ANALYSTS' PRESENTATION – 13TH MARCH 2009
PRELIMINARY RESULTS 2008

- **SLIDE 0 – AGA RANGEMASTER GROUP, PRELIMINARY RESULTS 2007 [WHILST PEOPLE GATHER]**

WILLIAM MCGRATH

- **SLIDE 1 – INTRODUCTION**

Welcome to our 2008 preliminary results presentation. We will review our performance against our objectives for the year and provide an appraisal of our position operationally and strategically given the current market conditions.

2008 was a year in which the strength of the business model we have developed was singularly tested by the rapid decline in demand for higher ticket consumer products, particularly in the fourth quarter. We still remained, however, profitable through the year and had net cash of £5.8 million at the year end. The economic crisis does endorse the decision to realise the value of over 40% of the Group at the end of 2007 in more benign markets and make a significant capital return whilst still maintaining our traditionally conservative approach to finance.

- **SLIDE 2 – TODAY'S AGA RANGEMASTER**

Before passing to Shaun to comment in detail on our financial performance and the position in 2008, I would like to remind you that notwithstanding the economic backcloth, Aga Rangemaster has great and synergistic brands. We have production facilities in which we have fully invested to meet modern efficiency and production standards, products brought to market that are performing well, more exciting products in the pipeline and, well established distribution structures.

Taking these together, looking at 2009, we believe we are as well positioned as we practically could be to deal with current economic circumstances and should expect to increase our market shares. Indeed we have now 300 years of innovation as a manufacturer to suggest we can remain relevant and progressive across economic cycles.

Now over to Shaun.

SHAUN SMITH

- **SLIDE 3 – 2008 RESULTS – INCOME STATEMENT**

Thank you, William.

Good morning everyone. Having sold the Foodservice business at the end of 2007 we decided to pay down the £80 million of debt we had taken on to fund earlier capital repayments, and to leave ourselves with net cash on the balance sheet. As 2008 progressed that has looked increasingly to have been a good decision.

In the year, revenues for the consumer businesses of £279.4 million were down 4.3% from the previous year, and 7.6% down in constant currency. Operating profits were £11.1 million. Second half operating profits were therefore £2.1 million. In addition, the net pension credit for the year was £5.4 million. Including this pension credit, profits of £16.5 million compared to last year's adjusted £30.4 million, which has been restated for £0.6 million of reallocated costs as reported at the half year.

Non-recurring costs in the year were £5.3 million which covered the major reorganisation programmes at Marvel, Waterford, Rangemaster and other smaller redundancy programmes across the Group.

Net finance income was £3.2 million compared to a net charge of £3.4 million in 2007. This was mainly due to the level of cash balances held prior to the £140 million return to shareholders paid out in May.

- **SLIDE 4 - 2008 RESULTS – SHAREHOLDER RETURNS**

As you may have seen we are not recommending payment of a final dividend in respect of 2008. Basic earnings per share of 14.4 pence compared to 18.9 pence in 2007. Earnings per share have been calculated on a weighted average number of shares in issue of 85.9 million shares compared to an average of 120.3 million in 2007. The share consolidation following the capital return reduced the number of shares in issue to 69.2 million.

The Board has a policy of the dividend being covered 2.5 times from fully taxed earnings over the medium term. In reviewing the full year dividend the Board took into account the impact of the current economic uncertainties, both directly on trading and on the wider financial context of the Group. Taking these factors into account, plus the £220 million of cash returned in 2007 and 2008, the Board has decided that a full year dividend of 4.0 pence per share, as declared at the interim stage, is the right level for the full year and is covered 3.2 times from fully taxed earnings. A decision will be made on 2009 dividends prior to the interim results at the end of August.

- **SLIDE 5 – BALANCE SHEET**

Now looking at the balance sheet.

Net assets are £216.5 million following the capital return to shareholders.

Goodwill and intangibles have increased to £94.9 million from £78.1 million mainly due to currency revaluation.

Intangible expenditure, net of amortisation, was £1.8 million in the year.

The Richmond property in the US was vacated by Marvel at the end of the year and is currently up for sale and has therefore been classified as an asset held for sale at a value of £1.9 million.

Net cash in the balance sheet was £5.8 million. The major elements in the movement from last year's £169.1 million are the £151.2 million paid out to shareholders in the year and the £13 million spent on capital investment led by the new facility for Marvel.

Net working capital was £36.6 million compared to £24.9 million in 2007. Of the £11.7 million movement, currency accounted for nearly £4 million, the net impact of the Foodservice disposal was around £2.0 million and the trading out flow was the remainder.

Reducing working capital to generate cash is a key focus for all of our business units in 2009 and production plans have been set accordingly.

Provisions have increased by £1.1 million to £13.0 million in the year which mainly relates to reorganisation and redundancy provisions announced in 2008 to be effected in 2009.

The taxation movement of £8.5 million is primarily due to the £7.9 million deferred tax movement resulting from the reduced pension surplus.

The IAS 19 pension surplus of £57.5 million has increased from the £31.3 million at the half year and compares with the £79.6 million reported at the end of 2007.

- **SLIDE 6 – OPERATING CASH FLOW**

Now looking at the cash flow generated from operations.

Following a small cash out flow in the first half, the full year cash in flow from operations at £4.5 million was only slightly lower than last year's £5.4 million for the continuing business, even though profits before income tax of £14.4 million were lower than the £27 million made in 2007.

The two significant year on year changes were the £3.2 million of finance income in 2008 which compares to the £3.4 million cost in 2007.

The other major item was in relation to pensions and the lower figure of £6.7 million in 2008 compared to the total of £24.3 million in 2007. During 2007 £14.5 million of additional cash contributions were paid into the Scheme which in itself was the driver of the lower actual cash contribution of £1.3 million during 2008.

Amortisation of intangibles and depreciation totalled £8.1 million, which is slightly lower than last year.

The working capital out flow in 2008 of £8.9 million was similar to the £8.6 million in 2007.

- **SLIDE 7 – CONSOLIDATED CASH FLOW**

In the consolidated cash flow statement, the reported 2007 figures, shown here, include the Foodservice expenditure. In 2008 net capital expenditure was £9.7 million and expenditure on intangibles was £3.3 million. A further £2.8 million was paid on the Marvel factory in January 2009. Total cash tax paid was £2.7 million, down from £4.9 million in 2007 which is the same as the actual tax charge posted in the income statement.

Cash dividends paid in the period totalled £151.2 million including the £140 million capital return. This is up from the £69.1 million paid out in 2007 which also included a special dividend of £55.6 million.

- **SLIDE 8 – NON-RECURRING REDUNDANCY AND REORGANISATION CHARGES**

Now looking at the reorganisations undertaken during the year.

The Group responded aggressively to the deteriorating economic environment which we first witnessed having a material impact on our Irish operation at the end of 2007. Whilst trading overall was resilient in the first half of 2008, we continued to take action reducing the headcount further in the second half and overall we are now employing 15% fewer people, which is nearly 500 less than at the end of 2007.

We have reduced headcount by reorganisation and non-replacement of leavers by nearly 50 in Waterford, over 100 at Marvel, nearly 200 at Rangemaster, around 75 at Aga and Fired Earth, and over 50 at other operating units. Full year cost savings targeted from these reorganisations are over £6 million. Other cost savings – lower corporate costs, purchasing efficiencies, the Asian sourcing office – increase this figure further.

- **SLIDE 9 – PENSIONS UPDATE**

Pensions remains an area to which we have long given considerable attention due to the size of the Scheme relative to the Group. The year end balance sheet shows a surplus of £57.5 million on liabilities of £597.5 million, which compares to liabilities of £697.3 million and a surplus of £79.6 million at the end of 2007.

At the year end 30% of Scheme assets were invested in equities, 60% in fixed income and around 10% in property. We reduced our equity asset allocation from 40% to 30%, prior to the Foodservice disposal in 2007, to better match our assets and liabilities. This matching has helped reduce volatility.

The discount rate used to discount liabilities was 6.4% for the main scheme, compared to 5.8% at the end of 2007 as corporate bond yields moved out.

The net pension credit was £5.4 million compared to the £6 million in 2007.

The next triennial actuarial valuation of the Scheme will be undertaken by the Trustee as at 31st December 2008 and the results are expected to be known by the end of this year.

- **SLIDE 10 – FINANCIAL GUIDANCE FOR 2009**

With such major swings in economic policy underway and with consumer confidence low and unemployment rising, the outlook is difficult to assess but I think it is fair to say that it is not altogether very encouraging. I should like to give you some guidance on the Group's financial framework for 2009.

Working capital movements, the first half bias of capital expenditure, including the further £2.8 million Marvel factory spend in January, and the funding of further anticipated reorganisations, all designed to deliver savings in the year, will see the Group with some modest debt in the first half of the year.

The Group expects, therefore, that it will pay a modest amount of interest for the year – less than £0.5 million.

New capital expenditure is forecast to be around £6 million for the year, that is that is less than depreciation.

The tax rate in 2009 should be similar to that achieved in 2008 at around 20%.

The net pension credit is expected to be significantly lower than the £5.4 million in 2008 at something over £1 million primarily because of the fall in gilt yields at 31st December to below 4%, which in turn impacts the return calculations. The ordinary pensions cash contribution will be slightly lower than the £1.3 million in 2008.

I'll now hand back to William.

WILLIAM McGRATH

- **SLIDE 11 – TARGET TO GROW CAST IRON COOKER SALES**

Thank you, Shaun.

I will review our progress in 2008 against the parameters set a year ago in different economic circumstances.

A target was to grow cast iron cooker sales beyond 19,600 – the level achieved in 2007. Cast iron cooker sales in 2008 were 15,400 - that's down 22% on 2007. Of these sales 40% were outside the UK – compared with 47% in 2007 - the largest part of the fall was in Ireland. This was because Stanley's contract to supply local authorities fell away along with the oil price rises hitting demand for Stanley's core Brandon line. Rayburn, which is typically a cooker and a boiler providing hot water and central heating, saw sales unchanged with sales of wood burning models growing and offsetting declines in sales of oil models. Our 'Burn Wood Not Money' advert, shown here, worked well.

After a bright start Aga sales fell sharply in the second half as consumers became more cautious. Against that, those investing did buy larger models so that the average price paid for cast iron models actually went up 6% in the year. 62% of sales were electric; compared with 15% in 2004 when the 13 amp electric was introduced. As gas is now also programmable we expect the rise in electric as a percentage of sales to stabilise.

- **SLIDE 12 – AGA : PROFIT GENERATING OPPORTUNITIES**

Beyond the cookers themselves, strong growth was achieved by our stove models – particularly in wood – with Irish sales up 10% to over 15,000 units while UK sales more than doubled to over 4,500. Our cookware operations did well and we pulled them together with one sourcing and distribution team linking Aga and Divertimenti in a £10 million operation. With revenues under pressure, protecting profits required cuts in costs and increased efficiencies –

seen in the restructuring of the marketing and retail teams and in production reorganisations across our factories in Waterford and Telford.

- **SLIDE 13 – PRODUCT DEVELOPMENT AND 'AGANOMICS'**

Looking forward, the Aga story remains strong. The product development programme has brought the 3-oven cookers; electric cookers; programmable cookers and coming soon, retrofit burner upgrades to bring programmability to Agas in customers' homes. With programmability the Aga need only be up to temperature when needed. Indeed, debate about 'Aganomics' - the economic and environmental case for cast iron cooking which we explained last autumn - has grown. Aganomics shows that the Aga home need use no more energy or produce more CO^2 than one without. The cheapest Aga to run currently is the 2-oven 30-amp electric and the biggest selling product is the 3-oven gas which costs £12 per week to run. The latest running costs and CO^2 emission level calculations for the Aga are shown here. Of note is that the average 4-person household creates 7.5 tonnes of CO^2 - the Aga around 3.6 tonnes, less than expected from the appliances for which the Aga covers the role.

- **SLIDE 14 : CAST IRON COOKING : ENERGY MANAGEMENT AND SYSTEM UPGRADES**

Aga technology is a contemporary technology. The renewed interest of major energy producers in off peak electricity arises because of a desire to have more level loads on production capacity. The current EDF TV advert and sales incentives is about recycling the idea of Economy 7. Economy 7 also highlights the virtues the Aga offers as a battery in the home. We responded with the 20:20 offer of 20% off the 30 amp electric Aga for 20 days in March. We have already received over 350 strong enquiries. The Aga is also relevant to micro generation of electricity for the domestic market – which is receiving great impetus from Government seen in recent announcements by the Department of Energy and Climate Change. We are working with both major energy and micro generators of electricity who see the Aga as a natural link for their products into consumer homes.

We have particularly high expectations for the combination of solar collectors; wood burning Aga stoves and Rayburns over the next few years. Our smart link can ensure that the most eco friendly and cheap fuel source is used. This combination meets all new building and energy regulations.

The burner upgrades we are to offer to existing owners is another feature of 'Aganomics'. We will offer gas to programmable gas, electric to programmable electric and importantly, oil to programmable electric upgrades. Annual cost savings are £300 - £400 and the conversion cost is between £600 and £2,000. We expect in the coming years that there will be a steady expansion of the upgrade and replacement parts of the business.

- **SLIDE 15 – GROWING SALES OF RANGEMASTER COOKERS**

Our second target was to grow Rangemaster sales beyond 76,000 units beyond that we achieved in 2007. Here we had to adjust to the weak UK market – but the essential drivers for the business, which has grown rapidly and consistently after the reconfiguration of the business in 2002 remains..

At Rangemaster sales were flat in the first half and sharply lower in the second half to reach 68,000, 8,000 down in the year. Some of the fall was due to destocking in the autumn as dealers cut back. The Sinks business which is more directly linked to the housing market – particularly to new build - had already seen demand fall from the second quarter. We kept overall market share at 40% in a cooker market down 12% and increased it by value by 3% to 50% – helped by our successful – now 150 strong – group of design centres featuring larger ranges of our products including sourced fridges and dishwashers.

Overseas we absorbed a 20% fall in sales in Ireland and balanced it with an over 20% rise in France and Belgium, now our largest export market at over £6 million.

We took action at the start and end of 2008 to cut costs; invested in efficiency raising measures in the factories, most particularly in more robotics to replace dipping and welding of cooking cavities. We made further cost cuts at the end of the year as Rangemaster moved rapidly into defensive mode – assuming production in 2009 will be lower than sales as a destocking and cash generating programme is taken on board.

- **SLIDE 16 – OPPORTUNITIES FOR RANGEMASTER**

Quality, safety, value and innovation are all part of the Rangemaster success story. We have an outstanding cooker factory in Leamington making product for all our cooker brands in which we have invested heavily in recent years. We also have an efficient well invested sink factory in Nottingham – a quarter of its output is components for the cooker business. We are strengthening our UK and European market position – something further assisted by being UK based while many competitors are German and Italian Euro zone based producers. They are now responding to sterling's weakness with sharp price rises of around 10%. Rangemaster prices are going up by between 0% and 3.5% at the end of the month.

Product initiatives remain key. Our Falcon and Rangemaster induction models are proving successful. Our new single cavity models with separator to create two smaller ovens (to which pyrolytic self cleaning will be added this year) takes us into segments of the Continental and US markets in which we have been under represented.

- **SLIDE 17 – FIRED EARTH / GRANGE**

Our £50 million of sales for our home fashions operations of Grange and Fired Earth both made losses in 2008, with both being hit hard by the market slowdown. Grange has a continuing production rationalisation programme in place as falling sales at its US operation impact European manufacturing numbers. Grange is highlighting the features of quality and range that set it apart. Its modular furniture product lines made in France and Rumania are around 15% of revenues and have the capability to be the emblematic lines of Grange introducing Grange to a wider international customer base. Grange has a global brand reach – but its key markets are France where we have our own shops in Paris and Lyon, the UK, USA and Germany – now re-emerging as a significant market.

Fired Earth is 25 years old this year. Concentration of its position in tiles and paint has helped simplify business processes and raise efficiency. The growth in kitchen furniture using Grange as its primary source and targeted at the established customer bases of the Group is proving effective. We have reorganised retail management and battened down the hatches. The business is positioned to respond well when market conditions become easier. 2008 finished with sales down 7% on a like-for-like basis.

- **SLIDE 18 – NORTH AMERICA OPERATIONS**

We have a target to raise the proportion of the business outside the UK to 50% and in this North America is still a key target market. In the US we moved to put the two comparably sized production units of Northland and Marvel together – something anticipated at the time of the acquisition in 2004. The financial packages available from the State of Michigan combined with the available ex-Electrolux fridge employees made appropriate the choice of Greenville, Michigan for the new facility. This is now the hub for our US operations. We have one commercial team in North America for cookers and fridges and this has now become our own distributor in Canada via our Heartland cooker business which is based there. Success will come as the market picks up given we have made years of determined investment in distribution and product for North America. Marvel had a tough 2008 as demand decreased and unit sales fell 23%. The overall refrigeration market was down 18% in 2008 and is still weaker at the start of 2009. The product line is excellent and the US market has shown before a remarkable ability to bounce back. With all our core brands taken collectively we have a powerful package to take to dealers with fridges made in the USA and cookers ex the UK with the benefit of the sharp fall in the sterling exchange rate improving our competitive position. With the move to single tier distribution and the exchange rate, Aga and Rangemaster product sold in Canada have the highest margins of any cooker sales by the Group.

- **SLIDE 19 – RETURN ON SALES TARGET**

We have 12% return on sales as a target. The recovery and growth in revenue is a key to this – but profit improvement can also come from the benefits of investments already made. Keeping costs controlled is also key. The reduced size of the workforce and the reduced hours agreement we have set up in our major factories are both designed to cut costs and avoid excess inventory levels. Most pay deals have been at or close to nil. We saw sharp rises in costs last year but deflation now seems to be at hand. We are better placed for having maintained a balance between sourcing locally and having international sourcing agreements so that exchange rate movements do not leave us flat footed. We have a strong team based in Shanghai that have well established deals covering cast iron, refrigeration components and finished goods such as double door refrigerators and dishwashers. At the same time, we have our own production capabilities and local sourcing options. What these steps have done is to lower the fixed cost base and raise the potential to see a rapid profit recovery.

The investment in the businesses has been substantial. Capex over the last five years has been £38 million – around 1.2 times depreciation. Product development over the last 5 years has been £10 million – 90% of which was capitalised.

- **SLIDE 20 – IMPACT OF CONTACT CENTRE**

We see potentially a key feature of the long term success of the Group as being the strengthened customer relationship management. This has been boosted in recent months by the move of the head office and its combination with the commercial team in the office attached to the new consolidated

Rangemaster warehouse in Leamington Spa. Determining what consumer campaigns to run while assessing the responses is now more systematic and professional. We have a series of direct marketing and cross-selling initiatives underway. The current ‘Aga Wanted’ campaign has seen nearly 19,000 owners register their Agas – mostly by e.mail – and benefit from cookware and soon burner upgrade offers. New Rangemaster customers are to be offered 2.5 litres of paint free and discount on Fired Earth product. The contact centre deals with around 250 incoming calls from customers per day – excluding product delivery and maintenance calls – and makes outgoing sales calls. We have radically improved the usability of the database in the last year. It is increasing by up to 7,500 unique records a month.

- **SLIDE 21 - 2009 : THE YEAR AHEAD**

Looking to 2009, there are well established concerns with weak new housing numbers and low consumer confidence as unemployment rises. Against that we have seen large drops in mortgage costs; low returns on cash deposits; lower VAT, raised government spending and a lower sterling exchange rate. Consumer durables and investments in the home could recover early in any overall recovery.

Against this background as a UK-led manufacturer there are opportunities. We are emphasising that range cooking is a manufacturing area where Britain leads the world – hence our coming Great British Cookers campaign. In addition, we have our own strong themes for the year. 2009 is the 300th year that as a Group we have been casting iron ore with coke in Coalbrookdale. It was Abraham Darby initiative’s to use his patented moulds to make cooking pots that was the trigger for the industrial revolution and makes the foundry a World Heritage Site. Our record of 300 years of innovation means that we are well placed to benefit from the focus that is being placed on the home; the kitchen at its heart and on home heating. This is the theme in this year’s accounts.

We are relevant to some of the largest challenges for the economy and the environment and our contribution can bring financial benefits to the Group. At present, however, the markets continue to be patchy.

Taken overall we are seeing demand down at the start of the year by around 20% - slightly worse than at the end of 2008. For Aga and Rayburn in the comparatives is that the price increase was early last year because of Easter and it pulled sales forward, so the comparators are more relevant from April. Currently Aga is down year-on-year but Rayburn is up driven by strong growth in wood burning stoves.

Rangemaster volumes are overall down against strong comparators with sink volumes well down. For cooking lines, in particular, the start of the year has been somewhat more encouraging and with competitor price increases we expect to take market share. Outside the UK markets are difficult. In the US in particular the start of the year has been slow – with Marvel's volumes continuing to be steeply lower. Now with its new factory and lower cost base, Marvel is better placed to address the market.

The winners in our marketplace in 2009 will be those responding most rapidly and effectively to the changing economic position and the policy changes that are going with it on tax spending, interest rates and exchange rates – as well as wider policy topics such as energy use.

- **SLIDE 22 - SUMMARY**

So in addressing the position of the Group today the highlights are:

- The Group had positioned itself well headed into the recession with net cash. Going into the downturn we have a well invested business, a strong product pipeline and strengthened sales and marketing.
- The Group has repositioned itself to be part of the solution to Government energy management concerns with programmable Agas; Rayburn eco packages and wood burning products.

- Continued concentration on export markets with Rangemaster leading the way.
- North American operations have sound structures, good products and can bounce back.
- We expect to generate cash and there are possible property sales to come.

Across the Group we expect to see our market shares grow. With a well invested business, well placed product lines with sound finances, we can see through to the other side of the recession and retain our confidence in the strategic direction we have set for the Group.

➢ **SLIDE 23 – CLOSING SLIDE**

- END –