Lazard Ltd
Form 10-Q
July 30, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2013

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ___________ to ___________

001-32492

(Commission File Number)

LAZARD LTD

(Exact name of registrant as specified in its charter)

Bermuda	**98-0437848**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

Clarendon House

2 Church Street

Hamilton HM11, Bermuda

(Address of principal executive offices)

Registrant s telephone number: (441) 295-1422

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of July 24, 2013, there were 129,056,081 shares of the Registrant s Class A common stock (including 7,115,597 shares held by subsidiaries) and one share of the registrant s Class B common stock outstanding.

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When we use the terms Lazard , we , us , our and the Company , we mean Lazard Ltd, a company incorporated under the laws of Bermuda, and its subsidiaries, including Lazard Group LLC, a Delaware limited liability company (Lazard Group), that is the current holding company for our businesses. Lazard Ltd has no material operating assets other than indirect ownership as of June 30, 2013 of approximately 99.5% of the common membership interests in Lazard Group and its controlling interest in Lazard Group.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

JUNE 30, 2013 AND DECEMBER 31, 2012

(UNAUDITED)

(dollars in thousands, except for per share data)

	June 30, 2013	December 31, 2012
ASSETS		
Cash and cash equivalents	$ 601,485	$ 850,190
Deposits with banks	344,839	292,494
Cash deposited with clearing organizations and other segregated cash	60,767	65,232
Receivables (net of allowance for doubtful accounts of $24,593 and $23,017 at June 30, 2013 and December 31, 2012, respectively):		
Fees	391,762	400,529
Customers and other	117,902	53,713
Related parties	15,242	23,801
	524,906	478,043
Investments	449,364	414,673
Property (net of accumulated amortization and depreciation of $232,487 and $225,861 at June 30, 2013 and December 31, 2012, respectively)	241,949	225,033
Goodwill and other intangible assets (net of accumulated amortization of $37,162 and $35,281 at June 30, 2013 and December 31, 2012, respectively)	375,207	392,822
Other assets	322,712	268,406
Total Assets	$ 2,921,229	$ 2,986,893

See notes to condensed consolidated financial statements.

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

JUNE 30, 2013 AND DECEMBER 31, 2012

(UNAUDITED)

(dollars in thousands, except for per share data)

	June 30, 2013	December 31, 2012
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits and other customer payables	$ 385,985	$ 269,763
Accrued compensation and benefits	336,194	467,578
Senior debt	1,076,850	1,076,850
Capital lease obligations	16,168	17,863
Related party payables	4,759	3,648
Other liabilities	509,062	499,651
Total Liabilities	2,329,018	2,335,353
Commitments and contingencies		
STOCKHOLDERS EQUITY		
Preferred stock, par value $.01 per share; 15,000,000 shares authorized:		
Series A - 7,921 shares issued and outstanding at June 30, 2013 and December 31, 2012		
Series B - no shares issued and outstanding		
Common stock:		
Class A, par value $.01 per share (500,000,000 shares authorized; 129,056,081 and 128,216,423 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively, including shares held by subsidiaries as indicated below)	1,290	1,282
Class B, par value $.01 per share (1 share authorized, issued and outstanding at June 30, 2013 and December 31, 2012)		
Additional paid-in-capital	659,365	846,050
Retained earnings	193,958	182,647
Accumulated other comprehensive loss, net of tax	(141,489)	(110,541)
	713,124	919,438
Class A common stock held by subsidiaries, at cost (7,159,311 and 12,802,938 shares at June 30, 2013 and December 31, 2012, respectively)	(195,040)	(349,782)
Total Lazard Ltd Stockholders Equity	518,084	569,656
Noncontrolling interests	74,127	81,884
Total Stockholders Equity	592,211	651,540
Total Liabilities and Stockholders Equity	$ 2,921,229	$ 2,986,893

See notes to condensed consolidated financial statements.

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2013 AND 2012

(UNAUDITED)

(dollars in thousands, except for per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
REVENUE				
Investment banking and other advisory fees	$260,241	$240,306	$428,345	$513,847
Money management fees	234,921	201,642	466,058	406,203
Interest income	1,345	1,715	2,476	3,865
Other	14,209	13,568	35,895	39,777
Total revenue	510,716	457,231	932,774	963,692
Interest expense	20,311	20,321	40,466	40,743
Net revenue	490,405	436,910	892,308	922,949
OPERATING EXPENSES				
Compensation and benefits	331,131	283,392	608,870	621,709
Occupancy and equipment	39,738	28,347	69,042	54,629
Marketing and business development	25,377	22,322	43,569	50,589
Technology and information services	20,134	21,275	43,114	41,668
Professional services	10,706	13,274	19,319	22,585
Fund administration and outsourced services	15,388	12,670	28,853	26,121
Amortization of intangible assets related to acquisitions	1,004	2,560	1,881	3,678
Other	5,989	8,537	15,125	19,614
Total operating expenses	449,467	392,377	829,773	840,593
OPERATING INCOME	40,938	44,533	62,535	82,356
Provision for income taxes	9,017	10,371	12,965	19,138
NET INCOME	31,921	34,162	49,570	63,218
LESS - NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	568	3,341	2,857	6,845
NET INCOME ATTRIBUTABLE TO LAZARD LTD	$ 31,353	$ 30,821	$ 46,713	$ 56,373
ATTRIBUTABLE TO LAZARD LTD CLASS A COMMON STOCKHOLDERS:				
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:				
Basic	121,759,982	118,235,320	119,734,093	118,732,431
Diluted	132,464,296	134,636,935	132,639,928	135,615,557
NET INCOME PER SHARE OF COMMON STOCK:				
Basic	$0.26	$0.26	$0.39	$0.47

Diluted	$0.24	$0.24	$0.36	$0.44
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	$0.25	$0.20	$0.25	$0.36

See notes to condensed consolidated financial statements.

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2013 AND 2012

(UNAUDITED)

(dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
NET INCOME	$ 31,921	$ 34,162	$ 49,570	$ 63,218
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:				
Currency translation adjustments	(18,334)	(21,083)	(30,767)	(1,954)
Amortization of interest rate hedge	263	263	527	527
Employee benefit plans:				
Actuarial gain (loss) (net of tax benefit (expense) of $(84) and $1,443 for the three months ended June 30, 2013 and 2012, respectively, and $1,711 and $2,725 for the six months ended June 30, 2013 and 2012, respectively)	704	(3,457)	(2,719)	(6,054)
Adjustment for items reclassified to earnings (net of tax expense of $400 and $281 for the three months ended June 30, 2013 and 2012, respectively, and $802 and $578 for the six months ended June 30, 2013 and 2012, respectively)	1,212	826	2,430	1,641
OTHER COMPREHENSIVE LOSS, NET OF TAX	(16,155)	(23,451)	(30,529)	(5,840)
COMPREHENSIVE INCOME	15,766	10,711	19,041	57,378
LESS - COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	546	2,096	2,678	6,698
COMPREHENSIVE INCOME ATTRIBUTABLE TO LAZARD LTD	$ 15,220	$ 8,615	$ 16,363	$ 50,680

See notes to condensed consolidated financial statements.

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2013 AND 2012

(UNAUDITED)

(dollars in thousands)

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 49,570	$ 63,218
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Noncash items included in net income:		
Depreciation and amortization of property	16,593	14,800
Amortization of deferred expenses, share-based incentive compensation and interest rate hedge	166,905	173,083
Amortization of intangible assets related to acquisitions	1,881	3,678
(Increase) decrease in operating assets:		
Deposits with banks	(55,064)	(47,391)
Cash deposited with clearing organizations and other segregated cash	3,242	(4,583)
Receivables-net	(54,872)	17,417
Investments	(37,502)	(58,317)
Other assets	(91,386)	(59,656)
Increase (decrease) in operating liabilities:		
Deposits and other payables	120,637	60,091
Accrued compensation and benefits and other liabilities	(106,446)	(127,851)
Net cash provided by operating activities	13,558	34,489
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property	(41,347)	(48,941)
Disposals of property	5,739	2,053
Net cash used in investing activities	(35,608)	(46,888)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from:		
Contribution from noncontrolling interests	324	784
Excess tax benefits from share-based incentive compensation	2,211	
Other financing activities		10
Payments for:		
Capital lease obligations	(1,542)	(1,336)
Distributions to noncontrolling interests	(7,605)	(13,462)
Purchase of Class A common stock	(50,447)	(152,413)
Class A common stock dividends	(30,338)	(43,011)
Settlement of vested share-based incentive compensation	(119,782)	(29,421)
Other financing activities	(103)	(59)
Net cash used in financing activities	(207,282)	(238,908)

EFFECT OF EXCHANGE RATE CHANGES ON CASH	(19,373)	(1,246)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(248,705)	(252,553)
CASH AND CASH EQUIVALENTS January 1	850,190	1,003,791
CASH AND CASH EQUIVALENTS June 30	$ 601,485	$ 751,238

See notes to condensed consolidated financial statements.

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2012

(UNAUDITED)

(dollars in thousands)

	Series A Preferred Stock		Common Stock				Accumulated Other Comprehensive Income (Loss),	Class A Common Stock Held By Subsidiaries		Total Lazard Ltd		Total
	Shares	$	Shares(*)	$	Additional Paid-In-Capital	Retained Earnings	Net of Tax	Shares	$	Stockholders Equity	Noncontrolling Interests	Stockholders Equity
Balance January 1, 2012	**7,921**	**$**	**123,009,312**	**$ 1,230**	**$ 659,013**	**$ 258,646**	**$ (88,364)**	**3,492,017**	**$ (104,382)**	**$ 726,143**	**$ 140,713**	**$ 866,856**
Comprehensive income (loss):												
Net income						56,373				56,373	6,845	63,218
Other comprehensive income (loss) - net of tax:												
Currency translation adjustments							(2,004)			(2,004)	50	(1,954)
Amortization of interest rate hedge							500			500	27	527
Employee benefit plans:												
Net actuarial loss							(5,747)			(5,747)	(307)	(6,054)
Adjustments for items reclassified to earnings							1,558			1,558	83	1,641
Comprehensive income										50,680	6,698	57,378
Business acquisitions and related equity transactions:												
Class A common stock issued/issuable (including related amortization)					2,865					2,865	153	3,018
Amortization of share-based incentive compensation					144,766					144,766	7,720	152,486
Dividend-equivalents					7,277	(7,326)				(49)	(3)	(52)
Class A common stock dividends						(43,011)				(43,011)		(43,011)
Purchase of Class A common stock								5,706,592	(152,413)	(152,413)		(152,413)
Delivery of Class A common stock in connection with share-based incentive compensation and related tax expense of $972					(119,757)			(2,808,832)	89,413	(30,344)	(49)	(30,393)
Class A common stock issued in exchange for Lazard Group common membership interests			186,701	2	(2)							
Distributions to noncontrolling interests, net											(12,678)	(12,678)

Deconsolidation of investment companies											(14,783)	(14,783)
Adjustments related to noncontrolling interests					5,902		(114)			5,788	(5,788)	
Balance June 30, 2012	**7,921**	**$**	**123,196,013**	**$ 1,232**	**$ 700,064**	**$ 264,682**	**$ (94,171)**	**6,389,777**	**$ (167,382)**	**$ 704,425**	**$ 121,983**	**$ 826,408**

(*) Includes 123,009,311 and 123,196,012 shares of the Company s Class A common stock issued at January 1, 2012 and June 30, 2012, respectively, and 1 share of the Company s Class B common stock issued at each such date.

See notes to condensed consolidated financial statements.

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2013

(UNAUDITED)

(dollars in thousands)

	Series A Preferred Stock		Common Stock				Accumulated Other Comprehensive Income (Loss),	Class A Common Stock Held By Subsidiaries		Total Lazard Ltd		Total
	Shares	$	Shares(*)	$	Additional Paid-In-Capital	Retained Earnings	Net of Tax	Shares	$	Stockholders Equity	Noncontrolling Interests	Stockholders Equity
Balance January 1, 2013	**7,921**	**$**	**128,216,424**	**$ 1,282**	**$ 846,050**	**$ 182,647**	**$ (110,541)**	**12,802,938**	**$ (349,782)**	**$ 569,656**	**$ 81,884**	**$ 651,540**
Comprehensive income (loss):												
Net income						46,713				46,713	2,857	49,570
Other comprehensive income (loss) - net of tax:												
Currency translation adjustments							(30,587)			(30,587)	(180)	(30,767)
Amortization of interest rate hedge							524			524	3	527
Employee benefit plans:												
Net actuarial loss							(2,704)			(2,704)	(15)	(2,719)
Adjustments for items reclassified to earnings							2,417			2,417	13	2,430
Comprehensive income										16,363	2,678	19,041
Business acquisitions and related equity transactions:												
Class A common stock issuable (including related amortization)					635					635	3	638
Delivery of Class A common stock (including dividend-equivalents)					(4,994)	(179)		(170,988)	5,173			
Amortization of share-based incentive compensation					127,381					127,381	700	128,081
Dividend-equivalents					4,173	(4,276)				(103)		(103)
Class A common stock dividends						(30,338)				(30,338)		(30,338)
Purchase of Class A common stock								1,434,657	(50,447)	(50,447)		(50,447)
Delivery of Class A common stock in connection with shared-based incentive compensation and related tax benefit of $862					(318,332)	(609)		(6,907,296)	200,016	(118,925)	5	(118,920)
Class A common stock issued in exchange for Lazard Group common membership interests			839,658	8	(8)							

Distributions to noncontrolling interests, net											(7,281)	(7,281)
Adjustments related to noncontrolling interests					4,460		(598)			3,862	(3,862)	
Balance June 30, 2013	**7,921**	**$**	**129,056,082**	**$ 1,290**	**$ 659,365**	**$ 193,958**	**$ (141,489)**	**7,159,311**	**$ (195,040)**	**$ 518,084**	**$ 74,127**	**$ 592,211**

(*) Includes 128,216,423 and 129,056,081 shares of the Company s Class A common stock issued at January 1, 2013 and June 30, 2013, respectively, and 1 share of the Company s Class B common stock issued at each such date.

See notes to condensed consolidated financial statements.

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LAZARD LTD

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(dollars in thousands, except for per share data, unless otherwise noted)

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

Lazard Ltd, a Bermuda holding company, and its subsidiaries (collectively referred to as Lazard Ltd , Lazard , we or the Company), including Lazard Ltd s indirect investment in Lazard Group LLC, a Delaware limited liability company (collectively referred to, together with its subsidiaries, as Lazard Group), is one of the world s preeminent financial advisory and asset management firms and has long specialized in crafting solutions to the complex financial and strategic challenges of our clients. We serve a diverse set of clients around the world, including corporations, governments, institutions, partnerships and individuals.

Lazard Ltd indirectly held approximately 99.5% and 98.8% of all outstanding Lazard Group common membership interests as of June 30, 2013 and December 31, 2012, respectively. Lazard Ltd, through its control of the managing members of Lazard Group, controls Lazard Group, which is governed by an Operating Agreement dated as of May 10, 2005, as amended (the Operating Agreement). LAZ-MD Holdings LLC (LAZ-MD Holdings), an entity owned by Lazard Group s current and former managing directors, held approximately 0.5% and 1.2% of the outstanding Lazard Group common membership interests as of June 30, 2013 and December 31, 2012, respectively. Additionally, LAZ-MD Holdings was the sole owner of the one issued and outstanding share of Lazard Ltd s Class B common stock (the Class B common stock) which provided LAZ-MD Holdings with approximately 0.5% and 1.2% of the voting power but no economic rights in the Company as of June 30, 2013 and December 31, 2012, respectively. Subject to certain limitations, LAZ-MD Holdings interests in Lazard Group are exchangeable for Lazard Ltd Class A common stock, par value $0.01 per share (Class A common stock).

Our sole operating asset is our indirect ownership of common membership interests of Lazard Group and our managing member interest of Lazard Group, whose principal operating activities are included in two business segments:

- Financial Advisory, which offers corporate, partnership, institutional, government, sovereign and individual clients across the globe a wide array of financial advisory services regarding mergers and acquisitions (M&A) and other strategic matters, restructurings, capital structure, capital raising and various other financial matters, and

- Asset Management, which offers a broad range of global investment solutions and investment management services in equity and fixed income strategies, alternative investments and private equity funds to corporations, public funds, sovereign entities, endowments and foundations, labor funds, financial intermediaries and private clients.

In addition, we record selected other activities in our Corporate segment, including management of cash, investments and outstanding indebtedness, as well as certain commercial banking activities of Lazard Group s Paris-based subsidiary, Lazard Frères Banque SA (LFB).

LFB is a registered bank regulated by the Autorité de Contrôle Prudentiel. It is engaged primarily in commercial and private banking services for clients and funds managed by Lazard Frères Gestion SAS (LFG) and other clients, investment banking activities, including participation in underwritten offerings of securities in France, and asset-liability management.

LAZARD LTD

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

(dollars in thousands, except for per share data, unless otherwise noted)

Basis of Presentation

The accompanying condensed consolidated financial statements of Lazard Ltd have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission (the SEC) regarding interim financial reporting. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America (U.S. GAAP) for complete financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto included in Lazard Ltd s Annual Report on Form 10-K for the year ended December 31, 2012 (the Form 10-K). The accompanying December 31, 2012 unaudited condensed consolidated statement of financial condition data was derived from audited consolidated financial statements, but does not include all disclosures required by U.S. GAAP for annual financial statement purposes. The accompanying condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented.

Preparing financial statements requires management to make estimates and assumptions that affect the amounts that are reported in the financial statements and the accompanying disclosures. Discretionary compensation and benefits expense for interim periods is accrued based on the year-to-date amount of revenue earned, and an assumed annual ratio of compensation and benefits expense to revenue, with the applicable amounts adjusted for certain items. Although these estimates are based on management s knowledge of current events and actions that Lazard may undertake in the future, actual results may differ materially from the estimates.

The consolidated results of operations for the three month and six month periods ended June 30, 2013 are not necessarily indicative of the results to be expected for any future interim or annual period.

The condensed consolidated financial statements include Lazard Ltd, Lazard Group and Lazard Group s principal operating subsidiaries: Lazard Frères & Co. LLC (LFNY), a New York limited liability company, along with its subsidiaries, including Lazard Asset Management LLC and its subsidiaries (collectively referred to as LAM); the French limited liability companies Compagnie Financière Lazard Frères SAS (CFLF) along with its subsidiaries, LFB and LFG, and Maison Lazard SAS and its subsidiaries; and Lazard & Co., Limited (LCL), through Lazard & Co., Holdings Limited (LCH), an English private limited company, together with their jointly owned affiliates and subsidiaries.

The Company s policy is to consolidate (i) entities in which it has a controlling financial interest, (ii) variable interest entities (VIEs) where the Company has a variable interest and is deemed to be the primary beneficiary and (iii) limited partnerships where the Company is the general partner, unless the presumption of control is overcome. When the Company does not have a controlling interest in an entity, but exerts significant influence over such entity s operating and financial decisions, the Company applies the equity method of accounting in which it records in earnings its share of earnings or losses of the entity. Intercompany transactions and balances have been eliminated.

2. RECENT ACCOUNTING DEVELOPMENTS

Offsetting (Netting) Assets and Liabilities In the first quarter of 2013, the Company adopted the new disclosure requirements issued by the Financial Accounting Standards Board (the FASB) regarding the nature of an entity s rights of setoff and related arrangements associated with its financial instruments, including derivatives, repurchase agreements and reverse repurchase agreements and securities borrowing and securities lending transactions that are either (i) offset or (ii) subject to an enforceable master netting arrangement. The new

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LAZARD LTD

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

(dollars in thousands, except for per share data, unless otherwise noted)

disclosures are designed to make financial statements prepared under U.S. GAAP more comparable to those prepared under International Financial Reporting Standards (IFRS) and will enable users of an entity s financial statements to evaluate the effect or potential effect of netting arrangements on an entity s financial position. The disclosure requirements are effective for interim and annual reporting periods beginning on or after January 1, 2013, with retrospective application required. The adoption of the new disclosure requirements did not have a material impact on the Company s consolidated financial statements.

Reclassifications Out of Accumulated Other Comprehensive Income In the first quarter of 2013, the Company adopted the FASB s amended guidance regarding the presentation of amounts reclassified out of accumulated other comprehensive income. The amendment required that the amounts reclassified out of accumulated other comprehensive income be presented by component and disclosed where the respective line item was reported in the consolidated statement of operations. The amendment was to be applied prospectively, and is effective with interim and annual periods beginning after December 15, 2012, with early adoption permitted. The adoption of the amended guidance did not have a material impact on the Company s consolidated financial statements.

3. RECEIVABLES

The Company s receivables represent receivables from fees, customers and other and related parties.

Receivables are stated net of an estimated allowance for doubtful accounts of $24,593 and $23,017 at June 30, 2013 and December 31, 2012, respectively, for past due amounts and for specific accounts deemed uncollectible, which may include situations where a fee is in dispute. The Company recorded bad debt expense (recoveries) of $1,694 and $1,842 for the three month and six month periods ended June 30, 2013, respectively, and $(133) and $1,148 for the three month and six month periods ended June 30, 2012, respectively. In addition, the Company recorded charge-offs, foreign currency translation and other adjustments, which resulted in a net increase (decrease) to the allowance for doubtful accounts of $94 and $(266) for the three month and six month periods ended June 30, 2013, respectively, and $(283) and $158 for the three month and six month periods ended June 30, 2012, respectively. At June 30, 2013 and December 31, 2012, the Company had receivables past due or deemed uncollectible of $27,831 and $25,604, respectively.

Of the Company s total receivables at June 30, 2013 and December 31, 2012, $74,632 and $76,481, respectively, represented interest-bearing financing fee receivables. Based upon our historical loss experience, the credit quality of the counterparties, and the lack of past due or uncollectible amounts, there was no allowance for doubtful accounts required at those dates related to such receivables.

The aggregate carrying amount of our non-interest bearing receivables of $450,274 and $401,562 at June 30, 2013 and December 31, 2012, respectively, approximates fair value.

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LAZARD LTD

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

(dollars in thousands, except for per share data, unless otherwise noted)

4. INVESTMENTS

The Company s investments and securities sold, not yet purchased, consisted of the following at June 30, 2013 and December 31, 2012:

	June 30, 2013	December 31, 2012
Debt (including interest-bearing deposits of $514 and $578, respectively)	$ 7,508	$ 5,948
Equities	51,957	44,992
Funds:		
Alternative investments (a)	45,739	57,890
Debt (a)	48,490	32,077
Equity (a)	175,736	154,310
Private equity	112,833	112,444
	382,798	356,721
Equity method	7,101	7,012
Total investments	449,364	414,673
Less:		
Interest-bearing deposits	514	578
Equity method	7,101	7,012
Investments, at fair value	$ 441,749	$ 407,083
Securities sold, not yet purchased, at fair value (included in other liabilities)	$ 3,263	$ 2,755

(a) Interests in alternative investment funds, debt funds and equity funds include investments with fair values of $7,631, $31,013 and $121,408, respectively, at June 30, 2013 and $5,054, $18,615 and $76,907, respectively, at December 31, 2012, held in order to satisfy the Company s liability upon vesting of previously granted Lazard Fund Interests (Lazard Fund Interests) and other similar deferred compensation arrangements. Lazard Fund Interests represent grants by the Company to eligible employees of actual or notional interests in a number of Lazard-managed funds (see Notes 6 and 12 of Notes to Condensed Consolidated Financial Statements).

Debt securities primarily consist of seed investments invested in debt securities held within separately managed accounts related to our Asset Management business and non-U.S. government debt securities.

Equities primarily consist of seed investments invested in marketable equity securities of large-, mid- and small-cap domestic, international and global companies held within separately managed accounts related to our Asset Management business.

Interests in alternative investment funds primarily consist of interests in various Lazard-managed hedge funds and fund of funds.

Debt funds primarily consist of seed investments in funds related to our Asset Management business, which invest in debt securities, and amounts related to Lazard Fund Interests discussed above.

Equity funds primarily consist of seed investments in funds related to our Asset Management business, which are invested in equity securities, and amounts related to Lazard Fund Interests discussed above.

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Private equity investments include those owned by Lazard and those consolidated but not owned by Lazard. Private equity investments owned by Lazard are primarily comprised of investments in private equity funds. Such investments primarily include (i) a mezzanine fund, which invests in mezzanine debt of a diversified selection of small- to mid-cap European companies, (ii) a fund targeting significant noncontrolling-stake investments in established private companies, (iii) Edgewater Growth Capital Partners III, L.P. (EGCP III), a fund primarily making equity and buyout investments in middle market companies and (iv) Lazard Australia Corporate Opportunities Fund 2 (COF2), a Lazard-managed Australian fund targeting Australasian mid-market investments.

Private equity investments consolidated but not owned by Lazard relate to the economic interests that are owned by the management team and other investors in the Edgewater Funds (Edgewater) which totaled $9,685 and $11,490 at June 30, 2013 and December 31, 2012, respectively (see Note 10 of Notes to Condensed Consolidated Financial Statements).

During the three month and six month periods ended June 30, 2013 and 2012, the Company reported in revenue-other on its condensed consolidated statements of operations gross unrealized investment gains and losses pertaining to trading securities as follows (including, for the three month and six month periods ended June 30, 2012, restated amounts pertaining to certain non-broker dealer subsidiaries):

	Three Month Period Ended June 30,		Six Month Period Ended June 30,	
	2013	**2012**	**2013**	**2012**
Gross unrealized investment gains	$	$ 373	$ 3,748	$ 9,623
Gross unrealized investment losses	$ 9,547	$ 8,324	$ 6,536	$ 2,346

5. FAIR VALUE MEASUREMENTS

Lazard categorizes its investments and certain other assets and liabilities recorded at fair value into a three-level fair value hierarchy as follows:

Level 1. Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that Lazard has the ability to access.

Level 2. Assets and liabilities whose values are based on (i) quoted prices for similar assets or liabilities in an active market, or quoted prices for identical or similar assets or liabilities in non-active markets, (ii) assets valued based on net asset value (NAV) or its equivalent redeemable at the measurement date or within the near term without redemption restrictions, or (iii) inputs other than quoted prices that are directly observable or derived principally from, or corroborated by, market data.

Level 3. Assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect our own assumptions about the assumptions a market participant would use in pricing the asset or liability. Items included in Level 3 include securities or other financial assets whose trading volume and level of activity have significantly decreased when compared with normal market activity and there is no longer sufficient frequency or volume to provide pricing information on an ongoing basis, as well as assets valued based on NAV or its equivalent, but not redeemable within the near term as a result of redemption restrictions.

The Company s investments in non-U.S. Government and other debt securities are classified as Level 1 when their respective fair values are based on unadjusted quoted prices in active markets and are classified as Level 2 when their fair values are primarily based on prices as provided by external pricing services.

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The fair value of equities is classified as Level 1 or Level 3 as follows: marketable equity securities are classified as Level 1 and are valued based on the last trade price on the primary exchange for that security as provided by external pricing services; equity securities in private companies are generally classified as Level 3.

The fair value of investments in alternative investment funds is classified as either Level 2 or Level 3 depending on the time frame of any applicable redemption restriction, and is valued at NAV or its equivalent, which is primarily determined based on information provided by external fund administrators.

The fair value of investments in debt funds is classified as Level 1 when the fair values are primarily based on the reported closing price for the fund, and classified as Level 2 when the fair values are primarily based on NAV or its equivalent and are redeemable within the near term.

The fair value of investments in equity funds is classified as Level 1, 2 or 3 as follows: publicly traded asset management funds are classified as Level 1 and are valued based on the reported closing price for the fund; investments in asset management funds redeemable in the near term are classified as Level 2 and are valued at NAV or its equivalent, which is primarily determined based on information provided by external fund administrators; and funds valued based on NAV or its equivalent that are not redeemable within the near term are classified as Level 3.

The fair value of investments in private equity funds is classified as Level 3, and is primarily based on NAV or its equivalent. Such investments are not redeemable within the near term.

The fair values of derivatives entered into by the Company are classified as Level 2 and are based on the values of the related underlying assets, indices or reference rates as follows - the fair value of forward foreign currency exchange rate contracts is a function of the spot rate and the interest rate differential of the currency from the trade date to settlement date; the fair value of equity and fixed income swaps is based on the change in fair values of the related underlying equity security, financial instrument or index and a specified notional holding; the fair value of interest rate swaps is based on the interest rate yield curve; and the fair value of derivative liabilities related to Lazard Fund Interests and other similar deferred compensation arrangements is based on the value of the underlying investments, adjusted for forfeitures. See Note 6 of Notes to Condensed Consolidated Financial Statements.

Where reported information regarding an investment is based on data received from external fund administrators or pricing services, the Company reviews such information and classifies the investment at the relevant level within the fair value hierarchy.

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The following tables present the classification of investments and certain other assets and liabilities measured at fair value on a recurring basis as of June 30, 2013 and December 31, 2012 within the fair value hierarchy:

	June 30, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Investments:				
Debt (excluding interest-bearing deposits)	$ 1,093	$ 5,901	$	$ 6,994
Equities	51,320		637	51,957
Funds:				
Alternative investments		45,728	11	45,739
Debt	48,486	4		48,490
Equity	169,072	6,664		175,736
Private equity			112,833	112,833
Derivatives		6,947		6,947
Total	$ 269,971	$ 65,244	$ 113,481	$ 448,696
Liabilities:				
Securities sold, not yet purchased	$ 3,263	$	$	$ 3,263
Derivatives		152,514		152,514
Total	$ 3,263	$ 152,514	$	$ 155,777

	December 31, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Investments:				
Debt (excluding interest-bearing deposits)	$ 1,443	$ 3,927	$	$ 5,370
Equities	44,802		190	44,992
Funds:				
Alternative investments		54,433	3,457	57,890
Debt	32,073	4		32,077
Equity	145,231	9,069	10	154,310
Private equity			112,444	112,444
Derivatives		933		933
Total	$ 223,549	$ 68,366	$ 116,101	$ 408,016
Liabilities:				
Securities sold, not yet purchased	$ 2,696	$ 59	$	$ 2,755
Derivatives		102,492		102,492

Total	$ 2,696	$ 102,551	$	$ 105,247

There were no transfers between any of the Level 1, 2 and 3 categories in the fair value measurement hierarchy during the three month and six month periods ended June 30, 2013 and 2012.

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The following tables provide a summary of changes in fair value of the Company s Level 3 assets for the three month and six month periods ended June 30, 2013 and 2012:

	Three Months Ended June 30, 2013					
	Beginning Balance	Net Unrealized/ Realized Gains (Losses) Included In Revenue-Other (a)	Purchases/ Acquisitions	Sales/ Dispositions	Foreign Currency Translation Adjustments	Ending Balance
Investments:						
Equities	$ 184	$ 6	$ 445	$	$ 2	$ 637
Alternative investment funds	1,304	34		(1,327)		11
Private equity funds	110,496	3,056	3,259	(4,612)	634	112,833
Total Level 3 Assets	$ 111,984	$ 3,096	$ 3,704	$ (5,939)	$ 636	$ 113,481

	Six Months Ended June 30, 2013					
	Beginning Balance	Net Unrealized/ Realized Gains (Losses) Included In Revenue-Other (a)	Purchases/ Acquisitions	Sales/ Dispositions	Foreign Currency Translation Adjustments	Ending Balance
Investments:						
Equities	$ 190	$ 6	$ 445	$	$ (4)	$ 637
Alternative investment funds	3,457	128		(3,574)		11
Equity funds	10			(10)		
Private equity funds	112,444	3,738	3,259	(5,868)	(740)	112,833
Total Level 3 Assets	$ 116,101	$ 3,872	$ 3,704	$ (9,452)	$ (744)	$ 113,481

	Three Months Ended June 30, 2012					
	Beginning Balance	Net Unrealized/ Realized Gains (Losses) Included	Purchases/ Acquisitions	Sales/ Dispositions	Foreign Currency Translation Adjustments	Ending Balance

		In Revenue-Other (a)				
Investments:						
Equities	$ 217	$ 5	$	$ (30)	$ (11)	$ 181
Alternative investment funds	5,915	(38)		(1,251)		4,626
Private equity funds	116,563	4,786	56	(4,873)	(2,541)	113,991
Total Level 3 Assets	$ 122,695	$ 4,753	$ 56	$ (6,154)	$ (2,552)	$ 118,798

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	Six Months Ended June 30, 2012					
	Beginning Balance	Net Unrealized/ Realized Gains (Losses) Included In Revenue-Other (a)	Purchases/ Acquisitions	Sales/ Dispositions	Foreign Currency Translation Adjustments	Ending Balance
Investments:						
Equities	$ 211	$ 5	$	$ (30)	$ (5)	$ 181
Alternative investment funds	10,171	89	10	(5,644)		4,626
Private equity funds	122,718	12,350	2,752	(22,745)	(1,084)	113,991
Total Level 3 Assets	$ 133,100	$ 12,444	$ 2,762	$ (28,419)	$ (1,089)	$ 118,798

(a) Earnings for the three month and six month periods ended June 30, 2013 and the three month and six month periods ended June 30, 2012 include net unrealized gains of $2,657, $3,327, $3,483 and $9,563, respectively.

Fair Value of Certain Investments Based on NAV The Company s Level 2 and Level 3 investments at June 30, 2013 and December 31, 2012 include certain investments that are valued using NAV or its equivalent as a practical expedient in determining fair value. Information with respect thereto was as follows:

	June 30, 2013							
				Estimated Liquidation Period of Investments Not Redeemable			Investments Redeemable	
	Fair Value	Unfunded Commitments	% of Fair Value Not Redeemable	% Next 5 Years	% 5-10 Years	% Thereafter	Redemption Frequency	Redemption Notice Period
Alternative investment funds	$ 45,739	$	NA	NA	NA	NA	(a)	<30-120 days
Debt funds	4		NA	NA	NA	NA	(b)	30 days
Equity funds	6,664		NA	NA	NA	NA	(c)	<30-90 days
Private equity funds	112,833	27,649	100%	10%	38%	52%	NA	NA
Total	$ 165,240	$ 27,649						

Redemption frequency as follows:

(a) daily (1%), weekly (11%), monthly (54%) and quarterly (34%)
(b) daily (100%)
(c) monthly (100%)

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	December 31, 2012							
				Estimated Liquidation Period of Investments Not Redeemable			Investments Redeemable	
	Fair Value	Unfunded Commitments	% of Fair Value Not Redeemable	% Next 5 Years	% 5-10 Years	% Thereafter	Redemption Frequency	Redemption Notice Period
Alternative investment funds	$ 57,890	$	NA	NA	NA	NA	(a)	<30-120 days
Debt funds	4		NA	NA	NA	NA	(b)	30 days
Equity funds	9,079		2%	%	%	2%	(c)	30-120 days
Private equity funds	112,444	31,482	100%	13%	39%	48%	NA	NA
Total	$ 179,417	$ 31,482						

Redemption frequency as follows:

(a) daily (10%), weekly (9%), monthly (38%) and quarterly (43%)
(b) daily (100%)
(c) daily (37%) and monthly (61%)

See Note 4 of Notes to Condensed Consolidated Financial Statements for discussion of significant investment strategies for investments valued based on NAV.

Investment Capital Funding Commitments At June 30, 2013, the maximum unfunded commitments by the Company for capital contributions to investment funds related to (i) Corporate Partners II Limited (CP II), amounting to $1,940 for potential follow-on investments and/or for fund expenses through the earlier of February 25, 2017 or the liquidation of the fund, (ii) EGCP III, amounting to $18,500, through the earlier of October 12, 2016 (*i.e.*, the end of the investment period) for investments and/or expenses (with a portion of the undrawn amount of such commitment as of that date remaining committed until October 12, 2023 in respect of follow-on investments and/or fund expenses) or the liquidation of the fund and (iii) COF2, amounting to $7,209, through the earlier of November 11, 2016 (*i.e.*, the end of the investment period) for investments and/or fund expenses (with a portion of the undrawn amount of such commitment as of that date remaining committed until November 11, 2019 in respect of follow-on investments and/or fund expenses) or the liquidation of the fund.

6. DERIVATIVES

The Company enters into forward foreign currency exchange rate contracts, interest rate swaps, interest rate futures, equity and fixed income swaps and other derivative contracts to hedge exposures to fluctuations in currency exchange rates, interest rates and equity and debt markets. The Company reports its derivative instruments separately as assets and liabilities unless a legal right of set-off exists under a master netting agreement enforceable by law. The Company s derivative instruments are recorded at their fair value, and are included in other assets and other liabilities on the consolidated statements of financial condition. Gains and losses on the Company s derivative instruments not designated as hedging instruments are included in interest income and interest expense , respectively, or revenue other , depending on the nature of the underlying item, on the consolidated statements of operations.

In addition to the derivative instruments described above, the Company records derivative liabilities relating to its obligations pertaining to Lazard Fund Interests awards and other similar deferred compensation arrangements, the fair value of which is based on the value of the underlying investments, adjusted for estimated forfeitures, and is

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included in accrued compensation and benefits in the consolidated statements of financial condition. Changes in the fair value of the derivative liabilities are included in compensation and benefits in the consolidated statements of operations, the impact of which equally offsets the changes in the fair value of investments which are currently expected to be delivered upon settlement of Lazard Fund Interests awards and other similar deferred compensation arrangements, which are reported in revenue-other in the consolidated statements of operations.

The tables below present the fair values of the Company s derivative instruments reported within other assets and other liabilities and the fair values of the Company s derivative liabilities relating to its obligations pertaining to Lazard Fund Interests and other similar deferred compensation arrangements (see Note 12 of Notes to Condensed Consolidated Financial Statements) on the accompanying condensed consolidated statements of financial condition as of June 30, 2013 and December 31, 2012:

	June 30, 2013	December 31, 2012
Derivative Assets:		
Forward foreign currency exchange rate contracts	$ 626	$ 893
Equity and fixed income swaps and other (a)	6,321	40
	$ 6,947	$ 933
Derivative Liabilities:		
Forward foreign currency exchange rate contracts	$ 1,289	$ 322
Interest rate swaps		235
Equity and fixed income swaps (a)		4,342
Lazard Fund Interests and other similar deferred compensation arrangements	151,225	97,593
	$ 152,514	$ 102,492

(a) For equity and fixed income swaps, amounts represent the netting of gross derivative assets and liabilities of $6,332 and $11 as of June 30, 2013, respectively, and $0 and $4,342 as of December 31, 2012, respectively, for contracts with the same counterparty under legally enforceable master netting agreements. Such amounts are recorded net in other assets , with receivables for net cash collateral under such contracts of $4,574 and $15,304 as of June 30, 2013 and December 31, 2012, respectively.

Net gains (losses) with respect to derivative instruments (predominantly reflected in revenue-other) and the Company s derivative liabilities relating to its obligations pertaining to Lazard Fund Interests and other similar deferred compensation arrangements (included in compensation and benefits expense) as reflected on the accompanying condensed consolidated statements of operations for the three month and six month periods ended June 30, 2013 and 2012, were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Forward foreign currency exchange rate contracts	$ (1,626)	$ 4,051	$ 3,605	$ 2,129

Lazard Fund Interests and other similar deferred compensation arrangements	3,477	2,856	(248)	89
Equity and fixed income swaps and other	3,756	3,630	(352)	(6,625)
Total	$ 5,607	$ 10,537	$ 3,005	$ (4,407)

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7. PROPERTY

At June 30, 2013 and December 31, 2012, property consisted of the following:

	Estimated Depreciable Life in Years	June 30, 2013	December 31, 2012
Buildings	33	$ 165,106	$ 166,560
Leasehold improvements	3-20	156,915	143,408
Furniture and equipment	3-10	135,769	122,125
Construction in progress		16,646	18,801
Total		474,436	450,894
Less - accumulated depreciation and amortization		232,487	225,861
Property		$ 241,949	$ 225,033

8. GOODWILL AND OTHER INTANGIBLE ASSETS

The components of goodwill and other intangible assets at June 30, 2013 and December 31, 2012 are presented below:

	June 30, 2013	December 31, 2012
Goodwill	$ 348,549	$ 364,328
Other intangible assets (net of accumulated amortization)	26,658	28,494
	$ 375,207	$ 392,822

At June 30, 2013 and December 31, 2012, goodwill of $284,008 and $299,787, respectively, was attributable to the Company s Financial Advisory segment and, at each such respective date, $64,541 of goodwill was attributable to the Company s Asset Management segment.

Changes in the carrying amount of goodwill for the six month periods ended June 30, 2013 and 2012 are as follows:

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Balance, January 1	$ 364,328	$ 356,657
Business acquisition	1,440	4,272

Foreign currency translation adjustments	(17,219)	64
Balance, June 30	$ 348,549	$ 360,993

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The gross cost and accumulated amortization of other intangible assets as of June 30, 2013 and December 31, 2012, by major intangible asset category, are as follows:

	June 30, 2013			December 31, 2012		
	Gross Cost	Accumulated Amortization	Net Carrying Amount	Gross Cost	Accumulated Amortization	Net Carrying Amount
Success/performance fees	$ 30,740	$ 10,726	$ 20,014	$ 30,740	$ 10,678	$ 20,062
Management fees, customer relationships and non-compete agreements	33,080	26,436	6,644	33,035	24,603	8,432
	$ 63,820	$ 37,162	$ 26,658	$ 63,775	$ 35,281	$ 28,494

Amortization expense of intangible assets for the three month and six month periods ended June 30, 2013 was $1,004 and $1,881, respectively, and for the three month and six month periods ended June 30, 2012 was $2,560 and $3,678, respectively. Estimated future amortization expense is as follows:

Year Ending December 31,	Amortization Expense (a)
2013 (July 1 through December 31)	$ 6,761
2014	8,278
2015	6,438
2016	5,181
Total amortization expense	$ 26,658

(a) Approximately 45% of intangible asset amortization is attributable to a noncontrolling interest.

9. SENIOR DEBT

Senior debt was comprised of the following as of June 30, 2013 and December 31, 2012:

	Initial Principal Amount	Maturity Date	Annual Interest Rate	Outstanding As Of	
				June 30, 2013	December 31, 2012

Lazard Group 7.125% Senior Notes	$ 550,000	5/15/15	7.125%	$ 528,500	$ 528,500
Lazard Group 6.85% Senior Notes	600,000	6/15/17	6.85%	548,350	548,350
Lazard Group Credit Facility	150,000	9/25/15	0.84%		
Total				$ 1,076,850	$ 1,076,850

On September 25, 2012, Lazard Group entered into a $150,000, three-year senior revolving credit facility with a group of lenders (the Credit Facility), which expires in September 2015. The Credit Facility replaced a similar revolving credit facility which was terminated as a condition to effectiveness of the Credit Facility. Interest rates under the Credit Facility vary and are based on either a Federal Funds rate or a Eurodollar rate, in each case plus an applicable margin. As of June 30, 2013, the annual interest rate for a loan accruing interest (based on the Federal Funds overnight rate), including the applicable margin, was 0.84%. At June 30, 2013 and December 31, 2012, no amounts were outstanding under the Credit Facility.

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The Credit Facility contains customary terms and conditions, including certain financial covenants. In addition, the Credit Facility, the indenture and the supplemental indentures relating to Lazard Group s senior notes, contain certain covenants, events of default and other customary provisions, including a customary make-whole provision in the event of early redemption, where applicable. As of June 30, 2013, the Company was in compliance with such provisions. All of the Company s senior debt obligations are unsecured.

As of June 30, 2013, the Company had approximately $262,000 in unused lines of credit available to it, including the Credit Facility, and unused lines of credit available to LFB of approximately $52,000 (at June 30, 2013 exchange rates) and Edgewater of $55,000. In addition, LFB has access to the Eurosystem Covered Bond Purchase Program of the Banque de France.

The Company s senior debt at June 30, 2013 and December 31, 2012 is carried at historical amounts. At those dates, the fair value of such senior debt outstanding was approximately $1,180,000 and $1,207,000, respectively, and exceeded the aggregate carrying value by approximately $103,000 and $130,000, respectively. The fair value of the Company s senior debt was based on market quotations. The Company s senior debt would be categorized within Level 2 of the hierarchy of fair value measurements if carried at fair value.

10. COMMITMENTS AND CONTINGENCIES

Leases The Company has various leases and other contractual commitments arising in the ordinary course of business. In the opinion of management, the fulfillment of such commitments, in accordance with their terms, will not have a material adverse effect on the Company s consolidated financial position or results of operations.

Guarantees In the normal course of business, LFB provides indemnifications to third parties to protect them in the event of non-performance by its clients. At June 30, 2013, LFB had $4,679 of such indemnifications and held $3,837 of collateral/counter-guarantees to secure these commitments. The Company believes the likelihood of loss with respect to these indemnities is remote. Accordingly, no liability is recorded in the condensed consolidated statement of financial condition.

Certain Business Transactions On July 15, 2009, the Company established a private equity business with Edgewater. Edgewater manages funds primarily focused on buy-out and growth equity investments in middle market companies. The acquisition was structured as a purchase by Lazard Group of interests in a holding company that in turn owns interests in the general partner and management company entities of the current Edgewater private equity funds (the Edgewater Acquisition). Following the Edgewater Acquisition, Edgewater s leadership team retained a substantial economic interest in such entities.

The aggregate fair value of the consideration recognized by the Company at the acquisition date was $61,624. Such consideration consisted of (i) a one-time cash payment, (ii) 1,142,857 shares of Class A common stock (the Initial Shares) and (iii) up to 1,142,857 additional shares of Class A common stock (the Earnout Shares) that are subject to earnout criteria and payable over time. The Initial Shares are subject to forfeiture provisions that lapse only upon the achievement of certain performance thresholds and transfer restrictions during the four year period ending December 2014. The Earnout Shares will be issued only if certain performance thresholds are met. As of June 30, 2013 and December 31, 2012, 1,371,992 and 1,209,154 shares, respectively, have been earned because applicable performance thresholds have been satisfied. Such shares are no longer subject to any contingencies. As of December 31, 2012, 686,004 of such shares have been settled, and no additional shares have been settled as of June 30, 2013.

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Consideration Relating To Other Business Acquisitions For a business acquired in 2013, the Company is obligated to issue a maximum of 107,617 shares of Class A common stock if certain performance thresholds are achieved.

For a business acquired in 2012, at December 31, 2012, 170,988 shares of Class A common stock (including dividend equivalent shares) were issuable on a non-contingent basis. Such shares were delivered in the first quarter of 2013. The Company is obligated to issue a maximum of 202,650 additional shares of Class A common stock if certain performance thresholds are achieved.

For a business acquired in 2011, the Company is obligated to pay earnout consideration if certain performance thresholds are achieved. The maximum potential earnout consideration payable by the Company cannot exceed $7,000. Through June 30, 2013, no cash payments relating to the earnout consideration were required.

Other Commitments In the normal course of business, LFB enters into commitments to extend credit, predominately at variable interest rates. These commitments have varying expiration dates, are fully collateralized and generally contain requirements for the counterparty to maintain a minimum collateral level. These commitments may not represent future cash requirements as they may expire without being drawn upon. At June 30, 2013, these commitments were not material.

See Notes 5 and 13 of Notes to Condensed Consolidated Financial Statements for information regarding commitments relating to investment capital funding commitments and obligations to fund our pension plans, respectively.

The Company has various other contractual commitments arising in the ordinary course of business. In addition, from time to time, LFB enters into underwriting commitments in which it participates as a joint underwriter. The settlement of such transactions are not expected to have a material adverse effect on the Company s consolidated financial position or results of operations. At June 30, 2013, LFB had no such underwriting commitments.

In the opinion of management, the fulfillment of the commitments described herein will not have a material adverse effect on the Company s consolidated financial position or results of operations.

Legal The Company is involved from time to time in judicial, regulatory and arbitration proceedings and inquiries concerning matters arising in connection with the conduct of our businesses, including proceedings initiated by former employees alleging wrongful termination. The Company reviews such matters on a case-by-case basis and establishes any required accrual if a loss is probable and the amount of such loss can be reasonably estimated. The Company experiences significant variation in its revenue and earnings on a quarterly basis. Accordingly, the results of any pending matter or matters could be significant when compared to the Company s earnings in any particular fiscal quarter. The Company believes, however, based on currently available information, that the results of any pending matters, in the aggregate, will not have a material effect on its business or financial condition.

11. STOCKHOLDERS EQUITY

Lazard Group Distributions As previously described, Lazard Group s common membership interests are held by subsidiaries of Lazard Ltd and by LAZ-MD Holdings. Pursuant to provisions of the Operating

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Agreement, Lazard Group distributions in respect of its common membership interests are allocated to the holders of such interests on a pro rata basis. Such distributions represent amounts necessary to fund (i) any dividends Lazard Ltd may declare on its Class A common stock and (ii) tax distributions in respect of income taxes that Lazard Ltd s subsidiaries and the members of LAZ-MD Holdings incur as a result of holding Lazard Group common membership interests.

During the six month periods ended June 30, 2013 and 2012, Lazard Group distributed the following amounts to LAZ-MD Holdings and the subsidiaries of Lazard Ltd (none of which related to tax distributions):

	Six Months Ended June 30,	
	2013	**2012**
LAZ-MD Holdings	$ 387	$ 2,416
Subsidiaries of Lazard Ltd	30,338	43,011
	$ 30,725	$ 45,427

Pursuant to Lazard Group s Operating Agreement, Lazard Group allocates and distributes to its members a substantial portion of its distributable profits in installments, as soon as practicable after the end of each fiscal year. Such installment distributions usually begin in February.

Exchanges of Lazard Group Common Membership Interests During the six month periods ended June 30, 2013 and 2012, Lazard Ltd issued 839,658 and 186,701 shares of Class A common stock, respectively, in connection with the exchanges of a like number of Lazard Group common membership interests (received from members of LAZ-MD Holdings in exchange for a like number of LAZ-MD Holdings exchangeable interests).

See Noncontrolling Interests below for additional information regarding Lazard Ltd s and LAZ-MD Holdings ownership interests in Lazard Group.

Share Repurchase Program In February 2011, October 2011, April 2012 and October 2012 the Board of Directors of Lazard Ltd authorized, on a cumulative basis, the repurchase of up to $250,000, $125,000, $125,000 and $200,000, respectively, in aggregate cost of Class A common stock and Lazard Group common membership interests through December 31, 2012, December 31, 2013, December 31, 2013 and December 31, 2014, respectively. The Company s prior share repurchase authorizations expired on December 31, 2009 and December 31, 2011. The Company expects that the share repurchase program, with respect to the Class A common stock, will continue to be used, among other ways, to offset a portion of the shares that have been or will be issued under the Lazard Ltd 2005 Equity Incentive Plan (the 2005 Plan) and the Lazard Ltd 2008 Incentive Compensation Plan (the 2008 Plan). Pursuant to such authorizations, purchases have been made in the open market or through privately negotiated transactions. During the six month period ended June 30, 2013, the Company made purchases of 1,434,657 Class A common shares, at an aggregate cost of $50,447 (no Lazard Group common membership interests were purchased during such six month period).

As of June 30, 2013, $103,619 of the current share repurchase amount authorized as of such date remained available under the share repurchase program, all of which expires December 31, 2014. In addition, under the terms of the 2005 Plan and the 2008 Plan, upon the vesting of restricted stock units (RSUs), performance-based restricted stock units (PRSUs) and delivery of restricted Class A common stock, shares of Class A common stock may be withheld by the Company to cover its minimum statutory tax withholding requirements (see Note 12 of Notes to Condensed Consolidated Financial Statements).

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Preferred Stock Lazard Ltd has 15,000,000 authorized shares of preferred stock, par value $0.01 per share, inclusive of its Series A and Series B preferred stock. Series A and Series B preferred shares were issued in connection with certain prior year business acquisitions, are each non-participating securities convertible into Class A common stock and have no voting or dividend rights. As of both June 30, 2013 and December 31, 2012, 7,921 shares of Series A preferred stock were outstanding and no shares of Series B preferred stock were outstanding. At June 30, 2013, no shares of Series A preferred stock were convertible into shares of Class A common stock on a contingent or a non-contingent basis.

Accumulated Other Comprehensive Income (Loss), Net of Tax (AOCI) The table below reflects the components of AOCI at June 30, 2013 and activity during the six month period then ended:

	Currency Translation Adjustments	Interest Rate Hedge	Employee Benefit Plans	Total AOCI	Amount Attributable to Noncontrolling Interests	Total Lazard Ltd AOCI
Balance, January 1, 2013	$ 19,405	($ 2,502)	($ 128,536)	($ 111,633)	($ 1,092)	($ 110,541)
Activity January 1 to June 30, 2013:						
Other comprehensive gain (loss) before reclassifications	(30,767)		(2,719)	(33,486)	403	(33,889)
Adjustments for items reclassified to earnings, net of tax		527	2,430	2,957	16	2,941
Net other comprehensive income (loss)	(30,767)	527	(289)	(30,529)	419	(30,948)
Balance, June 30, 2013	$ (11,362)	$ (1,975)	$ (128,825)	$ (142,162)	$ (673)	$ (141,489)

The table below reflects adjustments for items reclassified out of AOCI, by component, for the three month and six month periods ended June 30, 2013:

	Three Months Ended June 30, 2013	Six Months Ended June 30, 2013
Amortization of interest rate hedge	$ 263 (a)	$ 527 (a)
Amortization expense relating to employee benefit plans	1,612 (b)	3,232 (b)
Less - tax expense	400	802
Net of tax	1,212	2,430
Total reclassifications, net of tax	$ 1,475	$ 2,957

(a) Included in interest expense on the condensed consolidated statements of operations.
(b) Included in the computation of net periodic benefit cost (see Note 13 of Notes to Condensed Consolidated Financial Statements). Such amount is included in compensation and benefits expense on the condensed consolidated statement of operations.

Noncontrolling Interests Noncontrolling interests principally represent interests held in (i) Lazard Group by LAZ-MD Holdings and (ii) Edgewater s management vehicles that the Company is deemed to control, but does not own.

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The following tables summarize the changes in ownership interests in Lazard Group held by Lazard Ltd and LAZ-MD Holdings during the six month periods ended June 30, 2013 and 2012:

	Lazard Ltd		LAZ-MD Holdings		Total Lazard Group
	Common Membership Interests	% Ownership	Common Membership Interests	% Ownership	Common Membership Interests
Balance, January 1, 2012	123,009,311	94.8%	6,756,779	5.2%	129,766,090
Activity January 1 to June 30, 2012:					
Common membership interest activity in connection with:					
Exchanges for Class A common stock	186,701		(186,701)		
Balance, June 30, 2012	123,196,012	94.9%	6,570,078	5.1%	129,766,090
Balance, January 1, 2013	128,216,423	98.8%	1,549,667	1.2%	129,766,090
Activity January 1 to June 30, 2013:					
Common membership interest activity in connection with:					
Exchanges for Class A common stock	839,658		(839,658)		
Balance, June 30, 2013	129,056,081	99.5%	710,009	0.5%	129,766,090

The change in Lazard Ltd s ownership in Lazard Group in the six month periods ended June 30, 2013 and 2012 did not materially impact Lazard Ltd s stockholders equity.

The tables below summarize net income attributable to noncontrolling interests for the three month and six month periods ended June 30, 2013 and 2012 and noncontrolling interests as of June 30, 2013 and December 31, 2012 in the Company s condensed consolidated financial statements:

	Net Income (Loss) Attributable To Noncontrolling Interests			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Edgewater	$ 287	$ 1,698	$ 2,653	$ 3,872
LAZ-MD Holdings	305	1,694	497	3,019
Other	(24)	(51)	(293)	(46)
Total	$ 568	$ 3,341	$ 2,857	$ 6,845

	Noncontrolling Interests As Of June 30, 2013	December 31, 2012
Edgewater	$ 71,020	$ 75,262
LAZ-MD Holdings	2,248	5,405
Other	859	1,217
Total	$ 74,127	$ 81,884

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Dividend Declared, July 2013 On July 24, 2013, the Board of Directors of Lazard Ltd declared a quarterly dividend of $0.25 per share on its Class A common stock, payable on August 23, 2013, to stockholders of record on August 6, 2013.

12. INCENTIVE PLANS
Share-Based Incentive Plan Awards

A description of Lazard Ltd s 2005 Plan and 2008 Plan and activity with respect thereto during the six month periods ended June 30, 2013 and 2012, is presented below.

Shares Available Under the 2005 Plan and 2008 Plan

The 2005 Plan authorizes the issuance of up to 25,000,000 shares of Class A common stock pursuant to the grant or exercise of stock options, stock appreciation rights, RSUs and other equity-based awards. Each stock unit or similar award granted under the 2005 Plan represents a contingent right to receive one share of Class A common stock, at no cost to the recipient. The fair value of such awards is generally determined based on the closing market price of Class A common stock at the date of grant.

In addition to the shares available under the 2005 Plan, additional shares of Class A common stock are available under the 2008 Plan. The maximum number of shares available under the 2008 Plan is based on a formula that limits the aggregate number of shares that may, at any time, be subject to awards that are considered outstanding under the 2008 Plan to 30% of the then-outstanding shares of Class A common stock (treating, for this purpose, the then-outstanding exchangeable interests of LAZ-MD Holdings on a fully-exchanged basis as described in the 2008 Plan).

The following reflects the amortization expense recorded with respect to share-based incentive plans within compensation and benefits expense (with respect to RSUs, PRSUs and restricted stock awards) and professional services expense (with respect to deferred stock units (DSUs)) within the Company s accompanying condensed consolidated statements of operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Share-based incentive awards:				
RSUs (a)	$ 52,147	$ 63,428	$ 117,089	$ 145,319
PRSUs	1,995		2,433	
Restricted stock (b)	1,824	1,704	7,085	5,879
DSUs	1,403	1,218	1,474	1,288
Total	$ 57,369	$ 66,350	$ 128,081	$ 152,486

(a)

Includes, during the three month and six month periods ended June 30, 2013, $4,644 and $9,099, respectively, relating to the Cost Saving Initiatives (see Note 14 of Notes to Condensed Consolidated Financial Statements).

(b) Includes, during the three month and six month periods ended June 30, 2013, $14 and $247, respectively, relating to the Cost Saving Initiatives.

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The ultimate amount of compensation and benefits expense relating to share-based awards is dependent upon the actual number of shares of Class A common stock that vest. The Company periodically assesses the forfeiture rates used for such estimates. A change in estimated forfeiture rates results in a cumulative adjustment to previously recorded compensation and benefits expense and also would cause the aggregate amount of compensation expense recognized in future periods to differ from the estimated unrecognized compensation expense described below.

For purposes of calculating diluted net income per share, RSU and restricted stock awards are included in the diluted weighted average shares of Class A common stock outstanding using the treasury stock method. PRSUs are included in the diluted weighted average shares of Class A common stock outstanding to the extent the performance conditions are met at the end of the reporting period, also using the treasury stock method.

The Company s incentive plans are described below.

RSUs and DSUs

RSUs generally require future service as a condition for the delivery of the underlying shares of Class A common stock (unless the recipient is then eligible for retirement under the Company s retirement policy) and convert into Class A common stock on a one-for-one basis after the stipulated vesting periods. The grant date fair value of the RSUs, net of an estimated forfeiture rate, is amortized over the vesting periods or requisite service periods (generally one-third after two years, and the remaining two-thirds after the third year), and is adjusted for actual forfeitures over such periods.

RSUs generally include a dividend participation right that provides that during vesting periods each RSU is attributed additional RSUs (or fractions thereof) equivalent to any ordinary quarterly dividends paid on Class A common stock during such period. During the six month periods ended June 30, 2013 and 2012, issuances of RSUs pertaining to such dividend participation rights and respective charges to retained earnings , net of estimated forfeitures (with corresponding credits to additional paid-in-capital), consisted of the following:

	Six Months Ended June 30,	
	2013	**2012**
Number of RSUs issued	131,669	310,756
Charges to retained earnings, net of estimated forfeitures	$ 4,062	$ 7,277

Non-executive members of the Board of Directors receive approximately 55% of their annual compensation for service on the Board of Directors and its committees in the form of DSUs, which resulted in 39,315 and 49,735 DSUs granted during the six month periods ended June 30, 2013 and 2012, respectively. Their remaining compensation is payable in cash, which they may elect to receive in the form of additional DSUs under the Directors Fee Deferral Unit Plan described below. DSUs are convertible into Class A common stock at the time of cessation of service to the Board and, for purposes of calculating diluted net income per share, are included in the diluted weighted average shares of Class A common stock outstanding using the treasury stock method. DSUs include a cash dividend participation right equivalent to any ordinary quarterly dividends paid on Class A common stock, and resulted in nominal cash payments for the six month periods ended June 30, 2013 and 2012.

On May 9, 2006, the Board of Directors adopted the Directors Fee Deferral Unit Plan, which allows the Company s Non-Executive Directors to elect to receive additional DSUs in lieu of some or all of their cash fees. The number of DSUs that shall be granted to a Non-Executive Director pursuant to this election will equal the

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value of cash fees that the applicable Non-Executive Director has elected to forego pursuant to such election, divided by the market value of a share of Class A common stock on the date on which the foregone cash fees would otherwise have been paid. During the six month periods ended June 30, 2013 and 2012, 3,916 and 5,489 DSUs, respectively, had been granted pursuant to such Plan.

DSU awards are expensed at their fair value on their date of grant, inclusive of amounts related to the Directors Fee Deferral Unit Plan.

The following is a summary of activity relating to RSUs and DSUs during the six month periods ended June 30, 2013 and 2012:

	RSUs		DSUs	
	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value
Balance, January 1, 2013	21,481,131	$ 33.92	204,496	$ 31.47
Granted (including 131,669 RSUs relating to dividend participation)	4,689,312	$ 36.95	43,231	$ 34.09
Forfeited	(223,346)	$ 34.64		
Vested	(8,589,999)	$ 34.99		
Balance, June 30, 2013	17,357,098	$ 34.20	247,727	$ 31.93
Balance, January 1, 2012	20,751,829	$ 36.84	140,660	$ 34.83
Granted (including 310,756 RSUs relating to dividend participation)	7,847,541	$ 27.51	55,224	$ 23.32
Forfeited	(311,601)	$ 35.46		
Vested	(3,631,932)	$ 33.83		
Balance, June 30, 2012	24,655,837	$ 34.32	195,884	$ 31.58

In connection with RSUs which vested during the six month periods ended June 30, 2013 and 2012, the Company satisfied its minimum statutory tax withholding requirements in lieu of issuing 3,309,900 and 967,828 shares of Class A common stock in the respective six month periods. Accordingly, 5,280,099 and 2,664,104 shares of Class A common stock held by the Company were delivered during the six month periods ended June 30, 2013 and 2012, respectively.

During the fourth quarter of 2012, 958,213 RSUs were modified through forward purchase agreements into liability awards. Such liability awards were settled on March 1, 2013 for $28,612. During the six month period ended June 30, 2013, compensation expense of $1,690 was recorded for such liability awards.

As of June 30, 2013, unrecognized RSU compensation expense, adjusted for estimated forfeitures, was approximately $236,000, with such unrecognized compensation expense expected to be recognized over a weighted average period of approximately 1.5 years subsequent to June 30, 2013.

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Restricted Stock

The following is a summary of activity related to shares of restricted Class A common stock associated with compensation arrangements during the six month periods ended June 30, 2013 and 2012:

	Restricted Shares	Weighted Average Grant Date Fair Value
Balance, January 1, 2013	1,972,609	$ 34.85
Granted	368,736	$ 36.74
Forfeited	(35,183)	$ 33.29
Vested	(1,727,121)	$ 36.00
Balance, June 30, 2013	579,041	$ 32.73
Balance, January 1, 2012	95,332	$ 37.63
Granted/Exchanged	577,323	$ 29.25
Forfeited	(18,921)	$ 29.51
Vested	(131,743)	$ 28.63
Balance, June 30, 2012	521,991	$ 30.93

In connection with shares of restricted Class A common stock that vested during the six month periods ended June 30, 2013 and 2012, the Company satisfied its minimum statutory tax withholding requirements in lieu of delivering 17,915 and 28,129 shares of Class A common stock during the respective six month periods. Accordingly, 1,709,206 and 103,614 shares of Class A common stock held by the Company were delivered during the six month periods ended June 30, 2013 and 2012, respectively.

The awards include a cash dividend participation right equivalent to any ordinary quarterly dividends paid on Class A common stock during the period, which will vest concurrently with the underlying restricted stock award. At June 30, 2013, unrecognized restricted stock expense was approximately $11,000, with such expense to be recognized over a weighted average period of approximately 1.7 years subsequent to June 30, 2013.

PRSUs

During the six month period ended June 30, 2013, the Company granted 448,128 PRSUs. The PRSUs are subject to both performance-based and service-based vesting conditions. The number of shares of Class A common stock that a recipient will receive upon vesting of a PRSU will be calculated by reference to certain performance metrics that relate to the Company s performance over the three-year period beginning on January 1, 2012 and ending on December 31, 2014. The target number of shares of Class A common stock subject to each PRSU is one; however, based on the achievement of the performance criteria, the number of shares of Class A common stock that may be received in connection with each PRSU can range from zero to three times the target number. The PRSUs granted in 2013 will vest 33% in March 2015 and 67% in March 2016, provided the applicable service and performance conditions are satisfied. In addition, the performance metrics applicable to each PRSU will be evaluated on an annual basis at the end of each fiscal year during the performance period and, if the Company has achieved a threshold level of performance with respect to the fiscal year, 25% of the target number of shares of Class A common stock subject to each PRSU will no longer be at risk of forfeiture based on the achievement of performance criteria. PRSUs generally include dividend participation rights.

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Compensation expense recognized for PRSU awards is determined by multiplying the number of shares of Class A common stock underlying such awards that, based on the Company s estimate, are considered probable of vesting, by the grant date fair value of $36.11 per share. As of June 30, 2013, the total estimated unrecognized compensation expense for PRSUs granted in 2013 was approximately $14,000, and the Company expects to amortize such expense over a weighted-average period of approximately 1.9 years.

Lazard Fund Interests and Other Similar Deferred Compensation Arrangements

Commencing in February 2011, the Company granted Lazard Fund Interests to eligible employees. In connection with the Lazard Fund Interests and other similar deferred compensation arrangements, which generally require future service as a condition for vesting, the Company recorded a prepaid compensation asset and a corresponding compensation liability on the grant date based upon the fair value of the award. The prepaid asset is amortized on a straight-line basis over the applicable vesting periods or requisite service periods (which are generally similar to the comparable periods for RSUs), and is charged to compensation and benefits expense within the Company s consolidated statement of operations. Lazard Fund Interests and similar deferred compensation arrangements that do not require future service are expensed immediately. The related compensation liability is accounted for at fair value as a derivative liability, which contemplates the impact of estimated forfeitures, and is adjusted for changes in fair value primarily related to changes in value of the underlying investments.

The following is a summary of activity relating to Lazard Fund Interests and other similar deferred compensation arrangements during the six month periods ended June 30, 2013 and 2012:

	Prepaid Compensation Asset	Compensation Liability
Balance, January 1, 2013	$ 47,445	$ 97,593
Granted	72,217	72,217
Settled		(19,107)
Forfeited	(685)	(859)
Amortization	(30,226)	
Change in fair value related to:		
Increase in fair value of underlying investments		248
Adjustment for estimated forfeitures		2,049
Other	(396)	(916)
Balance, June 30, 2013	$ 88,355	$ 151,225

	Prepaid Compensation Asset	Compensation Liability
Balance, January 1, 2012	$ 17,782	$ 29,900
Granted	64,631	64,631
Settled		(8,641)
Forfeited	(1,008)	(993)

Amortization	(16,985)	
Decrease in fair value of underlying investments		(89)
Other	979	833
Balance, June 30, 2012	$ 65,399	$ 85,641

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The amortization of the prepaid compensation asset will generally be recognized over a weighted average period of approximately 1.9 years subsequent to June 30, 2013.

The following is a summary of the impact of Lazard Fund Interests and other similar deferred compensation arrangements on compensation and benefits expense within the accompanying condensed consolidated statements of operations for the three month and six month periods ended June 30, 2013 and 2012:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
Compensation expense:				
Amortization, net of forfeitures (a)	$ 19,052	$ 10,800	$ 32,101	$ 16,985
Change in fair value of underlying investments	(3,477)	(2,856)	248	(89)
Total	$ 15,575	$ 7,944	$ 32,349	$ 16,896

(a) Includes, during the three month and six month periods ended June 30, 2013, $1,748 and $2,665, respectively, relating to the Cost Saving Initiatives.

13. EMPLOYEE BENEFIT PLANS

The Company provides retirement and other post-retirement benefits to certain of its employees through defined benefit pension plans (the pension plans) and, in the U.S., a partially funded contributory post-retirement plan covering qualifying U.S. employees (the medical plan and together with the pension plans, the post-retirement plans). The Company also offers defined contribution plans. The post-retirement plans generally provide benefits to participants based on average levels of compensation. Expenses related to the Company s employee benefit plans are included in compensation and benefits expense on the consolidated statements of operations.

Employer Contributions to Pension Plans The Company s funding policy for its U.S. and non-U.S. pension plans is to fund when required or when applicable upon an agreement with the plans Trustees. Management also evaluates from time to time whether to make voluntary contributions to the plans. The Company did not make a contribution to the U.S. pension plans during the six month period ended June 30, 2013.

On April 30, 2012, the Company and the Trustees of the U.K. pension plans concluded the December 31, 2010 triennial valuations of the plans. In connection with such valuations and a previously negotiated agreement with the Trustees, the Company and the Trustees agreed upon pension funding terms (the agreement) (which superseded the terms of an agreement reached in June 2009 with respect to the previous triennial valuation as of December 31, 2007) whereby the Company: (i) made a contribution in December 2011 to the plans of 2.3 million British pounds ($3,687 at December 31, 2011 exchange rates) from a previously established escrow account, (ii) agreed to make contributions of 1 million British pounds during each year from 2012 through 2020 inclusive, and (iii) amended the previous escrow arrangement into an account security arrangement covering 10.2 million British pounds, committing to make annual contributions of 1 million British pounds into such account security arrangement during each year from 2014 through 2020, inclusive. It was further agreed that, to the extent that the value of the plans assets falls short of the funding target for June 1, 2020 that has been agreed upon with the Trustees, the assets from the account security arrangement would be released into the plans at that date. Additionally, the Company agreed to fund the expenses of administering the plans, including certain regulator levies and the cost of other professional advisors to the plans. The terms of the agreement are subject to adjustment based on the results of subsequent triennial valuations. The aggregate amounts in the account security arrangement at June 30, 2013 and December 31, 2012 of approximately $15,600 and $16,500, respectively, have

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been recorded in cash deposited with clearing organizations and other segregated cash on the accompanying condensed consolidated statements of financial condition. Income on the account security arrangement accretes to the Company and is recorded in interest income.

During the six month period ended June 30, 2013, the Company contributed 1 million British pounds ($1,543 at June 30, 2013 exchange rates) to these U.K. pension plans, and no contributions were required to be made to other non-U.S. pension plans.

The following table summarizes the components of net periodic benefit cost related to the Company s post-retirement plans for the three month and six month periods ended June 30, 2013 and 2012:

	Pension Plans		Medical Plan	
	Three Months Ended June 30,			
	2013	2012	2013	2012
Components of Net Benefit Cost (Credit):				
Service cost	$ 309	$ 166	$ 17	$ 19
Interest cost	6,689	6,885	44	52
Expected return on plan assets	(6,585)	(6,622)		
Amortization of:				
Prior service cost	700	687		
Net actuarial loss	912	420		
Settlement loss (a)		886		
Net benefit cost	$ 2,025	$ 2,422	$ 61	$ 71

	Pension Plans		Medical Plan	
	Six Months Ended June 30,			
	2013	2012	2013	2012
Components of Net Benefit Cost (Credit):				
Service cost	$ 623	$ 338	$ 27	$ 30
Interest cost	13,442	13,787	91	105
Expected return on plan assets	(13,382)	(13,294)		
Amortization of:				
Prior service cost	1,406	1,388		
Net actuarial loss	1,826	831		
Settlement loss (a)		886		
Net benefit cost	$ 3,915	$ 3,936	$ 118	$ 135

(a) During the three month period ended June 30, 2012, the Company s pension plans in the U.S. made lump sum benefit payments in excess of the plans annual service and interest costs, which, under U.S. GAAP, requires that the plans obligations and assets be remeasured. The remeasurement of the plans resulted in the recognition of actuarial losses totaling $1,935 recorded in other comprehensive income (loss), net of tax (OCI), which, combined with a settlement loss of $886 recognized in compensation and benefits expense, resulted in a net charge to OCI of $1,049.

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14. COST SAVING INITIATIVES

In October 2012, the Company announced cost saving initiatives (the Cost Saving Initiatives) relating to the Company s operations. These initiatives include streamlining our corporate structure and consolidating support functions; realigning our investments into areas with potential for the greatest long-term return; the settlement of certain contractual obligations; occupancy cost reduction; and creating greater flexibility to retain and attract the best people and invest in new growth areas.

In connection with the Cost Saving Initiatives, the Company incurred pre-tax implementation expense, by segment, as reflected in the tables below:

	Financial Advisory	Asset Management	Corporate	Total
Three Month Period Ended June 30, 2013:				
Compensation and benefits	$ 25,352	$	$ 1,376	$ 26,728
Other	412		11,241	11,653
Total	$ 25,764	$	$ 12,617	$ 38,381

	Financial Advisory	Asset Management	Corporate	Total
Six Month Period Ended June 30, 2013:				
Compensation and benefits	$ 45,746	$ 236	$ 5,417	$ 51,399
Other	2,033	(1)	11,272	13,304
Total	$ 47,779	$ 235	$ 16,689	$ 64,703

	Financial Advisory	Asset Management	Corporate	Total
Cumulative Through June 30, 2013:				
Compensation and benefits	$ 121,879	$ 12,292	$ 17,215	$ 151,386
Other	3,432	732	11,729	15,893
Total	$ 125,311	$ 13,024	$ 28,944	$ 167,279

Expenses associated with the implementation of the Cost Saving Initiatives were completed during the second quarter of 2013.

Activity related to the obligations pursuant to the Cost Saving Initiatives during the six month period ended June 30, 2013 was as follows:

	Accrued Compensation and Benefits	Other Liabilities	Total
Balance, January 1, 2013	$ 46,128	$ 1,714	$ 47,842
New charges	51,399	13,304	64,703
Less:			
Non-cash charges	(12,007)	(3,022)	(15,029)
Settlements	(40,031)	(1,162)	(41,193)
Balance, June 30, 2013	$ 45,489	$ 10,834	$ 56,323

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LAZARD LTD

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

(dollars in thousands, except for per share data, unless otherwise noted)

15. INCOME TAXES

As a result of its indirect investment in Lazard Group, Lazard Ltd, through certain of its subsidiaries, is subject to U.S. federal income taxes on its portion of Lazard Group s operating income. Although a portion of Lazard Group s income is subject to U.S. federal income taxes, Lazard Group primarily operates in the U.S. as a limited liability company that is treated as a partnership for U.S. federal income tax purposes. As a result, Lazard Group s income from its U.S. operations is generally not subject to U.S. federal income taxes because such income is attributable to its partners. In addition, Lazard Group is subject to New York City Unincorporated Business Tax (UBT) which is attributable to Lazard Group s operations apportioned to New York City. UBT is incremental to the U.S. federal statutory tax rate. Outside the U.S., Lazard Group operates principally through subsidiary corporations that are subject to local income taxes.

The Company recorded income tax provisions of $9,017 and $12,965 for the three month and six month periods ended June 30, 2013, respectively, and $10,371 and $19,138 for the three month and six month periods ended June 30, 2012, respectively, representing effective tax rates of 22.0%, 20.7%, 23.3% and 23.2%, respectively. The difference between the U.S. federal statutory rate of 35.0% and the effective tax rates reflected above principally relates to (i) Lazard Group primarily operating as a limited liability company in the U.S., (ii) taxes payable to foreign jurisdictions that are not offset against U.S. income taxes, (iii) foreign source income not subject to U.S. income taxes (including interest on intercompany financings), (iv) Lazard Group s income from U.S. operations attributable to noncontrolling interests, and (v) U.S. state and local taxes (primarily UBT), which are incremental to the U.S. federal statutory tax rate.

Substantially all of Lazard s foreign operations are conducted in pass-through entities for U.S. income tax purposes and the Company provides for U.S. income taxes on a current basis for substantially all of those earnings. The repatriation of prior earnings attributable to non-pass-through entities would not result in the recognition of a material amount of additional U.S. income taxes.

Tax Receivable Agreement

The redemption of historical partner interests in connection with the Company s separation and recapitalization that occurred in May 2005 and subsequent exchanges of LAZ-MD Holdings exchangeable interests for shares of Class A common stock have resulted, and future exchanges of LAZ-MD Holdings exchangeable interests for shares of Class A common stock may result, in increases in the tax basis of the tangible and intangible assets of Lazard Group. The tax receivable agreement dated as of May 10, 2005 with LFCM Holdings LLC (LFCM Holdings) requires the Company to pay LFCM Holdings 85% of the cash savings, if any, in U.S. federal, state and local income tax or franchise tax that the Company actually realizes as a result of the above-mentioned increases in tax basis. The Company calculates this provision annually and includes such amounts in operating expenses on its consolidated statements of operations once the results of operations for the full year are known. Based on the financial results for the applicable annual periods, there is no provision for such payments in the six month periods ended June 30, 2013 and 2012. If any provision is required pursuant to the tax receivable agreement, such amount would be fully offset by a reduction in the Company s income tax expense.

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(UNAUDITED)

(dollars in thousands, except for per share data, unless otherwise noted)

16. NET INCOME PER SHARE OF CLASS A COMMON STOCK

The Company s basic and diluted net income per share calculations for the three month and six month periods ended June 30, 2013 and 2012 are computed as described below.

Basic Net Income Per Share

Numerator utilizes net income attributable to Lazard Ltd for the respective periods, plus applicable adjustments to such net income associated with the inclusion of shares of Class A common stock issuable on a non-contingent basis.

Denominator utilizes the weighted average number of shares of Class A common stock outstanding for the respective periods, plus applicable adjustments to such shares associated with shares of Class A common stock issuable on a non-contingent basis.

Diluted Net Income Per Share

Numerator utilizes net income attributable to Lazard Ltd for the respective periods, as in the basic net income per share calculation described above, plus, to the extent applicable and dilutive, (i) changes in net income attributable to noncontrolling interests resulting from assumed Class A common stock issuances in connection with share-based incentive compensation and, on an as-if-exchanged basis, amounts applicable to LAZ-MD Holdings exchangeable interests and (ii) income tax related to (i) above.

Denominator utilizes the weighted average number of shares of Class A common stock outstanding for the respective periods, as in the basic net income per share calculation described above, plus, to the extent dilutive, the incremental number of shares of Class A common stock to settle share-based incentive compensation and LAZ-MD Holdings exchangeable interests, using the treasury stock method or the as-if-exchanged basis, as applicable.

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(UNAUDITED)

(dollars in thousands, except for per share data, unless otherwise noted)

The calculations of the Company s basic and diluted net income per share and weighted average shares outstanding for the three month and six month periods ended June 30, 2013 and 2012 are presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income attributable to Lazard Ltd	$ 31,353	$30,821	$ 46,713	$56,373
Add (deduct) - adjustment associated with Class A common stock issuable on a non-contingent basis		2		2
Net income attributable to Lazard Ltd - basic	31,353	30,823	46,713	56,375
Add - dilutive effect, as applicable, of:				
Adjustments to income relating to interest expense and changes in net income attributable to noncontrolling interests resulting from assumed Class A common stock issuances in connection with share-based incentive compensation and exchangeable interests, net of tax	289	1,686	471	2,876
Net income attributable to Lazard Ltd - diluted	$31,642	$32,509	$47,184	$59,251
Weighted average number of shares of Class A common stock outstanding	121,028,696	117,478,380	118,975,340	118,079,120
Add - adjustment for shares of Class A common stock issuable on a non-contingent basis	731,286	756,940	758,753	653,311
Weighted average number of shares of Class A common stock outstanding - basic	121,759,982	118,235,320	119,734,093	118,732,431
Add - dilutive effect, as applicable, of:				
Weighted average number of incremental shares of Class A common stock issuable from share-based incentive compensation and exchangeable interests	10,704,314	16,401,615	12,905,835	16,883,126
Weighted average number of shares of Class A common stock outstanding - diluted	132,464,296	134,636,935	132,639,928	135,615,557
Net income attributable to Lazard Ltd per share of Class A common stock:				
Basic	$0.26	$0.26	$0.39	$0.47
Diluted	$0.24	$0.24	$0.36	$0.44

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17. RELATED PARTIES

Amounts receivable from, and payable to, related parties are set forth below:

	June 30, 2013	December 31, 2012
Receivables		
LFCM Holdings	$ 14,232	$ 20,529
Other	1,010	3,272
Total	$ 15,242	$ 23,801
Payables		
LFCM Holdings	$ 4,749	$ 2,943
Other	10	705
Total	$ 4,759	$ 3,648

LFCM Holdings

LFCM Holdings owns and operates the capital markets business and fund management activities, as well as other specified non-operating assets and liabilities, that were transferred to it by Lazard Group (referred to as the separated businesses) in May 2005 and is owned by various current and former working members, including certain of Lazard s current and former managing directors (which also include the Company s executive officers) who were or are also members of LAZ-MD Holdings. In addition to the master separation agreement, dated as of May 10, 2005, by and among Lazard Ltd, Lazard Group, LAZ-MD Holdings and LFCM Holdings (the master separation agreement), which effected the separation and recapitalization that occurred in May 2005, LFCM Holdings entered into certain agreements that addressed various business matters associated with the separation, including agreements related to administrative and support services (the administrative services agreement), employee benefits, insurance matters and licensing. In addition, LFCM Holdings and Lazard Group entered into a business alliance agreement (the business alliance agreement). Certain of these agreements are described in more detail in the Company s Form 10-K.

For the three month and six month periods ended June 30, 2013, amounts recorded by Lazard Group relating to the administrative services agreement amounted to $300 and $932, respectively, and net referral fees for underwriting, private placement, M&A and restructuring transactions under the business alliance agreement amounted to $(970) and $(470), respectively. For the three month and six month periods ended June 30, 2012, amounts recorded by Lazard Group relating to the administrative services agreement amounted to $702 and $1,515, respectively, and net referral fees for underwriting, private placement, M&A and restructuring transactions under the business alliance agreement amounted to $3,552 and $4,366, respectively. Amounts relating to the administrative services agreement are reported as reductions to operating expenses. Net referral fees for underwriting transactions under the business alliance agreement are reported in revenue-other . Net referral fees for private placement, M&A and restructuring transactions under the business alliance agreement are reported in advisory fee revenue.

Receivables from LFCM Holdings and its subsidiaries as of June 30, 2013 and December 31, 2012 include $8,568 and $14,299, respectively, related to administrative and support services and other receivables, which include sublease income and reimbursement of expenses incurred on behalf of LFCM Holdings, and $5,664 and $6,230, respectively, related to referral fees for underwriting and private placement transactions.

Payables to

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LFCM Holdings and its subsidiaries at June 30, 2013 and December 31, 2012 include $4,749 and $2,943, respectively, primarily relating to referral fees for Financial Advisory transactions.

Other

Other receivables and payables at June 30, 2013 and December 31, 2012 primarily relate to referral fees for M&A transactions with MBA Lazard Holdings S.A. and its affiliates, an Argentina-based group in which the Company has a 50% ownership interest, and, at December 31, 2012, a related party loan.

LAZ-MD Holdings

Lazard Group provides certain administrative and support services to LAZ-MD Holdings through an administrative services agreement, with such services generally to be provided until December 31, 2014 unless terminated earlier because of a change in control of either party. Lazard Group charges LAZ-MD Holdings for these services based on Lazard Group s cost allocation methodology and, for the three month and six month periods ended June 30, 2013, such charges amounted to $250 and $500, respectively. For the three month and six month periods ended June 30, 2012, such charges amounted to $187 and $375, respectively.

18. REGULATORY AUTHORITIES

LFNY is a U.S. registered broker-dealer and is subject to the net capital requirements of Rule 15c3-1 under the Exchange Act. Under the basic method permitted by this rule, the minimum required net capital, as defined, is a specified fixed percentage (6 $^{2}/_{3}$%) of total aggregate indebtedness recorded in LFNY s Financial and Operational Combined Uniform Single (FOCUS) report filed with the Financial Industry Regulatory Authority (FINRA), or $100, whichever is greater. At June 30, 2013, LFNY s regulatory net capital was $128,583, which exceeded the minimum requirement by $124,897.

Certain U.K. subsidiaries of the Company, including LCL, Lazard Fund Managers Limited and Lazard Asset Management Limited (the U.K. Subsidiaries) are regulated by the Financial Conduct Authority, which replaced the Financial Services Authority as the U.K. Subsidiaries regulator effective April 1, 2013. At June 30, 2013, the aggregate regulatory net capital of the U.K. Subsidiaries was $74,781, which exceeded the minimum requirement by $54,858.

CFLF, under which asset management and commercial banking activities are carried out in France, is subject to regulation by the Autorité de Contrôle Prudentiel for its banking activities conducted through its subsidiary, LFB. In addition, the investment services activities of the Paris group, exercised through LFB and other subsidiaries of CFLF, primarily LFG (asset management), are subject to regulation and supervision by the Autorité des Marchés Financiers. At June 30, 2013, the consolidated regulatory net capital of CFLF was $185,983, which exceeded the minimum requirement set for regulatory capital levels by $154,183.

Certain other U.S. and non-U.S. subsidiaries are subject to various capital adequacy requirements promulgated by various regulatory and exchange authorities in the countries in which they operate. At June 30, 2013, for those subsidiaries with regulatory capital requirements, their aggregate net capital was $103,267, which exceeded the minimum required capital by $76,657.

At June 30, 2013, each of these subsidiaries individually was in compliance with its regulatory capital requirements.

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LAZARD LTD

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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Lazard Ltd had been subject to supervision by the SEC as a Supervised Investment Bank Holding Company (SIBHC). As a SIBHC, Lazard Ltd was subject to group-wide supervision, which required it to compute allowable capital and risk allowances on a consolidated basis. However, pursuant to Section 617 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), the SEC s SIBHC program was eliminated on July 21, 2011. Pursuant to relevant rules in the European Union, which we continue to examine, LFB, as a European credit institution, is required to be supervised on a consolidated basis by another regulatory body, either in the U.S., by the Board of Governors of the Federal Reserve, or in the European Union. The Dodd-Frank Act and the rules and regulations that may be adopted thereunder (including regulations that have not yet been proposed) could affect us in other ways. We continue to monitor the possible effect of the implementation of alternatives available to us.

19. SEGMENT INFORMATION

The Company s reportable segments offer different products and services and are managed separately, as different levels and types of expertise are required to effectively manage the segments transactions. Each segment is reviewed to determine the allocation of resources and to assess its performance. The Company s principal operating activities are included in two business segments as described in Note 1 above - Financial Advisory and Asset Management. In addition, as described in Note 1 above, the Company records selected other activities in its Corporate segment.

The Company s segment information for the three month and six month periods ended June 30, 2013 and 2012 was prepared using the following methodology:

- Revenue and expenses directly associated with each segment are included in determining operating income.

- Expenses not directly associated with specific segments are allocated based on the most relevant measures applicable, including headcount, square footage and other factors.

- Segment assets are based on those directly associated with each segment, and include an allocation of certain assets relating to various segments, based on the most relevant measures applicable, including headcount, square footage and other factors.

The Company allocates investment gains and losses, interest income and interest expense among the various segments based on the segment in which the underlying asset or liability is reported.

Each segment s operating expenses include (i) compensation and benefits expenses incurred directly in support of the businesses and (ii) other operating expenses, which include directly incurred expenses for occupancy and equipment, marketing and business development, technology and information services, professional services, fund administration and outsourced services and indirect support costs (including compensation and other operating expenses related thereto) for administrative services. Such administrative services include, but are not limited to, accounting, tax, legal, facilities management and senior management activities.

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(dollars in thousands, except for per share data, unless otherwise noted)

Management evaluates segment results based on net revenue and operating income (loss) and believes that the following information provides a reasonable representation of each segment s contribution with respect to net revenue, operating income (loss) and total assets:

		Three Months Ended June 30,		Six Months Ended June 30,	
		2013(a)	2012	2013(a)	2012
Financial Advisory	Net Revenue	$ 263,307	$ 242,624	$ 431,769	$ 519,820
	Operating Expenses	239,766	231,200	456,674	481,097
	Operating Income (Loss)	$ 23,541	$ 11,424	$ (24,905)	$ 38,723
Asset Management	Net Revenue	$ 245,499	$ 211,053	$ 489,524	$ 425,580
	Operating Expenses	187,554	156,619	342,631	317,120
	Operating Income	$ 57,945	$ 54,434	$ 146,893	$ 108,460
Corporate	Net Revenue (Expense)	$ (18,401)	$ (16,767)	$ (28,985)	$ (22,451)
	Operating Expenses	22,147	4,558	30,468	42,376
	Operating Income (Loss)	$ (40,548)	$ (21,325)	$ (59,453)	$ (64,827)
Total	Net Revenue	$ 490,405	$ 436,910	$ 892,308	$ 922,949
	Operating Expenses	449,467	392,377	829,773	840,593
	Operating Income	$ 40,938	$ 44,533	$ 62,535	$ 82,356

(a) See Note 14 of Notes to Condensed Consolidated Financial Statements for information regarding the Cost Saving Initiatives, and the impact on each of the Company s business segments during the three month and six month periods ended June 30, 2013.

	As Of	
	June 30, 2013	December 31, 2012
Total Assets		
Financial Advisory	$ 722,702	$ 793,007
Asset Management	539,662	566,677
Corporate	1,658,865	1,627,209

Total	$ 2,921,229	$ 2,986,893

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with Lazard Ltd s condensed consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q (the Form 10-Q), as well as Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) included in our Annual Report on Form 10-K for the year ended December 31, 2012 (the Form 10-K). All references to 2013 , 2012 , second quarter , first half or the period refer to, as the context requires, the three month and six month periods ended June 30, 2013 and June 30, 2012.

Forward-Looking Statements and Certain Factors that May Affect Our Business

Management has included in Parts I and II of this Form 10-Q, including in its MD&A, statements that are 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, predict, potential, target , goal or continue, and the negative of these terms and other comparable terminology. These forward-looking statem which are subject to known and unknown risks, uncertainties and assumptions about us, may include projections of our future financial performance based on our growth strategies, business plans and initiatives and anticipated trends in our business. These statements are only predictions 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 or achievements expressed or implied by the forward-looking statements. These factors include, but are not limited to, those discussed in our Form 10-K under the caption Risk Factors, including the following:

- a decline in general economic conditions or the global financial markets,
- a decline in overall mergers and acquisitions (M&A) activity, our share of the M&A market or our assets under management (AUM),
- 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, and
- competitive pressure on our businesses and on our ability to retain and attract employees at current compensation levels.

These risks and uncertainties are not exhaustive. Other sections of the Form 10-K describe additional factors that could adversely affect our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for our management to predict all risks and uncertainties, nor can management assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. We are under no duty to update any of these forward-looking statements after the date of this Form 10-Q to conform our prior statements to actual results or revised expectations and we do not intend to do so.

Forward-looking statements include, but are not limited to, statements about the:

- business financial goals, including the ratio of awarded compensation and benefits expense to operating revenue, business   ability to deploy surplus cash through dividends, share repurchases and debt repurchases,

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business ability to offset stockholder dilution through share repurchases,

business possible or assumed future results of operations and operating cash flows,

business strategies and investment policies,

business financing plans and the availability of short-term borrowing,

business competitive position,

future acquisitions, including the consideration to be paid and the timing of consummation,

potential growth opportunities available to our businesses,

recruitment and retention of our managing directors and employees,

potential levels of compensation expense,

business potential operating performance, achievements, productivity improvements, efficiency and cost reduction efforts,

likelihood of success and impact of litigation,

expected tax rates,

changes in interest and tax rates,

expectations with respect to the economy, the securities markets, the market for mergers, acquisitions and strategic advisory and restructuring activity, the market for asset management activity and other macroeconomic and industry trends,

effects of competition on our business, and

impact of future legislation and regulation on our business.

The Company is committed to providing timely and accurate information to the investing public, consistent with our legal and regulatory obligations. To that end, the Company uses its websites to convey information about our businesses, including the anticipated release of quarterly financial results, quarterly financial, statistical and business-related information, and the posting of updates of AUM in various mutual funds, hedge funds and other investment products managed by Lazard Asset Management LLC and its subsidiaries (collectively referred to as LAM). Investors can link to Lazard Ltd, Lazard Group and their operating company websites through *http://www.lazard.com.* Our websites and the information contained therein or connected thereto shall not be deemed to be incorporated into this Form 10-Q.

Business Summary

Lazard is one of the world s preeminent financial advisory and asset management firms. We have long specialized in crafting solutions to the complex financial and strategic challenges of a diverse set of clients around the world, including corporations, governments, institutions, partnerships and individuals. Founded in 1848 in New Orleans, we currently operate from 40 cities in key business and financial centers across 26 countries throughout Europe, North America, Asia, Australia, the Middle East and Central and South America.

Our primary business purpose is to serve our clients. Our deep roots in business centers around the world form a global network of relationships with key decision-makers in corporations, governments and investing institutions. This network is both a competitive strength and a powerful resource for Lazard and our clients. As a firm that competes on the quality of our advice, we have two fundamental assets: our people and our reputation.

We operate in cyclical businesses across multiple geographies, industries and asset classes. In recent years, we have expanded our geographic reach, bolstered our industry expertise and continued to build in growth areas.

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Companies, government bodies and investors seek independent advice with a geographic perspective, deep understanding of capital structure, informed research and knowledge of global economic conditions. We believe that our business model as an independent advisor will continue to create opportunities for us to attract new clients and key personnel.

Our principal sources of revenue are derived from activities in the following business segments:

- Financial Advisory, which offers corporate, partnership, institutional, government, sovereign and individual clients across the globe a wide array of financial advisory services regarding M&A and other strategic matters, restructurings, capital structure, capital raising and various other financial matters, and

- Asset Management, which offers a broad range of global investment solutions and investment management services in equity and fixed income strategies, alternative investments and private equity funds to corporations, public funds, sovereign entities, endowments and foundations, labor funds, financial intermediaries and private clients.

In addition, we record selected other activities in our Corporate segment, including management of cash, investments and outstanding indebtedness, as well as certain commercial banking activities of Lazard Group s Paris-based subsidiary, Lazard Frères Banque SA (LFB).

LFB is a registered bank regulated by the Autorité de Contrôle Prudentiel. It is engaged primarily in commercial and private banking services for clients and funds managed by Lazard Frères Gestion SAS (LFG) and other clients, investment banking activities, including participation in underwritten offerings of securities in France, and asset-liability management.

Our consolidated net revenue was derived from the following segments:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Financial Advisory	54%	56%	48%	56%
Asset Management	50	48	55	46
Corporate	(4)	(4)	(3)	(2)
Total	100%	100%	100%	100%

We also invest our own capital from time to time, generally alongside capital of qualified institutional and individual investors in alternative investments or private equity investments, and, since 2005, we have engaged in a number of alternative investments and private equity activities, including investments through (i) the Edgewater Funds (Edgewater), our Chicago-based private equity firm (see Note 10 of Notes to Condensed Consolidated Financial Statements), (ii) Lazard Australia Corporate Opportunities Fund 2 (COF2), a Lazard-managed Australian private equity fund targeting Australasian mid-market investments, (iii) a mezzanine fund, which invests in mezzanine debt of a diversified selection of small-to mid-cap European companies and (iv) a private equity fund targeting significant noncontrolling-stake investments in established private companies. We may explore and discuss opportunities to expand the scope of our alternative investment and private equity activities in Europe, the U.S. and elsewhere. These opportunities could include internal growth of new funds and direct investments by us, partnerships or strategic relationships, investments with third parties or acquisitions of existing funds or management companies. Also, consistent with our obligations to LFCM Holdings LLC (LFCM Holdings), we may explore discrete capital markets opportunities.

Business Environment and Outlook

Economic and global financial market conditions can materially affect our financial performance. As described above, our principal sources of revenue are derived from activities in our Financial Advisory and Asset Management

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business segments. As our Financial Advisory revenues are primarily dependent on the successful completion of merger, acquisition, restructuring, capital raising or similar transactions, and our Asset Management revenues are primarily driven by the levels of AUM, weak economic and global financial market conditions can result in a challenging business environment for M&A and capital-raising activity as well as our Asset Management business, but may provide opportunities for our restructuring business.

Equity market indices at June 30, 2013 increased in the U.S. when compared to such indices at June 30, 2012, December 31, 2012 and March 31, 2013. Outside the U.S., equity market indices at June 30, 2013 generally increased as compared to June 30, 2012, but decreased when compared to December 31, 2012 and March 31, 2013. On an industry-wide basis, during the first half of 2013, the value of completed M&A transactions increased while the number of completed transactions decreased as compared to the corresponding prior year period. Global restructuring activity, as measured by the value and number of corporate defaults, increased in the first half of 2013 as compared to the same period last year, but remains low relative to historical levels.

In mid-2013, interest rates remain low relative to historical levels and corporate cash balances remain high. Global macroeconomic conditions appear to be improving but remain uncertain, especially with respect to Europe. The breadth of our businesses has mitigated the impact of the European financial crisis. Although completed European M&A activity declined in the first half of 2013 and contributed to the revenue decrease in our Financial Advisory business, we believe other advisory opportunities, including opportunities for our Sovereign Advisory and Capital Structure businesses, may offset the slowdown. In our Asset Management business, most of LAM s European clients are invested with LAM primarily outside of Europe. Many of those who are invested in Europe are invested in European fixed income, which has not had a significant impact on our Asset Management business. Nonetheless, the business situation in Europe remains challenging. Despite volatility in emerging markets during the second quarter of 2013, we have experienced positive flows in our Emerging Markets debt and equity platforms.

We intend to leverage our existing infrastructure to capitalize on any global macroeconomic recovery, any upturn in the M&A cycle, and any momentum in the global equity markets. We expect to generate revenue growth by remaining adequately staffed to capitalize on any macroeconomic recovery and deploying our intellectual capital to generate new revenue streams. We also remain focused on expense management, and in October 2012 we announced a number of cost saving initiatives (the cost saving initiatives) relating to our operations. See Cost Saving Initiatives below and Note 14 of Notes to Condensed Consolidated Financial Statements.

Our outlook with respect to our Financial Advisory and Asset Management businesses is described below.

Financial Advisory In the near- to mid-term, we expect that the U.S. macroeconomic environment will likely be the strongest of the developed economies. Certain legal decisions in the U.S. reinforce the importance of independent advice, and the global scale and breadth of our Financial Advisory business allows us to advise on large, complex cross-border transactions across a variety of industries. We continue to develop our range of advisory capabilities, in particular in Europe, with our Sovereign Advisory, Restructuring and Capital Structure businesses. In addition, we believe our businesses throughout the emerging markets, Japan and Australia position us for growth in these markets, while strengthening and distinguishing our relationships with clients in developed economies. We recently integrated our Brazilian operations based in São Paulo. We also established the Lazard Africa initiative, to leverage our sovereign and corporate expertise in this rapidly growing region, for our clients in both developed and developing countries.

Asset Management Generally, we have seen increased investor demand across regions and investment platforms. In the short to intermediate term, we expect most of our growth will come from defined benefit and defined contribution plans in the developed economies because of their sheer scope and size. Over the longer term, we expect an increasing share of our AUM to come from the developing economies in Asia, Latin America and the Middle East, as their retirement systems evolve and individual wealth is increasingly deployed in the financial markets. Our global footprint is already well established in the developed economies and we expect our business in the developing economies will

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continue to expand. Given our globally diversified platform and our ability to provide investment solutions for a global mix of clients, we believe we are positioned to benefit from growth that may occur in the asset management industry. We recently extended the global footprint of our Asset Management business by opening new offices in Zurich and Singapore. We are continually developing and seeding new investment strategies that extend our existing platforms. Recent examples of growth initiatives include the following investment strategies: Emerging Markets Debt, Core Emerging Markets Equity, Emerging Markets Small Cap Equity, Real Estate, Managed Volatility Strategies and Asian Equities.

We operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge continuously, and it is not possible for our management to predict all risks and uncertainties, nor can we assess the impact of all potentially applicable factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. See the section entitled Risk Factors in our Form 10-K. Furthermore, net income and revenue in any period may not be indicative of full-year results or the results of any other period and may vary significantly from year to year and quarter to quarter.

Overall, we continue to focus on the development of our business, including the generation of stable revenue and earnings growth and stockholder returns, the prudent management of our costs and expenses, the efficient use of our assets and the return of capital to our stockholders.

Certain data with respect to our Financial Advisory and Asset Management businesses is included below.

Financial Advisory

As reflected in the following table, which sets forth global industry statistics for the second quarter and first half of 2013 and 2012, the value and number of completed and announced M&A transactions in the 2013 periods generally decreased compared to the corresponding periods in 2012.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	% Incr / (Decr)	2013	2012	% Incr / (Decr)
			($ in billions)			
Completed M&A Transactions:						
Value	$ 501	$ 567	(12)%	$ 1,016	$ 970	5%
Number	5,924	7,380	(20)%	12,640	15,030	(16)%
Announced M&A Transactions:						
Value	$ 496	$ 640	(23)%	$ 983	$ 1,114	(12)%
Number	8,180	9,659	(15)%	17,015	19,202	(11)%

Source: Thomson Reuters as of July 8, 2013.

Global restructuring activity during the first half of 2013, as measured by the value of debt defaults, increased from the corresponding period in 2012, with the number of issuers defaulting increasing to 40 in the first half of 2013, according to Moody s Investors Service, Inc., as compared to 33 in the corresponding period of 2012.

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Asset Management

A comparison of major equity market indices at June 30, 2013, against such indices at March 31, 2013, December 31, 2012 and June 30, 2012, is shown in the table below.

		Percentage Changes June 30, 2013 vs.	
	March 31, 2013	**December 31, 2012**	**June 30, 2012**
MSCI World Index	%	7%	16%
Euro Stoxx	(1)%	(1)%	15%
MSCI Emerging Market	(9)%	(11)%	%
S&P 500	2%	13%	18%

The fees that we receive for providing investment management and advisory services are primarily driven by the level of AUM and the nature of the AUM product mix. Accordingly, market movements, foreign currency volatility and changes in our AUM product mix will impact the level of revenues we receive from our Asset Management business when comparing periodic results. A substantial portion of our AUM is invested in equities, and market movements reflected in the changes in Lazard s AUM during the period generally correspond to the changes in global equity market indices. Our AUM at June 30, 2013 decreased 2% versus AUM at December 31, 2012 primarily due to net outflows, and our average AUM for the first half of 2013 increased 14% as compared to our average AUM for the corresponding period of 2012.

Cost Saving Initiatives

In October 2012, we announced cost saving initiatives which, at that time, were expected to result in approximately $125 million in annual savings from our compensation and non-compensation cost base. We currently expect total annual savings related to the cost saving initiatives to be approximately $160 million, which will be partially offset by investment in our business.

Approximately $120 million of the expected annual savings relate to compensation expense associated with our headcount, and approximately $40 million to non-compensation expense. We anticipate that more than two-thirds of these savings will be realized in 2013, with the full impact of all the savings reflected in our 2014 results.

Expenses associated with implementation of the cost saving initiatives were completed in the second quarter of 2013 and have been reflected in our financial results. These implementation expenses were approximately: $38 million in the second quarter of 2013; $26 million in the first quarter of 2013; and $103 million in the fourth quarter of 2012, for a total of approximately $167 million. Approximately 75% of the implementation expenses are expected to be paid in cash.

The cost saving initiatives are intended to improve our profitability with minimal impact on revenue growth. The initiatives include: streamlining our corporate structure and consolidating support functions; realigning our investments into areas with potential for the greatest long-term return; the settlement of certain contractual obligations; occupancy cost reduction; and creating greater flexibility to retain and attract the best people and invest in new growth areas.

See Note 14 of Notes to Condensed Consolidated Financial Statements.

Financial Statement Overview

Net Revenue

The majority of Lazard s Financial Advisory net revenue historically has been earned from the successful completion of M&A transactions, strategic advisory matters, restructuring and capital structure advisory services, capital raising and similar transactions. The main drivers of Financial Advisory net revenue are overall M&A activity, the level of corporate debt defaults and the environment for capital raising activities, particularly in the industries and geographic markets in which Lazard focuses. In some client engagements, often those involving financially distressed companies, revenue is earned in the form of retainers and similar fees that are contractually agreed upon with each client for each assignment and are not necessarily linked to the completion of a transaction. In addition, Lazard also earns fees from providing strategic advice to clients, with such fees not being dependent on a specific transaction, and may also earn fees in connection with public and private securities offerings and for referring opportunities to LFCM Holdings for underwriting, distribution and placement of securities. The referral fees received from LFCM Holdings are generally one-half of the revenue recorded by LFCM Holdings in respect of such activities. Significant fluctuations in Financial Advisory net revenue can occur over the course of any given year, because a significant portion of such net revenue is earned upon the successful completion of a transaction, restructuring or capital raising activity, the timing of which is uncertain and is not subject to Lazard s control.

Lazard s Asset Management segment principally includes LAM, LFG and Edgewater. Asset Management net revenue is derived from fees for investment management and advisory services provided to clients. As noted above, the main driver of Asset Management net revenue is the level and product mix of AUM, which is generally influenced by the performance of the global equity markets and, to a lesser extent, fixed income markets, as well as Lazard s investment performance, which impacts its ability to successfully attract and retain assets. As a result, fluctuations (including timing thereof) in financial markets and client asset inflows and outflows have a direct effect on Asset Management net revenue and operating income. Asset Management fees are generally based on the level of AUM measured daily, monthly or quarterly, and an increase or reduction in AUM, due to market price fluctuations, currency fluctuations, changes in product mix, or net client asset flows will result in a corresponding increase or decrease in management fees. The majority of our investment advisory contracts are generally terminable at any time or on notice of 30 days or less. Institutional and individual clients, and firms with which we have strategic alliances, can terminate their relationship with us, reduce the aggregate amount of AUM or shift their funds to other types of accounts with different rate structures for a number of reasons, including investment performance, changes in prevailing interest rates and financial market performance. In addition, as Lazard s AUM includes significant amounts of assets that are denominated in currencies other than U.S. Dollars, changes in the value of the U.S. Dollar relative to foreign currencies will impact the value of Lazard s AUM. Fees vary with the type of assets managed and the vehicle in which they are managed, with higher fees earned on equity assets, alternative investment funds, such as hedge funds and private equity funds, and lower fees earned on fixed income and cash management products.

The Company earns performance-based incentive fees on various investment products, including traditional products and alternative investment funds, such as hedge funds and private equity funds.

For hedge funds, incentive fees are calculated based on a specified percentage of a fund s net appreciation, in some cases in excess of established benchmarks or thresholds. The Company records incentive fees on traditional products and hedge funds at the end of the relevant performance measurement period, when potential uncertainties regarding the ultimate realizable amounts have been determined. The incentive fee measurement period is generally an annual period (unless an account terminates during the year). The incentive fees received at the end of the measurement period are not subject to reversal or payback. Incentive fees on hedge funds are often subject to loss carryforward provisions in which losses incurred by the hedge funds in any year are applied against certain gains realized by the hedge funds in future periods before any incentive fees can be earned.

For private equity funds, incentive fees may be earned in the form of a carried interest if profits arising from realized investments exceed a specified threshold. Typically, such carried interest is ultimately calculated on a whole-fund basis and, therefore, clawback of carried interests during the life of the fund can occur. As a result, incentive fees earned on our private equity funds are not recognized until potential uncertainties regarding the ultimate realizable amounts have been determined, including any potential for clawback.

Corporate segment net revenue consists primarily of investment gains and losses on the Company s seed investments in LAM equity and fixed income funds, principal investments in equities and alternative investment funds and equity method investments, net hedging activities, as well as gains and losses on investments held in connection with Lazard Fund Interests and on the extinguishment of debt (to the extent applicable), interest income and interest expense. Corporate net revenue also can fluctuate due to changes in the fair value of investments classified as trading , as well as due to changes in interest and currency exchange rates and in the levels of cash, investments and indebtedness. The Company holds no available-for-sale or held-to-maturity investments.

Although Corporate segment net revenue during the first half of 2013 represented (3)% of Lazard s net revenue, total assets in the Corporate segment represented 57% of Lazard s consolidated total assets as of June 30, 2013, which are attributable to investments in government bonds and money market funds, fixed income funds, alternative investment funds and other securities, private equity investments, cash and assets associated with LFB.

Operating Expenses

The majority of Lazard s operating expenses relate to compensation and benefits for managing directors and employees. Our compensation and benefits expense includes (i) salaries and benefits, (ii) amortization of the relevant portion of previously granted deferred incentive compensation awards, including (a) share-based incentive compensation under the Lazard Ltd 2005 Equity Incentive Plan (the 2005 Plan) and the Lazard Ltd 2008 Incentive Compensation Plan (the 2008 Plan) and (b) Lazard Fund Interests awards and other similar deferred compensation arrangements (see Note 12 of Notes to Condensed Consolidated Financial Statements), (iii) a provision for discretionary or guaranteed cash bonuses and profit pools and (iv) when applicable, severance payments. Compensation expense in any given period is dependent on many factors, including general economic and market conditions, our actual and forecasted operating and financial performance, staffing levels, competitive pay conditions and the nature of revenues earned, as well as the mix between current and deferred compensation.

For interim periods, we use adjusted compensation and benefits expense and the ratio of adjusted compensation and benefits expense to operating revenue, both non-U.S. GAAP measures, for comparison of compensation and benefits expense between periods. For the reconciliations and calculations with respect to adjusted compensation and benefits expense and related ratios to operating revenue, see the table under Consolidated Results of Operations below.

We believe that awarded compensation and benefits expense and the ratio of awarded compensation and benefits expense to operating revenue, both non-U.S. GAAP measures, are the most appropriate measures to assess the actual annual cost of compensation and provide the most meaningful basis for comparison of compensation and benefits expense between present, historical and future years. Awarded compensation and benefits expense for a given year is calculated using adjusted compensation and benefits expense, as modified by the following items:

- We deduct amortization expense recorded for U.S. GAAP purposes in each fiscal year associated with the vesting of deferred incentive compensation awards,

- We add (i) the grant date fair value of the deferred incentive compensation awards granted applicable to the relevant year-end compensation process (*e.g.* grant date fair value of deferred incentive awards granted in 2013, 2012 and 2011 related to the 2012, 2011 and 2010 year-end compensation processes, respectively) and (ii) investments in people (*e.g.* sign-on bonuses) and other special deferred incentive awards granted throughout the applicable year, with such amounts in (i) and (ii) reduced by an estimate of future forfeitures of such awards, and

- We adjust for year-end foreign exchange fluctuations.

Compensation and benefits expense is the largest component of our operating expenses. Our goal is for awarded compensation and benefits expense to rise at a slower rate than operating revenue growth, and if operating revenue declines, awarded compensation and benefits expense should also decline. In addition, we seek to maintain discipline with respect to the rate at which we award deferred compensation. Based on a similar level and mix of revenues from our business as in 2012 and a gradual improvement in the macroeconomic environment, we believe that over the cycle we can attain a ratio of awarded compensation and benefits expense to operating revenue in the mid-to-high-50s percentage range, which compares to 59.4% for the year ended December 31, 2012. While we have implemented initiatives, including the cost saving initiatives announced in October 2012 (see Cost Saving Initiatives above), that we believe will assist us in attaining a ratio within this range, there can be no guarantee that such a ratio will be attained or that our policies or initiatives will not change in the future. We may benefit from pressure on compensation costs within the financial services industry in future periods; however, increased competition for senior professionals, changes in the macroeconomic environment or the financial markets generally, lower operating revenue, changes in the mix of revenues from our businesses or various other factors could prevent us from attaining this goal.

Lazard s operating expenses also include non-compensation expense (which includes costs for occupancy and equipment, marketing and business development, technology and information services, professional services, fund administration and outsourced services and other expenses), amortization of intangible assets related to acquisitions and, in the 2012 and 2013 periods, the relevant portions of the expense relating to the first quarter 2012 staff reductions and the implementation of the cost saving initiatives. Amortization of intangible assets relates primarily to the acquisition of Edgewater.

Provision for Income Taxes

As a result of its indirect investment in Lazard Group, Lazard Ltd, through certain of its subsidiaries, is subject to U.S. federal income taxes on its portion of Lazard Group s operating income. Lazard Group primarily operates in the U.S. as a limited liability company that is treated as a partnership for U.S. federal income tax purposes. As a result, Lazard Group s income pertaining to the limited liability company is not subject to U.S. federal income taxes because taxes associated with such income represent obligations of the individual partners. Outside the U.S., Lazard Group operates principally through corporations and is subject to local income taxes. Income taxes shown on Lazard s consolidated statements of operations are principally related to foreign taxes from non-U.S. entities and to New York City Unincorporated Business Tax (UBT) attributable to Lazard s operations apportioned to New York City.

Noncontrolling Interests

Noncontrolling interests primarily consist of amounts related to Edgewater s management vehicles that the Company is deemed to control but not own and the amount attributable to LAZ-MD Holdings ownership interest in the net income of Lazard Group. See Note 11 of Notes to Condensed Consolidated Financial Statements for information regarding the Company s noncontrolling interests.

Consolidated Results of Operations

Lazard s consolidated financial statements are presented in U.S. Dollars. Many of our non-U.S. subsidiaries have a functional currency (*i.e.*, the currency in which operational activities are primarily conducted) that is other than the U.S. Dollar, generally the currency of the country in which the subsidiaries are domiciled. Such subsidiaries assets and liabilities are translated into U.S. Dollars using exchange rates as of the respective balance sheet date, while revenue and expenses are translated at average exchange rates during the respective periods based on the daily closing exchange rates. Adjustments that result from translating amounts from a subsidiary s functional currency are reported as a component of members /stockholders equity. Foreign currency remeasurement gains and losses on transactions in non-functional currencies are included in the consolidated statements of operations.

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The condensed consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Selected financial data from the Company s reported condensed consolidated results of operations is set forth below, followed by a more detailed discussion of both the consolidated and business segment results.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	($ in thousands)			
Net Revenue	$ 490,405	$ 436,910	$ 892,308	$ 922,949
Operating Expenses:				
Compensation and benefits	331,131	283,392	608,870	621,709
Non-compensation	117,332	106,425	219,022	215,206
Amortization of intangible assets related to acquisitions	1,004	2,560	1,881	3,678
Total operating expenses	449,467	392,377	829,773	840,593
Operating Income	40,938	44,533	62,535	82,356
Provision for income taxes	9,017	10,371	12,965	19,138
Net Income	31,921	34,162	49,570	63,218
Less Net Income Attributable to Noncontrolling Interests	568	3,341	2,857	6,845
Net Income Attributable to Lazard Ltd	$ 31,353	$ 30,821	$ 46,713	$ 56,373
Operating Income, As A % Of Net Revenue	8.3%	10.2%	7.0%	8.9%

The tables below describe the components of operating revenue, adjusted compensation and benefits expense, adjusted non-compensation expense, earnings from operations and related key ratios, which are non-U.S. GAAP measures used by the Company to manage its business. We believe such non-U.S. GAAP measures provide the most meaningful basis for comparison between present, historical and future periods, as described above.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	($ in thousands)			
Operating Revenue				
Net revenue	$ 490,405	$ 436,910	$ 892,308	$ 922,949
Add (deduct):				
Other interest expense (a)	19,937	19,952	39,785	39,868
Revenue related to noncontrolling interests (b)	(2,458)	(4,509)	(6,780)	(8,948)
(Gains) losses on investments pertaining to Lazard Fund Interests (c)	3,477	2,856	(248)	89
Operating revenue	$ 511,361	$ 455,209	$ 925,065	$ 953,958

(a) Interest expense (excluding interest expense incurred by LFB) is added back in determining operating revenue because such expense is not considered to be a cost directly related to the revenue of our business.

(b) Revenue related to the consolidation of noncontrolling interests is excluded from operating revenue because the Company has no economic interest in such amount.

(c) Changes in the fair value of investments held in connection with Lazard Fund Interests and other similar deferred compensation arrangements that correspond to changes in the value of the related compensation liability, which is recorded within compensation and benefit expense, are excluded.

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	Three Months Ended June 30,	Six&n