

Documents for the AGM

IAR Systems Group AB (publ)

Wednesday, April 27 april 2016



Agenda

for the Annual General Meeting (AGM) of shareholders in IAR Systems AB (publ) at 6:00 p.m. on Wednesday, April 27, 2016, at Spårvagnshallarna, Birger Jarlsgatan 57 A, Stockholm, Sweden.

Proposed agenda

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
 - 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 nominating committee.
15. Decision regarding principles for remuneration of senior executives.
16. Authorization for the Board to decide on the issue of new shares.
17. Authorization for the Board to decide on the repurchase and sale of treasury shares.
18. Other business to be transacted by the AGM according to the Swedish Companies Act (2005:551) or the Articles of Association.
19. Adjournment of the AGM.

Proposals for resolution to be put before the AGM of IAR Systems Group AB (publ) on April 27, 2016.

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 nominating committee proposes Markus Gardien as Chairman of the AGM.

Appropriation of the company's profits according to the adopted balance sheet (item 9 b)

The Board of Directors proposes that the earnings at the disposal of the AGM according to the company's adopted balance sheet, amounting to SEK 138,650,891, be disposed of so that the shareholders receive a dividend of SEK 7.00 per share, or a total of SEK 88,424,217, for the 2015 financial year. The proposed record date is Friday, April 29, 2016. Provided that this record date is approved, dividends are expected to be disbursed on Wednesday, May 4, 2016.

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

The nominating 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 nominating committee proposes that Board fees be paid in an amount of SEK 375,000 to the Board Chairman and SEK 165,000 to each of the Board members not employed in the Group. It is proposed that fees to the auditors be paid according to approved invoices.

Election of Board members and the Board Chairman (item 12)

As members of the Board, the nominating committee proposes re-election of Markus Gardien, Peter Larsson, Jonas Mårtensson, Stefan Skarin and Maria Wasing. Markus Gardien is proposed to be re-elected as Board Chairman.

Election of auditors (item 13)

As auditors, the nominating committee proposes re-election for one year of Deloitte AB with Erik Olin as auditor in charge.

Appointment of the nominating committee (item 14)

The nominating committee proposes that the AGM resolve on the appointment of a nominating committee according to the following principles.

No later than September 30, 2016, the Board of Directors shall convene a meeting of the three largest shareholders or known shareholder groups within the company in terms of voting power, which in turn shall be entitled to appoint at least three members, one from each of the largest shareholders or shareholder groups in terms of voting power, to the nominating committee. If any of the three largest shareholders or known shareholder groups waives the right to appoint a member to the nominating committee, the next-largest shareholder or known shareholder group shall be afforded the opportunity to appoint a member to the nominating committee. In addition, the Chairman of the Board may be appointed to the nominating committee. The CEO or another member of executive management shall not serve as a member of the nominating committee. The Chairman of the Board shall convene the initial meeting of the nominating committee. A shareholder representative should be appointed chairman of the nominating committee. The nominating committee shall serve for a term ending when a new nominating committee has been appointed. The composition of the nominating committee shall be publicly announced no later than six months before the 2017 AGM.

The nominating committee shall be appointed based upon known shareholdings in the company at August 31, 2016. If significant changes in ownership structure occur after the nominating committee has been appointed, the composition of the nominating committee may also be changed in accordance with the policies set forth above. Changes in the nominating committee shall be immediately publicized.

The nominating committee shall prepare and submit to the AGM for decision a proposal recommending the election of the Chairman of the Board and other Board members; Board member fees allocated among the Chairman and other Board members; remuneration, if applicable, for service on Board committees; election of the auditor and auditors' fees; election of the Chairman of the AGM and policies for appointment of the nominating committee.

The members of the nominating committee shall not be remunerated for their services. Upon approval by the Chairman of the Board, the nominating committee shall have the right to charge the company for costs, such as for recruitment consultants, or other costs necessary for the nominating committee to perform its duties.

Decision regarding principles for remuneration of senior executives (item 15)

The Board of Directors proposes that the AGM on April 27, 2016 adopt the following principles for remuneration of senior executives. Senior executives refers to CEO, the CFO and the COO. The remuneration principles also apply to Board members to the extent that they receive remuneration outside the scope of their Board assignment.

General

IAR Systems strives for a remuneration system for the CEO, senior executives and other employees that is market-based and competitive. Remuneration of senior executives shall consist of fixed salary, variable salary, pension and other customary benefits.

Fixed salary

Fixed salary shall be market-based and individually differentiated on the basis of the individual's role, performance, results and responsibilities. As a rule, fixed salary is adjusted once a year.

Variable salary

Variable salary shall be proportionate to the responsibilities and powers of the individual in question. Variable salary is based on the attainment of predetermined performance targets in the areas of profit, sales and "soft" individual goals. The amount of variable salary is based on the employees' fulfillment of these goals. The variable salary may not exceed 50 percent of the fixed salary.

Incentive schemes

The Board of Directors is tasked with evaluating on an annual basis whether additional share-based or share-price-based incentive schemes should be proposed to the AGM.

Pension

The CEO is covered by a pension plan corresponding to the cost of the ITP plan, but with a retirement age of 60, which raises the premium compared with a retirement age of 65. Other employees are covered by a pension plan corresponding to the cost of the ITP plan.

Other terms of employment

If employment is terminated by the company, senior executives are entitled to termination benefits at unchanged terms and conditions over a period of 12 months in addition to non-pensionable severance pay of six monthly salaries. For senior executives, the notice period is six months.

Consulting fees to Board members

In the event that Board members perform work over and above their customary Board assignment, the Board shall, in specific cases, be able to decide on additional remuneration in the form of consulting fees.

Remuneration committee

The Board's remuneration committee, consisting of four Board members including the Chairman of the Board, who also serves as the Chairman of the remuneration committee, addresses and prepares remuneration issues relating to senior executives.

The remuneration committee prepares and drafts proposed resolutions relating to remuneration and terms and conditions of employment for the CEO, which are presented to the Board for approval. The Board evaluates the CEO's work on an annual basis.

The CEO approves the remuneration and terms and conditions of employment of other senior executives on the basis of the principles for remuneration of senior executives adopted at the AGM.

Deviation from the guidelines

The Board of Directors has the right to deviate from these guidelines where there is special reason to do so, for example, in connection with additional variable remuneration connected to specific achievements. In the event of such deviations, the Board is to present the reasoning behind the deviation at the next AGM.

Authorization for the Board to decide on the issue of new shares (item 16)

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.

The motive for the authorization is to provide scope for acquisitions with payment through a non-cash issue.

Authorization for the Board to decide on the repurchase and sale of treasury 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 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 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 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 a price corresponding to the prevailing market value at the time of the issue. 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 item 17 above, the resolution must be supported by shareholders representing at least two-thirds of both the number of votes exercised and the number of shares represented at the AGM.

The annual report, consolidated financial statements, audit report, the auditor's opinion on the application of the guidelines for remuneration of senior executives, the complete proposals of the Board and the nominating committee as set out above with related documents under the Swedish Companies Act (2005:551), and a proxy form 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 of the Swedish Companies Act (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.

As of March 25, 2016, the company has a total of 12,632,061 shares, consisting of 100,000 shares of class A and 12,532,061 shares of class B, equal to a total of 13,532,061 votes.

Stockholm, March 2016

IAR Systems Group AB (publ)

Board of Directors

Statement by the Board of Directors pursuant to Chapter 18, § 4 and Chapter 19, § 22 of the Swedish Companies Act in respect of the proposals for dividend and authorization for the Board to decide on the repurchase of shares

Nature, scope and risks of the business

The nature and scope of the business are set out in the Articles of Association and the filed annual report for the 2015 financial year. The Board of Director's assessment is that the business conducted by the Group is not associated with any risks beyond those that exist in the industry or those that are applicable to business activities in general.

Consolidation requirements, liquidity and financial position

The financial position of the company and the Group at December 31, 2015 is described in the most recent annual report. The annual report also states which accounting policies have been applied in the valuation of assets, provisions and liabilities.

The Board of Directors has proposed to the AGM that the company pay a dividend of SEK 7 per share for the 2015 financial year. Non-restricted equity in the Parent Company and the Group at the end of the 2015 financial year was SEK 164.6 million and retained earnings in the Group on the same date amounted to SEK 138.7 million. The proposed dividend will reduce non-restricted equity in the Parent Company and retained earnings in the Group by SEK 88.4 million.

Among other information provided, the annual report states that the Group's equity/assets ratio is 75 percent. The proposed dividend and authorization for the repurchase of treasury shares will not jeopardize fulfillment of the investments that are deemed necessary.

According to the Board's assessment, the company has a comparatively high level of equity in relation to the scope of the company's business and the risks attached therewith. Furthermore, the Board of Directors finds that the company has available cash and cash equivalents of approximately SEK 115 million. The company is assessed to have substantial non-restricted equity.

Justifiability of the repurchase proposal

In light of the above, the Board of Directors' assessment is that the proposed dividend and the purchase of treasury shares is justifiable in respect of the requirements placed by the nature, scope and risks of the business on the size of equity in the company and the Group and the consolidation requirements, liquidity and financial position in general of the company and the Group.

Stockholm, March 2016

IAR Systems Group AB (publ)

Board of Directors