

Annual General Meeting of Investor AB on 21 March 2006

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

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 including private equity, investment banking and hedge funds in a number of countries,
- 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 performance, 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, variable salary and the long-term incentive program is to be based on the employee's performance, 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.

The Board of Directors considers the proposal presented to the shareholders' general meeting 2006 to be balanced between basic salary, one year cash based variable salary, long-term variable share related salary and pensions and other compensation.

A. 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, since December 2005

consists of the President Börje Ekholm, the executive Vice President Lars Wedenborn, Adine Grate Axén, Johan Forssell, Lennart Johansson and Henry E. Gooss.

The Board of Directors' proposal below complies with the principles for compensation previously given to the Management 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 the Chairman and the President have discussed the matter, will propose salary, criteria for the variable salary and other terms of employment to be confirmed by the Board. The basic salary for the President amounts to SEK 6 million per year. 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 shall consist of basic salary, variable salary, long-term incentive programs, pensions and other compensation. Together, those elements constitute the total compensation of the individual. Basic salary, variable salary and long-term incentive programs together constitute the salary of the employee.

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

For the President, the amount of the maximum turn-out of variable salary and the calculated value of the allocation of the long-term incentive program in 2006 is restricted to 100 per cent of basic salary, whereof variable salary may not amount to more than 45 per cent and the calculated value of the long-term incentive program not more than 55 per cent.

Variable salary is dependent upon the individual's capacity to meet the quantitative and qualitative goals. For the President, variable salary can, as mentioned above, amount to 45 per cent. Consequently, the variable salary for the President can vary between SEK 0 and 2.7 million, depending on whether the goals have been met. For the other members of the Management, variable salary varies correspondingly, depending on the position and the agreement and generally amounts to 50 – 65 per cent (in exceptional cases 80 per cent of the basic salary). For 2005 the outcome of the variable salary was to 25 per cent 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 and the achievement of the individual employee. For 2006 the outcome should only be related to the individual's fulfillment of the goals, whereby it becomes clearer that compensation is related to the work contributions and performance of the individual.

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 as earlier years 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.

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

As concerns the long-term incentive program, it is the Board of Directors' ambition to create a structure where the employees are committed through a direct ownership of Investor shares and through a performance-related compensation based on the long-term development of Investor whereby one part of the compensation of the employees is related to the long-term development of Investor and the Investor share and the employee is exposed to share price increases and decreases.

1. Earlier Long-term Incentive Programs

During the years 1999-2005, 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. 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. The long-term incentive program for 2005, which was approved by the shareholders' general meeting in 2005, contains an employee stock option program for all employees and the outcome is dependent on the result and the achievement of the individual employee, on the development of Investor's net asset value and on the results for the relevant business area or department. The employee stock option program was estimated to include a maximum of 1.400.000 employee stock options and the exercise price was fixed to 100 per cent of the stock price of the share during the five days following the shareholders' general meeting. The long-term incentive program 2005 included also a combined employee stock option and share program for Management comprises 200,000 employee stock options and 60,000 shares. In the same way as the employee stock option program for the other employees was the allotment of stock options also dependent on whether goals had been met, while the vesting of so called "restricted stocks" take place during the years three to five after the allotment to the Management whereafter exercise can take place.

Long-term Incentive Program 2006

2. The program in short, Decision Procedure, Majority Requirements etc

In order to achieve the ambition and the intention with the long-term incentive program in the best possible way, the Board of Directors has, with the help of Kepler Associates ("Kepler"),

which are specialized on incentive programs, and in consultation with representatives for a number of Investor's shareholders, prepared a modified proposal for a long-term incentive program. In summary, the new program is built on a Stock Matching Plan under which the employees, for each Investor share in which they invest, receive two options and the right to purchase a share in accordance with the terms and conditions described under the Stock Matching Plan below. In addition, the President and some executives may participate in a Performance-Based Share Program which is described below. Under the program, opportunities are given to purchase more Investor shares in relation to the development of Investor over a three-year period as concerns growth of the Company's net asset value and total return. The value of the long-term incentive program is in line with the program from last year. 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.

The proposals for Investor's Long-term Incentive Program for 2006, which is connected to Investor shares of series B, have the following components.

3. Stock Matching Plan

A **Stock Matching Plan** according to which all employees, for each Investor share which they acquire at market price during a two weeks period, to be determined by the Board of Directors, after the announcement of Investor's first quarterly financial report for 2006 (the "Measure Period"), will receive two options ("Matching Options") and the right to purchase one Investor share ("Matching Share") after a three-year vesting period. The Matching Share can be acquired for SEK 10 during a four-year period after the vesting period. During the same period, each Matching Option entitles the holder to purchase one Investor share at an exercise price corresponding to 120 per cent of the stock price of the Investor share during the Measure Period.

The President, the other executives and approximately 15 other senior employees within Investor ("Senior Management") are obligated to invest at least 5 per cent of their basic salary in Investor shares according to the Stock Matching Plan. Other employees are not obligated to invest but have a right to invest so much that the value of the allotted Matching Options and Matching Shares amounts to maximum 15 per cent of basic salary of the employees concerned depending on the position and performance. Senior Management has the right to invest so much that the value of the allotted Matching Options and Matching Shares amounts to between 10 and 20 per cent of their respective basic salary for 2006.

In order to participate fully in the Stock Matching Plan, the President has to invest SEK 1.18 million (corresponding to approximately 20 per cent of basic salary before taxes) in Investor shares. This is equivalent to the maximum quota of the basic salary of which the President has the right to invest under the Stock Matching Plan. If the President, through the investment mentioned above, participates fully in the Stock Matching Plan, the value of the right to receive a Matching Share and two Matching Options per acquired share under the Stock Matching Plan is SEK 1.1 million, i.e. 18.3 per cent of basic salary.

The value of the Stock Matching Plan have been estimated by Kepler in regard to the value of the options, the investment risk, the risk that the employment ends and the price (SEK 10) paid for every Matching Share. At a stock price of SEK 135 the estimated value amounts to 94 per cent of the amount the employee invest in Investor shares.

4. Performance-Based Share Program

According to the proposal, Senior Management, in addition to participating in the Stock Matching Plan, also participates in a Performance Share Program. Under the Performance Share

Program, Senior Management, after a three-year vesting period, has the right during four years to acquire additional Investor shares ("Performance Shares") for SEK 10 per share. This is conditional upon whether certain financial goals relating to the development of Investor's net asset value and the total return on the Investor shares are met during the vesting period.

2/3 of the turn-out is dependent on Investor's development of the net asset value. Investor's average yearly development of the net asset value including dividends must exceed the interest on the 10-years government bonds with more than 8 per cent to give the Senior Management the right to acquire the highest amount of Performance Shares, which are dependent on the development of the net asset value. There will be no allotment Performance Shares related to the development of the net asset value if the development of the net asset value does not exceed the 10-years interest on government bonds with at least 2 per cent. If the development is between the 10-years interest on government bonds plus 2 per cent and the 10-years interest on government bonds plus 8 per cent a proportional (linear) allotment will occur. The development of the net asset value during the three year vesting period is measured as the average during three quarters in the beginning compared with the average during three quarters in the end of the period.

1/3 of the turn-out is dependent upon the total return on the Investor share. Investors yearly running total return including reinvested dividends must exceed the development of the share index called SIX RX Total Return with more than 4 per cent to give the Senior Management the right to acquire the highest amount of Performance Shares, which are dependent on the total return. There will be no allotment of Performance Shares related to the total return if the total return does not develop in at least parity with SIX RX Total Return index. If the total return is between SIX RX Total Return and SIX RX Total Return plus 4 per cent a proportional (linear) allotment will occur. The total return will be measured quarterly on running 12-month basis over a three years period. The outcome is estimated as the average during three years based on the 12 measure points.

To obtain a total maximum outcome regarding the Performance Shares it is required that Investor exceeds the upper limit for both the development of net asset value as well as the total relative return.

The value of the opportunity to receive Performance Shares for the President amounts to 36.7 per cent (SEK 2.2 million) of his basic salary for 2006 and for other Senior Management between 20 and 40 per cent of the respective manager's basic salary for 2006.

The value of a Performance Share has been estimated by Kepler to 43 per cent of the average stock price, minus SEK 10, during the Measure Period. This value has been fixed as a consequence of the probability to achieve the performance requirements. Provided a stock price of SEK 135 the value of every Performance Share is 43 per cent of SEK 125 i.e. SEK 53.75. In that case the highest amount of Performance Shares, which can be allotted to the President, if the highest performance requirements are achieved would be 40,930 (SEK 2.2 million / 53.75) while the expected outcome amounts to 17,600 Performance Shares.

The final number of Performance Shares obtained is dependent on the outcome of the performance requirements, but cannot at allotment exceed preset highest number (limit).

At the acquisition of the Matching Shares and Performance Shares, the employees are entitled to compensation for dividends paid during the vesting period and up to the acquisition. Such compensation will be made in the form of additional shares.

The value for the President of the Matching Shares, Matching Options and Performance Shares amounts, at allotment 2006, to SEK 3.3 million (i.e. 55 per cent of the fixed salary). The estimated maximum turn-out, provided that all the goals are met in full as regards the two relevant parameters, growth of the net asset value and the relative total return, amount to SEK 6.4 million if the stock price is unchanged. If the relevant objectives are not met the estimated value for the President, provided that the stock price is unchanged, amounts to SEK 1.1 million.

Assuming a stock price of SEK 135 during the Measure Period the highest number of shares which can be acquired by the employees as a result of the Matching Options will be 240,000. The highest number of Matching Shares that the employees can have the right to acquire, including estimated compensation for dividends, amounts to 150,000. The highest number of Performance Shares that Senior Management can have the right to acquire, including estimated compensation for dividends, amounts to 250,000. The highest number of shares that can be acquired under the long-term incentive program is, in order to maintain the value given above, dependent upon the stock price for the Investor share over the Measure Period and can thus increase or decrease.

5. Costs and Hedging Arrangements

The cost for the long-term incentive program 2006 as shown on the income sheet is based on the new accounting principles in accordance with IFRS-2 and amounts, with a stock price of SEK 135 for the shares during the Measure Period, to approximately SEK 30 million for the Stock Matching Plan and approximately SEK 20 million for the Performance Share Program. Estimated costs for future dividends as well as estimated costs for social security charges are included in these amounts. The costs will be allocated over the three-year vesting period.

In order to limit the costs inclusive of social security charges for the long-term incentive program, the Board of Directors consider to hedge the exposure by entering into total return swaps with third parties and/or provided that the Meeting so decide under item 17 on the agenda purchase its own shares, which can be transferred to the employees under the Stock Matching Plan and the Performance Share Program.

The intention is that no new shares shall be issued as a result of the Stock Matching Plan or the Performance Share Program. In case of hedging through the acquisition of own shares, already existing shares may however first be repurchased and then be delivered to the employees, as well as be sold in the market place in order to cover social security charges.

6. Other

The long-term incentive program 2006 is expected to result in only marginal dilutive effects for the company and its shareholders since the program is limited and as already existing shares will be delivered. In total, the program may lead to delivery of not more than 640,000 Investor shares, corresponding to approximately 0.1 per cent of the total number of outstanding shares and approximately 0.0 per cent of the number of votes in the company. Including long-term incentive programs previously resolved upon, which comprise approximately 6.9 million shares, the incentive programs of Investor include approximately 1.0 per cent of the total number of outstanding shares and approximately 0.3 per cent of the number of votes in the company.

With reference to the presentation above the Board of Directors propose that the Meeting approve the scope and main principles for the Stock Matching Plan and the Performance Share Program for 2006.

Investor AB
The Board of Directors
February 2006