



H Ä N S E L - E C H O

90 Years

... and 50 years domicile Iserlohn

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Dipl.-Ing. Wolfgang Schulte Managing Director

**Dear fellow workers in germany and all over the world,
dear Hänselianians in retirement,
ladies and gentlemen representing our customers and suppliers,
our friends,
representatives of politics and administration,**

Our enterprise celebrates the 90th anniversary of its foundation and 50 years of having our base at Iserlohn. One may certainly state with good reason: 90 years and 50 years domicile Iserlohn, that is an achievement not easily paralleled in our present times. The enterprise in which I worked before I came here - the Swedish Stora group - celebrated the 750th anniversary in 1988. One might state, perhaps: This is a great deal more. Or?

I would not like to reply with a straight Yes or No since the issue is not important in the end. I think the age of a company is not so significant; the decisive point is the image the enterprise has of itself and its tradition, where it positions and presents itself and, particularly nowadays, how it holds the field. And this is the very point where the Hänsel company need not hide. A prime example is this issue of Hänsel-Echo, published for the first time in 1927 and an excellent trade magazine for the customers in all the many many years when it was important above all for the tailors as a source of information on the processing of interlinings.

Today we present to you the anniversary issue of Hänsel-Echo. In this commemorative magazine you can read about the history of Hänsel with all its ups and downs. In this issue, the history of the enterprise is impressively described and we owe special thanks to the former Distribution Manager Klaus Bührmann and the former Chief Executive of many years, Otto Schaeffer. The two gentlemen have collected all these informations and have thus made an essential contribution to this commemorative issue.

At the same time, great emphasis is given to the future: Innovation, team spirit, customer service, globalization, courage for continued research, new fields of activity are the most important points in order to secure, in future, too, successful development chances for our group of companies.

The greatest weight, however, have the people and in particular our fellow workers, to whom I have very deliberately given priority in the beginning of my message.

The most important factor of our success are the people working for our enterprise here and all over the world. They are our front and identification card and we may be justly proud of them. They are the Hänsel family.

Wolfgang Schulte
Chairman of the Management Board
Hänsel Textil

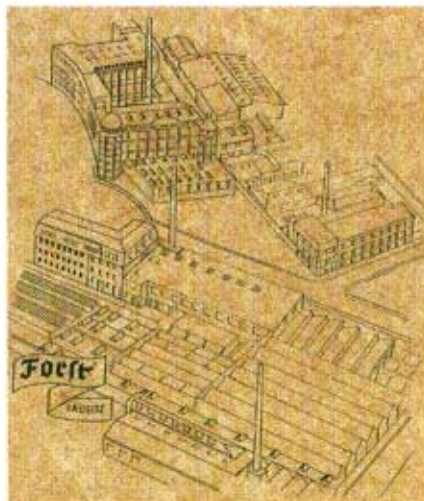


Bruno Henschke

Hänsel Textil

90 years of performance and not slowing down

Where do I get a 'metre Hänsel'? It is not difficult to get a positive reply. For, after 90 years of intensive distribution activities Hänsel Textil is represented in the most important national and international markets. The annual output is 45 million metres. That is the equivalent of the circumference of the globe. Hänsel Textil convince by market competence and development knowhow. But one cannot succeed without effort. Until success was achieved, a lot had had to be done.



The pioneer era

It all began in Forst

In Forst in the Niederlausitz, the cloth town with its old tradition, the history of Hänsel Textil started. In the history

books, Forst was first mentioned in 1346. In 1418 the town was granted the privilege of wool weaving. Small factories and wool mills came into being. The coat of arms of the cloth makers of Forst dates back to 1535 and is evidence of the wealth of the region. An old saying was, "Forst cloth means wealth".

In the Forst environment, they also worked with horsehair. However horsehair could be woven at lengths of 40 to 45 cm only, the measures of a horse's tail. The process was laborious, time-consuming - and therefore ineffective.

Oswald Hänsel and his revolutionary idea

A young engineer lived in Forst; Oswald Hänsel. He was busy seeking a method how to weave horsehair more effectively and faster. It was his idea to lay several horsehairs along a core thread and to sheathe it again by an additional thread. The resulting horsehair twist was suitable for the weaving of fabrics of larger width. He registered his invention for a patent, but for the time being nobody showed any interest in it.

Bruno Henschke was prepared for a risk

Also at home in the environment of Forst was Bruno Henschke. He had to quit school because his father Otto Henschke had fallen sick. Vocationally, Bruno Henschke was occupied in the manufacture of cloths and fancy twists,

for he had married into a family that owned a big cloth mill in Forst. The former proprietor Adolf Wenzel passed it on to Otto Henschke. Son Bruno Henschke went to school in Cottbus and wanted to study ancient languages; later he intended to go to sea. Until now he had not considered working in textiles. However to be able to succeed his father he went through a cloth-maker's apprenticeship and attended an engineering school afterwards, called the weaving school then. By accident, Oswald Hänsel met Bruno Henschke and told him of his ideas in horsehair processing. Bruno was far-sighted and recognized that more could be gained from this invention. One had had inlay material before. Tailors, e.g., making Prince Albert coats had used wadding to support the shape and fused it with glue. Calendered linen had been used, too. Craftsmen accomplished almost miracles in order to shape a garment on a body or figure. The horsehair interlining was to make their job much easier. Bruno Henschke joined forces with Oswald Hänsel and in 1908 they founded a joint company. It was named Henschke & Cvo. Hänsel Rosshaar. A name that has existed, if slightly altered, to the present day.

Bruno Henschke borrowed six looms initially and started to process horsehair for interlining fabrics. After some time, the two separated again. Oswald Hänsel wanted to take a different direction. Bruno Henschke needed money for the establishment of his enterprise. His father-in-law, Karl Ersel, proved a potent financier. The company grew, one loom was added after the



Production in Iserlohn

other. Beside horsehair, they used also hair yarns such as camel and goat hair, for the production of inlay material. Henschke built the first hair yarn spinning mill on the European continent. Until then people had believed, coarse hair yarns could be spun in England only because of the climatic conditions. Now sceptics could be convinced of the opposite. The first spinning mill for coarse hair yarns on the Continent arose in the Niederlausitz town of Langenbilau. Now one could manufacture inlay fabrics from one's own hair yarn and horsehair twist.

In 1911, Bruno Henschke was hit by a catastrophe. The premises of his enterprise burnt down completely. However, he rebuilt a modern factory soon. And it did not take long until Hänsel continued to grow rapidly. In the market, the products were indispensable. The patents of Hänsel and Henschke launched a revolution in the manufacture of textiles and clothing.

Sensation in the marketing of interlinings: the Hänsel-Echo

The enterprise proved strong not only in product development but also, above all, in the marketing of the products.



The customers - tailors only - had to be familiarized with the product. From 1927 onward, the 'Hänsel-Echo' was published twice a year for this purpose. This trade magazine for the tailoring craft fulfilled two important tasks: on the one hand, it informed by means of excellent papers and drawings on the processing techniques of Hänsel interlinings and the latest product developments, on the other, it presented the latest fashion trends for ladies and gentlemen. By the middle of 1939, the circulation was 124 000 copies.

Beside the German edition, there were English, Dutch and Danish ones. The Hänsel-Echo proved to be of particular

value when Hänsel started to offer prefabricated i.e. cut and sewn interlinings, the so-called 'komplets'. The Echo successfully paved the way for the new product idea.

Charged by Bruno Henschke Hans Preuss organizes production in Reichenberg

Then, exports played an important part already. Hänsel sold products in Benelux, Russia, Italy and Scandinavia. Occasionally, licences for the processing of inlay material were granted. A

long time before the outbreak of World War II, the enterprise proved far-sighted again. In view of the political development in Germany and Europe, difficulties in exports had to be faced. Export Director Max Preuss recognized the situation early. In 1934 a subsidiary production operation was organized in Czech Reichenberg - later Liberec - and supplied his customers in Eastern Europe from there. The Hänsel-Echo was published in Czech, too Hans Preuss, son of Max, was the director of this operation, which developed successfully.

Market leader already in the 30's

Before World War II, Henschke & Co. Hänsel Rosshaar, with a staff of 3000, became the biggest manufacturer of interlining material worldwide. The Hänsel brand was an independent notion all over the world. The basic goods as well as the 'komplets' were in great



Otto Schaeffer

demand in the clothing industry. Beside the products, the Hänsel-Echo made a particularly strong contribution towards publicizing and positioning the Hänsel achievements. Whether in Europe, Asia, America or Japan, almost wherever one could buy tailor's chalk, the 'metre Hänsel' was a familiar product.

New domicile Iserlohn

After the war, the Russian occupation authorities expropriated the Forst enterprise. The machine equipment was dismantled. A hard time for the entrepreneurial Henschke family.

They fled to Hamburg where an intermediate stock operation had been maintained even before the war.

Here is where the efficient re-building of the company started. However, in 1948 already they moved to the new domicile Iserlohn.

Step by step, the spinning, weaving and finishing operations were organized. Staff could be recruited promptly, including people who had been with Hänsel in Forst and Reichenberg and come to the West as refugees.

Work in the light of reconstruction

German reconstruction produced new demand and introduced further progress of the company. More and more widely, clothes were manufactured in bigger production units. Tailors developed into makers-up although the manufacturing techniques had hardly changed. Very soon, the Hänsel-Echo

was published again for information of the craftsmen and makers-up in all the world. Beyond that, experts lectured for companies and guilds. Hänsel invited customers for tours of their premises.

Front fusing produces new momentum

Up to then, interlay material had been sewn conventionally. In 1965 a new technology developed in making-up. In front fusing - this is what the new process was called - the interlinings were bonded with the outer fabric by thermoplastic: heat and pressure. But initially, big investments in the development of fusing systems were required. A partly difficult process for the manufacturers as much as for the makers-up. The clothing industry personnel had to be trained in the new technique, however, it was established within a few years. Today, 99% of all suits, men's and women's, blazers, coats, shirt and blouse collars are front fused.

The route to the modern industrial enterprise

Otto Schaeffer introduces a new era

In 1971 a new era was introduced. After years of unhampered and uncontrolled growth an inventory and an exact analysis of the enterprise were undertaken under the direction of CEO Otto Schaeffer. Opposition had to be

overcome. The prevailing opinion was, "Why change, we have done it that way all the time." Nevertheless, he persisted. The measures introduced by him have continued to affect, positively, the growing success of Hänsel's. The first question is, "Where is the production going on of what?" Apart from the parent plants in Iserlohn, Hänsel maintained a fully equipped operation with a staff of 60 in Kirn on the Nahe river. In Meschede in the Sauerland, there was a weaving plant, another production site was in Austria.

Otto Schaeffer concentrated the entire production at the Iserlohn base. The operations in Kirn and Meschede were closed, in Austria production went on for the time being.

Organization of a future-oriented production

A primary requirement was the full employment of the machine capacities. Hänsel changed to a three-shift cycle. Then followed a concentration of the production programme. It was important to produce big units in invariable quality at reasonable prices. At the same time, Hänsel optimized the stock keeping operation and improved the delivery standards. The development of a competitive, future-oriented production had top priority in the reform of the enterprise.



Klaus Bührmann



High productivity by lower costs

As a consequence, the size of the staff had to be drastically reduced. In 1971 Hänsel occupied 560 employees, by 1974 only 121 were left. In the reduction of personnel, the management involved the unions. Intensive discussions took place with the employees council and the Union of Textiles and Clothing. All parties agreed that the long-term survival of the enterprise required a structural reform. The difficult decisions due demanded that everybody involved shouldered the responsibility that the appropriate selection was made from a social and economical point of view. The decisions had to be made at a time when, fortunately enough, the labour market was still open and active.

Confidence of the banks and insurance companies

The next move was to convince banks and insurance companies: at Hänsel's a new era is setting in. That required an open dialogue and transparency. Thus confidence in the innovative capacity of Hänsel's was assured.

Hänsel family

The heading says what we were and what we are: namely, one big family with all the positive aspects.

Investments in the future from our own resources

The first re-structuring phase of the enterprise was concluded. Commitments could be reduced, the capital resources be strengthened. Funds were made available for investments in the future., which were made step by step strictly according to business economic standards. Initially within the limits of depreciation, later also beyond such limits.

Modern equipment improves performance

Hänsel Textil was determined to improve productivity by investments in the latest machinery equipment. One comparison: in the past looms ran at 180 revolutions per minute, which means 180 picks of the weft. They produced fabrics 2 metres wide. Modern standard machines run at more than about 800 - 1000 r.p.m.. In the past, one mill hand operated two looms. Today one hand controls 20 looms. Modern equipment is expensive, that applies also to machines standing idle. For profitability reasons they must work around the clock, seven days a week. By the improvement of productivity accompanied by a reduction of costs, it was possible to come to marketable prices. That improved the competitive position of Hänsel products in the markets of the world.

Distribution worldwide



Up to the mid-Nineties, the establishment of the distribution system was substantially influenced by Klaus Bührmann. By the foundation of subsidiaries as well as co-operation with trade agencies a worldwide distribution network was organized. While the turnover in 1971 amounted to 17 million DM it has reached 100 mill. DM today. The biggest advances were achieved during the past ten years. Always they resulted also from the investments.

Growth demands annexes and re-building

The enterprise was bursting all seams. Therefore, investments had to be made in the premises, too. In view of the continued increase of exports, the corporate name was adapted to the wish for a brief internationally intelligible expression. "Henschke & Co Hänsel Rosshaar" was replaced by "Hänsel Textil". The company logo, too, the jumping horse, was modernized. Both



Adelheid Mebes, Hans-Jürgen Preuss

are valid today. Some buildings were raised, some received annexes. In April 1986, a disaster had a lucky outcome. It had snowed so heavily that the roof of a machine shed collapsed. Fortunately, nobody was hurt. The roof could be repaired without an interruption of production. Today the production units in Iserlohn cover a space of about 6500 m².

More engagement in womenswear

After the war, Hans Preuss had fled from Reichenberg with his family and had founded an independent company Rot-Schwarz in Ettlingen. He headed a flourishing company which concentrated on interlinings for womenswear. In 1975, Hans Preuss realized that the rapid technical development would require considerable investments in the future which he would have difficulties to finance. Thus he decided in time not to carry on with his company. Hänsel took over the marketing rights of Rot Schwarz; the production programmes of the two complemented each other excellently. The decision has been bearing good fruit to the present day. The son of the entrepreneur, Jürgen Preuss, is an imaginative engineer. Today he is the director of the Hänsel Research and Development department.

Knitted inlay materials create new sales opportunities

Important for the company was the addition of knitting to weaving operations as an important second basis production.

By light weights manufactured on machines of 6 m breadth at the high rate of 1200 r.p.m one could meet the trend towards lighter interlinings decisively just in time.

FASHION IS THE DRIVING FORCE OF CHANGE

New fashion in new materials requires new fusing techniques and the use of alternative inlay materials again and again. Typically used are hair yarns, acrylics, micro fibres, textured PES (polyester), PA (polyamide) and other materials. The interlinings have generally become lighter. Particularly light interlinings are in demand for blouses and shirts. Womenswear demands coloured products for light, often transparent outer fabrics. Hänsel offers a palette of 70 colours. Despite



many attempts at omitting reinforcements, in almost every garment

interlinings are used today.

Hänsel's meet the requirements of the market

Hänsel consider themselves the leading suppliers of interlinings and inlay fabrics in the market.

They sell a comprehensive product programme beginning with horsehair interlinings and including even the latest technical achievement, the super-light interlinings of less than 25 g per metre. Ever increasing demands have to be met since the outer fabrics become lighter and lighter. Resilience and the preservation of the original handle of the outer fabric are other important requirements.

Multi-functional interlining - a product of the future

Hänsel product development has created market innovation. With the multi-functional interlining it is possible to weave without interruption shoulder, transitional and lap segments in different materials and densities. A merit of Hänsel Chief Engineer Otto Kraushofer, who brought the multi-functional interlining to perfection in the 70's. In 1998, a multi-functional interlining of 100% polyester was developed for which a patent has been registered. With this product, Hänsel supply internationally well reputed top-rung companies such as Calvin Klein, Ralph Lauren, Liz Clairborne etc.



Werner Küsgen, Wolfgang Schulte, Rudolf Lowen

Novelty products demand service and advice

Fashion is subject to continued change. That applies to shapes and materials alike. Hänsel Textil gained a special profile for their customer advice in processing questions in the early 70's already. Service enjoys top priority at Hänsel's. E.g., Hänsel engineers check machine settings in the customer's plant. They do cleaning tests. Occasionally they undertake joint product development with a customer, meeting his special demands. That will result in additional sales.

Hänsel products - environmentally friendly and competitive

Hänsel, too, is exposed to price competition. The concentration at retail level demands a tribute. However, Hänsel succeed in holding their position by quality and service. Environment - mindedness enjoys top rating. All products are certified according to Ecotex Standard 100.

What will matter in future

Wolfgang Schulte will lead Hänsel into the coming millennium

Globalization will require special efforts in the fields of product development, distribution and controlling. This is a task that is faced by Wolfgang Schulte, successor to Otto Schaeffer since 1993



as Chief Executive Officer and responsible for the product. Other members of the executive are Rudolf Lowen (distribution) and Werner Küsgen (Finance). The availability of goods is an absolute 'must' at Hänsel's. They maintain, on an international basis, a network of representatives and distributors with their own stocks. E.g. in Ireland, Finland, Switzerland, India, Australia, Turkey, Japan, Spain, U.S.A., New Zealand, Uruguay, Russia, Roumania - just to enumerate a few The product is available wherever clothes are made up

The situation now

In earlier years the majority of sales were made to the menswear industry, the domestic business contributing the lion's

share and exports relatively weak. During the past ten years, the situation changed. Today 50% of the turnover is from menswear and 50% from womenswear. Three quarters of the output go into exports. Sales are expanding enormously. The annual production of interlining fabrics has reached 45 million metres.

Some outside production is in the development phase in Eastern Europe, Mexico, and Hongkong. The total turnover of the enterprise has reached 100 mill. DM produced by a staff of 320. As an internationally operating organization, Hänsel employ people from 20 nations. 35% of them are foreigners. In Great Britain, Austria, Hongkong, France, Italy and U.S.A., Hänsel have their own subsidiaries. Deliveries can be made to all corners of the world within 24 to 36 hours. Primarily for tariff reasons, Hänsel have a still minor portion of their products manufactured abroad. In Mexico, a joint venture agreement was signed with another enterprise. There they make products for delivery to the North and South American regions, especially into countries of the NAFTA union. Some production activities are planned in Hongkong.



Germany remains the leading knowhow base

Despite globalization tendencies, Germany remains the principal base for Hänsel. The enterprise is highly technical. On the one hand, the share of wage costs is minor, on the other, the demand for investments and knowhow for the production of the highly complicated articles in 18 phases at a quality level meeting the demands of the clothing industry, is strong. The enterprise is maintained at an extremely high technological standard by very high annual investments. This is another reason justifying and securing the Iserlohn domicile.

Textile product policy rests on three pillars

The Hänsel development in the coming years will have three objectives.

Firstly, the market share of classical inlay materials of horsehair and animal hair is to be stabilized by offering more modern variants made of lighter materials.

Secondly, there will be a clear orientation favouring standard fabrics weighing between 30 and 100 g. Here, modern knitted material will be used with modern adhesives. Especially with lighter-weight fabrics, the interlining must give the garment the necessary volume without altering the handle of the outer fabric.

Thirdly, the development of multi-elastic interlinings is to be continued, particularly in weights from 20 to 85 g.

Distribution organized for increased exports

Hänsel are represented with their products in 80 countries. In 1973, exports covered 20%, 40% in 1980, 50% in 1985 and 75% today. Important export markets are on all continents.

At medium term, the export share may be expected to grow to 80%. This should be seen against the background that the foreign production share of the German clothing industries - including outward processing traffic - will increase to 90 or 95%. That will demand even more flexibility from Hänsel. Still bigger parts of the production programme must be deliverable just in time within 48 hours in all corners of the world. The foreign engagement will therefore grow in the years to come. The activities will include the establishment of new subsidiaries and also the extension of distribution via representatives with their own stocks. The logistics network is to be expanded and improved at the same time.

Marketing is customer advice and service

A substantial element of marketing remains customer advice. Engineers of the makers-up are invited to Iserlohn. Hänsel offer seminars and individual instruction. Various methods of processing inlay material with the fabrics used in the making-up operations, may be trained. Furthermore, Hänsel hold a big number of seminars in order to train interested customers in the use of inlay fabrics.

These aspects, too, have the purpose to maintain international innovative acknowledgement.

Training and qualification subject number one

In various segments, the production work requires top qualification. 8.6% of the total staff are trainees. In 1998, 13 apprentices are trained in the trade, 12 apprentices get a commercial training.



In general, Hänsel have helped many young people to receive vocational training. From their own experience, Hänsel cannot agree with criticism often expressed that young people have a negative attitude regarding the requirement of efficient performance.

Cultivation of contacts makes life easier

At the Iserlohn base, the enterprise maintains good contacts with the authorities. Open days promote closeness to the citizens. Company parties and 'veterans' meetings improve



Ulrich Krause

the spirit of solidarity. The staff mess is open to all employees. An easygoing and friendly social approach to each other, but also between superiors and staff belong to the matters-of-course in Iserlohn.

The cultivation of contacts with the industrial associations has a long tradition. Wolfgang Schulte is Chairman of the Working Committee on interlinings as the successor to Otto Schaeffer.

Jointly on the road to success

The success of the enterprise is the result of intensive co-operation of all the people. The togetherness respecting the personal situation but giving priority to the requirements of the company is a practice observed at Hänsel's for many years down to the present day.

The second way

Compound technical operations as a new market

With the advent of compound operations, a new business segment developed from a technical department of the enterprise in the early 70's. Even then one believed that it could not be wrong to create a second base outside the textile industry.. Hänsel took over the distribution in Germany for Xiro, the Swiss manufacturer of adhesive films, but developed their own product parallel to Xiro's. One sold not only films

but did own laminations. Textiles were bonded with foams. Primary customer here was the automobile industry.

New company, new potentials

Since the business was so successful, it was decided towards the end of 1991 under the leadership of Wolfgang Schulte to separate the departments for technical textiles. The enterprise bought a lot of about 20 000 square metres at Sümmern and began to build there a production plant of about 1600 m². In the spring of 1993, Hänsel Verbundtechnik GmbH & Co. KG was founded as a 100% subsidiary of Hänsel Textil GmbH. With a staff of 30, the company is expected to achieve a turnover of 15 mill. DM in 1998. After the conclusion of the establishing phase, Hänsel Verbundtechnik is on the right path today. Quality standards have absolute priority. Certification according to DIN ISO 9001 was applied for and granted. By the end of 1999, certification according to QS 9000 and the quality standard of the association of the German automobile industry (VDA) 6.1 will follow.

Verbundtechnik as supplier of knowhow

Already now, Hänsel Verbundtechnik very successfully employ the company knowhow in many different fields. One the one hand they have available films and webs, which are partly marketed for partners in Germany, Benelux and Austria, on the other they maintain an equipment park in order to be able to

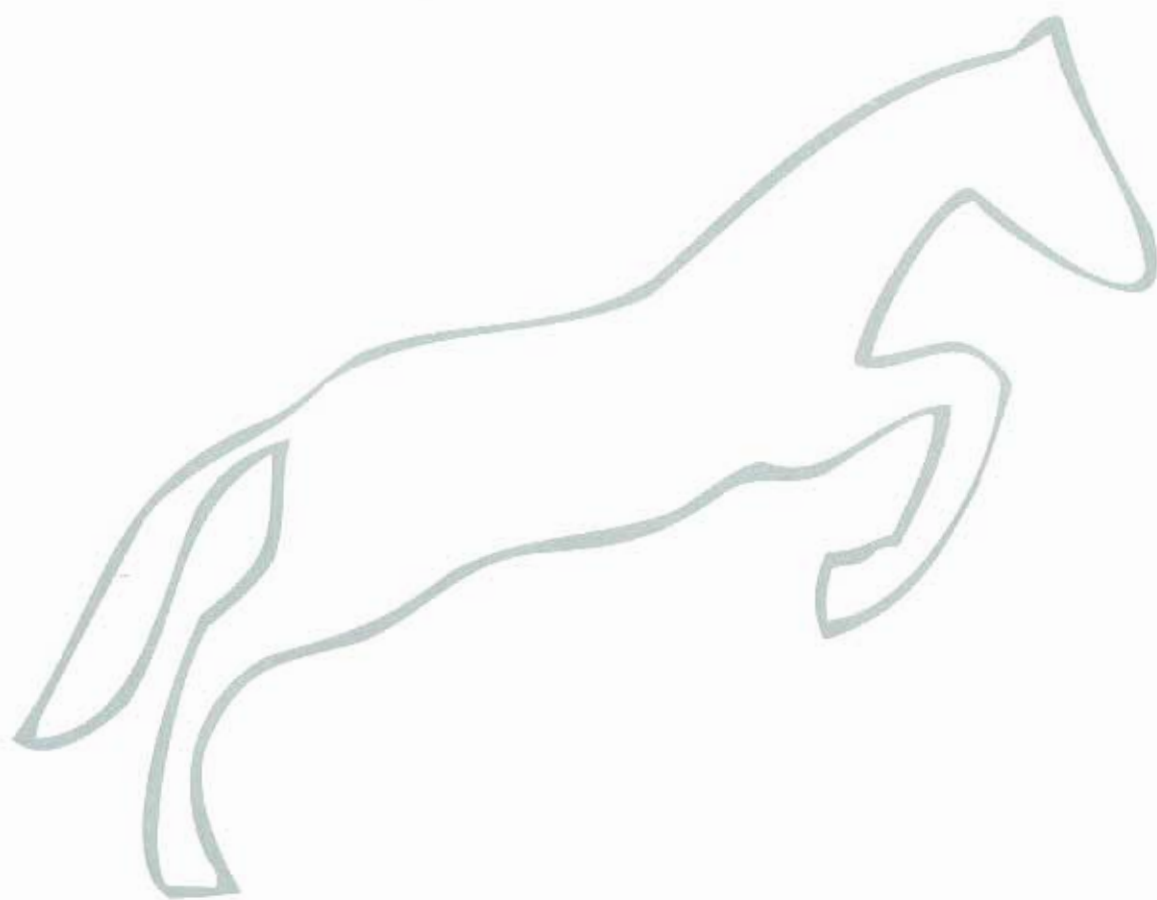
manufacture on commission basis or for one's own projects, too. Service strength is displayed beyond that in elaborating individual product solutions for customers. For this purpose, labs are available for quality and durability tests. Currently, Hänsel Verbundtechnik work primarily with the automobile industry, which manufactures products already worldwide. Medium-term



objective is the internationalization of the business. For this project, existing distribution branches and stocks of Hänsel Textil can be profitably used.

Verbundtechnik with high growth potentials

Hänsel Verbundtechnik has the greatest growth potential within the group. After a turnover in 1997 of about 6 mill. DM, 15 mill. DM are expected in 1998. More than proportional growth has been pre-programmed already on the basis of a new product policy.



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