



MODERN TIMES GROUP MTG AB (PUBL)

DOCUMENTS FOR THE ANNUAL GENERAL MEETING OF SHAREHOLDERS –  
TUESDAY 24 MAY 2016

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## **1. Modern Times Group MTG AB Nomination Committee's explanatory statement regarding the proposal for election of the Board at the 2016 Annual General Meeting**

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### **MTG Nomination Committee**

In accordance with the procedure of the Nomination Committee adopted by the 2015 Annual General Meeting, David Chance, Chairman of the Board of Directors, convened a Nomination Committee in September 2015 to prepare the proposals for MTG's 2016 Annual General Meeting.

The Nomination Committee is comprised of David Chance as Chairman of the Board of MTG, Lorenzo Grabau appointed by Investment AB Kinnevik, Erik Durhan appointed by Nordea Funds and Mikael Hanell appointed by Catella. The members of the Nomination Committee appointed Lorenzo Grabau as Chairman of the Nomination Committee at their first meeting.

### **The Nomination Committee's proposal for election of the Board**

The Nomination Committee proposes:

- That the Board shall consist of six members.
- The re-election of current members of the Board Joakim Andersson, David Chance, Simon Duffy and Bart Swanson. Michelle Guthrie and Alexander Izosimov have declined re-election.
- The election of new Board members Donata Hopfen and John Lagerling.
- The re-election of David Chance as Chairman of the Board.

The Nomination Committee's proposal is thus that the following persons are elected to the Board of MTG for a term of office until the end of the next Annual General Meeting:

- David Chance, Chairman of the Board
- Joakim Andersson
- Simon Duffy
- Donata Hopfen
- John Lagerling
- Bart Swanson

### **The Nomination Committee's work**

The Nomination Committee has held four meetings, with additional candidate interviews and Committee discussions between meetings. The Nomination Committee's work has primarily focused on the continued development of the overall Board composition with the aim to strengthen the mix of experiences and competencies present at Board level in order to increasingly match the challenges and opportunities faced by MTG.

In its assessment of the degree to which the current Board meets the requirements placed on it, the Nomination Committee reviewed the current Board members' ability to devote the necessary time and commitment required, as well as the balance and diversity of contributions of experiences from different areas of the broader media and digital entertainment industry. The Committee also had the benefit of a formal evaluation of the Board and its individual members.

### **The Nomination Committee's motivated statement regarding its proposals**

Having been informed by Michelle Guthrie and Alexander Izosimov of their intention not to seek re-election, the Nomination Committee resolved to propose the re-election of the remaining Board members. The Nomination Committee further identified and managed to attract two individuals who will contribute with relevant experiences and skill-sets to the proposed Board – Donata Hopfen and John Lagerling.

Donata Hopfen is the Publishing Director and Head of the Management Board of BILD Group since May 2014, Europe's largest newspaper and Germany's largest digital news portal. Donata was previously the Managing Director of BILD's digital activities. After joining Axel Springer in 2003, Donata held various positions, including being responsible for business development and product

management at BILD.T-Online and as head of business development in Axel Springer's electronic media department. Donata is also a member of the Advisory Board of Transfermarkt GmbH. Donata is a German national and holds diplomas in European business administration from the Universities of Madrid and Reutlingen.

John Lagerling is Vice President Business Development, Mobile and Product Partnerships at Facebook since 2014, where he heads global business development, mobile partnerships and other new partner dependent initiatives. Prior to joining Facebook, John spent seven years at Google holding various leadership positions, including Director, Android Global Partnerships. John is a Swedish national and holds an MSc in Marketing and International Business from the Stockholm School of Economics.

The Nomination Committee is of the opinion that the proposed new Board members will add relevant and complementary digital experiences to the MTG Board, as well as a valuable perspective on how to best structure partnerships in the changing media and broadcasting landscape. Donata and John will complement the existing Board's expertise across a number of areas, drawing from their many years of experience from working within the intersection of digital and traditional media.

In its work, the Nomination Committee gives particular consideration to the importance of an increased diversity on the Board, including gender, age and nationality, as well as depth of experiences, professional backgrounds and business disciplines. The Committee believes the composition of the proposed Board is adequately diverse in respect of its set of experiences and solid mix of relevant skill-sets matching the priorities of MTG. However, the Committee will increasingly pursue greater gender diversity as part of its efforts to find the most competent Board members.

Finally, it is noted that the Nomination Committee has evaluated each Board member's independence in the work of preparing its proposals for the 2016 Annual General Meeting, and found that the proposed Board is in compliance with relevant requirements for independence.

#### **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 MTG's website at [www.mtg.com](http://www.mtg.com).

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April 2016

THE NOMINATION COMMITTEE  
MODERN TIMES GROUP MTG AB (PUBL)

## **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 B Sky B Group between 1993 and 1998. David is Chairman of Top Up TV and is a Non-Executive Director of PCCW Limited (Hong Kong) and Chairman of its NOW TV media group, as well as a Non-Executive Director of Olswang LLP. 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. 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.

### **Joakim Andersson**

#### **Swedish**

Born 1974. Member of the Board since the AGM 2015. Joakim Andersson was appointed Chief Financial Officer of Investment AB Kinnevik, MTG's large reference shareholder, in February 2015. Joakim joined the Kinnevik Group in 2001 at Banque Invik, and became Group Treasurer of Kinnevik in 2007. As Group Treasurer, Joakim supported Kinnevik's investee companies in managing capital markets, financing and corporate financial management, and was responsible for Kinnevik's cash and liquidity management as well as its treasury operations and controls. Joakim holds a Master of Science in Business and Economics from Växjö University.

Member of the Remuneration Committee and the Audit Committee.

**Direct or related person ownership:** 100 Class B shares

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

### **Simon Duffy**

#### **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 YouView TV Ltd and mBlox Inc., as well as a Non-Executive Director of Oger Telecom Limited and Wizz Air Holdings Plc. 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.

## **Donata Hopfen**

### **Proposed new Board Director German**

Born 1976. Donata Hopfen is the Publishing Director and Head of the Management Board of BILD Group since May 2014, Europe's largest newspaper and Germany's largest digital news portal. Donata was previously the Managing Director of BILD's digital activities. After joining Axel Springer in 2003, Donata held various positions, including being responsible for business development and product management at BILD.T-Online and as head of business development in Axel Springer's electronic media department. Donata is also a member of the Advisory Board of Transfermarkt GmbH. Donata holds diplomas in European business administration from the Universities of Madrid and Reutlingen.

### **Direct or related person ownership: -**

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

## **John Lagerling**

### **Proposed new Board Director Swedish**

Born 1976. John Lagerling is Vice President Business Development, Mobile and Product Partnerships at Facebook since 2014, where he heads global business development, mobile partnerships and other new partner dependent initiatives. Prior to joining Facebook, John spent seven years at Google holding various leadership positions, including Director, Android Global Partnerships. John holds an MSc in Marketing and International Business from the Stockholm School of Economics.

### **Direct or related person ownership: -**

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

## **Bart Swanson**

### **American**

Born 1963. Member of the Board since the AGM in 2015. Bart Swanson is currently an advisor at Horizons Ventures, a venture capital firm based in Hong Kong with a focus on disruptive and technology-focused start-ups, including Summly where Bart was Chairman of the Board from 2012 up until 2013 when the company was acquired by Yahoo. During 2010 and 2011 Bart was Chief Operating Officer of Badoo, one of the largest Internet social dating sites, prior to which Bart spent three years as Managing Director at GSI Commerce International (later eBay Enterprise). Before joining GSI Commerce International, Bart was a General Manager at Amazon, where he was one of the key executives in establishing and expanding Amazon.com's footprint in Germany, France and the United Kingdom. Bart graduated from the University of Southern California with a Bachelor's degree in History and from the University of Pennsylvania with an MA in International Studies, as well as an MBA from Wharton.

Member of the Audit Committee.

### **Direct or related person ownership: 1,300 Class B shares**

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 Swedish Companies Act**

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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 do 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 2015 is stated in the Annual Report for 2015. 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 dividend of SEK 11.50 per share, which corresponds to an amount of approximately SEK 767 million. The proposed dividend constitutes approximately 11 per cent of the Parent Company's equity and approximately 17 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 2015 amounted to SEK 6,529 million and SEK 3,816 million respectively.

As of 31 December 2015 the Group's equity/assets ratio amounted to 29 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 proposals regarding dividend and authorisation to repurchase the Company's own shares to create flexibility in the work with the Company's capital structure are 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 the Group's equity and the Parent Company's and the Parent Company's and the Group's consolidating requirements, liquidity and financing needs in general.

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Stockholm, April 2016

THE BOARD OF DIRECTORS  
MODERN TIMES GROUP MTG AB (PUBL)

#### **4. Auditor's report in accordance with Ch 8, Sec 54 of the Swedish Companies Act whether the guidelines for remuneration to senior executives as approved by the Annual Meeting of the Shareholders has been complied with.**

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Translation from the 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 2015 have followed the guidelines on remuneration of senior executives adopted at the annual general meeting on 13 May 2014 and the annual general meeting on 19 May 2015 respectively.

#### **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 firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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 the Chief Executive Officer of Modern Times Group MTG AB (publ.) during 2015 have followed the guidelines on remuneration of senior executives adopted at the annual general meeting on 13 May 2014 and the annual general meeting on 19 May 2015 respectively. The Board of Directors have during 2015 used its possibility to make an exemption to the principles decided by the annual general meeting 2015 by awarding the Chief Executive Officer a variable remuneration of 120% of the fixed salary, which exceeds the cap in the guidelines of a maximum of 100%.

Stockholm 5 April 2016

KPMG AB

Joakim Thilstedt  
Authorized Public Accountant

## **5. Evaluation of Modern Times Group MTG AB's remuneration to the CEO and the other members of the management team (Report according to the Swedish Corporate Governance Code, 9.1 and 10.3), and information regarding deviation from the guidelines pursuant to Ch 8 Sec 51 of the Swedish Companies Act**

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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 Alexander Isozimov and Joakim Andersson. Alexander Isozimov is Chairman of the Committee.

The responsibilities of the Remuneration Committee include issues related to salaries, pension plans, bonus plans 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 plans for variable remuneration (both on going and those that have ended during the year), the application of the guidelines for remuneration to the **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 during the year**

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 plans, 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 during the year**

The variable remuneration paid in cash (STI) shall be based on an annual evaluation of the performance in relation to established goals and targets. Contracted variable remuneration paid in cash during 2015 has generally not exceeded a maximum of 100 per cent of the fixed annual salary. Further information on the variable remuneration paid in cash is found in the Annual Report 2015.

There are long-term share-related incentive plans (LTI) for the Executives and other key employees in MTG. The long-term incentive plans are performance based. Further information on the long-term incentive plans such as outcome, participation ratio, number of issued and outstanding instruments etc. are found in the Annual Report 2015 and on MTG's website at [www.mtg.com](http://www.mtg.com).

### **Evaluation of plans for variable remuneration**

The Remuneration Committee follows and evaluates the STI and LTI and the expected outcome has been reported to the Board and discussed at Board meetings. Also, the Remuneration Committee monitors to what extent the executive management and other key employees participate in the on-going long-term share related programs LTIP 2013, LTIP 2014 and LTIP 2015.

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 recruit, motivate and retain high performing key employees.

### **Evaluation of the guidelines for remuneration to the Executives and information regarding deviation from the guidelines pursuant to Ch 8 Sec 51 of the Swedish Companies Act (2005:551)**

The evaluation has resulted in the conclusion that the guidelines for remuneration to the Executives that the Annual General Meeting established have generally been followed in the Company during 2015. However, the Board of Directors considered that it was appropriate to make an exception to the principles and decided in December 2015 to award the CEO a variable remuneration which equates to approximately 120 per cent of the annual fixed salary and exceeds the cap of 100 per cent due to



extraordinary work and performance during 2015. Following the guidelines the Board of Directors may, in special circumstances, deviate from the guidelines, for example on additional variable remuneration in the case of exceptional performance. In such case the Board of Directors is obliged to explain the reason for the deviation at the following Annual General Meeting.

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 2014 and 2015 Annual General Meetings with the exception that is set forth in the paragraph above.

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

The Remuneration Committee's evaluation has resulted in the Board having made the assessment that the current remuneration structure and levels of remuneration to the executive management have had a positive effect on the business of MTG. The Board considers the proposed remuneration structure and levels of remuneration for STI and LTI to the executive management to align the executive management's incentive with the shareholders' interest and to strike a good balance between motivating the members of the executive management and achieving a competitive compensation that will facilitate attracting, motivating and retaining key persons within MTG.

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Stockholm, April 2016

THE BOARD OF DIRECTORS  
MODERN TIMES GROUP MTG AB (PUBL)