ANALYSTS' PRESENTATION – 28th AUGUST 2009

INTERIM RESULTS 2009

- **SLIDE 0 – AGA RANGEMASTER GROUP, INTERIM RESULTS 2009 [WHILST PEOPLE GATHER]**

WILLIAM McGRATH

- **SLIDE 1 – INTRODUCTION**

Welcome everyone to our 2009 interim results meeting. We have risen to the challenge of a year in which our operational and strategic models have been fully tested in weak markets by the sharp fall in revenues – 19% in the first half. To remain profitable - before exceptional costs - and to maintain the strong financial position - given to us by the disposals and good cashflows - these remain the objectives we have set for 2009. To achieve those objectives has required sharp cuts in costs to match the revenue declines. The drive to streamline activities continues with further steps being taken in integrating our AGA and Rangemaster operational structures. At the same time we have built for the future through well researched new product initiatives to help expand our market leading positions.

- **SLIDE 2 – BUILDING ON OUR BRANDS' STRENGTHS**

We see our resilience in the recession as reflecting the strong, cohesive grouping of brands we have brought together in recent years led by AGA and Rangemaster and the 300 years as innovators in the kitchen equipment market. We have invested in all our anchor production facilities and we have driven down our unit cost of production. We have an excellent product portfolio and product pipeline. Our objective this morning is to show we have taken the actions necessary to right size the business for today's markets and have the products and campaigns ready to prosper when markets allow.

But first, Shaun to provide more detail on today's position – Shaun.

SHAUN SMITH

- **SLIDE 3 – FIRST HALF 2009 : FINANCIAL OVERVIEW**

Good morning everyone.

Obviously, the first half has continued to provide a challenging background. Against that backcloth, we focused on cost control and we set about preserving cash on the balance sheet as a primary objective and we concentrated our efforts on working capital management and a disciplined approach to capital expenditure – all being part of the response to the declining order intake and revenues.

First the income statement.

- **SLIDE 4 – 2009 INTERIM RESULTS : INCOME STATEMENT**

Revenues of £117.8 million were down 18.8% while in constant currency the fall was nearer to 22%. The operating loss of £1.7 million compares to an operating profit of £9.0 million in the first half of last year.

The net pension credit of £0.8 million compares with a £2.5 million credit for the corresponding period and is slightly ahead of the previous guidance as we have seen the impact of the reduced headcount on the pensionable payroll during the period.

Non-recurring reorganisation costs were £1.3 million in the half year. I will come back to the benefits of our reorganisation programme shortly.

The net finance cost of £0.2 million compares to £3.4 million of net income in the first half last year when we held cash on deposit following the foodservice disposal and ahead of the £140 million cash returned to shareholders in May 2008.

The overall loss before tax was £2.4 million.

- **SLIDE 5 – 2009 INTERIM RESULTS : SHAREHOLDER KEY FIGURES**

This translates into a loss per share of 2.3 pence compared to a profit of 9.5 pence per share in the corresponding period.

You will note that the Board has decided against recommending the payment of an interim dividend this year. The Board will keep the position under review but for now, our focus is on maintaining a strong balance sheet while the economic environment is so unfavourable, and the level of uncertainty around trading conditions remains.

Shareholder's equity stands at £151.3 million down from £214.7 million at the year end. The reduction is nearly entirely due to the change in the valuation of the Pension Scheme – which net of deferred tax totalled £51.3 million – and exchange rates which account for a further £9.6 million.

- **SLIDE 6 – BALANCE SHEET**

Looking at the balance sheet further.

Goodwill and intangibles fell by £6.9 million to £88.0 million having risen by £14.5 million in the second half of last year. In both periods, the main reason for these movements is exchange rates. Since December it has been the impact of the dollar moving from 1.44 to 1.65 and the euro from 1.03 to 1.17 against sterling.

Property, plant and equipment at £56 million has also moved little in real terms.

Net cash of £2.3 million compares with £5.8 million at the year end and was after making the final £2.8 million stage payment on the new Marvel factory in January.

Half year working capital at £34.1 million is £6.9 million lower than at the end of June 2008, the first half seeing the normal seasonal peak.

The other significant movement was the £51.3 million swing in the net of deferred tax pensions position – now a £13.8 million deficit caused by a fall in asset values, lower discount rates and higher inflation assumptions.

- **SLIDE 7 – OPERATING CASH FLOW**

The total cash flow from operating activities was a £2.0 million inflow compared to a £0.1 million outflow in the first half last year. The inflow was generated from a loss of £2.2 million whereas last year's outflow was generated from a profit of £8.9 million.

The main improvement arises from the tight management of working capital and capital expenditure during the period.

- **SLIDE 8 – WORKING CAPITAL INFLOW : HIGHLIGHTS**

Typically we see working capital consumed in the first half and generated in the second half. This year we improved on that position. The total working capital inflow during the period was £2.7 million compared to an £11.9 million outflow in the first half last year and a £13.5 million outflow in the first half of 2007.

We generated £5.6 million from inventories of which more than £2.0 million was in the US as we achieved efficiencies following the new factory build for Marvel, consolidating manufacturing from two sites on to one. Fired Earth was also a strong performer as it improved purchasing processes.

£3.2 million was generated out of receivables with again a good performance at Marvel in the US and also from our European operations.

Payables reduced by £6.1 million, lower than the £9 million reduction in the first half of last year – this was a satisfactory performance when, order intake and purchases falling by nearly 20% are taken into account.

We will continue to focus in the second half on the management of working capital with production plans having been set to see stock levels fall further. As a result of these efforts and despite the difficult markets we have witnessed, we now expect the cash position to improve further and year end cash to be higher than at the start of the year.

- **SLIDE 9 – CONSOLIDATED CASHFLOW**

Net capital expenditure and product development in the period was £5.5 million, that's £2.7 million excluding the Marvel factory spend and compares to the depreciation and amortisation charge of £4.2 million.

Cash tax paid was £2.5 million as we settled prior year items.

- **SLIDE 10 – REORGANISATION & EFFICIENCY INITIATIVES**

Turning to our reorganisation and efficiency initiatives.

First, I shall review the two reorganisation programmes we have implemented since the start of 2008, focusing on the costs and the benefits we have delivered to date and anticipate going forward.

Last year we reported £5.3 million in reorganisation costs and said that we were targeting annual savings of £6.2 million. We have already achieved the £6.2 million of cumulative savings with £3.2 million of this in the first half of 2009 and we now anticipate annualised savings of £6.5 million from these initiatives.

In the first half of the year we have spent £1.3 million and targeted £1 million of savings to be achieved in 2009 out of the £1.5 million of annual savings targeted.

This makes total annualised savings of £8.0 million from the £6.6 million spent. Of these savings the major elements are £2.5 million at Marvel generated from the factory consolidation, £2.5 million at AGA and Waterford Stanley and over £1 million at Rangemaster.

Headcount reduction since the start of 2008 is 20% on an annualised basis including the impact of short time working.

As you would expect we continue to look for further savings and efficiencies.

So turning now to the areas that continue to be a focus of our attention.

We continue to have a tight recruitment policy in place. Short time working is continuing at Grange's factories in France where the workforce are working 24 hours a week. Rangemaster has at times been working a 34 hour week whilst at AGA we have also had an extended shutdown during the months of July and August to cut inventory.

The management structure for the Group continues to evolve. We have had 2 anchor consumer operations in AGA and Rangemaster and acquisitions made have been integrated into one of those 2 structures. For example, Waterford Stanley was linked to AGA and Marvel to Rangemaster. At the end of 2008 we started to integrate functions, like Marketing and HR, between AGA and

Rangemaster. We have now extended this to all major processes such as Procurement, Manufacturing and Dealer Sales as we seek out further efficiencies.

- **SLIDE 11 – PENSIONS UPDATE**

Now, a little more background on the pensions numbers.

Market movements have again made the Pension Scheme's funding position appear volatile. Under IAS 19 at the 30th June, the Scheme had assets of £637.5 million, £17.5 million lower than at the end of 2008 and liabilities of £651.3 million - £53.8 million higher than at 31st December 2008. The liability increase was driven by a reduction in the discount rate and an increase in the inflation rate.

The discount rate used to discount the liabilities reduced from 6.4% at the year end to 6.2% as at June 2009 whilst the inflation rate has increased from 2.4% to 3.0%.

The net pension credit in the first half was £0.8 million. The service cost was £1.1 million in the half year compared to £1.9 million in the first half of 2008.

We continue to monitor and assess risk reduction and mitigation opportunities for the Scheme and further ways to control or limit the growth in liabilities. Whilst financial and economic conditions have constrained the market for insuring pensions risks, we are keeping in touch with the market so as to be able to take advantage of favourable conditions if they should arise.

The next triennial actuarial valuation of the Scheme is in progress and the results should be known during the first half of 2010.

- **SLIDE 12 – FINANCIAL GUIDANCE FOR 2009**

Turning to full year financial guidance.

The guidance provided in March remains broadly unchanged.

The Group expects to pay only a modest amount of bank interest for the year - around half a million pounds as previously indicated.

The tight control of capital expenditure means it will be around £4 million for the year and capitalised expenditure on intangibles, notably product development, will be around £2 million in total.

Capital expenditure at these levels will be less than 0.6 x depreciation. It is worth recollecting that we have invested around £48 million in the last five years in capex and product development.

The pension credit will be higher than previous guidance at around £1.6 million because of the lower payroll costs; the normal pensions cash contribution remains at around £1 million.

Any tax charge this year is likely to be negligible.

William will now discuss the current business initiatives and trading performance in a little more detail.

William.

WILLIAM McGRATH

- **SLIDE 13 – AGA RANGEMASTER : THE DEVELOPMENT THEMES**

First, some comment on the principal strategic drivers behind our business model that enables us to "equip the world's best kitchens". Our focus is on kitchen brands targeting the premium end of the market. In the UK we are market leader and we have acquired niche brands in overseas markets to expand them and help take our UK products overseas.

We have a large, well managed database of customer contacts that is driving our marketing plans on a day-to-day, campaign-to-campaign basis. This year we have put a particular onus on market research. We have for years been working hard on product development and here energy management is a key theme here. Our business model is designed to work on the traditional dealer B2B structure and to have owned retail providing direct consumer contact. We know that this overall model can deliver good results. We set financial and operational targets in 2007 – underscored by a 10% return on sales target – stretchable to 12%. The enhanced operational gearing of the Group means that a recovery to 2007 full year revenue levels of just under £300 million would see us achieve such returns.

- **SLIDE 14 – HOUSING MARKET : CLOSE CONNECTIONS**

That rebound may currently seem some time away. In 2008 and into 2009 our performance emphasised our linkage to housing transactions. We estimate that over 80% of our cookers are purchased by families in the year before or after a house move. There is a good correlation between our UK order intake and housing transactions, with some time lag. The graphic shows how mortgage approvals fell away sharply in 2007 through to the beginning of 2009 and are now increasing. Our monthly order intake in the UK started to fall sharply from June 2008. It did so rapidly in late 2008 and early 2009 to reach 20% where it has stabilised. We also saw our sink business, which is more involved in new build, fall sharply in early 2008 when that market slowed. It is now recovering well.

Our international markets are also tough. In Ireland new housing starts reached around 90,000 in 2006 and could be as less than a quarter of this in 2009. Lead indicators remain weak there. The North America markets for appliance sales are tough and have been down 9 quarters in succession.

➢ **SLIDE 15 – 2009 PERFORMANCE : CAST IRON COOKERS**

That's the backcloth against which to assess our businesses and we will now run through the operations starting with our cast iron cooker operations.

Being larger ticket items and linked to kitchen refurbishment projects our AGA, Rayburn and Stanley operations could be expected to have had a tough 2009. Orders were down over 25% in the first half to sales of 6,500 cast iron cookers – the sharpest fall since the post double MIRAS crash of the housing market in 1989 which saw sales fall one third by 1991. It is encouraging that new leads were only down 10% and where we provided strong incentives – as with the 30 amp electric AGA which uses overnight Economy 7 electricity and with the 2-oven oil and gas model at £4,995 – interest was high. Clearly, however, lead times before sales are achieved have become extended.

For Rayburn and Stanley wood sales flattened off after a good 2008. Oil sales, however, declined further in Ireland. 14% of cast iron cooker sales were outside the British Isles. International sales were up on the continent but down in North America.

➢ **SLIDE 16 –2009 OUTLOOK : CAST IRON COOKERS**

During the first half of the year we carried out extensive focus groups and customer surveys on AGA. This highlighted the depth of attachment to AGA and appreciation of its qualities and as the heart of the home providing comfort, reliability and great food. The interest in programmability was widespread on account of the needs of modern lifestyles as well as economic and environmental grounds.

The detailed market research has informed this Autumn's campaign, led by Ogilvy – the agency created by AGA's first salesman, David Ogilvy. The open month starting in September will have a focus on driving shop footfall.

Rayburn will also benefit this Autumn from the launch of the new 600 Series – which has a larger hotplate and larger ovens. A roadshow starts on 2nd September to address all members of the Rayburn Guild around the country – the frontline dealer sales force for Rayburn. As part of this we will be announcing greater direct incentives for the heating engineers and dealers who install boilers, showing them that the modern cooker / boiler in a single unit – as is the Rayburn and Stanley - is an excellent way to address both the consumer's heating and cooking needs. This links well with our emphasis on overall home energy management. There will be a concerted effort to push Rayburn and Stanley back into the heating mainstream. For Rayburn and Stanley the competition is as much boiler manufacturers as cooker producers and we are directing our efforts appropriately.

- **SLIDE 17 – AGA UPGRADE MARKET**

An important initiative for us is our AGA Upgrade Programme. The idea of upgrading AGAs in the field with new burners or complete replacement with a modern model is proving attractive to many owners. We started on this track with 'AGA Wanted' at the start of the year. We have targeted to reactivate 30,000 contacts this year. Over 1,000 home surveys have been booked in ten weeks for upgrades since we launched the upgrade programme and we expect this to become a significant part of our retail business as well as for AGA dealers. Our call centre team is working with the service and home survey teams to create a strong new sales axis for us.

- **SLIDE 18 – KITCHEN APPLIANCE MARKETS**

Looking now at our wider kitchen appliance market. In the UK Rangemaster continues to gain share as the UK's leading free-standing cooker brand.

In the first half we had over 50% market share for free-standing cookers over 60 cm wide by value. In an overall cooker market down 23% by volume our sales were down 20% by volume reflecting our good presence through all the major routes to market. Taking account of our fridges, wine fridges, dishwashers, splashbacks, cooker hoods and sink lines, sales were only down 15% by value. For Rangemaster / Falcon / La Cornue nearly 30% of sales are for product other than cookers. Rangemaster continues to help drive international expansion. Of overall sales over 20% were outside the UK – with the continent growing and Ireland retreating.

There are around 7,850 Rangemaster displays in the UK and over 1,500 in France and over 300 in North America. There are now 160 large format design centres in the UK and Ireland where a wide range of our products are featured.

One other area of our business that has performed well is our Nottingham based sink business in which we have invested consistently since 2002 in adding flexibility and premium products. We produce over 500,000 sinks per annum. Over the last seven years the direct headcount requirement per 100,000 sinks has fallen from 16.3 to 9.4 and the average time taken to produce a sink has fallen by over one third. Over 20% of the factory's time is spent making parts for other Group companies. Our sink business is now supplying Howdens – a major new account.

- **SLIDE 19 – MERCURY AND THE KITCHEN SPECIALIST MARKET**

To sustain momentum we are looking to build upon our strength that comes from being in all major dealer channels. Our addition this week of the Mercury brand and Thermastone brands acquired from Lincat for £425,000, shows us placing additional emphasis on the kitchen specialist market. Mercury's turnover was £1.8 million in 2008. The Mercury product range will be expanded and the product made in Leamington Spa from early next year. We now have a range of products which enables dealers to base their overall sales on our Rangemaster, Falcon, La Cornue, Mercury brands and some AGA lines and provide related products from our overall offering.

Mercury has been a competitor of Falcon for 10 years. Thermastone was developed 4 years ago as a new take on AGA. We think that the distinctive looks of both lines will attract new audiences to us and they will prosper as part of our Group.

Our competitive position at Rangemaster has been helped by being the major UK producer when most competitors are based on the continent and have had a greater currency disadvantage this year.

- **SLIDE 20 – IMPROVING PERFORMANCE IN OUR RETAIL OPERATIONS**

Our retail operations encompass AGA, Divertimenti, Fired Earth and Grange. Within our retail operations, AGA and Divertimenti have performed well and Fired Earth and Grange have been loss making. Our Fired Earth team is now the strongest we have had. We have strengthened our frontline retail management bringing in 3 new regional managers with strong retail sales credentials just as we have strengthened back of house operations over the last 2 years. We are now emphasising – in this Fired Earth's 25th year – that we are Britain's best tile shop. We work on paint with Kevin McCloud, the interior designer, an expert on colour, and have an endorsement deal with the National Trust. We are now refining our kitchen offering to offer built-in as well as freestanding lines with assistance from Charlie Smallbone – probably the most influential figure in recent years in the premium kitchen market. We have seen marked improvement in trading bottoming out at down over 25% in the Spring on a like-for-like basis. The July sale was excellent.

At Divertimenti we are enjoying a good year with the online operation, in particular, growing fast. Our cookery school is prospering and further strengthening the impressive Divertimenti brand.

- **SLIDE 21 – GRANGE TURNAROUND**

For Grange the premium furniture market remains extremely tough - a number of competitors have left the market. We have been rationalising production for some time – a process which is continuing – although slow given the regulatory framework in France. At the same time we have worked on the product and were delighted with the enthusiastic response of dealers at our Lyon dealer show in June. They believe in the quality of the Grange product and its credentials as an international premium brand. We see scope for Grange in modulars and in kitchens where Charlie Smallbone is working with our factories to provide product not only to Fired Earth in the UK but to our Grange, AGA and La Cornue dealers internationally. Our toughest problem has been for Grange in North America which has seen sales more than halve in the last 4 years. With the recruitment of a new general manager – a former Grange marketing manager from some years ago – and the implementation of further rationalisation measures, there is a renewed optimism for the brand and its position.

- **SLIDE 22 – AGA MARVEL : NORTH AMERICA**

Another area critical to the overall results of the Group is AGA Marvel in North America. The factory consolidation of two old facilities in Indiana and Michigan into the new Greenville, Michigan facility went extremely well, given the size and complexity of the project. Our cost base has been radically cut. We now have an outstanding facility with a state-of-the-art layout and paint facility but our own dealer sales and our OEM sales have fallen sharply. We have to face orders down nearly 50% from two years' ago as US consumers cut back on kitchen appliance expenditure. We are bringing all our North America appliance operations more closely together – both cookers and refrigerators. This has already enabled us in Canada to be our own distributor because of Heartland's presence in that market. A single tier approach is bringing better results.

- **SLIDE 23 : CUSTOMER RELATIONSHIP MANAGEMENT : CREATING OPPORTUNITIES**

All these brands are benefitting from the onus we have placed on customer relationship management. At the start of the year we established a Group marketing CRM and call centre at the head office. The overall objective was to professionalise the management and control of our database. A specific objective was to establish contact with as many as possible of the 300,000 plus AGA owners worldwide – with the 300 year anniversary of our Coalbrookdale foundry being a trigger. We now have an overall customer database of around 1 million households. We have c100,000 AGA and Rayburn owners registered of which just over 10,000 have been added this year and dealers are similarly adding to their databases.

This Autumn we will be using the database to select 85,000 owners who should be interested in the AGA Upgrade Programme campaign. We have carefully targeted web and direct mail campaigns using the database as well as media advertising for all our major brands. We have then really strong campaigns ready to respond to any improving market conditions and we have a pack with extracts from the campaign.

- **SLIDE 24 : 2009 : CURRENT TRADING**

So, looking at the outlook for the second half of 2009. We expect the better outlook for the housing market to be reflected in some improvement in market conditions. Order intake so far this year is down around 20% - but this has stabilised at that level in most areas over the summer. We would expect to start to trade in line or ahead of the weak comparators we saw from mid September last year. To enable us to achieve this, I would highlight the Ogilvy-led footfall initiatives for AGA; the AGA Upgrade Programme and the new generation of Rayburn products targeted at heating engineers ; the

Rangemaster 90cm single cavity and the kitchen specialist market for Falcon, Mercury and La Cornue. Where the uncertainty is greatest is about the timing of an upturn in North America.

By the end of November when these initiatives have worked through, we will have the required data to ensure that the business is right sized for the market reasonably likely to be seen in 2010.

- **SLIDE 25 – SUMMARY**

We have battened down the hatches; focused on good cash management and prepared for the upturn. We retain the confidence in the overall investment proposition based on having strong individualistic brands with collective support structure and compatible customer bases. Look out for opportunities for our brands to bring out new category changing products and for operational gearing to work to our benefit.

In the current economic climate our business model has indeed been fully tested. The challenges remain, but we have created the structures and developed the processes to ensure that we will benefit from the quality of our businesses and quality will out. In particular, we have Great British Cookers.

- **SLIDE 25 – CLOSING SLIDE**

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