

Midway Holding AB

A company profile

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Introduction

Midway Holding AB is an international conglomerate, based in Malmö, Sweden. The company's activities are concentrated into four separate 'divisions': Candles, Furniture, Special enterprises, and Construction. Midway came into existence after a split-up of the Swedish company Skåne-Gripen AB in 1989.

Turnover in 1995 amounted to SEK 2581 million and today (1996) the total number of employees is 2357. Of the total staff number 1.764 employees were employed outside of Sweden.

The Midway Holding AB is subjected to the European directive to install a European works council.

This company profile will provide basic information on the activities and performance of this Swedish Holding company.

History

It was in 1978 that the foundations of Skåne-Gripen were laid, when the Swedish state took over all branches of activity of a shipyard group in Malmö. The exception was a property company, and in 1979, the name of the group was changed to Skåne-Gripen AB. Operations within Skåne-Gripen AB expanded rapidly during the 1980s when the company acquired a number of industrial and development companies within various business areas. After only a few years of operation, Skåne-Gripen had established itself a strong, dynamic and forward-looking industrial group. The business was split up in 1989. Companies within the current business areas Kitchens, Flooring, Roofing stayed with Skåne-Gripen AB. Operations that did not fit in with these business areas were transferred to a new company, **Midway Holding AB**.

In March 1991 Midway launched a bid to acquire all the shares in **Prosparitas**, shortly after Prosparitas reported a loss of SEK 6.2 million for 1990. Prosparitas was also a diversified Holding, including the subsidiaries: Haki and Sporrong. The acquisition gave the Midway group a greater presence in its home country¹.

In September 1993 Midway Holding sold its shares in **AB Sporrong** and **Ljungstromsgruppen** to Securum Finans, thereby disposing of its last interests in the ready-made clothing and promotional gift sectors².

In December 1993 an agreement was concluded by Midway to acquire **Sotectub SA**, in France.

Per July 1, 1995 Midway completed its **Candlelight** activities by acquiring **Liljeholmens**. The ownership in **Normann Olsen** increased to 99.1% during 1995; and that in **Cubic France SA** to 100% in February. In that same year Midway sold call options on the remaining holding of 500,000 B-shares in **Nordifa**. The options are due in October 1997, and correspond to 7.7% of the shares and 2.8% of the votes³.

¹ Dagens Industri, p.35; Svenska dagbladet, p.7 and Gotesborgs Posten, p.19, all three dated: 21 March 1991.

² Svenska Dagbladet, 21 September 1993, p.10.

³ Dagens Industri, 21 October 1995.

The Annual Report 1995 of Midway also mentions the closing of activities of a Dutch company, which was decapitalized, but it is unclear to the writer of this report which company in the Netherlands is meant here.

During February 1996 Midway sold all its shares (25%) in associated company **Karlit**, which it had acquired in 1994, to Ikea⁴.

⁴ Dagens industri, 10-02-1996.

Structure and Management

The parent company of Midway Holding AB is situated in Malmö, Sweden. Of the other companies belonging to the group 23 are also situated in Sweden, and furthermore there are subsidiaries to be found in:

Denmark	Estonia
Finland	France
Norway	Portugal
Switzerland	United Kingdom
Germany	United States of America

About 27% of the total staff is employed in Sweden, only 5 persons are employed in the USA, and the rest in Europe.

The Holding is organised in a decentralised way, in four different 'divisions', of which the first one is the most important activity:

Candles
Furniture
Special Enterprises, and
Construction

Midway Holding AB has (31-12-1995) the following shares in subsidiaries:

<u>Company</u>	<u>Country</u>	<u>Share</u>
Candlelight Holding AG	Switzerland	100%
Cubic SA	Switzerland	100%
Cubic France SA	France	9% *
BRD Michaelsen AB		100%
HAKI AB		100%
Liljeholmens stearinfabrik AB		100%
Midway Finanz AG	Switzerland	100%
Norman Olsen Maskin AS	Norway	99%
AB Otiol		100%
Optiol BV	Netherlands	100%
AB Prosperitas		100%
AB Sporrong		100%
TI-Gruppen AB		100%

* the share of the group amounts to 100%.

Midway Holding AB has (1995) minority interests in Skåne-möllan AB (42% of votes), and Nordifagruppen AB Bfr (2% of votes).

TI-Gruppen has a 50% share of the votes in Schaub Tico AB; and Cubic SA has minority shares in Photar S.A. (40%), Gallair AG (30%), and Amido Handels GmbH (18%). AB Prosperitas, finally, has shares in Byggn.AB L Eriksson (50%), Tanker Trading KB (10%), and Nordifagruppen AB Bfr (1% of votes).

Midways holding of shares in Karlit was sold in February 1996.

MANAGEMENT

As of the 31st of December 1995 the Board of Directors of the Midway Holding consisted of:

Sten K Johnson	Chairman
Peter Svensson	Managing Director
Jan Bengtsson; Lennart Bylock; and Rolf Börjesson	

Group Management is in the hands of: Sten K Johnson, Peter Svensson, Leif Göransson, Håkan Linde, Sven Wallentinson, Henrik Resmark and Ulla Ausenius.

Activities

In February 1996 Midway sold its shares in the associated company Karlit. Midway had acquired this company in 1994.

Candles:

Within this division the share of the European market increased to 25% in 1995, and the share of the market of the Nordic countries even was 50%. The division activities in Liljeholmens have been reorganised. Part of personnel has been made redundant, and effectivity has increased.

The candles division realised the biggest share (32%) in total turnover. Liljeholmens had turnover of SEK 97 million.

The candles were mainly exported to Germany (53%). In Switzerland 7% of candles turnover was realised, and 37% in the Nordic countries.

Between 1989 and 1993 the number of employees in the candles division decreased from 756 to 523 persons. After 1993 the number increased again and reached the number of 632 in 1995.

Promol S.A. in Portugal is part of Midway's candles division. In 1994 this company had 220 employees, and sales exceeding \$17 million. 95% of production is exported, mainly to Germany, The Netherlands, Switzerland, UK and Austria⁵.

Furniture:

In this division production is almost exclusively for abroad (outside Sweden). In 1995 even 91% of the furniture was sold in France, and only 7% was sold in Sweden.

The various companies belonging in this division realised the following share in furniture turnover:

Magne	40%
Rodet	38%
Sotectub	13%
Miljö Expo	6%
Bejra	3%

The first three companies mentioned are French enterprises, The two smallest are Swedish companies. Magne and Rodet produce furniture mainly for public buildings like schools, hotels and restaurants; while Sotecub is specialised in hospital furniture.

In December 1993 Midway concluded a preliminary agreement to acquire Sotectub SA, the manufacturer of hospital beds and healthcare aids. The French company employed 48 people and had an annual turnover equivalent to SEK 50 million⁶.

The acquisition will lift the annual sales of Midway's group of French furniture companies to SKr 550m.

Special Enterprises:

This division comprises of several different (niche) activities. Cubic is active in aerial photography; Gustaf E Bil represents SAAB, Opel and GM with a service program; and Sporrong manufactures advertising gifts, medals and plaquettes for Sweden, Finland,

⁵ D&B European Financial records, 1996

⁶ Svenska Dagbladet, 14 December 1993.

Norway and the USA.

TI-Gruppen, with subsidiary Food-Tech, is active in packaging for butchers- and other food products. Michaelsen makes machines for Swedish industry.

The various companies belonging in this division realised the following share in furniture turnover:

Gustaf E Bill	29%	193 MKr
Cubic Flygfoto	25%	165 MKr
Sporrong	21%	141 MKr
TI-Gruppen	18%	116 MKr
Michaelsen	7%	43 MKr

Turnover of Skåne-Mollan was SEK 79 million.

In 1995 67% of turnover in this division was realised in home-country Sweden, followed by France and Switzerland with respectively 16 and 8% of the total division results.

The activities of **Helicolor SA** include the taking and selling of aerial photographs, editing satellite images, and the production and sale of furniture, mainly for local authorities. In September 1993 Helicolor SA planned to transfer its aerial photo business to a separate subsidiary **Helicolor France SARL**. Helicolor SA would have a 98% stake in Helicolor France SARL⁷.

In 1995 Helicolor France SARL employed 200 people, and realised a turnover of FFfr.71 million⁸.

In February 1995 Midway launched a bid for minority holdings in **Cubic France SA** at a unit price of FFfr 107. Midway already controlled 90.87% of the capital of Cubic France and 95.06% of voting rights⁹. Ownership is now completed to 100%.

Construction:

This division was started within the Midway Holding AB in 1991. The main companies within this division are: HAKI (252 MKr) and Normann Olsen Maskin (203 MKr), together good for 79% of the division's turnover. Alab realised another 13% (77 MKr) and Savsjo Trahus: 8% (43 MKr). Lastmentioned company exported 35% of production mainly to Germany and the Netherlands.

The activities of Alab's subsidiary **Swedefront** were stopped and taken over by Alab in 1995.

In total 67% of turnover of the construction activities was realised outside of Sweden. Mainly in other Nordic countries however (52%). In 1994 the percentage of turnover realised abroad amounted to 63%.

In October last year (1995) London's Hammersmith Bridge was stripped of 30 layers of paint and restored to its original colours with the aid of a time saving mobile scaffold system, by a company called Key Scaffolding in conjunction with scaffolding specialist **Haki**. The attractions of Haki equipment are its high quality and speed of erection. Haki systems might be more expensive, but they are not so labour intensive and reduce

⁷ Les Echos, 30-09-1993.

⁸ D&B European Financial records, 1996.

⁹ Le Figaro, 01 February 1995.

downtime¹⁰.

Further back in time, in 1992, Haki also made the news with its role in the extensive refurbishment work that was performed at Wormwood Scrubs prison in west London. Haki developed a protective temporary roof which could be opened and closed. The flexibility that this produced was a key factor in both the scheduling and costing of the rebuilding exercise¹¹.

Alucoffrage in France is a wholesalers company for construction and mining equipment. Main Import source is Sweden. In 1995 the company had sales amounting to FFr.17 million, and 20 employees¹².

Nordifa

Sten K Johnson, Jan Bengtsson, and Peter Svensson, all three members of the Board of Directors of the Midway Holding are also respectively Chairman, and directors of the Board of **Nordifagruppen AB** in Sweden. Sten K Johnson holds 46% of votes in Nordifa (1995). Nordifa has (all 100%) subsidiaries in Sweden, Belgium, Norway, France, Germany, UK, Finland, and the USA¹³.

Nordifa produces gas and liquid purification filters. The company has also developed a type of textile tubing which can be used to seal old and leaking pipes. Other Nordifa products include Bolltex, a synthetic surface for tennis courts, felt soles for shoes and textile products for car interiors. Nordifa's main markets are the Nordic countries, Germany, France and Belgium. In 1994 the company employed 200 people, of which 90 in a plant in Belgium¹⁴.

On the 22nd of September 1994 Midway Holding sold 250,000 B-shares in Nordifa, and acquired at the same time 14,000 Nordifa A-shares. Following that deal Midway had 25% of the equity and 10% of the votes of Nordifa¹⁵. In 1995 Midway sold call options on the remaining holding of 500,000 B-shares in **Nordifa**. The options are due in October 1997, and correspond to 7.7% of the shares and 2.8% of the votes¹⁶.

In July 1996 Nordifa decided to incorporate its business area Nordifa Ledningssystem as a limited company, in order to have the new company listed on the Stockholm stock exchange. The new company will be named: Norditube Technologies¹⁷.

¹⁰ Contract Journal, 05 October 1995.

¹¹ Contract Journal, 19 November 1992.

¹² D&B European Financial Records, 1996.

¹³ Nordifa, Annual report 1995, p.7/18/21.

¹⁴ Svenska dagbladet, 10 june 1994.

¹⁵ Dagens Industri, 23 September 1994, p.47.

¹⁶ Dagens Industri, 21 October 1995.

¹⁷ Svenska dagbladet, 06-07-1996.

Financial data

The 1995 annual accounts of the company include the parent company as well as all companies in which the parent (in)directly owns more than 50% of the votes.

The Midway Group's (consolidated) sales (and other operating income) for 1995 (1994) amounted to SEK 2.581 million (SEK 2.445 million).

'Other operating income', as included in the total turnover, amounted to SEK 35,5 million, and regards participation in associated companies (share of 25-50%), surplus on sales of shares in the Nordifagruppern as well as leasing- and rental income.

Net profit for that year amounted to SEK 55 million (SEK 92 million). The net profit for the parent company was SEK 28 million in 1995.

Turnover and investments 1989 - 1995, of Midway divisions (in MSEK)

	<u>Candles</u>	<u>Furniture</u>	<u>Spec. Ent.</u>	<u>Construction</u>	<u>Total*</u>
TURNOVER					
1989	377	295	825	---	1.497
1990	440	335	631	---	1.505
1991	509	398	1188	460	2.576
1992	533	420	1001	346	2.314
1993	626	464	656	419	2.439
1994	647	513	635	483	2.445
1995	819	510	666	575	2.581

*incl. central results.

INVESTMENTS

1989	36	6	33	---	72
1990	13	7	18	---	40
1991	15	4	26	18	61
1992	13	9	4	13	31
1993	10	1	16	8	14
1994	22	8	16	38	64
1995	36	11	10	24	73

In 1995 32% of total turnover was realised by the Candles division; followed by Special enterprises with 26%. The Construction and Building divisions respectively realised 22 and 20% of total 1995 turnover. Geographically seen turnover was realised for 30% in home country Sweden, while 21% of turnover was realised in the other Nordic countries. France is second in importance with 23%, and 19% was realised in Germany in 1995.

Therefore of total turnover 70% was realised through export. In 1991 the export percentage was 50%, and increased until 1994 to 73%.

1996

The total turnover in the first quarter 1996 (compared with: 1995) amounted to SEK 537 million (SEK 547 million), and the result amounted to SEK 9 million (SEK 5 million).

For the second quarter of 1996 the turnover amounted to SEK 520 million (SEK 579 million), and the result to SEK 13 million (SEK 35 million).

Therefore we can see in the table below that the result of all Midway operations in the first two quarters of 1996 (Jan-Jun) amounted to SEK 22 million.

The result decreased during the first half year due to the weak Swedish market; in the third quarter some improvement has been noticed.

Turnover and Results divided in business areas, Jan.-Jun. 1996/1995
(SEK million)

<u>Q1 + Q2</u>	TURNOVER		RESULT	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
Candles	247	261	3	7
Furniture	202	265	-4	3
Spec. Enterprises	303	334	8	13
Construction	305	266	15	17
TOTAL	1.057	1.126	22	40

In relation to the first two quarters of 1995 turnover within candles decreased by net SEK 14 million, which was partly due to Liljeholmens. Efforts have been and are being made to make the production and distribution of Liljeholmens more effective. To get Liljeholmens performance on the same level as the other activities within the candles division will at least take one year.

The turnover within furniture continued to decrease. However measures were already taken, they have shown to be insufficient, so further rationalisations are to be expected. Better results were reported by Skåne-mollan and Sporrong within the Special enterprises division. Lower turnover within other companies was due to delay in some larger projects.

In Construction turnover did increase by SEK 39million, but result has not increased. Net investments in the first half of 1996 amounted to SEK 31 million, which was SEK 12 million less than in 1995 (Q1 + 2).

In quarter 1 and 2 of 1996 68% of turnover was realised outside Sweden.

On August 21 Midway recieved the payment for the sale to Skanska, of its holding of shares in Skåne-Gripen, amounting to SEK 194 million. The amount was used to pay back loans. With the sale Midway booked a gain of SEK 49 million. Sten K Johnson, Midway's managing director, described Skanska as a good buyer. Johnson himself had founded Skåne-Gripen in 1979¹⁸.

The number of holders of shares in Midway holding AB today is approximately 6.800. Sten K Jonson, Chairman of the board, holds 58,4% of the votes of the Midway Holding AB. Jan Bengtsson (with family) owns 21,4% of the voting shares. Skandia and Managing Director Peter Svensson hold respectively 3% and 2,9% of the voting shares. The remaining shareholders each hold less than a 1% share of votes.

¹⁸ Dagens industri, 11-06-1996.

Employment

In the parent company the average number of employees during 1995 was 7, of which one woman. In the preceding two years the total number of employees of the parent had been: 6.

The average number of employees of the group during 1995 amounted to 2.433 persons. Of this amount 949 were women.

Numbers of employees 1989 - 1996

YEAR	TOTAL NUMBER	ABROAD
1989	2.480	2.159
1990	2.078	1.860
1991	3.058	1.860
1992	2.690	1.850
1993	2.385	1.809
1994	2.364	1.817
1995	2.433	1.764
1996 (30/6)	2.357	??

The table shows that in 1991 there was the maximum of employees. Since then the staff numbers have been declining, except for a small upturn in 1995.

In 1995 of the total number of employees:

632 were employed in candles business;
575 in the furniture business;
736 in the Special enterprises; and
443 in construction business

In construction business the number of employees in 1991 had also been 443, but sank to 343 in the following year. After 1992 it increased again to the same level as before.

In 1995 of the total number of employees 669 were employed in Sweden, while 1.764 persons were employed abroad by Midway Holding AB. These employees abroad were located in:

<u>Country</u>	<u>Number of employees</u>
Denmark	127
Estonia	25
Finland	98
France	800
Norway	87
Portugal	255
Switzerland	129
United Kingdom	20
Germany	218
USA	5
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TOTAL outside Sweden	1.764

Annex I List of available addresses

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