

LETTER OF AGREEMENT

BETWEEN

**THE MINISTRY OF DEFENCE
OF THE KINGDOM OF NORWAY**

AND

GRIPEN INTERNATIONAL AB

CONCERNING

**INDUSTRIAL PARTICIPATION IN FURTHER
DEVELOPMENT OF GRIPEN AND RELATED PROJECTS**

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SECTION I – INTRODUCTION

This Letter of Agreement (the "LOA") is made by and between the Ministry of Defence of the Kingdom of Norway ("NMOD") and Gripen International AB ("GI"), a business unit of Saab AB (publ), hereinafter jointly referred to as the "Parties" and individually referred to as "Party".

The Parties have noted that;

- NMOD and GI have a firm intention of pursuing cooperation regarding the Gripen aircraft. In this respect, the Parties wish to make efforts of maintaining and further develop the relationship between the Parties, and between the Parties and Norwegian industry;
- NMOD has launched a project to update or replace the Norwegian Armed Force's existing F-16 fighter aircraft fleet;
- NMOD has decided to pursue a competition between and conduct an evaluation of several fighter aircraft candidates, and to conclude industrial agreements of cooperation with all the candidates' industry, with the aim to influence the future development of the fighter aircraft candidates and involve Norwegian companies, hereinafter referred to as the Norwegian Participating Companies ("NPCs"), in the further development and possible future production of the fighter aircraft;
- Gripen aircraft is one of the potential fighter aircraft candidates for a possible future replacement of new fighter aircraft for the Norwegian Armed Forces;
- Gripen aircraft is a product of Saab Aerosystems, a business unit of Saab AB (publ). Saab AB (publ), including its business units, are hereinafter referred to as ("Saab"). GI markets and sells the aircraft world-wide;
- Saab has launched development activities to demonstrate certain enhanced capabilities and new functionalities of the Gripen fighter aircraft ("the Gripen Demonstrator Programme");
- GI and NMOD have a strong desire that NPCs implement industrial projects through individual contracts in the Gripen Demonstrator Programme but also in other Gripen and defence related projects ("LOA Projects"), bringing valuable benefits to Norwegian industry;
- NMOD is willing to contribute financial support to ensure the involvement of NPCs in the LOA Projects;
- industrial projects may also be established with support by Innovation Norway on a case by case basis, in order to help boost innovation in business and industry nationwide, foster regional development and promote Norwegian industry; and
- the LOA will be valid for a period up to December 31st 2008, but dependent on the progress in the NMOD's fighter aircraft programme, the LOA may be extended up to two years, following the regulations in Section XV (Amendments).

The Parties have reached the following understanding:

SECTION II – OBJECTIVES

2.1 It is of importance to the Norwegian Ministry of Defence (“NMOD”), to ensure that the Gripen aircraft is a viable alternative to the future Norwegian fighter aircraft programme, and that it fulfils the requirements for a desired future Norwegian fighter aircraft capability. To ensure this, Gripen International AB (“GI”) will entrust NMOD with the necessary access to information regarding the Gripen aircraft, and the development activities to demonstrate certain enhanced capabilities and new functionalities of the Gripen fighter aircraft (the “Gripen Demonstrator Programme”), and rights to use the information for evaluation purposes and activities in accordance with the firm intentions of the LOA.

2.2 Furthermore the Parties aim to strengthen the Norwegian Participating Companies’ (“NPCs”) involvement primarily in the Gripen Demonstrator Programme but also in other relevant Gripen and defence related projects (“LOA Projects”), by letting NPCs participate in the further development and possible production of the Gripen aircraft. In this respect GI will ensure that relevant industrial projects are identified, evaluated and offered to NPCs for decision and contracting. To achieve an adequate level of industrial participation for NPCs, NMOD will make financial contributions available for NPCs’ involvement in LOA Projects.

SECTION III – DEFINITIONS

As used throughout the LOA, the following definitions are identified below:

Background Information - Information not generated in the performance of the LOA.

Classified Information - Official information or material that requires protection in the interests of national security and is so designated by the application of a security classification marking.

Contract - Any mutually binding legal relationship under national laws which obligates the Contractor to furnish supplies, services, or other property, and obligates one or more of the Parties to pay for them.

Contractor - Any entity undertaking work under the Contract for the performance of the LOA.

Designated Security Authority (DSA) - An entity approved by a national authority to be responsible for the security aspects of the LOA.

Foreground Information - Information generated in the performance of the LOA.

GI/Saab – GI or other duly authorized companies or business units within Saab AB (publ).

Information - Any information used in the LOA, regardless of form or type.

SECTION IV – MANAGEMENT

4.1 Industrial Board

4.1.1 The execution of the LOA will be performed through the Industrial Board, which will address all relevant aspects such as the implementation of Section V (Contracting). The main tasks of the Industrial Board will be to instruct preparation of project search, evaluate the industrial proposals and recommend GI to enter into Contracts with NPCs. The Industrial Board will further monitor the implementation and fulfillment of the Contracts, all the above in reference to Section V and VI.

4.1.2 The Industrial Board will consist of representatives of each Party. Each Party has plenary power to appoint and remove or alternate its representatives to the Industrial Board upon written notice to the other Party. Representatives to the Industrial Board may, subject to security approval, if any, be assisted at its meetings by experts.

4.1.3 Recommendations by the Industrial Board will be made on a basis of consensus.

4.1.4 The Industrial Board will meet on a regular basis, at least twice a year.

4.2 Steering Committee

4.2.1 GI agrees that NMOD will join the Steering Committee for the Gripen Demonstrator Programme as an equal member, in order to ensure the fulfilment of GI's obligations pursuant to the LOA, and entrust NMOD with access to all relevant information regarding the Gripen aircraft and the Gripen Demonstrator Programme. The Steering Committee will then consist of representatives of the Parties, Saab and Swedish authorities, and may be expanded if other potential customers join the Gripen Demonstrator Programme.

4.2.2 GI agrees to adjust the terms of reference for the Steering Committee, to reflect the NMOD's participation as a full member of the Steering Committee. The adjusted terms of reference are enclosed hereto as Annex 1.

4.2.3 The Steering Committee will meet on a regular basis and at other times if requested by either Party. In any case meetings will be held at least on a quarterly basis.

4.3 Project Group(s)

4.3.1 Project Group(s) may be established under the Gripen Demonstrator Programme by the Steering Committee, and will be tasked to perform relevant work in specific project(s) under the Gripen Demonstrator Programme.

4.3.2 To ensure the fulfilment of the Parties' objectives, national experts from the Parties may, subject to security approvals, if any, be invited to join and participate in the relevant Project Groups on equal terms. Each Party has plenary power to appoint and remove its national experts to the Project Group(s).

SECTION V – CONTRACTING

5.1 General

5.1.1 The Parties agree to strengthen their industrial relationship through involvement of NPCs in specific industrial projects related to the LOA Projects.

5.1.2 Such involvement will be endeavored through entering into specific Contracts between GI/Saab and NPCs on a case by case basis.

5.1.3 GI will ensure that relevant LOA Projects are identified and analyzed according to and in consistence with the policies related to industrial focus areas, as expressed by NMOD.

5.1.4 Entering into industrial Contracts will be subject to the approval of NMOD's representative in the Industrial Board, as will the financial arrangements for the Contracts.

5.2 Definition of LOA Projects

5.2.1 LOA Projects which GI and NMOD and/or NPCs wish to carry out will be identified on a progressive basis, on the basis of technology areas as listed in Annex 2. The initial LOA Projects are identified in Annex 3. Annex 3 will be updated by the Industrial Board if other LOA Projects are agreed in the future.

5.2.2 LOA Projects will be identified and agreed in principle by GI and NMOD and/or NPCs and then presented to the Industrial Board.

5.2.2.1 The initial LOA Projects, whose implementation shall start in 2007, will be presented to the Industrial Board within the second quarter of 2007.

5.3 Evaluation of the proposed LOA Projects

5.3.1 Based on the presented LOA Projects, the Industrial Board will initiate evaluations and prioritization, and recommend that the respective Party initiates approval procedures for funding. The evaluation of LOA Projects should also include estimation of costs. These costs may cover work to be performed both by the NPC and by GI/Saab.

5.3.2 The Industrial Board will discuss and make their recommendation upon the proposed industrial projects and the prioritization of these, within a period of four (4) weeks.

5.3.3 Discussions related to the industrial projects may include, but is not limited to, the financial arrangements between the Parties, administration and other necessary activities for fulfillment of the specific Contract.

5.3.4 The Industrial Board will recommend on the payment route on a project by project basis, and payments from NMOD will be directed:

- directly to the NPC and/or GI/Saab; or

- to the NPC and/or GI/Saab via GI.

5.4 Approval of the Parties' financial contributions

5.4.1 The respective Party giving financial support for specific industrial projects must give a formal written consent to their financial contribution and the listed conditions thereto, prior to entering into the Contracts between GI/Saab and NPCs. These conditions will then be incorporated in the specific Contracts.

5.4.1.1 The Party's written consent will constitute an undertaking of financial obligations in relation to activities under the LOA.

5.5 Entering into the Contracts

5.5.1 GI/Saab will enter into the Contracts with NPCs regarding LOA Projects.

5.5.2 When the Contract is signed, the GI will formally notify the NMOD in writing, enclosing a summary of the Contract, including milestones and payments schedules.

5.6 Contract conditions

5.6.1 The terms and conditions under a Contract between GI/Saab and NPC is in general a matter for the contracting parties to agree upon, but the LOA constitutes some special regulations that have implications on the Contracts between GI/Saab and NPC for the LOA Projects. The following conditions will apply for such Contracts:

5.6.2 Each Contract between GI/Saab and NPCs shall state the financial arrangements agreed by the Parties under the LOA. Such financial arrangements may include fully or partly funding from NMOD. Payments from one or both Parties will normally be subject to the receipt of:

5.6.2.1 notification by GI with adequate documentation that the respective NPC has satisfied the delivery conditions of its Contract applicable to that payment;

5.6.2.1.1 should the documentation be deemed not to be sufficient by the Party funding the activities, this Party will be entitled to request further clarification from the NPC within thirty (30) days from receipt of the documentation.

5.6.2.2 and an invoice from GI for that payment. Depending on what the Parties have agreed in terms of payment route for a specific project, the invoice may request the respective Party to make payment directly to the NPC.

5.7 Reports

5.7.1 GI will on a regular basis submit reports in regards to the implementation of Contracts with NPCs to the Industrial Board.

SECTION VI – FINANCIAL ARRANGEMENTS

6.1 General

6.1.1 Parties agreeing to provide funds under Section V (Contracting) will make such funds available according to payment schedules and conditions as agreed.

6.1.2 Financing of the Contracts may be based on different funding solutions, including but not limited to:

6.1.2.1 full funding by one Party;

6.1.2.2 partly funding by one Party and NPC(s); and

6.1.2.3 partly funding by both Parties and NPC(s).

6.1.3 NMOD agrees to make funds available for involvement of NPCs in the LOA Projects to a maximum ceiling of MNOK 150 for the duration of the LOA.

6.1.4 NMOD will make funds available on the basis of yearly amounts of MNOK 75 in 2007 and 2008, and any funds not committed to the LOA Projects in 2007, will be transferred and increase the total available funds for the LOA Projects in 2008.

6.1.5 In general GI accepts a financial commitment from NMOD of minimum 50 % of the value of each of the specific industrial project Contracts.

6.2 Payments

6.2.1 Payments will be made within thirty (30) days from receipt of the invoice and the adequate documentation, as regulated in Section V (Contracting).

SECTION VII – DISCLOSURE OF INFORMATION

7.1 General

7.1.1 The Parties recognize that successful collaboration depends on full and prompt exchange of Information relevant for the implementation of the LOA. However, the Parties will retain their respective rights to the Information. The nature and amount of the Information to be acquired will be consistent with the objectives stated in Section II (Objectives).

7.1.2 Transfer of the Information will be consistent with the furnishing Party's applicable laws and regulations.

7.1.3 All the Information exchanged hereunder will be identified and marked, and will be handled in accordance with Section X (Security Arrangements).



7.2 Background Information

7.2.1 Each Party will upon request disclose to the other Party any relevant Background Information, provided that the following conditions are met:

7.2.1.1 such Background Information is relevant and necessary for the other Party in the implementation and fulfillment of their respective undertakings pursuant to the LOA;

7.2.1.2 such Background Information may be made available without incurring liability to holders of proprietary rights; and

7.2.1.3 disclosure is consistent with national disclosure regulations of the furnishing Party.

7.3 Foreground Information

7.3.1 Foreground Information will be disclosed to the other Party without charge.

SECTION VIII – USE AND OWNERSHIP OF INFORMATION

8.1 The Parties acknowledge and respect each other's interest in protection of Information throughout the cooperation established in relation to the LOA. The Parties have agreed to set forth general principles regarding use and ownership of Information. These general principles are enclosed hereto as Annex 4. The Parties foresee that these general principals will be applied in the specific industrial Contracts.

8.2 NMOD can convey these general principles to the representatives of NPCs.

SECTION IX – OFFSET

9.1 The Parties recognize that a fair offset credit may be established on behalf of GI for their efforts under the LOA, in relation to a possible future NMOD procurement of the Gripen aircraft.

9.2 The level value of a potential offset credit as mentioned in article 9.1 will be defined in a specific agreement between the Parties, and will primarily be based on the value of GI's contribution (financial or technical) in specific industrial projects and administrative activities related to industrial projects, unless otherwise agreed. Offset credits will not be admitted for contributions (financial or technical) from NMOD and or NPCs under the LOA.

SECTION X – SECURITY ARRANGEMENTS

10.1 Each Party will take all lawful steps available to ensure that information provided pursuant to the LOA is protected from further disclosure, unless the other Party consents to such disclosure. The Parties internal disclosure is governed by the Non Disclosure Agreement entered into by and between the Parties, Annex 5.

10.2 All Classified Information exchanged or generated in connection with the LOA will be used, transmitted, stored, handled, and safeguarded in accordance with the Parties' applicable national security laws and regulations.

10.3 Classified Information will be transferred only through government-to-government channels or through channels approved by the Designated Security Authorities (DSAs) of the Government of Sweden and NMOD. Such Information will bear the level of classification and denote the country of origin.

SECTION XI – LIABILITY AND CLAIMS

11.1 The Parties waives all claims against each other for injury or death of its personnel whilst performing duties under the LOA (which do not include external Contractors under the LOA) and for damage to or loss of its property caused by such personnel. If however, such injury, death, damage, or loss results from negligence or willful misconduct by the other Party, the cost of any liability will be borne by that Party alone.

11.2 NMOD will have no liability in connection with any claims, other than financial obligations according to Section VI (Financial Arrangements), arising from the Contracts between Saab or by Saab duly authorized companies and NPCs.

SECTION XII – APPLICABLE LAW AND SETTLEMENTS OF DISPUTES

12.1 The LOA shall be governed by and interpreted in accordance with Norwegian laws and regulations.

12.2 Any dispute arising in connection with the LOA and which cannot be settled amicably shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the mentioned rules. The place of arbitration shall be Oslo, Norway. The proceedings and award shall be in the English language.

SECTION XIII – DURATION

13.1 The LOA will remain in effect until December 31, 2008, unless terminated earlier under the provision of Section XIV (Withdrawal and Termination) or prolonged under the provision of Section XV (Amendments).

13.2 If NMOD decides to prolong the LOA beyond December 31, 2008 the following procedures will apply;

13.2.1 NMOD will do its best effort to give GI formal notice regarding negotiations and the possible prolonging of the LOA, at the latest on August 31, 2008.

13.2.2 The Parties will in the event of prolonging the LOA agree an amendment according to Section XV (Amendments).

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SECTION XIV – WITHDRAWAL AND TERMINATION

14.1 In the event that a Party finds it necessary to withdraw from the LOA the following procedure will apply:

14.1.1 Before giving formal notice of withdrawal, consultations will take place between the Parties.

14.1.2 If a Party still wishes to withdraw, that Party will give notice in writing to the other Party. The LOA is to be considered terminated 30 days after the receipt of withdrawal.

14.1.3 On the expiry of the notice period the LOA shall be deemed to be terminated.

14.1.4 The Party withdrawing will meet in full all its commitments up to the effective date of withdrawal.

14.1.5 Already committed funds according to Section VI (Financial Arrangements), related to the Contracts entered into effect prior to termination will be fulfilled.

14.1.6 The respective benefits and responsibilities of the Parties regarding Section VII, (Disclosure of Information), Section VIII (Use and ownership of Information), Section IX (Offset), Section X (Security Arrangements), Section XI (Liability and Claims), Section XII (Applicable Law and Settlements of Disputes), and Section XIV (Withdrawal and Termination), will continue to apply notwithstanding any withdrawal, termination, or expiration of the LOA.

SECTION XV – AMENDMENTS

15.1 The LOA, including any of its Annexes, may be modified, amended, or supplemented only by way of a written document signed by a duly authorized representative of each Party.

15.2 An amendment will enter into effect in accordance with its provisions.

SECTION XVI – PUBLICITY

16.1 The Parties recognize each other's public relations interests and public companies regulations and will endeavor to cooperate and coordinate before releasing essential information to the public regarding the implementation and execution of the LOA.

SECTION XVII – EFFECTIVE DATE AND SIGNATURE

17.1 The LOA is signed in two original copies, where each Party will have their original.

17.2 The LOA becomes effective when it has been signed by both Parties upon the date of the last signature.

17.3 The foregoing represents the understandings reached upon the matters referred to therein.

FOR THE MINISTRY OF DEFENCE OF THE KINGDOM OF NORWAY

Name: Leif Lindbäck

Title: National Armament Director

Date: 26 april '07

Signature: Eiv H. Wa

FOR GRIPEN INTERNATIONAL AB

Name: Johan Lehander

Title: Managing Director

Date: 26 april 2007

Signature: Johan Lehander

- Annex 1** Terms of Reference for the Steering Committee
- Annex 2** Areas of technological competence
- Annex 3** List of initial LOA Projects (in strict confidence)
- Annex 4** Use and ownership of information (in strict confidence)
- Annex 5** Non Disclosure Agreement