



## **NOTICE TO ATTEND THE ANNUAL GENERAL MEETING**

**The shareholders of Modern Times Group MTG AB (publ) are hereby invited to the Annual General Meeting on Tuesday 24 May 2016 at 3.00 p.m. CET at the Hotel Rival, Mariatorget 3 in Stockholm.**

### **NOTICE TO ATTEND ETC.**

Shareholders who wish to attend the Annual General Meeting shall

- be entered in the share register maintained by Euroclear Sweden on Wednesday 18 May 2016; and
- give notice of their attendance no later than Wednesday 18 May 2016, preferably before 1.00 p.m. CET. Notification is to be made on the company's website at [www.mtg.com](http://www.mtg.com), by telephone to +46 (0) 771 246 400 or by mail to Computershare AB "AGM, Modern Times Group MTG ", P.O. Box 610, SE-182 16 Danderyd, Sweden.

Shareholders shall in their notice to attend state name, personal identification number or company registration number, address, phone number and advisors, if applicable. Shareholders whose shares are registered in the names of nominees must temporarily re-register such shares in their own name in order to be entitled to attend the Annual General Meeting. In order for such re-registration to be completed on Wednesday 18 May 2016 the shareholder must inform their nominees well before that day. Shareholders attending by a proxy or a representative should send documents of authorisation to the mail address above, well before the Annual General Meeting. A template proxy form is available on the company's website [www.mtg.com](http://www.mtg.com). Shareholders cannot vote or, in other way, attend the Annual General Meeting by remote access.

### **PROPOSED AGENDA**

1. Opening of the Annual General 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. Remarks by the Chairman of the Board.
8. Presentation by the Chief Executive Officer.
9. Presentation of the Annual Report, the Auditor's Report and the consolidated financial statements and the Auditor's Report on the consolidated financial statements.
10. Resolution on the adoption of the Income Statement and the Balance Sheet and of the consolidated Income Statement and the consolidated Balance Sheet.
11. Resolution on the treatment of the company's earnings as stated in the adopted Balance Sheet.
12. Resolution on the discharge of liability of the members of the Board and the Chief Executive Officer.
13. Determination of the number of members of the Board.

14. Determination of the remuneration to the members of the Board and the auditor.
15. Election of Board members;
  - (a) Joakim Andersson (re-election, proposed by the Nomination Committee).
  - (b) David Chance (re-election, proposed by the Nomination Committee).
  - (c) Simon Duffy (re-election, proposed by the Nomination Committee).
  - (d) Bart Swanson (re-election, proposed by the Nomination Committee).
  - (e) Donata Hopfen (new election, proposed by the Nomination Committee).
  - (f) John Lagerling (new election, proposed by the Nomination Committee).
16. Election of the Chairman of the Board.
17. Approval of the procedure of the Nomination Committee.
18. Resolution regarding guidelines for remuneration to the senior executives.
19. Resolution regarding a long-term incentive plan 2016, including resolutions regarding (a) adoption of a long-term incentive plan 2016 and (b) transfer of own Class B shares to the participants.
20. Resolution to authorise the Board to resolve on repurchase of own shares.
21. Closing of the Annual General Meeting.

## **RESOLUTIONS PROPOSED BY THE NOMINATION COMMITTEE**

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

The Nomination Committee proposes that Wilhelm Lünig, member of the Swedish Bar Association, is elected to be the Chairman of the Annual General Meeting.

### **Determination of the number of members of the Board and election of the members of the Board and the Chairman of the Board (items 13, 15(a)-(f) and 16)**

The Nomination Committee proposes that the Board shall consist of six members.

The Nomination Committee proposes that, for the period until the close of the next Annual General Meeting Joakim Andersson, David Chance, Simon Duffy and Bart Swanson shall be re-elected as members of the Board, and that Donata Hopfen and John Lagerling shall be elected as new members of the Board.

The Nomination Committee proposes that David Chance is re-elected as Chairman of the Board.

### **Determination of the remuneration to the members of the Board and the auditor (item 14)**

The Nomination Committee proposes that for the period until the end of the next Annual General Meeting SEK 1,375,000 (2015: SEK 1,260,000) is to be allocated to the Chairman of the Board, SEK 475,000 (unchanged) to each of the other directors of the Board and a total of SEK 800,000 (unchanged) for the work in the Committees of the Board. The Nomination Committee proposes that for work within the Audit Committee SEK 225,000 shall be allocated to the Chairman and SEK 125,000 to each of the other three members. For work within the Remuneration Committee SEK 100,000 shall be allocated to the Chairman and SEK 50,000 to each of the other two members. The total remuneration to the Board amounts to SEK 4,550,000 (2015: SEK 4,910,000).

The Nomination Committee proposes that 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 work of preparing proposals to the 2017 Annual General Meeting regarding the Board and auditor, in the case that an auditor should be elected, and their remuneration, Chairman of the Annual General Meeting and the procedure for the Nomination Committee shall be performed by a Nomination Committee.

The Nomination Committee will be formed during September 2016 in consultation with the largest shareholders of the company on 31 August 2016. The Nomination Committee will consist of at least three members appointed by the largest shareholders of the company who have wished to appoint a member. The Chairman of the Board will also be a member of the Committee, and will act as its convenor. The members of the Committee will appoint the Committee's Chairman at their first meeting.

The Nomination Committee is appointed for a term of office commencing at the time of its formation and ending when a new Nomination Committee is formed. If a member resigns during the Committee term, the Nomination Committee may choose to appoint a new member. The shareholder that appointed the resigning member shall in such case be asked to appoint a new member, provided that the shareholder still is one of the largest shareholders in the company. If that shareholder declines participation on the Nomination Committee, the Committee may choose to ask the next largest qualified shareholder to participate. In the event of changes to the ownership structure of the company, the Committee may choose to amend its composition in order to ensure that the Committee appropriately reflects the ownership of the company. However, unless there are special circumstances, the composition of the Nomination Committee may remain unchanged following changes in the ownership structure of the company that are either minor or occur less than three months prior to the 2017 Annual General 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 and related travel if deemed necessary.

#### **Information with respect to the election of auditor**

The registered accounting firm KPMG AB was elected auditor at the 2014 Annual General Meeting for a period of four years. Accordingly, the task of appointing an auditor is scheduled to occur at the 2018 Annual General Meeting. KPMG AB has appointed the authorised public accountant Joakim Thilstedt as auditor-in-charge.

## **RESOLUTIONS PROPOSED BY THE BOARD**

### **Dividend (item 11)**

The Board proposes a dividend of SEK 11.50 per share and that the record date for dividend shall be on Thursday 26 May 2016. If the Annual General Meeting resolves in accordance with the proposal, the dividend is estimated to be paid out to the shareholders on Tuesday 31 May 2016.

### **Guidelines for remuneration to senior executives (item 18)**

The Board proposes the following guidelines for determining remuneration for MTG's senior executives as well as members of the Board if they are remunerated outside their directorship.

#### *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 peers, which primarily consists of Nordic and European media, telecom and online companies. The aim is to create a remuneration that is market competitive, well balanced and reflects individual performance and responsibility, both short-term and long-term, as well as MTG's overall performance and align the senior executives' incentives with the interests of the shareholders. The intention is that the senior executives shall have a significant long term shareholding in MTG and that remuneration to the senior executives shall be based on the pay for performance principle.

Remuneration to the senior executives shall consist of fixed salary, short-term variable remuneration paid in cash ("STI") the possibility to participate in long-term share or share price related incentive programs ("LTI") as well as pension and other customary benefits.

#### *Fixed salary*

The senior executives' fixed salary shall be competitive and based on the individual senior executive's

responsibilities and performance.

#### *Variable remuneration*

The STI shall be based on fulfillment of established targets for the MTG Group and in the senior executives' area of responsibility. The result shall be linked to measurable targets (qualitative, quantitative, general, individual). The targets within each area of responsibility are defined to promote MTG's development in the short and long-term.

The maximum payment under the STI shall generally not exceed 100 percent of the senior executives' fixed salary. Payment of part of the STI is conditional upon it being invested in MTG shares and on those shares being held for an agreed period of time.

The LTI shall be linked to certain pre-determined financial and/or share or share-price related performance criteria and shall ensure a long-term commitment to the development of the MTG Group and align the senior executives' incentives with the interests of the shareholders.

#### *Pension and other benefits*

The senior executives shall be entitled to pension commitments that are customary, competitive and in line with market conditions in the country in which the senior executive is employed. Pension commitments will be secured through premiums paid to insurance companies.

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

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

The maximum notice period in any senior executive's contract is twelve months during which time salary payment will continue. MTG does not generally allow any additional contractual severance payments to be agreed.

#### *Compensation to Board Members*

Board members, elected at General Meetings, may in certain cases receive a fee for services performed within their respective areas of expertise, outside of their Board duties. Compensation for these services shall be paid at market terms and be approved by the Board.

#### *Deviations from the guidelines*

The Board may deviate from the above guidelines on a case by case basis. For example, additional variable remuneration or cash payments may be paid in the case of exceptional performance or in special circumstances such as recruitment or retention. In such cases the Board will explain the reason for the deviation at the following Annual General Meeting.

#### *Evaluation of the guidelines and auditor's statement with respect to the compliance with the guidelines*

In accordance with the Swedish Corporate Governance Code Rule 10.3 and 9.1 the Remuneration Committee within the Board monitors and evaluates the application of the guidelines for remuneration to the Executives established by the Annual General Meeting. Also, the company's auditor has, pursuant to Ch 8 Sec 54 of the Swedish Companies Act, provided a statement with respect to whether there has been compliance with the guidelines for remuneration to the senior executives which have applied during 2015. The evaluation and auditor's review have resulted in the conclusion that the guidelines adopted by the Annual General Meeting have generally been followed, however the Board has in 2015, due to extraordinary performance, resolved to pay a variable remuneration to the CEO that exceeds 100 per cent of his fixed salary.

## Long-term incentive plan 2016 (item 19)

The Board proposes that the Annual General Meeting resolves to adopt the long-term incentive plan (the "**Plan**") for senior executives (not referring to members of the Board) and other key employees within the MTG Group as follows.

### *Adoption of the Plan (item 19(a))*

#### *Objectives of the Plan*

The main objectives for adopting the Plan are to create conditions to recruit, motivate and retain high performing key employees and to align the employees' interests and rewards with those of the shareholders by linking part of their remuneration to MTG's profit and the shareholder return in order to facilitate maximum long-term value growth in MTG.

The structure of the Plan is the same as the long-term incentive plan adopted last year.

#### *The Plan in brief*

The Plan is proposed to include approximately 85 senior executives and certain key employees within the MTG Group. Based on the participant's annual base salary and a calculated price of the MTG Class B share, the participants will be granted rights to receive MTG Class B shares free of charge, subject to the terms and conditions of the Plan.

The number of MTG Class B shares that vests depends on if, and to the extent, a retention criterion, based on relative total shareholder return (TSR), and two performance criteria, based on MTG's absolute total shareholder return (TSR) and the operating income (EBIT), have been fulfilled. In addition, allotment of shares requires that the participant is still employed by the MTG Group after the vesting period, and applicable to the CEO and senior executives, that they own MTG-shares amounting to a target holding.

The maximum number of MTG Class B shares which may vest under the Plan is limited to 450,000, representing approximately 0.7 per cent of the outstanding shares and 0.4 per cent of the outstanding votes.

#### *Grant of share awards*

The number of rights to receive MTG Class B shares free of charge (the "**Share Awards**") granted to a participant is calculated on a percentage of the participant's annual base salary, gross before taxes, (the "**Gross Salary**"), and a share price of SEK 241.59 (calculated as the average volume weighted price on the MTG Class B share at Nasdaq Stockholm during the last five trading days in March 2016) with a deduction of SEK 11.50 (the proposed dividend per share) resulting in SEK 230.09.

In accordance with these principles, grant of Share Awards under the Plan will be the following:

- the CEO of MTG will be granted Share Awards amounting to 75 per cent of his Gross Salary;
- the other senior executives of MTG (at present 7 persons) will be granted Share Awards amounting to 75 per cent of their Gross Salary; and
- the certain key employees (approximately 80 persons) will be granted Share Awards amounting to 50 per cent of their Gross Salary.

#### *Vesting of the Share Awards; terms, conditions and criteria for measuring performance*

The Share Awards shall be governed by the following terms and conditions:

- Granted free of charge after the Annual General Meeting 2016 and will vest after a three-year period, ending when MTG's interim financial report for the period January – March 2019 is released (the "**Vesting Period**").
- May not be transferred or pledged.
- Dividends paid on the MTG Class B share will increase the number of shares that each Share Award entitles to, in order to align the participants' and shareholders' interests.

The number of MTG Class B shares that will vest depends on the level of fulfilment of the relevant retention or performance criteria for the Share Award. One-third of the Share Awards granted to the

participants will be of Series A (retention based), Series B and Series C (performance based) respectively:

*Series A: Relative TSR*

MTG's total return on the Class B share (TSR) for the financial years 2016-2018 exceeding the average TSR for a peer group of Nordic and European entertainment companies (consisting of CME, ITV, M6, Mediaset, Pro Sieben, RTL, Sky, TF 1, Schibsted, Comhem and Sanoma (the "**Peer Group**")) as entry level. When calculating TSR, the companies in the Peer Group with the highest and the lowest TSR, respectively, shall be excluded.

*Series B: Operating income (EBIT)*

MTG's operating income (EBIT), adjusted for extra ordinary or non-budgeted items or events not related to the ordinary course of business to arrive at a normalised EBIT (e.g. M&A, non-recurring items). The EBIT performance criterion is set out for three (3) stand-alone one-year performance periods, the financial years 2016, 2017 and 2018, and is corresponding to target levels set by the Board for each of the financial years, with the relative weight of each of the three one-year performance periods being one-third. After each one-year performance period, MTG will inform the shareholders if the target level was met or not in the annual report for the year. Information on the target levels for Series B will be communicated in connection to vesting.

*Series C: Absolute TSR*

MTG's total return on the Class B share (TSR) for the financial years 2016-2018, exceeding 10 percent as entry level and 33 per cent as target level.

In order for each Share Award to entitle the participant to one (1) MTG Class B share, the entry level for Share Awards of Series A and the target levels for Series B and C, respectively, must have been fulfilled. If the entry level for Share Awards of Series C is reached, 20 per cent of the participant's Share Awards of Series C will vest. Where the level of fulfilment for Share Awards of Series C is between the entry level and target level, vesting will occur on a linear basis in stages. If the entry level for Share Awards of Series A and C, or the target level for Share Awards of Series B, is not reached all Share Awards in such series lapse.

Depending on fulfilment of the relevant retention or performance criterion for Share Awards of Series A and B, respectively, and the level of fulfillment for Share Awards of Series C, and on the condition that the participant is (with certain exceptions) still employed by the MTG Group, after the Vesting Period, each Share Award will vest as one (1) MTG Class B share, free-of-charge. For the CEO and the other senior executives vesting also requires that they own shares corresponding to a target holding in MTG, that is 100 per cent of the annual base salary, net after taxes, (the "**Net Salary**") for the CEO and 50 per cent of the Net Salary for the other senior executives (the "**Target Holding**").

MTG intends to present the final outcome of the Plan in the 2019 annual report.

*Scope*

The maximum numbers of MTG Class B shares which may be delivered to the participants on vesting of the Share Awards are limited to 450,000, representing approximately 0.7 per cent of the outstanding shares and 0.4 per cent of the outstanding votes. The number of MTG Class B shares that according to the Plan may be delivered to the participants shall, under conditions that the Board stipulates, be subject to recalculation following a bonus issue, a share split or a reverse share split, a rights issue or similar measures.

*Costs of the Plan and effect on certain key ratios*

The Plan will be accounted for in accordance with IFRS 2 which stipulates that the Share Awards should be recorded as a personnel expense. Based on the SEK 230.09 calculated share price, the CEO

and senior executives have achieved the Target Holding; the annual employee turnover is 10 per cent; and that 50 per cent of the granted Share Awards will vest, the total cost, exclusive of social security costs, for the Plan is estimated to be approximately SEK 31 million. Such cost will be allocated over the years 2016-2019.

Social security costs will also be recorded as a personnel expense in the income statement by current reservations. The social security costs are estimated to be approximately SEK 9 million with the assumptions above, an average social security tax rate of 20 per cent and an annual share price increase of 10 per cent during the Vesting Period.

The impact on basic earnings per share if the Plan had been introduced in 2015 with the assumptions above would result in a decrease of SEK 0.18 on a yearly pro forma basis. The annual cost of the Plan including social charges is estimated to be approximately SEK 14 million based on the above assumptions. This cost corresponds to approximately 0.5 per cent of the MTG's total personnel costs, including social charges, of SEK 3,053 million in 2015.

Each Category has a pre-determined maximum vested amount ("Cap") of approximately 2.0 – 3.0 times the Gross Salary, depending on the participant's category. If the vested amount exceeds the maximum amount, the number of shares each Share Award entitles the employee to receive at vesting, will be reduced accordingly. Assuming 100 per cent fulfilment of the criteria for measuring performance and that the respective Caps have been reached the maximum cost for the Plan is approximately SEK 85 million in accordance with IFRS 2 and the maximum cost for social charges approximately SEK 68 million.

#### *Delivery of shares under the Plan*

A maximum 450,000 Class B shares held by the company may be transferred to the participants under the Plan in accordance with item 19(b).

#### *Preparation and administration of the Plan*

MTG's Remuneration Committee has prepared the Plan in consultation with external advisors and major shareholders. The Plan has been dealt with at meetings of the Board during the first months of 2016.

The Board or the Remuneration Committee shall be responsible for preparing the detailed terms and conditions of the Plan, in accordance with the terms and guidelines resolved on by the Annual General Meeting. The Board and Remuneration Committee are authorised to make necessary adjustments to fulfil local legislation, market prerequisites and restrictions in certain jurisdictions or if the Target Holding and delivery of shares to persons outside of Sweden cannot be achieved at reasonable costs and with reasonable administrative efforts. Such authorisations may e.g. include resolving that participating senior executives' Share Awards may vest even if the Target Holding has not been achieved and that participants may be offered cash-based settlement. It is further proposed that the Board shall be entitled to make other adjustments, if it so deems appropriate, should changes occur in the MTG Group or its operating environment that entails that the Plan no longer correctly reflects the performance of the MTG Group. Any such adjustments shall only be made in order to fulfil the main objectives of the Plan.

#### *Information regarding other long-term incentive plans in MTG*

For senior executives and key employees in MTG there are currently three long-term incentive plans. For further information regarding these plans such as terms and conditions, participation ratio, number of issued and outstanding instruments etc. please refer to the Annual Report 2015, note 28 for the Group, and MTG's website at [www.mtg.com](http://www.mtg.com).

#### **Transfer of own Class B shares to the participants (item 19(b))**

The Board proposes that the Annual General Meeting resolves that a maximum of 450,000 Class B shares held by the company may be transferred free of charge to participants, in accordance with the terms of the Plan.

The number of the shares that may be transferred to the participants shall be subject to recalculation in the event of an intervening bonus issue, reversed split, split, rights issue and/or other similar events.

### **Authorisation for the Board to resolve on repurchase of own shares (item 20)**

The Board proposes that the Board shall be authorised to resolve to repurchase the company's own shares, if the purpose is to cancel shares through a decrease of the share capital, in accordance with the following conditions:

- The repurchase of Class A and/or Class B shares shall take place on the Nasdaq Stockholm in accordance with Nasdaq Stockholm's rules regarding purchase of own shares.
- The repurchase of Class A and/or B shares may take place on one or more occasions for the period up until the next Annual General Meeting.
- So many Class A and/or Class B shares may, at the most, be repurchased so 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 Class A and/or Class B shares at the Nasdaq Stockholm may 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.
- It is the from time to time lowest-priced, available, shares that shall be repurchased by the company.
- Payment for the shares shall be in cash.

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

The Board shall be able to resolve that repurchase of own shares shall be made within a repurchase program in accordance with the Commission's Regulation (EC) no 2273/2003, if the purpose of the authorisation and the repurchase only is to decrease the company's share capital.

## **MISCELLANEOUS**

### **Shares and votes**

There are a total number of 67,647,124 shares in the company, whereof 5,007,793 Class A shares, 61,774,331 Class B shares and 865,000 Class C shares, corresponding to a total of 112,717,261 votes. The company currently holds 146,155 of its own Class B shares and 865,000 of its own Class C shares corresponding to 1,011,155 votes which cannot be represented at the Annual General Meeting.

### **Special majority requirements with respect to the proposed resolutions in items 19 and 20**

The resolution under item 19(b) is valid only if supported by shareholders holding not less than nine-tenths of both the votes cast and the shares represented at the Annual General Meeting. Items 19(a) and 19(b) are conditional upon each other.

The resolution under item 20 is valid only if supported by shareholders holding not less than two-thirds of both the votes cast and the shares represented at the Annual General Meeting.

### **Documentation**

The annual report, the reasoned statement of the Board, pursuant to Ch 18 Sec 4 and Ch 19 Sec 22 of the Swedish Companies Act, the Auditor's statement pursuant to Ch 8 Sec 54 of the Swedish Companies Act, the Boards' report of the results of the evaluation according to the Swedish Code of Corporate Governance and information regarding deviation from the guidelines pursuant to Ch 8 Sec 51 of the Companies Act, the Nomination Committee's motivated statement explaining its proposals regarding the Board and information on the proposed members of the Board will be made available today at the company's website [www.mtg.com](http://www.mtg.com), at the company's premises at Skeppsbron 18 in Stockholm and will be sent to those shareholders who so request and state their postal address or email address.

The documentation can be ordered by telephone at +46 (0) 771-246 400 or in writing at the address Computershare AB "AGM Modern Times Group MTG", P.O. Box 610, SE-182 16 Danderyd, Sweden.

**Shareholders' right to request information**

The Board and the CEO shall, if any shareholder so requests and the Board 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.

Stockholm, April 2016

MODERN TIMES GROUP MTG AB (PUBL)

THE BOARD

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**Other information**

Schedule for the Annual General Meeting:

The doors open for shareholders at 2.00 p.m. CET.

The Annual General Meeting commences at 3.00 p.m. CET.

**Interpretation**

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. This service may be requested when attendance to the Annual General Meeting is notified.

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*MTG (Modern Times Group MTG AB (publ.)) is a leading international entertainment group. Our shares are listed on Nasdaq Stockholm ('MTGA' and 'MTGB'). The information in this announcement is such that MTG is required to disclose according to the Securities Market Act and/or the Financial Instruments Trading Act, and was released at 8.30 CET on 19 April 2016.*