



## MODERN TIMES GROUP MTG AB (PUBL)

DOCUMENTS FOR THE ANNUAL GENERAL MEETING OF SHAREHOLDERS –  
10.00 A.M. CET, TUESDAY 14 MAY 2013

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## **1. The Nomination Committee of Modern Times Group MTG AB's motivated opinion regarding proposal of the Board at the Annual General Meeting in 2013**

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In accordance with the procedure of the Nomination Committee that was adopted at the Annual General Meeting 2012 a Nomination Committee was convened by Cristina Stenbeck in October 2012 for the work of preparing proposals for the 2013 Annual General Meeting. The Nomination Committee is consisting of members appointed by the largest shareholders in Modern Times Group MTG AB (which have wished to appoint a member to the Nomination Committee); Cristina Stenbeck, Investment AB Kinnevik; Thomas Ehlin, Nordea Investment Funds; Johan Ståhl, Lannebo Fonder; and Björn Lind, AMF Försäkring och Fonder. The four members of the Nomination Committee jointly represented more than 55 percent of the votes in MTG.

The Nomination Committee has appointed Board member Cristina Stenbeck as Committee Chairman. This is not compliant with the Swedish Corporate Governance Code (the "Code"). The other members of the Nomination Committee have explained their decision as being in MTG's and the shareholders' best interest and a natural consequence of Cristina Stenbeck being appointed by MTG's largest shareholder.

### **The Nomination Committee's proposal regarding the Board of MTG**

The Nomination Committee proposes the following:

- The Board shall consist of seven members, and no deputy members.
- Re-election of the following persons as members of the Board:

David Chance	Mia Brunell Livfors
Simon Duffy	Lorenzo Grabau
Alexander Izosimov	Blake Chandlee
- Election of Michelle Guthrie as a new member of the Board.
- Re-election of David Chance as Chairman of the Board.
- Cristina Stenbeck and Michael Lynton have declined re-election.

### **Motivated Opinion**

The Nomination Committee has held four (4) meetings either in person or by telephone, with additional contact between meetings. As the basis for its work, the Nomination Committee has had, among other documents, an evaluation of the Board and its work. To assess the degree to which the present Board fulfils the requirements to be placed on the Board, given MTG's situation and future direction, the Nomination Committee's discussion has focused on the Board's overall composition with respect to experience and expertise. The existing Board maintains a good balance of financial and operational expertise as well as shareholder representation. This Board provides a strong sense of continuity as well as industry knowledge that will benefit the Board's continued agenda for MTG. That said, the Nomination Committee believes that the nomination of Michelle Guthrie will strengthen the new media, digital and disruptive technology areas of focus on the Board.

Michelle Guthrie is Managing Director, Partner Business Solutions for Japan and Asia Pacific at Google, and is responsible for managing Google's partner monetisation activities across the region. Michelle brings almost 20 years' experience in the media and entertainment industry and was previously Managing Director and later Senior Advisor in the Hong Kong office of global private equity firm Providence Equity, and was Chief Executive Officer of STAR Group Limited, a wholly-owned subsidiary of News Corporation, which is Asia's leading media and entertainment company. Michelle also worked in legal and business development roles for FOXTEL in Sydney and News International/BSKYB in London. Michelle is a graduate of Sydney University in Australia.

Considering the Nomination Committee's evaluation, the Nomination Committee proposes the election of Michelle Guthrie as a new member of the Board of MTG and re-election of the remaining Board of MTG.

The Nomination Committee is of the opinion that the proposed composition of the Board reflects both strong individual credentials and suitable qualifications and relevant experience within the key strategic areas for MTG. These areas include, but are not limited to, the following: operational management of quoted and unquoted companies across a range of industries closely tied to MTG's core activities, established track records working within the media sector, experience and knowledge from content production and distribution across various platforms such as broadcast, digital, and telecommunications. Finally, the members' geographic expertise working within markets including the key MTG regions of Scandinavia, Eastern Europe, Russia and Africa provide a sound basis for continuing to oversee and grow MTG's market share within its core markets as well as add on to its geographic footprint in emerging markets where returns are attractive.

The Nomination Committee continuously monitors and evaluates each Board member's independence. In the work of preparing its proposals for the Annual General Meeting 2013 the Nomination Committee has assessed that all of the members of the Board are independent of the Company and its Executive Management and six of them are independent in relation to MTG's major shareholders. Accordingly, the Nomination Committee's proposal regarding composition of the Board, and members of the Board, comply with the Code rules regarding independent members of the Board.

#### **Information about the proposed members of the Board**

Information about the proposed members of the Board, including the Nomination Committee's assessment of each member's independence, may be found on the MTG's website at [www.mtg.se](http://www.mtg.se).

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April 2013

MODERN TIMES GROUP MTG AB (PUBL)

THE NOMINATION COMMITTEE

## **2. Information on the proposed members of the Board**

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### **David Chance**

#### **Chairman of the Board American and British**

Born 1957. Chairman of the Board of Directors since May 2003, and a member of the Board since 1998. David was Deputy Managing Director of the BSkyB Group between 1993 and 1998, and is now Chairman of Top Up TV. He has also served as a Non-Executive Director of ITV plc and O2 plc. David graduated with a BA, BSc and MBA from the University of North Carolina.

Member of the Remuneration Committee.

**Direct or related person ownership:** 3,565 Class B shares.

Independent of the Company and management and independent of major shareholders.

### **Mia Brunell Livfors**

#### **Non-Executive Director Swedish**

Born 1965. Member of the Board of Directors since 2007. Mia has been Chief Executive Officer of Investment AB Kinnevik since 2006. Mia previously worked for MTG in various managerial positions from 1992. She was appointed as Chief Financial Officer of Modern Times Group MTG AB in 2001. Mia has been Chairman of the Board of Metro International S.A. since 2008, and a member of the Board since 2006. She also serves as a Non-Executive Director of Millicom International Cellular S.A., Tele2 AB, BillerudKorsnas AB and CDON Group AB, and has been a member of the Board of H&M Hennes & Mauritz AB since 2008. Mia studied Business Administration at Stockholm University.

Member of the Remuneration Committee.

**Direct or related person ownership:** 5,505 Class B shares.

Independent of the Company and management but not independent of major shareholders.

### **Blake Chandlee**

#### **Non-Executive Director American**

Born in 1966. Member of the Board of Directors since 2012. Blake is Vice President of Global Agency Relations and Global Business Accounts at Facebook, where he has worked since 2007 and managed the expansion of Facebook's international footprint with the establishment of operations across Europe, the Middle East, Africa, Latin America and the Asia Pacific region. Blake previously worked at Yahoo for five years, including as Vice President and Commercial Director of the UK business. Blake graduated with a bachelor's degree in management from Gettysburg College in the United States.

**Direct or related person ownership:** 0

Independent of the Company and management and independent of the major shareholders.

### **Simon Duffy**

#### **Non-Executive Director British**

Born 1949. Member of the Board of Directors since 2008. Simon was Executive Chairman of Tradus plc until the company's sale in March 2008. Simon is Non-Executive Chairman of bwin.party digital entertainment plc and mBlox Inc., as well as a Non-Executive Director of Oger Telecom Limited. Simon was also Executive Vice-Chairman of ntl:Telewest until 2007, having joined ntl in 2003 as CEO. Simon has also served as CFO of Orange SA, CEO of wireless data specialist End2End AS, CEO and Deputy Chairman of WorldOnline International BV, and held senior positions at EMI Group plc and Guinness plc. Simon holds a Master's degree from Oxford University and an MBA from Harvard Business School.

Chairman of the Audit Committee.

**Direct or related person ownership:** 1,750 Class B shares.

Independent of the Company and management and independent of the major shareholders.

**Lorenzo Grabau****Non-Executive Director  
Italian**

Born in 1965. Member of the Board of Directors since 2011. He has served as Non-Executive Director of SoftKinetic BV and Rouge Partners Sarl since 2011. On 8 April 2013 it was announced that he will be appointed as a Non-Executive Director and co-chair of MTG's associated company CTC Media on 30 April 2013. Lorenzo was a Partner and Managing Director at Goldman Sachs, International in London until 2011. Lorenzo joined the Investment Banking division of Goldman Sachs in 1994 and during his 17 years at the firm held various leadership positions within the Consumer/Retail and Media/Online industry practices, and the Financial Sponsors group. Lorenzo began his career in Investment Banking in 1990 when he joined Merrill Lynch, where he remained for five years working in the Mergers & Acquisitions department in London and New York. Lorenzo is a graduate from Università degli Studi di Roma, La Sapienza, Italy.

Chairman of the Remuneration Committee and member of the Audit Committee.

**Direct or related person ownership: 0**

Independent of the Company and management and independent of the major shareholders (on 9 April 2013 Lorenzo was proposed to be elected as a new member of the Board in the company's major shareholder, Investment AB Kinnevik, if elected as proposed this will change the assessment of his independence in relation to the company's major shareholder).

**Alexander Izosimov****Non-Executive Director  
Russian**

Born 1964. Member of the Board of Directors since 2008. Alexander served as Chief Executive Officer of the VimpelCom Group and, latterly, the enlarged VimpelCom Ltd, which is one of the world's largest emerging market telecommunications companies, between 2003 and 2011. Alexander is a Director of East Capital AB, EVRAZ Group S.A., Transcom Worldwide S.A., Dynasty Foundation and LM Ericsson AB. Alexander previously held several senior management positions at Mars, Inc. over a period of seven years, including as a member of the Global Executive Management Board and as Regional President for Russia, the CIS, Eastern Europe and the Nordics. Alexander worked as a consultant for McKinsey & Co in Stockholm and London for five years. Alexander graduated from the Moscow Aviation Institute with a Master's degree in Science and from INSEAD with an MBA.

Member of the Audit Committee.

**Direct or related person ownership: 34 Class B shares.**

Independent of the Company and management and independent of the major shareholders.

**Michelle Guthrie****Non-Executive Director  
Australian**

Born 1965. Michelle Guthrie joined Google in Singapore in 2011. Her current role is Managing Director, Partner Business Solutions for Japan and Asia Pacific, and she is responsible for managing Google's partner monetisation activities across the region. Michelle was Managing Director in the Hong Kong office of global private equity firm Providence Equity between 2007 and 2009, and was a Senior Advisor there between 2009 and 2010. She was the Chief Executive Officer of STAR Group Limited (a wholly-owned subsidiary of News Corporation), Asia's leading media and entertainment company, between 2004 and 2007. Michelle has also worked in legal and business development roles for FOXTEL in Sydney and News International / BSkyB in London. She has also served on the Boards of a number of other companies including NASDAQ-listed technology company VeriSign, Inc. and various STAR joint venture companies including Balaji, ESPN STAR Sports, Hathway, China Network Systems, ANTV and Tata Sky. Michelle graduated from Sydney University in Australia.

**Direct or related person ownership: 0**

Independent of the Company and management and independent of major shareholders

### **3. The Board's reasoned statement pursuant to Ch 18 Sec 4 and Ch 19 Sec 22 of the Companies Act (2005:551)**

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The Board hereby presents the following statement in accordance with Ch 18 Sec 4 and Ch 19 Sec 22 of the Swedish Companies Act. The Board's reasons for the proposed dividend and the authorisation to repurchase the Company's own shares being in accordance with the provisions of Ch 17 Sec 3, paragraph 2 and 3 of the Swedish Companies Act are as follows:

#### **The Company's objects, scope and risks**

The Company's objects and scope of business operations are set out in the Articles of Association and the submitted Annual Reports. The Company's operations does not entail any risks in excess of those that exist or may be deemed to exist in the industry or those risks which are generally associated with operating a business.

#### **The financial position of the Parent Company and the Group**

The financial position of the Parent Company and the Group as per 31 December 2012 is stated in the Annual Report for 2012. The Annual Report also states which accounting principles are applied in the valuation of assets, allocations and liabilities.

The proposal on dividend states that the Board proposes a total dividend of SEK 10 per share, which corresponds to an amount of approximately SEK 667 million. The proposed dividend constitutes approximately 8 per cent of the Parent Company's equity and approximately 13 per cent of the Group's equity. The non-restricted equity in the Parent Company and the Group's retained profits as of 31 December 2012 amounted to SEK 7,926 million and SEK 3,201 million respectively.

The Board proposes that the record date for the dividend is Friday 17 May 2013.

As of 31 December 2012 the Group's equity/assets ratio amounted to 44 per cent. The proposed dividend and authorisation to repurchase the Company's own shares does not limit the Company's possibilities to complete on-going, and further make value-creating, investments. The Company's financial position does not give rise to any other conclusion than that the Company can continue its business and that the Company can be expected to fulfil its obligations on both a short and long-term basis.

#### **Justification for dividend and repurchase**

With reference to the above and to what has otherwise come to the knowledge of the Board, the Board is of the opinion that after a comprehensive review of the financial position of the Parent Company and of the Group it follows that the proposed dividend and the authorisation to repurchase the Company's own shares to create flexibility in the work with the Company's capital structure is justified according to the provisions of Ch 17 Sec 3 paragraph 2 and 3 of the Swedish Companies Act, i.e. with reference to the requirements that the objects of the business, its scope and risks place on the size of the Parent Company's and Group's equity and the Parent Company's and the Group's consolidating requirements, liquidity and financing needs in general.

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Stockholm, April 2013

MODERN TIMES GROUP MTG AB (PUBL)

THE BOARD OF DIRECTORS



*Translation of Swedish original*

## **Auditor's opinion under Chapter 8 Section 54 of the Swedish Companies Act (2005:551) as to whether the guidelines of the annual general meeting on the remuneration of senior executives have been followed**

To the annual general meeting of Modern Times Group MTG AB (publ.)

Corporate identity No 556309-9158

### *Introduction*

We have audited whether the Board of Directors and the Chief Executive Officer of Modern Times Group MTG AB (publ.) during the year 2012 have followed the guidelines on remuneration of senior executives adopted at the annual general meeting on 18 May 2011 and the annual general meeting on 8 May 2012.

### *Responsibility of the Board of Directors and the Chief Executive Officer*

The Board of Directors and the Chief Executive Officer are responsible for the guidelines being followed and for the internal control that the Board of Directors and the Chief Executive Officer deem necessary to ensure that the guidelines are followed.

### *Responsibility of the auditor*

Our responsibility is to issue an opinion, based on our audit, to the annual general meeting as to whether the guidelines have been followed. We have conducted the audit in accordance with FAR recommendation RevR 8 *Audit of remuneration of senior executives of listed companies*. This recommendation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the guidelines adopted by the annual general meeting are followed in all material aspects.

The audit has covered the company's organization for and documentation of remuneration issues for senior executives, the new decisions on remuneration that have been taken and a selection of the payments made during the financial year to the senior executives. The auditor chooses what procedures are to be performed, in part by assessing the risk of the guidelines not being followed in all material aspects. In making those risk assessments, the auditor considers internal control relevant to compliance with the guidelines 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 company's internal control.

We believe that our audit provides a reasonable basis for our opinion set out below.

### *Opinion*

We consider that the Board of Directors and Chief Executive Officer of Modern Times Group MTG AB (publ.) during 2012 have followed the guidelines on remuneration of senior executives adopted at the annual general meeting on 18 May 2011 and the annual general meeting on 8 May 2012.

Stockholm 28 March 2013

KPMG AB

Signature on Swedish original

Åsa Wirén Linder  
Authorized Public Accountant

## **5. Evaluation of Modern Times Group MTG AB's remuneration to the CEO and the other members of the Executive Management (Report according to the Swedish Corporate Governance Code, 9.1 and 10.3)**

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The Remuneration Committee of the Board of Modern Times Group MTG AB (publ) comprises the Chairman of the Board David Chance and the Board members Mia Brunell Livfors and Lorenzo Grabau. Lorenzo Grabau is Chairman of the Committee.

The responsibilities of the Remuneration Committee include issues related to salaries, pension plans, bonus programmes and the employment terms for the CEO and other members of the Executive Management (the "**Executives**") within MTG. The Committee also advises the Board on long-term incentive schemes.

In accordance with the Swedish Corporate Governance Code, rule 9.1 and 10.3 the Remuneration Committee monitors and evaluates programmes for variable remuneration (both on-going and those that have ended during the year), the application of the guidelines for remuneration to the senior executives adopted at the Annual General Meeting as well as the current remuneration structure and levels of remuneration in MTG.

The following is the Board's report of the results of the evaluation:

### **General description of the remuneration to the Executives**

Remuneration to the Executives consists of a fixed and variable salary in cash, as well as the possibility to participate in equity based long-term incentive programmes, pension schemes and customary benefits. The objective of the remuneration is to ensure that MTG can attract, motivate and retain senior executives and key employees. The remuneration shall be based on conditions that are market competitive, within the context of MTG's international peer group, and at the same time aligned with the shareholders' interests.

### **Variable remuneration**

The variable remuneration paid in cash shall be based on an annual evaluation of the performance in relation to established goals and targets. Contracted variable salary has generally not exceeded a maximum of 75 per cent of the fixed annual salary. Further information on the variable remuneration paid in cash is found in the Annual Report 2012.

There are long-term share-based incentive programmes for the Executives and other key employees in MTG. The long-term incentive programmes are performance based and have required the participants to own shares and remain in the employment of MTG during the vesting period. Further information on the long-term incentive programmes such as outcome, participation ratio, number of issued and outstanding instruments etc. are found in the Annual Report 2012 and on MTG's website at [www.mtg.se](http://www.mtg.se).

### **Evaluation of programmes for variable remuneration**

The development of the programmes for variable remuneration is evaluated by the Remuneration Committee throughout the year and the programmes' expected outcome is discussed at Board meetings. The Remuneration Committee also monitors the extent to which the Executives and other key employees participate in the programmes. The evaluation of the programmes for variable remuneration has shown that:

- the programmes are well aligned with the shareholders' interests,
- the programmes are considered to help attract, motivate and retain the competence needed in the executive management,
- the participation rate in the previous long term incentive programmes among certain categories of participants has decreased over the past years, and therefore the Board has put



forward some changes to the LTIP for the coming Annual General Meeting 2013, including that it should no longer be a requirement for participants other than the CEO and senior executives to make a personal investment in MTG Class B shares in order to participate in the LTIP, in order to increase the participation rate among those categories.

**Evaluation of the guidelines for remuneration to the senior executives**

The evaluation of the application of the guidelines, as well as the auditor's review, has resulted in the conclusion that MTG has complied with the guidelines on salary and other remuneration to the senior executives adopted by the 2011 and 2012 Annual General Meetings during 2012.

**Evaluation of the current remuneration structures and levels in MTG**

The Board's view is that the remuneration to the Executives strikes an appropriate balance between motivating the Executives and achieving a competitive compensation aligned with the shareholder's interests.

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Stockholm, April 2013

MODERN TIMES GROUP MTG AB (PUBL)

THE BOARD OF DIRECTORS