



**THE SHAREHOLDERS OF MODERN TIMES GROUP MTG AB (publ) are hereby invited to the Annual General Meeting on Wednesday 10 May 2006 at 9.30 a.m. CET at the Skandia cinema, Drottninggatan 82, 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 VPC AB (the Swedish Central Securities Depository) on Thursday 4 May 2006, and
- notify the company of their intention to participate by no later than 1.00 p.m. on Thursday 4 May 2006. The notification can be made on the company's website, [www.mtg.se](http://www.mtg.se), by telephone +46-433-747 56 or in writing to the company at:

Modern Times Group MTG AB  
P.O. Box 2094  
SE-103 13 Stockholm, 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 meeting. Written notifications made by post should be marked "AGM".

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 in the Meeting. Shareholders wishing to re-register must inform the nominee well in advance of Thursday 4 May 2006.

#### **PROPOSED AGENDA**

1. Election of chairman of the Meeting.
2. Preparation and approval of the voting list.
3. Approval of the agenda.
4. Election of one or two persons to check and verify the minutes.
5. Determination of whether the Meeting has been duly convened.
6. Presentation of the annual report and auditors' report and of the consolidated financial statements and the auditors' report on the consolidated financial statements.
7. Resolution on the adoption of the income statement and balance sheet and of the consolidated income statement and the consolidated balance sheet.

8. Resolution on the proposed treatment of the company's unappropriated earnings or accumulated loss as stated in the adopted balance sheet.
9. Resolution on the discharge of liability of the directors of the Board and the Chief Executive Officer.
10. Determination of the number of directors of the Board.
11. Determination of the remuneration to the Board of Directors and the auditors.
12. Election of the directors of the Board.
13. Determination of the number of auditors and election of auditors.
14. Approval of the procedure of the Nomination Committee.
15. Resolution to amend the Articles of Association.
16. Split and mandatory redemption programme comprising the following resolutions:
  - (a) Resolution to execute a share split.
  - (b) Resolution to reduce the share capital by mandatory redemption of shares.
  - (c) Resolution to increase the share capital by way of a bonus issue of shares.
17. Resolution on a policy on remuneration and other terms of employment for senior executives.
18. Resolution on implementation of an incentive programme comprising the following resolutions:
  - (a) Adoption of an incentive programme.
  - (b) Issue of warrants.
  - (c) Granting of stock options and issue of warrants.
19. Resolution to authorise the Board of Directors to raise certain loan financing.
20. Closing of the Meeting.

#### **NOMINATION COMMITTEE PROPOSALS (items 1 and 10-14)**

The Nomination Committee hereby submits the following proposals for resolution which are supported by shareholders representing more than 50 percent of the votes in the company including, among others, Emesco AB, Investment AB Kinnevik, Fjärde AP-fonden, Robur, SEB Fonder and SEB Trygg Liv.

The Nomination Committee proposes that the lawyer Martin Börresen is appointed to be the Chairman of the Meeting.

The Nomination Committee proposes that the Board of Directors shall consist of 8 directors without alternate directors.

The Nomination Committee proposes, for the period until the close of the next Annual General Meeting, the re-election of David Chance, Asger Aamund, Vigo Carlund, Nick Humby, Lars-Johan Jarnheimer, David Marcus, Cristina Stenbeck and Pelle Törnberg as directors of the Board. The Nomination Committee proposes that the Meeting shall appoint David Chance to be Chairman of

the Board of Directors. Furthermore, it is proposed that the Board of Directors at the Constituent Board Meeting appoint a Remuneration Committee and an Audit Committee.

The Nomination Committee proposes that KPMG Bohlins AB shall be appointed as auditor, with the authorised public accountant Carl Lindgren as main responsible auditor, for a period of four years. At the General Meeting in 2003, Erik Åström was appointed as auditor for a period of four years.

The Nomination Committee proposes that the Meeting resolves that the remuneration to the Board of Directors (including remuneration for the work in the committees of the Board of Directors) for the period until the close of the next Annual General Meeting shall be a total of SEK 3,575,000 of which SEK 1,000,000 shall be allocated to the Chairman of the Board, SEK 325,000 to each of the other directors of the Board and a total of SEK 300,000 to be allocated for the work in the committees of the Board of Directors.

The Nomination Committee proposes that remuneration to the auditors shall be paid in accordance with an approved bill which specifies time, persons who worked and tasks performed.

The Nomination Committee proposes that the Meeting approves the following procedure for preparation of the election of the Board of Directors. The work of preparing a proposal on the directors of the Board and auditor, in case auditor should be elected, and their remuneration as well as the proposal on the Chairman of the Annual General Meeting of 2007 shall be performed by a Nomination Committee. The Nomination Committee, which will consist of at least three members representing the shareholders of the company, will be formed during September 2006 in consultation with the largest shareholders in the company at that time. The Nomination Committee is elected for a term of office of one year. The majority of the members of the Committee may not be members 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 is to be appointed in the corresponding manner. Cristina Stenbeck will be a member of the Committee and will also act as its convenor. The members of the Committee will appoint the Chairman among themselves at the first meeting. The composition of the Committee will be communicated in the company's interim report for the third quarter of 2006.

A report on the Nomination Committee's work will be available at the company's website, [www.mtg.se](http://www.mtg.se).

#### **DIVIDENDS (item 8)**

The Board of Directors proposes that no dividend payment shall be made for the 2005 financial year.

#### **AMENDMENTS TO THE ARTICLES OF ASSOCIATION (item 15)**

The Board of Directors proposes that the Meeting resolves to amend the Articles of Association for the purpose of adapting the Articles of Association to the requirements of the new Companies Act. The proposal of the Board of Directors essentially entails that the article on the nominal value of a share is replaced with an article regarding the minimum and maximum number of shares in the company, that shareholders shall have preferential rights for share issues in which payment is not made against capital contributed in kind and that such preferential rights shall apply in a corresponding manner for issues of warrants and convertible bonds, that the notice for General

Meetings shall be published in Post- och Inrikes Tidningar and Svenska Dagbladet as well as that certain changes of an editorial nature are to be made.

### **SHARE SPLIT AND MANDATORY SHARE REDEMPTION PROGRAMME (item 16)**

In order to be able to execute the mandatory redemption programme for all shareholders, the Board of Directors proposes that the Meeting resolves in accordance with the items below. All resolutions are proposed to be adopted as one single resolution.

#### **Resolution to execute a share split (item 16 a)**

The Board of Directors proposes that the Meeting resolves to execute a share split, whereby each MTG share (irrespective of class) is to be divided into two shares. One of these shares will be a so-called redemption share. The Board of Directors proposes that the record day for the share split shall be 30 June 2006.

#### **Resolution to reduce the share capital by mandatory redemption of shares (item 16 b)**

In order to be able to execute a mandatory redemption programme for all shareholders, the Board of Directors proposes that the Meeting resolves to reduce the company's share capital by SEK 165,956,025 by way of a redemption of a total of 66,382,410 shares, comprising 15,545,621 Class A shares and 50,836,789 Class B shares, for repayment to the shareholders. In the event that the outstanding convertible bonds due 2006 and issued warrants are converted into shares or exercised for subscription to new shares, the total number of shares in Modern Times Group MTG AB may increase by up to 3,247,996 Class B shares. In respect of such conversion or subscription taking place prior to the record date for the share split, the proposal for resolution to reduce the share capital is to be deemed as amended so that the redemption price shall be increased by SEK 2.50 for each new share in the Company. Furthermore, the number of Class B shares which are the object of for redemption shall be increased by the corresponding number of new shares.

The consideration for each redemption share (irrespective of class) shall be 0.7 Class A shares and 1.4 Class B shares in Metro International S.A. ("Metro"). The Board of Directors proposes that trading in the redemption shares shall take place from 4 July 2006 up to and including 21 July 2006. The Board of Directors also proposes that the record date for the share redemption shall be 26 July 2006. Shares in Metro are expected to be delivered via VPC on or around 31 July 2006. The book value of the Metro shares being distributed to the shareholders amounts to SEK 601,639,270, which for each redemption share corresponds to an amount of approximately SEK 6.56 in excess of the ratio value of the share, which amounts to SEK 2.50. If all convertible bonds and warrants are converted or exercised for subscription to new shares, the book value of the Metro shares being distributed to the shareholders will amount to SEK 631,076,615.

#### **Resolution to increase the share capital by way of a bonus issue (item 16 c)**

In order to achieve a timely and efficient redemption procedure without requiring the leave of the Swedish Companies Registration Office or the court, the Board of Directors proposes that the Meeting resolves to increase the company's share capital by SEK 165,956,025 without issuing any new shares by transfer of the issue amount from the company's non-restricted equity to the company's share capital. If the Company's outstanding convertible bonds and warrants are converted to shares or exercised for subscription in a share issue before the record date for the share split in accordance with the proposal of the Board of Directors for a resolution on the

execution of a share split in accordance with item 16 a, the above-mentioned proposals on the bonus issue are deemed to be amended so that the issue price shall be increased by SEK 2.50 for each new share in the Company.

### **POLICY ON REMUNERATION AND OTHER TERMS OF EMPLOYMENT FOR SENIOR EXECUTIVES (item 17)**

The Board of Directors proposes that MTG shall keep and continue to apply its current policy on senior executive's fixed salary, variable remuneration, participation in the incentive programme, pensions and other terms of employment. The policy on remuneration and other terms of employment for senior executives will be available at the company's website, [www.mtg.se](http://www.mtg.se).

### **INCENTIVE PROGRAMME (item 18)**

The Annual General Meeting of 2005 resolved to adopt an incentive programme for senior executives and other key employees in the MTG Group based on a combination of warrants and stock options. Grants of options under the incentive programme have been performance related. Further, it was stated that the Board of Directors intended to return in 2006 and 2007 with additional grants under the incentive programme provided the fulfilment of certain result-oriented and business-oriented performance conditions that had been adopted. The Board of Directors verifies that the established performance conditions for 2005 have been fulfilled, and, against this background, the Board of Directors proposes that the Meeting resolves on the performance based incentive programme for senior executives and other key employees in the MTG Group.

In order to implement the proposed incentive programme, the Board of Directors proposes that the Meeting resolves in accordance with items a-c below. All resolutions are proposed to be conditional upon each other. For the resolutions to be valid, they must be supported by shareholders representing at least 90 percent of the shares and the numbers of votes represented at the Meeting. The above proposal is supported by shareholders representing more than 75 percent of the votes in the company including, among others, Emesco AB, Fjärde AP-fonden, Investment AB Kinnevik, Robur, SEB Fonder and SEB Trygg Liv.

#### **Adoption of the Incentive Programme (item 18 a)**

The Board of Directors proposes that the Meeting in accordance with the resolution passed at the Annual General Meeting held in 2005 resolves to adopt an incentive programme for senior executives and other key employees within the MTG Group in accordance with the principles set out below.

The incentive programme entails that employees are offered a combination of warrants and stock options, which entitle them to Class B shares in the company. The participants in the incentive programme will be offered to purchase warrants on market terms. For each warrant purchased, the participant will be offered a maximum of two stock options, each carrying the right to purchase one Class B share. The subscription price of the warrants and the exercise price of the stock options shall be equal to 115 percent of the average of the last trading prices of the company's Class B shares during the ten trading days immediately following the day of the resolution of the Annual General Meeting. The warrants are proposed to run for approximately three years and the stock options are proposed to run for approximately five years. The stock options are not transferable

and the right to exercise the stock options normally requires that the holder is still employed within the MTG Group at the time of exercise.

The scope of the incentive programme for 2006 is proposed to amount to a maximum of 133,333 warrants and a maximum of 266,666 stock options. The Chief Executive Officer will be offered to purchase a maximum of 33,333 warrants and will be offered a maximum of 66,666 stock options, and other senior executives (approximately 25 individuals) will be offered to purchase a maximum of 13,333 warrants each and will be offered a maximum of 26,666 stock options each.

The maximum dilution effect for 2006 is estimated to be a maximum of 0.6 percent of share capital and a maximum of 0.2 percent of the number of votes, provided full subscription and full exercise of all warrants and stock options. Further, the stock options may incur costs for the MTG Group in the form of social security expenses on exercise and accounting costs during the duration of the stock options.

The Board of Directors shall be entitled to decide on the details of the terms and conditions of the incentive program in accordance with the general terms and guidelines above. In connection with this, the Board of Directors shall be entitled to make adjustments in order to fulfil special regulations and market conditions abroad. The Board of Directors also reserves the right to make other adjustments provided that significant changes take place in the MTG Group or environment which would mean that the terms and conditions for allocation under the incentive programme become inappropriate.

The objective of the proposed incentive programme is to create conditions for retaining and recruiting competent employees for the Group. The incentive programme has been structured to reward the participants for an increase in shareholder value by offering an allocation of warrants and stock options based on the fulfilment of result-oriented and business-oriented performance conditions that have been adopted. Participation in the programme requires a personal investment by each participant since the participant must pay the market price of the warrants. By linking the employee's reward with the development of the company's profits and increase in value, long-term growth in the company is rewarded. Against this background, the Board of Directors is of the opinion that the adoption of an incentive programme as set out above will have a positive effect on the MTG Group's future development and thus be beneficial for both the company and its shareholders.

For the information of shareholders, the Board of Directors is considering encouraging participation in the incentive programme by committing to a cash bonus that may be paid three years following each participant's acquisition of the options. The cash bonus will only be paid provided that the warrants, stock options and/or Class B shares acquired by way of warrants and stock options are still held by the participant and provided that the participant is still employed within the MTG Group. The cash bonus may amount to a maximum of the difference between the total price paid by the participant and 2 percent of the total value of the underlying Class B shares at the time of the acquisition of the warrants and stock options.

#### **Issue of warrants (item 18 b)**

The Board of Directors proposes that the Meeting resolves to issue without payment a maximum of 133,333 warrants, each entitling the holder to subscribe for one new Class B share. The wholly-owned subsidiary MTG Holding AB shall be entitled to subscribe for the warrants and transfer them to the participants in the incentive programme on market terms. Subscription for Class B shares by way of the warrants may take place during the period from 15 May 2009 to 15 August 2009 and the subscription price for one Class B share shall amount to 115 percent of the average

of the last trading prices of the company's Class B share during the ten trading days immediately following the day of the Annual General Meeting.

#### **Granting stock options and issue of warrants (item 18 c)**

The Board of Directors proposes that the Meeting approves that the Board of Directors, following the offer to participants in the incentive programme, grants a maximum of 266,666 stock options, each entitling the holder to purchase one Class B share during the period from 15 May 2009 to 15 May 2011. The minimum exercise price shall amount to 115 percent of the average of the last trading prices of the company's Class B share during the ten trading days immediately following the day of the Annual General Meeting. The stock options shall be offered to the participants free of charge, whereby each warrant acquired in accordance with item 18 b above gives the right to the allocation of a maximum of two stock options.

In order to ensure the company's undertaking to deliver Class B shares upon exercise of the stock options, the Board of Directors proposes that the Meeting resolves to issue without payment a maximum of 266,666 warrants, each entitling the holder to subscribe for one Class B share. The wholly-owned subsidiary MTG Holding AB shall be entitled to subscribe for the warrants and, upon exercising the stock options, transfer the warrants to the participants, provided that these are immediately used for the subscription for new Class B shares. Subscription for Class B shares by way of the warrants may take place during the period from 15 May 2006 to 15 May 2011. The subscription price for one Class B share shall amount to 115 percent of the average of the last trading prices of the company's Class B share during the ten trading days immediately following the day of the Annual General Meeting less SEK one (1). Upon exercise of one stock option, an exercise price of no less than SEK one (1) will be paid by the stock option holder, whereby the cost of acquiring one Class B share by way of the stock option will amount to no less than 115 percent of the average of the last trading prices of the company's Class B shares during the ten trading days immediately following the day of the Annual General Meeting.

#### **RESOLUTION TO AUTHORISE THE BOARD OF DIRECTORS TO RAISE CERTAIN LOAN FINANCING (item 19)**

According to the provisions of the new Companies Act, which entered into force on 1 January 2006, loan financing, where the interest rate is dependent upon the company's profits or financial position, is covered by the same resolution requirements as apply to participating debentures. This means that such loan financing must be resolved on by the General Meeting or by the Board of Directors with the support of an authorisation from the General Meeting. The Board of Directors proposes that the Meeting resolves to authorise the Board of Directors to resolve on one or several occasions during the period up until the next Annual General Meeting to raise certain loan financing on market terms that are subject to the provisions in Chapter 11 Section 11 of the Swedish Companies Act (2005:551), where the interest rate is dependent upon the company's profits or financial position. The authorisation may only be used if the Board of Directors assesses that this type of interest rate provision is the most marketable and favourable for the company in each individual case. The background to the authorisation is that the company is to have the ability at all times to raise loan financing on attractive terms for the company and thereby contribute to increased value for the shareholders.

## **OTHER INFORMATION**

Valid resolutions under items 15 and 16 above require approval of shareholders representing at least at two-thirds of the shares and the numbers of votes represented at the Meeting. A valid resolution under item 18 above requires approval of shareholders representing at least at least 90 percent of the shares and the numbers of votes represented at the Meeting. From Wednesday 26 April 2006 at the latest, 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 those documents may notify the company, whereupon the documents will be sent by post or by e-mail.

Stockholm April, 2006

THE BOARD OF DIRECTORS