

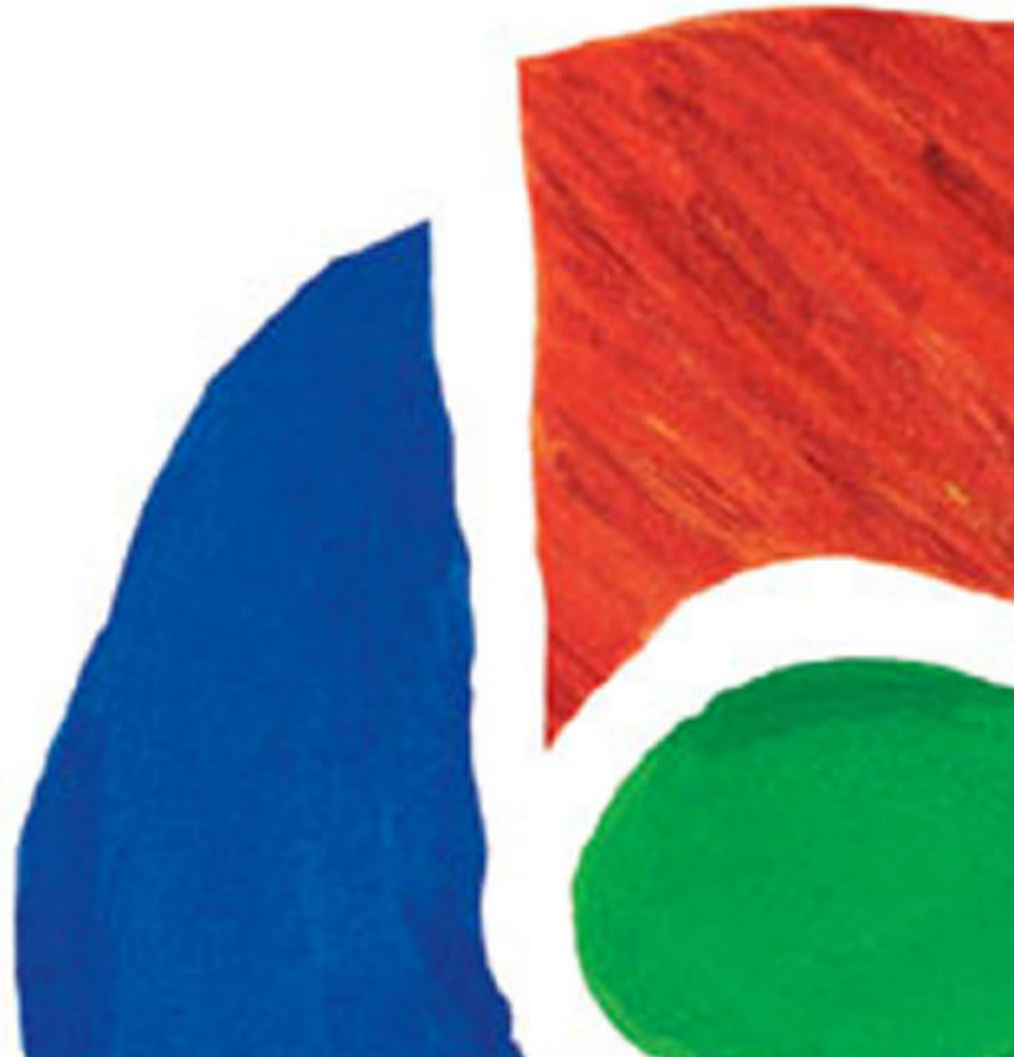


HHG PLC

Full Year 2003 Results

Roger Yates, Chief Executive Officer
Toby Hiscock, Chief Financial Officer

31 March 2004
All information in £





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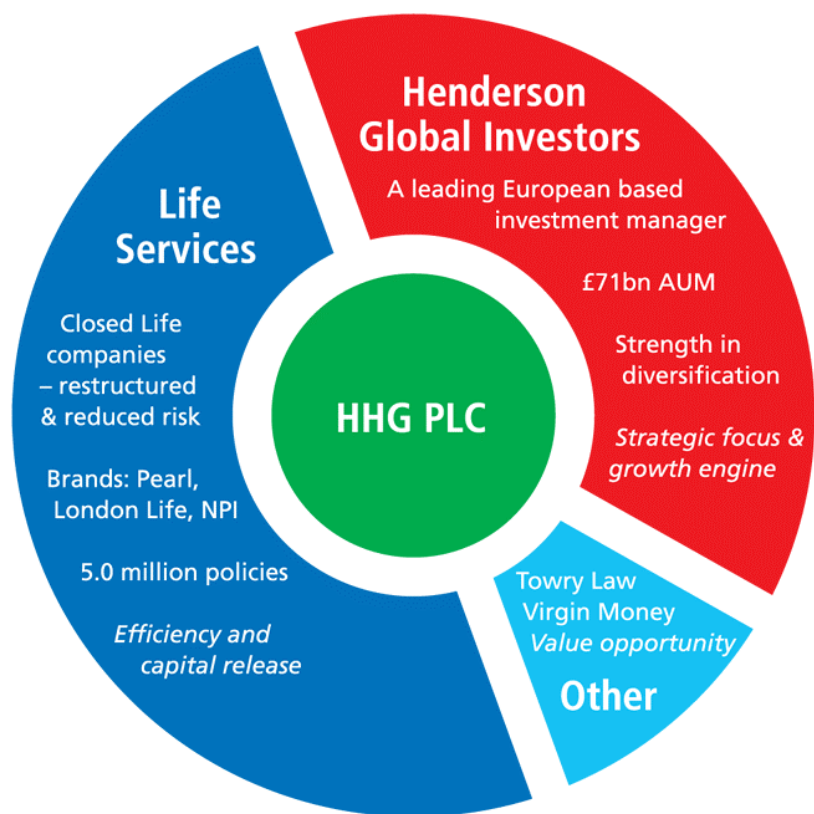


■ 2003 summary

- Operational review Roger Yates
- Financial highlights Toby Hiscock
- 2004 outlook Roger Yates



Overview - Group



- ✓ Embedded Value growth since 1H03
 - Traditional up 36% to £1.15bn
 - MCEV up 41% to £1.27bn
- ✓ Regulatory capital free assets improved
- ✓ Service Company on track, break even 2004
- ✓ Henderson 2H03 profit improvement



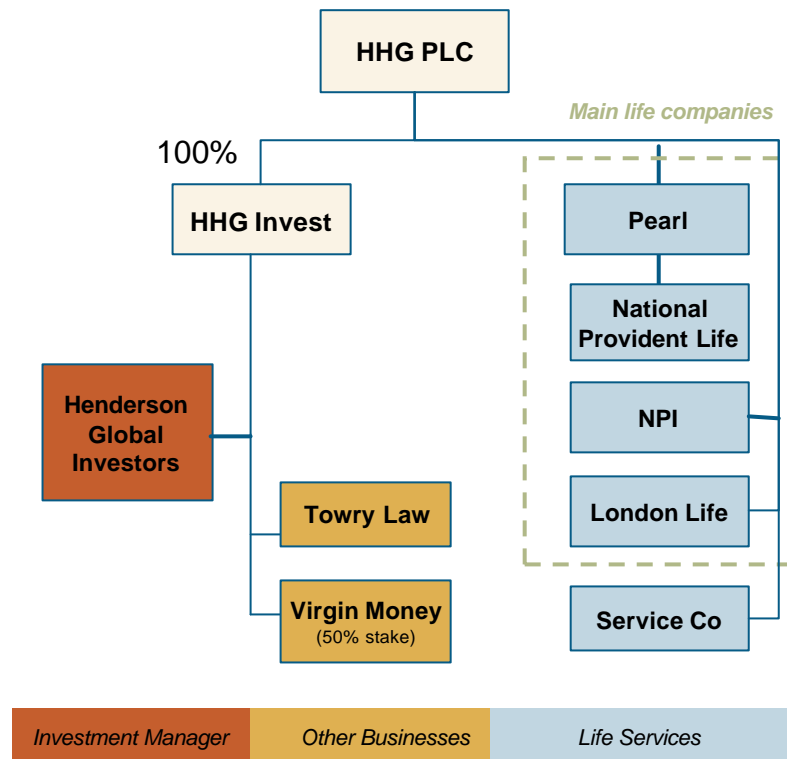
Overview - 2003

<i>Business unit</i>	<i>Driver</i>	<i>Delivery</i>
Henderson	<ul style="list-style-type: none"> AUM Investment performance Operating profits Efficiency 	<ul style="list-style-type: none"> AUM up by £1.2bn in 2H03 to £71bn, improving mix Performance up, 68% of funds* outperformed their benchmark 2H03 OPBT 46% up on 1H03 to £19m. Improving cost to income ratio
Life Services	<ul style="list-style-type: none"> Embedded Value Experience Regulatory capital Risks Efficiency 	<ul style="list-style-type: none"> TEV up 36% (v 1H03), MCEV up 41% (v 1H03) Surrenders in line with assumptions Improved regulatory capital position EBR strategy intact, prudent provisions £1.5bn Headcount reduction 64%
Other	<ul style="list-style-type: none"> Efficiency and value realisation 	<ul style="list-style-type: none"> TL and VM profitable, Ample divested

* Funds outperforming benchmark is calculated as external listed assets which includes all of the listed assets managed by Henderson with the exception of the Life Services with-profits funds.



HHG - intended corporate structure



Move from 76% to 100% direct ownership of HHG Invest by HHG PLC:

- Better alignment of corporate structure with core businesses
- Reduces impact of CP204 (as flagged in UKLP)
- Better access to cash flow from Henderson and Other Businesses

Restructure to be funded by external capital and internal resources



- 2003 summary

- Operational review

Roger Yates

- Financial highlights

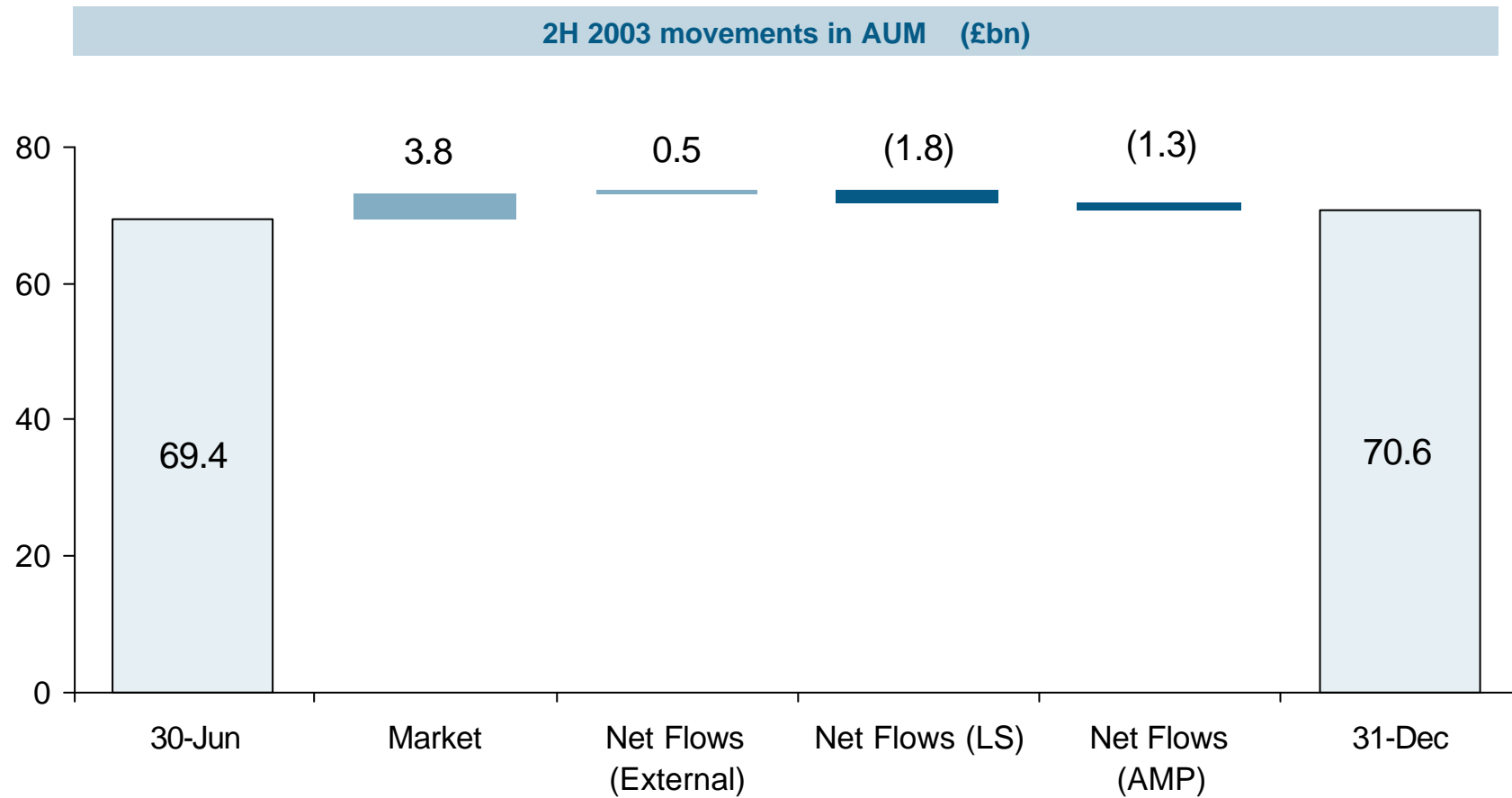
Toby Hiscock

- 2004 overview

Roger Yates



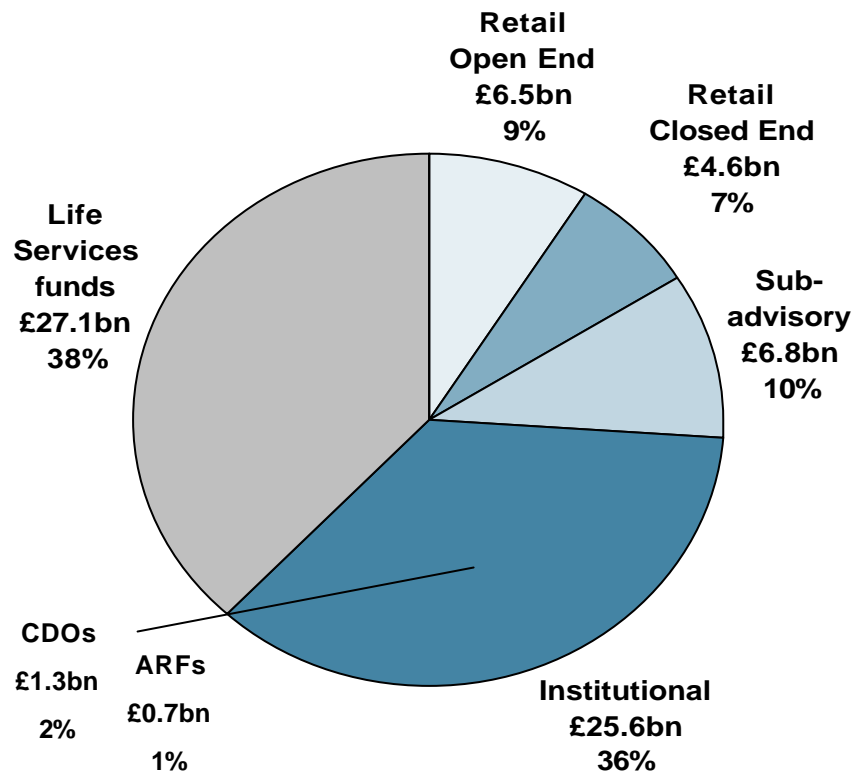
Henderson - assets under management



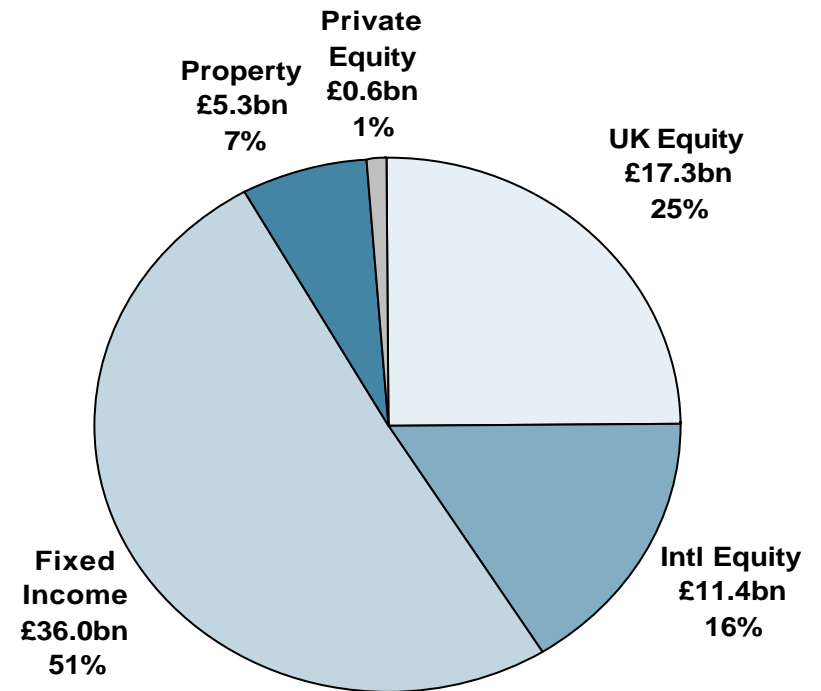


Henderson - assets under management

**AUM 31 Dec 2003
by line of business**



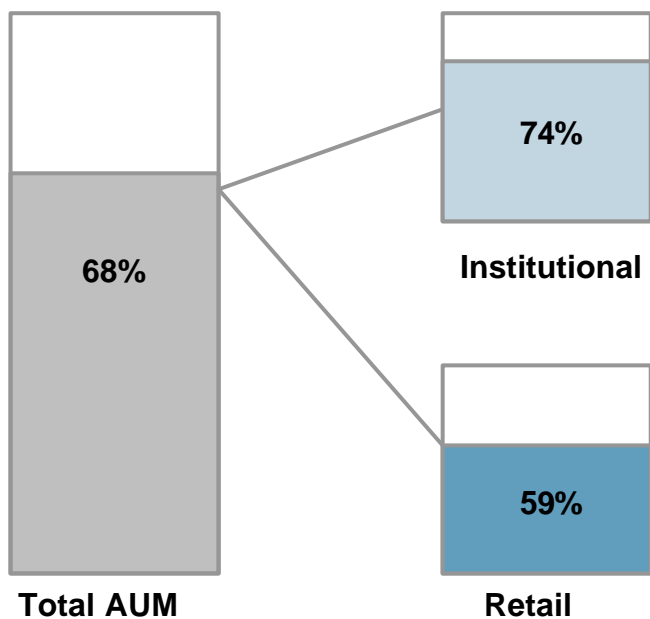
**AUM 31 Dec 2003
by asset class**





Henderson - investment performance

Funds outperforming benchmark*



Highlights

- Horizon funds
- Absolute Return funds
- US Mutual funds
- Enhanced Index funds

Challenges

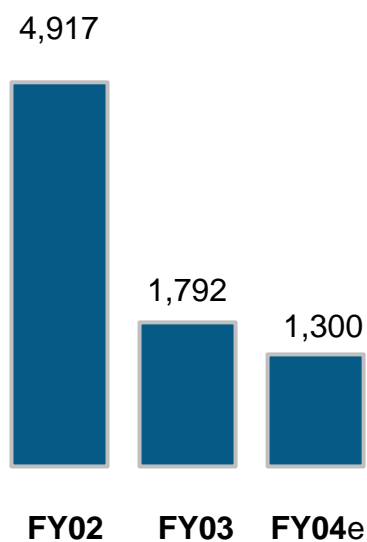
- UK retail
- Institutional

* Funds outperforming benchmark is calculated as external listed assets which includes all of the listed assets managed by Henderson with the exception of the Life Services with-profits funds.

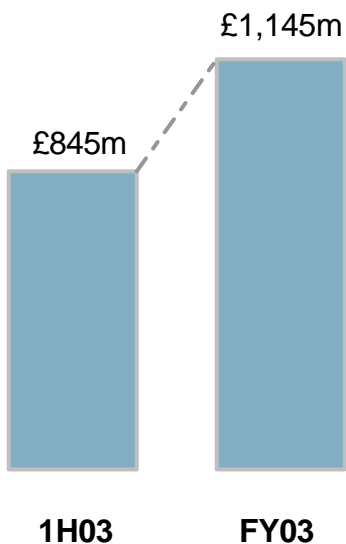


Life Services - overview

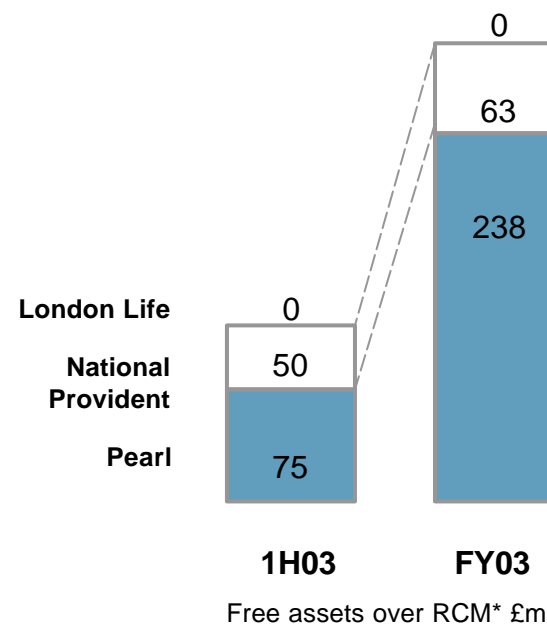
Efficiency
headcount (fte) reduced



Traditional embedded value
growth to £1.15bn



Regulatory capital
free assets improvement



*RCM = Risk Capital Margin as required by CP195



Agenda

- 2003 summary
- Operational review
- Financial highlights
- 2004 outlook



Group financials - profit

Future performance will be driven by:

- Performance of markets
- Mix and size of AUM
- Client retention and new business levels
- Changes in cost base
- Management of risks
- Regulatory solvency and impact on dividend flows

Summary information from consolidated profit (loss) account

£m	1H03	2H03	FY03
Henderson	13	19	32
Life Services	(40)	121	81
Other Businesses	(11)	8	(3)
Business unit operating profit/(loss)	(38)	148	110
Corporate costs	(5)	(7)	(12)
Operating profit/(loss)*	(43)	141	98
Interest	(33)	(27)	(60)
Exceptionals/writedowns	(899)	(3)	(902)
Profit/loss on ordinary activities before tax	(975)	111	(864)

* Before interest charges, exceptionals, amortisation, impairment of goodwill and PVIF, short term investment fluctuation



Group financials - balance sheet

- Strengthened balance sheet
- £1.1bn in external debt repaid
- Rating will be addressed in 2004
- Prudent provisions

£m	30 June 2003 <i>proforma</i>	31 Dec 2003
Henderson	414	373
Life Services	1,009	1,177
Other Businesses	78	73
Corporate	86	68
	<hr/>	<hr/>
Net assets before external loans	1,587	1,691
External loans	(9)	(2)
	<hr/>	<hr/>
Other shareholder's funds	1,578	1,689
	<hr/> <hr/>	<hr/> <hr/>

Proforma at 30 June 2003 based on pre-demerger expectation of £100m capital raising



Henderson - profit

£m	1H03	2H03	FY03	FY02
Management fees	83	88	171	190
Transaction fees	11	9	20	17
Performance fees	0	2	2	12
Total fee income	94	99	193	219
Investment income	1	2	3	4
Operating expenses	(78)	(79)	(157)	(157)
Depreciation & Amortisation	(4)	(3)	(7)	(4)
Underlying pre-tax operating profit	13	19	32	62
<hr/>				
Revenues on average AUM	27bps	28bps	28bps	29bps



Henderson - costs

Stable cost base

	FY03	1H 03	2H03	FY04e
Cost to income ratio	84%	86%	81%	<80%

Costs include continued investment in:

- Investment platform
- Developing investment performance
- Broadening product range
- Expanding in Europe and US

£m	FY03	FY02
Staff Costs	84	75
Investment Admin	24	27
IT	10	6
Office Expenses	15	16
Other	24	33
Operating expenses	157	157



Life Services - profit and loss

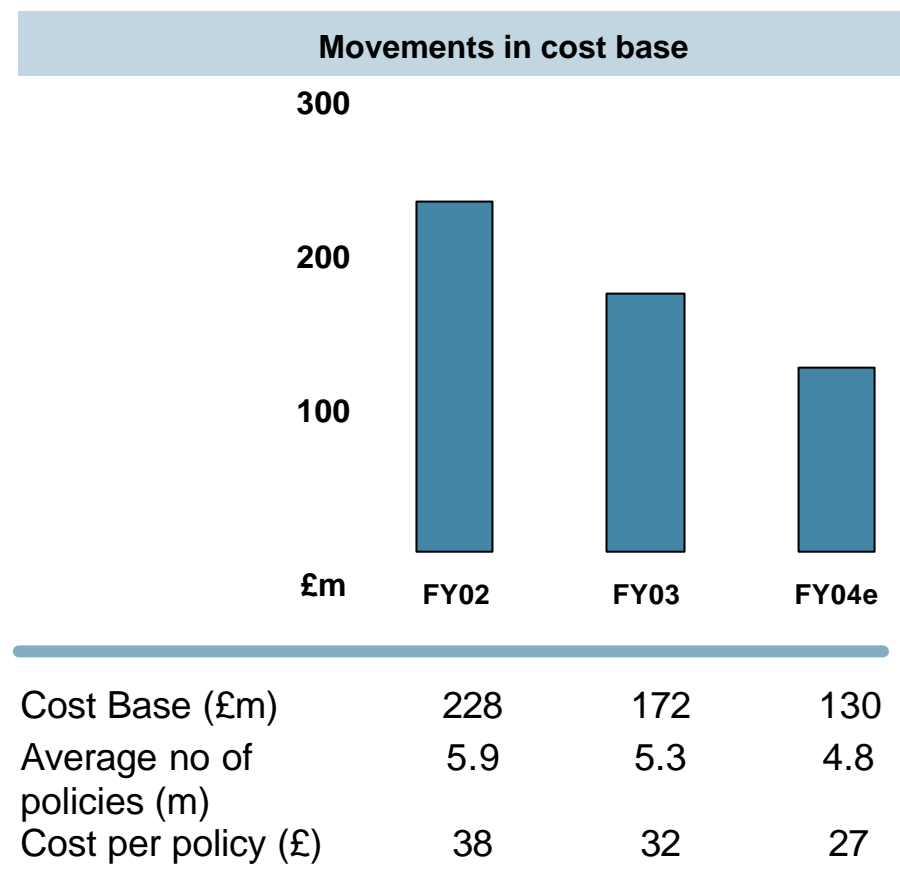
£m	1H03	2H03	FY03	FY02
Long term technical account	(32)	121	89	7
General insurance	4	8	12	19
Service Company	(18)	10	(8)	16
Shareholder interests	6	(18)	(12)	44
Operating profit*	(40)	121	81	86

* Before interest charges, exceptionals, amortisation, impairment of goodwill and PVIF, short term investment fluctuation



Life Services - efficiency

- Service Company targeting break even 2004
- Cost base target of £130m for FY 2004
- Profitability depends on:
 - managing costs
 - understanding revenue impact of persistency



1 Estimated cost base excluding sales costs and contemporary business
 2 FY02 adjusted to exclude UT policies as per FY03, FY04e restated



Life Services - embedded values

Traditional

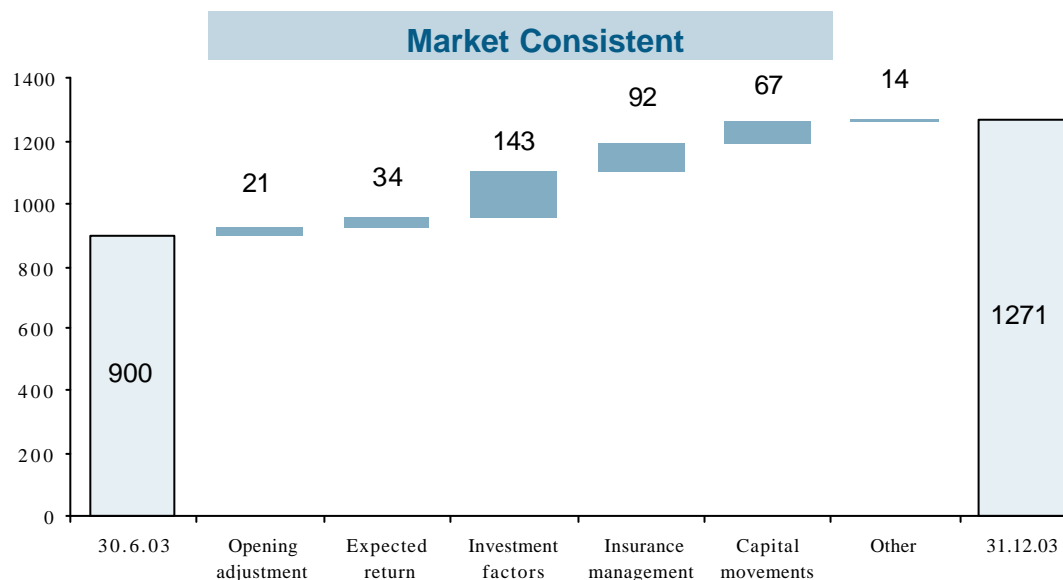
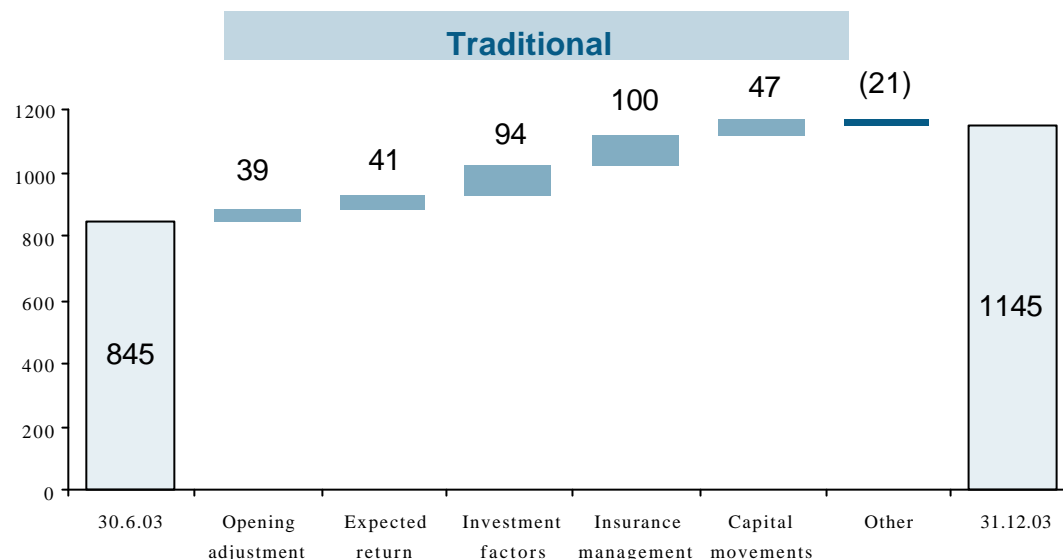
- Discounted cash flow approach
- Risk implicit in choice of discount rate

Market Consistent

- Explicit modelling of guarantee costs

Drivers of change common to both

- Improved investment markets
- Reduced equity market volatility
- Changed assumptions on future tax charges
- Better than expected service company experience
- Additional injection of admissible assets (in exchange for HHG Invest %)





Life Services - regulatory capital

- Life Companies improved coverage of current and prospective (CP195) regulatory requirements
- Implicit items - reliance reduced from £500m to £31m for Pearl and £80m to £12m for London Life
- Calculation under ABI guidelines assists comparison
- CP204 potential impact in hand.

Current statutory basis as at 31 Dec 2003

	Pearl	NPL	LL
RMM £m	565	276	89
Free assets £m	309	98	48
FAR %	2.1	1.4	1.7

Realistic basis (CP195) as at 31 Dec 2003

	Pearl	NPL	LL
Available Assets £m	797	175	22
Risk capital margin £m	559	112	22
Coverage	1.4	1.6	1.0

Realistic basis (ABI guideline) as at 31 Dec 2003

	Pearl	NPL	LL
Available Assets £m	1024	175	71
Risk capital margin £m	319	18	0
Coverage	3.2	9.7	-



Life Services - key policies

Issue	HHG
Shareholder assets	Discounted
RDR (above rfr of 4.5%)	5% Pearl, NPLL (3% London Life)
Realistic solvency	Show ABI and CP195
Mortgage endowments	Full provision £215m for promise Provision for misselling £16m
Implicit items	Significant reduction in use of implicit items FY03 to £43m
Annuitant mortality	CMI 17, but significant margin against actual Pearl experience



Dividends and capital releases - *expectations over time*

Now

- Large capital base with adequate regulatory capital
- Capital locked up
- Pearl with-profits fund locked up
- Pearl shareholder fund releases require FSA approval

Longer term

- Capital release from life companies expected
- Surplus cash earnings from operating subsidiaries
- Significant run-off opportunities including overcoat
- Intention to pay dividend



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2004 outlook

<i>Business unit</i>	<i>Driver</i>	<i>Delivery 2004</i>
Henderson	Assets under management Investment performance Operating margins	Target higher margin inflows to replace internal AUM Build on 2003 improvement Cost to income ratio move below 80%
Life Services	Embedded values Margins Regulatory capital - realistic	Potential value add from risk reduction (lower rdr) and Service Co improvement. Stabilisation of profitability, target cost base £130m Continue to strengthen realistic solvency
Other	Shareholder value	Virgin Money - value realisation TL - maintain profitability
Corporate	Capital & capital	Rigorous control & 'tight purse strings'

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Questions





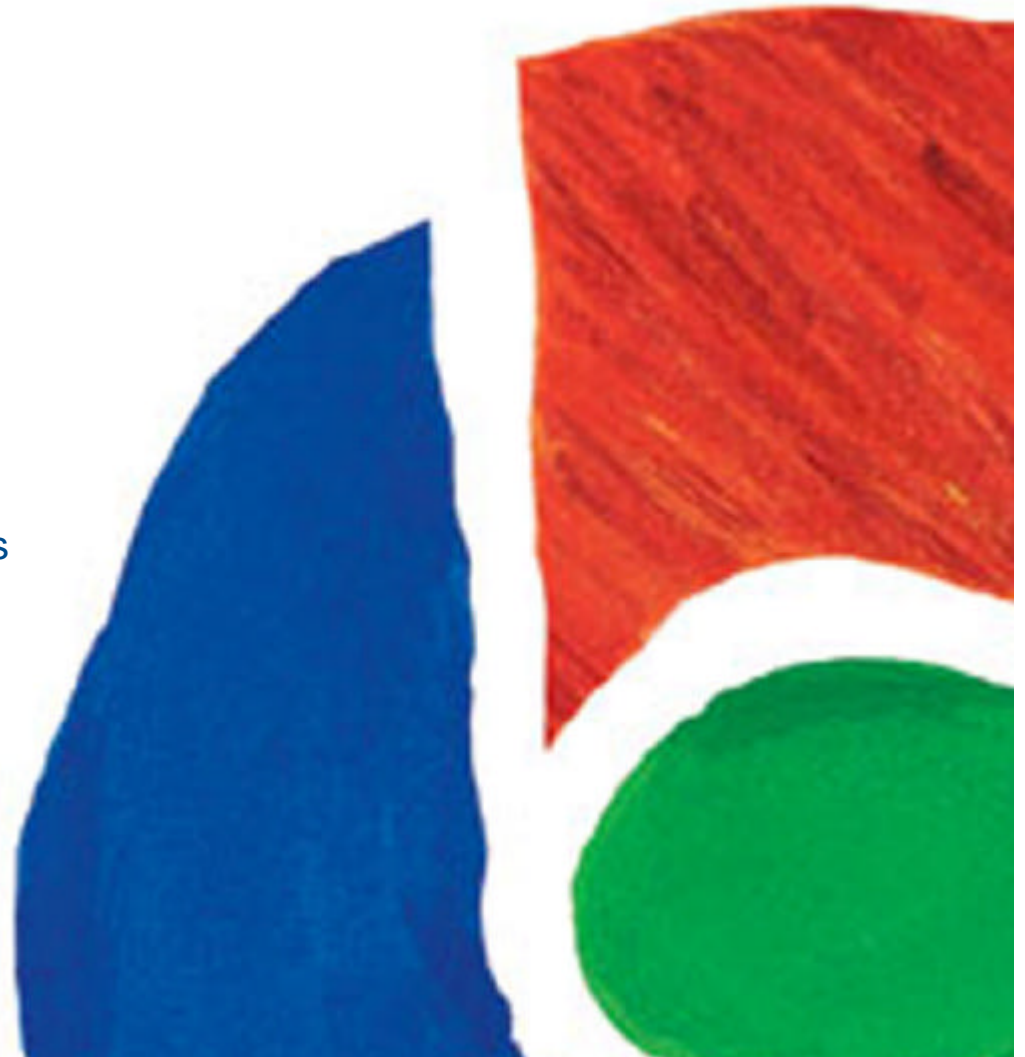
Appendix

1 - Further detail on Life Services

Technical Packs also available

- A. Embedded Value and Realistic Balance Sheets
- B. UKGAAP vs AGAAP - basic concepts

See www.hhg.com for more information





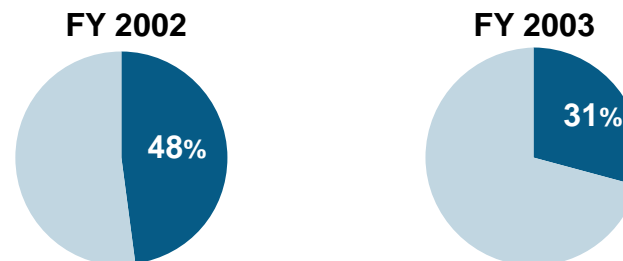
Life Services - risk reduction in 2003

- Detailed review of liabilities and risks
 - Investment risk
 - Mis-selling & legacy issues
 - Regulatory capital requirements
 - Insurance risks: mortality / persistency

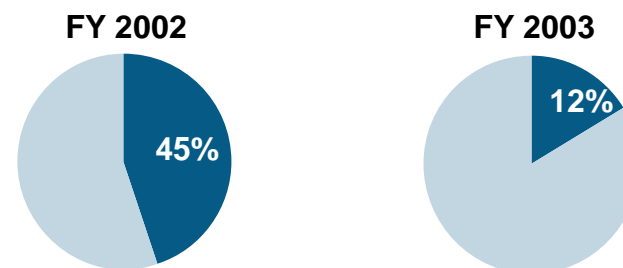
- Financial prudence driving a robust balance sheet

- Regulatory capital positions actively managed

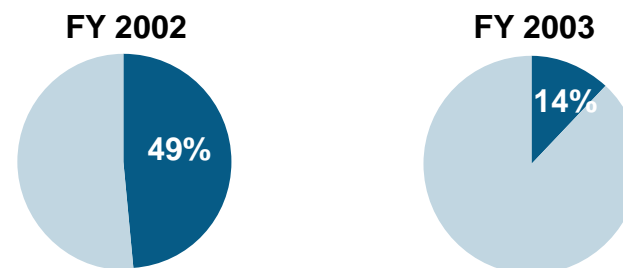
EBR - Pearl



EBR¹ - London Life



EBR¹ - National Provident Life



Equity Backing Ratios in London Life and National Provident Life reflect non-equity growth assets - primarily property and some private capital.



Life services - persistency

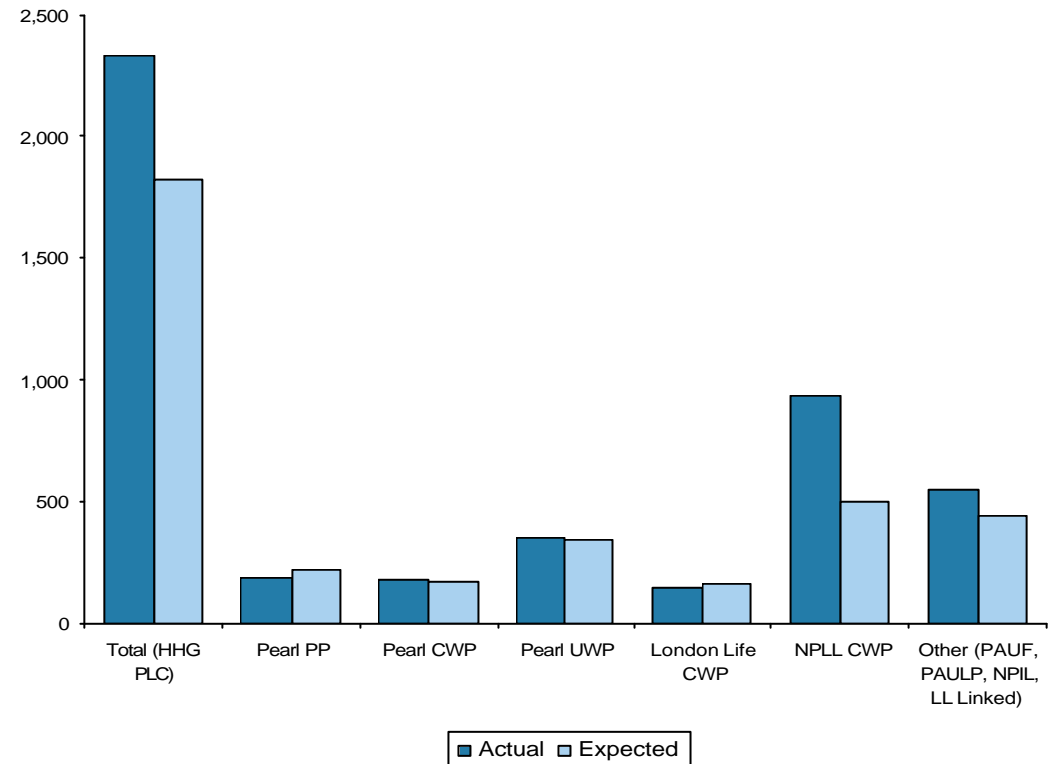
Experience

- Increase in exits - net cash flow up £2.6bn (FY03) vs £1.1bn (FY02)
- Exits up in 2H03: £1.7bn vs 1H03 of £0.9bn
- Broadly in line with assumptions:
 - no evidence of anti-selection beyond that anticipated in assumptions
 - Still expecting peak to reduce by mid year

Potential persistency drivers

- low bonuses
- continued zero equities (NPLL, LL)
- mortgage mailing/endowment
- industry/other

Claims comparison 30 June to 31 Dec 2003





Life Services - regulatory capital

	RBS CP195 HY 03	RBS CP195 FY03	RBS ABI FY03
Pearl			
Available assets (£m)	386	797	1,024
RCM (£m)	311	559	319
Coverage	1.2	1.4	3.2
Nat Prov Life			
Available assets (£m)	201	175	175
RCM (£m)	151	112	18
Coverage	1.3	1.6	9.7
London Life			
Available assets (£m)	29	22	71
RCM (£m)	29	22	0
Coverage	1.0	1.0	-



Life Services - provisions

- Total UK GAAP provisions of £1,538m, of which £361m related to shareholder funds and companies
- The largest provisions are:

£m	Shareholder funds	With-profits funds	Total
Guaranteed annuity options	-	524	524
Pension misselling	31	343	374
Mortgage endowment ¹	-	231	231
Restructuring provisions	57	-	57
Other void properties	33	43	76

¹ Includes provision related to mortgage endowment promise (£215m) in addition to that for mortgage endowment misselling (£16m)