

# SAS in SEK5b rights issue, further SEK2b savings

**STOCKHOLM (Dow Jones)** — Shares in Scandinavian airline SAS AB plunged by nearly 25% Tuesday after it said it would make a 5 billion Swedish kronor (\$678 million) rights issue, on top of the SEK6 billion rights issue launched in March last year, and introduced new cost cuts aimed at saving a further SEK2 billion.

The company also said that flight deck and cabin crew unions have signed a letter of intent agreeing to SEK500 million of cost savings during the first quarter of 2010.

As a result of the extended cost-cutting measures a further 700 employees will lose their job by the end of 2011, bringing the total to 4,300 from an original target of 3,000 that was set early last year.

At 1005 GMT, SAS shares were down 21% or SEK0.73, at SEK2.80 while the broader Swedish market was higher.

Alexander Solovjov at Orion Securities said investors were, not surprisingly, cautious as this is the second rights issue in a short time frame.

He also said earnings figures are weak while there are growing risks relating to legal issues, with the company expecting to be fined by the European Union in a cargo case.

The result of the investigation could be known as early as the first quarter of 2010 according to SAS.

"Market conditions deteriorated far more extensively than originally expected when the core SAS strategy was initiated a year ago," President and chief executive officer Mats Jansson said in a statement.

The additional SEK2 billion in cost savings will "further improve SAS's long-



term cost position", while the SEK5 billion rights issue will help fund the cost-saving program and allow it to capitalize on the market situation when air-travel recovers, he added.

The original core SAS saving plan, launched in February 2009, targeted SEK4 billion in annual cost savings, rising to SEK5.3 billion, and is running to plan with 66% of the savings already achieved.

The company said the rights issue has support from the airline's three government owners -- Sweden, Norway and Denmark--and the largest private shareholder, the Knut and Alice Wallenberg Foundation, through Foundation Asset Management (FAM).

In total, the four shareholders hold 57.6% of all outstanding shares and votes in SAS.

A consortium of banks, comprising J.P. Morgan, Nordea, SEB Enskilda, DnB Markets, The Royal Bank of Scot-

land and Danske Markets has confirmed it expects to underwrite the remaining 42.4% of the shares to be issued in the rights offering.

Terms of the issue are expected on April 6.

Company credit lines are also been re-worked, with lending banks agreeing on improved terms, while talks have started over refinancing or extending bond maturities, the company added.

SAS said its fourth-quarter net loss came in at SEK1.3 billion, approaching twice the loss seen by analysts of SEK733M. Revenue fell to SEK10.32 billion from SEK12.82 billion, in line with analyst expectations, while the operating loss widened to SEK1.42 billion from SEK282 million a year earlier, after analysts had eyed a loss of SEK733 million.

January traffic decreased by 5.1% versus last year while it carried 1.7 million passengers in the month, down 3.7% from last year.

## Opel unveils turnaround plan, 8,300 jobs slashed

**FRANKFURT (AFP)** — Around 8,300 jobs will be slashed in Europe, Opel boss Nick Reilly said on Tuesday, as he unveiled a long-awaited plan for the future of the ailing General Motors unit and its 50,000 employees.

The proposal to restructure Opel and British sister brand Vauxhall has now been officially submitted to German authorities, he said, and included a planned investment of 11 billion euros (15 billion dollars) by 2014.

Opel is seeking at least 1.5 billion euros in German aid. Fewer than half the cuts, a little more than 3,900, would take place in Germany, Reilly noted, while confirming the closure of a plant in the northern Belgian city of Antwerp with the loss of 2,377 jobs.

Spain would also be affected with the loss of 900 jobs, while more than 500 were slated to be cut in Britain. "We have no time to waste," Reilly told a news conference in Frankfurt, near Opel's headquarters in Rueselsheim.

He added that, with the new plan, "we expect to break even in 2011 and make a decent profit in 2012."

According to a study by independent auditors demanded by German authorities the "plan is financially sound and offers a realistic roadmap to renewed business success," Reilly said.

Opel needs a total of 3.3 billion euros to finance its plan, and hopes to get 2.7 billion of it from countries where Opel and Vauxhall have operations.

Reilly said that since 60 percent of Opel's workforce was in Germany, the carmaker was looking for an "approximate allocation of the 2.7 billion" on that basis, suggesting it would ask

Berlin for around 1.62 billion euros.

An economy ministry source told Dow Jones Newswires meanwhile that GM had asked the federal government and German states that host Opel sites for 1.5 billion euros.

The head of the German state of Hesse, where Rueselsheim is located, however, called for GM to plough more of its own money into the restructuring.

"According to our first impression, it will be necessary for GM, as the owner, to considerably increase its contribution to the restructuring," state premier Roland Koch said.

GM has committed 600 million euros to the plan, and Reilly stressed Tuesday that the "cash that is in General Motors is essentially U.S. taxpayers' money."

"It is not surprising that the United States would expect Europe and European governments to help a European entity and not have the U.S. taxpayer pay for all of the restructuring and growth of Opel," he added.

German Economy Minister Rainer Bruederle and British Business Minister Peter Mandelson told a joint press conference Friday they would consider any appeal for aid immediately after the business plan was presented.

GM had initially decided to sell Opel/Vauxhall but changed its mind after its own rescue by the U.S. government, and has decided to turn the European unit around itself.

Opel is also holding talks with unions on the restructuring, and Reilly said: "I fully respect the necessary role of unions in these difficult decisions. At the end, we both want the same thing, a successful company," he said.



## Futures buoyed by Greece rescue talk

**NEW YORK (Reuters)** — Stock index futures rose on Tuesday as speculation that European Union nations could bail out debt-burdened Greece bolstered sentiment.

The industrial sector could gain after Morgan Stanley raised its rating on the group to "attractive" from "in-line," saying the companies' share prices should catch up to an improving business environment. Among the companies it upgraded, shares of Caterpillar Inc gained 3.5 percent to \$52.54 before the opening bell.

Worries that rising debt in Greece, Portugal and other euro zone states could undermine a global recovery has sapped confidence from equity markets in recent weeks.

Expectations of a rescue for Greece followed news that European Central Bank President Jean-Claude Trichet was leaving a meeting of central bankers in Sydney early to attend a European Union leaders' summit.

"The biggest overhang has really been the sovereign debt issue that's been plaguing markets for the better part of two weeks,"

said Arthur Hogan, chief market analyst at Jefferies & Co in Boston.

"I think the biggest driver in this market is the hope we get some sort of resolution in Greece."

The rescue talk also lifted commodity prices, which could lend support to materials shares.

The price of oil recovered early losses to rise to near \$73 a barrel. Among the morning's earnings, Coca-Cola Co reported a profit in line with analysts' estimates as strong volume in Latin America and other parts of the world offset a decline in North America.

S&P 500 futures rose 10.3 points and were above fair value, a formula that evaluates pricing by taking into account interest rates, dividends and time to expiration on the contract.

Dow Jones industrial average futures were up 75 points and Nasdaq 100 futures gained 16.25 points.

On the economic front, investors will watch December wholesale trade data due

at 10:00 A.M. Inventories are expected to have increased half a percentage point, after jumping 1.5 percent in November, the fastest rate in over five years.

Rising inventories suggest businesses are preparing for a healthier economy.

On the downside, shares of Electronic Arts Inc fell about 7 percent in premarket trade after the company warned fiscal 2011 earnings would miss expectations.

The Dow closed on Monday below 10,000 for the first time since November, as investors sold bank shares on concerns over the euro zone debt troubles.

The benchmark S&P 500 is off 8.1 percent from its 15-month closing peak of January 19, but still up 56.2 percent from its March 2009 bottom.

Boeing Co could see interest after it flew its twice-delayed 747-8 freighter for the first time on Monday, a significant milestone in the long history of the 747 family. The shares gained 1 percent in premarket trade to \$58.43.

### Renault plans huge India sales network

**PARIS (AFP)** — French auto giant Renault on Tuesday signaled its commitment to the fast-growing Indian car market, saying it planned to build up an "extensive" distribution network over the next two years.

The company, partnered with Japan's Nissan, also said it planned to start production in 2011 at a new plant being built in Chennai in southern India, as global automakers jostle for market share amid slow sales in Western markets.

"We will create an extensive nationwide distribution network in the next 30 months to ensure our customers of seamless service," Marc Nassif, managing director of Renault India, was quoted as saying in a statement.

Renault also said that it planned to produce the Fluence and the Koleos models in Chennai from 2011. Renault-Nissan last year said it also planned to launch an "ultra low-cost car" for the Indian market in 2012.

The Indian auto market is forecast to triple over the next decade to six million cars a year from the current two million.

Car sales in India surged 40 percent in December compared to the same month a year earlier.

### Toyota to recall 437,000 hybrids over brake issue

**TOKYO (Dow Jones)** — Toyota Motor Corp. said Tuesday it is recalling 437,000 high-tech hybrid vehicles worldwide due to problems with their anti-lock braking systems, amounting to the latest development in a recall saga that is sully the company's reputation for reliability.

Starting Feb. 10, Toyota will conduct a voluntary safety recall in the U.S. for about 133,000 2010 Model Year Prius cars and 14,500 Lexus Division 2010 HS 250h cars to update software in the ABS. The system helps prevent wheels from locking and the vehicle from skidding.

Meanwhile, Toyota Motor Europe said it will recall 52,903 units of its third generation Toyota Prius in Europe for the same reason.

"The number of reported cases and the possibility that the problem could continue were the key factors behind our recall decision," Toyota President Akio Toyoda, a member of the auto maker's founding family, said at a press conference.

"Whenever we find flaws or mistakes we make sure to correct them... that's part of our kaizen (continuous improvement) DNA," he added.

### Swiss stocks fluctuate, shares of Swatch advance

Swiss stocks swung between gains and losses as better-than-expected earnings at Swatch Group AG offset a bigger-than-expected increase in withdrawals by wealthy clients at UBS AG.

Swatch rose 2.9 percent after forecasting higher sales and profitability this year. UBS, the European bank with the biggest losses from the credit crisis, dropped 2.1 percent.

The benchmark Swiss Market Index, a gauge of the biggest and most actively traded Swiss companies, gained 7.4, or 0.1 percent, to 6,354.54 at 09:32 A.M. in Zurich. The broader Swiss Performance Index added 0.1 percent to 5,483.75.

The benchmark index for Swiss equities has retreated for four straight weeks as concern mounted that Greece, Spain and Portugal will struggle to curb their budget deficits. The SMI has lost 4.2 percent from this year's high on Jan. 19.

Swatch rose 2.9 percent to 276.3 Swiss francs. The maker of Omega timepieces reported an "excellent start" to 2010 and said it expects higher sales and profitability this year as improving economic growth leads consumers to buy more watches.

(Source: Bloomberg)

### GM Europe details restructuring plan

**FRANKFURT (The WSJ)** — General Motors Co.'s European division said Tuesday it plans to invest €11 billion (\$15.03 billion) on its model line-up by 2014 as part of a complex turnaround plan aimed at reaching break-even in 2011 and returning to profitability in 2012.

"We have all ingredients for a successful future," GM Europe President Nick Reilly told reporters in Frankfurt, adding that he is "convinced we will be successful".

Mr. Reilly said Opel earlier Tuesday had applied for €2.7 billion in loans and loan guarantees from European governments to finance the wide-ranging restructuring. Overall funding of €3.3 billion is needed to run the business.



### British Airways' credit rating downgraded by S&P

BA' credit ratings have been downgraded by Standard & Poor's just days after the airline's chief executive Willie Walsh warned that the carrier was heading for record losses this year. The credit agency cut its long-term corporate rating on the airline from to BB- from BB and took similar action for the carrier's senior unsecured debt.

It also lowered the rating on £300m of preference shares, which rank behind the debt, to B- from B. The outlook for the company was negative, S&P said. "Very tough industry conditions have resulted in a weakening of BA's financial risk profile," said S&P of the airline, which disclosed on Friday that losses for the first nine months had widened from £70m to £342m pre-tax.

Mr. Walsh expects BA to have bigger pre-tax losses in the year to March 31 than last time's £401m. The airline has £2.3b net debts.

Stuart Clements, S&P credit analyst, said: The "downgrade reflects our view that the very difficult industry conditions in 2009 have resulted in a significant deterioration in the group's financial profile."

S&P said its negative outlook reflected the likelihood of continuing difficult trading conditions, the potential strike by BA's 13,000 cabin crew and "some uncertainty" over the airline's plan for tackling its £3.7bn pension deficit. S&P warned of the risk that "the recovery may be even slower than anticipated", with Mr. Clements believing that "any improvement in the operating environment will be gradual and linked to an improvement in economic conditions". BA shares fell 7 to 199p.

The credit agency added that, while it took a positive view of BA's planned all-share merger with Spain's Iberia, the "benefits would take time to realize".

A BA spokesman stressed that BA's agreements with its lenders contained "no financial covenants".

Writing in the in-house newsletter BA News, Mr. Walsh urged the cabin crew to "consider their actions very carefully."

"If cabin crew choose to strike -- and inflict damage on our business, that damage will have to be paid for. This is not a game," he said

(Source: Daily Telegraph)

MAJOR CURRENCIES		
Currency	To U.S. Dollars	To IR. Rial
US dollar	1	10,031
British pound	1.559	15,655
Swiss franc	0.935	9,357
Swedish krona	0.135	1,352
UAE dirham	0.272	2,732
Kuwait dinar	3.468	34,789
100 Japanese yen	1.114	11,223
Canadian dollar	0.934	9,350
Australian dollar	0.872	8,683
Saudi riyal	0.266	2,675
Chinese yuan	0.146	1,470
Euro	1.372	13,731

Sources: cbi.ir & xe.com

COMMODITIES	
Light crude	\$72.24 per bbl.
Gold	\$ 1066.00 per oz.
Silver	\$ 15.10 per oz.
Platinum	\$ 1,488.00 per oz.
Copper	\$ 2.93 per oz.

Source: cnnmoney.com