



2010 AGM Chairman's address

Until early last year we were still being buffeted by the global financial crisis that had started in 2007. However, this all changed dramatically during 2009, and by the end of the year economic growth had resumed and financial markets revived. It was a remarkable change, but not without casualties. Against this difficult background, the Group did relatively well, producing a recurring profit of £73.7 million. This was an encouraging result, particularly when you consider that world equity prices in 2009 were on average 18% lower than in 2008.

The acquisition of New Star at the start of 2009, was either pure good fortune or a tribute to the management team's foresight. I prefer the second interpretation, because your managers did indeed identify an opportunity that would move Henderson forward strategically and also satisfy the strict financial criteria that shareholders expect. We have already begun to see the financial benefits of this acquisition in last year's results. We believe that our strategic objective – of significantly increasing our market share in the UK retail market – will be realised, although this will take a little longer to demonstrate.

On dividends, the Directors are recommending a final dividend for 2009 of 4.25 pence per share, which will bring the total dividend for 2009 to 6.1 pence per share, the same as we paid for the previous year. This dividend will result in a higher pay-out ratio than we've had before. However, the Directors are confident about the outlook for the business and also recognise the importance of dividends to our shareholders. Looking ahead, the Board wants to make our system for paying dividends a bit more predictable, so we will use a simple formula for the interim dividend each year. Assuming the Group has the resources, the interim dividend will be the equivalent of 30% of the total dividend for the previous year.

Let me now say a word or two about the board itself. After 17 years with the Group, Toby Hiscock decided to stand down as Chief Financial Officer in September last year. Fortunately, we had a strong internal successor in Shirley Garrod, previously our Chief Operating Officer. Shirley has made an excellent start and I am confident she will do a good job in the financial management of the Group. We also had changes amongst the Non-Executive Directors, Anthony Hotson stepping down in May 2009 and John Roques retiring at the end of 2009. Robert Jeens, who was appointed in July 2009, became Chairman of the Audit Committee. Tim How, who was appointed at the end of 2008, succeeded John Roques as Senior Independent Director.

This year is not without its challenges for all financial-services firms. International regulators are emphasising reform in the wake of the global financial crisis. Corporate governance and risk management structures are being scrutinised; more stringent liquidity and capital hurdles are being set; the competence and effectiveness of boards are being questioned; and there is a desire to ensure that corporate and strategic policies are aligned with clearly defined risk parameters and that risks are being prudently managed. We are alive to these regulatory challenges and committed to achieving the highest standards of governance.



2010 AGM Chief Executive address

It is easy with the passage of time to forget all the events of the past couple of years. At the start of the year even the unprecedented global efforts from governments and central banks seemed unable to counter collapsing sentiment. For most of us it was the most challenging operating environment we had ever experienced. The Group's resilience in this environment, which saw us deliver a good financial performance and also advance our strategic goals, was not a matter of good fortune. It reflected a combination of some key advantages of our business model and responsiveness to a fast-changing environment.

While we certainly did not foresee the full gravity of the crisis, we were better prepared than many others. As far back as 2007 we had already started trimming our sails as market levels concerned us. This was an important factor which helped protect profits last year as revenues were inevitably under pressure in some areas of the business.

Throughout this time, we knew that we needed to focus on two key priorities. Staying close to our clients and focusing on delivering good investment performance. Throughout this period we remained alert to the opportunities to further our business.

I am encouraged by the strong investment performance we delivered and in our equities and fixed income funds this was probably Henderson's best all round performance in a decade. Our staff kept their focus in challenging times. When markets turned in the second quarter of last year and investor risk appetite slowly returned, our client focus also paid off. Investors were happy to put their trust in the Henderson franchise. We also showed ourselves to be responsive to the changing market environment. The combination of capturing the returning flows and being well positioned for the market movements, is what helped underpin successful performance last year in key asset classes.

As the Chairman already mentioned, we also took advantage of opportunities presented by market disruption to benefit our shareholders, best exemplified by the acquisition of New Star.

We also made some important changes to the way we operate and structure our business. Distribution was reorganised around a global footprint where previously this had been managed on a more regional basis. The new structure has allowed for a more holistic perspective, developing products to meet client needs and has improved our decision-making, and the speed and quality of service we provide our clients. The Senior Management Team was also refreshed, and the Group has a team focused on taking the business forward and capturing the full extent of the opportunities open to us.

Economic recovery is continuing in early 2010 but there remain doubts about its strength and sustainability. While there are reasons to be optimistic, confidence will remain fragile and central banks and governments are likely to err on the side of caution until there is more evidence of a sustainable recovery. As the global

economy moves onto a sounder footing, the removal of monetary and fiscal commitments will become a key issue. The recovery in risk assets may continue over the course of 2010, but their path is likely to be more turbulent than last year.

Our good investment performance and diverse product line-up together with the improving risk appetite of our clients has resulted in an improved outlook for organic growth. We will work hard to capitalise on this opportunity.

As regards our business performance so far this year, we continue to see good net flows into our higher margin business areas and into our Institutional fixed income products where performance in particular has been excellent. Investment performance in most parts of the business in the first quarter has remained strong and this is our top priority.

Given the diversity of our business and our healthy pipeline of client commitments, the organic growth outlook for Henderson remains strong. Nevertheless, we are currently considering opportunities to expand Henderson which would improve both the reach and capabilities of the Group.

Thank you to our shareholders and clients for your ongoing support. And our staff for all their hard work.

As a business we are more optimistic about the outlook for markets, though we think the pace of the global economic recovery remains uncertain. We are also considering further opportunities to expand the Group. Above all, though, we remain firmly committed to creating value for our shareholders and helping our clients achieve their investment objectives. Thank you to you all and to our hard-working staff for your support.