

The nominating committee's proposal to the 2016 Annual General Meeting of shareholders in IAR Systems Group AB (publ) and reasoned statement concerning proposed Board members

The nominating committee for IAR Systems Group AB is composed of Chairman Ulf Strömsten (Catella), Håkan Berg (Robur) and Tedde Jeansson.

The nominating committee presents the following proposal ahead of the Annual General Meeting (AGM) to be held April 27, 2016:

<i>Chairman of the AGM:</i>	Markus Gerdien
<i>Number of Board members:</i>	Five Board members, no deputies
<i>Fees to Board members:</i>	
• Non-executive Board members	SEK 165,000 (previously SEK 150,000)
• Chairman of the Board	SEK 375,000 (previously SEK 325,000)
<i>Auditors' fees:</i>	Auditors' fees shall be paid in accordance with approved invoice.
<i>Board of Directors and Chairman of the Board:</i>	
	<i>Re-election</i> of Markus Gerdien, Peter Larsson, Jonas Mårtensson, Stefan Skarin and Maria Wasing.
	<i>Re-election</i> of Markus Gerdien as Chairman of the Board.
<i>Auditor:</i>	<i>Re-election</i> of Deloitte AB for a term of one year with Erik Olin acting as auditor in charge.

The nominating committee's reasoned statement concerning proposed Board members is provided in Appendix 1.

The nominating committee further proposes policies for appointment of the nominating committee for resolution by the AGM. Please refer to Appendix 2.

Information about the proposed Board members is available on the company's website: www.iar.com.

Stockholm, March 2016

Nominating committee for IAR Systems Group AB

Ulf Strömsten, Chairman

Håkan Berg

Tedde Jeansson

The nominating committee's reasoned statement concerning proposed Board members

The nominating committee has proposed to the 2016 Annual General Meeting (AGM) the re-election of Board members Markus Gerdien, Peter Larsson, Jonas Mårtensson, Stefan Skarin and Maria Wasing.

Information about current Board members is available on the company's website.

The nominating committee has assessed all Board members proposed for re-election as highly suitable to continue serving on the Board of Directors of IAR Systems Group AB for the next term of office.

The nominating committee further finds that the proposed composition of the Board of Directors is appropriate in consideration of the company's business, financial position, phase of development and other circumstances. A key point of departure for the proposal of Board members was that the composition of the Board should reflect and provide scope for the range of expertise and experience that may be required for the strategic development and governance of the company. The nominating committee has paid particular heed to the need for diversity and breadth on the Board and to make concerted efforts towards equal gender distribution. In the opinion of the nominating committee, the composition of the Board is suited to meeting such needs in the company's operations.

The nominating committee has discussed the issue of Board member independence. The nominating committee finds that the proposed composition meets the requirements set forth in the Swedish Corporate Governance Code pertaining to independence in relation to the company and its management. The Board composition also meets the requirement that at least two of the Board members who are independent in relation to the company and its management are also independent in relation to the company's major shareholders.

The nominating committee's proposed policies for appointment of the nominating committee, etc.

The nominating committee proposes that the Annual General Meeting (AGM) adopt the following policies for appointment of the nominating committee, etc.

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.