**40,849**
CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	**(8.1)**	**253,413**	**212,564**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**(8.1)**	**386,190**	**253,413**

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: FR0013199916). Founded in 1969 in the Arve Valley, in the Haute-Savoie region of France, and now operating in 58 countries, Somfy is the preferred partner for window and door automation and a pioneer in the connected home. The Group is constantly innovating to guarantee comfort, well-being and safety in the home and is committed to promoting sustainable development.
Somfy SA is a 52.65%-subsidiary of the French company J.P.J.S.
The **Group's** IFRS consolidated financial statements for the 12-month financial year ended 31 December 2019 were approved by the Management Board on 2 March 2020. At its meeting of 4 March 2020, the Supervisory Board, following verification and review, did not issue any observations and duly authorised their publication. Total assets were €1,358,246 thousand and consolidated net profit €163,209 thousand (Group share: €163,227 thousand).
All accounting rules and methods are included in the various notes which are grouped by subject 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 standard 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 Group's consolidated financial statements for the financial year ended 31 December 2019 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 assets, liabilities, and income and expense items in the financial statements, and 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);
- the lease term and discount rate for property leases (note 5.3 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);
- the measurement of certain financial instruments used to hedge foreign exchange and raw materials, as well as certain options negotiated on the acquisition of equity investments (notes 7.2.2 and 7.2.4 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, the Group reviews its performance indicators and 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 2019

The Group has applied the following standards, amendments and interpretations as of 1 January 2019:

Standards	Content	Application date
IFRS 16	Leases	Applicable from 1 January 2019
Amendment to IFRS 9	Prepayment Features with Negative Compensation	Applicable from 1 January 2019
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	Applicable from 1 January 2019
Amendments to IAS 28	Long-term interests in Associates and Joint Ventures	Applicable from 1 January 2019
Annual improvements to IFRS	2015-2017 Cycle (IFRS 3, IFRS 11, IAS 12, IAS 23)	Applicable from 1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	Applicable from 1 January 2019

IFRS 16 "Leases", which replaces IAS 17 "Leases", and its related interpretations, introduces a single model for the recognition of leases by the lessee, which requires the recognition of the assets and liabilities for all leases, except for those with a contractual term of less than 12 months, or those where the value of the underlying asset is low, for which exemptions exist. The beneficiary of the contract must recognise a usage right in their balance sheet assets in consideration for a financial debt in balance sheet liabilities, if the asset included in the lease is identifiable and they control the use of this asset, corresponding to the discounted value of future payments. Depreciation of the right-of-use asset is recognised in the operating result and interest on lease liabilities is recognised in net financial income/expense.

The restatement of leases leads to an increase in operating result, financial expenses, non-current assets and financial liabilities.

The Group's lease agreements are relatively standard. The impact of this new standard primarily concerns the property leases relating to Somfy's various worldwide facilities and motor vehicle leases. The Group has a number of industrial or IT equipment leases of less significance.

The Group has adopted this standard with effect from 1 January 2019; for periods up to 31 December 2018, IAS 17 applies. Concerning transitional provisions, the standard is applied in a simplified retrospective manner. This method consists of recognising the cumulative effect of first-time adoption as an adjustment to opening equity, taking the right-of-use asset as equal to the amount of lease obligations.

At the transition date, the Group opted to apply the simplified approach under which existing contracts need not be reassessed to determine whether they contain leases, with IFRS 16 only being applied to contracts previously classed as leases. Contracts that had not been identified as leases under IAS 17 and IFRIC 4 were not reassessed to determine whether they contained leases within the meaning of IFRS 16. It follows that the definition of a lease within the meaning of IFRS 16 has only been applied to contracts entered into or amended on or after 1 January 2019.

Somfy has opted to adopt the exemptions provided for short-term leases and low-value assets. Leases with a term of 12 months or less, as well as those relating to low-value assets (US$5,000 or less), have therefore not been restated and the corresponding lease payments continue to be recognised in operating expenses. Leases relating to low-value assets mainly concern small items of IT equipment.

The lease term is defined on a case-by-case basis and corresponds to the non-cancellable period of the lease taking into account any optional periods that are reasonably certain to be exercised.

The discount rate used to calculate the lease liability for each asset is determined based on the marginal borrowing rate at the date of first-time adoption of IFRS 16 (1 January 2019). This is the rate of interest the lessee would have to pay to borrow the funds needed to acquire the asset over the residual term of the contract and in a similar economic environment.

Impact of first-time adoption on existing leases on 1 January 2019

The impact of this first-time adoption on existing leases at 1 January 2019 was €42.1 million on non-current assets and financial debt and €14.1 million on EBITDA for the financial year. The impact on shareholders' equity, current operating result and net profit is not material.

€ thousands	01/01/19
Assets	
Net property, plant and equipment	42,105
TOTAL ASSETS	**42,105**
Liabilities	
Other non-current financial liabilities	30,671
Other current financial liabilities	11,434
TOTAL LIABILITIES	**42,105**

The reconciliation of IAS 17 lease commitments at 31 December 2018 and the lease liability recognised at 1 January 2019 is as follows:

€ thousands	
Operating lease commitments at 31/12/18	54,704
Adjustment to lease terms and agreements	-5,613
Weighted marginal borrowing rate at 01/01/19	2.9%
Discounting effect	-3,848
Exemptions applied to short-term leases and low value assets	-3,138
LEASE LIABILITY AT 01/01/19	**42,105**

The liability in respect of leases previously classed as finance leases under IAS 17 has been reclassified as an opening lease liability (see note 7.2.2.1). Similarly, for these leases, the book value of right-of-use assets has been determined as the value of the underlying leased asset calculated under IAS 17.

Main impacts at 31 December 2019

The main impacts of applying IFRS 16 to the financial statements at 31 December 2019 are as follows:

CONSOLIDATED INCOME STATEMENT

€ thousands	31/12/19	IFRS 16 impacts
EBITDA	262,394	14,084
Amortisation and depreciation charges	-57,642	-13,699
Current operating result	204,830	385
Net financial expense	-5,066	-1,064
Consolidated net profit	163,209	-681

CONSOLIDATED BALANCE SHEET

€ thousands	31/12/19	IFRS 16 impacts
Assets		
Net property, plant and equipment	297,314	47,594
Equity and liabilities		
Shareholders' equity	1,012,849	-681
Other non-current financial liabilities	45,030	36,307
Other current financial liabilities	32,267	11,968

The impact of IFRS 16 on net financial debt at 31 December 2019 was €48.3 million.

CONSOLIDATED CASH FLOW STATEMENT

€ thousands	31/12/19	IFRS 16 impacts
Cash flow	220,091	13,020
Cost of net financial debt (excluding non-cash items)	1,995	1,064
Net cash flow from financing and capital activities	-65,523	-14,084
Change in cash and cash equivalents	132,776	–

The total amount paid in respect of leases is €14.1 million.

Other new standards, including IFRIC 23, had no 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
Amendment to IFRS 3	Definition of a Business	Applicable from 1 January 2020 according to the IASB, not yet approved by the EU
Amendments to IFRS 9, IAS 39, and IFRS 7	IBOR Reform – Phase 1	Applicable from 1 January 2020 according to the IASB, not yet approved by the EU
Amendments to IAS 1 and IAS 8	Definition of Material	Applicable from 1 January 2020 according to the IASB, not yet approved by the EU
Amendments to the Conceptual Framework in IFRS Standards	Amendments to References to the Conceptual Framework in IFRS Standards	Applicable from 1 January 2020 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

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 consolidated 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 2019 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 converted into Euros 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 the translation adjustment reserve in equity until the disposal of the investment, at which date they are taken to the income statement.

At 31 December 2019, no Group subsidiary operated in countries whose economy is hyperinflationary, with the exception of Argentina. Given the size of the subsidiary in Argentina, the application of IAS 29 on hyper-inflationary economies did not have a material impact on the Group's financial statements.

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 (acquisition price) measured at fair value of the assets transferred.

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 date control is acquired. 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 effective control is assumed.

NOTE 2.4 OPERATIONS TREATED IN ACCORDANCE WITH IFRS 5

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. For a sale to be regarded as highly probable, the following criteria must be met:

- 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 related 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 new rules of governance were adopted at Dooya at the end of June 2018 without involving any changes to the capital structure but consolidating the minority shareholder's role with joint control over the entity. Pursuant to IFRS 10 and 11, these changes resulted in Dooya being excluded from full consolidation and its consolidation under the equity accounting method at its fair value as determined by an independent expert.

Given the change in governance detailed above, it met the IFRS 5 criteria for classification as "Discontinued Operations". The Group replaced the term "Discontinued Operations" with the term "Operations treated in accordance with IFRS 5" throughout this annual financial report, terminology that is more appropriate to the transaction.

The impacts of the transaction had been isolated in a specific item in the income statement and the cash flow statement to 31 December 2018 (see note 2.4.1 of the 2018 annual financial report).

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 was 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 followed in 2019 are:

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

AT 31 DECEMBER 2019

€ thousands	Europe, Middle East & Africa	Asia & Americas	Intra-regional eliminations	Consolidated
Segment sales	1,071,415	217,938	-89,112	**1,200,241**
Intra-segment sales	-61,632	-27,480	89,112	**–**
Segment sales - Contribution to sales	1,009,783	190,458	–	**1,200,241**
Segment current operating result	190,143	14,687	–	**204,830**
Net profit from operations treated in accordance with IFRS 5	–	–	–	**–**
Share of net profit/(loss) from associates	-6	3,852	–	**3,846**
Cash flow	206,805	13,286	–	**220,091**
Net investments in intangible assets and PPE	51,489	1,817	–	**53,307**
New right-of-use assets	17,996	1,142	–	**19,138**
Goodwill	94,090	1,462	–	**95,553**
Net intangible assets and PPE	315,155	21,378	–	**336,533**
Investments in associates and joint ventures	697	135,852	–	**136,549**

Current operating result and property, plant and equipment are both impacted by the application of IFRS 16 (see note 1.4.1).

AT 31 DECEMBER 2018

€ thousands	Europe, Middle East & Africa	Asia & Americas	Intra-regional eliminations	Consolidated
Segment sales	1,006,873	203,866	-84,020	**1,126,719**
Intra-segment sales	-56,978	-27,043	84,020	**–**
Segment sales - Contribution to sales	949,896	176,823	–	**1,126,719**
Segment current operating result	162,328	15,517	–	**177,845**
Net profit from operations treated in accordance with IFRS 5	–	2,630	–	**2,630**
Share of net profit/(loss) from associates	-9	1,438	–	**1,429**
Cash flow	170,380	8,176	–	**178,556**
Net investments in intangible assets and PPE	54,200	3,144	–	**57,344**
Goodwill	94,095	2,130	–	**96,225**
Net intangible assets and PPE	272,477	8,485	–	**280,963**
Investments in associates and joint ventures	703	132,079	–	**132,781**

NOTE 4 PERFORMANCE-RELATED DATA

NOTE 4.1 SALES

Revenue recognition is based on an analysis that includes five successive steps, in accordance with IFRS 15 "Revenue from Contracts with Customers":

- identify the contract;
- identify the various performance obligations, *i.e.* list the distinct 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 when a performance obligation is satisfied.

With regard to the sale of products, the Group acts on its own behalf and not as an agent.

Product sales are generally the only performance obligation of the contracts. Revenue is recognised when control of the goods is transferred to the purchaser, in this case when the delivery or shipment has been made.

The warranties offered to purchasers cover defects in the design or manufacture of products. They do not provide the customer with any service other than the assurance that the product is free from defect and therefore continue to be recognised in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

The amount that Somfy actually receives as consideration for the products delivered, as well as the revenue from sales recorded in the income statement may vary due to deferred discounts agreed by contractual agreements or at the start of commercial campaigns. These discounts will be paid to the customer at the end of the reference period subject to the achievement of the objectives set for the relevant period. Their value is determined using the expected value method.

As for projects combining products and services, except as mentioned below, supplies of goods and services are identified as two separate performance obligations, which must be assessed individually as if they were sold separately. Revenue from products is thus recognised at the date of delivery or shipment, while revenue from services is recognised when the service is provided.

When the products and services relate to a large-scale project whose characteristics are set for each customer individually, they represent a single performance obligation and revenue is recognised on an ongoing basis over the duration of the project as costs are incurred.

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	31/12/19	31/12/18	Change N/N-1	Change N/N-1 on a like-for-like basis
France	341,548	324,493	5.3%	5.2%
Germany	186,538	178,339	4.6%	4.6%
Northern Europe	134,911	120,489	12.0%	12.1%
Central & Eastern Europe	152,278	131,548	15.8%	15.3%
Southern Europe	121,910	119,152	2.3%	1.7%
Africa & Middle East	64,236	67,209	-4.4%	-2.5%
Asia-Pacific (excluding China)	57,595	54,834	5.0%	3.0%
China	14,923	13,740	8.6%	6.8%
North America	102,972	93,645	10.0%	4.5%
Central & South America	23,331	23,270	0.3%	6.7%
TOTAL SALES	**1,200,241**	**1,126,719**	**6.5%**	**6.1%**

The change N/N-1 on a like-for-like basis is calculated by applying the N-1 exchange rates to the periods compared and using the N-1 scope for both financial years (see note 4.3.1).
As contracts with customers are expected to have an initial term of one year or less, no information is provided regarding any remaining obligations at 31 December 2019 and 31 December 2018, in accordance with the simplification measures of IFRS 15.

Note 4.1.2 Other operating income

Other operating income totalled €20.1 million in 2019 compared with €18.0 million in 2018. This includes refundable tax credits, other miscellaneous rebillings and insurance income receivable.

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	31/12/19	31/12/18
Charge to/reversal of non-current provisions	-466	-4,116
Other non-current items	-2,040	6,569
– *Non-current income*	*156*	*9,761*
– *Non-current expenses*	*-2,197*	*-3,192*
Net gain/(loss) on disposal of non-current assets	-9	-12
OTHER OPERATING INCOME AND EXPENSES	**-2,515**	**2,440**
GOODWILL IMPAIRMENT	**-717**	**-10,143**

At 31 December 2019, a €0.7 million impairment loss was charged against goodwill on iHome. Other operating income and expenses also include the cost of closing down small distribution entities (€1.5 million) and additional expenditure incurred in shutting down the project in China (€0.3 million).
It should be noted that at 31 December 2018, the renegotiation of Somfy Protect by Myfox's earnouts had resulted in the recognition of non-recurring income of €9.7 million (adjustment to financial debt). At the same time, a €9.7 million goodwill impairment was recorded. Neocontrol's goodwill was also written off in full in the amount of €0.4 million. Other operating income and expenses also included termination costs of €6.5 million for a project in China.

NOTE 4.3 ALTERNATIVE PERFORMANCE MEASURES

Note 4.3.1 Change N/N-1 on a like-for-like basis

The N/N-1 change on a like-for-like basis is calculated by applying the N-1 accounting and consolidation methods and exchange rates to the periods compared and using the N-1 scope for both financial years.
The N/N-1 change at actual accounting methods, exchange rates and consolidation scope – or change in real terms – corresponds to the change based on actual accounting and consolidation methods, exchange rates and consolidation scope.

At 31/12/19	Sales	Current operating result
N/N-1 CHANGE ON A LIKE-FOR-LIKE BASIS	**6.1%**	**13.2%**
Forex impact	0.4%	1.7%
Scope impact	–	–
Change in accounting method impact	–	0.2%
N/N-1 CHANGE AT ACTUAL ACCOUNTING METHODS, EXCHANGE RATES AND CONSOLIDATION SCOPE	**6.5%**	**15.2%**

The item "Change in accounting method impact" relates to the impact of IFRS 16.

Note 4.3.2 Current operating margin

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

€ thousands	**31/12/19**	**31/12/18**
Current operating result	204,830	177,845
Sales	1,200,241	1,126,719
CURRENT OPERATING MARGIN	**17.1%**	**15.8%**

Since the current operating result is slightly affected by adoption of IFRS 16 (see note 1.4.1), this change of accounting policy has a knock-on effect on the current operating margin.

Note 4.3.3 ROCE

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

€ thousands	**Notes**	**31/12/19**	**31/12/19 Restated for IFRS 16**	**31/12/18**
Current operating result		204,830	204,445	177,845
Restated effective tax rate	*(11.1)*	*18.91%*	*18.91%*	*17.81%*
Current operating result after tax impact		**166,091**	**165,778**	**146,177**
Shareholders' equity		1,012,849	1,013,530	894,394
Neutralisation of goodwill impairment	(5.1.2)	45,259	45,259	44,441
Restated shareholders' equity		1,058,108	1,058,789	938,834
Net financial debt	(7.2.3)	-310,535	-358,810	-222,389
Capital invested (capital employed)		**747,574**	**699,980**	**716,445**
ROCE (RETURN ON CAPITAL EMPLOYED)		**22.2%**	**23.7%**	**20.4%**

Note 4.3.4 Net financial debt

The net financial debt corresponds to the difference between financial assets and financial liabilities. It notably 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 impacted by the application of IFRS 16 in 2019.
Details of the calculation of the net financial debt are provided in note 7.2.3.

NOTE 4.4 INVENTORIES

Inventories are valued at their procurement cost, determined using the weighted average unit 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	31/12/19	31/12/18
Gross values		
Raw materials and other supplies	54,166	57,499
Finished goods and merchandise	130,055	131,253
Total	**184,221**	**188,752**
Provisions	**-14,626**	**-13,749**
NET VALUES	**169,596**	**175,003**

€ thousands	Value 31/12/18	Net charges	Exchange rate movements	Changes in consolidation scope and method	Other movements	Value 31/12/19
Inventory provisions	-13,749	-802	-75	–	–	**-14,626**

NOTE 4.5 TRADE RECEIVABLES

Trade receivables are recorded at their nominal value and a provision for writedown is established when receivables are unlikely to be collected.

The Group limits its exposure to credit risk related to trade receivables by implementing internal procedures (creditworthiness study of new customers, permanent monitoring of outstanding amounts, analysis of the economic environment, etc.). Credit insurance contracts, both in France and internationally, also mitigate the consequences of customer default. Approximately 85% of sales are covered by such contracts.
In accordance with IFRS 9, expected impairment losses on trade receivables are measured on the basis of an impairment table using impairment rates based on the duration of late payments.
The Group's exposure to credit risk related to trade receivables is therefore mainly influenced by the individual characteristics of each customer. The Group also takes into consideration factors that may influence the assessment of risk, in particular the economic background of certain countries in which customers are located.

€ thousands	31/12/19	31/12/18
Gross value	150,633	153,913
Provision	-12,598	-13,827
NET VALUE	**138,035**	**140,086**

€ thousands	Value 31/12/18	Charges	Used reversals	Unused reversals	Exchange rate movements	Changes in consolidation scope and method	Other move-ments	Value 31/12/19
Provision for bad debts	-13,827	-1,468	1,948	770	-21	–	–	**-12,598**

At 31 December 2019, 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	
Gross value	117,086	19,041	2,975	1,068	10,462	**150,633**
Provision	-5	-122	-1,527	-1,033	-9,911	**-12,598**

NOTE 4.6 OTHER CURRENT AND NON-CURRENT RECEIVABLES

Note 4.6.1 Other current receivables

€ thousands	31/12/19	31/12/18
Gross values		
Receivables from employees	579	716
Other taxes (including VAT)	10,182	11,231
Prepaid expenses	6,979	7,585
Other receivables	18,092	12,390
TOTAL	**35,833**	**31,921**

“Other receivables” notably include current receivables on the disposal of CIAT totalling €9.7 million at 31 December 2019, unchanged from 31 December 2018.

Note 4.6.2 Other non-current receivables

€ thousands	31/12/19	31/12/18
Gross values		
Other operating receivables	4	8
Other non-operating receivables	32	625
TOTAL	**36**	**632**

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	31/12/19	31/12/18
Social liabilities	82,948	77,322
Tax liabilities	15,085	10,695
Deferred income	346	638
Fixed assets suppliers	3,539	5,126
Other	544	1,442
TOTAL	**102,462**	**95,224**

Note 4.7.2 Other non-current liabilities

€ thousands	31/12/19	31/12/18
Other operating liabilities	162	127
Other non-operating liabilities	1,133	1,125
TOTAL	**1,296**	**1,252**

NOTE 5 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

NOTE 5.1 GOODWILL AND IMPAIRMENT TESTS

Note 5.1.1 Goodwill

Goodwill is measured using the method described in note 2.3.
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.

€ thousands	Value
At 1 January 2018	196,842
Impact of changes in consolidation scope and method	-90,027
Impact of changes in foreign exchange rates	-446
Charge for impairment	-10,143
AT 31 DECEMBER 2018	**96,225**
Impact of changes in consolidation scope and method	–
Impact of changes in foreign exchange rates	45
Charge for impairment	-717
AT 31 DECEMBER 2019	**95,553**

The charge for impairment of €0.7 million relates to iHome.
For reference, at 31 December 2018, the change of consolidation method had a €90.5 million negative impact on Dooya and a €0.5 million positive impact on Neocontrol. The charges for impairment related to Somfy Protect by Myfox and Neocontrol were €9.7 million and €0.4 million respectively.

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 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 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.

Value in use is determined based on cash flows, which are estimated using plans or budgets over a maximum period of five years; the cash flows beyond that date are extrapolated by applying a constant or decreasing rate of change, and are discounted by using long-term post-tax market rates, which reflect the market's estimates of the time value of money and the specific risks inherent to the assets. In certain cases, cash flows can be estimated over longer periods, to be justified CGU by CGU.

At 31 December 2019, as at every year-end or every time that indications of impairment exist, the Group re-examined the value of goodwill associated with Cash Generating Units.
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 2019, cash flow discount rates, determined from market data, were 10% for the European CGUs and 18.0% for the Asian CGUs.

In 2018, cash flow discount rates, determined from market data, were 10% for the European CGUs, 18% for the Brazilian CGUs and 16.5% for Asian CGUs.

BREAKDOWN OF THE GOODWILL OF THE MAIN CGUS AND DETAILS OF THE MAIN ASSUMPTIONS USED FOR EACH CGU AT 31 DECEMBER 2019

€ thousands	Gross value	Impairment	Net value	Discount rate	Rate of growth to infinity
BFT	92,918	-12,281	**80,636**	10.0%	2.0%
O&O	7,574	-7,574	–	–	–
Domis	1,091	–	**1,091**	10.0%	2.0%
Axis/Somfy Activités SA/Somfy Protect by Myfox	20,126	-9,700	**10,426**	10.0%	2.0%
Pujol	5,680	-5,680	–	–	–
Neocontrol	423	-423	–	–	–
Lian Da	8,882	-8,882	–	–	–
iHome	1,438	-719	**719**	18.0%	2.5%
Simu	2,367	–	**2,367**	10.0%	2.0%
Other	313	–	**313**	10.0%	2.0%
TOTAL FULLY-CONSOLIDATED COMPANIES	**140,812**	**-45,259**	**95,553**	–	–

The revision of the iHome business plan led to the recognition of goodwill impairment of €0.7 million at 30 June 2019.

Following a review of the value of other goodwill, no other impairment charge was recognised during the 2019 financial year. Given Somfy Protect by Myfox's full consolidation by Somfy, residual goodwill was transferred to the Somfy CGU's overall goodwill at 31 December 2018.

Furthermore, no impairment was necessary in relation to assets with an unspecified life and the use of which is independent from other assets.

Sensitivity analysis

The Group conducted sensitivity analyses on the results of impairment tests using different assumptions for EBITDA ratio and discount rates.

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:

- the total impairment of the BFT goodwill at the end of 2019 was €12.3 million. A one-point increase in the discount rate combined with a two and a half-point decrease in the EBITDA to sales ratio in the normative flow used in the calculation of the terminal value would require an additional impairment of €2.2 million;
- a two-point increase in the discount rate combined with a two-point decrease in the EBITDA to sales ratio in the normative flow used in the calculation of the terminal value could lead to the recognition of an additional impairment of €0.4 million on the goodwill of iHome.

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).

The 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 rollout of the solution;
- the “implementation” stage, ending in the transfer of the application to support services. This is the software rollout.

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

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

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

PATENTS

Only acquired patents and related filing expenses are capitalised.

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

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

DEVELOPMENT COSTS

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

- project technical feasibility;
- intention to complete the intangible asset so that it is available for use or sale;
- ability to use or sell the intangible asset;
- generation of future economic benefits;
- availability of resources;
- ability to reliably measure the expenditure attributable to the intangible asset during its development.

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

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

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

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

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

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

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

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

CUSTOMER RELATIONSHIPS

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

BRANDS

Brands are estimated and recorded as an asset on the balance sheet as part of business combinations. These intangible assets have indeterminate useful lives 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	Develop-ment costs	Patents and brands	Software	Other intangible assets	In progress and advance payments	Total
Gross value at 1 January 2019	9,789	48,957	4,244	53,588	2,061	5,799	**124,437**
Acquisitions	–	–	75	1,201	8	10,329	**11,613**
Disposals	–	-15,492	-176	-708	–	–	**-16,376**
Impact of changes in foreign exchange rates	1	-1	5	32	2	1	**38**
Impact of changes in consolidation scope and method	–	–	–	–	–	–	**–**
Other movements	1	3,582	1	1,935	323	-5,771	**71**
AT 31 DECEMBER 2019	**9,791**	**37,045**	**4,149**	**56,048**	**2,393**	**10,358**	**119,784**
Accumulated amortisation at 1 January 2019	-7,027	-33,763	-3,304	-41,617	-1,662	–	**-87,373**
Amortisation charge for the period	-1,004	-3,975	-441	-4,026	-44	–	**-9,490**
Disposals	–	15,507	168	662	–	–	**16,337**
Impact of changes in foreign exchange rates	1	1	-4	-23	–	–	**-26**
Impact of changes in consolidation scope and method	–	–	–	–	–	–	**–**
Other movements	–	41	–	-55	–	–	**-14**
AT 31 DECEMBER 2019	**-8,030**	**-22,188**	**-3,581**	**-45,059**	**-1,707**	**–**	**-80,566**
NET VALUE AT 31 DECEMBER 2019	**1,761**	**14,857**	**568**	**10,989**	**686**	**10,358***	**39,219**

* *Including €5.9 million in development expenses in progress.*

€ thousands	Allocated intangible assets	Develop-ment costs	Patents and brands	Software	Other intangible assets	In progress and advance payments	Total
Gross value at 1 January 2018	29,963	42,926	8,267	48,549	2,294	7,694	**139,693**
Acquisitions	–	553	42	911	48	8,365	**9,919**
Disposals	-261	–	–	-331	-279	–	**-871**
Impact of changes in foreign exchange rates	-52	-10	7	-20	-2	–	**-77**
Impact of changes in consolidation scope and method	-19,861	86	-4,072	-374	–	–	**-24,220**
Other movements	–	5,401	–	4,853	–	-10,260	**-6**
AT 31 DECEMBER 2018	**9,789**	**48,957**	**4,244**	**53,588**	**2,061**	**5,799**	**124,437**
Accumulated amortisation at 1 January 2018	-19,928	-29,892	-3,577	-38,671	-1,860	–	**-93,928**
Amortisation charge for the period	-1,173	-3,753	-451	-3,474	-86	–	**-8,937**
Disposals	140	–	-1	326	278	–	**743**
Impact of changes in foreign exchange rates	31	10	-8	19	1	–	**53**
Impact of changes in consolidation scope and method	13,902	-86	737	132	–	–	**14,685**
Other movements	–	-41	-4	51	4	–	**10**
AT 31 DECEMBER 2018	**-7,027**	**-33,763**	**-3,304**	**-41,617**	**-1,662**	**–**	**-87,373**
NET VALUE AT 31 DECEMBER 2018	**2,762**	**15,194**	**940**	**11,971**	**398**	**5,799***	**37,064**

* *Including €4.7 million in development expenses in progress.*

The change in consolidation method mainly concerned Dooya at 31 December 2018.
Development expenses fulfilling the criteria of IAS 38 are capitalised and deemed as internally-generated intangible assets. At 31 December 2019, the gross value of these assets was €42.9 million, of which €5.9 million was in progress and the net value was €20.7 million.

The amount of research and development expenses recognised during the year was €96.3 million (net of capitalised production).
There are no contractual commitments to purchase intangible assets.
Net intangible assets recognised in the context of business combinations at 31 December 2019 comprised €0.2 million in customer relationships and €1.5 million in capitalised research and development expenses (€0.4 million and €2.4 million respectively at 31 December 2018).

NOTE 5.3 PROPERTY, PLANT AND EQUIPMENT

Except for business combinations, PPE assets are 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 the 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.

PRINCIPLES APPLICABLE TO LEASES FROM 1 JANUARY 2019

The Group mainly holds property leases relating to Somfy's various worldwide facilities and motor vehicle leases. The Group has a number of industrial or IT equipment leases of less significance.

Leases are recognised in the balance sheet with effect from their inception date at the present value of future payments (mainly fixed) based on the lessee's marginal borrowing rate at the date of the lease agreement. This is the rate of interest the lessee would have to pay to borrow the funds needed to acquire the asset over a similar term and in a similar economic environment.

Leases are recognised under "lease liabilities", with a corresponding entry on the asset side under "rights of use in relation to leases", with each item stated in the relevant category of underlying asset. PPE financed through leases are depreciated over the same periods as PPE acquired outright 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. In the income statement, depreciation is recognised within the operating margin and interest expenses in net financial income/(expense). The tax impact of this consolidation adjustment is taken into account through the recognition of deferred taxes.

The lease term is defined on a case-by-case basis and corresponds to the non-cancellable period of the lease taking into account any optional periods that are reasonably certain to be exercised.

The right-of-use asset will in some cases be subject to adjustment when the lease liability is remeasured (*e.g.* when there is a change of index or interest rate, the lease is extended or terminated or a substantially fixed lease payment is reviewed), and its value will be regularly revised down in the event of impairment losses.

Leases corresponding to assets of low unit value (US$5,000 or less) and those whose term is short (12 months or less) are recognised directly in operating expenses.

Leases relating to low-value assets mainly concern small items of IT equipment.

PRINCIPLES APPLICABLE TO LEASES PRIOR TO 1 JANUARY 2019

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.

The application of IFRS 16 "Leases" from 1 January 2019 and its impact are detailed in note 1.4.1. IAS 17 applies to periods up to 31 December 2018.

€ thousands	Land	Buildings	Right-of-use assets Land and buildings	Plant, machinery and tools	Right-of-use assets Plant, machinery and tools	Other property, plant and equipment	Right-of-use assets Other property, plant and equipment	In progress and advance payments	Total
Gross value at 1 January 2019	22,710	161,468	–	278,180	–	67,182	–	22,187	**551,726**
Impact of the application of IFRS 16 from 1 January 2019	–	–	34,523	–	420	–	7,162	–	**42,105**
New right-of-use assets	–	–	13,955	–	816	–	4,367	–	**19,138**
Acquisitions	250	1,232	–	7,274	–	4,532	–	27,759	**41,047**
Disposals	-47	-2,158	-666	-12,502	-65	-6,305	-677	–	**-22,420**
Impact of changes in foreign exchange rates	76	317	388	430	1	518	42	48	**1,820**
Impact of changes in consolidation scope and method	–	–	–	–	–	–	–	–	**–**
Other movements	-6,366	-9,956	23,305	20,265	6	3,209	104	-30,638	**-71**
AT 31 DECEMBER 2019	**16,623**	**150,903**	**71,505**	**293,647**	**1,178**	**69,136**	**10,998**	**19,355**	**633,344**
Accumulated depreciation at 1 January 2019	-965	-83,380	–	-176,376	–	-47,106	–	–	**-307,828**
Depreciation charge for the period	-254	-5,505	-9,419	-21,640	-322	-6,870	-4,518	–	**-48,528**
Disposals	1	1,763	367	12,100	38	6,202	526	–	**20,997**
Impact of changes in foreign exchange rates	-9	-121	-13	-206	–	-329	-6	–	**-685**
Impact of changes in consolidation scope and method	–	–	–	–	–	–	–	–	**–**
Other movements	–	8,167	-8,151	59	-6	-16	-39	–	**14**
AT 31 DECEMBER 2019	**-1,227**	**-79,077**	**-17,216**	**-186,063**	**-290**	**-48,120**	**-4,037**	**–**	**-336,030**
NET VALUE AT 31 DECEMBER 2019	**15,396**	**71,826**	**54,289**	**107,584**	**888**	**21,016**	**6,961**	**19,355**	**297,314**

The impact of IFRS 16 adoption with effect from 1 January 2019 on property, plant and equipment is €42.1 million.
Other movements in leased assets also include the reclassification at 1 January 2019 of finance leases restated under IAS 17, consisting of land and buildings with a gross value of €23.3 million and €8.2 million in associated accumulated depreciation.
At 31 December 2019, uncapitalised lease expenses relating to services and short-term or low-value leases are broken down as follows: €1.6 million in respect of property lease expenses, €1.6 million in respect of vehicle lease expenses and €1.0 million in respect of other lease expenses.

€ thousands	Land	Buildings	Plant, machinery and tools	Other property, plant and equipment	In progress and advance payments	Total
Gross value at 1 January 2018	22,525	176,070	269,925	74,600	31,053	**574,173**
Acquisitions	98	464	8,271	6,296	32,752	**47,881**
Disposals	-92	-83	-6,229	-4,811	–	**-11,215**
Impact of changes in foreign exchange rates	-148	-368	-808	-196	-209	**-1,730**
Impact of changes in consolidation scope and method	–	-27,166	-11,718	-11,920	-6,585	**-57,389**
Other movements	327	12,551	18,739	3,213	-34,825	**6**
AT 31 DECEMBER 2018	**22,710**	**161,468**	**278,180**	**67,182**	**22,187**	**551,726**
Accumulated depreciation at 1 January 2018	-832	-82,406	-168,861	-50,061	–	**-302,159**
Depreciation charge for the period	-242	-5,750	-18,861	-6,810	–	**-31,663**
Disposals	92	71	5,796	4,257	–	**10,216**
Impact of changes in foreign exchange rates	17	-60	198	40	–	**195**
Impact of changes in consolidation scope and method	–	4,765	5,352	5,478	–	**15,595**
Other movements	–	–	–	-10	–	**-10**
AT 31 DECEMBER 2018	**-965**	**-83,380**	**-176,376**	**-47,106**	**–**	**-307,828**
NET VALUE AT 31 DECEMBER 2018	**21,745**	**78,087**	**101,804**	**20,076**	**22,187**	**243,898**

The change in consolidation method mainly concerned Dooya at 31 December 2018.

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 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 practices 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.

Treasury shares directly held by the Group or through a liquidity contract are recognised as a reduction from equity.

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

Note 6.1.3 Proposed dividends

	31/12/19	31/12/18
Total number of shares	37,000,000	37,000,000
Treasury shares	2,616,647	2,656,833
Par value	€0.20	€0.20
Proposed dividends	€1.55[1]	€1.40

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 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	31/12/19	31/12/18
Net profit - Group share (€ thousands)	163,227	140,458
Total number of shares (1)	37,000,000	37,000,000
Treasury shares* (2)	2,616,647	2,656,833
Number of shares used in calculation (1) – (2)	34,383,353	34,343,167
BASIC EARNINGS PER SHARE (€)	**4.75**	**4.09**

* *Representing all treasury shares held by Somfy SA.*

Diluted earnings per share	31/12/19	31/12/18
Net profit - Group share (€ thousands)	163,227	140,458
Total number of shares (1)	37,000,000	37,000,000
Treasury shares** (2)	2,558,969	2,623,593
Number of shares used in calculation (1) – (2)	34,441,031	34,376,407
DILUTED EARNINGS PER SHARE (€)	**4.74**	**4.09**

** *Free shares are excluded.*

Diluted earnings per share take into account shares allocated free of charge when determining the "number of shares used in the calculation".

NOTE 7 FINANCIAL ITEMS

NOTE 7.1 NET FINANCIAL INCOME/(EXPENSE)

Net financial income/(expense) comprises the following two items:

- cost of net financial debt

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

- other financial income and expenses.

These 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	31/12/19	31/12/18
Cost of net financial debt	-1,995	-1,249
– *Financial income from investments*	*1,313*	*1,050*
– *Financial expenses related to borrowings*	*-3,308*	*-2,299*
• *Of which financial charges related to IFRS 16 and IAS 17*	*-1,064*	*-97*
Effect of foreign currency translation	-3,730	-4,859
Other	660	1,803
NET FINANCIAL EXPENSE	**-5,066**	**-4,305**

Net financial expense was €5.1 million for the year to 31 December 2019, compared with a net expense of €4.3 million for the year to 31 December 2018. The fall was mainly due to lower unrealised exchange rate impacts on foreign currency receivables and payables (TRY and USD in particular), partly offset by a lower reversal of the provisions on Garen's financial assets in 2019 (€1.0 million in 2019 compared with €2.1 million in 2018), and the application of IFRS 16.

NOTE 7.2 FINANCIAL ASSETS AND LIABILITIES

Note 7.2.1 Financial assets

Financial assets are classified into the following categories based on the asset ownership business model and the characteristics of its contractual cash flows:

- assets measured at amortised cost;
- assets measured at fair value through items of other comprehensive income;
- assets measured at fair value through the income statement.

Financial assets are initially recognised at historical cost, which corresponds to the fair value of the price paid, plus transaction costs, with the exception of assets measured at fair value through the income statement, whose transaction costs are recognised in the income statement.

(1) *See information on this subject in the press release of 7 April 2020 in chapter 10 Recent events since 2 March 2020.*

ASSETS MEASURED AT AMORTISED COST

Fixed income securities purchased with the intent of holding them until maturity are classified in this category. 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.

This category also includes 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.

ASSETS MEASURED AT FAIR VALUE THROUGH ITEMS OF OTHER COMPREHENSIVE INCOME OR THROUGH THE INCOME STATEMENT

Group investments in companies over which it neither has control, nor significant influence, nor joint control, are recognised as financial assets measured at fair value according to two possible accounting treatments:

- changes in fair value are recognised in Items of other comprehensive income in the statement of comprehensive income, and in Other reserves in shareholders' equity, with no possibility of transferring them to the income statement in the event of disposal. In the latter case, only dividends are recognised in the income statement;
- changes in fair value, as well as the disposal gain or loss are recognised in the income statement.

The choice between these two methods must be made for each investment from initial recognition and is irreversible.

Assets held for trading purposes, meaning assets acquired by the company with a view to dispose of them in the short-term, are measured at fair value and fair value movements 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.

€ thousands	Equity investments	Loans	Deposits and guarantees	Other	Current and non-current financial assets	Realisable within 1 year	Non-current financial assets
At 1 January 2019	1,509	286	2,499	3	**4,297**	448	**3,849**
Increase	449	–	65	–	**514**	–	**514**
Decrease	–	-2,150	-123	–	**-2,273**	-2,274	**1**
Net change in impairment	–	996	-1	–	**995**	–	**995**
Impact of changes in foreign exchange rates	–	673	8	–	**682**	8	**674**
Impact of changes in consolidation scope and method	–	–	–	–	**–**	–	**–**
Fair value recognised in items of other comprehensive income	–	–	–	–	**–**	–	**–**
Other movements	–	479	–	–	**479**	2,295	**-1,817**
AT 31 DECEMBER 2019	**1,959**	**285**	**2,447**	**3**	**4,693**	**477**	**4,216**
Non-current financial assets	1,959	223	2,035	–	**4,216**	–	–
Current financial assets	–	62	412	3	**477**	–	–

Financial assets realisable within one year mainly comprise short-term deposits.

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.

Note 7.2.2.1 Analysis by category

€ thousands	Borrowings from credit institu-tions	Lease liabilities	Other borrowings and financial liabilities	Total liabilities from financing activities	Bank overdrafts	Current and non-current financial liabilities	Due within 1 year	Non-current financial liabilities
At 1 January 2019	1,532	4,973	24,810	**31,316**	5,932	**37,248**	25,650	**11,597**
Increase in borrowings	–	–	–	**–**	273	**273**	273	**–**
Repayment of borrowings and lease liabilities	-610	-14,224	-33	**-14,868**	-4,572	**-19,440**	-19,441	**–**
Other movements related to business acquisitions	–	–	-870	**-870**	–	**-870**	-870	**–**
Total cash movements	**-610**	**-14,224**	**-904**	**-15,738**	**-4,300**	**-20,038**	**-20,038**	**–**
Impact of the application of IFRS 16 from 1 January 2019	–	42,105	–	**42,105**	–	**42,105**	11,434	**30,671**
Impact of the revaluation of put options	–	–	-900	**-900**	–	**-900**	–	**-900**
Impact of changes in foreign exchange rates	2	484	11	**497**	-275	**221**	849	**-628**
New lease liabilities	–	19,137	–	**19,137**	–	**19,137**	–	**19,137**
Adjustments to lease liabilities with no cash impact	–	-475	–	**-475**	–	**-475**	-475	**–**
Impact of changes in consolidation scope and method	–	–	–	**–**	–	**–**	–	**–**
Other movements	–	–	–	**–**	–	**–**	14,847	**-14,847**
Total non-cash movements	**2**	**61,250**	**-889**	**60,363**	**-275**	**60,087**	**26,655**	**33,433**
AT 31 DECEMBER 2019	**924**	**51,998**	**23,018**	**75,940**	**1,357**	**77,297**	**32,267**	**45,030**
Non-current financial liabilities	599	39,408	5,023	**45,030**	–	**45,030**	–	**–**
Current financial liabilities	325	12,590	17,995	**30,910**	1,357	**32,267**	–	**–**

Financial liabilities have been impacted by the application of IFRS 16 on 1 January 2019 in the amount of €42.1 million.

Other borrowings and financial liabilities include the debt relating to the put options granted to the holders of non-controlling interests and to earnouts, which amounted to €23.0 million at 31 December 2019 and €24.8 million at 31 December 2018.

At 31 December 2019, the financial liabilities include the fair value of the put option granted to the Dooya partners, the amount of which is equal to the difference between the estimated contractual value that would result from the exercise of the put option and the fair value of the portion corresponding to the underlying assets. The liability derivative was valued at €16.6 million.

The subsequent fair values of liabilities corresponding to put options granted to holders of non-controlling interests are recognised in equity.

Note 7.2.2.2 Analysis by maturity

€ thousands	31/12/19	31/12/18
1 year or less	32,267	25,650
Between 1 and 5 years	32,535	9,991
5 years or more	12,495	1,607
TOTAL	**77,297**	**37,248**

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

€ thousands	Non-discounted 2019 debt	Discounted 2019 debt
1 year or less	13,662	12,590
Between 1 and 5 years	29,082	26,963
5 years or more	13,215	12,446
TOTAL	**55,959**	**51,998**

€ thousands	Non-discounted 2018 debt	Discounted 2018 debt
1 year or less	1,454	1,222
Between 1 and 5 years	2,810	2,193
5 years or more	1,684	1,558
TOTAL	**5,948**	**4,973**

Only leases recognised in accordance with IAS 17 are included in 2018 figures.

Note 7.2.2.3 Analysis by rate

€ thousands	31/12/19	31/12/18
Variable rate	4,883	10,857
Fixed rate	41,091	1,036
Non-interest bearing	31,323	25,355
TOTAL	**77,297**	**37,248**

Non-interest-bearing financial liabilities mainly include put options granted to holders of non-controlling interests and earnouts.

Note 7.2.2.4 Analysis by currency

€ thousands	31/12/19	31/12/18
Euro	38,027	19,501
Other	39,270	17,747
TOTAL	**77,297**	**37,248**

Note 7.2.2.5 Secured liabilities

The Group had no liabilities secured by collateral at 31 December 2019.

Note 7.2.2.6 Covenants

At 31 December 2019, Somfy SA had a total of €190.0 million undrawn medium-term loan facilities (confirmed credit lines) with seven 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/EBITDA). Somfy SA was in compliance with all of these covenants at 31 December 2019.
Somfy SA also had undrawn overdraft facilities totalling €41.0 million at 31 December 2019.

Note 7.2.3 Analysis of net financial debt

The net financial debt is defined in note 4.3.4.

€ thousands	31/12/19	31/12/18
Financial liabilities included in net financial debt calculation	77,297	37,242
– *Of which liabilities related to lease agreements (IFRS 16 and IAS 17)**	*51,998*	*4,973*
Financial assets included in net financial debt calculation	285	286
– *Marketable securities*	–	–
– *Loans*	*285*	*286*
– *Miscellaneous*	–	–
Cash and cash equivalents	387,547	259,345
NET FINANCIAL DEBT	**-310,535**	**-222,389**
Liabilities related to put options and earnouts	23,015	24,778
RESTATED NET FINANCIAL DEBT	**-333,550**	**-247,168**

(-) Net financial surplus

** At 31 December 2018, in accordance with IAS 17, only finance leases were restated in the balance sheet. The adoption of IFRS 16 in place of IAS 17 with effect from 1 January 2019 resulted in all leases being restated, leading to a €42.1 million increase in financial liabilities at that date.*

Note 7.2.4 Classification and fair value of 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 options related to business acquisitions, forward foreign exchange contracts, raw material hedging 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, raw material 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 2019	Assets and liabilities at amortised cost (1) *(Fair value equal to net book value)*	Financial assets and liabilities (2) *(Fair value recognised in items of other comprehensive income)*	Financial assets and liabilities (3) *(Fair value recognised in income statement)*	Fair value hierarchy (2) & (3)
Assets					
Non-current financial assets	**4,216**	2,258	1,959	–	Level 3
Current financial assets	**477**	477	–	–	
Current derivative instruments	**160**	–	160	–	Level 2
Cash and cash equivalents	**387,547**	387,474	–	73	Level 2
Liabilities					
Non-current financial liabilities	**45,030**	40,009	2,227	2,794	Level 3
Current financial liabilities	**32,267**	14,273	–	17,994	Level 3
Current derivative instruments	**511**	–	328	183	Level 2

€ thousands	Amount at 31 December 2018	Assets and liabilities at amortised cost (1) *(Fair value equal to net book value)*	Financial assets and liabilities (2) *(Fair value recognised in items of other comprehensive income)*	Financial assets and liabilities (3) *(Fair value recognised in income statement)*	Fair value hierarchy (2) & (3)
Assets					
Non-current financial assets	**3,849**	2,340	1,510	–	Level 3
Current financial assets	**448**	448	–	–	
Cash and cash equivalents	**259,345**	259,035	–	310	Level 2
Liabilities					
Non-current financial liabilities	**11,597**	4,912	3,122	3,563	Level 3
Current financial liabilities	**25,650**	7,557	99	17,994	Level 3
Non-current derivative instruments	**168**	–	-28	196	Level 2

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 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).
Non-consolidated equity investments, as well as earnouts and options 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 and very liquid deposits, easily convertible into a known amount of cash and subject to a negligible risk of unfavourable change in value.

€ thousands	31/12/19	31/12/18
Cash	253,874	228,969
Cash equivalents	133,673	30,376
CASH AND CASH EQUIVALENTS	**387,547**	**259,345**

Cash equivalents are mainly interest-bearing current accounts and term deposits with maturities of less than three months.

NOTE 7.3 FINANCIAL RISK MANAGEMENT POLICY

Foreign exchange risk

Somfy'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 and purchases denominated in local currencies).
Almost 70% of consolidated Group sales were generated in the Euro zone in the year to 31 December 2019, unchanged from 31 December 2018.
Foreign currency denominated assets represent 12.8% of total assets at 31 December 2019, compared with 12% at 31 December 2018. 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 for the main currencies.
Since 1 July 2010, the Group has been applying hedge accounting to foreign currency hedging instruments. The effective portion of fair value movements is therefore taken to items of other comprehensive income and the ineffective portion is recognised in net financial income/(expense).
The negative impact of the effective portion of hedges at 31 December 2019 was €0.2 million on items of other comprehensive income (€0.2 million net of deferred tax) and was not material on profit and loss (transfer).
The ineffective portion of hedges was nil at 31 December 2019 and 2018.

Foreign exchange hedges by currency

31/12/19 € thousands	Contract nominal value		Net total	Fair value
	Sales	Purchases		
AUD	3,032	–	**3,032**	2
CAD	2,877	–	**2,877**	-1
CHF	6,541	–	**6,541**	-105
CNY	–	-15,472	**-15,472**	236
CZK	–	-4,762	**-4,762**	95
GBP	8,486	–	**8,486**	-576
HKD	1,623	-915	**709**	-9
HUF	197	–	**197**	–
ILS	4,763	-940	**3,823**	-90
JPY	4,084	-246	**3,838**	66
MXN	1,051	-113	**938**	-49
NOK	831	-233	**598**	22
PLN	3,641	-2,608	**1,034**	-17
RON	165	–	**165**	–
RUB	1,021	–	**1,021**	-39
SEK	2,680	-57	**2,623**	-56
SGD	1,999	–	**1,999**	-29
THB	560	–	**560**	-21
TRY	1,436	-165	**1,272**	-55
USD	2,225	-12,996	**-10,771**	113
ZAR	–	-24	**-24**	–
	47,213	**-38,531**	**8,682**	**-511**

31/12/18 € thousands	Contract nominal value		Net total	Fair value
	Sales	Purchases		
AUD	4,501	–	**4,501**	68
CAD	2,179	-320	**1,858**	43
CHF	6,300	–	**6,300**	-85
CNY	–	-11,936	**-11,936**	127
GBP	4,886	–	**4,886**	16
HKD	1,282	-480	**803**	-21
HUF	623	–	**623**	-6
ILS	4,421	–	**4,421**	63
JPY	3,689	–	**3,689**	-99
MXN	515	–	**515**	-11
NOK	2,553	–	**2,553**	56
PLN	5,277	–	**5,277**	-35
RON	708	–	**708**	-8
RUB	1,143	–	**1,143**	-2
SEK	1,950	–	**1,950**	-73
SGD	720	–	**720**	-20
THB	3,838	-3,320	**518**	-11
TRY	1,485	–	**1,485**	-125
USD	830	-2,620	**-1,790**	74
	46,901	**-18,676**	**28,225**	**-49**

Foreign exchange hedges by type

31/12/19 € thousands	Contract nominal value		Net total	Fair value
	Sales	Purchases		
Fair Value Hedges	19,200	-14,532	**4,668**	-511
Cash Flow Hedges	28,012	-23,999	**4,014**	
Net Investment Hedges	–	–	**–**	–
Trading	–	–	**–**	–
	47,213	**-38,531**	**8,682**	**-511**

31/12/18 € thousands	Contract nominal value		Net total	Fair value
	Sales	Purchases		
Fair Value Hedges	13,761	-7,634	**6,128**	-49
Cash Flow Hedges	33,140	-11,043	**22,097**	
Net Investment Hedges	–	–	**–**	–
Trading	–	–	**–**	–
	46,901	**-18,676**	**28,225**	**-49**

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 taken to items of other comprehensive income and the ineffective portion is recognised in net financial income/(expense).
The Group did not use any interest-rate hedging instruments during the 2019 financial year, as was also the case in 2018.

Liquidity risk

The Group has specifically reviewed its liquidity risk and believes that it is in a position to meet its future commitments in spite of the uncertain economic context related to the health crisis that emerged in early 2020.
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).

Credit risk

Given the composition of its marketable securities portfolio (interest-bearing current accounts and term deposits) and the credit risk of its main banking partners, which are rated between A and AA-, the Group's exposure to investment risk is low but must be monitored closely given the uncertain economic context related to the health crisis that emerged in early 2020.

Raw material risk

The Group has implemented procedures to limit its exposure to risks related to changes in raw material prices.
Somfy protects against movements in raw material prices by placing firm orders with its suppliers (physical hedges for copper) and *via* hedging agreements for materials on the financial markets (copper and zinc paper hedges) on components that cannot be physically hedged.

In accordance with IFRS 9, the Group is in a position to apply hedge accounting to a material component of a non-financial item. As such, the effective portion of financial instruments implemented is therefore taken to items of other comprehensive income and the ineffective portion is recognised in net financial income/(expense).
The impact of efficient hedges on items of other comprehensive income was a positive €0.2 million at 31 December 2019. The ineffective portion of hedges was nil at 31 December 2019 and 2018.

31/12/19	Tonnes	Hedging of off-balance sheet items *€ thousands*	Fair value *€ thousands*	Types
Copper	700	3,584	230	Swap
Zinc	1,760	3,571	-69	Swap
	2,460	**7,155**	**160**	

31/12/18	Tonnes	Hedging of off-balance sheet items *€ thousands*	Fair value *€ thousands*	Types
Copper	319	1,714	-63	Swap
Zinc	608	1,352	-56	Swap
	927	**3,066**	**-119**	

NOTE 8 ANALYSIS OF CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method: this method presents the reconciliation of net profit with the net cash generated by operations over the year. Cash and cash equivalents at the beginning and end of the year include cash and cash equivalents, which consist of investment instruments, less bank overdrafts and outstanding items.

NOTE 8.1 CASH AND CASH EQUIVALENTS

€ thousands	31/12/19	31/12/18
CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	**253,413**	**212,564**
Cash and cash equivalents at the start of the period	259,345	212,834
Bank overdrafts	-5,932	-269
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**386,190**	**253,413**
Cash and cash equivalents at the end of the period	387,547	259,345
Bank overdrafts	-1,357	-5,932

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 investing activities in the cash flow statement and decreased by €1.6 million in the year ended 31 December 2019 compared with a decrease of €0.6 million in 2018.
During 2019, the Group acquired intangible assets and property, plant and equipment totalling €52.7 million, compared with €57.8 million in 2018.
Net of cash receipts related to disposals of intangible assets and property, plant and equipment, investments totalled €53.3 million in 2019 compared with €57.3 million in 2018.

NOTE 8.3 CHANGE IN WORKING CAPITAL REQUIREMENTS

€ thousands	31/12/19	31/12/18
Net decrease/(increase) in inventory	6,836	-12,109
Net decrease/(increase) in trade receivables	2,518	6,322
Net (decrease)/increase in trade payables	-1,419	4,266
Net movement in other receivables and payables	6,066	15
CHANGE IN WORKING CAPITAL REQUIREMENTS	**14,001**	**-1,506**

NOTE 8.4 COMPANIES ACQUISITIONS AND DISPOSALS, NET OF CASH ACQUIRED OR DISPOSED OF

In 2019, net cash flow from acquisitions mainly consisted of the part-payment by Myfox of one of the Somfy Protect earnouts.
It should be noted that in 2018, net cash flow from acquisitions consisted mainly of the partial payment of one of Somfy Protect by Myfox's earnouts for €5.6 million, as well as the acquisition of the remaining 49% of iHome's capital for €0.9 million and the remaining 39% of Neocontrol's capital for €0.5 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	Provision for agents	Provisions for liabilities and charges	Total 2019
At 1 January 2019	5,620	1,074	437	1,805	**8,936**
Charges	153	942	33	321	**1,449**
Used reversals	-690	-744	-5	-49	**-1,488**
Unused reversals	–	-304	–	-35	**-339**
Impact of changes in foreign exchange rates	28	–	–	8	**37**
Impact of changes in consolidation scope and method	–	–	–	–	**–**
Other movements	–	–	–	-47	**-47**
AT 31 DECEMBER 2019	**5,111**	**968**	**465**	**2,003**	**8,548**

Note 9.1.2 Current provisions

€ thousands	Provisions for guarantees	Provisions for litigation	Provisions for liabilities and charges	Total 2019
At 1 January 2019	4,371	641	2,477	**7,489**
Charges	828	1,999	3,371	**6,198**
Used reversals	-337	-323	-732	**-1,392**
Unused reversals	–	-496	-596	**-1,092**
Impact of changes in foreign exchange rates	27	–	-23	**4**
Impact of changes in consolidation scope and method	–	–	–	**–**
Other movements	–	–	47	**47**
AT 31 DECEMBER 2019	**4,889**	**1,821**	**4,544**	**11,253**

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's workforce at 31 December 2019, including temporary and part-time employees recorded on a full-time equivalent basis, was as follows:

	31/12/19	31/12/18
Average workforce	6,223	6,168
End of period workforce	6,067	6,117

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 recognised 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, with regard to the accretion expense, under net financial expense.

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 2019, actuarial losses recognised in reserves amounted to €8.9 million (i.e. a negat*ive* €11.9 million in "Employee benefits" and a positive €3.0 million in deferred tax).

Movements between 2018 and 2019 can be analysed as follows:

RETIREMENT BENEFITS – FRANCE

€ thousands	Gross obligation	Plan assets	Net obligation	Balance sheet position
At 31 December 2018	**18,704**	**-825**	**17,879**	**17,879**
Net expense for the period:	583	-12	**571**	571
– *current service cost and financial cost*	*583*	–	***583***	*583*
– *return on plan assets*	–	*-12*	***-12***	*-12*
– *employee contributions*	–	–	–	–
Contributions paid	–	–	–	–
Benefits paid	-293	282	**-11**	-11
Actuarial gains & losses/Past service cost	2,696	-5	**2,691**	2,691
Changes in consolidation scope	–	–	–	–
AT 31 DECEMBER 2019	**21,690**	**-560**	**21,130**	**21,130**

€ thousands	Gross obligation	Plan assets	Net obligation	Balance sheet position
At 31 December 2017	**16,153**	**-852**	**15,301**	**15,301**
Net expense for the period:	987	-13	**974**	974
– *current service cost and financial cost*	*987*	–	***987***	*987*
– *return on plan assets*	–	*-13*	***-13***	*-13*
– *employee contributions*	–	–	–	–
Contributions paid	-99	59	**-40**	-40
Benefits paid	–	–	–	–
Actuarial gains & losses/past service cost	1,663	-19	**1,644**	1,644
Changes in consolidation scope	–	–	–	–
AT 31 DECEMBER 2018	**18,704**	**-825**	**17,879**	**17,879**

RETIREMENT BENEFITS – OTHER COUNTRIES

€ thousands	Gross obligation	Plan assets	Net obligation	Balance sheet position
At 31 December 2018	**20,750**	**-15,696**	**5,054**	**5,054**
Net expense for the period:	1,083	-412	**671**	671
– *current service cost and financial cost*	*1,083*	–	***1,083***	*1,083*
– *return on plan assets*	–	*-412*	***-412***	*-412*
– *employee contributions*	–	–	**–**	–
Contributions paid	–	-1,598	**-1,598**	-1,598
Benefits paid	-227	–	**-227**	-227
Actuarial gains & losses	17	-73	**-56**	-56
Changes in foreign exchange rates	345	-291	**54**	54
Changes in consolidation scope	–	–	**–**	–
AT 31 DECEMBER 2019	**21,968**	**-18,070**	**3,898**	**3,898**

€ thousands	Gross obligation	Plan assets	Net obligation	Balance sheet position
At 31 December 2017	**18,992**	**-15,335**	**3,657**	**3,657**
Net expense for the period:	1,246	-445	**801**	801
– *current service cost and financial cost*	*1,246*	–	***1,246***	*1,246*
– *return on plan assets*	–	*-445*	***-445***	*-445*
– *employee contributions*	–	–	**–**	–
Contributions paid	–	-859	**-859**	-859
Benefits paid	-240	–	**-240**	-240
Actuarial gains & losses	-7	1,649	**1,642**	1,642
Changes in foreign exchange rates	759	-706	**53**	53
Changes in consolidation scope	–	–	**–**	–
AT 31 DECEMBER 2018	**20,750**	**-15,696**	**5,054**	**5,054**

LONG SERVICE AND JUBILEE AWARDS

€ thousands	31/12/18	Cost	Benefits paid	Changes in consolidation scope & foreign exchange rates	31/12/19
Actuarial liabilities	2,419	470	-84	7	**2,812**

€ thousands	31/12/17	Cost	Benefits paid	Changes in consolidation scope & foreign exchange rates	31/12/18
Actuarial liabilities	2,282	198	-52	-9	**2,419**

TFR – *TRATTAMENTO DI FINE RAPPORTO* (ITALIAN SEVERANCE PAY PROVISION)

€ thousands	31/12/18	Cost	Benefits paid	Changes in consolidation scope	31/12/19
Liabilities	2,087	1,099	-1,202	–	**1,984**

€ thousands	31/12/17	Cost	Benefits paid	Changes in consolidation scope	31/12/18
Liabilities	2,149	1,178	-1,240	–	**2,087**

Defined benefit plans had a negative impact of €1.2 million on net profit in 2019.

The main actuarial assumptions used are as follows:

At 31 December	2019	2018
Discount rate		
France	0.5%	1.5%
Germany	0.5%	1.5%
United States	3.3%	4.0%
Other	1.0-5.0%	1.0-5.0%
Future salary increases		
France	2.0%	2.0-2.1%
Germany	2.0%	2.0%
United States	3.0%	2.0%
Other	1.0-3.0%	1.5-4.0%

The sensitivity of the gross retirement benefit commitment based on a variation of +0.5%/-0.5% in discount rate is -6.72%/+7.44%, respectively.

Note 10.2.2 Gross remuneration of Management Board and Supervisory Board members

€ thousands	31/12/19	31/12/18
Short-term benefits	1,959	1,707
Post-employment benefits	24	24

As of 2017, short-term benefits include the payment of a premium in favour of Management Board members, introduced following the removal of the previous “Article 39” additional pension scheme.
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, may be entitled 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 may also be 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, stock options are valued at market value at the date of allocation and subsequently amortised through the income statement over the vesting period for all plans granted since 7 November 2002.

At 31 December 2019, no more stock option plans existed.
At its meeting on 16 June 2017 the Management Board of Somfy SA decided to allocate Somfy SA shares, free of charge, to 195 beneficiaries. The vesting of these free shares is subject to beneficiaries remaining employed by the Group and to business performance conditions based on internal financial criteria. On 1 July 2019, the final acquisition related to 30,419 shares allocated to 176 beneficiaries. The shares vested were available immediately since they are not subject to a retention obligation.
At its meeting of 12 November 2018, the Management Board of Somfy SA decided to allocate Somfy SA performance shares to seven beneficiaries who are employees of Somfy Protect by Myfox. The vesting of these performance shares is subject to the condition that they must remain employed by the Group. Final vesting will take place on 30 June 2021. The shares vested will be available from 1 July 2021 and will not be subject to a retention obligation.

Furthermore, during 2019, the Management Board of Somfy SA agreed on the following allocations of Somfy SA performance shares:

- at its meeting of 20 May 2019, allocation of Somfy performance shares to 173 beneficiaries. The vesting of these performance shares is subject to the condition that they must remain employed by the Group. Final vesting will take place on 30 June 2021. The shares vested will be available from 1 July 2021 and will not be subject to a retention obligation;
- at its meeting of 15 November 2019, allocation of Somfy performance shares to 1 beneficiary. The vesting of these performance shares is subject to the condition that they must remain employed by the Group. Final vesting will take place on 30 June 2021. The shares vested will be available from 17 November 2021 since they will be subject to a retention obligation;
- at its meeting of 15 November 2019, allocation of Somfy performance shares to 10 beneficiaries. The vesting of these performance shares is subject to the condition that they must remain employed by the Group. Final vesting will take place on 30 June 2021. The shares vested will be available from 17 November 2021 since they will be subject to a retention obligation.

At 31 December 2019, the free share position was as follows:

Plan date		Plan n°	Number of beneficiaries	Number of shares allocated	Price per share (€)	Allocation date	Vesting date	Revision of share number related to presence and performance conditions	Number of shares definitely allocated in 2019	Number of shares potentially vested at 31/12/2019
16/06/17	Residents and non-residents	AGA 3	195	138,325	88.82	01/07/19	01/07/19	-107,906	**-30,419**	**N/A**
12/11/18	Myfox plan	AGA 4	7	5,239	66.26	30/06/21	01/07/21	–	–	**5,239**
20/05/19	AGAP 2021 Plan		45	32,370	75.62	30/06/21	01/07/21	-9,754	–	**22,616**
20/05/19	AGA 2021 Plan		128	37,637	75.62	30/06/21	01/07/21	-11,341	–	**26,296**
15/11/19	AGAP 2021 Plan n°2		1	1,080	81.51	30/06/21	17/11/21	-180	–	**900**
15/11/19	Security Business Group Plan		10	6,015	81.51	30/06/21	17/11/21	-3,388	–	**2,627**

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 2019: Somfy SA, Somfy Activités SA, Simu, CMC, SEM-T, Domis SA, BFT Sud-Est, Opendoors, Automatismes BFT France, Overkiz and Somfy Protect by Myfox.

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 more relevant information for comparison, given prevailing market practice.

INVESTMENT TAX CREDIT

The treatment of investment tax credits is not specifically addressed under IFRS.

A number of criteria need to be assessed on a case-by-case basis to ascertain whether to recognise the investment tax credit as income tax (IAS 12) or as a grant (IAS 20).

These criteria include the non-refundable nature or not of the tax credit should future 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 (abolished as of 1 January 2019) was recognised in 2018 as an IAS 20 operating grant as a deduction to employee expenses.

The CIR tax credit is recognised as an IAS 20 operating 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 recognised as a tax income. In order to avail of this tax credit, SOPEM has to comply with a number of commitments, such as a minimum investment value, a minimum number of people employed at the site and a deadline for completion of the investment (30 June 2020).

NOTE 11.1 TAX PROOF

€ thousands	**31/12/19**	**31/12/18**
Profit before tax from continuing operations	**196,533**	**165,837**
Share of expenses on dividends	*1,391*	*1,732*
Goodwill impairment	*710*	*421*
Reclassification of CVAE to Income tax	*-4,132*	*-3,825*
Reclassification of CICE to Employee expenses	–	*-2,382*
Reclassification of CIR to Other operating income	*-6,639*	*-6,645*
Other	*-248*	*988*
Permanent differences	-8,918	-9,712
Net profit taxed at reduced rate	-32,005	-32,530
Net profit taxable at standard rate	155,610	123,594
Tax rate in France	*34.43%*	*34.43%*
Tax charge recalculated at the French standard rate	53,576	42,554
Tax at reduced rate	3,306	5,042
Difference in standard rate in foreign countries	*-22,333*	*-21,165*
Tax losses for the year, unrecognised in previous periods, deficits used	*330*	*3,042*
Effect of the rate difference	-22,003	-18,124
Tax credits	-1,919	-3,678
Other taxes and miscellaneous	4,210	3,736
GROUP TAX	**37,170**	**29,530**
Effective rate	***18.91%***	***17.81%***

The results taxed at a **reduced rate** involve royalties, which were taxed at 10.33% (15.5% in 2018).
The main countries that contributed to the **difference in the tax rate** were Tunisia (€11.7 million), the United States (€1.1 million), Germany (€0.9 million), other European countries (€7.8 million) and Middle Eastern countries (€0.6 million).
Tax credits were primarily affected by the SOPEM tax credit (Poland): €1.6 million in 2019 compared with €2.6 million in 2018.
Other taxes and miscellaneous items included, in particular, the French Corporate Value-Added Contribution (CVAE), which amounted to €4.1 million in 2019 and €3.8 million in 2018.

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 tax 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 €54.9 million at the end of 2019, based on the standard tax rate, compared with €59.2 million at the end of 2018.
No significant deferred tax assets were recognised in 2019 in relation to tax losses arising during the financial year or in previous years.

NOTE 11.2 DEFERRED TAX RECOGNISED IN ITEMS OF OTHER COMPREHENSIVE INCOME

€ thousands	31/12/19	31/12/18
Deferred tax assets		
– actuarial gains and losses on pensions	2,985	2,966
– foreign currency hedges	132	17
– raw material hedges	–	41
Deferred tax liabilities		
– foreign currency hedges	–	–
– raw material hedges	42	–
NET DEFERRED TAX	**3,075**	**3,024**

NOTE 11.3 ANALYSIS BY NATURE

€ thousands	31/12/19	31/12/18	Of which income statement impact
Deferred tax on restatements related to IFRS standards and temporary differences, including:	2,469	1,717	981
– *restatements to pensions*	*5,887*	*6,901*	*-1,045*
– *restatements resulting from provision methods*	*5,933*	*5,840*	*42*
– *restatements due to tax and social liabilities*	*2,887*	*3,243*	*-371*
– *restatements due to SOPEM tax credit*	*14,325*	*16,312*	*-2,138*
– *restatements on the fair value of hedge instruments*	*132*	*58*	*-8*
– *restatements resulting from acquisition expenses*	*317*	*350*	*-33*
– *restatements related to the fair value of non-current assets*	*-711*	*-682*	*28*
– *restatements related to leases (IAS 17 and IFRS 16)*	*-6,643*	*-8,400*	*1,758*
– *restatements related to differences in amortisation and depreciation*	*-9,168*	*-10,606*	*1,439*
– *restatements from the capitalisation of development costs*	*-5,039*	*-6,294*	*1,255*
– *other*	*-5,452*	*-5,006*	*53*
Deferred tax on intragroup margins	6,655	7,291	-712
Deferred tax on intragroup margins - assets	8,012	8,451	-523
Deferred tax on intragroup margins - liabilities	-1,358	-1,160	-189
Miscellaneous	-60	-60	–
Deferred tax on the elimination of intragroup provisions	-1	-1	–
Deferred tax on acquisition expenses	-59	-59	–
TOTAL	**9,064**	**8,948**	**269**
DEFERRED TAX ASSETS	**25,305**	**25,720**	**–**
DEFERRED TAX LIABILITIES	**-16,240**	**-16,772**	**–**

Deferred tax assets and liabilities by jurisdiction or entity are offset in accordance with IAS 12.

NOTE 12 OFF-BALANCE SHEET COMMITMENTS

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The Group's commitments comprise the following:

NOTE 12.1 COMMITMENTS GIVEN

€ thousands	31/12/19	31/12/18
Guarantees & deposits granted and liability guarantee on CIAT disposal, Dooya put option	94,667	81,221
Interest over the remaining terms of loans and lease liabilities	3,996	1,066
Copper forward purchase	7,155	3,066
Foreign currency forward sale and purchase	4,014	22,097
TOTAL	**109,832**	**107,450**

Given the change in the consolidation method used for Dooya, the put option granted to the co-owners constitutes an off-balance sheet commitment with effect from end 2018. This option has been exercisable since end 2015.
Interest over the remaining terms of loans and lease liabilities is calculated only on those loans and lease liabilities with known maturities and not on short-term credit facilities with *ad hoc* drawings.

NOTE 12.2 COMMITMENTS RECEIVED

€ thousands	31/12/19	31/12/18
Guarantees & deposits received and liability guarantees (Myfox, iHome)	8,869	10,937
Unused credit lines	190,750	190,500
TOTAL	**199,619**	**201,437**

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 book 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 recognised in equity.

NOTE 13 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AND RELATED PARTIES

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NOTE 13.1 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The value of investments in associates and joint ventures corresponds to the share of shareholders' equity.

€ thousands	31/12/19	31/12/18
Investments in associates and joint ventures at the beginning of the year	132,781	425
Changes in consolidation scope and method	–	131,754
Share of profit/(loss) from associates	3,846	1,429
Dividends paid	–	–
Changes in foreign exchange rates	384	-827
Other	-462	–
INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AT THE END OF THE PERIOD	**136,549**	**132,781**

"Investments in associates and joint ventures" consists of investments in Dooya (€135.9 million) and Arve Finance (€0.7 million).
For reference, in 2018 the change of consolidation method mainly affected Dooya.

Dooya's major aggregates are as follows:

€ thousands	31/12/19	31/12/18
Income statement		
Sales	191,467	178,040
Current operating result	9,275	-2,503
Net profit	5,502	-3,909

Dooya's net loss was €5.5 million for the year to 31 December 2019. The share attributable to Somfy was €3.9 million, being a loss of €1.3 million for the first half and €2.5 million for the second half.

€ thousands	31/12/19	31/12/18
Balance sheet		
Non-current assets	44,485	48,963
Current assets	85,866	80,025
Non-current liabilities	4,616	4,110
Current liabilities	82,430	86,540
Shareholders' equity	43,305	38,338

€ thousands	31/12/19	31/12/18
Consolidated cash flow statement		
Net cash flow from operating activities	18,214	-1,401
Net cash flow from investing activities	-4,010	-4,250
Net cash flow from financing and capital activities	-4,566	-116

At 31 December 2019, the Group reviewed the value of equity-accounted investments.
The recoverable amount of an equity investment 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 investment in associates at the end of the period, 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 goodwill.
Goodwill related to equity-accounted companies is posted to the "Investments in associates and joint ventures" account.
Impairment recorded on the equity-accounted value may be reversed in the event of a significant recovery in the value of the equity investment.
Fair value after deduction of disposal costs is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, after deducting disposal costs.
Value in use is determined based on cash flows, which are estimated using plans or budgets over a maximum period of five years; the cash flows beyond that date are extrapolated by applying a constant or decreasing rate of change, and are discounted by using long-term post-tax market rates, which reflect the market's estimates of the time value of money and the specific risks inherent to the assets. In certain cases, cash flows can be estimated over longer periods, to be justified equity investment by equity investment.
For the purposes of the impairment test on the investment in Dooya, a discount rate of 12.5% and a growth rate to infinity of 2.75% were used.
No impairment charge was recorded during the 2019 financial year.
A one and a half-point increase in the discount rate combined with a two and a half-point decrease in the EBITDA to sales ratio in the normative flow used to calculate the terminal value could lead to an approximately €4 million impairment loss on equity-accounted securities.

NOTE 13.2 RELATED-PARTY DISCLOSURES

Related parties include:
- 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 or joint control and which are consolidated using the equity method. Transactions with related parties are made on arm's length terms.
Group purchases from Dooya totalled €4.0 million for the year to 31 December 2019 and €6.5 million for the year to 31 December 2018. Group trade payables with Dooya stood at €0.6 million at 31 December 2019 and €1.3 million at 31 December 2018.
Transactions with other related parties involved negligible amounts.

NOTE 14 STATUTORY AUDITORS' FEES

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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:

	Ernst & Young		KPMG		Total	
€ thousands	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Certification of financial statements						
Issuer	100	98	77	75	**177**	**173**
Subsidiaries	634	651	435	368	**1,070**	**1,020**
Sub-total	**734**	**749**	**512**	**444**	**1,246**	**1,193**
Other services*						
Issuer	46	86	10	18	**56**	**103**
Subsidiaries	191	121	55	20	**246**	**141**
Sub-total	**237**	**206**	**65**	**38**	**301**	**244**
TOTAL	**970**	**955**	**577**	**481**	**1,548**	**1,437**

* *These services cover services required by law and regulations (reports on capital increases, comfort letters, etc.) as well as services provided at the request of Somfy and its subsidiaries (due diligence, legal and tax assistance and various certifications).*

NOTE 15 LIST OF CONSOLIDATED AND EQUITY-ACCOUNTED ENTITIES

Company name	Head office	% control 31/12/19	% interest 31/12/19	% interest 31/12/18
Somfy SA	74300 Cluses (France)	(parent company)	(parent company)	(parent company)
Fully-consolidated companies				
Somfy Activités SA	Cluses (France)	100.00	100.00	100.00
CMC	Cluses (France)	100.00	100.00	100.00
Somfybat	Cluses (France)	100.00	100.00	100.00
Domis SA	Rumilly (France)	100.00	100.00	100.00
SITEM	Zaghouan (Tunisia)	100.00	100.00	100.00
SITEM Services	Zaghouan (Tunisia)	100.00	100.00	100.00
SOPEM spolka z ograniczona odpowiedzialnoscia	Niepolomicie (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. Limited	Rydalmere (Australia)	100.00	100.00	100.00
Somfy Automation Services PTY Ltd	Rydalmere (Australia)	100.00	100.00	100.00
N.V Somfy S.A	Zaventem (Belgium)	100.00	100.00	100.00
Somfy Brasil LTDA	Osasco (Brazil)	100.00	100.00	100.00
Neocontrol Soluções em Automação S.A	Belo Horizonte (Brazil)	100.00	100.00	100.00
Neocontrol US LLC	Orlando (USA)	100.00	100.00	100.00
Somfy Colombia SAS	Bogota (Colombia)	100.00	100.00	100.00
Somfy Argentina S.R.L.	San Fernando (Argentina)	100.00	100.00	100.00
GABR Participações LTDA	São Paulo (Brazil)	100.00	100.00	100.00
Somfy GmbH (Germany)	Rottenburg (Germany)	100.00	100.00	100.00
HIMOTION BV	Leiden (Netherlands)	100.00	100.00	100.00
Somfy GmbH (Austria)	Elsbethen-Glasenbach (Austria)	100.00	100.00	100.00
Somfy Kereskedelmi Kft	Budapest (Hungary)	100.00	100.00	100.00
Somfy spolka z ograniczona odpowiedzialnoscia	Warsaw (Poland)	100.00	100.00	100.00
Somfy spol s.r.o.	Prague (Czech Republic)	100.00	100.00	100.00
Somfy S.R.L.	Tărlungeni (Romania)	100.00	100.00	100.00
Somfy Limited Liability Company	Moscow (Russia)	100.00	100.00	100.00
Somfy SIA	Riga (Latvia)	100.00	100.00	100.00
Limited Liability Company Somfy	Kiev (Ukraine)	100.00	100.00	100.00
Somfy Bulgaria AD	Sofia (Bulgaria)	100.00	100.00	100.00
Chusik Hoesa Somfy	Seongnam (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	Cornella de Llobregat (Spain)	100.00	100.00	100.00
Automatismos Pujol SL	Sant Fruitos de Bages (Spain)	100.00	100.00	100.00
Automatismos Pujol Portugal Lda	Coimbra (Portugal)	100.00	100.00	100.00
SAP SRL	Pomezia (Italy)	100.00	100.00	100.00
Somfy Systems Inc	Dayton (USA)	100.00	100.00	100.00

Company name	Head office	% control 31/12/19	% interest 31/12/19	% interest 31/12/18
Somfy SA (Suisse)	Bassersdorf (Switzerland)	100.00	100.00	100.00
Somfy Sweden Aktiebolag	Malmö (Sweden)	100.00	100.00	100.00
Somfy Norway AS	Skedsmokorset (Norway)	100.00	100.00	100.00
Somfy PTE Ltd	Singapore	100.00	100.00	100.00
Somfy (Thailand) Co., Ltd	Bangkok (Thailand)	100.00	100.00	100.00
Somfy Taiwan Co Ltd	Taipei (Taiwan)	100.00	100.00	100.00
Asian Capital International Limited	Hong Kong	100.00	100.00	100.00
Sino Global International Holdings Limited	Hong Kong	100.00	100.00	100.00
Sino Link Trading Limited	Hong Kong	100.00	100.00	100.00
Somfy Asia-Pacific Co Ltd	Hong Kong	100.00	100.00	100.00
Somfy Co Limited	Hong Kong	100.00	100.00	100.00
Somfy China Co Ltd	Shanghai (China)	100.00	100.00	100.00
Zhejiang Lian Da Science and Technology Co., Ltd.	Huzhou (China)	95.00	95.00	95.00
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	Rishon Le Zion (Israel)	100.00	100.00	100.00
Somfy Maroc	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	Cape Town (South Africa)	100.00	100.00	100.00
Somfy Tunisie	Tunis (Tunisia)	100.00	100.00	100.00
Somfy Services	Tunis (Tunisia)	50.00	50.00	50.00
Somfy Mexico, S.A. DE C.V.	Tlalnepantla (Mexico)	100.00	100.00	100.00
Syservmex SRL DE CV	Tlalnepantla (Mexico)	100.00	100.00	100.00
Somfy Kabushiki Kaisha	Tokyo (Japan)	100.00	100.00	100.00
Somfy India Pvt Ltd	New Dehli (India)	100.00	100.00	100.00
Somfy Saudi Arabia	Jeddah (Saudi Arabia)	75.00	75.00	–
PROMOFI BV	Hoofddorp (Netherlands)	100.00	100.00	100.00
FIGEST BV	Hoofddorp (Netherlands)	100.00	100.00	100.00
Somfy LLC	Dover (USA)	100.00	100.00	100.00
Somfy ULC	Halifax (Canada)	100.00	100.00	100.00
Simu	Gray (France)	100.00	100.00	100.00
Simu GmbH	Iserlohn (Germany)	100.00	100.00	100.00
Window Automation Industry SRL	Galliera (Italy)	100.00	100.00	100.00
Overkiz	Épagny Metz-Tessy (France)	96.63	96.63	96.63
Overkiz Asia Co. Limited	Hong Kong	96.63	96.63	96.63
Opendoors	Cluses (France)	100.00	100.00	100.00
iHome Systems (Asia) Limited	Hong Kong	100.00	100.00	100.00
iHome Systems (Thailand) Co. Ltd	Bangkok (Thailand)	100.00	100.00	100.00
Somfy Automation Malaysia Sdn. Bhd	Kuala Lumpur (Malaysia)	100.00	100.00	100.00
iHome Systems (SG) Pte. Ltd	Singapore	–	–	100.00
Somfy Protect by Myfox	Labège (France)	100.00	100.00	100.00

Company name	Head office	% control 31/12/19	% interest 31/12/19	% interest 31/12/18
SEM-T	Cluses (France)	100.00	100.00	100.00
DSG Coordination Center SA	Geneva (Switzerland)	100.00	100.00	100.00
BFT SpA	Schio (Italy)	100.00	100.00	100.00
Automatismes BFT France	Saint-Priest (France)	100.00	100.00	100.00
BFT Group Italiberica de Automatismos SL	Granollers (Spain)	99.02	99.02	99.02
BFT Antriebssysteme GmbH	Oberasbach (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	100.00
BFT Polska sp zoo	Zielonka (Poland)	100.00	100.00	100.00
BFT Americas Inc.	Boynton Beach (USA)	100.00	100.00	100.00
BFT Portugal SA	Coimbra (Portugal)	100.00	100.00	100.00
BFT Automation (South) Ltd	Swindon (UK)	100.00	100.00	100.00
BFT Automation Australia PTY	Wetherill Park (Australia)	100.00	100.00	100.00
BFT CZ Sro	Prague (Czech Republic)	100.00	100.00	100.00
O&O SRL	Soliera (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	Kocaeli (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
Pujol Italia SRL	Schio (Italy)	100.00	100.00	100.00
BFT Middle East FZCO	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 Automation New Zealand	Auckland (New Zealand)	100.00	100.00	100.00
BFT Sud-Est	Saint Laurent du Var (France)	100.00	100.00	100.00
BFT Automatech Italia SRL	Verona (Italy)	–	–	100.00
Equity-accounted companies				
Arve Finance	Cluses (France)	50.17	50.17	50.17
Hong Kong CTLT Trade Co., Limited	Hong Kong	70.00	70.00	70.00
Ningbo Dooya Mechanic and Electronic Technology Co Ltd	Ningbo (China)	70.00	70.00	70.00
Shanghai Zhengshang Co., Ltd	Shanghai (China)	70.00	70.00	70.00
Shanghai Branch	Shanghai (China)	70.00	70.00	70.00
Hui Gong Intelligence Technology Ltd	Shanghai (China)	70.00	70.00	70.00
New Unity Limited	Hong Kong	70.00	70.00	70.00
Dooya Sun Shading Technology Co. Ltd.	Ningbo (China)	70.00	70.00	70.00
Ningbo Sleepwell Co Ltd	Ningbo (China)	70.00	70.00	70.00
Baixing Co Ltd	Ningbo (China)	70.00	70.00	70.00
Shanghai Goodnight	Ningbo (China)	70.00	70.00	70.00

08
PARENT COMPANY FINANCIAL STATEMENTS

08
PARENT COMPANY FINANCIAL STATEMENTS

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

€ thousands	**31/12/19**	**31/12/18**
Net sales	3,705	3,412
Other revenue	680	1,070
Other expenses:	-14,139	-12,072
Personnel expenses	*-1,981*	*-1,368*
Taxes and duties	*-229*	*-208*
Net operating expenses	*-11,928*	*-10,496*
Amortisation, depreciation and provision charges/reversals	–	–
OPERATING RESULT	**-9,754**	**-7,590**
Net financial income	**122,143**	**101,374**
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	**112,388**	**93,784**
Extraordinary result	**-313**	**–**
PROFIT BEFORE TAX	**112,076**	**93,784**
Income tax	2,913	4,457
NET PROFIT	**114,988**	**98,241**

BALANCE SHEET AT 31 DECEMBER 2019

BALANCE SHEET - ASSETS

€ thousands	31/12/19 Net	31/12/18 Net
Non-current assets		
Intangible assets	1	1
Property, plant and equipment	–	–
Financial assets	403,001	409,355
Total Non-current assets	**403,002**	**409,355**
Current assets		
Inventories and work-in progress	–	–
Trade receivables	1,052	1,205
Other receivables and accruals	74,111	77,776
Marketable securities and term deposits	163,022	111,893
Cash and cash equivalents	256,162	191,389
Total Current assets	**494,347**	**382,264**
TOTAL ASSETS	**897,349**	**791,619**

EQUITY AND LIABILITIES

€ thousands	31/12/19	31/12/18
Shareholders' equity		
Share capital	7,400	7,400
Merger and issue premium	1,866	1,866
Reserves	533,574	483,427
Net profit	114,988	98,241
Total Shareholders' equity	**657,828**	**590,934**
Provisions for liabilities and charges	**6,275**	**7,756**
Liabilities		
Borrowings and financial liabilities	793	5,876
Trade payables	1,686	2,785
Other payables and accruals	230,766	184,268
Total Liabilities	**233,245**	**192,929**
TOTAL EQUITY AND LIABILITIES	**897,349**	**791,619**

PROPOSED ALLOCATION OF 2019 PROFIT

Euros	
Source	
Retained earnings from prior years	3,705,891.00
Net profit for the year	114,988,135.63
	118,694,026.63

Euros	
Allocation	
Dividends	57,350,000.00[(1)]
Optional reserves	61,344,026.63[(1)]
	118,694,026.63

(1) See information on this subject in the press release of 7 April 2020 in chapter 10 Recent events since 2 March 2020.

NOTES TO THE SOMFY SA FINANCIAL STATEMENTS

The financial statements have been prepared for the 12-month period from 1 January 2019 to 31 December 2019.

A – SIGNIFICANT EVENTS OF THE FINANCIAL YEAR

—

Nil.

B – CONTINGENT LIABILITIES

—

SPIREL

The Court of Appeal of Chambéry issued its ruling on 21 May 2019 on the dispute between **Spirel** employees and **Somfy SA**. The claims of the employees in respect of the alleged intentional bankruptcy of Spirel and the non-material damage caused as a result of anxiety, disappointment and vexation were judged inadmissible, thereby confirming the April 2017 ruling of the High Court of Albertville. The employees filed an appeal in cassation in August 2019.

It should be noted that their claims for damages totalled €8.2 million. The liquidator of the company Spirel had 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.

Proceedings before the Labour Court – dismissed in 2016 and 2018 and involving the employees contesting the grounds for their dismissal and claiming damages of a substantially similar amount to that sought before the Court of Appeal – are still ongoing.

These factors do not alter Somfy SA's risk evaluation. Consequently, it continues to qualify these risks as contingent liabilities and no provision in relation to these disputes was thus recognised at 31 December 2019.

CIAT

On 5 January 2015, **Somfy SA** transferred its 44.49% equity investment in the share capital of CIAT Group to **United Technologies Corporation**. On 31 March 2016, United Technologies Corporation filed a complaint against the sellers of the CIAT shares under the liability guarantee for a total of €28.6 million (Somfy's share being €12.7 million). Somfy SA considers these requests to be unfounded, and insufficiently detailed and justified. In mid-November 2017, UTC brought an action against the sellers before the Paris Commercial Court for the liability guarantee. Proceedings before the Commercial Court and the Court of Appeal are ongoing.

As the proceedings and the documentation provided by UTC currently stand, Somfy SA continues to contest the entirety of UTC's claims and remains confident regarding the outcome of this dispute. It has qualified the risk as a contingent liability and no provision was therefore recognised at 31 December 2019.

At 31 December 2019, Somfy SA's financial statements include a receivable for deferred settlement in relation to the sale of the CIAT shares for the sum of €9.7 million. In early July 2017, Somfy SA and the other sellers brought an action against UTC before the Paris Commercial Court seeking the fulfilment of the acquisition contract and the settlement of the deferred payments falling due. These proceedings are still ongoing. Somfy SA remains confident regarding the settlement of these sums and therefore no writedown in relation to these receivables was recognised at 31 December 2019.

C – POST-BALANCE SHEET EVENT

—

Within the context of the current epidemic (Covid-19), the global picture remains uncertain and is evolving rapidly. At this stage, it is difficult to measure the consequences in 2020 on business activity and on Somfy SA in particular[1].

D – ACCOUNTING RULES AND METHODS

—

The 2019 financial statements have been prepared in accordance with the general accounting rules prescribed by the French Chart of Accounts derived from ANC regulations.

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.

(1) See information on this subject in the press release of 23 March 2020 in chapter 10 Recent events since 2 March 2020.

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 2019 and are impaired when this is lower than cost.
At 31 December 2019, marketable securities totalled €96.7 million, comprising:
- treasury shares of €98.1 million;
- a provision of €1.4 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 2019; it was authorised by the Combined General Meeting of 22 May 2019, 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 practices 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 16 May 2018 in its 12th resolution, sitting in extraordinary session.

Such share purchases could 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 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 2019.
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 2019.
Disposals are valued based on the first in, first out method.

SOMFY SA STOCK OPTION AND FREE SHARE ALLOCATION PLANS

At 31 December 2019, no more stock option plans existed.
At its meeting on 16 June 2017 the Management Board of Somfy SA decided to allocate Somfy SA shares, free of charge, to 195 beneficiaries. The vesting of these free shares is subject to beneficiaries remaining employed by the Group and to business performance conditions based on internal financial criteria. On 1 July 2019, the final acquisition related to 30,419 shares allocated to 176 beneficiaries. The shares vested were available immediately since they are not subject to a retention obligation.
At its meeting of 12 November 2018, the Management Board of Somfy SA decided to allocate Somfy SA performance shares to seven beneficiaries who are employees of Somfy Protect by Myfox. The vesting of these performance shares is subject to the condition that they must remain employed by the Group. Final vesting will take place on 30 June 2021. The shares vested will be available from 1 July 2021 and will not be subject to a retention obligation.
Furthermore, during 2019, the Management Board of Somfy SA agreed on the following allocations of Somfy SA performance shares:
- at its meeting of 20 May 2019, allocation of Somfy performance shares to 173 beneficiaries. The vesting of these performance shares is subject to the condition that they must remain employed by the Group. Final vesting will take place on 30 June 2021. The shares vested will be available from 1 July 2021 and will not be subject to a retention obligation;
- at its meeting of 15 November 2019, allocation of Somfy performance shares to 1 beneficiary. The vesting of these performance shares is subject to the condition that they must remain employed by the Group. Final vesting will take place on 30 June 2021. The shares vested will be available from 17 November 2021 since they will be subject to a retention obligation;
- at its meeting of 15 November 2019, allocation of Somfy performance shares to 10 beneficiaries. The vesting of these performance shares is subject to the condition that they must remain employed by the Group. Final vesting will take place on 30 June 2021. The shares vested will be available from 17 November 2021 since they will be subject to a retention obligation.

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 becomes negative, a provision for impairment is recorded with reference to the above estimated realisable value.
Accrued interest on bonds receivables are capitalised at each year-end.

FOREIGN CURRENCY DENOMINATED TRANSACTIONS

Foreign currency denominated income and expenses are recorded at their equivalent value at the transaction date. Foreign currency denominated debts, receivables and cash are recognised in the balance sheet at their exchange rate on the balance sheet date. The difference resulting from the translation of foreign currency debts and receivables at the balance sheet date exchange rate is recognised in the balance sheet as a “Translation adjustment”.

At 31 December 2019, "Asset" and "Liability" translation adjustments of €6,150 thousand and €29 thousand respectively, were classified under "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 2019, the company complied with all financial covenants imposed by banks on its borrowing facilities.

INTEREST RATE HEDGES

Somfy SA has been applying the new ANC 2015-05 regulation relating to forward financial instruments and hedging transactions since 1 January 2017.
In the context of relationships qualifying as hedges, the company recognises the impacts of the hedging instrument on the income statement on a symmetric basis, together with the income or expense related to the hedged item, irrespective of the market in which the hedging instruments are traded.
In the case of isolated open positions, the company records changes in the value of derivatives on the balance sheet and provisions are recognised for unrealised losses on these derivatives.
At 31 December 2019, all financial instruments entered into by the company qualified as hedging instruments.

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 2019

—

NOTE 1 OPERATING ITEMS

—

Somfy SA sales for the year to 31 December 2019 were €3.7 million, an increase compared with the previous year. The operating loss was €9.8 million, compared with a loss of €7.6 million in 2018.

NOTE 1.1 SALES BREAKDOWN

€ thousands	
France	2,152
European Union	1,125
Non-EU	428
TOTAL	**3,705**

NOTE 1.2 DIRECTORS' REMUNERATION

€ thousands	
Remuneration allotted	
– to members of the Management Board	1,048
– to members of the Supervisory Board	163
Pension commitments subscribed	N/A

NOTE 1.3 WORKFORCE AT 31 DECEMBER 2019

	Male	**Female**	**Total**
Managers & executives	8	3	11

The average workforce of Somfy SA went from six people in 2018 to ten in 2019.

NOTE 2 FINANCIAL ITEMS

—

The net financial income of the Somfy SA holding company was €122.1 million, compared with €101.4 million in 2018, an increase of €20.7 million. Dividends received increased by €20.6 million.

NOTE 3 EXTRAORDINARY ITEMS

—

Net extraordinary loss was €313 thousand compared with €0 thousand in 2018, and was primarily comprised of impacts of now complete tax audits.

NOTE 4 INCOME TAX

An income tax gain of €2.9 million was recognised, including a €3.0 million tax consolidation profit.

NOTE 4.1 BREAKDOWN OF INCOME TAX AT 31 DECEMBER 2019

	Tax		
€ thousands	**Base**	**Rate**	**Amount**
1. Current result			
Net profit for the year	112,388	34.43%	-38,695
Tax adjustments:			
– long-term capital gains and losses	–	–	–
– income from equity investments	-124,900	34.43%	43,003
– other	6,370	34.43%	-2,193
Subtotal Current result	**-6,142**	**34.43%**	**2,115**
2. Extraordinary result			
Net profit for the year	-313	34.43%	108
Tax adjustments:			
– long-term capital gains and losses	–	–	–
– deductions	–	–	–
– reinstatements	167	34.43%	-58
Subtotal Extraordinary result	**-145**	**34.43%**	**50**
Subtotal Total theoretical tax	**-6,287**	**34.43%**	**2,165**
3. Other tax items			
Tax paid by Group tax consolidation companies	–	–	9,516
Tax charge/income for the tax consolidation Group (excluding total theoretical tax)	–	–	-8,716
Contribution on distributed earnings	–	–	-100
Tax charge/relief from previous periods	–	–	48
Subtotal Other tax items	**–**	**–**	**748**
TOTAL INCOME TAX	**–**	**–**	**2,913**

	Before tax	**Tax**	**After tax**
Current result	112,388	2,115	114,503
Extraordinary result	-313	50	-263
Other tax items	–	748	748
ACCOUNTING RESULT	**112,076**	**2,913**	**114,988**

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 2019, 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

Somfy SA	Parent Company	Cluses
Somfy Activités SA		Cluses
Simu		Gray
CMC		Cluses
Domis SA		Rumilly
Automatismes BFT France		Saint-Priest
SEM-T		Cluses
BFT Sud-Est		Saint Laurent du Var
Opendoors		Cluses
Overkiz		Épagny Metz-Tessy
Somfy Protect by Myfox		Labège

NOTE 5 NET PROFIT

—

Net profit totalled €115.0 million.

NOTE 6 NON-CURRENT ASSETS

—

NOTE 6.1 GROSS NON-CURRENT ASSETS

€ thousands	Gross value 31/12/18	Increase	Decrease	Merger movements	Other movements	Gross value 31/12/19
Intangible assets	**215**	–	–	–	–	**215**
Property, plant and equipment	**2**	–	–	–	–	**2**
Financial assets	**441,734**	**9,211**	**-14,617**	–	**4,000**	**440,328**
Equity investments*	398,156	4,730	–	–	4,000	406,886
Receivables from equity investments**	33,629	1,296	-12,468	–	–	22,458
Other financial assets	1,294	2,033	–	–	–	3,327
Bonds***	8,656	1,151	-2,149	–	–	7,658

* *The increase in equity investments was due to the creation of a subsidiary in Saudi Arabia.*
Other movements correspond to the capitalisation of financial receivables related to Opendoors.

** *The decrease in receivables from equity investments is linked to the refunding of financial advances made to certain subsidiaries.*

*** *Bonds receivables fell by €2,149 thousand as a result of the redemption of 2019 instalments by Garen.*
The increases also relate to garen (revaluation and capitalisation of 2019 interest).

NOTE 6.2 AMORTISATION AND DEPRECIATION

€ thousands	Amount at 31/12/18	Charges	Reversals	Merger movements	Other movements	Amount at 31/12/19
Intangible assets	**214**	–	–	–	–	**214**
Concessions, patents and licences	214	–	–	–	–	214
Property, plant and equipment	**2**	–	–	–	–	**2**
	216	–	–	–	–	**216**

NOTE 6.3 WRITEDOWN OF NON-CURRENT ASSETS

€ thousands	Amount at 31/12/18	Charges	Reversals used	Reversals unused	Merger movements	Other movements	Amount at 31/12/19
Equity investments*	26,276	4,054	–	-692	–	–	29,638
Receivables from equity investments**	3,233	2,450	–	–	–	–	5,683
Other financial assets	2,870	–	-865	–	–	–	2,005
	32,380	**6,504**	**-865**	**-692**	**–**	**–**	**37,327**

* *Charges for the financial year primarily concern Opendoors.*
** *These charges primarily concern Opendoors and Neocontrol.*

NOTE 7 ANALYSIS OF MATURITY OF RECEIVABLES

—

€ thousands	Total amount	Less than 1 year	More than 1 year
Non-current receivables			
Receivables from equity investments	22,458	4,583	17,875
Other financial assets	3,327	–	3,327
Bonds	7,658	1,329	6,329
Current receivables			
Trade receivables	1,052	1,052	–
Miscellaneous receivables	66,390	66,390	–
Prepaid expenses and translation adjustment	7,721	7,721	–
	108,605	**81,075**	**27,530**

Miscellaneous receivables mainly comprise €27,176 thousand of intragroup current accounts, primarily originating from the implementation of cash pooling at Group level, as well as receivables on the disposal of CIAT totalling €9,652 thousand.

NOTE 8 DEFERRED INCOME AND OTHER RECEIVABLES

—

€ thousands	
Dividends	–
Accrued interest on cash accounts	93
Trade receivables, invoices to be issued	318
Government, tax and duties	25,254
Other (incl. CIAT)	15,889

The balance of the item “Government, tax and duties” includes the reimbursements expected from the settlement of income tax and tax credits not yet allocated.

NOTE 9 ASSET TRANSLATION ADJUSTMENTS IN FOREIGN CURRENCY DENOMINATED DEBTS AND RECEIVABLES

—

	Asset side impact	
€ thousands	**Total**	**Provision for liability**
Bonds	4,809	4,809
Receivables from equity investments	1,323	1,323
Miscellaneous receivables	18	18
Financial debts	–	–
	6,150	**6,150**

NOTE 10 SHAREHOLDERS' EQUITY

NOTE 10.1 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ thousands	Balance at 31/12/18 before allocation of net profit	Allocation of net profit 31/12/18	2019 movements	Balance at 31/12/19 before allocation of net profit	Proposed allocation of 2019 net profit	Balance at 31/12/19 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	740	–	–	740	–	740
Regulated reserves	–	–	–	–	–	–
Other reserves	473,304	49,896	–	523,200	61,344 (1)	584,544 (1)
Retained earnings	3,455	-3,455	3,706	3,706	-3,706	–
Net profit	98,241	-98,241	114,988	114,988	-114,988	–
Regulated provisions	–	–	–	–	–	–
	590,934	**-51,800**	**118,694**	**657,828**	**-57,350** (1)	**600,478** (1)

The €3.7 million change in 2019 "Retained earnings" corresponds to dividends not paid to treasury shares.

NOTE 10.2 COMPOSITION OF SHARE CAPITAL

Euros	Number of shares	Par value
– **Shares**		
At the start of the year	37,000,000	0.2
At the end of the year	37,000,000	0.2
– **Convertible bonds and similar securities**	–	–

NOTE 10.3 TREASURY SHARES

€ thousands		31/12/18	Increase	Decrease	Transfer	31/12/19
Stock options and free shares	€ thousands	50,079	–	-731	–	49,348
	number	*1,417,660*	–	*-30,419*	–	*1,387,241*
Liquidity contract	€ thousands	1,119	2,552	-3,023	–	648
	number	*17,403*	*31,896*	*-41,663*	–	*7,636*
Shares retained for potential acquisitions	€ thousands	48,056	–	–	–	48,056
	number	*1,221,770*	–	–	–	*1,221,770*
Treasury shares	€ thousands	–	–	–	–	–
	number	–	–	–	–	–
TOTAL TREASURY SHARES	**€ thousands**	**99,254**	**2,552**	**-3,754**	**–**	**98,052**
	number	***2,656,833***	***31,896***	***-72,082***	**–**	***2,616,647***

(1) See information on this subject in the press release of 7 April 2020 in chapter 10 Recent events since 2 March 2020.

NOTE 10.4 FREE SHARE PLANS

Plan date		Plan n°	Number of benefi-ciaries	Number of shares allocated	Price per share (€)	Allocation date	Vesting date	Revision of share number related to presence and performance conditions	Number of shares definitely allocated in 2019	Number of shares potentially vested at 31/12/19
16/06/17	Residents and non-residents	AGA 3	195	138,325	88.82	01/07/19	01/07/19	-107,906	**-30,419**	**N/A**
12/11/18	Myfox plan	AGA 4	7	5,239	66.26	30/06/21	01/07/21	–	**–**	**5,239**
20/05/19	AGAP 2021 Plan		45	32,370	75.62	30/06/21	01/07/21	-9,754	**–**	**22,616**
20/05/19	AGA 2021 Plan		128	37,637	75.62	30/06/21	01/07/21	-11,341	**–**	**26,296**
15/11/19	AGAP 2021 Plan n°2		1	1,080	81.51	30/06/21	17/11/21	-180	**–**	**900**
15/11/19	Security Business Group Plan		10	6,015	81.51	30/06/21	17/11/21	-3,388	**–**	**2,627**

NOTE 11 BALANCE SHEET PROVISIONS

—

€ thousands	Amount at 31/12/18	Charges	Reversals used	Reversals unused	Merger movements	Other movements	Amount at 31/12/19
Regulated provisions	–	–	–	–	–	–	–
Provisions for liabilities and charges (incl. exchange losses)	7,756	70	-1,552	–	–	–	6,275
	7,756	**70**	**-1,552**	**–**	**–**	**–**	**6,275**

NOTE 12 ANALYSIS OF MATURITY OF PAYABLES

—

€ thousands	Total amount	Less than 1 year	More than 1 year and less than 5 years	More than 5 years
Liabilities				
Borrowings and debts from credit institutions	793	793	–	–
Miscellaneous loans and borrowings	–	–	–	–
Operating liabilities				
Trade payables and related items	1,686	1,686	–	–
Tax and social security payable	5,264	5,264	–	–
Other liabilities	225,473	222,679	2,794	–
Deferred income and translation adjustment	29	29	–	–
	233,245	**230,451**	**2,794**	**–**

Other liabilities mainly comprise €203,351 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 of €4,188 thousand (of which €2,794 due in more than one year).

NOTE 13 ACCRUED EXPENSES

€ thousands	
Accrued loan interest	–
Trade payables, invoices not received	225
Employees, statutory bodies, government, duties and taxes	5,264
Miscellaneous	–
Attendance fees	–

NOTE 14 OFF-BALANCE SHEET COMMITMENTS

NOTE 14.1 FINANCIAL COMMITMENTS

€ thousands	31/12/19	31/12/18
– Guarantees and deposits received	7,931	8,060
– Unused credit facilities	190,000	190,000
TOTAL COMMITMENTS RECEIVED	**197,931**	**198,060**

€ thousands	31/12/19	31/12/18
– Guarantees and deposits given	–	–
– Interest on outstanding loans	–	–
– Liability guarantee on CIAT disposal	17,796	17,796
– Other	–	–
TOTAL COMMITMENTS GIVEN	**17,796**	**17,796**

NOTE 14.2 SECURITISED DEBT

€ thousands	
Borrowings and debts from credit institutions	–

NOTE 15 MARKET VALUE OF DERIVATIVES

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NOTE 15.1 FOREIGN EXCHANGE RISK

Somfy'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). Subsidiaries' hedges in these areas are made through the parent company Somfy SA. Commercial transactions are covered for a period of less than 12 months. The main hedging instruments usually used by the company are forward purchases and sales.

Foreign exchange hedges by currency

31/12/19 € thousands	Contract nominal value			
	Sales	Purchases	Net total	Fair value
AUD	3,032	–	**3,032**	2
CAD	2,877	–	**2,877**	-1
CHF	6,541	–	**6,541**	-105
CNY	–	-15,472	**-15,472**	236
CZK	–	-4,762	**-4,762**	95
GBP	8,486	–	**8,486**	-576
HKD	1,623	-915	**709**	-9
HUF	197	–	**197**	–
ILS	4,763	-940	**3,823**	-90
JPY	4,084	-246	**3,838**	66
MXN	1,051	-113	**938**	-49
NOK	831	-233	**598**	22
PLN	3,641	-2,608	**1,034**	-17
RON	165	–	**165**	–
RUB	1,021	–	**1,021**	-39
SEK	2,680	-57	**2,623**	-56
SGD	1,999	–	**1,999**	-29
THB	560	–	**560**	-21
TRY	1,436	-165	**1,272**	-55
USD	2,225	-12,996	**-10,771**	113
ZAR	–	-24	**-24**	–
	47,213	**-38,531**	**8,682**	**-511**

31/12/18 € thousands	Contract nominal value		Net total	Fair value
	Sales	Purchases		
AUD	4,501	–	**4,501**	68
CAD	2,179	-320	**1,858**	43
CHF	6,300	–	**6,300**	-85
CNY	–	-11,936	**-11,936**	127
GBP	4,886	–	**4,886**	16
HKD	1,282	-480	**803**	-21
HUF	623	–	**623**	-6
ILS	4,421	–	**4,421**	63
JPY	3,689	–	**3,689**	-99
MXN	515	–	**515**	-11
NOK	2,553	–	**2,553**	56
PLN	5,277	–	**5,277**	-35
RON	708	–	**708**	-8
RUB	1,143	–	**1,143**	-2
SEK	1,950	–	**1,950**	-73
SGD	720	–	**720**	-20
THB	3,838	-3,320	**518**	-11
TRY	1,485	–	**1,485**	-125
USD	830	-2,620	**-1,790**	74
	46,901	**-18,676**	**28,225**	**-49**

Foreign exchange hedges by type

31/12/19 € thousands	Contract nominal value		Net total	Fair value
	Sales	Purchases		
Fair Value Hedges	19,200	-14,532	**4,668**	-511
Cash Flow Hedges	28,012	-23,999	**4,013**	
Net Investment Hedges	–	–	**–**	–
Trading	–	–	**–**	–
	47,213	**-38,531**	**8,682**	**-511**

31/12/18 € thousands	Contract nominal value		Net total	Fair value
	Sales	Purchases		
Fair Value Hedges	13,761	-7,634	**6,128**	-49
Cash Flow Hedges	33,140	-11,043	**22,097**	
Net Investment Hedges	–	–	**–**	–
Trading	–	–	**–**	–
	46,901	**-18,676**	**28,225**	**-49**

NOTE 15.2 RAW MATERIAL RISK

Somfy SA protects its manufacturing subsidiaries against fluctuations in the price of raw materials *via* hedging agreements for materials on the financial markets (copper and zinc paper hedging) on components that cannot be physically covered.
Income and expenses on completed hedging transactions have been reinvoiced in full to the subsidiaries concerned.
The unrealised loss resulting from the recognition at fair value of the financial instruments, whose nature as a hedge cannot be demonstrated, was recognised at the end of the financial year.
At 31 December 2019, the effective portion of hedges was valued at €0.2 million and the ineffective portion was nil.

31/12/19	Tonnes	Hedging of off-balance sheet items *€ thousands*	Fair value *€ thousands*	Types
Copper	700	3,584	230	Swap
Zinc	1,760	3,571	-69	Swap
	2,460	**7,155**	**160**	

31/12/18	Tonnes	Hedging of off-balance sheet items *€ thousands*	Fair value *€ thousands*	Types
Copper	319	1,714	-63	Swap
Zinc	608	1,352	-56	Swap
	927	**3,066**	**-119**	

NOTE 16 STATUTORY AUDITORS' FEES

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The amount of the Statutory Auditors' fees, excluding tax and disbursements, paid by Somfy SA (issuer) is provided in note 14 to the consolidated financial statements.

NOTE 17 SUBSIDIARIES AND INVESTMENTS

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€ thousands	Share capital and premium	Reserves and retained earnings before allocation of net profit	Share of capital held (%)	Profit/(loss) for the last financial year	Sales	Dividends received
Subsidiaries (at least 34% of share capital held by the company)						
DSG Coordination Center SA	668	31	100.00%	235	–	–
Somfy Activités SA	35,000	118,869	100.00%	51,741	480,810	–
CMC	8	173	100.00%	596	–	–
Somfybat	6,830	13,367	100.00%	2,458	–	–
Somfy Ltd	146	561	100.00%	466	14,909	–
Somfy PTY. Limited	306	1,162	100.00%	1,221	15,315	–
N.V Somfy S.A	348	274	100.00%	2,520	36,156	–
Somfy Brasil LTDA	11,188	-11,171	99.99%	-485	5,624	–
Somfy GmbH (Germany)	1,500	5,812	100.00%	11,283	170,716	1,600
Somfy Kereskedelmi Kft	787	-82	100.00%	328	4,892	–
Somfy spol s.r.o.	177	215	100.00%	2,772	25,639	–
Somfy spolka z ograniczona odpowiedzialnoscia	132	398	100.00%	3,523	46,342	–
Somfy S.R.L.	307	131	100.00%	77	2,249	–
Chusik Hoesa Somfy	314	2,017	100.00%	-62	6,421	–
Somfy Italia SRL	2,000	9,576	95.00%	6,867	24,731	–
Somfy España SA	10,010	73,785	100.00%	13,106	32,786	9,000
Somfy Systems Inc	8,786	11,445	100.00%	6,149	91,041	–

€ 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 SA (Suisse)	30	3,598	100.00%	1,823	30,479	–
Somfy Sweden Aktiebolag	71	1,210	100.00%	177	7,498	–
Somfy PTE Ltd	533	26	100.00%	-26	4,347	–
Somfy Co Limited	10,423	2,892	100.00%	264	5,661	241
Zhejiang Lian Da Science and Technology Co., Ltd.	6,960	-4,368	95.00%	1,286	35,941	–
Somfy Middle East Co. Ltd	62	4,095	100.00%	1,183	25,745	–
Somfy Mexico, S.A. DE C.V.	27	1,442	99.75%	-41	4,806	–
Somfy Kabushiki Kaisha	205	2,124	100.00%	-182	15,013	–
PROMOFI BV	91	-552	100.00%	38,999	–	39,000
Simu	5,000	17,868	100.00%	7,727	93,254	–
Somfy ULC	904	1,542	100.00%	1,405	11,238	–
Arve Finance	3,010	-1,609	50.17%	-11	–	–
Somfy SIA	521	-15	100.00%	145	4,227	–
Somfy South Africa PTY Limited	410	404	100.00%	307	2,438	–
Somfy Colombia SAS	28	-272	100.00%	-69	994	–
Domis SA	1,115	955	100.00%	702	12,709	–
Somfy Limited Liability Company	1,104	34	100.00%	344	6,961	–
Sisa Home Automation Ltd	249	5,937	100.00%	620	11,825	–
Somfy EV Otomasyon Sistemleri Ticaret Ltd Sti	801	2,315	99.86%	833	9,768	–
Asian Capital International Limited	113,776	17,428	100.00%	-2,322	–	–
Somfy Maroc	60	300	100.00%	51	5,728	–
Somfy Hellas SA	750	304	100.00%	414	9,308	–
Somfy India Pvt Ltd	1,706	-271	100.00%	229	4,735	–
Somfy Bulgaria AD	102	378	99.90%	119	1,498	–
Somfy (Thailand) Co., Ltd	306	981	99.98%	-10	3,392	–
Limited Liability Company Somfy	370	-70	100.00%	53	446	–
Somfy Services	99	-49	50.00%	-2	–	–
Somfy Egypt	140	-452	99.91%	240	–	–
SOPEM spolka z ograniczona odpowiedzialnoscia	85,758	-110	100.00%	13,992	128,841	–
GABR Participações LTDA	3,139	-5,723	99.99%	-79	–	–
Somfy Argentina S.R.L.	1,151	-1,142	99.77%	-97	2,657	–
Somfy Norway AS	67	142	100.00%	114	7,381	–
Somfy Eastern Europe Area sp Zoo	36	212	100.00%	72	–	–
Somfy Asia-Pacific Co Ltd	76	270	100.00%	290	–	–
Opendoors	500	-53	100.00%	-1,555	490	–
Somfy Protect by Myfox	583	3,188	100.00%	-3,306	19,580	–
Somfy Saudi Arabia	6,350	-10	75.00%	-570	1,074	–

€ thousands	
Loans and advances granted to the companies above, not yet repaid	8,980
Total guarantees granted to the companies above	–
Dividends received from the above companies during the year	126,211

NOTE 18 EQUITY INVESTMENTS AT 31 DECEMBER 2019

€ thousands		Gross value	Net value	Quoted value
Equity investments				
500,000	DSG Coordination Center SA shares	468	468	–
119,994	Vimart shares	63	23	–
1,749,999	Somfy Activités SA shares	23,286	23,286	–
30,000	Somfy GmbH (Germany) shares	4,555	4,555	–
3,000	Somfy Sweden Aktiebolag 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 SA (Suisse) shares	152	152	–
660	Somfy Kabushiki Kaisha shares	194	194	–
35,000	Somfy España SA shares	93,161	93,161	–
13,995	N.V Somfy S.A shares	334	334	–
35,999	Somfy Middle East Co. Ltd shares	72	72	–
100,000	Somfy Ltd shares	144	144	–
500,000	Somfy PTY. Limited shares	350	350	–
80,000	Chusik Hoesa Somfy shares	460	460	–
1,100,000	Somfy PTE Ltd shares	514	514	–
500	CMC shares	8	8	–
2,099,990	Somfy Co Limited shares	10,734	10,734	–
1	Somfy spol s.r.o. share	1,012	1,012	–
676	Somfy spolka z ograniczona odpowiedzialnoscia shares	1,423	1,423	–
1	Somfy Kereskedelmi Kft share	1,865	1,034	–
399	Somfy Mexico, S.A. DE C.V. shares	44	44	–
36,378,338	Somfy Brasil LTDA shares	11,933	–	–
250,000	Simu shares	23,937	23,937	–
3,744,299	Somfy India Pvt Ltd shares	1,696	1,696	–
52,250	Zhejiang Lian Da Science and Technology Co., Ltd. shares	7,307	–	–
124,274	Somfy S.R.L. shares	311	311	–
100,000	Somfy ULC shares	333	333	–
1,510,000	Arve Finance shares	1,510	697	–
521,197	Somfy SIA shares	822	647	–
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	–
6,974	Somfy Maroc shares	650	400	–
85,827	Domis SA shares	3,068	3,068	–
1	Somfy Limited Liability Company share	1,152	1,152	–
14,000,000	Sisa Home Automation Ltd shares	270	270	–
16,776	Somfy EV Otomasyon Sistemleri Ticaret Ltd Sti shares	875	875	–

€ thousands		Gross value	Net value	Quoted value
1,220,956,515	Asian Capital International Limited shares	107,369	107,369	–
999	Somfy Bulgaria AD shares	102	102	–
9,998	Somfy (Thailand) Co., Ltd shares	304	304	–
1	Limited Liability Company Somfy share	381	353	–
1,000	Somfy Services shares	52	52	–
1,099	Somfy Egypt shares	153	–	–
107,000	SOPEM spolka z ograniczona odpowiedzialnoscia shares	40,983	40,983	–
8,999,100	GABR Participações LTDA shares	3,016	–	–
7,684,372	Somfy Argentina S.R.L. shares	563	–	–
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 shares	4,500	–	–
777,724	Somfy Protect by Myfox shares	26,354	26,354	–
400,005	Somfy Saudi Arabia shares	4,730	4,730	–
379,449	Somfybat shares	10,280	10,280	–
		406,886	**377,247**	**–**

€ thousands	Gross value	Net value	Quoted value
Portfolio investments	–	–	–
Marketable securities			
Treasury shares	98,052	96,666	228,957
Marketable securities	–	–	–
	98,052	**96,666**	**228,957**

09
LEGAL DOCUMENTS

09
LEGAL DOCUMENTS

STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

To the General Meeting of Somfy SA,

OPINION

—

In compliance with the engagement entrusted to us by your General Meeting, we have audited the accompanying parent company financial statements of Somfy SA for the year ended 31 December 2019. These financial statements were approved by the Management Board on 2 March 2020 on the basis of the information available on this date and within the developing context of the Covid-19 health crisis.

In our opinion, the parent company financial statements provide a true and fair view of the assets and liabilities and of the financial position of the company at 31 December 2019 and of the results of its operations for the year then ended in accordance with French accounting principles and methods.

The audit opinion expressed above is consistent with the content of our report to the Audit Committee.

BASIS FOR OPINION

—

AUDIT FRAMEWORK

We have performed our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described herein in the section "Statutory Auditors' responsibilities for the audit of the parent company financial statements" of this report.

INDEPENDENCE

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 January 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of regulation (EU) n°537/2014 or in the Code of Ethics for Statutory Auditors.

JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTERS

—

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement which, in our professional judgement, were of most significance in our audit of the parent company financial statements for the financial year just ended, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the parent company financial statements as a whole, approved in the conditions set out above, and in forming our opinion thereon. Accordingly, we do not provide any opinion on specific items of the parent company financial statements.

MEASUREMENT OF EQUITY INVESTMENTS

Risk identified	Our response
The net amount of the equity investments shown on the balance sheet was €377.2 million at 31 December 2019 against total assets of €897.3 million. As specified in note "D – Equity investments" to the parent company financial statements, the carrying value of these equity investments is determined on the basis of several measurement factors, including net assets at the year-end, the level of profitability, the future outlook, and the share price in the case of listed companies. This carrying value is then compared with the net book value, in order to assess the need to record an impairment charge or not. We have considered that the measurement of these equity investments is a key audit point due to their material amount in your company's financial statements, and because determining their carrying value requires the use of estimates or judgements by Management in determining the carrying value used and the assessment of the market outlook of the entities concerned.	Our work as part of the audit of your company's parent company financial statements specifically consisted with the help of our specialists, of: – reviewing the measurement methods used by Management to estimate the carrying value of the equity investments; – assessing, in particular *via* meetings with Management, the key data and the assumptions on which estimates are based; we have specifically analysed the consistency of forecasts with the past performance and market outlook of the shareholdings concerned; – comparing the carrying value of the equity investments with their net book value and, where applicable, verifying the impairment amount recorded.

CLASSIFICATION OF LITIGATIONS AS CONTINGENT LIABILITIES

Risk identified	Our response
Your company's business activities are conducted within a complex and continuously changing international regulatory framework, which varies depending on the countries and over time, and applies to extremely different aspects. In that context, these activities may entail risks, commercial, wage-related or tax disputes, or litigious situations. The Management of your company exercises its judgement and uses estimates and assumptions when measuring these risks. Some of these risks are classified as contingent liabilities, as described in note "B - Contingent liabilities" to the parent company financial statements and, in this regard, no provision has been made for them in your company's financial statements. We have considered that the classification of litigations as contingent liabilities is a key audit point, in view of the amounts in question, and the level of judgement required from Management to determine them.	Our work as part of the audit of the company's parent company financial statements specifically consisted of: – reviewing the procedures implemented by your company to identify and assess these risks; – familiarising ourselves with the risk assessment performed by Management and the corresponding documentation, and reviewing the written consultations provided by external advisers, where applicable; – analysing the answers provided to our requests for confirmation, forwarded to the company's external advisers; – assessing the main risks identified, and reviewing the assumptions used by Management to classify these risks as contingent liabilities; – assessing the appropriateness of the information presented in note "B - Contingent liabilities" to the parent company financial statements.

SPECIFIC VERIFICATIONS

—

We have also performed the specific verifications required by law and regulations, in accordance with professional standards applicable in France.

INFORMATION PROVIDED REGARDING THE FINANCIAL POSITION AND THE PARENT COMPANY FINANCIAL STATEMENTS IN THE MANAGEMENT REPORT AND IN THE OTHER DOCUMENTS SENT TO SHAREHOLDERS

We have no observations to make concerning the fairness and consistency with the parent company financial statements of the information given in the Management Board's management report approved on 2 March 2020 and in the other documents sent to the Shareholders concerning the financial situation and the parent company financial statements. Management have informed us that a statement – regarding unfolding events and information that has emerged subsequent to the date of approval of the financial statements and concerning the effects of the Covid-19 crisis – will be made to the General Meeting convened to approve the financial statements.

We certify that the information relating to payment terms mentioned in Article D. 441-4 of the Commercial Code is true and fair, and consistent with the parent company financial statements.

REPORT ON CORPORATE GOVERNANCE

We hereby certify that the information required by Articles L. 225-37-3 and L. 225-37-4 of the Commercial Code is included in the Supervisory Board's report on corporate governance.

Concerning the information provided in accordance with provisions of Article L. 225-37-3 of the Commercial Code on remuneration and benefits paid or allocated to corporate officers as well as commitments given in their favour, we have verified their consistency with the financial statements or with the data used in the preparation of these financial statements and if necessary, with data collected by your company from its subsidiaries that are included in the consolidation scope. On the basis of this work, we confirm the accuracy and the fairness of this information.

In the case of the information relating to the elements that your company has considered as likely to have an impact in the event of a public tender or exchange offer, and provided pursuant to the provisions of Article L. 225-37-5 of the Commercial Code, we checked the consistency of this information with the documents from which it was derived, and which were disclosed to us. On the basis of this work, we have no observations to make on this information.

OTHER INFORMATION

As required by law, we ensured that the information concerning the identity of holders of the share capital and voting rights was provided to you in the management report.

INFORMATION RESULTING FROM OTHER LEGAL AND REGULATORY REQUIREMENTS

—

APPOINTMENT OF THE STATUTORY AUDITORS

We were appointed as Statutory Auditors of Somfy SA by your General Meetings of 24 May 2016 for KPMG SA and 12 May 2010 for ERNST & YOUNG et Autres.

At 31 December 2019, KPMG SA was in its fourth year of uninterrupted engagement and ERNST & YOUNG et Autres in its tenth year.

Previously, ERNST & YOUNG Audit had been Statutory Auditor from 1993.

RESPONSIBILITIES OF MANAGEMENT AND INDIVIDUALS IN CHARGE OF CORPORATE GOVERNANCE IN RELATION TO THE PARENT COMPANY FINANCIAL STATEMENTS

—

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with French accounting principles and methods, and for such internal control as Management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, Management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the company or to cease its operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The parent company financial statements have been prepared by the Management Board.

STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE PARENT COMPANY FINANCIAL STATEMENTS

—

AUDIT OBJECTIVES AND APPROACH

Our role is to issue a report on the parent company financial statements. Our objective is to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions that users take on the basis of these parent company financial statements.

As specified in Article L. 823-10-1 of the Commercial Code, our statutory audit does not include assurance on the viability of the company or the quality of management of the company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgement throughout the audit. Furthermore, the Statutory Auditor:

- identifies and assesses the risks of material misstatement of the parent company financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the parent company financial statements;
- assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the parent company financial statements or, if such disclosures are not provided or inadequate, to issue a qualified or adverse opinion;
- evaluates the overall presentation of the parent company financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

REPORT TO THE AUDIT COMMITTEE

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the procedures relating to the preparation and processing of accounting and financial information that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were of most significance in the audit of the parent company financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of regulation (EU) n°537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the Commercial Code and in the Code of Ethics for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Lyon, 15 April 2020
The Statutory Auditors

KPMG Audit
A Department of KPMG SA
Stéphane Devin
Partner

ERNST & YOUNG et Autres
Sylvain Lauria
Partner

STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS

To the General Meeting of Somfy SA,

As Statutory Auditors to your company, we hereby present our report on regulated agreements.

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 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. Pursuant to the provisions of Article R. 225-58 of the Commercial Code, it is your role to assess the interest in concluding these agreements, with a view to approving them.

Furthermore, it is our responsibility, if applicable, to inform you of disclosures required by Article R. 225-58 of the Commercial Code relative to the execution, during the year just ended, of agreements 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 in relation to this assignment.

AGREEMENTS SUBMITTED FOR APPROVAL TO THE GENERAL MEETING

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We hereby inform you that we have not been advised of any agreements authorised and concluded during the financial year that required approval from the General Meeting pursuant to Article L. 225-86 of the Commercial Code.

AGREEMENTS ALREADY APPROVED BY THE GENERAL MEETING

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We were not made aware of any agreement, previously approved by the General Meeting and which continued to be executed during the financial year just ended.

Lyon, 15 April 2020
The Statutory Auditors

KPMG Audit
A Department of KPMG SA
Stéphane Devin
Partner

ERNST & YOUNG et Autres
Sylvain Lauria
Partner

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the General Meeting of Somfy SA,

OPINION

—

In compliance with the engagement entrusted to us by your General Meeting, we have audited the accompanying consolidated financial statements of Somfy SA for the year ended 31 December 2019. These financial statements were approved by the Management Board on 2 March 2020 on the basis of the information available on this date and within the developing context of the Covid-19 health crisis.

In our opinion, the consolidated financial statements provide a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2019 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.

The audit opinion expressed above is consistent with the content of our report to the Audit Committee.

BASIS FOR OPINION

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AUDIT FRAMEWORK

We have performed our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described herein in the section "Statutory Auditors' responsibilities for the audit of the consolidated financial statements" of this report.

INDEPENDENCE

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 January 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of regulation (EU) n°537/2014 or in the Code of Ethics for Statutory Auditors.

OBSERVATION

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Without qualifying the opinion expressed above, we draw your attention to the notes "2019 highlights - First-time application of IFRS 16" and 1.4.1 "Standards, amendments and interpretations whose application is mandatory for financial years beginning on or after 1 January 2019" to the consolidated financial statements, which describe the impact of the change in accounting method related to the application as from 1 January 2019 of IFRS 16 "Leases".

JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTERS

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In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement which, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year just ended, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, approved in the conditions set out above, and in forming our opinion thereon. Accordingly, we do not provide any opinion on specific items of the consolidated financial statements.

MEASUREMENT OF THE JOINTLY CONTROLLED SHAREHOLDING IN THE DOOYA COMPANY

Risk identified	Our response
At 31 December 2019, the jointly controlled shareholding in the Dooya company was valued at €135.9 million as specified in note 13.1 "Investments in associates and joint ventures" to the consolidated financial statements. At 31 December 2019, your Group reassessed the value of the equity-accounted investments under the procedure set out in note 13.1 to the consolidated financial statements. Each investment is considered as a Cash Generating Unit (CGU). This impairment test involves comparing the recoverable amount of the CGU with its book value. The recoverable amount of an equity investment 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 investment at year-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. We considered the valuation of the jointly controlled shareholding in the Dooya company to be a key audit point as a result of its material amount in the Group's financial statements and since determining the value in use is based on discounted forecast cash flows which require the use of assumptions, estimates or judgements by Management.	Our work as part of the audit of the Group's consolidated financial statements specifically consisted, with the help of our specialists, of: – reviewing the procedures for implementing the impairment test in relation to the shareholding in the Dooya company; – assessing, in particular via meetings with Management and by comparison with market data, the main data and assumptions on which the estimates are based, notably cash flow forecasts, the long-term growth rate and the discount rates; – analysing the market outlook for the Dooya company; – performing sensitivity analyses on impairment tests; – comparing the recoverable amount of the shareholding in the Dooya company with the net book value.

CLASSIFICATION OF LITIGATIONS AS CONTINGENT LIABILITIES

Risk identified	Our response
The Group's business activities are conducted within a complex and continuously changing international regulatory framework, which varies depending on the countries and over time, and applies to extremely different aspects. In that context, these activities may entail risks, commercial, wage-related or tax disputes, or litigious situations. As specified in notes "Highlights", 1.3 and 9.2 to the consolidated financial statements, the Management of your Group exercises its judgement, and uses estimates and assumptions when measuring these risks. Some of these risks are classified as contingent liabilities, as described in notes "Highlights", 1.3 and 9.2 to the consolidated financial statements and, in this regard, no provision has been made for them in the Group's financial statements. We have considered that the classification of litigations as contingent liabilities is a key audit point in view of the amounts in question, and the level of judgement required from Management to determine them.	Our work as part of the audit of your Group's consolidated financial statements specifically consisted of: – reviewing the procedures implemented by your Group to identify and assess these risks; – familiarising ourselves with the risk assessment performed by Management and the corresponding documentation, and reviewing the written consultations provided by external advisers, where applicable; – analysing the written confirmations obtained from your Group's external advisers; – assessing the main risks identified, and reviewing the assumptions used by Management to classify these risks as contingent liabilities; – assessing the appropriateness of the information presented in the notes "Highlights", 1.3 and 9.2 to the consolidated financial statements.

SPECIFIC VERIFICATIONS

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In accordance with the professional standards applicable in France, we have also performed the specific verifications required by law and regulations on the information relating to the Group given in the Management Board's management report approved on 2 March 2020. Management have informed us that a statement – regarding unfolding events and information that has emerged subsequent to the date of approval of the financial statements and concerning the effects of the Covid-19 crisis – will be made to the General Meeting convened to approve the financial statements.
We have no observation to make with regard to the fairness of such information and its consistency with the consolidated financial statements.
We certify that the consolidated Non-Financial Performance Statement provided for by Article L. 225-102-1 of the Commercial Code is included in the information relating to the Group given in the management report, it being specified that in accordance with the provisions of Article L. 823-10 of said Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained in this Statement which has to be subject to a report by an Independent Third-Party Body.

INFORMATION RESULTING FROM OTHER LEGAL AND REGULATORY REQUIREMENTS

—

APPOINTMENT OF THE STATUTORY AUDITORS

We were appointed as Statutory Auditors of Somfy SA by your General Meetings of 24 May 2016 for KPMG SA and 12 May 2010 for ERNST & YOUNG et Autres.
At 31 December 2019, KPMG SA was in its fourth year of uninterrupted engagement and ERNST & YOUNG et Autres in its tenth year.
Previously, ERNST & YOUNG Audit had been Statutory Auditor from 1993.

RESPONSIBILITIES OF MANAGEMENT AND INDIVIDUALS IN CHARGE OF CORPORATE GOVERNANCE IN RELATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

—

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, Management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the company or to cease its operations.
The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.
The consolidated financial statements have been prepared by the Management Board.

STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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AUDIT OBJECTIVES AND APPROACH

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions that users take on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the Commercial Code, our statutory audit does not include assurance on the viability of the company or the quality of management of the company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgement throughout the audit. Furthermore, the Statutory Auditor:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the consolidated financial statements;
- assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to issue a qualified or adverse opinion;
- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

REPORT TO THE AUDIT COMMITTEE

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the procedures relating to the preparation and processing of accounting and financial information that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of regulation (EU) n°537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the Commercial Code and in the Code of Ethics for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Lyon, 15 April 2020
The Statutory Auditors

KPMG Audit
A Department of KPMG SA
Stéphane Devin
Partner

ERNST & YOUNG et Autres
Sylvain Lauria
Partner

INDEPENDENT THIRD-PARTY BODY'S REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT

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 General Assembly,

As the Independent Third-Party Body accredited by the COFRAC (French Accreditation Committee) under number 3-1681 (accreditation scope available at www.cofrac.fr) and a member of the network of one of the Statutory Auditors of your entity (hereafter the "Entity"), we hereby present our report on the consolidated Non-Financial Statement for the financial year ended 31 December 2019 (hereafter the "Statement") included in the management report pursuant to the provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code *(Code du Commerce*).

THE ENTITY'S RESPONSIBILITY

The Management Board is responsible for preparing a Statement in accordance with the legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied in respect of these risks and the results of these policies, including key performance indicators.
The Statement was prepared in application of the Entity's procedures (hereafter the "Guidelines"), the significant items of which are presented in the Statement.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by the provisions of Article L. 822-11-3 of the Commercial Code and our profession's Code of Ethics *(Code de Déontologie*). In addition, we have implemented a quality control system which includes documented policies and procedures aimed at ensuring compliance with applicable laws and regulatory requirements, the ethical requirements and French professional guidance.

RESPONSIBILITY OF THE INDEPENDENT THIRD-PARTY BODY

On the basis of our work, our role is to deliver a reasoned opinion expressing a limited assurance conclusion on:
- the compliance of the Statement with the provisions referred to in Article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in application of section 3° of paragraphs I and II of Article R. 225-105 of the Commercial Code, *i.e.* the results of the policies, including the key performance indicators, and the actions, with respect to the main risks, hereafter the "Information".

However, it is not our responsibility to comment on the entity's compliance with other applicable legal and regulatory requirements, in particular the French duty of care law and anti-corruption and tax avoidance legislation nor the compliance of products and services with applicable regulations.

NATURE AND SCOPE OF THE WORK

The work described below was performed in accordance with the provisions of Articles A. 225-1 and subsequent of the French Commercial Code, as well as with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements and with ISAE 3000[(1)]:
- we obtained an understanding of all the consolidated entities' activities and the description of the principal risks associated;
- we assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration industry best practices where applicable;
- we verified that the Statement includes each category of social and environmental information set out in Article 225-102-1 III as well as information regarding compliance with Human Rights and anti-corruption and tax avoidance legislation;
- we verified that the Statement provides the information required under Article R. 225-105 II of the French Commercial Code where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under Article L. 225-102-1 III, paragraph 2 of the French Commercial Code;
- we verified that the Statement presents the business model and a description of principal risks associated with all the consolidated entities' activities, including, where relevant and proportionate, the risks associated with their business relations, their products or services, as well as their policies and measures and outcomes thereof, including key performance indicators associated to the principal risks;
- we referred to documentary sources and conducted interviews to:
  - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and policies presented, and
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important presented in Appendix 1; concerning certain risks (Social impact of the Foundation, Combatting Corruption, Combatting Tax Evasion and Responsible Purchasing), our work was carried out on the consolidating entity, for the other risks, work was carried out both on the consolidating entity and on a selection of the entities listed hereafter: the SOPEM site, Poland and Somfy Activités SA, France;
- we verified that the Statement covers the scope of consolidation, *i.e.* all the consolidated entities in accordance with Article L. 233-16 of the French Commercial Code with the limitations set out in the Statement;
- we obtained an understanding of internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information;
- for the key performance indicators and the other quantitative that we considered to be the most important presented in Appendix 1, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
  - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work

(1) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

was carried out on a selection of contributing entities listed above and covers between 40% and 59% of the consolidated data selected for these tests (59% of energy consumptions and 40% of the workforce);

- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

MEANS AND RESOURCES

Our verification work mobilized the skills of four people and was performed between November 2019 and March 2020 for a period of 11 weeks.

We conducted several interviews with the individuals responsible for preparing the Statement, representing in particular the Group's Environment, Human Resources, Health & Safety, Societal Engagement and Health & Safety Departments.

CONCLUSION

Based on the procedures performed, nothing has come to our attention that causes us to believe that the consolidated Non-Financial Statement is not presented in accordance with applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

COMMENT

Without modifying our conclusion and in accordance with Article A. 225-3 of the French Commercial Code, we have the following comment: improvements are still required in the understanding and application of the reporting guidelines and the monitoring of key performance indicators in particular those related to the professional development of employees and the processing of waste.

Paris-La Défense, le 15 avril 2020
Independent Third-Party Body
EY & Associés

Christophe Schmeitzky
Sustainable Development Partner

Jean-François Bélorgey
Partner

APPENDIX 1: INFORMATION CONSIDERED TO BE THE MOST IMPORTANT

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Social information

Quantitative information (including key performance indicators)	*Qualitative information (actions or results)*
Number of hours' training % of employees who received training on at least one occasion % of individuals who achieved career development internally Work accident frequency and severity rates Absenteeism rate	Organisation and strategic roadmap Believe & ACT! (in particular implementation of "Better Together" driver and #EmployeeJourney booster) People Review process Organisation, awareness raising, and health and safety at work training plan

Environmental information

Quantitative information (including key performance indicators)	*Qualitative information (actions or results)*
Proportion of products certified Act For Green Average CO_2 emissions per motor Hazardous and non-hazardous waste recycling rate Energy consumption and related CO_2 emissions Water consumption	Development plan for offers and products that improve the energy efficiency of the buildings We Act for Green action plan Action plan to minimise environmental effects

Societal information

Quantitative information (including key performance indicators)	*Qualitative information (actions or results)*
Number of Solidarity Missions organised Number of employees who have participated in a Solidarity Mission Number of employees who have received anti-corruption training (e-learning and face-to-face) Number of alerts, per year	Somfy Foundation initiatives Measures taken to combat corruption

STATUTORY AUDITORS' REPORT ON THE SHARE CAPITAL REDUCTION
(EXTRAORDINARY ANNUAL GENERAL MEETING OF 13 MAY 2020 - 16TH RESOLUTION[1])

To the Shareholders,

As Statutory Auditors of your company and in completion of our assignment pursuant to Article L. 225-209 of the Commercial Code in the event of a reduction of share capital by cancellation of shares bought back, we have prepared the present report to inform you of our assessment of the causes and terms and conditions of the foreseen reduction in capital.

Your Management Board proposes that you delegate to it, for a period of 24 months starting from the day of this General Meeting and for a maximum of 10% of its share capital per period of 24 months, full authority to cancel the shares purchased as part of the implementation by your company of an authorisation to buy back its own shares pursuant to the provisions of the aforementioned article.

We have performed the due diligence we deemed necessary with regard to the professional standards of the Compagnie Nationale des Commissaires aux Comptes in relation to this assignment. This consisted of examining whether the causes and terms and conditions of the foreseen reduction in share capital, which does not derogate from the principle of equality between shareholders, are correct.

We have no observations to make on the causes and terms and conditions of the foreseen share capital reduction.

Lyon, 15 April 2020
The Statutory Auditors

KPMG Audit
A Department of KPMG SA
Stéphane Devin
Partner

ERNST & YOUNG et Autres
Sylvain Lauria
Partner

(1) See information on this subject in the press release of 7 April 2020 in chapter 10 Recent events since 2 March 2020.

DRAFT RESOLUTIONS TO THE COMBINED GENERAL MEETING OF 13 MAY 2020[1]

ORDINARY SESSION

FIRST RESOLUTION – Approval of the parent company financial statements for the financial year ended 31 December 2019

The General Meeting, having considered the reports of the Management Board, the Supervisory Board and the Statutory Auditors on the financial statements for the year ended 31 December 2019, approves the parent company financial statements, as submitted, which show a net profit of €114,988,135.63.

SECOND RESOLUTION – Approval of the consolidated financial statements for the financial year ended 31 December 2019

The General Meeting, having considered the reports of the Management Board and the Statutory Auditors for the financial year ended 31 December 2019, approves the consolidated financial statements, as submitted, which show a net profit (Group share) of €163,227,000.00.

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 2019 proposed by the Management Board:

Source

– Net profit for the financial year	€114,988,135.63
– Retained earnings	€3,705,891.00

Allocation

– Dividends	€57,350,000.00[1]
– Optional reserve	€61,344,026.63[1]

The General Meeting notes that the total gross dividend is set at € 1.55[1] per share.
When it is paid to individuals who are tax residents in France, the dividend is subject to a single fixed-levy deduction at source on the gross dividend at the flat rate of 12.8% (Article 200 A of the General Tax Code), or at the express, irrevocable and comprehensive wishes of the taxpayer, to income tax calculated according to a sliding scale after notably an allowance of 40% (Article 200 A, 13, and 158 of the General Tax Code). The dividend is also subject to social security contributions at the rate of 17.2%.
The ex-dividend date is set at 3 June 2020.
The dividend will be paid on 5 June 2020.
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	Revenue eligible for tax rebate		Revenue not eligible for tax rebate
	Dividends	Other distributed earnings	
2016	€41,909,092.30* being €6.10 per share	–	–
2017	€44,645,450.20* being €1.30** per share	–	–
2018	€48,094,109.00* being €1.40 per share	–	–

* *Does not include unpaid dividends attributable to treasury shares and transferred to retained earnings.*
** *The share par value was divided by five on 24 May 2017. Since that date, share capital comprises 37,000,000 shares with a par value of €0.20 each.*

FOURTH RESOLUTION – Special report of the Statutory Auditors on regulated agreements – 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 – Renewal of the term of office of Victor DESPATURE as member of the Supervisory Board

The General Meeting decides to renew the term of office of Victor DESPATURE as member of the Supervisory Board for a period of one year, which will expire at the end of the General Meeting called in 2021 to approve the financial statements for the year then ended, in accordance with Article 18 of the bylaws.

SIXTH RESOLUTION – Renewal of the term of office of Marie BAVAREL-DESPATURE as member of the Supervisory Board

The General Meeting decides to renew the term of office of Marie BAVAREL-DESPATURE as member of the Supervisory Board for a period of four years, which will expire at the end of the General Meeting called in 2024 to approve the financial statements for the year just ended.

SEVENTH RESOLUTION – Appointment of Bertrand PARMENTIER as member of the Supervisory Board

The General Meeting decides to appoint Bertrand PARMENTIER as member of the Supervisory Board for a period of four years, which will expire at the end of the General Meeting called in 2024 to approve the financial statements for the year just ended.

(1) See information on this subject in the press release of 7 April 2020 in chapter 10 Recent events since 2 March 2020.

EIGHTH RESOLUTION – Fixed annual sum to be allocated to members of the Supervisory Board

The General Meeting decides to increase the annual fixed amount allocated to the Supervisory Board from €200,000 to €350,000.
This decision applies to the current financial year and will remain in force until further notice.

NINTH RESOLUTION – Approval of the remuneration policy for the Chairman of the Management Board and the member(s) of the Management Board

The General Meeting, acting pursuant to Article L. 225-82-2 of the Commercial Code, approves the remuneration policy of the Chairman and member(s) of the Management Board as presented in the report on corporate governance included in the 2019 Annual Financial Report (paragraph "Corporate officers' remuneration policy").

TENTH RESOLUTION – Approval of the remuneration policy for members of the Supervisory Board

The General Meeting, acting pursuant to Article L. 225-82-2 of the Commercial Code, approves the remuneration policy of the members of the Supervisory Board as presented in the report on corporate governance included in the 2019 Annual Financial Report (paragraph "Corporate officers' remuneration policy").

ELEVENTH RESOLUTION – Approval of the information referred to in paragraph I of Article L. 225-37-3 of the Commercial Code

The General Meeting, acting pursuant to Article L. 225-100 II of the Commercial Code, approves the information included in paragraph I of Article L. 225-37-3 of the Commercial Code and mentioned in the paragraph "Information referred to in paragraph I of Article L. 225-37-3 of the Commercial Code" of the report on corporate governance included in the 2019 Annual Financial Report.

TWELFTH RESOLUTION – Approval of the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid during or allocated in respect of the financial year just ended to Jean Guillaume DESPATURE, Chairman of the Management Board

The General Meeting, acting pursuant to Article L. 225-100 III of the Commercial Code, approves the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid during or allocated in respect of the financial year just ended to Jean Guillaume DESPATURE, Chairman of the Management Board, as presented in the report on corporate governance included in the 2019 Annual Financial Report, paragraph "Fixed, variable and exceptional items comprising total remuneration and benefits of any kind paid or allocated during the financial year just ended to the Chairman of the Management Board, members of the Management Board and the Chairman of the Supervisory Board".

THIRTEENTH RESOLUTION – Approval of the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid during or allocated in respect of the financial year just ended to Pierre RIBEIRO, member of the Management Board and Chief Financial Officer

The General Meeting, acting pursuant to Article L. 225-100 III of the Commercial Code, approves the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid during or allocated in respect of the financial year just ended to Pierre RIBEIRO, member of the Management Board and Chief Financial Officer, as presented in the report on corporate governance included in the 2019 Annual Financial Report, paragraph "Fixed, variable and exceptional items comprising total remuneration and benefits of any kind paid or allocated during the financial year just ended to the Chairman of the Management Board, members of the Management Board and the Chairman of the Supervisory Board".

FOURTEENTH RESOLUTION – Approval of the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid or allocated during the financial year just ended to Michel ROLLIER, Chairman of the Supervisory Board

The General Meeting, acting pursuant to Article L. 225-100 III of the Commercial Code, approves the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid during or allocated in respect of the financial year just ended to Michel ROLLIER, Chairman of the Supervisory Board, as presented in the report on corporate governance included in the 2019 Annual Financial Report, paragraph "Fixed, variable and exceptional items comprising total remuneration and benefits of any kind paid or allocated during the financial year just ended to the Chairman of the Management Board, members of the Management Board and the Chairman of the Supervisory Board".

FIFTEENTH 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 18 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 11th resolution to the General Meeting of 22 May 2019, 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 practices 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, in accordance with the authorisation granted or to be granted by the Extraordinary General Meeting.

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 €170 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 above-mentioned price will be restated in the same proportions (a multiplier coefficient equal to the number of shares comprising the share capital before the transaction divided by the number of shares following the transaction).

The maximum value of the transaction is therefore set at €184,170,010.

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

—

SIXTEENTH RESOLUTION – Authorisation to be granted to the Management Board to cancel shares bought back by the company within the framework set out by Article L. 225-209 of the Commercial Code

The General Meeting, having considered the report of the Management Board and the report of the Statutory Auditors:

1) grants authority to the Management Board to cancel shares, at its own discretion, on one or more occasions, within a limit of 10% of capital, calculated on the day on which the cancellation decision is made, reduced by the number of shares cancelled during the previous 24 months, the shares which the company holds or could hold following share buybacks exercised within the framework of Article L. 225-209 of the Commercial Code as well as to reduce share capital by the corresponding amount pursuant to the legal and regulatory provisions in force;
2) sets the term of this authorisation at 24 months starting from this General Meeting;
3) grants the Management Board all powers required to carry out all necessary transactions for such cancellations and ancillary reductions of share capital, to modify the company's bylaws as a result and fulfil all of the required formalities.

SEVENTEENTH RESOLUTION – Amendment to the bylaws setting out the terms and conditions of appointment of the members of the Board representing the employees, on the basis of Article L. 225-79-2 of the Commercial Code

The General Meeting, having considered the report of the Management Board:

- decides to amend Article 18 *bis* of the bylaws to provide for the terms and conditions of appointment of the Board member representing employees, pursuant to Article 225-79-2 of the Commercial Code (legal regime);
- decides accordingly:
  - to add an A. before the first paragraph of Article 18 *bis* of the bylaws,
  - to add at the end of Article 18 *bis* of the bylaws, the following paragraphs, with the rest of the article remaining unchanged:

"B. If the company meets the conditions for the application of Article L. 225-79-2 of the Commercial Code and cannot invoke the exceptions set out by this same text, the Supervisory Board will include a member representing the Group's employees.

If the Supervisory Board includes one or two members appointed under Article L. 225-79 of the Commercial Code and paragraph A of this Article, this obligation is not binding upon the company once the number of such members is at least equal to the number set out below.

The number of Board members to be taken into account in determining the number of members representing employees is assessed on the appointment date of the employee representatives to the Board. Neither the members elected by the employees pursuant to Article L. 225-79 of the Commercial Code, nor the members representing employee shareholders appointed pursuant to Article L. 225-71 of the Commercial Code are taken into account in this respect.

If the number of members appointed by the General Meeting exceeds eight, a second member representing employees is appointed, in accordance with the provisions set out below, within six months of appointment of the new member.

If the number of members appointed by the General Meeting is reduced to eight or less, this reduction will not affect the duration of the term of office of employee representatives to the Board, whose term will expire as normal.

In the event of the vacancy of a member representing employees for any reason whatsoever, said vacancy is filled pursuant to regulatory provisions.

Supervisory Board members representing employees are appointed for a period of four years.

Appointment procedure

Board members representing employees are appointed by the Group's Works Council.

In the event that the company exits the scope of Article L. 225-79-2 of the Commercial Code, the term of office of employee representatives on the Board expires at the end of the meeting during which the Board acknowledges the exit from the scope of application. "

EIGHTEENTH RESOLUTION – Applicable textual references in the event of a coding change

The General Meeting acknowledges that the textual references referred to in all the resolutions submitted to this General Meeting refer to the legal and regulatory provisions applicable on the date of the preparation of said resolutions and that in the event of any change to the codification of said provisions, the textual references corresponding to the new coding shall replace them.

NINETEENTH 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, 16 April 2020

Pierre Ribeiro
Member of the Management Board and Chief Financial Officer

10
RECENT EVENTS SINCE 2 MARCH 2020

10 RECENT EVENTS SINCE 2 MARCH 2020

PRESS RELEASE OF 23 MARCH 2020

COVID-19: SOMFY TEMPORARILY HALTS PRODUCTION AT ITS FRENCH, ITALIAN, AND TUNISIAN SITES

—

Somfy announces the temporary suspension of operations at its French, Italian and Tunisian production sites, as well as the temporary suspension of operations at its Bonneville logistics site in France. This suspension reflects the Group's desire to protect employee health in the current Covid-19 context as well as to respect measures taken by local authorities for the sites affected.

The suspension will enable the Group to reinforce health measures already in place at these production sites and guarantee Somfy employees a safe working environment.

The sites affected by the interruption are:

- Production site in Cluses, France
- BFT and Way production sites in Italy
- Sitem production site in Tunisia
- Logistics site in Bonneville, France

To date, all other production sites in China and Poland remain operational. An assessment of the situation at each production site is being carried out daily.

Somfy Group's main services are operational, thanks to remote working policies set up for all employees whose jobs are compatible. These measures provide as much continuity of service as possible for the Group's consumers, customers, and service providers.

The Group's priorities today are to ensure everyone's health as well as to continue following commitments to customers.

PRESS RELEASE OF 7 APRIL 2020

POSTPONEMENT OF THE ANNUAL GENERAL MEETING

—

As a result of the ongoing health crisis, the Management Board met today under the chairmanship of Jean Guillaume Despature and decided to postpone the General Meeting of shareholders, initially scheduled for 13 May, until 24 June 2020.

The Management Board would like to specify that, given the current situation, it reserves the right to review the dividend amount to be paid out in respect of the 2019 financial year, which was announced on 4 March upon publication of the annual results.

The Management Board would also like to inform shareholders that it will publish a press release at a later date to set out the arrangements for holding the General Meeting and providing the preparatory documents for said Meeting, and to give details of the proposed distribution of dividends.

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