



LANGLEY

2023

Langley Holdings plc

Annual Report & Accounts 2023
Key Highlights and Chairman's Review

IFRS Annual Report & Accounts 2023

Company Information

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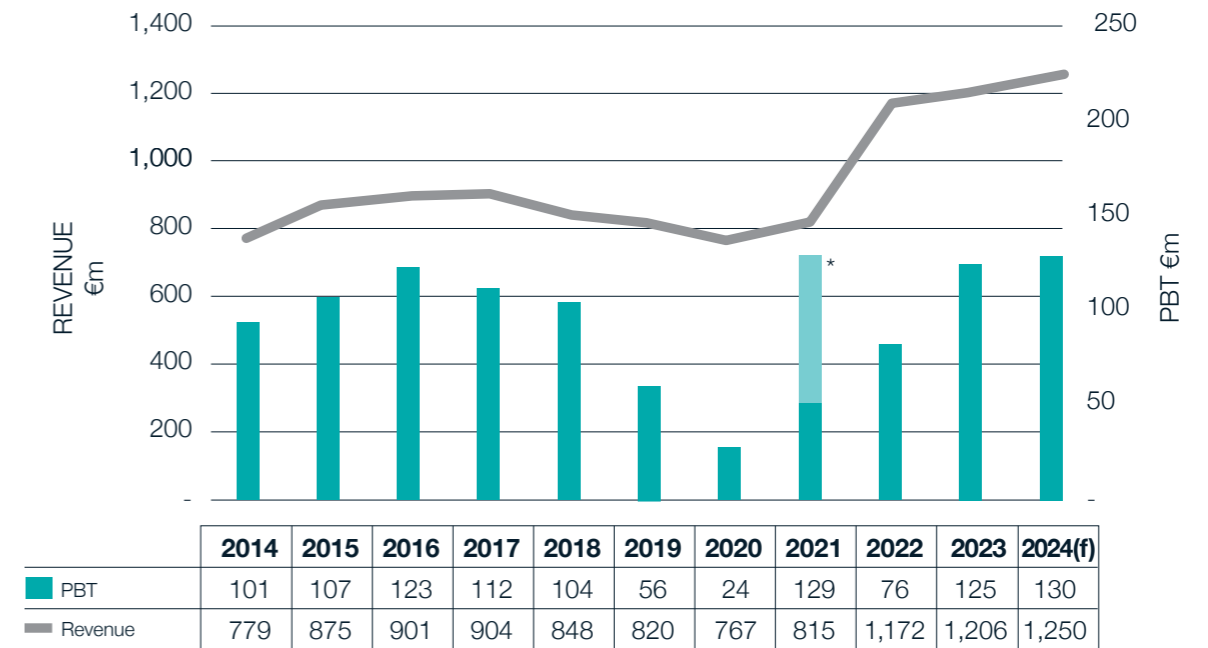
Key Highlights

Year Ended 31 December 2023



	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
REVENUE	1,206,197	1,172,485
PROFIT BEFORE TAX	124,875	75,727
NET ASSETS	965,997	844,238
CASH AND CASH EQUIVALENTS	290,329	240,901
ORDERS ON HAND	877,400	900,051
	No.	No.
EMPLOYEES	5,184	5,330

10 Year Trading Summary



* Non-recurring gain

Chairman's Review

Year Ended 31 December 2023



“ 2023 saw an altogether better trading performance by the Group when compared with 2022. In normal trading terms, ignoring non-recurring gains, 2023 was a record profit year for the Group despite a negative contribution from Manroland Sheetfed, our German printing press builder. Overall though, a very satisfactory year and a solid outlook for 2024.

In 2023 the Group recorded a profit before tax (PBT) of €124.9 million, up from €75.7 million the year before. At €1.21 billion, revenues were slightly increased from €1.17 billion in 2022 and orders on hand were also fairly flat at €877.4 million, (2022: €900.0 million). Net assets were €966.0 million, up from €844.2 million and at year end the Group held €290.3 million of cash, up from €240.9 million with nil net debt, as the year before. Also as previously, there were no shareholder dividends.

Power Solutions Division

The Power Solutions Division accounted for around half of 2023 revenues and two thirds of Group profits. The Division comprises: Bergen Engines, the Norwegian medium-speed engines builder, acquired from Rolls-Royce in December 2021; Marelli Motori, the Italian electric motors and generators producer, part of the Group since May 2019 and; Piller Group, Europe's leading producer of critical power conditioning, stabilisation and backup systems, based in Germany and celebrating 20 years of Langley stewardship this year.

Bergen Engines AS closed its second year under our stewardship with a very good trading performance. The measures implemented in 2022 have now largely taken full effect and the Norwegian headquartered business improved significantly in 2023, having posted its first, albeit modest, profit in 2022 for some years. Hitherto loss-making subsidiaries in India and the Netherlands contributed positively, whilst Bergen entities in Bangladesh, Spain, Italy, Denmark, the UK, the USA and Mexico all met or exceeded targets.

In November, Bergen Engines signed an intention to purchase agreement (IPA) with a Chinese EPC contractor to supply 1,000MW of power to Nigeria's grid. The project was announced at China International Import Expo (CIIE) in Shanghai and made Chinese national TV news.

80 of Bergen's natural gas engines, fitted with Marelli generators, are to be deployed in 5 x 200MW tranches in a deal that will generate around \$500 million of capital equipment revenues for Bergen in the coming years and ultimately a similar amount in aftermarket revenues once the project comes fully on stream.

During the year approval was given for the Mexican subsidiary, which serves as a sales and service hub for the Central Americas region, to acquire a freehold office and workshop building in Querétaro.

In November, a contract was secured to supply 45MW of power to Guatemala, marking a milestone in that country's energy transition. It will be Guatemala's first mid-scale power plant to operate on natural gas.

First deliveries were made during the year for a nuclear power project in Turkey. Nuclear is expected to play an increasing role in the global energy transition and Bergen engines' extraordinary reliability positions the company well for these highly critical applications.

In the marine sector, Bergen saw a clutch of marine projects develop and in June the factory trawler MS *ECOFIVE*, powered by Bergen engines, was awarded Norway's Ship of the Year for its groundbreaking green technology.

Piller Group GmbH reported all-time record high revenues in 2023, and this resulted in a record profit for the year. Order book also set a new record, the third in successive years.

Piller subsidiaries in France, Italy, Spain and the UK all met or exceeded targets, as did Germany, demand for Piller systems in Europe remaining strong.

In the Asia Pacific region, Piller Australia fell short of its target due to slippage of a data centre project in Sydney, but it was a good performance nonetheless and the delayed project finally came to fruition in December. Piller Singapore meanwhile had another good year although reported a slowdown in project opportunities in the semiconductor sector.

In the USA, Piller Inc performed ahead of its profit target although was down on revenues. The so-called CHIPS Act, signed into statute in August 2022, resulted in increased sales activity for Piller Inc as the USA moves to reshore semiconductor production in this \$280 billion Federal initiative.

Piller technology is well established in the semiconductor sector and Piller Singapore has enjoyed several years of strong demand from the Asia Pacific region. That is set to change and what is expected to be Piller Asia Pacific's loss will become Piller Inc.'s gain.

Mission critical systems for industrial manufacturing applications such as semiconductor production have become an increasing share of Piller revenues in recent years. Whereas data centres continue to be an important business area, technology in hyperscale, the most rapidly growing segment, has moved away from Piller's tailored solutions to a more commoditised "cookie cutter" approach.

During the year discussions were held with a major Chinese manufacturer of these volume produced hardware with a view to re-entering the segment. Piller's profound expertise in the field, seamlessly paired with cost-effective hardware, is poised to present a compelling proposition for this rapidly evolving sector.

Chairman's Review (continued)

Year Ended 31 December 2023



In the meantime, demand for Piller solutions for non-cloud data centres, such as governmental and other high security sectors, remained strong, as did Piller's naval military business.

Despite a record year for Piller, capacity constraints meant that not all projects originally planned could be fulfilled within the year. CapEx approval was given to increase capacity at the factory and outsourcing of certain components and subassemblies to sister company Marelli initiated. I expect this will alleviate capacity constraints in Germany going forward, although continued supply chain was also cited for delays.

Active Power Inc, the Austin TX producer of flywheel UPS equipment, a stand-alone business within the Piller Group, last year accounted for around 10% of Piller revenues and profits. Over two thirds of that came from Active Power's US market from diverse applications across mainly healthcare, industrial manufacturing and data centres. Export sales are managed via Piller subsidiaries, around half of those coming from Germany. It was another successful year for Active Power, the business we acquired in 2016.

Marelli Motori Srl, made a positive, albeit modest, contribution to the Division. Marelli's subsidiary in South Africa performed well, whereas Marelli Germany exceeded its budget and Marelli USA broke even. The Malaysian outpost reported a negative result, largely due to exchange rate effects. Overall, the subsidiaries contributed positively, as did the Italian headquartered business despite under-recovery in the factory.

Marelli operates the second largest (to Manroland) manufacturing facility in the Group and in September opened its doors to host Confindustria Vicenza 2023.

More than 1,200 delegates attended the company's northern Italian factory to hear leading public figures and industry leaders discuss current political, social and economic issues. My eldest son Bernard opened the conference saying that Marelli Motori became "part of our family of businesses in 2019... a small part of the company's history but a large part of its future."

Demand for high integrity alternators for the marine and hydro sectors was in line with expectations although several projects were delayed and demand for smaller motors and generators weak. Alternator demand from CAT for standard gensets was also down in the period. However, the Piller outsourcing initiative mentioned previously is expected to improve utilisation, as will increased production of large size alternators for Bergen Engines. A better performance is expected in 2024.

Print Technologies Division

The Print Technologies Division comprises: Manroland Sheetfed, our German printing machinery manufacturer; Druck Chemie and BluePrint, the German and Belgian print chemicals producers.

Manroland Sheetfed GmbH suffered from a shortfall in orders during the period, principally from its Chinese market which historically represents around 40% of business for new presses. The situation improved towards the end of the year but with many Western customers of Chinese printers reshoring, the situation is far from clear. Logically this should ultimately benefit Manroland's Western customers, however there is significant underutilisation in much of the sector and investment remains subdued.

Productivity at the factory was also below par and despite a positive contribution from the market

organisation, Manroland's near forty sales and service subsidiaries, the combined operating result was negative.

The restructuring I mentioned in my Chairman's Review last year was finally completed in November. 181 of the near 900 headquarters positions, mostly back-office, have now been eliminated, the majority of those voluntarily.

Year-on-year Manroland's cost base has been reduced by some €10 million and I expect a positive contribution from the business in 2024.

In the meantime, apprentice intake is being maintained and those completing their training offered permanent positions. Producing a modern offset litho printing press is a highly skilled affair and our perspective is long term.

Druck Chemie GmbH, the German print chemicals producer, together with its sales subsidiaries in France, Italy, Switzerland, Spain, Belgium, Poland, the Czech Republic and Brazil and; BluePrint Products BV, based in Belgium, brought quite some cheer to the otherwise beleaguered Division, both reporting strong trading results. PCO, the small bolt-on to BluePrint acquired last January was integrated well, adding nicely to the record result.

Druck Chemie celebrates ten years of Langley ownership this year. The print chemicals Group is well optimised since acquiring BluePrint in 2020, Druck Chemie now focused on end-user sales and BluePrint on distributors. It is a winning formula and together they are Europe's leading print chemicals producer.

Overall, the Division made a positive contribution to the Group result and income from Manroland to

other Group entities, together with income from BPOL, the German Police Authority, who occupy the former Manroland headquarters building on a long-term lease, more or less compensated Manroland's negative contribution in 2023. Despite the disappointing operating result in Manroland, the investment we made in 2012 has been proven worthwhile.

Other Industrials Division

The Other Industrials Division comprises: Clarke Chapman, our specialist cranes and handling business, principally to the UK nuclear and railways sectors and acquired in 2000; Claudius Peters, our German materials handling and process machinery specialist, principally to the cement & gypsum industries and aircraft stringers, acquired in 2001; ARO Welding Technologies, our French automotive welding equipment producer, stringers manufacturer, acquired in 2006; Bradman-Lake, the UK based packaging machinery builder, principally to the food industry, acquired in 2007, and; Reader Cement Products, the UK cement blending and packing company, established by Langley in 1985.

Claudius Peters Group GmbH had a much-improved year compared with 2022. Loss making contracts at the German headquarters, a legacy of Covid related margin attrition, were largely worked through and subsidiaries in France, the UK, Spain, Italy, the USA and Brazil all contributed ahead of their targets, Claudius Americas considerably so. Claudius Peters China managed a modest profit despite a depressed Chinese cement market, concentrating instead on overseas projects with Chinese EPCs.

Chairman's Review (continued)

Year Ended 31 December 2023



Claudius Peters' aircraft stringer business picked up significantly in 2023 as the post Covid surge in orders at Airbus percolated down.

Overall, a satisfactory result for Claudius Peters and a positive outlook for 2024.

Clarke Chapman Group Ltd had a very similar and good performance to 2022. The company is engaged on long-term maintenance contracts for Network Rail, which were extended to 2025 during the period, and on projects for the UK nuclear and defence sectors.

ARO Welding Technologies SAS, headquartered in France, had a satisfactory 2023, but this was significantly down on the stellar years prior to Covid. Projects were largely for electric vehicle (EV) lines. However, EV sales have slowed significantly worldwide, and management is reporting visibility on new projects particularly opaque. As a result, this year's ARO budget is cautious and rightly so.

ARO France and ARO USA, where the company principally produces, both exceeded targets in 2023 and outposts in Mexico, Brazil, the UK, Belgium, Slovakia and Germany were more or less in line or exceeded budgets, only ARO China fell short. A satisfactory performance overall by the ARO Group.

Bradman Lake Group Ltd had a remarkably good year. The original budgeted profit was met by June, largely due to unexpected projects materialising and particularly strong aftermarket sales. Bradman Lake continued to outperform its target in the second half, an excellent year for the business.

Reader Cement Products Ltd continued to strengthen its position in the UK construction and home improvement sector and turned in another very good trading performance.

In November the company showcased its recycled waterproof packaging in a unique way at London Build Expo 2023. During the period CapEx was approved to extend storage space at the Pinxton factory and to install a third production line that will increase capacity from the current 6 million bags to over 10 million bags per annum when the new line comes on stream later this year. Another solid performance by Reader, the UK's leading independent producer of blended cement products.

Overall, a satisfactory contribution from our Other Industrials Division and a positive outlook for 2024.

Sustainability & the Energy Transition

Day-to-day our businesses are conscious of the impact they have on the environment and strive to reduce that impact. Already over 90% of our more than 1 million square metres (11 million square feet) manufacturing footprint has LED lighting and progressively solar power is supplementing energy consumption at our factories. In Norway, where nearly all electricity is generated sustainably, foundry work hitherto outsourced elsewhere in Europe has been brought back in house.

However, our Power Solutions Division is where we can make a much more significant contribution. Producing marine and land-based power infrastructure is central to the Group's environmental sustainability ambitions.

The projects these companies deliver are integral to the energy transition and central to that is our Bergen Engines business.

Norway is a leading light in the move to green energy and in October 2021, during the transition period from Rolls-Royce, I gave the go-ahead for the AMAZE (Ammonia Zero Emissions) research project, a joint initiative with the Norwegian University of Science & Technology and the research institute, SINTEF, to develop ammonia as a future fuel for shipping.

Ammonia is produced from hydrogen gas and in my view hydrogen, produced with renewable energy, is the future.

A hydrogen combustion engine emits zero greenhouse gases. Bergen engineers have been experimenting blending increased percentages of hydrogen with natural gas and in October we visited Lord Bamford at J C Bamford, the British construction machinery manufacturer, who have already developed a 100% hydrogen engine.

I subsequently challenged our Bergen Engines business to produce 100% hydrogen engine by the end of 2024 and the challenge was accepted.

In September we visited Hydrogen Expo Europe in Bremen to see for ourselves the state-of-the-art in hydrogen technology.

Today hydrogen is produced in relatively small quantities and is many times the cost of fossil fuels to produce, but that is changing.

The US Government Department of Energy has committed to reduce the cost of producing hydrogen to \$2/kg by 2026 and \$1/kg by 2031, thereby rivalling fossil fuels.

When that happens the transition will come quickly. Our goal is to be ahead of that curve.

Conclusion and Outlook

2023 began with an order book of €900 million and ended with just short of that, a healthy enough backlog coming into 2024, despite concerns in some areas. Budgets for the year indicate a similar level of profitability to 2023 overall and I believe that all things considered, this is prudent.

Finally, as is customary, my Review would not be complete without mention of our employees, at the year-end numbering 5,184 worldwide. It is their hard work, loyalty and commitment that makes the Group the sustained success that it is today.

Anthony J Langley

Chairman

9th February, 2024



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