

**2007 Interim Results**

24 August 2007

**Financial highlights**

- Group operating profit before tax from *continuing operations excluding non-recurring items* £60.5 million, +31% on first half 2006 (1H2006: £46.2 million).
- Group operating profit before tax from *all operations including non-recurring items* £101.0 million, +129% on first half 2006 (1H2006: £44.2 million).
- Henderson Global Investors pre-tax profit £61.4 million, +32% on first half 2006 (1H2006: £46.6 million).
- Henderson Global Investors cost to income ratio 65.6% for first half 2007, improved from 69.2% in first half 2006.
- Total Assets Under Management (AUM) £61.6 billion at 30 June 2007 (£61.9 billion at 31 December 2006).
- Earnings per share from *continuing operations excluding non-recurring items* 5.7 pence (1H2006: 3.3 pence).
- Earnings per share from *all operations including non-recurring items* 9.9 pence (1H2006: 3.1 pence).
- Interim dividend declared 1.66 pence per ordinary share (1H2006: 0.88 pence).

**Key business developments**

- Investment performance improved across the business, with 57% of Listed Assets funds by value beating their benchmarks in the year to 30 June 2007. Excellent performance in Property funds last year has generated significant performance fees in 1H07.
- £0.4 billion net inflow into higher margin products.
- Total fee margin 56bps (1H2006: 43bps) and management fee margin 42bps (1H2006: 32bps) on average AUM.
- Proposal to return approximately £250 million surplus cash to shareholders by 29 October 2007, by special dividend and share consolidation.

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### **Comment from Chief Executive, Roger Yates**

“Improved investment performance and generally benign markets in the first half of the year resulted in net inflows across a range of the Group’s higher margin business areas. The US Wholesale business has had a record year so far and we are encouraged by early progress in our UK Wholesale channels. Higher management and performance fee income resulted in significant improvements in our fee margins on average AUM. We also delivered greater balance sheet efficiency by raising £175 million debt earlier this year.

Based on a prudent assessment of forecast cash flows, regulatory, seed and working capital requirements, we plan to return approximately £250 million to shareholders by 29 October 2007.

Notwithstanding current market volatility, the business is sound, with good diversification of revenues and options for growth. Henderson is still on track to reach its 70% cost to income ratio target for 2007, and will aim to improve further on this in future periods.”

### **Group**

Net profit before tax from continuing operations excluding non-recurring items was £60.5 million in the first half of 2007, up 31% from the first half of 2006. Net profit after tax from all operations, including non-recurring items, was £89.5 million in the first half of 2007, an increase of 152% compared with the first half of 2006. The first half 2007 income tax charge for the Group included a £8.9 million charge for continuing operations and a £2.6 million charge for non-recurring items. The effective tax rate for all operations, excluding non-recurring items, was 14.7% and including non-recurring items was 11.4%.

### **Henderson Global Investors**

Operating profit before tax for Henderson Global Investors was £61.4 million – up 32% from £46.6 million in the first half of 2006, mainly due to increases in management and performance fee income.

Management fee income increased 19% to £129.5 million in the first half of 2007, primarily as a result of improved fee margins on average AUM and stronger markets compared to the first half of 2006. The largest contributors to this increase included Property, Wholesale and Hedge funds.

Transaction fee income decreased by 21% to £10 million in the first half of 2007, mostly due to a slower pace of investment in Property. Net performance fees increased by 44% to £34.9 million in the same period and continue to come from a range of products, with Hedge funds, Property, Investment Trusts and Pearl being the largest contributors in the first half of 2007. Performance fees in the second half of 2007 are likely to be closer in value to the same period last year, which was £13.1 million.

As a result of higher management and performance fees, total fee income in the first half of 2007 increased to £174.4 million, up 20% from £145.2 million in the first half of 2006.

Continued growth in higher margin product areas and expected outflows in the lower margin areas of our business resulted in a more profitable product mix. The total revenue margin on

average AUM increased from 43bps in the first half of 2006 to 56bps in the first half of 2007. Management fee margins on average AUM rose from 32bps in the first half of 2006 to 42bps in the first half of 2007. Net margins increased from 14bps in the first half of 2006 to 20bps in the first half of 2007.

Investment income declined 32%, from £6.3 million in the first half of 2006, to £4.3 million in the first half of 2007. This was mostly due to lower profits on seed investments in the first half of 2007 compared to the first half of 2006.

Total operating expenses increased by 12% to £115.9 million in the first half of 2007. Savings in investment administration, IT and office expenses were offset by increases in staff expenses, marketing expenditure and some additional balance sheet provisioning. The increase in staff expenses was entirely due to variable remuneration schemes, reflecting improved business performance.

Overall, the increase in total revenue exceeded the higher costs in the first half of 2007, resulting in an improvement in the cost to income ratio to 65.6% from 69.2% in the first half of 2006.

Total AUM remained stable in the first half of 2007 at £61.6 billion. Net client outflows of £2.1 billion consisted of Pearl (£1.8 billion), lower margin Institutional business (£0.7 billion) and CDOs (£0.9 billion). The CDOs redeemed at above par value and resulted in make-whole management fees, most of which were recognised in the first half of 2007. These net outflows were partially offset by higher margin net inflows into Property funds (£0.4 billion) and Wholesale funds (£0.9 billion). In addition, there were favourable market and foreign exchange rate movements of £1.8 billion.

We are pleased by the improved investment performance so far this year. The stand-out performers continue to be in the higher margin areas of the business and include US Wholesale funds, Property and Investment Trusts. In addition, core Institutional investment performance continues to improve and in the UK Wholesale range investment performance has been generally strong, particularly in key UK equity products. Investment performance in the Horizon SICAV range and some Hedge funds will be an area of focus in the second half of 2007.

### **Corporate**

Corporate costs were £5 million in the first half of 2007, £2 million lower than the first half of 2006.

Corporate net interest income declined to £4.1 million in the first half of 2007 from £6.6 million in the first half of 2006. This was due to interest earned on lower cash balances following the return of cash in the second half of 2006 and interest charges on the debt raised in May 2007.

### **Banco Popolare Gruppo Bancario (BP)**

The merger of Banca Popolare Italiana (BPI) and Banco Popolare di Verona e Novara, to create BP, completed on 1 July 2007. This transaction crystallised a net gain on our investment in BPI of £31.8 million, of which £16.3 million has been received in cash by way of a special dividend. The investment gain has been recognised in the Group's income statement in the first half of 2007 as a non-recurring item.

The sub-advisory agreement with BPI (AUM: £0.7 billion at 30 June 2007) is due to expire by the end of 2007. BP has confirmed that this will be the case however, we will retain a distribution agreement for higher margin Horizon products (AUM: £0.3 billion at 30 June 2007) with BP.

### **Pension schemes**

There was a net surplus in the Group's approved staff pension scheme, before deferred tax movements, of £38.5 million at 30 June 2007 (31 December 2006: £5 million net liability). This favourable development was principally due to changes in service benefits with effect from 1 April 2007 (which resulted in a non-recurring pension scheme credit of £8.7 million in the first half 2007 income statement) and a 0.6% increase in the AA corporate bond discount rate used to value pension liabilities for accounting purposes.

### **Balance sheet and return of cash**

The balance sheet remains strong with Group net assets at 30 June 2007 of £533 million. As previously indicated, based on a prudent assessment of forecast cash flows, regulatory, seed and working capital requirements of the business, the Board proposes to return approximately £250 million surplus cash, equivalent to 27.6 pence per share, to shareholders by 29 October 2007.

For this purpose, the Board has approved a special dividend payment and, subject to shareholder approval, a simultaneous share consolidation. The special dividend is conditional on the share consolidation, the purpose of which is to achieve parity of the share price and earnings per share before and after the payment of the special dividend. It is common UK practice to combine a special dividend with a share consolidation in this way.

An Extraordinary General Meeting will be held on 9 October 2007 to seek shareholder approval of the share consolidation. Further details, including the share consolidation ratio, will be set out in a circular and notice of meeting which will be sent to shareholders in early September 2007.

### **Interim dividend**

Our policy is to pay a sustainable flow of ordinary dividends out of recurring operating profits, whilst maintaining dividend cover of approximately 2x for the time being. The Directors have declared an ordinary dividend in respect of the six months ended 30 June 2007 of 1.66 pence per share (1H2006: 0.88 pence). We plan to pay the dividend on 29 October 2007 to shareholders on the register on 19 October 2007, together with the proposed special dividend.

### **Outlook**

Given recent market volatility, we have to assume that the second half of the year will be more challenging for fund flows. That said, we have a number of new products planned and our emphasis on higher margin products should continue to drive revenues and profitability higher. Therefore, assuming markets remain at or close to their current levels, we still expect Henderson to reach its cost to income ratio target for 2007 of 70%.

Corporate costs should amount to approximately £10 million and Corporate net interest income is expected to be between £6 million and £7 million in 2007. We will pay an interim dividend of 1.66 pence or equivalent per share in October, together with a special dividend of 27.6 pence or equivalent per share, assuming we obtain shareholder approval for a simultaneous share consolidation.

We expect the effective tax rate on profits for continuing operations of the Group to be between 10% and 15% for 2007 and 2008, reverting to the standard UK corporate tax rate (28% with effect from April 2008), in 2009 or 2010.

Approved by the Board of Directors on 23 August 2007

**Notes to the announcement**

The financial information contained in this announcement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the full year ended 31 December 2006 has been taken from the Henderson Group plc Full Annual Financial Report and Accounts for the year ended 31 December 2006. The auditors have reported on the 2006 accounts and their report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. Henderson Group plc Full Annual Financial Report and Accounts have been filed with the Registrar of Companies.

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## **Details of market briefings: Friday 24 August 2007**

For a telephone link to the briefing, dial one of the following numbers 5 to 10 minutes prior to the start of the call.

Conference title      Henderson Group, Interim Results Market Briefing  
Chairperson          Roger Yates

### ***First market briefing***

8.00am (London time)/5.00pm (Sydney time)

From

United Kingdom      0500 5510 77 (free call)  
Australia              1800 9889 41 (free call)  
All other countries   +44 (0)20 7162 0025 (this is not a free call)

### ***Second market briefing***

10.30am (London time)/7.30pm (Sydney time)

From

United Kingdom      0500 5510 88 (free call)  
Australia              1800 9890 15 (free call)  
All other countries   +44 (0)20 7162 0125 (this is not a free call)

Replay number

From

United Kingdom      +44 (0)20 7031 4064 Access code: 759941  
Australia              +61 (0)2 8223 9748 Access code: 759941  
(available from 27 August to 3 September 2007)

Alternatively, you can listen to a live audiocast of the briefing. To listen to the briefing, go to [www.henderson.com](http://www.henderson.com) and click on the relevant link on the home page.

## **Forward-looking statements**

This announcement contains forward-looking statements with respect to the financial condition, results and business of Henderson Group. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Henderson Group's actual future results may differ materially from the results expressed or implied in these forward-looking statements. Nothing in this announcement should be construed as a profit forecast.

**For further detail on the 2007 Interim Results, please see the ASX Appendix 4D lodged together with this announcement.**

## Notes to editors

### About Henderson Group plc

Henderson Group plc (Henderson Group) is the holding company of the investment management group Henderson Global Investors (Henderson). Henderson Group is headquartered in London and since December 2003 has been dual-listed on the London Stock Exchange and Australian Securities Exchange. Henderson Group is a constituent of the FTSE 250 and S&P/ASX 200 indices.

Established in 1934, Henderson is a leading independent global asset management business. The company provides its institutional, retail and high net-worth clients with access to skilled investment professionals representing a broad range of asset classes, including equities, fixed income, property and private equity. Henderson is one of Europe's largest investment managers, with £61.6 billion Assets Under Management (as at 30 June 2007) and employs around 900 people worldwide.

### About CHESSE Depository Interests

In this announcement, the term "shareholders" refers to all holders of Henderson Group plc shares, including those whose holdings are in the form of CHESSE Depository Interests on the Australian Securities Exchange.

CHESSE Depository Interests, or CDIs, are a way of allowing securities of foreign companies to be traded on the Australian Securities Exchange. CDIs afford shareholders all the same direct economic benefits as ordinary shares, like the right to dividends and the right to participate in rights offers.

### Further information

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