

Schroders plc

Interim management statement

24 April 2008

Schroders plc is today issuing an interim management statement for the three months to 31 March 2008.

- **Asset Management and Private Banking profit before tax increased 9 per cent. to £76.5 million (Q1 2007: £70.0 million)**
- **Positive net sales in Retail despite difficult market conditions; reduced net outflows in Institutional**
- **Total profit before tax was £42.2 million (Q1 2007: £93.2 million) reflecting lower Private Equity realisations and unrealised fair value write downs on investments within Group capital**

Asset Management

Asset Management income for the quarter was £197.1 million (Q1 2007: £177.3 million), costs were £131.5 million (Q1 2007: £114.8 million) and profit before tax was up 5 per cent. to £65.6 million (Q1 2007: £62.5 million).

In March we announced that we had reached agreement to acquire Swiss Re Asset Management Funds (Switzerland) AG, the Swiss third party institutional fund management business of Swiss Re, which is expected to complete in the second quarter. The business, which had assets under management of £0.9 billion split between European equities and Swiss property, will broaden our offering to Swiss institutional clients.

Private Banking

Private Banking income for the quarter was £27.4 million (Q1 2007: £23.1 million), costs were £16.5 million (Q1 2007: £15.6 million) and profit before tax was up 45 per cent. to £10.9 million (Q1 2007: £7.5 million).

Private Equity and Group

As anticipated at the time of the 2007 preliminary results announcement, more challenging market conditions have reduced the level of Private Equity realisations. Profit from Private Equity for the quarter was £2.4 million (Q1 2007: £19.9 million) with unrealised gains in our Private Equity portfolio unchanged on the quarter at £74.5 million.

The loss in Group for the quarter was £36.7 million (Q1 2007: profit £3.3 million). Lower equity markets and the dislocation in fixed income markets in the first quarter, particularly in March, led to reduced valuations for certain assets held within Group capital and we took unrealised fair value write downs of £7.7 million on seed capital investments and £25.8 million on fixed income securities. Although further write downs cannot be ruled out if current market uncertainties persist, detailed review of our holdings leads us to expect a recovery in valuations over time. Further details of the deployment of Group capital are set out in the appendix.

Group capital at 31 March 2008 was £1,704 million (31 December 2007: £1,696 million) after spending £58.8 million during the quarter on the repurchase and cancellation of 7 million non-voting ordinary shares.

Funds under management

Funds under management at 31 March 2008 were £130.6 billion (31 December 2007: £139.1 billion) with net inflows in the quarter of £0.5 billion in Retail and £0.3 billion in Private Banking. Net outflows in Institutional amounted to £1.7 billion.

Outlook

As we indicated at the time of our 2007 preliminary results, the setback in equity markets and high levels of volatility in financial markets have led to a less favourable environment for our business. Despite this, the performance of our Asset Management and Private Banking businesses is proving resilient, benefiting from our strategy of geographic, product and channel diversification. We have seen positive inflows into our Retail business and a reduced level of Institutional outflows in the first quarter of 2008. We continue to see this more challenging period as an opportunity to position Schroders for further growth in the longer-term.

Michael Dobson, Chief Executive, and Stephen Brooks, Chief Financial Officer, will host a conference call for the investment community, to discuss the first quarter interim management statement at 9 am BST on Thursday, 24 April 2008. The conference call telephone number is 0800 694 1503 (International: +44 (0)1452 586 513), conference ID 44479692. For individuals unable to participate in the conference call, a telephone replay will be available until Wednesday 30 April 2008. Please telephone 0800 953 1533 (International: +44(0) 1452 550 000), conference ID 44479692#.

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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 – Group capital as at 31 March 2008

The following table summarises the deployment of Group capital:

£ million	31 December 2007	31 March 2008
Cash and cash equivalents	582	492
Fixed income: mortgage and asset backed securities	249	209
Third party hedge funds	208	208
Seed capital	191	182
Private Banking net assets	213	218
Private Equity	138	139
Pension fund surplus	43	44
Other net assets	72	212
Total Group capital	1,696	1,704

Within Group capital, we hold US mortgage and asset backed securities, with the objective of delivering a LIBOR+ return, as part of a diversified portfolio which includes investments in seed capital, private equity and hedge funds. Financial market conditions in the first quarter have resulted in an unrealised fair value write down on these fixed income securities of £25.8 million, 80 per cent. of which occurred in March. Of these investments, 90 per cent. are rated AAA and two-thirds were originated before 2006. An analysis of these mortgage and asset backed securities is provided below:

Credit rating	Origination date			Total £mn	% of total
	Pre 2006 £mn	2006 £mn	2007 £mn		
AAA	120	51	18	189	90
<AAA	18	2	-	20	10
Total	138	53	18	209	100

The reduction in value of these assets over the quarter had no material impact on Group capital. The movement in Group capital between 31 December 2007 and 31 March 2008 is set out below:

	£mn
Closing balance 31 December 2007	1,696
Retained profit (note 1)	33
Repurchase of shares (note 2)	(59)
Foreign exchange translations	32
Other	2
Closing balance 31 March 2008	1,704

Notes

1. Stated after tax charged at an effective rate of 22.6 per cent. Includes £25.8 million of unrealised fair value write downs on mortgage and asset backed securities and £7.7 million on seed capital investments.
2. Includes the repurchase and cancellation of 7,011,998 non-voting ordinary shares in the first quarter of 2008.

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