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Saab Succeeds in Appeal Against Bankruptcy

Swedish car manufacturer, Saab was at the brink of involency when a last minute appeal to the court granted them a stay. The appeals court overturned an earlier court ruling and gave Saab time to reorganize their finances and secure additional funds. The judgment also protects the Swedish car maker from creditors.

Saab's financial woes began when GM sold it off last year. The 60-year old auto maker could not carry on production when suppliers stopped supplying parts because they were not paid. The debt Saab owes its suppliers comes up to about 150 million euros (\$205 million). The assembly lines in its main factory in Trollhaettan have been completely idle since June.

The workers unions have also begun taking legal action over non-payment of salaries to its members. In August, after workers were not paid for the third consecutive month, workers unions attempted to force the company into bankruptcy to initiate a state-funded program to pay for workers' salaries. However, the action failed. Nevertheless, the union did succeed in getting the workers paid because creditor protection also activates the state wage-guarantee scheme.

In a statement, the IF Metall trade union said that Saab and its employees will now receive "much-needed breathing space to systematically develop a long-term business plan."

When GM sold Saab, it was bought over by the Dutch group, Spyker which later changed its name to Swedish Automobile. But that did not bring an end to Saab's problems. The auto maker was still short of cash and has been trying to raise money ever since. It now hopes for a fresh capital injection from Chinese investors.

In the meantime, an application to the Chinese authorities has been made and Saab is hoping authorities in China will approve a 245 million euro (\$336 million) investment by Zhejiang Youngman Lotus Automobile and Pang Da Automobile Trade Co, which should be forthcoming by November. A bridging loan amounting to 70 million euros is also on the cards from Zhejiang Youngman.

Saab's fortunes appear to now hinge on the prospect of the Chinese investors, something that has been quite commonplace among many other companies these days.