

11 March 2005

Annual General Meeting of Investor AB on 11 April 2005

Agenda Item 16

Regarding proposal from the Board of Directors on compensation and other terms of employment for management and on a long-term incentive program for management and other employees

A. Information concerning the decisions of the General Meeting

Reasons for the proposal by the Board of Directors

Investor strives to offer its employees compensation in line with market conditions that makes it possible to recruit executives and other employees and retain them in the company. Benchmarking studies of relevant industries and markets are continuously carried out in order to determine what constitutes compensation in line with market conditions and to evaluate current compensation levels. The principles for compensation for Investor's employees are:

- to ensure that employees in Investor's different operations receive compensation that is competitive and in line with market conditions. Here, it must be taken into account that Investor conducts different types of investment activities in a number of countries where compensation practices differ,
- to ensure that shareholders and employees have a similar view and perspective with regard to the company's long-term operations,
- to enable a clear connection between compensation and the long-term performance of Investor and the company's net asset value,
- that compensation is based on such factors as work responsibilities, competence, experience, position and performance. Investor is an equal opportunity employer and does not unlawfully discriminate on the basis of race, gender, ethnic background, national origin, age, disability, sexual preference, or any other protected status, and
- that the proportion between basic salary and variable salary is to be based on the employee's position and tasks.

Investor competes for staff with companies that offer various types of compensation programs and levels. Investor's compensation to executives, as well as to other employees, must take this into consideration. Today, compensation to Investor's staff consists of the following components: basic salary, variable salary, variable long-term incentive programs, pensions and other compensation.

B. Principles for compensation and other terms of employment for management

“Management” and “executives” refer to the President and the other members of the Management Group. Management consists of the Management Group, which currently consists of the President and Börje Ekholm, Lars Wedenborn, Adine Grate Axén, Fredrik Hillelson and Henry E. Gooss.

The Board of Directors’ proposal below complies with the principles for compensation previously given to the Management Group and is based on agreements entered into between Investor and each executive. Fees received for board work in Core Holdings may be retained by the employee, but will be taken into account in the determination of the employee’s total compensation.

The preparation of decisions on compensation will adhere to the following procedures. In so far as the President is concerned, the Compensation Committee, after having discussed the matter with the Chairman and the President, will propose compensation, criteria for the variable salary and other terms of employment, to be confirmed by the Board. For other executives the President will, after having discussed the matter with the relevant executive, suggest corresponding terms, to be confirmed by the Compensation Committee and reported to the Board.

The Board proposes that the Meeting approve the following principles for compensation and other terms of employment for Management Group:

Investor shall strive to offer competitive compensation which will enable the company to recruit and retain executives. Compensation to Management Group shall consist of basic salary, variable salary, pensions, other compensation and long-term incentive programs.

The basic salary shall be on market conditions, be competitive and take into account the responsibilities and experience of the individual. Basic salary will be reviewed every other year.

The variable salary shall for the President not exceed 60 per cent, and for other executives not exceed 80 per cent, of the basic salary. Payment of the variable salary assumes that both quantitative and qualitative objectives have been achieved, whereby 25 per cent of the variable salary is based on the development of Investor’s net asset value, 25 per cent on the results for the relevant business area or department and 50 per cent on the result of the achievement of individual targets.

Executives in certain business areas may participate in profit-sharing and parallel investment programs, which, however, shall be taken into account when the variable salary is set as per the above and participation in long-term incentive programs is determined.

Pension benefits shall consist of a defined benefit pension plan based on premiums on parts of salary up to 30 basic income amounts and a defined contribution plan on parts of salary above 20 basic income amounts. The ratio of pension provisions to basic salary depends on the age of the executive. In respect of employees working abroad adjustments may be made in line with local pensions practice. The age of retirement for the President and other executives shall be 60 years.

Non-monetary benefits shall be on market terms and shall contribute to facilitating the executive's discharge of his or her tasks.

The company and executives may terminate the contract of employment at six months' notice and severance pay shall not exceed 24 months of basic salary.

C. Background and description in respect of long-term incentive programs

1. Existing Long-term Incentive Programs

The Board of Directors considers share-based incentive programs to be important components in the total benefit package for executives and other employees and to be well in line with the principles in Section A above. Share-based incentive programs connect the employees' benefits to the shareholders' future value growth and encourage a long-term investment in the Investor share.

During the years 1999-2004, Investor has introduced long-term incentive programs in the form of employee stock option programs which, from 2000, have comprised all staff. The Board of Directors has decided on this. The 2004 long-term incentive program was also approved by the shareholders' general meeting in 2004. The principle is that the total number of employee stock options within the programs shall be in proportion with the company's current total payroll. Executives have, on the basis of current employment contracts, been granted employee stock options whose calculated theoretical value for the respective years has corresponded to 10-70 per cent of the basic salary. For other employees, the employee stock options have, from 2002, been allocated from a pool of options that was allocated on a departmental basis. Each department manager distributed employee stock options among his or her employees based on an individual assessment of performance and achievement of objectives. The exercise price for the employee stock options in the programs of 2000-2004 was set at 110 per cent of the share price the day after the announcement of the year-end report.

Incentive Program 2005

2. Decision Procedure, Majority Requirements etc

The Board of Directors has decided to introduce an employee stock option program similar to the programs introduced in the years 2000-2004, as well as a combined employee stock option and share program (so-called restricted stock) similar to the one for 2004 for executives. Unlike in previous years, there shall now be a clearer link between the achievement by each executive of objectives and the allocation of employee stock options. The Board of Directors' decision was preceded by the Compensation Committee's preparation of the matter. The implementation of the programs presupposes that the General Meeting approve the scope and key principles of the programs with a simple majority.

3. Employee Stock Option Program

The employee stock option program is estimated to include a maximum of 1.4 million employee stock options, each of which will entitle the bearer to acquire one Investor B share. This number of employee stock options is based, inter alia, on an assumed average price for the Investor B share during the period 12-18 April 2005 (the "Valuation Period") at SEK 100 (the "Valuation Price"). Should the Valuation Price during the Valuation Period exceed or fall below SEK 100 or should other factors that affect the valuation change, the theoretical value of each employee stock option will increase or decrease and therefore also the number of employee stock options

that the board may allocate. The exercise price shall be an amount per share corresponding to 110 per cent of the average volume-weighted price paid for an Investor B share during the Valuation Period. The scope and key principles of the program are further explained in Section D below.

Employee stock options cannot be sold or pledged and, accordingly, has no market value. Theoretically, assuming a price per share for the Investor B share of SEK 100, the value per employee stock option can be calculated at approximately SEK 20.70, and in aggregate for the whole program approximately SEK 29.0 million if all employee stock options have been allocated. The valuation has been made using the Black & Scholes valuation formula, whereby the volatility has been estimated to be 24 per cent. It has, however, not been taken into account that the employee stock options are gradually vested and that vesting ceases upon, and exercise of any vested employee stock option must normally take place within three months of, termination of employment. The final valuation will be made by Handelsbanken Capital Markets. At an achievement of objectives for all relevant persons at 70 per cent, the theoretical value of the employee stock option program would be approximately SEK 20 million.

4. Combined Employee Stock Option and Share Program

The combined employee stock option and share program for Management comprises 200,000 employee stock options and 60,000 shares. This number is based on the same assumptions as above in respect of the Valuation Period and the Valuation Price and may therefore increase or decrease at, inter alia, an average stock price during the Valuation Period different from SEK 100. The scope and the key principles of the program are further described in Section D below.

The combined employee stock option and share program forms part of a contractual compensation scheme for the executives and allocation shall be made in accordance with this compensation scheme.

At the time of allocation, the value of the benefit of receiving a share under the program will be deemed to correspond to the market value at that time. However, it shall be taken into account that the shares will not be available until after five years and that the right to shares that have not vested will terminate upon the termination of employment. The theoretical value of an employee stock option may, as set out above, be calculated at approximately SEK 20.70 at, inter alia, an assumed stock price of SEK 100 per B share. At an allocation of 100 per cent of the employee stock options, the share portion corresponds to approximately 60 per cent and the employee stock option portion to approximately 40 per cent of the aggregate value of the combined employee stock option and share program.

Based on an assumed price of the B share of SEK 100 and that all shares will be delivered, the value of the allocated shares amounts to SEK 6 million. If the employee stock option portion, valued as per the above, is included, the value of the combined employee stock option and share program amounts to approximately SEK 10.1 million, of which approximately SEK 3.9 million relates to the President. On a 70 per cent allocation of employee stock options, the value of these will, based on the assumptions above, be approximately SEK 2.9 million and for the entire combined program approximately 8.9 million, of which approximately SEK 3.4 million relates to the President.

5. Hedging Arrangements and Costs

The intention is not that new shares shall be issued as a result of the employee stock option program or the combined employee stock option and share program or that the company shall transfer treasury stock, if any, to the relevant persons. Investor's intention is to secure the delivery of shares through hedge contracts or otherwise.

Investor's policy is to protect the company against costs arising in connection with an increase in Investor's share price. Investor will continuously evaluate whether it is appropriate to enter into hedge contracts, taking into consideration the development of the share price, the number of employees participating in the programs and the cost for entering into hedge contracts.

If no hedging contract is entered into, and no other hedging arrangements are made, the company will not be protected if the share price increases, whilst the costs for the share program will be reduced if the share price decreases, and will disappear entirely for the employee stock option program if the share price falls below the exercise price.

Assuming that Investor enters into hedge contracts at the Valuation Price in respect of the total number of shares, plus shares necessary to hedge the social security charges for the employee stock option program and the combined employee stock option and share program, and that all shares and employee stock options vest, the following estimate of the costs may be made. For the share program, the cost on the above assumption of a share price of SEK 100 during the Valuation Period and delivery of 60,000 shares, would be SEK 7.8 million (inclusive of social security charges), falling due for payment in 2010, irrespective of whether the exchange price increases or decreases. In respect of both the employee stock option program and the options portion of the combined employee stock option and share program, Investor will be protected against costs at a flat or increasing share price, provided Investor enters into hedge contracts at the share price that is the basis for the exercise price of the employee stock options and that the interest costs to be paid annually under the hedge contracts do not exceed an amount corresponding to the annual dividends on the underlying shares.

6. Other

The employee stock option program and the combined employee stock option and share program will not lead to any dilutive effects for the company or its shareholders, since already existing shares will be delivered. In total, the programs may lead to delivery of not more than 1,660,000 B shares, corresponding to approximately 0.2 per cent of the total number of outstanding shares and approximately 0.05 per cent of the number of votes in the company. Including long-term incentive programs previously resolved upon, which comprise approximately 7.8 million shares, the incentive programs of Investor include approximately 1.2 per cent of the total number of outstanding shares and approximately 0.3 per cent of the number of votes in the company. The above calculations exclude employee stock options allocated to executives as compensation in connection with the conversion to a defined contribution pension program.

D. The scope and main principles for the 2005 incentive program

On the basis of the presentation set out in Sections A and C above, the Board of Directors proposes that the General Meeting approve the scope and main principles for the Investor employee stock option and share programs for 2005 as follows.

The Board of Directors may grant 1.4 million employee stock options to be allocated among all employees, except Management, based on position, basic salary and achievement of objectives. This number of employee stock options is based on the assumption that the average price of the Investor share during the period 12-18 April 2005 (the "Valuation Period") will be SEK 100 (the "Valuation Price"). If the Valuation Price changes, the value of each employee stock option will increase or decrease and, consequently, the number of employee stock options that the Board of Directors may allocate will also change. The employee stock option program has, inter alia, a

seven-year maturity and vesting linked to continued employment during three years from 20 January 2005. The exercise price shall be an amount per share corresponding to 110 per cent of the average volume-weighted price paid for an Investor B share during the Valuation Period.

Furthermore, the Board of Directors may allocate a combined employee stock option and share program to the President and the other members of the Management Group. The employee stock option portion is structured in the same way and on the same terms as for other employees as set out above and comprises, based on the Valuation Price, 200,000 employee stock options. The share portion comprises, based on the Valuation Price, 60,000 shares. Vesting is linked to continued employment during three to five years, and the shares will be available after five years (so-called restricted stock). The maximum number of employee stock options and shares that may be allocated to executives will be determined after the end of the Valuation Period. The number of employee stock options to be finally allocated will be determined after the end of 2005 and will be conditional on the achievement by each relevant person of quantitative and qualitative objectives, whereby 25 per cent is based on the development of Investor's net asset value, 25 per cent on the results for the business area or department for which the executive is responsible and 50 per cent on the result of the achievement of individual targets.

The maximum allocation of employee stock options and shares is, in terms of value, linked to the basic salary of each executive and corresponds for the President to 60 per cent and for the other members of the Management Group to between 10 and 60 per cent of the basic salary. At an allocation of 70 per cent of employee stock options, the share portion corresponds to approximately 68 per cent and the employee stock option portion to approximately 32 per cent of the aggregate value of the combined employee stock option and share program.

Investor AB
The Board of Directors