

Schroders plc

Interim management statement

Record results with profit before tax and exceptional items up 31 per cent. to £349.6 million

7 November 2013

Schroders plc today issues its interim management statement covering the nine months to 30 September 2013.

- **Profit before tax and exceptional items £349.6 million (2012: £266.0 million)**
- **Net inflows £5.5 billion (2012: £5.3 billion)**
- **Assets under management £256.7 billion (30 September 2012: £202.8 billion)**
- **68 per cent. of assets under management outperforming over three years ***

Profit before tax and exceptional items for the three months to 30 September was up 37 per cent. to £121.6 million (Q3 2012: £88.6 million), taking profit before tax and exceptional items for the first nine months of 2013 to £349.6 million (2012: £266.0 million).

Michael Dobson, Chief Executive, commented: *“These are strong results with assets under management up 27 per cent. over the past year to £256.7 billion and profit before tax up 31 per cent. to £349.6 million reflecting the strength of our highly diversified business. Cazenove Capital has materially strengthened our wealth management business and added to our capabilities in equities, multi-manager and fixed income and generated net inflows of £0.7 billion in the third quarter. We see a broad range of new business opportunities in the UK and internationally on the back of competitive performance, proven investment talent and strong distribution and remain confident that Schroders is well placed for further growth as we continue to invest in our business for the long term.”*

Asset Management

Asset Management net revenue for the three months to 30 September was £315.0 million (Q3 2012: £246.0 million), including performance fees of £17.5 million (Q3 2012: £1.9 million) and profit before tax and exceptional items was £109.6 million (Q3 2012: £85.8 million). For the first nine months of 2013, Asset Management profit before tax and exceptional items was £321.7 million (2012: £261.0 million). Net inflows in the three months to 30 September were £1.7 billion, including £0.6 billion in Cazenove Capital funds, taking net inflows for the nine months to £6.5 billion. Assets under management at 30 September were £226.8 billion (30 September 2012: £186.7 billion).

* Investment performance against benchmark or peer group over three years to 30 September 2013.

Wealth Management

Wealth Management net revenue for the three months to 30 September was £47.0 million (Q3 2012: £24.6 million) and profit before tax and exceptional items was £10.4 million (Q3 2012: £4.0 million). For the first nine months of 2013, Wealth Management profit before tax and exceptional items was £21.0 million (2012: £14.4 million). Net outflows in the three months to 30 September were £0.7 billion reflecting the expected loss of a large custody account. Net outflows year to date are £1.0 billion and assets under management at the end of September were £29.9 billion (30 September 2012: £16.1 billion).

Group segment

The Group segment comprises central costs and returns on investment capital, including seed capital invested in new products. The result for the Group segment for the three months to 30 September was a profit before tax and exceptional items of £1.6 million (Q3 2012 loss: £1.2 million). For the first nine months of 2013 the profit before tax and exceptional items was £6.9 million (2012 loss: £9.4 million).

Shareholders' equity at 30 September 2013 was £2.2 billion (30 September 2012: £2.0 billion).

Outlook

The acquisition of Cazenove Capital was completed on 2 July. Our integration plan is progressing well and Cazenove Capital has continued to generate net new business inflows in asset and wealth management. Schroders remains well positioned for long-term growth with a highly diversified business model, competitive investment performance and a strong financial position.

Michael Dobson, Chief Executive, and Richard Keers, Chief Financial Officer, will host a conference call for the investment community to discuss this interim management statement at 9am GMT on Thursday 7 November 2013. The conference call telephone number is 0800 694 1515 (International: +44 1452 584 053), conference ID 87931555. For individuals unable to participate in the conference call, a telephone replay will be available until Tuesday 3 December 2013. Please telephone 0871 700 0145 (International: +44 1452 550 000), conference 87931555#.

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Forward-looking statements

This interim management statement may contain certain forward-looking statements with respect to the financial condition, results of operations, strategy and businesses of the Schroders Group. Such statements and forecasts involve risk and uncertainty because they are based on current expectations and assumptions but they 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', 'believes', 'expect', 'aims', 'estimates' or 'anticipates' or the negative of these terms and 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.

Appendix

Assets under Management

Three months to 30 September 2013

	Institutional £bn	Intermediary £bn	Wealth Management £bn	Total £bn
30 June 2013	139.6	79.2	16.9	235.7
Acquisition of Cazenove Capital	-	6.9	13.2	20.1
Net flows	1.6	0.1	(0.7)	1.0
Investment returns and foreign exchange	-	(0.6)	0.5	(0.1)
Other *	0.4	(0.4)	-	-
30 September 2013	141.6	85.2	29.9	256.7

Nine months to 30 September 2013

	Institutional £bn	Intermediary £bn	Wealth Management £bn	Total £bn
31 December 2012	123.7	72.0	16.3	212.0
Acquisition of STW and Cazenove Capital	7.1	6.9	13.2	27.2
Net flows	3.7	2.8	(1.0)	5.5
Investment returns and foreign exchange	6.7	3.9	1.4	12.0
Other *	0.4	(0.4)	-	-
30 September 2013	141.6	85.2	29.9	256.7

*Other reflects a reclassification of £0.4bn of AUM from Intermediary to Institutional.

2013 Financial data

Three months to 30 September 2013

	Asset Management £m	Wealth Management £m	Group £m	Total £m
Net revenue	315.0	47.0	4.0	366.0
Operating expenses	(206.3)	(36.6)	(6.3)	(249.2)
Operating profit/(loss)	108.7	10.4	(2.3)	116.8
Net finance (cost)/income	(0.3)	-	2.5	2.2
Share of profit of associates and joint ventures	1.2	-	1.4	2.6
Profit before tax and exceptional items	109.6	10.4	1.6	121.6

Exceptional items:

Acquisition costs	-	-	(0.2)	(0.2)
Integration costs	-	-	(4.8)	(4.8)
Amortisation of acquired client relationships	(2.8)	(2.6)	-	(5.4)
Deferred compensation arising from acquisition	-	-	(5.0)	(5.0)
	(2.8)	(2.6)	(10.0)	(15.4)

Profit/(loss) before tax	106.8	7.8	(8.4)	106.2
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Nine months to 30 September 2013

	Asset Management £m	Wealth Management £m	Group £m	Total £m
Net revenue	900.7	100.5	9.9	1,011.1
Operating expenses	(582.3)	(79.5)	(13.8)	(675.6)
Operating profit/(loss)	318.4	21.0	(3.9)	335.5
Net finance (cost)/income	(0.3)	-	9.9	9.6
Share of profit of associates and joint ventures	3.6	-	0.9	4.5
Profit before tax and exceptional items	321.7	21.0	6.9	349.6

Exceptional items:

Acquisition costs	-	-	(4.2)	(4.2)
Integration costs	-	-	(6.3)	(6.3)
Amortisation of acquired client relationships	(3.1)	(2.6)	-	(5.7)
Deferred compensation arising from acquisition	-	-	(5.5)	(5.5)
	(3.1)	(2.6)	(16.0)	(21.7)

Profit/(loss) before tax	318.6	18.4	(9.1)	327.9
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2012 Financial data

Three months to 30 September 2012

	Asset Management £m	Wealth Management £m	Group £m	Total £m
Net revenue	246.0	24.6	5.9	276.5
Operating expenses	(161.2)	(20.6)	(9.9)	(191.7)
Operating profit/(loss)	84.8	4.0	(4.0)	84.8
Net finance income	0.1	-	2.7	2.8
Share of profit of associates and joint ventures	0.9	-	0.1	1.0
Profit/(loss) before tax	85.8	4.0	(1.2)	88.6

Nine months to 30 September 2012

	Asset Management £m	Wealth Management £m	Group £m	Total £m
Net revenue	737.0	77.2	6.3	820.5
Operating expenses	(480.2)	(62.8)	(24.3)	(567.3)
Operating profit/(loss)	256.8	14.4	(18.0)	253.2
Net finance income	-	-	9.0	9.0
Share of profit/(loss) of associates and joint ventures	4.2	-	(0.4)	3.8
Profit/(loss) before tax	261.0	14.4	(9.4)	266.0