

Schroders plc

Interim management statement

28 October 2008

Schroders plc is today issuing an interim management statement covering the three months to 30 September 2008.

- **Asset Management and Private Banking profit before tax £70.7 million (Q3 2007: £78.5 million)**
- **Total Group profit before tax £78.0 million (Q3 2007: £98.1 million)**
- **Asset Management and Private Banking profit before tax for the first nine months of 2008 £229.7 million (2007: £217.6 million)**
- **Total Group profit before tax for the first nine months of 2008 £213.7 million (2007: £283.7 million)**

Asset Management

Asset Management income for the quarter was £188.3 million (Q3 2007: £198.8 million), costs were £129.2 million (Q3 2007: £131.6 million) and profit before tax was £59.1 million (Q3 2007: £67.2 million). For the first nine months, Asset Management profit before tax was £195.8 million (2007: £190.4 million).

Private Banking

Private Banking income for the quarter was £28.8 million (Q3 2007: £27.3 million), costs were £17.2 million (Q3 2007: £16.0 million) and profit before tax was £11.6 million (Q3 2007: £11.3 million). For the first nine months, Private Banking profit before tax was £33.9 million (2007: £27.2 million).

Private Equity and Group

The loss from Private Equity in the quarter was £1.7 million (Q3 2007: profit £20.2 million). Unfavourable market conditions have resulted in a low level of Private Equity realisations, with profit before tax for the first nine months of £5.7 million (2007: £56.4 million).

Profit in the Group segment for the quarter was £9.0 million (Q3 2007: loss £0.6 million*). For the first nine months, the loss in the Group segment was £21.7 million (2007: profit £9.7 million). With effect from 1 July 2008, all financial assets previously classified as held for trading that are eligible to be reclassified as Available for Sale have been reclassified, in line with recent changes to International Accounting Standards (IAS 39). Gains or losses will be taken through the Income Statement in future periods if we reduce holdings of investments classified as Available for Sale, or if they become permanently impaired. A breakdown of how Group capital is invested is set out in the appendix.

Funds under management

Funds under management at 30 September 2008 were £114.7 billion (30 June 2008: £130.2 billion). Retail investor demand for mutual funds has been increasingly affected by the sharp falls in equity markets and net outflows in our Retail business in the quarter were £2.9 billion. For the nine months ended 30 September net outflows in Retail were £3.1 billion (2007: net inflows £5.1 billion). In Institutional, net outflows were £1.2 billion bringing net outflows for the nine months ended 30 September to £2.3 billion (2007: £7.0 billion). In Private Banking net flows were neutral in the third quarter and £0.1 billion positive for the nine months ended 30 September.

Outlook

In an environment of sharply lower equity markets and significantly reduced investor demand, Asset Management revenues will inevitably decline further. We expect this challenging background to persist through most of 2009. We are reducing our cost base which will partially offset the decline in revenues but, with a strong financial position, we do not intend to take measures which limit prospects for future revenue growth.

* The amendment to IAS 39 does not permit restatement of prior periods.

Michael Dobson, Chief Executive, and Stephen Brooks, Chief Financial Officer, will host a conference call for the investment community, to discuss the third quarter interim management statement at 9 am BST on Tuesday, 28 October 2008. The conference call telephone number is 0800 694 1515 (International: +44 (0)1452 584 053), conference ID 69513085. For individuals unable to participate in the conference call, a telephone replay will be available until Wednesday 5 November 2008. Please telephone 0800 953 1533 (International: +44(0) 1452 550 000), conference ID 69513085#.

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Forward-looking statements

This interim management statement may contain forward-looking statements with respect to the financial condition, results, operations and businesses of Schroders plc. Such statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by forward-looking statements and forecasts. Forward-looking statements and forecasts are based on the Directors' current view and information known to them at the date of this statement. The Directors do not make any undertaking to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Nothing in this interim management statement should be construed as a profit forecast.

Appendix – Additional information

Group capital

£ million	30 September 2008	30 June 2008	31 December 2007
Cash and cash equivalents	638	504	582
Fixed income: mortgage and asset backed securities	137	151	249
Third party hedge funds	120	173	208
Seed capital	228	248	191
Private Banking net assets	233	221	213
Private Equity	100	126	138
Other net assets	142	194	115
Total Group capital	1,598	1,617	1,696

The movement in Group capital between 30 June 2008 and 30 September 2008 is set out below:

£ million	Available for Sale reserves	Capital and other reserves	Total
Closing balance 30 June 2008	73.1	1,544.2	1,617.3
Retained profit (note 1)	-	31.7	31.7
Losses on Available for Sale financial assets	(76.9)	-	(76.9)
Other movements (note 2)	(6.9)	33.2	26.3
Closing balance 30 September 2008	(10.7)	1,609.1	1,598.4

Notes

1. Stated after tax charged at an effective rate of 26.2 per cent, minority interests and interim dividend.
2. Principally foreign exchange movements.

As permitted by the amendment to IAS 39 'Financial Instruments: Recognition and Disclosure', the Group's financial assets previously classified as held for trading have been reclassified as 'Available for Sale', with effect from 1 July 2008. Unrealised losses of £49.9 million arising on these assets for the three months ended 30 September are included in losses on Available for Sale financial assets of £76.9 million above. These unrealised losses have reduced brought forward unrealised gains of £73.0 million and result in carried forward unrealised losses in Available for Sale reserves of £10.7 million at 30 September 2008.

Funds under management (FUM)

£ billion	Institutional	Retail	Private Banking	Total
31 December 2007	73.2	56.2	9.7*	139.1
Net flows	(2.3)	(3.1)	0.1	(5.3)
Market movements & other	(10.5)	(10.7)	0.8	(20.4)
Acquisition adjustments	0.9	0.1	0.3	1.3
30 September 2008	61.3	42.5	10.9	114.7

* Private Banking FUM at 31 December 2007 excluded custody related assets of £0.8bn. In line with industry best practice, these are now included in reported FUM for 2008 (within market movements & other).