
LAZARD

Quarterly Investor Presentation

February 2015

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 34–44 for a detailed explanation of applicable adjustments to corresponding U.S. GAAP measures.

Why Invest in Lazard

Premier brand

Global scale

Strong momentum

Solid foundation

Efficient model

Cost discipline

Margin growth

High cash generation

Substantial return of capital

World-Class
Franchise

Profitable
Growth

Shareholder
Returns

Power of the Brand

“...success built on its bankers’ discretion and its long-term relationships with clients”

The
Economist

“...one of the most influential corporate finance firms in the world”

THE  TIMES
OF LONDON

“...showing bigger Wall Street rivals the power of simplicity”

BREAKINGVIEWS

LAZARD

“La banque occupe une place à part dans le paysage de la finance”¹

LesEchos

“...at once ultraconservative and boldly contrarian”

BusinessWeek

“...a formidable reputation in the world’s boardrooms”

FINANCIAL NEWS

¹ “The bank stands apart in the landscape of finance.”

Global Scale

43 Offices Across 27 Countries

Financial Advisory

- Clients in more than 70 countries
- Powerful cross-border M&A practice
- Advisor to governments on each continent
- Active in emerging markets for more than 35 years

Asset Management

- Global distribution: more than 40% of clients outside U.S.
- Institutional quality manager: approximately 35% of staff are investment professionals
- Global investment solutions for pensions, sovereign wealth funds, governments, corporations, financial institutions, high net worth individuals

Momentum Across Franchise

LAZARD

Record 2014 operating revenue

59% increase in net income per share¹

Financial Advisory

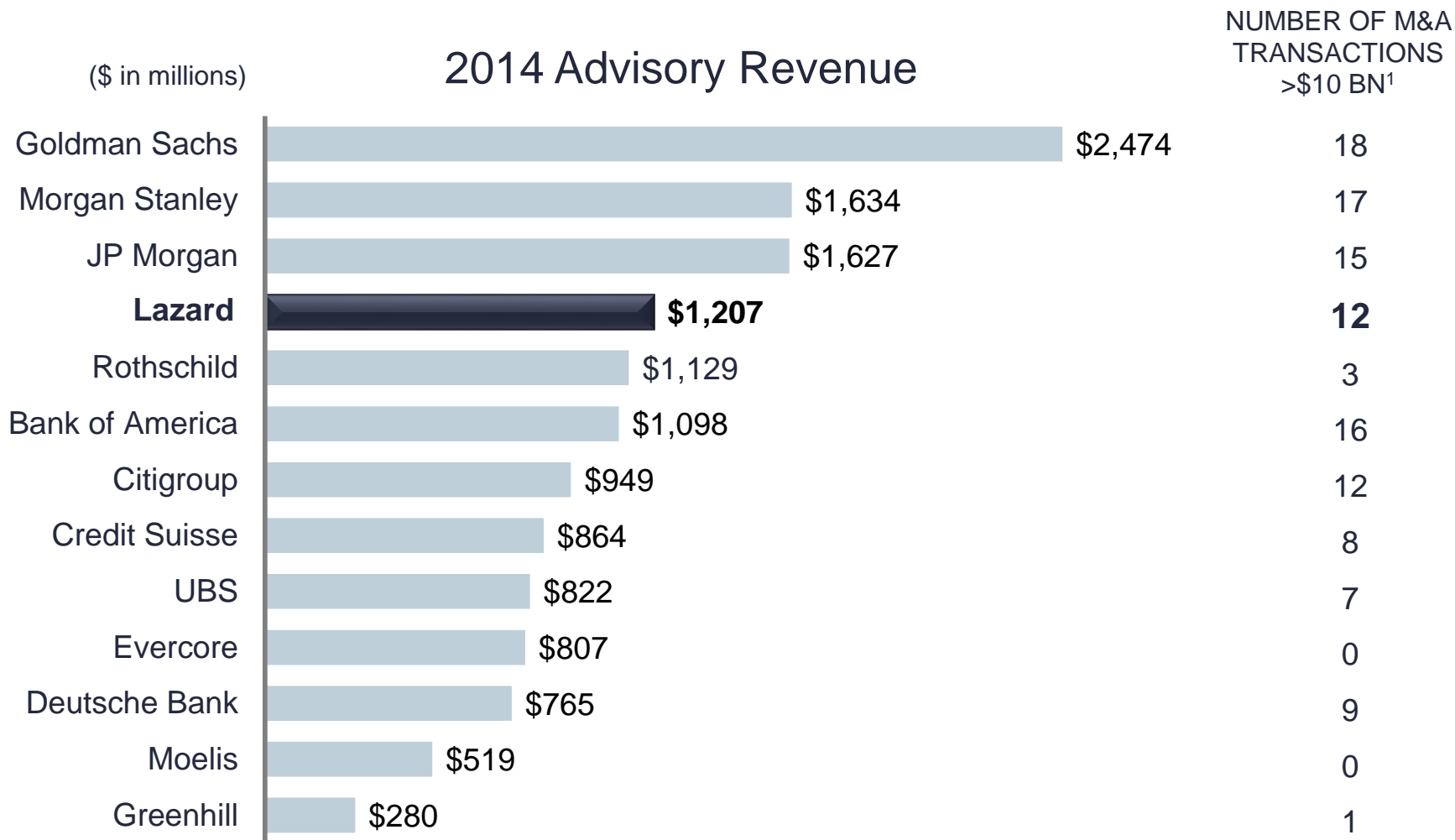
- M&A operating revenue at record level
- Advising on over 1/3 of transactions >\$10 billion

Asset Management

- Record annual operating revenue
- Strong growth in management fees

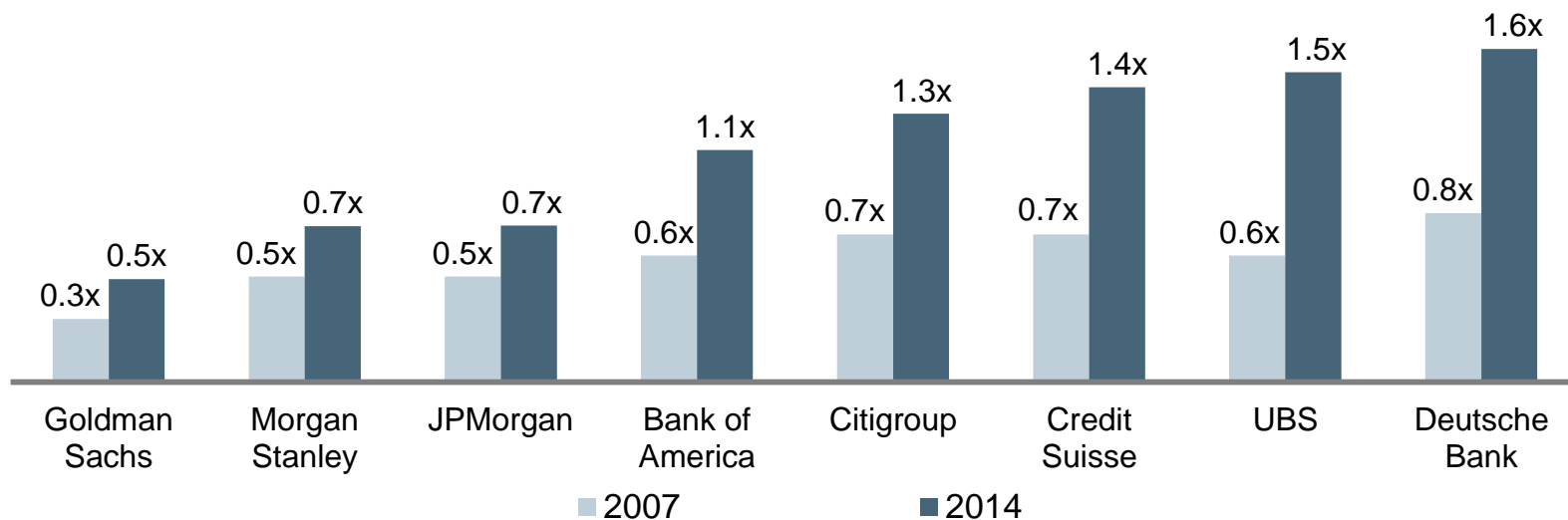
¹ 2014 over 2013.

Advisory Business in Top Tier



Gaining Share of Advisory Revenue

Lazard Advisory Revenue as Multiple of Peers
2007 vs. 2014



**Relative
Increase
in Share**

63%

48%

48%

83%

82%

100%

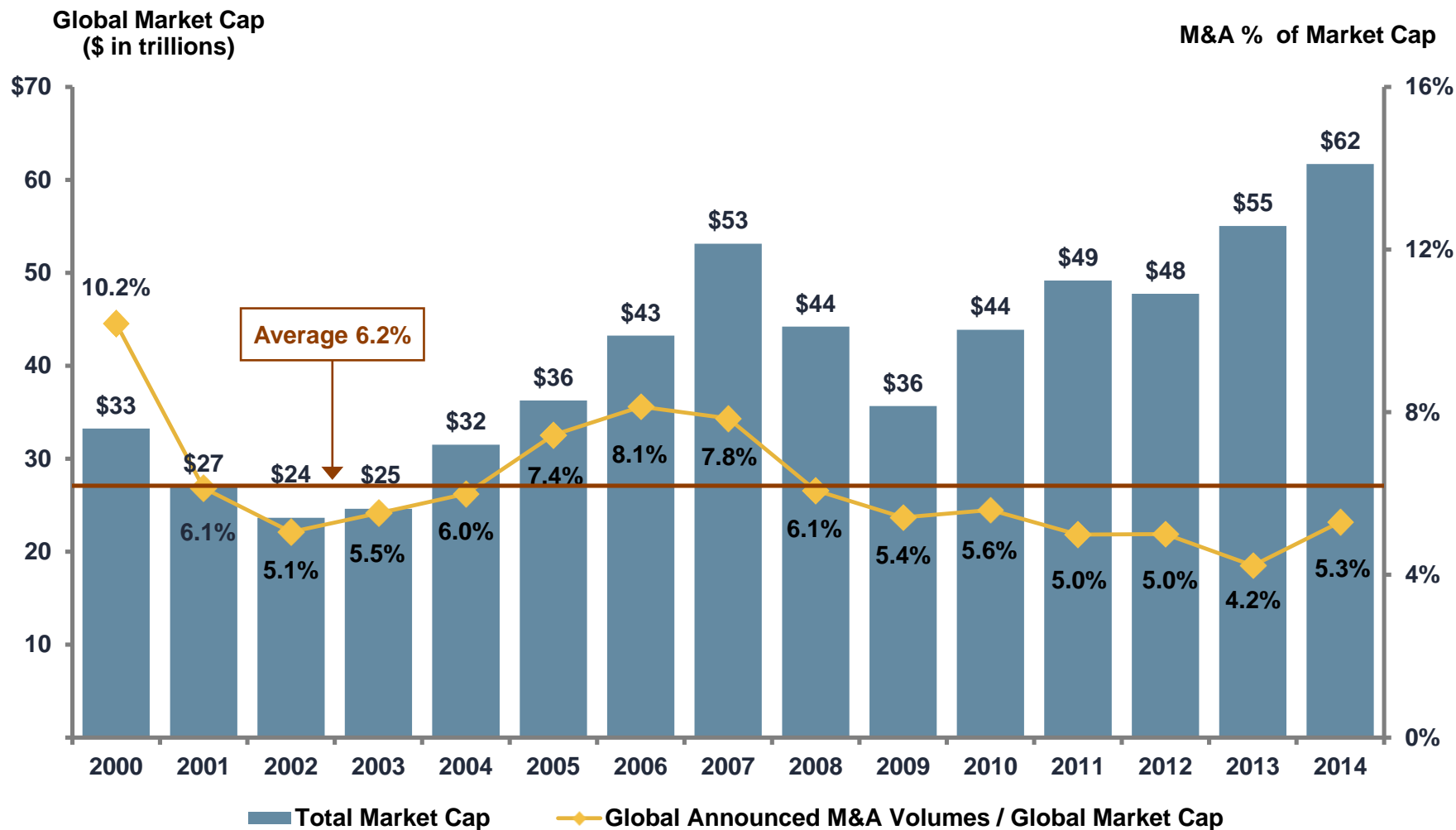
145%

97%

Source: Press releases and public filings.

LAZARD

Advisory Market Opportunity



Source: Thomson SDC, FactSet.

Breadth of Asset Management Platforms

Global

- Select
- Strategic
- Small Cap
- Listed Infrastructure
- Multi-Asset
- Discounted Assets
- Thematic
- Fixed Income
- Convertibles
- Hexagon
- Rathmore

\$38 bn

Multi Regional

- EAFE
- Small Cap
- Discounted Assets
- European
- Asia ex-Japan
- Latin America
- European Fixed Income

\$56 bn

Emerging Markets

- Value
- GARP
- Core
- Small Cap
- Multi-Asset
- Discounted Assets
- Fixed Income

\$63 bn

Local

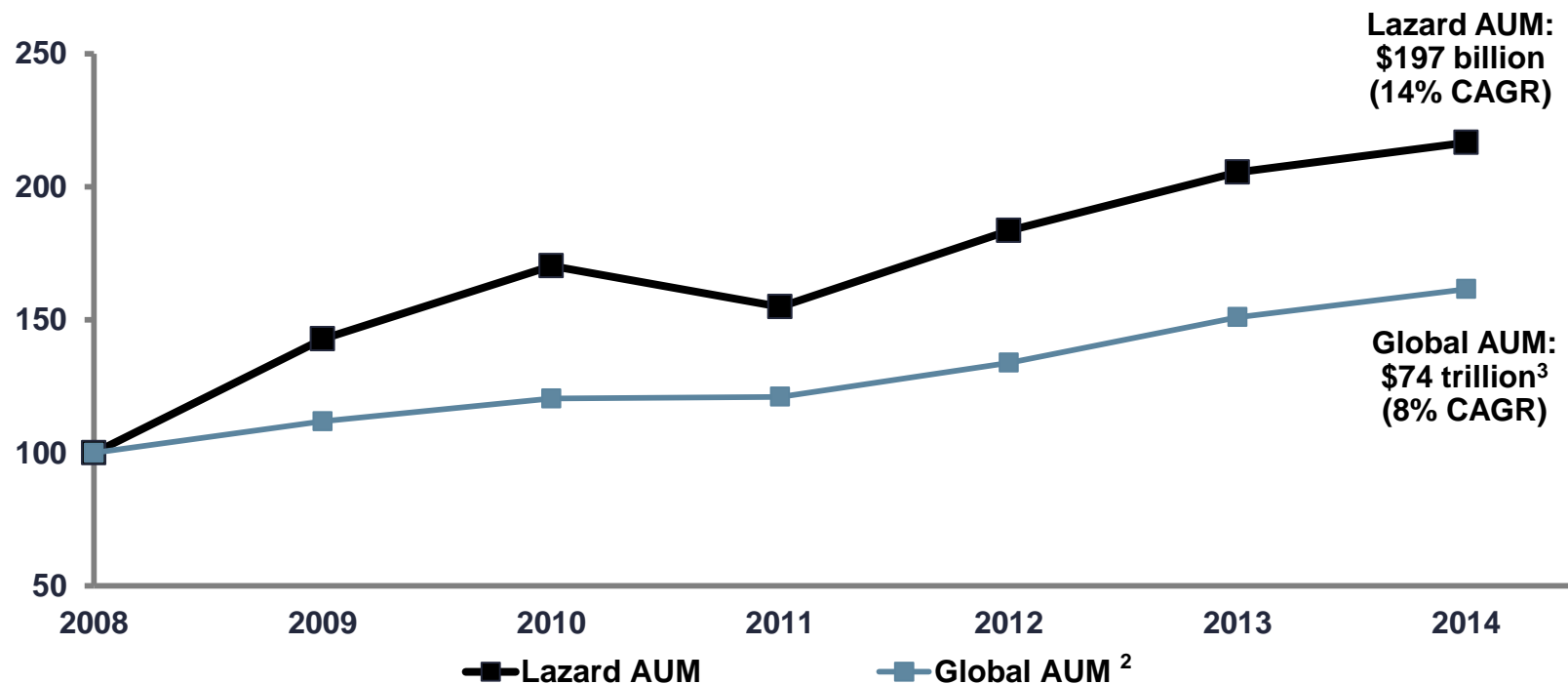
- US
- UK
- France
- Japan
- Korea
- Australia
- US Fixed Income
- Multi-Asset

\$35 bn

Assets Under Management¹

Asset Management's High Quality Growth

AUM Indexed¹



Lazard Avg. Fees (bps)

45	48	52	54	52	53	53
----	----	----	----	----	----	----

1 Assets under management as of December 31 per year.

2 Based on Global AUM data from BCG report, "Global Asset Management 2014: Steering the Course to Growth."

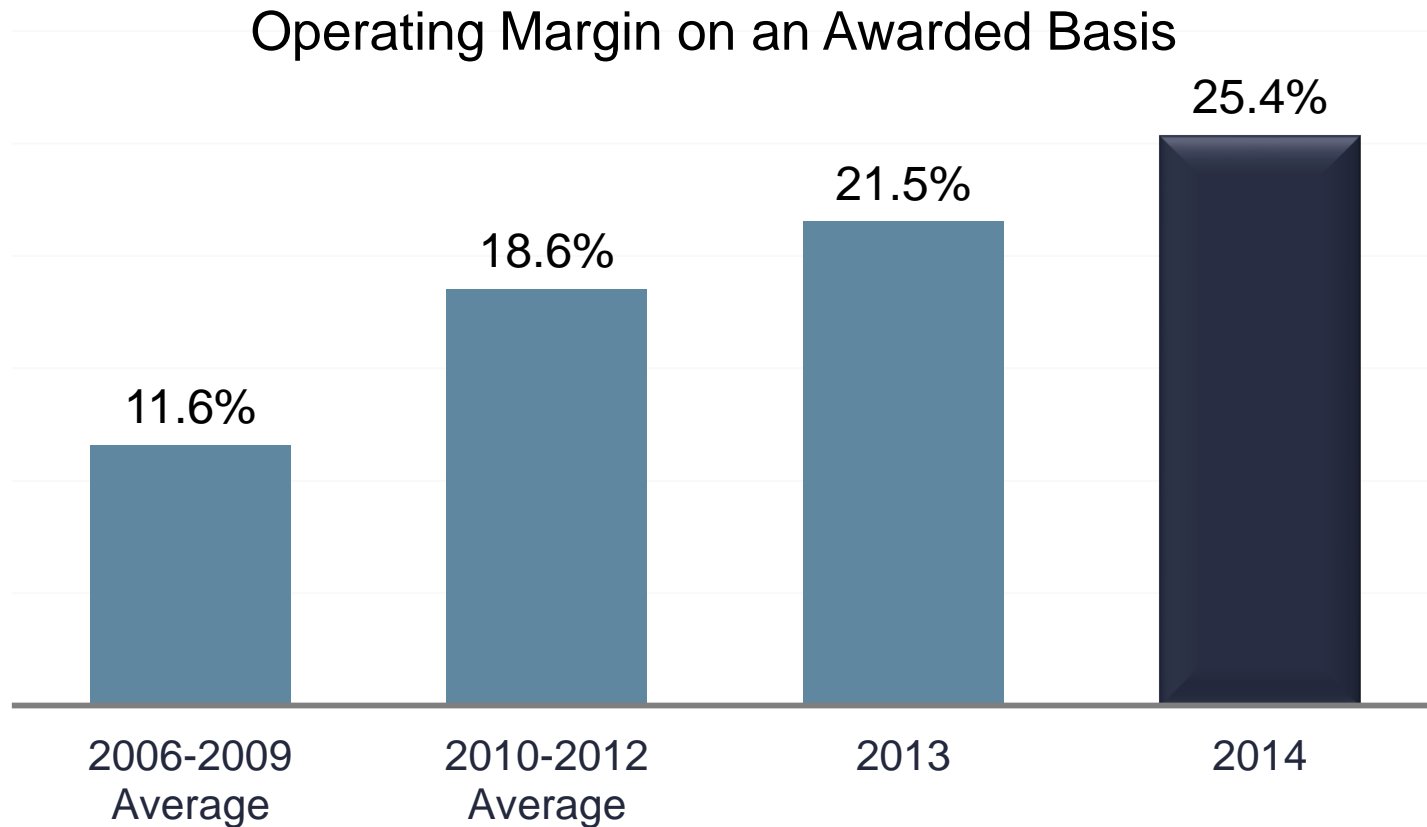
3 Estimated by applying 2002-2013 global AUM CAGR of 7% to 2013 AUM from BCG reports.

Financial Targets Achieved

Metrics	Target ¹	2014	
		Adj. GAAP	Awarded
▶ Compensation Ratio	55% - 59%	55.6%	55.8%
▶ Non-Compensation Ratio	16% - 20%	18.8%	18.8%
▶ Operating Margin	25% by 2014	25.5%	25.4%

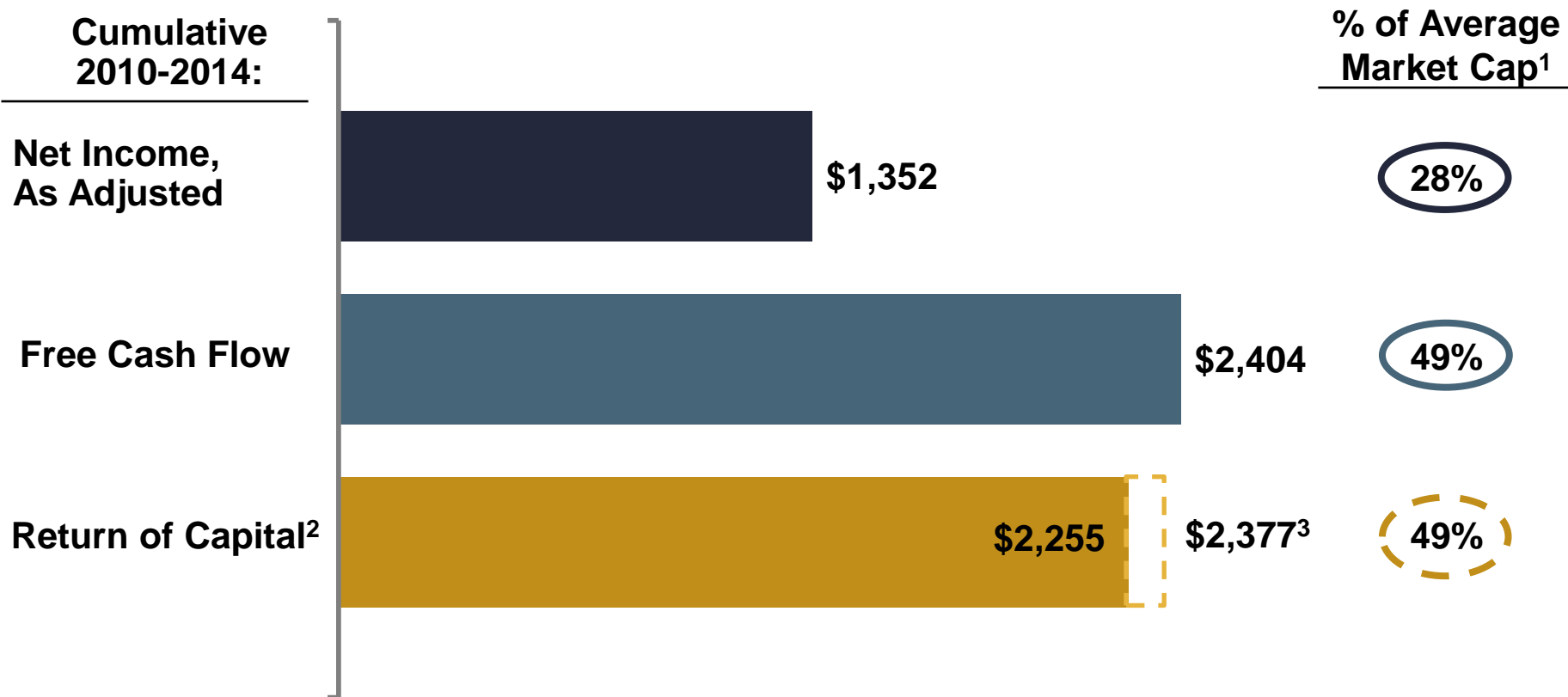
¹ Compensation and non-compensation ratio targets are to be achieved over the cycle. See page 27 for additional information.

Strong Margin Growth



Significant Cash Generation

(\$ in millions)



¹ Based on average Lazard market capitalization at each quarter end from 2010 to 2014 of \$4.9 billion.

² Includes dividends, share repurchases and debt management.

³ Includes estimated impact of special dividend of \$1.00 to be paid in Q1 2015.

Why Invest in Lazard

Premier brand

Global scale

Strong momentum

Solid foundation

Efficient model

Cost discipline

Margin growth

High cash generation

Substantial return of capital

World-Class
Franchise

Profitable
Growth

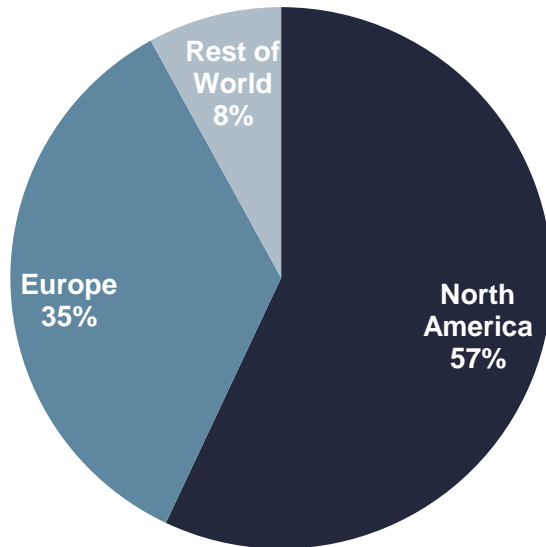
Shareholder
Returns

Appendix

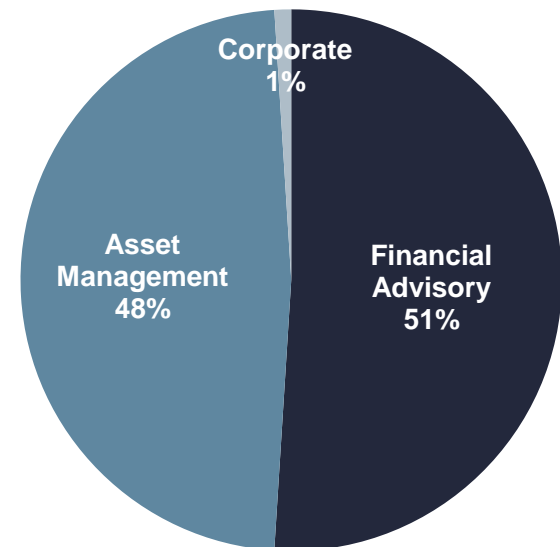
Business Segments

Revenue Balanced Across Geographies and Business Lines

**2014 Operating Revenue
by Geography**

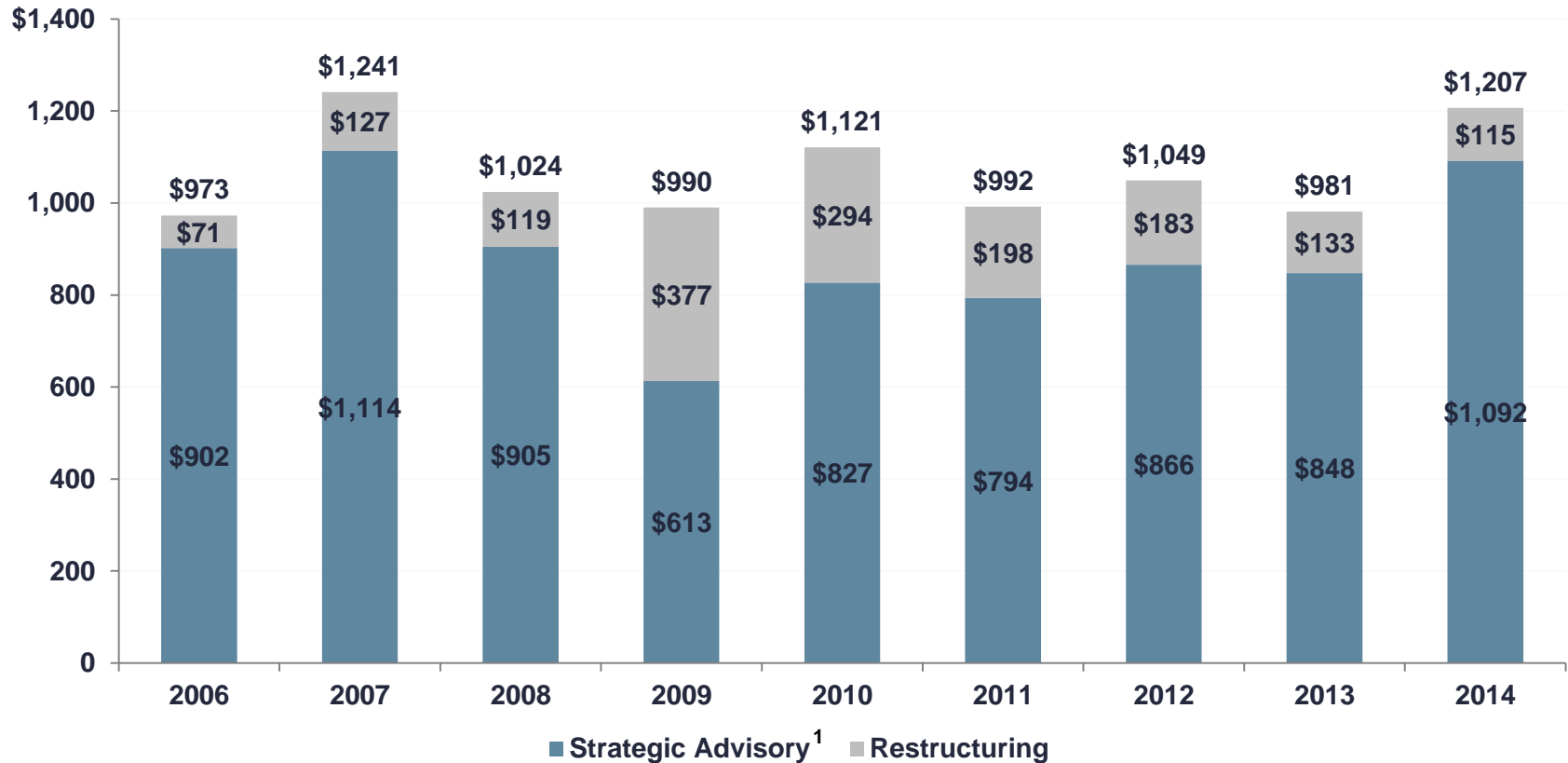


**2014 Operating Revenue
by Business Segment**



Financial Advisory Operating Revenue

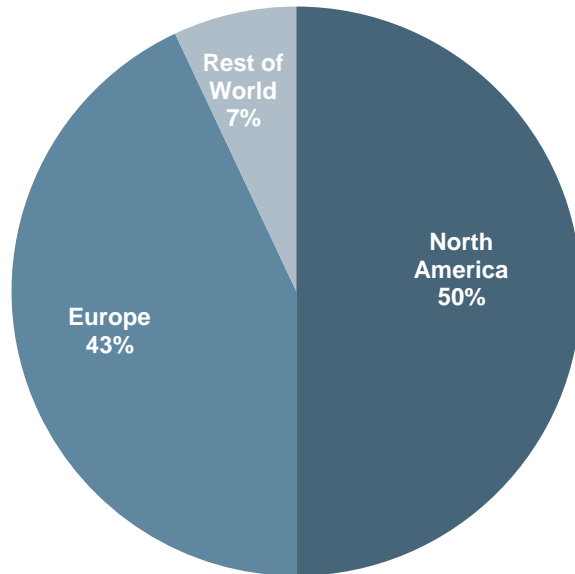
(\$ in millions)



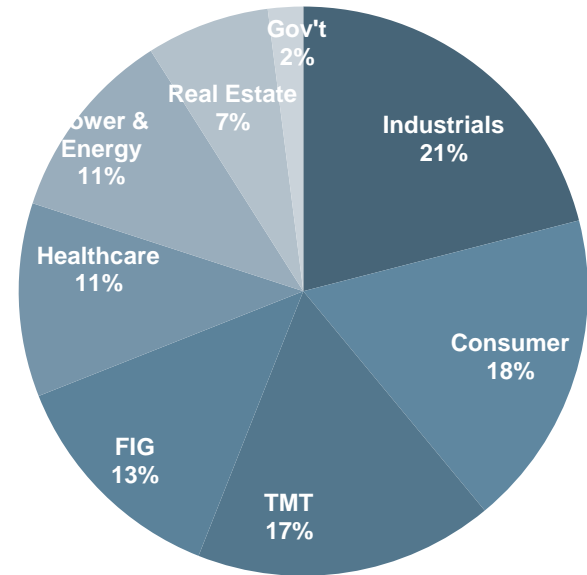
¹ Strategic Advisory is comprised of revenues from M&A and Other Advisory and Capital Raising activities.

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

2014 M&A and Other Advisory Revenue by Geography



2014 M&A and Other Advisory Revenue by Industry



Selected Financial Advisory Transactions¹

M&A



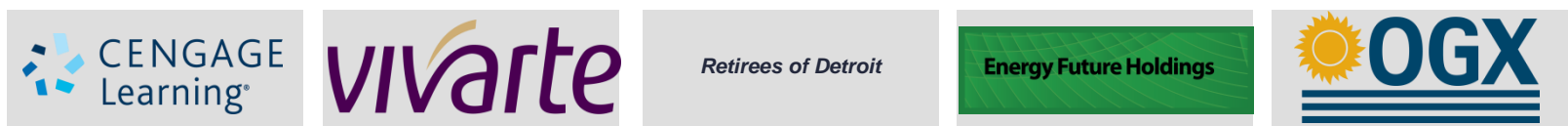
SOVEREIGN ADVISORY



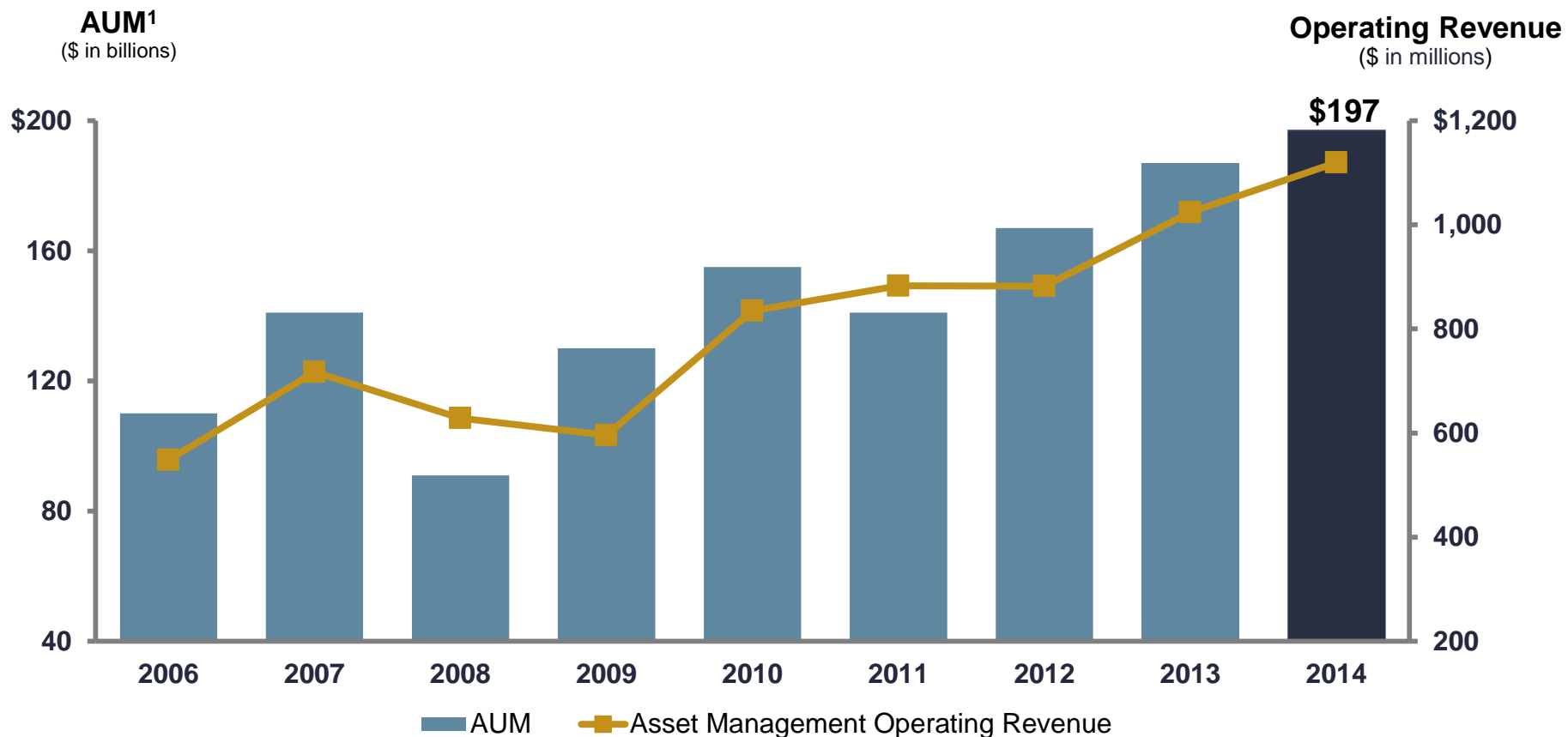
CAPITAL ADVISORY



RESTRUCTURING



Asset Management Growth Over Cycles

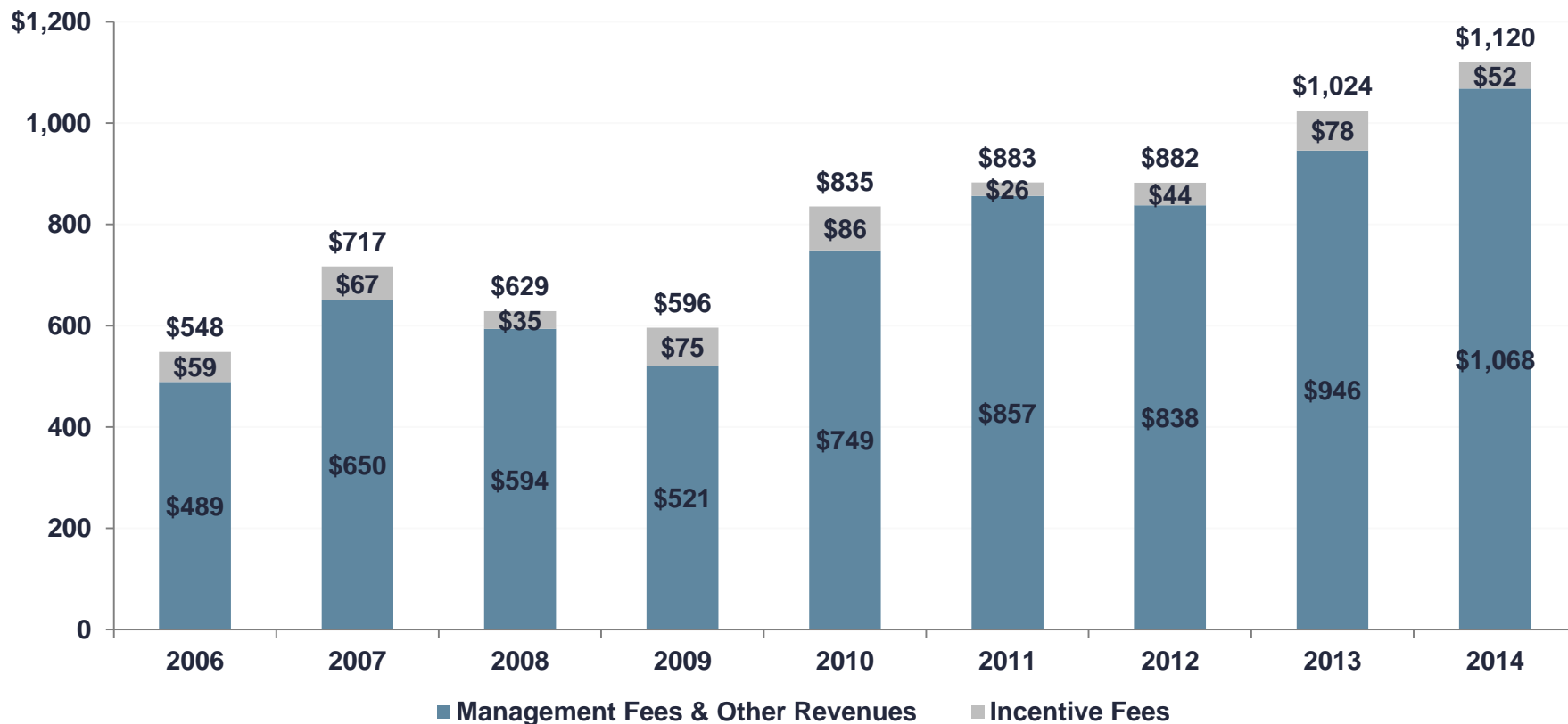


Avg. Fees (bps)	2006	2007	2008	2009	2010	2011	2012	2013	2014
	46	46	45	48	52	54	52	53	53

¹ Assets under management as of December 31 per year.

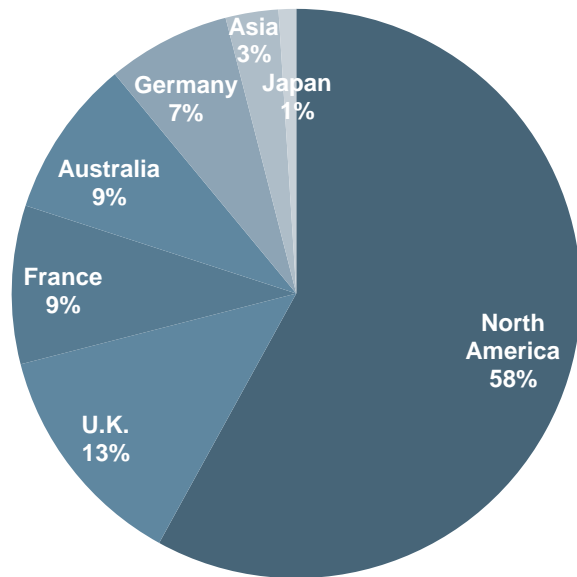
Asset Management Operating Revenue

(\$ in millions)

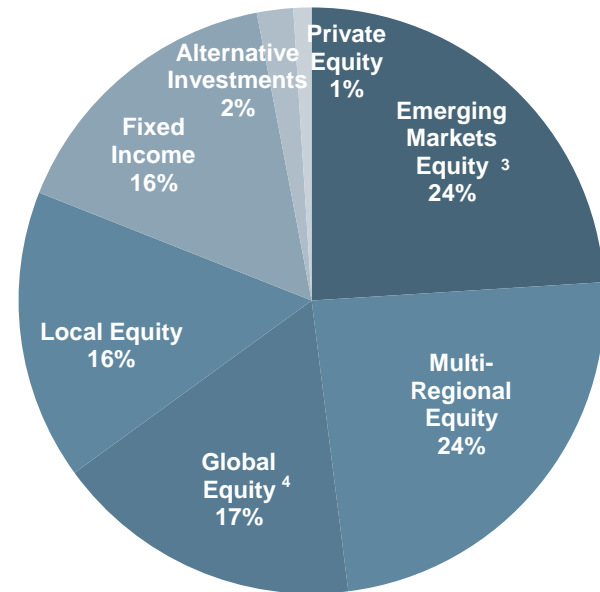


AUM Diversified by Geographic and Product Mix

AUM by Office Domicile ^{1,2}



AUM by Platform ²



¹ Domicile refers to location of client servicing office.

² Breakdown as of December 31, 2014.

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

⁴ Global Thematic Equity strategy accounted for 46% of the Global Equity platform.

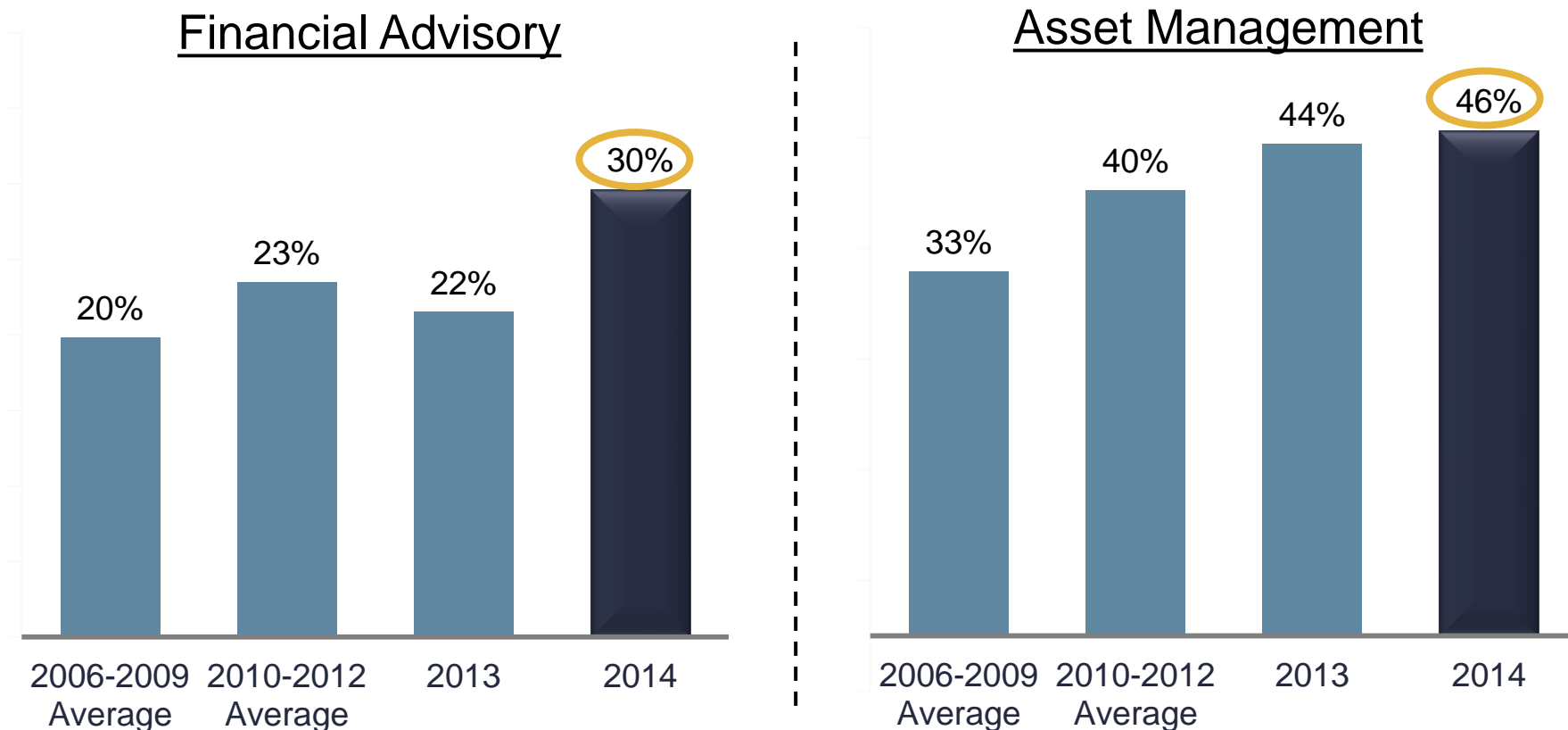
Asset Flows Diversified By Region & Investment Strategy

SELECTED NEW MANDATES

Client Type	Investment Strategy
Asian Financial Institution	US Equity
German Corporate Pension	European Fixed Income
German Corporate Pension	Emerging Markets Debt
Global Multi Manager	Global Listed Infrastructure
Sovereign Wealth Fund	Emerging Markets Debt
Sovereign Wealth Fund	Emerging Markets Equity
UK Corporate Pension	Emerging Markets Debt
French Healthcare Insurer	Multi-Asset
French Retirement Institution	Large-Cap European Equity
US Corporate Pension	US Fixed Income
US Public Pension	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 data)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	Average ¹	
										2006-2010	2011-2014
Operating Revenue	\$1,571	\$2,015	\$1,675	\$1,618	\$1,979	\$1,884	\$1,971	\$2,034	\$2,340		
<i>% Growth</i>	16%	28%	(17%)	(3%)	22%	(5%)	5%	3%	15%	6%	7%
Compensation and benefits, Awarded basis	1,068	1,414	1,192	1,094	1,221	1,168	1,171	1,187	1,305		
<i>% of Operating Revenue</i>	68%	70%	71%	68%	62%	62%	59%	58%	56%	68%	59%
Non-Compensation expense	269	338	368	337	368	400	421	409	441		
<i>% of Operating Revenue</i>	17%	17%	22%	21%	19%	21%	21%	20%	19%	19%	20%
Earnings from Operations, Awarded basis	\$234	\$263	\$115	\$187	\$390	\$316	\$379	\$438	\$594	\$238	\$432
<i>Operating Margin</i>	15%	13%	7%	12%	20%	17%	19%	22%	25%	13%	21%
Net Income per share, Awarded basis	\$1.04	\$0.92	\$0.07	\$0.37	\$1.74	\$1.31	\$1.71	\$2.07	\$3.18	\$0.83	\$2.07
Memo:											
Net Income per share, as adjusted	\$2.24	\$2.77	\$1.72	\$0.09	\$2.06	\$1.31	\$1.44	\$2.01	\$3.20		

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		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Operating Revenue	\$1,049	\$981	\$1,207	\$882	\$1,024	\$1,120	\$1,971	\$2,034	\$2,340
<i>% Growth</i>	6%	(7%)	23%	-	16%	9%	5%	3%	15%
Compensation and benefits, Awarded basis	\$647	\$618	\$693	\$377	\$419	\$445	\$148	\$150	\$167
<i>% of Operating Revenue</i>	62%	63%	57%	43%	41%	40%	8%	7%	7%
Non-Compensation expense	\$164	\$152	\$157	\$142	\$150	\$164	\$115	\$107	\$120
<i>% of Operating Revenue</i>	16%	16%	13%	16%	15%	15%	6%	5%	5%
Earnings from Operations, Awarded basis	\$238	\$211	\$357	\$363	\$455	\$511			
<i>Operating Margin, Awarded basis</i>	23%	22%	30%	41%	44%	46%			

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.

2014 Compensation Bridge – U.S. GAAP to Awarded

(\$ in millions)

		% of Operating Revenue
Compensation and benefits - U.S. GAAP Basis	\$1,314	56.2%
Adjustments	(12)	
Compensation and benefits, as adjusted	\$1,302	55.6%
Deferral Amortization (previous years)	(299)	
2014 Deferrals Awarded (including sign-on and special awards)	339	
FX Adjustments	(11)	
Estimated Forfeitures on Deferrals	(26)	
Compensation and benefits, Awarded Basis	\$1,305	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)

	2014A	2015E	2016E	2017E
2010 Grants	\$10	\$1	–	–
2011 Grants	54	10	–	–
2012 Grants	102	64	9	–
2013 Grants	122	103	62	9
2014 Grants	5	134	117	73
2015 Grants	–	TBD	TBD	TBD
Other	6	6	6	6
Total	\$299	\$318	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.

Selected Quarterly Financial Data

(\$ in millions, except per share data)

	Q4	Q4	%
	2014	2013	Change
<u>Operating Revenue</u>			
Strategic advisory	\$327.7	\$280.5	17%
Restructuring	31.7	34.5	(8%)
Financial Advisory	359.4	315.0	14%
Management fees and other	269.8	249.6	8%
Incentive fees	13.9	43.6	(68%)
Asset Management	283.7	293.2	(3%)
Corporate	2.7	12.3	
Total Operating Revenue	\$645.8	\$620.5	4%
<u>Expenses</u>			
Compensation and benefits, as adjusted	\$305.0	\$348.4	(12%)
<i>% of Operating revenue</i>	47.2%	56.1%	
Non-compensation	\$116.8	\$108.6	8%
<i>% of Operating revenue</i>	18.1%	17.5%	
<u>Earnings</u>			
Earnings from Operations	\$224.0	\$163.5	37%
<i>Operating margin</i>	34.7%	26.4%	
Net Income, as adjusted	\$172.4	\$109.8	57%
Net Income per share, as adjusted	\$1.29	\$0.81	59%
Assets Under Management (in billions)	\$197.1	\$186.9	5%

Selected Financial Data – Full Year

(\$ in millions, except per share data)

	Full Year		YoY
	2014	2013	
<u>Operating Revenue</u>			
Strategic advisory	\$1,092.0	\$847.7	29%
Restructuring	114.7	132.9	(14%)
Financial Advisory	1,206.7	980.6	23%
Management fees and other	1,067.8	945.7	13%
Incentive fees	51.9	78.3	(34%)
Asset Management	1,119.7	1,024.0	9%
Corporate	13.8	29.7	
Total Operating Revenue	\$2,340.2	\$2,034.3	15%
<u>Expenses</u>			
Compensation and benefits	\$1,301.7	\$1,196.6	9%
<i>Ratio of compensation to operating revenue</i>	55.6%	58.8%	
Non-compensation	\$440.8	\$409.3	8%
<i>Ratio of non-compensation to operating revenue</i>	18.8%	20.1%	
<u>Earnings</u>			
Earnings from Operations	\$597.7	\$428.4	40%
<i>Operating margin</i>	25.5%	21.1%	
Net Income	\$427.9	\$268.6	59%
Net Income per Share	\$3.20	\$2.01	59%
Assets Under Management (in billions)	\$197.1	\$186.9	5%

Condensed Balance Sheet

(\$ in millions)

	December 31, 2014	December 31, 2013
<u>ASSETS</u>		
Cash & Cash Equivalents	\$1,067	\$841
Deposits with banks and short-term investments	208	245
Cash deposited with clearing organizations and other segregated cash	43	62
Receivables	558	513
Investments	620	478
Other Assets	854	872
Total Assets	<u>\$3,350</u>	<u>\$3,011</u>
<u>LIABILITIES & STOCKHOLDERS' EQUITY</u>		
Deposits and Other Payables	\$314	\$276
Accrued Compensation	606	523
Other Liabilities	612	534
Senior Debt	1,048	1,048
Total Stockholders' Equity ¹	770	630
Total Liabilities and Stockholders' Equity	<u>\$3,350</u>	<u>\$3,011</u>

¹ Attributable to Lazard Ltd: \$706m at December 31, 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
Net revenue	\$1,494	\$1,918	\$1,557	\$1,531	\$1,905	\$1,830	\$1,912	\$1,985	\$2,300
<i>% Growth</i>	<i>15%</i>	<i>28%</i>	<i>(19%)</i>	<i>(2%)</i>	<i>24%</i>	<i>(4%)</i>	<i>5%</i>	<i>4%</i>	<i>16%</i>
Operating Expenses:									
Compensation and benefits	891	1,123	1,128	1,309	1,194	1,169	1,351	1,279	1,314
Non-Compensation ¹	275	376	404	404	468	425	437	490	467
Operating Income (loss)	\$328	\$419	\$25	(\$182)	\$243	\$236	\$124	\$216	\$519
<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>	<i>11%</i>	<i>23%</i>
Net income (loss) per share, diluted	\$2.31	\$2.79	\$0.06	(\$1.68)	\$1.36	\$1.36	\$0.65	\$1.21	\$3.20

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
Net revenue - U.S. GAAP Basis	\$1,494	\$1,918	\$1,557	\$1,531	\$1,905	\$1,830	\$1,912	\$1,985	\$2,300
Adjustments:									
Revenue related to noncontrolling interests ¹	(5)	(5)	13	(7)	(16)	(17)	(14)	(15)	(15)
(Gain) loss related to Lazard Fund Interests ("LFI") and other similar arrangements ²	-	-	-	-	-	3	(7)	(14)	(7)
Interest expense ³	82	102	105	94	90	86	80	78	62
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	\$2,340

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
Compensation and benefits expense - U.S. GAAP basis	\$891	\$1,123	\$1,128	\$1,309	\$1,194	\$1,169	\$1,351	\$1,279	\$1,314
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)	(7)
Private Equity incentive compensation ⁴	-	-	-	-	-	-	-	(12)	-
Compensation related to noncontrolling interests ⁵	-	-	-	(2)	(3)	(4)	(4)	(4)	(5)
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	1,302
Amortization of deferred incentive awards	(23)	(105)	(238)	(333)	(241)	(289)	(335)	(298)	(299)
Total cash compensation, benefits and other ⁸	868	1,018	693	827	925	879	883	899	1,003
Deferred year-end incentive awards ⁹	204	337	352	239	293	282	272	291	325
Sign-on and other special deferred incentive awards ¹⁰	13	88	180	39	27	40	42	22	14
Adjustment for actual/estimated forfeitures ¹¹	(24)	(36)	(22)	(17)	(27)	(28)	(27)	(27)	(26)
Year-end foreign exchange adjustment ¹²	7	7	(11)	6	3	(5)	1	2	(11)
Compensation and benefits expense - Awarded basis	\$1,068	\$1,414	\$1,192	\$1,094	\$1,221	\$1,168	\$1,171	\$1,187	\$1,305
% of Operating revenue - Awarded basis	68%	70%	71%	68%	62%	62%	59%	58%	56%
Memo: Operating Revenue	\$1,571	\$2,015	\$1,675	\$1,618	\$1,979	\$1,884	\$1,971	\$2,034	\$2,340

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

(\$ in millions)

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Non-Compensation expense - U.S. GAAP basis	\$275	\$376	\$404	\$404	\$468	\$425	\$437	\$490	\$467
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)	(6)
Non-compensation related to noncontrolling interests ⁵	-	-	-	-	(2)	(2)	(2)	(2)	(2)
Provision pursuant to the tax receivable agreement ¹⁵	(6)	(17)	(17)	1	(3)	-	-	(2)	(18)
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	\$441
% of Operating revenue	17%	17%	22%	21%	19%	21%	21%	20%	19%
Memo: Operating Revenue	\$1,571	\$2,015	\$1,675	\$1,618	\$1,979	\$1,884	\$1,971	\$2,034	\$2,340

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

(\$ in millions, except per share data)

	2010	2011	2012	2013	2014
Net income attributable to Lazard Ltd - U.S. GAAP Basis	\$175	\$175	\$84	\$160	\$427
Adjustments:					
2010 Adjustment ⁶	25	-	-	-	-
Restructuring Charges ¹⁷	87	-	-	-	-
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	(16)	-	(21)	(23)	-
Amount attributable to LAZ-MD Holdings ¹⁸	(24)	-	(2)	(1)	-
Adjustment for full exchange of exchangeable interests²⁰:					
Tax adjustment for full exchange	(3)	(1)	(1)	-	-
Amount attributable to LAZ-MD Holdings	37	11	7	2	1
Net Income, as adjusted	\$281	\$179	\$195	\$269	\$428
Weighted average shares outstanding:					
U.S. GAAP, diluted	138,470	137,630	129,326	133,737	133,813
As adjusted, diluted	138,470	137,630	135,117	133,737	133,813
Diluted Net Income per share:					
U.S. GAAP Basis	\$1.36	\$1.36	\$0.65	\$1.21	\$3.20
As adjusted	\$2.06	\$1.31	\$1.44	\$2.01	\$3.20

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

(\$ in millions)

	Financial Advisory			Asset Management			Corporate			Total		
	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
Net Revenue - U.S. GAAP Basis	\$1,049	\$981	\$1,207	\$896	\$1,039	\$1,135	(\$33)	(\$35)	(\$42)	\$1,912	\$1,985	\$2,300
Adjustments ^(a) :												
Revenue related to noncontrolling interests	-	-	-	(14)	(15)	(15)	-	-	-	(14)	(15)	(15)
(Gain) loss related to LFI and other similar arrangements	-	-	-	-	-	-	(7)	(14)	(7)	(7)	(14)	(7)
Interest expense	-	-	-	-	-	-	80	78	62	80	78	62
Gain on repurchase of subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-
Operating revenue	\$1,049	\$981	\$1,207	\$882	\$1,024	\$1,120	\$40	\$29	\$13	\$1,971	\$2,034	\$2,340
Operating Income - U.S. GAAP Basis	(\$9)	\$21	\$229	\$237	\$335	\$385	(\$104)	(\$140)	(\$95)	\$124	\$216	\$519
Adjustments:												
Revenue - U.S. GAAP vs. Operating revenue (from above)	-	-	-	(14)	(15)	(15)	73	64	55	59	49	40
Compensation and benefits expense - adjusted vs. awarded basis ^(b)	35	17	-	4	(15)	(2)	8	8	(2)	47	10	(4)
Charges pertaining to cost saving initiatives ¹	77	48	-	13	-	-	13	17	-	103	65	-
Charges pertaining to staff reductions ²	-	-	-	-	-	-	25	-	-	25	-	-
Charges pertaining to LFI and other similar arrangements ³	-	-	-	-	-	-	7	14	7	7	14	7
Private Equity incentive compensation ⁴	-	-	-	-	12	-	-	-	-	-	12	-
Operating expenses related to noncontrolling interests ⁵	-	-	-	6	6	7	-	-	-	6	6	7
Charges pertaining to Senior Debt refinancing ¹³	-	-	-	-	-	-	-	54	-	-	54	-
Amortization of intangible assets related to acquisitions ¹⁴	-	-	-	8	10	6	-	-	-	8	10	6
Provision pursuant to the tax receivable agreement ¹⁵	-	-	-	-	-	-	-	2	19	-	2	19
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	135	125	128	109	122	130	(244)	(247)	(258)	-	-	-
Total adjustments	247	190	128	126	120	126	(118)	(88)	(179)	255	222	75
Earnings from Operations, Awarded basis	\$238	\$211	\$357	\$363	\$455	\$511	(\$222)	(\$228)	(\$274)	\$379	\$438	\$594
Operating Margin, Awarded basis	23%	22%	30%	41%	44%	46%	nm	nm	nm	19%	22%	25%

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			
	2006	2007	2008	2009	2006	2007	2008	2009
Net Revenue - U.S. GAAP Basis	\$973	\$1,240	\$1,023	\$987	\$553	\$725	\$615	\$602
Adjustments ^(a):								
Revenue related to noncontrolling interests	-	-	-	-	(5)	(8)	13	(7)
Interest expense	-	1	1	4	1	-	1	1
Operating revenue	\$973	\$1,241	\$1,024	\$991	\$549	\$717	\$629	\$596
Operating Income - U.S. GAAP Basis	\$251	\$319	\$226	(\$12)	\$135	\$185	(\$63)	\$97
Adjustments:								
Revenue - U.S. GAAP vs. Operating revenue (from above)	-	1	1	4	(4)	(8)	14	(6)
Compensation and benefits expense - adjusted vs. awarded basis ^(b)	(130)	(193)	(171)	86	(25)	(57)	(18)	13
Operating expenses related to noncontrolling interests ⁵	-	-	-	-	-	-	-	2
Amortization of intangible assets related to acquisitions ¹⁴	-	22	4	-	-	-	1	5
LAM Equity Charge ⁷	-	-	-	-	-	-	197	-
Corporate support group allocations to business segments	93	107	120	114	77	88	92	89
Total adjustments	(37)	(63)	(46)	204	48	23	286	103
Earnings from Operations, Awarded basis	\$214	\$256	\$180	\$192	\$183	\$208	\$223	\$200
Operating Margin, Awarded basis	22%	21%	18%	19%	33%	29%	35%	34%
2006-2009 Average Operating Margin, Awarded basis				20%				33%

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:						
Revenue - U.S. GAAP vs. Operating revenue (from above)	1	-	-	(15)	(14)	(14)
Compensation and benefits expense - adjusted vs. awarded basis ^(b)	(10)	32	35	(34)	(17)	4
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	121	113	135	95	103	109
Total adjustments	132	145	247	62	90	126
Earnings from Operations, Awarded basis	\$301	\$207	\$238	\$327	\$358	\$363
Operating Margin, Awarded basis	27%	21%	23%	39%	41%	41%
2010-2012 Average Operating Margin, Awarded basis			23%			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 Free Cash Flow and Return of Capital

(\$ in millions)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Cash Flow from Operations - U.S. GAAP Basis	\$169	\$398	\$482	\$527	\$737
Investing Activities	412	(45)	(85)	(55)	(20)
FX Adjustment	(10)	(6)	13	6	(55)
Adjustments:					
Reclass of Forward Purchase from Operating to Return of Capital	-	-	-	29	-
Reclass of distributions to noncontrolling interests to operating cash flow	(38)	(34)	(28)	(14)	(13)
Reclass of dividends/common membership to LAZ-MD to operating cash flow	17	5	5	-	-
Reclass of capital lease obligations to operating cash flow	(2)	(2)	(3)	(3)	(2)
Gain on repurchase of subordinated debt	-	(18)	-	-	-
All other	29	2	2	-	4
Free Cash Flow	<u>\$577</u>	<u>\$300</u>	<u>\$386</u>	<u>\$490</u>	<u>\$651</u>
Return of Capital:					
Class A common stock dividends	\$51	\$71	\$135	\$122	\$146
LAZ-MD dividends/repurchase of common membership interest	17	4	5	-	1
Purchase of Class A common stock	150	205	355	132	193
Settlement of forward purchase	-	-	-	29	-
Settlement of vested share-based incentive compensation	57	94	45	133	85
Net reduction of subordinated/ senior debt	10	150	-	29	-
Debt refinancing expense (gain on repurchase of subordinated debt)	-	(18)	-	54	-
All Other	-	-	-	-	-
Total Return of Capital	<u>\$285</u>	<u>\$506</u>	<u>\$540</u>	<u>\$499</u>	<u>\$425</u>
Change in Cash	\$292	(\$206)	(\$154)	(\$9)	\$226

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 \$570 million, \$530 million, \$516 million, \$507 million, \$453 million, \$422 million, \$468 million, \$456 million and \$398 million for 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007 and 2006, respectively, and cash incentive compensation of \$433 million, \$369 million, \$367 million, \$372 million, \$473 million, \$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 2006-2011 represent actual forfeiture experience. The 2012-2014 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.