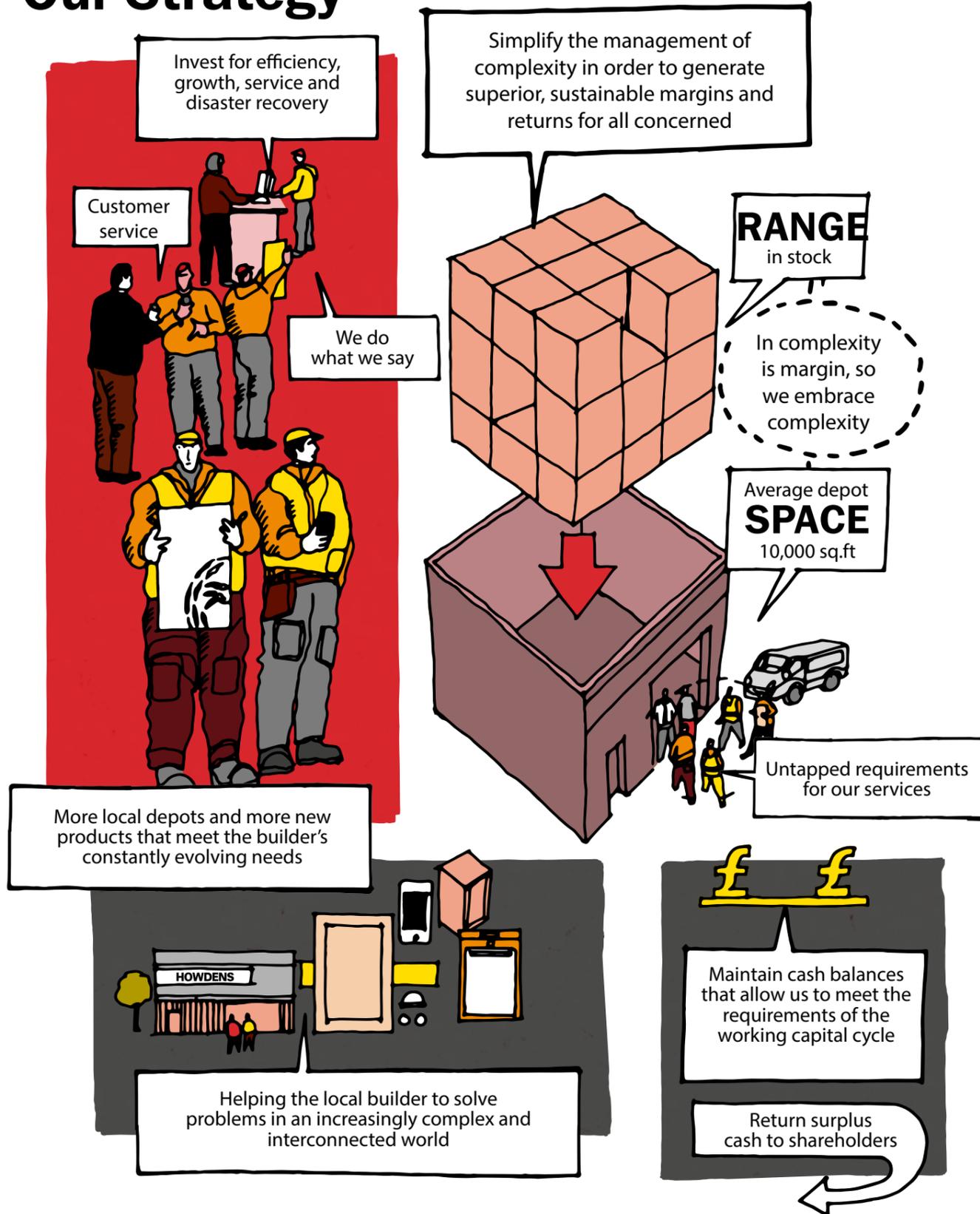


# Our Strategy



## OUR STRATEGY

Howdens' strategy is focused on kitchens. Its successful execution depends on our ability to manage the complex combination of numerous skills and products in a simple and efficient way. This ability has been developed over more than 20 years.

Our strategy is to invest for future growth. In order to deliver the potential we see in our market and ensure stock availability in depots as we expand, we have invested £160 million over three years in our manufacturing and distribution to improve efficiency, provide for disaster recovery and increase capacity in anticipation of the continuing growth of the business. We have opened a new 650,000 square foot national distribution centre at Raunds, near Northampton, replacing our old distribution centre on the outskirts of the town. We have also made significant, ongoing investments in Howdens' systems infrastructure to ensure that our processes are robust and efficient and that we can manage the increasing need for connectivity across our business and in all our lives.

Our strategy is to expand our UK depot network. We believe that there is some way to go before we have saturated the UK market and we see significant opportunities to grow our business. While we take account of market conditions in planning our roll-out of new depots, we continue to see untapped requirement by builders for a local and convenient service in much of the country. This need is shown by the fact that when we add a new depot near to an existing one, we see overall sales increase in the area within a short time.

Our strategy is to develop our people. Howdens' success is based on customer service: we do what we say and say what we mean. We seek to ensure that everyone in the business practises this

principle, and stays focused on this and on all the other elements of our culture.

Our business benefits from the investment we make in developing our people. When we invest in the right people, we can grow our own leaders. Leaders who already understand the strategic importance of the Howdens business model and culture. Our investment in development also gives valuable opportunities to our best people and helps us to retain them.

Our strategy is to commit to prudent financial management. We maintain sufficient cash balances to allow us to meet the requirements of the working capital cycle, taking into account the marked seasonality of the business and returning surplus cash to shareholders as appropriate. Our dividend policy is on page 24.

We continue to develop strategic options for the future. These options include developing new products that meet the builder's constantly evolving needs and introducing new services for builders, such as solid surface installation.

...advice and aftersales to make a home to be proud of."