



Choosing our battles to become a leader

CNIM completed two acquisitions and one disposal in 2017, which changed its business model. What was your aim?

Nicolas Dmitrieff: Our goal was not so much to change our model as to strengthen it. You are referring to the acquisitions of Exensor and Winlight by our subsidiary Bertin Technologies and to the sale of Bertin Pharma's pharmaceutical and biotech services operations. Sweden-based Exensor is a major international supplier of automated sensors for protecting armed forces and critical infrastructure. By acquiring it, we bolstered and accelerated Bertin's strategy for expanding in the global instrumentation and surveillance market for defense and security applications. Winlight is an internationally-renowned

French firm that designs and manufactures components and systems for high-performance optics uses in the astronomy, big science, space and defense industries. Its acquisition strengthens Bertin's capacity for designing and integrating Bertin's optical systems, which, in addition to their own markets, are used in CNIM's mechanical systems for big science. The takeover allows us to position ourselves in the big science market with a comprehensive offering that is on the cutting edge of global technology. We also sold Bertin's pharma and biotech operations to two French firms from the sector. Given their stage of development, these businesses needed to bring in new shareholders to conquer new markets.

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The alliance will allow us to address the Indian and southeast Asian markets efficiently and competitively. We also decided to combine our environmental and energy services to unleash selling and operational synergies and offer more comprehensive services on a truly European scale.

So, your focus is on international development?

N.D.: International growth is indeed a priority. Our offerings target individual geographic markets taking into account local needs, entry barriers, our existing geographic footprint and our ability to deliver added value either on our own or through partnerships. We already have hubs in the Middle East (Abu Dhabi) and Asia (Singapore) and can rely on our offices and factories in China (we have been operating in Gaoming since 2005), Morocco (since 1949) for the African continent and on our subsidiaries Bertin and LAB Geodur for North America. For instance, our operations in China give us an international sourcing platform for our Environment & Energy businesses but also allow us to address the Chinese market with Bertin's range of medical waste decontamination solutions. Abu Dhabi supports sales and marketing efforts for our environment business as well as our defense, security and instrumentation offerings, for instance in the field of gas detection on oil sites. Lastly, Morocco is the platform for our conventional energy businesses in Africa and also for smart grid and biomass projects.

51.6%

of revenues generated outside France.

634,9

million euros of total revenues in 2017.

In concrete terms, what impact did this international expansion have last year?

N.D.: In 2017, we generated 51.6% of our revenues outside France, with €268.7 million coming from Europe and €58.9 million from the rest of the world. Revenues in Europe rose 14.5% from the 2016 level. Our expertise is recognized beyond Europe's borders, and we have identified growth potential in waste treatment and the protection of sensitive industrial sites. We are coming to be well known among the big contractors and project developers. We team up with local firms to respond to requests for proposals. The consortium formed by CNIM, Gulf Investment Corporation (GIC) and Al Mulla Group Holding Co (AMG) was selected as the Preferred Investor for the Kabd Municipal Solid Waste waste-to-energy plant project in Kuwait. Bee'ah and Masdar, which formed a joint venture to develop the first waste-to-energy plant in the United Arab Emirates, in Sharjah, chose CNIM to design, build and operate the facility. This is concrete proof of our ability to establish positions in new markets.



The Group has a diversified portfolio of businesses positioned either as leaders or challengers in their markets. Does this not raise concerns for your stakeholders, whether the market, investors, prospects or clients?

N. D.: You have to look back at our shipyard days to understand CNIM's current positions in the defense and security, environment and energy management sectors. These are sovereignty-related issues and priorities for States and large clients, public or private firms. We built up and expanded our traditional range of thermal and mechanical expertise through organic growth and acquisitions (optics, digital, etc.). These new activities bolster our positions as a leading player and systems manufacturer in these sovereignty-related

areas. Our clients expect us to deliver the highest-quality equipment, solutions and services, and it is our goal to rank among the best in each of our markets. We are not seeking to be big but rather to count among the best in every market we serve. This means we have to choose our battles and focus on areas where we can be on the podium. At the same time, we are working to balance our business portfolio between products, recurring services and projects to manage cycle highs and lows as efficiently as possible.

CNIM is a family-owned group with a stable shareholder base that is committed to its development. We are not subject to the whims of financial markets since I fought to regain control of our capital, of which the family holding company has held 56.56% since 2014. The actions I take, with the Management Board and Supervisory Board, are geared to the long term, and we have invaluable freedom to put our heads together with our teams to see what CNIM can become tomorrow and decide what steps it should take today. The fact that CNIM has been publicly traded since 1987 is proof of our credibility and transparency, and also gives the Group's financial partners more confidence in us.

How would you summarize 2017 for those financial partners?

N. D.: Our revenues rose to €634.9 million, from €539.9 million in 2016, when order intake was quite robust.

We delivered net income of €22.0 million, compared with €15.6 million in 2016, for continuing operations, and €34.1 million for discontinued operations. Order intake totaled €543.4 million versus €839.7 million in 2016, and the order book ended the year at

€830.3 million compared with €905.6 million at December 31, 2016.

Orders were booked during the year for turn-key energy-from-waste plants in Avonmouth (UK) and Belgrade (Serbia, design phase). CNIM was selected to build several new plants in Europe and the Middle East. These new projects, which were not included in the order book since work orders had not been received, will translate into significant business volumes starting in 2019. Orders booked by the Innovation & Systems Sector rose 22.7% over the year, notably thanks to the Defense operations, without any major consolidation scope effects.

How are the teams preparing to tackle the priorities you listed?

N. D.: I initiated a transformation program that began with the creation of a Group Directors Committee including members of the Management Board, operations managers and directors of the main business lines. This Committee's mission is to translate the Group's strategic priorities into operations and to oversee the different aspects of our transformation in which the management community is involved.

All changes and decisions relating to our growth strategy, innovation and human resource management will be shared at every level of the Group. The role assigned to the management community is vital as their active participation will be required, regardless of their business, in promoting cross-functional initiatives that benefit the whole Group and in managing their teams during this transformation process.

CNIM is an exciting, free and independent group majority-owned by a family committed

to its expansion. We offer state-of-the-art expertise and have a management team that knows it can count on the commitment and daring innovation of its 2,500 employees.

Our transformation is of course not being orchestrated behind closed doors, but rather in interaction with all our stakeholders. The present integrated report seemed to us the best way to present our model for creating value in an increasingly global market environment. ●

