

Credit Suisse
Financial Services
Forum

February 13, 2013

Pete Nachtwey
Chief Financial Officer



Forward-Looking Statements

This presentation may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements are not statements of facts or guarantees of future performance, and are subject to risks, uncertainties and other factors that may cause actual results to differ materially from those discussed in the statements.

For a discussion of these risks and uncertainties, please see “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2012, in the Company’s quarterly reports on Form 10-Q, and in the Company’s current report on Form 8-K filed January 22, 2013.

Legg Mason Today

- A Diversified Global Asset Management Firm
- Serving Individual and Institutional Investors for Over a Century
- Approximately 3,000 Employees with 31 Offices Around the World
- Headquartered in Baltimore, Maryland
- Ticker: LM (NYSE)

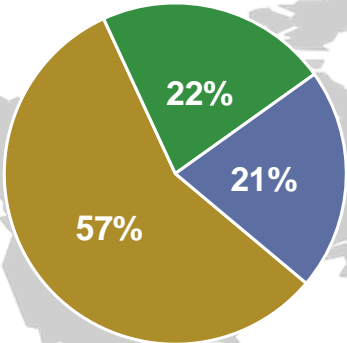
As of December 31, 2012:

- Revenue TTM: \$2.6B
- Shares Outstanding: 131.5M
- Institutional Holdings: 90%
- AUM: \$654B¹
- Equity: \$4.9B
- Market Cap²: \$3.4B
- Stock Price²: \$25.72

Asset & Revenue Diversity

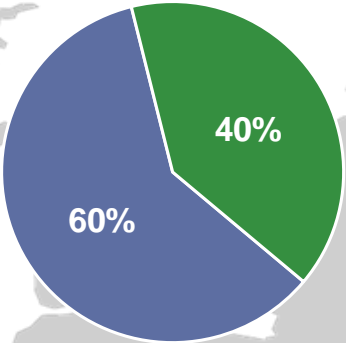
Total AUM \$649B

AUM by Asset Class



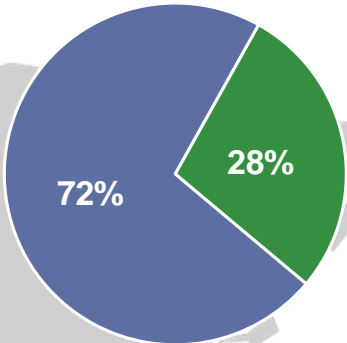
■ Fixed Income ■ Equity ■ Liquidity

AUM by Client Domicile



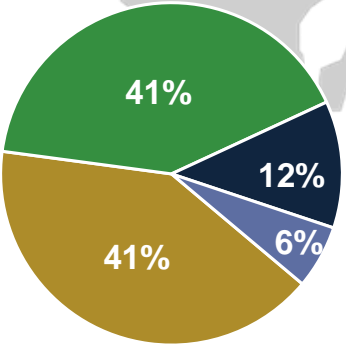
■ US ■ Non-US

AUM by Client



■ Institutional ■ Retail

FYTD 2013 Gross Revenues \$1,945M



■ Fixed Income ■ Equity
 ■ Alternative ■ Liquidity

Data as of December 31, 2012

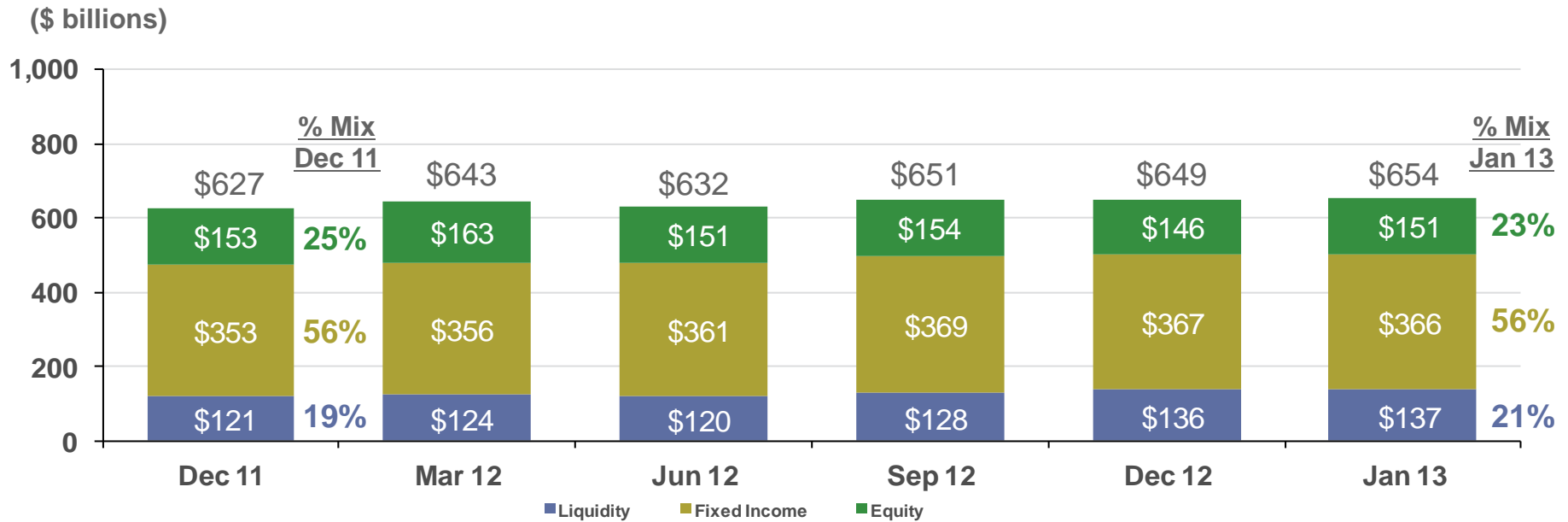
Assets Under Management (\$ billions)

AUM by Affiliate ¹	Dec 12 AUM	Sep 12 AUM	Dec 11 AUM	% Change vs.	
				Sep 12	Dec 11
Western Asset	\$ 461.7	\$ 459.0	\$ 442.0	1 %	4 %
Royce & Associates	35.3	36.4	35.9	(3) %	(2) %
ClearBridge ²	57.3	59.0	53.6	(3) %	7 %
Permal Group	16.1	16.8	17.8	(4) %	(10) %
Brandywine	42.9	41.4	33.1	4 %	30 %
Batterymarch	12.5	14.6	17.6	(15) %	(29) %

¹ Primary affiliates ordered by contribution to fiscal year 2013 pre-tax earnings

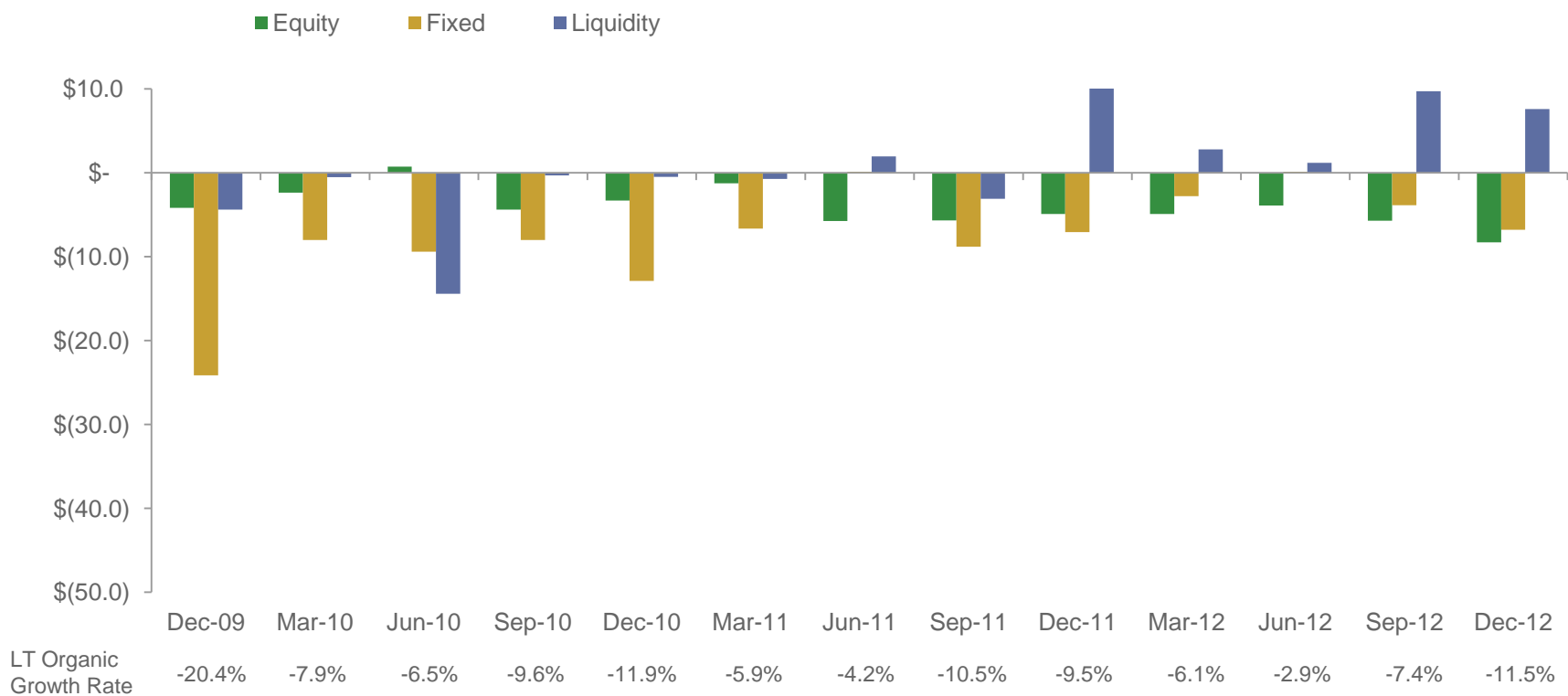
² Includes Global Currents Investment Management, LLC which operates as a division of ClearBridge

Assets Under Management by Asset Class



- QE Dec-12 market appreciation of \$6.3B (includes negative FX of \$4.7B)
 - Equity appreciation \$2.7B and Fixed Income appreciation \$3.6B
- QE Dec-12 average AUM of \$648B increased \$9B from prior quarter
 - Long-term average AUM flat

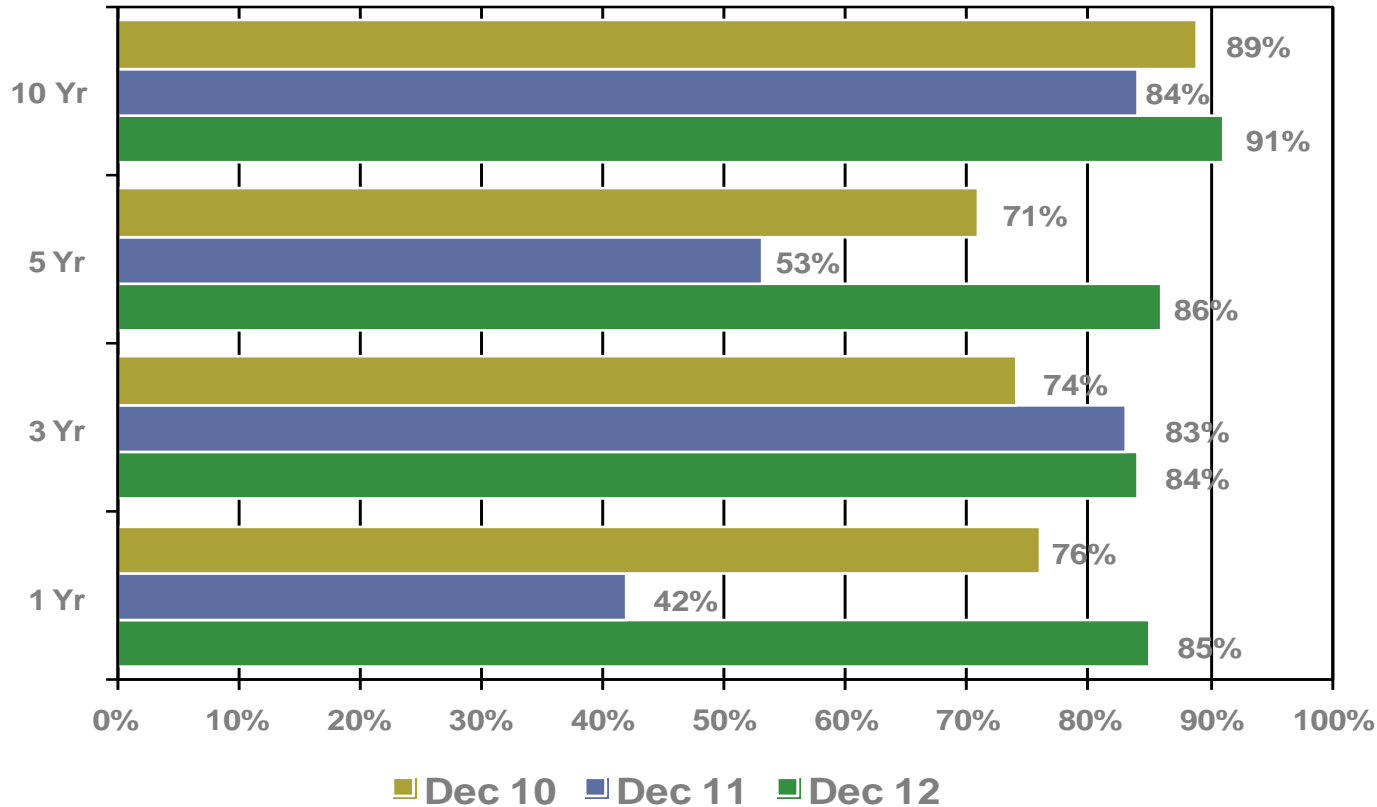
Net Flows



- QE Dec-12 Equity outflows were driven largely by broad market outflows and specific performance challenges
- Approximately 75% of Fixed Income outflows in QE Dec-12 driven by continued Global Sovereign mandate redemptions, PPIP liquidation, and loss of a state pension account
- Liquidity inflows driven by non-US institutional funds in QE Dec-12

Investment Performance

% of Strategy AUM beating Benchmark¹



¹ See appendix for details regarding strategy performance

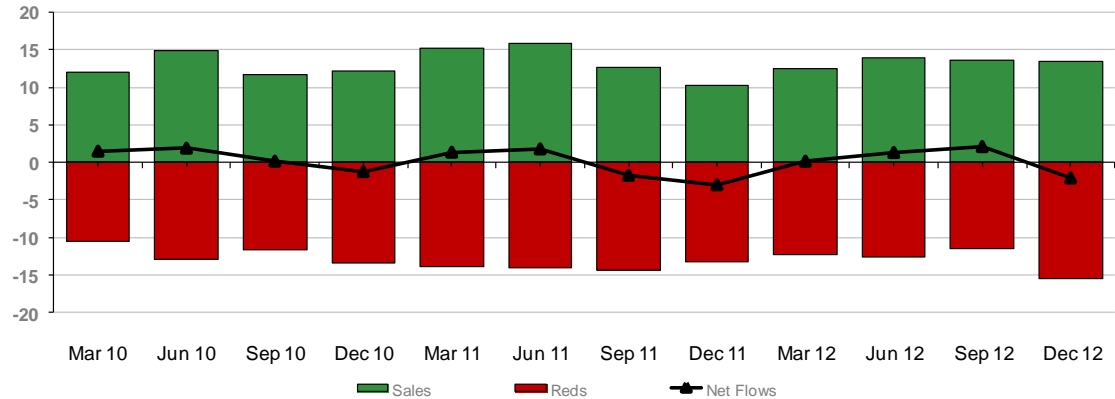
Past performance is no guarantee of future results. The information shown above does not reflect the performance of any specific fund. Individual fund performance will differ

Global Distribution

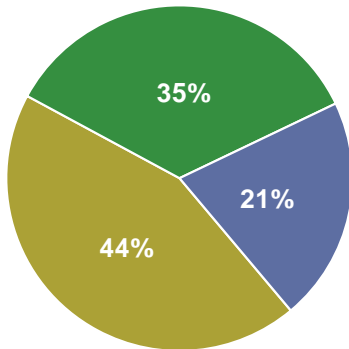
Total Long-Term AUM: \$222B

- Net inflows in eight of last twelve quarters
- Sixteen consecutive quarters of net inflows for International Distribution

Quarterly Net Flows (\$B)¹

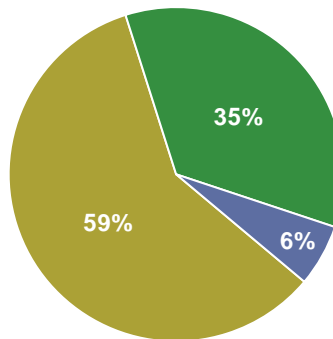


AUM by Channel



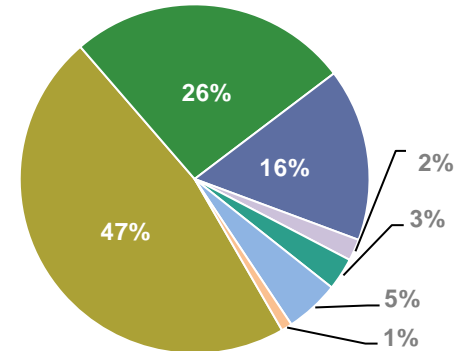
■ US Retail ■ US Instividual ■ International

AUM by Product



■ Funds ■ SMA/Sep Accts ■ Closed End

AUM by Affiliate

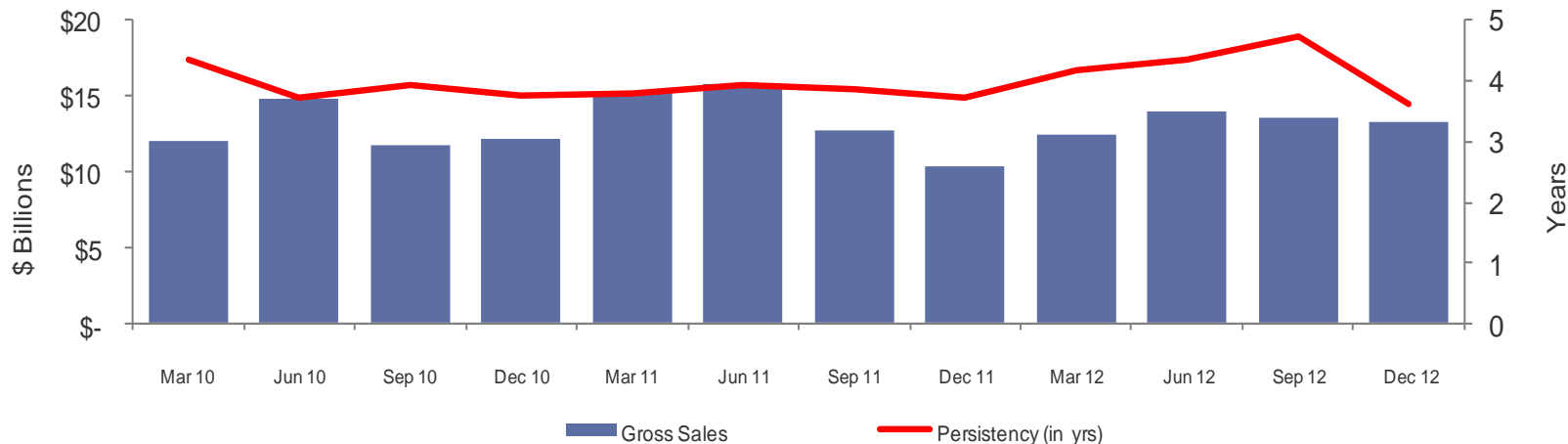


■ WAM ■ CB/GC ■ Royce ■ LMCM ■ BGIM ■ BFM ■ LM Glb Eq

¹ Represents long-term sales, redemptions and net flows by Legg Mason's centralized global distribution platform

Global Distribution

LMGD Persistency/Sales Trend



Closed-End Funds Launched since Jun-10 (\$B)

Fund Name	Assets at Dec-12
ClearBridge Energy MLP Fund Inc.	2.0
ClearBridge Energy MLP Total Return Fund Inc.	1.0
ClearBridge Energy MLP Opportunity Fund	0.8
LM BW Global Income Opportunities Fund, Inc.	0.6
Western High Yield Defined Opportunities Fund Inc.	0.4
Western Asset Middle Market Debt Fund	0.2

Top Funds Driving Gross Sales FYTD

- ClearBridge Aggressive Growth Fund
- ClearBridge Energy MLP Total Return Fund
- Legg Mason Australian High Dividend Equity Fund
- Legg Mason Brandywine Global Fixed Income Fund
- Legg Mason Brandywine Global Opportunities Bond Fund
- LM Australian Bond Fund
- Royce Premier Fund
- Western Asset Core Bond Fund
- Western Asset Core Plus Bond Fund
- Western Asset Intermediate-Term Municipals Fund
- Western Asset Managed Municipals Fund
- Western Asset Short Duration Municipal Income Fund

¹ Represents long-term sales, redemptions and net flows by Legg Mason's centralized global distribution platform

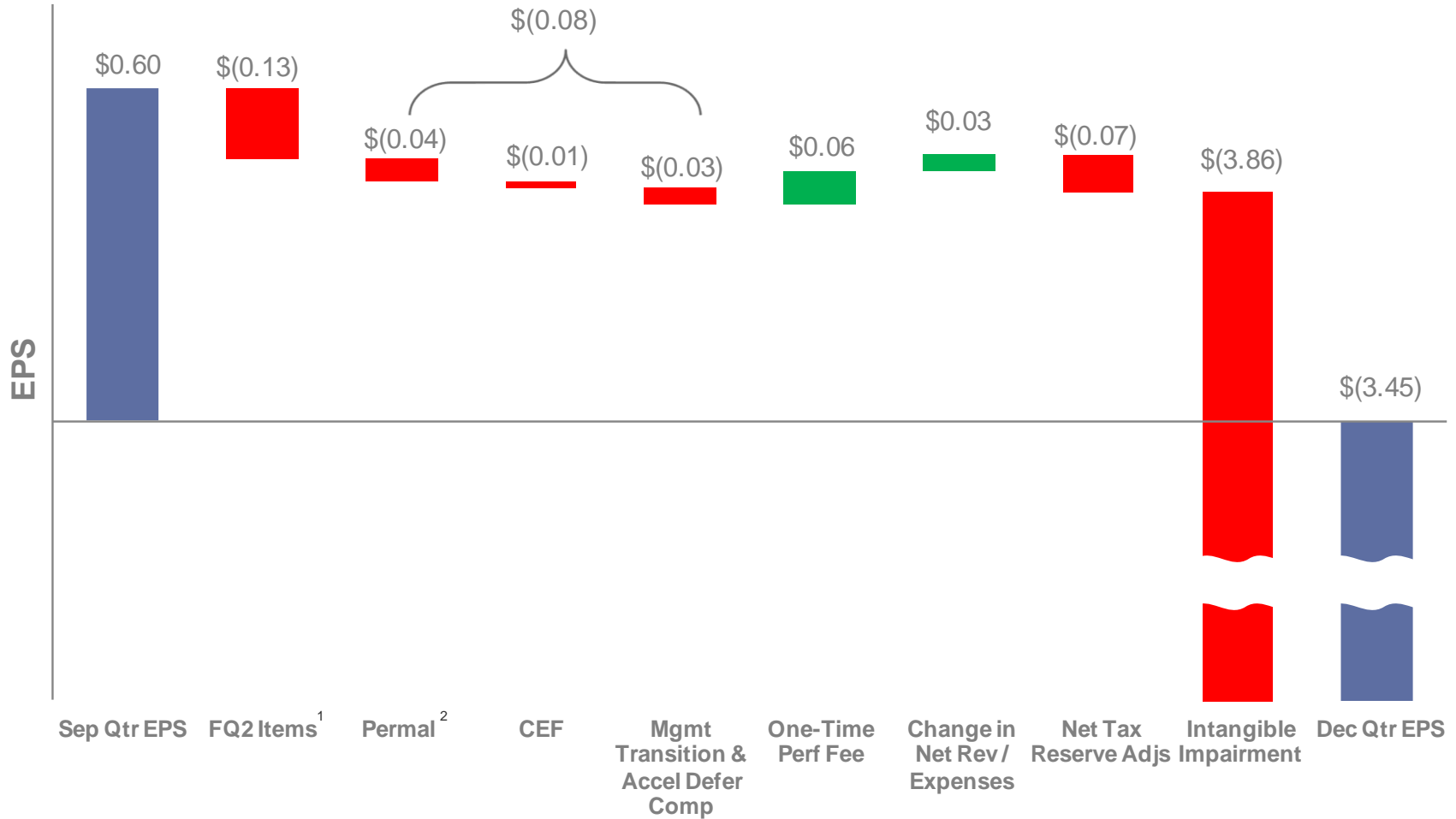
² Expected life of an asset based on current redemption rates

Financial Highlights Third Quarter FY 2013

- Net loss of \$454M, \$3.45 per diluted share
 - Includes impairment charge of \$734M or \$3.86 per diluted share
 - Also reflects \$9M or \$0.07 per diluted share of net tax reserve adjustments
- Adjusted income¹ decreased to \$92M or \$0.70 per diluted share, compared to \$100M or \$0.75 per diluted share in prior quarter
- Average AUM of \$648B, up \$9B from prior quarter
 - Long-term average AUM flat compared to prior quarter
- Operating revenues \$674M, up \$34M or 5% from prior quarter
 - Increase driven by Western PPIP performance fee of \$32M
- Operating expenses of \$1.3B increased \$747M from prior quarter driven by intangible asset impairment charge of \$734M
- Operating loss \$633M, operating margin negative
- Operating income, as adjusted¹, \$105M, operating margin, as adjusted¹, 19.8%
- Repurchased 2.8M shares in the December quarter and 12.5M fiscal year to date

¹ See Appendix for GAAP reconciliation

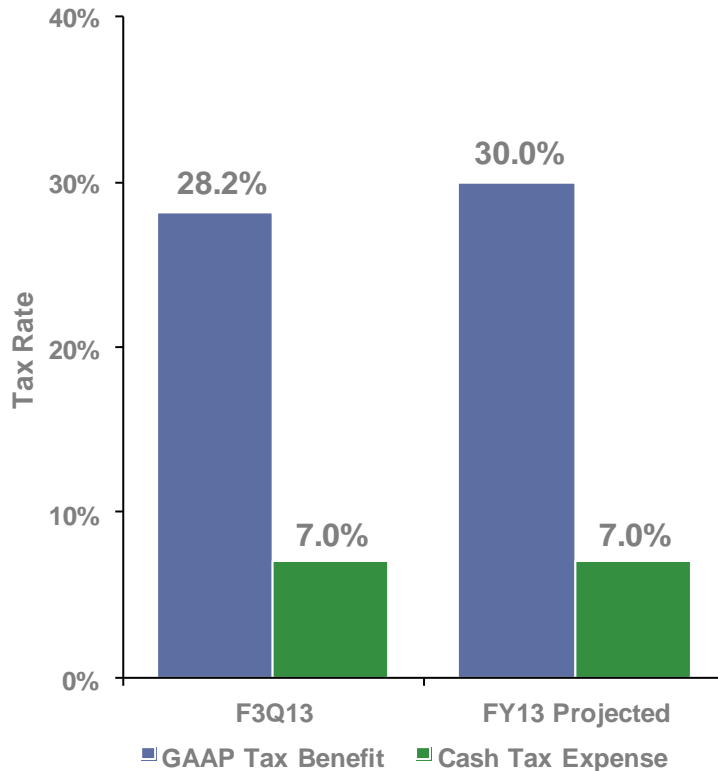
Third Quarter Earnings Per Share Rollforward



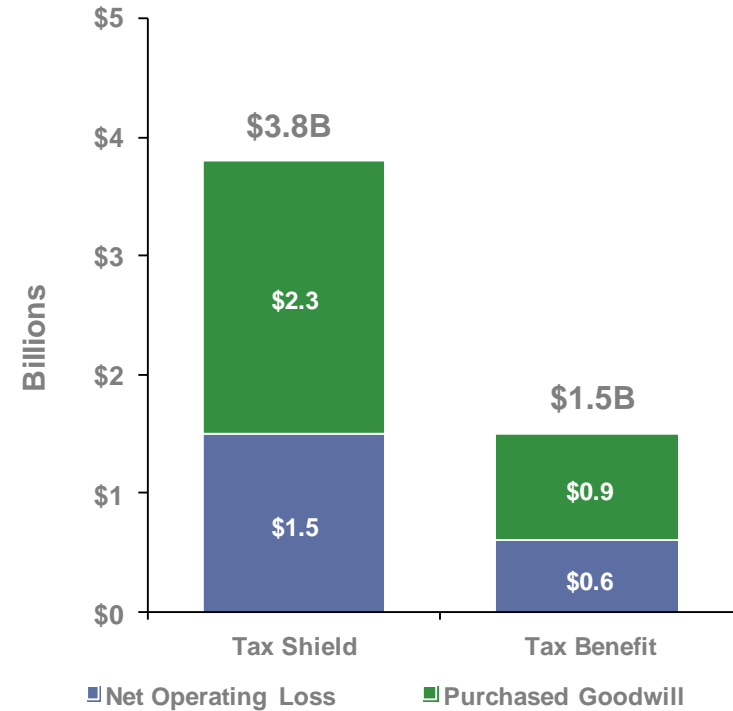
¹ UK tax rate adjustment

² Includes restructuring costs of \$5.8M and acquisition costs of \$1.3M

Significant Tax Benefit - \$3.8B of Future Income Sheltered



- GAAP tax benefit driven by non-cash impairment charge



- Future income of \$3.8 billion is sheltered from federal or state income tax, based on usage of NOL, FTC carryforwards and amortization of tax deductible goodwill

Balance Sheet and Credit Ratings

(\$ millions)	Dec 12	Sep 12	Dec 11
Cash & Cash Equivalents ¹	\$ 915	\$ 906	\$ 1,244
Intangibles and Goodwill	4,361	5,106	5,140
Other Assets	1,520	1,515	1,624
Consolidated Funds Assets	319	348	363
Total Assets	\$ 7,115	\$ 7,875	\$ 8,371
Debt ²	\$ 1,145	\$ 1,153	\$ 1,377
Other Liabilities	774	962	1,089
Stockholders Equity	4,878	5,412	5,542
Consolidated Funds Liability/Equity ³	319	348	363
Total Liabilities & Equity	\$ 7,115	\$ 7,875	\$ 8,371

Current Credit Ratings		
Agency	Rating	Outlook
Moody's	Baa1	Negative
S&P	BBB	Stable

¹ Includes restricted cash

² Debt accounted for at carrying value

³ Includes redeemable non-controlling interests

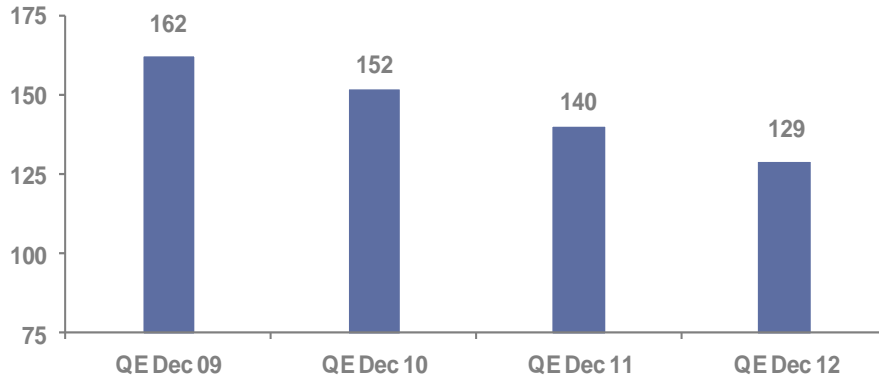
Continuous Focus on Adding Shareholder Value

Over the last few years, we have taken significant steps to strengthen Legg Mason and will continue to add shareholder value through incremental improvements

- Large scale initiatives
 - Streamlining initiative reduced corporate costs by over \$140M
 - Large scale share buybacks
 - Reduced outstanding debt and extended maturities
- Incremental improvements
 - Merged affiliates to reduce costs and focus investment teams on growth
 - Agreed to acquire Fauchier Partners
 - Revised equity plan at Permal
 - Global distribution reorganization
 - Launched new products
 - Re-branding initiatives continue

Cash Utilization & Balance Sheet Improvement

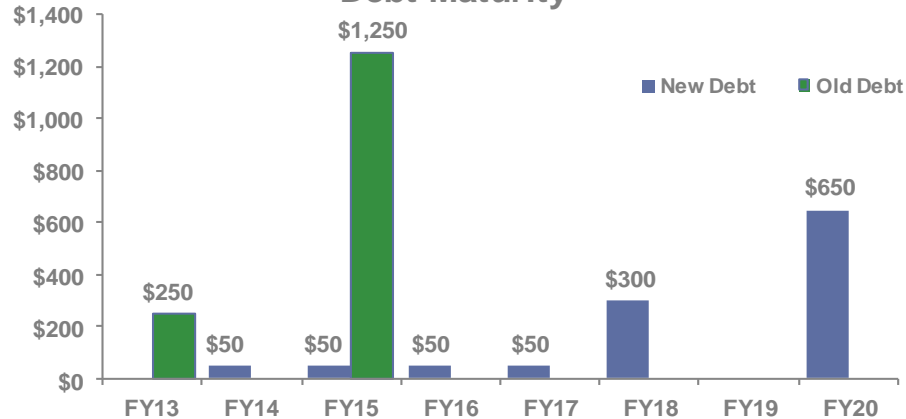
Diluted Share Outstanding (in Millions)



Annualized Quarterly Dividend (Per Share)



Debt Maturity



- Shares outstanding have been reduced by 33M shares or 21% over the past three years
- Quarterly dividends per share have nearly quadrupled since 2009
- Reduced debt and extended maturities

Permal Activities

Fauchier Partners Acquisition

	Fauchier Partners	Permal
Business Mix	Institutional (87%)	HNW (58%)
Client Geographic Footprint	UK (49%), France (12%), Australia (12%), Japan (8%)	Europe (25%), Latin America (19%), Middle East (17%), Asia (17%)
Product Strength	Equity Long/Short, Event Driven	Fixed Income, Macro

- Adds key distribution partner for Permal – BNP Paribas Investment Partners
- Year 1 EPS accretion expected and anticipated FY13 close

Permal Restructuring

- Profits interest management equity plan
- Revised revenue share agreement
- New multi-year employment contracts

Competitive Positioning Drives Significant Financial Flexibility

Respected Brands

Scale

Diversity

Global Distribution

Three Priorities for Improving Shareholder Value

Growing Organically

- 80% of marketed composite AUM performance beating benchmarks for 1-, 3-, 5- and 10-years
- \$800M ClearBridge closed-end fund launch
- \$500M Western REIT
- \$178M Western Middle Market closed-end fund launch

Filling Product Gaps

- Select bolt-ons and lift-outs
- International equities
- Alternatives
 - Fauchier Acquisition
 - International and Alternatives space

Returning Capital

- Refinanced and deleveraged debt, laddered maturities, and diversified our investor base
- \$316M or 12.5M shares repurchased FYTD
- Accelerated dividend payment from FQ4

Appendix

Appendix – GAAP Reconciliation Adjusted Income¹

	Quarters Ended		
	Dec 12	Sep 12	Dec 11
(\$ millions, except per share amounts)			
Net Income (Loss) Attributable to Legg Mason, Inc.	\$ (453.9)	\$ 80.8	\$ 28.1
Plus (less):			
Amortization of intangible assets	3.5	3.5	4.9
Impairment of intangible assets	734.0	-	-
Deferred income taxes on intangible assets:			
Impairment charges	(225.7)	-	-
Tax amortization benefit	33.9	33.9	34.0
U.K. tax rate adjustment	-	(18.1)	-
Imputed interest on convertible debt (2.5% senior notes)	-	-	9.8
Adjusted Income	<u>\$ 91.8</u>	<u>\$ 100.1</u>	<u>\$ 76.8</u>
Net Income (Loss) per Diluted Share Attributable to Legg Mason, Inc. Common Shareholders	\$ (3.45)	\$ 0.60	\$ 0.20
Plus (less):			
Amortization of intangible assets	0.03	0.03	0.04
Impairment on intangible assets	5.58	-	-
Deferred income taxes on intangible assets:			
Impairment charges	(1.72)	-	-
Tax amortization benefit	0.26	0.25	0.24
U.K. tax rate adjustment	-	(0.13)	-
Imputed interest on convertible debt (2.5% senior notes)	-	-	0.07
Adjusted Income per Diluted Share	<u>\$ 0.70</u>	<u>\$ 0.75</u>	<u>\$ 0.55</u>

¹ See explanations for Use of Supplemental Data as Non-GAAP Performance Measures in earnings release.

Appendix – GAAP Reconciliation

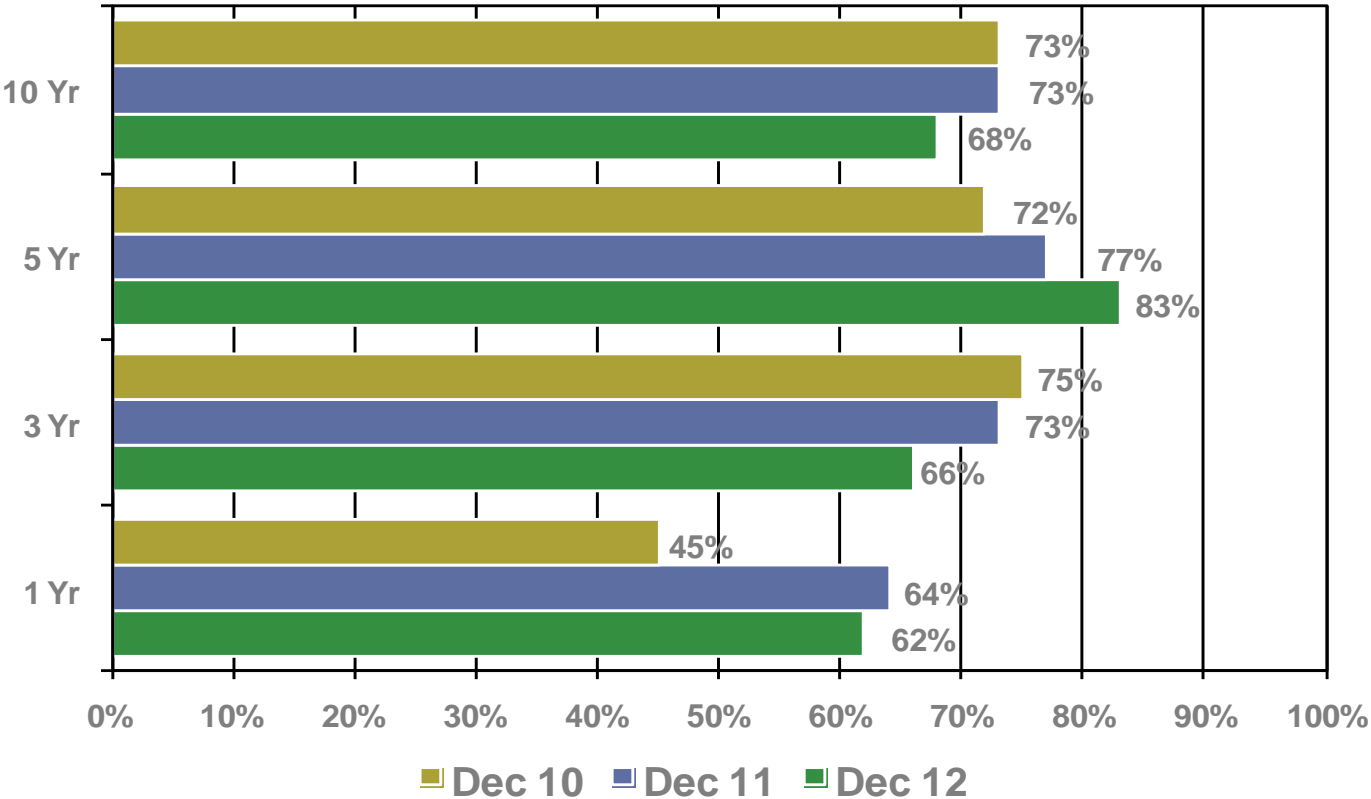
Operating Margin, as adjusted¹

(\$ millions)	Quarters Ended								
	Dec 10	Mar 11	Jun 11	Sep 11	Dec 11	Mar 12	Jun 12	Sep 12	Dec 12
Operating Revenues, GAAP basis	\$ 721.9	\$ 713.4	\$ 717.1	\$ 669.9	\$ 627.0	\$ 648.6	\$ 630.7	\$ 640.3	\$ 673.9
Plus (less):									
Operating revenues eliminated upon consolidation of investment vehicles	1.2	1.2	1.1	0.6	0.8	0.7	0.6	0.6	0.6
Distribution and servicing expense excluding consolidated investment vehicles	<u>(187.4)</u>	<u>(174.8)</u>	<u>(180.7)</u>	<u>(160.4)</u>	<u>(148.3)</u>	<u>(160.3)</u>	<u>(169.8)</u>	<u>(145.1)</u>	<u>(143.4)</u>
Operating Revenues, as Adjusted	<u>\$ 535.7</u>	<u>\$ 539.8</u>	<u>\$ 537.4</u>	<u>\$ 510.1</u>	<u>\$ 479.5</u>	<u>\$ 489.0</u>	<u>\$ 461.5</u>	<u>\$ 495.8</u>	<u>\$ 531.1</u>
Operating Income (Loss), GAAP basis	\$ 97.0	\$ 99.1	\$ 100.4	\$ 106.9	\$ 59.3	\$ 72.2	\$ 76.1	\$ 79.7	\$(633.3)
Plus (less):									
Gains (losses) on deferred compensation and seed investments	8.6	10.2	(2.4)	(14.2)	1.7	28.7	1.2	24.4	3.7
Transition-related costs	24.0	15.7	13.7	15.1	42.3	1.9	-	-	-
Impairment of intangible assets	-	-	-	-	-	-	-	-	734.0
Operating income and expenses of consolidated investment vehicles	<u>0.6</u>	<u>1.4</u>	<u>1.2</u>	<u>0.9</u>	<u>0.9</u>	<u>0.8</u>	<u>0.6</u>	<u>0.9</u>	<u>0.7</u>
Operating Income, as Adjusted	<u>\$ 130.2</u>	<u>\$ 126.4</u>	<u>\$ 112.9</u>	<u>\$ 108.6</u>	<u>\$ 104.2</u>	<u>\$ 103.7</u>	<u>\$ 77.9</u>	<u>\$ 105.0</u>	<u>\$ 105.1</u>
Operating Margin, GAAP basis	13.4%	13.9%	14.0%	16.0%	9.5%	11.1%	12.1%	12.5%	-94.0%
Operating Margin, as Adjusted	24.3%	23.4%	21.0%	21.3%	21.7%	21.2%	16.9%	21.2%	19.8%

¹ See explanations for Use of Supplemental Data as Non-GAAP Performance Measures in earnings release.

Appendix - Investment Performance

% of Long-Term U.S. Fund Assets beating Lipper Category Average¹



¹ Includes open-end, closed-end, and variable annuity funds. Source: Lipper Inc. and Morningstar
 Past performance is no guarantee of future results. The information shown above does not reflect the performance of any specific fund. Individual fund performance will differ

Appendix – Strategy Performance

For purposes of investment performance comparisons, strategies are an aggregation of discretionary portfolios (separate accounts, investment funds, and other products) into a single group that represents a particular investment objective. In the case of separate accounts, the investment performance of the account is based upon the performance of the strategy to which the account has been assigned. Each of our asset managers has its own specific guidelines for including portfolios in their strategies. For those managers which manage both separate accounts and investment funds in the same strategy, the performance comparison for all of the assets is based upon the performance of the separate account.

Ninety percent of total AUM is included in strategy AUM as of December 31, 2012, although not all strategies have three, five, and ten year histories. Total strategy AUM includes liquidity assets. Certain assets are not included in reported performance comparisons. These include: accounts that are not managed in accordance with the guidelines outlined above; accounts in strategies not marketed to potential clients; accounts that have not yet been assigned to a strategy; and certain smaller products at some of our affiliates.

Past performance is not indicative of future results. For AUM included in institutional and retail separate accounts and investment funds managed in the same strategy as separate accounts, performance comparisons are based on gross-of-fee performance. For investment funds (including fund-of-hedge funds) which are not managed in a separate account format, performance comparisons are based on net-of-fee performance. These performance comparisons do not reflect the actual performance of any specific separate account or investment fund; individual separate account and investment fund performance may differ. The information in this presentation is provided solely for use in connection with this presentation, and is not directed toward existing or potential clients of Legg Mason.