

FOUR SIDES

Modesty - Morals - Artistry - Confidentiality

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THE MESSAGE

Acquisition Presumes a New Industrial Concept

The days of quick fix are over. The need for solid restructuring, after two years of crisis in 1991 and 1992, has enabled Industri Kapital, EQT and other investors to achieve good, successful business deals. Successful deals, however, presume the underlying concept of a new industrial structure.

It is a matter of market overviews, post market overviews, service concept and financing structure overviews, etc. Examples have shown that the best deals are based on opportunities for creating new industrial solutions. Industri Kapital's purchase of Konecranes is one such example, where the value of the company was multiplied six times over in just four years.

This situation has not been unique to financial investors. The pattern has been repeated by other successful companies such as Assa Abloy, BT Industrier and Svedala, where the agenda has been rewritten for an entire industry by adopting a different industrial philosophy. Each of these companies has become a successful market leader within its own industrial sector.

This new situation has led to a consulting firm such as ours being able to enter this market - the purchase and fusion of companies - and compete with major players on the international market.

The reason for this is that we have maintained our industrial approach. As strategic consultants, we are accustomed to working with new, industrial solutions within traditional industry, independently of whether they have been in manufacture or service. This is what our customers have always wanted.

When we come into the picture, it is only natural that we apply our traditional, industrial outlook. This has enabled us to see more business opportunities than those normally identified by the market, and at an earlier stage.

The majority of our business deals today consist of strategic acquisition for our old industrial customers, but also for risk capital companies who are prepared to invest their resources into finding, developing and evaluating industrial solutions before entering a deal. Skanska - Haka, Industri Kapital - Pieters, Scandic - Sara/Reso, likewise Artica, are all good examples of deals where we could contribute to success.

Magnus Lagerkvist
Executive Director
Lagerkvist & Partners

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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

Sweden catches up with Finland – Alliance and Fusion between Major Companies Continues

Sweden will most certainly catch up with Finland. Finnish investments in the future have been successful and produced results. Uncertainty surrounding Russia remains. It will take time for Eastern Europe to catch up. Political leadership is a central issue for Sweden. A joint Nordic government could be an alternative. These are some of the issues mentioned by Gerhard Wendt, PhD, in our interview.

Four Sides: Finland has today surpassed Sweden's GNP per capita. Do you believe that this will always be the case?

Gerhard Wendt: That Finland's GNP per capita is now greater than Sweden's does not mean that it will always be so. When Sweden finally establishes itself in Europe, its significantly increasing affluence, when compared to Finland, will have a positive effect on the GNP measurement. But my guess is that developments in Finland and Sweden will follow each other.

FS: What are the strengths of the Finnish economy?

GW: Several factors have contributed positively to the Finnish economy over a long period of time. Finland entered the EU in 1995. For the first time, this led to real free trade with the west. All previously invisible trade barriers were dissolved, also in the USA. We have successfully maintained our trade relations with Russia and most importantly with China. Trade with Estonia and opportunities for establishment there have not been insignificant.

On the labour market, we have had two central several-year agreements in succession, which have been successful. The next round, unfortunately, will be Union agreements.

We have invested in IT and IT-training in universities, which has led to a new, well-educated generation with a highly competitive spirit. Right now, an extremely hard-working intermediate layer is present in enterprise. Businesses are fighting for their workplaces and personal success.

The fixing of the Finnish mark against the Euro and the changeover to the Euro has given us a large stable currency, which is our own, and which we use to buy and sell. It has created a new competitive situation as well as providing great rationalisation opportunities.

FS: What do you think about developments in Russia?

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GW: Developments in Russia are taking place as expected. The regional administration is being strengthened a little unsystematically, which has left a gap in the central administration. We can expect to see a temporary reinforcement of central power after the presidential election. There is a renewed upward trend in the economy, which will continue for some years, to be followed by collapse and then up again, etc. A tightening of class divisions is still taking place, and we have, in effect, contributed to this with our unconditional demands for privatisation. If we provide further loans, which exceed the amortisation of previous loans, there will be an immediate increase in living standards. If we do not provide loans, this development will take place very slowly. We must be prepared, in principal, to write off loans.

FS: What do you think about the former Eastern Bloc countries, in particular the Baltic countries, the St Petersburg area and Poland.

GW: The Baltic countries' great ambition to join the EU, due to their exclusion from NATO, has completely steered their legislative development. This is a positive development, as we would otherwise have seen an entirely different trend and other values. These countries are now rated by mechanical Brussels measurements and according to these, Estonia is a long way ahead of the others. If we look at the country as a whole, with its countryside and towns, Estonians are probably one generation behind other Europeans, likewise the "East Germans". Their experiences are very different to ours. Basic social values have changed without their participation and lack, therefore, the support of ordinary people. A "Europeanisation" is taking place, such as the development of a western legal system. If our models and values are unclear, with the exception of personal profit, this will take time.

St Petersburg is a special area in Russia. A town with a great past and an extremely proud and rather dogmatic population. It is not a natural major city, as the surrounding districts are relatively uninhabited. As a city, it must find a new role for its existence. Developments will not be similar to those in the Moscow area and, from a materialistic perspective, they have been taking place much slower than in the capital. However, there is no indication that developments have lagged in immaterial areas. "A very difficult city."

The other former Eastern Bloc countries can be described as having an old European tradition that has been maintained by a strong Catholic church. However, the church has never encouraged democracy or our Northern European values. Poverty and structural problems are long-standing. Perhaps we can compare the problems here with the differences between Central and Southern Italy.

FS: Do you think that Sweden will ever join the EMU?

GW: If a suggestion was ever made that Norrlanders should introduce a Northern Krona and that Scanians could have their own money, it would be regarded as naive, meaningless and inefficient. We believe that it is better to try and save the social welfare system, now that social legislation no longer needs to be adapted as before and adjustments can take place alongside of devaluation, especially when we find ourselves in a marginal area. In the long-term, all of this will take place at a lower level. In Sweden's case, it is primarily a question of political leadership.

FS: Independently of whether Sweden joins the EMU or not - do you think that we should be seeking stronger business and political alliances between Nordic countries as a means of strengthening our European position?

GW: Business alliances and fusion will take place between companies here in the North. However, the answer to a question of whether a Nordic alliance is adequate will be increasingly negative. On a political level, it is possible that we will find the Nordic arena very limited if we consider the developments that have taken place over the past ten years. The politics of Norway, a non-EU

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member, are strongly nationalistic. In Finland, EU politics are central and of major importance. In Sweden and Denmark, it is seen as politically opportune to dissociate oneself from Brussels. However, this would not be the case if joint elections were held for a Nordic parliament and a Nordic government.

A politician is a man prepared to sacrifice your life for his country.

Texas Guinan

The battle is in the details.

Magnus Lagerkvist

Success is to love your work.

Liz Smith

Simple truths are difficult to stick to.

Magnus Lagerkvist

Internet and Outsourcing Link more Companies Together

Northwest USA, especially Seattle, is one of the most rapidly expanding growth areas in the world. Seattle, Portland and Vancouver are logistics centres for the Pacific Ocean area. Developments in Microsoft's hometown are proof that the Internet has changed conditions for small businesses. This is what Richard Lundquist, head of Lagerkvist & Partners in Northwest USA had to say in this interview.

Four Sides: Will the economies of North America and the Northwest continue to thrive?

Richard Lundquist: The Northwest, Seattle in particular, has experienced expansive growth throughout the 1990s.

Microsoft's global dominance has created a major centre for technology in the Northwest. Telecommunications and tourism will be leading areas in the new millennium. Microsoft and Boeing continue to provide a basis for this growth. Other companies such as Teledesic and Voice Stream will provide important communication links. E-business, lead by Amazon.com and Drugstore.com will encourage growth patterns and the experiences gained here will lead to growth in other areas.

Seattle, Portland and Vancouver are all logistics centres for the Pacific Ocean area. Forest products, agricultural products, cars, oil and other raw materials form a basis for both import and export. These towns continue to boom, as they are both strategic ports for global trade and popular tourist destinations. The service industry, like the financial sector and trade, is thriving.

FS: What important trends do you see in the new millennium?

RL: We all know that the world economy is expanding rapidly from a global perspective. An extremely important trend will be the explosive growth of "outsourcing". This trend will not be limited to the big, international companies of the 1990s. It will also affect small businesses in small towns all over the world.

The Internet will link small businesses that produce a special component with buyers that need a particular part for their finished product. In the future, they will find each other easily. The little company that was not previously able to operate globally will become an international enterprise.

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The Internet will also speed up specialisation. When companies specialise, they are able to invest capital in technology, which makes them more competitive. The competition will increase, but manufacturers will benefit from cost savings, which will also benefit the consumer. This phenomenon will lead to increased production, keep a check on inflation and raise living standards all over the world.

The destination is nothing; the journey is everything.

Willa Cather

He who is a friend to everyone is a friend to no one.

Queen Kristina

To err is human – but it feels divine

Mae West

I am extremely patient, as long as I get what I want in the end.

Margaret Thatcher

Central Europe – a Market yet to be captured

Central Europe and the Balkans are now coming in strongly. Croatia is the natural centre. For all of those who want to capture the new Europe, it is time to move. Croatia is a natural starting-point. All this and more, from Samir Zero, head of the Lagerkvist & Partners office in Croatia, in this interview.

Four Sides: Slovenia now seems to be internationally accepted. But is it safe to invest in Croatia and does anyone do it today?

Samir Zero: The main arguments for investing in Croatia are the stability of the market economy, a well-educated labour force and a good geographic position. Foreign investments in Croatia from 1993 onwards have been USD 3.05 billion; in the last two years USD 1.75 billion.

- The ten major foreign investors (in DEM million) are:
- Deutsche Telecom (Germany), 1,590.71
- Ericsson (Sweden), telecommunications, 70.00
- Hofmann & Prankler (Austria), non-metals, 57.05
- Société Suisse de Ciment (Switzerland), cement, 55.00
- Interbrew (Belgium), beer, 40.40
- Grasseto Nederland (Holland), yachting, 28.40
- Troinvest (Switzerland), cement, 25.20
- Messer Grieshem Austria (Austria), chemicals, 24.90
- Coca-Cola (USA), soft drink, 17.60
- Southern Breweries (Liechtenstein), beer, 15.30
- Elektrogeräte (Switzerland), electronics industry, 15.07

FS: How is the Croatian industry developing?

SZ: It is developing well and investing itself abroad. During the period 1993 - 1996, USD 51.25 million was invested principally in Panama, Russia and Slovenia, primarily in shipping, motor vehicle manufacturing, banking, telecommunications and oil-derived production.

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FS: What are the main growth areas?

SZ: Infrastructure projects are of course important, such as roads, water, drainage, airports, but also tourism, and the construction, wood and food industries.

FS: How is it done?

SZ: There are free trade zones, where many invest "greenfield", primarily in the areas of building materials, electronics and car accessories. The tourist industry has always been strong and is now expanding. Income from tourism in Croatia in 1998 was USD 2.7 billion. Tourism provides around ten percent of the GNP. The expansion of the tourist industry is reassuring for both Croatians and others. A strong privatisation programme has been launched and privatisation will now be taking place in oil production, post and telecommunications, insurance, etc, which should create some very interesting opportunities.

FS: Is it time to look at Croatia?

SZ: Definitely. Those who join a process early have always been bound to succeed. It is too late to be first, as I have already mentioned but yes, it is safe to invest in Croatia and the time to do it is now!

The process is the mother of insight. Insight is the vitality of efficiency.

Magnus Lagerkvist

I don't care what they write about me, as long as it's not the true.

Katherine Hepburn

Interpretation is the intellect's revenge on art.

Susan Sontag

We neglect nothing so often and so irrevocably as the opportunities offered to us every day.

Marie von Ebner-Eschenbach

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