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FOR IMMEDIATE RELEASE

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### AGA RANGEMASTER GROUP PLC

#### 2008 PRELIMINARY RESULTS

Year to 31st December	2008	Restated 2007
	£m	£m
<b>Continuing operations</b>		
<b>Revenue</b>	<b>279.4</b>	291.8
<b>Operating profit</b>	<b>11.1</b>	24.4
<b>Profit before tax</b>	<b>14.4</b>	27.0
<b>Basic earnings per share</b>	<b>14.4p</b>	18.9p
<b>Shareholders' equity</b>	<b>214.7</b>	355.0
<b>Net cash*</b>	<b>5.8</b>	169.1
<b>EBITDA (before non-recurring costs)</b>	<b>24.6</b>	39.2

\*During the year the Group returned £151.2 million to shareholders including a capital return of £139.7 million.

#### Strategic and operational highlights

- The Group delivered sound profits and had net cash at the end of 2008 leaving us with a strong balance sheet to help us withstand challenging market conditions.
- Overall cooker sales were lower in the year but some lines, notably wood burning stoves and Rayburn cookers, performed well.
- The underlying order intake is currently down nearly 20% on the prior year – with the US operations lower but Rangemaster better than the average.
- Given our intention to concentrate on cash conservation through 2009, no final dividend is proposed, leaving the dividend for 2008 at 4.0 pence, which was in addition to the capital return of 121.0 pence.
- In 2009 product innovation and the benefits of a lower sterling exchange rate will help our drive for greater market shares. Cost cuts, reduced capital expenditure and lower working capital will further strengthen the cash position.

William McGrath, Chief Executive, commented: *“The sound financial base we have established and the benefits of many years of investment in production, product and brands mean that we should be able to deal effectively with the current economic downturn as we work to strengthen our market shares and win new customers.”*

#### **Enquiries:**

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## **AGA RANGEMASTER GROUP PLC**

### **2008 PRELIMINARY RESULTS**

#### **CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT**

##### **Overview**

Our outstanding consumer brands provide the Group with its intrinsic strength and this has been much needed in the current difficult markets. We have adjusted rapidly to the challenging economic circumstances seen in a cyclical downturn which accelerated as consumer confidence fell in the second half of the year and more recently as unemployment has risen.

The year started relatively well. We had completed the sale of our foodservice operations before market values declined and returned over £150 million to shareholders, paid down our bank debt and kept the Group in a net cash position. We also reached an agreement with the trustees on the approach to the financing of the pension scheme through to 2020. For the continuing operations we had set performance targets to grow revenue and raise returns. The first half year showed our resilience and operating profits (excluding property profits) rose in the half year even though markets were distinctly tightening. From September onwards we saw marked, sustained declines in activity and order levels were down by around 15% in the last third of the year. This had an appreciable impact on profitability and led us to take further action to cut costs and adjust production levels to re-align them with demand. Having taken these steps, the outlook is now tied to the assessment of when the markets in which we operate first stabilise and then start to recover.

##### **Trading performance**

We saw 2008 become more difficult as the year progressed. Hence the marked deterioration in performance which saw second half results appreciably below those achieved in the first half.

For Aga, Rayburn and Stanley, our cast iron cooker brands, volumes were down 21.5% in the year. Average selling prices, however, particularly for Agas, were higher as some customers moved to larger models. Volumes of lower value models sold to Irish local authorities fell sharply. 40% of sales were outside the UK.

Electric Agas represented 60% of sales and 3-oven Agas were 40% – both all time highs. At Rayburn sales were flat but within the numbers solid fuel burning models rose from 36% to 54% of the total – largely at the expense of oil models. A strong product line for Aga and Stanley was solid fuel – primarily wood burning – stoves where record volumes were achieved of over 15,000 units in Ireland and over 4,500 units in the UK. Cookware continued to do well and we aim to develop this business further in 2009.

For Rangemaster six years of sustained growth ended in the second half. The swift decline of the new build housing market and subsequently the decline in housing transactions reduced demand, first for the trade-led sink operations and then for the cooker business. Within the product mix the good underlying trend lines continued. The Group had over 40% by volume and over 50% by value of the UK range cooker market. 90cm width models were again particularly strong. The breadth of the range with cooker hoods, splash backs, fridges and sinks all provided greater opportunities for customers to buy Rangemaster branded products – notably we performed particularly well in the rapidly growing Rangemaster centres in dealer stores. In France and Belgium we again grew rapidly and offset weak sales in Ireland. After four years of investment, France and Belgium are now a £6

million market for us. We have around 1,500 displays and with range cooking now a firmly established part of the market we are looking for further significant growth.

For Fired Earth a good first half gave way to a difficult second half in which it was again loss making. The fundamentals of the business – the product mix led by tiles and paint backed by bathrooms and with kitchen furniture increasingly prominent – sourcing, distribution and the retail presentation are all in good shape. Using these strengths and the links with the Group's customer base and the 25th anniversary celebrations all suggest Fired Earth is capable of improved results in 2009.

In North America trading proved tough all year with consumer confidence remaining low and appliance sales across all regions and markets sharply lower. With Marvel we took the major step of consolidating our two US refrigeration plants and moving to a newly built factory where we expect the lower unit cost of production and strong product mix we have developed to generate good profit levels in due course. Volumes are currently running over 25% below last year. Cooker sales in 2008 in North America similarly fell 5% in a market down 14%.

### **Financial performance**

Total revenues for the Group were ahead at the half year by 1.9% but for the full year revenues were down 4.2% at £279.4 million (7.6% lower at constant exchange rates) as sales of our core products slowed. Of total revenues 37% was generated outside the UK.

Operating profit before non-recurring costs was £16.5 million (2007: £30.4 million – restated for £0.6 million of reallocated costs) including a net pension credit of £5.4 million (2007: £6.0 million). The first half performance was resilient but as consumer confidence weakened the second half revenues were down by 10% year on year and profits fell.

In response to the deteriorating trading conditions the Group implemented a series of reorganisation measures at a full year cost of £5.3 million. These mainly related to the reorganisations and headcount reductions at Waterford Stanley (cost £1.4 million), Rangemaster (cost £0.9 million) and Marvel in the US (cost £1.9 million). Full year cost savings of over £6 million have been targeted through these plans. We have also reached a number of agreements with the workforce and Unions on working shorter hours while demand remains exceptionally low. This is in the interest of both employees and the Group as it provides us with the ability to respond when the upturn in consumer confidence materialises. The total number of employees has fallen in the year from 3,169 and is now under 2,700.

Following the £265 million sale of the foodservice operations the Group successfully completed a £139.7 million capital return to shareholders in May which makes the total amount returned to shareholders since 2001 £616 million.

Total net finance income for the year was £3.2 million. In the first half net finance income was £3.4 million whilst in the second half there was a net cost of £0.2 million. The high level of interest income in the first half was a result of the substantial cash balance the Group held following the foodservice disposal pending the £139.7 million capital return.

The Group continues to take a careful approach to financial planning and that coupled with the structural changes in the Group over a period of time has been the reason behind our lower than standard rate tax charge. In 2008 the tax charge was £2.7 million, a rate of 18.8% on pre-tax profits. We expect the rate in 2009 to be close to 20%.

Cash inflow from continuing operations decreased by £0.9 million to £4.5 million. Inventories were higher as customers destocked in the final quarter of the year and trade payables fell as purchases decreased as a result of lower activity levels in the business. The net disposal cash outflow, following the foodservice disposal, totalled £2.4 million as fees and expenses of £7.2 million were settled.

Net cash flow on capital expenditure during the year, including intangibles, was £13.0 million. In the year we invested an initial £4 million in a new factory for Marvel in the US. The final £2.8 million was paid in January 2009. We expect that capital expenditure in 2009 will be below the depreciation charge in 2008 of £6.8 million.

The cash tax paid was £2.7 million (2007: £4.9 million). Dividends paid in the year including the capital return totalled £151.2 million (2007: £69.1 million).

At 31st December 2008 the IAS 19 net retirement benefit surplus was £57.5 million compared with a £31.3 million surplus at the half year and a 2007 year end surplus of £79.6 million. The year end discount rate of 6.4% (2007: 5.8%) reflects higher corporate bond rates and has led to a significant reduction in the IAS 19 pension liability to £597.5 million (2007: £697.3 million). Scheme assets totalled £655.0 million (2007: £776.9 million) as the fall in equity, property and bond markets all hit market values of assets held.

The net pension credit in the year was £5.4 million (2007: £6.0 million) and is expected to fall to approximately £1.0 million in 2009 based on the directors' view of the expected return on scheme assets based on current yield curves. Cash contributions into the scheme were £1.3 million in the year. A similar level is expected in 2009.

Basic earnings per share, after taking account of the special capital repayments and the reduced number of shares in issue, were 14.4 pence. This compares with 18.9 pence per share in the prior year. The Group ended the year with net cash of £5.8 million compared with net cash of £169.1 million at the end of 2007 and £16.9 million at the half year. Since the half year we have invested £4 million in the new Marvel factory, spent £2.8 million in cash on the reorganisation programme and currency movements have increased the value of currency loans held for hedging purposes by £3.2 million. Currency movements account for £19.4 million of the £22.7 million movement in net assets in the year excluding net cash balances.

### **Dividend payments**

We have a long standing dividend cover target of 2.5 times fully taxed earnings. Given the outturn for 2008, the 4.0 pence interim dividend already paid, the capital return of 121.0 pence and the high degree of uncertainty about prospects for 2009, the board has decided not to recommend the payment of a final dividend this year.

### **2009: A year of innovation is in a long tradition**

2009 sees the Group celebrate 300 years of innovation which runs through both Aga and Rangemaster's history with deeply embedded engineering and manufacturing skills. Appended is a commentary of the contribution made by the Group.

The last year as usual has seen a number of significant initiatives:

- The move of the Marvel factory to a new purpose built, state-of-the-art facility in Greenville, Michigan featuring a new paint plant bringing the highest quality finishing to the product range.
- The introduction of the programmable gas Aga – alongside the electric version – cutting running costs in use by around 25%.
- The introduction of induction technology – bringing the responsiveness of electric cooking up to the level of a gas hob – first into the Falcon range and then into the best selling Rangemaster line up.
- The launch of a single cavity cooker with a divider to be used when preparing smaller meals – designed to save energy and costs for the consumer.
- The introduction of a new, energy efficient generation of wood burning Rayburn cookers and Aga and Stanley stoves responding to the revival of interest in wood as a carbon neutral fuel which is more cost efficient than oil.

We are also aligning our electric products to link in with a resurgence of interest in cheap rate overnight electricity as major producers seek to find markets in heat storage products for their otherwise wasted production from power stations that cannot be turned off overnight. Similarly, we are working with a number of micro generators of electricity who see the Aga as providing an appropriate conduit into the consumer market. These developments are 'Aganomics' and 'Rayburnomics' in action emphasising the economic and environmental case for cast iron cooking.

So after 300 years, the Group is still innovating and developing its products in line with market trends and customer needs.

### **Strategy and outlook**

Last year we set demanding performance and growth targets that are not readily achievable in current difficult market conditions. We will retain our target of a 12% return on sales in the longer term whilst recognising that sales and margin conservation together with a tight focus on cash flow will be the immediate priorities of the Group.

We have made progress over 2008 in Customer Relationship Management ("CRM") and our objective of making better use of the Group's customer database. Having a central commercial hub with call centre and marketing resources at the head office is proving successful. Recent responses to campaigns, notably by Aga, have been encouraging and such customer contact will contribute substantially to enabling us to realise the long-term potential of the Group and our brands.

Our objective is to ensure that we can emerge stronger from the current downturn with improved market positions and to show we have the product platform and targeted customer base on which to build.

Economic conditions are difficult but they continue to evolve rapidly. A key task is to ensure that we are able to respond quickly to changing circumstances. The decline in sterling is an advantage when we export to Europe and the USA whilst at the same time handicaps European producers selling into the UK. With interest rates on savings at historical lows, we are likely to see people invest in refurbishing their current homes – even if they are not moving home. In addition, we have some particularly strong brands and products to take to customers and our

300 years of innovation; the new product lines stylishly addressing the economic and environmental needs of the day.

The upgrade options for Aga products underpin our work to re-invigorate sales from both existing as well as new customers to Aga. At Rangemaster the complete kitchen appliance solution we have is winning support with dealers and consumers alike.

Order intake is currently approximately 20% down on the same time last year and we are assuming that the order intake will continue to be weak. The operational gearing of the Group should enable us to respond well as soon as market conditions ease. The Group is well positioned with a strong balance sheet; outstanding brands; deeply rooted manufacturing skills; product initiatives; and a focus to cash management.

The current markets are the least encouraging for many years but we are ready to take on these challenges and expect to become stronger with improved market shares. Changing with the times is something on which the Group has thrived – through 300 years of innovation.

**J Coleman**  
**Chairman**

**W B McGrath**  
**Chief Executive**

**13<sup>th</sup> March 2009**

## CONSOLIDATED INCOME STATEMENT

<u>Year to 31<sup>st</sup> December</u>	2008 £m	Restated 2007 £m
<b>Continuing operations</b>		
Revenue	279.4	291.8
Net operating costs	(268.3)	(267.4)
<b>Group operating profit</b>	<b>11.1</b>	24.4
Net pension credit	5.4	6.0
Non-recurring cost	(5.3)	-
<b>Profit before net finance income and income tax</b>	<b>11.2</b>	30.4
Finance income	4.8	2.0
Finance costs	(1.6)	(5.4)
<b>Profit before income tax</b>	<b>14.4</b>	27.0
Income tax expense	(2.7)	(4.2)
<b>Profit for year from continuing operations</b>	<b>11.7</b>	22.8
<b>Discontinued operations</b>		
Post tax profit from discontinued operations	-	40.7
<b>Profit for year</b>	<b>11.7</b>	63.5
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Profit attributable to equity shareholders	12.4	63.4
(Loss) / profit attributable to minority shareholders	(0.7)	0.1
<b>Profit for year</b>	<b>11.7</b>	63.5
<hr/>		
<b>Earnings per share – continuing operations</b>		
	p	p
Basic	14.4	18.9
Diluted	14.4	18.7
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<b>Dividend per share</b>	<b>p 4.0</b>	p 11.5
<b>Cash return / special dividend</b>	<b>121.0</b>	43.0
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## CONSOLIDATED BALANCE SHEET

**As at 31<sup>st</sup> December**

	2008 £m	2007 £m
<b>Non-current assets</b>		
Goodwill	70.9	60.1
Intangible assets	24.0	18.0
Property, plant and equipment	58.7	51.7
Retirement benefit surplus	58.7	80.4
Deferred tax assets	5.5	2.7
	217.8	212.9
<b>Current assets</b>		
Inventories	63.5	54.9
Trade and other receivables	39.9	46.4
Current tax assets	2.1	1.5
Cash and cash equivalents	42.9	181.5
	148.4	284.3
<b>Assets held for sale</b>	1.9	-
<b>Total assets</b>	368.1	497.2
<b>Current liabilities</b>		
Borrowings	(9.7)	(4.3)
Trade and other payables	(66.8)	(76.4)
Current tax liabilities	(11.6)	(8.7)
Current provisions	(4.3)	(2.6)
	(92.4)	(92.0)
<b>Net current assets</b>	56.0	192.3
<b>Non-current liabilities</b>		
Borrowings	(27.4)	(8.1)
Retirement benefit obligation	(1.2)	(0.8)
Deferred tax liabilities	(21.9)	(29.9)
Provisions	(8.7)	(9.3)
	(59.2)	(48.1)
<b>Total liabilities</b>	(151.6)	(140.1)
<b>Net assets</b>	216.5	357.1
<b>Shareholders' equity</b>		
Share capital	32.5	32.4
Share premium account	29.6	68.8
Other reserves	95.5	37.1
Retained earnings	57.1	216.7
<b>Shareholders' equity</b>	214.7	355.0
Minority interest in equity	1.8	2.1
<b>Total equity</b>	216.5	357.1

## CONSOLIDATED CASH FLOW STATEMENT

<u>Year to 31<sup>st</sup> December</u>	<b>2008</b> £m	2007 £m
<b>Cash flows from operating activities</b>		
Cash generated from operations post pensions items	4.5	12.4
Finance income	5.0	1.8
Finance costs	(1.6)	(5.0)
Tax payment	(2.7)	(4.9)
<b>Net cash generated from operating activities</b>	<b>5.2</b>	4.3
<b>Cash flows from investing activities</b>		
Disposal proceeds from sale of subsidiaries less costs	(2.4)	259.8
Purchase of property, plant and equipment	(10.2)	(17.1)
Expenditure on intangibles	(3.3)	(3.9)
Proceeds from disposal of property, plant and equipment	0.5	5.3
<b>Net cash (used in) / from investing activities</b>	<b>(15.4)</b>	244.1
<b>Cash flows from financing activities</b>		
Dividends and cash return paid to shareholders	(151.2)	(69.1)
Net proceeds from issue of ordinary share capital and costs of share consolidation	(0.1)	1.1
Repayment of borrowings	(1.5)	(43.4)
New bank loans raised	22.7	1.7
<b>Net cash used in financing activities</b>	<b>(130.1)</b>	(109.7)
Effects of exchange rate changes	1.7	(0.4)
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(138.6)</b>	138.3
Cash and cash equivalents at beginning of year	181.5	43.2
<b>Cash and cash equivalents at end of year</b>	<b>42.9</b>	181.5

## CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

<u>Year to 31<sup>st</sup> December</u>	<b>2008</b> £m	2007 £m
<b>Profit for year</b>	<b>11.7</b>	63.5
Exchange adjustments on net investments	<b>19.4</b>	3.1
Actuarial (losses) / gains on defined benefit pension schemes	<b>(28.7)</b>	27.4
Deferred tax on items taken direct to reserves	<b>7.9</b>	(10.8)
<b>Income and expenses recognised directly in equity</b>	<b>(1.4)</b>	19.7
<b>Transfers to income statement</b>		
Movement on exchange gains as a result of disposals	-	5.5
<b>Total recognised income for year</b>	<b>10.3</b>	88.7
Attributable to:		
Equity shareholders	<b>11.0</b>	88.6
Minority interests	<b>(0.7)</b>	0.1
<b>Total recognised income for year</b>	<b>10.3</b>	88.7

## CONSOLIDATED CASH FLOW STATEMENT - RECONCILIATION

<b>Cash generated from operations</b>	<b>Continuing</b>		Total
	2008	Restated 2007	Restated 2007
	£m	£m	£m
Profit before income tax – continuing operations	<b>14.4</b>	27.0	27.0
Profit before income tax – discontinued operations	-	-	13.3
Net finance (income) / costs	<b>(3.2)</b>	3.4	3.0
Share based payments expense	-	0.5	0.9
Amortisation of intangibles	<b>1.3</b>	1.2	2.2
Depreciation	<b>6.8</b>	7.6	11.2
Loss / (profit) on disposal of property, plant and equipment	<b>0.3</b>	(1.3)	(1.3)
Increase in inventories	<b>(3.6)</b>	(7.1)	(24.4)
Decrease / (increase) in receivables	<b>5.4</b>	(2.2)	(9.7)
(Decrease) / increase in payables	<b>(10.7)</b>	0.7	17.1
Increase / (decrease) in provisions	<b>0.5</b>	(0.1)	(0.3)
Increase in pensions	<b>(6.7)</b>	(9.8)	(12.1)
Pension scheme additional cash contributions	-	(14.5)	(14.5)
<b>Cash generated from operations post pensions items</b>	<b>4.5</b>	5.4	12.4

## SEGMENTAL ANALYSIS

There are two operating segments which meet the aggregation criteria of IFRS 8 in full therefore the directors consider that there is only one reportable aggregated segment, as aggregation is consistent with the core principle that the result is to provide information that enable users to evaluate the nature and financial effects of the business activities in which the Group engages and the economic environments in which it operates. The operating segments have similar economic characteristics, products and services, production processes, types and classes of customer and methods used to distribute products. The directors consider the aggregated reportable segment to be the manufacture and sale of range cookers and related home fashions product. Therefore the majority of the disclosures as required under IFRS 8 have already been given in these financial statements.

Segment assets include property, plant and equipment, intangibles, inventories, retirement benefit surpluses and receivables. Non-current assets exclude retirement benefit surplus and deferred tax assets.

Entity wide disclosures in respect of revenues from external customers and non-current assets are provided below.

	2008			2007		
	Revenue	Total segment assets	Non- current assets	Revenue	Total segment assets	Non- current assets
	£m	£m	£m	£m	£m	£m
United Kingdom	175.3	191.0	73.6	182.9	218.1	74.0
North America	40.0	55.0	34.4	42.1	37.4	21.1
Europe	60.0	71.6	45.6	63.2	56.0	34.7
Rest of World	4.1	-	-	3.6	-	-
<b>Total continuing operations</b>	<b>279.4</b>	<b>317.6</b>	<b>153.6</b>	291.8	311.5	129.8
Discontinued operations	-	-	-	279.9	-	-
Tax	-	7.6	-	-	4.2	-
Cash	-	42.9	-	-	181.5	-
<b>Total</b>	<b>279.4</b>	<b>368.1</b>	<b>153.6</b>	571.7	497.2	129.8

## NOTES

### 1. Dividends

The directors are not proposing a final dividend in respect of the financial year ended 31<sup>st</sup> December 2008 (2007: 7.65p). An interim dividend of 4.0p per share (2007: 3.85p) has already been paid. A return of cash of £1.21 per share was paid during the year (2007: a special dividend was paid of 43.0p per share).

### 2. Exchange rates

The income statements of overseas subsidiaries are translated into sterling using average exchange rates and balance sheets are translated at year end rates.

### 3. Net pension credit

	2008 £m	2007 £m
Pension cost	(3.5)	(3.9)
Curtailment gain	-	0.3
Net pensions returns on assets and interest costs	8.9	9.6
<b>Net pension credit</b>	<b>5.4</b>	<b>6.0</b>

### 4. Income tax

	2008 £m	2007 £m
United Kingdom corporation tax based on a rate of 28.5% (2007: 30%):		
Current tax on income for year	1.5	2.1
Adjustments in respect of prior years	2.6	(0.3)
United Kingdom corporation tax	4.1	1.8
Overseas current tax on income for year	1.4	3.6
<b>Total current tax</b>	<b>5.5</b>	<b>5.4</b>
United Kingdom deferred tax (credit) / charge in year	(1.6)	2.6
Overseas deferred tax credit in year	(1.2)	(1.7)
<b>Total deferred tax (credit) / charge</b>	<b>(2.8)</b>	<b>0.9</b>
<b>Total United Kingdom tax</b>	<b>2.5</b>	<b>4.4</b>
<b>Total overseas tax</b>	<b>0.2</b>	<b>1.9</b>
<b>Total income tax</b>	<b>2.7</b>	<b>6.3</b>
<b>Income tax charge</b>		
Continuing	2.7	4.2
Discontinued	-	2.1
<b>Total income tax</b>	<b>2.7</b>	<b>6.3</b>

## 5. Earnings per share

	2008 £m	Restated 2007 £m
<b>Earnings</b>		
Profit after tax for year from continuing operations	11.7	22.8
Minority interests	0.7	(0.1)
<hr/>		
Earnings from continuing operations – for basic and diluted EPS	12.4	22.7
Profit from discontinued operations	-	40.7
<hr/>		
Profit attributable to equity shareholders	12.4	63.4
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<b>Weighted average number of shares in issue</b>	<b>million</b>	<b>million</b>
For basic EPS calculation	85.9	120.3
Dilutive effect of share options and Long-Term Incentive Plan	0.2	1.1
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For diluted EPS calculation	86.1	121.4
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<b>Earnings per share</b>	<b>p</b>	<b>p</b>
<hr/>		
<b>Continuing operations</b>		
Basic	14.4	18.9
Diluted	14.4	18.7
<hr/>		
<b>Total operations</b>		
Basic	14.4	52.7
Diluted	14.4	52.2

## 6. Non-recurring cost

The £5.3m non-recurring cost relates to redundancy and reorganisation programmes across the Group, primarily at Marvel, Rangemaster and Waterford Stanley.

## 7. Restatement

The 2007 income statement has been restated by £0.6m between continued operations and discontinued operations due to the correction of the allocation of corporate costs.

## 2009 FINANCIAL CALENDAR

Report and accounts posted  
Annual General Meeting  
2009 half year end

27<sup>th</sup> March 2009  
8<sup>th</sup> May 2009  
30<sup>th</sup> June 2009

The financial information set out in this announcement does not constitute the Company's statutory accounts for the years ended 31<sup>st</sup> December 2008 and 2007. The financial information within this announcement is prepared in line with the accounting policies presented within the Company's statutory accounts. Statutory accounts for 2007 have been delivered to the Registrar of Companies and those for 2008 will be delivered following the Company's Annual General Meeting. The Company's auditor has reported on these accounts; its reports were unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

### 300 YEARS OF INNOVATION : OUR MANUFACTURING TRADITION

Two emblematic projects for us in 2008 were making the gas Aga programmable and taking induction technology into mainstream cooking products. Both of these initiatives fit well into a pattern stretching back to the origins of the Group three hundred years ago in which the Group has been a great product innovator using its core strengths and experiences in manufacturing.

The significance of our Group's 2009 anniversary is internationally recognised. In 1709 our foundry in Coalbrookdale – where the Aga and the Rayburn cookers are made – became the birthplace of industry. Then Abraham Darby was looking to raise cooking pot production levels with his new sand moulds first smelting iron ore with coke - not charcoal - in his blast furnace. The curves of the cooking pots made the techniques difficult but when mastered they could be used more widely and more dependably, notably in the casings for steam engine pistons. The momentum for industrialisation was underway. Subsequently the foundry became a World Heritage Site and one of which we are very proud. And as in 1709 cast iron cooking pots are a core product.

The foundry was where the Ironbridge across the Severn was built in 1779 and from there ever more elaborate cast iron railings and models were produced for sale into international markets.

A business was sustained in heating stoves and from the mid 19th century cast iron range cookers were made there – direct ancestors of the Rayburn (first built in 1946). After the Second World War production of Aga cookers was also moved to Coalbrookdale by the Group – then called Allied Ironfounders.

The Coalbrookdale foundry was modernised in the 1990s and today production and environmental standards are very high. An example is air quality in Coalbrookdale. On a wall in the foundry is a list of all 32 foundry managers dating back to Abraham Darby himself who have run the foundry with a record of the achievements of generations of foundry workers.

The thread of innovation runs widely throughout the Group. Rangemaster's manufacturing base in Leamington Spa is where the modern range cooker was invented in 1830 – with a single heat source being used to heat a number of separate ovens. The 'Kitchener' won a Gold Medal from Queen Victoria at the Great Exhibition of 1851 and was to be found in the kitchens of the homes and palaces of the European elite in the second half of the 19th century. The business continued to lead in cooking and introduced the first separate grill, dual fuel cooker and the modern range cooker itself.

La Cornue's vaulted oven still used to produce the best French food from a myriad of starred French chefs, was invented in 1908 by the Dupuy family. All of these cooking traditions were re-interpreted by Gustaf Dalén, the Swedish Nobel prize-winning physicist, as a heat storage cooker, the Aga, in 1922.

The Group has long been involved in commercial and domestic oven manufacture. The Falcon cooker operation in Scotland was the heart of the commercial business sold in 2007 and Stanley, our Irish business, was originally an offshoot of it in the 1920s.

Engineering and manufacturing skills are deeply embedded in the Group. They have been sharpened in recent years as the Group has invested heavily in its manufacturing facilities, in engineering and in research and development. £50 million has been invested in the last five years alone – as we have accelerated our development programmes.

These initiatives are made possible because the Group is open to ideas and interested in production processes. The Group has invested in a succession of projects across our businesses to introduce lean manufacturing into the culture and to find the best sources of components or – where appropriate – sub assemblies for the Group.

We have been alive to the progress of industries and technologies around us – most notably motor manufacturing which has set efficiency and effectiveness standards for many years. Lean manufacturing, notably production flows, use of robotics and flexibility in assembly, have all been features of our progress. We have also been watchful in our approach to procurement. We have a sourcing team in Shanghai that provides access to Far East markets. We have not, however, sought to off-shore core manufacturing competencies leaving us vulnerable to shifts in economic patterns.

The Group has deliberately decided to keep core skills, which set its products apart, close to its core markets and in-house. Hence, we remain manufacturers in the UK of the major product lines while in France we continue to manufacture the classic La Cornue products and in Canada the classic Heartland products. In the USA we decided to keep manufacturing close to Marvel's core USA customers while at the same time looking for expansion into European markets.

We have a long track record of innovation. Adjusting our product to changing consumer and market needs is central to our business approach. This is clearly seen with our Aga and Rayburn products. Over the last six years we have introduced a new generation of electric products; we have added a third oven into the standard Aga footprint and we have made electric and now the gas Aga programmable. We will in the second half of this year be able to offer nearly all existing owners opportunities to either trade up or to have their existing products made programmable.

A manufacturing area where Britain leads the world is in range cooking – Great British cookers – which we are taking not only to a home market but with determination to export markets.

So after 300 years of innovation, the Group can see clear outlines of where the development story goes next.