



**THE SHAREHOLDERS OF MODERN TIMES GROUP MTG AB (publ) are hereby invited to the Annual General Meeting on Wednesday 18 May 2011 at 9:30 a.m. CET at the Hotel Rival, Mariatorget 3 in Stockholm**

## **NOTIFICATION**

Shareholders who wish to participate at the Annual General Meeting shall

- have their names entered in the register of shareholders maintained by Euroclear Sweden AB on Thursday 12 May 2011, and
- notify the Company of their intention to participate by no later than 1:00 p.m. CET on Thursday 12 May 2011. The notification can be made on the Company's website, [www.mtg.se](http://www.mtg.se), by telephone +46 (0)771-246 400 or in writing to the Company at:

Modern Times Group MTG AB  
c/o Computershare AB  
P.O. Box 610  
SE-182 16 Danderyd, Sweden

When giving notice of participation, the shareholders should state their name, personal identification number (or company registration number), address, telephone number, shareholdings and any advisors attending. If participation is by way of proxy, such document should be submitted in connection with the notice of participation of the Annual General Meeting. If the proxy is issued by a legal entity, a certified copy of the registration certificate or an equivalent certificate of authority, shall be attached to the proxy. Written notifications made by post should be marked "AGM".

Proxy forms are available at the Company's website [www.mtg.se](http://www.mtg.se). For ordering the proxy forms the same address and telephone number can be used as for the notification, see above. Distance participation and voting is not available.

Shareholders whose shares are registered in the names of nominees must temporarily re-register the shares in their own name in order to be entitled to participate at the Annual General Meeting. Shareholders wishing to re-register must inform the nominee well in advance of Thursday 12 May 2011.

## **PROPOSED AGENDA**

1. Opening of the Meeting.
2. Election of Chairman of the Annual General Meeting.
3. Preparation and approval of the voting list.
4. Approval of the agenda.
5. Election of one or two persons to check and verify the minutes.
6. Determination of whether the Annual General Meeting has been duly convened.
7. Statement by the Chairman of the Board on the work of the Board of Directors.
8. Presentation by the Chief Executive Officer.
9. Presentation of the Annual Report, the Auditors' Report and the consolidated financial statements and the Auditors' Report on the consolidated financial statements.
10. Resolution on the adoption of the income statement and Balance Sheet and of the consolidated income statement and the consolidated Balance Sheet.
11. Resolution on the proposed treatment of the Company's unappropriated earnings or accumulated loss as stated in the adopted Balance Sheet.
12. Resolution on the discharge of liability of the directors of the Board and the Chief Executive Officer.
13. Determination of the number of directors of the Board.
14. Determination of the remuneration to the directors of the Board and the auditors.
15. Election of the directors of the Board and the Chairman of the Board.
16. Determination of the number of auditors.
17. Approval of the procedure of the Nomination Committee.
18. Resolution regarding Guidelines for remuneration to the senior executives.
19. Resolution regarding incentive programme comprising the following resolutions:
  - (a) adoption of an incentive programme;
  - (b) authorisation to resolve to issue Class C shares;
  - (c) authorisation to resolve to repurchase own Class C shares;
  - (d) transfer of own Class B shares.
20. Resolution to authorise the Board of Directors to resolve on repurchase of own shares.

21. Resolution on amendment of the Articles of Association.
22. Closing of the Meeting.

## **NOMINATION COMMITTEE PROPOSALS (Items 2 and 13-17)**

### *Election of Chairman of the Annual General Meeting (Item 2)*

The Nomination Committee proposes that the lawyer Wilhelm Luning is appointed to be the Chairman of the Annual General Meeting.

### *Determination of the number of directors of the Board and election of the directors of the Board and the Chairman of the Board (Item 13 and 15)*

The Nomination Committee proposes that the Board of Directors shall consist of eight directors and no deputy directors. The Nomination Committee proposes, for the period until the close of the next Annual General Meeting, the re-election of David Chance, Simon Duffy, Alexander Izosimov, Mia Brunell Livfors, Michael Lynton, David Marcus and Cristina Stenbeck as directors of the Board. Furthermore the Nomination Committee proposes the election of Lorenzo Grabau as a new director of the Board. The Nomination Committee proposes that the Annual General Meeting shall re-elect David Chance as Chairman of the Board of Directors. Finally, it is proposed that the Board of Directors at the Constituent Board Meeting appoints an Audit Committee and a Remuneration Committee within the Board of Directors. The Nomination Committee's motivated opinion regarding proposal of the Board of Directors is available at the Company's website, [www.mtg.se](http://www.mtg.se).

### *Determination of the number of auditors (Item 16)*

At the Annual General Meeting 2007 the shareholders appointed accounting firm Ernst & Young AB, with Erik Åström as auditor-in-charge, until the end of the Annual General Meeting 2011 and at the Annual General Meeting 2010 the shareholders appointed accounting firm KPMG AB, with George Pettersson as auditor-in-charge, until the end of the Annual General Meeting 2014. The Nomination Committee now proposes that the Company shall have one (1) accounting firm as auditor. Pursuant to the Nomination Committee's proposal that the Company shall have one (1) accounting firm as auditor the task of appointing an auditor is not scheduled to occur until 2014, and will therefore not occur at this 2011 Annual General Meeting.

### *Determination of the remuneration to the directors of the Board and the auditor (Item 14)*

The Nomination Committee proposes that the Annual General Meeting resolve to increase the total Board remuneration from SEK 3,950,000 to SEK 4,875,000 for the period until the close of the next Annual General Meeting in 2012. The proposal includes SEK 1,200,000 to be allocated to the Chairman of the Board, SEK 450,000 to each of the directors of the Board and total SEK 525,000 for the work in the committees of the Board of Directors. The increase for committee work is driven by an increase in number of Audit Committee members from three to four members and not due to an individual increase in

committee remuneration. The Nomination Committee proposes that for work within the Audit Committee SEK 200,000 shall be allocated to the Chairman and SEK 75,000 to each of the other three members. For work within the Remuneration Committee SEK 50,000 shall be allocated to the Chairman and SEK 25,000 to each of the other two members. Furthermore, remuneration to the auditor shall be paid in accordance with approved invoices.

#### *Approval of the procedure of the Nomination Committee (Item 17)*

The Nomination Committee proposes that the Annual General Meeting approves the following procedure for preparation of the election of the Board of Directors and auditor. The work of preparing a proposal on the directors of the Board and auditor, in the case that an auditor should be elected, and their remuneration as well as the proposal on the Chairman of the Annual General Meeting of 2012 shall be performed by a Nomination Committee. The Nomination Committee will be formed during October 2011 in consultation with the largest shareholders of the Company as per 30 September 2011. The Nomination Committee will consist of at least three members representing the largest shareholders of the Company. The Nomination Committee is appointed for a term of office commencing at the time of the announcement of the third quarter report in 2011 and ending when a new Nomination Committee is formed. The majority of the members of the Committee may not be directors of the Board of Directors or employed by the Company. If a member of the Committee resigns before the work is concluded, a replacement member may be appointed after consultation with the largest shareholders of the Company. However, unless there are special circumstances, there shall not be changes in the composition of the Nomination Committee if there are only marginal changes in the number of votes, or if a change occurs less than three months prior to the Annual General Meeting. Cristina Stenbeck will be a member of the Committee and will also act as its convenor. The members of the Committee will appoint the Committee Chairman at their first meeting. The Nomination Committee shall have the right to upon request receive personnel resources such as secretarial services from the Company, and to charge the Company with costs for recruitment consultants if deemed necessary.

#### **DIVIDENDS (Item 11)**

The Board of Directors proposes a dividend of SEK 7.50 per share. The record date is proposed to be on 23 May 2011. The dividend is estimated to be paid out by Euroclear Sweden on 26 May 2011.

#### **GUIDELINES FOR REMUNERATION TO THE SENIOR EXECUTIVES (Item 18)**

The Annual General Meeting 2011 is asked to decide on the following guidelines, proposed by the Board of Directors, for determining remuneration for MTG's senior executives (below the "Executives").

##### *Remuneration guidelines*

The objective of the guidelines is to ensure that MTG can attract, motivate and retain senior executives, within the context of MTG's international peer group, which consists of

Northern and Eastern European media companies. The remuneration shall be based on conditions that are market competitive and at the same time aligned with shareholders' interests. Remuneration to the Executives shall consist of a fixed and variable salary in cash, as well as the possibility of participation in an equity based long-term incentive programme and pension schemes. These components shall create a well balanced remuneration reflecting individual performance and responsibility, both short-term and long-term, as well as MTG's overall performance.

#### *Fixed salary*

The Executives' fixed salary shall be competitive and based on the individual Executive's responsibilities and performance.

#### *Variable salary*

The Executives may receive variable remuneration in addition to fixed salaries. The contracted variable remuneration will generally not exceed a maximum of 75 per cent of the fixed annual salary. The variable remuneration shall be based on the performance of Executives in relation to established goals and targets.

#### *Other benefits*

MTG provides other benefits to the Executives in accordance with local practice. Other benefits can include, for example, a company car and company health care. Occasionally, housing allowance could be granted for a defined period.

#### *Pension*

The Executives shall be entitled to pension commitments based on those that are customary in the country in which they are employed. Pension commitments will be secured through premiums paid to insurance companies.

#### *Notice of termination and severance pay*

The maximum notice period in any Executive's contract is twelve months during which time salary payment will continue. The Company does not generally allow any additional contractual severance payments to be agreed although there can be occasional cases where this takes place and it should be noted that the Chief Executive Officer is entitled to receive a severance payment equivalent to one month's basic salary per year of service in the Group if he complies with certain conditions.

#### *Deviations from the guidelines*

In special circumstances, the Board of Directors may deviate from the above guidelines, for example additional variable remuneration in the case of exceptional performance. In such a case the Board of Directors is obliged to explain the reason for the deviation at the following Annual General Meeting.

### **PROPOSAL TO IMPLEMENT AN INCENTIVE PROGRAMME (Item 19)**

The Board of Directors proposes that the Annual General Meeting resolves to adopt a performance-based incentive programme for senior executives and other key employees

within the Group in accordance with items 19(a) – 19(d) below. All resolutions are proposed to be conditional upon each other and therefore proposed to be adopted in connection with each other.

### **PROPOSAL TO ADOPT AN INCENTIVE PROGRAMME (Item 19(a))**

The Board of Directors proposes that the Annual General Meeting resolves to adopt a performance-based incentive programme (the “**Plan**”). The Plan is proposed to in total include approximately 100 senior executives and other key employees within the Group. The participants of the Plan are required to own shares in MTG. These investment shares can either be shares already held or shares purchased on the market in connection with the notification to participate in the Plan. The proposed Plan has the same structure as the plan that was adopted at the 2010 Annual General Meeting.

For each share invested under the Plan, the participants will be granted retention rights, and in certain cases, performance rights and stock options by the Company. Subject to fulfillment of certain retention and performance based conditions during the period 1 April 2011 – 31 March 2014 (the “**Measurement Period**”), the participant maintaining employment within the Group at the release of MTG’s interim report for the period January – March 2014, and subject to the participant maintaining the invested shares during the vesting period ending at the release of the interim report for the period January – March 2014, each retention right and performance right will entitle the participant to receive one Class B share free of charge and each performance option will entitle the participant to purchase one Class B share at a price corresponding to 120 per cent of the share price at grant. Dividends paid on the underlying share will increase the number of shares that each retention right and performance right entitles to in order to treat the shareholders and the participants equally.

The retention rights, the performance rights and the options are divided into Series A; retention rights and Series B and C; performance rights and options. The number of MTG shares the participant will receive at vesting of retention rights and performance rights and exercise of vested options depends on which category the participant belongs to and on the fulfilment of the following defined retention and performance based conditions:

- Series A* MTG’s total shareholder return on the share (TSR) during the Measurement Period exceeding 0 per cent as entry level.
- Series B* MTG’s average normalised return of capital employed (ROCE) during the Measurement Period being at least 18 per cent as entry level and at least 28 per cent as the stretch target.
- Series C* MTG’s total shareholder return on the shares (TSR) during the Measurement Period being equal to the average TSR for a peer group including CME, ITV, M6, Mediaset, ProSieben, RTL Group, Sky, TF1 and TVN as entry level, and exceeding the average TSR for the peer group with 10 percentage points as the stretch target. When calculating the TSR, March 2011 shall be compared to March 2014. Furthermore, the companies in the

peer group which have the highest respectively the lowest TSR, shall be excluded from the calculation.

In total, the Plan is estimated to comprise up to 19,850 shares held by the employees entitling to allotment of up to 215,650 rights and options, whereof 19,850 retention rights, 97,900 performance rights and 97,900 options. The participants are divided into different groups, decided by the Remuneration Committee. In accordance with the above principles and assumptions, the Plan will permit between 100 – 1,900 invested shares by the different categories of participants.

The participant's maximum profit per right and option in the Plan is SEK 1,294 which corresponds to three times the average closing share price of the MTG Class B shares during February 2011. If the value of the MTG Class B share at vesting or the profit at exercise of the option exceeds SEK 1,294, the number of shares each right entitles the employee to receive at vesting or the number of shares received at exercise of the options will be reduced accordingly. The maximum dilution is 0.4 per cent in terms of shares outstanding, 0.2 per cent in terms of votes and 0.07 per cent in terms of the estimated Plan cost as defined in IFRS 2 divided by the Company's market capitalisation.

The Board of Directors, or a committee established by the Board for these purposes, shall be responsible for preparing the detailed terms and conditions of the Plan, in accordance with the mentioned terms and guidelines. To this end, the Board of Directors shall be entitled to make adjustments to the Plan to meet foreign regulations or market conditions.

The objective of the proposed Plan is to create conditions to recruit and retain high performing employees in the Group. The Plan has been designed based on the view that it is desirable that senior executives and other key employees within the Group are shareholders in the Company. Participation in the Plan requires a personal investment in MTG shares by each participant. By linking the employee's reward with the development of the Company's profits and increase in value, employee loyalty is rewarded and long-term value growth of the Company is facilitated. Against this background, the Board of Directors is of the opinion that the adoption of the Plan as set out above will have a positive effect on the Group's future development and thus be beneficial for both the Company and its shareholders.

To ensure the delivery of Class B shares under the Plan, the Board of Directors proposes that the Annual General Meeting resolves to authorise the Board of Directors to resolve on a directed issue of Class C shares to Nordea Bank AB (publ) in accordance with item 19(b), and further to authorise the Board of Directors to subsequently resolve to repurchase the Class C shares from Nordea Bank AB (publ) in accordance with item 19(c). The Class C shares will then be held by the Company during the vesting period, where after the appropriate number of Class C shares will be reclassified into Class B shares and subsequently be delivered to the participants under the Plan.

The above proposal is supported by the Company's major shareholders.

### **AUTHORISATION TO RESOLVE TO ISSUE CLASS C SHARES (Item 19(b))**

The Board of Directors proposes that the Annual General Meeting resolves to authorise the Board of Directors, during the period until the next Annual General Meeting, to increase the Company's share capital by not more than SEK 1,200,000 by the issue of not more than 240,000 Class C shares, each with a ratio value of SEK 5.00. With disapplication of the shareholders' preferential rights, Nordea Bank AB (publ) shall be entitled to subscribe for the new Class C shares at a subscription price corresponding to the ratio value of the shares. The purpose of the authorisation and the reason for the disapplication of the shareholders' preferential rights in connection with the issue of shares is to ensure delivery of Class B shares to participants under the Plan.

### **AUTHORISATION TO RESOLVE TO REPURCHASE OWN CLASS C SHARES (Item 19(c))**

The Board of Directors proposes that the Annual General Meeting resolves to authorise the Board of Directors, during the period until the next Annual General Meeting, to repurchase its own Class C shares. The repurchase may only be effected through a public offer directed to all holders of Class C shares and shall comprise all outstanding Class C shares. The purchase may be effected at a purchase price corresponding to not less than SEK 5.00 and not more than SEK 5.10. The total price will not exceed SEK 1,224,000. Payment for the Class C shares shall be made in cash. The purpose of the repurchase is to ensure the delivery of Class B shares under the Plan.

### **TRANSFER OF OWN CLASS B SHARES (Item 19(d))**

The Board of Directors proposes that the Annual General Meeting resolves that Class C shares that the Company purchases by virtue of the authorisation to repurchase its own shares in accordance with item 19(c) above, following reclassification into Class B shares, may be transferred to participants in accordance with the terms of the Plan.

### **AUTHORISATION FOR THE BOARD OF DIRECTORS TO RESOLVE ON REPURCHASE OF OWN SHARES (Item 20)**

The Board of Directors proposes that the Annual General Meeting authorises the Board of Directors to pass a resolution on one or more occasions for the period up until the next Annual General Meeting on repurchasing so many Class A and/or Class B shares that the Company's holding does not at any time exceed 10 per cent of the total number of shares in the Company. The repurchase of shares shall take place on the Nasdaq OMX Stockholm and may only occur at a price within the share price interval registered at that time, where share price interval means the difference between the highest buying price and lowest selling price.

The purpose of the authorisation is to give the Board of Directors flexibility to continuously decide on changes to the capital structure during the year and thereby contribute to increased shareholder value.



## **AMENDMENT OF THE ARTICLES OF ASSOCIATION (Item 21)**

Due to amendments to the Swedish Companies Act the Board of Directors proposes that the Annual General Meeting resolves on additions and alterations of Sections 7 and 9 of the Articles of Association.

The Board of Directors proposes an addition to Section 7 involving that the term of office of the auditor shall last until the end of the Annual General Meeting which is held during the fourth financial year after the election. The Board of Directors proposes that Section 7 shall have the following wording.

*“The Company shall have no more than three auditors with up to three deputy auditors. The auditors term of office shall last until the end of the Annual General Meeting which is held during the fourth financial year after the auditor was elected.”*

Regarding Section 9 the Board of Directors proposes that the rules regarding the timetable for the notice convening General Meetings, in Section 9 first paragraph, be deleted from the Articles of Association.

## **SHARES AND VOTES**

There are a total number of 67,407,124 shares in the Company, whereof 6,410,852 Class A shares, 60,371,272 Class B shares and 625,000 Class C shares, corresponding to a total of 125,104,792 votes. The Company currently holds 440,000 of its own Class B shares and 625,000 of its own Class C shares corresponding to 1,065,000 votes, which cannot be represented at the Annual General Meeting.

## **OTHER INFORMATION**

Valid resolutions under items 19(b) and 19(c), 20 and 21 above require approval of shareholders representing at least two-thirds of the shares and number of votes represented at the Annual General Meeting. Valid resolutions under items 19(a) and 19(d) above require approval of shareholders representing at least nine-tenth of the shares and the numbers of votes represented at the Annual General Meeting. Items 19(a) – 19(d) are conditional upon each other. From Wednesday 27 April 2011 at the latest, the accounting documents, the Auditor's Report, the statements of the Board of Directors, the auditor's statement pursuant to Chapter 8 Section 54 of the Swedish Companies Act and the complete text of the proposals of the Board of Directors will be made available at the Company's website at [www.mtg.se](http://www.mtg.se) and at the Company's premises at Skeppsbron 18 in Stockholm. Shareholders who wish to receive these documents may notify the Company, whereupon the documents will be sent by post or by e-mail.

The Board of Directors and the CEO shall, if any shareholder so requests and the Board of Directors believes that it can be done without material harm to the company, provide information regarding circumstances that may affect the assessment of an item on the agenda, circumstances that can affect the assessment of the company's or its subsidiaries' financial situation and the company's relation to other companies within the group and the consolidated accounts.

The Annual General Meeting will mainly be held in Swedish. As a service to the shareholders, simultaneous interpretation from Swedish to English as well as from English to Swedish will be provided.

**Schedule for the Meeting**

8:30 a.m. The doors open for shareholders.

9:30 a.m. The Annual General Meeting commences.

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Stockholm, April 2011

Modern Times Group MTG AB (publ)

The Board of Directors