
LAZARD

Quarterly Investor Presentation

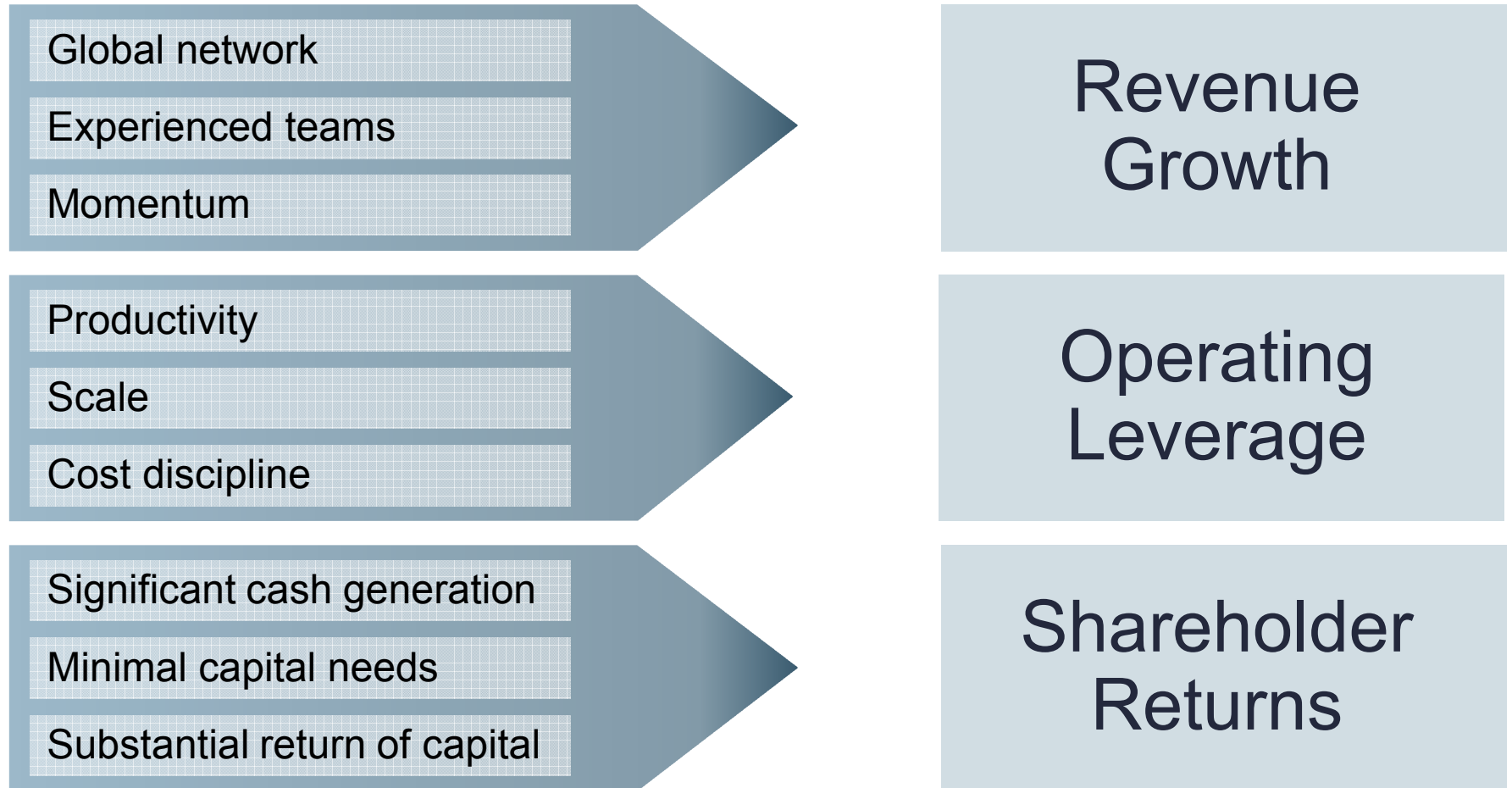
October 2014

Disclaimer

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,” “could,” “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) a decline in our revenues, for example due to a decline in overall mergers and acquisitions (“M&A”) activity, our share of the M&A market or our assets under management (“AUM”), (c) losses caused by financial or other problems experienced by third parties, (d) losses due to unidentified or unanticipated risks, (e) a lack of liquidity, i.e., ready access to funds, for use in our businesses, and (f) competitive pressure on our businesses and on our ability to retain and attract employees at current compensation levels. 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.

This presentation uses non-U.S. GAAP (“non-GAAP”) measures for (a) operating revenue, (b) compensation and benefits expense, as adjusted, (c) compensation and benefits expense, awarded basis (d) non-compensation expense, as adjusted (e) earnings from operations, (f) earnings from operations, awarded basis (g) operating margin, (h) operating margin, awarded basis (i) net income, as adjusted, (j) net income per share, as adjusted, (k) net income per share, awarded basis (l) free cash flow and (m) return of capital. Such non-GAAP measures are not meant to be considered in isolation or as a substitute for the corresponding U.S. GAAP measures, and should be read only in conjunction with our consolidated financial statements prepared in accordance with U.S. GAAP. We believe that certain non-GAAP measures provide a more meaningful basis for assessing our operating results and comparisons between present, historical and future periods. See the attached appendices and related notes on pages 31–39 for a detailed explanation of applicable adjustments to corresponding U.S. GAAP measures.

Power of the Lazard Model



Leveraging our Scale for Advisory Clients

Global Network of Relationships with Key Decision Makers



Note: Sampling of clients whom we recently advised. Company logos are placed near principal offices or countries relating to recent assignments.

Strong Momentum Over Last Twelve Months

Lazard

Record LTM operating revenue
41% increase in LTM earnings from operations

Financial Advisory

- Operating revenue up 19% LTM vs prior year period
- M&A & Other Advisory revenue up 29% LTM vs prior year period

Asset Management

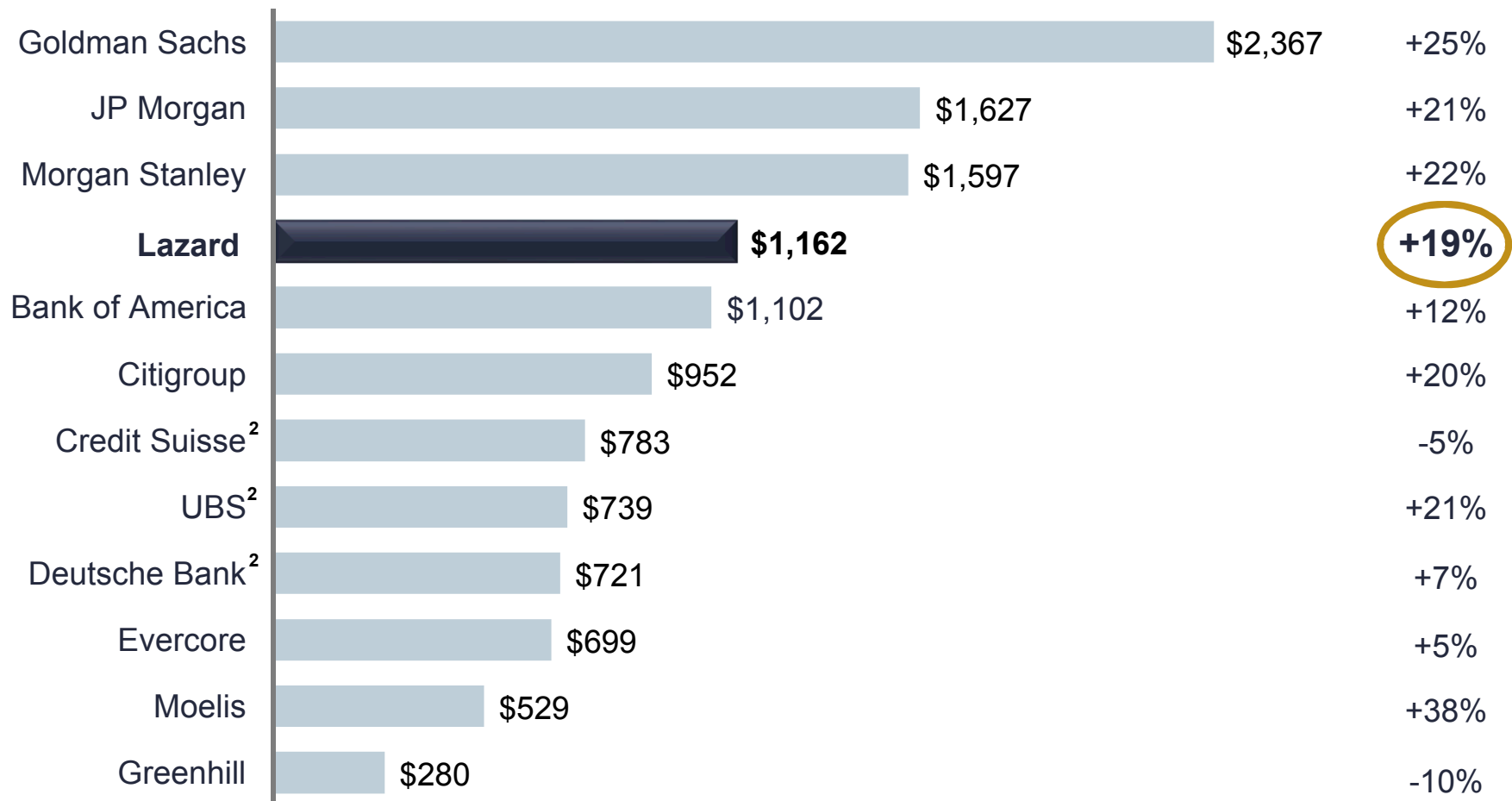
- Operating revenue up 16% LTM vs prior year period
- Fifth consecutive quarter of net inflows

Advisory Business in Global Top Tier

(\$ in millions)

LTM¹ Advisory Revenue

YoY % Chg



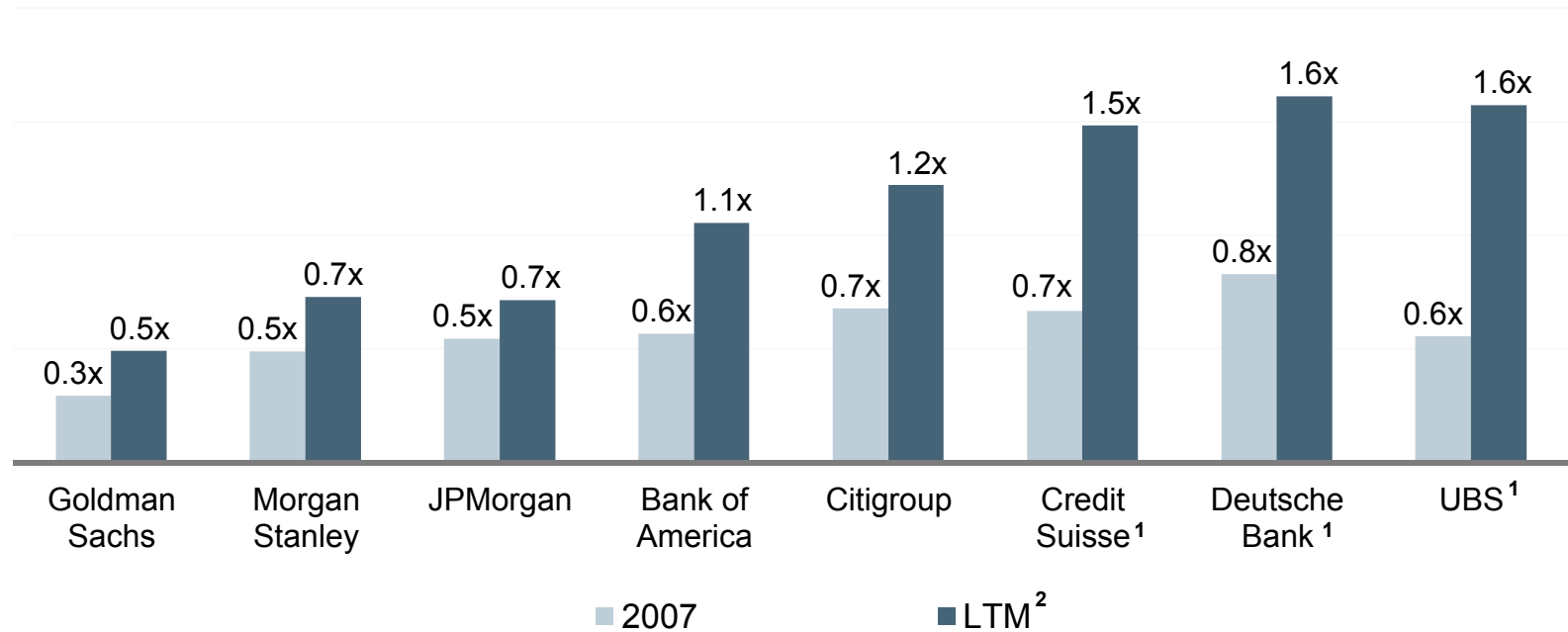
Source: Press releases and public filings.

¹ Last twelve months ended September 30, 2014.

² Converted to US Dollars by using average exchange rate by quarter.

Gaining Share of Advisory Revenue

Lazard's Advisory Revenue as a Multiple of Peers' Advisory Revenue



Relative Increase in Share

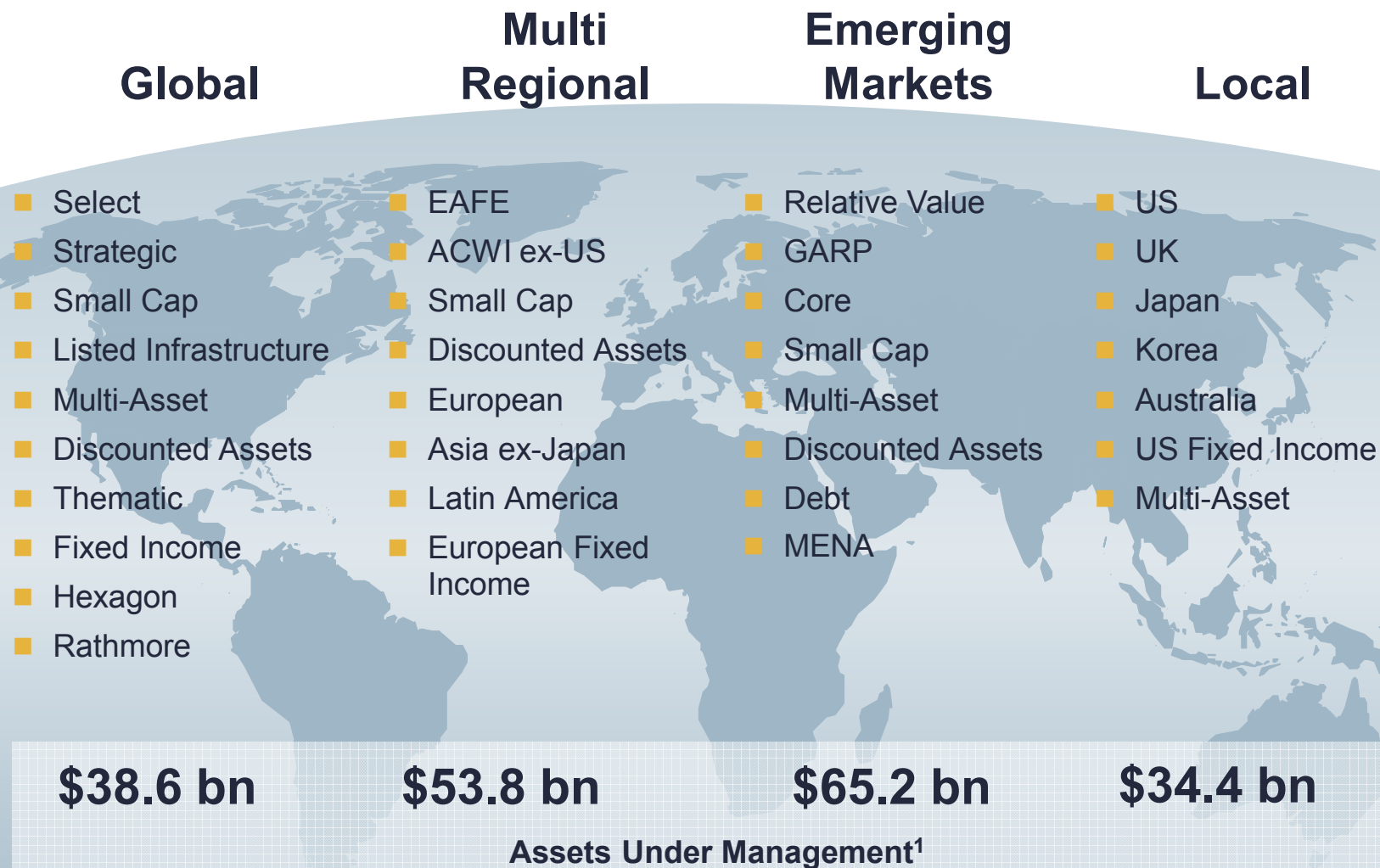
67% 49% 31% 86% 80% 122% 94% 182%

Source: Press releases and public filings.

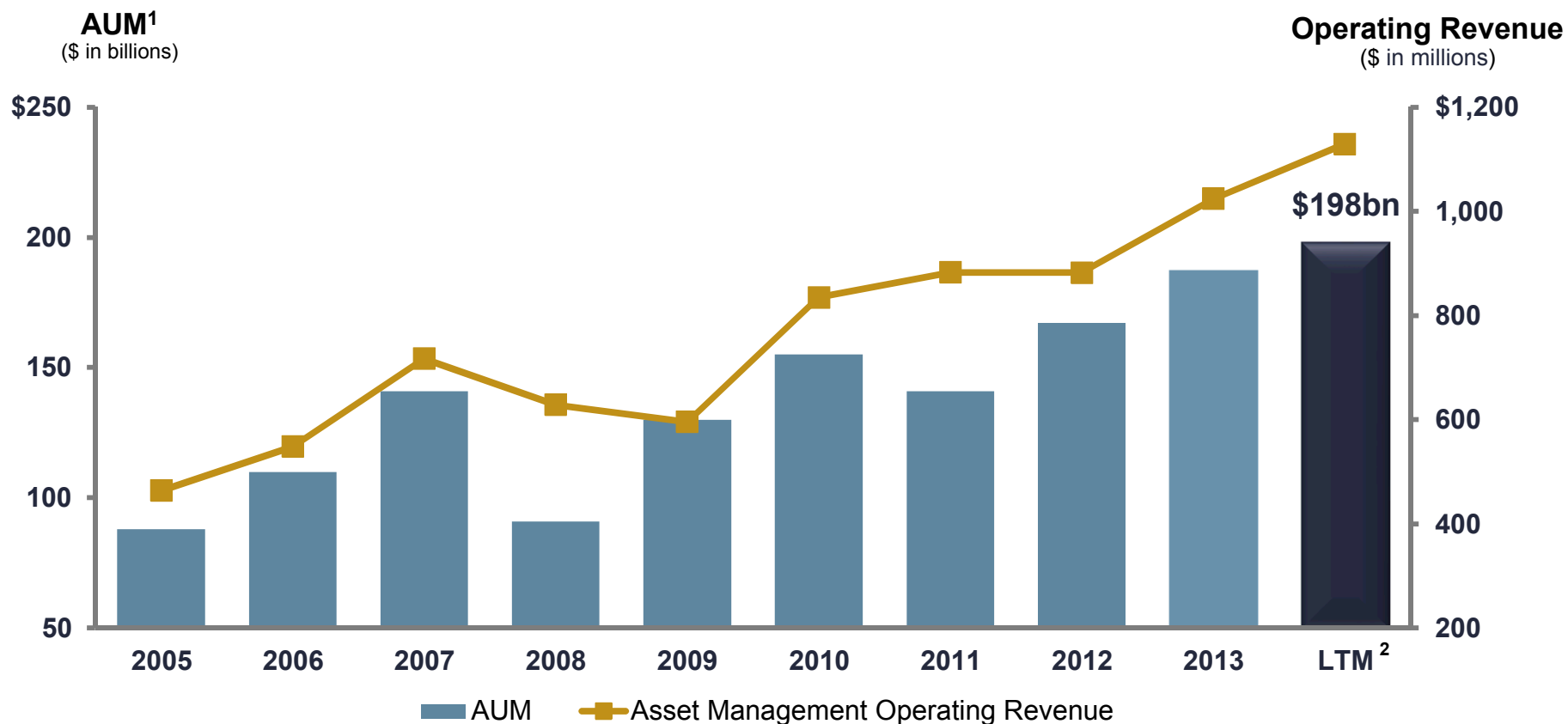
¹ Converted to US Dollars by using average exchange rate by quarter.

² Last twelve months as of September 30, 2014.

Breadth of Asset Management Platforms



Asset Management Growth Over Cycles



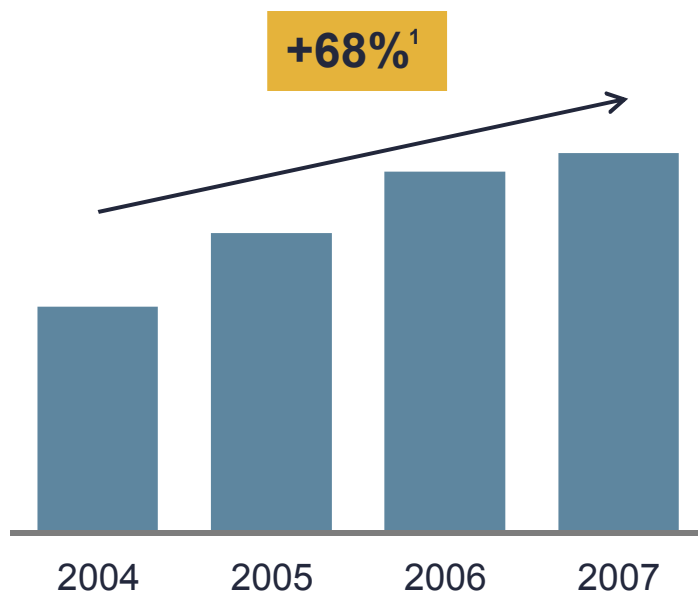
Avg. Fees (bps)

45	46	46	45	48	52	54	52	53	53
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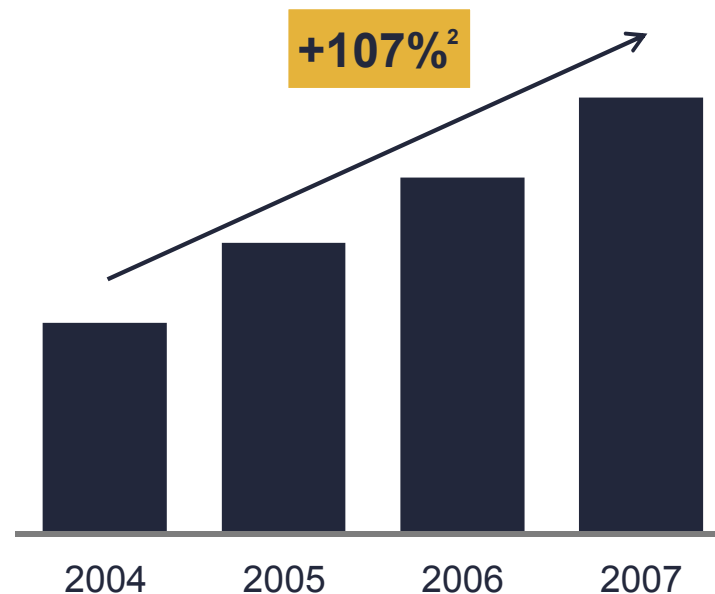
Levered for M&A Recovery

Years Leading to Last M&A Peak

Global M&A as % of GDP



Lazard Financial Advisory MD Productivity



Source: Thomson Reuters, Factset

¹ Growth in global M&A announcement volume as a percentage of global GDP from 2004 to 2007.

² Growth in Financial Advisory MD productivity from 2004 to 2007. MD Productivity is calculated using annual total Financial Advisory revenue divided by the two-year average of Financial Advisory Managing Director headcount.

Scaled for Macroeconomic Growth

Investments Made Since Prior Peak

Geographic Expansion

**Australia, Latin America, Asia,
Europe, Middle East**

Senior Hires

**Investment Professionals, Portfolio
Managers, Senior Investment Bankers
by Geography/Industry Sector**

Advisory Businesses

**M&A Advisory, Lazard Middle Market,
Private Fund Advisory,
Sovereign and Capital Advisory**

**Investment Platform
Extensions**

**Global, Multi Regional,
Emerging Markets**

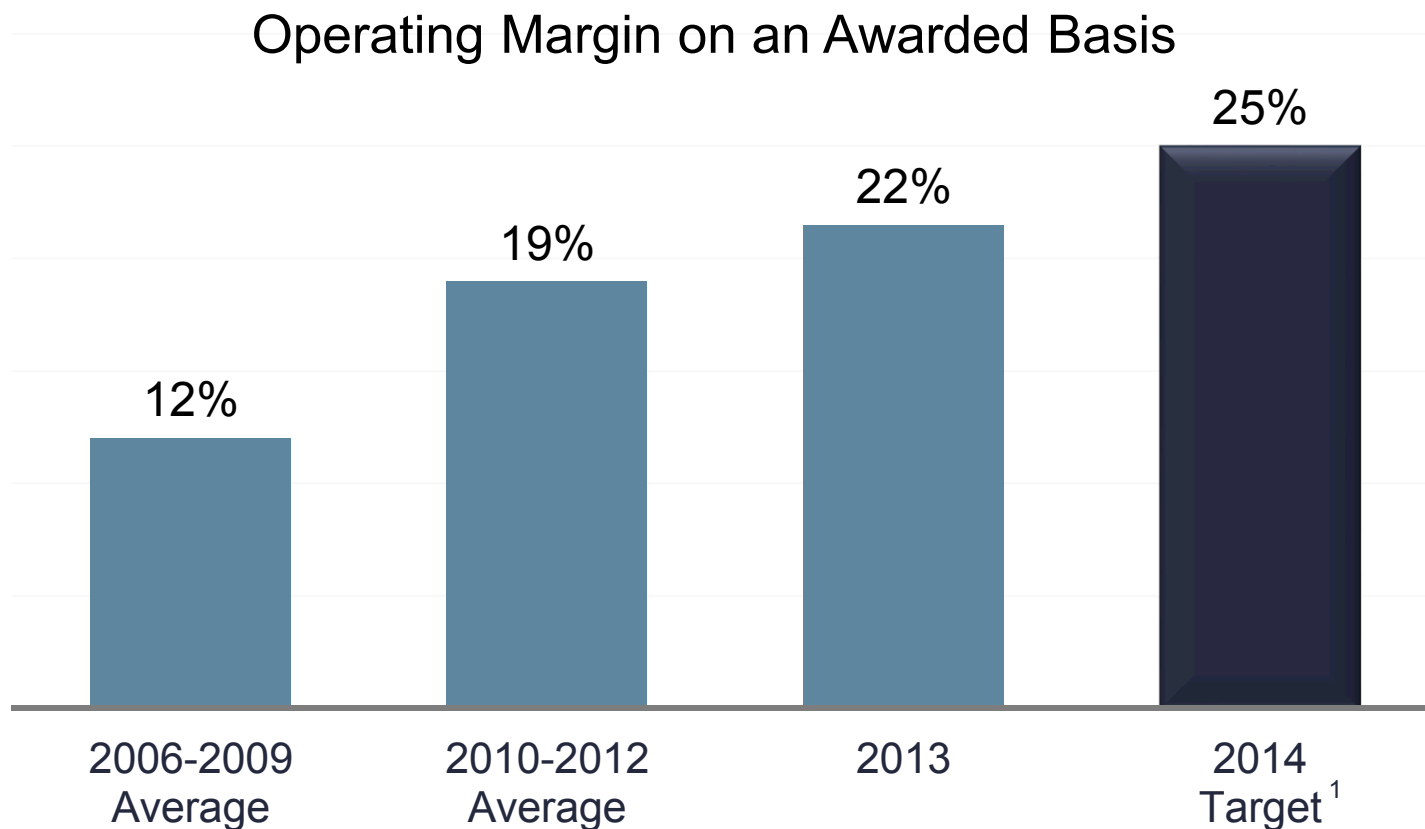
Maintaining Cost Discipline

Objectives

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
▶ Mid- to high- 50s compensation ratio	68%	62%	62%	59%	58%
▶ Discipline on deferred compensation	–	✓	✓	✓	✓
▶ Non-compensation ratio of 16% - 20%	21%	19%	21%	21%	20%
▶ Operating margin ¹ of 25% in 2014	12%	20%	17%	19%	22%

¹ Our operating margin target in 2014 assumes a similar level of activity in both our businesses as in 2012. Factors that could cause us to fall short of our objectives include, but are not limited to, those described on page 1 of this presentation.

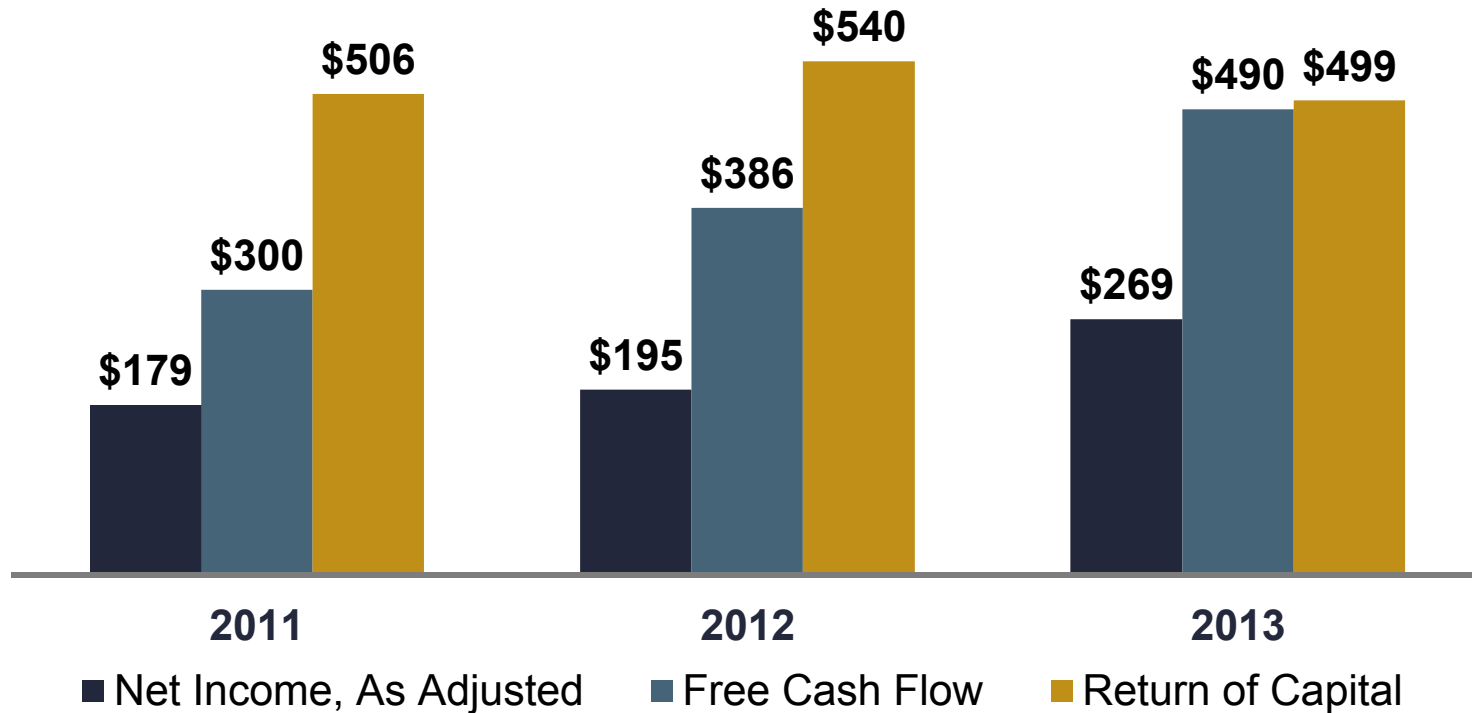
Achieving Operating Margin Growth



¹ Our target assumes a similar level of activity in both our businesses as in 2012. Factors that could cause us to fall short of our objectives include, but are not limited to, those described on page 1 of this presentation.

Significant Cash Generation

(\$ in millions)



Quarterly Dividend: \$0.16

\$0.20

\$0.25

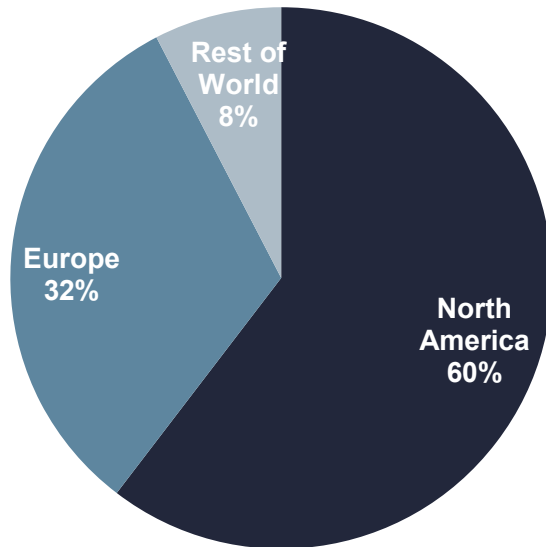
2014:
\$0.30

Appendix

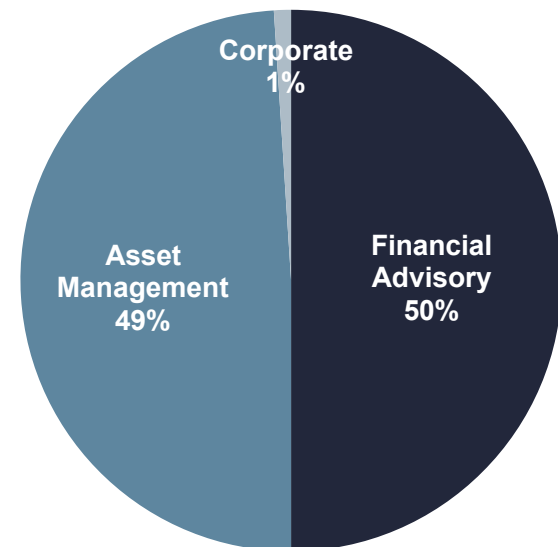
Business Segments

Revenue Balanced Across Geographies and Business Lines

LTM¹ Operating Revenue
by Geography



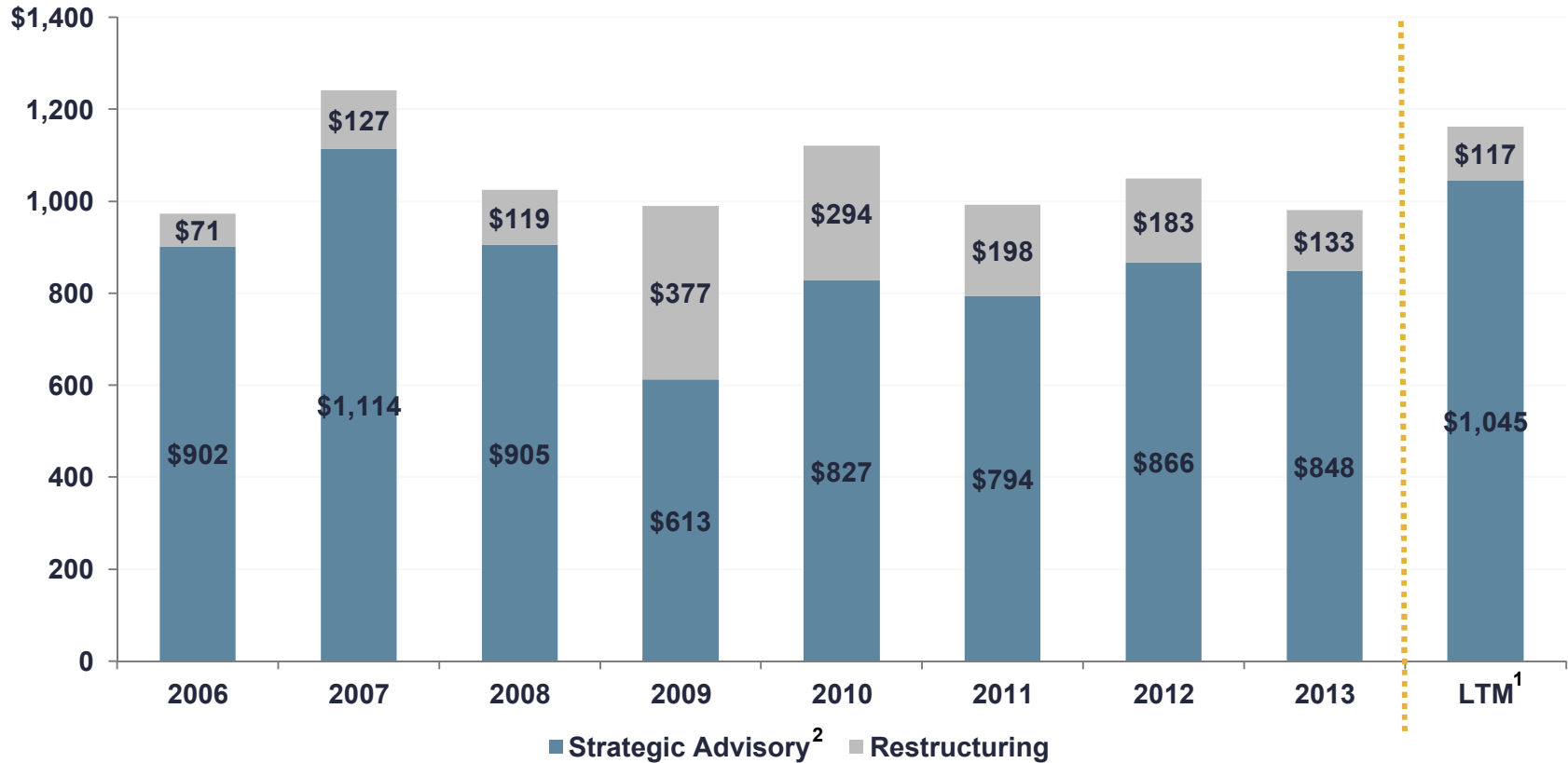
LTM¹ Operating Revenue
by Business Segment



¹ Last twelve months ended September 30, 2014.

Financial Advisory Operating Revenue

(\$ in millions)

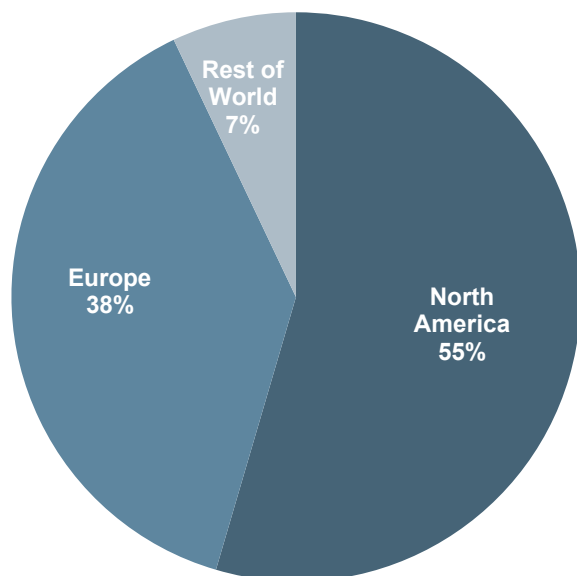


¹ Last twelve months ended September 30, 2014.

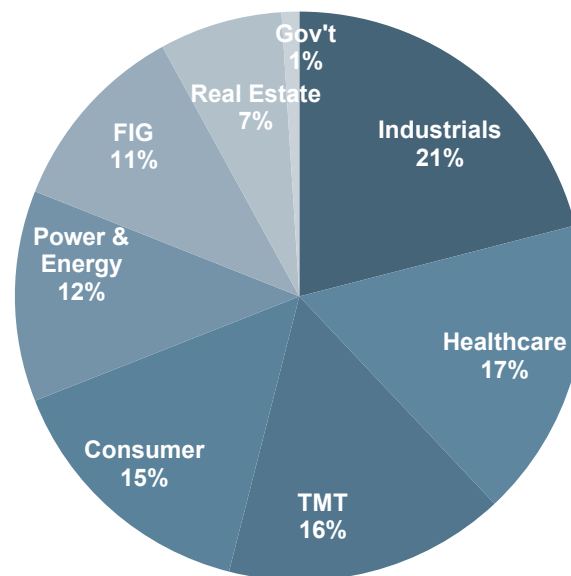
² Strategic Advisory is comprised of revenues from M&A and Other Advisory and Capital Raising activities.

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

LTM¹ M&A and Other Advisory Revenue by Geography



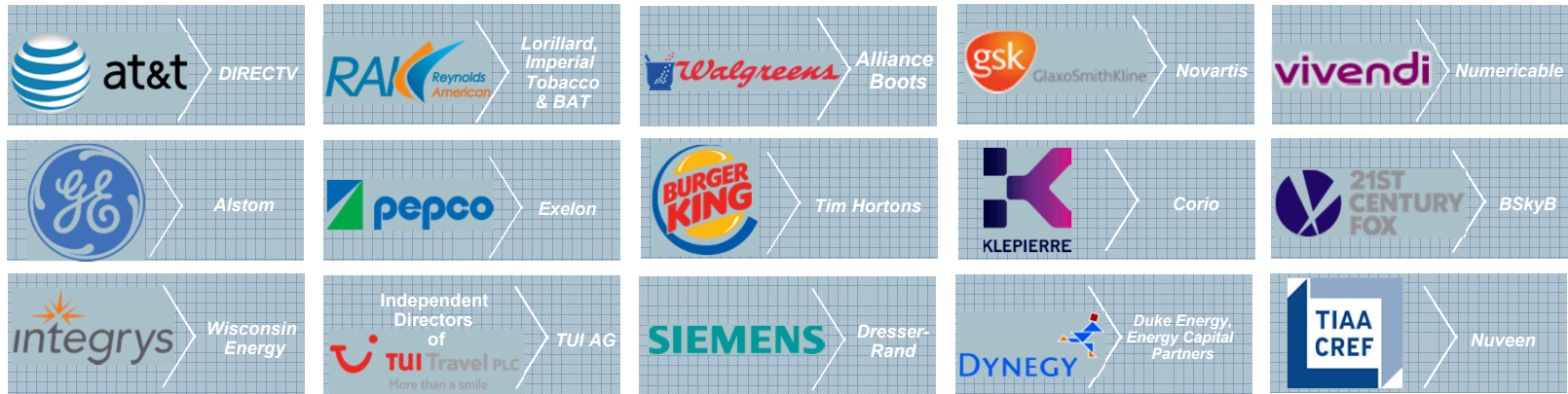
LTM¹ M&A and Other Advisory Revenue by Industry



¹ Last twelve months ended September 30, 2014.

Selected Financial Advisory Transactions

M&A¹



RESTRUCTURING¹



Note: Logo or boldfaced name represents Lazard client separated from transaction counterparty by a “y”.

¹ Includes announced transactions as well as transactions completed during or after the third quarter ended September 30, 2014.

Asset Management Operating Revenue

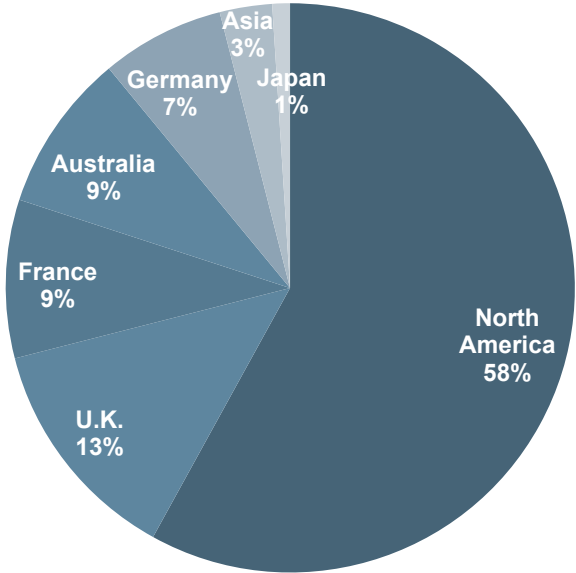
(\$ in millions)



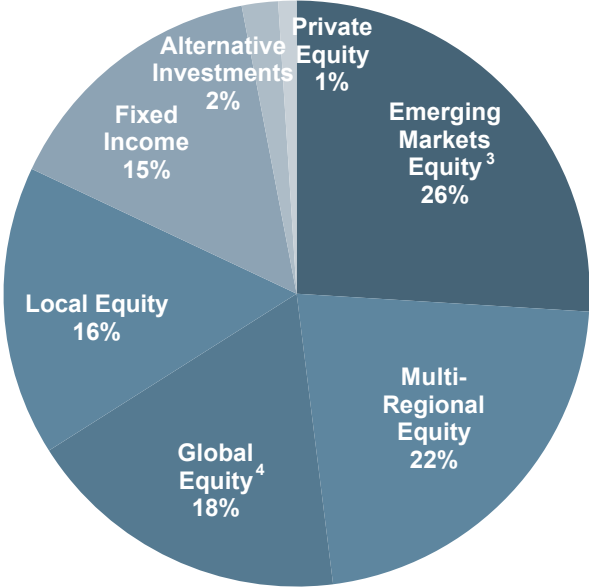
¹ Last twelve months ended September 30, 2014.

AUM Diversified by Geographic and Product Mix

AUM by Office Domicile ^{1,2}



AUM by Platform ²



¹ Domicile refers to location of client servicing office.
² Breakdown as of September 30, 2014.
³ Emerging Markets Equity strategy accounted for 83% of the Emerging Markets Equity platform.
⁴ Global Thematic Equity strategy accounted for 52% of the Global Equity platform.

Flows Diversified By Region and Investment Strategy

SELECTED NEW MANDATES

Client Type	Investment Strategy
Asian Sovereign Wealth Fund	Emerging Markets Debt
US Corporate Pension	Emerging Markets Debt
Asian Sovereign Wealth Fund	Emerging Markets Equity
Canadian Corporate Pension	European Equity
UK Corporate Pension	European Fixed Income
Asian Corporate Pension	Global Equity Income
US Sub Advisory	Global Listed Infrastructure
US Public Pension	International Equity
US Public Pension	International Strategic Equity
UK Corporate Pension	Japanese Equity
International Public Pension	Multi Asset Strategy
US Taft Hartley Plan	US Fixed Income

Supplemental Financial Information

Earnings from Operations - Awarded Basis

(\$ in millions, except per share data)

	2006	2007	2008	2009	2010	2011	2012	2013	Average ¹	
									2006-2009	2010-2012
Operating Revenue	\$1,571	\$2,015	\$1,675	\$1,618	\$1,979	\$1,884	\$1,971	\$2,034		
<i>% Growth</i>	16%	28%	(17%)	(3%)	22%	(5%)	5%	3%	1%	- %
Compensation and benefits, Awarded basis	1,068	1,414	1,192	1,094	1,221	1,168	1,171	1,187		
<i>% of Operating Revenue</i>	68%	70%	71%	68%	62%	62%	59%	58%	69%	61%
Non-Compensation expense	269	338	368	337	368	400	421	409		
<i>% of Operating Revenue</i>	17%	17%	22%	21%	19%	21%	21%	20%	19%	20%
Earnings from Operations, Awarded basis	\$234	\$263	\$115	\$187	\$390	\$316	\$379	\$438	\$200	\$361
<i>Operating Margin</i>	15%	13%	7%	12%	20%	17%	19%	22%	12%	19%
Net Income per share, Awarded basis	\$1.04	\$0.92	\$0.07	\$0.37	\$1.74	\$1.31	\$1.71	\$2.07	\$0.60	\$1.59
Memo:										
Net Income per share, as adjusted	\$2.24	\$2.77	\$1.72	\$0.09	\$2.06	\$1.31	\$1.44	\$2.01		

¹ Operating revenue growth is compound annual growth rate.

Unaudited, Non-GAAP Supplemental Segment Information

(\$ in millions)

	Financial Advisory ¹			Asset Management ¹			Corporate ²		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
Operating Revenue	\$992	\$1,049	\$981	\$883	\$882	\$1,024	\$1,884	\$1,971	\$2,034
<i>% Growth</i>	(11%)	6%	(7%)	6%	-	16%	(5%)	5%	3%
Compensation and benefits, Awarded basis	\$635	\$646	\$617	\$381	\$375	\$418	\$152	\$151	\$152
<i>% of Operating Revenue</i>	64%	62%	63%	43%	43%	41%	8%	8%	7%
Non-Compensation expense	\$152	\$164	\$152	\$145	\$142	\$150	\$102	\$115	\$107
<i>% of Operating Revenue</i>	15%	16%	16%	16%	16%	15%	5%	6%	5%
Earnings from Operations, Awarded basis	\$205	\$239	\$212	\$357	\$365	\$456			
<i>Operating Margin, Awarded basis</i>	21%	23%	22%	40%	41%	45%			

¹ Segment results are shown before direct and indirect overhead allocations. See the "Reconciliation of U.S. GAAP Operating Income to Earnings from Operations, Awarded Basis" slide for additional information regarding overhead allocations.

² Awarded compensation and non-compensation amounts recorded in the Corporate segment are measured as a percentage of total Lazard operating revenue.

2013 Compensation Bridge – U.S. GAAP to Awarded

(\$ in millions)

		<i>% of Operating Revenue</i>
Compensation and benefits – U.S. GAAP Basis	\$1,279	62.9%
Adjustments	(82)	
Compensation and benefits, as adjusted	\$1,197	58.8%
Deferral Amortization (previous years)	(298)	
2013 Deferrals Awarded (including sign-on and special awards)	313	
FX Adjustment	2	
Estimated Forfeitures on Deferrals	(27)	
Compensation and benefits, Awarded basis	\$1,187	58.3%

Estimated Future Amortization of Historical Deferrals¹

(\$ in millions)

	2013A ²	2014E	2015E	2016E
2008 Grants	\$4	\$ –	\$ –	\$ –
2009 Grants	8	–	–	–
2010 Grants	54	10	1	–
2011 Grants	92	55	10	–
2012 Grants	122	104	64	9
2013 Grants	13	125	101	62
2014 Grants	–	9	TBD	TBD
2015 Grants	–	–	TBD	TBD
Other	5	7	6	6
Total	\$298	\$310	TBD	TBD

¹ In accordance with 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.

² Excludes \$15 million pertaining to 2013 cost saving initiatives.

Selected Quarterly Financial Data

(\$ in millions, except per share data)

	Q3	Q2	Q3	% Change from	
	2014	2014	2013	Q2 2014	Q3 2013
<u>Operating Revenue</u>					
Strategic advisory	\$259.1	\$259.9	\$191.6	(0%)	35%
Restructuring	32.0	20.9	42.2	53%	(24%)
Financial Advisory	291.1	280.8	233.8	4%	24%
Management fees and other	276.1	269.9	238.0	2%	16%
Incentive fees	11.8	15.7	10.1	(25%)	17%
Asset Management	287.9	285.6	248.1	1%	16%
Corporate	4.1	4.6	6.8		
Total Operating Revenue	\$583.1	\$571.0	\$488.7	2%	19%
<u>Expenses</u>					
Compensation and benefits, as adjusted	\$343.0	\$335.9	\$293.2	2%	17%
<i>% of Operating revenue</i>	<i>58.8%</i>	<i>58.8%</i>	<i>60.0%</i>		
Non-compensation	\$109.5	\$111.5	\$96.1	(2%)	14%
<i>% of Operating revenue</i>	<i>18.8%</i>	<i>19.5%</i>	<i>19.7%</i>		
<u>Earnings</u>					
Earnings from Operations	\$130.6	\$123.6	\$99.5	6%	31%
<i>Operating margin</i>	<i>22.4%</i>	<i>21.7%</i>	<i>20.3%</i>		
Net Income, as adjusted	\$88.9	\$85.4	\$61.7	4%	44%
Net Income per share, as adjusted	\$0.67	\$0.64	\$0.46	5%	46%
Assets Under Management (in billions)	\$197.6	\$204.5	\$176.5	(3%)	12%

Selected Financial Data – 9M

(\$ in millions, except per share data)

	9M		
	2014	2013	YoY
<u>Operating Revenue</u>			
Strategic advisory	\$764.3	\$567.2	35%
Restructuring	83.0	98.4	(16%)
Financial Advisory	847.3	665.6	27%
Management fees and other	797.9	696.2	15%
Incentive fees	38.0	34.7	9%
Asset Management	835.9	730.9	14%
Corporate	11.2	17.3	
Total Operating Revenue	\$1,694.4	\$1,413.8	20%
<u>Expenses</u>			
Compensation and benefits	\$996.8	\$848.2	18%
<i>Ratio of compensation to operating revenue</i>	58.8%	60.0%	
Non-compensation	\$323.9	\$300.6	8%
<i>Ratio of non-compensation to operating revenue</i>	19.1%	21.3%	
<u>Earnings</u>			
Earnings from Operations	\$373.7	\$264.9	41%
<i>Operating margin</i>	22.1%	18.7%	
Net Income	\$255.5	\$158.8	61%
Net Income per Share	\$1.91	\$1.19	61%
Assets Under Management (in billions)	\$197.6	\$176.5	12%

Condensed Balance Sheet

(\$ in millions)

	September 30, 2014	June 30, 2014	December 31, 2013
<u>ASSETS</u>			
Cash & Cash Equivalents	\$821	\$684	\$841
Deposits with banks and short-term investments	240	322	245
Cash deposited with clearing organizations and other segregated cash	45	68	62
Receivables	508	544	513
Investments	550	539	478
Other Assets	879	922	872
Total Assets	<u>\$3,043</u>	<u>\$3,079</u>	<u>\$3,011</u>
<u>LIABILITIES & STOCKHOLDERS' EQUITY</u>			
Deposits and Other Payables	\$278	\$401	\$276
Accrued Compensation	518	421	523
Other Liabilities	561	642	534
Senior Debt	1,048	1,048	1,048
Total Stockholders' Equity ¹	638	567	630
Total Liabilities and Stockholders' Equity	<u>\$3,043</u>	<u>\$3,079</u>	<u>\$3,011</u>

¹ Attributable to Lazard Ltd: \$573m at September 30, 2014, \$500m at June 30, 2014 and \$560m at December 31, 2013.

U.S. GAAP Selected Financial Information

(\$ in millions, except per share data)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	
									Q3	9M
Net revenue	\$1,494	\$1,918	\$1,557	\$1,531	\$1,905	\$1,830	\$1,912	\$1,985	\$566	\$1,666
<i>% Growth</i>	15%	28%	(19%)	(2%)	24%	(4%)	5%	4%		
Operating Expenses:										
Compensation and benefits	891	1,123	1,128	1,309	1,194	1,169	1,351	1,279	339	1,006
Non-Compensation ¹	275	376	404	404	468	425	437	490	114	340
Operating Income (loss)	\$328	\$419	\$25	(\$182)	\$243	\$236	\$124	\$216	\$113	\$320
<i>% of Net revenue</i>	22%	22%	2%	(12%)	13%	13%	6%	11%	20%	19%
Net income (loss) per share, diluted	\$2.31	\$2.79	\$0.06	(\$1.68)	\$1.36	\$1.36	\$0.65	\$1.21	\$0.67	\$1.91

¹ Includes Provision pursuant to tax receivable agreement

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

(\$ in millions)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	
									Q3	9M
Net revenue - U.S. GAAP Basis	\$1,494	\$1,918	\$1,557	\$1,531	\$1,905	\$1,830	\$1,912	\$1,985	\$566	\$1,666
Adjustments:										
Revenue related to noncontrolling interests ¹	(5)	(5)	13	(7)	(16)	(17)	(14)	(15)	(4)	(13)
(Gain) loss related to Lazard Fund Interests ("LFI") and other similar arrangements ²	-	-	-	-	-	3	(7)	(14)	6	(6)
Interest expense ³	82	102	105	94	90	86	80	78	15	47
Gain on repurchase of subordinated debt ⁴	-	-	-	-	-	(18)	-	-	-	-
Operating revenue	\$1,571	\$2,015	\$1,675	\$1,618	\$1,979	\$1,884	\$1,971	\$2,034	\$583	\$1,694

Operating Revenue is a non-GAAP measure which excludes:

¹ Revenue related to the consolidation of noncontrolling interests because the Company has no economic interest in such amount.

² Changes in the fair value of investments held in connection with LFI and other similar deferred compensation arrangements for which a corresponding equal amount is excluded from compensation and benefit expense.

³ Interest expense related to corporate financing activities because such expense is not considered to be a cost directly related to the revenue of our business.

⁴ Gain related to the repurchase of the then outstanding subordinated promissory note due to the non-operating nature of such transaction.

Reconciliation of U.S. GAAP Compensation to Adjusted/Awarded Compensation

(\$ in millions)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	
									Q3	9M
Compensation and benefits expense - U.S. GAAP basis	\$891	\$1,123	\$1,128	\$1,309	\$1,194	\$1,169	\$1,351	\$1,279	\$339	\$1,006
Adjustments:										
Charges pertaining to cost saving initiatives ¹	-	-	-	-	-	-	(100)	(52)	-	-
Charges pertaining to staff reductions ²	-	-	-	-	-	-	(22)	-	-	-
Charges pertaining to LFI and other similar arrangements ³	-	-	-	-	-	3	(7)	(14)	5	(6)
Private Equity incentive compensation ⁴	-	-	-	-	-	-	-	(12)	-	-
Compensation related to noncontrolling interests ⁵	-	-	-	(2)	(3)	(4)	(4)	(4)	(1)	(3)
2009 and 2010 adjustments ⁶	-	-	-	(147)	(25)	-	-	-	-	-
LAM Equity Charge ⁷	-	-	(197)	-	-	-	-	-	-	-
Compensation and benefits expense, as adjusted	891	1,123	931	1,160	1,166	1,168	1,218	1,197	343	997
Amortization of deferred incentive awards	(23)	(105)	(238)	(333)	(241)	(289)	(335)	(298)		
Total cash compensation, benefits and other ⁸	868	1,018	693	827	925	879	883	899		
Deferred year-end incentive awards ⁹	204	337	352	239	293	282	272	291		
Sign-on and other special deferred incentive awards ¹⁰	13	88	180	39	27	40	42	22		
Adjustment for actual/estimated forfeitures ¹¹	(24)	(36)	(22)	(17)	(27)	(28)	(27)	(27)		
Year-end foreign exchange adjustment ¹²	7	7	(11)	6	3	(5)	1	2		
Compensation and benefits expense - Awarded basis	\$1,068	\$1,414	\$1,192	\$1,094	\$1,221	\$1,168	\$1,171	\$1,187		
% of Operating revenue - Awarded basis	68%	70%	71%	68%	62%	62%	59%	58%		
Memo: Operating Revenue	\$1,571	\$2,015	\$1,675	\$1,618	\$1,979	\$1,884	\$1,971	\$2,034	\$583	\$1,694

Reconciliation of U.S. GAAP Non-Compensation Expense to Non-Compensation, as adjusted

(\$ in millions)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	
									Q3	9M
Non-Compensation expense - U.S. GAAP basis	\$275	\$376	\$404	\$404	\$468	\$425	\$437	\$490	\$114	\$340
Adjustments:										
Charges pertaining to Senior Debt refinancing ¹³	-	-	-	-	-	-	-	(54)	-	-
Charges pertaining to cost saving initiatives ¹	-	-	-	-	-	-	(3)	(13)	-	-
Charges pertaining to staff reductions ²	-	-	-	-	-	-	(3)	-	-	-
Amortization of intangible assets related to acquisitions ¹⁴	-	(21)	(5)	(5)	(8)	(12)	(8)	(10)	(4)	(6)
Non-compensation related to noncontrolling interests ⁵	-	-	-	-	(2)	(2)	(2)	(2)	(1)	(1)
Provision pursuant to the tax receivable agreement ¹⁵	(6)	(17)	(17)	1	(3)	-	-	(2)	-	(9)
Write-off of Lazard Alternative Investment Holdings option prepayment ¹⁶	-	-	-	-	-	(6)	-	-	-	-
Provision for a lease contract for U.K. facility ¹⁶	-	-	-	-	-	(5)	-	-	-	-
Restructuring charges ¹⁷	-	-	-	(63)	(87)	-	-	-	-	-
Provision for counterparty defaults ⁷	-	-	(12)	-	-	-	-	-	-	-
LAM Equity Charge ⁷	-	-	(2)	-	-	-	-	-	-	-
Non-compensation expense, as adjusted	\$269	\$338	\$368	\$337	\$368	\$400	\$421	\$409	\$109	\$324
% of Operating revenue	17%	17%	22%	21%	19%	21%	21%	20%	19%	19%
Memo: Operating Revenue	\$1,571	\$2,015	\$1,675	\$1,618	\$1,979	\$1,884	\$1,971	\$2,034	\$583	\$1,694

Reconciliation of U.S. GAAP Net Income to Net Income, as adjusted

(\$ in millions, except per share data)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Net income attributable to Lazard Ltd - U.S. GAAP Basis	\$175	\$84	\$160
Adjustments:			
Charges pertaining to cost saving initiatives ¹	-	103	65
Charges pertaining to Senior Debt refinancing ¹³	-	-	54
Charges pertaining to staff reductions ²	-	25	-
Private Equity incentive compensation ⁴	-	-	12
Gain on repurchase of subordinated debt ¹⁹	(18)	-	-
Write-off of Lazard Alternative Investment Holdings option prepayment ¹⁶	6	-	-
Provision for a lease contract for U.K. facility ¹⁶	6	-	-
Tax (benefits) allocated to adjustments ¹⁸	-	(21)	(23)
Amount attributable to LAZ-MD Holdings ¹⁸	-	(2)	(1)
Adjustment for full exchange of exchangeable interests ²⁰:			
Tax adjustment for full exchange	(1)	(1)	-
Amount attributable to LAZ-MD Holdings	11	7	2
Net Income, as adjusted	\$179	\$195	\$269
Weighted average shares outstanding:			
U.S. GAAP, diluted	137,630	129,326	133,737
As adjusted, diluted	137,630	135,117	133,737
Diluted Net Income per share:			
U.S. GAAP Basis	\$1.36	\$0.65	\$1.21
As adjusted	\$1.31	\$1.44	\$2.01

Reconciliation of U.S. GAAP Operating Income to Earnings from Operations, Awarded basis

(\$ in millions)	Financial Advisory			Asset Management			Corporate			Total		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
Net Revenue - U.S. GAAP Basis	\$992	\$1,049	\$981	\$897	\$896	\$1,039	(\$59)	(\$33)	(\$35)	\$1,830	\$1,912	\$1,985
Adjustments ^(a):												
Revenue related to noncontrolling interests	-	-	-	(14)	(14)	(15)	(3)	-	-	(17)	(14)	(15)
(Gain) loss related to LFI and other similar arrangements	-	-	-	-	-	-	3	(7)	(14)	3	(7)	(14)
Interest expense	-	-	-	-	-	-	86	80	78	86	80	78
Gain on repurchase of subordinated debt	-	-	-	-	-	-	(18)	-	-	(18)	-	-
Operating revenue	\$992	\$1,049	\$981	\$883	\$882	\$1,024	\$9	\$40	\$29	\$1,884	\$1,971	\$2,034
Operating Income - U.S. GAAP Basis	\$62	(\$9)	\$21	\$268	\$237	\$335	(\$94)	(\$104)	(\$140)	\$236	\$124	\$216
Adjustments:												
Revenue - U.S. GAAP vs. Operating revenue (from above)	-	-	-	(14)	(14)	(15)	68	73	64	54	59	49
Compensation and benefits expense - adjusted vs. awarded basis ^(b)	30	36	18	(18)	6	(14)	(12)	5	6	-	47	10
Charges pertaining to cost saving initiatives ¹	0	77	48	-	13	-	-	13	17	-	103	65
Charges pertaining to staff reductions ²	-	-	-	-	-	-	-	25	-	-	25	-
Charges pertaining to LFI and other similar arrangements ³	-	-	-	-	-	-	(3)	7	14	(3)	7	14
Private Equity incentive compensation ⁴	-	-	-	-	-	12	-	-	-	-	-	12
Operating expenses related to noncontrolling interests ⁵	-	-	-	6	6	6	-	-	-	6	6	6
Charges pertaining to Senior Debt refinancing ¹³	-	-	-	-	-	-	-	-	54	-	-	54
Amortization of intangible assets related to acquisitions ¹⁴	-	-	-	12	8	10	-	-	-	12	8	10
Provision pursuant to the tax receivable agreement ¹⁵	-	-	-	-	-	-	-	-	2	-	-	2
Write-off of Lazard Alternative Investment Holdings option prepayment ¹⁶	-	-	-	-	-	-	5	-	-	6	-	-
Provision for a lease contract for U.K. facility ¹⁶	-	-	-	-	-	-	6	-	-	5	-	-
Corporate support group allocations to business segments	113	135	125	103	109	122	(216)	(244)	(247)	-	-	-
Total adjustments	143	248	191	89	128	121	(152)	(121)	(90)	80	255	222
Earnings from Operations, Awarded basis	\$205	\$239	\$212	\$357	\$365	\$456	(\$246)	(\$225)	(\$230)	\$316	\$379	\$438
Operating Margin, Awarded basis	21%	23%	22%	40%	41%	45%	nm	nm	nm	17%	19%	22%

Notes: (a) See Reconciliation of U.S. GAAP Net Revenue to Operating Revenue.

(b) See Reconciliation of U.S. GAAP Compensation to Adjusted/Awarded Compensation

For all numerical footnotes, see end notes for disclosures of non-GAAP adjustments

Reconciliation of Free Cash Flow and Return of Capital

(\$ in millions)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Cash Flow from Operations - U.S. GAAP Basis	\$398	\$482	\$527
Investing Activities	(45)	(85)	(55)
FX Adjustment	(6)	13	6
Adjustments:			
Reclass of Forward Purchase from Operating to Return of Capital	-	-	29
Reclass of distributions to noncontrolling interests to operating cash flow	(34)	(28)	(14)
Reclass of dividends/common membership to LAZ-MD to operating cash flow	5	5	-
Reclass of capital lease obligations to operating cash flow	(2)	(3)	(3)
Gain on repurchase of subordinated debt	(18)	-	-
All other	2	2	-
Free Cash Flow	<u>\$300</u>	<u>\$386</u>	<u>\$490</u>
Return of Capital:			
Class A common stock dividends	\$71	\$135	\$122
LAZ-MD dividends/repurchase of common membership interest	4	5	-
Purchase of Class A common stock	205	355	132
Settlement of forward purchase	-	-	29
Settlement of vested share-based incentive compensation	94	45	133
Net reduction of subordinated/ senior debt	150	-	29
Debt refinancing expense (gain on repurchase of subordinated debt)	(18)	-	54
All Other	-	-	-
Total Return of Capital	<u>\$506</u>	<u>\$540</u>	<u>\$499</u>

Endnotes related to non-GAAP adjustments

- 1 For the years ended December 31, 2013 and 2012, represents charges pertaining to cost saving initiatives including severance and benefit payments, acceleration of unrecognized amortization of deferred incentive compensation previously granted to individuals terminated, settlement of certain contractual obligations, occupancy cost reduction and other non-compensation related costs, and for purposes of net income, net of applicable tax benefits.
- 2 For the year ended December 31, 2012 represents charges pertaining to staff reductions including severance and benefit payments, acceleration of unrecognized amortization of deferred incentive compensation previously granted to individuals terminated, and other non-compensation related costs, and for purposes of net income, net of applicable tax benefits.
- 3 Represents changes in the fair value of the compensation liability recorded in connection with Lazard Fund Interests (“LFI”) and other similar deferred compensation arrangements for which a corresponding equal amount related to changes in the fair value of the underlying investments is also excluded from operating revenue.
- 4 Represents an adjustment to match the timing of the recognition of carried interest revenue subject to clawback to the recognition of the related incentive compensation expense, which is not aligned under U.S. GAAP. Such adjustment will reduce compensation expense prior to the recording of revenue and increase compensation expense in periods when revenue is recognized, generally at the end of the life of a fund.
- 5 Expenses related to the consolidation of noncontrolling interests are excluded because the Company has no economic interest in such amounts.
- 6 For the year ended December 31, 2009, represents expenses in connection with the acceleration of unamortized restricted stock units granted to our former Chairman and Chief Executive Officer and the accelerated vesting of deferred cash awards previously granted; for the year ended December 31, 2010, represents expenses related to the accelerated vesting of restricted stock units in connection with the Company’s change in retirement policy.
- 7 For the year ended December 31, 2008 excludes (i) compensation and benefits and non-compensation charges in connection with the Company’s repurchase of all outstanding Lazard Asset Management (“LAM”) Equity units held by certain current and former MDs and employees of LAM and (ii) a provision for losses from counterparty defaults related to the bankruptcy filing of one of our prime brokers.
- 8 Includes base salaries and benefits of \$530 million, \$516 million, \$507 million, \$453 million, \$422 million, \$468 million, \$456 million and \$398 million for 2013, 2012, 2011, 2010, 2009, 2008, 2007 and 2006, respectively, and cash incentive compensation of \$369 million, \$367 million, \$372 million, \$472million, \$405 million, \$225 million, \$562 million and \$470 million for the respective years.

Endnotes related to non-GAAP adjustments (continued)

- 9 Grant date fair value of deferred incentive compensation awards granted applicable to the relevant year-end compensation process (i.e. grant date fair value of deferred incentive awards granted in 2014, 2013, 2012, 2011, 2010, 2009, 2008 and 2007 related to the 2013, 2012, 2011, 2010, 2009, 2008, 2007 and 2006 year-end compensation processes, respectively).
- 10 Represents deferred incentive compensation awards that are granted outside the year-end compensation process, and includes grants to new hires (i.e. “sign-on” bonuses).
- 11 An adjustment based on both 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 2006-2010 represent actual forfeiture experience. The 2011-2013 amounts represent estimated forfeitures.
- 12 Represents an adjustment to the year-end foreign exchange spot rate from the full year average rate for year-end incentive compensation awards.
- 13 Represents charges related to the refinancing of the Company's 7.125% Senior Notes maturing on May 15, 2015 and the issuance of \$500 million of 4.25% Senior Notes maturing on November 14, 2020.
- 14 Represents amortization of intangible assets related to acquisitions.
- 15 Represents amounts the Company may be required to pay LFCM Holdings under the tax receivable agreement with LFCM Holdings based on the expected utilization of deferred tax assets that are subject to the tax receivable agreement.
- 16 Represents (i) a charge related to the write-off of a partial prepayment of the Company's option to acquire the fund management activities of Lazard Alternative Investment Holdings and (ii) a provision for a lease contract for the Company's leased facility in the U.K.
- 17 For the years ended December 31, 2009 and 2010, represents severance and benefit payments, acceleration of unrecognized amortization of deferred incentive compensation previously granted to individuals terminated and other charges in connection with the reduction and realignment of staff.
- 18 Represents the tax benefit applicable to adjustments described above and the portion of adjustments described above attributable to LAZ-MD Holdings.
- 19 Gain related to the repurchase of an outstanding subordinated promissory note due to the non-operating nature of such transaction.
- 20 Represents a reversal of noncontrolling interests related to LAZ-MD Holdings ownership of Lazard Group common membership interests and an adjustment for Lazard Ltd entity-level taxes to effect a full exchange of interests.