

**ANALYSTS' PRESENTATION – 12TH MARCH 2010
PRELIMINARY RESULTS 2009**

➤ **SLIDE 0 – AGA RANGEMASTER GROUP, PRELIMINARY RESULTS
2009 [WHILST PEOPLE GATHER]**

JOHN COLEMAN

- A year ago in the teeth of the recession the Board's focus was on remaining profitable and generating cash – mission accomplished.
- Noteworthy successes in 2009 were the integration of the North American operations and that of AGA and Rangemaster in the UK.
- Heading into 2010 consumer confidence is fragile and strong commercial offerings are needed to drive revenues.
- Presentation should show Group has performed well in tough market and is attuned to 2010's market conditions.

WILLIAM MCGRATH

Good morning and welcome to our 2009 preliminary results presentation. I will start with a summation of where the Group is today. Shaun will provide the related financial analysis of that position and I shall then review the performance and prospects of the operations and of the Group as a whole.

➤ **SLIDE 1 – AGA RANGEMASTER**

First, how do we describe today's Group? It is a leading international premium consumer brands Group with both manufacturing and distribution dimensions. We are known for our heritage – over 300 years of innovation – for technical excellence. We manufacture primarily in the UK and also in North America, France and Ireland. We have both distributor and retail routes to market and employ 2,600 people. And most of all, we have great brands.

➤ **SLIDE 2 – 2009 : DELIVERING ON OUR OBJECTIVES**

In 2009 we needed some tough, disciplined management processes to enable us to deal with significantly reduced consumer levels of demand. But we delivered on objectives set out here last year. We remained profitable and we controlled our working capital and built on our net cash position – year end cash was £28.0 million compared with £5.8 million at the start of the year. We cut costs. Structural integration in both the UK and North America was required to achieve these objectives. All the while we continued to invest in new products in preparation for better market conditions.

In 2010 we will be equally methodical in working towards our established performance objective of 10% return on sales. We have operational gearing available to do so. We estimate we are currently operating at around 60% of capacity and have a reduced cost base and the product to drive revenue growth.

Shaun will look further at the financial framework in which we are operating.

SHAUN SMITH

➤ **SLIDE 3 – 2009 : FINANCIAL PRIORITIES**

Thank you, William. Good morning.

Our targets for 2009 were defensive, but they were required to ensure we emerged hardened from the very tough economic conditions witnessed during the year. As I go through the financial review, I will touch on the points listed here: cash management, working capital reductions, management of capital expenditure, cost savings and I will provide a pensions update. We set targets in each of these areas and we either met them or exceeded them.

➤ **SLIDE 4 – 2009 : PRELIMINARY RESULTS – INCOME STATEMENT**

Revenues for the full year of £245.0 million were 12.3% down against the prior year – having been down 19% at the half year. Second half revenues of £127.2 million were down 5% against the second half of 2008.

The Group made EBITDA of £12.6 million and before amortisation an operating profit of £0.1 million. After amortisation, we made an operating loss for the year of £1.5 million compared to a profit of £11.1 million in 2008. Operating profits in the second half were £0.2 million and were after having made a £1.7 million loss in the first half. The net pension credit for the year was £5.4 million, the same as in 2008.

Non-recurring costs in the year were £3.6 million which included £2.8 million of reorganisation costs compared with £5.3 million in 2008.

In addition, we have considered the carrying value of our surplus properties and have written them down by £0.8 million to a carrying value of £3.1 million.

Net finance income was £0.2 million. This compares with £3.2 million in 2008, a year in which we held significant cash balances on deposit prior to the £140 million return to shareholders in June 2008.

So at the profit before tax level the Group made a profit of £0.5 million.

➤ **SLIDE 5 – 2009 PRELIMINARY RESULTS : SHAREHOLDER : KEY FIGURES**

Basic earnings per share for the year were 2.5 pence compared to 14.4 pence in 2008.

You will note that we are not recommending the payment of a final dividend in respect of 2009.

The Board will continue to look to return to paying a dividend when the earnings performance of the Group makes it sensible to do so.

Whilst continuing to run a conservative balance sheet as we have for many years which takes account of the contingent liabilities to the Pension Scheme, the Board's dividend policy remains one of seeing the dividend covered 2.5 times from fully taxed earnings.

➤ **SLIDE 6 – BALANCE SHEET**

Turning now to the balance sheet.

Net assets are £134.3 million compared to £216.5 million last year.

Goodwill and intangibles have reduced to £90.1 million from £94.9 million primarily due to their currency revaluation.

The £3.1m assets held for sale are the unoccupied properties which now includes the former head office.

Net working capital was £14.5 million compared to £36.6 million a year ago. As sales slowed rapidly at the end of 2008, stock built up. A re-balancing was required to reduce stock levels which takes time to achieve. We saw the benefits of action taken come through in the second half of the year. Of the £22.1 million working capital reduction, inventories accounted for £17.5 million of the movement. Production in most factories was below sales. That means that the level of overheads absorbed into stock was lower in 2009 than in 2008. That adjustment reduced profits in the year by some £3 million. The actions taken in the early part of the year to reduce stocks and to generate cash, whilst reducing profitability, has clearly been successful in hitting our cash target.

This can be seen in the year end cash position which at £28 million was well ahead of the prior year's £5.8 million – one of our key objectives for the year.

The IAS 19 pension position was the principal change in the balance sheet. A lower discount rate and higher inflation rate assumption were the main drivers which moved the scheme from a £57.5 million surplus at the end of 2008 to the £40.5 million gross - £29.2 million net of deferred tax - deficit reported at the end of 2009.

The tax movement in the balance sheet of £24.9 million is mainly due to the deferred tax arising on the pensions movement.

➤ **SLIDE 7 - OPERATING CASHFLOW**

Now looking at the cash flow generated from operations.

Following on from a small inflow at the half year our manufacturing plans and cash management focus really began to take effect in the second half. The result was an operating cash inflow for the year of £25.3 million compared to £4.5 million in 2008. This was all the more significant when you consider this was generated out of a profit before finance income and tax of £0.3 million compared to £11.2 million in 2008.

The year-on-year improvement was dominated by the management of working capital with an inflow across all three categories of £22.9 million compared to an £8.9 million outflow the prior year.

All the business units targeted stock, debtor and creditor weeks during the year. So it was all the more pleasing that all of the operations showed resilience in managing their balance sheets and improving their ratios as planned.

The improved position and performance has been maintained into the start of 2010.

➤ **SLIDE 8 - CASH MANAGEMENT INFLOW – HIGHLIGHTS**

As I have already mentioned, a significant achievement in the year was the £22.9 million working capital inflow.

We generated £15.3 million in cash from inventory, compared with a £3.6 million outflow in 2008. At AGA Marvel inventory levels are now over 50% below their peak Autumn 2008 levels and at AGA Rangemaster, inventory levels in the UK were reduced by around 25% during 2009.

Receivables benefited from strong credit management processes; leading to a £5.6 million reduction across the Group, similar to the result achieved in 2008. The tight focus on credit management saw few bad debts arise as we actively managed the terms of trade with our customers.

Payables increased by £2.0 million; a notable achievement against a fall of over 20% in purchasing volumes across the Group.

At under 6%, year end working capital as a proportion of revenues is the lowest ever achieved by the Group. Last year it was 13%.

➤ **SLIDE 9 – CONSOLIDATED CASHFLOW**

The £6.2 million of capital expenditure cashflow reported in 2009 includes the £2.8 million Marvel factory final payment which was committed to in 2008. New capital expenditure in the year was therefore well controlled at £3.4 million - in 2008 we invested a net £9.7 million. Intangible expenditure of £1.9 million in 2009 compared to £3.3 million in 2008.

The tax cashflow showed a net receipt of £4.0 million which included a £6.2 million repayment from the revenue, which gave rise to £800k of interest income less payments made of £2 million.

➤ **SLIDE 10 - REORGANISATION AND EFFICIENCY INITIATIVES**

Total non-recurring costs incurred in the year were £3.6 million.

Of the total cost, business reorganisations accounted for £2.8 million and cost reductions of £3.0 million per annum are targeted.

These costs were mainly the £1.5 million reorganisation cost of integrating our UK business AGA Rangemaster under a single management structure, the £0.5m final cost of closing our two US factories as we completed the move to our new state-of-the-art manufacturing plant in the first half of the year and £0.5m of rationalisation costs at Grange including two factory closures in France.

Total cost savings achieved since the start of 2008 will then be £9.5 million per annum. Savings of £8.0 million were achieved by the end of 2009 with the further annual benefits of £1.5 million per annum to be achieved during 2010 onwards. We continue to focus on process efficiencies across the Group.

We have reduced the total headcount by 600 from 3,200 at the end of December 2007 to fewer than 2,600 now.

The other £0.8 million of non-recurring costs relates to the non-cash write down of the values of our surplus properties which we are actively looking to sell.

➤ **SLIDE 11 – INHERENT OPERATIONAL GEARING**

Short time working at AGA and Rangemaster for most of 2009 saw capacity utilisation levels for UK appliance manufacturing fall to around 60%. Of the £9.5 million per annum cost savings, circa £6 million per annum is a reduction in the fixed cost base across the Group. As a consequence of having fully invested production facilities, an uplift in capacity utilisation levels is readily available. Thus, the Group has significant operational gearing potential when trading at higher levels in the future.

➤ **SLIDE 12 – PENSIONS UPDATE : KEY NUMBERS**

Turning to pensions.

The year end balance sheet shows a deficit of £40.5 million on liabilities of £756.5 million, which compares to a surplus of £57.5 million on liabilities of £597.5 million at the end of 2008.

The increase in liabilities was driven primarily by the lower discount rate of 5.65% compared to 6.4% a year earlier and a change in the inflation rate, up from 2.4 to 3.45%.

At the end of the year 35% of Scheme assets were invested in equities, up from 30% a year earlier. The increase was due to the relative performance of equities rather than any change in investment strategy.

The net pension credit of £5.4 million was the same as in 2008. This year's, however, included a curtailment gain of £3.8 million as we froze the salaries of higher earners following consultations which started in August. A further curtailment gain of around £15 million has occurred in 2010 as we have now frozen the final pensionable salaries of all members.

➤ **SLIDE 13 – PENSIONS POSITION – TRIENNIAL VALUATION**

The triennial valuation as at 31st December 2008 is close to finalisation. It is likely to show a deficit of well over £100 million at a date when there was a £57.5 million surplus on an accounting basis. Rolled forward a year to 31st December 2009, the actuarial deficit is considered to be potentially around £50 million above the accounting deficit of £40.5 million. The Group has already provided £50 million of guarantees in support of the Group's potential obligation to the scheme in 2020. The Group currently expects to be asked to contribute an additional £2 million per annum in 2010 and 2011. From 2012 the Group expects to be asked to contribute around £10 million annually to

meet the current service cost and deficit contributions or to add to the guarantees already provided. The 2011 triennial valuation is expected to be concluded before these cash contributions or additional guarantees are required.

The Group continues to work hard and closely with the trustee of the scheme to ensure that the obligations to members are met and the costs to the Group are carefully monitored and managed as the scheme moves towards the targeted self-sufficiency position in 2020.

The Group would like to reduce the contingent risks the scheme creates – should markets make that sensible economically for all relevant parties.

We will provide a further update in due course.

➤ **SLIDE 14 – FINANCIAL GUIDANCE FOR 2010**

Turning now to the financial guidance for 2010.

In response to the recessionary environment we have developed strong and more disciplined business processes that have proved effective. Economic conditions remain uncertain and we will continue down the same disciplined path in 2010.

Our plans have been set for the year assuming relatively modest levels of growth.

Capital expenditure is expected to be circa three quarter times depreciation at around £5.0 million with intangible expenditure little changed year-on-year.

From 2010 our tax rate will be closer to standard rate subject to utilisation of carried forward losses around the Group.

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The net pension credit expected in the year can be split into two elements. The annual credit should be around £0.5 million compared to £1.6 million in 2009 whilst the pension curtailment will be circa £15 million.

The ordinary cash contributions into the Pension Scheme will be just over £1.0 million this year and around £2.5 million next. These figures exclude any extra cash contributions which will arise out of the 2008 valuation once it is finalised.

We have set tight control of working capital as a target and will continue to focus on inventory reductions.

Interest will be negligible for the year.

Altogether we expect another strong cash performance in 2010.

William.

WILLIAM McGRATH

➤ SLIDE 15 - AGA RANGEMASTER : STRATEGIC GROWTH PLAN

Looking now at our strategic growth plans. We start with the strong financial base and good cost controls that Shaun described. The operational structure is ready for revenue growth. We have our premium appliance brands AGA and Rangemaster as hubs and niche international brands providing access to wider markets. Our UK based product development processes provide products capable of selling in international markets. Increased profits can come from improvement plans for Fired Earth and Grange. We have the customer relationship management systems now, providing a low cost to customer acquisitions for both retail and dealer selling operations. This mix should enable us to progress towards performance targets – targets we spelt out here two years ago and which continue to provide key indicators for us across the cycle.

➤ **SLIDE 16 - HOUSING MARKET : CLOSE CONNECTIONS**

Our performance has to link the fundamentals of our markets.

A good indicator shown before of prospects for many of our products is the UK mortgage approval stats as house moves give rise to kitchen refurbishment projects. Demand has tracked mortgage approvals. The 100,000 plus approvals in 2007 became 30,000 approvals a month by the end of 2008 before steadily improving through 2009. Stamp duty pulled some demand forward and the weather has hindered the market overall at the start of the year. January was down on the 2009 trend line – but well above the 12-month comparator. A market perhaps yet to find clear direction.

➤ **SLIDE 17 – CAST IRON COOKERS : 2009 PERFORMANCE**

Looking now at our cast iron cooker performance. AGA, Rayburn and Stanley volumes were 12,150 down 21% in the year and down 38% in 2 years from 19,600 – with over 2000 units accounted for by the fall off in sales in Ireland. Customers pushed out projects in the recession and so conversion rates of leads to orders fell. As the year progressed confidence started to return. For example, for the AGA brand, new leads were down 3% in the year as a whole but were up in the last quarter. AGA order and sale numbers at the start of 2010 are up against last year.

➤ **SLIDE 18 – CAST IRON COOKERS : 2010 OUTLOOK**

Moving into 2010 we have sharpened our commercial propositions based on research and successful sales initiatives over the last year. The two-oven oil model now provides a £4,995 entry price point – a reduction of over 20%. The core electric and gas three-oven will go up slightly in mid April and the price of the large four-oven models will go up over 5%.

We have added consumer credit facilities. We are keen to ensure that we re-contact owners to offer to make existing models programmable.

We have discussed before how well AGA acts as a battery. The logic for energy generation at the point of use is now widely recognised.

Government's new financial support for consumers installing micro generators through a 'Feed In Tariff' will highlight the benefit of the AGA as a heat storage, battery-esque cooker.

Rayburn and Stanley have moved back into the boiler mainstream. We have all-in-one cooker boiler models in gas and oil – Rayburn is not just a niche wood burner. The new 600 series cooker will have an 'A' rated oil - as well as gas - condensing boiler model shortly. For plumbers installing heating systems the modern Rayburn is now an attractive proposition in that they can expect to make significantly more than on the installation of a standard boiler. A new Stanley – made in Telford – equivalent to the Rayburn 600 is also to launch shortly.

We see stoves as an important part of this mix of home heating theme. In Ireland selling over 14,000 stoves we are comfortably market leaders. In the UK where we sell 6,000 stoves we are an up and coming force. Our new insert stove and our second generation smart link between boilers and renewable energy sources will underscore our serious presence in the home heating market – a segment that will benefit from the Government's Renewable Heat Incentive for fuel technologies that we have or can address as fuel technology evolves. The benefits of product development and our ability to 'future proof' customers will bolster the business.

Given these initiatives and the size of the target markets and the much more confident mood in our shops and with our dealers, we expect a better 2010.

➤ **SLIDE 18 – KITCHEN APPLIANCE MARKETS : 2009 PERFORMANCE AND 2010 OBJECTIVES**

Looking now at our wider kitchen offering led by Rangemaster. Since 2002 Rangemaster has emerged as a major force in the UK appliance industry alongside brands like Neff and Miele. In the UK free standing range cooker market, over half the market by value is supplied from our factory in Leamington Spa. The strength of Rangemaster is based first on our product and then on distribution having good positions in multiple channels. This is helping the expansion of the wider offering taking in sourced fridges and dishwashers from Haier and our own sinks. 25% of Rangemaster revenues are not from cookers – with sinks the next largest contributor. With our online ordering and effective UK based fulfilment and service support, we have a formidable position in the market place. With the La Cornue and Falcon brands we are developing a similarly strong position on the near Continent.

Much of Rangemaster's momentum going into 2010 comes from new product initiatives. The induction line, for example, is now mainstream, selling around 4,000 units in 2009. The new Mercury products are stunning in design – as you will have seen outside. Mercury will help us consolidate our position in the kitchen specialist market – as well as appliance specialist markets – enabling us to be an anchor supplier of comprehensive and distinctive packages. We are then highly competitive against the built-in competition.

➤ **SLIDE 19 – AGA MARVEL : NORTH AMERICA : 2009 PERFORMANCE / 2010 OBJECTIVES**

In 2009 trading conditions in North America were difficult. The fourth quarter of 2009 broke a run of 13 successive quarters of decline for the US appliance industry.

In responding, we have now created AGA Marvel which brings together our hot and our Marvel based cold offering. We now have a hub for appliances in our new Michigan plant and distribution centre. We have brought the breakeven point down by around 30%. We are pleased it has already obtained – using Rangemaster systems – ISO 9001 and 14001 quality and environmental accreditations. We also looked at distribution. In Canada we

are now – as in France – our own distributor with a sales force of 8 selling all our appliance lines and we have rationalised distribution in the USA.

In February we launched the AGA Pro Plus range cooker – self cleaning single cavity - in Canada to considerable acclaim. At a highly attractive price point of C\$4,000 – close to a translation of the sterling price making it extremely competitive. It is at the centre of a suite of AGA Marvel products which dealers can sell as a package to consumers as in Europe. Sales of Marvel under counter have been difficult over the last two years. We have continuing upgrade programmes – which will shortly see us launch an Energy Star fridge. You may recall our commercial businesses were twice Federal Energy Star Partners of the year.

We have the ambition to have half the business outside the UK – this requires North American expansion.

➤ **SLIDE 20 – FIRED EARTH : IMPROVEMENT PLAN**

Looking now at Fired Earth and Grange which both made losses again in 2009.

Fired Earth is known in the sector for the quality and the inspirational product, notably tiles. Success in educating the market and consumers on tiles has come with the belief that Fired Earth is expensive. We needed to expand the ground we occupy and have more products for everyday. Hence the Tile Basics lines. They have stimulated sales immediately. We also have 3 fitted kitchen lines designed by Charles Smallbone providing an affordable luxury line – 2 being new this Spring. The National Trust / Fired Earth paint range also launches in April. We have strong marketing support in place. Fired Earth web hits, brochure requests and footfall have surged this year. We are backing it with direct mail, magazine and online marketing.

We can now turn consumer interest into sales and revenues through the combination of adding these diffusion lines of tiles, providing consumer credit

and having for the first time a free catalogue – all aimed at widening the audience.

➤ **SLIDE 21 – GRANGE : IMPROVEMENT PLAN**

Looking now at Grange, our French furniture activity which has a good international dealer structure. We now have a 95% shareholding in Grange following a recapitalisation exercise. In 2009 we significantly reduced the Grange Europe cost base with two factory closures and have an appreciably better laid out and more efficient factory in Lyon. We have enthusiastic support from the dealers for the current product line up – including lines at more accessible price points. We are pushing Grange harder in France and the UK using the Group's customer links. The kitchens made for Fired Earth will be made available to the dealer structure. We are putting them into our Rue du Bac, Paris shop as a flagship. It has been the USA which has been the major problem for Grange with relatively expensive leases and revenue declines from over \$20 million in 2000 to \$12 million in 2006 and around \$7 million in 2009. A new managing director and a consistent marketing plan is finally generating better sales.

We expect both Fired Earth and Grange to have better years in 2010.

➤ **SLIDE 22 – CRM : CREATING OPPORTUNITIES**

Our centrally led consumer relationship management approach is benefiting all our brands. What we now have from our database the potential to contact 1.3 million UK customers, more than half of whom have already bought from the Group. We have email contacts for 200,000 consumers. We have also become more effective in tailoring our approach to individual consumers and in assessing the brochures and information required. We received 60,000 sales calls into the call centre in 2009.

Web hits and brochure requests are sharply up this year.

➤ **SLIDE 23 : 2010 - CURRENT TRADING**

Looking now at current trading. The tone will be set by the housing market and by consumer confidence which is fragile. Consumers expect strong propositions if they are to be encouraged to spend. We feel we have adjusted our approach and our commercial offers to address these needs and the approach has brought successes at the start of the year. The cold weather helped stimulate interest in heating related products and we are optimistic for our cast iron cooker operations that a worth while rebound from 2009 will take place and that was where the biggest profit fall 2007-2009 is to be found. For Rangemaster, after a slow start orders are [just] below 2009 levels at present and we hope the run up to Easter, when strong sales incentives are in place, will provide further momentum. In North America AGA Marvel has yet to see an order rebound overall. The expectation is that there will be some revenue recovery in 2010 in a marshalled cost-effective organisation with a high level of operational gearing.

Indeed, we continue our efforts to reduce costs and streamline business processes – which will contribute to the continuing strong cash performance.

For the present we will maintain our net cash and defensive finances given the scale of the Pension Scheme. Managing Pension Scheme costs remains as ever a major priority as it has been for a long time. At the same time we remain alive to any potential business development opportunities as they become available as we saw with Mercury.

➤ **SLIDE 24 – SUMMARY**

We achieved our key objectives for 2009 of profitability, cash generation and product development. In 2010 we add to that loss elimination and volume growth from key brands to grow earnings. We have great brands led by AGA and Rangemaster and well worked through strategies for them.

Consumer confidence is fragile but in 2010 market conditions should prove somewhat easier. That suggests that 2010 will be a recovery year and we have taken all the steps needed to make the most of the opportunities available.

Given these factors we are right to look to 2010 with confidence.

➤ **SLIDE 25 – CAST IRON COOKERS : CURRENT ADVERTISING**

See the advertising we are using. The 'Important Announcement' advert focuses on upgrades. The 'AGA Offers' summarises AGA's brand values and our commercial offer.

➤ **SLIDE 26 – CAST IRON COOKERS : CURRENT ADVERTISING**

The Rayburn advert shows our modernised all-in-one cooker / boiler and the sharp commercial buy now proposition. The Stanley plays to the home heating theme underscored this winter.

➤ **SLIDE 27 – KITCHEN APPLIANCE MARKETS : CURRENT ADVERTISING (1)**

The Rangemaster advert plays on heritage and British-made – a distinct advantage particularly given the weak exchange rates. Falcon plays to the professional image.

➤ **SLIDE 28 – KITCHEN APPLIANCE MARKETS : CURRENT ADVERTISING (2)**

Mercury's contemporary design style is seen in this forthcoming advert. On the right is a product made at Rangemaster and sold in the USA under the AGA brand – the AGA Pro+.

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➤ **SLIDE 29 – CLOSING SLIDE**

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