

FOUR SIDES

Modesty - Morals - Artistry - Confidentiality

FOUR SIDES is published in English. Regarding the general professional confidentiality applicable within the Lagerkvist group, everything published is approved for publishing by the partners involved.

Issue 1, 1997

THE MESSAGE

Management of the Future

We have expanded, with offices in Switzerland, the Ukraine, Argentina, Brazil, Bolivia, Peru and China. The marketplace for our clients is global. The competition is global. More and more industries are impacted and/or benefited by global sourcing. We ourselves are operating within an industry that is global in its scope.

Our client base is 200 of the largest companies in the Nordic region. We are also working with multinational companies located throughout the world. We have gradually expanded our offices as described on the last page of Four Sides.

Our ability to deliver globally has existed for quite some time. We have invested in a global computer network which is on the cutting edge of technology. We have had a central research department for more than ten years and it is connected to over 500 data bases around the world.

Presidential Visit

On 5 December 1996, CEO Magnus Lagerkvist, together with Johnny Steen, MD for Lagerkvist & Partners in Chile, and Jorge Iturralde, MD for Lagerkvist & Partners in Bolivia, met the Bolivian President Mr. Gonzalo Sanchez de Lozada. The discussions centred primarily on foreign investments in the country's infrastructure.

As a result of the visit, Lagerkvist & Partners will be acting as an intermediary between large foreign investors and Bolivia.

Ministerial Visit

On 10 September 1996, CEO Magnus Lagerkvist and Edward Horne, MD for Lagerkvist & Partners in South Africa, visited the Housing Minister, Mrs Sanki Mthembu-Mahanyele, for discussions on the development of the housing programme in South Africa.

The result of the visit is that Lagerkvist & Partners will assist foreign investors in the task of developing the production of housing in South Africa.

Magnus Lagerkvist
Executive Director
Lagerkvist & Partners

LAGERKVIST & PARTNERS

Our Four Sides

MODESTY

in the Company's approach to an assignment and with respect for the client's own expertise

MORALS

in the form of loyalty to the client and strict focus on the client's long-term development and profitability

ARTISTRY

through efforts to provide innovative solutions that give the client a position of leadership

CONFIDENTIALITY

in the Company's approach to an assignment and with respect for the client's own expertise

Success for Scandic

Scandic is Scandinavia's largest hotel chain, with a total of 82 hotels in the Nordic countries and 16 hotels elsewhere. Beginning at the end of 1995, there has been a far-reaching partnership with Holiday Inn, which represent 2,000 hotels around the world. In November 1995, Scandic acquired a majority of the Reso Hotel Group, with 14 hotels. It was a successful acquisition and has contributed to the very high volume and profitability that Scandic has had under the leadership of MD Roland Nilsson. Roland Nilsson has been MD and the Group's CEO since 1992, and has prior experience in heavy industry. Scandic shares were introduced on the stock exchange in December 1996.

Four Sides: Why did you purchase Reso Hotels?

Roland Nilsson: Reso Hotels, with its inner-city locations in larger cities, fit strategically quite well into Scandic's structure. Prior to this we had too few inner-city hotels. With this acquisition we have come much closer to the optimal structure in Sweden.

FS: So, it was an obvious purchase?

RN: No, not obvious since we did not know, in detail, what condition the Reso Hotels were in, with respect to the physical standards, management at all levels, staffing numbers, organisations, etc.

FS: What did you do in order to accomplish this?

RN: We decided to let Lagerkvist & Partners do, without the hotels knowing it, a detailed external analysis of the Reso Hotels. It was great to see what richly detailed picture the consultants were able to provide. When the analysis was completed, we had a firm grasp on the overall picture. We then decided to let Lagerkvist & Partners be the advance guard and manage the initial negotiations. This meant they had to contact Volvo and KF, the principal owners, and later on, the responsible subsidiary company, Borgtornet.

FS: And then you took care of all the rest?

RN: It was a very trying process that took more than a year. There is no reason for me to go into the details - let it suffice to say that without the aid of the consultants during this complicated process, we would probably not have achieved success. In fact, at one point we were even thinking about doing an analysis of whether we should acquire all of Borgtornet as a way of obtaining the hotels, after

LAGERKVIST & PARTNERS

which we would sell off the rest, that being, Nordpool, Transwede, and Bennet. This proved to be an unrealistic approach, but it facilitated the negotiations.

FS: What has been the experience with the integraion of the Reso Hotels into the Scandic organisation?

RN: Beyond our highest expectations. Reso was, we know, a fairly “neglected” organisation, with the changes in ownership, poor profitability, changes in Managing Directors, etc. Most everyone was glad to join up with a professional owner. And when they had a chance to become familiar with our systems and our way of thinking, the positive effects only increased, for which we are very happy. Frankly, everything has proceeded on track, which has also meant that we were able to introduce Scandic on the stock exchange earlier than we had planned.

FS: Magnus Lagerkvist, who participated in the acquisition, what are the consultants’ views on this process?

ML: First and foremost, it is possible to state that this was good business. If one has done their homework properly, then it is also possible to be persevere until the business goals are achieved. I think it is also interesting that Scandic has achieved the success it has in the Scandinavian hotel market. It is definitely not a coincidence. The company management at Scandic has a professional background in industry. They have tempo and productivity in their blood, which is, at times, missing in this sector. One is also able to see that a strong environmental profile has been very good, for which they have now been awarded a price.

FS: Roland Nilsson, what happens now?

RN: We look to the future, naturally. Now that the introduction on the stock exchange, which went well, is completed, our efforts shall be on continued development, primarily in the Scandinavian market.

A poor judgment never fails

It is easier to make a good thing better than a bad thing good.

LAGERKVIST & PARTNERS

Chile – Better than Expected

When we opened our office in Chile in 1990, we were of the opinion that the development in Chile would be positive. Already then, we were able to note that Chile was a developed and sophisticated country in many respects, says Magnus Lagerkvist. It is even better now.

The average yearly growth during the period 1990-1995 has been 7.5 %. During the same period, the foreign investments in Chile have increased an average of 24 % per year and the value of the transactions on the Santiago stock exchange increased by 56 %. The rally is by no means over. With respect to the infrastructure and industry, the country is now beginning to amass the economic resources necessary to resume investments there.

Johnny Steen, MD for L&P in Chile states that during the coming years there will be built many roads, railways, tunnels, residential units, offices, and harbours. The area with the greatest need for investments and development is the roads. About 6 billion USD is required.

We see important investments in the food industry, mostly in fruit and wine, the forestry industry, the mining industry, the hydro-electric industry, the mechanical industry, and visitor-related businesses. In the future, Chile will be a very interesting investment country, at the same time it can be a spring-board to the rest of Latin America.

In 1990, the outlook for many of the other Latin American countries was very doubtful. Actually, it was only Argentina that looked interesting. At present, the situation in many of the countries is different, which means that one can see an investment in Chile, not as a solitary shot, but as the first step in capturing the rest of the continent, if one is not already established.

The way I see it, if you want the rainbow, you gotta put up with the rain.

Dolly Parton

Most of us will never do great things, but we can do small things in a great way.

LAGERKVIST & PARTNERS

South Africa – The Chile of Africa

South Africa can become, and to a certain extent, is already a country with a bright future. Only a year or two ago, the opportunities for development in Africa, including South Africa, looked fairly dismal. Now, the growth and development figures for South Africa are appealing and can become very appealing in the future, observes Magnus Lagerkvist.

Between the years 1994 - 1995, the exports increased by 15 %, GNP by 12 %, GNP per capita by 1.1 %, and the number of foreign visitors at the Cape Town Airport by 43 %.

In 1990, I visited Chile and met with over one hundred people within the business community, financial institutions, and politics. At the time, I discovered a very different country than the one I had read about in the newspapers. The developments have more than confirmed this, as described in the opposite column.

Today, the feeling is exactly the same in South Africa. Of course, there are always elements of risk. Violence is one, Nelson Mandela's age is another, but nearly all development has its risks and there is a lot of support for the belief that, despite all the risks, they will be able to deal with it all. Even if a risk is always a risk.

What's interesting is that many of the countries that were viewed as entirely hopeless, which has been the majority in Africa - at least as seen through our eyes - are now interesting, or at least they can become so. Countries such as: Malawi, Angola, Kenya, Zimbabwe, and perhaps even - in the short run - Mozambique.

Many sectors are of interest for investors, such as forestry, mines, processing of diamonds and gold etc., fruit and wine industries, tourist industry, and even infrastructure investments of all sorts: roads, railways, airports, harbours, etc.

If you cannot joke about something, it is seldom worth taking seriously.

Sigfrid Lindström

Speak in anger and you will give the best speech you ever regretted.

Winston Churchill

LAGERKVIST & PARTNERS

Tel: +46-8-505 838 00, www.lagerkvist.com