



LANGLEY

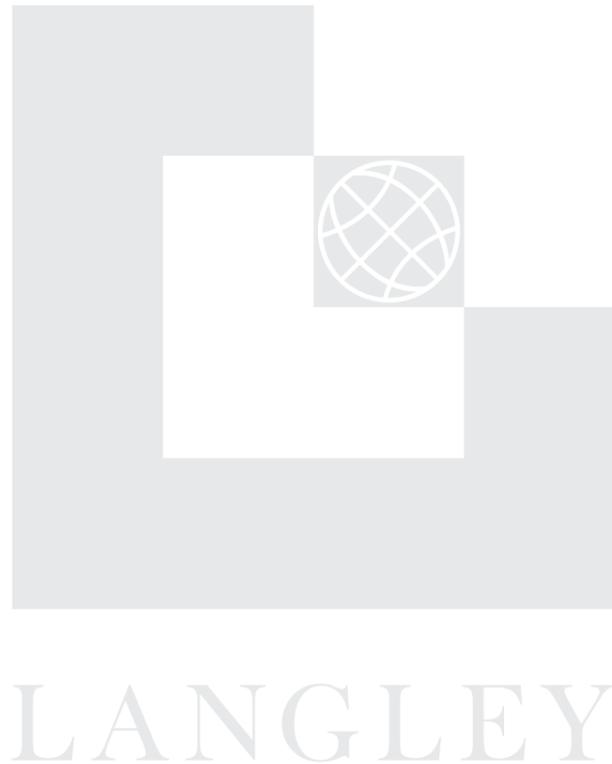
2022

Langley Holdings plc

IFRS Annual Report & Accounts 2022
Key Highlights and Chairman's Review

Company Information

IFRS Report & Accounts 2022



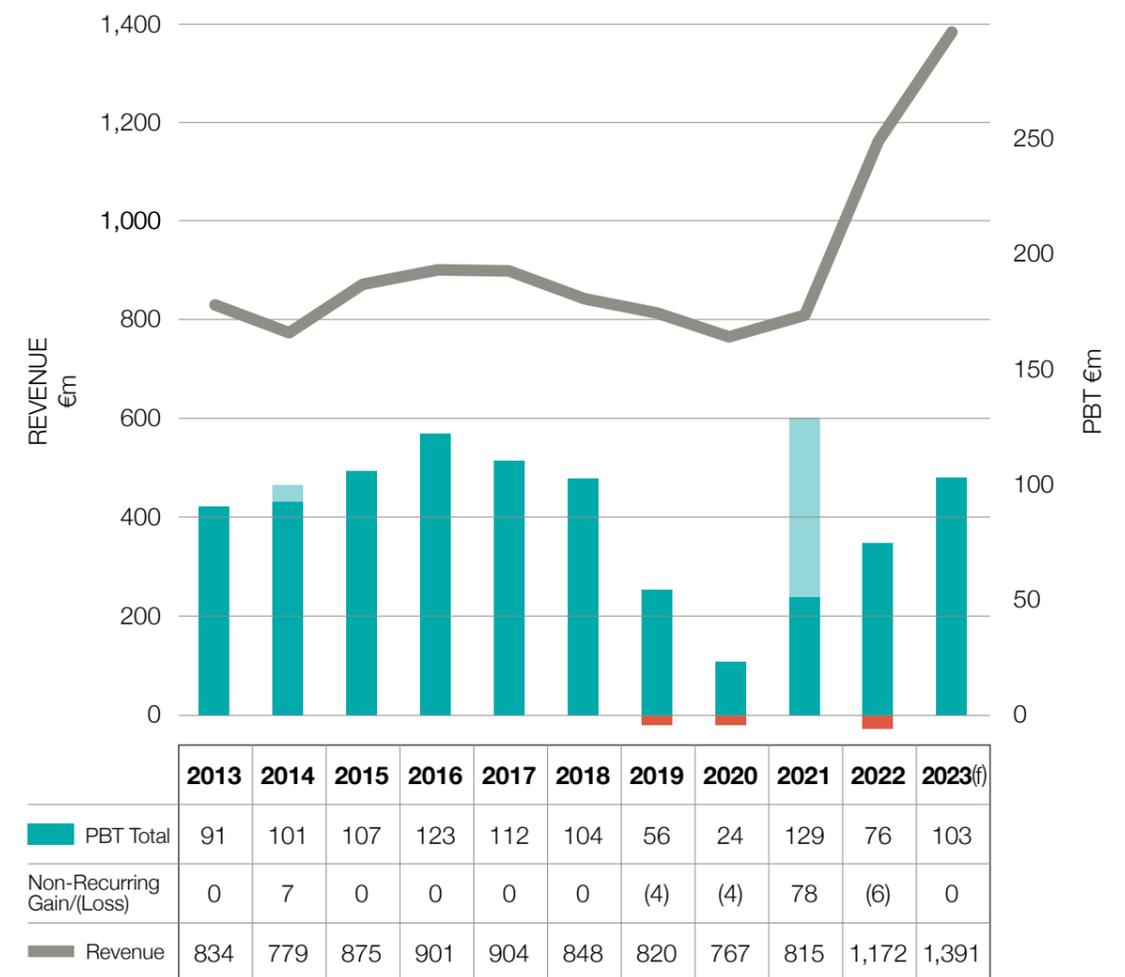
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Key Highlights

Year Ended 31 December 2022

	Year ended 31 December 2022 €'000	Year ended 31 December 2021 €'000 As restated
REVENUE	1,172,485	814,627
PROFIT BEFORE TAXATION	75,727	128,568
NON RECURRING GAIN	-	78,013
NET ASSETS	844,238	814,424
CASH AND CASH EQUIVALENTS	240,901	290,988
ORDERS ON HAND	900,051	797,880
EMPLOYEES	No. 5,330	No. 5,339

10 Year Trading Summary



Chairman's Review

Year Ended 31 December 2022



In the year ended 31st December 2022, the group recorded a profit before tax of €75.7 million (2021: €128.6 million) on revenues of €1.172 billion (2021: €814.6 million). At the year-end the group's cash stood at € 240.9 million (2021: €291.0 million), net assets were €844.2 million (2021: €814.4 million) and orders on hand €900.0 million (2021: €797.9 million). The group had nil net debt (2021: nil) and there were no shareholder dividends during the period (2021: nil).

Forward

The economic recovery that followed the hammer-blow delivered by Covid-19, continued into 2022 and brought with it new challenges. Sharp increases in producer prices that began towards the end of 2021 continued into 2022 and through the year and inflation not seen since the 1980s is, for the time being at least, the new normal. What this has meant for those of our businesses producing equipment with very long lead times, where contracts were agreed prior to these increases, is significant margin erosion. However, the majority of those contracts have now worked through and overall margin quality gradually improved as the year progressed. As the legacy diminishes still further, I expect further improvement in 2023. Supply chain lead times were a major headache for all our businesses in 2022, although the situation is now improving. Higher than normal absenteeism added to burden. Covid-19, although no longer the serious health threat that it was, is still widespread, possibly more so than at the height of the pandemic. On the whole our businesses have managed to work through these difficulties and our management met the challenges 2022 brought with it well.

Since the beginning of 2022, following the acquisition of Norwegian engine builder Bergen Engines AS from Rolls-Royce, the group may now be broadly categorised into three principal divisions:

Power Solutions

Print Technologies

Other Industrials

Power Solutions

The Power Solutions Division accounted for just under half of the group's near €1.2bn revenues and around two thirds of its 2022 profits.

The Power Solutions Division comprises:

Bergen Engines (Norway)	Marelli Motori (Italy)	Piller Power Systems (Germany)
Revenue 2022: €534 million (2021: €267 million)		
Forecast Revenue 2023: €687 million		
Orders on hand: €661 million (2021: €550 million)		
Employees: 2,269 (2021: 2,283)		

Bergen Engines

On 31st December 2021, the group acquired the entire share capital of Bergen Engines AS from Rolls-Royce plc. From its headquarters and manufacturing plant in Bergen, Norway, Bergen Engines produces very large diesel and gas engines, mainly for power generation applications in the marine industry and land-based microgrid applications. The company has sales and service subsidiaries in the USA, Mexico, Spain, Italy, the Netherlands, Denmark, the UK, Bangladesh and India. The Indian subsidiary is also a plant engineering outpost.

During more than two decades of Rolls-Royce stewardship, Bergen Engines became synonymous with the renowned reputation of Rolls-Royce. During that time the company has built numerous power plants up to 200MW. It is a high quality asset and a welcome addition to the group.

"...numerous power plants up to 200MW."

Going forward, Bergen Engines is the central column, not only of the Power Solutions Division, but also of the group's net zero strategy, working closely with Marelli Motori and Piller Power Systems to offer power solutions in the rapidly emerging hybrid renewables microgrid sector, whilst continuing to serve its traditional markets.

"...a successful first year's trading."

During the year, the business underwent light restructuring and an extensive review of operations, processes and procedures. I am pleased to report that Bergen Engines had a successful first year's trading under Langley stewardship, returning to positive territory after a number of loss making years. A large portion of the turnaround is attributable to cost savings and the full benefit of these will only be fully realised in 2023.



The Bergen Engines AS facility in Norway.

Chairman's Review (continued)

Year Ended 31 December 2022

Piller Power Systems

Piller Group GmbH, our German producer of mission-critical electrical equipment, along with its overseas sales and service subsidiaries in the USA, the UK, France, Italy, Spain, Singapore and Australia, was the largest single contributor to the group trading result in 2022.

“...largest single contributor to the group trading result in 2022.”

An all-time record high order intake in 2021 was surpassed once again in 2022, as demand for Piller's highly acclaimed power conditioning systems continued to soar, particularly in mission-critical industrial applications such as semiconductor manufacturing and for data centres. The order intake reached a new record level during our 18-year stewardship.

Piller's expertise in power stabilisation and backup technology lends itself well to the challenge of harmonising and conditioning multiple energy sources and during the year, Piller developed its technology for microgrid applications.

“...order intake reached a new record level...”

Integrated Power Conditioning Technology (IPCT) promises “clean” power based on proven technology in modules up to 10MW. Thereafter in multiples of up to several hundred megawatts in conjunction with Bergen engines and Marelli Motori generators for microgrid applications.

Active Power Inc, based in Austin, Texas, which is focused on power conditioning at the lower end of Piller's range, also had another good year, accounting for some 15% of Piller group profits. The strong US dollar and Russian sanctions dampened the export sales of Active Power but this was compensated by strong home market demand with notable new customers including Mayo Clinic and Tesla.

“...notable new customers including Mayo Clinic and Tesla.”

Marelli Motori

Marelli Motori, our Italian manufacturer of electric motors and generators for the marine, oil & gas, power generation and other industrial sectors, made a nominally positive underlying contribution to the group, before residual non-cash impairments. The business suffered badly from margin erosion due to increases in costs which could not be passed on in 2022. Current costs are now being reflected in selling prices and I expect an improved performance in 2023.



The Marelli Motori factory in Arzignano, northern Italy.

During 2022 Marelli worked closely with Bergen Engines to optimally match their generators to the power output of Bergen's engine range. Prior to our ownership, the two companies often paired their products into generator sets and both are widely recognised for their premium quality and reliability.

During my visit to the Norwegian factory last month, I was pleased to witness the successful testing of Marelli's 10MW generator coupled to a 15,000hp hydrogen-ready Bergen gas engine; an impressive sight and a seminal moment I feel.

The 10MW hydrogen-ready gas fired generator module, together with Piller's Integrated Power Conditioning Technology (IPCT) is set to be the core building block of our Power Solution Division's microgrid offering.

“...core building block of microgrid offering.”

Print Technologies

The Print Technologies Division comprises of:

Manroland Sheetfed GmbH (Germany) **Druck Chemie GmbH** (Germany)
BluePrint Products NV (Belgium) **PCO Europe BV** (Belgium) acquired January 2022

Revenue 2022: €361.3 million (2021: €301 million)

Forecast Revenue 2023: €407.7 million

Orders on hand: €85.4 million (2021: €112 million)

Employees: 1,728 (2021: 1,726)

Manroland Sheetfed

Manroland Sheetfed GmbH, together with its market organisation of over 40 sales and service subsidiaries worldwide, is the largest of the group's operating organisations and the German factory our largest single manufacturing footprint.

“...largest single manufacturing footprint.”

2022 continued to be dogged by supply chain issues. With a modern offset litho printing press comprising over 3,000 components, these are amongst the most complex machines manufactured by the group. Shortages of critical components caused multiple production bottlenecks that seriously hampered deliveries from the factory, pushing the business deep into negative territory. The market organisation companies performed profitably, more or less as expected, but could only partially compensate the shortfall.

During the year, a detailed review of the headquarters operations identified significant scope for working practice improvements and excessive non-productive labour in the manufacturing organisation.

“Changes in production management now made...”

Changes in production management have now been made and a restructuring plan to reduce non-productive employees by 120 persons is currently being implemented, along with a supplementary tariff agreement.

Chairman's Review (continued)

Year Ended 31 December 2022

Over 80% of these staff reductions have been achieved voluntarily, mainly by early retirement and no compulsory redundancies are being made in the direct workforce.

“...over 80% of staff reductions achieved voluntarily.”

Apprentice intake is being maintained and those apprentices completing the training programme are continuing to be offered permanent positions.

The reorganisation, which will be completed in this first quarter of 2023, will not only streamline the organisation, but also significantly reduce the age profile of the workforce.

The exceptional restructuring cost for the reorganisation was provided in 2022 and with a healthy order backlog at the year end, 2023 looks set to be a much improved year for Manroland.

Druck Chemie Group

Druck Chemie – our print chemicals producer, based near Stuttgart in Germany – together with its distribution subsidiaries in Belgium, Czech Republic, France, Italy, Poland, Spain Switzerland and Brazil – had another successful year.

“...another successful year.”

BluePrint Products BV, the Belgian wholesale print chemical producer acquired in 2020 and now part of the Druck Chemie group, more or less hit its revenue target but suffered margin erosion from higher input costs to fall short on PBT, although the business was well into positive territory.

In January this year, Druck Chemie acquired PCO Europe BV, which is currently being relocated to BluePrint's Kruibekke production facility in Belgium.

Overall a satisfactory year for the Druck Chemie group.

Other Industrials

Other areas of group activity include materials handling, automotive, packaging, construction and commercial property holding. Overall the division made a solid contribution to the 2022 result.

“...a solid contribution to the 2022 result.”

Revenue 2022: €277.2 million (2021: €247 million)
Forecast Revenue 2023: € 296.4 million
Orders on hand: €153.7 million (2021: €136 million)
Employees: 1,333 (2021: 1,330)

Materials Handling

Claudius Peters Group GmbH (Germany)
Clarke Chapman Group Ltd (UK)

Automotive

ARO Welding Technologies SAS (France)

Packaging

Bradman Lake Ltd (UK)

Construction & Property

Reader Cement Products Ltd (UK)
Oakdale Homes Ltd (UK)
Various property holding entities (Global)



Claudius Peters

Claudius Peters Group GmbH, the plant machinery builder, has some of the longest lead time contracts in the group and was hit hardest by margin erosion in 2022. The outposts in Spain, Italy, the UK and Brazil were more or less in line with budgets and Claudius Peters Americas in Dallas, TX, did particularly well. Claudius Peters China also exceeded its budget although the French subsidiary fell short of its target.

The plant and machinery business in Germany under performed significantly, due in part to supply chain related margin erosion but also due to its high cost base and inefficient working. The unions and works council have thus far resisted management attempts to address changes in working practices and the board is currently considering restructuring the business if satisfactory progress is not made soon. This unacceptable situation has gone on long enough.

Claudius Peters' aerospace division, which manufactures aircraft stringers for Airbus, made a solid contribution, which, together with the outposts and a healthy machinery aftermarket, pulled the overall 2022 group result back to virtually break even.

The company has produced these critical components since the very beginning of the Airbus programme in 1983 and during the year the company renewed its long-standing supply partnership agreement with Airbus for a further five years.

“...Airbus agreement renewed for a further five years.”

Hopefully management will make progress with tangible improvements to the plant machinery business, restructuring is not the preferred option but either way I do expect a better result this year.

Chairman's Review (continued)

Year Ended 31 December 2022

Clarke Chapman

Clarke Chapman Group Ltd, our specialist materials handler, principally to the UK nuclear sector, and service provider to the UK rail network, performed satisfactorily and on budget.

Strong order intake, including renewal of a long term maintenance contract for Network Rail and a major order, in Clarke Chapman terms, for Sellafield, the UK nuclear waste processing, storage and decommissioning facility, underpin the business's for 2023 and beyond.

"...rail and nuclear contracts underpin the business for 2023 and beyond."

Another satisfactory year for the business that we acquired, also from Rolls-Royce, in 2000.

ARO Welding Technologies

ARO Welding Technologies SAS – our French producer of resistance welding machines to the automotive sector – saw good performances from the French and US manufacturing businesses, albeit on volumes much reduced from the heady years before the pandemic.

ARO outposts in Mexico, Brazil, the UK, Slovakia and Germany were more or less in line with budgets while ARO China did considerably better than plan, remarkable considering the Covid situation in China. ARO Benelux, which handles business with Russia, understandably fell short of its mark but still managed to post a positive result.

A good performance by the ARO group.

"A good performance by the ARO group."

Bradman Lake

Bradman Lake Group Ltd, our Anglo-USA packaging machinery business, had another successful year. Food packaging, its principal market, remained buoyant in 2022 and both revenue and PBT targets were exceeded at the Bristol and Beccles business units in the UK, and at Rockhill SC in the USA. In 2022 Bradman Lake was awarded the prestigious Queen's Award for Enterprise.

With healthy order books at year-end on both sides of the pond, 2023 is expected to see a continuation of the good performance of the business we acquired in 2007.

"In 2022 Bradman Lake was awarded the prestigious Queen's Award for Enterprise."

Bradman Lake has now contributed positively to the group for over a decade.



Reader Cement Products

Reader Cement Products Ltd, the UK cement blending and packing specialist, had another record year, its third in a row.

An outstandingly good performance from this, the business that was transformed five years ago from the remnants of the mining business that Langley was founded upon into the UK's leading independent producer of blended cement products.

"...third record year in a row."

Oakdale Homes

Oakdale Homes Ltd, the small local house builder, which also harks back to the group's very beginnings, posted a positive result for the year, due largely to a long-held land disposal during the period. Nevertheless, the underlying result was also positive.

The business is slowly being wound down and no further developments commenced.

Commercial Property

Over 95% of the group's manufacturing, warehousing and office footprint, amounting to over a million square metres, together with commercial investment properties let to third parties, are owned outright by the group.

"...over one million square metre footprint"

2022 saw the first year of full occupancy of Senefelderhaus, the former headquarters building of Manroland AG, acquired along with the printing press business in 2012. Between 2017 and 2022 the six-storey Senefelderhaus was redeveloped and let, floor-by-floor, along with other surplus buildings acquired at the time, to the German Federal Police. Today the Senefelderhaus is the main regional Bundespolizei training academy, accommodating over 2,000 students and teachers.



Senefelderhaus, the former Manroland AG headquarters building was redeveloped and let to the German Federal Police.

In the UK, surplus land at Clarke Chapman, which was redeveloped into a business park a few years ago, continues to be largely fully occupied. Two of the larger units were let to the National Health Service and transformed into a CL3 laboratory for Covid-19 testing during the pandemic. Over 80 million Covid tests have since been carried out there. Now no longer required, options are currently under discussion to take the units back ahead of the lease expiry in 2025.

"...Over 80 million Covid tests..."

Chairman's Review (continued)

Year Ended 31 December 2022

Sustainability

Our Power Solutions Division is central to the group's ambitions to reduce global carbon emissions. Whereas all of our management are conscious of minimising the impact our own operations have on the environment and continually seek to minimise that impact, the Power Solutions Division is uniquely positioned as part of the clean energy transition, manufacturing the infrastructure that generates the electricity itself.



“...uniquely positioned as part of the clean energy transition...”

From this unique position, the group can make a far greater sustainability contribution.

Bergen Engines is already working on the AMAZE (Ammonia Zero Emissions) project, a joint initiative with the Norwegian government to develop ammonia as an alternative to oil for ship engines and during the year, first full scale hydrogen blend trials successfully took place at a customer co-generation site in Spain.

Although virtually carbon free, most hydrogen production uses as much natural gas energy as the hydrogen energy it produces. So-called “green hydrogen” is currently produced in relatively minute quantities and requires a huge amount of energy. Dedicated green hydrogen production, powered by hybrid wind and solar renewables, together with a series of 10MW gas engine generators for times when the wind does not blow and the sun is not shining to power the process continually, is just one possibility.

“...first full scale hydrogen trials took place at a customer co-generation site in Spain...”

Other large electricity consumers, such as data centres semiconductor manufacturers and mines are also candidates for hybrid renewable microgrids.

The 10MW “building block”, utilising Bergen gas engines, Marelli generators and Piller IPCT, is proven technology adapted to the clean energy transition.

Russia / Ukraine Conflict

Like many people, I am deeply saddened by the human cost of conflict between Russia and the Ukraine.

From a business perspective the region represents an important, although not a critical market for the group, normally accounting for around 10% of group activity.

Sanctions imposed progressively since the outbreak of hostilities in February 2022 mean that business with Russian entities is now all but impossible.

Our People

As is customary, no review would be complete without mention of our employees, at the year-end numbering 5,339 worldwide. It is their hard work and commitment that makes the group what it is today.

In February last year I wrote that Covid restrictions were relaxing exponentially and as the year progressed, one by one, governments proclaimed the pandemic officially over.

We have all become weary of Covid restrictions and whilst it is common sense to exercise caution with any transmissible illness, Covid no longer poses the threat to health that it did and there is now no requirement across the group to observe any restrictions that are not legally required.

Conclusion and Outlook

If 2021 was the year in which the world began to look back on the Coronavirus pandemic, 2022 was the year in which it started to count the cost.

A whiplash of economic activity brought with it inflation unprecedented in over four decades and successive interest rate hikes as central banks across the western world grappled with a phenomenon not experienced in a generation. Towards the end of the year there were signs of inflation slowing but for the most part wage inflation has not yet added to the cycle.

In 2022 group revenues grew by some 40% on the previous year to almost €1.2 billion. Passing the billion mark in November was a significant milestone for the group I founded in 1975. I suspect the next billion of revenues will come much sooner.

“In 2022 group revenues grew by some 40% on the previous year to almost €1.2 billion... a significant milestone”

Chairman's Review (continued)

Year Ended 31 December 2022

Profits have lagged behind somewhat, due to various factors already mentioned, but the foundations are now laid upon which the next stage can be built.

The Bergen Engines acquisition bedded in well and looking forward, the group has excellent growth prospects, especially in the Power Solutions Division.

The current year started with an order backlog of €900 million, which was more or less equal to 75% total 2022 revenues. This was largely due the acquisition of Bergen Engines but also in part due to growth in the existing group.

“...the foundations are now laid upon which the next stage can be built.”

Overall, considering the headwinds encountered, the 2022 result was satisfactory. With an order backlog of €900 million and the negatives much diminished, 2023 looks set to be a year where profits begin to catch up with the step-change in revenue seen in 2022.

Anthony J Langley

Chairman

20th February 2023