
LAZARD

Quarterly Investor Presentation

July 2017

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 42–52 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

Cities
43

Countries
27

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

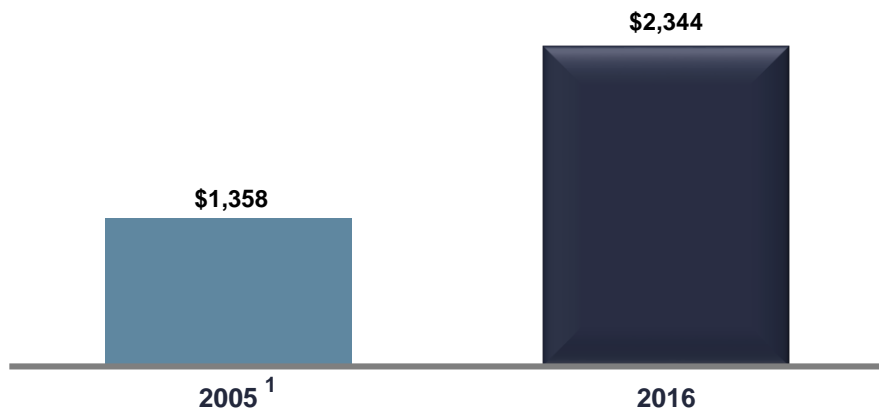


Lazard Growth Across Cycles

(\$ in millions)

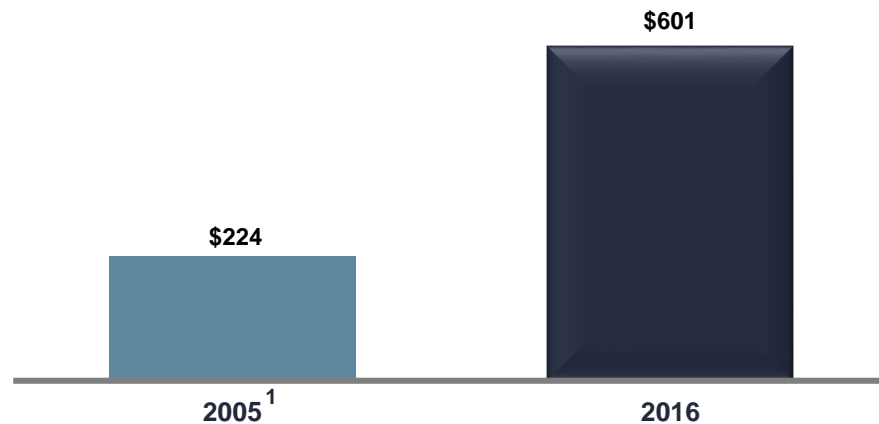
OPERATING REVENUE

'05-'16 % Change: **+73%**



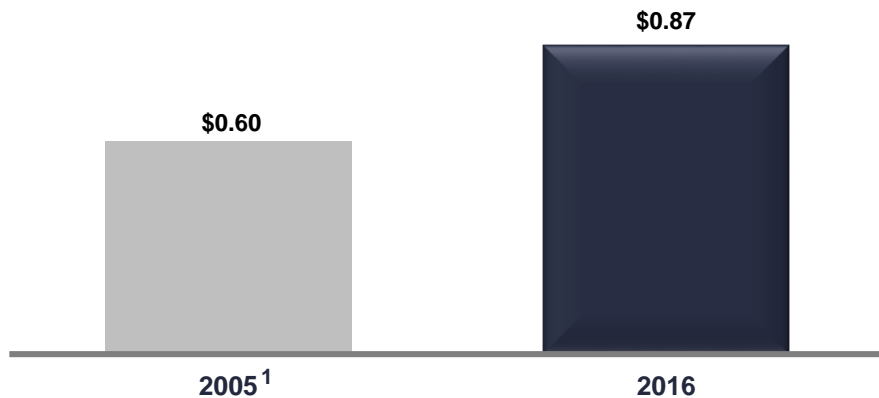
EARNINGS FROM OPERATIONS, AWARDED BASIS

'05-'16 % Change: **+168%**



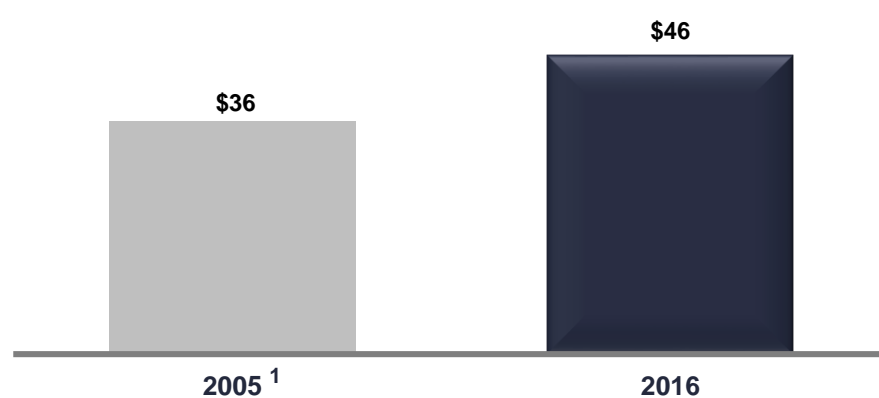
LAZARD EMPLOYEE PRODUCTIVITY²

'05-'16 % Change: **+45%**



DEVELOPED WORLD GDP (\$ IN TRILLIONS)³

'05-'16 % Change: **+28%**



¹ Lazard IPO, May 2005.

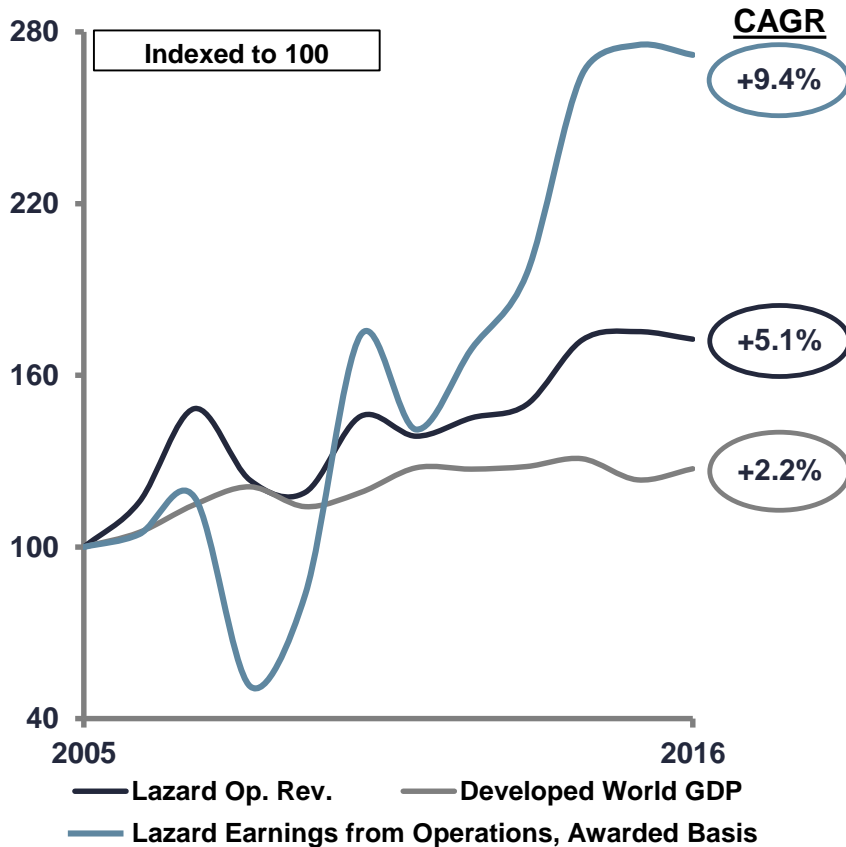
² Calculated as total firm operating revenue divided by average headcount.

³ Source: IMF WEO Database.

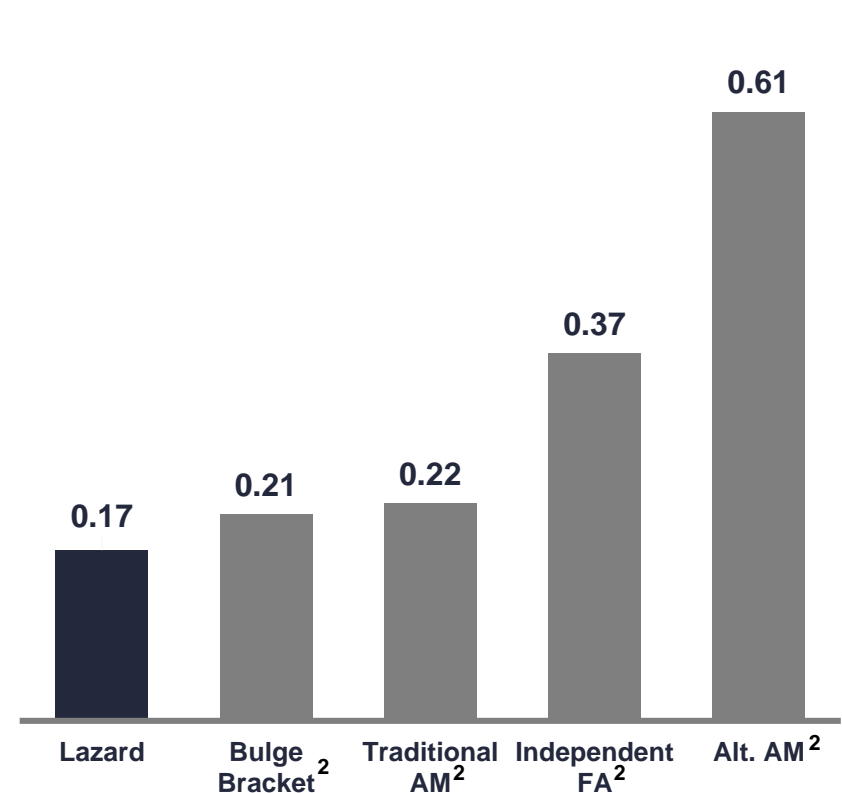
High Growth and Low Volatility

Lazard grew faster than GDP since IPO with less volatility than peers

LAZARD GROWTH VS GDP GROWTH



REVENUE VOLATILITY ('05-'16)¹



Source: IMF WEO Database, Factset, company filings.

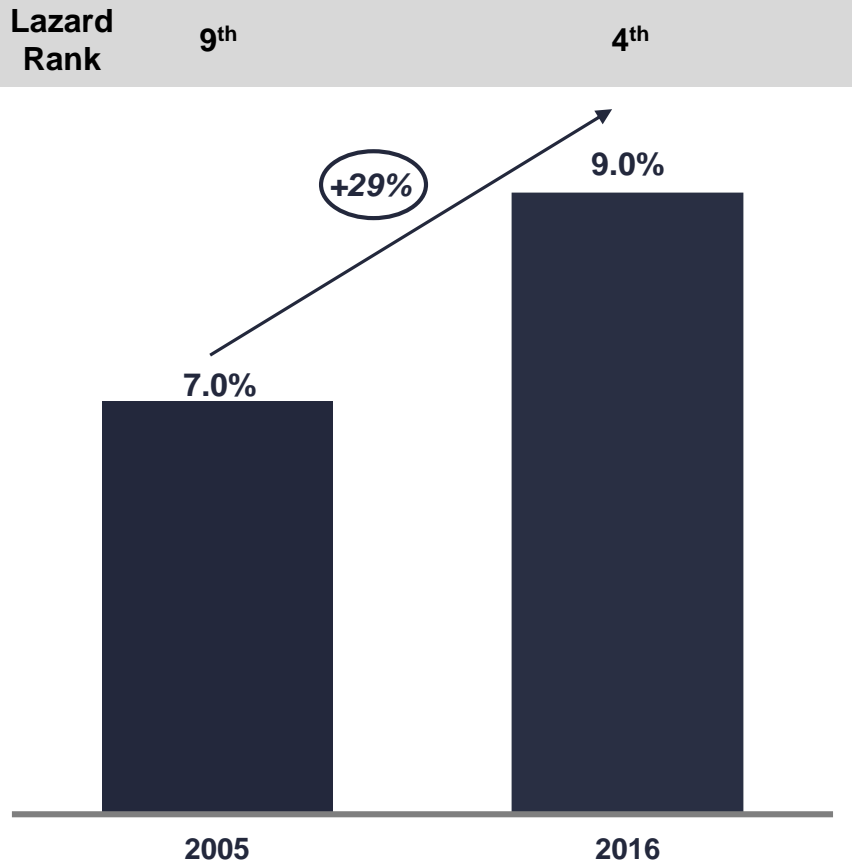
¹ Volatility for each firm calculated as one standard deviation of revenue over the period divided by average revenue.

² Bulge Bracket includes Bank of America, Citi, Credit Suisse, Deutsche Bank, Goldman Sachs, JPMorgan, Morgan Stanley and UBS. Traditional Asset Management includes Alliance Bernstein, Blackrock, Eaton Vance, Franklin Resources, Invesco, Janus, Legg Mason and T. Rowe Price. Independent Financial Advisory includes Evercore, Greenhill and Moelis. Alternative Asset Management includes Apollo, Blackstone, Fortress, KKR and Och-Ziff.

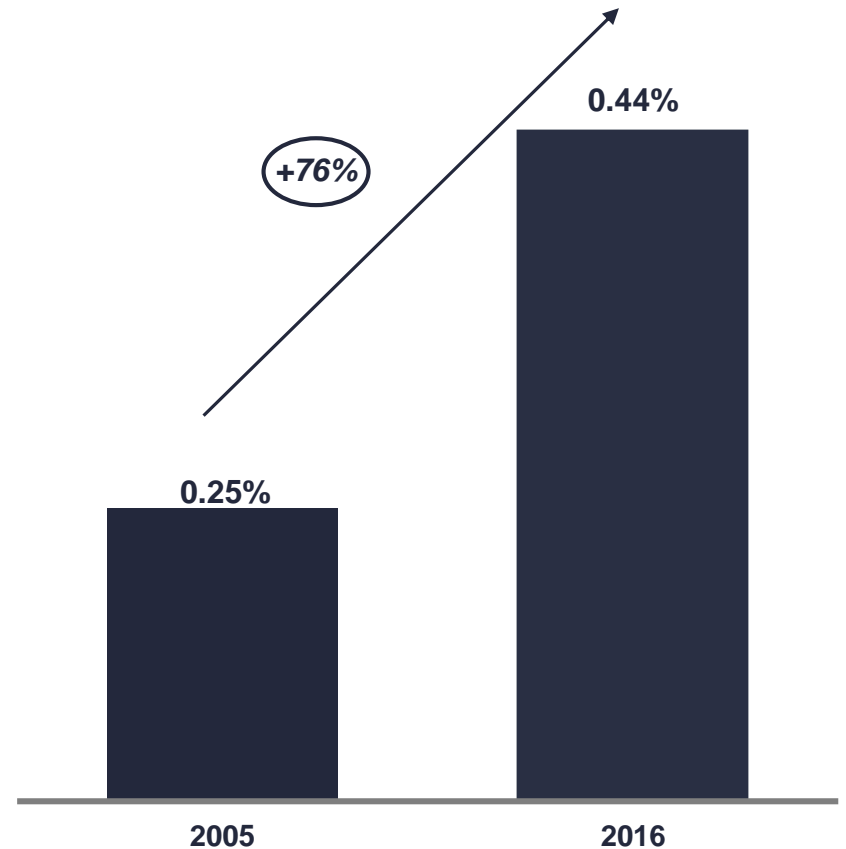
Increasing Market Share

Market share has grown significantly since the time of the IPO

FINANCIAL ADVISORY MARKET SHARE¹

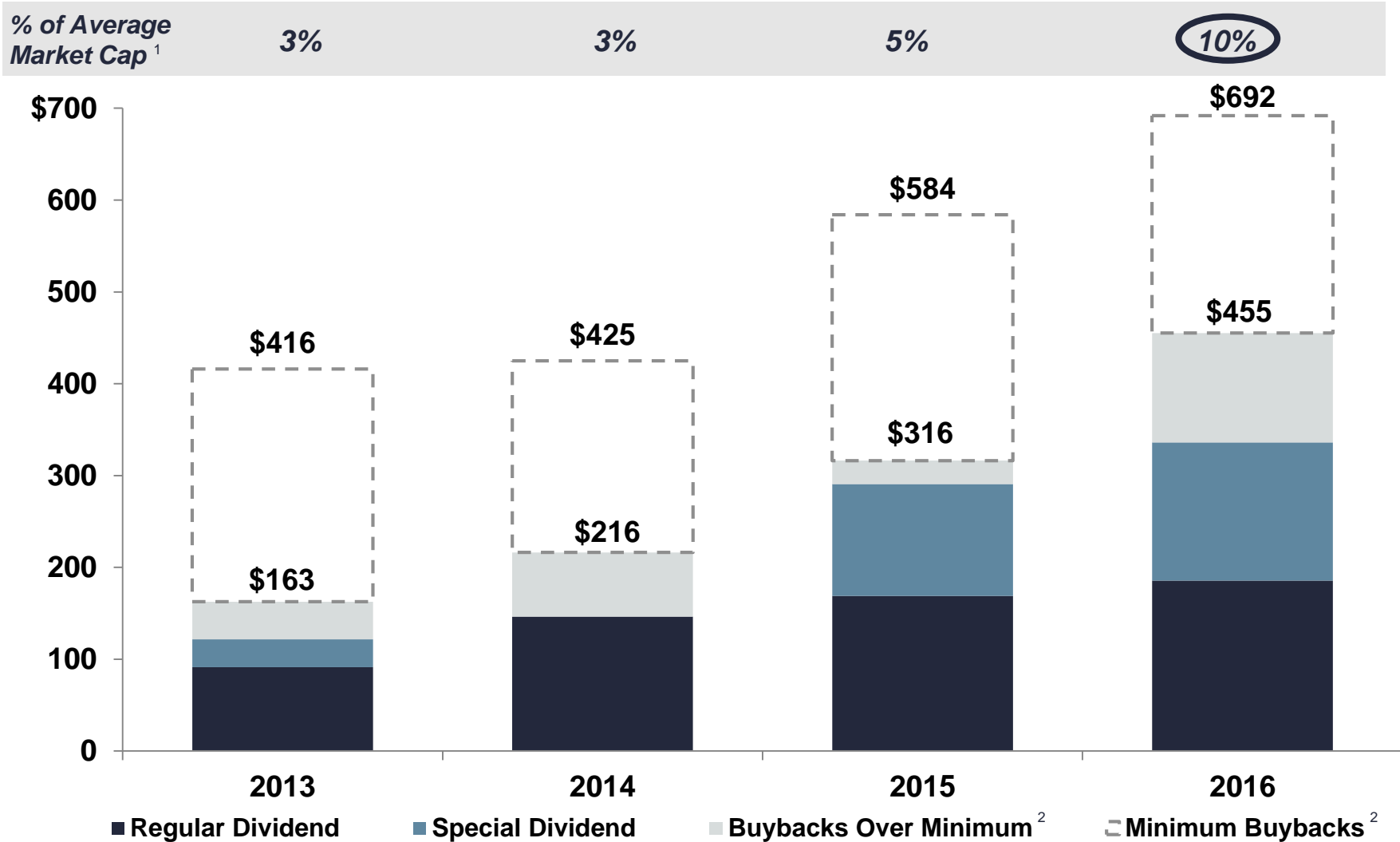


ACTIVE AUM MARKET SHARE²



Net Cash Returned to Shareholders

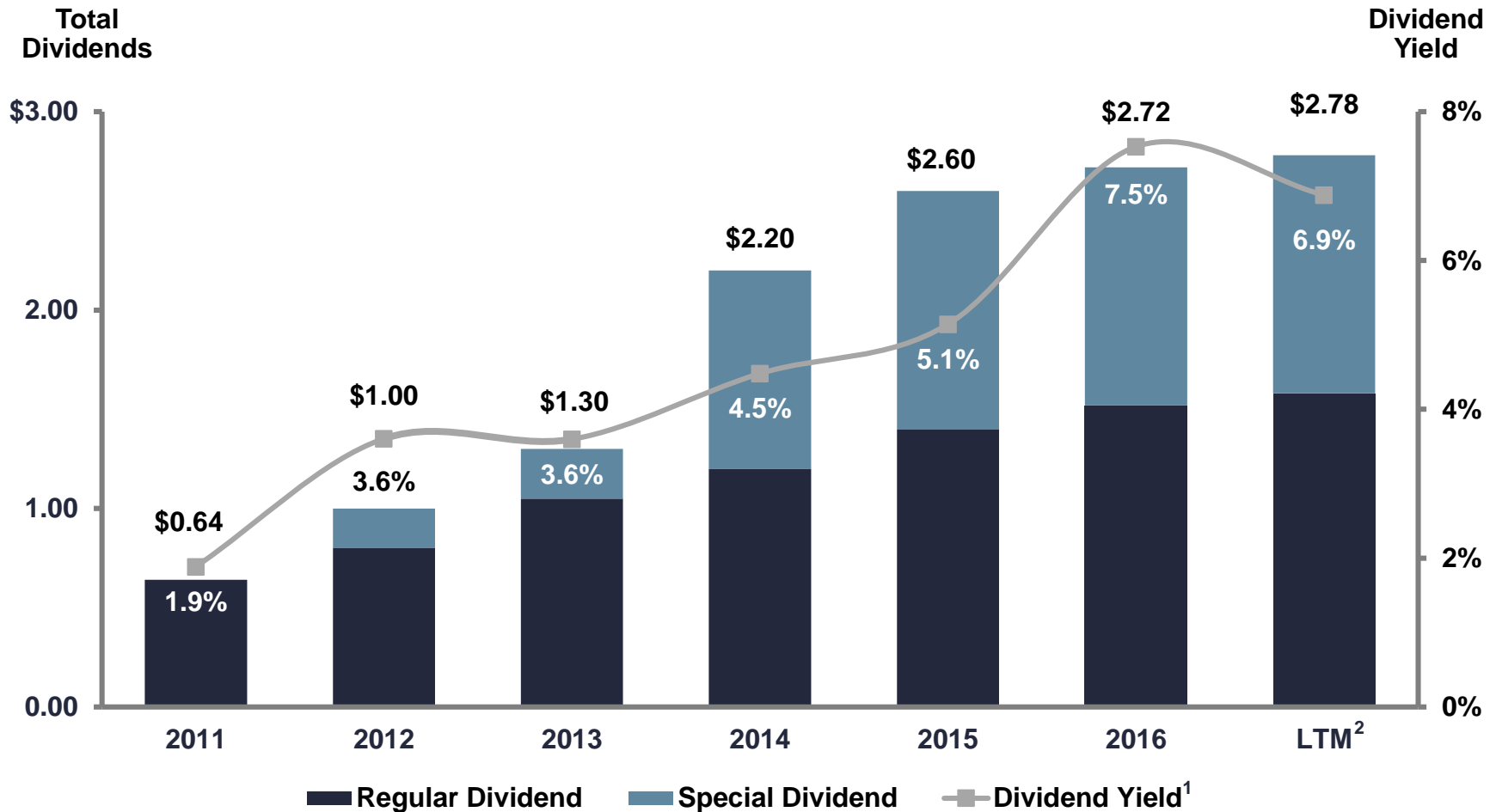
(\$ in millions)



¹ Calculated as dividends and buybacks over minimum divided by average market capitalization for the respective periods.

² Estimated minimum shares repurchased to offset dilution of year-end equity grants and of tax withholding upon settlement.

Compelling Dividend Yield

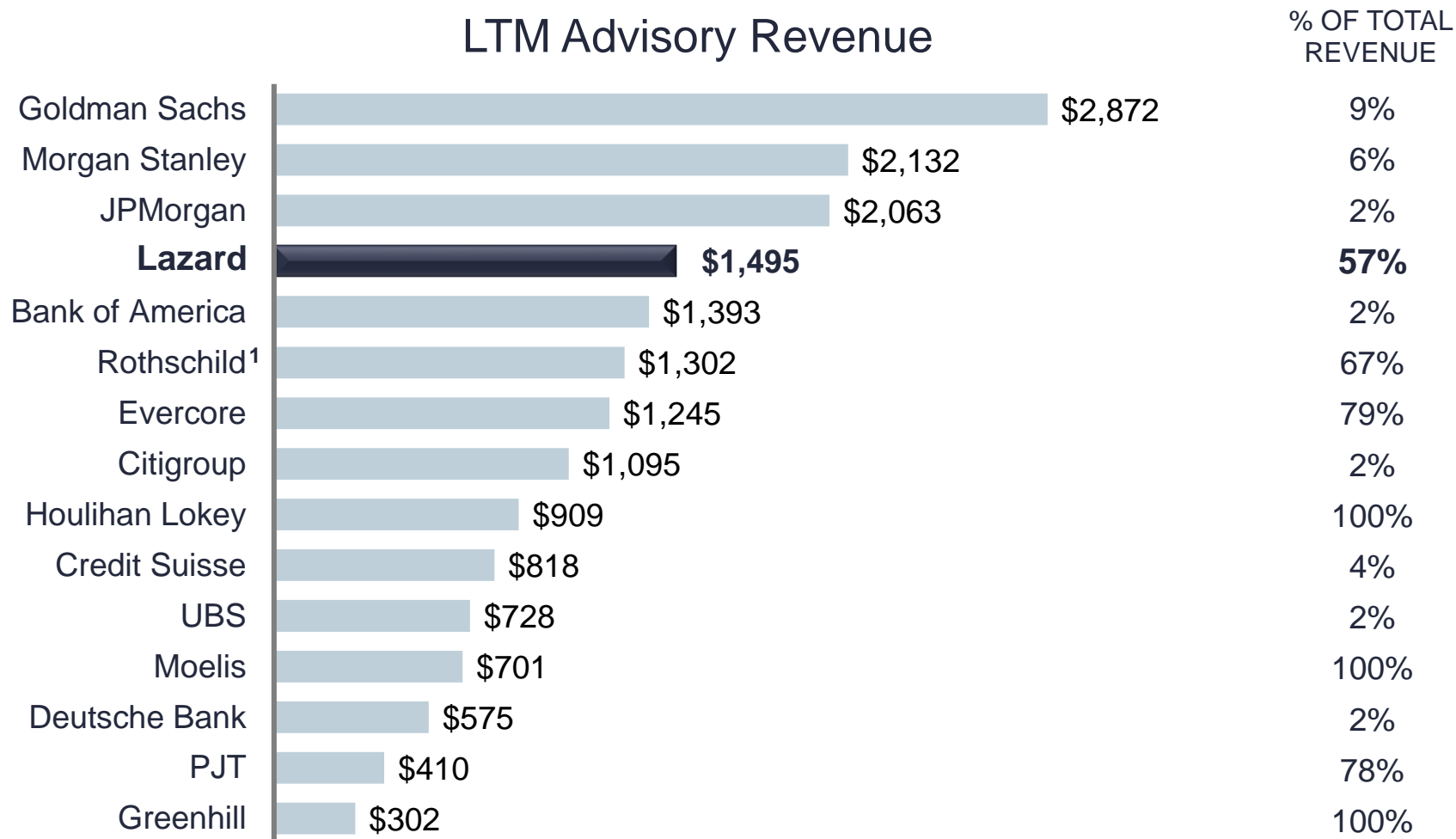


¹ Includes all regular and special dividends paid associated with Lazard's fiscal year. Includes regular dividends of \$0.64, \$0.80, \$1.05, \$1.20, \$1.40, \$1.52 and \$1.58 with respect to 2011, 2012, 2013, 2014, 2015, 2016 and LTM, respectively, and special dividends of \$0.20, \$0.25, \$1.00, \$1.20 and \$1.20 with respect to 2012, 2013, 2014, 2015, 2016 and LTM, respectively. Dividend yield calculated based on average share price in each year.

² Last twelve months as of 6/30/2017 at \$40.41 share price.

Advisory Business in Global Top Tier

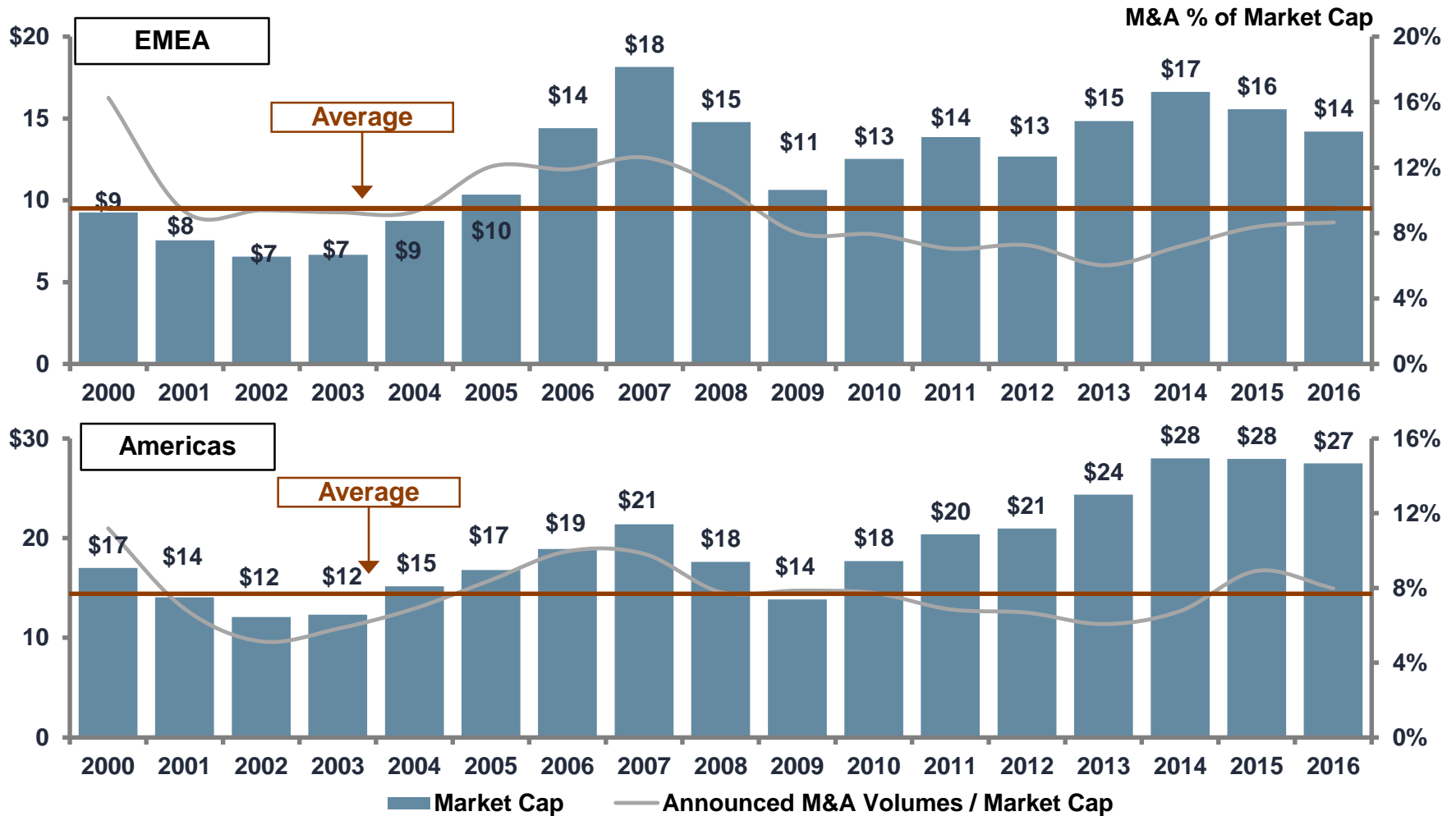
(\$ in millions)



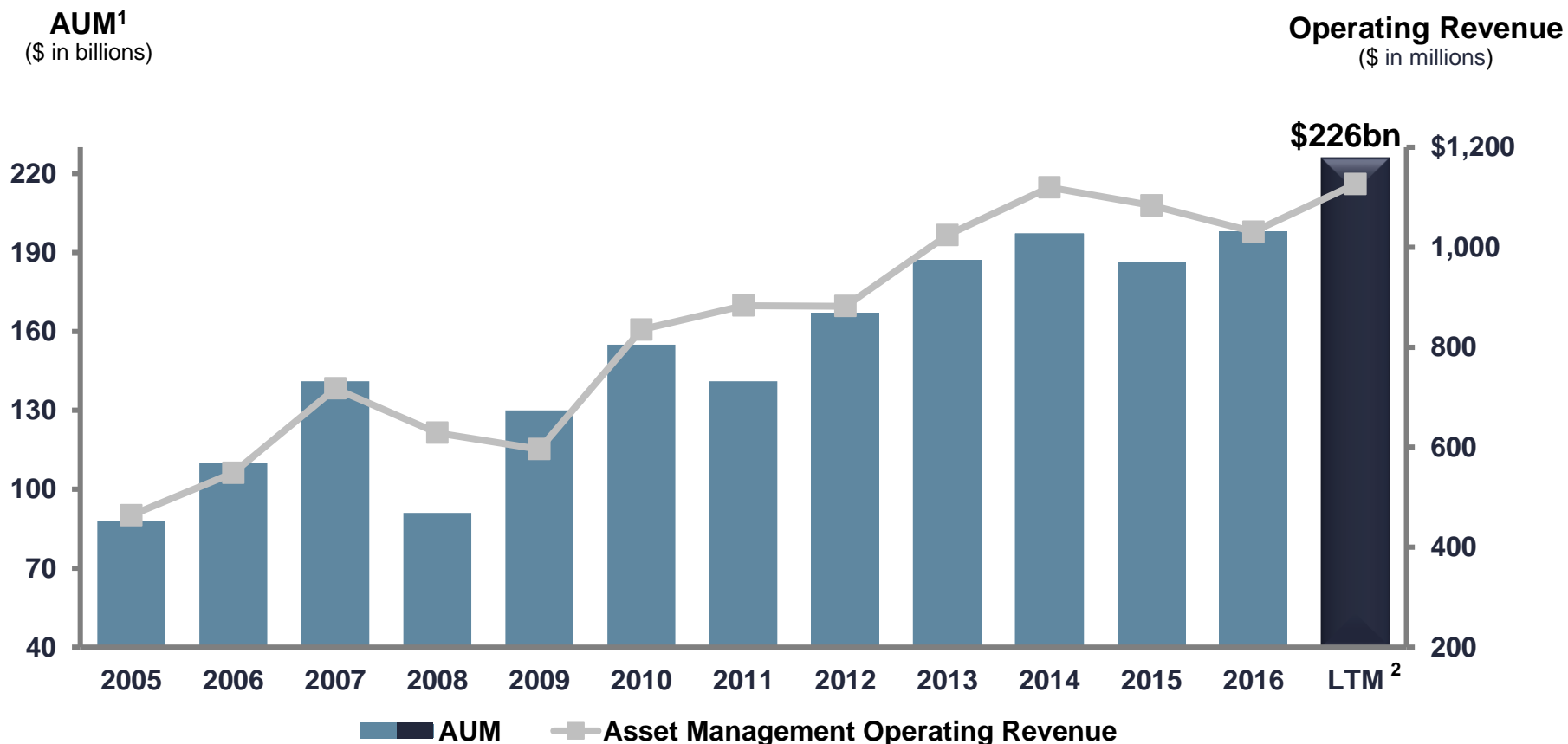
M&A Opportunity

Market Cap (\$ in trillions)

Announced M&A volumes as a percent of market cap at or below historical averages



Asset Management Growth Over Cycles



Avg. Fees (bps)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	LTM ²
Avg. Fees (bps)	45	46	46	45	48	52	54	52	53	53	52	50	51

1 Assets under management as of December 31 per year.

2 AUM as of June 30, 2017. Operating revenue for last twelve months ended June 30, 2017.

Breadth of Asset Management Platforms

Equities

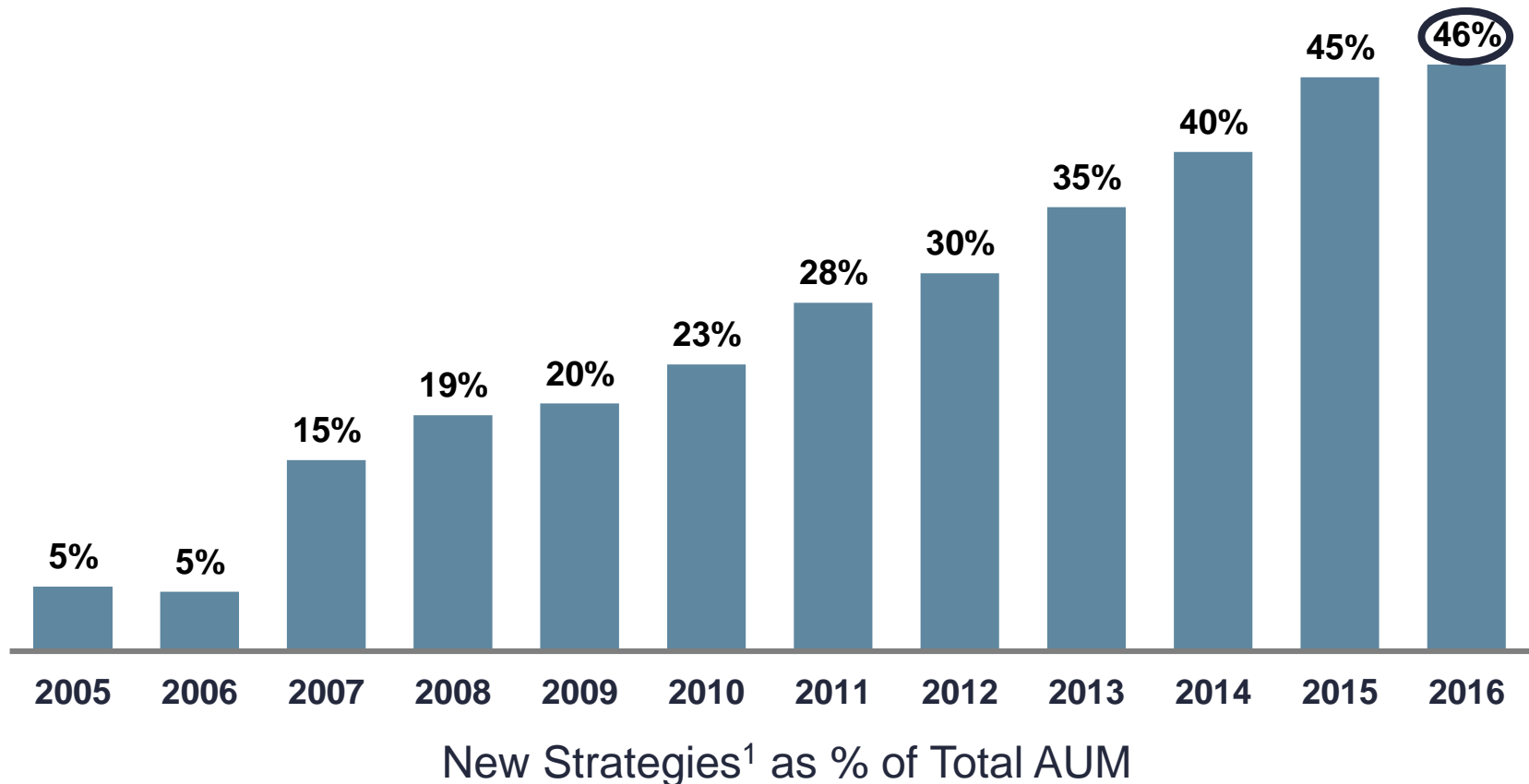
Fixed Income



¹ Assets under management for platforms as of June 30, 2017. Lists do not include all strategies on each platform. Excludes private equity, alternatives and cash management AUM.

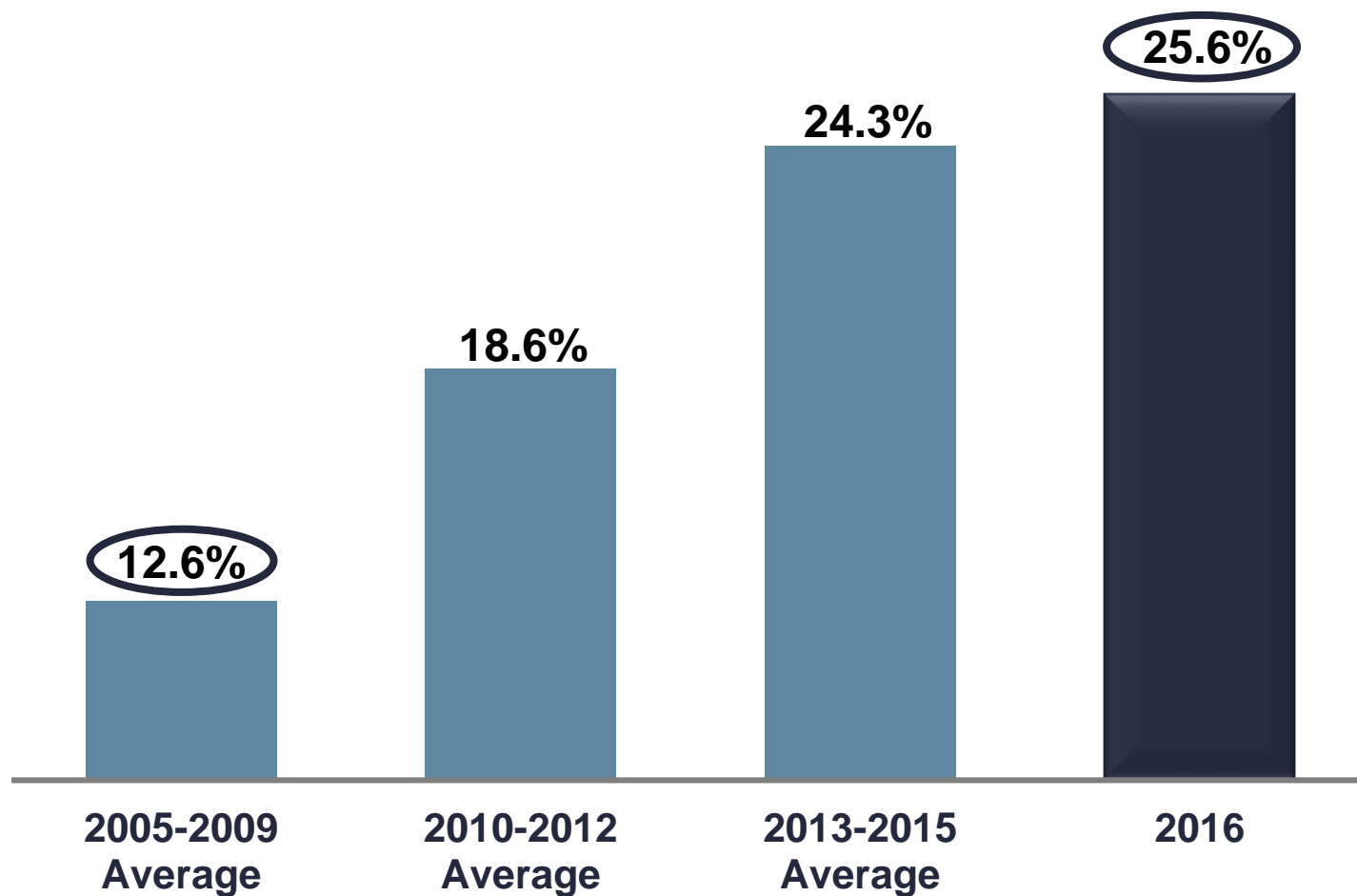
Asset Management: Ability to Innovate, Scale

Almost half of our AUM today comes from new strategies



Awarded Operating Margin Growth

2016 operating margin has more than doubled from the 2005-2009 average



Capital Allocation Goals

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

Dividends

LTM²: \$2.78 (Regular and Special)
2010-2016 Regular Dividend: +204%³

Share Repurchases

YTD: \$185 million
Remaining Authorization: \$170 million⁴

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

¹ Annual excess cash is net of cash earmarked for other uses (e.g., minimum cash balance of \$350 million, accrued compensation, regular dividends, regular share repurchases).

² Last twelve months ended June 30, 2017.

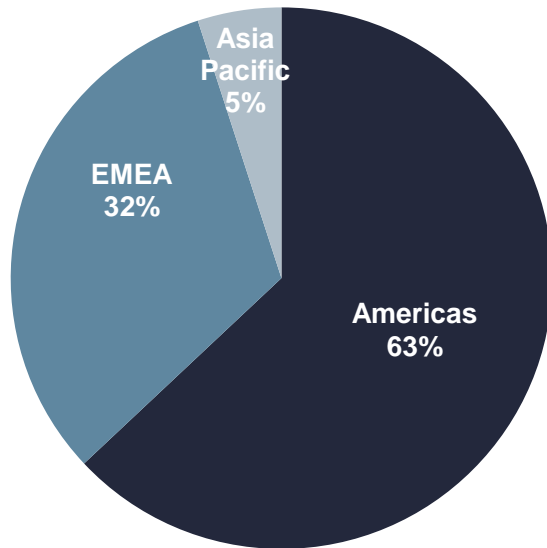
³ Based on regular dividends paid with respect to each fiscal year.

⁴ As of July 19, 2017.

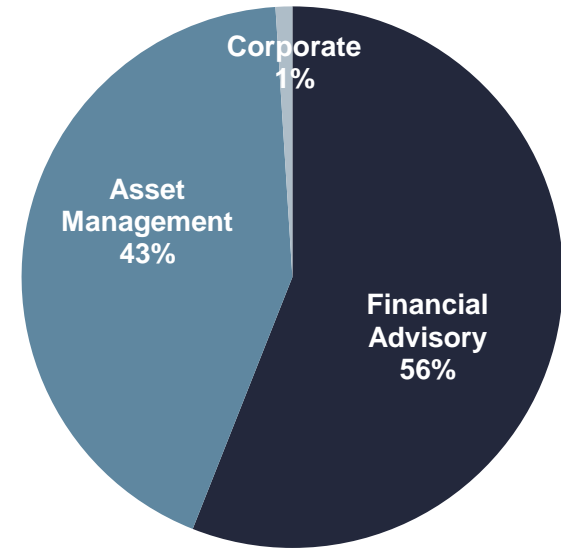
Business Segments

Revenue Balanced Across Geographies and Business Lines

**LTM¹ Operating Revenue
by Geography**

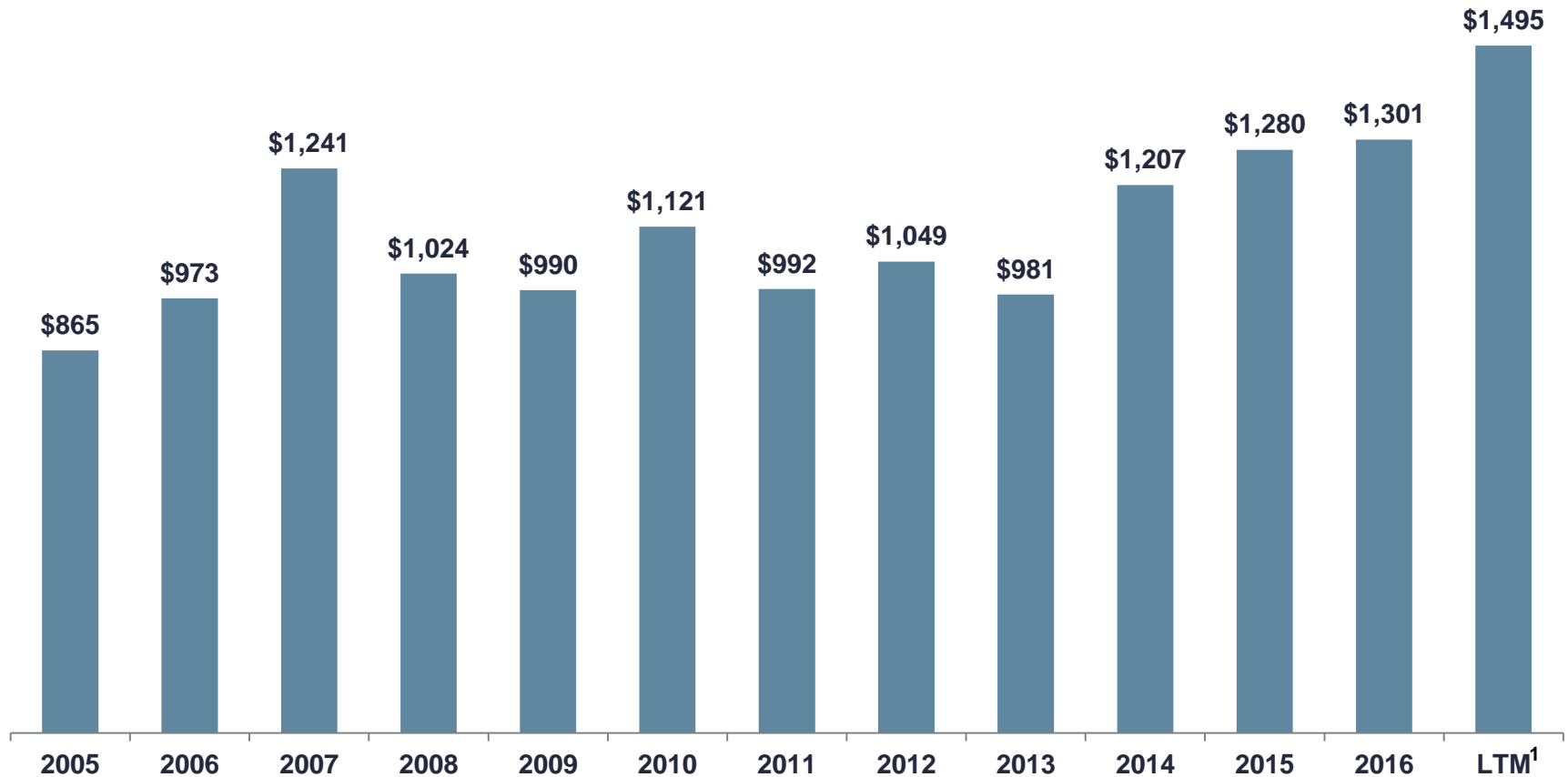


**LTM¹ Operating Revenue
by Business Segment**



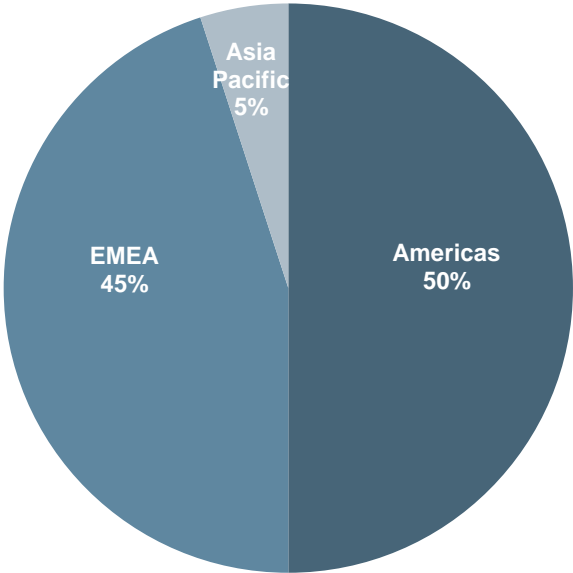
Financial Advisory Operating Revenue

(\$ in millions)

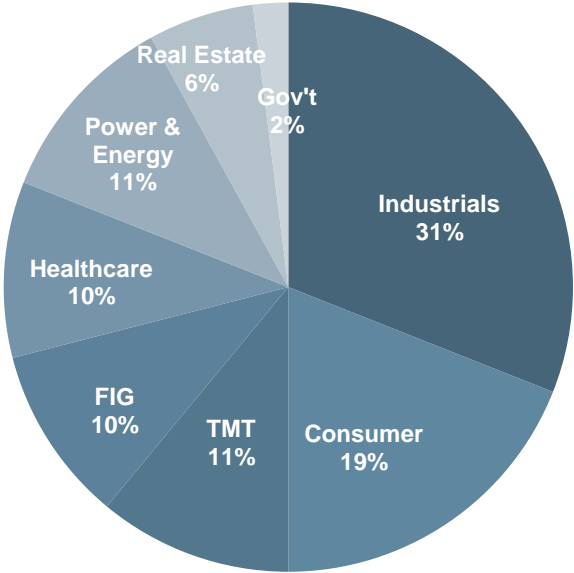


LTM¹ M&A and Other Advisory Operating Revenue by Geography and Industry

By Geography



By Industry



Selected Financial Advisory Assignments¹

M&A

 DuPont	 BAT	 CenturyLink	 Actelion
 Westar Energy	 WhiteWave	 Zodiac Aerospace	 Christian Dior Couture

SOVEREIGN ADVISORY

 International Bank of Azerbaijan	 The Republic of Croatia	 Compania Nacional de Telecomunicacion (Ecuador)	 The Hashemite Kingdom of Jordan
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CAPITAL ADVISORY

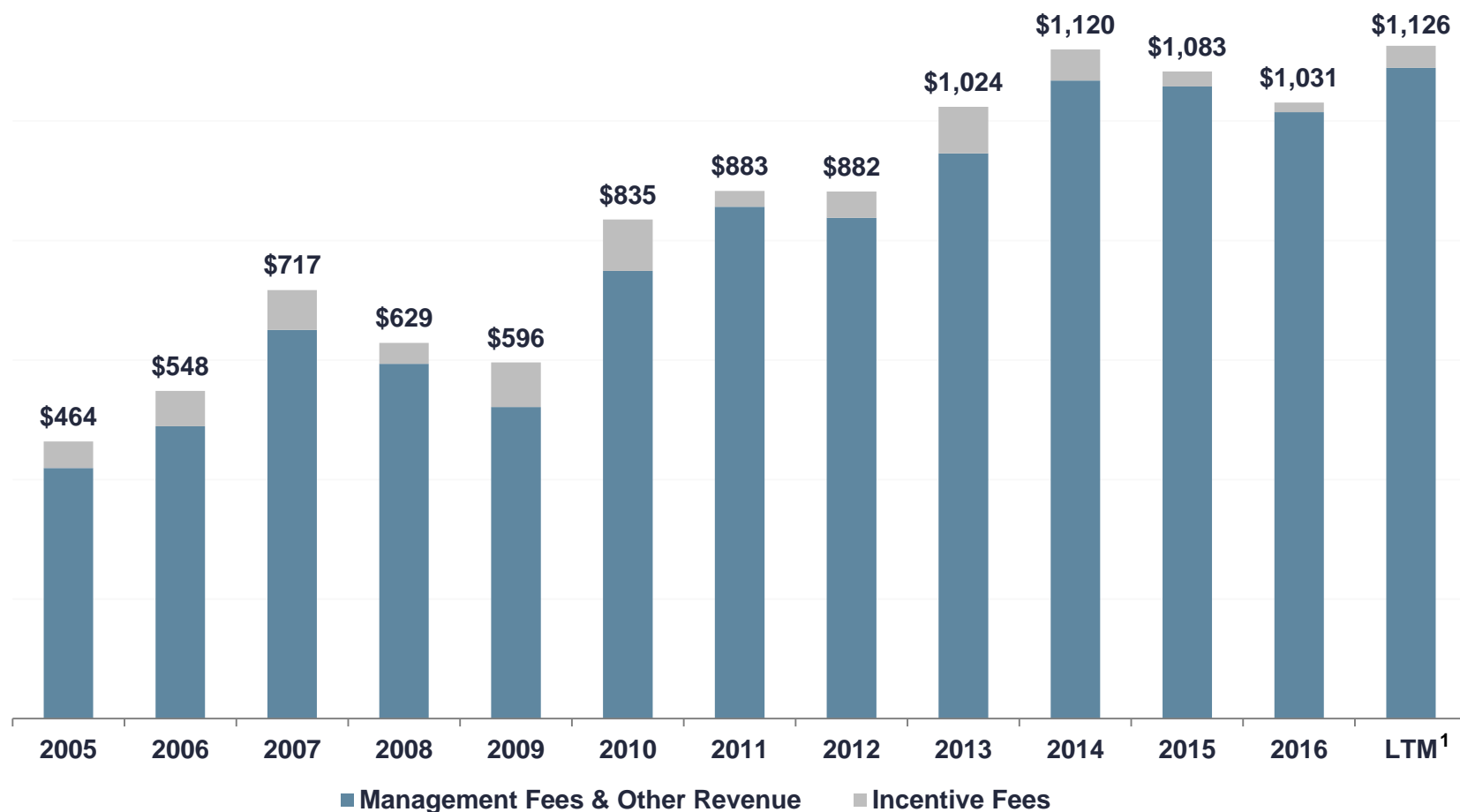
 Precautionary recapitalization and disposal of bad loan portfolio	 Disposal of 2.5% stake in BNP Paribas	 IPO of Gestamp Automoción	 Credit Facility
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RESTRUCTURING AND DEBT ADVISORY

				
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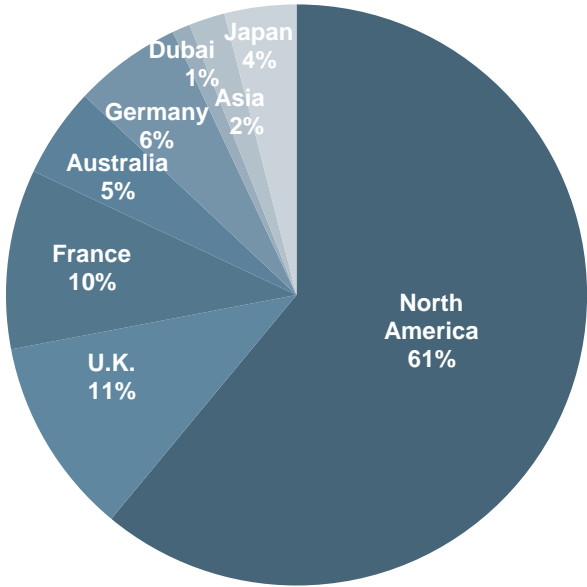
Asset Management Operating Revenue

(\$ in millions)

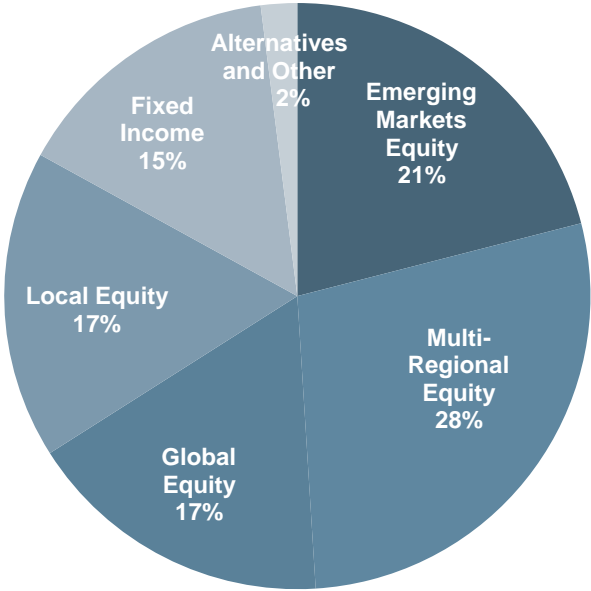


AUM Diversified by Geography and Product Mix

AUM by Office Domicile ^{1,2}



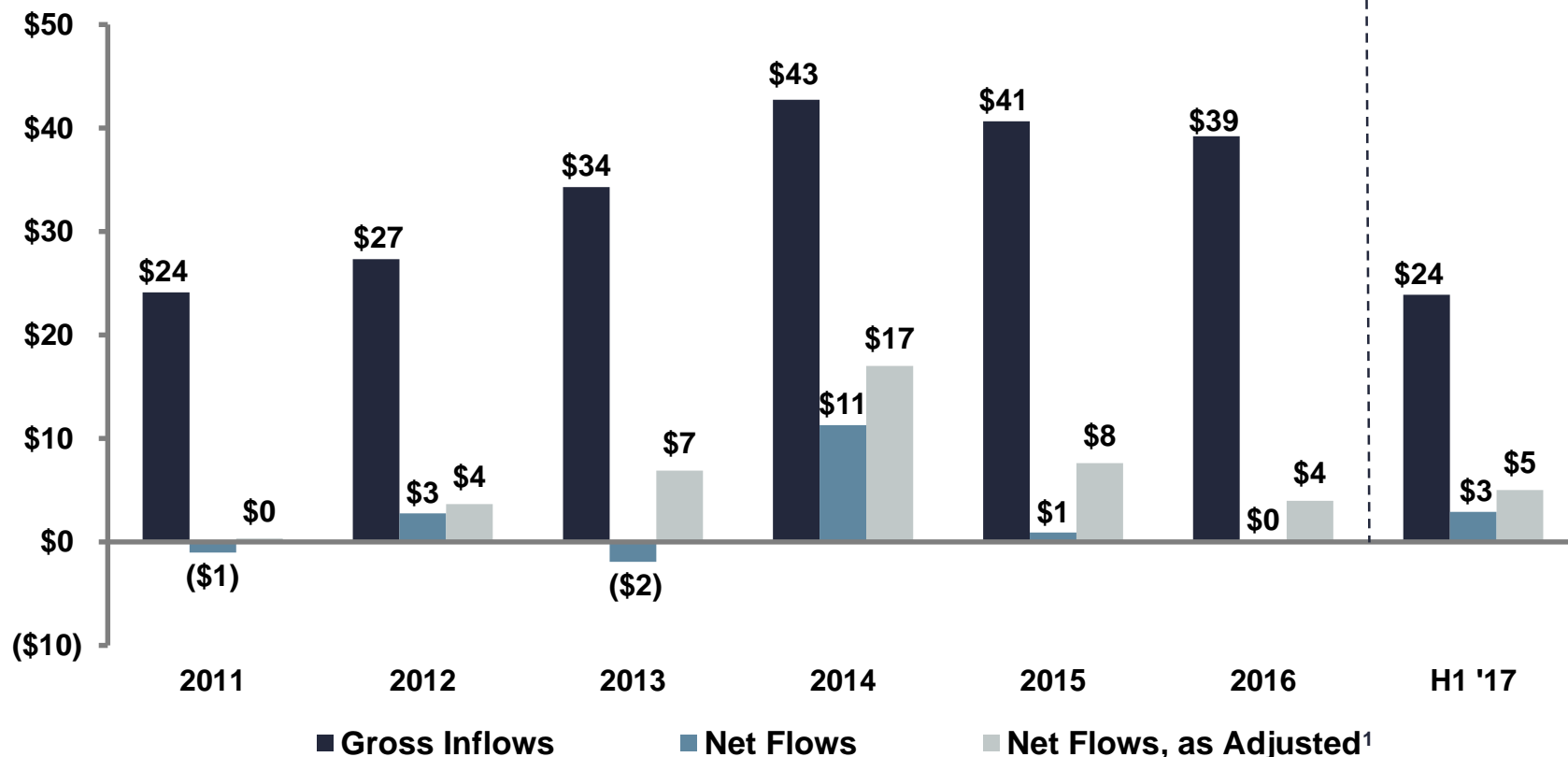
AUM by Platform ²



Significant Gross Inflows

(\$ in billions)

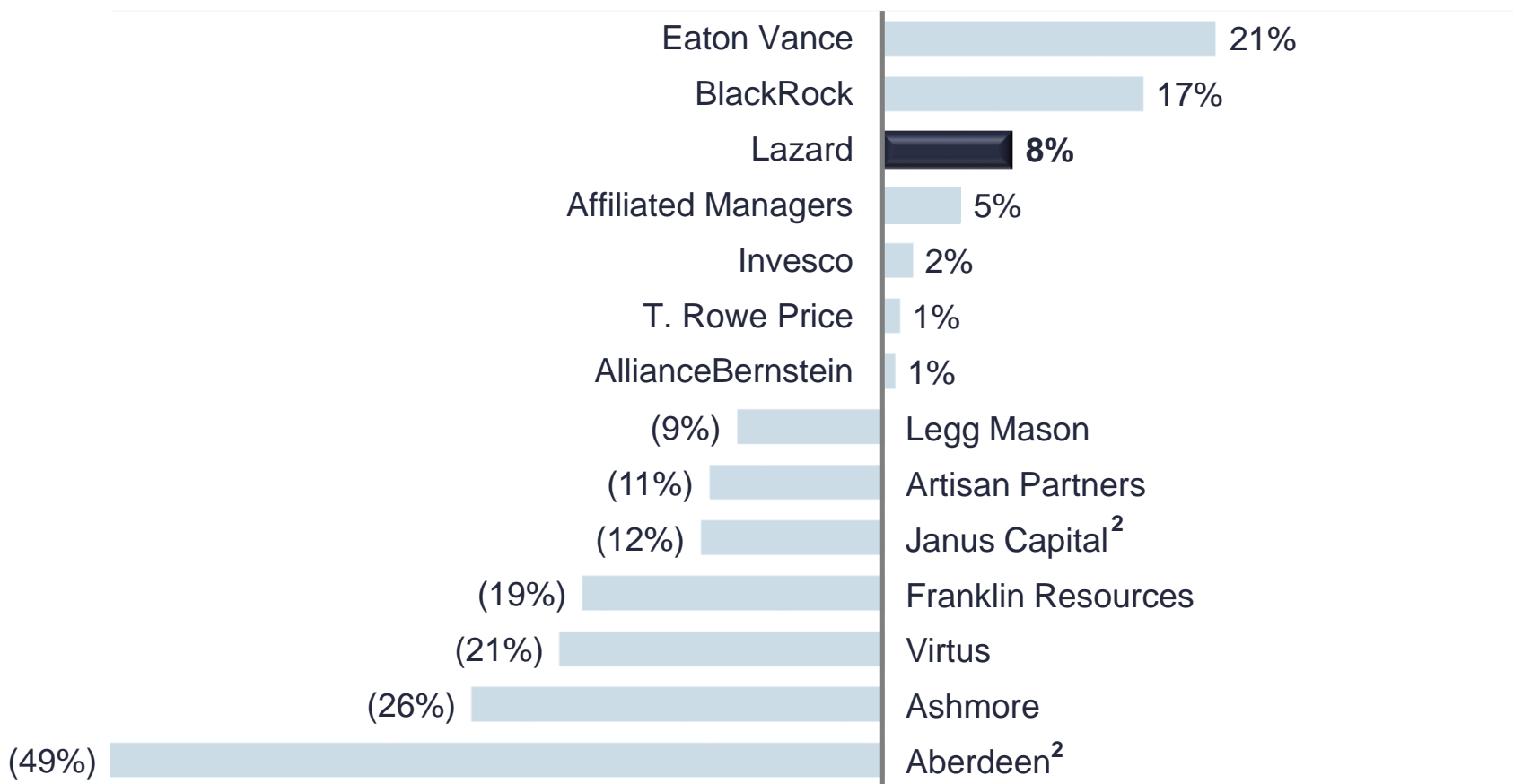
Gross Inflows % of Avg AUM	16%	18%	20%	22%	21%	20%	11%
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¹ Adjusted for one global strategy.

Strong Net Flows in Volatile Environment

2014 – 2017 Q2 Net Flows as % of AUM¹



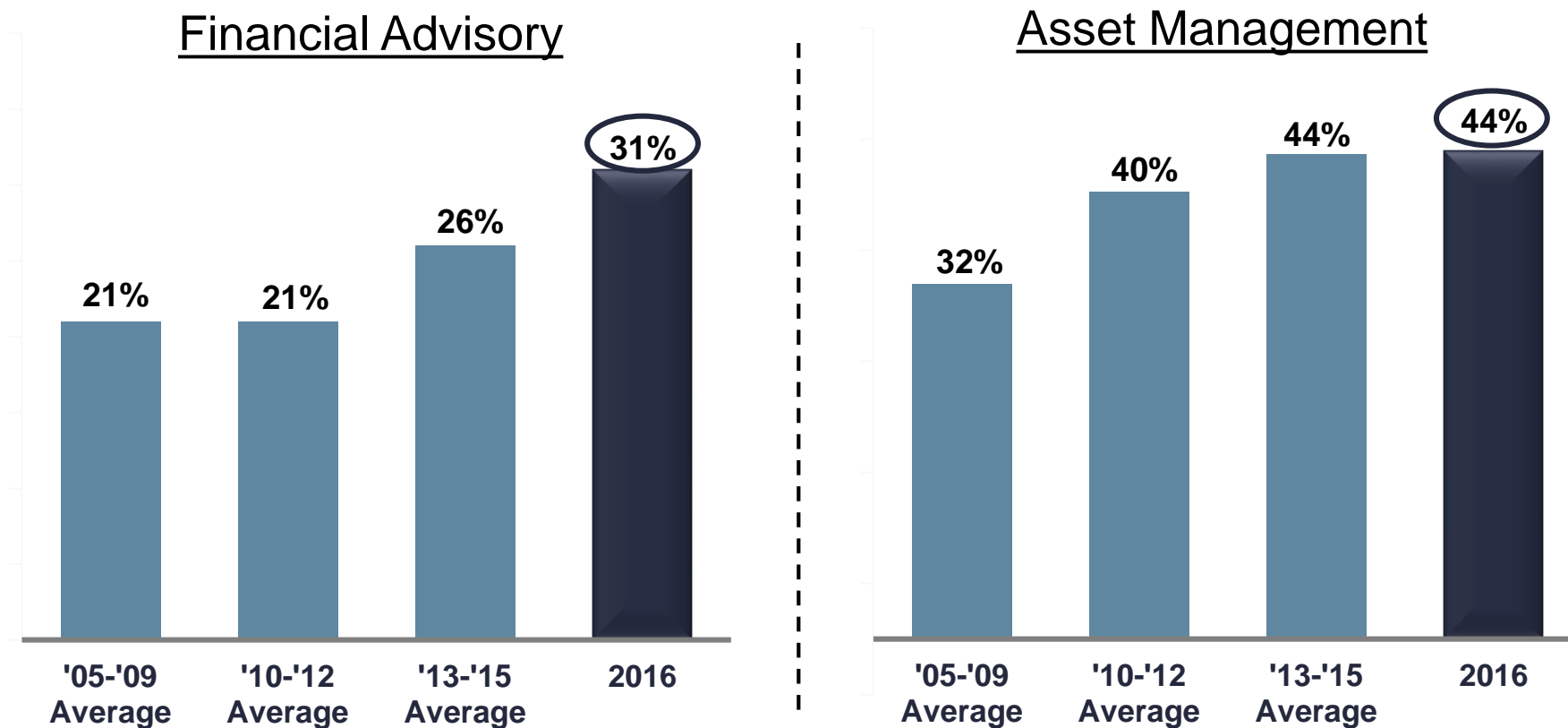
Asset Flows Diversified By Region & Investment Strategy

SELECTED RECENT MANDATES

Client Type	Investment Strategy
Asian Multi Manager	Global Equity
European Corporate	Emerging Markets Debt
European Corporate	Global Quantitative Equity
European Corporate Pension	Australian Equity
French Foundation	European Equity
French Pension Fund	European Equity
French Power Company	Financial Debt
Sovereign Wealth Fund	Emerging Markets Debt
US Multi Manager	US Equity
US Multi Manager	Emerging Markets Equity
US Public Pension	Global Equity
US Subadvisor	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	2016
Operating Revenue	\$1,884	\$1,971	\$2,034	\$2,340	\$2,380	\$2,344
<i>% Growth</i>	(5%)	5%	3%	15%	2%	(2%)
Compensation and benefits, Awarded basis	1,168	1,171	1,187	1,305	1,329	1,309
<i>% of Operating Revenue</i>	62%	59%	58%	56%	56%	56%
Non-Compensation expense	400	421	409	441	434	434
<i>% of Operating Revenue</i>	21%	21%	20%	19%	18%	19%
Earnings from Operations, Awarded basis	\$316	\$379	\$438	\$594	\$617	\$601
<i>Operating Margin</i>	17%	19%	22%	25%	26%	26%
Awarded EPS¹	\$1.42	\$1.81	\$2.23	\$3.32	\$3.73	\$3.55
<u>Memo:</u>						
Net Income per share, as adjusted	\$1.31	\$1.44	\$2.01	\$3.20	\$3.60	\$3.09

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.

Supplemental Segment Information

(\$ in millions)

	Financial Advisory ¹			Asset Management ¹			Corporate ²		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
Operating Revenue	\$1,207	\$1,280	\$1,301	\$1,120	\$1,083	\$1,031	\$2,340	\$2,380	\$2,344
<i>% Growth</i>	23%	6%	2%	9%	(3%)	(5%)	15%	2%	(2%)
Compensation and benefits, Awarded basis	\$703	\$732	\$734	\$455	\$443	\$422	\$147	\$155	\$153
<i>% of Operating Revenue</i>	58%	57%	56%	41%	41%	41%	6%	7%	7%
Non-Compensation expense	\$162	\$161	\$161	\$167	\$164	\$160	\$112	\$109	\$113
<i>% of Operating Revenue</i>	13%	13%	12%	15%	15%	16%	5%	5%	5%
Earnings from Operations, Awarded basis	\$342	\$387	\$406	\$498	\$476	\$449			
<i>Operating Margin, Awarded basis</i>	28%	30%	31%	44%	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.

Financial Advisory Operating Revenue Detail

(\$ in millions)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	LTM ⁽¹⁾
M&A and Strategic Advisory	\$762	\$903	\$1,114	\$905	\$613	\$827	\$794	\$866	\$848	\$1,092	\$1,174	\$1,099	\$1,232
Restructuring	\$103	\$70	\$127	\$119	\$377	\$294	\$198	\$183	\$133	\$115	\$106	\$202	\$263
Financial Advisory Operating Revenue	\$865	\$973	\$1,241	\$1,024	\$990	\$1,121	\$992	\$1,049	\$981	\$1,207	\$1,280	\$1,301	\$1,495

2016 Compensation Bridge – U.S. GAAP to Awarded

(\$ in millions)

		% of Operating Revenue
Compensation and benefits - U.S. GAAP Basis	\$1,341	57.2%
Adjustments	(16)	
Compensation and benefits, as adjusted	\$1,325	56.5%
Deferral Amortization (previous years)	(352)	
2016 Deferrals Awarded (including sign-on and special awards)	372	
Estimated Forfeitures on Deferrals	(28)	
FX Adjustments	(8)	
Compensation and benefits, Awarded Basis	\$1,309	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)

	<u>2016A</u>	<u>2017E</u>	<u>2018E</u>	<u>2019E</u>	<u>2020E</u>
2012 Grants	8	–	–	–	–
2013 Grants	57	8	–	–	–
2014 Grants	116	62	8	–	–
2015 Grants	164	116	63	9	–
2016 Grants	6	179	115	64	10
2017 Grants	–	TBD	TBD	TBD	TBD
Other	1	14	12	8	3
Total	\$352	\$379²	TBD	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. Amortization of deferrals beyond 2018 not shown.

² Based on estimates.

Corporate Structure and Tax Facts

Corporate Structure

- ▶ Lazard trades as common stock on the NYSE under ticker symbol "LAZ"
- ▶ Publicly traded partnership for corporate tax purposes and K-1 issuer
- ▶ Lazard does not generate Unrelated Business Taxable Income ("UBTI") and its current corporate structure prevents UBTI from being received by investors

Tax

- ▶ Expect 2017 annual adjusted GAAP tax rate to be in the mid to high 20s, though quarterly rate may fluctuate
- ▶ Approximately \$0.6 billion of tax benefits as of June 30, 2017
- ▶ Currently expect cash taxes to be in the mid to high teens

Lazard Corporate Structure Considerations

CONSIDERATIONS

- ▶ **Corporate structure / K-1 issuer status:**
 - ▶ **Impacts inclusion in some large passive equity indices**
 - ▶ **Subjects certain investors to additional compliance requirements**
 - ▶ **Creates misperception that Lazard generates UBTI**

ACTIONS

- ▶ **Educating market participants, indices and investors that Lazard's traded security is a common stock and not a Limited Partnership / LP structure**
- ▶ **Continuing investor communications regarding our structural blocking of UBTI**
- ▶ **Continuing to monitor benefits/issues associated with corporate structure**
- ▶ **In current environment, altering corporate structure would likely increase tax rates (e.g., if incorporated in US, potentially >40% effective rate; cash rate would also likely increase)**

Tax Considerations

(\$ in millions)

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

	2011	2012	2013	2014	2015	2016
Pre-Tax Income, as Adjusted	\$226	\$249	\$345	\$531	\$576	\$537
Provision (Benefit) for Income Taxes, as Adjusted	47	53	77	104	96	127
<i>Tax Rate</i>	21%	21%	22%	20%	17%	24%
Non-Cash Tax Expense¹	(14)	(2)	(19)	(20)	(27)	(45)
Cash Taxes	\$33	\$51	\$58	\$84	\$69	\$82
<i>Tax Rate, Cash Basis</i>	15%	21%	17%	16%	12%	15%

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	2016	2016
Operating Revenue	\$1,884	\$1,971	\$2,034	\$2,340	\$2,380	\$2,344	\$2,344
Compensation and Benefits Expense	1,168	1,171	1,187	1,305	1,329	1,309	1,325
Non-Compensation Expense	400	421	409	441	434	434	434
Earnings from Operations	\$316	\$379	\$438	\$594	\$617	\$601	\$585
Interest Expense and Other ²	90	84	82	66	51	48	48
Pre-Tax Income	\$226	\$295	\$356	\$528	\$566	\$553	\$537
Taxes	33	51	58	84	69	82	127
Net Income	\$193	\$244	\$298	\$444	\$497	\$471	\$410
EPS	\$1.42	\$1.81	\$2.23	\$3.32	\$3.73	\$3.55	\$3.09

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 and other acquisition-related costs earnings/(loss) from noncontrolling interests and net income attributable to non-controlling interests.

Selected Quarterly Financial Data

(\$ in millions, except per share values)

	Q2	Q1	Q2	% Change From	
	2017	2017	2016	Q1 2016	Q2 2016
Revenues:					
Financial Advisory	\$410.9	\$335.8	\$287.0	22%	43%
Asset Management	306.8	278.4	250.7	10%	22%
Corporate	2.5	10.2	4.6	(76%)	(46%)
Total Operating Revenue	\$720.2	\$624.4	\$542.3	15%	33%
Expenses:					
Compensation and benefits, as adjusted	\$406.9	\$352.8	\$306.4	15%	33%
<i>Ratio of compensation to operating revenue</i>	56.5%	56.5%	56.5%		
Non-compensation	\$116.1	\$107.5	\$112.2	8%	4%
<i>Ratio of non-compensation to operating revenue</i>	16.1%	17.2%	20.7%		
Earnings:					
Earnings from Operations	\$197.2	\$164.1	\$123.7	20%	59%
<i>Operating margin, as adjusted</i>	27.4%	26.3%	22.8%		
Net Income, as adjusted	\$129.8	\$110.1	\$80.4	18%	62%
Net Income per share, as adjusted	\$0.98	\$0.83	\$0.61	18%	61%
Assets Under Management (in billions)	\$225.8	\$215.2	\$191.9	5%	18%

Selected Quarterly Financial Data

(\$ in millions, except per share values)

	H1		YoY
	2017	2016	
Revenues:			
Financial Advisory	\$746.7	\$553.0	35%
Asset Management	585.2	490.3	19%
Corporate	12.7	5.1	NM
Total Operating Revenue	\$1,344.6	\$1,048.4	28%
Expenses:			
Compensation and benefits, as adjusted	\$759.7	\$604.4	26%
<i>Ratio of compensation to operating revenue</i>	<i>56.5%</i>	<i>57.6%</i>	
Non-compensation	\$223.6	\$213.8	5%
<i>Ratio of non-compensation to operating revenue</i>	<i>16.6%</i>	<i>20.4%</i>	
Earnings:			
Earnings from Operations	\$361.3	\$230.2	57%
<i>Operating margin, as adjusted</i>	<i>26.9%</i>	<i>22.0%</i>	
Net Income, as adjusted	\$240.0	\$147.2	63%
Net Income per share, as adjusted	\$1.81	\$1.11	63%
Assets Under Management (in billions)	\$225.8	\$191.9	18%

Condensed Balance Sheet

(\$ in millions)

	June 30, 2017	March 31, 2017	December 31 2016
<u>ASSETS</u>			
Cash and cash equivalents	\$956	\$891	\$1,159
Deposits with banks and short-term investments	757	572	420
Cash deposited with clearing organizations and other segregated cash	34	34	29
Receivables	655	528	638
Investments	422	382	459
Deferred tax assets	1,114	1,135	1,076
Other assets	832	843	776
Total Assets	<u>\$4,770</u>	<u>\$4,385</u>	<u>\$4,557</u>
<u>LIABILITIES & STOCKHOLDERS' EQUITY</u>			
Deposits and other customer payables	\$830	\$626	\$472
Accrued compensation and benefits	378	289	542
Senior debt	1,190	1,189	1,189
Tax receivable agreement obligation	513	513	514
Other liabilities	556	555	546
Total stockholders' equity ¹	<u>1,303</u>	<u>1,213</u>	<u>1,294</u>
Total liabilities and stockholders' equity	<u>\$4,770</u>	<u>\$4,385</u>	<u>\$4,557</u>

¹ Attributable to Lazard Ltd: \$1,243m at June 30, 2017, \$1,153m at March 31, 2017 and \$1,236m at December 31, 2016.

Earnings from Operations – As Adjusted/Awarded

(\$ in millions)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	\$2,344
Compensation and benefits	774	891	1,123	931	1,160	1,166	1,168	1,218	1,197	1,302	1,319	1,325
Non-Compensation expense	257	269	338	368	337	368	400	421	409	441	434	434
Earnings from Operations	<u>\$327</u>	<u>\$411</u>	<u>\$554</u>	<u>\$376</u>	<u>\$121</u>	<u>\$445</u>	<u>\$316</u>	<u>\$332</u>	<u>\$428</u>	<u>\$597</u>	<u>\$627</u>	<u>\$585</u>
Operating Margin, As Adjusted	24%	26%	27%	22%	7%	22%	17%	17%	21%	26%	26%	25%
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	\$2,344
Compensation and benefits	876	1,068	1,414	1,192	1,094	1,221	1,168	1,171	1,187	1,305	1,329	1,309
Non-Compensation expense	257	269	338	368	337	368	400	421	409	441	434	434
Earnings from Operations	<u>\$224</u>	<u>\$234</u>	<u>\$263</u>	<u>\$115</u>	<u>\$187</u>	<u>\$390</u>	<u>\$316</u>	<u>\$379</u>	<u>\$438</u>	<u>\$594</u>	<u>\$617</u>	<u>\$601</u>
Operating Margin, Awarded Basis	16%	15%	13%	7%	12%	20%	17%	19%	22%	25%	26%	26%

U.S. GAAP Selected Financial Information

(\$ in millions, except per share values)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
													Q2	H1
Net revenue	\$1,301	\$1,494	\$1,918	\$1,557	\$1,531	\$1,905	\$1,830	\$1,912	\$1,985	\$2,300	\$2,354	\$2,333	\$717	\$1,341
<i>% Growth</i>		15%	28%	(19%)	(2%)	24%	(4%)	5%	4%	16%	2%	(1%)		
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	1,341	414	776
Non-Compensation ¹	260	275	376	404	404	468	425	437	490	467	1,051	475	130	242
Operating Income (loss)	\$342	\$328	\$419	\$25	(\$182)	\$243	\$236	\$124	\$216	\$519	(\$17)	\$517	\$173	\$323
<i>% of Net revenue</i>	26%	22%	22%	2%	(12%)	13%	13%	6%	11%	23%	(1%)	22%	24%	24%

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	2016	2017	
													Q2	H1
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	\$2,333	\$717	\$1,341
Adjustments:														
Revenue related to noncontrolling interests ¹	(2)	(5)	(5)	13	(7)	(16)	(17)	(14)	(15)	(15)	(16)	(21)	(3)	(8)
(Gains) losses related to Lazard Fund Interests ("LFI") and other similar arrangements ²	-	-	-	-	-	-	3	(7)	(14)	(7)	4	(3)	(6)	(13)
Interest Expense ³	59	82	102	105	94	90	86	80	78	62	50	48	12	25
Gain on repurchase of subordinated debt ⁴	-	-	-	-	-	-	(18)	-	-	-	-	-	-	-
MBA Lazard acquisition and Private Equity revenue adjustment ⁵	-	-	-	-	-	-	-	-	-	-	(12)	(13)	-	-
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>\$2,344</u>	<u>\$720</u>	<u>\$1,345</u>

Operating Revenue is a non-GAAP measure which excludes:

¹ Revenue related to the consolidation of noncontrolling interests is excluded from operating revenue 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 benefits 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 Q4'2016, includes excess interest of \$0.6 million due to the delay between the issuance of the 2027 notes and the settlement of the 2017 notes. 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 For the year ended December 31, 2016, represents a gain relating to the Company's acquisition of MBA Lazard resulting from the increase in fair value of the Company's investment in the business. For the year ended December 31, 2015, represents revenue relating to the Company's disposal of the Australian private equity business which was 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	2016	2017	
													Q2	H1
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	\$1,341	\$414	\$776
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	(4)	(6)	(13)
Private Equity incentive compensation ⁴	-	-	-	-	-	-	-	-	(12)	-	-	-	-	-
Compensation related to noncontrolling interests ⁵	-	-	-	-	(2)	(3)	(4)	(4)	(4)	(5)	(5)	(12)	(1)	(3)
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	1,325	407	760
Amortization of deferred incentive awards	-	(23)	(105)	(238)	(333)	(241)	(289)	(335)	(298)	(299)	(321)	(352)		
Total cash compensation and benefits ⁸	774	868	1,018	693	827	925	879	883	899	1,003	998	973		
Deferred year-end incentive awards ⁹	116	204	337	352	239	293	282	272	291	325	336	342		
Sign-on and other special deferred incentive awards ¹⁰	-	13	88	180	39	27	40	42	22	14	26	30		
Adjustment for actual/estimated forfeitures ¹¹	(14)	(24)	(36)	(22)	(17)	(27)	(28)	(27)	(27)	(26)	(27)	(28)		
Year-end foreign exchange adjustment ¹²	-	7	7	(11)	6	3	(5)	1	2	(11)	(4)	(8)		
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	\$1,309		
% of Operating revenue - Awarded basis	65%	68%	70%	71%	68%	62%	62%	59%	58%	56%	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	\$2,344		

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	2016	2017	
													Q2	H1
Non-Compensation expense - U.S. GAAP basis	\$260	\$275	\$376	\$404	\$404	\$468	\$425	\$437	\$490	\$467	\$1,051	\$475	\$130	\$242
Adjustments:														
Expenses associated with ERP system implementation ²⁸	-	-	-	-	-	-	-	-	-	-	-	-	(9)	(9)
Expenses related to office space reorganization ²⁹	-	-	-	-	-	-	-	-	-	-	-	-	(3)	(3)
Charges pertaining to Senior Debt refinancing ¹³	-	-	-	-	-	-	-	-	(54)	-	(60)	(3)	-	-
Charges pertaining to cost saving initiatives ¹	-	-	-	-	-	-	-	(3)	(13)	-	-	-	-	-
Charges pertaining to staff reductions ²	-	-	-	-	-	-	-	(3)	-	-	-	-	-	-
Amortization and other acquisition-related costs ¹⁴	-	-	(21)	(5)	(5)	(8)	(12)	(8)	(10)	(6)	(6)	(36)	(1)	(5)
Non-compensation related to noncontrolling interests ⁵	-	-	-	-	-	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(1)	(1)
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	\$434	\$116	\$224
% of Operating revenue	19%	17%	17%	22%	21%	19%	21%	21%	20%	19%	18%	19%	16%	17%
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	\$2,344	\$720	\$1,345

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

(\$ in millions, except per share values)

	2011	2012	2013	2014	2015	2016	2017	
							Q2	H1
Operating Income (loss) - U.S. GAAP Basis	\$236	\$124	\$216	\$519	(\$17)	\$517	\$173	\$323
Adjustments:								
Expenses associated with ERP system implementation ²⁸	-	-	-	-	-	-	9	9
Expenses related to office space reorganization ²⁹	-	-	-	-	-	-	3	3
Charges pertaining to cost saving initiatives ¹	-	103	65	-	-	-	-	-
Charges pertaining to Senior Debt refinancing ¹³	-	-	54	-	63	4	-	-
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	-	-	-	-	-	-	-
MBA Lazard acquisition and Private Equity revenue adjustment ²¹	-	-	-	-	(12)	(13)	-	-
Accrual of tax receivable agreement obligation ("TRA") ¹⁵	-	-	1	18	968	-	-	-
Gain on partial extinguishment of TRA obligation ²³	-	-	-	-	(420)	-	-	-
Expense related to partial extinguishment of TRA obligation ²³	-	-	-	-	1	-	-	-
Net income related to noncontrolling interest ⁵	(4)	(3)	(4)	(6)	(7)	(5)	(0)	(3)
Acquisition-related costs ²⁶	-	-	-	-	-	34	0	3
Provision for a lease contract for U.K. facility ¹⁶	6	-	-	-	-	-	-	-
Pre-tax Income, as adjusted	\$226	\$249	\$344	\$531	\$576	\$537	\$185	\$335

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

(\$ in millions, except per share values)

	2011	2012	2013	2014	2015	2016	2017	
							Q2	H1
Net income attributable to Lazard Ltd - U.S. GAAP Basis	\$175	\$84	\$160	\$427	\$986	\$388	\$120	\$228
Adjustments:								
Expenses associated with ERP system implementation ²⁸	-	-	-	-	-	-	9	9
Expenses related to office space reorganization ²⁹	-	-	-	-	-	-	3	3
Charges pertaining to cost saving initiatives ¹	-	103	65	-	-	-	-	-
Charges pertaining to Senior Debt refinancing ¹³	-	-	54	-	63	4	-	-
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	-	-	-	-	-	-	-
MBA Lazard acquisition and Private Equity revenue adjustment ²¹	-	-	-	-	(12)	(13)	-	-
Acquisition-related costs ²⁶	-	-	-	-	-	34	1	3
Valuation Allowance for changed tax laws ²⁷	-	-	-	-	-	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 expense (benefit) allocated to adjustments ¹⁸	-	(21)	(23)	-	(4)	(15)	(3)	(3)
Amount attributable to LAZ-MD Holdings ¹⁸	-	(2)	(1)	-	-	-	-	-
Adjustment for full exchange of exchangeable interests²⁰:								
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	\$410	\$130	\$240
Weighted average shares outstanding:								
U.S. GAAP, diluted	137,630	129,326	133,737	133,813	133,245	132,634	132,140	132,414
As adjusted, diluted	137,630	135,117	133,737	133,813	133,245	132,634	132,140	132,414
Diluted Net Income per share:								
U.S. GAAP Basis	\$1.36	\$0.65	\$1.21	\$3.20	\$7.40	\$2.92	\$0.91	\$1.72
As adjusted	\$1.31	\$1.44	\$2.01	\$3.20	\$3.60	\$3.09	\$0.98	\$1.81

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

(\$ in millions)

	Financial Advisory			Asset Management			Corporate			Total		
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
Net Revenue - U.S. GAAP Basis	\$1,207	\$1,280	\$1,301	\$1,135	\$1,111	\$1,052	(\$42)	(\$37)	(\$20)	\$2,300	\$2,354	2,333
Adjustments ^(a):												
Revenue related to noncontrolling interests	-	-	-	(15)	(16)	(21)	-	-	-	(15)	(16)	(21)
(Gain) loss related to LFI and other similar arrangements	-	-	-	-	-	-	(7)	4	(3)	(7)	4	(3)
Interest expense	-	-	-	-	-	-	62	50	48	62	50	48
MBA Lazard acquisition and Private Equity revenue adjustment	-	-	-	-	(12)	-	-	-	(13)	-	(12)	(13)
Gain on repurchase of subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-
Operating revenue	\$1,207	\$1,280	\$1,301	\$1,120	\$1,083	\$1,031	\$13	\$17	\$12	\$2,340	\$2,380	\$2,344
Operating Income - U.S. GAAP Basis	\$229	\$274	\$284	\$385	\$374	\$281	(\$95)	(\$665)	(\$48)	\$519	(\$17)	\$517
Adjustments:												
Sum of Adjustments - Revenue - U.S. GAAP vs. Operating revenue (from above)	-	-	-	(15)	(28)	(21)	55	54	32	40	26	11
Sum of Adjustments - Compensation and benefits expense, as adjusted to awarded basis ^(b)	1	(12)	(11)	(2)	(2)	24	(2)	4	3	(3)	(10)	16
Charges pertaining to LFI and other similar arrangements ³	-	-	-	-	-	-	7	(4)	4	7	(4)	4
Operating expenses related to noncontrolling interests ⁵	-	-	-	7	7	14	-	-	-	7	7	14
Charges pertaining to Senior Debt refinancing ¹³	-	-	-	-	-	-	-	60	3	-	60	3
Amortization and other acquisition-related costs ¹⁴	-	-	4	6	7	32	-	-	-	6	7	36
Provision pursuant to the tax receivable agreement ¹⁵	-	-	-	-	-	-	19	968	-	18	968	-
Loss (gain) on partial extinguishment of TRA obligation ²³	-	-	-	-	-	-	-	(420)	-	-	(420)	-
Tax Expense (benefit) allocated to adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Corporate support group allocations to business segments	112	125	129	117	118	119	(229)	(243)	(248)	-	-	-
Total adjustments	113	113	122	113	102	168	(150)	419	(206)	75	634	84
Earnings from Operations, Awarded basis	\$342	\$387	\$406	\$498	\$476	\$449	(\$245)	(\$246)	(\$254)	\$594	\$617	\$601
Operating Margin, Awarded basis	28%	30%	31%	44%	44%	44%	nm	nm	nm	25%	26%	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	2013	2010	2011	2012	2013
Net Revenue - U.S. GAAP Basis	\$1,120	\$992	\$1,049	\$981	\$850	\$897	\$896	\$1,039
Adjustments ^(a):								
Revenue related to noncontrolling interests	-	-	-	-	(15)	(14)	(14)	(15)
Interest expense	1	-	-	-	-	-	-	-
Operating revenue	\$1,121	\$992	\$1,049	\$981	\$835	\$883	\$882	\$1,024
Operating Income - U.S. GAAP Basis	\$169	\$62	(\$9)	\$21	\$265	\$268	\$237	\$335
Adjustments:								
Sum of Adjustments - Revenue - U.S. GAAP vs. Operating revenue (from above)	1	-	-	-	(15)	(14)	(14)	(15)
Sum of Adjustments - Compensation and benefits expense, as adjusted to awarded basis ^(b)	(14)	17	35	17	(33)	(19)	5	(15)
Charges pertaining to cost saving initiatives ¹	-	-	77	48	-	-	13	-
Private Equity incentive compensation ⁴	-	-	-	-	-	-	-	12
2010 adjustments ⁶	20	-	-	-	3	-	-	-
Operating expenses related to noncontrolling interests ⁵	-	-	-	-	5	6	6	6
Amortization and other acquisition-related costs ¹⁴	-	-	-	-	8	12	8	10
Corporate support group allocations to business segments	107	104	114	108	89	97	104	109
Total adjustments	114	121	226	173	57	82	122	107
Earnings from Operations, Awarded basis	\$283	\$183	\$217	\$194	\$322	\$350	\$359	\$442
Operating Margin, Awarded basis	25%	18%	21%	20%	39%	40%	41%	43%

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 and other acquisition-related costs 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 Amounts related to the consolidation of noncontrolling interests which 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 \$575 million, \$584 million, \$570 million, \$530 million, \$516 million, \$507 million, \$453 million, \$422 million, \$468 million, \$456 million, \$398 million and \$380 million for 2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006 and 2005, respectively, and cash incentive compensation of \$398 million, \$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 2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007 and 2006 related to the 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006 and 2005 year-end compensation processes, respectively).
- 10 Represents special deferred incentive 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 Under U.S. GAAP, an estimate is made for future forfeitures of the deferred portion of such awards. This estimate is based on both historical experience and future expectations. The result reflects the cost associated with awards that are expected to vest. This calculation is undertaken in order to present awarded compensation on a similar basis to GAAP compensation. Amounts for 2009-2012 represent actual forfeiture experience. The 2013-2016 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. The charges include a pre-tax loss on the extinguishment of \$54.1 million. 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. The charges include a pre-tax loss on extinguishment of \$60.2 million and excess interest expense of \$2.7 million (due to delay between the issuance of the 2025 notes and the settlement of the 2017 notes). For the period ended December 31, 2016, represents charges related to the extinguishment of \$98 million of the Company's 6.85% Senior Notes maturing in June 2017 and the issuance of \$300 million of 3.625% notes maturing in March 2027. The charges include a pre-tax loss on the extinguishment of \$3.1 million and excess interest expense of \$0.6 million (due to the delay between the issuance of the 2027 notes and the settlement of 2017 notes).
- 14 Represents amortization of intangibles and for 2016 and 2017, primarily relates to the change in fair value of the contingent consideration associated with certain business 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 for the years ended December 31, 2012 and 2013, 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 For the year ended December 31, 2016 represents a gain relating to the Company's acquisition of MBA Lazard resulting from the increase in fair value of the Company's investment in the business. For the year ended December 31, 2015 represents revenue relating to the Company's disposal of the Australian private equity business 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.

Endnotes related to non-GAAP adjustments (continued)

- 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.
- 26 Primarily relates to the change in fair value of the contingent consideration associated with certain business acquisitions.
- 27 Represents valuation allowance associated with a change in NYC UBT tax laws.
- 28 Represents expenses associated with Enterprise Resource Planning (ERP) system implementation.
- 29 Represents incremental rent expense and lease abandonment costs related to office space reorganization.