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# LAZARD

Quarterly Investor Presentation

February 2013

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# Disclaimer

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This presentation contains certain statements, estimates and forecasts with respect to future performance and events. These statements, estimates and forecasts are “forward-looking statements.” In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as “may,” “might,” “will,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “target,” “goal” or “continue” or the negatives thereof or variations thereon or similar terminology. All statements other than statements of historical fact included in this presentation are forward-looking statements and are based on various underlying assumptions and expectations and are subject to known and unknown risks and uncertainties, and may include projections of our future financial performance based on our growth strategies and anticipated trends in our business. These statements are based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance, targets, goals or achievements expressed or implied in the forward-looking statements. These factors include, but are not limited to, those discussed in our Annual Report on Form 10-K under Item 1A “Risk Factors,” and also disclosed from time to time in our quarterly reports on Form 10-Q and current reports on Form 8-K, including the following: (a) a decline in general economic conditions or the global financial markets, (b) losses caused by financial or other problems experienced by third parties, (c) losses due to unidentified or unanticipated risks, (d) a lack of liquidity, i.e., ready access to funds for use in our businesses, and (e) competitive pressure on our businesses and on our ability to retain our employees. As a result, there can be no assurance that the forward-looking statements included in this presentation will prove to be accurate or correct. In light of these risks, uncertainties and assumptions, the future performance or events described in the forward-looking statements in this presentation might not occur. Accordingly, you should not rely upon forward-looking statements as a prediction of actual results and we do not assume any responsibility for the accuracy or completeness of any of these forward-looking statements. We do not undertake any obligation to, and will not, update any forward-looking statements, whether as a result of new information, future events or otherwise.

# Advice-Driven Model with Minimal Capital Needs

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## FINANCIAL ADVISORY

- The leading global independent advisor
- World leader in Restructuring and Sovereign Advisory
- Capital Structure Advisory reinforces M&A franchise

**2012 Operating Revenue  
\$1,049 million**

## ASSET MANAGEMENT

- World class global asset manager: \$167bn in AUM<sup>1</sup>
- Predominantly institutional
- Diversified by investment platform, client type and geography

**2012 Operating Revenue  
\$882 million**

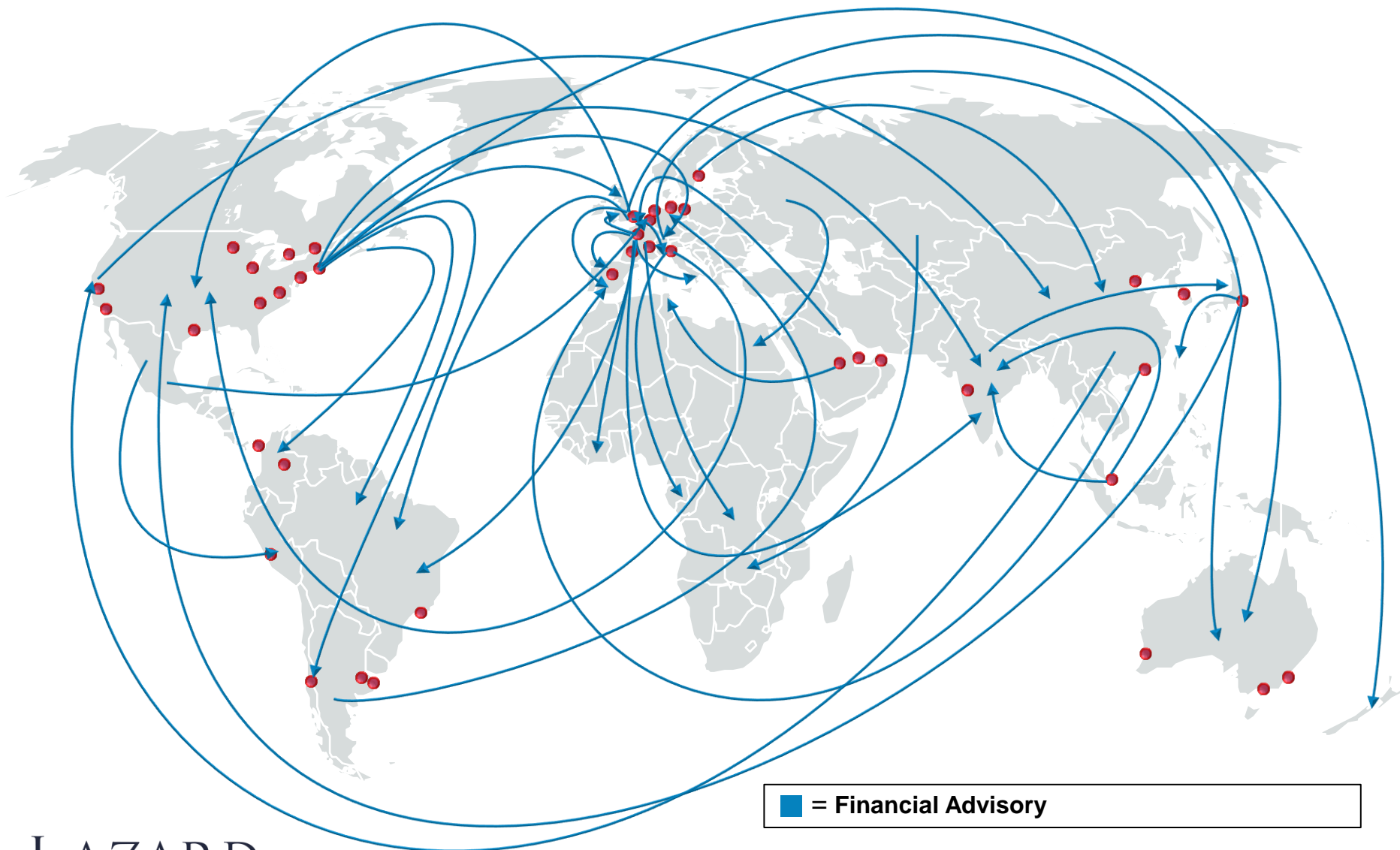
<sup>1</sup> As of December 31, 2012

# Global Network: Greater Opportunities for Clients

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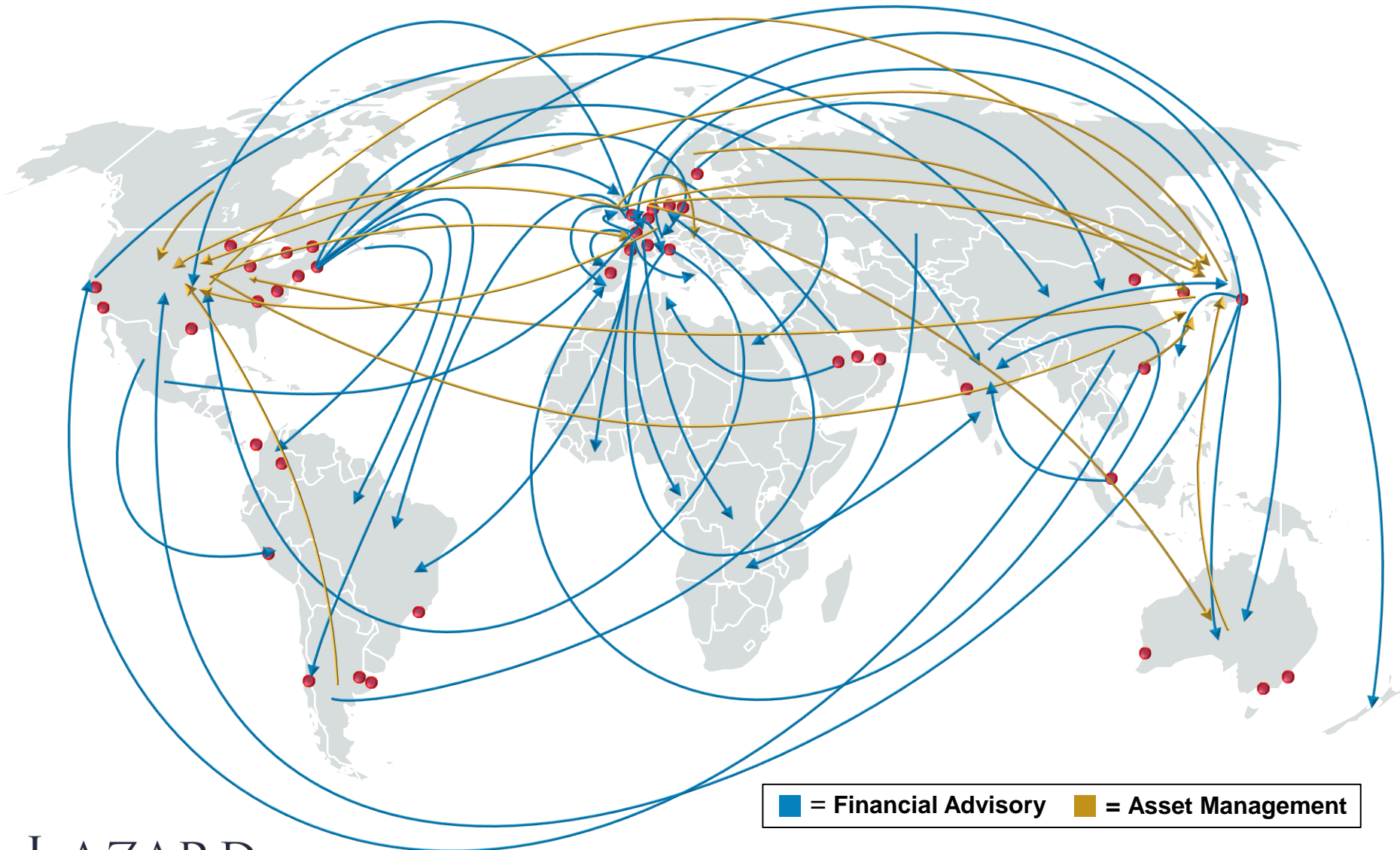


# 50% of Advisory Transactions were Cross-Border in 2012



# More than 40% of Revenue Came from Clients Outside of U.S.

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# Competitive Advantage

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## INDEPENDENT ADVICE

- Minimal capital required; low risk business model
- No structural conflicts of interest

## GLOBAL NETWORK

- Broadly diversified and growing revenue base
- Invested in key growth areas, including developing markets

## PEOPLE AND PERFORMANCE

- Consistently involved in largest global transactions
- Strong pattern of investment performance

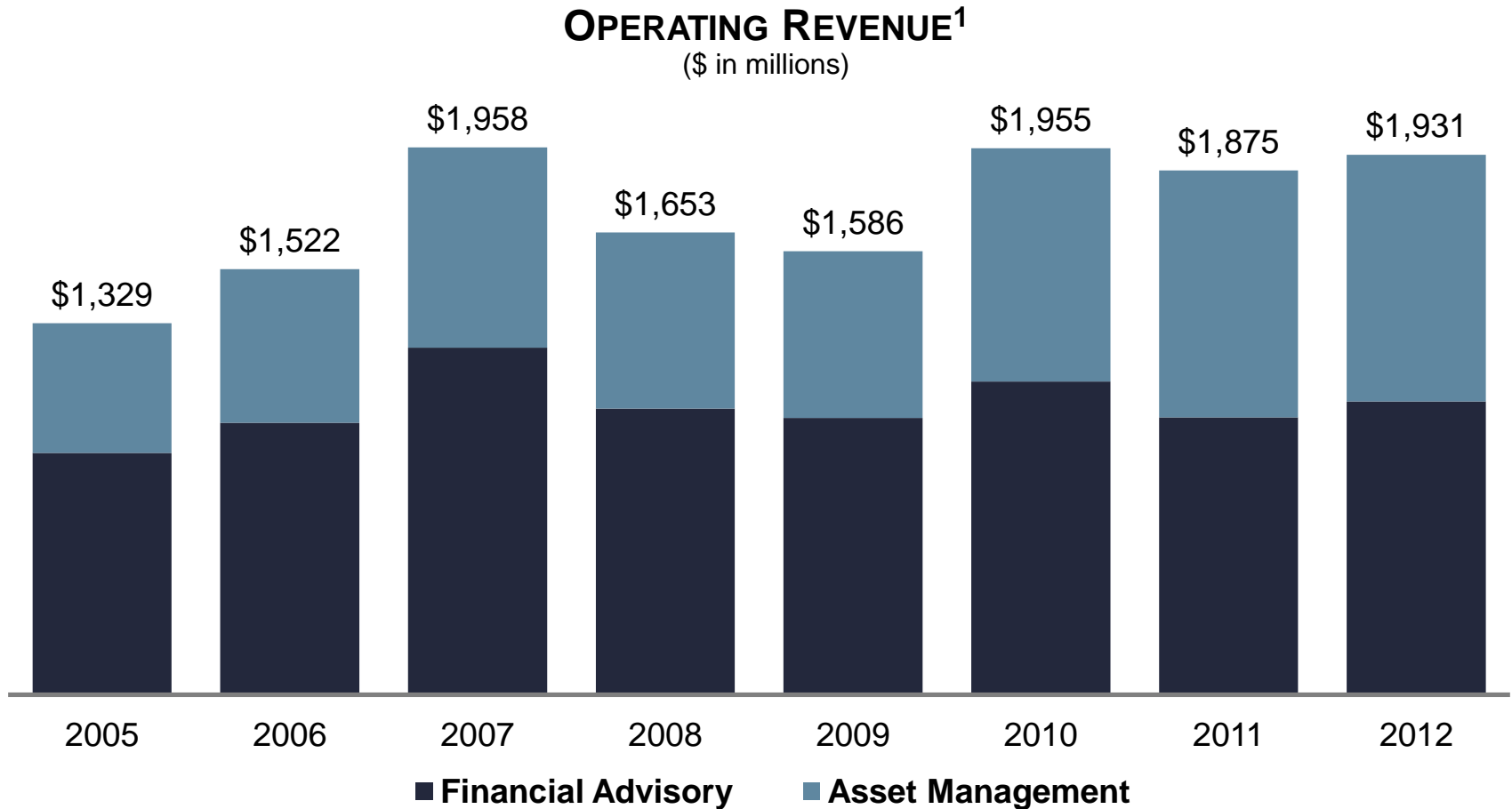
# Driving Shareholder Value

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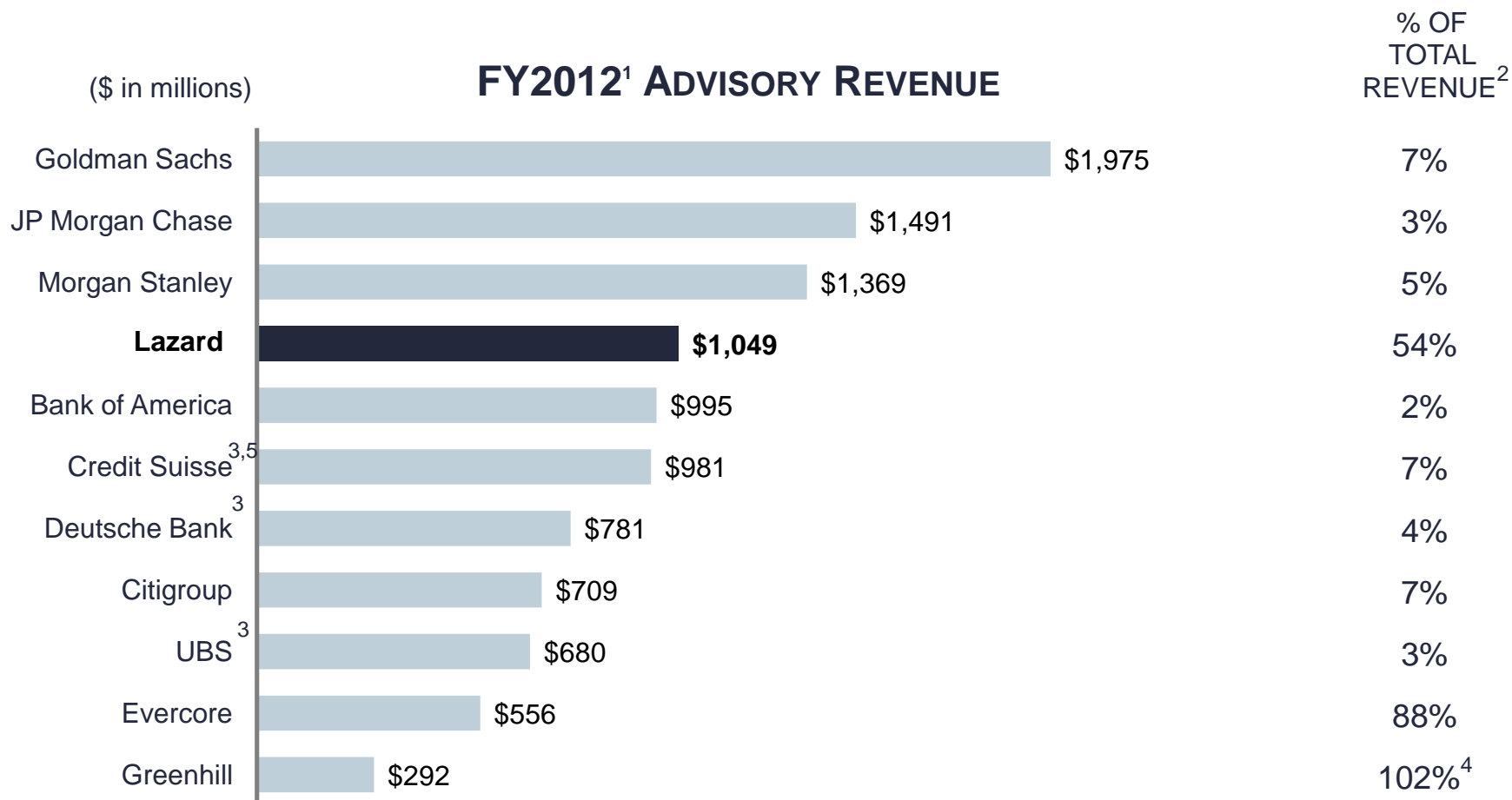


# Operating Revenue Near Peak Level



<sup>1</sup> Excludes Corporate revenue.

# Advisory Revenue Ranks Among Largest Firms



Source: Press releases and public filings.

<sup>1</sup> Full year ended December 31, 2012.

<sup>2</sup> Advisory revenue as percentage of non-interest revenue (operating revenue for Lazard).

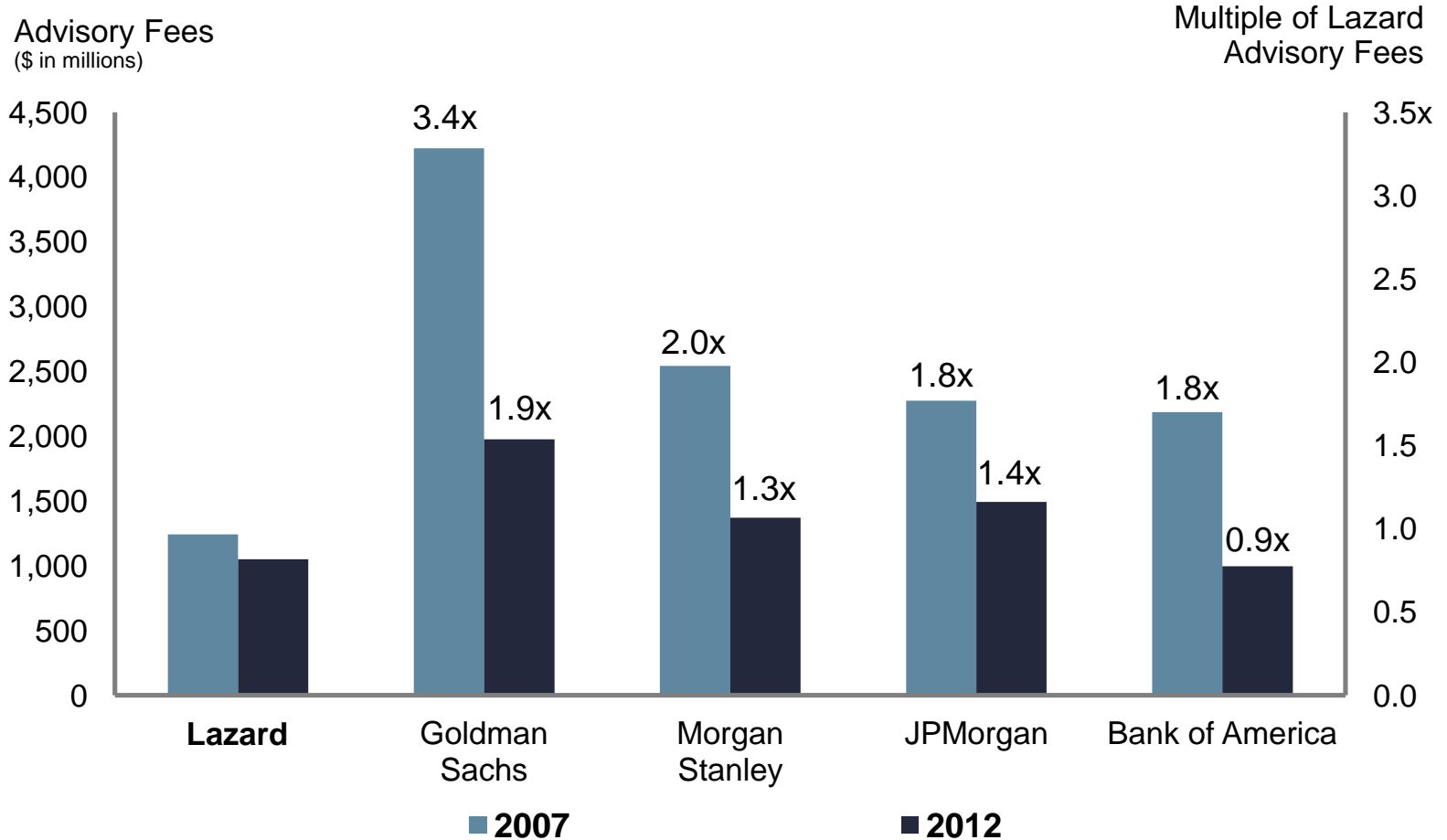
<sup>3</sup> Converted to US Dollars by using average exchange rate by quarter.

<sup>4</sup> Excludes loss on merchant banking portfolio.

<sup>5</sup> Company has not yet reported full year ending December 31, 2012. Data reflects consensus estimates.

# Gaining Share of Advisory Revenue

## PEAK VS CURRENT FEE LEVELS

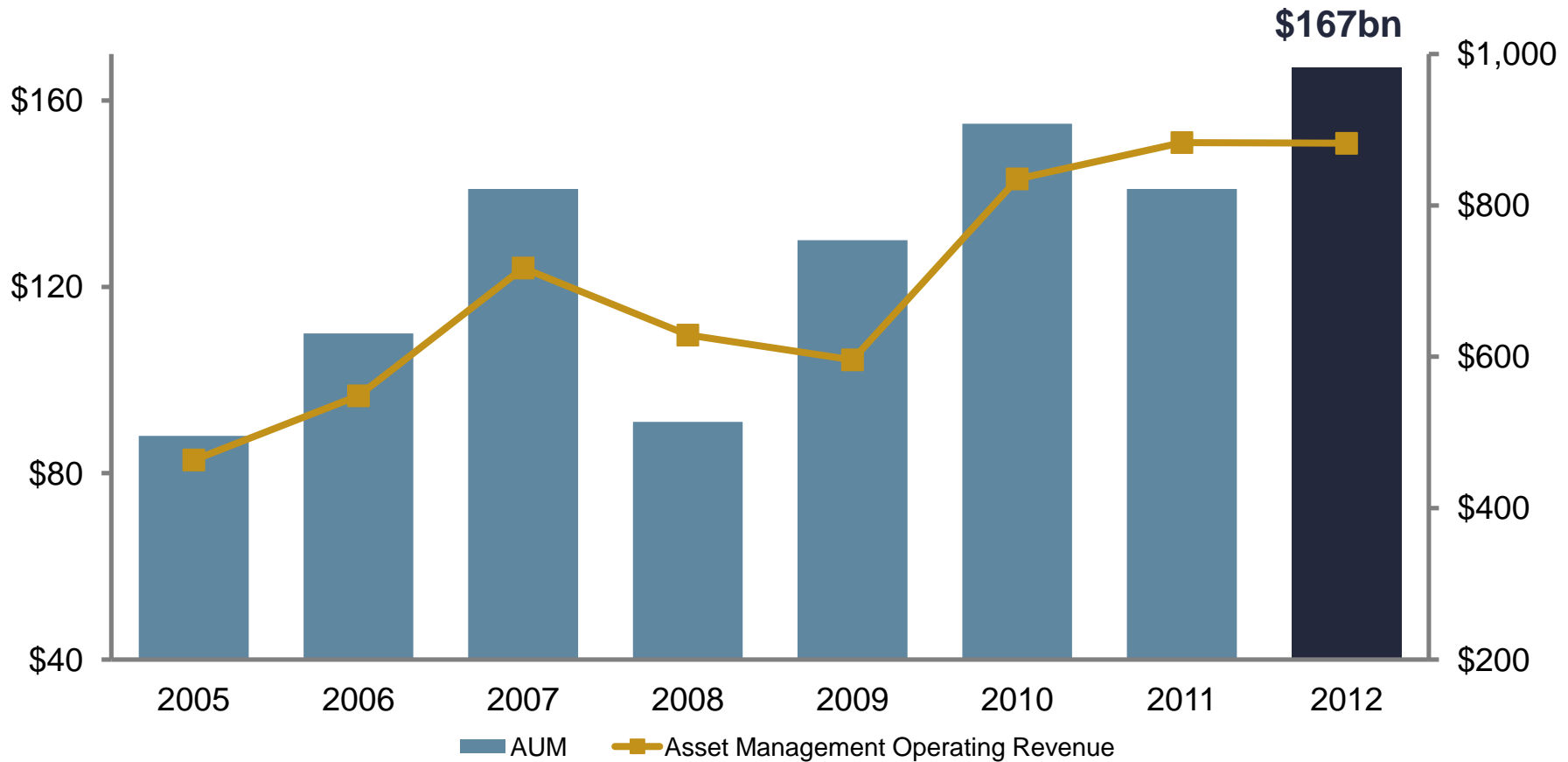


Source: Press releases and public filings.

# Asset Management Growth

Assets Under Management<sup>1</sup>  
(\$ in billions)

Asset Management  
Operating Revenue  
(\$ in millions)



<sup>1</sup> Year-end assets under management.

# Asset Management Extension of Existing Platforms

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## PLATFORMS

## STRATEGIES

**Global Equity**

**Global Multi-Asset Strategy  
International Strategic ACWI ex-U.S.  
Global Controlled Volatility  
Global/International Real Estate  
Global Trend**

**Emerging Market Equity**

**Emerging Market Multi-Strategy  
Emerging Market Small Cap  
Emerging Market Managed Volatility  
Emerging Market Core**

**Local Equity**

**U.S. Equity Multi-Strategy  
Australian Diversified Income**

**Fixed Income**

**Emerging Market Debt-Total Return  
Emerging Market Debt Blend  
Convertible Credit Opportunities**

# Well Positioned for Revenue Growth

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## FINANCIAL ADVISORY

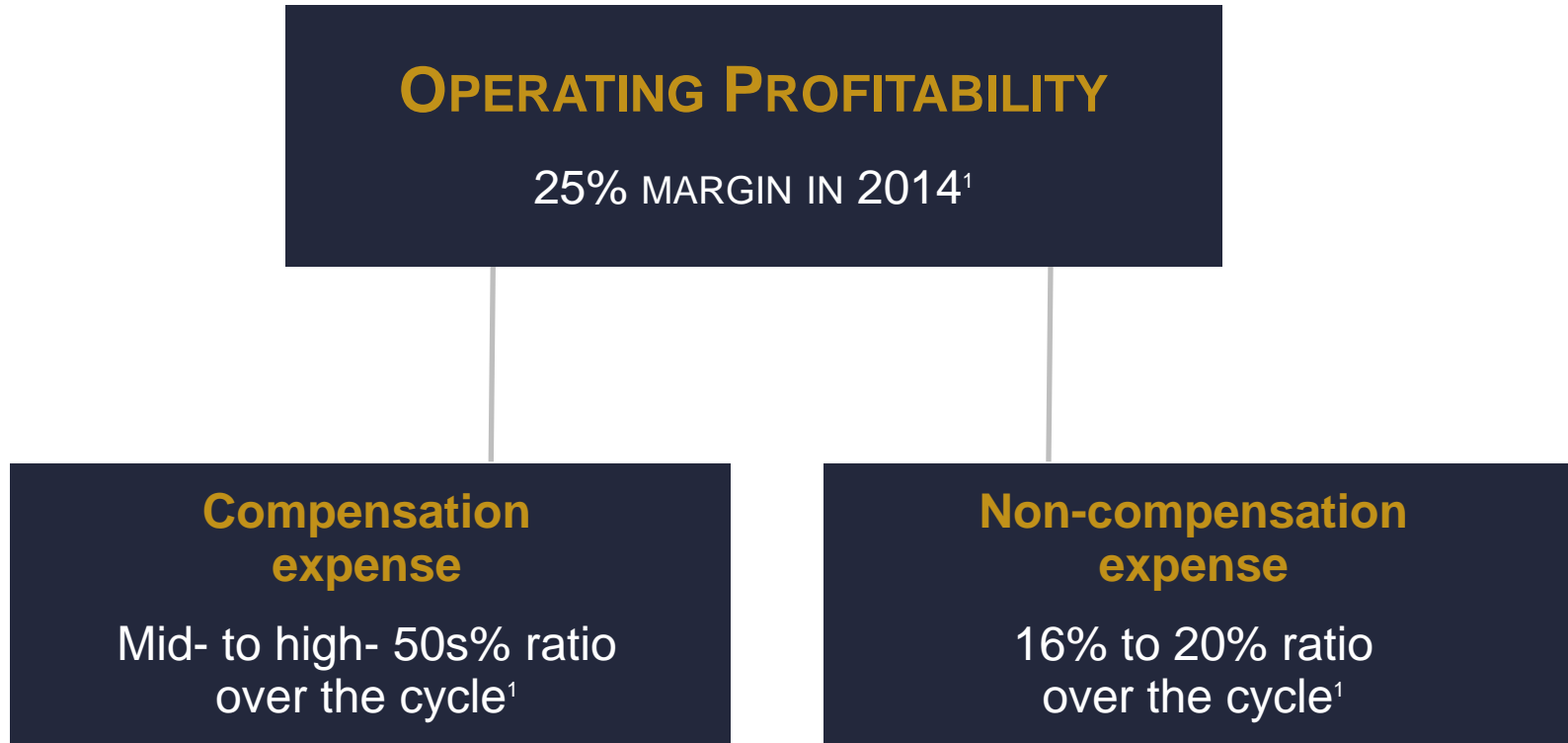
- Global infrastructure already built out
- A leader in cross-border M&A
- Sovereign and capital structure advisory
- Reinforcing presence in developing countries

## ASSET MANAGEMENT

- Strength in local, emerging, and international markets
- Pattern of performance across investment platforms
- Potential growth in multi-asset and solutions businesses
- Significant organic capacity

# Enhancing Profitability: Targets

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<sup>1</sup> Targets on either an Awarded or Adjusted GAAP basis and assume 2012 activity levels.

# Cost Saving Initiatives

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## OPTIMIZE STRUCTURE

- Streamline support functions
- Leverage resources firmwide

## REALIGN INVESTMENTS

- Reduce in areas of low return
- Allocate to higher growth potential

## RENEGOTIATE CONTRACTS

- Third parties globally
- Data services, technology, real estate, and other outsourced services



# Cost Saving Initiatives: Program & Expected Impact

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## ANNUAL SAVINGS

- Expect approximately \$125 million from expense base
  - \$85 million in compensation expense related to staff reductions
  - \$40 million in non-compensation expense
- Anticipate two-thirds of savings impact in 2013, with full effect in 2014

## IMPLEMENTATION COSTS

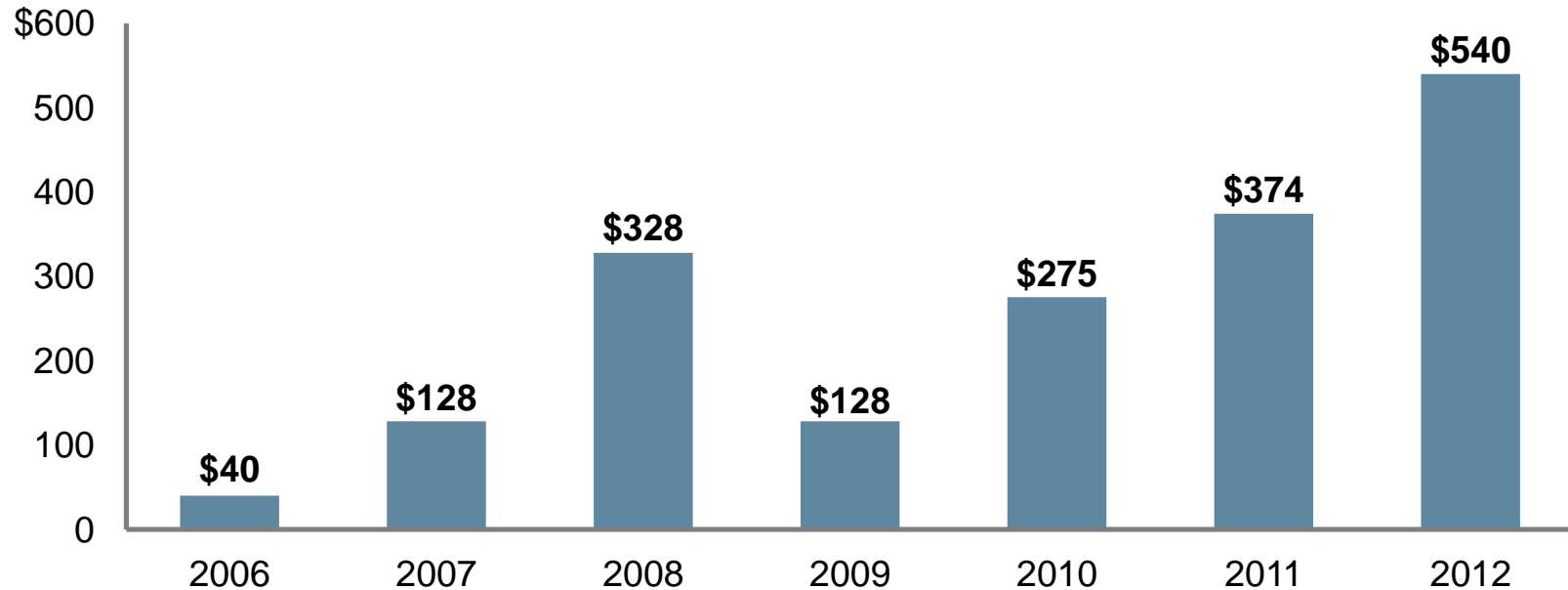
- Expect approximately \$110 million to \$130 million
  - \$103 million expensed in 4Q12
  - Remainder in 1H13
- Expect approximately 75% of costs will be in cash

# Return of Capital to Shareholders

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## AVERAGE TOTAL CAPITAL RETURNED TO SHAREHOLDERS

(Dividends and Share Repurchases - \$ in millions)



<sup>1</sup> We have paid \$140M to our shareholders for dividends declared during the full year of 2012, including both a special and an accelerated dividend in December; we have repurchased, as of December 31, 2012, 12.8M shares of Class A common stock for \$355M at an average price of \$27.66 per share; and have satisfied employee tax obligations of \$45M in cash in lieu of share issuance upon vesting of equity grants.

# Progress to Date

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012<sup>5</sup></u>
■ <b>Mid- to high- 50s compensation ratio<sup>1, 2</sup></b>	68%	62%	62%	59%
■ <b>Discipline on rate of deferred compensation</b>	–	✓	✓	✓
■ <b>Non-compensation ratio of 16% - 20%<sup>3</sup></b>	21%	19%	21%	21%
■ <b>Operating margin of 25% in 2014<sup>1,2,3,4</sup></b>	12%	20%	17%	19%
■ <b>Offset potential dilution from RSU grants</b>	–	✓	✓	✓
■ <b>Return to shareholders of \$200 million surplus cash by 2013</b>	–	–	–	✓

<sup>1</sup> Compensation ratio and operating margin calculated using awarded compensation, which is defined as cash compensation and benefits plus deferred incentive compensation with respect to the applicable year, net of estimated future forfeitures. Our compensation ratio and operating margin targets are based on both an awarded compensation and adjusted GAAP basis. Targets assume 2012 activity levels.

<sup>2</sup> Excludes: (i) In 2012, Q1 staff reductions and Q4 cost savings initiatives, (ii) in 2012 and 2011, the change in the fair value of Lazard Fund Interests, (iii) in 2010, the acceleration of share-based incentive awards in connection with the Company's change in the retirement policy, (iv) in 2009, the accelerated vesting of previously awarded cash incentive awards and the accelerated amortization of share-based incentive awards previously granted to our former Chairman and Chief Executive Officer and (v) for all years, noncontrolling interests. (See "Reconciliation of Compensation: U.S. GAAP to Awarded Compensation")

<sup>3</sup> Excludes: (i) In 2012, Q1 staff reductions and Q4 cost savings initiatives, (ii) in 2011, the write-off of Lazard Alternative Investment Holdings option prepayment and provision for lease of UK facility, (iii) in 2010 and 2009, the restructuring charges and the provisions pursuant to tax receivable agreement and (iv) for all years, noncontrolling interests and the amortization of intangibles. (See "Reconciliation of Non-Compensation: U.S. GAAP to Adjusted Non-Compensation")

<sup>4</sup> Excludes in 2011, the gain on repurchase of subordinated debt.

<sup>5</sup> All as of December 31, 2012 except redeployment of surplus cash, which is through October 25, 2012.

# Conclusion

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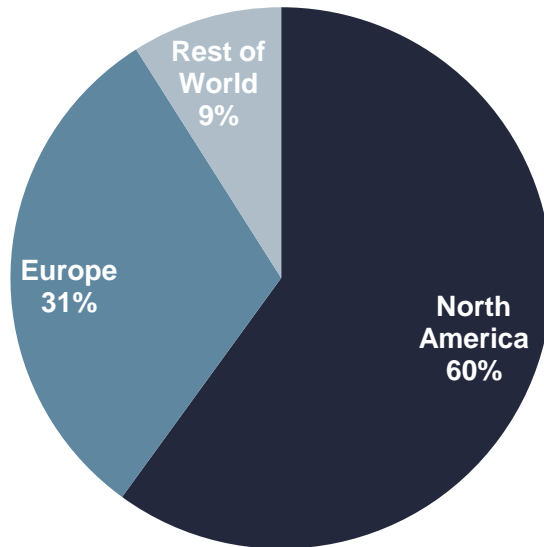
- **Creating value for clients and shareholders**
- **Enhancing operating profitability**
- **Generating strong cash flow**
- **Returning capital to shareholders**
- **Better positioned than ever**

# Appendix

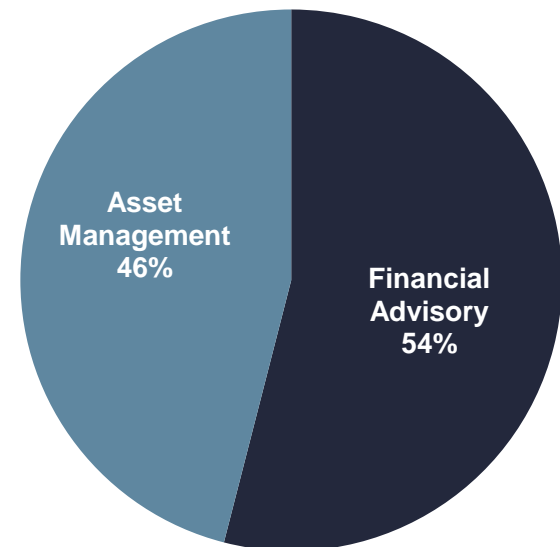
# **Business Segments**

# Revenue Balanced Across Geographies and Business Lines

2012 OPERATING REVENUE  
BY GEOGRAPHY<sup>1</sup>



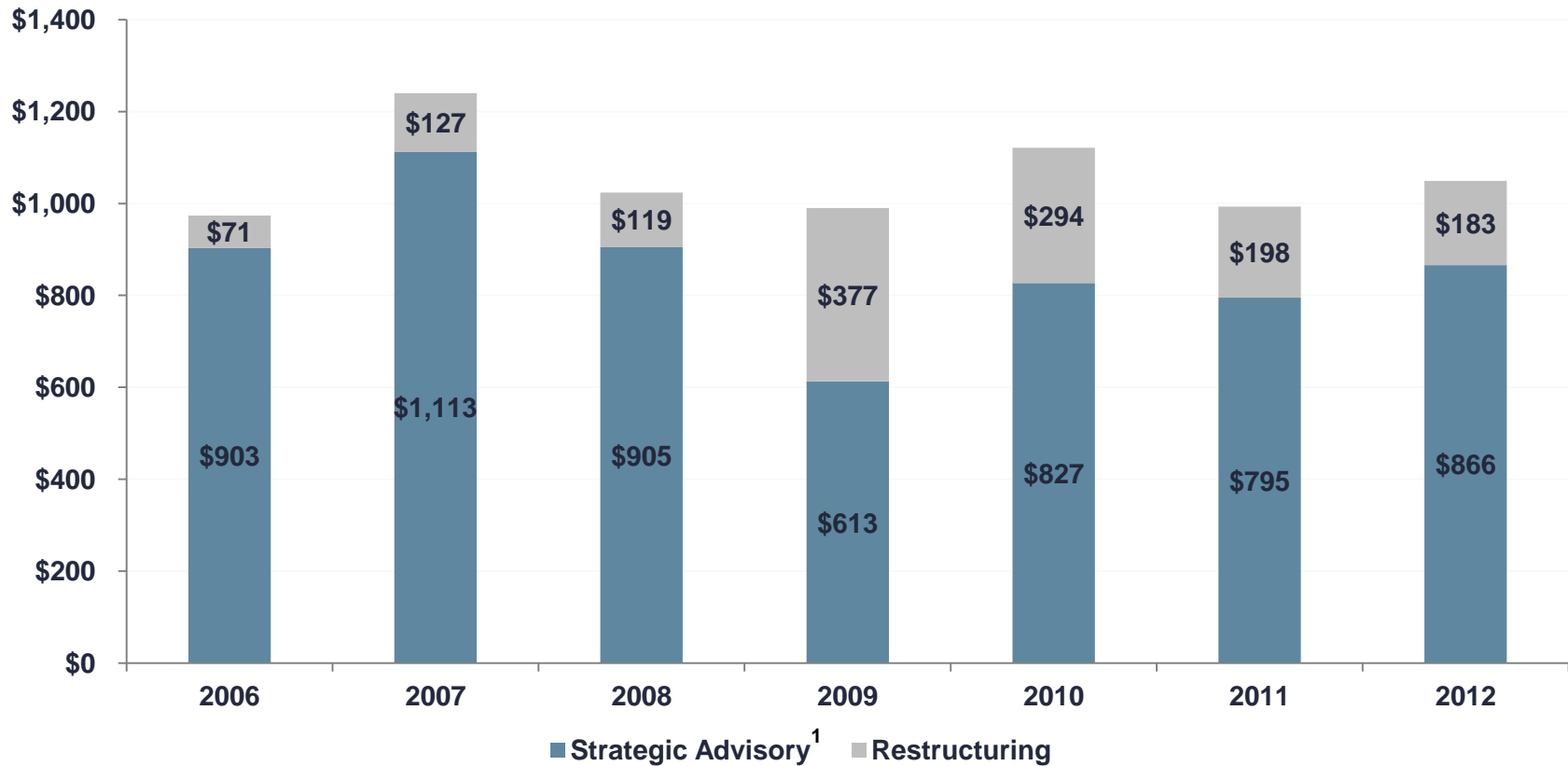
2012 OPERATING REVENUE  
BY BUSINESS SEGMENT<sup>1</sup>



<sup>1</sup> Excludes Corporate revenue.

# Financial Advisory Operating Revenue

ANNUAL FINANCIAL ADVISORY OPERATING REVENUE  
(\$ in millions)

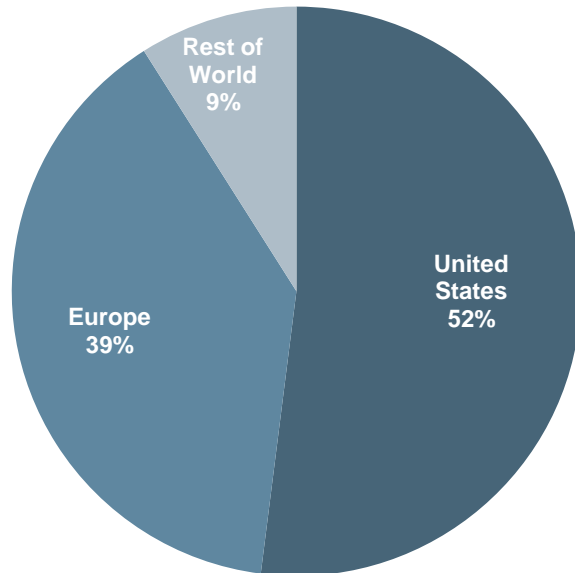


<sup>1</sup> Strategic Advisory is comprised of revenues from M&A and Other Advisory and Capital Raising activities.

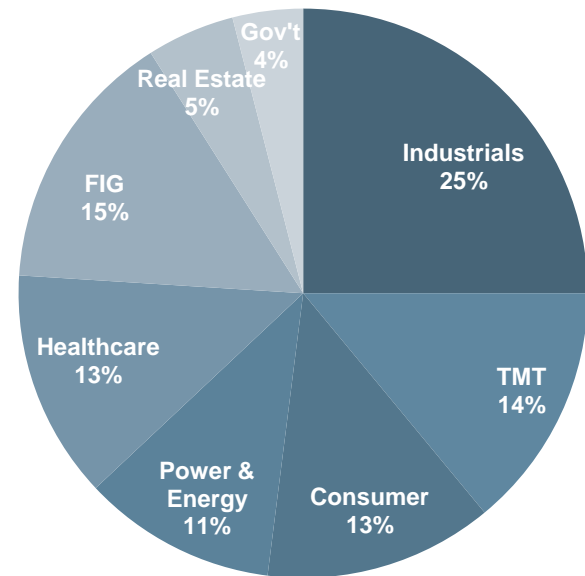


# M&A and Other Advisory Revenue Diversified by Geography and Industry

2012 M&A AND OTHER ADVISORY REVENUE BY GEOGRAPHY



2012 M&A AND OTHER ADVISORY REVENUE BY INDUSTRY



# Selected Financial Advisory Transactions

## M&A<sup>1</sup>

 Dollar Thrifty	 Geniki Bank	 Grupo Modelo	 T-Mobile, Metro PCS	 SUPERVALU
 Riverbed	 Consortium led by Fonciere des Murs and Grosvenor	 NYSE Euronext	 VancelInfo Technologies	 Silic, Dexia
Permian Mud Service > Ecolab	 Fortis	 Georgia Gulf	 Cencosud	 Pinnacle Entertainment

## RESTRUCTURING<sup>1</sup>

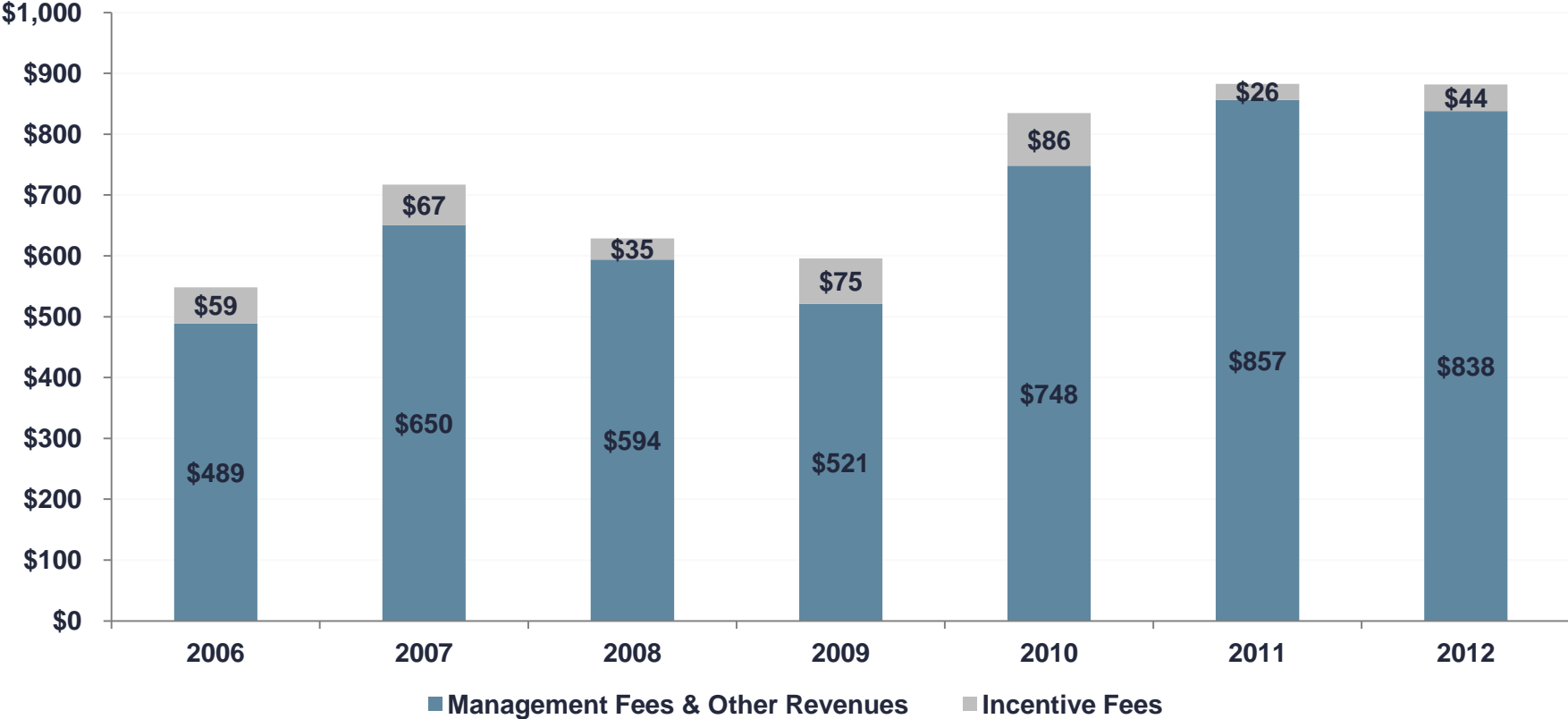
				
				
	MSR Resorts (GIC Real Estate)			

Note: Logo and/or boldfaced name represents Lazard client separated from transaction counterparty by a “)”

<sup>1</sup> Includes announced transactions as well as transactions completed during the fourth quarter ended, or after, December 31, 2012.

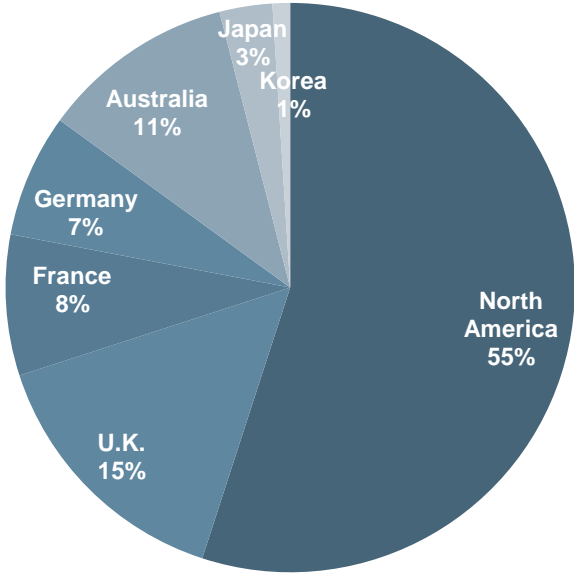
# Asset Management Operating Revenue

ANNUAL ASSET MANAGEMENT OPERATING REVENUE  
(\$ in millions)

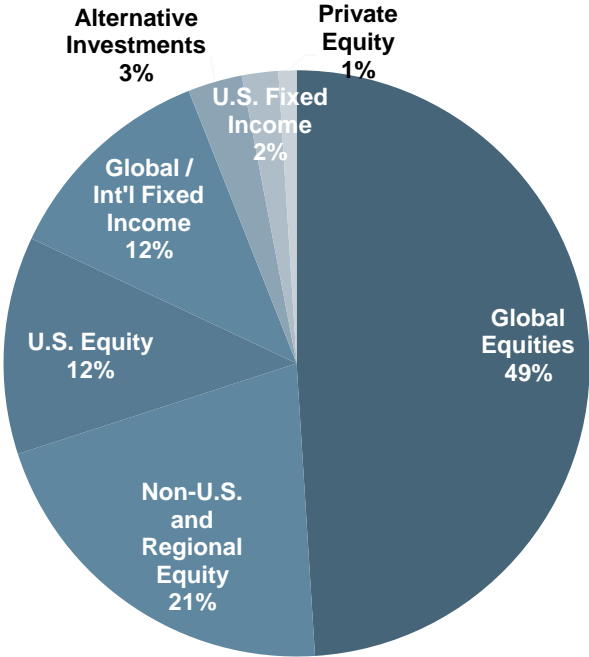


# AUM Diversified by Geographic and Product Mix

AUM by Office Domicile<sup>1,2</sup>



AUM by Product<sup>2</sup>



<sup>1</sup> Domicile refers to location of client servicing office.

<sup>2</sup> Breakdown as of December 31, 2012.

# Flows Diversified By Region and Investment Strategy

## SELECTED SIGNIFICANT RECENT NEW MANDATES

Client Type	Investment Strategy
Australian Corporate Pension	Australian Equity
Australian Public Pension	Global Managed Volatility
German Corporate Pension Fund	Emerging Markets Debt
UK Corporate Pension Fund	US Strategic Equity
US Advisory Platform	Global Listed Infrastructure
US Multi Manager	International Equity Select
US Public Pension Fund	International Equity
US Public Pension Fund	Emerging Discounted Assets
US Sub Advisor	Developing Markets Equity

# **Supplemental Financial Information**

# Operating Income Based on Awarded Compensation

(\$ in millions, except per share data)

								Average <sup>(a)</sup>	
	2006	2007	2008	2009	2010	2011	2012	2006-2009	2010-2012
Operating Revenue <sup>(b)</sup>	\$1,571	\$2,015	\$1,675	\$1,618	\$1,979	\$1,884	\$1,971		
% Growth	16%	28%	(17%)	(3%)	22%	(5%)	5%	1%	-
Awarded Compensation <sup>(c)</sup>	1,068	1,414	1,192	1,094	1,221	1,168	1,171		
% of Operating Revenue	68%	70%	71%	68%	62%	62%	59%	69%	61%
Non-Compensation <sup>(d)</sup>	269	338	368	337	368	400	421		
% of Operating Revenue	17%	17%	22%	21%	19%	21%	21%	19%	20%
Awarded Operating Income	\$234	\$263	\$115	\$187	\$390	\$316	\$379	\$200	\$361
% of Operating Revenue	15%	13%	7%	12%	20%	17%	19%	12%	19%
Awarded EPS <sup>(e)</sup>	\$1.04	\$0.92	\$0.07	\$0.37	\$1.74	\$1.31	\$1.71	\$0.60	\$1.59
<b>Memo:</b>									
Reported EPS as Adjusted <sup>(f)</sup>	\$2.24	\$2.77	\$1.72	\$0.09	\$2.06	\$1.31	\$1.44		

# Unaudited, Non-GAAP Supplemental Segment Information

(\$ in millions)

	Financial Advisory		Asset Management		Corporate <sup>2</sup>	
	2011	2012 <sup>1</sup>	2011	2012 <sup>1</sup>	2011	2012
<b>Operating Revenue</b>	\$992	\$1,049	\$883	\$882	\$1,884	\$1,971
<b>% Growth</b>	(11%)	6%	6%	-	(5%)	5%
<b>Awarded Compensation<sup>3</sup></b>	\$635	\$646	\$381	\$375	\$152	\$151
<b>% of Operating Revenue</b>	64%	62%	43%	43%	8%	8%
<b>Non-Compensation<sup>4</sup></b>	\$152	\$164	\$145	\$142	\$102	\$115
<b>% of Operating Revenue</b>	15%	16%	16%	16%	5%	6%
<b>Awarded Operating Income</b>	\$205	\$239	\$357	\$365		
<b>% of Operating Revenue</b>	21%	23%	40%	41%		

<sup>1</sup> 2012 financial results include, among others, the impact of the Brazil acquisition in Financial Advisory and the consolidation of Wealth Management in Asset Management.

<sup>2</sup> Corporate operating revenue as shown reflects the total of Corporate, Financial Advisory and Asset Management revenues, with percentages based on such revenue.

<sup>3</sup> In accordance with U.S. GAAP, an estimate is made for future forfeitures of deferred compensation awards. This estimate is based on both historical experiences and future expectations. The result reflects the cost associated with awards that are expected to vest. This calculation is undertaken in order to present awarded compensation using similar methodology as and for comparability to U.S. GAAP compensation.

<sup>4</sup> Results shown are before direct and indirect overhead allocations.



# 2012 Compensation Bridge – U.S. GAAP to Awarded

(\$ in millions)

		<i>% of Operating Revenue</i>
<b>Compensation – U.S. GAAP Basis</b>	<b>\$1,351</b>	<b>68.5%</b>
<b>Adjustments<sup>1</sup></b>	<b>(133)</b>	
<b>Compensation – Adjusted U.S. GAAP Basis</b>	<b>\$1,218</b>	<b>61.8%</b>
<b>Deferral Amortization (previous years)</b>	<b>(335)</b>	
<b>2012 Deferrals Awarded (including sign-on and special awards)</b>	<b>314</b>	
<b>FX Adjustment</b>	<b>1</b>	
<b>Estimated Forfeitures on Deferrals<sup>2</sup></b>	<b>(27)</b>	
<b>Awarded Compensation</b>	<b>\$1,171</b>	<b>59.4%</b>

<sup>1</sup> Represents the compensation portion of the Q1 staff reductions and Q4 cost savings initiatives, noncontrolling interests and fair value adjustments pertaining to Lazard Fund Interests.

<sup>2</sup> In accordance with U.S. GAAP, an estimate is made for future forfeitures of deferred compensation awards. This estimate is based on both historical experiences and future expectations. The result reflects the cost associated with awards that are expected to vest. This calculation is undertaken in order to present awarded compensation using similar methodology as and for comparability to U.S. GAAP compensation.

# Estimated Future Amortization of Historical Deferrals

(\$ in millions)	2012A	2013E	2014E
2008 Grants	\$40	\$5	–
2009 Grants	52	8	–
2010 Grants	102	56	10
2011 Grants	121	94	62
2012 Grants <sup>2</sup>	16	119	98
2013 Grants <sup>3</sup>	–	14	TBD
Other	4	4	4
<b>Total</b>	<b>\$335<sup>1</sup></b>	<b>\$300</b>	<b>TBD</b>

Note: Under U.S. GAAP, an estimate is made for future forfeitures of deferred compensation awards. This estimate is based on both historical experience and future expectations, and is subject to change. The result reflects the cost associated with awards that are expected to vest.

<sup>1</sup> Excludes \$7 million impact of first quarter 2012 expense pertaining to staff reductions.

<sup>2</sup> Currently reflects the sum of special and sign on awards and estimated year-end 2012 awards.

<sup>3</sup> Reflects estimates for special and sign on awards to be granted in 2013. Does not include any estimate for year-end 2013 awards.

# Selected Quarterly Financial Data

(\$ in millions, except in per share figures)

	Q4	Q3	Q4	% Change from	
	2012	2012	2011	Q3 2012	Q4 2011
<b><u>Operating Revenue</u></b>					
Strategic Advisory	\$261.2	\$185.6	\$184.8	41%	41%
Restructuring	48.1	34.4	75.7	40%	(36%)
<b>Financial Advisory</b>	<b>309.3</b>	<b>220.0</b>	<b>260.4</b>	<b>41%</b>	<b>19%</b>
Management fees and other	218.4	209.7	199.0	4%	10%
Incentive fees	26.8	10.6	5.4	NM	NM
<b>Asset Management</b>	<b>245.2</b>	<b>220.3</b>	<b>204.4</b>	<b>11%</b>	<b>20%</b>
<b>Total Operating Revenue</b>	<b>\$573.6</b>	<b>\$443.2</b>	<b>\$468.7</b>	<b>29%</b>	<b>22%</b>
<b><u>Expenses</u></b>					
Compensation and benefits	\$341.8	\$278.1	\$337.0	23%	1%
<i>Ratio of compensation to operating revenue</i>	<b>59.6%</b>	<b>62.7%</b>	<b>71.9%</b>		
Non-compensation	\$114.9	\$95.1	\$108.7	21%	6%
<i>Ratio of non-compensation to operating revenue</i>	<b>20.0%</b>	<b>21.5%</b>	<b>23.2%</b>		
<b><u>Earnings</u></b>					
<b>Earnings from Operations</b>	<b>\$116.9</b>	<b>\$70.0</b>	<b>\$23.0</b>	<b>67%</b>	<b>NM</b>
<i>Operating margin</i>	<b>20.4%</b>	<b>15.8%</b>	<b>4.9%</b>		
<b>Net Income</b>	<b>\$81.6</b>	<b>\$35.4</b>	<b>\$1.4</b>	<b>NM</b>	<b>NM</b>
<b>Net Income per Share</b>	<b>\$0.61</b>	<b>\$0.26</b>	<b>\$0.01</b>	<b>NM</b>	<b>NM</b>
<b>Assets Under Management (in billions)</b>	<b>\$167.1</b>	<b>\$160.4</b>	<b>\$141.0</b>	<b>4%</b>	<b>19%</b>

Notes:

- Operating Revenue and Compensation and Benefits expense excludes amounts related to the changes in the fair value of Lazard Fund Interests.
- For 2011, excludes gains on repurchase of subordinated debt and the write-off of Lazard Alternative Investment Holdings option prepayment and provision for onerous lease contract for U.K. facility.
- For Q4 2012, excludes charges pertaining to cost saving initiatives.

# Selected Annual Financial Data

(\$ in millions, except in per share figures)

	Full Year		%
	2012	2011	Inc/Dec
<b><u>Operating Revenue</u></b>			
Strategic advisory	\$866.3	\$794.5	9%
Restructuring	182.8	197.7	(8%)
<b>Financial Advisory</b>	<b>1,049.1</b>	<b>992.2</b>	<b>6%</b>
Management fees and other	838.5	856.5	(2%)
Incentive fees	43.7	26.3	66%
<b>Asset Management</b>	<b>882.2</b>	<b>882.8</b>	<b>(0%)</b>
<b>Total Operating Revenue</b>	<b>\$1,970.8</b>	<b>\$1,883.9</b>	<b>5%</b>
<b><u>Expenses</u></b>			
Compensation and benefits	<b>\$1,217.8</b>	<b>\$1,168.2</b>	<b>4%</b>
<i>Ratio of compensation to operating revenue</i>	<i>61.8%</i>	<i>62.0%</i>	
Non-compensation	<b>\$421.0</b>	<b>\$399.7</b>	<b>5%</b>
<i>Ratio of non-compensation to operating revenue</i>	<i>21.4%</i>	<i>21.2%</i>	
<b><u>Earnings</u></b>			
<b>Earnings from Operations</b>	<b>\$332.0</b>	<b>\$316.0</b>	<b>5%</b>
<i>Operating margin</i>	<i>16.8%</i>	<i>16.8%</i>	
<b>Net Income</b>	<b>\$194.9</b>	<b>\$178.6</b>	<b>9%</b>
<b>Net Income per Share</b>	<b>\$1.44</b>	<b>\$1.31</b>	<b>10%</b>
<b>Assets Under Management (in billions)</b>	<b>\$167.1</b>	<b>\$141.0</b>	<b>19%</b>

Notes:

- For 2011 and 2012 periods, Operating Revenue and Compensation and Benefits expense excludes amounts related to the changes in the fair value of Lazard Fund Interests.
- For 2011, excludes gains on repurchase of subordinated debt and the write-off of Lazard Alternative Investment Holdings option prepayment and provision for onerous lease contract for U.K. facility.
- For 2012, excludes charges pertaining to staff reductions and cost savings initiatives.

# Condensed Balance Sheet

(\$ in millions)

	December 31, 2012	December 31, 2011
	<u>                    </u>	<u>                    </u>
<b><u>ASSETS</u></b>		
Cash & Cash Equivalents	\$850.2	\$1,003.8
Deposits with banks	292.5	286.0
Cash deposited with clearing organizations and other segregated cash	65.2	75.5
Receivables	478.1	504.5
Investments	414.7	378.5
Goodwill and other intangible assets	392.8	393.1
Other Assets	<u>493.4</u>	<u>440.5</u>
<b>Total Assets</b>	<u><u>\$2,986.9</u></u>	<u><u>\$3,081.9</u></u>
 <b><u>LIABILITIES &amp; STOCKHOLDERS' EQUITY</u></b>		
Deposits and Other Payables	\$269.8	\$288.4
Accrued Compensation	467.5	383.5
Other Liabilities	521.2	466.3
Senior and Subordinated Debt	1,076.9	1,076.9
Total Stockholders' Equity <sup>1</sup>	<u>651.5</u>	<u>866.8</u>
<b>Total Liabilities and Stockholders' Equity</b>	<u><u>\$2,986.9</u></u>	<u><u>\$3,081.9</u></u>

<sup>1</sup> Attributable to Lazard Ltd: \$570 at December 31, 2012 and \$726 at December 31, 2011.

# U.S. GAAP Selected Financial Information

(\$ in millions, except in per share figures)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Net revenue</b>	<b>\$1,494</b>	<b>\$1,918</b>	<b>\$1,557</b>	<b>\$1,531</b>	<b>\$1,905</b>	<b>\$1,830</b>	<b>\$1,912</b>
<i>% Growth</i>	<i>15%</i>	<i>28%</i>	<i>(19%)</i>	<i>(2%)</i>	<i>24%</i>	<i>(4%)</i>	<i>5%</i>
<b>Compensation</b>	<b>891</b>	<b>1,123</b>	<b>1,128</b>	<b>1,309</b>	<b>1,194</b>	<b>1,169</b>	<b>1,351</b>
<i>% of Net revenue</i>	<i>60%</i>	<i>59%</i>	<i>72%</i>	<i>85%</i>	<i>63%</i>	<i>64%</i>	<i>71%</i>
<b>Non-Compensation</b>	<b>275</b>	<b>376</b>	<b>404</b>	<b>404</b>	<b>468</b>	<b>425</b>	<b>437</b>
<i>% of Net revenue</i>	<i>18%</i>	<i>20%</i>	<i>26%</i>	<i>26%</i>	<i>25%</i>	<i>23%</i>	<i>23%</i>
<b>Operating Income</b>	<b>\$328</b>	<b>\$419</b>	<b>\$25</b>	<b>(\$182)</b>	<b>\$243</b>	<b>\$236</b>	<b>\$124</b>
<i>% of Net revenue</i>	<i>22%</i>	<i>22%</i>	<i>2%</i>	<i>(12%)</i>	<i>13%</i>	<i>13%</i>	<i>6%</i>
<b>GAAP Diluted EPS</b>	<b>\$2.31</b>	<b>\$2.79</b>	<b>\$0.06</b>	<b>(\$1.68)</b>	<b>\$1.36</b>	<b>\$1.36</b>	<b>\$0.65</b>

## Reconciliation of U.S. GAAP Net Revenue to Operating Revenue

(\$ in millions)

	2006	2007	2008	2009	2010	2011	2012
<b>Net Revenue - U.S. GAAP Basis</b>	\$1,494	\$1,918	\$1,557	\$1,531	\$1,905	\$1,830	\$1,912
<b>Adjustments:</b>							
Gain on repurchase of subordinated debt	-	-	-	-	-	(18)	-
Revenue related to noncontrolling interests	(5)	(5)	13	(7)	(16)	(17)	(14)
(Gain)/loss related to Lazard Fund Interests	-	-	-	-	-	3	(7)
Other interest expense	83	102	105	94	90	86	80
<b>Operating revenue, as adjusted</b>	\$1,571	\$2,015	\$1,675	\$1,618	\$1,979	\$1,884	\$1,971

## Reconciliation of U.S. GAAP Compensation to Awarded Compensation

(\$ in millions)

	2006	2007	2008	2009	2010	2011	2012
<b>U.S. GAAP compensation and benefits expense</b>	<b>\$891</b>	<b>\$1,123</b>	<b>\$1,128</b>	<b>\$1,309</b>	<b>\$1,194</b>	<b>\$1,169</b>	<b>\$1,351</b>
<b>Deduct:</b>							
Charges pertaining to cost savings initiatives (Q4)	-	-	-	-	-	-	(100)
Charges pertaining to cost staff reductions (Q1)	-	-	-	-	-	-	(22)
2010 and 2009 special items	-	-	-	(147)	(25)	-	-
Noncontrolling interests <sup>(a)</sup>	-	-	-	(2)	(3)	(4)	(4)
Impact of LAM Merger	-	-	(198)	-	-	-	-
Changes in fair value pertaining to Lazard Fund Interests <sup>(b)</sup>	-	-	-	-	-	3	(7)
<b>Adjusted compensation and benefits expense</b>	<b>891</b>	<b>1,123</b>	<b>930</b>	<b>1,160</b>	<b>1,166</b>	<b>1,168</b>	<b>1,218</b>
<b>Deduct - Amortization of incentive compensation awards</b>	<b>(23)</b>	<b>(105)</b>	<b>(238)</b>	<b>(333)</b>	<b>(241)</b>	<b>(289)</b>	<b>(335)</b>
<b>Total cash compensation and benefits expense <sup>(c)</sup></b>	<b>868</b>	<b>1,018</b>	<b>692</b>	<b>827</b>	<b>925</b>	<b>879</b>	<b>883</b>
<b>Add:</b>							
Year-end deferred incentive compensation awards <sup>(d)</sup>	204	337	352	239	293	282	272
Sign-on and other special incentive awards <sup>(e)</sup>	13	88	180	39	27	40	42
<b>Deduct - Adjustment for estimated forfeitures <sup>(f)</sup></b>	<b>(24)</b>	<b>(36)</b>	<b>(22)</b>	<b>(17)</b>	<b>(27)</b>	<b>(28)</b>	<b>(27)</b>
<b>Other adjustments <sup>(g)</sup></b>	<b>7</b>	<b>7</b>	<b>(10)</b>	<b>6</b>	<b>3</b>	<b>(5)</b>	<b>1</b>
<b>Awarded compensation and benefits expense</b>	<b>\$1,068</b>	<b>\$1,414</b>	<b>\$1,192</b>	<b>\$1,094</b>	<b>\$1,221</b>	<b>\$1,168</b>	<b>\$1,171</b>

Note: Alphabetic footnote disclosure provided on slide 44.



## Reconciliation of Non- Compensation: U.S. GAAP to Adjusted Non-Compensation

(\$ in millions)	2006	2007	2008	2009	2010	2011	2012
<b>U.S. GAAP other operating expenses</b>	<b>\$275</b>	<b>\$376</b>	<b>\$404</b>	<b>\$404</b>	<b>\$468</b>	<b>\$425</b>	<b>\$437</b>
<b>Deduct:</b>							
Charges pertaining to cost savings initiatives (Q4)	-	-	-	-	-	-	(3)
Charges pertaining to cost staff reductions (Q1)	-	-	-	-	-	-	(3)
Write-off of Lazard Alternative Investment Holdings option prepayment	-	-	-	-	-	(6)	-
Provision for onerous lease contract for UK facility	-	-	-	-	-	(5)	-
Provision for counterparty defaults	-	-	(12)	-	-	-	-
LAM equity charge	-	-	(2)	-	-	-	-
Restructuring expense	-	-	-	(63)	(87)	-	-
Provision pursuant to tax receivable agreement	(6)	(17)	(17)	1	(2)	(0)	-
Amortization of intangible assets related to acquisitions	-	(21)	(5)	(5)	(8)	(12)	(8)
Non-compensation related to noncontrolling interests	-	-	-	-	(1)	(2)	(2)
<b>Non-compensation expense as adjusted</b>	<b>\$269</b>	<b>\$338</b>	<b>\$368</b>	<b>\$337</b>	<b>\$368</b>	<b>\$400</b>	<b>\$421</b>

# Definitions

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- Deferrals – Compensation awarded for an applicable year which requires a subsequent service period before vesting
- Forfeiture – Concept used under U.S. GAAP to account for portion of deferrals cancelled before they vest
- Amortization Expense – Expense associated with a historical deferral award, expensed over the requisite service period
- GAAP Compensation – Current-year cash compensation and benefits and the current period amortization expense at cost of deferrals awarded in previous years
- Awarded Compensation – Total cash compensation and benefits plus deferrals with respect to the applicable year less expected future forfeitures on deferrals using similar methodology as and for comparability to U.S. GAAP

# Footnotes

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- Slide 30:
- (a) Operating revenue growth is compound annual growth rate.
  - (b) Operating revenue is defined as net revenue excluding (i) interest expense, (ii) revenues related to non-controlling interests, (iii) gain in 2011 on the repurchase of subordinated promissory note and (iv) gains/losses related to the changes in the fair value of investments held in connection with Lazard Fund Interests for which a corresponding equal amount is excluded from compensation and benefits. Operating revenue is a non-GAAP measure; a reconciliation of net revenue to operating revenue is provided on slide 38.
  - (c) Awarded compensation is defined as adjusted compensation and benefits expense, as modified by the following items: (i) the deduction of amortization expense recorded for U.S. GAAP purposes in each fiscal year associated with deferred incentive compensation awards, (ii) the addition of (x) the grant date fair value of the deferred incentive compensation awards granted applicable to the relevant year-end compensation process (e.g. grant date fair value of deferred incentive awards granted in 2012, 2011 and 2010 related to the 2011, 2010 and 2009 year-end compensation processes, respectively) and (y) investments in people (e.g. “sign-on” bonuses) and other special deferred incentive awards granted throughout the applicable year, with such amounts in (x) and (y) reduced by an estimate of future forfeitures of such awards and (iii) adjustments for year-end foreign exchange fluctuations. Awarded compensation and adjusted compensation and benefits expense are non-GAAP measures; a reconciliation of total GAAP compensation to awarded compensation is provided on slide 39.
  - (d) Excludes provision for tax receivable agreement and amortization of intangible assets. 2011 adjusted for provision for UK lease and LAIH write-off. 2008 adjusted for LAM equity charge and provision for counterparty defaults. Non-compensation expense is a non-GAAP measure; a reconciliation of other operating expenses to non-compensation expense is provided on slide 40.
  - (e) Calculated using the same methodology as “Reported EPS as Adjusted”, but substitutes awarded compensation for adjusted GAAP compensation and benefits expense. Uses the same tax rate as “Reported EPS as Adjusted”.
  - (f) 2012 adjusted for the Q1 staff reductions and Q4 cost saving initiatives. 2011 adjusted for provision for UK lease, LAIH write-off, 2010 adjusted for accelerated vesting of RSUs related to retirement policy change and charge for staff reductions. 2009 adjusted for the RSU acceleration for our former Chairman and Chief Executive Officer, deferred cash acceleration and charge for staff reductions. 2008 adjusted for LAM equity charge and provision for counterparty defaults.

# Footnotes (continued)

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- Slide 40:
- (a) Expenses related to the consolidation of non-controlling interests are excluded because, as is the case with operating revenue, Lazard has no economic interest in such amounts.
  - (b) Changes in fair value of the derivative compensation liability recorded in connection with Lazard Fund Interests and other similar deferred compensation arrangements are excluded from compensation and benefits expense because such amounts are equally offset by a corresponding change in the fair value of the underlying investments excluded from operating revenue.
  - (c) Includes base salaries and benefits of \$516 million, \$506 million, \$453 million, \$423 million, \$468 million and \$456 million for 2012, 2011, 2010, 2009, 2008, 2007 and 2006, respectively, and cash incentive compensation of \$367 million, \$372 million, \$473 million, \$405 million, \$225 million, and \$562 million for the respective years.
  - (d) Grant date fair value of deferred incentive compensation awards granted applicable to the relevant year-end compensation process (e.g. grant date fair value of deferred incentive awards granted in 2012, 2011 and 2010 related to the 2011, 2010 and 2009 year-end compensation processes, respectively).
  - (e) Represents deferred incentive compensation awards that are granted outside the year-end compensation process, and includes investments in people (e.g. "sign-on" bonuses).
  - (f) An estimate, based on historical experience and future expectations, for future forfeitures of the deferred portion of such awards in order to present awarded compensation and benefits expense on a similar basis to that under U.S. GAAP, which also considers estimated forfeitures. Amounts for 2006 and 2007 represent actual forfeiture experience, the 2008 amount represents actual forfeiture experience for certain deferred compensation that has previously vested and an estimate of future forfeitures for unvested deferred compensation. The 2009-2011 amounts represent estimated forfeitures.
  - (g) Represents an adjustment to the year-end foreign exchange "spot" rate from the full year average rate for year-end incentive compensation awards.