

Compensation granted to the Executive Corporate officers

The Board of Directors of Fnac Darty, in its meeting on February 20, 2019, on the recommendation of the Appointments and Compensation Committee, reviewed and approved the following compensation for Mr. Enrique Martinez, Chief Executive Officer.

Variable compensation of Mr. Enrique Martinez for 2018

For the 2018 financial year, the variable annual compensation of the Chief Executive Officer may range from 0%, if no objective is met, to 100% of the fixed annual compensation if all the objectives are met. This variable compensation may reach a maximum of 120% of the fixed annual compensation if the objectives are exceeded.

Economic and financial criteria play a key role in the structure of the variable annual compensation. Eighty percent of this compensation is allocated to economic and financial objectives and 20% to qualitative objectives.

The economic and financial objectives for 2018 set for the variable portion are as follows:

- Group current operating income (COI);
- Group free cash flow (FCF);
- Group revenues;
- Evolution of Group market share;
- Achievement of synergies linked to the merger operation with the Darty Group.

The level of satisfaction of the criteria indicated above has been established precisely for each of them. Each economic or financial objective is subject to:

- a trigger threshold below which no compensation for the objective concerned is due, and
- an attainment level above which the compensation is capped at 120% for the objective concerned.

The qualitative objectives for 2018 set for the variable portion are as follows:

- Quality of management, Labor relations, Quality of financial communication, Quality of reporting to shareholders, Relations with directors.
- Speed and quality of roll-out of Confiance+
- Speed of execution and quality of implementation of the merger

Each of the economic and financial criteria has been measured by the Board based on performance throughout 2018. The qualitative criteria were evaluated at the same Board meeting based on the assessment performed by the Appointments and Compensation Committee.

The global level of attainment of the 2018 financial target was 98.21% of the fixed annual compensation, and the amount payable for 2018 was €540,177 gross.

In accordance with the provisions of Article L.225-37-2 of the French Commercial Code, payment of this annual variable compensation will be conditional upon approval by the May 23, 2019 Annual General Meeting of the compensation and benefits of any kind paid or awarded to Mr. Enrique Martinez for the 2018 financial year.

Fixed and variable compensation of Mr. Enrique Martinez for 2019

Mr. Enrique Martinez was appointed in July 2017 as Chief Executive Officer after spending 19 years in various management positions within the Group.

Six months later, the Board of Directors wished to take account of the successful way in which Mr. Enrique Martinez began his tenure, as reflected in the good performance that was achieved and that became particularly evident in the outperformance of the objectives set for 2017, as well as the launch of a new strategic plan. As a result, following the recommendation of the Appointments and Compensation Committee, the Board had reevaluated the fixed compensation and the maximum potential variable compensation while keeping them at a lower level than those of directors of comparable companies, to enable the Board to have the necessary time to reflect and fully measure how Mr. Enrique Martinez had performed his duties.

This year, the Board recognizes and confirms Mr. Enrique Martinez' successful tenure as Chief Executive Officer. This has been marked by the consolidation and successful integration of Darty and the achievement of the expected level of synergies one year ahead of the Group's initial commitment; by the outstanding operational execution of the strategic plan in its first year, and the achievement of a level of current operating income that has increased in value and rate compared to that of the previous year in a highly competitive market and a difficult economic environment.

The Board also highlights the change in status of Mr. Enrique Martinez whose appointment it wishes to propose at the General Meeting called to approve the financial statements for 2018.

Lastly, after engaging a specialist consulting firm to perform a compensation study involving the construction of a panel of SBF 120 companies and specialized retail companies whose characteristics in terms of size, complexity and governance are comparable to Fnac Darty, the Board finds that there is a significant shortfall both in the amount of fixed compensation of Mr. Enrique Martinez and in the potential maximum variable compensation for outperformance.

Following the recommendation of the Appointments and Compensation Committee, the Board of Directors has consequently set the fixed annual compensation of Mr. Enrique Martinez at €750,000, now putting it at the median level of the panel in terms of fixed compensation, and the maximum potential variable compensation for outperformance at 150%, now putting it at the median level of the panel in terms of maximum variable compensation. The potential variable compensation for objectives achieved remains unchanged at 100% of the fixed annual compensation. This new compensation is set for the director's term of office which is to be proposed at the Annual General Meeting for Mr. Enrique Martinez, and will therefore not be modified except in exceptional circumstances.

With regard to the variable compensation for 2019, the economic and financial criteria still play a key role in its structure. 70% of this compensation is allocated to economic and financial objectives, 10% to objectives related to social and environmental responsibility (which have been integrated as recommended by the AFEP-MEDEF Code) and 20% to qualitative objectives.

These objectives are set precisely in advance.