IFRS Annual Report and Accounts 2012

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LANGLEY

Company Information

YEAR ENDED 31 DECEMBER 2012

DIRECTORS:	A J Langley – Chairman J J Langley – Non-Executive B A Watson
SECRETARY:	B A Watson
REGISTERED OFFICE:	Enterprise Way Retford Nottinghamshire DN22 7HH England
REGISTERED IN ENGLAND NUMBER:	1321615
AUDITORS:	Nexia Smith & Williamson Statutory Auditor Chartered Accountants Portwall Place Portwall Lane Bristol BS1 6NA England
PRINCIPAL BANKERS:	Barclays Bank plc PO Box 3333 One Snowhill Snowhill Queensway Birmingham B4 6GN England Deutsche Bank AG Adolphsplatz 7 20457 Hamburg Germany

Key Highlights

YEAR ENDED 31 DECEMBER 2012

	Year ended 31 December 2012 €'000	Year ended 31 December 2011 €'000
REVENUE	527,065	494,670
OPERATING PROFIT	115,992	73,132
NON-RECURRING ITEMS	25,158	–
PRE TAX PROFIT	121,253	76,312
NET ASSETS	382,729	295,852
NET CASH	208,223	245,728
ORDERS ON HAND	238,653	273,977
	No.	No.
EMPLOYEES	2,264	2,225

LANGLEY

Chairman's Review

YEAR ENDED 31 DECEMBER 2012

In the year to 31 December 2012 the Group recorded revenues of €527.1 million (2011: €494.7 million) and generated an operating profit before non-recurring items of €90.8 million (2011: €73.1 million). Of this, rental income contributed €3.9 million (2011: €1.1 million) and income from finance activities added €5.5 million (2011: €3.4 million). During the period there was a non-recurring gain of €25.2 million (2011: €nil). This all resulted in a profit before tax of €121.3 million (2011: €76.3 million) and a profit after tax of €85.4 million (2011: €56.4 million). At 31 December 2012, net cash was €208.2 million (2011: €245.7 million) and net assets €382.7 million (2011: €295.9 million). Orders on hand at the year-end were €238.7 million (2011: €274.0 million).

In my review at the half-year, I said that I was expecting 2012 to be another record year for the Langley Group. That has proven to be the case, with these results surpassing those of 2008 and 2011. At €527.1 million, revenues were up by 6.5% on 2011 with operating profits excluding exceptional gains increased by 24.2% on the previous year, as our factories reached unprecedented levels of utilisation.

For some years now the Group has been operating debt free and with substantial cash reserves. Recently, we have invested some of our surplus cash to acquire business premises occupied by our subsidiaries. The most significant real estate purchase in this programme so far occurred in February 2012, when the Group purchased the million-plus square foot headquarters and manufacturing facilities of related company, Manroland Sheetfed GmbH, in Offenbach, Germany. As rental income from our subsidiaries and related companies is now a material amount we have identified this within operating profit for the first time this year. The Offenbach purchase gave rise to a fair value adjustment of €25.2 million which is shown as a non-recurring gain in these Accounts.

PILLER DIVISION

Revenue: €196.6m. (2011: €189.8m)

Headquarters: Germany. Employees: 764 (2011: 748)

Piller Division was the principal driver of the 2012 result. Piller is a leading producer of advanced power conditioning and back-up systems for data centres, together with aircraft ground power equipment and naval military electrical systems. From its headquarters and manufacturing facilities near Hanover, in Germany, the division recorded revenues of €196.6 million (2011: €189.8 million).

The excellent performance of Piller was brought about principally by strong demand for data centre systems, which in turn gave rise to very high utilisation of the production facilities, coupled with a favourable business mix. Revenues from the higher margin aftermarket have increased by around 50% over recent years and represented approximately 30% of total revenues in 2012. A slight shortfall in expected revenues in the US subsidiary was made up by the UK and German companies, while Piller France, Italy and Spain performed in line with expectations in a subdued market. Piller Australia had another very successful year, experiencing continued strong demand, mainly from the data centre sector in Australia. Piller Singapore, the company we established in 2009 to service the Pacific Rim, also performed well. Notably, Piller has achieved the current levels of business without material contribution from the BRIC countries and in 2012 management began to examine these markets, in order to develop business in these areas for the future.

CLAUDIUS PETERS DIVISION

Revenue: €139.6m. (2011: €135.4m)

Headquarters: Germany. Employees: 540 (2011: 548)

Claudius Peters (CP), headquartered near Hamburg in Germany, has two quite separate revenue streams. The principal activity is the design and manufacture of plant and machinery for the cement, steel and alumina industries. The company also produces stringers for the Airbus programme and celebrated thirty years of this activity in 2012, having supplied these components to every Airbus ever built. The division overall experienced a satisfactory trading year with sales of €139.6 million (2011: €135.8 million). The CP subsidiary in China saw a slow down after several years of strong demand, as did Brazil which had performed well in 2011. In the US, the business, which had been languishing since the financial crisis, picked up in 2012 whereas subsidiaries in Spain, Italy and the UK, not unexpectedly, reported continued weak demand. This was compensated by Germany and the markets it serves directly. CP France continued to trade at a historically high level on the strength of materials handling contracts in former French dependencies, but operating margins were impacted by a problematic contract which left the business only marginally profitable. However, all losses on that contract are now fully provided for. CP's aerospace division meanwhile, managed moderate growth over the previous year and maintained margins. Orders on hand at the year end for the CP division were €76.5 million (2011: €123.8 million).

ARO DIVISION

Revenue: €136.2m. (2011: €109.7m)

Headquarters: France. Employees: 498 (2011: 451)

ARO Division, which is based near Le Mans in central France and operates a second manufacturing plant in Detroit in the US, is the leading producer of resistance welding equipment to the automotive sector. The division experienced a remarkably successful year in 2012 as both European and US automobile producers continued to invest in new production lines. Despite the malaise in European car sales, investment in new production lines outside of Europe was extremely buoyant and the trend, which resulted in a record year in 2011, continued and strengthened in 2012 to reach an all-time high revenue of €136 million. This resulted in a very healthy operating margin of 18%, largely due to extremely high utilisation of the factories in both France and the US. Management viewed 2012, like 2011, as an exceptional year and although the current level of activity looks set to continue until mid-2013, the business is forecasting a slow-down in the second half. At the year end the division had orders on hand of €38.1 million (2011: €34.0 million).

OTHER BUSINESSES

Revenue: €54.7m. (2011: €59.8m)

Located: United Kingdom & United States. Employees: 462 (2011: 478)

Other businesses had a reasonably satisfactory year overall. Bradman Lake, the packaging machinery specialist, experienced a slower year than in 2011 but nevertheless made a positive contribution, its operations in both the UK and the US reporting a slow down after a record year in 2011. Clarke Chapman had a similar year to 2011 and remained acceptably profitable as did JND. Oakdale Homes, which represents less than 1% of total group revenues, was the only business unit to make a negative contribution, although I expect 2013 will see it return to profit. The other businesses closed the year with order books of €19.7 million (2011: €21.3 million).

MANROLAND SHEETFED

In the interim trading statement I reported that in February 2012, the Group had funded the acquisition of German printing press manufacturer, Manroland Sheetfed GmbH and that after five months the new business was trading within expectations and standing on its own feet financially. That continued to be the case through the second half and the business which was re-structured during the year, reached an underlying operating break-even in the last quarter. The restructuring was completed during 2012 and all related costs were accounted for in 2012, as were non-recurring gains arising from the acquisition.

In 2013 the Manroland Sheetfed Group, which includes some forty subsidiaries world-wide, is now structured to break even on revenue of €350 million. At this level the production facilities in Germany would be operating at around one third of capacity and at 80% utilisation with

CHAIRMAN'S REVIEW (CONTINUED) YEAR ENDED 31 DECEMBER 2012

Manroland Sheetfed HQ in Germany: the most significant real estate purchase to date.

current manning levels. Considering demand for printing presses remains depressed and there is currently significant overcapacity in the market, this is a satisfactory situation. As the business achieved slightly over this volume in a year which saw much upheaval, I would expect to see something of an improvement in 2013.

Manroland Sheetfed will report its trading results to 31st December 2012 in March. Summary unaudited figures are shown in the table below. This also gives an indication of how the existing Group and Manroland Sheetfed would have looked had they been combined at 31 December 2012. The Manroland trading result for 2012 includes substantial non-recurring costs and gains and now that trading has been normalised, it is planned to incorporate the press builder as a division of Langley Holdings plc in 2013.

	Manroland Sheetfed Group Year ended 31 December 2012 €000's	**Langley Holdings plc** Year ended 31 December 2012 €000's	**Total** Year ended 31 December 2012 €000's
REVENUE	358,032	527,065	885,097
OPERATING PROFIT	71,400	115,992	187,392
NET FINANCE (COST)/INCOME	(2,548)*	5,261	2,713
PROFIT BEFORE TAX	68,852	121,253	190,105
NET ASSETS	80,920	382,729	463,649
CASH	46,390	208,223	254,613
EMPLOYEES	1,740	2,264	4,004

*Payable to Langley Holdings plc

OUR PEOPLE

As is customary, no review of our Group would be complete without mention of our many employees around the world who, through their hard work and determination, make the Group the success that it is today. Although not yet formally part of the group I would like to take this opportunity of welcoming to our family of businesses, those people in over forty countries around the world that comprise the Manroland Sheetfed group. 2012 was a year that saw fundamental culture change in that business and I have been impressed by the enthusiasm with which the Langley culture has been embraced. Finally, I would like to especially welcome to the Group, Mr Bernard Langley, my eldest son. Bernard joined the company in October 2012 to become the fifth generation of the family to come into the engineering business.

Bernard Langley joined the Group in October 2012.

CONCLUSION & OUTLOOK 2013

2012 was a remarkably successful year for our Group. Our businesses, with only minor exceptions, have performed ahead of expectation and much credit is due to our divisional management for this achievement. At the group level much of our attention in 2012 has been focused on re-aligning the Manroland business in readiness to become a part of the Group. Looking to 2013, the outlook is positive for our businesses although I do not expect to reach the 2012 heights, or for Manroland Sheetfed to make a substantial contribution; that will come later. Capital equipment, the majority of our Group's engagement, is a notoriously cyclical business and although the diversity of our activities in theory means that peaks and troughs are less pronounced, 2012 was a year which saw the majority of our businesses at a high point and I would not expect this to be repeated. Carry-over of orders on hand at the year-end of €238.7 million is healthy enough but compared with €274.0 million at the end of 2011, is an indication that 2013 will not be as remarkable as 2012.

Anthony J Langley

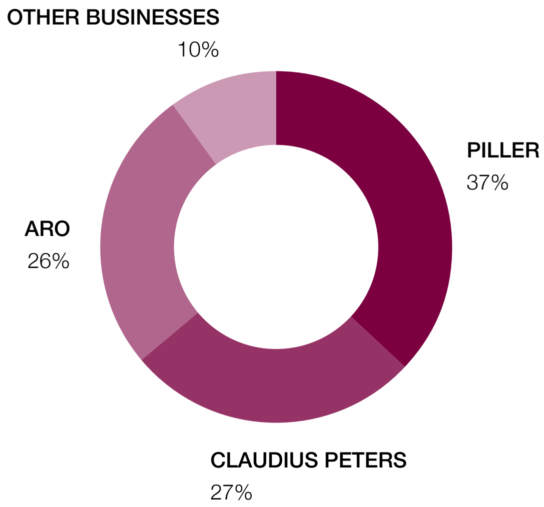
Chairman

31 January 2013

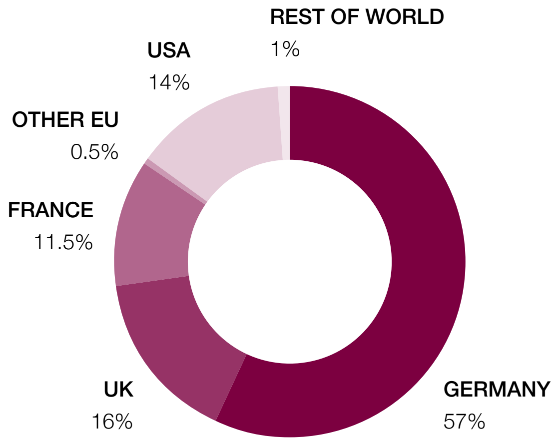
Geographical Distribution

YEAR ENDED 31 DECEMBER 2012

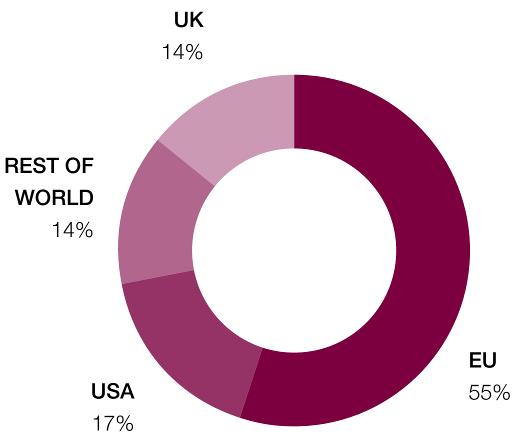
REVENUE BY DIVISION



SITU OF FIXED ASSETS



REVENUE BY ORIGIN



REVENUE BY DESTINATION