T. ROWE PRICE GROUP

FIRST QUARTER REPORT

March 31, 2008

T.RowePrice

INVEST WITH CONFIDENCE

Fellow Stockholders:

Global stock markets declined in the first quarter of 2008 as concerns about the world economy and worries over the strength of the banking and financial systems rattled investor confidence. On the fixed income side, high-quality securities such as U.S. Treasury securities and other government securities benefited from a flight to quality while lower-rated corporate bonds and high-yield bonds suffered price declines.

In this challenging environment, T. Rowe Price reported reasonable financial results. During periods of weak financial markets, it is typical for our assets under management to decline; not surprisingly, our assets dropped to $378.6 billion at March 31 from $400 billion as of December 31, 2007. Despite a $31.1 billion decline in assets caused by market weakness, net cash flows from existing and new clients totaled a record $9.7 billion for the three-month period and offset a portion of the market impact.

Net revenues for the first quarter increased to $559 million from the 2007 first quarter level of $508 million. First-quarter net income and diluted earnings per share rose to $151.5 million and $.55, respectively, ahead of the comparable 2007 first-quarter figures of $143 million and $.51. In terms of controlling expenses, we have been watchful of our expense growth thus far in 2008 while, at the same time, continuing our strategy of investing for the future. Operating expenses were $39.5 million higher than the level of the 2007 first quarter. We have increased our staff to handle increased volume-related activities and capitalize on other business opportunities and as of March 31, 2008, we employed 5,203 associates.

We are fortunate that our investment results relative to our peers remain strong with 80% of the T. Rowe Price funds surpassing their comparable Lipper averages on a total return basis for the three- and five-year periods ended March 31, 2008. In addition, 72% of our rated mutual fund assets under management were in funds that ended the first quarter with an overall rating of four or five stars from Morningstar. Good investment results are difficult to achieve, and we are fortunate to have a highly capable investment team around the world to generate solid returns for our clients.

While this has been a year of carefully monitoring our expenses, our strong capital position enables us to continue to invest in our business and gives us substantial flexibility to weather the inevitable cyclical ups and downs. This year we expect to fund about $180 million of capital expenditures and have already expended

$294 million in the first three months of the year to repurchase 5.9 million shares of our common stock. These outlays together with last year's capital expenditures of $146 million and share repurchases of $320 million were all funded from our available cash positions. T. Rowe Price Group has no debt, with cash and investment holdings of $1.4 billion.

Looking ahead, while the duration and magnitude of the global economic slowdown is difficult to predict and there are likely to be bumps in the road ahead, stock valuations have become more attractive. In addition, the actions of the Federal Reserve, Congress, and the Administration to provide stimulus to the economy likely bode well for a pickup in economic activity at some point. We are particularly relieved to see that the workings of the financial markets are functioning better than they have at various times over the last 12 months when investors have been concerned with market illiquidity. By the end of the year, we expect that many of the investment issues we worry about today are likely to recede and that investor sentiment should improve.

In terms of our commitment to you, we have a team of outstanding associates who are totally focused on serving our clients, a very strong balance sheet, and substantial investment and distribution expertise. We remain committed to investing in our businesses around the world and to providing our diverse base of customers with outstanding investment offerings and client service. We are optimistic that these efforts will enable us to continue to grow the value of your investment over time.

Thank you for your confidence in our organization.

Sincerely,

Brian C. Rogers
Chairman

James A.C. Kennedy
CEO and President

April 24, 2008

ASSETS UNDER MANAGEMENT (in billions) at March 31	2007	**2008**	Change
Sponsored mutual funds in the U.S.			
Stock and blended asset	$ 178.6	**$ 182.8**	2%
Bond and money market	40.2	**47.7**	19%
Total	218.8	**230.5**	5%
Other portfolios	131.1	**148.1**	13%
	$ 349.9	**$ 378.6**	8%

FINANCIAL HIGHLIGHTS (in millions)	Three months ended March 31, 2007	**2008**	Change
Net revenues	$ 508.4	**$ 559.1**	10%
Net operating income	$ 218.9	**$ 230.1**	5%
Net income	$ 142.9	**$ 151.5**	6%
Net cash provided by operating activities	$ 241.7	**$ 258.6**	7%
Diluted earnings per share	$ .51	**$ .55**	8%

BALANCE SHEET HIGHLIGHTS (in millions)	At December 31, 2007	At March 31, **2008**
Cash and cash equivalents	$ 785.1	**$ 610.2**
Investments in sponsored mutual funds	773.0	**725.1**
Property and equipment	358.3	**371.2**
Goodwill and other intangible assets	668.8	**668.6**
Accounts receivable and other assets	592.1	**574.3**
Total assets	3,177.3	**2,949.4**
Total liabilities	400.2	**371.1**
Stockholders' equity—259.6 common shares outstanding at March 31, 2008	$ 2,777.1	**$ 2,578.3**

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME (in millions)

	Three months ended March 31, 2007	2008
Revenues		
Investment advisory fees	$ 425.0	**$ 470.1**
Administrative fees	83.1	**88.8**
Investment income of savings bank subsidiary	1.5	**1.5**
Total revenues	509.6	**560.4**
Interest expense on savings bank deposits	1.2	**1.3**
Net revenues	508.4	**559.1**
Operating expenses		
Compensation and related costs	184.2	**207.4**
Advertising and promotion	31.8	**36.5**
Depreciation and amortization of property and equipment	13.7	**15.0**
Occupancy and facility costs	21.4	**25.1**
Other operating expenses	38.4	**45.0**
	289.5	**329.0**
Net operating income	218.9	**230.1**
Non-operating investment income	11.8	**14.3**
Income before income taxes	230.7	**244.4**
Provision for income taxes	87.8	**92.9**
Net income	$ 142.9	**$ 151.5**
Basic earnings per share	$ .54	**$ .58**
Diluted earnings per share	$ .51	**$ .55**
Dividends declared per share	$ .17	**$ .24**

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