CEREC ANTONIUS powers ahead...
a global business with a local focus

Since orchestrating the purchase of vessel head manufacturer CEREC from the French Vallourec group in 2006, Chairman Mr Alain Honnart has propelled it into the global market. During 2009 he oversaw three bold moves; the company's merger with Antonius Vesselheads, a Dutch business whose activities formed an almost perfect synergy; a joint venture with Nuclep in Brazil; and the construction of an ambitious facility in India. From the Paris headquarters of the newly re-named CEREC ANTONIUS, Mr Honnart explained the vision behind the strategy and how he plans to power the company to further success.

By Joanne McIntyre

The main focus of CEREC ANTONIUS is to be as close to its customers as possible to optimize service, logistics and cost," begins Mr Honnart from the company's headquarters near the Louvre Museum in Paris. "Logistics are important because large vessels can be very difficult to transport, and having four locations around the globe will allow us to find original solutions. Cost savings will clearly be achieved because time consuming operations will be carried out more efficiently in India or Brazil than in Europe. Most importantly our sites will be close to our customers who are happy to be able to source quality products locally."

The logic is faultless yet this simple explanation belies the long term strategy and vision that have made all this possible.

In 2007 Mr Honnart made several key strategic decisions that would ensure CEREC would continue to optimally serve its primary markets of nuclear power generation and the petrochemical industry. "By 2007 it was evident that the way in which we needed approach the market was evolving both in terms of the materials used and the sizes demanded," explains Mr Honnart. "Our customers were demanding pressure vessels manufactured in sophisticated materials which are more challenging to work with such as clad materials, stainless steels and alloys. In addition the market was moving geographically to countries outside of Western Europe."

The company faced a choice; expand their existing facilities or find a new business partner. "While we did make a local investment in a small French stainless steel head manufacturer, studies revealed that one of our European competitors– Antonius Vesselheads - was in fact very complimentary to us because they manufactured a completely different range of heads than CEREC. Whereas CEREC made small to medium sized heads, Antonius had concentrated on medium to large sizes. It was an ideal match! Clearly the merger would provide superior service to our customers. In all my long industry experience this merger was unique in the synergies it achieved as the two companies had less than 10% of their customers in common. It's amazing how complimentary the relationship is."

After a full year of negotiations the deal

was finally struck, and the worlds' first global network for manufacturing dished heads for pressure vessels was formed. "Both companies have very long histories," explains Mr Honnart. "CEREC was founded in 1907 to make seamless tubes and formed products, and has concentrated on formed products and dishes since 1932. Antonius had been in the business for over 70 years. One of the greatest strengths of bringing together these two entities is the wealth of accumulated experience we have."

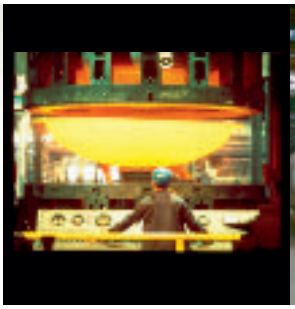
Global expansion

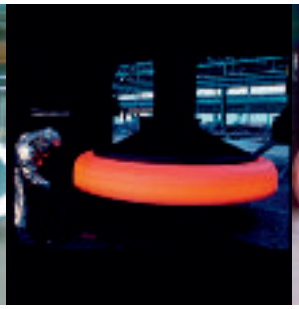
At the same time as he was negotiating the merger with Antonius, Mr Honnart was also focusing on gaining a strong foothold in Asia and America, which he believes will be vital future markets.

History of CEREC ANTONIUS

1907	Establishment of La Société des Forges de Recquignies
1930	Joint venture of Louvroil, Recquignies and les Tubes de Valenciennes Denain creates VALLOUREC
1978	Merger of Département Emboutissage de Vallourec and Bourdeau Emboutissage
1985	VALLOUREC REQUIGNIIES takes the name of CEREC (Compagnie d Emboutissage de Recquignies).
2006	VALLOUREC sells CEREC to Eureka Metal, affiliate to the Calvi Network, and to the management of CEREC
2009	CEREC merges with Antonius Vesselheads to create CEREC ANTONIUS

"Much of the future demand for the petrochemical and refinery markets will be on the North coast of South America. The nuclear power market is also growing strongly, with Brazil planning four additional plants, while North America is not far away. These factors make Brazil an ideal location for us. I visited many sites and talked with many potential partners and end users before identifying our partner in Brazil, Nuclep. This State-owned company is also involved in our two primary markets: powergen and petrochemical. Becoming their partner meant we were able to meet our two goals; to become a specialist supplier for nuclear power generation in the region and to establish a presence in Brazil. Cerec Tampos Industriais will work with Nuclep to manufacture hot forged heads. Our manufacturing location is within Nucleps' existing Brazilian nuclear production facility, conveniently located on the coast in Itaguai. This is important because large diameter vessels – which may measure up to 10 meters - are difficult to transport by road. Manufacturing will start by May this year."
Asia is also an important market for CEREC ANTONIUS, and developing a strong presence there was the third cornerstone of Mr Honnart's strategy. "India has some very large potential customers. Currently there is no hot forming capacity in India so it was the perfect time to expand into there. We were able to identify an ideal partner, a young entrepreneur with recognized expertise in cold formed products, and together we have created Cerec Metalform in Vadodara, Gujarat. Our partner had already purchased land and started construction on a green-field site, so we were able to fairly simply modify his plans to accommodate our additional equipment. This has enabled us to move forward very quickly and we intend to start manufacturing there in May, at the same time as our Brazilian expansion comes on line! It has been a very complex time achieving these three projects - merging with Antonius, and creating the two facilities in India and Brazil – at the same time."
CEREC ANTONIUS has effectively created a global network for its complete range of hot and cold formed dished heads and pressure vessels. "We will now be able to manufacture close to our customers, serving them from local bases with the




Chairman of CEREC ANTONIUS, Mr Alain Honnart: "We want to be as close as possible to our customers to optimize logistics, service and costs"

A hot formed vessel head cooling in the company's production facility in Recquignies, France full stop.

Welders preparing the internal surface of a large vessel head manufactured using the crown and petals method.

Cold spinning a vessel head to prepare the edges for welding.

expertise and quality of a global company," continues Mr Honnart. "If a project requires large items these can be pre-formed using our heavy duty equipment in Europe then sent to Brazil and India to be finished, calibrated, heat treated, welded and assembled. Smaller parts will be completely manufactured locally in India or Brazil. Our strategy is to look at the world as one single market while ensuring that we are close to the customers. India is close to the Middle East and has a lot of influence in that market - Indian engineers and purchasers will be heavily involved in the large number of refineries which will be built or repaired in the region in future. It's an original concept with the company located on three continents; we are serving the market with the flexibility to act locally or globally as needed."

Globally the entire investment capital totals around EUR 20 million, a substantial amount for a company its size. "When we bought CEREC in 2006 annual turnover was EUR 30 million per year," explains Mr Honnart. "With our new organization our short term goal is to raise that to EUR 80 million, representing 40,000-50,000 tonnes, per year. Even before these investments we were growing rapidly with new clients in India, Brazil, Russia and South Africa; we have tried to establish a presence in any country where there is a need for our products. The European market is already well equipped so new customers must come from afar. For the petrochemical industry countries will increasingly build their own refineries and chemical plants to sell refined products. The Korean nuclear industry is becoming an important market for us and while it is able to produce some products themselves, there are many items for which they don't have the tools, capacity or knowledge and I'm confident we can supply those. Many countries are planning to build new nuclear power plants, and being present on three continents will help us to supply these projects."

Strong strategic approach

These bold moves, executed in a short time-frame, clearly illustrate Mr Honnarts' business approach. "We take the quantitative approach of not looking at the immediate needs of our customers but instead considering what their needs will be ten years from now and then preparing for those. This is why we always try to meet not only our customer, but their customers too; not to sell to them, but to understand what they will need in future. This ultimately means that we can provide better service."

Mr Honnart has a long and distinguished history in the nuclear power generation industry. He graduated as a material science engineer specialized in the deformation of metals after studying both in France and in Harvard, USA. "After working as a research engineer for the Atomic Energy Commission for two years, I joined the French company Vallourec. I was with them for 38 years, and for the last 22 year I had a dual function. As Industrial Director I was responsible for the group's industrial and maintenance policies, research & development, intellectual property, quality and purchasing for the whole group. At the same time I was managing the special metals divisions, including nuclear and conventional power generation, aerospace, stainless steel and titanium, etc.

I have always been a strong believer in

A hot –forged part cooling at the company's Recquignies (France) facility.

Hemispherical vessel heads, painted with a protective blue coating on the interior surface, ready for shipping.

A large vessel head manufactured using the crown and petals technique

nuclear power; back in 1999 when nobody else saw a future for the industry I convinced Vallourec to preserve and upgrade its nuclear facilities a and it turns out to have been a very good decision!" Upon retirement from Vallourec, Mr Honnart decided to continue in the nuclear industry, striking an agreement with an Italian shareholder willing to join a management group to buy CEREC. "With years of experience in expanding that Vallourecs' activities worldwide I know I could do the same with CEREC to bring it closer to its customers. We generated a capital increase in the company whereby Dutch shareholders contributed cash to finance the expansion of the company. This reflects how strongly they believe in the project. Today we have a much more diverse product base and are a strong European group combining Italian, French and Dutch interests. Having been Chairman of CEREC in the past when it belonged to Vallourec I was thrilled to become the Chairman once more on January 1st 2007. I know the power generation market and all the players in it very well."

CEREC has a long history with the French nuclear industry and a high profile in the country – it supplied all of the formed heads for Areva's Flamenville project. "We've also worked very hard to develop close links with other large players such as Westinghouse in the US and Babcock in the UK. Our ambition is to become their partner; not because they will ever place any direct orders with us but because this is the same concept of looking to the customers of our customers to gain advance knowledge of what projects are coming up, how we can prepare for them and how we can be in a position to provide the best possible service and conditions."

Experts in the field

"There has been a lot of evolution in the market with customers increasingly demanding exotic materials such as chromium molybdenum, vanadium, steel alloys and clad materials. These materials are difficult to forge and even more difficult to weld. For large vessels which are constructed using the crown and petals method whereby parts need to be both formed and welded, the experience which Antonius possesses will clearly be a great asset," explains Mr Honnart. "Antonius has a great deal of experience in working with stainless steels while CEREC has a long history of working with alloy steel. Cladded materials are rapidly gaining popularity; these are made up of a carbon or alloy steel base and stainless steel lined with a different grade on the inside. It's a developing industry which shows great promise."

CEREC has over 100 years of experience in the manufacturing of pressure vessels and dished ends.

Stainless and carbon steels will however continue to be the main products that CEREC ANTONIUS works with. "We have many years of expertise in working with all of these materials," continues Mr Honnart. "We've built up good relationships with our suppliers because we need to buy high quality grades. The reactions to our expansion activities have been very positive from our suppliers and our customers and production will expand smoothly."

"Clearly our partners can expect us to combine the long traditions of quality workmanship and years of experience in CEREC ANTONIUS. Both companies are staffed with people who have worked in this industry all their lives. There are many aspects of this work that you simply can't read in a book; you must learn to do it on the job and we have always maintained this level of expertise. For example throughout the economic crisis we did not make a single person redundant. We kept all of our workers because they are our greatest asset. This has always been the policy at CEREC; every year we hire young people to be prepare for the retirement of older staff. The company really is like a family, and we have several third generation employees! This is their company and that approach is extremely important to us."

Mr Honnart is confident about the company's future. "For me this way of doing business is the best way to succeed in the industry. Europe is the best place for us to maintain our base because this is where we have invested in equipment and knowledge over the years. By reaching out to our customers and providing them with locally produced products backed up by a strong European base, we can offer them the best of both worlds."

Facts & Figures

Name:	CEREC ANTONIUS
Turnover 2010:	60 EUR million (estimate)
No. employees:	250
Key markets:	Nuclear power generation, petrochemical, refineries, food processing…
Products:	heads, dished ends, cones, expansion joints, elbows and other pressed parts from steel plates and non ferrous materials.
Manufacturing locations:	Recquignies – France, Maasbracht – The Netherlands, Vadodara, Gujarat – India, Itaguai – Brazil.