

Trading Update – January 2009

Discussion with Analysts



AGA RANGEmaster
Group plc

Pre Close Trading Update

Summary

- The Group was well positioned with net cash (post £265 million and cash return) when the downturn came
- Decisive action taken before and after the further deterioration in the market in the autumn of 2008
- The pre close trading statement confirms October Interim Management Statement comment that second half profits appreciably lower than in the first half
- The Group expects to remain profitable and cash generative in 2009
- The Group should emerge with strengthened market position when the current downturn ends

2008 in Review

- Resilient first half : £9 million operating profit on £145 million turnover
- Weakening house building market and fall in housing transactions over Summer led to tough Autumn selling period
- Cost base adjustments made in response to reduced trading levels. Agreement on reduced working time at major production facilities, costs cut across the Group and focus turned to cash generation as a priority in 2009
- Headcount is now over 12% lower than at the start of 2008

2008 / 2009 Finances

- £265 million sale of foodservice (completed December 2007) well timed and the £140 million return of capital in May 2008 left Group with net cash (£16.9 million at 30th June 2008)
- Net cash at 31st December 2008 in excess of £5 million : cash impacted by funding of new Marvel factory, rationalisation costs and fall in sterling exchange rate in second half
- Expectation in 2009 of strong cash flow with capex below depreciation, rescheduled development programme and reduced inventory levels

Pension Scheme

- IAS 19 surplus at 31st December 2007 of £80 million and IAS 19 surplus at 30th June 2008 of over £30 million (with assets of £713.2 million and liabilities of £681.9 million)
- Key drivers of results : 'AA' bond / gilt yields / inflation / demography
- Formal actuarial valuation by Watson Wyatt to be dated 31st December 2008
- Financial framework in place to achieve self sufficiency for the pension scheme by 2020 based on maintaining investment strategy of 30% equities, 10% property, 60% bonds. 2020 revaluation basis backed by £22.5 million in cash collateralised guarantees and £27.5 million in other bank guarantees

Trading Performance:

Cast iron and retail operations

- Aga / Rayburn / Stanley cast iron cooker sales down significantly against 19,600 in 2007
- Marketing initiatives : “Love Aga” theme and development of trade up initiative continuing : Aganomics / Rayburnomics have addressed economic and environmental case for cast iron cooking : Very strong performance for wood burning cookers and stoves
- Good Christmas period for cookware for Aga and Divertimenti
- Fired Earth : after encouraging first half weak second half : December up year on year



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Trading Performance:

Cookers and refrigerators

- Rangemaster saw volumes fall from 76,000 in 2007 to circa 68,000 in 2008 – decrease occurred in second half : destocking within dealer structure; now over 110 design centres
- Continuing progress for non-cooker sales in UK and for exports notably for overall French operations
- Sharp adjustment made to cost structures at end of 2007 and again at the end of 2008 to reflect changing market conditions
- Marvel : weak markets through year. Onus on cost base reduction with move to single factory. Move on track



Cost initiatives

- Plan to achieve £6 million savings implemented (Marvel / Waterford Stanley / Head Office)
- Agreements around Group to reduce production to reduce stock levels notably at Aga and Rangemaster
- Full year benefit of headcount reduction : now over 12% lower than at the start of 2008
- Capex / R&D trimmed for 2009 : possible because of benefits of sustained high rate of investment. Capex and R&D in last five years of nearly £50 million

2009 / 2010 Opportunities

- Aga Rangemaster:
 - Primarily UK producer selling to identifiable UK customer base frequently competing with Euro zone produced products
 - Weaker exchange rate provides export opportunities : Ref. France and Ireland and USA
 - New US factory in Michigan selling primarily to US customer base
- Further work with the established customer base using newly centralised CRM team
- Aga's World Heritage Site at Coalbrookdale has 300th anniversary : links with 'Aga Wanted' / 'Love Aga' campaigns
- Work to provide Rangemaster kitchens not just cookers gathering momentum
- Expectation Group will emerge with stronger market position from current recession

