

# GM To sell Saab To Small Swedish Company

LOUISE NORDSTROM, Associated Press Writer

STOCKHOLM (AP) — Saab Automobile, General Motors Corp.'s struggling Swedish unit known for its family cars, was rescued Tuesday by a consortium led by Koenigsegg Automotive AB, a tiny company that produces only a dozen custom-made super cars a year.

Having penned a memorandum of understanding, GM said the sale would include an expected \$600 million funding commitment from the European Investment Bank, guaranteed by the Swedish government. Additional funding for Saab's operations and investments would be provided by GM and the Koenigsegg Group AB consortium, it said.

"This is yet another significant step in the reinvention of GM and its European operations," GM Europe President, Carl-Peter Forster, said in a statement.

A person briefed on the deal said GM will get nothing initially for Saab, but would be paid \$150 million — capital Saab had left over from GM's ownership — on top of the value of Saab's assets if the new company turns a profit. The person, who did not want to be identified because the deal has not been closed, could not estimate the value of those assets.

The company fronting the consortium, Koenigsegg Automotive, was founded in 1994 by Christian von Koenigsegg, a Swedish sports car fanatic and entrepreneur, who remains the chief executive. It makes luxury sports cars at its headquarters, a former air force base near Angelholm, in southern Sweden.

With a full-time staff of 45, Koenigsegg (KOH-nigs-egg) makes around a dozen cars a year, customized for every buyer. The company doesn't advertise prices for its models, but they are believed to range between 8 million and 18 million kronor (\$1 million-\$2.3 million) each.

Saab, on the other hand, has more than 4,000 staff worldwide, is represented in some 50 countries, and typically produces more than 100,000 cars a year.

Saab Chief Executive Jan Ake Jonsson called the deal "great news" and said it would help the brand to maximize its potential "through an exciting new product lineup with a distinctly Swedish character."

The sale is expected to be completed by the end of the third quarter and is subject to regulatory approvals.

Nelson Silveira, a GM spokesman in Zurich, declined to give any financial details and would not disclose information about the investors.

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On Monday, public documents showed that Koenigsegg Automotive AB had applied to start a new company named Koenigsegg Group — fueling speculation that a takeover of Saab was in the pipeline.

Shareholders in the new company were listed as Koenigsegg Automotive AB with a 23.4 percent stake, its owner and CEO Christian von Koenigsegg's firm Alpraaz AB with 42.6 percent, Norwegian holding company Eker Group with 11.8 percent and San Diego-based Mark Bishop with 22.2 percent.

Board members would include Naples, Florida-based Augie K. Fabela II — the co-founder and former chairman of Russian telecoms operator VimpelCom — von Koenigsegg, Eker Group owner Baard Eker and Mark Bishop. Washington, D.C.-based Melissa Schwartz was named deputy board member.

Saab went into creditor protection Feb. 20 in an effort by GM to sell the unit. Interested bidders reportedly had also included private equity firm The Renco Group Inc. and investors Merbanco Inc.

Matts Carlsson, an analyst of Goteborg Management Institute, called the deal "exciting, interesting and challenging," adding that although no price sum has been made official, the Trollhattan, Sweden-based unit is likely to have been more or less a giveaway.

"(Money) is not really what it's about right now, it's about the possibility to back up this deal," he said.

Carlsson has, along with other market watchers, voiced criticism of the idea of a small sports carmaker taking over the reins of a large company such as Saab.

More specifically, market watchers wonder how reliable the anonymous consortium will be and whether they have the finances to see the deal through.

"We still need to find out if they have the financial muscles," Swedbank Market analyst Anders Bruzelius said, noting Saab has been loss-making for more than a decade and that he didn't recognize any of the investors.

Even Sweden's Enterprise Minister, Maud Olofsson, who said she was pleased to see new owners for the hurting brand, told reporters at a news conference in Stockholm Tuesday that they would still need to show some proof of their resources.

"We can say that there is strength in the entrepreneurship, but whether there is enough money to be enduring enough is something that is still to be seen," she said.

Koenigsegg did not return phonecalls seeking comment, but told Swedish news agency TT that the group has the resources it needs.

"It's a misunderstanding. It's not the small car company Koenigsegg that is taking over. We're an acquisition strong group," Christian von Koenigsegg told TT.

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Other analysts, such as Global Insight's Tim Urquhart, called it the "the best possible outcome for Saab," describing Koenigsegg as a respected company with a sensible financial structure.

"Koenigsegg certainly faces a massive task in returning Saab to a state where it is a profitable and vibrant premium passenger carmaker," but said it could revitalise the brand and steer it into greener technologies.

"The trick will be to position the brand at a price point where it can become profitable at the 120,000- to 150,000-unit mark and offer enough 'unique' technology and design identity to make the brand compelling," he said.

Originally an aircraft maker, Saab started manufacturing cars after World War II. General Motors bought a 50 percent stake and management control of Saab Automobile in 1989 and gained full ownership in 2000. The aircraft division remains a different company.

GM shares, which have been booted off the New York Stock Exchange and are trading over the counter, rose eight cents, or 6.4 percent, to \$1.34 in Tuesday trading. The increase comes despite a GM statement last week that the stock is likely to have little value once it emerges from Chapter 11 bankruptcy protection as a new company.

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