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CS-Interglas AG

A company profile

August 1996

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Irene Schipper/SOMO

On behalf of the ETUC-TCL in Brussels

CS-Interglas AG

Contents

Introduction	page 2
History	page 4
Structure	page 6
Activities	page 7
Financial Data	page 9
Employment	page 11

ANNEX 1 List of addresses CS-Interglas

Introduction

The German company Interglas AG and Clark-Schwebel Fiber Glass Corporation of the USA, both producers of fiber glass fabrics, agreed to a strategic alliance in February 1993. At the time, Interglas was a loss-making company.

Clark-Schwebel Fiber Glass (CS) acquired a minority ownership interest of 24.9% and a convertible note of Interglas AG in exchange for cash and for bringing the Clark-Schwebel subsidiaries in Belgium and the United Kingdom into the Interglas group. Additionally, Interglas' name changed to CS-Interglas AG¹.

CS-Interglas is Europe's leading manufacturer of glass fabrics. The company also produces industrial fabrics made out of carbon or aramid.

Glass fabrics are indispensable for the electronics industry: they are the most important base material used by the laminate producing industry in the manufacture of circuit boards. Several layers of glass fabric form the core of a circuit board. Another important area of application for glass fabrics is the manufacture of heat-loss reduction systems for the building industry.

The electronics and the building industries are the primary markets for the glass fabrics of CS-Interglas.

The characteristics of composite materials consisting of glass, carbon, aramid and other synthetic fibres are, among others, light weight, high strength, non-flammability and corrosion resistance. CS-Interglas fabrics are also used in automobile manufacturing, boat building, aircraft engineering, environmental technology and the manufacture of sports equipment².

The CS-Interglas group has five locations. The two European CS-subsiaries which were brought into the Interglas group are located at Battice in Belgium and at Sherborne in the United Kingdom. The other locations are situated at Malmersprach in France, and at Blaustein and Erbach, both in Germany. The company's headquarters is also based in Erbach.

A newly CS-Interglas subsidiary was recently established in Dubai (United Arabian Emirates).

In March 1996 CS-Interglas Group had a total of 1099 employees³.

The financial year 1990-1991 was the first in a row of four loss-making years in a row. The losses accelerated the start of a cost reduction programme as well as the strategic talks with Clark-Schwebel. Restructuring measures taken to reduce costs included the closure of the Berlin plant in 1992 and the closure of the CS-Interglas subsidiary in the USA in 1993.

A weak market for glass fabrics in the electronics industry dominated the first years of the 1990s. A declining demand resulted in an overcapacity of glass fibre production in Europe. CS-Interglas therefore reduced its production capacity in line with other European manufacturers of glass-, carbon and aramid fabrics. One Italian company in 1993, terminated its entire production facility, which was located in Switzerland. This

¹ PR Newswire, Reuter Textline, 25 march 1993.

² Annual Report 1994/95 CS-Interglas.

³ CS-Interglas Zwischenbericht, 1. Juli bis 31 März 1996.

reduced the number of European producers to four instead of five⁴.

The problems for Interglas started with a collapse of the Eastern Europe market for glass fabrics which had accounted for 20 percent of production until 1989.

The restructuring measures of CS-Interglas have resulted in a considerable loss of jobs. Before the merger of the European activities of CS with Interglas (February 1993), both companies together had 1834 employees⁵. At the end of June 1994, the CS-Interglas group had only 1.118 employees.

In 1995 the company was profitable again. The current growth within the electronics, building and coating industries, increased the demand for industrial fabrics. A worldwide scarcity of raw materials, however, is bound to limit sales increases of the CS-Interglas Group⁶.

⁴ Frankfurter Allgemeine Zeitung, 27 February 1993.

⁵ Frankfurter Allgemeine Zeitung, Unternehmensnachrichten, 9 February 1994.

⁶ Annual Report 1994/95 CS-Interglas AG.

History

In 1992 Interglas AG considered it necessary to cooperate with Clark-Schwebel Fiber Glass Corporation (CS) to reinforce its production, sales and marketing divisions and to recover from previous heavy losses. At the time of the strategic talks with CS the deficit increased from 12,5 million DM to 41,3 million DM. One year later (1993), the deficit even climbed up to 88,4 million DM, while sales decreased by 4.4% in 1992 and 7.5% in 1993.

Before the alliance with CS, the Interglas group had three plants in Germany, one in France and one subsidiary in the USA. As already mentioned in the introduction, one of the three plants in Germany (the Berlin plant) was closed in 1992 because of the low capacity utilization of the German plants. The closure meant a reduction of 15 percent of the entire European capacity in this sector and a loss of 340 jobs⁷.

After the alliance of Interglas with CS, the CS-Interglas subsidiary in the USA (Haverhill, Massachusetts) worked as an independent company and remained a competitor of the CS group in the USA. The Interglas subsidiary lost the competition battle and closed its doors in September 1993 with a loss of 150 jobs⁸.

With the European subsidiaries of CS brought into the group, the CS-Interglas Group consists now of five plants in Europe and a newly founded subsidiary in Dubai. The subsidiary in Dubai was probably founded in the second part of 1994 because it is consolidated in the annual report of 1994/95 for the first time.

The majority shareholder of the CS-Interglas Group is the Deschler family. After the strategic alliance with CS they still own 55% of the shares.

Clark-Schwebel Fiber Glass Corporation acquired a minority ownership interest of 24.9% and a convertible note of Interglas AG in exchange for cash and the European subsidiaries of CS (Clark-Schwebel International S.A., Battice/Belgium and Clark-Schwebel Holdings (UK) Ltd., Sherborne/UK). CS also took over a part of the shares of the Deschler family at a cost of 9,95 million DM⁹. The rest of the shares (20,1%) is for remaining stockholders.

Together with the merger the preference shares without voting rights were converted into shares with voting rights. With this action CS-Interglas is not anymore obliged to pay dividend afterwards. CS-Interglas has not paid a dividend since 1990.

Clark-Schwebel is world's largest manufacturer of industrial fiber glass and other high performance fabrics, and employs more than 1,500 people at plants in South Carolina, North Carolina and two in Georgia. Besides the joint venture interests in CS-Interglas, the company has joint venture interests with Asahi-Schwebel Corporation in Japan, a leading producer of glass fiber in Asia, and with Clark-Schwebel Tech Fab Corporation, which manufactures fiber glass and other resin-bonded non-woven materials in South Carolina.

Until April 1996 Clark-Schwebel was a subsidiary of Spring Industries, based in Fort Mill, South Carolina. Spring Industries is a major manufacturer and retailer of home furnishings and specialty fabrics. It has minority investments in businesses in Japan and

⁷ Frankfurter Allgemeine Zeitung, 27 February 1993.

⁸ Frankfurter Allgemeine Zeitung, 23 September 1993.

⁹ Frankfurter Allgemeine Zeitung, 14 January 1993.

Europe¹⁰.

In April 1996 Vestar Equity Partners, LP, and a management group led by Jack P. Schwebel, co-founder and former chairman of Clark-Schwebel and President W.D. Bennison, acquired Clark-Schwebel from Spring Industries. Mr. Schwebel, who retired in 1992, returned to the company to serve as chairman, Mr. Bennison will continue as president.

Vestar Equity Partners, LP, headquartered in New York, is a private equity investment partnership focused on management buy-outs and recapitalisations¹¹.

¹⁰ PR Newswire, Reuter Textline, 20 July 1993.

¹¹ Business Wire, Reuter Textline, 17 April, 1996.

Structure

The CS-Interglas Group consists of CS-Interglas AG and its foreign companies. CS-Interglas AG owns a majority interest in all its subsidiary companies.

CS-Interglas AG, Germany	Percentage of share capital held:
CS-Interglas S.à.r.l., France	100%
CS-Interglas S.A., Belgium	100%
CS-Interglas Holdings (UK) Ltd., England	100%
CS-Interglas LLC, Dubai, United Arabian Emirates	100%
Interglas Inc, USA	100%

Note:

CS-Interglas-Textil-Geschäftsführungs GmbH, Berlin is liquidated.
Interglas Inc., Haverhill, Massachussets, USA, has not been included in the consolidation of the years financials results of 1994/95 because it has no business operations anymore.

The shareholders of CS-Interglas AG are the Deschler family (55%), Clark-Schwebel Fiber Glass Corporation (24,9%), which is a subsidiary of Vestar Equity Partners, LP (USA) since April 1996 and the rest is for remaining stockholders.

Management

Dieter Marten is the chairman of the Board of Management of CS-Interglas, the other members are;

- Niko H. Kaden
- Wolfgang Seuffert
- Clifford Swindels

The chairman of the Supervisory Board is Walter Deschler, he is also the principal shareholder. Other members of the Supervisory Board are:

- Dr. Rolf Lenz, Vice Chairman;
- Walter Bayer, employee representative, Ulm;
- William D. Bennison, President of Clark-Schwebel Inc., USA;
- Winfried Bielmann, employee representative, Ulm;
- Stephen P. Kelbley, Executive Vice President of Spring Industries Inc, USA¹²;
- Walther Leisler Kiep;
- Prof. Dr. K. Peter Malländer;
- Alfred Söllner, employee representative, Ulm.

¹² As Spring Industries is not the parent company of CS anymore since April 1996, its possible that he is been replaced.

Activities

Products

In the electronics industry fiber glass fabrics are necessary for the production of electrical laminates used in printed circuit boards. Several layers of glass fabric form the core of a circuit board. Another important area of application within the electronics industry for glass fabrics is the manufacture of isolators.

The building industry's demand predominantly concerns fabrics for reinforcing plaster and heat-loss reduction systems. The company's product range also includes reinforcements for bituminized roofing systems and glass-phenolic prepregs used as reinforcing materials for cutting discs and grinding wheels.

CS-Interglas also produces woven glass wall-coverings for commercial and domestic interior decoration purposes. "Flamline" curtains made from continuous filament glass fabrics which is non-flammable, and glass fabric vertical blinds in different designs, are also produced.

The composite material products of CS-Interglas are used to reinforce components in the aerospace, mechanical engineering, machine-tool and sports equipment industries. Some technical fabrics are used as heat and sound insulations, while filtration fabrics are used in aluminium smelters and hot gas dedusting plants.

Fabrics for the electronics industry again accounted for the major portion of sales in the financial year 1994/95 (ending June 30), namely 50% of total sales. This was followed by the reinforced plastics and coating product lines for the building industry, chiefly in the area of heat-loss reduction systems.

At the moment there is a growing demand for fabrics for the electronics industry as well as for the building industry.

As in the previous year, sales in Germany accounted for approximately 43% of total sales while sales in other European countries and in Asia respectively accounted for approximately 50% and 7%¹³.

Production

The restructuring programme of Interglas, which started in 1992 and was completed in 1994, was based on the merger of the European activities of Clark-Schwebel with the operations of Interglas. It also included the concentration of the lines of production at specialized locations, the integration of the sales/marketing activities and "the adjusting of the number of employees to the capacity requirements"¹⁴.

To begin with the adjustment of the number of employees, CS-Interglas not only closed its plant in Berlin and in Haverhill the USA, what resulted in a considerable lost of jobs, but also in the Belgium plant and the two left over German plants there was a further reduction of capacity and employees in 1993¹⁵.

Other European competitors in this sector were also having problems with a low capacity utilization because of the low demand, and as already mentioned one Italian competitor closed its entire production facility in Switzerland. This closure made the

¹³ Annual Report 1994/95 CS-Interglas.

¹⁴ Annual Report 1994/95 CS-Interglas AG.

¹⁵ Frankfurter Allgemeine Zeitung, 23 September 1993.

number of European producers in this sector four instead of five. According to the Chairman of CS-Interglas, the level of production capacity is now adjusted to the demand and a further decline of production capacity is not necessary. At the moment it is not possible to continually use all of the available capacity, this is due to the limited availability of glass yarn as a raw material¹⁶.

The restructuring measures of CS-Interglas included the concentration of the lines of production at specialized locations. For example, production of standard and fine cloths from glass fiber for the electronics industry has been concentrated at the plants in Blaustein and Erbach in Germany and Battice in Belgium. The plant at Sherborne in the UK makes products for plastic coatings, fabrics for reinforced plastics as well as decorative materials. At Malmersprach in France CS-Interglas makes building and decoration products.

International sales have also been reorganised¹⁷.

¹⁶ Reuter Textline, 25 May 1996.

¹⁷ Handelsblatt, Reuter Textline, 9 December 1994.

Financial data

CS-Interglas was able to post a profit in the financial year 1994/1995 (year ending 30 June) after four years of losses. The company expects a further stabilisation of business in 1995/96.

The first loss-making year was 1990/91. Sales declined by 3.8 percent, and was due to a collapse of the East European market for glass fabrics for the electronics industry. The company fell even deeper into the red in 1992/93 and recorded again lower sales. The group posted a year-end deficit of DM 88.4 million, sales fell to DM 220.5 million (incomes for the new plants are not included in this figure). The loss was partly blamed on the extraordinary costs for the plant closures in Berlin and the USA¹⁸.

CS-Interglas achieved a turnaround in 93/94. The deficit was reduced to DM 7.5 million and sales increased by 8.4 percent. CS-Interglas reported a growing demand for fabrics for the electronics industry and the building industry, which are the primary markets for CS-Interglas.

The company was profitable again in the financial year 94/95. Sales increased by 15.4 percent to DM 275.5 million and net income was DM 11.0 million. Because of the debt in the balance sheet, no tax had to be payed over the profit of this year. The company again wants to pay dividend in the near future. The company has not paid a dividend since 1990/91.

Key figures CS-Interglas 1992-1995¹⁹

Figures in Millions DM

The financial year is ending at June 30

	91/92	92/93	93/94	94/95
Gross sales	238.4	220.5	238.7	275.5
Changes in %	-4.5	-7.5	+8.3	+15.4
Depreciation	22.6	13.3	14.2	11.4
Investments in fixed assets	17.1	9.6	10.1	2.6
cash flow	-18.7	-43.5	+6.7	+22.4
net income /loss	-41.3	-88.4	-7.5	+11.0

¹⁸ Handelsblatt, 16 December 1993.

¹⁹ Annual Report 1994/95 CS-Interglas AG.

The property in Berlin was sold in October 1994.
The current investments in fixed assets are very low because the equipment of the closed Berlin plant was made available for other facilities.

Employment

In March 1996 the number of employees was 1099²⁰. The employment level has stabilized after years of reduction.

The restructuring measures of CS-Interglas therefore did result in a considerable loss of jobs. Just before the merger of the European activities of CS with Interglas (February 1993), both companies together had 1834 employees²¹. At the end of June 1994 the CS-Interglas group had a total of only 1.118 employees.

	1991	1992	1993	1994	1995
Number of employees at the end of June	1373	1343	1409	1118	1117

Events:

- At the end of 1992 the Berlin plant was closed, 340 jobs were lost by this measure;
- February 1993, the European CS-subsiidiaries, with a total of 400 employees, were brought into the Interglas group;
- In September 1993, the Haverhill plant (USA) with 150 employees closed its doors;
- During September 1993 until March 1994, a further reduction of 275 employees took place at the plants in Belgium and at Erbach/Blaustein in Germany.

According to the Chairman of CS-Interglas, Dieter Marten, further reductions are not necessary as the level of production capacity is now adjusted to the demand, although it is not possible to continually use all the capacity, due to the limited availability of glass yarn as a raw material.

CS-Interglas does not meet the requirements of the Council Directive on the establishment of a European Works Council. With the latest reductions of employees in Belgium and Germany, the company no longer has more than 1000 employees in the Member States of the EU.

The company has 1100 employees but 200 of them are working in the United Kingdom, which has not signed the Council Directive and therefore is not a Member State according to the definition of the directive. It is possible that in the near future the United Kingdom will be a Member State²².

²⁰ CS-Interglas, Zwischenbericht, 1. Juli 1995 bis 31. März 1996.

²¹ Frankfurter Allgemeine Zeitung, Unternehmensnachrichten, 9 February 1994.

²² The Labour Party in England will probably sign the agreement if it wins the election.

ANNEX 1 List of addresses of CS-Interglas

Headquarters CS-Interglas AG
Benzstrasse 14
89155 Erbach
Postfach 11
89151 Erbach
Germany

Tel: +49 (0)7305 9550
Fax: +49 (0)7305 955513

Number of employees: 165

The headquarters of the group as well as the finishing plant for the raw fabrics manufactured at Blaustein are both located at Erbach, near Ulm.

CS-Interglas
Blaustein
Baden-Württemberg
Germany

Number of employees: 281

The plant focuses on the production of fine and standard fabrics made from glass yarn for the electronics industry.

CS-Interglas
ZI Malmerspach
F-68550 Malmerspach
BP 23
F-68550 Malmerspach Cedex
France

Tel: +33 89382820
Fax: +33 89382830

Number of employees: 249

The plant at Malmerspach is a complete production unit consisting of a preparation plant, a weaving mill and a finishing plant. The unit is specialised in products for the building industry and decoration products.

CS-Interglass SA
Rue Chesseroux
Parc Industriel 23
B-4651 Battice
Belgium

Tel: +32 (87) 692970
Fax: +32 (87) 692997

Number of employees: 192

The production facilities consists of a preparation plant, a weaving mill and a finishing

plant: Products are standard fabrics made from glass yarn for the electronics industry.

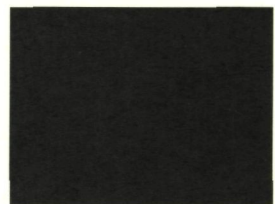
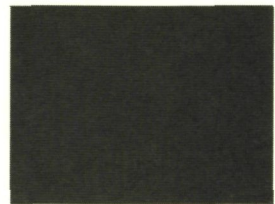
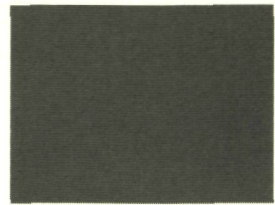
CS-Interglas Ltd.
Westbury
Sherborne
GB-Dorset DT9 3RB
England

Tel: +44 (0) 1935 813722
Fax: +44 (0) 1935 816284

Number of employees: 216

Another complete production unit (preparation plant, weaving mill and finishing plant).
The product range includes fabrics for reinforced plastics and plastic coatings as well as decoration products.

(Number of employees as of June 30, 1995)



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