

T. ROWE PRICE GROUP

SECOND QUARTER REPORT

June 30, 2008



Fellow Stockholders:

With financial markets under considerable stress yet again in the second quarter of 2008, major U.S. stock and bond indexes experienced marked volatility and produced mixed results. Outside the U.S., stocks and fixed income securities generally retreated, although the weak U.S. dollar reduced the magnitude of losses in dollar terms. Perhaps not surprisingly, investor sentiment deteriorated amid sluggish economic growth, rising food and commodity prices, and the continuing fallout from the housing downturn and credit crunch.

In this challenging environment, T. Rowe Price reported satisfactory financial results. Our assets under management increased slightly to \$387.7 billion at June 30—up from \$378.6 billion at the end of March—as net cash inflows from clients and fund shareholders totaled \$8.1 billion and changes in market valuations and portfolio income added a modest \$1.0 billion.

Net revenues for the second quarter increased to nearly \$587 million from the 2007 second quarter level of \$551 million. Net income remained flat at \$162 million, but diluted earnings per share of \$.60 was 3.4% higher than the 2007 quarter due to fewer shares outstanding as a result of our corporate buybacks.

Our strong capital position gives us the financial flexibility to weather turbulent markets. So, while we have been tapping on the brakes of expenses, we have nonetheless also continued to invest for the future, a longstanding strategy that has prepared us well to come out of past market downturns in a strong competitive position. Operating expenses, which were up about 9% from their level in the 2007 second quarter, continue to be most impacted by compensation and related costs. We have added staff to handle increased volume-related activities and to capitalize on other business opportunities.

Our capital expenditures for the year are expected to be approximately \$150 million, comparable to 2007 spending. We have also expended \$425 million so far this year to repurchase 8.2 million shares of our common stock. These expenditures are all being funded from our available cash positions. The company has no debt and substantial liquidity, including cash and investment holdings of \$1.5 billion.

As we strive to help our clients meet their financial goals, we are gratified that we continue to deliver solid investment results relative to our peers. At least 76% of the T. Rowe Price funds

surpassed their comparable Lipper averages on a total return basis for the three-, five-, and 10-year periods ended June 30, 2008, while our institutional mandates have also continued to deliver strong performance results. In addition, 62% of our rated mutual fund assets under management were in funds that ended the second quarter with an overall rating of four or five stars from Morningstar.

Looking ahead, the credit crisis, deleveraging financial institutions, and inflationary pressures continue to be a brake on the economic recovery. Although it is virtually impossible to predict when this difficult environment will end, for the long term, market turbulence such as we've seen this year often creates attractive buying opportunities.

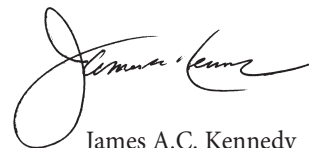
We are proud of our associates for staying focused on our clients during these turbulent times. We believe our globally diversified investment and distribution expertise and our long-term investment perspective serve our clients and fund shareholders well. The outlook for T. Rowe Price remains very strong.

Thank you for your commitment and, more importantly, for the confidence you continue to place in our team of dedicated associates around the world.

Sincerely,

Handwritten signature of Brian C. Rogers in black ink.

Brian C. Rogers
Chairman

Handwritten signature of James A.C. Kennedy in black ink.

James A.C. Kennedy
CEO and President

July 25, 2008

ASSETS UNDER MANAGEMENT (in billions) at June 30

	2007	2008	Change
Sponsored mutual funds in the U.S.			
Stock and blended asset	\$ 195.7	\$ 185.0	-5%
Bond and money market	41.6	48.3	16%
Total	237.3	233.3	-2%
Other portfolios	142.5	154.4	8%
	\$ 379.8	\$ 387.7	2%

FINANCIAL HIGHLIGHTS (in millions)	Three months ended June 30,			Six months ended June 30,		
	2007	2008	Change	2007	2008	Change
Net revenues	\$ 551.1	\$ 586.5	6%	\$ 1,059.5	\$ 1,145.6	8%
Net operating income	\$ 251.1	\$ 258.6	3%	\$ 470.0	\$ 488.7	4%
Net income	\$ 162.2	\$ 162.2	0%	\$ 305.1	\$ 313.7	3%
Net cash provided by operating activities	\$ 180.1	\$ 194.6	8%	\$ 421.8	\$ 453.2	7%
Diluted earnings per share	\$.58	\$.60	3%	\$ 1.09	\$ 1.15	6%

BALANCE SHEET HIGHLIGHTS (in millions)	At December 31,	At June 30,
	2007	2008
Cash and cash equivalents	\$ 785.1	\$ 681.2
Investments in sponsored mutual funds	773.0	730.5
Property and equipment	358.3	382.7
Goodwill and other intangible assets	668.8	668.5
Accounts receivable and other assets	592.1	586.9
Total assets	3,177.3	3,049.8
Total liabilities	400.2	397.6
Stockholders' equity—259.7 common shares outstanding at June 30, 2008	\$ 2,777.1	\$ 2,652.2

UNAUDITED CONDENSED CONSOLIDATED
STATEMENTS OF INCOME (in millions)

Three months ended June 30,
2007 2008

Six months ended June 30,
2007 2008

	2007	2008	2007	2008
Revenues				
Investment advisory fees	\$ 464.1	\$ 495.3	\$ 889.1	\$ 965.4
Administrative fees	86.7	90.9	169.8	179.7
Investment income of savings bank subsidiary	1.5	1.5	3.0	3.0
Total revenues	552.3	587.7	1,061.9	1,148.1
Interest expense on savings bank deposits	1.2	1.2	2.4	2.5
Net revenues	551.1	586.5	1,059.5	1,145.6
Operating expenses				
Compensation and related costs	197.0	218.0	381.2	425.4
Advertising and promotion	21.9	20.2	53.7	56.7
Depreciation and amortization of property and equipment	14.0	15.6	27.7	30.6
Occupancy and facility costs	22.7	24.9	44.1	50.0
Other operating expenses	44.4	49.2	82.8	94.2
	300.0	327.9	589.5	656.9
Net operating income	251.1	258.6	470.0	488.7
Non-operating investment income	11.7	7.8	23.5	22.1
Income before income taxes	262.8	266.4	493.5	510.8
Provision for income taxes	100.6	104.2	188.4	197.1
Net income	\$ 162.2	\$ 162.2	\$ 305.1	\$ 313.7
Basic earnings per share	\$.61	\$.62	\$ 1.15	\$ 1.20
Diluted earnings per share	\$.58	\$.60	\$ 1.09	\$ 1.15
Dividends declared per share	\$.17	\$.24	\$.34	\$.48

T. Rowe Price Group, Inc.

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