



FOR IMMEDIATE RELEASE

13 April 2005

## NOTICE OF ANNUAL GENERAL MEETING

**Modern Times Group MTG AB, the international entertainment-broadcasting group, hereby invites shareholders of Modern Times Group MTG AB to the Annual General Meeting on Wednesday 11 May 2005 at 9.30 a.m. CET at the cinema Skandia, 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 Securities Register Center) on Friday 29 April 2005, and
- notify the company of their intention to participate by no later than 1.00 p.m. on Wednesday, 4 May 2005. 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:  
Modern Times Group MTG AB  
P.O. Box 2094  
SE-103 13 Stockholm, Sweden

When giving notice of participation, the shareholder should state name, personal identification number (or company registration number), address, telephone number, shareholdings and any advisors attending. Shareholders who wish to be represented by a representative shall submit a written power of attorney giving authorisation to a specific person together with the notice of participation. Written notifications 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 29 April 2005.

### 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. Decision on the adoption of the income statement and balance sheet and of the consolidated income statement and the consolidated balance sheet.
8. Decision on the proposed treatment of the company's unappropriated earnings or accumulated loss as stated in the adopted balance sheet.

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9. Decision on the discharge of liability of the members of the Board of Directors and the Managing Director.
10. Determination of the number of members and deputy members of the Board of Directors.
11. Determination of the fees of the members of the Board of Directors and the auditors.
12. Election of the members and deputy members of the Board of Directors.
13. Approval of the procedure of the Nomination Group for the election of members of the Board of Directors.
14. Implementation of an incentive program, comprising the following resolutions:
  - a. Adoption of an incentive program.
  - b. Issue of one subordinated debenture with detachable warrants.
  - c. Granting of stock options and issue of one subordinated debenture with detachable warrants.
15. Proposal from the shareholder, EVLI Bank plc, regarding offer to reclassify Class A shares into Class B shares.
16. Closure of the Meeting.

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

The Board of Directors proposes that no dividend payment for the fiscal year 2004 shall be paid.

#### **BOARD OF DIRECTORS (items 10-12)**

The Nomination Group proposes that, until the end of the next Annual General Meeting, Asger Aamund, David Chance, Nick Humby, Lars-Johan Jarnheimer, David Marcus, Cristina Stenbeck and Pelle Törnberg shall be re-elected Board members and that Vigo Carlund shall be elected new member of the Board of Directors. The Nomination Committee proposes that the Chairman of the Board of Directors shall be David Chance. Furthermore, it is proposed that an Audit Committee and a Remuneration Committee be appointed among the members of the Board of Directors at the Constituent Board Meeting.

The Nomination Group proposes that the Meeting resolves that the fee of the members of the Board of Directors for the period until the end of the next Annual General Meeting shall be a total of SEK 3,475,000, whereof SEK 1,000,000 shall be allocated to the Chairman, SEK 325,000 to each of the other members to the Board of Directors respectively and a total of SEK 200,000 be allocated for the work of the members within the committees of the Board of Directors.

The above proposal is supported by shareholders representing more than 50 percent of the votes in the company including, inter alia Emesco AB, Investment AB Kinnevik, Fjärde AP-fonden, SEB Fonder and SEB Trygg Liv.

#### **NOMINATION GROUP (item 13)**

The Board of Directors proposes that the Meeting approves the following procedure for the Nomination Group for the election of members of the Board of Directors. The work of preparing a proposal of members to the Board of Directors for the Annual General Meeting of 2006 shall be executed by a Nomination Group. The Nomination Group will be formed during the autumn of 2005, in consultation with at least three of the major shareholders and Cristina Stenbeck will act as convenor of the Group. The composition of the Group will be communicated in the interim report for the third quarter of 2005.

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**INCENTIVE PROGRAM (item 14)**

The Board of Directors proposes that the Meeting resolves to adopt an incentive program for senior executives and other key employees within the MTG group, meaning 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 program 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 acquisition price of the stock options shall be equal to 115 per cent of the average last trading price of the company's Class B share during the ten trading days immediately following the day 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 annual allocation will be based on performance during the year, and consequently the number of participants and the individual allocations may vary over the duration of the incentive program.

The Board of Directors intends to make proposals to the Annual General Meetings of 2006 and 2007 regarding annual allocations in accordance with the above principles. Participation in the incentive program for 2006 and 2007 will be conditional upon that certain decided performance conditions which are both result-oriented as well as business-oriented are met. The annual allocation is proposed to comprise warrants and stock options giving rights to approximately 400,000 Class B shares, which means that warrants and stock options giving rights to 1.2 million Class B shares will be issued during the period from 2005 through 2007.

In order to implement the proposed incentive program, 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. The above proposal is supported by shareholders representing approximately 79 percent of the votes in the company including, inter alia Emesco AB, Investment AB Kinnevik, Fjärde AP-fonden, Robur, SEB Fonder and SEB Trygg Liv.

**Adoption of the Incentive Program (item 14 a)**

The Board of Directors proposes that the Meeting resolves to adopt an incentive program for senior executives and other key employees within the MTG group in accordance with the principles above, whereby the scope for 2005 is proposed to amount to a maximum of 133,333 warrants and a maximum of 266,666 stock options. The managing director will be offered to purchase a maximum of 33,333 warrants and be offered a maximum of 66,666 stock options, and the other senior executives (approximately 25 individuals) will be offered to purchase a maximum of 13,333 warrants each and be offered a maximum of 26,666 stock options each. With reference to the company's strong operating, financial and stock market performance over the last year, the Board of Directors proposes that the maximum allocation should be offered to the participants in the program.

The maximum dilution effect for 2005 is calculated to amount to at most 0.6 per cent of the share capital and at most 0.2 percent of the votes, provided full subscription and full exercise of all warrants and stock options. Furthermore, the stock options may give rise to expenses for the MTG Group in the form of social security expenses when exercised 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 conjunction therewith, the Board of Directors shall be entitled to make local adjustments to special regulations and market conditions abroad. The Board of Directors may also make other adjustments if significant changes in the MTG group or its circumstances would result in a situation where the decided terms and conditions for allocation under the incentive program become inappropriate to use.

The objective of the incentive program is to create conditions to retain and recruit competent employees within the group. The incentive program has been structured to reward the participants for the increase in shareholder value by offering an allocation of warrants and stock options based on the fulfilment of decided performance conditions which are both result-oriented as well as business-oriented. Moreover, participation in the program 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 value, long-term growth is rewarded. With reference to the above, the Board of Directors is of the opinion that the adoption of an incentive program as set out above is deemed to have a positive effect on the MTG group's future development and thus be beneficial for both the company and its shareholders.

For shareholders' information, the Board of Directors is considering to the encouragement of participation in the incentive program by committing to a cash bonus that may be paid three years following each participant's acquisition of the warrants. The cash bonus will only be paid if the warrants, stock options and/or Class B shares acquired through warrants and stock options are still held by the participant and, if 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 per cent of the total value of the underlying Class B shares at the time of the acquisition of the warrants and stock options.

#### **Issue of subordinated one debentures with detachable warrants (item 14 b)**

The Board of Directors proposes that the Meeting resolves to issue one subordinated debenture with 133,333 detachable warrants, each entitling the holder to subscribe for one new Class B share. As a result, the company's share capital may increase by at most SEK 666,665. The wholly-owned subsidiary MTG Holding AB, shall be entitled to subscribe for the subordinated debenture and must detach the warrants and transfer them to the participants in the incentive program on market terms. Subscription for Class B shares through the warrants may take place during the period from 15 May to 15 August 2008. The subscription price for one Class B share shall amount to 115 per cent of the average last trading price 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 one subordinated debenture with detachable warrants (item 14 c)**

The Board of Directors proposes that the Meeting approves that the Board of Directors, following the offer to the participants in the incentive program, grants a maximum of 266,666 stock options, each entitling the holder to purchase one Class B share during the period from 15 May 2008 to 15 May 2010. The minimum exercise price shall amount to 115 per cent of the average last trading price 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

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offered to the participants free of charge. Each warrant acquired in accordance with item 14 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 one subordinated debenture with a maximum of 266,666 detachable warrants, each entitling the holder to subscribe for one Class B share. As a result, the company's share capital may increase by at most SEK 1,333,330. The wholly-owned subsidiary MTG Holding AB, shall be entitled to subscribe for the subordinated debenture and must detach 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 through the warrants may take place during the period from 15 May 2005 to 15 May 2010. The subscription price for one Class B share shall amount to 115 per cent of the average last trading price of the company's Class B share during the ten trading days immediately following the day of the Annual General Meeting minus 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, for which reason the cost of acquiring one Class B share through the stock option will amount to no less than 115 per cent of the average last trading price of the company's Class B share during the ten trading days immediately following the day of the Annual General Meeting.

#### **OFFER TO RECLASSIFY CLASS A SHARES INTO CLASS B SHARES (item 15)**

The shareholder, EVLI Bank plc, proposes that the General Meeting resolves that holders of Class A shares shall be entitled to reclassify Class A shares into Class B shares during a certain specified period of time.

#### **OTHER INFORMATION**

The resolution regarding implementation of an incentive program as set out in items 14 a – c above must be supported by shareholders representing at least 9/10 of the shares and the numbers of votes represented at the Meeting. From 27 April 2005, the complete text of the Board of Directors' proposals will be kept available at the company's premises at Skeppsbron 18 in Stockholm and on the company's website at [www.mtg.se](http://www.mtg.se). Shareholders who wish to receive those documents may notify the company, whereupon the documents will be sent by mail or by e-mail.

#### **Stockholm, April 2005 THE BOARD OF DIRECTORS**

**For further information, please visit [www.mtg.se](http://www.mtg.se), email [info@mtg.se](mailto:info@mtg.se), or contact:**

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*Modern Times Group is an international entertainment-broadcasting group with operations in more than 30 countries around the world. MTG is the largest Free-to-air and Pay-TV operator in Scandinavia and the Baltics, the largest shareholder in Russia's fourth largest television network, and the number one commercial radio operator in the Nordic region. The Viasat DTH satellite TV platform offers digital multi-channel TV packages of 50 own-produced and third party entertainment channels to viewers in 15 countries across Europe and Viasat TV channels now reach over 50 million people every day.*

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*Modern Times Group MTG AB class A and B shares are listed on the Stockholmsbörsen O-list under the symbols 'MTGA' and 'MTGB'.*