

# Interim Management Statement

## Hargreaves Lansdown Plc

Hargreaves Lansdown Plc ('the Group') publishes today its Interim Management Statement as required by the UK Listing Authority's Disclosure and Transparency rules. This statement covers the period from 1 January 2012 to 17 April 2012, and includes trading results for the three and nine months ended 31 March 2012.

### Highlights

- Record level of Assets under Administration ("AUA"), increasing by £2.6 billion in the three months to 31 March 2012 to £26.0 billion.
- Net inflows of £1.0 billion in the three months to 31 March 2012.
- Cumulative net inflows of £2.2 billion in the nine months to 31 March 2012.
- Year-to-date revenue up by 16%

### Commenting on the Interim Management Statement, Ian Gorham, Chief Executive, said:

The quarter under review remained a difficult period for the retail investment market. Investor confidence rose slightly but remains comparatively low. There remained a significant lack of innovative product or fund launches which are invariably a fillip to business.

Despite these conditions the company has fared exceedingly well. During the period leading up to the end of the calendar year we indicated the potential for a slowdown of asset gathering given economic conditions. However, our historically busy time leading up to the end of the tax year has been excellent, with net new business in February and March 2012 matching last year's record equivalent months. As a result we are particularly pleased to report a record total of assets under administration and management of £26 billion at 31 March 2012. We have also experienced an encouraging start to April.

Markets have yo-yoed in line with the ever changing outlook for Europe. The indebted southern European economies remain a concern and we expect Europe to remain a prime driver of the state of investor confidence. Market volatility, combined with a better than expected return from our improvements to equity trading functionality and pricing, have driven strong equity trading volumes, up 12% year to date. However, any short term growth in investor confidence or improvement in stock market outlook would be a surprise.

There has been much comment about increasing competition but we have not seen any material impact from this. Indeed we have enjoyed substantial inward transfers of both ISA and pension money into our SIPP for the period, assisting us to achieve our excellent level of net business inflows. Part withdrawals of money from funds and specifically ISAs remain higher than last year (driven by client personal expenditure requirements in tough times) but we have not experienced the outflows that have been reported by other businesses in the sector. Assets under administration have grown 11% during the period in comparison to the FTSE All Share Index which has risen by 5.1%. We keep a close eye on competitive activity but remain confident that we are competing profitably on all fronts with our dominant business model focusing on "best prices, best service and best information."

As always we continue to improve our services to our clients and to build on our scale and unparalleled reputation. Progress on our various strategic initiatives, including the successful launch of our new Cash ISA in the period, has been excellent and a detailed update on these matters will be given following the year end.

## Assets Under Administration (AUA)

Total assets under administration can be broken down as follows:

	31 Mar 12 £'billion	31 Dec 11 £'billion	30 June 11 £'billion	31 Mar 11 £'billion
<b>Vantage Assets Under Administration (AUA)</b>	<b>24.4</b>	<b>21.9</b>	<b>23.1</b>	<b>22.1</b>
<b>Assets Under Administration and Management (AUM)</b>				
Portfolio Management Services (PMS)	1.6	1.5	1.5	1.5
Multi-Manager Funds held outside of PMS	0.8	0.7	0.8	0.7
<b>AUM Total</b>	<b>2.4</b>	<b>2.2</b>	<b>2.3</b>	<b>2.2</b>
Less: Multi-manager funds (AUM) included in Vantage AUA	(0.8)	(0.7)	(0.8)	(0.7)
<b>Total Assets Under Administration</b>	<b>26.0</b>	<b>23.4</b>	<b>24.6</b>	<b>23.6</b>

The value of assets held within the Vantage service, the Group's direct-to-private investor platform, increased by 11% from £21.9 billion at 31 December 2011 to £24.4 billion at 31 March 2012. During the same period, the UK stock market rose by 5.1%. The increase can be attributed to £974 million net new business inflows and a £1.59 billion positive impact of the market and other growth factors during the period. During the nine months to 31 March 2012, net business inflows to Vantage totalled £2.1 billion compared with £2.4 billion during the nine months to 31 March 2011.

The third quarter leading up to the tax year-end on 5 April is the most important in the financial year from the perspective of gathering assets. In the full tax year ended 5 April 2012, new ISA contributions were £1.08 billion compared with £1.09 billion for the tax year ended 5 April 2011. The Group also continued to attract transfers of assets into its Vantage ISA service. Investments into Self Invested Personal Pensions (SIPPs) including transferred business, new contributions and basic rate tax relief were £1.71 billion in the tax year ended 5 April 2012, compared with £1.65 billion in the previous tax year. There have been further inflows outside tax shelters, namely into the Vantage Fund and Share account.

The number of active Vantage clients increased by 17,500 over the third quarter, from 396,000 as at 31 December 2011 to 413,500 as at 31 March 2012. The number of active accounts held by these clients increased from 608,000 to 631,000 and included an increase of 7,000 SIPP accounts and 12,000 ISA accounts, taking the totals to 140,000 and 331,000 respectively.

The value of assets held in Hargreaves Lansdown's Portfolio Management Service (PMS) and range of multi-manager funds, increased by 9% from £2.2 billion as at 31 December 2011 to £2.4 billion as at 31 March 2012. This figure includes £0.8 billion (31 December 2011: £0.7 billion) of Hargreaves Lansdown multi-manager funds administered through Vantage.

## Operating revenue

Operating revenue by division	Third Quarter of Year Ending 30 June 2012 £'million	Third Quarter of Year Ending 30 June 2011 £'million	Increase	9 Months Ended 31 March 2012 £'million	9 Months Ended 31 March 2011 £'million	Increase
Vantage	48.9	42.6	15%	135.9	116.0	17%
Discretionary	6.9	6.3	10%	20.1	18.0	12%
Third Party & Other	6.3	4.3	47%	19.0	16.3	17%
<b>Total</b>	<b>62.1</b>	<b>53.3</b>	<b>17%</b>	<b>175.0</b>	<b>150.3</b>	<b>16%</b>

**Note:** In addition to the above operating revenue, the Group received £1.5 million of interest on its own cash in the nine month period ended 31 March 2012 compared with £1.0 million for the same period in the previous year. This increase is predominantly attributed to higher interest rates achieved on the Group's own cash balances.

Operating revenue for the third quarter is 17% higher than the corresponding quarter last year. Operating revenue for the nine months to 31 March 2012 is £175.0 million, 16% higher than the same period last year (31 March 2011: £150.3 million). During the nine months ended 31 March 2012, 80% of Group operating revenues were recurring in nature:

being renewal income, management fees or interest (year ended 30 June 2011: 77%). Higher asset values and new business inflows have been the key drivers to the increase in revenue.

## Financial position

On 11 April 2012 the Group paid an interim dividend totalling £23.6m, as announced in February in the Interim Report. The Group's operations remain highly cash generative. The Group has remained free from debt and maintained a strong cash and balance sheet position, with a high surplus of regulatory capital.

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## Forward looking statements

*This announcement contains forward-looking statements with respect to the financial condition, results and business of the Group. By their nature, forward-looking statements involve risk and uncertainty because they relate to events, and depend on circumstances, that will occur in the future. The Group's actual results may differ materially from the results expressed or implied in these forward-looking statements. Nothing in this announcement should be construed as a profit forecast. This announcement is unaudited. This statement should not be seen as a promotion or solicitation to buy Hargreaves Lansdown Plc shares. It should be remembered that the value of shares can fall as well as rise and therefore you could get back less than you invested.*