

## TRADING UPDATE SWEDISH AUTOMOBILE N.V. (including SAAB AUTOMOBILE AB) THIRD QUARTER 2011

**Zeewolde, the Netherlands, 18 November 2011** - Swedish Automobile N.V. (Swan), a holding company that owns subsidiaries which produce and sell premium automobiles under the Saab and Spyker brands (together referred to as the "Group"), today issues a trading update for the third quarter of 2011 ended 30 September 2011. The Group is listed on NYSE Euronext Amsterdam (ticker symbol SWAN).

### KEY DEVELOPMENTS

- Saab Automobile AB, Saab Automobile Powertrain AB and Saab Automobile Tools AB (together Saab Automobile) entered voluntary reorganization under Swedish law
- Longer term future and stability for Saab Automobile expected after signing of a memorandum of understanding with respect to a EUR 100 million conditional agreement on sale of all shares in Saab Automobile and Saab Great Britain Ltd. (Saab GB) to Pang Da Automobile Trade Company Ltd (Pang Da) and Zhejiang Youngman Lotus Automobile Co., Ltd. (Youngman)
- Conditional agreement reached on sale of Spyker Automotive business to North Street Capital, LP with net proceeds for Swan of EUR 32 million
- Efficiency improvement initiative launched as part of voluntary reorganization process, in order to create more flexible and competitive cost structure
- Finalizing voluntary reorganization process, implementing revised business plan and restarting sustainable production top priorities for Saab Automobile management
- Sales performance seriously affected by production stoppages and tight liquidity situation during third quarter

### CORPORATE AND OPERATIONAL REVIEW

#### *Voluntary reorganization under Swedish law*

While work continued throughout the third quarter to secure short-term financing, Saab Automobile concluded in early September that, considering Saab Automobile's limited financial resources and the time needed to secure the required approvals for the investments by Pang Da and Youngman, a voluntary reorganization would entail the best preconditions for using existing resources in the most efficient way. The purpose of the voluntary reorganization process was to secure short-term stability while simultaneously attracting additional funding, pending the inflow of the equity contributions of Pang Da and Youngman.

Therefore, Saab Automobile applied for voluntary reorganization under Swedish law on 7 September with the District Court in Vänersborg. Eventually, on 20 September, the Court of Appeal in Gothenburg approved of the reorganization proposal by Saab Automobile. This decision also meant that bankruptcy filings by a number of Swedish labor unions became void, and these filings were shortly after withdrawn by the unions.

Following the ruling by the Court of Appeal, Swedish lawyer Guy Lofalk was appointed administrator of the reorganization process. As part of its application, Saab Automobile formulated a reorganization plan, which included a number of aspects aimed at lowering its cost-base and creating a viable, competitive and independent organization. This reorganization plan was presented to creditors in more detail at the creditors meeting on 31 October (*see Recent Events*). Saab Automobile furthermore announced it plans to fully redeem outstanding debts with creditors.

On the same day the Court of Appeal approved Saab Automobile's reorganization proposal, Saab Automobile also launched an efficiency improvement initiative as part of a broader review of the company's business plan for 2012 and beyond, aimed at creating a more flexible and more competitive cost structure for the company. The initiative is an important element of the reorganization plan that was presented at the creditors meeting on 31 October (*see Recent Events*). The initiative focuses on both fixed and variable costs and aims to create a lower and more flexible cost structure

within Saab Automobile by eliminating duplication of work, streamlining processes, shortening lead times, improving coordination between departments and simplifying the organizational structure.

#### **Other developments**

On 4 July, Swan and Saab Automobile announced the signing of a conditional agreement with Youngman Passenger Car for the formation of a Sweden-based joint venture company for the development of three new product Saab models (NPJV). Simultaneously, Swan and Saab Automobile also signed binding agreements worth EUR 245 million with Pang Da and Youngman. As part of the agreements Pang Da agreed to invest EUR 109 million in Swan, while Youngman agreed to invest EUR 136 million. These agreements were terminated on 23 October (*see Recent Events*).

On 7 July, Swan and Saab Automobile announced that Saab Automobile obtained final approval from the EIB, the NDO and the Swedish government for the sale and lease back of Saab Property AB (Saab Property). A consortium of Swedish real estate investors purchased 50.1% of the shares in Saab Property for a total consideration of SEK 255 million (EUR 28 million), reflecting an adjustment to the transaction price for a one year lease free period. Of the SEK 255 million consideration, SEK 205 million was paid in cash on closing and the remaining SEK 50 million in the form of a sellable bond convertible into shares of the purchasing company. Following this transaction, this bond was sold to investors in two separate transactions.

On 22 July a supplier of Saab Automobile Tools AB (Saab Tools) filed for bankruptcy of Saab Tools, a subsidiary of Saab Automobile AB. The issue was resolved after Saab Tools reached agreement on payment terms with the supplier.

Payment of the July salaries for white-collar workers was delayed at the end of July. The salaries were eventually paid on 5 August after Swan issued 5 million new shares in the company under the EUR 150 million equity facility between Swan and GEM. On 15 August, Swan issued another subscription notice for 4 million shares to GEM. Payment of the August salaries was delayed as well, and eventually payment of the salaries for August and September was secured under the Swedish state wage guarantee scheme, as part of Saab Automobile's voluntary reorganization process.

On 29 September, Swan announced that it had reached a conditional agreement on the main terms of the sale of the Spyker Automotive business to North Street Capital, LP (North Street), a US-based private equity firm. The indicative terms of the transaction envisaged net proceeds of approximately EUR 32 million once the agreement would become unconditional. These net proceeds are earmarked to redeem Swan's debt to Tenaci Capital B.V. (Tenaci), since the Spyker assets are pledged to Tenaci. Victor Muller will stay on as CEO of Spyker.

#### **Sales & production**

Both sales and production in the third quarter continued to be seriously hampered by the production stoppages and tight liquidity situation at Saab Automobile. The lack of new cars coming into markets because of the stop in production continued to cause a very challenging business environment for all Saab sales points around the globe, while stock levels around the globe continued to fall as a result of the production stop.

#### **Corporate developments**

On 28 September, Swan announced it had reached agreement with Orange India Holdings S.a.r.l. (OIH) for the full and final settlement of several potential claims related to the sale of the Formula One team by Swan and its subsidiary Spyker Events & Branding B.V. (Spyker) to OIH in 2007. Spyker and Swan agreed to pay OIH an amount of GBP 2.5 million of which EUR 1.45 million was released from an escrow account. The remainder will be paid within 6 months from signing of the settlement. The settlement excludes the existing indemnity given by Swan to OIH for an alleged claim of Mr. Colin Kolles in the amount of EUR 1.2 million, which OIH disputes.

## RECENT EVENTS

### *Pang Da and Youngman*

On 23 October, Swan terminated the subscription agreement with Pang Da and Youngman that was signed in July, as Pang Da and Youngman failed to confirm their commitment to the subscription agreement and the transactions on the agreed terms contemplated thereby, as well as to explicit and binding agreements made on October 13, 2011 related to providing bridge funding to Saab Automobile while in voluntary reorganization under Swedish law.

However, discussions between the parties regarding an alternative agreement continued and on 28 October Swan entered into a memorandum of understanding (the MoU) with Youngman and Pang Da for the sale by Swan to Youngman and Pang Da of the shares that Swan holds in Saab Automobile and Saab GB for an aggregate purchase price of EUR 100 million. In line with the terms of the MoU, the total purchase price of EUR 100 million will be paid in the following manner:

- EUR 50 million upon completion of the sale
- 4 instalments of EUR 12.5 million payable on the first, second, third and fourth anniversary of completion of the sale

Final agreement between the parties is subject to a definitive share purchase agreement (SPA) between Swan, Pang Da and Youngman, which will contain certain conditions. Amongst others, these conditions will include approval of the transaction by the Swedish Government represented by the Swedish National Debt Office (NDO), the European Investment Bank (EIB), the National Development and Reform Committee of the People's Republic of China (NDRC), the shareholders of Swan and several other organisations.

The agreement in principle is that any outstanding intragroup loans and other financial obligations between Swan, on one hand, and Saab Automobile, its subsidiaries and Saab GB on the other (the Saab Auto Group), will be set off or written off in accordance with applicable law without any actual payment being due and payable. The draft SPA will also be based on the principle that Swan is to be discharged of all Saab-related obligations.

The validity of the MoU is also contingent on Saab Automobile remaining in reorganisation. The parties are currently in discussion about the SPA. General Motors (G M) publicly indicated on 7 November last that it will not agree to the continuation of the existing technology licenses or the continued supply of 9-4X vehicles to Saab Automobile following the proposed change in ownership of the Saab Auto Group. Swan and Saab Automobile are currently in discussion with GM. Without the GM consent having first been obtained, it is uncertain whether the parties are in the position to sign an SPA.

The conditional agreement and the related adjustment of Saab Automobile's business plan and reorganization plan were well-received by creditors during the creditors meeting on 31 October in Vänersborg, Sweden. During the meeting, Saab Automobile presented the District Court in Vänersborg and its creditors with its preliminary reorganization plan and the Court decided that same day that Saab Automobile would be allowed to continue its voluntary reorganization process. On 31 October, Saab Automobile also announced it planned to reduce headcount by 500 jobs as part of a broader adjustment of the company's cost structure to the existing financial and operational situation.

As a consequence of the termination of the equity investment agreements with Pang Da and Youngman, Swan's shareholders have not been asked to vote on amendment of Swan's articles of association nor to appoint new board members at the EGMS of 11 November 2011. During this EGMS the shareholders of Swan voted – during an informal vote - in favour of the potential sale of Saab Automobile AB and Saab Great Britain Ltd. by Swan. Approval by informal voting was also obtained for the continuation of negotiations which may lead to the sale of the Spyker business. A new extraordinary general meeting of shareholders will be convened to ask the general meeting to formally approve the sale by Swan of its shares in Saab Automobile and Saab GB.

### *Other events*

Göran Ejbyfeldt was appointed new Vice President & Head of Manufacturing and Quality at Saab Automobile effective 1 December. Ejbyfeldt succeeds Gunnar Brunius, the current Vice President Manufacturing & Purchasing, who will pursue new career opportunities. Ejbyfeldt will assume responsibility of manufacturing on top of his current role as Executive Director Quality, Environment & IT. Kjell-Åke Eriksson was added to Saab Automobile's top management team as Executive Director Purchasing, reporting directly to CEO Victor Muller.

### **THE FUTURE OF SWAN**

If Swan sells the Saab Auto Group and the Spyker business as currently envisaged, the total (net cash) proceeds will amount to EUR 132 million. The exact use of these proceeds depends on the negotiations with the different stakeholders of Swan (i.e. creditors, lenders, etc.). Based on the current situation, the proceeds of the sales will not allow Swan to meet all its liabilities in full. A best estimate of the total liabilities of Swan per 31 December 2011 amounts to about EUR 136.5 million plus contingencies. The management of Swan will use its reasonable endeavours to come to a settlement that is acceptable to all its stakeholders, in line with applicable law.

The future of Swan will depend on the outcome of the negotiations with the purchasers of the Saab Auto Group (Pang Da and Youngman) and the Spyker business (North Street). If Swan is not able to complete a sale of the Saab Auto Group or secure further financing for the Saab Auto Group, management will likely not be able to safeguard the continuity of the Saab Auto Group, which will have negative financial implications for Swan and its stakeholders and may result in the bankruptcy of the Saab Auto Group.

If Swan is not able to complete a sale of the Spyker business, Swan may continue the Spyker business, provided that the necessary funding for that business can be obtained. If Swan were to sell the Saab Auto Group but continues the activities of the Spyker business, as it did before it acquired the Saab Auto Group at the beginning of 2010, it will focus exclusively on the Spyker business. If both businesses are sold, Swan will consider all of its options (including a voluntary liquidation of Swan).

The fact that the required approvals are not yet secured and that there are currently not yet final binding agreements in place with the purchasers of the Saab Auto Group and the Spyker business leads to uncertainty with respect to the completion of the various transactions described above and thus the future of Swan and any settlement with stakeholders.

- Ends -

### **For further information, please contact:**

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