



## **REDEMPTION 2014**

*Information to the shareholders in IAR Systems Group AB (publ)  
ahead of the Annual General Meeting on April 24, 2014, regarding  
the Board of Directors' proposal for a share split and mandatory  
redemption procedure*

## **BACKGROUND**

The Board of Directors of IAR Systems Group AB (“IAR Systems” or “the Company”) proposes that the Annual General Meeting on April 24, 2014, resolve to transfer to the shareholders a total amount of SEK 61,722,805, corresponding to SEK 5.00 per share, through a redemption procedure. The redemption procedure will be used as an alternative to a regular dividend for the financial year 2013. IAR Systems has a strong cash flow and the Board of Directors’ assessment is that the Company, even after the proposed redemption procedure, will have good liquidity and a good financial position with which to finance and develop operations.

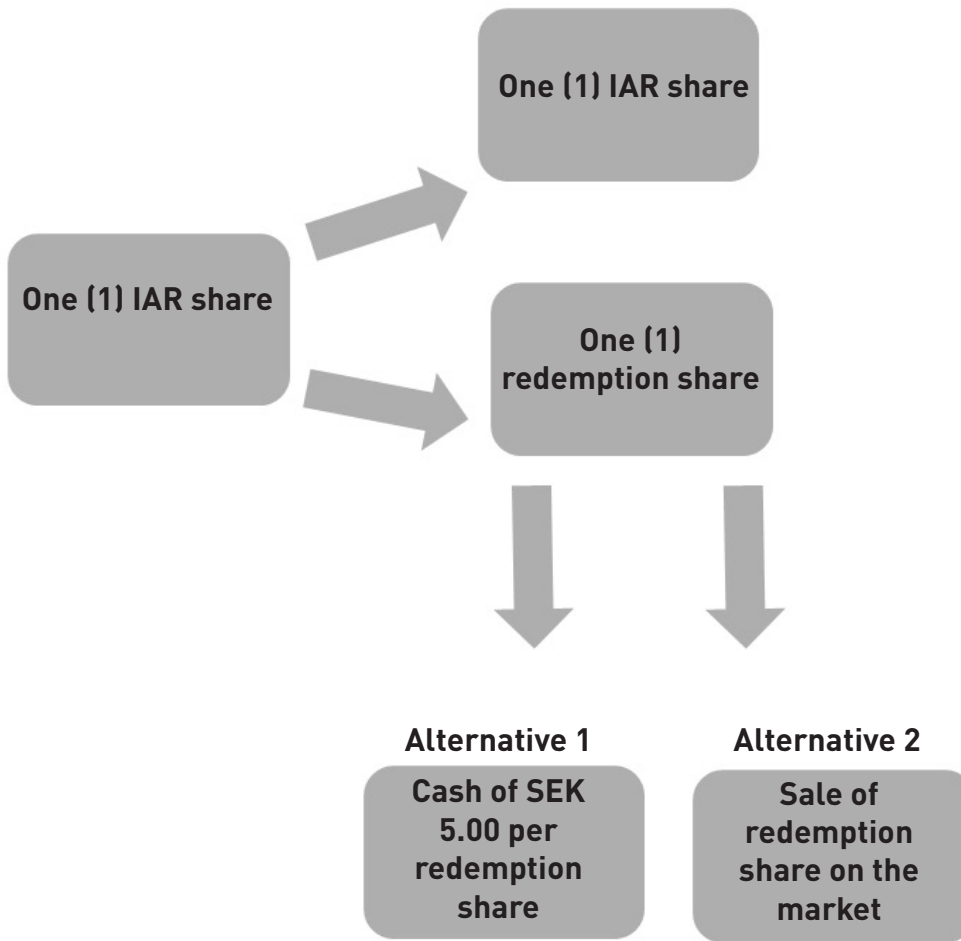
Provided that the Annual General Meeting on April 24, 2014, resolves in accordance with the Board of Directors’ proposal, each share in IAR Systems, regardless of class, will be split into two shares, of which one will be designated as the redemption share. Trading of Class B redemption shares will take place on NASDAQ OMX Stockholm during the period from May 13 to May 27, 2014. Redemption shares of Class A will not be listed. The redemption shares will thereafter be automatically redeemed in exchange for a cash amount of SEK 5.00. The shareholders do not need to take any special measures to receive the redemption amount, which is expected to be disbursed on June 5, 2014.

Stockholm, March 2014

**IAR Systems Group AB (publ)  
Board of Directors**

*This decision data has been compiled in order to give the shareholders in IAR Systems Group AB information in preparation for the decision at the Annual General Meeting on April 24, 2014. This document is not a prospectus.*

## HOW IT WORKS



On the record date for the share split on May 8, 2014, one (1) existing share in IAR will be split into two (2) shares, of which one (1) is the redemption share.

After receiving redemption shares the shareholder can choose between two different alternatives:

### **Alternative 1**

Receive a cash amount of SEK 5.00 per redemption share. This will take place automatically unless alternative two below is chosen.

### **Alternative 2**

Sell the redemption shares on the market (B share) or through Remium (A share) during the period from May 13 to May 27, 2014. For foreign shareholders it can be advantageous for tax purposes to sell the redemption shares during the trading period rather than allowing them to be redeemed.

Those shareholders who hold redemption shares in IAR on the record date for cancellation of redemption shares on June 2, 2014, will receive SEK 5.00 per redemption share. The redemption amount is expected to be disbursed via Euroclear Sweden AB around June 5, 2014.

## TIMETABLE

*May 5, 2014:* Final date for trading of the IAR Systems share including the right to receive redemption shares

*May 6, 2014:* First date for trading of the IAR Systems share excluding the right to receive redemption shares

*May 8, 2014:* Record date for split and receipt of redemption shares

*May 13 – May 27, 2014:* Trading of Class B redemption shares on NASDAQ OMX Stockholm

*June 2, 2014:* Record date for cancellation of redemption shares

*June 5, 2014:* Payment of redemption proceeds

## TERMS AND INSTRUCTIONS

### Split and redemption

Those who are registered as shareholders in IAR Systems on the record date for the split and receipt of redemption shares on May 8, 2014, will receive one redemption share for each share, of both Class A and Class B. If the shareholder does not sell the redemption shares on the market, each redemption share will be automatically redeemed for a cash amount of SEK 5.00 per redemption share.

### Final date for trading including the right to participate in the redemption procedure

The final date for trading of the IAR Systems share including the right to participate in the redemption procedure is May 5, 2014.

### Record date

The record date with Euroclear Sweden AB for the split and receipt of redemption shares in the IAR Systems share is May 8, 2014. The redemption shares will thereafter be booked in to the respective shareholder's securities account. The shareholder will then receive a securities notification showing the number of redemption shares that have been received.

### Trading of redemption shares

Trading of Class B redemption shares will take place during the period from May 13 to May 27 2014, with the ticker symbol IAR IL B and ISIN code SE0005851623. Banks and other securities dealers with the requisite permits can assist in buying and selling of redemption shares.

Trading of Class A redemption shares will take place through Remium. Those who wish to sell or purchase Class A redemption shares can contact Remium by telephone: +46 8-454 32 00.

### Reporting of the redemption amount

When the redemption amount has been paid, the redemption shares registered to the shareholder's securities account will be booked out. No securities notification about this will be sent. The redemption amount of SEK 5.00 in cash for each redemption share is expected to be paid around June 5, 2014. The amount will be disbursed via Euroclear Sweden AB to the yield account that is linked to the securities account. A securities notification will be sent as a confirmation of payment.

### **Nominee shares**

Information about the redemption procedure will not be sent to shareholders in IAR Systems whose holdings are registered in the name of a nominee, such as a bank or other trustee. The shareholder will instead receive information in accordance with the respective trustee's routines.

### **Foreign shareholders**

Foreign shareholders who take part in the redemption procedure and have shares redeemed are liable for payment of Swedish withholding tax, see more details under "Tax issues". Withholding tax will therefore be charged to foreign shareholders in connection with payment of the redemption proceeds. Foreign shareholders should note that a portion of the redemption proceeds may be withheld in order to cover the withholding tax.

### **Conditions for implementation of the redemption procedure**

The decision of the Annual General Meeting regarding the redemption includes the decision for division of the shares through a so-called share split, a reduction of the share capital through a mandatory redemption of shares and an increase in the share capital through a bonus issue. Implementation of the redemption procedure is conditional on the Annual General Meeting's decision being registered with the Swedish Companies Registration Office and executed.

### **FINANCIAL EFFECTS**

As a result of the redemption procedure, the Company's shareholders' equity will decrease by SEK 61,722,805. The decrease will lead to a reduction in shareholders' equity from approximately SEK 295 million to approximately SEK 233 million. The equity/assets ratio at December 31, 2013, will be changed from 79.8 percent to 75.8 percent.

## QUESTIONS AND ANSWERS

### **Why is IAR Systems proposing a redemption of shares?**

The Board of Directors and Management have reviewed the circumstances for carrying out a redemption program and have made the assessment that the current business conditions and the Company's capital structure with a low level of debt permit the repayment of an amount corresponding to SEK 5.00 per share to the shareholders through a redemption procedure.

### **What does an automatic redemption of shares entail?**

Automatic redemption of shares means that the newly created and so-called redemption shares are redeemed from the shareholders in exchange for a predetermined amount of cash compensation without any action being necessary on the part of the shareholders.

### **What options do I have as a shareholder?**

You can wait for the redemption procedure without doing anything, The redemption shares you receive will then be automatically redeemed for a cash payment of SEK 5.00 each. As an alternative, you can sell your redemption shares if you prefer to do so before the end of the redemption procedure. If you are a foreign shareholder, it can be advantageous to sell the redemption shares from a taxation standpoint.

### **How and when will IAR Systems' share price be affected?**

It is not possible to predict in detail exactly how the share price will react to the division into IAR Systems shares and redemption shares. Theoretically, the price of the IAR Systems share should fall by approximately the redemption amount for the redemption share, i.e. by SEK 5.00, two trading days before the record date for the division of the IAR Systems share.

### **How many shares will I have?**

You will have the same number of shares in IAR Systems both before and after the redemption procedure is carried out provided that you do not buy or sell any IAR Systems shares.

### **Why is the redemption procedure mandatory?**

It is less costly and simpler for IAR Systems to carry out the redemption procedure on a mandatory rather than voluntary basis. At the same time, this guarantees that all of IAR Systems' shareholders are treated equally and in a responsible manner.

### **When is the record date for the split and receipt of redemption shares?**

The record date will be May 8, 2014. Those who are registered shareholders on that date will receive redemption shares.

### **When will I receive my money?**

The redemption shares will be redeemed automatically, with the record date on June 2, 2014, which means that the money will be available around June 5, 2014.

### **Why are the redemption shares being listed for trading?**

By making it possible to trade the redemption shares it is possible for foreign shareholders to sell their redemption shares on the market, and possibly achieve a more advantageous tax situation compared to participating in the redemption procedure.

### **What tax effects will the redemption procedure have?**

The tax effects for you as a shareholder can depend on your specific situation. If you feel that you need to know more about the tax effects in your own case, you should consult a tax advisor to assess which tax consequences can arise and how you should deal with these.

### ***Swedish shareholders***

When the IAR Systems share is split into one IAR Systems share and one redemption share, part of the original acquisition value of the share will be allocated to the IAR Systems share and part to the redemption share. The redemption share is regarded as sold upon redemption. In the event that a capital gain arises, tax will be levied on the capital gain, i.e. that part of the redemption amount (SEK 5.00 per share) that exceeds the acquisition value of the redemption share. (See section "How will the acquisition value of my redemption shares be calculated?" below).

### ***Foreign shareholders***

As a foreign shareholder you are normally liable for payment of withholding tax in Sweden equal to 30 percent of the received amount (possibly reduced by the nominal amount of the share). However, with the support of double taxation treaties, the tax rate is generally reduced. Foreign shareholders may reclaim the amount of withheld tax that is attributable to an amount equal to the acquisition cost of the redemption share, following an application to the Swedish Tax Agency.

Foreign shareholders (with the exception of certain private investors who have moved from Sweden) who sell redemption shares are normally not taxed in Sweden. In view of this, it may be more effective from a tax standpoint to sell the redemption shares on NASDAQ OMX Stockholm.

### **How much will the withholding tax be?**

The amount of withholding tax for foreign shareholders varies depending on the shareholder's country of residence. For further information about withholding tax, refer to the Swedish Tax Agency, [www.skatteverket.se](http://www.skatteverket.se).

### **How will the acquisition value of my redemption shares be calculated?**

The acquisition value of your original IAR Systems shares will be allocated between the IAR Systems shares and the redemption shares. The allocation will be made with reference to the market values of the shares in connection with the split of the IAR Systems share. The exact results of this allocation cannot be determined in advance. (See section "Redemption and sale of redemption shares" below).

Other questions about the redemption procedure or the contents of this document can be answered by Remium Corporate Finance, telephone +46 8-454 32 00.

ISIN code for redemption shares:

A share: SE0005851615

B share: SE0005851623

ISIN code for ordinary shares:

A share: SE0005851698

B share: SE0005851706

## TAX ISSUES

*The following is a summary of certain Swedish tax consequences that can arise as a result of the proposal for a share split and redemption for the shareholders in IAR Systems. The summary is based on the applicable legislation at the time of publication of this information brochure and is intended only as general information to the shareholders with unlimited liability for taxation in Sweden, unless otherwise stated. The summary is not intended to comprehensively address all tax issues that may arise in this context. For example, it does not deal with the special rules that can be applicable for shares acquired with the support of shares in a so-called close company or shares that are held by a trading partnership or that comprise inventory assets in a commercial operation.*

*Special tax consequences that are not described below may also arise for other shareholders, such as investment companies and investment funds, as well as foundations and non-profit organizations. Each shareholder should consult a tax advisor about the tax consequences that may arise as a result of the proposal for a share split and redemption for the shareholder, such as taxation in other countries, the applicability of tax treaties or other special rules.*

## SHARE SPLIT AND RECEIPT OF REDEMPTION SHARES

Taxation is not triggered by the share split or the receipt of redemption shares. However, the redemption or other disposal of redemption shares may trigger capital gains taxation, see the section "Redemption and Sale of Redemption Shares" below.

## REDEMPTION AND SALE OF REDEMPTION SHARES INDIVIDUALS

Individuals are normally subject to capital gains tax when shares are sold or redeemed. The current tax rate on capital gains is, as a main rule, 30 percent.

The capital gain is calculated to equal the difference between the proceeds received when the shares are sold or redeemed, after deduction for potential sale expenses, and the acquisition cost for tax purposes. The acquisition cost for listed shares is normally determined according to the so-called average method. This means that the cost of acquiring all shares of the same type and class as the divested share are added together and calculated collectively, with respect to changes to the holding. Alternatively, the so-called standard rule, according to which the acquisition cost is equal to 20 percent of the net proceeds received when the shares are sold or redeemed, may be applied to the disposal of listed shares and certain listed securities that are taxed in the same manner as shares. In the case of IAR Systems, the redemption shares of Class B will be listed on NASDAQ OMX Stockholm during the trading period of May 13 – May 27, 2014. The redemption shares of Class A should not be classified as listed, despite the possibility to trade redemption shares of Class A through Remium.

When a share split and redemption procedure is carried out the acquisition cost for the original shares is allocated to the original shares and the redemption shares. IAR Systems will request the Swedish Tax Agency to issue recommendations regarding the allocation of the pre-split acquisition cost between the remaining shares and the redemption shares, respectively, see the section "Acquisition Cost of the Redemption Shares – Example" below.

As a main rule, 70 percent of a capital loss is deductible against any other taxable income from capital. Capital losses on listed shares and other listed securities taxed in the same manner as shares (except for listed shares in mutual funds containing only Swedish receivables), such as the redemption shares of Class B, are, however, fully deductible against taxable capital gains on such assets or on non-listed shares in Swedish limited liability companies and foreign legal entities. Moreover, only five sixths of capital losses on non-listed shares in Swedish limited liability companies and foreign legal entities are deductible, which accordingly should be applicable to redemption shares of Class A in the case of IAR Systems.



If capital losses pertain to both listed and non-listed shares, the losses pertaining to the listed shares are deductible prior to the losses on the non-listed shares. 70 percent of any excess amount is deductible according to the main rule or five sixths of 70 percent is deductible if the capital loss relates to non-listed shares. If a deficit arises within income from capital, a reduction of the tax on income from employment and from business operations, as well as the real estate tax and the municipal real estate fee, is allowed. The tax reduction amounts to 30 percent of any part of the deficit not exceeding SEK 100,000 and 21 percent of any part of the deficit in excess of SEK 100,000. Deficits may not be carried forward to a subsequent fiscal year.

## LEGAL ENTITIES

For limited liability companies and certain other legal entities, capital gains on shares that are held for business purposes are normally tax-exempt and capital losses on such shares are normally non-deductible. Non-listed shares are considered held for business purposes. Listed shares held as capital assets are considered held for business purposes provided that the holding represents at least 10 percent of the voting rights or if the shares are held for business reasons. Moreover, a holding period requirement applies in respect of listed shares. For limited liability companies and other legal entities, capital gains on shares that are not tax-exempt are normally taxed as income from business activities at a flat rate of 22 percent. For the calculation of capital gains and losses, see the section "Redemption and Sale of Redemption Shares – Individuals" above.

A capital loss on shares incurred by a corporate shareholder may be offset only against taxable gains on shares or other securities that are taxed in the same manner as shares. Such capital losses may, however, under certain circumstances, also be deducted against taxable capital gains within the same group of companies on shares and securities taxed in the same manner as shares, provided that the requirements for group contributions (tax consolidation) are met and both companies claim it in for taxation years that have the same final day for submitting the tax return. Capital losses on shares and securities taxed in the same manner as shares which are not deducted within a certain year may be carried forward and offset against capital gains on such assets in future years without any limitation in time.

## ACQUISITION COST OF THE REDEMPTION SHARES EXAMPLE

The pre-split acquisition cost is normally allocated between the redemption share and the remaining share based on their respective market value at the time of the share split. Recommendations as to the allocation are normally issued by the Swedish Tax Agency. Information about the recommendations is expected to be made available on the Swedish Tax Agency's website, [www.skatteverket.se](http://www.skatteverket.se), and IAR Systems' website, [www.iar.com](http://www.iar.com), in the summer of 2014.

*Please note that the figures and amounts below only serve as an example.*

A shareholder owns 100 IAR Systems shares of Class B with an average acquisition cost of SEK 40 per share immediately prior to the share split. It is assumed that the lowest price paid on the last day of trading in the IAR Systems shares of Class B before the split and separation of the redemption shares is SEK 59, that the redemption shares are listed and that the lowest price paid on the first day of trading in the redemption shares is SEK 5.00. Further, it is assumed that the Swedish Tax Agency based on this issues a recommendation that 8.47 percent (SEK 5.00 divided by SEK 59) of the pre-split acquisition cost should be allocated to the redemption share and that 91.53 percent should be allocated to the remaining share. Accordingly, the acquisition cost allocated to the redemption share should be SEK 3.39 (8.47 percent of SEK 40) and the acquisition cost allocated to each remaining share of Class B should be SEK 36.61 (91.53 percent of SEK 40).

Should the redemption shares be disposed of (through sale or redemption) at a price of SEK 5.00 per share, the total capital gain would be  $(5.00 \times 100) - (3.39 \times 100) = \text{SEK } 1.61$ .

The acquisition cost for redemption shares that have not been acquired as a consequence of the share split is calculated using the average method. The calculation is based on the actual acquisition cost for such shares. When applying the average method, redemption shares and remaining shares are not considered to be of the same type and class.

The standard rule may be used when calculating the acquisition cost on listed shares. This means that if the acquisition cost of the redemption share in the example above was less than SEK 1.00, the standard rule would be more favorable, provided that the price paid for the redemption share is SEK 5.00.

## **SHAREHOLDERS NOT FISCALLY DOMICILED IN SWEDEN WITHHOLDING TAX**

For shareholders who are not fiscally domiciled in Sweden and not conducting business from a permanent establishment in Sweden, payments due to a reduction of the share capital by way of a redemption procedure are treated as dividend distributions, which normally means that a 30 percent Swedish withholding tax is levied on the redemption proceeds. The withholding tax rate is often reduced under tax treaties between Sweden and other countries.

The withholding of tax is normally effected by Euroclear Sweden or, if the shares are registered with a nominee, by the nominee. The withholding tax liability arises when the redemption proceeds are distributed. Please note that there should be no withholding tax on proceeds from the sale of redemption shares prior to the redemption date.

A shareholder may reclaim the amount of withholding tax that is attributable to an amount equal to the acquisition cost of the redemption share. Alternatively, the amount of withholding tax attributable to 20 percent of the redemption proceeds may be reclaimed, provided that the shares are listed. The acquisition cost should be calculated as explained in the section "Acquisition Cost of the Redemption Shares – Example". The refund application must be made in writing and submitted to the Swedish Tax Agency no later than by the end of the fifth calendar year following the redemption payment.

For shareholders that are legal entities resident within the EU, there is normally no Swedish withholding tax if the shareholder holds 10 percent or more of the capital in the company whose shares are redeemed, provided that certain conditions are met.

## **INCOME TAX**

Generally, individual shareholders resident outside of Sweden are normally not liable to Swedish tax on the sale of shares. Shareholders can, however, be subject to taxation in their country of residence. Individuals who are resident outside of Sweden which have previously been resident in Sweden may, however, be liable to tax on the sale of shares if they have been resident in Sweden or permanently lived in Sweden during the calendar year of the sale, or at any time during the ten preceding calendar years. The application of this rule may, however, be limited by tax treaties between Sweden and other countries.

Foreign legal entities are normally not liable to income tax on capital gains on Swedish shares unless the gains are connected to a permanent establishment in Sweden.

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