

**Address by Roger Yates,
Chief Executive,
to the Henderson Group Annual General Meeting
3 May 2007**

As the Chairman has indicated, the Group made good progress and delivered strong growth in profits in 2006. Profit before tax from continuing operations rose by 30% to £82.2 million, with earnings per share rising even more sharply to 6.3p per share, helped by the £200 million capital return to shareholders we undertook in October last year.

In Henderson Global Investors, now the Group's only business, profits rose by 29% to £81.1 million on revenues 15% higher at £295.7 million. The positive revenue impact of £4.3 billion inflows into higher margin products, more than offset the revenues lost from outflows from Pearl and other lower margin mandates. Fee margins also improved to 44bps in 2006, up from 37bps in 2005, again a reflection of the shift towards higher margin business. As regards overall profitability, revenue growth outstripped higher costs to drive an improvement in the cost to income ratio to 72.6% from 75.5% in 2005.

Apart from financial results, perhaps the best indicators of the health of a fund management business are investment performance results across the business. In general, we are encouraged by the trends in performance in 2006, particularly in our higher margin business lines. Thus, in our UK retail range, 79% of funds beat their benchmark in 2006, in the Horizon range of mutual funds sold into Europe and Asia 68% and in hedge funds 78%. Property also had an outstanding year for investment results with over 90% of funds exceeding benchmarks. There are, as always, areas where we can still do better, particularly in some of our institutional mandates. However, the overall picture is a promising one.

A different, but very tangible measure of investment success is the quantum of performance fees generated by the business. On this measure, 2006 was a very strong year and we generated net performance fees of £37.3 million compared to £26.5 million in 2005. These fees were sourced across our business from 52 different funds. This diversity leads us to believe that performance fees will remain a feature of our revenues, although it is always difficult to forecast the exact amount.

The Group enjoyed a lower tax rate than the UK statutory rate in 2006. Of course this was welcome but the lower tax rate is temporary and we expect a return to a more normal corporate rate, which in the UK will be 28%, by 2009 or 2010. As the Chairman also mentioned, the Group has returned just over £1 billion to shareholders over the past two years and recently took some debt onto the balance sheet. As such, we expect interest income earned on Corporate cash balances to be lower in 2007 compared to 2006. Corporate costs are expected to be approximately £10 million in 2007, £2 million lower than in 2006.

Our strategy has been to develop and build a set of specialist, higher margin activities. This strategy is working and to help accelerate the pace of development, we made some changes to the business in the second half of 2006. We created a Listed Assets business managed by Andrew Formica and David Jacob, with its own distribution activities and associated marketing and product support areas. We also integrated Property distribution into the existing Pan-European Property business managed by James Darkins. These changes have aligned investment management and distribution more closely and we have already seen an improvement in product

development and client relationships. The cost of the changes was £7.8 million, which we charged to profit as a one-off restructure cost in 2006. Our activities in North America, Private Equity and Asia were not affected.

Meanwhile, we remain pleased with our relationship with Banca Popolare Italiana and await the completion of the merger between Banca Popolare Italiana and Banco Popolare di Verona & Novara, scheduled for early July 2007. We expect a gain on our investment in Banca Popolare Italiana of approximately £35 million to crystallise in our profit and loss account during the first half of 2007.

As regards the current year, our strategy of focusing on higher margin business continues to bear fruit. Flows into mutual funds and property have been good and at healthy margins. As regards the lower margin business areas, in addition to the outflows associated with the run-off of Pearl's closed life books, Pearl has indicated that it is likely to withdraw approximately £5 billion of its with-profits funds in June 2007. The investment management and other related agreements reached with Pearl in June last year, allow Pearl flexibility to withdraw and/or re-allocate assets between investment capabilities. As such we cannot predict future movements in Pearl funds. However, if actual fees fall below certain thresholds, Pearl has agreed to pay compensation payments to Henderson to make good the shortfall, until April 2015. Consequently, this likely withdrawal will not have any significant impact on earnings relative to previous assumptions.

Overall we are making good progress in executing our strategy. Flows into higher margin products are helping drive revenues and fee margins higher and in turn this is delivering an improvement in profitability. Specifically, we are on track to achieve our cost to income ratio target of 70% for Henderson Global Investors for 2007. The business is healthy and its prospects remain good, assuming as always the maintenance of benign market conditions.

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