



LANGLEY

Langley Holdings plc

IFRS Annual Report & Accounts 2021



Company Information

IFRS Report & Accounts 2021



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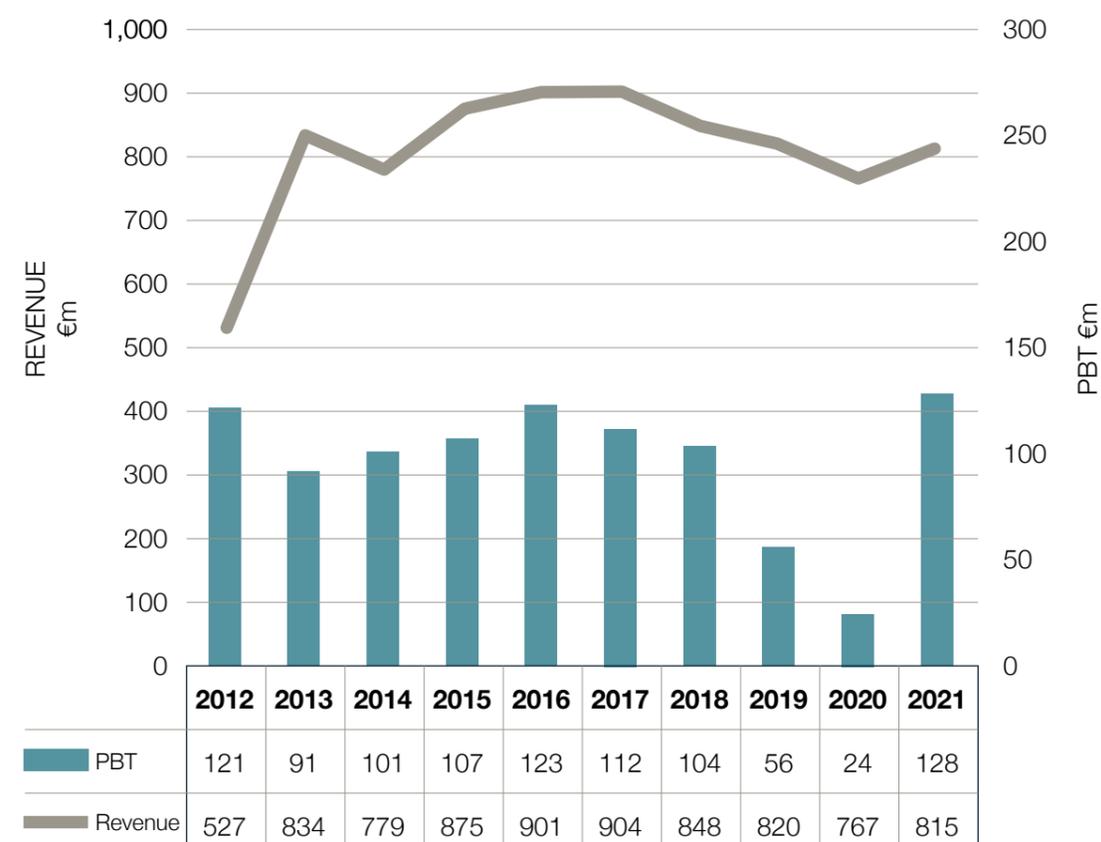
Key Highlights

Year Ended 31 December 2021



	Year ended 31 December 2021 €'000	Year ended 31 December 2020 €'000
REVENUE	814,627	766,778
PROFIT BEFORE TAXATION	128,240	24,047
NET ASSETS	835,692	707,178
CASH AND CASH EQUIVALENTS	290,988	287,963
ORDERS ON HAND	797,880	220,169
	No.	No.
EMPLOYEES	5,339	4,661

10 Year Trading Summary



“...in 7 of the last 10 years PBT has exceeded €100 million and in 2021, significantly so.”



“On 31st December 2021, the group acquired the entire share capital of Norwegian engine builder Bergen Engines AS from Rolls-Royce plc...”

Chairman's Review

Year Ended 31 December 2021



In the year-ended 31st December 2021, the group recorded a profit before tax of €128.2million (2020: €24.0million) and generated revenues of €814.6million (2020: €766.8 million). At the year-end the group's cash stood at €291.0 million (2020: €288.0 million), net assets were €835.7 million (2020: €707.2million) and orders on hand €797.9 million (2020: €220.1 million). The group has nil net debt (2020: nil) and there were no shareholder dividends during the period (2020: nil).

On 31st December 2021, the group acquired the entire share capital of Norwegian engine builder Bergen Engines AS from Rolls Royce plc for a consideration of €91 million. The transaction was funded from existing cash reserves.

“In the year ended 31st December 2021, the group recorded a profit before tax of €128.2 million.”

Acquisition of Bergen Engines AS

Bergen Engines generated revenues of circa €250 million for Rolls-Royce in 2021. The year-end balance sheet, order backlog and employee numbers are incorporated in these Accounts. Further details are contained in notes 11, 22 and 39.

Economic Situation

Following the hammer blow that Coronavirus delivered in 2020, the year began with cautious optimism that vaccines were just around the corner. As rollouts gathered pace and social restrictions began to ease, optimism amongst populations, no longer fearful of Coronavirus, turned to a kind of euphoria.

By the middle of the year, demand in the economy rose significantly and by year-end order books in the Langley group were at record levels, in part due to increased demand but also in part due to supply chain restrictions hampering deliverables.

Demand outstripped supply in many areas as suppliers struggled to gear back up. Inevitably, prices rose and lead times increased. This was progressive through the year and the final quarter of 2021 saw the steepest price increases. I expect equilibrium will be restored eventually – a view supported by the IMF's long term inflation forecast of 2% – but for the immediate future at least, inflation not seen in more than four decades, is here and to be lived with.

Group Organisation

With the arrival of Bergen Engines, the group's activities can now be broadly categorised into three principal areas:

- Power Solutions
- Print Technologies
- Other Industrials

Power Solutions

Bergen Engines (acquired 31st December) Medium-speed engine builder (Norway)

Piller Power Systems Power stabilisation technology (Germany)

Marelli Motori Motors and generators producer (Italy)

Revenue 2021: €270 million

Forecast Revenue 2022: €600 million

Orders on hand: €550 million

Employees: 2,283

Bergen Engines

Bergen Engines AS, which produces large liquid and gas fuelled engines, principally for marine and land-based power generation applications, recorded revenue of circa €250 million for Rolls-Royce in 2021 and a loss before tax of €10.6 million before reversal of impairment losses. A positive contribution from the subsidiaries was negated by a shortfall in the Norwegian parent company.

The company, which had been under Rolls-Royce stewardship since 1999, has a superb reputation and is proving to be highly innovative in adapting its engines to low-carbon and non-fossil fuels.

The Bergen Engines group currently employs 929 people worldwide, of which 688 are based at its headquarters and production facilities near Bergen, in Norway.

“...highly innovative in adapting its engines to low carbon and non-fossil fuels.”



The Bergen Engines AS facility near Bergen, in Norway.

The freehold facility, which extends to some 20 hectares (50 acres), is well invested and includes an own foundry. The group has subsidiaries in the USA, Mexico, Denmark, the Netherlands, Spain, Italy, the UK, India and Bangladesh.

Going forward, Bergen Engines will be central to the group's net zero strategy, working closely with our Marelli Motori and Piller Power Systems divisions to offer power solutions in the rapidly emerging hybrid renewables microgrid sector, whilst continuing to serve traditional markets.

Piller Power Systems

Piller Group GmbH, our German producer of mission-critical electrical equipment – principally UPS systems for data centres, along with its overseas sales and service subsidiaries – was the largest contributor to the group trading result in 2021. Capital projects delayed in 2020 and a surge in new business contributed to an all-time high order intake in 2021 and the backlog at year-end was more than twice that of the previous year, both records during our 17-year stewardship.

2021 revenues were similar to 2020, although margin quality was improved. This was partly due to the company broadening its presence outside of the data centre sector and partly due to increasing uptake of its state-of-the-art UB-V Series UPS, which was four years in development and launched in 2020. Notably Piller also secured its largest ever naval order in 2021, to supply on board electrical equipment for a European submarine project.

“A surge in new business contributed to an all-time high order intake in 2021.”

Piller's expertise in power stabilisation lends itself well to the challenge of balancing multiple energy sources in microgrid applications. Going forward, Piller will be working closely with Bergen Engines and Marelli Motori, exploring consortial based solutions in this rapidly emerging sector.

Active Power Inc, the flywheel UPS producer based in Austin, Texas, had a very satisfactory year, its second under new management as a stand-alone business within the Piller group.

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 after residual non-cash impairments relating to the closure of its Malaysian manufacturing facility in 2020.

Acquired in May 2019, Marelli now operates entirely from its 16 hectares (40 acres) freehold site in northern Italy. The company has sales, distribution and service subsidiaries in the United States, Germany, South Africa and Malaysia.



The Marelli Motori factory in Arzignano, northern Italy. Production moved back from Malaysia.

Production of the smallest motors and alternators in the Marelli range was transferred back to Europe and sub-contract manufacturing for these product lines established in Croatia during the period.

The largest Marelli alternators have been paired with Bergen engines for many years, their premium quality complimenting the supreme reliability of Bergen engines. The two companies will now work even more closely together.

Chairman's Review (continued)

Year Ended 31 December 2021



Print Technologies

Manroland Sheetfed GmbH Printing machinery builder (Germany)

Druck Chemie GmbH Print chemicals producer (Germany)

HiTech Chemicals BV & BluePrint Products NV Print chemicals producers (Benelux)

Revenue 2021: €300 million

Forecast Revenue 2022: €400 million

Orders on hand: €112 million

Employees: 1,726

Manroland Sheetfed

Manroland Sheetfed GmbH, our German offset litho printing press builder, had a strong year of order intake for new presses but Covid absenteeism and supply chain frustrations at the factory resulted in a negative contribution for the year. Service activities, across the 40 plus subsidiaries worldwide, if not back to pre-Covid normality, were at least closer to those levels.

“A strong year of order intake for new presses.”

With its record order backlog, 2022 looks set to be a better year. The ROLAND 700 Evolution, Speed, Elite and Lite variants and the ROLAND 900 Evolution presses, all the culmination of several years of research and development under our stewardship, are considered state-of-the-art and technologically industry leading. This has undoubtedly contributed to the very strong order intake during the year and confirming that confidence has returned to the sector.

However, until such time as productivity returns to normal, sacrifices will need to continue.

Druck Chemie Group

(incorporating HiTech Chemicals BV & BluePrint Products NV)

Druck Chemie – our German print chemicals producer, together with its distribution subsidiaries in Belgium, Brasil, the Czech Republic, France, Italy, Poland, Spain and Switzerland – had a very successful year, despite the pandemic, as print shops across Europe geared back up.

The acquisition of HiTech Chemicals BV and BluePrint Products NV from Heidelberger Druckmaschinen AG in December 2020 was well integrated during the year. The state-of-the-art Kruibeke production facility in Belgium compliments Druck Chemie's facility in Ammerbuch, Germany, very well and 2022 looks set to be another satisfactory year.

“Acquisition of HiTech Chemicals and BluePrint Products ...well integrated during the year.”

Other Industrials

Other areas of group activity include automotive welding equipment, materials handling, packaging machinery, construction materials, housebuilding and commercial property.

Materials Handling Claudius Peters Group GmbH (Germany)

Clarke Chapman Group Ltd (UK)

Automotive Welding Technology ARO Welding Technologies SAS (France)

Packaging Machinery Bradman Lake Ltd (UK)

Construction Materials, Housebuilding & Commercial Property

Reader Cement Products Ltd (UK)

Oakdale Homes Ltd (UK)

Various property holding entities (Global)

Revenue 2021: €250 million

Forecast Revenue 2022: €300 million

Orders on hand: €136 million

Employees: 1,330

Materials Handling

Claudius Peters

Claudius Peters Group GmbH, our materials handling and plant machinery builder to the cement, gypsum and steel industries, and aircraft stringer manufacturer, started the year with an historically low order book. This improved significantly as the year progressed, culminating in a very strong backlog at the year-end, in fact a record during our stewardship of the business, which we acquired in 2001.

Claudius Peters' aerospace division manufactures aircraft stringers for Airbus, several kilometres of which can be found in the structure of every commercial airplane built. The company has been a supplier of these critical components to Airbus continuously since 1983.

Claudius Peters France, now down sized and trading positively, finally received confirmation of a long awaited materials handling contract from Azerbaijan. Claudius Peters China made a very solid contribution, as did the US subsidiary. The outposts in Spain, Italy, the UK and Romania all contributed positively around or above budget. Only Brazil fell short, the country particularly hard hit by Coronavirus.

Performance of the Claudius Peters group, as elsewhere, was dogged with supply chain issues and Covid absenteeism, but overall the division just made it back into positive territory.

With a much improved order book at the year-end the business should do better in 2022, although structural problems in Germany still need to be addressed.

The aircraft stringer business had a better year than 2020, slightly exceeding its budget. Forecast demand for 2022 is up on 2021, although significantly lower than historically.

Chairman's Review (continued)

Year Ended 31 December 2021



Clarke Chapman

Clarke Chapman Group Ltd, our specialist materials handler, principally to the UK nuclear sector, and service provider to the UK rail network, was more or less on budget. However, order intake was behind, principally due to a large project for the nuclear sector being delayed and now expected in April.

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

Automotive Welding Technology

ARO Welding Technologies

ARO Welding Technologies SAS – our French producer of resistance welding machines to the automotive sector – had an improved year when compared with 2020, almost doubling its albeit modest PBT budget, with revenues exceeding target by around 20%.

However, this was a long way shy of the stellar pre-Covid performances, although 2019 had already seen the beginnings of a slowdown.

In 2021 there was a solid contribution from ARO France, the headquarters and principal manufacturing site, and ARO's Detroit plant in the USA also performed well. The outposts in Belgium, Spain, Brazil, Mexico, Slovakia and the UK all contributed positively. Only the Wuhan, China and German subsidiaries underperformed their targets.

“Underlying demand for new cars surged in 2021
...the shift to electric vehicles becoming ever stronger.”

The automotive sector was hit particularly hard by supply chain issues in 2021, notably the widely reported chip shortage, and this impacted on capital investments. Underlying demand for new cars surged in 2021 though, with the shift to electric vehicles becoming ever stronger; a trend set to continue.

I expect 2022 will see further improvement in ARO's performance, subject to supply chain disruption and Covid absenteeism not limiting the recovery.

Packaging Machinery

Bradman Lake

Bradman Lake Group Ltd, our packaging machinery business, had another successful year. Food packaging, its main market, remained buoyant in 2021.

Revenue and PBT targets were exceeded at both the Bristol and Beccles business units in the UK, and at Rockhill SC in the USA, with healthy order books at the year-end on both sides of the pond.

2022 should see a continuation of the good performance, subject of course to Covid limitation factors.

Construction Materials, Housebuilding & Commercial Property

Reader Cement Products

Reader Cement Products Ltd, the UK cement blending and packing specialist, had another very successful year, equalling 2020's record performance. This was despite missing sales of a high margin imported special cement due to lack of availability, which historically was a substantial contributor to the result. An outstandingly good performance considering.

Oakdale Homes

Oakdale Homes Ltd, the local house builder, posted a positive operating result, albeit nominally. The business is being wound down and no further developments will be commenced.

Commercial Property

The group owns outright over 95% of its manufacturing, warehousing and administrative footprint worldwide which, with the addition of Bergen Engines, now extends to around 1,000,000 square metres or, approximately 11,000,000 square feet.

“...the group's manufacturing footprint now extends to over
1,000,000 square metres...”

During the year the final phase of alterations to Senefelderhaus, the headquarters building of the former Manroland AG in Germany, were completed. The project, which began in 2018 to convert the building to a training academy for the Bundespolizei, is now completed and fully occupied. Further redevelopment of adjacent surplus land and buildings is being discussed.

In the UK, surplus land at Clarke Chapman which was redeveloped into a business park, is now largely fully occupied following conversion of the most recent phase to a Covid testing laboratory for the NHS.

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.

This year I welcome to our family of businesses, the employees of the Bergen Engines group, adding Norway to the long list of countries where the group provides jobs and security to our people and their families.

Unfortunately, in the near future we will be letting go a small number of employees at Bergen Engines, and restructuring consultations have already begun in Norway.

Chairman's Review (continued)

Year Ended 31 December 2021



However, the reorganisation is not a major one and is absolutely necessary, along with a raft of other measures, to streamline the company's cost base.

Only by doing so will the company be able to provide security for the vast majority of people who will remain.

Home Working

As I write, Covid restrictions are relaxing exponentially as the severity of Coronavirus infection diminishes, in part due to the virus weakening and in part due to widespread vaccination rollouts. Within days of writing this, all restrictions in the UK are due to be lifted, other countries will presumably follow.

Mandatory work from home orders are already being scrapped in many jurisdictions and I am conscious that there are some that would prefer to continue working in this way. Of course for the majority of employees in an industrial manufacturing group like Langley, working from home was never an option. For those that can, some would like to continue and others will welcome a return to a normal working environment.

Whatever the personal preference of an individual, it is now not the time to debate the relative merits of home working. The group's position on this matter is that unless legally required, those that do not normally work from home are to return to their normal place of work.

“The time is now to get our businesses back to full strength and efficiency and that means office workers working in offices.”

The time is now to get our businesses back to full strength and efficiency and that means office workers working in offices.

Conclusion and Outlook

2021 was the year in which we began to look back on Coronavirus and forward to a post-pandemic world. It's legacy will likely resonate for many years to come.

The group's performance overall in 2021 was satisfactory. Despite operations were much improved compared to 2020, they were seriously hampered by supply chain problems, travel restrictions and Covid absenteeism in all divisions. Absenteeisms have increased as the virus, albeit less virulent, is affecting larger numbers.

Overall though, the group has responded well to the unique challenges presented by the pandemic and for the most part our customers were kept satisfied.

Notably, in 7 of the last 10 years PBT has exceeded €100 million and in 2021, significantly so. Moreover, the acquisition of Bergen Engines from Rolls-Royce represents a seminal moment in the group's history and towards its net zero objectives

Together with Piller Power Systems and Marelli Motori, Bergen will become the central pillar of our net zero strategy, pursuing opportunities in the rapidly emerging hybrid renewables microgrid power generation sector.

Power Solutions is expected to generate around €600 million of the group's anticipated €1.3 billion revenues in 2022; Print Technologies approximately €400 million and; Other Industrials around €300 million.

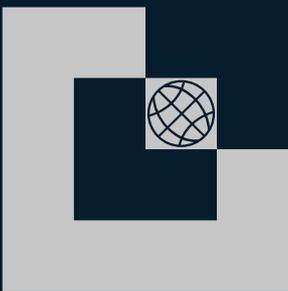
“...a step change, not only in the group's scale of operations but also in its contribution to net zero.”

The group ended 2021 with record order books in all three areas. With the combined order backlog of nearly €800 million, which is almost equal to the entire revenue in 2021, the 2022 targets appear to be realistic, marking a step-change not only in the group's scale of operations for the group, but also in its contribution to net zero emissions.

Anthony J Langley

Chairman

16th February 2022



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