

Schroders

2008 Annual Results

Chief Executive
Michael Dobson

12 February 2009

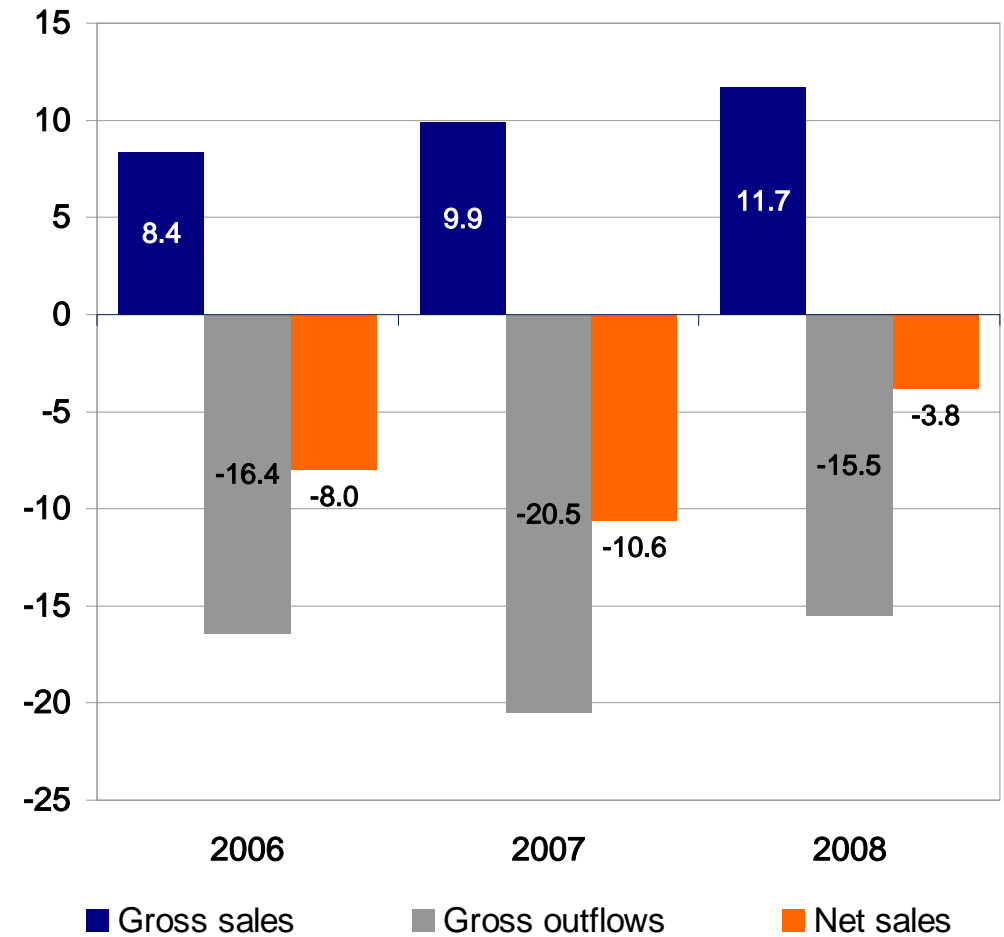


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Institutional

- Increase in gross inflows
 - New channels
 - New products
- Significantly reduced outflows
 - Improving investment performance
- Improving trend in net flows

£bn – sales flows



Intermediary

— Markets

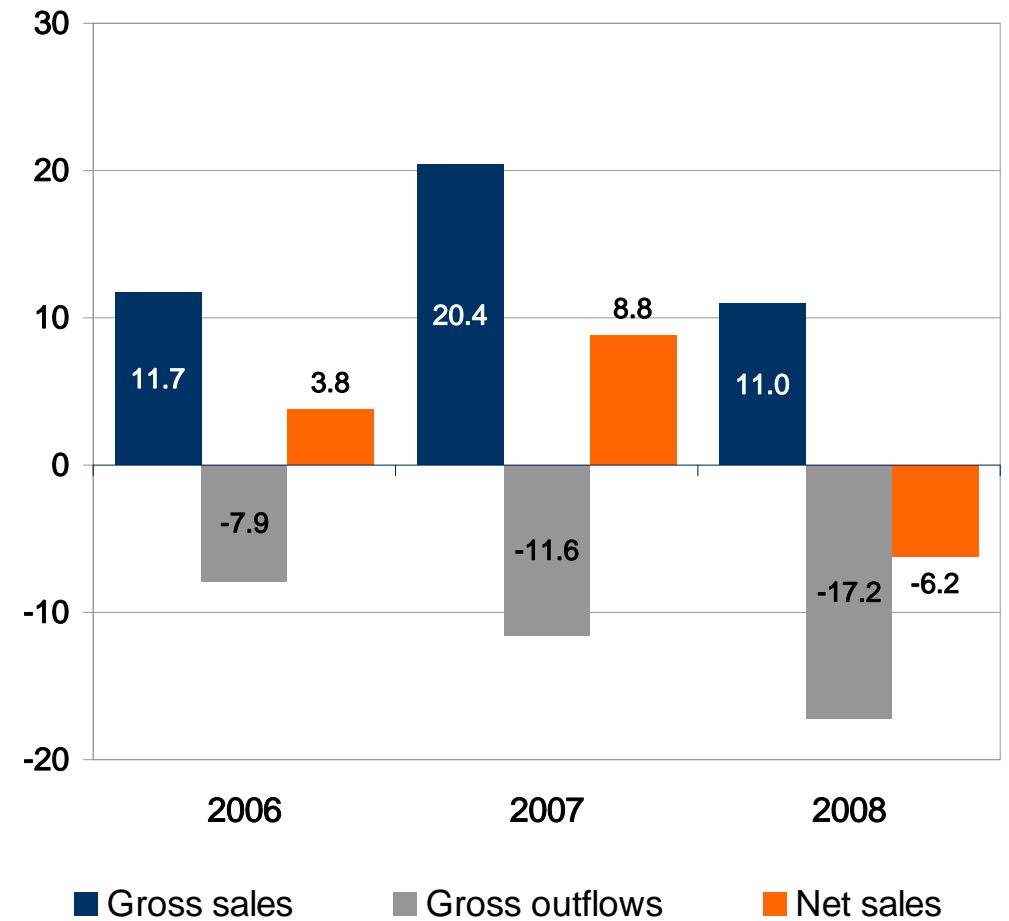
- Difficult environment in Europe
- UK resilient
- Asian diversification positive until Q4
- Limited effect in US

— Products

- Broad mix reduced negative impact

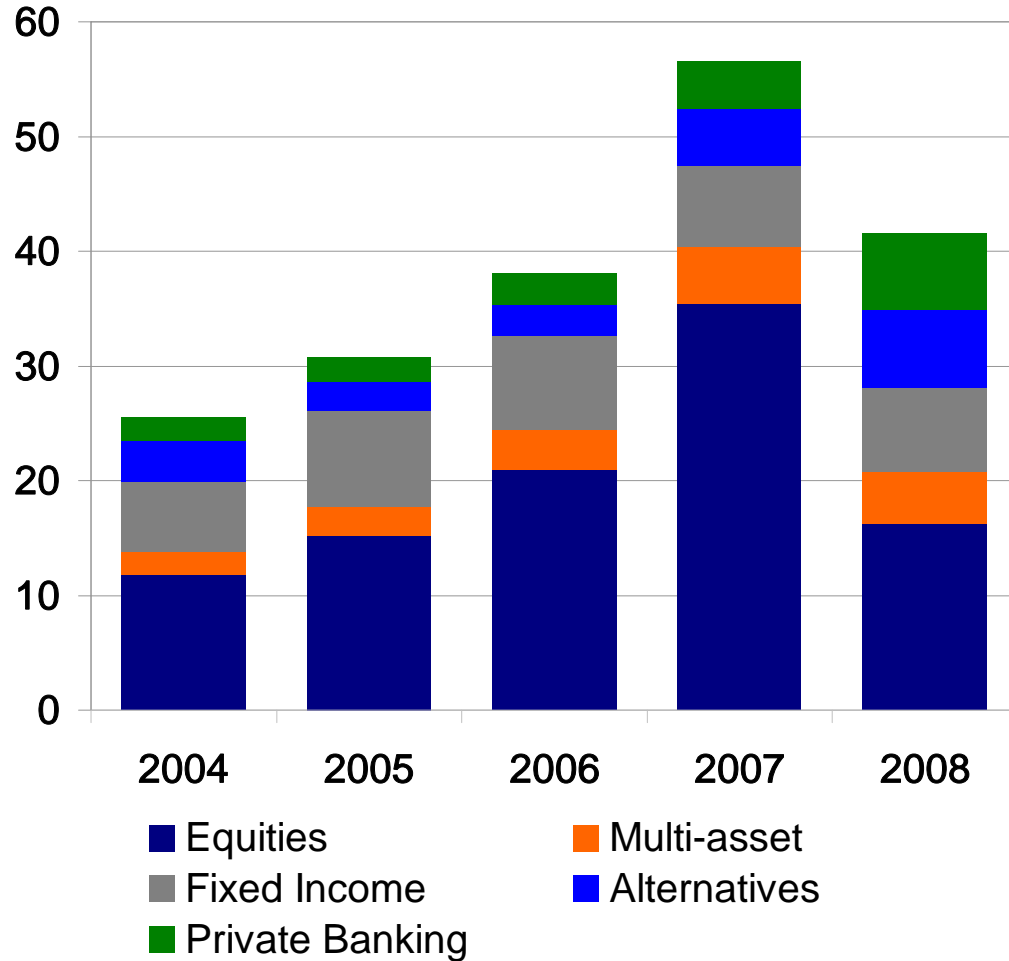
— Flows stabilising

£bn – sales flows

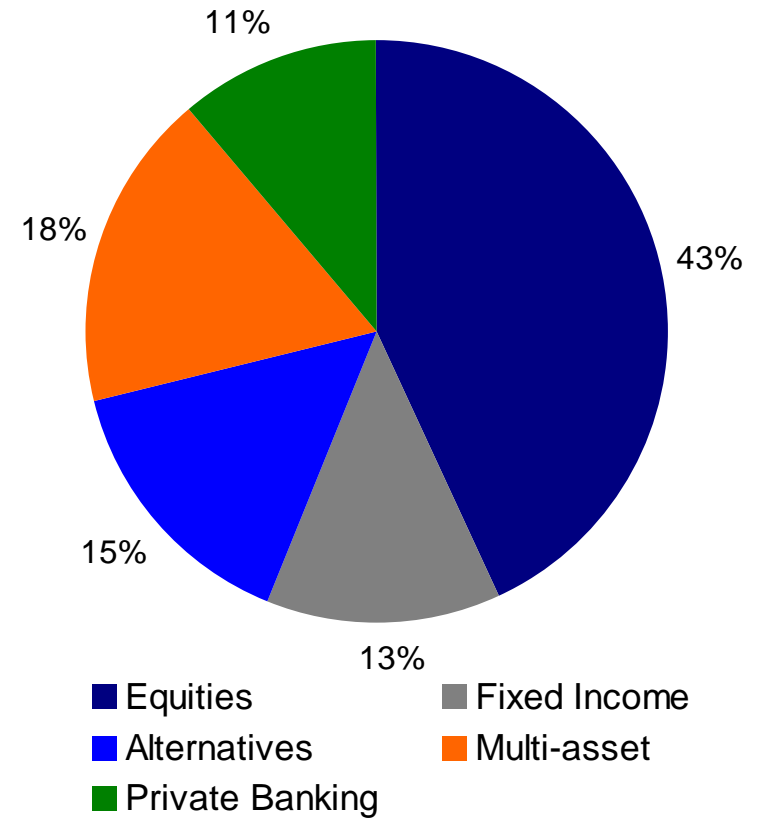


Product diversity

£bn – gross inflows



£110.2bn funds under management



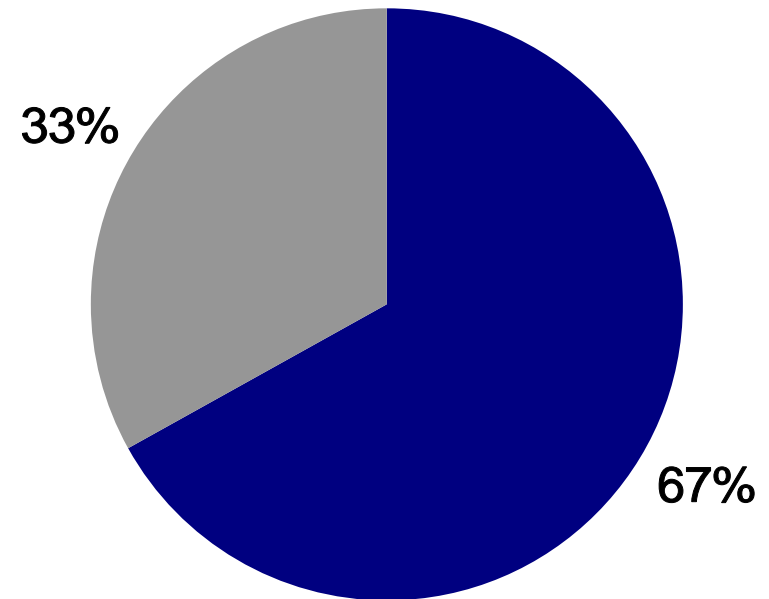
Investment performance

- Competitive performance across equity and fixed income

Top quartile SISF funds (end Dec 08)	1 year	3 year
Asian Bond	1	1
BRIC	1	1
Emerging Market Equity	1	1
Emerging European Debt Ab. Rt.	1	1
Euro Corporate Bond	1	1
US Small & Mid	1	1
EURO Short-term Bond	1	2
European Bond	1	2
Global Corporate Bond	1	3

- Performance fees £51.4m (2007: £43.4m)

Three year investment performance %



- Above benchmark or peer group
- Below benchmark or peer group

Private Banking

- Good growth in UK
- Stable business in Switzerland
- Integration of private client business in Singapore
- Continued focus on client service and growing revenues

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2008 Annual Results

Chief Financial Officer

Kevin Parry

12 February 2009



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Asset Management and Private Banking profit before tax and exceptional items: £289.5 million

(2007: £307.8 million)

Private Equity and Group segments profit before tax and exceptional items: £1.0 million

(2007: profit £84.7 million)

Exceptional items: loss of £167.4 million

(2007: £ nil)

Total profit before tax after exceptional items: £123.1 million

(2007: £392.5 million)

Funds under management: £110.2 billion

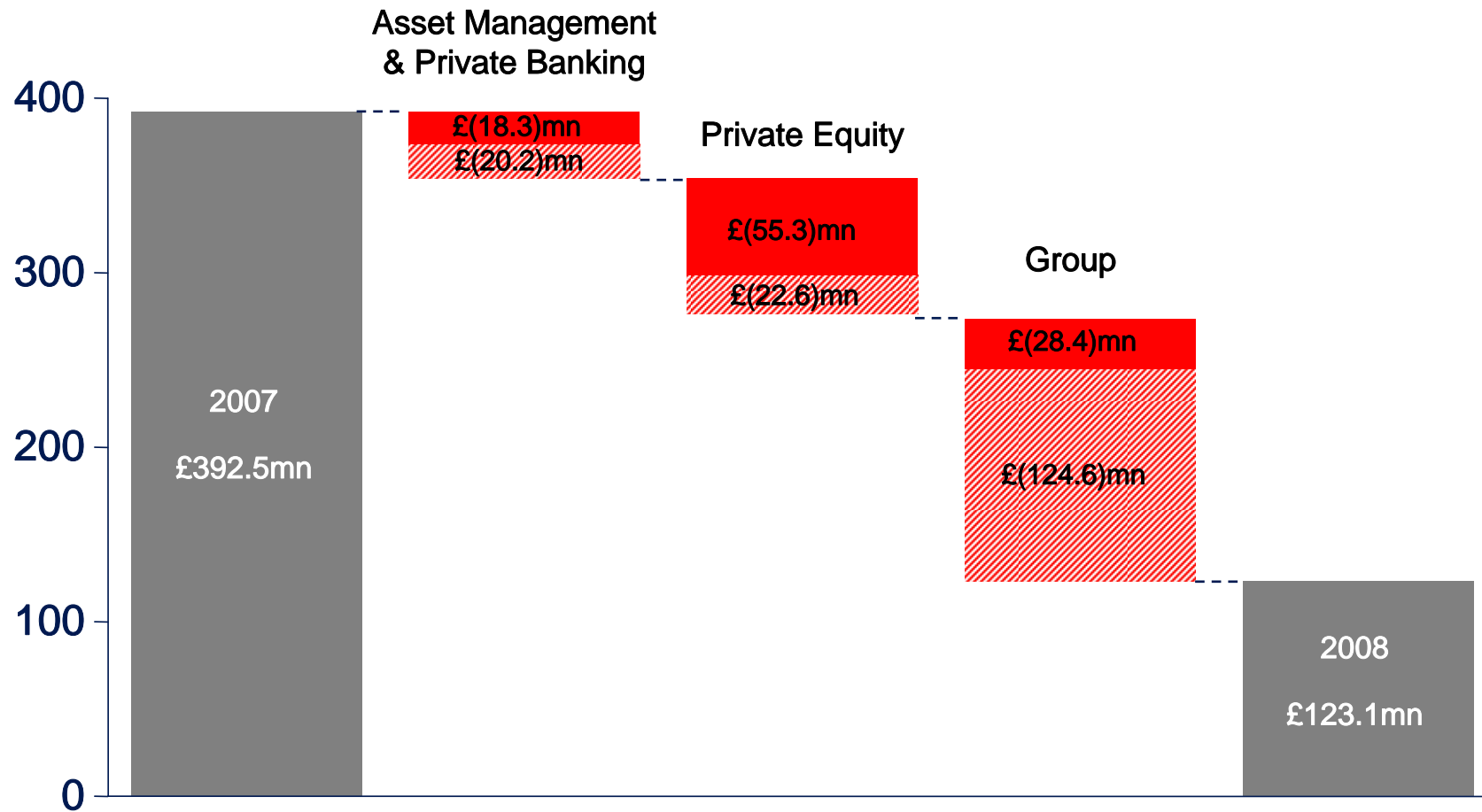
(2007: £139.1 billion)

Dividend: 31.0 pence per share

(2007: 30.0 pence per share)

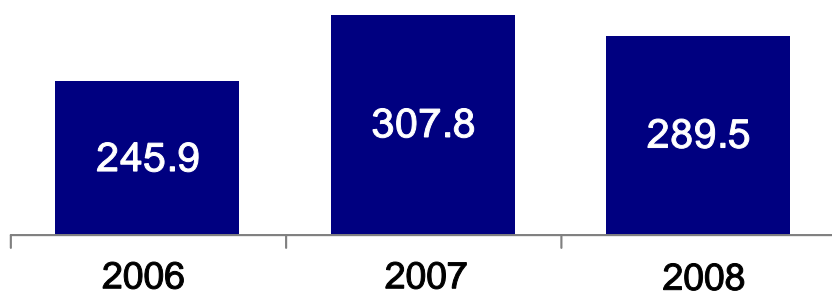
Profit before tax

Significant impact of exceptional losses on investments

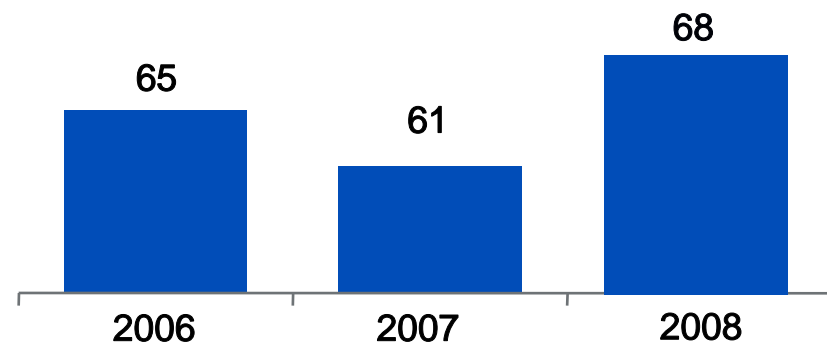


Key statistics

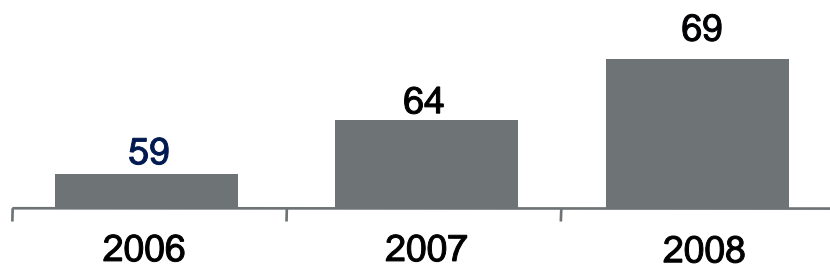
AM & PB profit before tax and exceptionals (£mn)



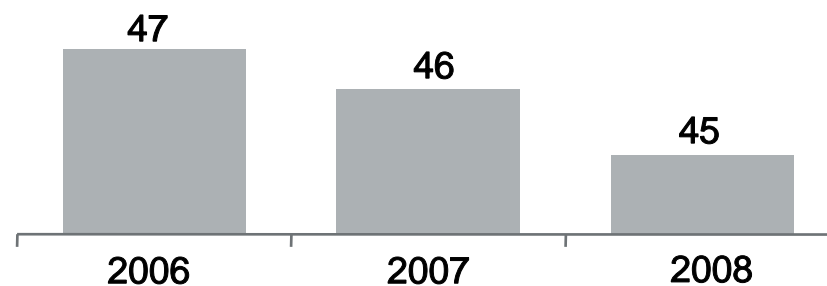
Group cost: income ratio before exceptionals (%)



Core businesses gross profit margins (bps)



Compensation costs: operating revenues ratio (%)



Group Income statement before exceptional items

Resilient performance from operating business despite challenging conditions

£mn	%	2008	2007
Revenue from operating businesses	-2.4%	1,074.1	1,101.0
Revenue from investment of Group Capital	+2%	8.9	90.8
Total Revenue	+9.1%	1,083.0	1,191.8
		(217.1)	(230.7)
			961.1
			(613.5)
			347.6
Net finance income & Associates/JVs			
Associates and joint ventures			
Underlying profit before tax			

Performance fees			
£mn	2008	2007	Mv'mt
Total	51.4	43.4	+8.1 /+19%

Fourth quarter revenue (before performance fees)			
£mn	Q4 2008	Q4 2007	Mv'mt
Total	205.0	312.8	-34%

Group Income statement before exceptional items

Continued growth in gross profit margins in operating businesses

£mn	%	2008	2007
Revenue from operating businesses	-2.4%	1,074.1	1,101.0
Revenue from investment of Group Capital	-90.2%	8.9	90.8
Total Revenue	-9.1%	1,083.0	1,191.8
Cost of sales		(210.1)	(230.7)
Gross profit	-9.2%	872.9	961.1
		(627.4)	(613.5)
		245.5	347.6
		38.8	22.6
		6.2	22.3
		290.5	392.5

Gross profit margins – core businesses (bps)

Year	Gross profit margin (bps)
2006	59
2007	64
2008	68

Group Income statement before exceptional items

Continued investment for the long-term future of our business

£mn	%	2008	2007
Revenue from operating businesses	-2.4%	1,074.1	1,101.0
Revenue from investment of Group Capital	-90.2%	8.9	90.8
Total Revenue	-9.1%	1,083.0	1,191.8
Cost of sales		(210.1)	(230.7)
Gross profit	-9.2%	872.9	961.1
Administrative expenses	+2.3%	(627.4)	(613.5)
Operating profit		245.5	347.6
Net finance income & Associates/JVs		38.8	22.6
Associates and joint ventures		6.2	22.3
Underlying profit before tax		290.5	392.5

Group costs

Administrative expenses before exceptional items

£mn	% of total	% mv.mt	2008	2007
Staff costs	60	-7.4%	373.4	403.1
Non-staff costs	38	+19.5%	238.9	200.0
Depreciation and amortisation	2	+45.2%	15.1	10.4
Total before exceptional items	100		627.4	613.5
No of employees (Year end)			2,834	2,891

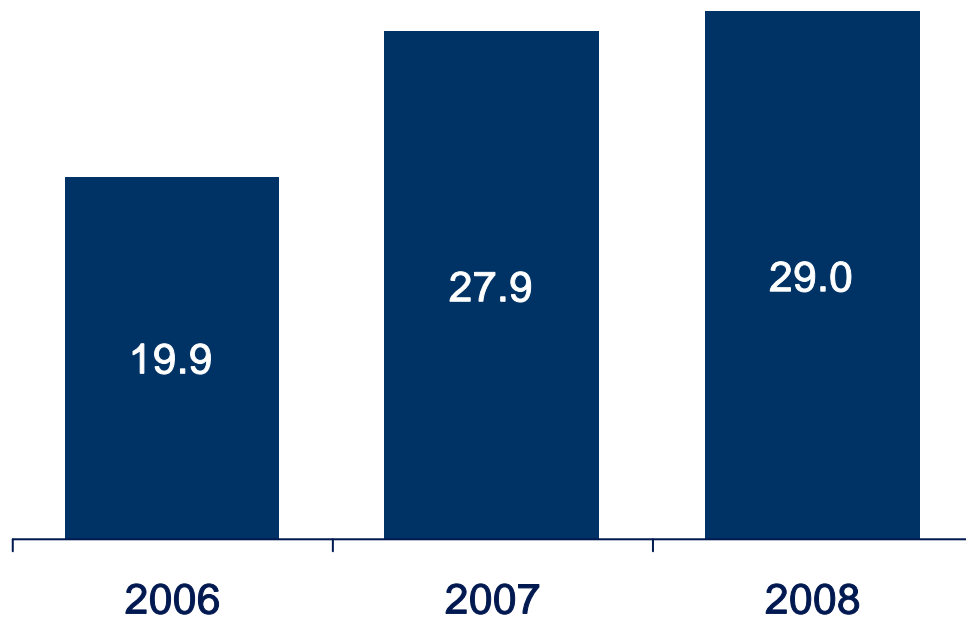
Key Drivers

- Compensation costs: operating revenue ratio at 45% including redundancy costs
- Investment in key infrastructure projects – completion of ‘Book of Records’
- Impact of exchange rates

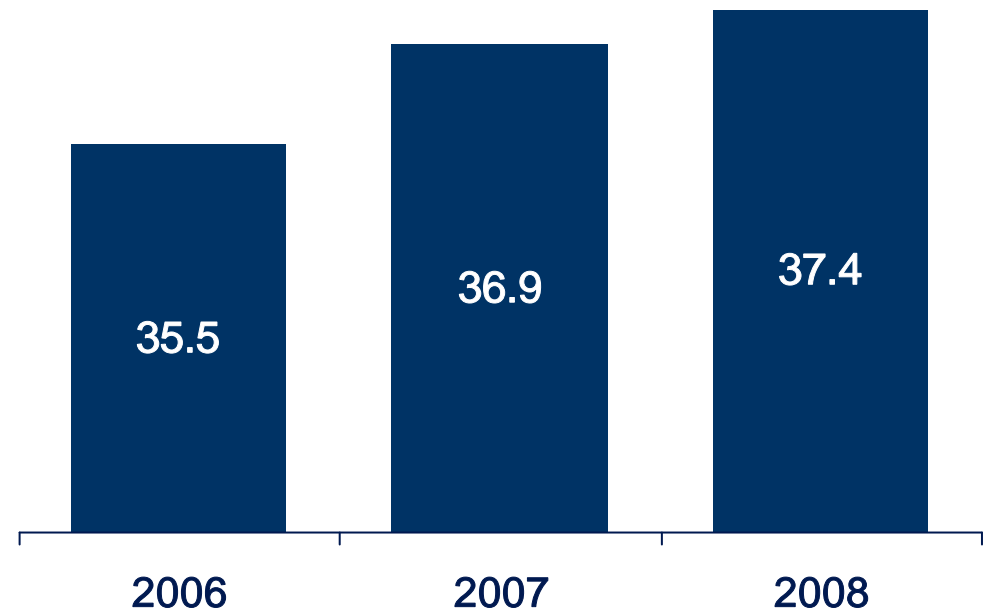
Group costs

Marketing and project expenditure in Income Statement

Marketing spend (£mn)



Project spend (£mn)



Group Income statement before exceptional items

Lower contribution from Private Equity joint ventures

£mn	%	2008	2007
Revenue from core operating businesses	-2.4%	1,074.1	1,101.0
Revenue from investment of Group Capital	-90.2%	8.9	90.8
Total Revenue	-9.1%	1,083.0	1,191.8
Cost of sales		(210.1)	(230.7)
Gross profit	-9.2%	872.9	961.1
Administrative expenses	+2.3%	(627.4)	(613.5)
Operating profit		245.5	347.6
Net finance income		38.8	22.6
Associates and joint ventures		6.2	22.3
Underlying profit before tax		290.5	392.5

Exceptional items

Negative revenue reflects mark to market adjustments

£mn	Before exceptional items	Exceptional items	2008	2007
Total Revenue	1,083.0	(147.2)	935.8	1,191.8
Cost of sales	(210.1)	-	(210.1)	(230.7)
Gross profit	872.9	(147.2)	725.7	961.1
Administrative expenses	(627.4)	(20.2)	(647.6)	(613.5)
Operating profit	245.5	(167.4)	78.1	347.6
Net finance income & Associates/JVs	38.8	-	38.8	22.6
Associates and joint ventures	6.2	-	6.2	22.3
Profit before tax		(167.4)	123.1	392.5

£ million	2008
Redundancy costs	13.6
Impairment of acquired intangible assets	6.6
Exceptional items within Administrative expenses	20.2

£147.2mn exceptional losses on investments within Revenue

Extreme dislocation of financial markets in third and fourth quarters

£mn	Private Equity	Group	Total
H1 2008 - realised and mark to market losses	-	32.9	32.9
H2 2008 - realised and mark to market losses	-	33.0	33.0
H1 2008 - impairments	3.3	-	3.3
H2 2008 - impairments	19.3	58.7	78.0
Total	22.6	124.6	147.2

Income statement

Tax charge impacted by exceptional items and lower private equity realisations

£mn	Before exceptional items	Exceptional items	2008	2007
Profit before tax	290.5	(167.4)	123.1	392.5
Tax	(79.4)	27.6	(51.8)	(88.8)
<i>Effective tax rate(%)</i>	27.3	16.5	42.1	22.6
Profit after tax	211.1	(139.8)	71.3	303.7
Basic earnings per share	75.5p	(48.0)p	27.5p	104.8p

Group Capital allocation

£mn	Dec 2008	June 2008	Dec 2007
Investment Capital:			
Cash and cash equivalents	310	172	73
Liquid debt securities / other	118	0	43
Fixed income: mortgage and asset backed securities	105	151	273
Third party hedge funds	53	173	208
Seed capital	214	248	191
Private equity	58	126	138
Property and other investments	41	46	54
Total Investment Capital	899	916	980
Private Banking:			
Cash and cash equivalents	662	311	406
Other net liabilities	(395)	(90)	(193)
Total Private Banking	267	221	213
Other Operational Entities:			
Cash and cash equivalents	95	304	237
Liquid debt securities	235	28	229
Other net assets	136	148	37
Total Other Operational Entities	466	480	503
Total Group Capital	1,632	1,617	1,696

** Liquid debt securities represent bank CDs, investments in liquidity funds etc.

Summary

- Strong underlying business in 2008
- Mark to market losses have hit reported numbers but high realisations to increase cash resources
- 2009 will be adversely impacted by declines in:
 - funds under management and business mix
 - compensation to revenue ratio
- 2009 will benefit from cost reductions

Priorities



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Priorities for 2009

- Aligning the business to the environment
- Capitalising on investment performance
- Growing assets under management
- Leveraging our financial strength

Forward-Looking Statements

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Such statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances in the future.

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