
LAZARD

Quarterly Investor Presentation

April 2016

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,” “would,” “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 or regional 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) pre-tax income, as adjusted, (g) pre-tax income per share, as adjusted (h) earnings from operations, awarded basis (i) operating margin, as adjusted (j) operating margin, awarded basis (k) net income, as adjusted, (l) net income per share, as adjusted and (m) awarded EPS. 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 38–47 for a detailed explanation of applicable adjustments to corresponding U.S. GAAP measures.

Why Invest in Lazard?

World-Class
Franchise

Profitable
Growth

Shareholder
Returns

Premier Brand

NYSE
LAZ

Founded
1848

Offices
42

Countries
27

- Preeminent financial advisory and asset management firm
- Unrivaled global network of relationships with decision-makers in business, government, and investing institutions
- Highest concentration of senior advisory and investment professionals

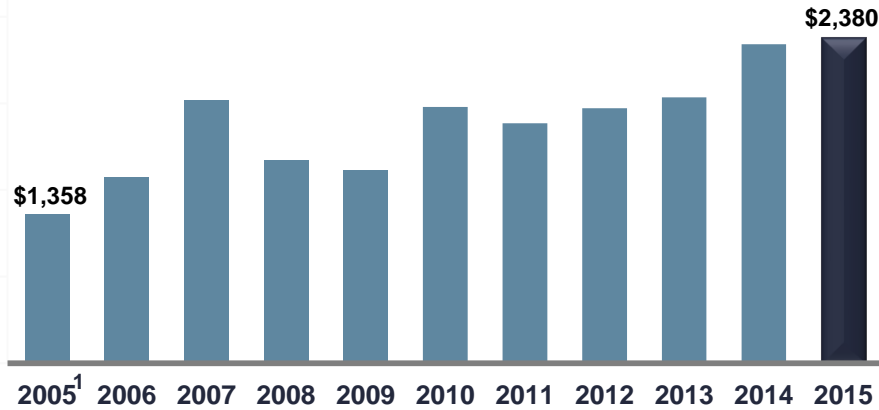


Lazard Growth Across Cycles

(\$ in millions)

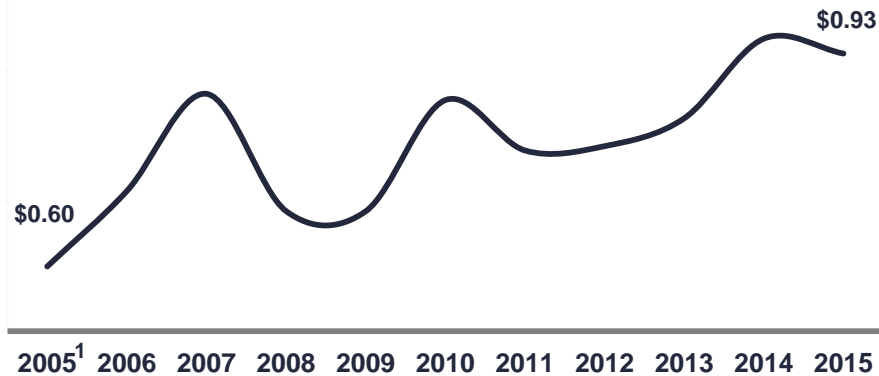
OPERATING REVENUE

'05-'15 % Change: **+75%**



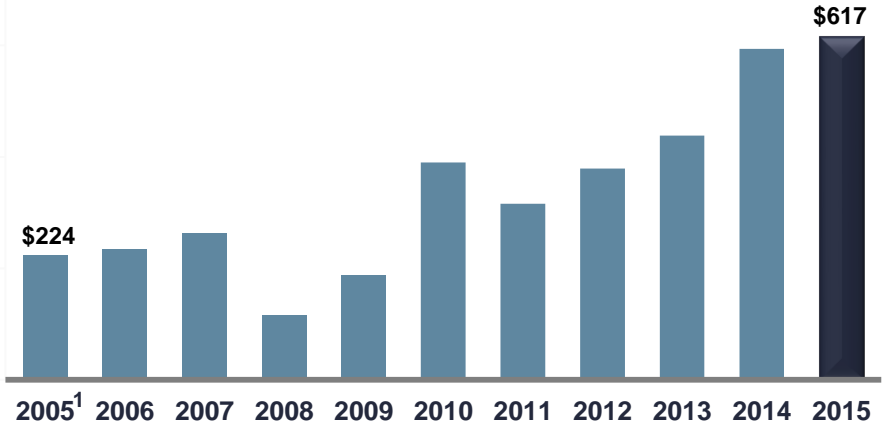
LAZARD EMPLOYEE PRODUCTIVITY²

'05-'15 % Change: **+55%**



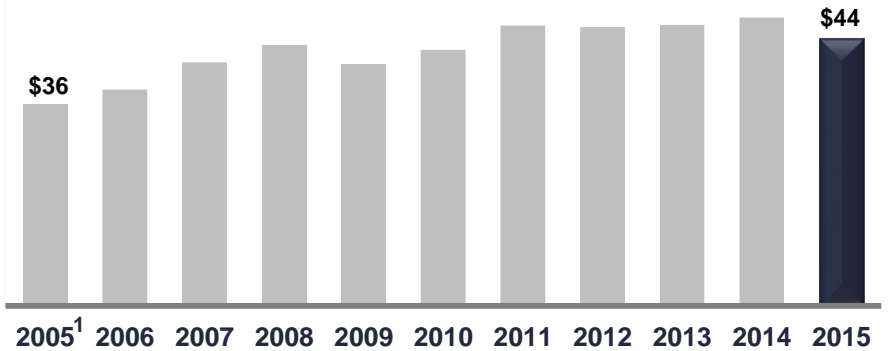
EARNINGS FROM OPERATIONS, AWARDED BASIS

'05-'15 % Change: **+175%**



DEVELOPED WORLD GDP (\$ IN TRILLIONS)³

'05-'15 % Change: **+24%**

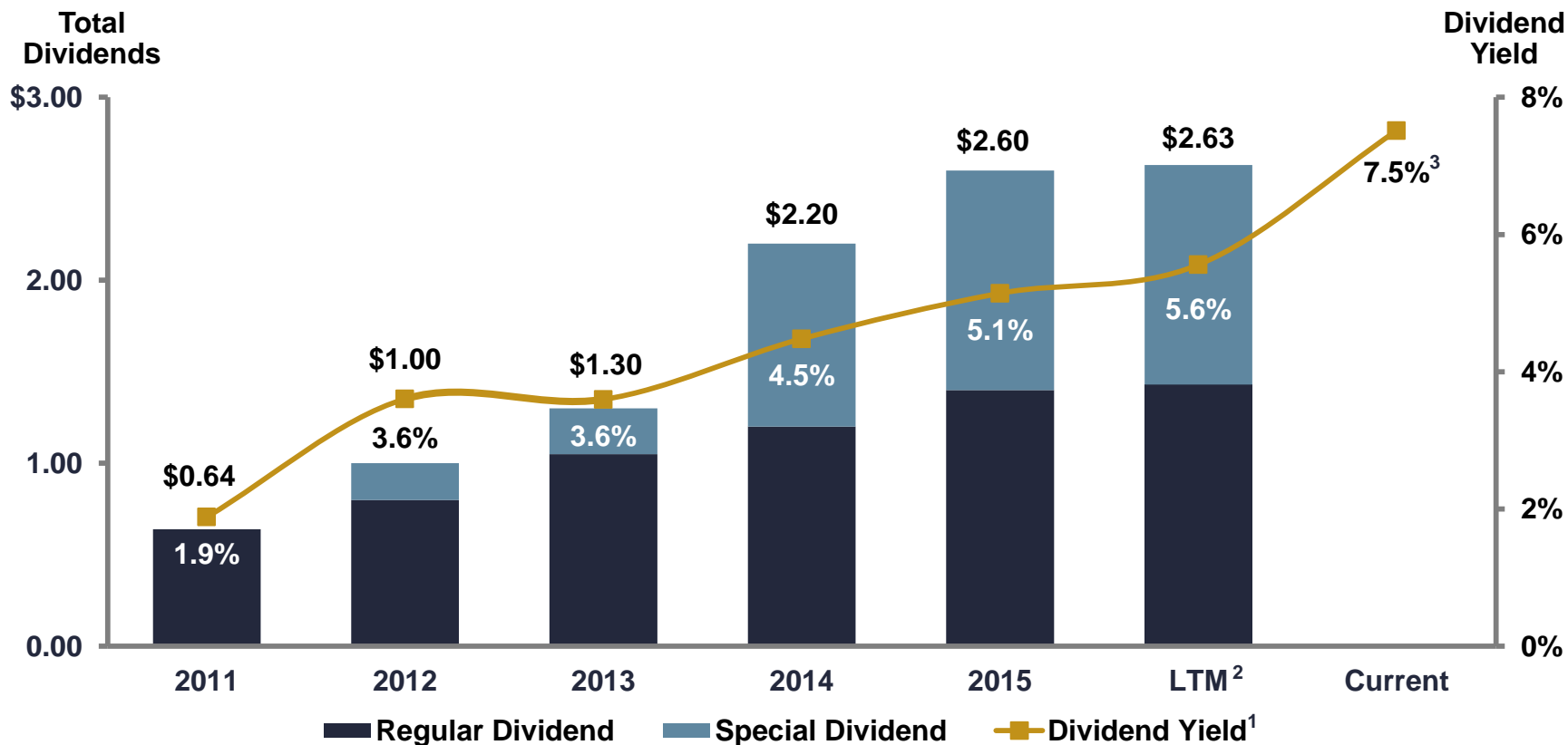


¹ Lazard IPO, May 2005.

² Calculated as total firm operating revenue divided by average headcount.

³ Source: IMF WEO Database.

Compelling Dividend Yield



Avg. Annual Share Price

\$33.99

\$27.74

\$36.14

\$49.10

\$50.55

\$47.31

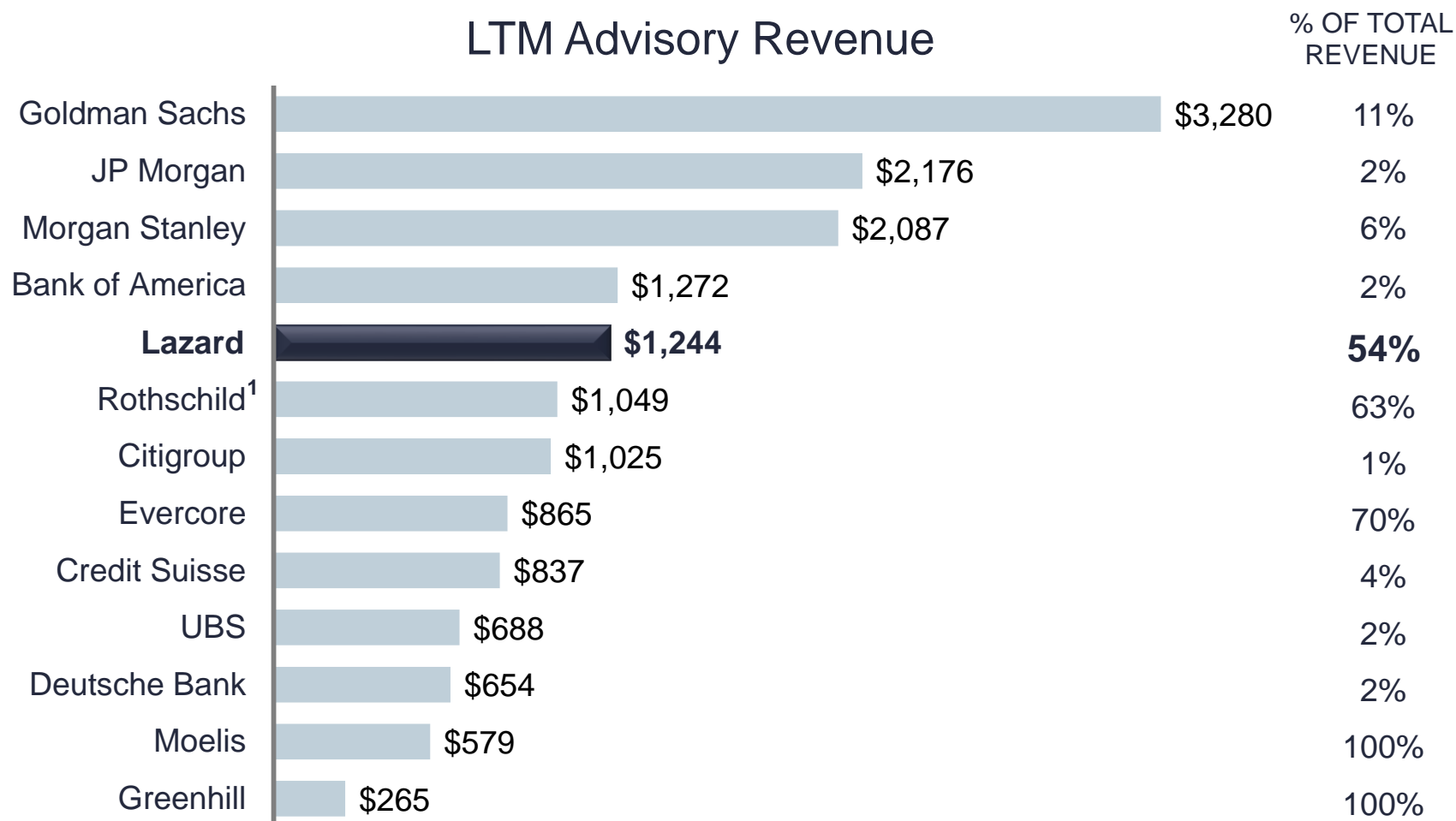
¹ Includes all regular and special dividends paid associated with Lazard's fiscal year. Includes regular dividends of \$0.64, \$0.80, \$1.05, \$1.20, \$1.40 and \$1.43 with respect to 2011, 2012, 2013, 2014, 2015 and LTM, respectively, and special dividends of \$0.20, \$0.25, \$1.00, \$1.20 and \$1.20 with respect to 2012, 2013, 2014, 2015 and LTM, respectively.

² Last twelve months as of 3/31/2016.

³ Dividend yield calculated using all regular and special dividends paid with respect to last twelve months assuming \$35.00 share price.

Advisory Business in Global Top Tier

(\$ in millions)



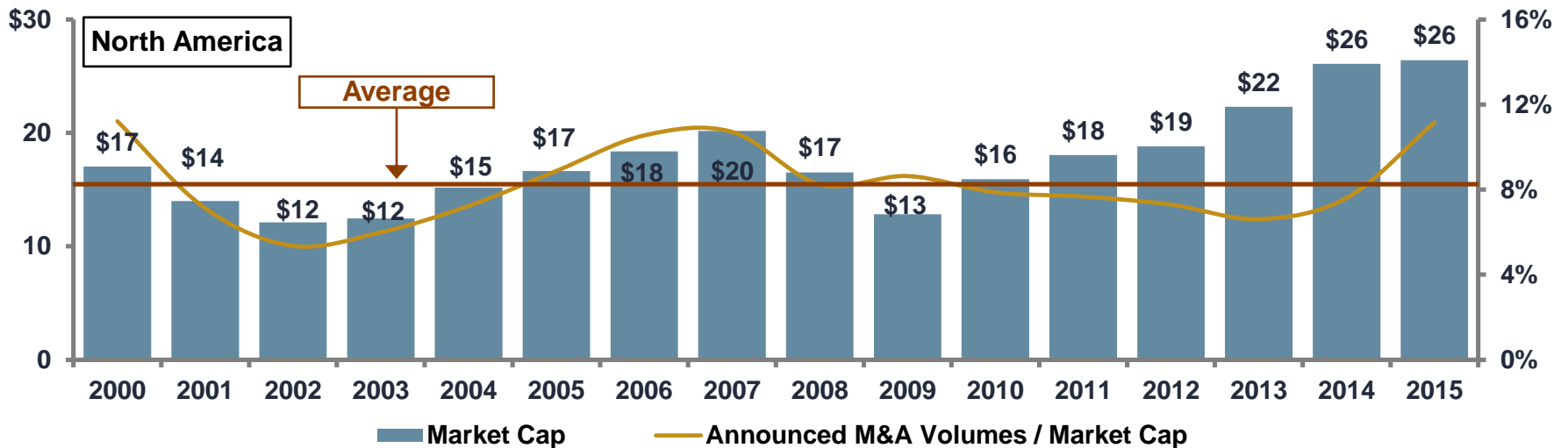
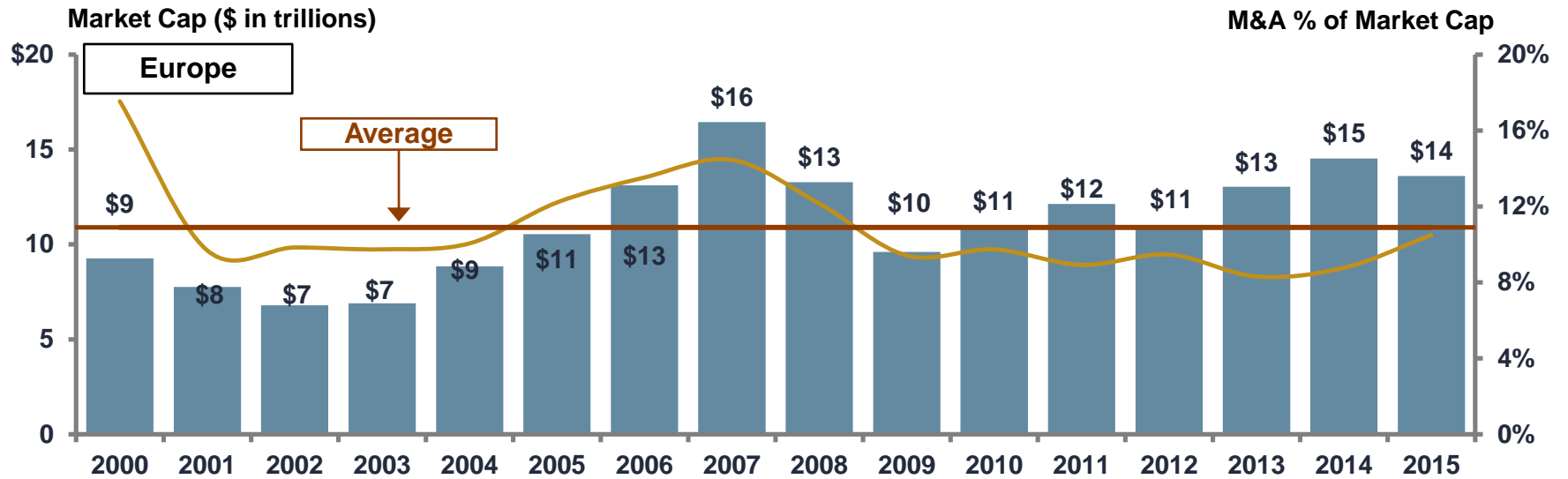
Leadership in Large Complex Transactions

10 Largest M&A Transactions Announced in 2015

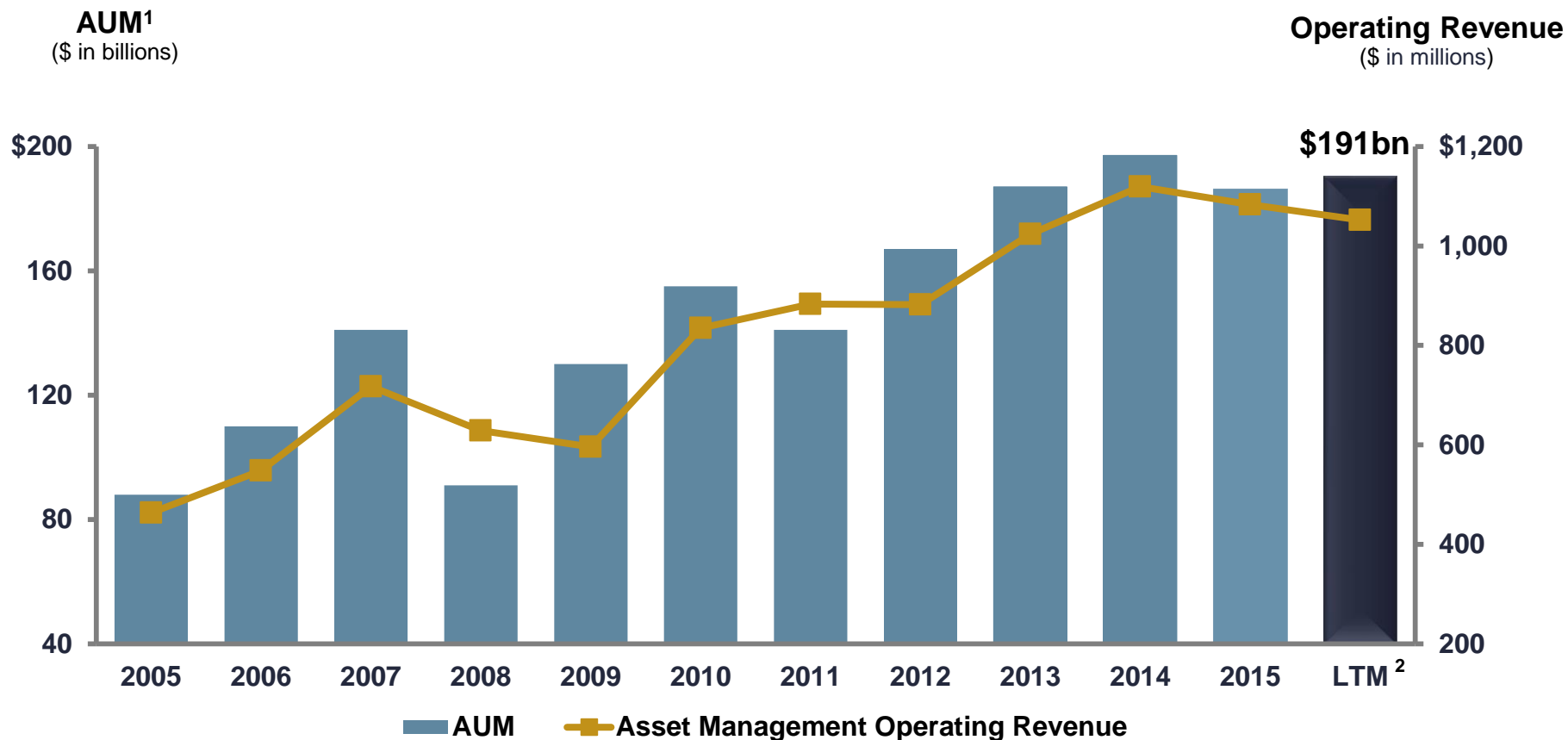
Lazard Advising	Acquiror	Target	Sector
	Pfizer ¹	Allergan	Healthcare
✓	<i>Anheuser-Busch InBev</i>	SABMiller	Food & Beverage
✓	<i>Royal Dutch Shell</i>	BG Group	Oil & Gas
	Charter Communications	Time Warner Cable	Telecom
✓	<i>Dow Chemical</i>	El du Pont de Nemours & Co	Chemicals
✓	<i>Dell</i>	EMC Corp	Technology
✓	<i>HJ Heinz</i>	Kraft Foods Group	Food & Beverage
	Anthem	Cigna Corp	Healthcare
✓	Energy Transfer Equity	<i>Williams Companies</i>	Oil & Gas
	Cheung Kong (Holdings)	Hutchinson Whampoa	Holding companies

■ Lazard client

European M&A Opportunity



Asset Management Growth Over Cycles



Avg. Fees (bps)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	LTM ²
Avg. Fees (bps)	45	46	46	45	48	52	54	52	53	53	52	51

¹ Assets under management as of December 31 per year.

² AUM as of March 31, 2016. Operating revenue for last twelve months ended March 31, 2016.

Breadth of Asset Management Platforms

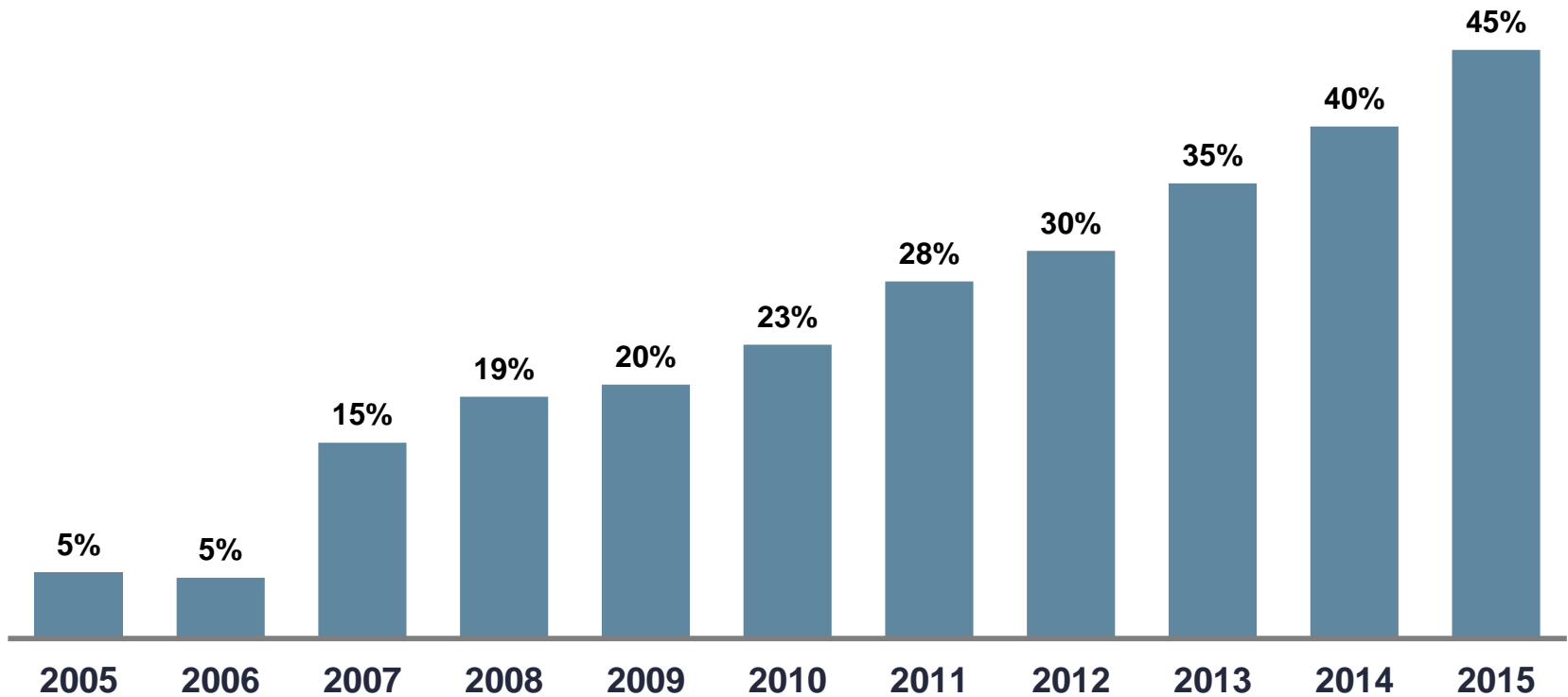
Equities

Fixed Income

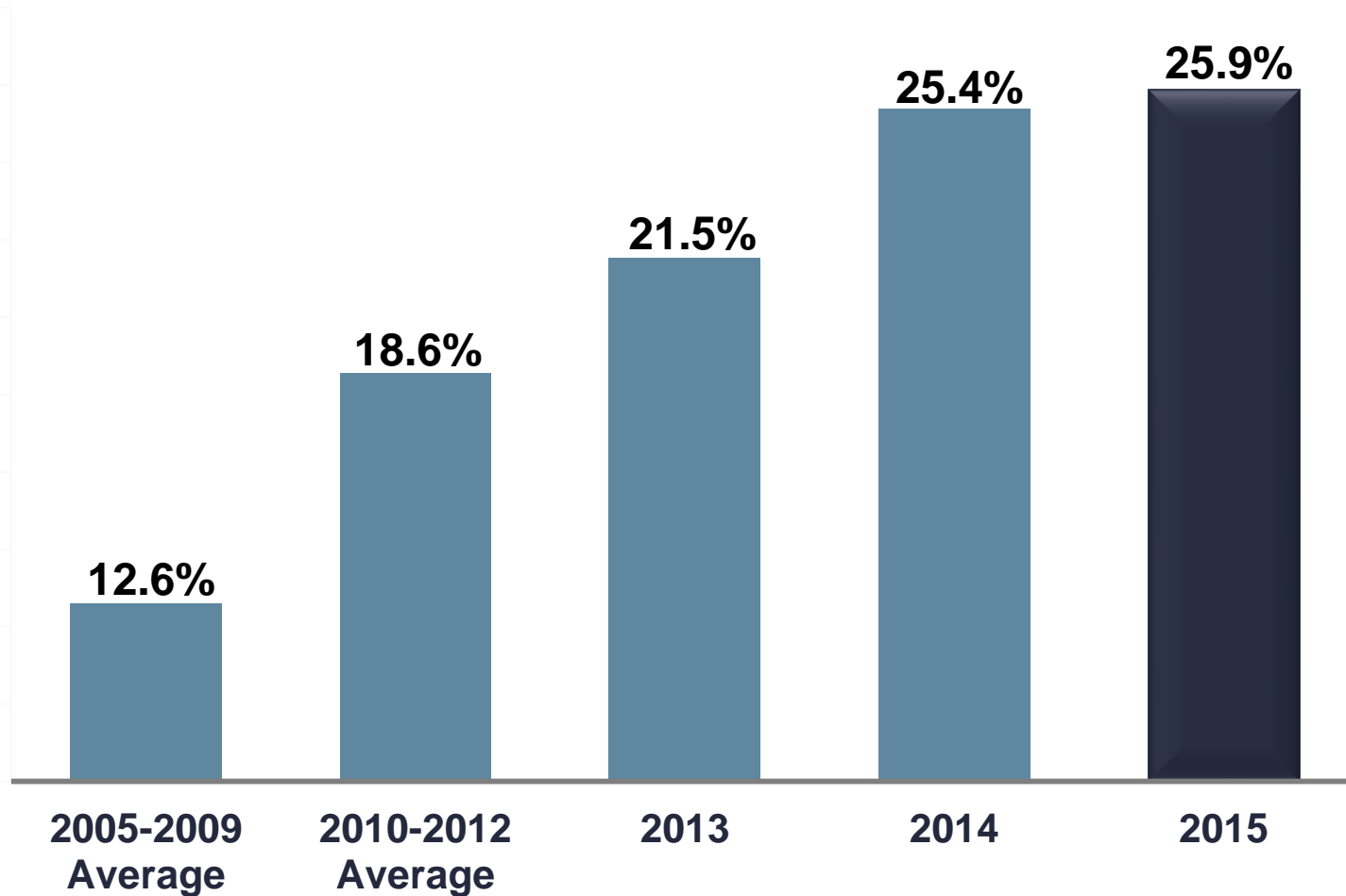


Asset Management: Ability to Innovate, Scale

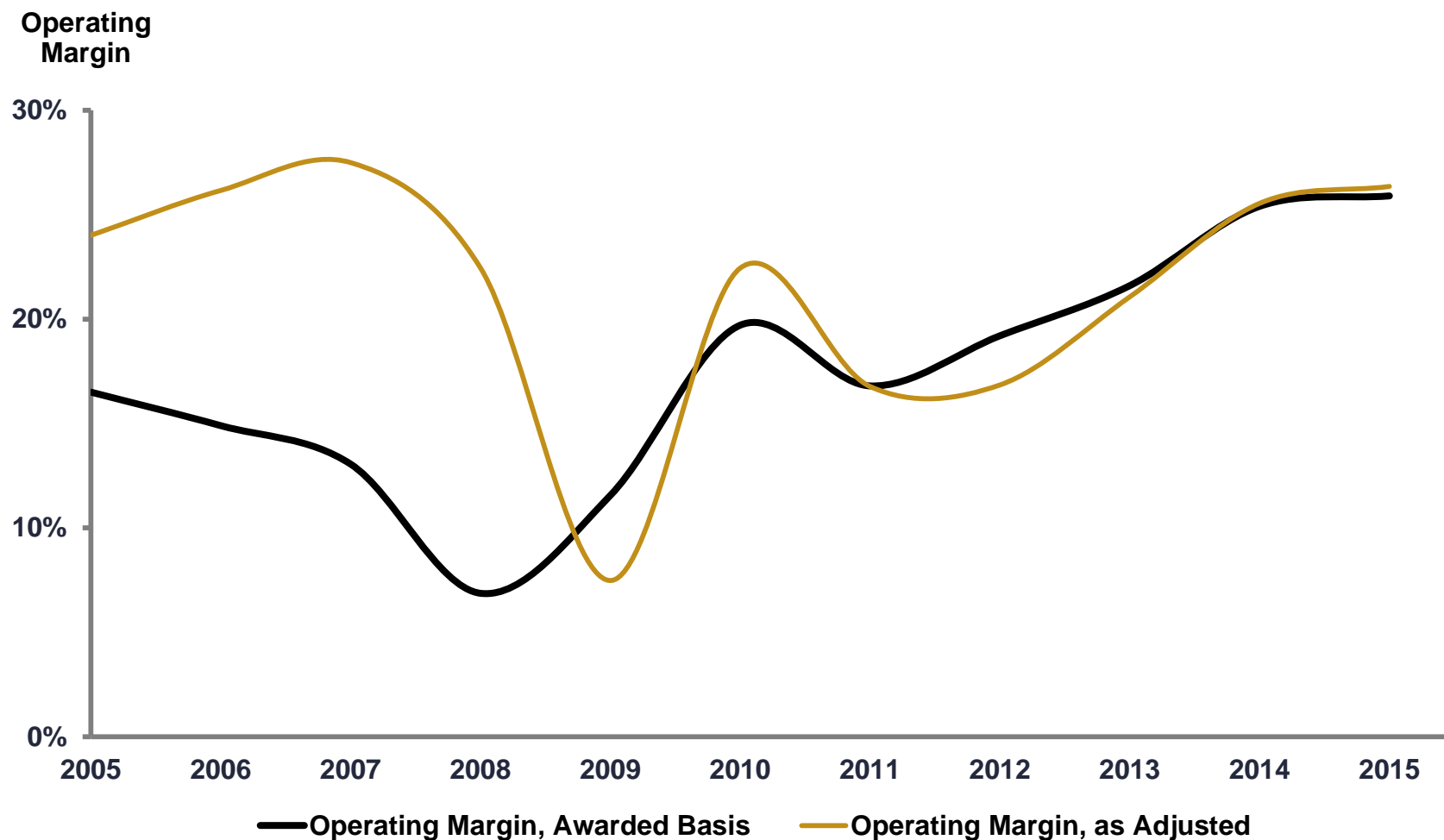
New Strategies¹ as % of Total AUM



Awarded Operating Margin Growth



Quality of Earnings



Note: See the "Earnings from Operations – As Adjusted/Awarded" slide for additional information.

Capital Allocation Goals

- ▶ **Seek to retain minimum cash balance of approximately \$350 million**
- ▶ **Aim to gradually increase quarterly dividend over time**
- ▶ **At a minimum, seek to repurchase shares to offset dilution from year-end share-based compensation**
- ▶ **Objective to return excess cash to shareholders annually in the form of additional share repurchases or dividends¹**

DIVIDENDS

Latest 12 months: \$2.63²

SHARE REPURCHASES

YTD: \$119 million

Remaining Authorization: \$300 million³

Note: Subject to other uses of capital (e.g., investments, debt management, additional share repurchases).

¹ Annual excess cash net of cash earmarked for other uses (e.g., accrued compensation, dividends, share repurchases).

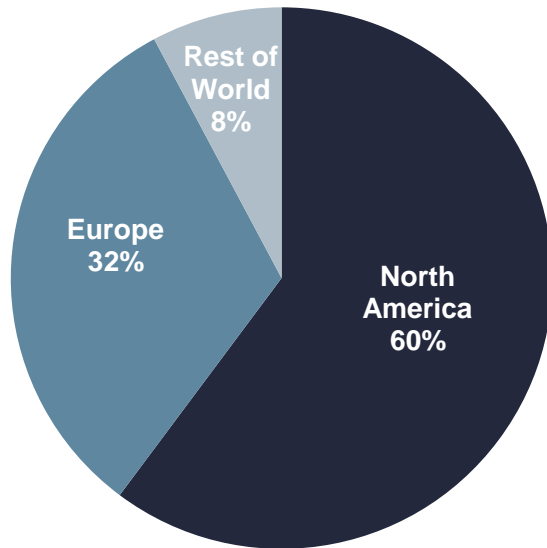
² Includes special dividend of \$1.20.

³ As of April 20, 2016.

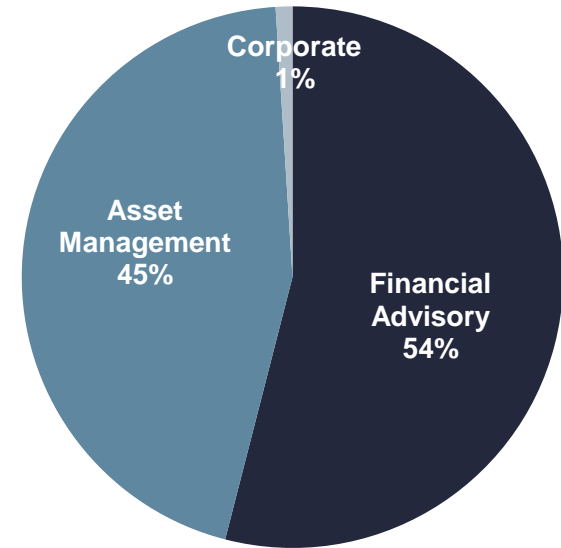
Business Segments

Revenue Balanced Across Geographies and Business Lines

**LTM¹ Operating Revenue
by Geography**

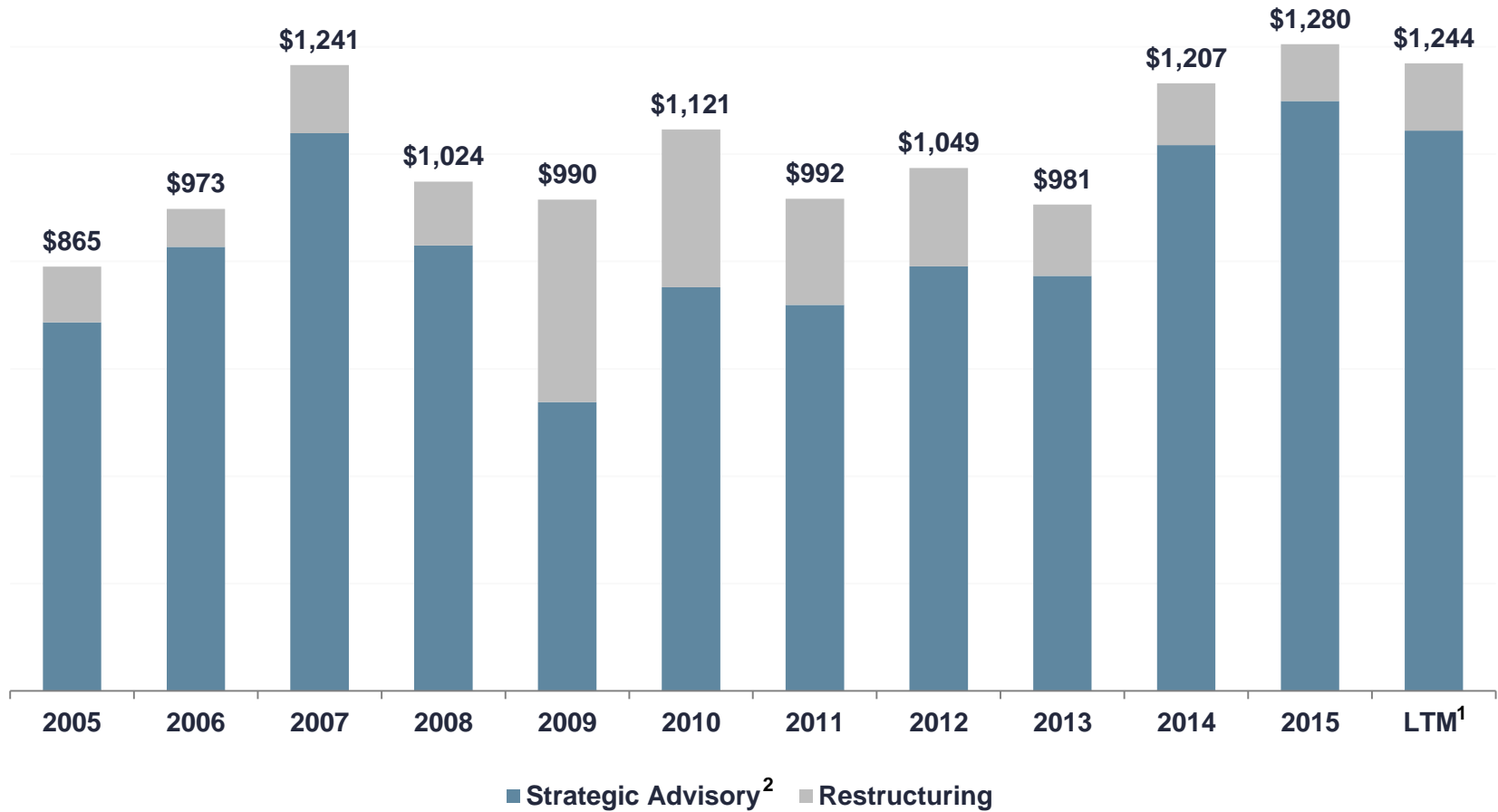


**LTM¹ Operating Revenue
by Business Segment**



Financial Advisory Operating Revenue

(\$ in millions)

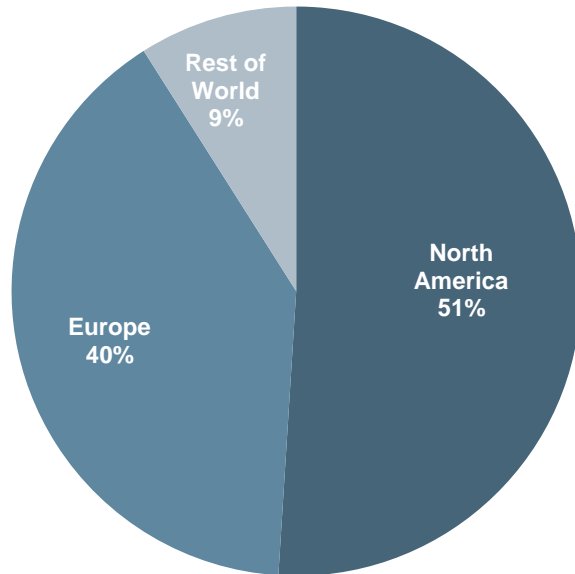


¹ Last twelve months ended March 31, 2016.

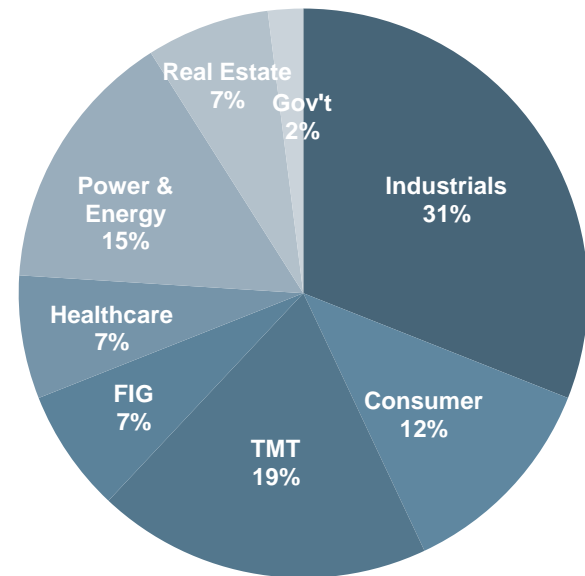
² Strategic Advisory is comprised of revenues from M&A and Other Advisory and Capital Raising activities.

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



Selected Financial Advisory Assignments¹

M&A

 DuPont	 SABMiller	 BG	 EMC
 Humana	 Johnson Controls	 Marriott	 Coca-Cola European Partners

SOVEREIGN ADVISORY

 Gabonese Republic	 The Hellenic Financial Stability Fund	 The Sultanate of Oman	 Ukraine
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CAPITAL ADVISORY

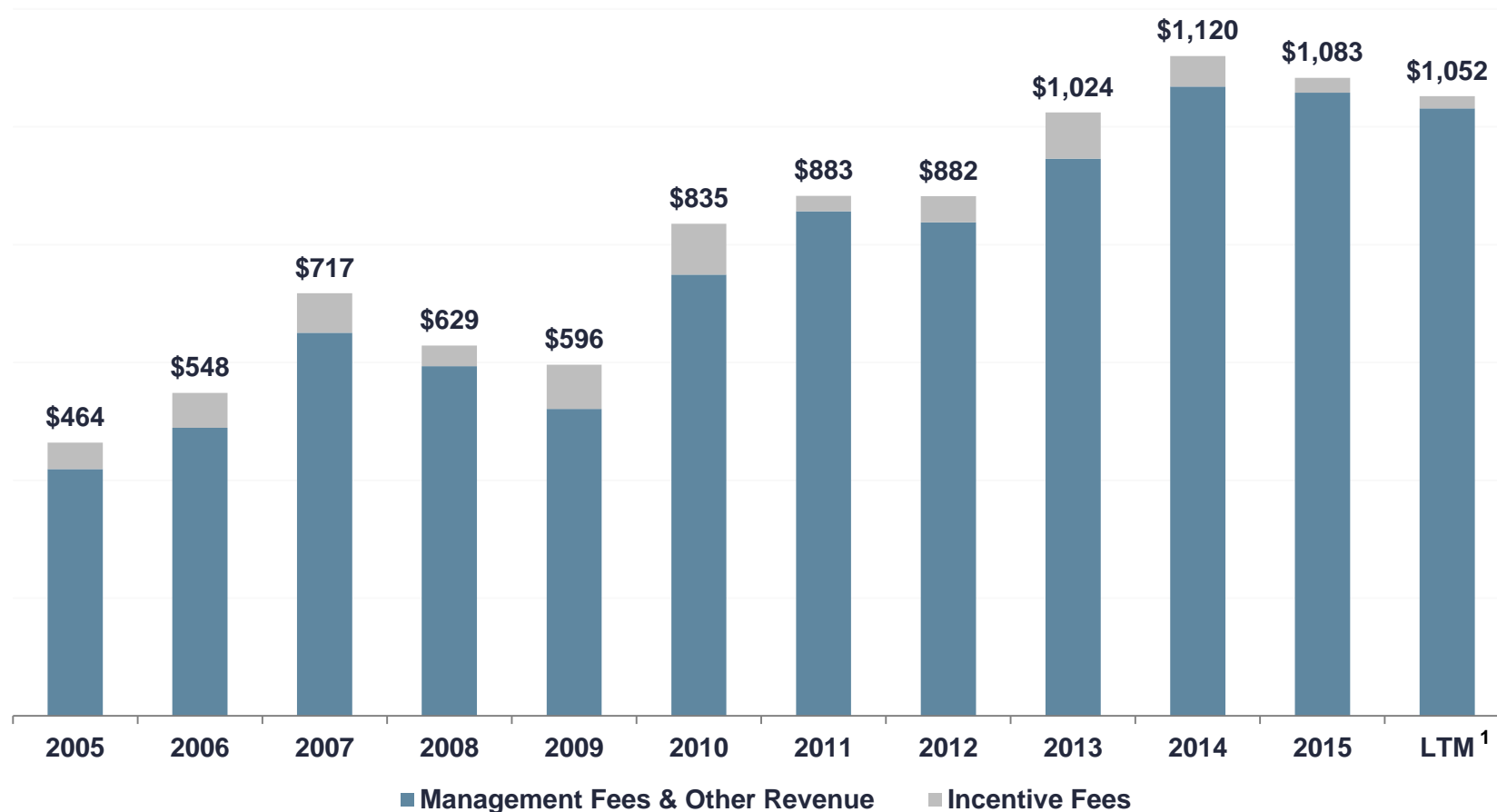
 Secondary Disposal of Stake in Worldpay	 Exchange of Unsecured Notes for Convertible Debt	 Rights Offering	 Repurchase of Convertible Senior Notes
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RESTRUCTURING AND DEBT ADVISORY

					
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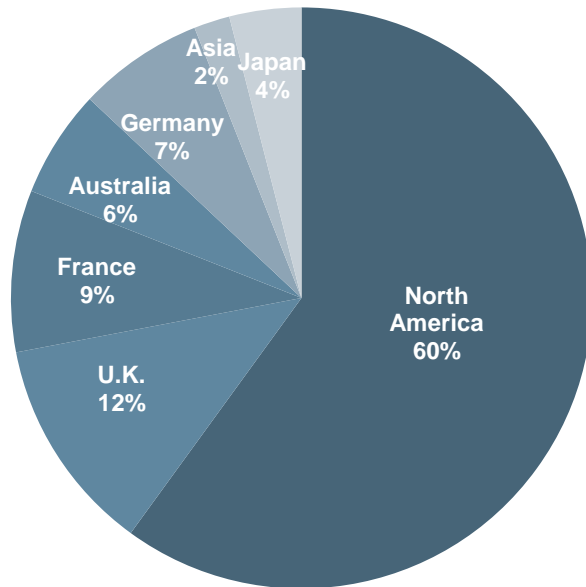
Asset Management Operating Revenue

(\$ in millions)

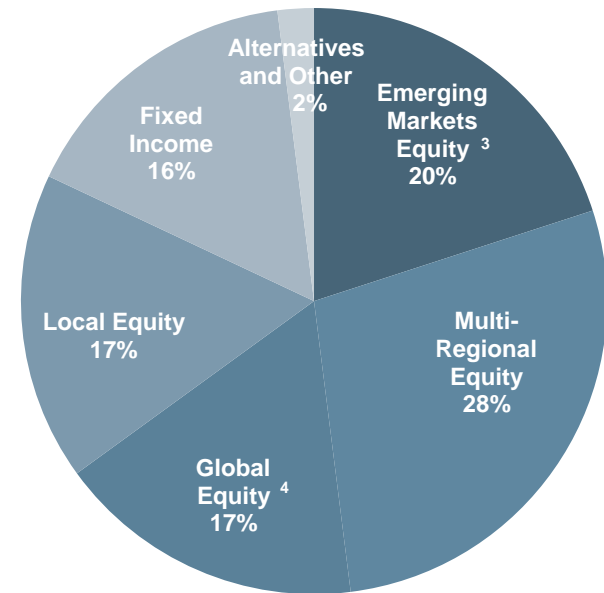


AUM Diversified by Geographic and Product Mix

AUM by Office Domicile ^{1,2}



AUM by Platform ²



¹ Domicile refers to location of client-servicing office.

² Breakdown as of March 31, 2016.

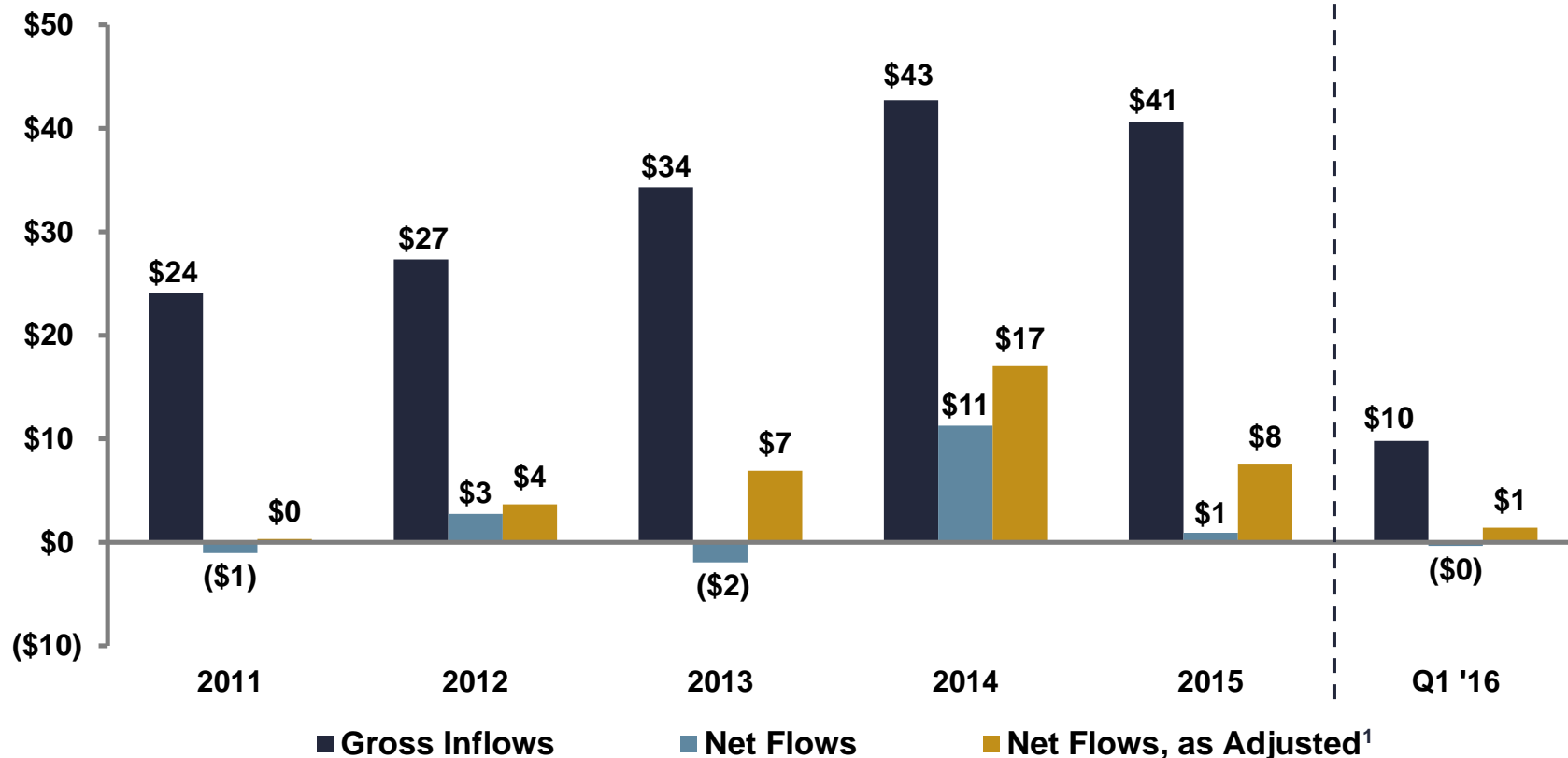
³ Emerging Markets Equity strategy accounted for 84% of the Emerging Markets Equity platform.

⁴ Global Thematic Equity strategy accounted for 23% of the Global Equity platform.

Significant Gross Inflows

(\$ in billions)

Gross Inflows % of Avg AUM	16%	18%	20%	22%	21%	5%
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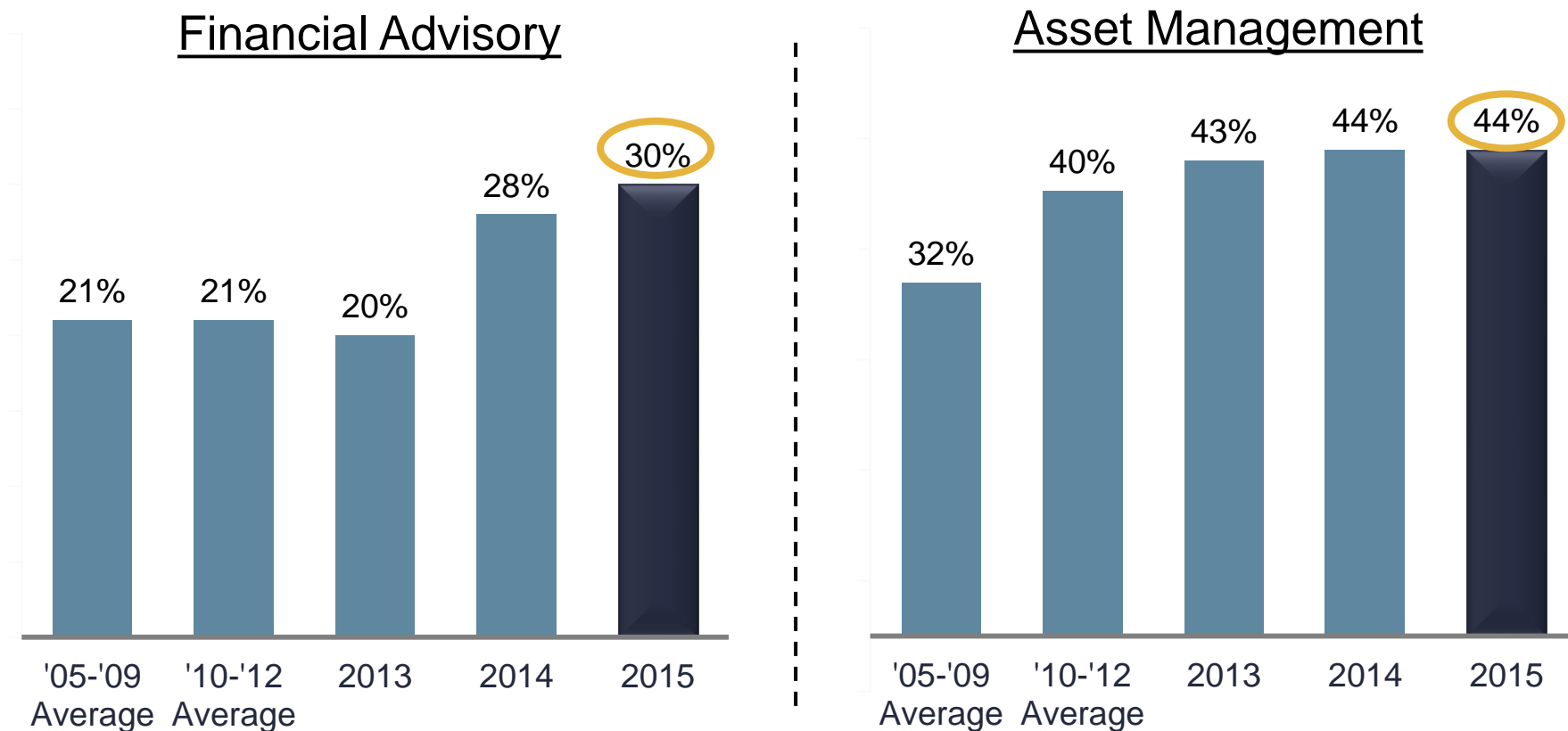
Asset Flows Diversified By Region & Investment Strategy

SELECTED NEW MANDATES

Client Type	Investment Strategy
Asian Corporate Pension	Alternatives
Asian Multi Manager	Global Equity
Australian Superannuation	Australian Equity
Canadian Sub Advisor	Global Equity
European Corporate Pension	Emerging Markets Debt
European Corporate Pension	Emerging Markets Equity
French Healthcare Insurer	Multi-Asset
French Insurance & Pension	Diversified
French Insurer	European Equity
French Retirement Institution	Large-Cap European Equity
US Corporate Pension	International Equity
US Public Pension	Emerging Markets Equity
US Public Pension	Emerging Markets Debt
US Sub Advisor	US Equity
US Sub Advisor	International Equity

Strong Margin Growth

Operating Margin on an Awarded Basis



Note: 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" slides for additional information regarding overhead allocations.

Supplemental Financial Information

Earnings from Operations – Awarded Basis

(\$ in millions, except per share values)

	2011	2012	2013	2014	2015
Operating Revenue	\$1,884	\$1,971	\$2,034	\$2,340	\$2,380
<i>% Growth</i>	(5%)	5%	3%	15%	2%
Compensation and benefits, Awarded basis	1,168	1,171	1,187	1,305	1,329
<i>% of Operating Revenue</i>	62%	59%	58%	56%	56%
Non-Compensation expense	400	421	409	441	434
<i>% of Operating Revenue</i>	21%	21%	20%	19%	18%
Earnings from Operations, Awarded basis	\$316	\$379	\$438	\$594	\$617
<i>Operating Margin</i>	17%	19%	22%	25%	26%
Awarded EPS¹	\$1.42	\$1.81	\$2.23	\$3.32	\$3.73
<u>Memo:</u>					
Net Income per share, as adjusted	\$1.31	\$1.44	\$2.01	\$3.20	\$3.60

¹ Based on net income per share as adjusted, substituting awarded compensation for compensation and benefits as adjusted and cash taxes for income taxes as adjusted.

Unaudited, Non-GAAP Supplemental Segment Information

(\$ in millions)

	Financial Advisory ¹			Asset Management ¹			Corporate ²		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
Operating Revenue	\$981	\$1,207	\$1,280	\$1,024	\$1,120	\$1,083	\$2,034	\$2,340	\$2,380
% Growth	(7%)	23%	6%	16%	9%	(3%)	3%	15%	2%
Compensation and benefits, Awarded basis	\$630	\$703	\$732	\$428	\$455	\$443	\$129	\$147	\$155
% of Operating Revenue	64%	58%	57%	42%	41%	41%	6%	6%	7%
Non-Compensation expense	\$157	\$162	\$161	\$154	\$167	\$164	\$98	\$112	\$109
% of Operating Revenue	16%	13%	13%	15%	15%	15%	5%	5%	5%
Earnings from Operations, Awarded basis	\$194	\$342	\$387	\$442	\$498	\$476			
Operating Margin, Awarded basis	20%	28%	30%	43%	44%	44%			

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" slides 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.

2015 Compensation Bridge – U.S. GAAP to Awarded

(\$ in millions)

		% of Operating Revenue
Compensation and benefits - U.S. GAAP Basis	\$1,320	55.4%
Adjustments	(1)	
Compensation and benefits, as adjusted	\$1,319	55.4%
Deferral Amortization (previous years)	(321)	
2015 Deferrals Awarded (including sign-on and special awards)	362	
Estimated Forfeitures on Deferrals	(27)	
FX Adjustments	(4)	
Compensation and benefits, Awarded Basis	\$1,329	55.8%

Note: See the "Reconciliation of U.S. GAAP Compensation to Adjusted/Awarded Compensation" slide for additional information regarding adjustments.

Estimated Future Amortization of Historical Deferrals¹

(\$ in millions)

	2015A	2016E	2017E	2018E
2010 Grants	\$1	–	–	–
2011 Grants	9	–	–	–
2012 Grants	59	8	–	–
2013 Grants	106	59	8	–
2014 Grants	132	105	59	9
2015 Grants	11	167	105	67
2016 Grants	–	TBD	TBD	TBD
Other	3	9	3	2
Total	\$321	\$348	TBD	TBD

¹ In accordance with U.S. GAAP, an estimate is made for future forfeitures of deferred compensation awards. The result reflects the cost associated with awards that are expected to vest.

Quarterly Amortization of Deferrals¹

(\$ in millions)

	Q1 ²	Q2	Q3	Q4	Full Year
2015	\$114	\$62	\$74	\$71	\$321
2016	\$124	TBD	TBD	TBD	\$348 ³

¹ In accordance with U.S. GAAP, an estimate is made for future forfeitures of deferred compensation awards. The result reflects the cost associated with awards that are expected to vest.

² All year-end deferrals are granted in the first quarter and some of the grants relating to retirement eligible employees are expensed immediately.

³ Based on estimates.

Tax and Corporate Structure

- ▶ Publicly traded partnership for corporate tax purposes
- ▶ K-1 issuer
- ▶ No Unrelated Business Taxable Income (“UBTI”) ever generated and unlikely to be generated under current corporate structure
- ▶ Approximately \$0.6 billion of tax benefits as of March 31, 2016
- ▶ Expect annual adjusted GAAP tax rate of high 20s/low 30s for the foreseeable future¹
- ▶ Expect cash taxes to remain in the high teens¹

Tax Considerations

(\$ in millions)

- Approximately \$0.6 billion of estimated future net tax benefits

	2011	2012	2013	2014	2015
Pre-Tax Income, as Adjusted	\$226	\$249	\$345	\$531	\$576
Provision (Benefit) for Income Taxes, as Adjusted	47	53	77	104	96
<i>Tax Rate</i>	21%	21%	22%	20%	17%
Non-Cash Tax Expense¹	(14)	(2)	(19)	(20)	(27)
Cash Taxes	\$33	\$51	\$58	\$84	\$69
<i>Tax Rate</i>	15%	21%	24%	16%	12%

¹ Includes deferred taxes and FIN 48 / APIC benefit.

Earnings Per Share – As Adjusted vs. Awarded

(\$ in millions, except per share values)

	Awarded ¹					As Adjusted
	2011	2012	2013	2014	2015	2015
Operating Revenue	\$1,884	\$1,971	\$2,034	\$2,340	\$2,380	\$2,380
Compensation and Benefits Expense	1,168	1,171	1,187	1,305	1,329	\$1,319
Non-Compensation Expense	400	421	409	441	434	434
Earnings from Operations	\$316	\$379	\$438	\$594	\$617	\$627
Interest Expense and Other ²	90	84	82	66	51	51
Pre-Tax Income	\$226	\$295	\$356	\$528	\$566	\$576
Taxes	33	51	58	84	69	96
Net Income	\$193	\$244	\$298	\$444	\$497	\$480
EPS	\$1.42	\$1.81	\$2.23	\$3.32	\$3.73	\$3.60

¹ Based on net income per share as adjusted, substituting awarded compensation for compensation and benefits as adjusted and cash taxes for income taxes as adjusted.

² Includes interest expense, amortization of intangibles, earnings/(loss) from noncontrolling interests and net income attributable to non-controlling interests.

Selected Quarterly Financial Data

(\$ in millions, except per share values)

	Q1	Q1	Q4	% Change From	% Change From
	2016	2015	2015	Q1 2015	Q4 2015
<u>Operating Revenue</u>					
Strategic Advisory	\$223.5	\$278.4	\$299.9	(18%)	(25%)
Restructuring	42.5	23.1	31.0	84%	37%
Financial Advisory	266.0	301.5	330.9	(12%)	(20%)
Management fees and other	237.8	264.8	251.5	(10%)	(5%)
Incentive fees	1.8	6.3	9.1	(71%)	(80%)
Asset Management	239.6	271.1	260.6	(12%)	(8%)
Corporate	0.5	8.3	6.8	(94%)	(93%)
Total Operating Revenue	\$506.1	\$580.9	\$598.3	(13%)	(15%)
<u>Expenses</u>					
Compensation and benefits, as adjusted	\$298.0	\$323.1	\$327.7	(8%)	(9%)
<i>% of Operating revenue</i>	58.9%	55.6%	54.8%		
Non-compensation	\$101.6	\$106.4	\$115.8	(5%)	(12%)
<i>% of Operating revenue</i>	20.1%	18.3%	19.3%		
<u>Earnings</u>					
Earnings from Operations	\$106.5	\$151.4	\$154.8	(30%)	(31%)
<i>Operating margin</i>	21.0%	26.1%	25.9%		
Net Income, as adjusted	\$66.8	\$103.0	\$122.9	(35%)	(46%)
Net Income per share, as adjusted	\$0.50	\$0.77	\$0.92	(35%)	(46%)
Assets Under Management (in billions)	\$190.6	\$199.2	\$186.4	(4%)	2%

Condensed Balance Sheet

(\$ in millions)

	March 31, 2016	December 31, 2015
<u>ASSETS</u>		
Cash & cash equivalents	\$701	\$1,132
Deposits with banks and short-term investments	388	390
Cash deposited with clearing organizations and other segregated cash	34	35
Receivables	515	497
Investments	460	542
Deferred tax assets	1,126	1,131
Other assets	788	751
Total Assets	\$4,012	\$4,478
<u>LIABILITIES & STOCKHOLDERS' EQUITY</u>		
Deposits and other payables	\$525	\$507
Accrued compensation and benefits	235	571
Senior debt	990	989
Tax receivable agreement obligations	514	524
Other liabilities	525	520
Total stockholders' equity ¹	1,223	1,367
Total liabilities and stockholders' equity	\$4,012	\$4,478

1 Attributable to Lazard Ltd: \$1,165m at March 31, 2016 and \$1,313m at December 31, 2015.

Earnings from Operations – As Adjusted/Awarded

(\$ in millions)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
As Adjusted											
Operating Revenue	\$1,358	\$1,571	\$2,015	\$1,675	\$1,618	\$1,979	\$1,884	\$1,971	\$2,034	\$2,340	\$2,380
Compensation and benefits	774	891	1,123	931	1,160	1,166	1,168	1,218	1,197	1,302	1,319
Non-Compensation expense	257	269	338	368	337	368	400	421	409	441	434
Earnings from Operations	\$327	\$411	\$554	\$376	\$121	\$445	\$316	\$332	\$428	\$597	\$627
<i>Operating Margin, As Adjusted</i>	24%	26%	27%	22%	7%	22%	17%	17%	21%	26%	26%

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Awarded											
Operating Revenue	\$1,358	\$1,571	\$2,015	\$1,675	\$1,618	\$1,979	\$1,884	\$1,971	\$2,034	\$2,340	\$2,380
Compensation and benefits	876	1,068	1,414	1,192	1,094	1,221	1,168	1,171	1,187	1,305	1,329
Non-Compensation expense	257	269	338	368	337	368	400	421	409	441	434
Earnings from Operations	\$224	\$234	\$263	\$115	\$187	\$390	\$316	\$379	\$438	\$594	\$617
<i>Operating Margin, Awarded Basis</i>	16%	15%	13%	7%	12%	20%	17%	19%	22%	25%	26%

U.S. GAAP Selected Financial Information

(\$ in millions, except per share values)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Q1 '16
Net revenue	\$1,301	\$1,494	\$1,918	\$1,557	\$1,531	\$1,905	\$1,830	\$1,912	\$1,985	\$2,300	\$2,354	\$498
<i>% Growth</i>		15%	28%	(19%)	(2%)	24%	(4%)	5%	4%	16%	2%	
Operating Expenses:												
Compensation and benefits	699	891	1,123	1,128	1,309	1,194	1,169	1,351	1,279	1,314	1,320	297
Non-Compensation ¹	260	275	376	404	404	468	425	437	490	467	1,051	103
Operating Income (loss)	\$342	\$328	\$419	\$25	(\$182)	\$243	\$236	\$124	\$216	\$519	(\$17)	\$98
<i>% of Net revenue</i>	26%	22%	22%	2%	(12%)	13%	13%	6%	11%	23%	(1%)	20%

¹ Includes provision pursuant to tax receivable agreement.

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

(\$ in millions)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Q1 '16
Net revenue - U.S. GAAP Basis	\$1,301	\$1,494	\$1,918	\$1,557	\$1,531	\$1,905	\$1,830	\$1,912	\$1,985	\$2,300	\$2,354	\$498
Adjustments:												
Revenue related to noncontrolling interests ¹	(2)	(5)	(5)	13	(7)	(16)	(17)	(14)	(15)	(15)	(16)	(6)
(Gains) losses related to Lazard Fund Interests ("LFI") and other similar arrangements ²	-	-	-	-	-	-	3	(7)	(14)	(7)	4	3
Interest Expense ³	59	82	102	105	94	90	86	80	78	62	50	11
Gain on repurchase of subordinated debt ⁴	-	-	-	-	-	-	(18)	-	-	-	-	-
Private Equity revenue adjustment ⁵	-	-	-	-	-	-	-	-	-	-	(12)	-
Operating revenue	<u>\$1,358</u>	<u>\$1,571</u>	<u>\$2,015</u>	<u>\$1,675</u>	<u>\$1,618</u>	<u>\$1,979</u>	<u>\$1,884</u>	<u>\$1,971</u>	<u>\$2,034</u>	<u>\$2,340</u>	<u>\$2,380</u>	<u>\$506</u>

Operating Revenue is a non-GAAP measure which excludes:

¹ Revenue related to the consolidation of noncontrolling interests is excluded from operating income 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. For Q1'2015, includes excess interest expense of \$2.7 million due to the delay between the issuance of the 2025 senior notes and the settlement of the 2017 notes.

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

⁵ Revenue relating to the Company's disposal of the Australian private equity business is adjusted for the recognition of an obligation, which was previously recognized for U.S. GAAP.

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

(\$ in millions)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Q1 '16
Compensation and benefits expense - U.S. GAAP basis	\$699	\$891	\$1,123	\$1,128	\$1,309	\$1,194	\$1,169	\$1,351	\$1,279	\$1,314	\$1,320	\$297
Adjustments:												
Charges pertaining to cost saving initiatives ¹	-	-	-	-	-	-	-	(100)	(52)	-	-	-
Charges pertaining to staff reductions ²	-	-	-	-	-	-	-	(22)	-	-	-	-
(Charges)/Credits pertaining to LFI and other similar arrangements ³	-	-	-	-	-	-	3	(7)	(14)	(7)	4	3
Private Equity incentive compensation ⁴	-	-	-	-	-	-	-	-	(12)	-	-	-
Compensation related to noncontrolling interests ⁵	-	-	-	-	(2)	(3)	(4)	(4)	(4)	(5)	(5)	(2)
2009 and 2010 adjustments ⁶	-	-	-	-	(147)	(25)	-	-	-	-	-	-
LAM Equity Charge ⁷	-	-	-	(197)	-	-	-	-	-	-	-	-
2005 adjustment ²⁴	75	-	-	-	-	-	-	-	-	-	-	-
Compensation and benefits expense, as adjusted	774	891	1,123	931	1,160	1,166	1,168	1,218	1,197	1,302	1,319	298
Amortization of deferred incentive awards	-	(23)	(105)	(238)	(333)	(241)	(289)	(335)	(298)	(299)	(321)	
Total cash compensation and benefits ⁸	774	868	1,018	693	827	925	879	883	899	1,003	998	
Deferred year-end incentive awards ⁹	116	204	337	352	239	293	282	272	291	325	336	
Sign-on and other special deferred incentive awards ¹⁰	-	13	88	180	39	27	40	42	22	14	26	
Adjustment for actual/estimated forfeitures ¹¹	(14)	(24)	(36)	(22)	(17)	(27)	(28)	(27)	(27)	(26)	(27)	
Year-end foreign exchange adjustment ¹²	-	7	7	(11)	6	3	(5)	1	2	(11)	(4)	
Compensation and benefits expense - Awarded basis	\$876	\$1,068	\$1,414	\$1,192	\$1,094	\$1,221	\$1,168	\$1,171	\$1,187	\$1,305	\$1,329	
% of Operating revenue - Awarded basis	65%	68%	70%	71%	68%	62%	62%	59%	58%	56%	56%	
Memo: Operating Revenue	\$1,358	\$1,571	\$2,015	\$1,675	\$1,618	\$1,979	\$1,884	\$1,971	\$2,034	\$2,340	\$2,380	

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

(\$ in millions)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Q1 '16
Non-Compensation expense - U.S. GAAP basis	\$260	\$275	\$376	\$404	\$404	\$468	\$425	\$437	\$490	\$467	\$1,051	\$103
Adjustments:												
Charges pertaining to Senior Debt refinancing ¹³	-	-	-	-	-	-	-	-	(54)	-	(60)	-
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)	(6)	(6)	(1)
Non-compensation related to noncontrolling interests ⁵	-	-	-	-	-	(2)	(2)	(2)	(2)	(2)	(2)	(0)
Accrual of tax receivable agreement obligation ("TRA") ¹⁵	-	(6)	(17)	(17)	1	(3)	-	-	(2)	(18)	(548)	-
Expense related to partial extinguishment of TRA obligation ²³	-	-	-	-	-	-	-	-	-	-	(1)	-
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)	-	-	-	-	-	-	-	-
IPO related costs ²⁵	(3)	-	-	-	-	-	-	-	-	-	-	-
Non-compensation expense, as adjusted	\$257	\$269	\$338	\$368	\$337	\$368	\$400	\$421	\$409	\$441	\$434	\$102
% of Operating revenue	19%	17%	17%	22%	21%	19%	21%	21%	20%	19%	18%	20%
Memo: Operating Revenue	\$1,358	\$1,571	\$2,015	\$1,675	\$1,618	\$1,979	\$1,884	\$1,971	\$2,034	\$2,340	\$2,380	\$506

Reconciliation of Operating Income/(Loss) to Pre-Tax Income, as adjusted

(\$ in millions, except per share values)

	2011	2012	2013	2014	2015	Q1 '16
Operating Income (loss) - U.S. GAAP Basis	\$236	\$124	\$216	\$519	(\$17)	\$98
Adjustments:						
2010 Adjustment ⁶	-	-	-	-	-	-
Restructuring Charges ¹⁷	-	-	-	-	-	-
Charges pertaining to cost saving initiatives ¹	-	103	65	-	-	-
Charges pertaining to Senior Debt refinancing ¹³	-	-	54	-	63	-
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	-	-	-	-	-
Private Equity revenue adjustment ²¹	-	-	-	-	(12)	-
Accrual of tax receivable agreement obligation ("TRA") ¹⁵	-	-	1	18	968	-
Gain on partial extinguishment of TRA obligation	-	-	-	-	(420)	-
Expense related to partial extinguishment of TRA obligation ²³	-	-	-	-	1	-
Net Income related to noncontrolling interest	(4)	(3)	(4)	(6)	(7)	(4)
Provision for a lease contract for U.K. facility ¹⁶	6	-	-	-	-	-
Pre-tax Income, as adjusted	\$226	\$249	\$344	\$531	\$576	\$94
Weighted average shares outstanding:						
As adjusted, diluted	137,630	135,117	133,737	133,813	133,245	132,891
Diluted pre-tax income per share, as adjusted	\$1.63	\$1.84	\$2.58	\$3.97	\$4.33	\$0.71

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

(\$ in millions, except per share values)

	2011	2012	2013	2014	2015	Q1 '16
Net income attributable to Lazard Ltd - U.S. GAAP Basis	\$175	\$84	\$160	\$427	\$986	\$67
Adjustments:						
Charges pertaining to cost saving initiatives ¹	-	103	65	-	-	-
Charges pertaining to Senior Debt refinancing ¹³	-	-	54	-	63	-
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	-	-	-	-	-
Private Equity revenue adjustment ²¹	-	-	-	-	(12)	-
Gain on partial extinguishment of TRA obligation (net of tax) ²³	-	-	-	-	(259)	-
Recognition of deferred tax assets (net of TRA accrual) ²²	-	-	-	-	(294)	-
Provision for a lease contract for U.K. facility ¹⁶	6	-	-	-	-	-
Tax (benefits) allocated to adjustments ¹⁸	-	(21)	(23)	-	(4)	-
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	1	-	-
Net Income, as adjusted	\$179	\$195	\$269	\$428	\$480	\$67
Weighted average shares outstanding:						
U.S. GAAP, diluted	137,630	129,326	133,737	133,813	133,245	132,891
As adjusted, diluted	137,630	135,117	133,737	133,813	133,245	132,891
Diluted Net Income per share:						
U.S. GAAP Basis	\$1.36	\$0.65	\$1.21	\$3.20	\$7.40	\$0.50
As adjusted	\$1.31	\$1.44	\$2.01	\$3.20	\$3.60	\$0.50

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

(\$ in millions)

	Financial Advisory			Asset Management			Corporate			Total		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
Net Revenue - U.S. GAAP Basis	\$981	\$1,207	\$1,280	\$1,039	\$1,135	\$1,111	(\$35)	(\$42)	(\$37)	\$1,985	\$2,300	\$2,354
Adjustments ^(a):												
Revenue related to noncontrolling interests	-	-	-	(15)	(15)	(16)	-	-	-	(15)	(15)	(16)
(Gain) loss related to LFI and other similar arrangements	-	-	-	-	-	-	(14)	(7)	4	(14)	(7)	4
Interest expense	-	-	-	-	-	-	78	62	50	78	62	50
Private Equity revenue adjustment	-	-	-	-	-	(12)	-	-	-	-	-	(12)
Gain on repurchase of subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-
Operating revenue	\$981	\$1,207	\$1,280	\$1,024	\$1,120	\$1,083	\$29	\$13	\$17	\$2,034	\$2,340	\$2,380
Operating Income - U.S. GAAP Basis	\$21	\$229	\$274	\$335	\$385	\$374	(\$140)	(\$95)	(\$665)	\$216	\$519	(\$17)
Adjustments:												
Sum of Adjustments - Revenue - U.S. GAAP vs. Operating revenue (from above)	-	-	-	(15)	(15)	(28)	64	55	54	49	40	26
Sum of Adjustments - Compensation and benefits expense, as adjusted to awarded basis ^(b)	17	1	(12)	(15)	(2)	(2)	8	(2)	4	10	(3)	(10)
Charges pertaining to cost saving initiatives ¹	48	-	-	-	-	-	17	-	-	65	-	-
Charges pertaining to staff reductions ²	-	-	-	-	-	-	-	-	-	-	-	-
Charges pertaining to LFI and other similar arrangements ³	-	-	-	-	-	-	14	7	(4)	14	7	(4)
Private Equity incentive compensation ⁴	-	-	-	12	-	-	-	-	-	12	-	-
Operating expenses related to noncontrolling interests ⁵	-	-	-	6	7	7	-	-	-	6	7	7
Charges pertaining to Senior Debt refinancing ¹³	-	-	-	-	-	-	54	-	60	54	-	60
Amortization of intangible assets related to acquisitions ¹⁴	-	-	-	10	6	7	-	-	-	10	6	7
Provision pursuant to the tax receivable agreement ¹⁵	-	-	-	-	-	-	2	19	968	2	18	968
Loss (gain) on partial extinguishment of TRA obligation	-	-	-	-	-	-	-	-	(420)	-	-	(420)
Write-off of Lazard Alternative Investment Holdings option prepayment ¹⁶	-	-	-	-	-	-	-	-	-	-	-	-
Provision for a lease contract for U.K. facility ¹⁶	-	-	-	-	-	-	-	-	-	-	-	-
Corporate support group allocations to business segments	108	112	125	109	117	118	(217)	(229)	(243)	-	-	-
Total adjustments	173	113	113	107	113	102	(58)	(150)	419	222	75	634
Earnings from Operations, Awarded basis	\$194	\$342	\$387	\$442	\$498	\$476	(\$198)	(\$245)	(\$246)	\$438	\$594	\$617
Operating Margin, Awarded basis	20%	28%	30%	43%	44%	44%	nm	nm	nm	22%	25%	26%

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.

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

(\$ in millions)

	Financial Advisory			Asset Management		
	2010	2011	2012	2010	2011	2012
Net Revenue - U.S. GAAP Basis	\$1,120	\$992	\$1,049	\$850	\$897	\$896
Adjustments ^(a):						
Revenue related to noncontrolling interests	-	-	-	(15)	(14)	(14)
Interest expense	1	-	-	-	-	-
Operating revenue	\$1,121	\$992	\$1,049	\$835	\$883	\$882
Operating Income - U.S. GAAP Basis	\$169	\$62	(\$9)	\$265	\$268	\$237
Adjustments:						
Sum of Adjustments - Revenue - U.S. GAAP vs. Operating revenue (from above)	1	-	-	(15)	(14)	(14)
Sum of Adjustments - Compensation and benefits expense, as adjusted to awarded basis ^(b)	(14)	17	35	(33)	(19)	5
Charges pertaining to cost saving initiatives ¹	-	-	77	-	-	13
2010 adjustments ⁶	20	-	-	3	-	-
Operating expenses related to noncontrolling interests ⁵	-	-	-	5	6	6
Amortization of intangible assets related to acquisitions ¹⁴	-	-	-	8	12	8
Corporate support group allocations to business segments	107	104	114	89	97	104
Total adjustments	114	121	226	57	82	122
Earnings from Operations, Awarded basis	\$283	\$183	\$217	\$322	\$350	\$359
Operating Margin, Awarded basis	25%	18%	21%	39%	40%	41%
2010-2012 Average Operating Margin, Awarded basis			21%			40%

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.

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

(\$ in millions)

	Financial Advisory					Asset Management				
	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
Net Revenue - U.S. GAAP Basis	\$865	\$973	\$1,240	\$1,023	\$987	\$466	\$553	\$725	\$615	\$602
Adjustments (a):										
Revenue related to noncontrolling interests	-	-	-	-	-	(2)	(5)	(8)	13	(7)
Interest expense	-	-	1	1	4	-	1	-	1	1
Operating revenue	\$865	\$973	\$1,241	\$1,024	\$991	\$464	\$549	\$717	\$629	\$596
Operating Income - U.S. GAAP Basis	\$276	\$251	\$319	\$226	(\$12)	\$116	\$135	\$185	(\$63)	\$97
Adjustments:										
Sum of Adjustments - Revenue - U.S. GAAP vs. Operating revenue (from above)	-	-	1	1	4	(2)	(4)	(8)	14	(6)
Sum of Adjustments - Compensation and benefits expense, as adjusted to awarded basis (b)	(57)	(128)	(191)	(175)	84	(31)	(21)	(55)	(25)	16
Operating expenses related to noncontrolling interests ⁵	-	-	-	-	-	-	-	-	-	2
Amortization of intangible assets related to acquisitions ¹⁴	-	-	22	4	-	-	-	-	1	5
LAM Equity Charge ⁷	-	-	-	-	-	-	-	-	199	-
2005 Adjustments ²⁴	(63)	-	-	-	-	(11)	-	-	-	-
Corporate support group allocations to business segments	82	84	94	105	102	66	71	81	85	83
Total adjustments	(38)	(44)	(74)	(65)	190	22	46	18	274	100
Earnings from Operations, Awarded basis	\$238	\$207	\$245	\$161	\$178	\$138	\$181	\$203	\$211	\$197
<i>Operating Margin, Awarded basis</i>	<i>28%</i>	<i>21%</i>	<i>20%</i>	<i>16%</i>	<i>18%</i>	<i>30%</i>	<i>33%</i>	<i>28%</i>	<i>34%</i>	<i>33%</i>
<i>2006-2009 Average Operating Margin, Awarded basis</i>					<i>21%</i>					<i>32%</i>

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.

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 incentive compensation arrangements for which a corresponding equal amount is 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 \$584 million, \$570 million, \$530 million, \$516 million, \$507 million, \$453 million, \$422 million, \$468 million, \$456 million, \$398 million and \$380 million for 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006 and 2005, respectively, and cash incentive compensation of \$414 million, \$433 million, \$369 million, \$367 million, \$372 million, \$473 million, \$405 million, \$225 million, \$562 million, \$470 million and \$394 million, for the respective years.
- 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 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007 and 2006 related to the 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006 and 2005 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, retention awards and performance units earned under PRSU grants.
- 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 2005-2011 represent actual forfeiture experience. The 2012-2015 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.

Endnotes related to non-GAAP adjustments (continued)

- 13 For the year ended December 31, 2013, 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. For the period ended March 31, 2015, represents charges related to the extinguishment of \$450 million of the 6.85% Senior Notes maturing in June 2017 and the issuance of \$400 million of 3.75% notes maturing in February 2025.
- 14 Represents amortization of intangible assets related to acquisitions.
- 15 Represents amounts the Company may be required to pay LTBP Trust under the TRA based on the expected utilization of deferred tax assets that are subject to the TRA.
- 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.
- 21 Revenue relating to the Company's disposal of the Australian private equity business is adjusted for the recognition of an obligation, which was previously recognized for U.S. GAAP.
- 22 For the nine month period ended September 30, 2015, represents the recognition of deferred tax assets of \$1,217 million, net of accrual of \$962 million for the tax receivable agreement. For the three month period ended December 31, 2015, represents the recognition of deferred tax assets of \$39 million relating to the release of additional valuation allowance.
- 23 In July of 2015 the Company extinguished approximately 47% of the outstanding TRA obligation. Accordingly, for the three month period ended September 30, 2015 and the twelve month period ended December 31, 2015, the Company recorded a pre-tax gain of \$420 million and a related tax expense of \$161 million.
- 24 Reflects payments for services rendered by our employee members of LAM and managing directors, which prior to the IPO were accounted for as either distributions from members' capital or as minority interest expense.
- 25 Represents the exclusion of one-time IPO-related costs.