

# LAZARD

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## **LAZARD LTD REPORTS STRONG FINANCIAL RESULTS FOR THE THIRD QUARTER AND FIRST NINE MONTHS OF 2005; M&A REVENUES UP 78% FOR THE THIRD QUARTER**

### **Highlights**

- Mergers and Acquisitions (“M&A”) revenues increased 78% to \$187.2 million for the third quarter of 2005 and 57% to \$491.6 million for the first nine months of 2005
- Operating revenues<sup>(1)</sup> increased 63% to \$374.3 million for the third quarter of 2005 and 35% to \$969.9 million for the first nine months of 2005
- Operating income<sup>(2)</sup> increased 312% to \$77.3 million for the third quarter of 2005 and 167% to pro forma \$171.8 million for the first nine months of 2005
- Pro forma net income on a fully exchanged basis increased 210% to \$51.7 million or \$0.52 per common share (diluted) for the third quarter 2005 and 132% to \$115.0 million or \$1.15 per common share (diluted) for the first nine months of 2005
- Net income from continuing operations before exchange of outstanding exchangeable interests increased 204% to \$19.0 million or \$0.51 per common share (diluted) for the third quarter of 2005 and 130% to pro forma \$42.7 million or \$1.14 per common share (diluted) for the first nine months of 2005

NEW YORK, November 9, 2005 – Lazard Ltd (**NYSE: LAZ**) today announced strong financial results for the third quarter and nine months ended September 30, 2005. Operating revenues<sup>(1)</sup> increased 63% to \$374.3 million and 35% to \$969.9 million for the third quarter and the first nine months of 2005, respectively, compared to \$229.3 million and \$720.4 million for the comparable 2004 periods.

Operating income increased 312% to \$77.3 million for the third quarter of 2005 compared to pro forma \$18.8 million for the third quarter of 2004. Operating income increased 167% to pro forma \$171.8 million for the first nine months of 2005 compared to pro forma \$64.4 million for first nine months of 2004.

(1) Operating revenues exclude interest expense relating to financing activities which are included in net revenues.

(2) Operating income is after interest expense and before income taxes and minority interest.

Pro forma net income, assuming full exchange of outstanding exchangeable interests, increased to \$51.7 million, or \$0.52 cents per common share (diluted), for the 2005 third quarter, representing an increase of 210% from \$16.7 million, or \$0.17 cents per common share (diluted), for the 2004 third quarter. For the first nine months of 2005, pro forma net income, assuming full exchange of outstanding exchangeable interests, was \$115.0 million, or \$1.15 per common share (diluted), an increase of 132% from the \$49.6 million, or \$0.50 per common share (diluted) for the year earlier period.

Net income from continuing operations before exchange of outstanding exchangeable interests increased 204% to \$19.0 million, or \$0.51 cents per common share (diluted), for the third quarter of 2005 compared with pro forma \$6.3 million, or \$0.17 cents per common share (diluted), for the third quarter of 2004 and 130% to pro forma \$42.7 million, or \$1.14 cents per common share (diluted), for the first nine months of 2005 compared to pro forma \$18.6 million, or \$0.50 cents per common share (diluted), for the first nine months of 2004.

“It is now clear that we are effectively executing our plan,” said Bruce Wasserstein, Chairman and Chief Executive Officer of Lazard Ltd. “The Lazard franchise is vibrant, our professionals are enthusiastic and the outlook for our business remains positive. Our clients continue to value independent advice and our global strategy positions us to continue to take advantage of the strong M&A environment. We are also pleased that our Asset Management business is beginning to benefit from the investments we have made. We are excited about Lazard’s future.”

Steven J. Golub, Lazard’s Vice Chairman, noted, “We are very pleased with our exceptional performance for the third quarter and year-to-date. M&A revenues and pro forma net income per share for the nine month period ended September 30, 2005 have already exceeded the respective amounts for the full year 2004. Our reported results reflect the continuing increase in the productivity of our people supported by our recent recruitment of highly talented senior professionals in both our Asset Management and Financial Advisory businesses. These initiatives, together with our continued focus on cost containment, have enhanced the profitability of our firm.”

*Lazard believes that pro forma results assuming full exchange of outstanding exchangeable interests provide the most meaningful basis for comparison among present, historical and future periods. See section “Historical Results” and “Basis of Historical and Pro Forma Information” later in this release for a discussion of Lazard’s historical results and the basis of presentation for Lazard Ltd’s historical and pro forma financial information.*

*The Company’s quarterly revenues and profits can fluctuate materially depending on the number and size of completed transactions on which it advised, as well as seasonality and other factors. Accordingly, the revenues and profits in any particular quarter may not be indicative of future results.*

## **Net Revenues**

### ***Financial Advisory***

Lazard's Financial Advisory business encompasses general strategic and transaction-specific advice to public and private companies, governments and other parties, and includes Financial Restructuring as well as various corporate finance services. Some of our assignments and, therefore, related revenues are not reflected in publicly available information.

Financial Advisory revenues increased 96% to \$257.8 million, and 54% to \$626.6 million for the third quarter and the first nine months of 2005, respectively, compared to \$131.7 million and \$407.3 million for the comparable 2004 periods.

### ***M&A***

M&A revenues increased 78% to \$187.2 million and 57% to \$491.6 million for the third quarter and the first nine months of 2005, respectively, compared to \$105.1 million and \$314.1 million for the comparable 2004 periods.

Completed third-quarter 2005 M&A transactions included the following transactions on which Lazard advised:

- Nextel in its \$43 billion merger with Sprint
- SunGard in its \$11.3 billion sale to a private equity consortium
- Royal Dutch Shell in its €4.4 billion sale of Basell
- Resolution Life Group in its £1.8 billion merger with Britannic Group
- Yellow Brick Road Management in its €1.8 billion sale to a group of private investors
- Omnicare on its \$1.8 billion merger with NeighborCare
- Pfizer in its \$1.8 billion acquisition of Vicuron Pharmaceuticals
- Pirelli S.p.A. in the €1.3 billion sale of its energy and telecom cables and systems businesses
- IIR Holdings in its £768 million sale to T&F Informa
- Groupe Danone in its £470 million sale of its sauce business (HP Foods and Lea & Perrins) to H.J. Heinz Company
- Navios Maritime in its approximately \$608 million sale to International Shipping
- Anglo American in its \$545 million sale of Boart Longyear to Advent International
- Neuf Telecom in its merger with Cegetel

Among the pending M&A transactions announced since the second quarter and on which Lazard is advising are the following transactions:

- Gas Natural in its €2.5 potential offer for Endesa
- Jefferson-Pilot in its \$7.5 billion merger with Lincoln Financial
- Wellchoice in its \$6.6 billion merger with WellPoint
- Old Mutual in its £3.3 billion offer for Skandia
- Prentiss Properties in its \$3.3 billion sale to Brandywine Realty Trust
- Maytag in its \$2.7 billion sale to Whirlpool
- Marconi in its £1.2 billion sale of its telecommunications equipment and international services businesses to Ericsson
- Versatel Telecom in its €1.1 billion sale to Tele2 and Apax
- Bon-Ton in its \$1.1 billion acquisition of the Northern Department Store Group of Saks
- Degussa in its €40 million sale of its food ingredients operations to Cargill
- Tupperware on its \$557 million acquisition of Sara Lee's direct selling operations

### ***Financial Restructuring***

Financial Restructuring revenues were \$40.0 million for the third quarter of 2005 compared to \$20.8 million for the third quarter of 2004 and were \$80.4 million for the first nine months of 2005 compared to \$52.5 million for the comparable 2004 period.

Completed third quarter 2005 Restructuring transactions include advising the Air Transportation Stabilization Board in connection with US Airways' Chapter 11 proceedings and sale to America West, advising Parmalat on the largest Restructuring in Italy and advising Charter Communications in connection with its recently consummated debt exchange.

Notable Restructuring assignments announced since the second quarter of 2005 include our retention to advise the Unsecured Creditors Committee in connection with Northwest Airlines' Chapter 11 filing. In addition, we are continuing to work on a number of Restructuring assignments including those involving Collins & Aikman, Eurotunnel, Meridian Automotive, Olympic Airlines, Tower Automotive and the UAW (with regard to alternatives for restructuring General Motors' post-retirement healthcare obligations to UAW members).

### ***Asset Management***

Asset management net revenues increased 24% to \$111.0 million, and 13% to \$326.7 million for the third quarter and the first nine months of 2005, respectively, compared with \$89.3 million and \$290.0 million for the comparable 2004 periods.

Management and other fees, which excludes incentive fees, increased 16% to \$108.3 million, and 11% to \$316.0 million for the third quarter and the first nine months of 2005, respectively, compared with \$93.1 million and \$284.6 million for the comparable 2004 periods. The increases in each of the 2005 periods compared to the corresponding 2004 periods were driven by growth in average assets under management, which rose 9% to \$85.6 billion for the first nine months of 2005 from \$78.7 billion for the corresponding 2004 period. Assets under management totaled \$86.6 billion at the end of September 2005, up 4% from the end of the 2005 second quarter due to asset appreciation partially offset by net outflows.

## **Expenses**

### ***Compensation and Benefits***

The compensation and benefits expenses, on a pro forma basis, for the third quarter and the first nine months of 2005 are consistent with the increase in operating revenues and as such, the compensation and benefits expense to operating revenues ratio remained at 57.5% for both periods. Compensation and benefits expenses increased 63% to \$215.2 million, and 35% to pro forma \$557.7 million for the third quarter and the first nine months of 2005, respectively, compared with pro forma \$131.9 million and pro forma \$414.2 million for the comparable 2004 periods.

For the first nine months of 2004, pro forma compensation and benefits expenses also included a reduction of \$177.1 million to reflect new compensation arrangements with managing directors to achieve a target compensation expense to operating revenues ratio of 57.5%. Without this adjustment, the 2004 ratio would have been 82.1%. In 2005, the new compensation arrangements were in effect and no similar reduction was necessary.

### ***Non-Compensation***

Non-compensation expenses were \$64.4 million or 17.2% of operating revenues for the third quarter of 2005, compared with \$59.4 million or 25.9% of operating revenues for the corresponding 2004 period, and were \$183.9 million or 19.0% of operating revenues for the first nine months of 2005 (excluding one-time IPO-related costs) compared with \$183.6 million or 25.5% of operating revenues for the prior year period. The decrease in the year-to-date ratio is due to operating leverage from higher operating revenues. Total year-to-date non-compensation and benefits expenses were flat year over year reflecting lower travel and entertainment expenses and premises and occupancy expenses, offset by higher costs associated with operating as a public company.

### ***Provision for Income Taxes***

For the third quarter and on a pro forma basis for the first nine months of 2005, the provision for taxes was \$17.2 million and \$41.4 million, respectively, compared with a pro forma provision for taxes of \$3.7 million and \$12.8 million for the corresponding 2004 periods. The pro forma effective tax rate for the first nine months of 2005 and 2004 was 24.1% and 19.9%, respectively. This increase in effective tax rate was due to an increase in non-U.S. income taxes allocable to the minority interest's

share of Lazard Group's income. On a fully exchanged basis, the pro forma effective tax rate for the first nine months of 2005 and 2004 was 28% in each period.

### **Pro Forma Non-GAAP Information**

The unaudited pro forma financial information are included for informational purposes only and do not purport to reflect the results of operations of Lazard Ltd or Lazard Group that would have occurred had they operated as separate, independent companies during the periods presented. Actual results might have differed from pro forma results if Lazard Ltd or Lazard Group had operated independently.

The pro forma consolidated financial information should not be relied upon as being indicative of Lazard Ltd or Lazard Group's results of operations had the transactions contemplated in connection with the separation and recapitalization transactions, including the IPO and the additional financing transactions, been completed on the dates assumed. The pro forma financial information also does not project the results of operations for any future period.

Pro forma operating income, net income and net income per share amounts for the first nine months of 2005, exclude one-time IPO-related professional fees and other costs of \$4.6 million or 3 cents per fully diluted share incurred in the second quarter.

### **Historical Results**

Historical net income is reported as a historical partnership until the IPO on May 10, 2005 and for periods prior to the IPO does not include payments for services rendered by managing directors as compensation expense, a provision for U.S. federal income taxes and a charge for the minority interest relating to the outstanding exchangeable interests. Such payments, tax provisions and minority interest expense are included in subsequent periods. Therefore, historical results for periods prior to the IPO on May 10, 2005 and subsequent to the IPO are not comparable. Notwithstanding such lack of comparability, historical net income from continuing operations decreased by 56% to \$19.0 million for the third quarter of 2005 from \$42.8 million for the third quarter of 2004, and increased 9% to \$137.1 million for the first nine months of 2005 from \$125.6 million for the first nine months of 2004, reflecting these differences in reporting payments for services rendered by managing directors and in tax provisions and minority interest expense.

On an historical basis, compensation and benefits increased 97% to \$215.2 million, and 47% to \$482.2 million for the third quarter and the first nine months of 2005, respectively, compared with \$109.2 million and \$329.1 million for the comparable 2004 period. Historical compensation and benefits are not on a comparable basis between periods prior to the IPO and subsequent to the IPO. Prior to the IPO, payments for services rendered by all managing directors and by employee members of LAM were not included in compensation and benefits expense whereas for periods subsequent to the IPO they are included.

On an historical basis, the provision for income taxes for the third quarter and the first nine months of 2005 was \$17.2 million and \$50.4 million, respectively, compared with a tax provision of \$0.9 million and \$13.2 million for the corresponding periods in 2004. The increases in the provisions in 2005 were due to increased profitability in locations that are subject to corporate income taxes, including a provision for U.S. federal income taxes for the period commencing May 10, 2005.

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Additional financial, statistical and business-related information is included in a financial supplement. This earnings release, the financial supplement and recently enhanced transaction information is available today on the website at [www.lazard.com](http://www.lazard.com).

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Lazard, one of the world's preeminent financial advisory and asset management firms, operates from 29 cities across 16 countries in North America, Europe, Asia, Australia and South America. With origins dating back to 1848, the firm provides services including mergers and acquisitions advice, asset management, and restructuring advice to corporations, partnerships, institutions, governments, and individuals. For more information on Lazard, please visit [www.lazard.com](http://www.lazard.com).

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Cautionary Note Regarding Forward-Looking Statements

*This press release contains “forward-looking statements.” In some cases, you can identify these statements by forward-looking words such as “may”, “might”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential” or “continue”, and the negative of these terms and other comparable terminology. These forward-looking statements are not historical facts but instead represent only our belief regarding future results, many of which, by their nature, are inherently uncertain and outside of our control. 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 or achievements expressed or implied by these forward-looking statements. These factors include, but are not limited to, those discussed in our Registration Statement on Form S-1 (Commission file number 333-121407) under the caption “Risk Factors,” including the following:*

- *A decline in general economic conditions or the global financial markets;*
- *Losses caused by financial or other problems experienced by third parties;*
- *Losses due to unidentified or unanticipated risks;*
- *A lack of liquidity, i.e., ready access to funds, for use in our businesses;*
- *Competitive pressure.*

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## **Basis of Historical and Pro Forma Information**

In connection with the IPO on May 10, 2005, Lazard Ltd and its subsidiaries entered into a series of separation and recapitalization transactions, including the separation of its Capital Markets and Other activities from Lazard Group LLC, a Delaware limited liability company that holds Lazard Ltd's businesses. As a result of completing the IPO, Lazard Ltd has no material operating assets other than its indirect ownership of the common membership interests of Lazard Group and its managing member interest in Lazard Group. As of September 30, 2005, the Lazard Group common membership interests were held 37.6% by Lazard Ltd and 62.4% by LAZ-MD Holdings which are effectively exchangeable over time, on a one-for-one basis, for shares of Lazard Ltd common stock. LAZ-MD Holdings is a holding company owned by current and former managing directors of Lazard Group.

Under generally accepted accounting principles in the United States (U.S. GAAP), Lazard's historical consolidated financial statements reflect the historical results of operations of Lazard Group, including the separated businesses, until May 10, 2005, which was the effective date of the separation. The separated businesses are presented as discontinued operations as required under U.S. GAAP.

The historical financial statements do not reflect what the results of operations of Lazard Ltd or Lazard Group would have been had these companies operated as separate, independent public entities for the periods presented. In addition, the historical results of operations for periods prior to and subsequent to the IPO are not on a comparable basis. Specifically, for periods prior to the IPO the historical results of operations under U.S. GAAP do not give effect to the following matters:

- The separation of Lazard's Capital Markets and Other activities; and specified non-operating assets and liabilities (which are reported as discontinued operations),
- Payments for services rendered by Lazard's managing directors, which, as a result of Lazard operating as a limited liability company, had been accounted for prior to the IPO as distributions from members' capital, or, in some cases, as minority interest, rather than as compensation and benefits expense, and
- U.S. corporate federal income taxes, since Lazard has operated in the U.S. as a limited liability company that was treated as a partnership for U.S. federal income tax purposes.

For periods subsequent to the IPO, the historical results of operations under U.S. GAAP include:

- Payments for services rendered by managing directors within compensation and benefits expense,
- Provision for U.S. federal income taxes, and
- Allocation of profits to LAZ-MD Holdings' membership interest in Lazard Group as minority interest.

The unaudited pro forma condensed consolidated statements of income information contained in this press release present Lazard's historical financial information adjusted to reflect the separation and recapitalization transactions, including the IPO and the additional financing transactions, assuming they had been completed as of the beginning of each period presented. The adjustments also include:

- Payments for services rendered by managing directors,
- Income taxes Lazard expects to pay as a corporation,
- Minority interest expense reflecting LAZ-MD Holdings' ownership of the Lazard Group common membership interests, and
- Exclusion of one-time IPO-related costs.

**LAZARD LTD**  
**PRO FORMA OPERATING REVENUES**

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2004	2005	Increase / (Decrease)		2004	2005	Increase / (Decrease)	
	(\$ in thousands)							
<b>Financial Advisory</b>								
M&A	\$105,131	\$187,241	\$82,110	78%	\$314,073	\$491,559	\$177,486	57%
Financial Restructuring	20,800	39,956	19,156	92%	52,500	80,367	27,867	53%
Corporate Finance and Other	5,749	30,588	24,839	432%	40,678	54,684	14,006	34%
Total	131,680	257,785	126,105	96%	407,251	626,610	219,359	54%
<b>Asset Management</b>								
Management and Other Fees	93,099	108,277	15,178	16%	284,638	316,045	31,407	11%
Incentive Fees	(3,830)	2,717	6,547	-	5,318	10,650	5,332	-
Total	89,269	110,994	21,725	24%	289,956	326,695	36,739	13%
<b>Corporate</b>	(10,913)	(11,876)	(963)	-	(35,088)	(39,905)	(4,817)	-
<b>Net Revenues</b>	210,036	356,903	146,867	70%	662,119	913,400	251,281	38%
Subtract LAM GP Related Revenue	-	(2,752)	(2,752)	-	-	(2,752)	(2,752)	-
Add Back Non-LFB Interest Expense	19,289	20,109	820	-	58,243	59,272	1,029	-
<b>Operating Revenues</b>	\$229,325	\$374,260	\$144,935	63%	\$720,362	\$969,920	\$249,558	35%

**LAZARD LTD**  
**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

	Pro Forma			
	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2004	2005	2004	2005
	(\$ in thousands, except per share data)			
Total revenues	\$233,657	\$378,749	\$733,768	\$985,154
LFB interest expense	(4,332)	(4,489)	(13,406)	(15,234)
Operating revenues	229,325	374,260	720,362	969,920
LAM GP related revenue	-	2,752	-	2,752
Other interest expense	(19,289)	(20,109)	(58,243)	(59,272)
Net revenues	210,036	356,903	662,119	913,400
Operating expenses:				
Compensation and benefits	131,862	215,199	414,208	557,704
Premises and occupancy costs	17,791	16,653	54,396	50,513
Professional fees	9,923	12,516	30,598	33,176
Travel and entertainment	8,942	10,663	33,479	30,768
Other	22,740	24,583	65,077	69,467
Operating expenses	191,258	279,614	597,758	741,628
Operating income	18,778	77,289	64,361	171,772
Provision for income taxes	3,733	17,177	12,792	41,445
Income before minority interests	15,045	60,112	51,569	130,327
Minority interests (excluding LAZ-MD) *	(3,155)	4,728	(3,283)	9,440
Minority interests (LAZ-MD only)	11,948	36,373	36,244	78,173
Net income from continuing operations	\$6,252	\$19,011	\$18,608	\$42,714
Net income assuming full exchange of exchangeable interests	\$16,675	\$51,690	\$49,623	\$115,006
<b>Weighted average shares outstanding:</b>				
Basic	37,500,000	37,500,000	37,500,000	37,500,000
Diluted	100,000,000	37,528,978	100,000,000	37,509,765
<b>Net income per share:</b>				
Basic	\$0.17	\$0.51	\$0.50	\$1.14
Diluted	\$0.17	\$0.51	\$0.50	\$1.14
<b>Weighted average shares outstanding, assuming full exchange of exchangeable interests:</b>				
Basic	100,000,000	99,726,494	100,000,000	99,907,829
Diluted	100,000,000	99,755,472	100,000,000	99,917,595
<b>Net income per share, assuming full exchange of exchangeable interests:</b>				
Basic	\$0.17	\$0.52	\$0.50	\$1.15
Diluted	\$0.17	\$0.52	\$0.50	\$1.15

\* Primarily includes (i) (credits) / charges relating to our strategic alliances in Italy of (\$1,243) and \$1,322 in the three months ended September 30, 2004 and 2005, respectively and (\$400) and \$5,674 in the nine months ended September 30, 2004 and 2005, respectively, and (ii) \$2,752 related to the consolidation of LAM related GPs in the three and nine months ended September 30, 2005.

*See Notes to Unaudited Pro Forma Condensed Consolidated Statements of Income*

**LAZARD LTD**  
**UNAUDITED HISTORICAL CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

Historical net income is reported as a historical partnership until the IPO on May 10, 2005 and does not include payments for services rendered by managing directors as compensation expense and a provision for U.S. federal income taxes. In addition, historical net income for periods prior to the IPO do not include a charge for the minority interest relating to the outstanding exchangeable interests. Such payments, tax provisions and minority interest expense are included in subsequent periods. Therefore, historical results for periods prior to the IPO on May 10, 2005 and subsequent to the IPO are not comparable.

	Historical			
	Three Months		Nine Months	
	Ended September 30, 2004	2005	Ended September 30, 2004	2005
	(\$ in thousands, except per share data)			
Total revenues	\$233,657	\$378,749	\$733,768	\$985,154
LFB interest expense	(4,332)	(4,489)	(13,406)	(15,234)
Operating revenues	229,325	374,260	720,362	969,920
LAM GP related revenue	-	2,752	-	2,752
Other interest expense	(5,345)	(20,109)	(16,412)	(38,307)
Net revenues	223,980	356,903	703,950	934,365
Operating expenses:				
Compensation and benefits	109,153	215,199	329,116	482,228
Premises and occupancy costs	17,791	16,653	54,396	50,513
Professional fees	9,923	12,516	30,598	36,111
Travel and entertainment	8,942	10,663	33,479	30,768
Other	22,740	24,583	65,077	69,467
Operating expenses	168,549	279,614	512,666	669,087
Operating income	55,431	77,289	191,284	265,278
Provision for income taxes	872	17,177	13,214	50,443
Income before minority interests	54,559	60,112	178,070	214,835
Minority interests (excluding LAZ-MD) *	11,717	4,728	52,426	18,521
Minority interests (LAZ-MD only)	-	36,373	-	59,186
Income from continuing operations	42,842	19,011	125,644	137,128
Income (loss) from discontinued operations and extraordinary gain	(2,942)	(408)	8,672	(17,576)
Net income	<u>\$39,900</u>	<u>\$18,603</u>	<u>\$134,316</u>	<u>\$119,552</u>

**Weighted average shares outstanding:**

Basic	-	37,500,000	-	37,500,000
Diluted	-	37,528,978	-	37,518,513

**Net income per share from continuing operations:**

Basic	-	\$0.51	-	\$0.81
Diluted	-	\$0.51	-	\$0.81

\* Includes (i) (credits) / charges relating to our strategic alliances in Italy of (\$1,243) and \$1,322 in the three months ended September 30, 2004 and 2005, respectively and (\$400) and \$5,674 in the nine months ended September 30, 2004 and 2005, respectively, (ii) \$2,752 related to the consolidation of LAM related GPs in the three and nine months ended September 30, 2005, and (iii) payments for services rendered by our managing directors and employee members of LAM of \$14,872 in the three months ended September 30, 2004 and \$55,709 and \$9,081 in the nine months ended September 30, 2004 and 2005, respectively.

*See Notes to Unaudited Pro Forma Condensed Consolidated Statements of Income*

**LAZARD LTD**  
**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME**

	Three Month Period Ended September 30, 2005				
	Historical	Pro Forma Adjustments	Pro Forma as Adjusted, Prior to Full Exchange	Pro Forma Adjustment for Full Exchange	Pro Forma as Adjusted, After Full Exchange
	(\$ in thousands, except per share data)				
Total revenues	\$378,749	\$ -	\$378,749	\$ -	\$378,749
LFB interest expense	(4,489)	-	(4,489)	-	(4,489)
Operating revenues	374,260	-	374,260	-	374,260
LAM GP related revenue	2,752 (a)	-	2,752	-	2,752
Other interest expense	(20,109) (b)	-	(20,109)	-	(20,109)
Net revenues	356,903	-	356,903	-	356,903
Operating expenses:					
Compensation and benefits	215,199	-	215,199	-	215,199
Premises and occupancy costs	16,653	-	16,653	-	16,653
Professional fees	12,516	-	12,516	-	12,516
Travel and entertainment	10,663	-	10,663	-	10,663
Other	24,583	-	24,583	-	24,583
Operating expenses	279,614	-	279,614	-	279,614
Operating income (loss)	77,289	-	77,289	-	77,289
Provision for income taxes	17,177	-	17,177	3,694 (j)	20,871
Income (loss) before minority interests	60,112	-	60,112	(3,694)	56,418
Minority interests (excluding LAZ-MD)	4,728	-	4,728	-	4,728
Minority interests (LAZ-MD only)	36,373	-	36,373	(36,373) (k)	-
Income from continuing operations	19,011	-	19,011	32,679	51,690
Income (loss) from discontinued operations	(408)	408 (c)	-	-	-
Net income	<u>\$18,603</u>	<u>\$408</u>	<u>\$19,011</u>	<u>\$32,679</u>	<u>\$51,690</u>
<b>Weighted average shares outstanding:</b>					
Basic			37,500,000 (h)		99,726,494 (l)
Diluted			37,528,978 (h)		99,755,472 (m)
<b>Net income per share:</b>					
Basic			\$0.51 (i)		\$0.52 (n)
Diluted			\$0.51 (i)		\$0.52 (n)

*See Notes to Unaudited Pro Forma Condensed Consolidated Statements of Income*

**LAZARD LTD**  
**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME**

	Three Month Period Ended September 30, 2004				
	Historical	Pro Forma Adjustments	Pro Forma as Adjusted, Prior to Full Exchange	Pro Forma Adjustment for Full Exchange	Pro Forma as Adjusted, After Full Exchange
	(\$ in thousands, except per share data)				
Total revenues	\$233,657	\$ -	\$233,657	\$ -	\$233,657
LFB interest expense	(4,332)	-	(4,332)	-	(4,332)
Operating revenues	229,325	-	229,325	-	229,325
Other interest expense	(5,345) (b)	(13,944) (d)	(19,289)	-	(19,289)
Net revenues	223,980	(13,944)	210,036	-	210,036
Operating expenses:					
Compensation and benefits	109,153	22,709 (e)	131,862	-	131,862
Premises and occupancy costs	17,791	-	17,791	-	17,791
Professional fees	9,923	-	9,923	-	9,923
Travel and entertainment	8,942	-	8,942	-	8,942
Other	22,740	-	22,740	-	22,740
Operating expenses	168,549	22,709	191,258	-	191,258
Operating income (loss)	55,431	(36,653)	18,778	-	18,778
Provision for income taxes	872	2,861 (f)	3,733	1,525 (j)	5,258
Income (loss) before minority interests	54,559	(39,514)	15,045	(1,525)	13,520
Minority interests (excluding LAZ-MD)	11,717	(14,872) (e)	(3,155)	-	(3,155)
Minority interests (LAZ-MD only)	-	11,948 (g)	11,948	(11,948) (k)	-
Income (loss) from continuing operations	42,842	(36,590)	6,252	10,423	16,675
Income (loss) from discontinued operations and extraordinary gain	(2,942)	2,942 (c)	-	-	-
Net income (loss)	<u>\$39,900</u>	<u>(\$33,648)</u>	<u>\$6,252</u>	<u>\$10,423</u>	<u>\$16,675</u>
<b>Weighted average shares outstanding:</b>					
Basic			37,500,000 (h)		100,000,000 (l)
Diluted			100,000,000 (h)		100,000,000 (m)
<b>Net income per share:</b>					
Basic			\$0.17 (i)		\$0.17 (n)
Diluted			\$0.17 (i)		\$0.17 (n)

*See Notes to Unaudited Pro Forma Condensed Consolidated Statements of Income*

**LAZARD LTD**  
**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME**

Nine Month Period Ended September 30, 2005

	<u>Historical</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma as Adjusted, Prior to Full Exchange</u>	<u>Pro Forma Adjustment for Full Exchange</u>	<u>Pro Forma as Adjusted, After Full Exchange</u>
	(\$ in thousands, except per share data)				
Total revenues	\$985,154	\$ -	\$985,154	\$ -	\$985,154
LFB interest expense	(15,234)	-	(15,234)	-	(15,234)
Operating revenues	969,920	-	969,920	-	969,920
LAM GP related revenue	2,752 (a)	-	2,752	-	2,752
Other interest expense	(38,307) (b)	(20,965) (d)	(59,272)	-	(59,272)
Net revenues	934,365	(20,965)	913,400	-	913,400
Operating expenses:					
Compensation and benefits	482,228	75,476 (e)	557,704	-	557,704
Premises and occupancy costs	50,513	-	50,513	-	50,513
Professional fees	36,111	(2,935) (o)	33,176	-	33,176
Travel and entertainment	30,768	-	30,768	-	30,768
Other	69,467	-	69,467	-	69,467
Operating expenses	669,087	72,541	741,628	-	741,628
Operating income (loss)	265,278	(93,506)	171,772	-	171,772
Provision for income taxes	50,443	(8,998) (f)	41,445	5,881 (j)	47,326
Income (loss) before minority interests	214,835	(84,508)	130,327	(5,881)	124,446
Minority interests (excluding LAZ-MD)	18,521	(9,081) (e)	9,440	-	9,440
Minority interests (LAZ-MD only)	59,186	18,987 (g)	78,173	(78,173) (k)	-
Income (loss) from continuing operations	137,128	(94,414)	42,714	72,292	115,006
Income (loss) from discontinued operations	(17,576)	17,576 (c)	-	-	-
Net income (loss)	<u>\$119,552</u>	<u>(\$76,838)</u>	<u>\$42,714</u>	<u>\$72,292</u>	<u>\$115,006</u>
<b>Weighted average shares outstanding:</b>					
Basic			37,500,000 (h)		99,907,829 (l)
Diluted			37,509,765 (h)		99,917,595 (m)
<b>Net income per share:</b>					
Basic			\$1.14 (i)		\$1.15 (n)
Diluted			\$1.14 (i)		\$1.15 (n)

*See Notes to Unaudited Pro Forma Condensed Consolidated Statements of Income*

**LAZARD LTD**  
**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME**

	Nine Month Period Ended September 30, 2004				
	Historical	Other	Pro Forma as Adjusted, Prior to Full Exchange	Pro Forma Adjustment for Full Exchange	Pro Forma as Adjusted, After Full Exchange
	(\$ in thousands, except per share data)				
Total revenues	\$733,768	\$ -	\$733,768	\$ -	\$733,768
LFB interest expense	(13,406)	-	(13,406)	-	(13,406)
Operating revenues	720,362	-	720,362	-	720,362
Other interest expense	(16,412) (b)	(41,831) (d)	(58,243)	-	(58,243)
Net revenues	703,950	(41,831)	662,119	-	662,119
Operating expenses:					
Compensation and benefits	329,116	85,092 (e)	414,208	-	414,208
Premises and occupancy costs	54,396	-	54,396	-	54,396
Professional fees	30,598	-	30,598	-	30,598
Travel and entertainment	33,479	-	33,479	-	33,479
Other	65,077	-	65,077	-	65,077
Operating expenses	512,666	85,092	597,758	-	597,758
Operating income (loss)	191,284	(126,923)	64,361	-	64,361
Provision for income taxes	13,214	(422) (f)	12,792	5,229 (j)	18,021
Income (loss) before minority interests	178,070	(126,501)	51,569	(5,229)	46,340
Minority interests (excluding LAZ-MD)	52,426	(55,709) (e)	(3,283)	-	(3,283)
Minority interests (LAZ-MD only)	-	36,244 (g)	36,244	(36,244) (k)	-
Income (loss) from continuing operations	125,644	(107,036)	18,608	31,015	49,623
Income (loss) from discontinued operations and extraordinary gain	8,672	(8,672) (c)	-	-	-
Net income (loss)	\$134,316	(\$115,708)	\$18,608	\$31,015	\$49,623
<b>Weighted average shares outstanding:</b>					
Basic			37,500,000 (h)		100,000,000 (l)
Diluted			100,000,000 (h)		100,000,000 (m)
<b>Net income per share:</b>					
Basic			\$0.50 (i)		\$0.50 (n)
Diluted			\$0.50 (i)		\$0.50 (n)

*See Notes to Unaudited Pro Forma Condensed Consolidated Statements of Income*

## LAZARD LTD

### *Notes to Unaudited Pro Forma Condensed Consolidated Statements of Income*

- (a) LAM GP related revenue relates to interests in LAM general partnerships held directly by various of our managing directors which is also deducted in minority interests.
- (b) For the nine-month period ended September 30, 2004, interest expense includes \$6,000 in accrued dividends relating to Lazard Group's mandatorily redeemable preferred stock issued in March 2001. The nine-month period ended September 30, 2005 includes a credit of \$8,000, which represents accrued dividends on Lazard Group's mandatorily redeemable preferred stock which was cancelled in connection with the redemption of membership interests of historical partners.
- (c) Represents adjustments necessary to remove Lazard Group's discontinued operations, and when applicable extraordinary items, related to the separated businesses.
- (d) Represents (i) net incremental interest expense related to the separation and recapitalization transactions, including the financing transactions and the amortization of capitalized costs associated with the financing transactions and (ii) for the nine-month period ended September 30, 2005 only, exclusion of one-time IPO-related costs of \$1,661.
- (e) The adjustment 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. Following the completion of the IPO, our policy is that our employee compensation and benefits expense, including that payable to our managing directors, will not exceed 57.5% of operating revenue each year (although we retain the ability to change this policy in the future). The adjustment has been determined as if the new compensation policy had been in place during 2004 and 2005. Accordingly, the pro forma condensed consolidated statements of income data reflect compensation and benefits expense based on new retention agreements that are in effect.
- (f) Represents (i) a tax benefit related to the reclassification of LAM minority interest, (ii) the net income tax impact associated with the separation and recapitalization transactions and (iii) an adjustment for Lazard Ltd entity-level taxes.
- (g) Represents the adjustment for LAZ-MD Holdings' ownership of 62.5% of the Lazard Group common membership interests outstanding immediately after the IPO and 62.4% as of September 30, 2005.
- (h) For basic net income per share, the weighted average shares outstanding reflects the 37,500,000 shares of Class A common stock outstanding immediately following the equity public offering. For diluted net income per share, the weighted average shares outstanding reflects LAZ-MD Holdings exchangeable interests for the 2004 periods only, on an as-if-exchanged basis, as the exchangeable interests were not dilutive in the 2005 periods. In addition, the 2005 periods include incremental shares issuable from non-vested stock unit awards. Shares issuable with respect to the exercise of the purchase contracts associated with the equity security units offered in the ESU offering and the IXIS ESU placement are not included because, under the treasury stock method of accounting, such securities are not currently dilutive.

## LAZARD LTD

### *Notes to Unaudited Pro Forma Condensed Consolidated Statements of Income*

- (i) Calculated after considering the impact of all the pro forma adjustments described above and based on the weighted average basic and diluted shares outstanding, as applicable, as described in note (h) above.
- (j) Represents an adjustment for Lazard Ltd entity-level taxes to effect a full exchange of LAZ-MD Holdings' ownership of Lazard Group common membership interests, as of January 1, 2004.
- (k) Represents a reversal of the minority interests related to LAZ-MD Holdings' ownership of Lazard Group common membership interests to effect a full exchange of interests as of January 1, 2004.
- (l) For basic net income per share, as if the LAZ-MD Holdings exchangeable interests were fully exchanged as of January 1, 2004, the weighted average shares outstanding, (i) for the three and nine month periods ended September 30, 2004, reflects 100,000,000 shares of Class A Common Stock outstanding, which includes Class A Common Stock outstanding immediately following the equity public offering, the IXIS private placement and recapitalization and the LAZ-MD Holdings' membership interests in Lazard Group, exchangeable on a one-for-one basis for Class A Common Stock, immediately following the equity public offering, respectively, and (ii) for the three and nine month periods ended September 30, 2005, reflects 99,726,494 and 99,907,829 shares of Class A Common Stock outstanding, which includes the 100,000,000 shares mentioned above less the impact of the repurchase of interests in LAZ-MD Holdings on July 26, 2005, respectively.
- (m) For diluted net income per share, as if the LAZ-MD Holdings exchangeable interests were fully exchanged as of January 1, 2004, the weighted average shares outstanding, (i) for the three and nine month periods ended September 30, 2004 reflects 100,000,000 shares of Class A Common Stock outstanding, which includes Class A Common Stock outstanding immediately following the equity public offering, the IXIS private placement and recapitalization and the LAZ-MD Holdings' membership interests in Lazard Group, exchangeable on a one-for-one basis for Class A Common Stock, immediately following the equity public offering, respectively and (ii) for the three and nine month periods ended September 30, 2005 reflects 99,755,472 and 99,917,595 shares of Class A Common Stock outstanding, which includes the 100,000,000 shares mentioned above plus incremental shares issuable from non-vested stock unit awards less the impact of the repurchase of interests in LAZ-MD Holdings on July 26, 2005, respectively.
- (n) Calculated after considering the impact of all the pro forma adjustments described above and based on the weighted average basic and diluted shares outstanding, as applicable, as described in notes (l) and (m) above.
- (o) Represents exclusion of one-time IPO-related costs of \$2,935 for the nine-month period ended September 30, 2005 only.

**LAZARD LTD**  
**UNAUDITED CONDENSED CONSOLIDATED**  
**STATEMENT OF FINANCIAL CONDITION**  
**As Of September 30, 2005**

**ASSETS**

Cash and cash equivalents	\$371,983
Cash and securities segregated for regulatory purposes	20,878
Marketable investments	-
Securities owned - at fair value	292,582
Receivables	753,050
Other assets	370,766
	<hr/>
Total assets	<u>\$1,809,259</u>

**LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIENCY)**

Payables	\$577,892
Accrued compensation and benefits	247,415
Other liabilities	591,055
Senior notes:	
Underlying equity security units	437,500
Others	568,418
Subordinated loans	200,000
	<hr/>
Total liabilities	2,622,280
Commitments and contingencies	
Minority interest	104,460

**STOCKHOLDERS' EQUITY (DEFICIENCY)**

Common stock:	
Class A, par value \$ .01 per share	375
Class B, par value \$ .01 per share	
Additional paid-in capital	(913,860)
Accumulated other comprehensive income (loss), net of tax	(32,423)
Retained earnings	28,427
	<hr/>
Total stockholders' equity (deficiency)	(917,481)
	<hr/>
Total liabilities and stockholders' equity (deficiency)	<u>\$1,809,259</u>

**LAZARD LTD**  
**RECONCILIATION OF PRO FORMA SHARES OUTSTANDING AND**  
**NET INCOME FOR BASIC AND DILUTED E.P.S - - Before Full Exchange**

	Three Months Ended September 30, 2004			Three Months Ended September 30, 2005		
	Weighted Average Shares Outstanding	Net Income	Net Income Per Share	Weighted Average Shares Outstanding	Net Income	Net Income Per Share
	(\$ in thousands, except per share data)					
Amounts as reported for basic net income per share	37,500,000	\$6,252	<u>\$0.17</u>	37,500,000	\$19,011	<u>\$0.51</u>
Amounts applicable to LAZ-MD exchangeable interests:						
Share of Lazard Group income		11,948 (a)			-	
Additional Corporate tax		(1,525) (b)			-	
Shares issuable	62,500,000			-		
Restricted stock units	-			28,978		
Amounts as reported for diluted net income per share	<u>100,000,000</u>	<u>\$16,675</u>	<u>\$0.17</u>	<u>37,528,978</u>	<u>\$19,011</u>	<u>\$0.51 (c)</u>
	Nine Months Ended September 30, 2004			Nine Months Ended September 30, 2005		
	Weighted Average Shares Outstanding	Net Income	Net Income Per Share	Weighted Average Shares Outstanding	Net Income	Net Income Per Share
	(\$ in thousands, except per share data)					
Amounts as reported for basic net income per share	37,500,000	\$18,608	<u>\$0.50</u>	37,500,000	\$42,714	<u>\$1.14</u>
Amounts applicable to LAZ-MD exchangeable interests:						
Share of Lazard Group income		36,244 (a)				
Additional Corporate tax		(5,229) (b)				
Shares issuable	62,500,000					
Restricted stock units				9,765		
Amounts as reported for diluted net income per share	<u>100,000,000</u>	<u>\$49,623</u>	<u>\$0.50</u>	<u>37,509,765</u>	<u>\$42,714</u>	<u>\$1.14 (c)</u>

(a) Approximately 62.5% of pro forma Lazard Group net income of \$19,115 and \$57,990 for the three and nine months ended September 30, 2004.

(b) Based on pro forma Lazard Group operating income of \$18,778 and \$64,361 for the three and nine months ended September 30, 2004.

(c) The LAZ-MD exchangeable interests and the ESUs were antidilutive and consequently the effect of their conversion to shares of Class A Common Stock has been excluded from diluted earnings per share during the periods presented.

**LAZARD LTD**  
**RECONCILIATION OF PRO FORMA SHARES OUTSTANDING AND**  
**NET INCOME FOR BASIC AND DILUTED E.P.S - - Assuming Full Exchange as of January 1, 2004**

	Three Months Ended September 30, 2004			Three Months Ended September 30, 2005		
	Weighted Average Shares Outstanding	Net Income	Net Income Per Share	Weighted Average Shares Outstanding	Net Income	Net Income Per Share
	(\$ in thousands, except per share data)					
Amounts as reported for basic net income per share	100,000,000	\$16,675	<u>\$0.17</u>	99,726,494	\$51,690	<u>\$0.52</u>
Restricted stock units	-			28,978		
Amounts as reported for diluted net income per share	<u>100,000,000</u>	<u>\$16,675</u>	<u>\$0.17</u>	<u>99,755,472</u>	<u>\$51,690</u>	<u>\$0.52</u>

	Nine Months Ended September 30, 2004			Nine Months Ended September 30, 2005		
	Weighted Average Shares Outstanding	Net Income	Net Income Per Share	Weighted Average Shares Outstanding	Net Income	Net Income Per Share
	(\$ in thousands, except per share data)					
Amounts as reported for basic net income per share	100,000,000	\$49,623	<u>\$0.50</u>	99,907,829	\$115,006	<u>\$1.15</u>
Restricted stock units	-			9,766		
Amounts as reported for diluted net income per share	<u>100,000,000</u>	<u>\$49,623</u>	<u>\$0.50</u>	<u>99,917,595</u>	<u>\$115,006</u>	<u>\$1.15</u>

**ASSETS UNDER MANAGEMENT (AUM)**

	As of				
	September 30, 2004	December 31, 2004	March 31, 2005	June 30, 2005	September 30, 2005
	(\$ in millions)				
Total Equities	\$61,976	\$69,745	\$69,724	\$66,077	\$69,154
Total Fixed Income	11,723	11,204	11,314	11,211	11,454
Alternative Investments	2,270	2,800	2,921	3,054	3,204
Merchant Banking	453	551	523	801	801
Cash	2,072	2,135	1,775	1,869	1,979
Total AUM	<u>\$78,494</u>	<u>\$86,435</u>	<u>\$86,257</u>	<u>\$83,012</u>	<u>\$86,592</u>
	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>		
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	
AUM - Beginning of Period	\$77,982	\$83,012	\$78,371	\$86,435	
Net Flows	(200)	(1,751)	(1,863)	(4,349)	
Market Appreciation (Depreciation)	523	5,369	2,121	5,654	
Foreign Currency Adjustments	189	(38)	(135)	(1,148)	
AUM - End of Period	<u>\$78,494</u>	<u>\$86,592</u>	<u>\$78,494</u>	<u>\$86,592</u>	
Average AUM (note)	<u>\$78,238</u>	<u>\$84,802</u>	<u>\$78,712</u>	<u>\$85,574</u>	

Note: Average AUM is based on an average of quarterly ending balances for the respective periods

**LAZARD LTD**  
**SCHEDULE OF PRO FORMA INCOME TAX PROVISION**

**ALLOCATION OF OPERATING INCOME**

	<b>Three Months</b>		<b>Nine Months</b>	
	<b>Ended September 30,</b>		<b>Ended September 30,</b>	
	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>
	(\$ in thousands)			
Operating income:				
Lazard Group .....	\$18,778	\$77,776	\$64,361	\$172,349
Lazard Ltd .....	-	(487)	-	(577)
Total .....	<u>\$18,778</u>	<u>\$77,289</u>	<u>\$64,361</u>	<u>\$171,772</u>
Operating income allocable to Lazard Ltd:				
Lazard Group (approximately 37.5%) .....	\$7,042	\$29,254	\$24,135	\$64,719
Lazard Ltd (100%) .....	-	(487)	-	(577)
Total .....	<u>\$7,042</u>	<u>\$28,767</u>	<u>\$24,135</u>	<u>\$64,142</u>
Operating income allocable to LAZ-MD Holdings:				
Lazard Group (approximately 62.5%) .....	<u>\$11,736</u>	<u>\$48,522</u>	<u>\$40,226</u>	<u>\$107,630</u>

**PRO FORMA INCOME TAX PROVISION**

	<b>Three Months</b>		<b>Nine Months</b>	
	<b>Ended September 30,</b>		<b>Ended September 30,</b>	
	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>
	(\$ in thousands)			
Lazard Ltd's entity level taxes (28%) .....	\$1,972	\$7,765	\$6,758	\$17,670
Flow through provision for Lazard Group income taxes applicable to LAZ-MD Holdings' approximately 62.5% ownership - effective tax rates of 15.0% and 19.0% for the three month periods ended September 30, 2004 and 2005 and 15.0% and 21.9% for the nine month periods ended September 30, 2004 and 2005, respectively .....	<u>1,761</u>	<u>9,412</u>	<u>6,034</u>	<u>23,775</u>
Total pro forma provision for income taxes .....	3,733	17,177	12,792	41,445
Pro forma provision for income taxes before final adjustment for the equity public offering .....	<u>2,817</u>	<u>17,177</u>	<u>9,654</u>	<u>42,391</u>
Pro forma adjustment .....	<u>\$916</u>	<u>-</u>	<u>\$3,138</u>	<u>(946)</u>
Lazard Ltd consolidated effective tax rate .....	<u>19.9%</u>	<u>22.2%</u>	<u>19.9%</u>	<u>24.1%</u>