

Schroders plc

Interim management statement

3 November 2016

Schroders plc today issues its interim management statement covering the nine months to 30 September 2016.

- **Profit before tax and exceptional items £455.3 million (2015: £453.2 million)**
- **Profit before tax £436.2 million (2015: £438.9 million)**
- **Assets under management £375.0 billion (30 September 2015: £294.8 billion)**

Peter Harrison, Group Chief Executive, commented: "We continued to deliver solid results in the first nine months of the year, with profit before tax of £436.2 million. Our diversified business model generated £2.7 billion of net new business and assets under management increased to £375.0 billion. We have made progress against our strategic objectives, particularly in North America."

Asset Management

Asset Management net operating revenue for the first nine months was £1,071.3 million (2015: £1,032.0 million), including performance fees of £13.3 million (2015: £12.7 million). Profit before tax and exceptional items was £399.1 million (2015: £400.4 million) and profit before tax was £386.8 million (2015: £391.3 million).

Net inflows for the nine months were £3.2 billion, comprising net inflows of £5.4 billion in Institutional and net outflows of £2.2 billion in Intermediary. Assets under management at 30 September were £339.4 billion (30 September 2015: £263.9 billion).

Wealth Management

Wealth Management net operating revenue for the first nine months was £162.6 million (2015: £157.6 million). Profit before tax and exceptional items was £49.5 million (2015: £46.5 million) and profit before tax was £42.7 million (2015: £47.7 million). There were net outflows of £0.5 billion over the nine months and assets under management at 30 September were £35.6 billion (30 September 2015: £30.9 billion).

Group

The Group segment comprises central costs and returns on investment capital. Profit before tax in the first nine months was £6.7 million (2015: loss before tax of £0.1 million).

Shareholders' equity at 30 September 2016 was £2.9 billion (30 September 2015: £2.6 billion).

Peter Harrison, Group Chief Executive, and Richard Keers, Chief Financial Officer, will host a conference call for the investment community, to discuss the third quarter interim management statement at 9am GMT on Thursday, 3 November 2016.

The conference call telephone number is 0800 694 1515 (International: +44 (0)1452 584 053), conference ID 4511464. For individuals unable to participate in the conference call, a telephone replay will be available from 2pm GMT on Thursday 3 November for one month. Please telephone 0800 953 1533 (International: +44 (0)1452 550 000), conference ID 4511464.

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Appendix

Assets under management

Nine months to 30 September 2016

	Institutional £bn	Intermediary £bn	Asset Management £bn	Wealth Management £bn	Total £bn
1 January 2016	181.0	100.9	281.9	31.6	313.5
Net flows	5.4	(2.2)	3.2	(0.5)	2.7
Acquisitions ¹	1.9	1.4	3.3	-	3.3
Investment returns ²	34.5	17.4	51.9	3.6	55.5
Transfers ³	(0.9)	-	(0.9)	0.9	-
30 September 2016	221.9	117.5	339.4	35.6	375.0

Three months to 30 September 2016

	Institutional £bn	Intermediary £bn	Asset Management £bn	Wealth Management £bn	Total £bn
1 July 2016	203.6	106.4	310.0	33.8	343.8
Net flows	1.0	1.1	2.1	(0.1)	2.0
Acquisitions ¹	1.9	1.4	3.3	-	3.3
Investment returns ⁴	15.4	8.6	24.0	1.9	25.9
30 September 2016	221.9	117.5	339.4	35.6	375.0

¹Relates to the acquisition of a securitised credit business in North America.

²The weakening of Sterling since 1 January 2016 had the effect of increasing total assets under management by £38.6bn.

³Relates to the transfer of charities assets from Asset Management to Wealth Management.

⁴The weakening of Sterling since 1 July 2016 had the effect of increasing total assets under management by £10.1bn.

Financial information

Nine months to 30 September 2016

	Asset Management £m	Wealth Management £m	Group £m	Total £m
Net operating revenue	1,071.3	162.6	-	1,233.9
Net gains on financial instruments and other income	35.3	1.6	25.1	62.0
Share of profit of associates and joint ventures	12.0	-	4.3	16.3
Net income¹	1,118.6	164.2	29.4	1,312.2
Operating expenses	(719.5)	(114.7)	(22.7)	(856.9)
Profit before tax and exceptional items	399.1	49.5	6.7	455.3

Exceptional items within operating expenses:

Amortisation of acquired intangible assets	(8.3)	(6.0)	-	(14.3)
Deferred compensation arising from acquisitions	-	-	1.0	1.0
Other expenses	(1.8)	(0.8)	(1.0)	(3.6)
	(10.1)	(6.8)	-	(16.9)

Exceptional items within net income:

Amortisation of acquired intangible assets within share of profit of associates and joint ventures	(1.5)	-	-	(1.5)
Net losses on financial instruments and other income	(0.7)	-	-	(0.7)
Total exceptional items	(12.3)	(6.8)	-	(19.1)

Profit before tax	386.8	42.7	6.7	436.2
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Three months to 30 September 2016

	Asset Management £m	Wealth Management £m	Group £m	Total £m
Net operating revenue	383.5	55.5	-	439.0
Net gains on financial instruments and other income	13.4	1.1	10.3	24.8
Share of profit of associates and joint ventures	3.5	-	0.7	4.2
Net income¹	400.4	56.6	11.0	468.0
Operating expenses	(258.9)	(39.5)	(8.0)	(306.4)
Profit before tax and exceptional items	141.5	17.1	3.0	161.6

Exceptional items within operating expenses:

Amortisation of acquired intangible assets	(2.8)	(2.0)	-	(4.8)
Deferred compensation arising from acquisitions	-	-	(0.1)	(0.1)
Other expenses	(0.2)	(0.8)	(1.0)	(2.0)
	(3.0)	(2.8)	(1.1)	(6.9)

Exceptional items within net income:

Amortisation of acquired intangible assets within share of profit of associates and joint ventures	(0.5)	-	-	(0.5)
Net losses on financial instruments and other income	(0.3)	-	-	(0.3)
Total exceptional items	(3.8)	(2.8)	(1.1)	(7.7)

Profit before tax	137.7	14.3	1.9	153.9
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¹Previously referred to as 'Net revenue'.

Financial information

Nine months to 30 September 2015

	Asset Management £m	Wealth Management £m	Group £m	Total £m
Net operating revenue	1,032.0	157.6	-	1,189.6
Net gains/(losses) on financial instruments and other income	2.3	(0.3)	19.1	21.1
Share of profit of associates and joint ventures	10.7	-	7.9	18.6
Net income¹	1,045.0	157.3	27.0	1,229.3
Operating expenses	(644.6)	(110.8)	(20.7)	(776.1)
Profit before tax and exceptional items	400.4	46.5	6.3	453.2

Exceptional items within operating expenses:

Amortisation of acquired intangible assets	(7.3)	(6.0)	-	(13.3)
Deferred compensation arising from acquisitions	-	-	(6.4)	(6.4)
Provisions and related costs	-	7.2	-	7.2
	(7.3)	1.2	(6.4)	(12.5)

Exceptional items within net income:

Amortisation of acquired intangible assets within share of profit of associates and joint ventures	(1.8)	-	-	(1.8)
Total exceptional items	(9.1)	1.2	(6.4)	(14.3)

Profit/(loss) before tax	391.3	47.7	(0.1)	438.9
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Three months to 30 September 2015²

	Asset Management £m	Wealth Management £m	Group £m	Total £m
Net operating revenue	339.1	51.9	-	391.0
Net (losses)/gains on financial instruments and other income	(0.2)	(0.1)	7.2	6.9
Share of profit of associates and joint ventures	4.0	-	1.0	5.0
Net income¹	342.9	51.8	8.2	402.9
Operating expenses	(213.5)	(35.3)	(6.6)	(255.4)
Profit before tax and exceptional items	129.4	16.5	1.6	147.5

Exceptional items within operating expenses:

Amortisation of acquired intangible assets	(2.4)	(2.0)	-	(4.4)
Deferred compensation arising from acquisitions	-	-	(1.0)	(1.0)
Provisions and related costs	-	7.2	-	7.2
	(2.4)	5.2	(1.0)	1.8

Exceptional items within net income:

Amortisation of acquired intangible assets within share of profit of associates and joint ventures	(0.7)	-	-	(0.7)
Total exceptional items	(3.1)	5.2	(1.0)	1.1

Profit before tax	126.3	21.7	0.6	148.6
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¹Previously referred to as 'Net revenue'.

²Reformatted to reflect the new definition of net income and the introduction of net operating revenue.

Forward-looking statements

This interim management statement may contain forward-looking statements with respect to the financial condition, performance and position, strategy, results of operations and businesses of the Schroders Group. Such statements and forecasts involve risk and uncertainty because they are based on current expectations and assumptions but relate to events and depend upon circumstances in the future and you should not place reliance on them. Without limitation, any statements preceded or followed by or that include the words 'targets', 'plans', 'sees', 'believes', 'expects', 'aims', 'confident', 'will have', 'will be', 'will ensure', 'estimates' or 'anticipates' or the negative of these terms or other similar terms are intended to identify such forward-looking statements. 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 interim management 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 forecast, estimate or projection of future financial performance.

This announcement contains inside information.