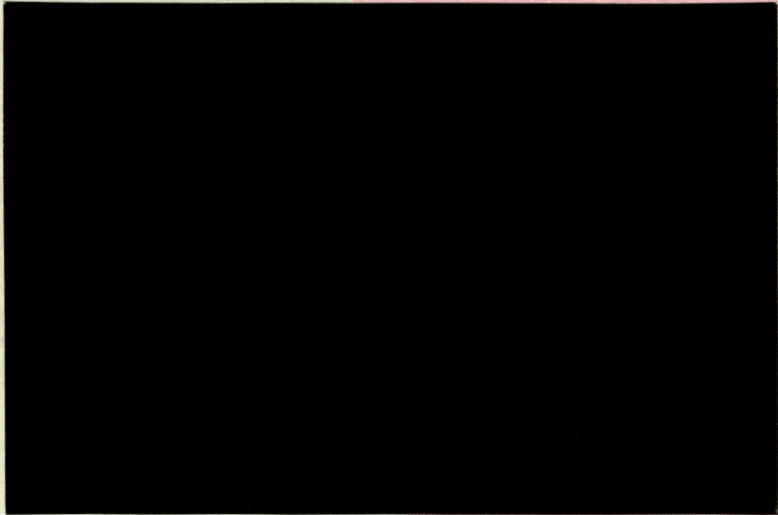


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SCHIESSER
A COMPANY PROFILE

Report prepared for the
European Trade Union Committee on Textiles, Clothing and Leather
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1. Introduction

Schiesser was founded in 1875. The company is based in Radolfzell am Bodensee in the western part of the Federal Republic of Germany. Schiesser is a subsidiary of the Swiss Hesta AG.

Schiesser considers itself to be Europe's largest underwear manufacturer. Besides underwear Schiesser produces clothes for men, women and children, nightwear, swim wear, cotton T-shirts, etc.

In the FRG Schiesser is market leader in underwear. The brand name Schiesser is quite strong in the FRG and has the highest spontaneous recognition among textile brand names.

Since 1991 Schiesser is majority shareholder of the well-known Eminence Group in France.

The main part of Schiesser's turnover (89 %) comes from sales in the FRG. In 1993 sales of men's (under)wear were 50 % of total sales, women's (under)wear 36 %, children's underwear 12 % and other products 2 %.

Schiesser AG has a turnover of almost DM 585 million and employs 3,449 workers (1993), predominantly (over 70 %) women. About 17 % of its workforce is employed outside Germany.¹

¹. Schiesser Annual Report, 1993.

2. Production

Schiesser is not only producing but also sourcing its products. In 1994 for example Schiesser offered technical assistance, worth Rs 300 million, to Mafatlal Industries in Bombay, India to produce premium quality knitted clothes. Schiesser has agreed to buy back half of the total production.²

Schiesser manufactures its products in a number of factories. Schiesser is in a process of shifting production from the western to the eastern part of the FRG and of Europe. The reason: lower wage costs. Furthermore, Schiesser intends to raise the productivity levels. Part of the program is to reduce the number of people working in sewing factories from 1,100 (1994) to 700-800 in a few years time.³

We will take a closer look at the main production companies of the Schiesser Group, starting with those in the FRG, Italy and France in the first paragraph and continuing with those in Eastern Europe in the second paragraph.

2.1. Production in Western Europe

Schiesser owns a number of production facilities in Western Europe. Schiesser closed two sewing plants on the 30th of June, 1994. One plant of Schiesser und Scherrer AG of Kreuzlingen (Switzerland), resulting in the loss of 82 jobs. The other in Stockach (Germany), resulting in the loss of 106 jobs.

We will take a look at its main subsidiaries, first Tausendsassa, Solar Fashion and Schiesser Sachsen in Germany and Ragno in Italy (2.1.1.) and than Eminence in France (2.1.2.).

2.1.1. German and Italian subsidiaries

The re-location of production leads to plant closures in the western part of the FRG. Recently the closure of another factory in southern Germany was prevented by an agreement to change working hours. The board of directors reached an agreement with the employees' council and trade union Textil-Bekleidung to shorten seamstresses' working week by three hours without adjusting wages. The deal runs from July 1994 until June 30, 1995 and can be extended until the end of 1995.⁴

Tausendsassa

Tausendsassa, based in Radolfzell (at the same address as Schiesser AG), produces children's underwear and clothing. The company was founded in 1933 and employed 900 people in 1989. Over 1991 Tausendsassa was able to book a profit of DM 0.21 million.

². Financial Times, 8-11-1994.

³. Stuttgarter Zeitung, 2-3-1994.

⁴. Süddeutsche Zeitung, 20-7-1994.

Solar Fashion

Since 1990 Schiesser has a 75 % share in Solar Fashion GmbH und Co. KG (originally Kurt Oehme & Co. AG), based in Bindlach, FRG. Solar is a producer of swim fashion products. In 1992 Schiesser's share was extended to 100 %. In 1989 the company had a turnover of DM 30 million. In 1991 Solar booked a loss of DM 2.1 million. Schiesser introduced a program directed at cost reduction, development of new product lines and increase in productivity.

In 1992 Solar Fashion booked a loss of DM 5 million. Although the number of employees was reduced and property was sold in 1993 still a deficit had to be taken of DM 0.3 million.

Schiesser Sachsen

In 1988 Schiesser started to subcontract out production to the German Democratic Republic (GDR). The production was distributed to about 150 companies by a state-owned organisation. When Germany was re-united, this type of production ended. Schiesser AG then started to contract a partner firm in the area Dresden/Chemnitz.

Trikotex AG, based in Wittgensdorf/Chemnitz, former East Germany, had 800 employees in 1991. It is a producer of underwear. The company, which was the above-mentioned contract firm, was acquired in July, 1991 from the privatisation agency Treuhandanstalt and renamed into Schiesser Sachsen AG.

The 11 % increase in turnover of the Schiesser Group that year was mainly due to this acquisition.⁵ Its contribution to the total turnover of the group was DM 49 million in 1991. Schiesser Sachsen suffered a start-up loss of DM 8.7 million. The sum Schiesser paid for the company was undisclosed.

Schiesser invested in its new subsidiary in order to increase the capacity. A total investment of DM 50 million until 1995 was planned. The number of employees was expected to increase to 1,000. In 1991 Schiesser utilised the full capacity of Schiesser Sachsen, which has plants in Wittgensdorf, Oberlichtenau and Niederfrohna. At the end of 1991 Schiesser provided the newly build plant in Niederfrohna with very modern equipment. In the same year a new dyeing unit was established in Limbach.

In April 1992 Schiesser Sachsen announced an increase in textile finishing capacity of 5 tpd per medio 1992. On the medium term Schiesser wants to achieve a textile production unit in Sachsen with a capacity of 2,500 ton per year.

Schiesser Sachsen is active in the whole process of the production of the fabric until the packaging of the finished product, which is transported to the distribution centre in Radolfzell for further distribution purposes to the international customers (retailers).

In Schiesser Sachsen's sewing division productivity is at about 85 % of the level of the west German parent company Schiesser AG of Radolfzell, and in the knitting/equipment division at about 90 %. Some DM 1.5 million per annum has been spent on training the east German workforce.

In 1993 Schiesser Sachsen booked a profit of DM 46,000 after a DM 4.1 million loss the previous year. Turnover rose from DM 26.9 million to DM 38.7 million. For 1994 turnover

⁵. NZZ, 17-4-1992.

of some DM 44 million is expected.

In 1994 Schiesser Sachsen inaugurated a waste water recycling plant in Niederfrohna near Chemnitz. The water treatment method was developed by Schiesser in cooperation with Denkendorf-based institute for textile and process engineering. The plant costs DM 17.8 million and was financially supported by the Federal Environment Office. After cleaning 60 % of the effluents from the dyeing processes will be reused in the production process.⁶

Magliera Ragno

In December 1990 Schiesser acquired a majority stake in Magliera Ragno SpA, in Valduggia (Italy), a men's underwear manufacturer. Turnover at the time was equivalent to 83 million Swiss francs.

Ragno was bankrupt, Schiesser paid circa DM 40 million for the company and guaranteed a 40 % repayment quota. The company had 500 active employees, whose jobs were guaranteed but the 218 unactive employees whose leave of absence was due to expire in 1991 were not taken back.⁷

In 1993 turnover dropped with 2.4 % to 56,136 million Lira.⁸

2.1.2. Eminence

Eminence SA in Aimargues, France sells clothing under the brand names 'Eminence' and 'Athena'. 'Eminence' and 'Athena' have a dominant position in the French medium and large-scale retail market: 17 % market share in volume and 25 % in value (1994). 'Eminence', sold through clothing and department stores, is aimed at the upper end of the market and 'Athena', sold exclusively in hypermarkets, aims at the middle and lower end of the market.

In Aimargues headquarters and a knitting and fabrication unit are based.

In 1989 plans for a buy-out by the company's managers failed.

Schiesser launched a bid in the same year but only managed to get a 19.8 % stake. The Schiesser Group was blocked by the French Finance Ministry and the 51 % stake passed from family ownership into the hands of leading management members and a number of large French banks. Schiesser had to content itself with raising its stake to 34 % in 1990. In 1991 Schiesser raised its stake in the Group's holding company EMAH (Eminence Athena Holdings) to 80 %. EMAH holds a 100 % stake in Eminence. Schiesser, according to analysts, paid a lot for the acquisition of Eminence.

Eminence was first owned by Hesta AG/Switzerland and Schiesser Holding AG/Switzerland and after the juridical restructuring (see under 6) by the Schiesser Eminence Holding.

In 1991 Eminence had a turnover of 400 million French francs and was the owner of 5 factories. Exports at the time totalled 60 million French francs, mainly to Switzerland, Spain and Italy. In 1991 a restructuring program was started. The company's internal organisation was modified so that it now operates as two distinct entities, one marketing

⁶. Textil-Wirtschaft, 15-9-1994.

⁷. Handelsblatt, 18-8-1990.

⁸. Reuter German News Service, 12-11-1993.

Eminence and the other concentrating on the Athena brand. New strategies were planned, to diversify the product-range to T-shirts, dressing gowns and pyamas. Future plans include sports- and leisure wear. The principal direction for development was to be exports, within Europe and Asia, with the Eminence brand name as the main basis.

Eminence is market leader for underwear for men in France. Eminence has to compete against the US owned French group Dim and increasingly against Devanlay which has focused on boosting its Jil and Orly men's labels.⁹

Due to bad financial results, Eminence took drastic restructuring measures in 1992. The number of employees was reduced from 1,030 to 770, in Bosset Gaujac and Uzes factories were closed down. Employment in the area had already suffered a severe blow due to the restructuring of Perrier.

The company announced a diversification of the product range and a total planned investment of FF 10 million. Turnover in 1992 was FF 420 million.

In 1993 an agreement was reached with the American company Atwood Richards, which was going to do the distribution of the Athena line in Eastern Europe (not including the former Soviet Union). On this account, turnover is expected to grow with circa FF 30 million over a five year period.

Eminence responded very quickly to a Benetton advertisement featuring naked human genitals of adults and children. Eminence's response was an advertisement showing men's loins clad in colourful underpants and boxer shorts.¹⁰

In May 1993 Eminence announced plans to build a new factory in Sauve, as a replacement of the factory in Quissac in the same department (Gard). Total investment would be FF 8.5 million. In Quissac at that moment 225 people were employed, producing underwear under the Athena label. The new production unit in Sauve is due to come into service in 1995. In 1993 the sales of Eminence receded by almost 10 % to FF 269.7 million, partly because of the loss of a large order.¹¹

In 1994 Eminence showed encouraging results and prospects. Turnover remained FF 420 million, but only a slight loss had to be taken (against operating losses piling up to over FF 100 million in 1991 and 1992). For 1994 a 10 % rise in turnover and a break-even result are expected by management. Operating profits are expected to grow to FF 25 million (1993: FF 20 million). The largest growth in sales comes from outside France (up 43 % against 4 % in France). Eminence carries out 40 % of total production in France and the remainder in Eastern Europe.¹²

The market for men's underwear is sluggish, with demand stagnant for a number of years and prices tending downwards as consumers look for cheaper goods. Therefore, Eminence started a diversification process in 1992/93. Diversification gradually gathered pace. Products outside Eminence's traditional range of men's underwear have grown to account for 20 % of overall sales; the aim is to increase this proportion to 40 % in the medium

⁹. Le Monde, 9-11-1992.

¹⁰. Reuter News Service, 11-6-1993.

¹¹. Neue Zürcher Zeitung, 13-11-1993.

¹². Le Figaro, 26-9-1994.

term. Eminence's non-underwear products, like polo shirts and bathing wear, are sold only outside France, while opposite Athena's leisure wear (Athena Run - jogging clothes and pyamas) are sold only in France.

In 1993 exports accounted for 25 % of turnover, compared with 15 % in 1991. The medium-term goal is 40 %.

Eminence has a good market position in Western Europe. And in Poland its products are sold in about 400 stores. Furthermore, a special women's line (Athena Lady) has been developed for Eastern Europe. Besides, Eminence is looking at the duty-free sector as a boost to its image. This will probably start in Orlando Florida in 1995.¹³

2.2. Production in Eastern Europe

Schiesser is producing in the Czech Republic and the Slovak Republic.

Pleas

In May 1993 a joint venture between Schiesser and the Czech company Pleas (Havlickuv Brod) was announced. Pleas produces underwear, T-shirts and nightwear. The company owns 5 factories (in Polna, Luka-nad-Jihlavou, Chlumec-nad-Cidlinou, Chotebor and Caslav) and two shops. Some 2,000 people are employed.

Schiesser obtained the majority share (51 %) in the joint venture at the beginning of 1994, according to the privatisation project. Pleas estimated that it would produce 13.5 million units in 1993, mainly 100 % cotton products. The new joint venture received half of the capacity of Pleas. Schiesser invested DM 10 million and guaranteed the sales of 50 % to 60 % of the products; to be sold in the FRG, Italy and France.

The joint venture started with 600 employees; this number increased to about 1,000 at the end of 1993. Pleas and Schiesser have been cooperating for some time. The past two years Schiesser subcontracted the production of 350,000 units of clothing for Germany out to Pleas. Another couple of thousand units were made by Pleas for Schiesser companies in Italy and France. Circa 60 % of the products was made from fabric supplied by Schiesser, which was sewn, inspected and packaged by Pleas. The other 40 % was made from yarns coming from the FRG, which was painted, bleached, knitted and sewn in the Czech Republic.¹⁴

The joint venture is Schiessers' first production unit in the region. The attraction of the Czech Republic, according to Schiesser, lies in it's proximity to its headquarters in Radolfzell and the favourable quota arrangements.

Pleas is making profit. In 1993 about 60 % of its products was exported, mainly to companies of the Schiesser Group. In 1993 Pleas increased supplies for Ragno (part of Schiesser-Eminence) in Italy and Eminence in France. Palco in Greece (part of Schiesser-Eminence as well) was its newest customer. Due to the new equipment, supplied by Schiesser, the productivity of labour was expected to increase with 15-20 % in 1993.

¹³. Idem.

¹⁴. Central European, 1-8-1993.

In 1994 about 70 % of the production was exported. For 1995 the same percentage is expected. Countries of destination will be Germany, France, Italy, Greece and Switzerland. Schiesser plans to invest more in the company in 1995 than it did in 1994.

At the end of 1994 Schiesser announced that Pleas will become part of the Swiss holding company Schiesser Eminence in 1995. Pleas will then operate under the name Pleas Schiesser International (Czech Republic).¹⁵

Gemtex

After the joint venture with Peas Schiesser immediately indicated that it was on the lookout for possibilities in the Slovak Republic as well.

In December 1993 Schiesser bought the textile company Gemtex in Roznava in the Slovak Republic. Gemtex's book value was 33 million Slovak crowns, but the company was sold for only one crown to the Schiesser Eminence Holding. The sale was defended by Gabriel Palacka, state secretary at the Ministry of Privatization, by saying that Schiesser Eminence pledged to invest DM 2 million in technology and staff qualification in the company and to guarantee 320 jobs. If Schiesser Eminence fails to honour the investment commitment it will have to pay DM 2 million to the National Property Fund and if the company fails to secure the jobs involved it will have to pay a fine of 100,000 crowns for each job lost. Schiesser will supply Gemtex with material and semi-finished products and take the finished products, which will be sold in its network.¹⁶

¹⁵. Ekonomické Zpravodajství, 18-10-1994; Hospodarske Noviny, 1-11-1994.

¹⁶. Hospodarske Noviny, 7-12-1993; BBC Monitoring Service, 7-7-1994.

3. Competition

In 1991 Schiesser was 6th on the list of leading German garment producers, measured by turnover:¹⁷

Triumph	2.06 billion DM
Steilmann	1.79
Escada	1.40
Adidas	1.25
Boss	0.99
Schiesser	0.94

The rankings for textile producers that year were as follows:

Freudenberg	1.75 billion DM
Hartmann	1.20
KBC	1.17
Schiesser	0.94
Wisser	0.81
Hof	0.78
Kunert	0.69

In 1992 Schiesser ranked 50th on the list of the 300 largest textile companies worldwide.¹⁸ Looking at the 75 largest European companies Schiesser ranked number 19, and within re-united Germany 4th.

In 1993 the Schiesser Group ranked 4th again on the list of Germany's ten largest textiles companies¹⁹:

Freudenberg	1.80 billion DM
Hartmann	1.30
KBC	1.11
Schiesser	0.89
Wisser	0.80
Hof	0.79
Neue Bw Sp u Web Hof	0.71
Pfersee-Kolbermoor	0.67
Mehler	0.65
Kunert	0.63

The problems in the textile industry continued in 1993 and some companies are suffering from liquidity problems. Three of the top 30 companies, Ergee (18), Ino (23) and Wiebe (27), have gone bankrupt.

¹⁷. Textilwirtschaft, 10-12-1992.

¹⁸. Textilwirtschaft 3-12-1992.

¹⁹. Handelsblatt, 7-11-1994.

4. Marketing and distribution

A principle of Schiesser AG is to invest at least 3 % of its annual turnover in 'markets and brand names', independently of the results of that year. The Schiesser brand name is promoted as durable, providing quality. Advertising is aimed at gaining and maintaining trust and sympathy.

Some brand names of the Schiesser Group are: Schiesser, Schiesser tausendsassa (children's clothes), Viabella (women's underwear), Jacques S (men's clothes), Paloma Picasso (swim fashion), Cerruti 1881 (lingerie), Sweeties (leisure wear), Menfit, Dessous, Fiesta, Eminence and Athena.²⁰

Schiesser's marketing unit in Radolfzell produces catalogues, display materials, photo's etc. to be used in advertising campaigns. Many of the promotion materials are produced in six languages. Schiesser International heads the Schiesser sales organisations in- and outside Europe.

Schiesser pays special attention to its sales in the former German Democratic Republic. Before the Second World War Schiesser sold a substantial part of its products in that area. In November 1990 Schiesser started a sales organisation and opened a showroom in Leipzig. In East Berlin Schiesser opened a Schiesser shop. The 16 million consumers in the former GDR enlarge the German market with about 25 % and Schiesser is very keen to be there in time. In the former GDR the name 'Schiesser' was known by 60 % of the people in 1990.

Schiesser products are sold through circa 15,000 outlets in Europe. The company seeks broad distribution in order to diminish risks. Therefore the largest single customer (retail outlet) takes just under 5 % of Schiesser's annual turnover.

Since 1970 the company has tried to increase sales by offering different 'shop in the shop' concepts to retailers. Schiesser supplies the material for a special corner or section in the store, gives advice etc. Circa a 150 retailers per year make use of this service.

Distribution as percentage of turnover

	1987	1993
Outside FRG	10	11
Department stores	16	16
Specialty store/retailer with buying combination	35	37
Independent specialty store/retailer	33	31
Other	6	5

Schiesser published in February 1990 its first Environmental Report, which got a lot of coverage in the media. Department stores have acknowledged the leading role of Schiesser in this field.

In the second Environmental Report in 1991 Schiesser stated that it had an important

²⁰. Schiesser Annual Reports; Major Companies of Europe, 1989/1990.

contribution to make in the field of reducing package materials for its 56 million units of products each year. The Group changed its use of package materials, which led to a reduction of 180 tons of package materials. Furthermore, it started to make use of materials that can be recycled.

In Radolfzell waste materials are separated into 15 categories.

Schiesser became a member of the DSD (Duales System Deutschland) and provides all its packages with the so-called Green Point.

Because of the new environmental laws in the FRG with regard to the transport packages of traders Schiesser pays about DM 2 million each year.

A Schiesser team concerning environment and packaging tries to develop new ways to avoid waste in close co-operation with the large retailers.

In its annual reports no mention is made of changes in the production process of the products because of environmental purposes. In the annual report over 1990 Schiesser emphasizes its high use of natural fibres, like cotton (raw and dyed: 94,9 %), not mentioning the ecological problems in growing cotton (pesticides) and dying (chemicals).

5. Social Policy

Schiesser's number of employees developed as follows:

1989: 3,643
1990: 3,780
1991: 3,837
1992: 3,731
1993: 3,449

Schiesser is clearly in the process of reducing its workforce. In 1993 the company employed (on average) 3,449 persons versus 3,731 in 1992. The year-end number of employees was 3,353 in 1993 (3,558 in 1992).

The number of production personnel was reduced from 2,810 in 1992 to 2,569 in 1993. The number of staff personnel was reduced from 921 in 1992 to 880 in 1993. Schiesser stated that reduction was achieved by natural fluctuations and through early retirement. In 1993 the plant in Tengen was closed, but most of the employees accepted offers for work elsewhere within the company.

In 1993 Schiesser payed DM 178 million on wages and social premiums, 3,3 % less than in 1992. Turnover per employee developed from DM 142,000 in 1989 to DM 170,000 in 1993.

The percentage of women employed was slightly reduced from 71.9 in 1992 to 71.6 in 1993. The percentage of employees working outside Germany increased from 16.7 to 17.2 between 1992 and 1993. On average employees worked 13.5 years for the company. The average age was 38.6 years.

Since 1984 Schiesser is trying to adjust work proceses to new developments in the textiles industry like job rotation. In 1993 these processes were reviewed.

In 1993 about 600 employees were given follow-up training programmes at a cost of DM 842,000. Training was given to 158 employees (26 % of the total) outside Germany.

Part of the training programmes to employees from Greece, the Czech and Slovak Republics were given in the Jacques-Schiesser-Haus Öhningen. Some training programmes are aimed at educating foreign employees in German culture and language and educating German employees in the English, French and Italian languages.

The technical training programmes were adapted to the new developments. 88 persons were trained in 9 technical professions at a cost of over DM 1.6 million.

Schiesser is not only reducing its workforce, but is also trying to change the composition of its workforce. The company is trying to attract young employees.

6. Juridical Structure

Until medio 1992 there were in fact two garment- and textile companies named Schiesser: Schiesser AG (Germany) and Schiesser Holding AG (Switzerland). Both companies were for 91.7 % owned by Hesta AG in Zug, Switzerland.

6.1. Schiesser Eminence Holding

In the middle of 1992 the Schiesser Eminence Holding AG (Switzerland) was formed, which contains the Schiesser Group in Germany (Schiesser AG), The Eminence Group from France, de Ragno Group from Italy and the activities in Greece and Ireland. (See the addresses in Annex 2).

Schiesser Eminence Holding AG²¹

Croydor AG (dormant)	Switzerland
Eminence SA	France
Gemtex	Slovak Rep.
Maglieria Ragno S.A.	Switzerland
Palco A.E.	Greece
Pleas Schiesser International	Czech Rep.
Ragno S.p.A.	Italy
Schiesser AG	Germany
Charnaux Ges.m.b.H.	Austria
Ermella GmbH	Germany
Grundstücks-und Anlagen-GmbH	Germany
Schiesser Ges. m.b.H.	Austria
Schiesser International A/S	Denmark
Schiesser International NV	Belgium
Schiesser International Nederland BV	Nederland
Schiesser International S.A.R.L.	France
Jacques Schiesser Inc.	USA
Schiesser Sachsen AG	Germany
Schiesser-Wohnungsbau GmbH	Germany
Solar Fashion GmbH & Co KG	Germany
Solar Fashion Verwaltungs GmbH	Germany
Tausendsassa GmbH	Germany
Webtex GmbH	Germany
Schiesser International (Ireland) Ltd.	Rep. of Ireland
Schiesser International (Trading) Ltd.	Rep. of Ireland
Schiesser International Ltd.	Hong Kong
Schiesser Italia S.R.L.	Italy
Schiesser-Pallas S.R.L.	Greece
Schiesser-Hellas S.R.L.	Greece
Schiesser-Tais Int. S.A.	Chile
Schiesser + Scherrer AG	Switzerland

²¹. Schiesser Annual Report, 1993; Who Owns Whom 1994; Ekonomické Zpravodajství, 18-10-1994; BBC Monitoring Service, 7-7-1994.

The Dutch, Belgian and Austrian companies were transferred from the Schiesser Holding AG (Switzerland) to Schiesser AG (FRG). This way they were brought -indirectly- under the umbrella of the new Schiesser Eminence Holding (Switzerland). Furthermore the Swiss, Hong Kong and Chilean based companies were transferred from the Schiesser Holding AG to the Schiesser Eminence Holding as well.²²

Schiesser International Srl from Mailand, Italia (part of Schiesser AG) has been liquidated. The representation of Schiesser in Italy has been taken over by Schiesser Italia.

Note that in this new juridical structure Schiesser AG in Germany is both an important subsidiary within the Schiesser Eminence Holding and at the same time a parent company of a range of companies inside and outside Germany.

The reason given by the company for the construction of the Schiesser Eminence Holding AG (see structure above, which started medio 1992) is the unification of Europe. This effectively meant relocating the headquarters of the Holding from Künsnacht to Stein am Rhein in Switzerland.

6.2. Hesta

Hesta AG (Zug, Switzerland) is -via Hesta GmbH in Wiesbaden- the top holding company of the Schiesser Eminence Holding (See Annex 1).

At the end of 1989 Hesta employed a total of 12,708 people. At the time it was the 59th largest Swiss company.

Hesta is owned by circa 30 shareholders, mainly belonging to the Bechtler family. The most prominent shareholder is Thomas W. Bechtler, who is also leading the Zellweger-Luwa Group of companies.

The ownership structure of Hesta changed on January 10, 1993. The members of Hans C. Bechtler and Anton H. Bucher-Bechtler sold their shares to Walter A. Bechtler's family (to which Thomas W. Bechtler also belongs).²³

Apart from Schiesser-Eminence its main subsidiaries are:

- Zellweger-Luwa AG (telecommunications, heating-, ventilation and airconditioning systems, textile machinery);
- Hesta AG Real Estate Companies (real estate).

Zellweger-Luwa was formed on July 1st, 1993. (Note that in Annex 1 the two companies are not yet combined). Zellweger Uster AG was active in telecommunications and Luwa AG mainly in control systems. The integration of Luwa was meant to improve the results of the Zellweger group. Synergy was especially expected in the area of textile machinery. The production of textile machinery makes out 37 % of Zellweger's turnover and 46 % of Luwa's turnover.

Later in 1993 Zellweger-Luwa announced the acquisition of the electric textiles machinery division of Siegfried Peyer AG, which produces yarn cleaning systems, from the beginning of 1994. Another Peyer subsidiary was also acquired: Motion Control in the USA, a manufacturer of fibre-testing equipment for the cotton industry. Siegfried Peyer AG, part of the Motor Columbus Group via SAEG Refindus Holding AG, generates turnover of

²². Annual Report of Schiesser AG, 1992. Not all companies were fully legally integrated in 1992, the remainder was supposed to follow in 1993.

²³. Neue Zürcher Zeitung, 11-1-1994.

Sw.Fr. 35 million with these activities and employs around 140 people, some of whom are to be offered alternative employment with Zellweger-Luwa.²⁴

Analysts feel that Hesta is too diversified.²⁵ This is probably the reason for the dispossession of a part of its activities.

Zellweger-Luwa sold its network control operations to Enermet Oy, part of Finland's Imatran Voima at the beginning of 1995. The operations had turnover of Sw.Fr. 40 million (1993) and employ 174 persons at plants in Germany, Switzerland, New Zealand and Australia. The sale includes a plant in Ferhaltorf, but excludes the facility at Mulhausen.²⁶

²⁴. Neue Zürcher Zeitung, 6-11-1993.

²⁵. Neue Zürcher Zeitung, 23-4-1994.

²⁶. Kauppalehti, 7-12-1994; Neue Zürcher Zeitung, 3-12-1994.

7. Financial situation

In 1992 consolidated Group turnover of Hesta declined by 4.6 % to slightly less than 2 billion Swiss francs. Hesta is cautious about future prospects and is placing the emphasis on rigorous cost management.

First an overview of the financial achievements of Schiesser AG is given, followed by some explanations, and then some figures on Hesta AG.

Table 1. Financial achievements of Schiesser AG (in DM)

	1989	1990	1991	1992	1993
Turnover	517	555	616	607	585
Cash flow	33	31	43	23	30
Op. Result	39	23	33	3	16
Net profit	17	16	10	5	11

Note that the turnover over for instance 1991 is DM 616 million DM in this table. The consolidated turnover of the Schiesser Group, however, was DM 941 million that year.

1990 was marked by a sharp rise in demand, which Schiesser was unable to meet fully, despite operating at maximal capacity. "The high level of demand was reflected by a 25 % increase in orders on hand. By contrast, cash flow was adversely affected by wage increases, adjustments to export prices and investments. Schiesser that year also paid out a 30 % special dividend in order to circumvent increased taxation on retained profits".²⁷ The net profit dropped compared to the year before, also due to unforeseen costs such as the building up of a sales organisation in the new federal states. Investment: DM 14.2 million (1989: 12.5 million).²⁸

In the 1990 figures turnover of Schiesser AG, Solar Fashion and the foreign sales organisations is consolidated. Not consolidated are the turnovers of Ragno (acquired in December 1990) and the share in Eminence.

Schiesser's chairman Beat Kaufmann described 1991 as an excellent year. The fall in the net profits can be attributed to the transfer of DM 15 million to a special reserve to comply with the investment law of the FRG. Operating profit was up by 47 %.

In 1992 pre-tax profit fell from DM 34.9 million to 14.1 million as a result of pressure on prices and conditions and increased personnel costs. The decrease in sales was mainly in the section men's and children under and nightwear (3 %); ladies under- and nightwear had an increase of 3 %. The operating profit fell much harder, from DM 33.4 million to 3.4 million. This had to do with start-up costs at Schiesser Sachsen AG, write-offs on

²⁷. NZZ, 19-4-1991.

²⁸. Die Welt, 17-4-1991

investments in other companies and higher interest rates.²⁹

The net profit in that year was higher than the result before tax. Thanks to tax rebates there was a year-end surplus of DM 5.1 million.

According to the annual report of 1992 no cuts were made on investment. The figure for 1991 was DM 35.1 million, for 1992 DM 32.3 million. The investments were concentrated, and will remain so, on modernisation and expansion of equipment, information systems and extension of the number of customers using Schiesser sales systems and 'shop in the shop'- concepts. For 1993 investments worth DM 15 million were planned.

Schiesser realised a turnover of DM 585.2 million in 1993 (3.5 % less than in 1992). 2 % more units were sold (at lower prices), bringing the total at 52.3 million units in 1993. In value terms turnover abroad dropped by 14 %, while domestic sales were down 2 %. In Germany sales of underwear for women and children increased slightly, but sales of men's underwear were 4 % down.

In 1993 Schiesser Sachsen recorded a small profit, Solar Fashion a small loss and the other 6 German subsidiaries a small profit.

The sales companies did not perform very well in 1993. The Dutch and Belgian subsidiaries were the only ones to produce a small dividend (DM 0.3 million).

Analysts expect for Schiesser in 1994 again a decline in turnover, but also more stable results.³⁰ Schiesser, however, expects to be able to stabilise its turnover in value and volume terms in 1994. In Germany the market will not grow further, pressure on prices and costs will continue, working short time will occur and Schiesser will continue to shift the labour intensive parts of the production process to Eastern Europe.³¹

Table 2.

Turnover of Hesta
(million Swiss francs (except Schiesser: DM))³²

		1991	1992
Zellweger Uster	Group	745.2	739.1
	Parent	231.0	233.3
Luwa	Group	505.9	500.6
	Parent	229.5	213.3
<u>Schiesser (DM)</u>	Group	941.0	914.0
	Parent	615.9	606.5

²⁹. Handelsblatt, 23-4-1993.

³⁰. Frankfurter Allgemeine Zeitung, 22-4-1994.

³¹. Schiesser Annual Report, 1993.

³². Neue Zürcher Zeitung, 25-4-1993.

Note that in table 2 the Schiesser Group later became the Schiesser Eminence Holding and that Schiesser AG is seen as parent company. Zellweger and Luwa are currently one company: Zellweger-Luwa.

Total turnover of Hesta in 1992 came slightly under 2 billion Swiss francs, a decline of 4.6 % compared with 1991.

Hesta is in the process of changing its fiscal year in order to adjust it to the calendar year. To accomplish this a business year of 18 months is taken.

In 1993 turnover of the Hesta Group remained at the same level, around Sw.Fr. 2 billion. A good result was booked: net profits boosted by Sw.Fr. 4.2 million to Sw.Fr. 14.3 million. This profit was not due to its production subsidiaries Schiesser-Eminence and Zellweger-Luwa, but the profit was made by the subsidiaries engaging in real estate and finances.

Both Zellweger-Luwa and Schiesser-Eminence are restructuring their activities. Zellweger-Luwa booked a loss in 1993 of Sw.Fr. 55.7 million. The company is cutting 200 jobs in Uster and 100 more in other countries. Some other restructuring measures, costing jobs, are still under review. Hesta wants to make Zellweger-Luwa less diversified. Schiesser-Eminence needed Sw.Fr. 62.6 million instead of the planned 45 million for its restructuring process.³³

³³. Neue Zürcher Zeitung, 22-4-1994.

8. Conclusion

The strategy of the Swiss holding company Hesta is to increase the concentration of production on cheaper sites. Furthermore, Hesta seems to be reconsidering its diversification strategy of the past. Hesta's main subsidiaries (besides real estate) are Zellweger-Luwa and the Schiesser Eminence Holding.

The Schiesser Eminence Holding in Switzerland is the holding company of Schiesser AG in Germany, Eminence in France and a number of other companies. Schiesser is one of Europe's most important producers in the field of underwear and clothes.

The main market of Schiesser is still the FRG. Men's (under)wear is the most important category in its turnover. The main market for Eminence is still France, but exports are becoming more important.

As can be seen with other textile and garment companies, Schiesser is shifting production to sites with lower labour costs, like -in Schiesser's case- the new FRG states, the Czech Republic and the Slovak Republic. Gemtex in the Slovak Republic was bought for the symbolic price of one crown under the condition that investments will be made and jobs are guaranteed.

The relocation of the labour intensive parts of the production process will probably continue. The proportion of output at the German plants will be reduced from 43 % to 25 %. Schiesser is said to be aiming to transfer jobs to Eastern Europe at a rate of 400 annually, according to a newspaper article.³⁴ Whatever may be true of these figures, the trend is clear: losses of jobs in the FRG and more production outside the FRG. Schiesser claims not to be planning to shift production from Schiesser Sachsen in Wittgensdorf (former East Germany) to Eastern European countries like the Czech and Slovak Republics. In its annual reports Schiesser states to focus on increased cost-management, more production in the Czech and Slovak republics and a step by step reduction of the number of employees in the FRG through early retirement and natural turnover.

³⁴. Neue Zürcher Zeitung, 15-4-1993.

ANNEX 1: HESTA AND ITS SUBSIDIARIES (Who Owns Whom 1994)

HESTA AG , Industriestrasse 16, CH-6300 Zug Tel: (042) 21 49 75	6711, 2399, 3613	
. Hema Management AG	Switzerland	
. Hesta-Beteiligungs-GmbH	Germany	
. Hesta Immobilien AG, Küssnacht	Switzerland	
. Hesta Immobilien AG, Romanshorn	Switzerland	
. Hesta Immobilien AG, Schaffhausen	Switzerland	
. Hesta Immobilien AG, Wettingen	Switzerland	
. Hesta Immobilien GmbH	Germany	
. Hesta Immobilien Northam AG	Switzerland	
. Luwa AG	Switzerland	
. . Aero Técnica S.A. (A)	Mexico	
. . Autofrigor AG	Switzerland	
. . Bahnson Co.	U.S.A.	
. . Bisinger Textiltechnik GmbH	Germany	
. . Frigo-Climat S.A.	Switzerland	
. . Inminsa S.A.	Spain	
. . KS Klima-Service GmbH	Germany	
. . Lagerhaus Zürich-Altstetten AG (d)	Switzerland	
. . Lufftechnische Anlagen GmbH	Germany	
. . Luwa Anlagentechnik GmbH	Germany	
. . Luwa B.V.	Netherlands	
. . Luwa Bisinger Textiltechnik GmbH	Germany	
. . Luwa Climatécnica S.A.	Brazil	
. . Luwa Engineering (H.K.) Ltd.	Hong Kong	
. . Luwa Engineering (Pte.) Ltd.	Singapore	
. . Luwa Española S.A.	Spain	
. . Luwa Filter Corp. (A)	U.S.A.	
. . Luwa Filtres S.A.R.L.	France	
. . Luwa Ges. m.b.H.	Austria	
. . Luwa GmbH	Germany	
. . . Süddeutsche Etna-Werk GmbH	Germany	
. . Luwa Japan Ltd. (A)	Japan	
. . Luwa N.V.	Belgium	
. . Luwa (South Africa) (Pty.) Ltd.	South Africa	
. . Luwa (Taiwan) Ltd.	Taiwan	
. . Stramax AG	Switzerland	
. . Otto Wild AG (d)	Switzerland	
. . SIS Immobilien-GmbH	Germany	
. . Schiesser Eminence Holding AG	Switzerland	
. . Croydor AG (d)	Switzerland	
. . Eminence S.A.	France	
. . Magliera Ragno S.A.	Switzerland	
. . Palco A.E.	Greece	
. . Ragno S.p.A.	Italy	
. . Schiesser AG ¹	Germany	
. . Schiesser International België N.V.	Belgium	
. . Schiesser International (Ireland) Ltd.	Republic of Ireland	
. . . Schiesser Ireland (Trading) Ltd.	Republic of Ireland	
. . Schiesser International Ltd.	Hong Kong	
. . Schiesser-Pallas S.r.l. ²	Greece	
. . Schiesser + Scherrer AG	Switzerland	
. . Zellweger Uster AG	Switzerland	
. . Astro International Corp.	U.S.A.	
. . Burkhalter Holding AG	Switzerland	
. . Gas Control Systeme AG	Switzerland	
. . Metrocontrol AG	Switzerland	
. . Multanova AG	Switzerland	
. . Polymetron AG	Switzerland	
. . Polymetron-Sieger S.r.l.	Italy	
. . Sieger Ltd	U.K.	
. . . Luwa Filter and Shelter Ltd	U.K.	
. . Luwa (U.K.) Ltd	U.K.	
. . . SF Detection Ltd. (A)	U.K.	
. . . Sieger TPA Ltd. (d)	U.K.	
. . Visor International S.A.	Spain	
. . ZAGAM Inc.	U.S.A.	
. . . MDA Scientific Inc.	U.S.A.	
. . . . MDA Scientific (UK) Ltd.	U.K.	
. . Zellweger Bürokommunikation Holding AG	Switzerland	
. . . Ernst Jost AG	Switzerland	
. . . Ruf Datensysteme AG	Switzerland	
. . . Telova AG	Switzerland	
. . Zellweger Ges. m.b.H.	Austria	
. . Zellweger Ltd	New Zealand	
. . Zellweger Pty. Ltd.	Australien	
. . Zellweger S.A.	France	
. . Zellweger Sargans AG	Switzerland	
. . Zellweger-Sauter-Energie S.A.	France	
. . Zellweger-Tecan Systeme GmbH	Germany	
. . Zellweger Uster GmbH	Germany	
. . . Z-thielscher Electronic GmbH	Germany	
. . . Zellweger Energiesteuerung Vertriebs-GmbH	Germany	
. . Zellweger Uster Inc.	U.S.A.	
. . . Spinlab Inc.	U.S.A.	
. . . Zellweger Energy Systems Inc.	U.S.A.	
. . . Zellweger Uster Technologies Inc.	U.S.A.	
. . Zellweger Uster K.K.	Japan	
. . . Uster Data Systems K.K.	Japan	

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(Subsidiary of Hesta AG, Switzerland)	
. Charnaux Ges. m.b.H.	Austria
. Emella GmbH	Germany
. Grundstücks- u. Anlagen-GmbH	Germany
. Schiesser Ges. m.b.H.	Austria
. Schiesser International A/S	Denmark
. Schiesser International N.V.	Belgium
. Schiesser International Nederland B.V.	Netherlands
. Schiesser-International S.A.R.L.	France
. Schiesser International S.r.l.	Italy
. Jacques Schiesser Inc.	U.S.A.
. Schiesser Sachsen AG	Germany
. Schiesser-Wohnungsbau-GmbH	Germany
. Solar Fashion GmbH & Co. KG	Germany
. Solar Fashion Verwaltungs GmbH	Germany
. Tausendsassa GmbH	Germany
. Webtex GmbH	Germany

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¹ See separate entry Germany

² See separate entry Greece

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