

Schroders plc

Interim management statement

Strong results with profit before tax and exceptional items up 16 per cent. to £404.4 million

6 November 2014

Schroders plc today issues its interim management statement covering the nine months to 30 September 2014.

- **Profit before tax and exceptional items £404.4 million (2013: £349.6 million)**
- **Net inflows £7.0 billion (2013: £5.5 billion)**
- **Assets under management £276.2 billion (30 September 2013: £256.7 billion)**
- **80 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 18 per cent. to £142.9 million (Q3 2013: £121.6 million), taking profit before tax and exceptional items for the first nine months of 2014 to £404.4 million (2013: £349.6 million).

Michael Dobson, Chief Executive, commented: *“These are strong results with profit before tax up 16 per cent. to £404.4 million, despite an adverse impact on profit of £27 million due to the strength of sterling. We have won net new business of £7.0 billion in the first nine months of the year and have continued to generate net inflows across all channels in October, despite market volatility. Inflows in Intermediary have been strong in Continental Europe and Asia-Pacific, particularly in income products across a number of different asset classes. In Institutional, we have a significant pipeline of business won but which has not yet been funded.”*

Asset Management

Asset Management net revenue for the three months to 30 September was £329.5 million (Q3 2013: £315.0 million), including performance fees of £3.4 million (Q3 2013: £17.5 million) and profit before tax and exceptional items was £119.7 million (Q3 2013: £109.6 million). For the first nine months of 2014, Asset Management profit before tax and exceptional items was £354.8 million (2013: £321.7 million). Net inflows in the three months to 30 September were £2.1 billion, comprising £1.3 billion in Intermediary and £0.8 billion in Institutional, taking net inflows for the nine months to £6.6 billion. Assets under management at 30 September were £245.7 billion (30 September 2013: £226.8 billion).

Wealth Management

Wealth Management net revenue for the three months to 30 September was £61.7 million (Q3 2013: £47.0 million), including performance fees of £2.7 million (Q3 2013: £nil) and the release of a £7.5 million loan loss provision. Profit before tax and exceptional items was £22.9 million (Q3 2013: £10.4 million). For the first nine months of 2014, Wealth Management profit before tax and exceptional items was £49.2 million (2013: £21.0 million). Net inflows in the three months to 30 September were £0.1 billion, taking net inflows year to date to £0.4 billion. Assets under management at the end of September were £30.5 billion (30 September 2013: £29.9 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 £0.3 million (Q3 2013: £1.6 million). For the first nine months of 2014 the profit before tax and exceptional items was £0.4 million (2013: £6.9 million).

Shareholders' equity at 30 September 2014 was £2.4 billion (30 September 2013: £2.2 billion).

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 6 November 2014. The conference call telephone number is 0800 694 1515 (International: +44 1452 584 053), conference ID 19063739. For individuals unable to participate in the conference call, a telephone replay will be available from 2pm GMT on Thursday 6 November 2014 until Friday 5 December 2014. Please telephone 0800 953 1533 (International: +44 1452 550 000), conference 19063739#.

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* Investment performance against benchmark or peer group over three years to 30 September 2014. The calculation of investment performance is described on page 165 of the Annual Report and Accounts 2013.

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', 'expects', '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 2014

	Institutional £bn	Intermediary £bn	Asset Management £bn	Wealth Management £bn	Total £bn
30 June 2014	148.0	92.8	240.8	30.7	271.5
Net inflows	0.8	1.3	2.1	0.1	2.2
Investment returns, foreign exchange and other	2.3	0.5	2.8	(0.3)	2.5
30 September 2014	151.1	94.6	245.7	30.5	276.2

Nine months to 30 September 2014

	Institutional £bn	Intermediary £bn	Asset Management £bn	Wealth Management £bn	Total £bn
31 December 2013	144.3	88.5	232.8	30.1	262.9
Net inflows	1.5	5.1	6.6	0.4	7.0
Investment returns, foreign exchange and other	5.3	1.0	6.3	-	6.3
30 September 2014	151.1	94.6	245.7	30.5	276.2

2014 Financial data

Three months to 30 September 2014

	Asset Management £m	Wealth Management £m	Group £m	Total £m
Net revenue	329.5	61.7	2.4	393.6
Operating expenses	(211.6)	(38.8)	(5.3)	(255.7)
Operating profit/(loss)	117.9	22.9	(2.9)	137.9
Net finance (cost)/income	(0.4)	-	3.1	2.7
Share of profit of associates and joint ventures	2.2	-	0.1	2.3
Profit before tax and exceptional items	119.7	22.9	0.3	142.9
Exceptional items:				
Integration and restructuring costs	(0.5)	(4.2)	-	(4.7)
Amortisation of acquired client relationships	(3.1)	(2.0)	-	(5.1)
Deferred compensation arising from acquisitions	-	-	(2.3)	(2.3)
Other	-	(0.5)	-	(0.5)
	(3.6)	(6.7)	(2.3)	(12.6)
Profit/(loss) before tax	116.1	16.2	(2.0)	130.3

Nine months to 30 September 2014

	Asset Management £m	Wealth Management £m	Group £m	Total £m
Net revenue	950.5	162.2	9.5	1,122.2
Operating expenses	(602.8)	(113.0)	(18.0)	(733.8)
Operating profit/(loss)	347.7	49.2	(8.5)	388.4
Net finance (cost)/income	(0.8)	-	8.4	7.6
Share of profit of associates and joint ventures	7.9	-	0.5	8.4
Profit before tax and exceptional items	354.8	49.2	0.4	404.4
Exceptional items:				
Integration and restructuring costs	(3.1)	(8.0)	-	(11.1)
Amortisation of acquired client relationships	(10.1)	(7.1)	-	(17.2)
Deferred compensation arising from acquisitions	-	-	(11.4)	(11.4)
Other	-	(0.5)	-	(0.5)
	(13.2)	(15.6)	(11.4)	(40.2)
Profit/(loss) before tax	341.6	33.6	(11.0)	364.2

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 and restructuring costs	-	-	(4.8)	(4.8)
Amortisation of acquired client relationships	(2.8)	(2.6)	-	(5.4)
Deferred compensation arising from acquisitions	-	-	(5.0)	(5.0)
	(2.8)	(2.6)	(10.0)	(15.4)
Profit/(loss) before tax	106.8	7.8	(8.4)	106.2

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 and restructuring costs	-	-	(6.3)	(6.3)
Amortisation of acquired client relationships	(3.1)	(2.6)	-	(5.7)
Deferred compensation arising from acquisitions	-	-	(5.5)	(5.5)
	(3.1)	(2.6)	(16.0)	(21.7)
Profit/(loss) before tax	318.6	18.4	(9.1)	327.9