

Paul Hartmann

A Company Profile

March 1995

SOMO/ Mechtild Rosier

On behalf of the ETUC-TCL in Brussels

Paul Hartmann: Company Profile

Contents

1	Introduction	3
	History	3
2	Structure of the company	6
3	Activities	8
	Products	11
	Trade names	13
4	Strategy and Expectations	15
5	Financial Performance	17
6	Employment	22
	Annex I List of addresses and numbers of employees	24

Introduction

Hartmann, is a leading manufacturer of bandages, medical products and hygiene products. Its sales organization is the largest in the hospital, pharmacy, doctor office and nursing home market segments.¹

The textile company HARTMANN GROUP in this moment holds the second position in the ranking of the largest German companies in this sector, following the number one: Freudenberg Textil. These two companies hold respectively the 11th and 8th position in the European (E.C.) ranking of textile groups.

On the list of the biggest textile companies of the world, we find the Hartmann Group on 31st position in 1992 (1991: 30).²

The group in 1993 had 8 plants in Germany, in: Niedernhausen; Brück; Wermelskirchen; Düren; Recklinghausen; Achern, and two in Heidenheim. And subsidiaries in France, Spain, Austria, the Czech Republic, Belgium, Switzerland, The Netherlands, Italy, the UK and Portugal.³

History

With a full bleach and spinning mill Ludwig Hartmann founded the textile company in april 1818. This company became the PAUL HARTMANN AG in 1912, diversifying its product range of bandage cloth with other hygiene products, including consumption goods like nappies and sanitary towels.⁴

Today the company is in its 178th year of operation. In 1864 the plant in **Achern** was established, and six years later, in 1870 the company started production of cotton wool and bandage cloth.

The French subsidiary in **Chatenois** was founded in 1972, and the Belgium one in **Wauthier-Braine** in 1974. One year later the Dutch subsidiary in **Nijmegen** was established, followed by the Austrian one in **Wiener Neudorf** in 1977.⁵

The foreign companies in the UK, Italy, and Spain, were respectively founded in 1980, 1983, 1988.⁶

¹ PR Newswire, 13 april 1992.

² Comitextil, Bulletin 93/6, p.17, 28/9, and 37; Handelsblatt, 7 November 1994, Page 15.

³ Annual Report 1993, p.9.

⁴ Hoppenstedt, Handbuch der Grossunternehmen 1993, Vol.I, p.1266

⁵ European Kompass on Disc, 1994/5

⁶ Hartmann- a profile of the Paul Hartmann AG and of the Hartmann Concern, FAST, January 1993.

In December 1991 Paul Hartmann AG and **Czechoslovakia's Rico Statni Podnik** set up a joint venture called **Hartmann-Rico** in **Veverska Bityska**, with initial capital of Kcs100m. Paul Hartmann took a 67 per cent stake, for which it paid cash, while Rico contributed its assets, which included a nationwide distribution network.

Rico, which had a monopoly of bandages and medical hygiene products in Czechoslovakia, had turnover of Kcs1bn in 1990.

The companies decided to work together in the distribution of their products in Czechoslovakia but also planned joint production at a later stage.⁷

The **US** company 'New Dimension in Medicine (NDM)', a wholly owned subsidiary of **MEI Diversified Inc.** on April 13, 1992 announced it had entered into a Dollars 5 million, five year, exclusive distribution agreement for **ClearSite(R)** wound dressing with Paul Hartmann AG for Germany, Austria and selected Eastern European countries.⁸

Hartmann continued to expand in 1993, acquiring a 60% stake in surgical dressings manufacturer **Internationale Verbandstoff-Fabrik Schaffhausen (IVF)** of **Switzerland** in the middle of the year (July 1st), from the Berne-based **Galenica Holding AG**.

Through rationalisation the IVF workforce was reduced from 552 to 487 in 1992.⁹

The take-over formed part of Galenica's strategy of withdrawing from the hospital supply sector. In the last few years, before the take-over the growth of IVF's group turnover (1992: SwFr74.7m) decelerated sharply.¹⁰

IVF in its turn was to acquire the wound dressing activities of **Laboratoires Sauter SA (Vernier)**, belonging to the Roche group, in early 1994. IVF of **Neuhausen/Rhine falls** was to continue the division.¹¹

Hartmann also in 1993 set up a sales subsidiary in **Portugal**.

In the **Czech Republic** Hartmann acquired in 1993 the outstanding one third stake in sales-oriented joint venture **Hartmann-Rico**, the cotton, sanitary and health goods company, on 1 December.

And Hartmann-Rico in turn took over four hygiene products factories from state-owned partner **Rico Statni Podnik (Czech National Property Fund)**. Hartmann paid DEM 6 mil for its initial stake and CEK 44 mil for the state stakes at the **Veverska Bityska, Chvalkovice, Most** and **Havlickuv Brod** plants, in the

⁷ Financial Times Business Reports - Finance & Business, 18-12-1991.

⁸ PR Newswire, 13-02-1992

⁹ Neue Zuercher Zeitung, 11 March 1993, Page 24.

¹⁰ Neue Zuercher Zeitung, 29 May 1993, Page 15.

¹¹ Handelsblatt 29 October 1993 Page 19

Czech Republic.

Thus, Hartmann now has its own production base in the Czech Republic.¹²

The four plants cover 30-40% of the Czech market.¹³

In March 1993 Paul Hartmann AG was to invest almost DM 50m in former Eastern Germany. A production and logistics centre was constructed at Brück in Brandenburg, to be completed in August 1993.¹⁴ After one year of construction the center in Brück was opened in September 1993.¹⁵

Brück will concentrate on the East of Germany. Other logistics centers are to be found in Hannover to provide the North, in Recklinghausen for the West, and in Darmstadt for the middle region of Germany.

For provision of the southern region a logistics center will be completed halfway 1995 in Herbrechtingen, near Heidenheim.¹⁶

¹² Handelsblatt, 7 July 1994, Page 14; Hospodarske Noviny 30 May 1994, p.2.; Reuter News Service Eastern Europe, 2-12-1993

¹³ Mlada Fronta 4 December 1993 Page 14

¹⁴ Frankfurter Allgemeine Zeitung, 12-3-1993, Page 24.

¹⁵ Annual report, 1993, p.5.

¹⁶ Annual report 1993, p.16.

2 Structure of the Company

The Paul Hartmann AG holds a 85% stake in the Italian subsidiary, and its share in Unitex-Hartmann in Spain rose from 76% in 1991 to 88% in 1994.¹⁷

In december 1993 Hartmann bought the remaining stake in its Czech Hartmann-Rico activities. The company holds a 60% stake in IVF in Switzerland, and 95% of the new subsidiary in Portugal. All other foreign subsidiaries are owned for the full 100%. Minority interests are to be found in Saarbrücken, Turkey and Saudi Arabia.

The Laboratoires Hartmann-Larochette S.A.R.L. is a subsidiary company of the German Paul Hartmann AG and the French Paul Hartmann S.A..

Paul Hartmann Finance B.V. in the Netherlands, is responsible for the financial activities of the complete group.

Consolidated subsidiaries of Paul Hartmann AG:¹⁸

in Germany:

Watte und Verbandstoffe Verwaltungsgesellschaft mbH, Wermelskirchen
Paul Hartmann Vertriebsgesellschaft mbH, Berlin

in France:

Paul Hartmann S.A., Chatenois
Laboratoires Hartmann-Larochette S.A.R.L., Chatenois

in Belgium:

N.V. Paul Hartmann S.A., Whauthier-Braine

in The Netherlands:

Paul Hartmann B.V., Nijmegen
Paul Hartmann Finance B.V., Nijmegen

in Austria:

Paul Hartmann Ges.m.b.H., Wiener Neudorf

in the UK:

Paul Hartmann Ltd, Rochdale

in Italy:

Paul Hartmann S.p.A., Verona (85%)

in Spain:

¹⁷ European Kompass on Disc, 1994/5

¹⁸ 100%, unless otherwise stated, annual report 1993, p.44.

Paul Hartmann S.A., Barcelona
Laboratorios Unitex-Hartmann S.A., Mataro (88%)

in the Czech Republic:
Hartmann-Rico A.S., Veverska Bityska

in the Slovakian Republic:
Hartmann-Rico S.R.O., Bratislava

in Switzerland:
Internationale Verbandstoff-Fabrik Schaffhausen, Neuhausen (60%)

in Portugal:
Paul Hartmann LDA, Lissabon (95%)

Consolidated by Equity method:

ROTH Grundstücksgesellschaft mbH, Saarbrücken (30%)
DAMAD, Riyadh, Saudi-Arabia (20%)
Kurtsan-Hartmann Medikal A.S., Istanbul, Turkey (40%)

3 Activities

The activities of the Paul Hartmann group can be divided into three main sectors:

medical products
consumption products
technical products

Contributing approximately 10% of the Hartmann group's turnover in 1980, the share of the foreign subsidiaries grew in the beginning of the 1990's to more than 20%.¹⁹ In 1993 foreign activities already accounted for 36% of turnover.

The Czechoslovakian state enterprise **Rico**, a manufacturer of bandages and hygienic supplies, in November 1991 signed an agreement for the founding of a joint venture with the Paul Hartmann AG. The new joint venture for the production of this assortment had initially 100 million crowns worth of capital, after the German firm invested 67 per cent in cash as its share. The signed agreement also provided for a transfer of modern production technology.

Hartmann-Rico's products were given priority on the Czechoslovak market. If it manufactured more, it would export to western markets as well, using its German partner's distribution network.

According to the agreement, the new joint venture would be provided with a central outlet to supply hospitals. It was expected that the venture's production would exceed 1,000 million crowns.

Rico had so far been a monopoly manufacturer of bandages and hygienic supplies in Czechoslovakia. Its production output was 1,000 million crowns worth in 1991, its exports to western countries had been so far only 5 per cent.²⁰

The Czech production operations mainly supply the domestic market and Slovakia, but some goods are exported to Germany and elsewhere in Europe.²¹

Hartmann in 1992 began exporting Czech-made products through subsidiaries in Belgium, France, The Netherlands, Spain, Austria, Italy and Great Britain.²²

¹⁹ Hartmann - A profile of the Paul Hartmann AG and of the Hartmann concern, FAST, January 1993, p.2

²⁰ CSTK Ecoservice, 04 December 1991, Page 14.

²¹ Handelsblatt, 7 July 1994, Page 14.

²² Reuter News Service - Eastern Europe. Reuter Economic News, 2-12-1993.

Hartmann-Rico's exports represent nearly 25% of production.²³

Paul Hartmann AG in 1990 was said to be cooperating with the former VEB August Apfelbaum in the production of hygiene products at Neustadt-Glewe in the new federal state of Mecklenburg-Vorpommern. A modern production plant was constructed; eventually it was planned that Hartmann should employ up to 100 people in production and distribution in the region.²⁴ Hartmann already had a marketing office in former East Berlin.²⁵

Hartmann in 1993 erected a production and logistics centre worth almost DM 50mn in Brück/Brandenburg. The production building for hygienic articles and a high-bay storage was to be completed by the end of August 1993.²⁶ The construction was actually completed one month later.

In 1994 the Hartmann AG considered a reduction of production. "In the face of the unfavourable conditions in Germany one should consider where and how we can have the cheapest production. In the Hospital market we are hardly able to withstand the tough competition, with our labourcost intensive products ,that are being produced in Germany", Chairman Bauer said.²⁷

Hartmann-Larochette (W Germany) is a joint operation formed in 1990 by Larochette and Paul Hartmann to bring together pharmaceutical activities. The Larochette trading operation would continue to concentrate on single-use preparations within the Harmann-Larochette group.²⁸ The performance of this company was in 1993 according to plans.²⁹

Paul Hartmann SA, the French subsidiary of Paul Hartmann, specialises in adult diapers, dressings, and cotton wool for make-up removal. Its range includes 1,200 products and over fifty brand names. The most famous is Sterilux. The

²³ Mlada Fronta 4 December 1993 Page 14

²⁴ Handelsblatt, 4 October 1990, Page 31. Frankfurter Allgemeine Zeitung, 4 October 1990, Page 22.

²⁵ Frankfurter Allgemeine 4 October 1990 Page 22

²⁶ Lebensmittel Zeitung, 2 April 1993, p20.

²⁷ Reuter German News Service, 06/07/94.

²⁸ Pharmazeutische Industrie August 1990 Page 976

²⁹ Annual report 1993, p.17.

company tries to propose a large range to its customers, hospitals and chemists. Paul Hartmann SA has decided not to sell its diapers in supermarkets but is the leader in the market of own-label cotton wool.³⁰

The subsidiary is performing satisfactorily, especially in the medical product market. Performance in 1993 was the best in the 20 years of existence of this subsidiary. In consumer products the developments did not meet expectations.

Laboratorios Unitex-Hartmann S.A. in Spain was severely restructured in 1992 and 1993, and did not perform too well. The service subsidiary in Barcelona **Paul Hartmann S.A.** developed according to plan.

Activities in Switzerland (**IVF**) developed satisfactorily as well, however severe cost reduction measures will be implemented.

Paul Hartmann Ges.m.b.H. in Austria prospered especially in dispensary market, but did not do too well in consumer products.

The opposite can be said about the Dutch subsidiary **Paul Hartmann B.V.**, which was succesful in the consumer market, but not in the medical area.

The Belgium subsidiary **N.V. Paul Hartmann S.A.** performed positively in the consumer goods, in 1993.

In the United Kingdom **Paul Hartmann Ltd.** continued its growth in turnover in that same year.

Paul Hartmann S.p.A. in Italy was, with a negative result, disappointing, also due to cost reducing measures in the Italian health care practice.

The halfway 1993 established subsidiary in Portugal: **Paul Hartmann LDA** realized the planned turnover, in spite of starting-up losses. This distribution subsidiary buys the products in Heidenheim and Chatenois in order to sell them to Portugese customers.

The three minority interests of the group in Saarbrücken, Turkey and Saudi Arabia, all performed satisfactorily in 1993.³¹

In **The National Medical Products Co. Ltd. DAMAD** in Riyadh, investment activities in Logistics were ended in 1993, and the volume of activities was enlarged. The same can be said about **Kurtsan-Hartmann Medikal Sanayi ve Ticaret A.S.** in Turkey.³²

³⁰ Tribune (Cote Desfosses) 3 September 1993 Page 8

³¹ Annual report 1993, p.17/8.

³² Annual report 1993, p.18.

Products:

The consumer goods activities developed positively, in spite of the unfavourable economic conditions. Especially Fixies nappies contributed to the positive results, strengthening its number two position on the German nappie market. Furthermore Fixies Training Pants were introduced in the market of Cleanliness training products. The activities of the company were positively influenced by the introduction of new products in the first-aid-material market.

The results in the technical products sector (mainly upholstery fleece and milk filters) were not too favourable in 1993. The market for milk filters got worse, but the leading position in this market segment was maintained anyhow.³³

The technical products represented 3.5% of the company's turnover in 1991.³⁴

Incontinence products in Germany are usually obtained on prescription. In a market worth approximately DM600mn last year, OTC (= over-the-counter) sales accounted for just 4%. However, this figure is expected to increase. New guidelines describing the circumstances in which incontinence products can be obtained under health insurance came into force in March 1990. Paul Hartmann is the leading player with Molicare, Moliform and Molinea, which collectively command a 35% share.

Procter & Gamble takes second position with 25% thanks to sales of its Attends brand. Temca (VPS) accounts for 15% of turnover with Certina, and Molnlycke takes 10% with Tenaform.³⁵

Paul Hartmann in 1992 launched a compressed-form adult incontinence product featuring the company's newly-acquired drum forming capability in the placement of superabsorbent polymer. The product is the new generation of the company's Molicare all-in-one garment. The incontinence market in Europe is thought to involve some 20 million individuals.³⁶

In 1993 price reductions for all products in incontinence hygiene were necessary, to maintain the existing market position for the future.³⁷

In the nappy-business main competitors are Procter & Gamble, and Molnlycke in

³³ Annual report 1993, p.15.

³⁴ Hartmann - a company profile of the Paul Hartmann AG and of the Hartmann concern, FAST, January 1993, p.4.

³⁵ OTC News & Market Report March 1991 Page N/A

³⁶ Nonwovens Markets, 10 April 1992, p7.

³⁷ Annual report 1993, p.14.

Sweden.³⁸

Procter & Gamble (P&G) had a share of around 50% of the European nappy market in mid-1992. In some countries the company has a market share of up to 75%. P&G's main competitor in Europe is Molnlycke. In Italy, the main competitor was Fater until the end of 1993; and in Germany, VP-Schickedanz and Paul Hartmann provide the main opposition. Kimberly-Clark has production units in the UK, the Netherlands and France.³⁹

In September 1994 Hartmann launched the Fixies Feuchttuecher baby wipes in alcohol-free, pH neutral and non-colored lotion. The wipes are available in a closable box with 60 wipes, and refill packs.⁴⁰

In October 1994 the company presented Ria Light Extralang. The new panty liners contain no plastic film and are 20% longer than the standard version. A box of 30 panty liners retails for around DM 3.⁴¹

In 1992 Hartmann entered into a distribution agreement with NDM (US) for a wound dressing named ClearSite.

ClearSite is a clear highly absorbent hydrogel dressing which maintains its integrity and clarity throughout the healing process and creates a moist barrier against airborne bacteria. Also, the ClearSite dressing does not leave residue on the patient and eliminates eschar (dead tissue) from sticking to the dressing which prevents further traumatizing of the wound during dressing changes which makes it an ideal burn dressing. Other unique properties of ClearSite are its cooling and cushioning effect on the wound bed that is helpful in improving patient comfort during the healing process.⁴²

Disposable nappies had a reasonably good year in 1990 with sales up by 6% to DM950mn, owing to the increasing birth rate. The rush of new consumers from the East, prompted by the opening up of the border, has also helped to boost sales. All-in-ones account for over 90% of sales with boy/girl nappies taking more than two-thirds of this turnover.

Pampers (P&G) still dominates the disposable nappies market with a 45% share,

³⁸ Nonwovens Markets, 01 Oct 1993, p.1,2.

³⁹ Nonwovens Markets, 27 November 1992, p2; Nonwovens Markets, 01 Oct 1993, p.1,2.

⁴⁰ Lebensmittel Zeitung, 02 Sep 1994, p.116.

⁴¹ Lebensmittel Zeitung, 28 Oct 1994, p.91.

⁴² PR Newswire, 13-04-1992

followed by Fixies (Paul Hartmann) with 11%. Private labels have been successful in this category too, accounting for more than a quarter of turnover including Aldi. However, marketeers report that private labels are not showing any growth, owing to the increasing demand for top quality, high performance products.

Product development is being influenced heavily by environmental issues in Germany. Virtually all manufacturers now bleach raw materials using oxygen-based rather than chlorine dioxide-based production processes.

Tests are being carried out in Germany to find a solution to the wastage problem posed by disposable nappies.

Product packaging is also respecting the need to protect the environment. Manufacturers, such as P&G, are now vacuum-packing their nappies into reduced volume cartons.⁴³

After a period of fairly steady growth the plasters market, including dressings and bandages, made only slight increases in the two years 1989 and 1990.

Hansaplast (Beiersdorf) continues to be the dominant brand in Germany, its name almost synonymous with firstaid products in the mind of the consumer.

With this extensive portfolio, Beiersdorf holds around 90% of the total German plasters market. In the pharmacy sector it maintains this number one position, followed by Paul Hartmann and Rudolf Lohmann, the three taking 80% of sales. Potential for market share is still considered possible. Forecasts are that this sector of the wound management market in Germany will, with well-considered marketing strategies, continue to make between 3-4% growth annually.⁴⁴

The Research and Development activities of the company in Germany and abroad concentrate on new methods of wound care as well as maintaining the high quality standards in their hygiene products, according to the claims of customers.⁴⁵

Trade Names:

Bel, Belli, Blandina, Haco, Kosmos, Strampelpeter, Strampelpeter fixies, Celluron, Pur-zellin, Fil-zellin, Zetuvit, Paga, Pagavit, Lastotel, Pehalast, Lastodur, Lastobind, Lastocomp, Verba, Plastrona, Varix, Stulpa, Sorbacel, Molinea, Molicare, Cambren, Branolind, Grassolind, Peha, Fapack, Foliomed, Idealast, Komprevit, Mullix, Ria, Rolta, Samu, Samu-med, Omniplast, Omnisilk, Omnivlies, Omniflex, Omnipor, Telatrast, Mulpa, Pehazell, Rallye, Kosmoplast, Still-Zellin, Varolast, Foliadress, Vala, Menalind, Menacare, Molipants, Moliform,

⁴³ OTC News & Market Report March 1991 Page N/A

⁴⁴ OTC News & Market Report April 1990 Page N/A

⁴⁵ Annual Report 1993, p.12.

Stillaman, Medinette,, Eycopad, Stillin, Sorbalgon, Comprigel, Telacomp, Telaprep, Telasling.⁴⁶ Cypris, Doris, Galipette, Hartmann, Imperial Tiritas⁴⁷

In October 1994 Paul Hartmann has added some products to its Kosmos Erste Hilfe range of wound dressing materials: plaster strips for children, elastic bandages and a first-aid kit for private households.⁴⁸

⁴⁶ Graham & Trotman, Major Companies of Europe, vol.1, 1990, p.450

⁴⁷ European Kompass on disc, 1994/5.

⁴⁸ Lebensmittel Praxis 4 November 1994 Page 46.

4 Strategy and Expectations

Hartmann is more and more becoming a European company. And since the fall of the wall the company has also been directing its energy towards gaining a firm position on the 'eastern' market. This can be illustrated among others by the setting up of a logistics center in Brück, employing about 70 people; and the acquisition of the full 100% of shares in Hartmann-Rico in the Czech Republic.

With the acquisition of a 60% stake in the Swiss firm Internationale Verbanstoff-Fabrik (Schaffhausen), in July 1993 Hartmann aimed at strengthening its presence on the international market where it already achieved 34% of its sales in 1992.⁴⁹ As a result of this acquisition, Switzerland ranked as Hartmann's second largest foreign market after France.⁵⁰

In the past 20 years The Hartmann company has been systematically establishing subsidiaries in other European countries. The opening up of the EC market has in 1992 and 1993 had a fairly positive effect on the company's performance. But in order to remain competitive in the future the Hartmann group will strengthen its efforts to enlarge their market share in the first place within Europe, but outside of Europe as well.

From 1992 onwards the group has been confronted with an overall deteriorating economic situation, combined with an intensifying competitive pressure resulting from the creation of the European single market. Furthermore the Health Reform from January 1993 has had a negative effect on the German market. Because of this program health costs have been topped, and maximum cost for purchases by general practitioners have been fixed.

This has resulted in restraint policy of purchasing in the health practitioners and hospital sectors, as well as an inclination to buy cheaper alternative products. Hartmann does not offer these cheaper products, mainly because they want to maintain their present quality standards.

In order to prolong good performance for the future, the company follows a policy directed to overall cost reduction.

This will probably result in concentration on core activities, and in specialising the different locations for specific products or product ranges. Growth of turnover is sought in the possibilities to increase exports, but is expected not to be very impressive.

Also because the market is flooded by products from low-labour-cost countries, which makes it fairly impossible to raise the sales prices. Results are therefore depending on efforts to rationalise production, and on following a worldwide purchasing and marketing practise.

⁴⁹ Agence Europe, 3 June 1993.

⁵⁰ Neue Zuercher Zeitung, 8 July 1993, Page 21.

In 1993 the company in Heidenheim got the quality certification ISO 9001. The aim for the near future is to get the complete Paul Hartmann group, with all its subsidiaries certified for ISO 9001. First the German establishments will go for the certification system, followed by the subsidiaries abroad.

5 Financial Performance

As was already stated before all the financial activities and transactions of the Hartmann Group are taken care of by Paul Hartmann Finance B.V. in the Netherlands.

To give an idea of the financial performance of the company we describe in this profile, first let us take a look in the past.

Turnover of the Hartmann Group and the AG 1984 - 1992 in thousands of DM.⁵¹

Turnover	<u>Hartmann Group</u>	<u>Paul Hartmann AG</u>
1984	597,633	546,126
1985	639,397	578,501
1986	701,225	625,178
1987	726,243	642,014
1988	851,521	723,553
1989	905,884	754,011
1990	1,030,275	827,024
1991	1,153,806	909,611
1992	1,240,736	977,593

Only in 1987 the growth in Group turnover remained with 3.6% largely under the average growth of more than 10% in the period 1984 - 1992.

In the period 1982 - 1991 the AG used the obtained surpluses to increase its own capital from about DM93 million to about DM320 million, and to invest heavily in fixed assets. These investments were reflected in productivity increases, and a rise in turnover per employee.⁵²

The final results for 1991 from Paul Hartmann AG of Heidenheim were:
A turnover of DM 1.1538 billion, of which 30% was generated abroad.

The textiles division of the Freudenberg group and Paul Hartmann AG of Heidenheim continued to dominate the 1993 list of Germany's largest textiles companies published annually by the magazine Textil-Wirtschaft. The two were able to increase turnover in 1993, in spite of an 11% fall in turnover in the industry as a whole. The problems in the industry have continued in the year 1994 and some companies were suffering from liquidity problems. Three of the top 30 companies, Ergee (18), Nino (23) and Wiebe (27), have gone bankrupt. In the following table we can see that the HARTMANN GROUP holds the second position in the list of the largest German textile companies:

⁵¹ Annual report 1993, p.22.

⁵² Hartmann - a company profile of the Paul hartmann AG and of the hartmann concern, FAST, january 1993,p.5.

Germany's ten largest textiles companies:

Turnover(DM m)Employees

	1993	1992	1993	1992
Freudenberg (textiles)	1,796	1,753	6,000	6,000
Hartmann group	1,303	1,240	5,237	4,000
KBC group	1,107	1,172	3,137	3,342
Schiesser group	858	914	7,331	7,786
Wisser group	799	825	3,750	4,450
Textilgruppe Hof	787	613	4,500	3,549
Neue Bw Sp u Web Hof	710	497	3,720	2,331
Pfersee-Kolbermoor	674	665	4,400	3,576
Mehler	650	576	2,485	2,385
Kunert group	630	674	5,000	5,540 ⁵³

The leading European producer of bandages, medical products and hygiene products, lifted domestic turnover by just 2.2% but foreign turnover by a substantial 19.7% in 1992. The contribution of Czech joint venture Hartmann-Rico had a positive effect.⁵⁴

Final results for 1993 from Paul Hartmann of Heidenheim:

	1992	1993
<u>Group turnover</u>	DM 1.2407bn	DM 1.3037bn
% change	+ 7.5%	+ 5.1%
% generated abroad	34%	36%
Gross cash flow	DM 141.7m	DM 147.7m
Business profit	DM 91.1m	DM 78.2m
Year-end surplus	DM 33.7m	DM 38.2m
Dividend	DM 6.50 + 1.50	DM 6.00
High/low share price	DM 610/530	DM 505/354
Total investment	DM 57.5m	DM 82.2m
Capital expenditure	DM 52.7m	DM 79.4m
Equity capital	DM 351.6m	DM 372.3m
Share capital	DM 79.4m	DM 119.1m
Equity ratio	57.3%	53.8%

For 1993 it was proposed to pay of the balance profit of DM 15.550.000 a total

⁵³ Handelsblatt, 7 November 1994, Page 15.

⁵⁴ Handelsblatt, 7 July 1993, Page 16.

amount of dividend of: DM 14.206.968, on the total of DM50 shares.⁵⁵
Hartmann proposed on the AGM of 8 July the payment of a reduced dividend of DM 6 per DM 50 share for 1993.⁵⁶

In 1990 a dividend of DM 6.00 was paid per DM50 share, and in 1991 a higher dividend of DM6.50 was offered.⁵⁷

For 1992 a dividend of DM 6.50 was paid, plus a DM 1.50 to celebrate the company's 175th anniversary. In addition, shareholders were to benefit from the issue of bonus shares in a ratio of one-for-two, and will be entitled to a dividend from the beginning of 1993. As the 1993 dividend was being paid on raised share capital, the total payout climbed to DM 14.2m (12.6m).⁵⁸

Most of the DM 79.4m share capital is family-owned, leaving only a small proportion to be traded on the stock market.⁵⁹

Medical products in 1991 represented around 43% of total turnover, and turnover in this area rose 10%, while turnover with disposable nappies, cotton wool and related products, representing 53% of turnover, was not as strong.⁶⁰

In January-June 1993, group turnover increased 5.3% to DM 627mn. In 1992 it had grown 7.5% to DM 1.24bn.⁶¹ In the second half year of 1993 IVF (Switzerland) and the new subsidiary in Portugal were enclosed in the financial results.⁶²

Chairman Dr Reinhard Bauer said Hartmann had produced a satisfactory performance in 1993, in spite of the recession in many countries and the adverse effects of the German health reforms. Domestic turnover rose by 2% and foreign turnover by almost 16%, giving overall growth of 5.1%. On the basis of

⁵⁵ Annual Report 1993, p.6

⁵⁶ Frankfurter Allgemeine Zeitung, 21-5-1994, Page 14.

⁵⁷ Die Welt, 26 May 1992, Page 18.

⁵⁸ Handelsblatt, 7 July 1993, Page 16.; Die Welt, 29 May 1993, Page 14.

⁵⁹ Handelsblatt, 11 May 1993, Page 20.

⁶⁰ Europa Chemie 27 July 1992 Page 12

⁶¹ Europa Chemie 29 July 1993 Page 9

⁶² Annual Report 1993, p.12.

an unchanged consolidated group, growth would have amounted to 3.1%. At parent company level turnover climbed by 1.8% to DM 995m. In the first half of the year 1994 group turnover climbed 7% to DM 709m., according to expectations. However Chairman Bauer did not dare to give an estimation of turnover for the total 1994, because of increasing prices for the main raw materials: Cellulosis and Cotton.

A record level of investment of DM 115m was planned for 1994, with capital expenditure accounting for DM 40m.⁶³

In 1990 alone investment totalled around DM 90m. For 1991 the company also planned a substantial programme of investment. It was to be financed from a capital raising, which created some DM 101.3m. Apart from a storage complex the company started the construction of an administrative building in Heidenheim.

Hartmann also expected to invest heavily abroad.⁶⁴

In July 1993 it was announced that the company was to build a new logistics centre in southern Germany (besides the one in Brandenburg).

The DM 40mn-45mn project should be completed in 1995.⁶⁵

The total figure of investments in 1993 amounted up to DM69 million, mainly used for the logistics center in Brück, established to provide the Eastern region.⁶⁶

Investments of Paul Hartmann AG 1984 - 1993⁶⁷
(in thousands of DM)

1984	18,145	1989	72,359
1985	22,235	1990	84,241
1986	26,100	1991	36,535
1987	29,884	1992	88,192
1988	48,877	1993	69,046

The longterm plan of investment will be pursued in the coming years. The program for the establishment of logistics centers will be completed, and furthermore there will be investments in technical improvements and higher quality standards.

⁶³ Handelsblatt, 7 July 1994, Page 14.; Reuter German News Service, 06-07-94

⁶⁴ Frankfurter Allgemeine Zeitung, 2-7-1991, Page 20.

⁶⁵ Europa Chemie 29 July 1993 Page 9

⁶⁶ Annual report 1993, p.15.

⁶⁷ Annual report 1993, p.22/3.

For the Paul Hartmann AG, 1993 was successful in spite of the unfavourable economic conditions, and recession. Turnover increased with 1.8% to DM995 million. Real growth was even higher because the sales prices of many of the company's products had to be reduced, due to tougher competition. Part of this growth is supposed to be the result of very strict cost reducing measures. Most activities of the AG were in 1993, as before, seen in Europe. Products for baby and elderly hygiene were the main contributors. The good market position in the Near and Far East was further strengthened. In January 1993 a new health-care-structure legislation was introduced in Germany. Therefore the turnover targets could not be met entirely.⁶⁸

According to the contract, with the Czech JV partner Rico, Hartmann will invest CEK 800 mil in production modernisation and marketing in five years starting in 1994, and will reinvest all profit in the Czech Republic. In 1993 the company invested CEK 240 mil in the manufacture of sanitary towels and sterile bandage materials at the Veverska Bityska plant and moved some special programmes from Germany to the Czech Republic. In 1994 it will invest in the manufacture of surgical aids.⁶⁹ Hartmann-Rico began with basic capital of 100 million crowns in 1991 provided by Hartmann, giving the German company initially a 67 percent share.⁷⁰ Hartmann December 1993 acquired the remaining 33% in the CEK106 mil Joint Venture for CEK44.4 mil.⁷¹

IVF, in Switzerland generated turnover of about DM 80m in 1993.

The French subsidiary of Paul Hartmann, situated in the Bas Rhin recorded a turnover of FFr 641m in 1992, increasing 75% for medical care products. Profits were FFr 11.3m. The company specialises in hygiene and health products, and shows regular growth. European sales represent 32% of the turnover thanks to the retail network of its parent firm. In 1993 the company forecasted further growth in sales and profits.⁷²

Hartmann spent DM 50m on building a production plant and a warehouse for hygiene products in Brück/Brandenburg, in 1993.⁷³

⁶⁸ Annual Report 1993, p.13.

⁶⁹ Hospodarske Noviny 30 May 1994 Page 2

⁷⁰ Reuter News Service - Eastern Europe, 2-12-1993

⁷¹ Mlada Fronta 4 December 1993 Page 14

⁷² Bull. Int. Inform. (Droit et Pharmacie), No. 9; Tribune (Cote Desfosses) 3 September 1993 Page 8.

⁷³ Europa Chemie, 27 July 1992, Page 12.

6 Employment

Number of employees of Paul Hartmann AG , year-end: 1982 - 1993

1982	1,842	1988	2,291
1983	1,933	1989	2,377
1984	1,964	1990	2,471
1985	1,964	1991	2,582*
1986	2,075	1992	2,645*
1987	2,065	1993	2,593*

*Excluding employees with childrearing-leave, and Board of directors.⁷⁴

As we can see through the years there was an almost continuous growth in the number of employees of the AG, which is even more remarkable since during the same period the Hartmann group also extended its foreign activities.

The average number of employees of the group in 1993 (1992) was 4,193 (3,766), of which 1,599 (=38.5%) were white-collar workers and 2,594 blue-collar workers. The average number of employees of the AG in 1993 (1992) was 2,587 (2,608), of which 907 (being 35%) were white-collar, and 1,680 Blue-collar workers.

Within the **AG** a slight movement towards more white-collar workers could be seen. Besides that, the percentage of German people within the AG staff increased too, to 82% at the end of 1993. At that point of time 461 people from abroad were employed in the AG. Of these foreigners 38% (= 175) came from Turkey; 18% (=83) from former Chechoslowakia; and 64 persons (14%) from Italy. The remaining 139 foreigners were coming from other countries.

Employees tend to keep being employed by the company quite long. At the end of 1993, 7% of staff was more than 25 years with this company; 23% more than 15 years; and even 37% worked with the Hartmann corporation for more than ten years.

From may 1st 1993 onwards the number of working hours per week was reduced from 38 to 37.5 hours, by law.

In 1993 DM 219,5 mn was paid in salaries of the group, of which DM157,9 million was paid to the staff of the AG.

In the company works councils and a group works council are actively involved in the policy and performance of the company.⁷⁵

The Hartmann Group employed at the year end of 1993: **5,237** people, being

⁷⁴ Annual report, 1993, p.22/23.

⁷⁵ Annual report 1993, p.20.

1,476 persons more than in the beginning of that year. This increase of about 39% was due to the acquisition of part of IVF in Switzerland, the establishment of Paul Hartmann Lda. in Portugal, the acquisition of four factories in the Czech Republic through Hartmann-Rico A.S., and the construction of the production and logistics center in Brück. Eventually, some 150 new jobs should be created in Brück.⁷⁶

Paul Hartmann AG decreased its number of employees in 1993 with 52 persons to 2.593, excluding employees with childrasing-leave.

For the years following 1993 the company took its measures for radical reorganisations.⁷⁷

Numbers of employees in the different countries:⁷⁸

Netherlands	65	Switzerland	400 + 17
France	600	Austria	95
Belgium	32	UK	35
Italy	18	Czech Rep.	1000
Spain	254 +	Portugal	9

⁷⁶ Frankfurter Allgemeine Zeitung, 12-3-1993, Page 24.

⁷⁷ Annual report, 1993, p.5 and 19.

⁷⁸ This information is gathered by the author of this report from different data resources. Therefore the figures should be regarded as an estimation, giving however an idea of the division of the staff over the different countries involved in this report.

Annex I List of addresses and numbers of employees⁷⁹

Paul Hartmann Aktiengesellschaft

Paul Hartmann-Strasse
89522 Heidenheim an der Brenz
(Postfach 14 20, 89504 Heidenheim)
Germany

tel.: 07321 3450
fax.: 07321 345444

J.H. Ziegler Achern

Zweigniederlassung der Paul Hartmann A.G.
Fabrikstrasse 2
77855 Achern
(Postfach 15 20, 77846 Achern)
Germany

tel.: 07841 4031
fax.: 07841 26626

number of employees: 80 (1994)
(production)

Paul Hartmann AG

Vertriebsbereich Technische Produkte
Postfach 100451,
5160 Düren
Germany

tel.: 02421 8003-0

Unitex Hartmann S.A.

Castanos, 71-79
Apdo 17

⁷⁹ In this list the available addresses and numbers of personnel are gathered from different sources of information. The list is not complete. Sources of data: European Kompass on Disc, 1994/5; NL ABC voor Handel en Industrie, Bedrijvengids, 1995, part 2.; Grossunternehmen in Osterreich, Hoppenstedt, 1993; Handbuch der Grossunternehmen, Hoppenstedt, 1993, vol.I, p.551.

08302 Mataro
Spain

tel.: 93 753000
Fax.: 93 7570823

number of employees: 254 (1994)
(production)

Paul Hartmann S.A.
18, rue des Goumiers
B.P. 14
67730 Chatenois Cedex
France

tel.: 88824343
fax.: 88824399

number of employees: 600 (1994)
(distribution)

Paul Hartmann S.A.
Avenue reine Astrid 1
1440 Wauthier-Braine
Belgium

tel.: 02 3662200
fax.: 02 3662343

number of employees: 32 (1994)
(production)

Paul Hartmann SpA.
Via della Meccanica, 16. ZAI 2
37139 Verona (VR)
Italy

tel.: 045 8510722
fax.: 045 8510733

number of employees: 18
(distributor)

Paul Hartmann AG
Unterfeldstrasse 6
5722 Gränichen
Switzerland

tel.: 064 313031
fax.: 064 317182

number of employees: 17
(service)

Internationale Verbandstoff-Fabrik Schaffhausen (IVF)
Victor-von-Bruns-Strasse
8212 Neuhausen
Switzerland
(60% stake!)

tel.: 053 213111
fax.: 053 227441

number of employees: 400 (1994)

Paul Hartmann B.V.
Postbus 26
6500 AA Nijmegen
(Sperwerstraat 90, 6541 SH Nijmegen)
The Netherlands

tel.: 080 774044
fax.: 080 778284

number of employees: 65 (1995)
(production)

Paul Hartmann Gesellschaft m.b.H.
IZ-NO-Sud, Strasse 3, Obj. M22
2355 Wiener Neudorf
Austria

tel.: 02236 646300
fax.: 02236 6463017

number of employees: 95 (1993)

Paul Hartmann Ltd.
unit F, Royle Pennine Trading Estate
Royle Road
Rochdale/Lanes OL11 3EX
UK

tel.: 0706/ 59393
fax.: 0706/523997

number of employees: 35 (1995)

Hartmann-Rico A.S.
Masarykovo nám. 77
66471 Veverská Bítyska
Czech Republic

tel.: 0504/944471
fax.: 0504/942137

number of employees: 1000 (1994)

Paul Hartmann Lda.
Rua Virgílio Correia, 16-B
1600 Lisboa
Portugal
(sales)

tel.: 01 7274112
fax.: 01 7274356

number of employees: 9 (1995)