

Documents for the AGM

IAR Systems Group AB (publ)

Thursday, April 24 2014

Agenda

for the Annual General Meeting of shareholders in IAR Systems AB (publ) at 6:00 p.m. on Thursday, April 24, 2014, at Spårvagnshallarna, Birger Jarlsgatan 57 A, Stockholm, Sweden.

1. Opening of the AGM.
2. Election of the Chairman of the AGM.
3. Drawing up and approval of the voting list.
4. Approval of the agenda.
5. Election of one or two persons to check and sign the minutes.
6. Decision as to whether the AGM has been duly convened.
7. Address by the CEO.
8. Presentation of the annual accounts, the audit report, the consolidated financial statements and the consolidated audit report.
9. Resolutions regarding:
 - a. adoption of the income statements and balance sheets of the Parent Company and the Group,
 - b. appropriation of the company's profits according to the adopted balance sheet and decision on the record date for dividends, and
 - c. discharge from liability for the members of the Board of Directors and the CEO.
10. Decision regarding the number of Board members and deputies.
11. Decision regarding fees to be paid to the Board of Directors and auditors.
12. Election of Board members and the Board Chairman.
13. Election of auditors.
14. Appointment of the nominations committee.
15. Share split and automatic redemption procedure, to include
 - a. resolution to implement a share split,
 - b. resolution to reduce share capital through automatic redemption of shares; and
 - c. resolution to increase share capital through a bonus issue
16. Decision regarding principles for remuneration and other terms employment of senior executives.
17. Authorization for the Board to decide on the issue of new class B shares.
18. Authorization for the Board to decide on the repurchase and sale of treasury shares.
19. Other business to be transacted by the AGM according to the Swedish Companies Act (2005:551) or the Articles of Association.
20. Adjournment of the AGM.

Proposals for resolution to be put before the Annual General Meeting of IAR Systems Group AB (publ) on April 24, 2014.

The below proposals for resolution and information follow the numbering stated in the proposed agenda.

Election of the Chairman of the AGM (item 2),

The Nominations Committee proposes Markus Gardien as Chairman of the AGM.

Appropriation of earnings (item 9 b)

The Board of Directors proposes no dividend for the fiscal year 2013. Instead the Board of Director proposes, as set out in item 15 below, a procedure for the redemption shares.

Decision regarding the number of Board members and deputies. (item 10)

The Nominations Committee proposes that the Board consist of five members and no deputies.

Decision regarding fees to be paid to the Board of Directors and auditors (item 11)

The Nominations Committee proposes that Board fees be paid in an amount of SEK 300,000 to the Board Chairman and SEK 125,000 to each of the Board members not employed in the Group. It is proposed that fees to the auditors be paid according to approved account

Election of board members and Board Chairman. (item 12)

As members of the Board, the Nominations Committee proposes re-election of Peter Larsson, Markus Gardien, Karin Moberg, Jonas Mårtensson and Stefan Skarin. Markus Gardien is proposed to be re-elected as Board Chairman.

Election of auditors. (item 13)

As auditors, the Nominations Committee proposes re-election for one year of Deloitte AB with Erik Olin as Auditor in Charge.

Appointment of the Nominations Committee (item 14)

The Nominations Committee proposes that the AGM resolve on the appointment of a Nominations Committee according to the following principles. By September 30, 2014, at the latest, the Board Chairman shall call together the company's three largest shareholders or group of shareholders in terms of voting power, each of which shall then have the right to appoint one member to the Nominations Committee. If any of the three largest shareholders or group of shareholders does not exercise its right to appoint a member, the shareholders or group of shareholders next in order of voting power shall have the right to appoint a member to the Nominations Committee. Furthermore, the Board Chairman can be appointed as a member of the Nominations Committee. The CEO or other member of the company's executive management may not be a member of the Nominations Committee. The Board Chairman shall act as convener of the Nominations Committee's first meeting. A shareholder representative shall be appointed as chairman of the Nominations Committee. The mandate period of the Nominations Committee shall extend until such time as the new Nominations Committee has been appointed. The composition of the Nominations Committee shall be announced not later the six months prior to the AGM.

The composition of the Nominations Committee shall be based on known shareholdings in the company at August 31, 2013. In the event of a significant change in the company's ownership structure after the appointment of the Nominations Committee, the composition of the Nominations Committee can also be changed in accordance with the above principles. Changes in the composition of the Nominating Committee shall be announced immediately.

The Nominations Committee shall prepare proposals for approval by the AGM regarding election of the Board Chairman and other members of the company's Board of Directors, the amount of Board fees and their apportionment between the Board Chairman and other Board members, any compensation for work on the committees, election of and fees to the Auditor, decision regarding principles for appointment of the Nominations Committee and appointment of a Chairman of the AGM.

No fees shall be paid to the members of the Nominations Committee. The Nominations Committee shall have

the right, after approval by the Board Chairman, to charge the company for costs such as fees for recruiting consultants or other outlays that are necessary for the performance of the Nominating Committee's duties.

Share split and automatic redemption of shares (item 15)

The Board of Directors proposes that the AGM resolves on a procedure for the automatic redemption of shares, in accordance with the proposal below. It is proposed that the resolutions are taken together as one resolution. For valid decision the resolution must be supported by shareholders representing at least 2/3 of both the number of votes exercised and the number of shares represented at the AGM.

Resolution to implement a share split (item 15 a)

The Board of Directors proposes that the AGM resolves to implement a share split, whereby one share in IAR Systems Group AB is converted into two shares. One of these shares will be a so-called redemption share. The Board proposes that the record date for the share split shall be May 8, 2014.

Resolution to reduce the share capital through an automatic redemption of shares (item 15 b)

The Board of Directors proposes that the share capital shall be reduced by SEK 61,722,805 through the redemption of 100,000 Class A shares and 12,244,561 Class B shares for repayment to the shareholders. The shares to be redeemed are those shares which are referred to as redemption shares after shares have been split as described in item 15 a) above. In the event the Company's outstanding warrants program used for subscription of shares, the number of shares in the Company will increase by a maximum of 361,000 shares of series B. In respect of such subscription of new shares taking place prior to the record date for the share split pursuant to item 15 a) above, the proposal for reduction of the share capital shall be adjusted, whereby the reduction amount shall increase by SEK 5.00 for each such new share in the Company. In addition, the number of shares being subject to redemption shall increase correspondingly.

The price to be paid for each redemption share shall be SEK 5.00, being the quota value of the shares. The maximum redemption amount will thereby be SEK 61,722,805, provided that no warrants are exercised before the record date for the stock split. The Board of Directors proposes that trading in redemption shares shall take place from May 13, 2014 up to and including May 27, 2014. The Board of Directors proposes that the record date for the redemption of shares shall be June 2, 2014. Payment is expected to be made through Euroclear Sweden AB on June 5, 2014.

Resolution to increase share capital through a bonus issue (item 15 c)

In order to achieve a timely and efficient redemption procedure, without having to obtain permission from the Swedish Companies Registration Office or the Court, the Board of Directors proposes to restore the Company's share capital to its original amount by increasing the Company's share capital by SEK 61,722,805 through a bonus issue by way of a transfer from the Company's unrestricted equity to the Company's share capital. No new shares will be issued in connection with the increase of the share capital. If the outstanding warrants are exercised for subscription of shares before the record date for the share split according to item 15 a) above, the proposed resolution for the increase of share capital through a bonus issue shall be subject to adjustment whereby the issue amount shall increase by SEK 5.00 for each such share in the Company.

Decision regarding principles for remuneration and other terms employment of senior executives (item 16)

The Board of Directors proposes that the principles for remuneration of senior executives that were adopted by the 2013 AGM continue to apply.

Authorization for the Board to decide on the issue of new class B shares (item 17)

The Board of Directors proposes that the AGM authorize the Board, on one or several occasions during the period until the next AGM, to decide on the issuance in kind of class B shares up to 10 percent of the company's existing share capital on the date of the AGM.

This purpose of this authorization is to enable acquisitions with payment through a non-cash issue.

Authorization for the Board to decide on the repurchase and sale of treasury shares (item 18)

The Board of Directors proposes that the AGM authorize the Board, on one or several occasions during the period until the next AGM, to decide on the purchase of a maximum number of class B treasury shares whereby the holding of treasury shares at no time exceeds 10 percent of all registered shares in the company. The shares shall be acquired on NASDAQ OMX Stockholm at a price that is within the registered price interval at any given time, defined as the interval between the highest bid price and the lowest ask price.

The motive for the authorization is to give the Board greater freedom of action in optimizing the company's capital structure.

It is furthermore proposed that the Board be authorized, on one or several occasions during the period until the next AGM, to decide on the sale of at most all class B treasury shares held by the company at any given time (i) on NASDAQ OMX Stockholm or (ii) in a manner other than a sale on a regulated market, whereby the Board shall be able to decide on the disposal of shares for payment in cash with deviation from the shareholders' pre-emptive rights or as consideration for the acquisition of companies or operations. The sale of shares on a regulated market may take place only at a price that is within the registered price interval at any given time. The disposal of shares in a manner other than through a sale on a regulated market and where the sale takes place with deviation from the shareholders' pre-emptive rights, or as consideration for the acquisition of companies or operations, may take place only at a price that is not lower than the market price on the date of transfer. The motive for the authorization is to give the Board greater freedom of action and scope to continuously adapt the company's capital structure, as well as opportunity to finance future acquisitions. The reason for authorizing the Board, in connection with the sale of shares, to decide on the disposal of shares with deviation from the shareholders' pre-emptive rights in a manner other than through a sale on a regulated market, is that the company can thereby dispose of the shares in a more timely manner in the event that the liquidity of the company's share on the regulated market is limited on the date of transfer.

Other

For valid decision on items 15 and 18 above, the resolution must be supported by shareholders representing at least 2/3 of both the number of votes exercised and the number of shares represented at the AGM.

The financial statements, audit report, the auditor's opinion on the application of the guidelines for remuneration to senior executives, the Board's complete proposals as set out above, and a proxy form with related documents under the Swedish Companies Act (2005:551) will be held available at the company at Strandbodgatan 1, Uppsala or Kungsgatan 33, Stockholm, and on the company's website www.iar.com / investors. Copies of the documents will be sent free of charge to shareholders who so request and provide their mailing address, and will also be available at the AGM.

Pursuant to Chapter 7, § 32 (2005:551), shareholders have the right at the AGM to question the Board of Directors about circumstances that may affect the conditions of the agenda and conditions that may affect the company's financial situation.

At March 25, 2014, the company has a total of 12,344,561 shares, consisting of 100,000 shares of class A and 12,244,561 shares of class B, equal to a total of 13,244,561 votes.

The Board of Director's statement pursuant to Chapter 19, Section 22, and Chapter 20, Section 8, of the Swedish Companies Act (2005:551)

The Board of Directors of IAR Systems Group AB (publ) ("the Company"), corporate identity number 556400-7200, may hereby submit the following statement regarding authorization for the Board of Directors to resolve on the repurchase of the Company's own shares and a reduction in the Company's share capital for repayment to the shareholders pursuant to Chapter 19, Section 22, and Chapter 20, Section 8, of the Swedish Companies Act (2005:551).

The Board of Directors' motivation for the above proposal is consistent with the provisions in Chapter 17, Section 3, paragraphs two and three of the Swedish companies Act, and is as follows:

Nature, scope and risks of the business

The nature and scope of the Company's business is stated in the Articles of Association and the published annual reports. The operations that are conducted in the company are not associated with risks beyond that which arise or can be assumed to arise in the industry, or those risks which are generally associated with the conduct of business operations.

Financial position of the Company and the Group

The Company's financial position at December 31, 2013, is stated in the most recently published annual report. The annual report also specifies which principles have been applied for valuation of assets, provisions and liabilities.

At December 31, 2013, the Company's non-restricted equity amounted to approximately SEK 176.0 million and the Group's shareholder's equity amounted to SEK 295.0 million.

The Board of Directors' proposal regarding reduction of the share capital is that the Company's share capital be reduced by SEK 61,722,805 through the cancellation of 100,000 shares of class A and 12,244,561 shares of class B for repayment to the shareholders. The proposed repayment amounts to SEK 5.00 per share, which corresponds to a total amount of not more than approximately SEK 61.7 million, comprising around 35 percent of the Company's non-restricted equity and around 21 percent of the Group's shareholder's equity. At the same time, the Board of Directors proposes that the Annual General Meeting resolve to restore the Company's share capital to its original amount by increasing the Company's share capital by 61,722,805 through a bonus issue, without the issuance of new shares, through the transference of the issue amount from the Company's non-restricted equity to the Company's share capital. After the completed bonus issue, the Company's restricted equity and share capital will be unchanged.

The annual report for 2013 states among other things that the Group has an equity/assets ratio of 80 percent. The proposals stated above will not jeopardize implementation of the investments that are deemed necessary.

The Company's financial position does not give rise to any other assessment that the Company can continue its operations and that the Company can be expected to meet its obligations in the short and long term.

The Board of Directors' assessment is that the amount of shareholders' equity as reported in the most recently published annual report is in reasonable proportion to the scope of the company's operations and the risks that are associated with the conduct of these operations even with consideration to the proposed authorization for the Board of Directors to resolve on the repurchase of the Company's own shares and a reduction in the Company's share capital for repayment to the shareholders.

Assessment as to whether the proposed transfer of value to the shareholders is justifiable

With regard to the above and that which has otherwise come to the Board of Directors' knowledge, the Board of Directors' opinion is that an overall assessment of the Company's financial position means that the proposed authorization for the Board of Directors to resolve on the repurchase of the Company's own shares and a reduction in the share capital for repayment to the shareholders is justifiable with consideration to the provisions in Chapter 17, Section 3, paragraphs two and three of the Swedish Companies Act, i.e. with consideration to the requirements that the nature, scope and risks of the business place on the amount of the Company's shareholder's equity and the Company's consolidation needs, liquidity and position in general.

Stockholm, March 2014
IAR Systems Group AB (publ)
The Board of Directors

The Board's statement pursuant to Chapter 20, Section 13, of the Swedish Companies Act (2005:551)

The Board of Directors of IAR Systems Group AB (publ) ("the Company"), corporate identity number 556400-7200, may hereby submit the following reported proposal regarding reduction of the Company's share capital pursuant to Chapter 20, Section 13, paragraph four of the Swedish Companies Act (2005:551).

It is stated in the proposal regarding reduction of the share capital that the Board of Directors proposes that the Company's share capital be reduced by SEK 61,722,805 through the cancellation of 100,000 shares of class A and 12,244,561 shares of class B for repayment to the shareholders. The proposed repayment amounts to SEK 5.00 per share, which corresponds to a total amount of not more than approximately SEK 61.7 million, comprising around 35 percent of the Company's non-restricted equity and around 21 percent of the Group's shareholder's equity.

The annual report for 2013 states among other things that the Group has an equity/assets ratio of 80 percent. The Board of Directors' proposal entails a reduction in the Company's share capital by SEK 61,722,805, from SEK 123,445,610 to SEK 61,722,805. To achieve a timely and effective redemption procedure without requiring the permission of the Swedish Companies Registration Office or a general court of law, the Board of Directors proposes that the Annual General Meeting resolve to restore the Company's share capital to its original amount by increasing the Company's share capital by 61,722,805 through a bonus issue, without the issuance of new shares, through the transference of the issue amount from the Company's non-restricted equity to the Company's share capital.

All in all, the Board of Directors' proposal as stated above means that the disposable funds in the Company will decrease by around SEK 61.7 million to around SEK 114.3 million according to the Company's balance sheet at December 31, 2013. After the completed bonus issue, the Company's restricted equity and share capital will be unchanged.

Stockholm, March 2014
IAR Systems Group AB (publ)
Board of Directors