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Saab on the Verge of Bankruptcy, Rescue Plans Collapse

As restructuring efforts fell through last week, Swedish auto maker Saab faces the prospect of bankruptcy. Earlier, there was hope that Chinese investors Pang Da and Youngman would pump much-needed funds into the auto company, thus averting bankruptcy. But the Chinese have now said they are only willing to do so if they are given 100% control of the company. At the same time, the amount of money they wish to invest is only \$30 million.

With these developments, it appears Swedish Automobile, the company that owns Saab has failed to save the renowned auto company. Ever since Swedish Automobile bought over Saab from General Motor in 2010, things have not boded well for the auto manufacturer. Workers have often gone unpaid and been denied job security.

The trade unions have worked alongside Swedish Automobile to try to keep as many workers from leaving as possible. Last month, the company was given three months bankruptcy protection to allow it to “restructure”. This has given cause for the unions to support Swedish Automobile and Saab

CEO Victor Muller. But now that rescue efforts have not gone to plan, there are fears that the bankruptcy protection would be lifted and the company would be faced with demands from workers for unpaid salaries.

Guy Lofalk, the court appointed administrator, intends to apply for the bankruptcy protection to be lifted, saying, "It is my duty as administrator to apply for the reorganisation to cease. There is no time to find other solutions due to [Saab's] financial situation. [It] is not in the current situation in a position suitable for continued reorganization."

If the Chinese take over, they would shift Saab's operations to China where the same tasks can be done for a fraction of the cost. This move would have been similar to Swedish Automobile's plan, which was to hand over at least a 53% stake in Saab to the Chinese firms.

As a result of the developments, Saab has applied for a short term loan of €50 million from a US venture capital company, a move which would do nothing to ease the total debts the Swedish company is carrying, valued at €150 million last month. The figure would have since grown.

Another possible option is to sell a stake in Saab together with the auto maker's plan in Trollhättan to Muller's associate, Russian businessman Vladimir Antonov. Antonov was kept out of the initial deal to buy Saab at the request of General Motors.

On the part of the unions, they have not called for protests, demonstrations or marches at all. Instead they have merely issued statements stating they hope that Swedish Automobile could raise capital from new buyers.