LEGG MASON
GLOBAL ASSET MANAGEMENT

Legg Mason, Inc.

Annual Shareholders Meeting

July 27, 2010

LEGG MASON

GLOBAL ASSET MANAGEMENT

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, 2010 and in the Company’s quarterly reports on Form 10-Q.

Agenda

- Review of FY2010
- F1Q11 Update
- Legg Mason going forward

A Year of Progress

- Significantly improved balance sheet
  - $1B excess cash
  - Reduced debt
  - Increased stockholders’ equity
- Continued focus on costs and generating cash
  - Expense save targets achieved by June 30, 2009
  - Improving adjusted income[1]
- Engage with affiliates
  - Strong investment performance improvements over last year
  - Formalized affiliate business reviews focused on performance, risk management, talent management and growth opportunities
  - Close collaboration in determining how we will evolve the business model

1 See Appendix for GAAP reconciliation
Note: Adjusted income was formerly reported as “Cash income, as adjusted”

LEGG MASON
GLOBAL ASSET MANAGEMENT

A Year of Progress

- Growth in distribution and product innovation
  - $33B in gross sales from Americas Retail (up 27% from FY 2009), positive fourth quarter FY 2010 net flows
  - $3.7B in net inflows from International Retail (up from net outflows of $3.5B in FY 2009)
- Investment opportunities
  - Added investment, credit and risk management professionals at Western Asset Management and added investment professionals at Brandywine
  - Recently completed small bolt-on acquisition of Wyper Asset Management for Royce
  - Actively pursuing additional opportunities to add individuals or teams that help fill strategic needs in our affiliates

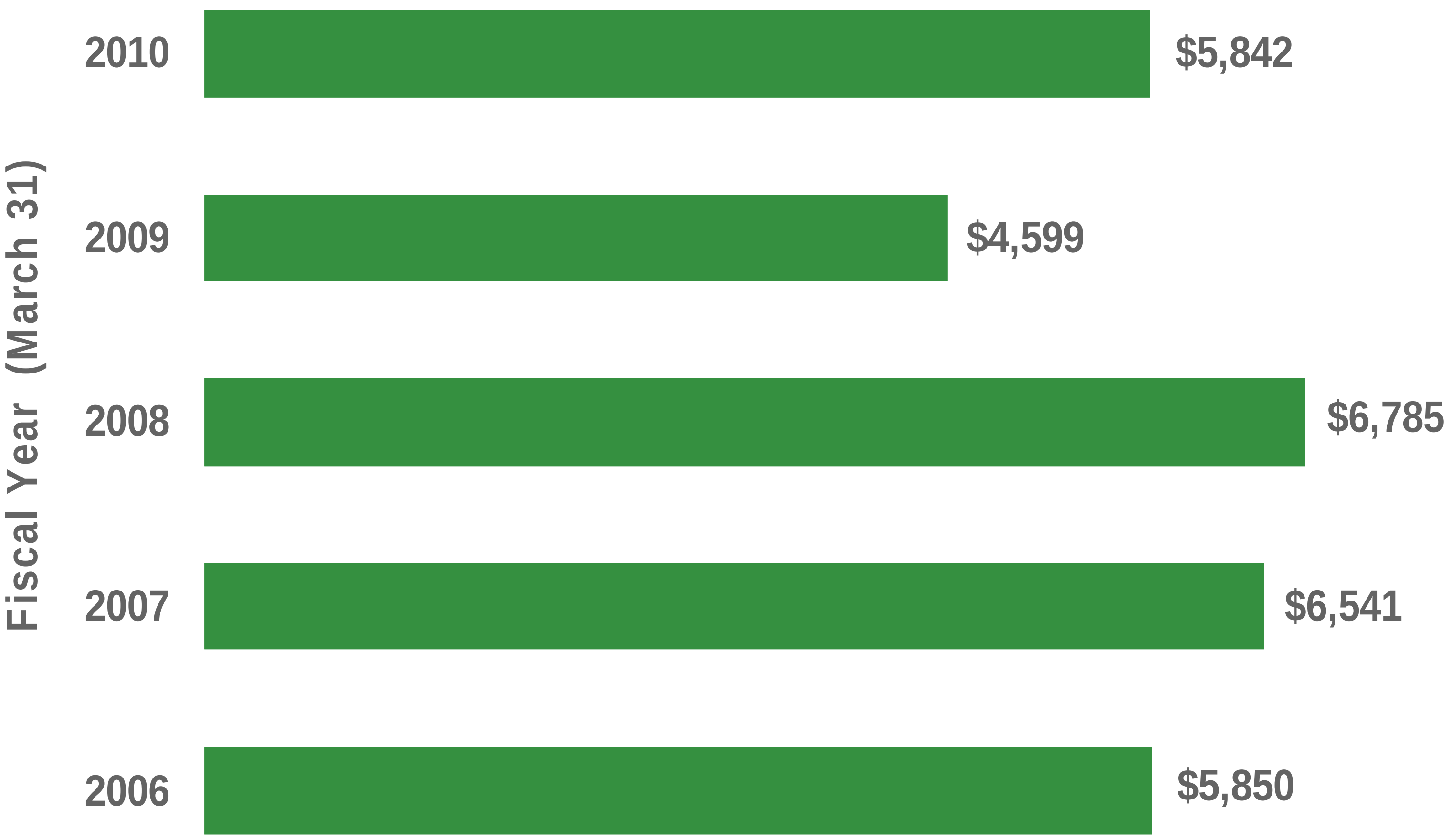
Financial Highlights FY 2010

- FY 2010 Net income of $204M or $1.32 per diluted share, compared to FY 2009 Net loss of $2.0B or $13.99 per diluted share (money market fund support and goodwill and intangible asset impairment charges incurred in FY 2009)
  - Average AUM for FY 2010 was $676B, down 17% from FY 2009
  - Operating revenues of $2.6B decreased 22% compared to FY 2009, primarily due to a decline in average AUM
  - Operating income of $321M increased from a loss of $669M in FY 2009. Results for FY 2009 included intangible asset impairment charges of $1.3B; FY 2010 operating margin 12.2%
  - Operating income, as adjusted[1], of $403M decreased by 29%
  - Operating margin, as adjusted[1], of 20.7%, compares to 23.9% in FY 2009
  - Adjusted income[1], of $381M, compares to an Adjusted loss, of $1.2B in FY 2009

1 See Appendix for GAAP reconciliation
Note: Adjusted income was formerly reported as "Cash income, as adjusted"

LEGG MASON
GLOBAL ASSET MANAGEMENT

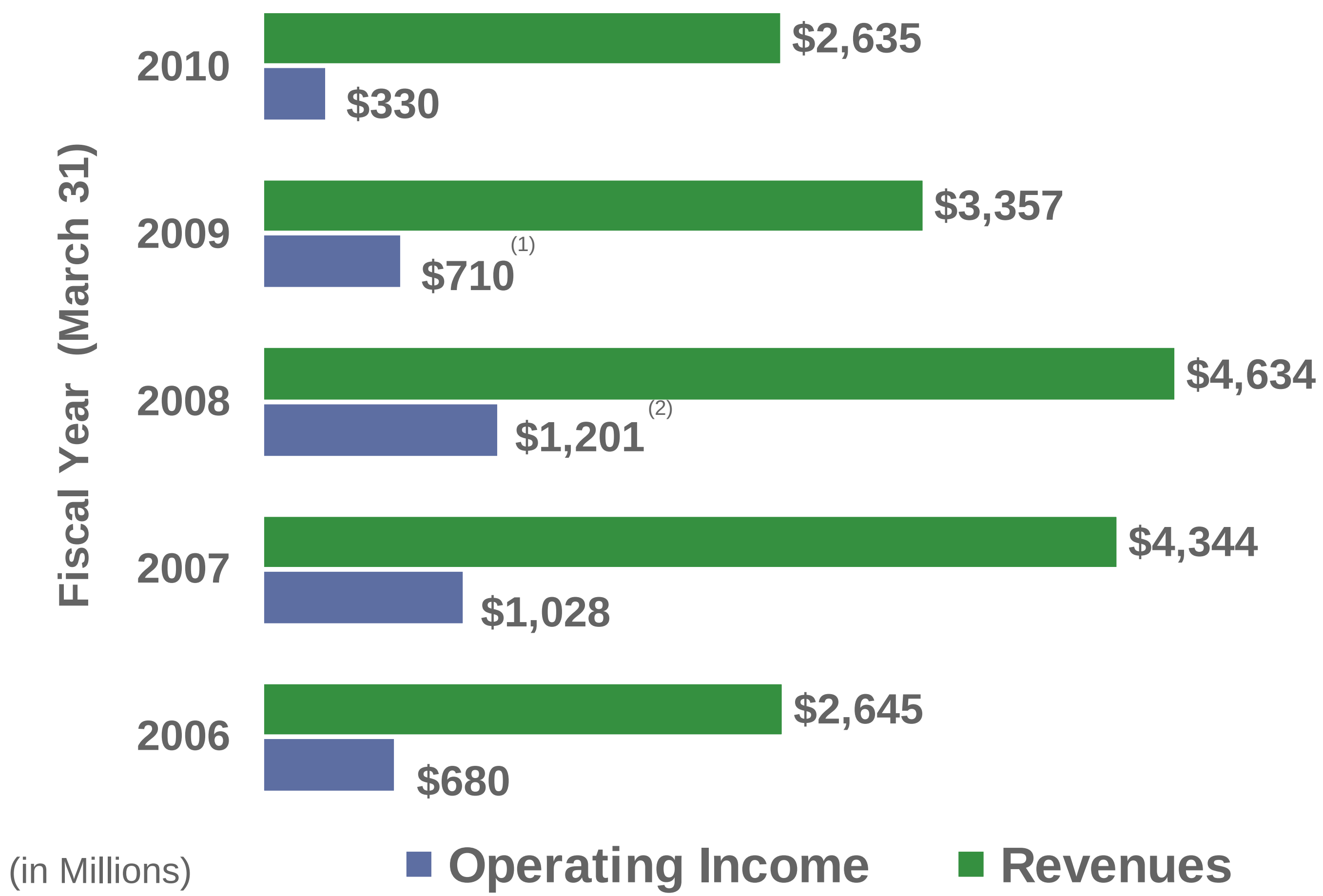
Stockholders' Equity



(in Millions)

LEGG MASON
GLOBAL ASSET MANAGEMENT

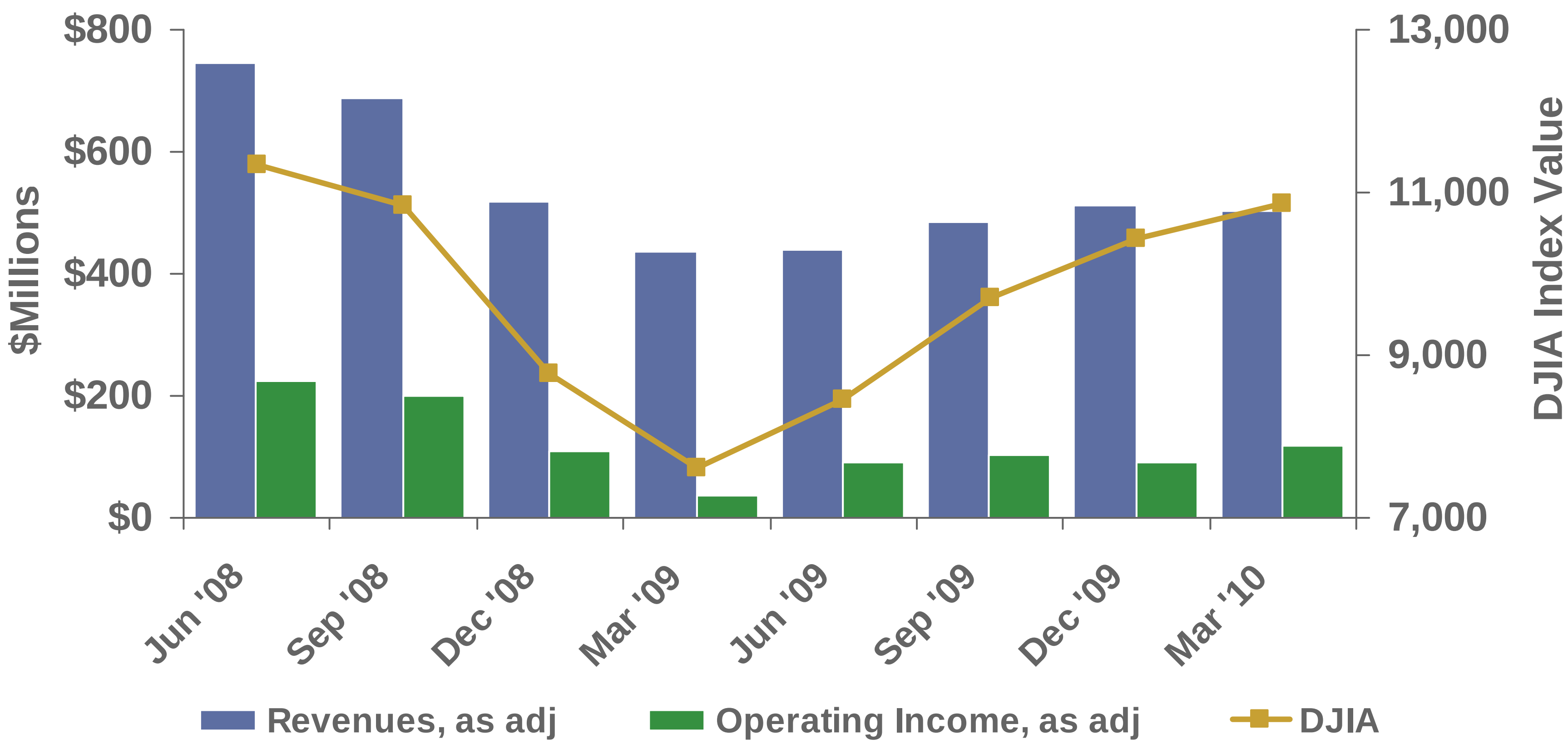
Revenues and Operating Income



1 Operating income, as reported for FY2009 ($669M) adjusted $1,308M for impairment of intangibles & $71M for real estate lease losses
2 Operating income, as reported for FY2008 $1,050M adjusted $151M for impairment of intangibles

LEGG MASON GLOBAL ASSET MANAGEMENT

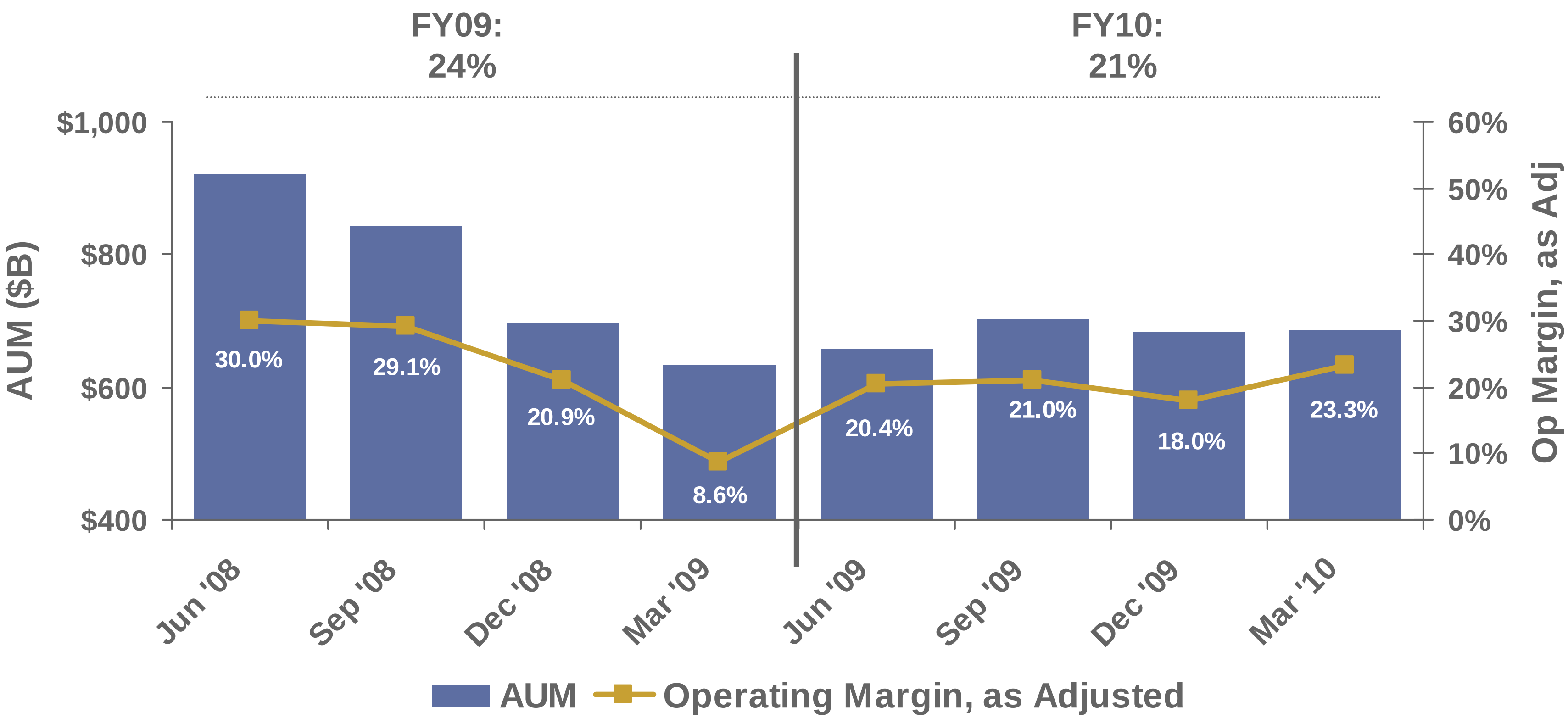
Revenues and Operating Income, as Adjusted



Note: See Appendix for GAAP reconciliation

LEGG MASON
GLOBAL ASSET MANAGEMENT

Operating Margin, as Adjusted

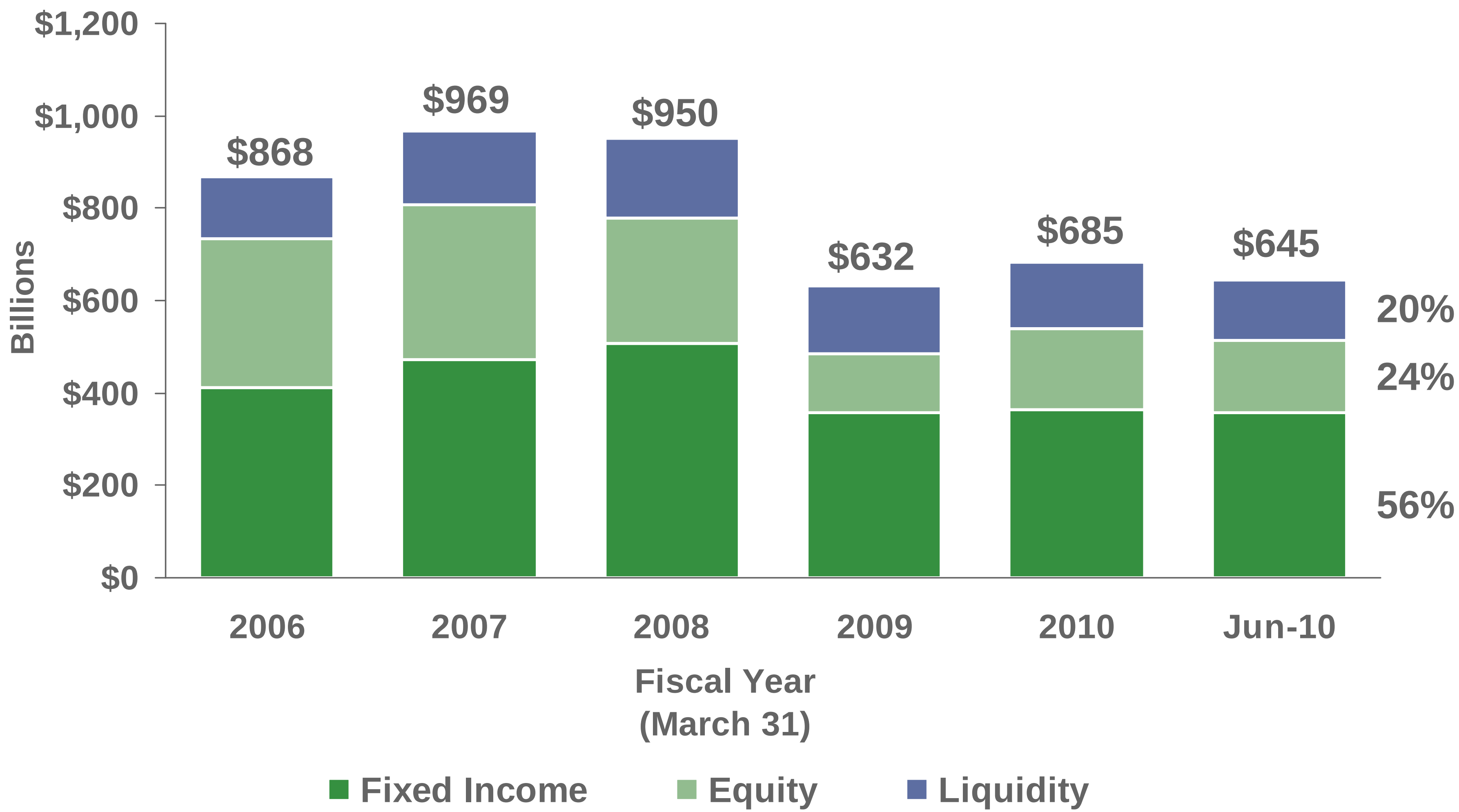


- Highest operating margin, as adjusted in 6 quarters

Note: See Appendix for GAAP reconciliation

LEGG MASON
GLOBAL ASSET MANAGEMENT

Assets Under Management



LEGG MASON
GLOBAL ASSET MANAGEMENT

Strength of Business

($ in Billions)

Managers by Worldwide Assets		
Rank	Firm	AUM ($B)
1	BlackRock	$3,346
2	State Street Global	1,911
3	Fidelity Investments	1,699
4	Vanguard Group	1,509
5	JPMorgan Asset Mgmt	1,249
6	BNY Mellon Asset Mgmt	1,115
7	Capital Research	1,039
8	PIMCO	1,000
9	Goldman Sachs	871
10	Deutsche Asset Mgmt	709
11	**Legg Mason**	**681**

Source: Pensions & Investments, December 31, 2009

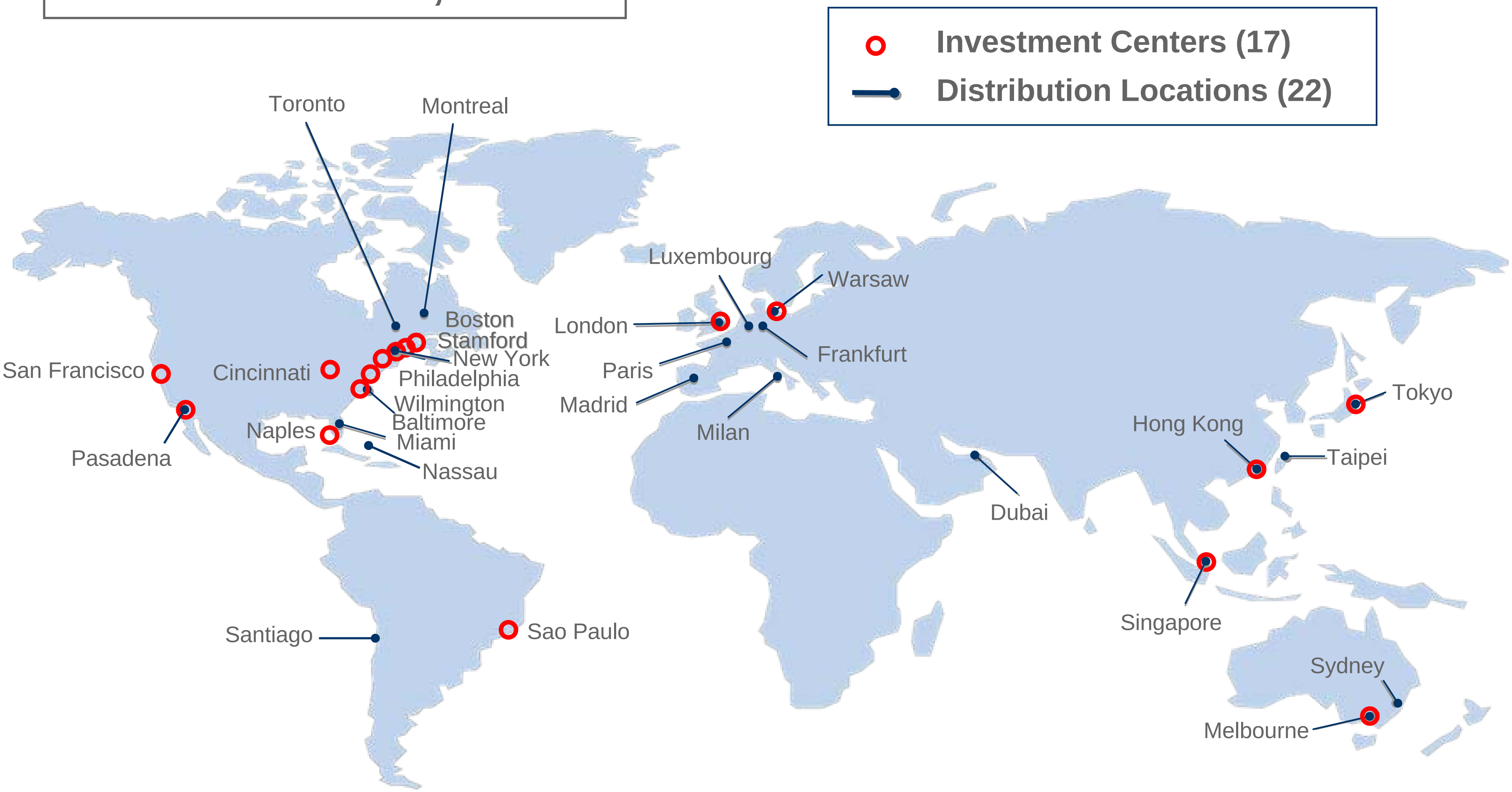
Top Worldwide Institutional Managers		
Rank	Firm	AUM ($B)
1	BlackRock	$2,462
2	State Street Global	1,682
3	BNY Mellon Asset Mgmt	980
4	Fidelity Investments	977
5	Vanguard Group	830
6	PIMCO	810
7	JPMorgan Asset Mgmt	754
8	**Legg Mason**	**580**
9	AXA Investment	563
10	Wellington Mgmt	537
11	Northern Trust	502

Source: Pensions & Investments, December 31, 2009

LEGG MASON
GLOBAL ASSET MANAGEMENT

Global Presence

As of March 31, 2010



*Global reach includes Legg Mason and its subsidiaries

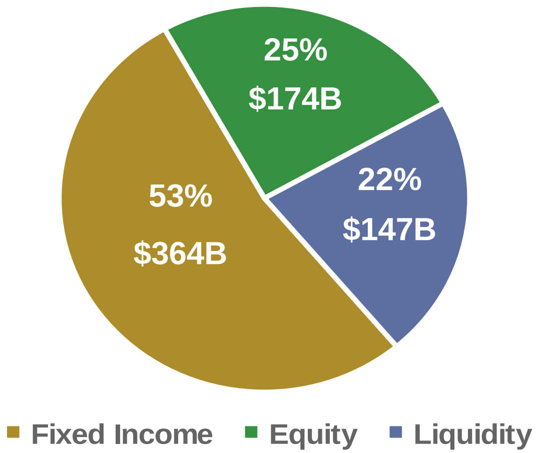
Our Core – A Portfolio of World Class Affiliates

Affiliate	Description	Affiliate	Description
Western Asset	One of the world's leading fixed income managers, as well as one of the largest	ClearBridge Advisors	Equity strategies selecting high-quality companies through rigorous research and analysis
Legg Mason Capital Management	One of America's leading equity managers recognized for their distinct value investment process	Brandywine Global	Value investing in both equities and fixed income, in both the US and internationally
Royce & Associates	A value oriented, small and micro-cap equity manager	Batterymarch Financial Management, Inc.	A US, international and global equity manager focusing on quantitative analysis
Permal	Fourth largest fund-of-hedge-fund manager in the world	Private Capital Management	Value-focused US equity manager for high net worth investors
Legg Mason Global Equities Group	A collection of specialty firms dedicated to global equities	Legg Mason Investment Counsel	Provides discretionary investment services to individuals, trusts and institutions

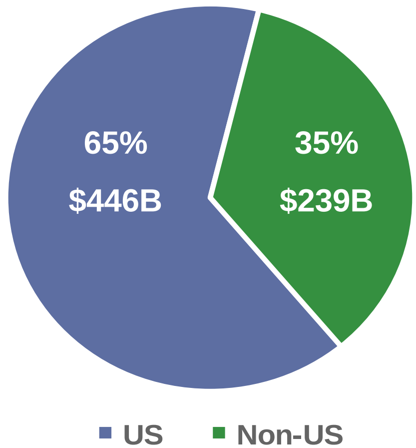
Achieving Diversity & Scale

Total AUM $685B

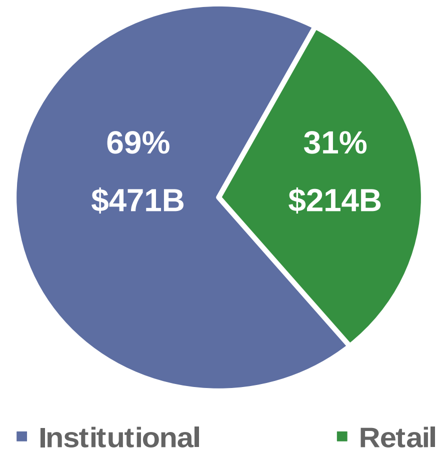
AUM by Asset Class



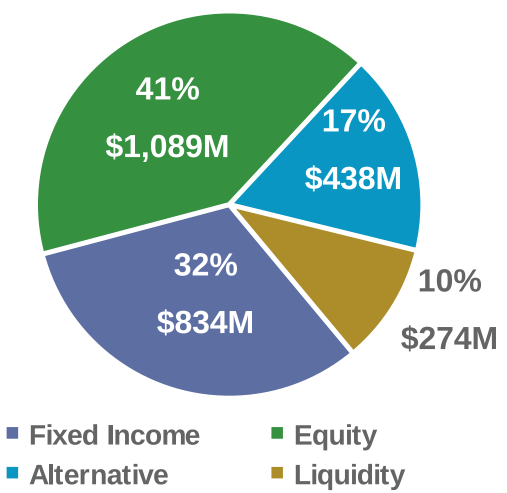
AUM by Client Domicile



AUM by Client



FY 2010 Gross Revenues $2,635M



Data as of March 31, 2010

LEGG MASON
GLOBAL ASSET MANAGEMENT

Recent Announcements

F1Q11 Results

- Net Income of $47.9M ($0.30 per diluted share)
- Adjusted Income of $96.3M ($0.60 per diluted share)
- First quarter of positive equity flows in four years
- Strong performance and performance fees
- ClearBridge Closed End Fund launch

- Streamlining of Business Model
  - $130-$150M of expense saves by FQ4 2012
  - 6-8 pts in margin expansion in 18 months
  - $125-$135M in restructuring and related cost

- $1B share repurchase
  - Including $315M through an accelerated share repurchase
  - Additional $100M by end of F2011

LEGG MASON
GLOBAL ASSET MANAGEMENT

Operating Results

We have seen improvements over the past several quarters, but know that there is still much work to be done

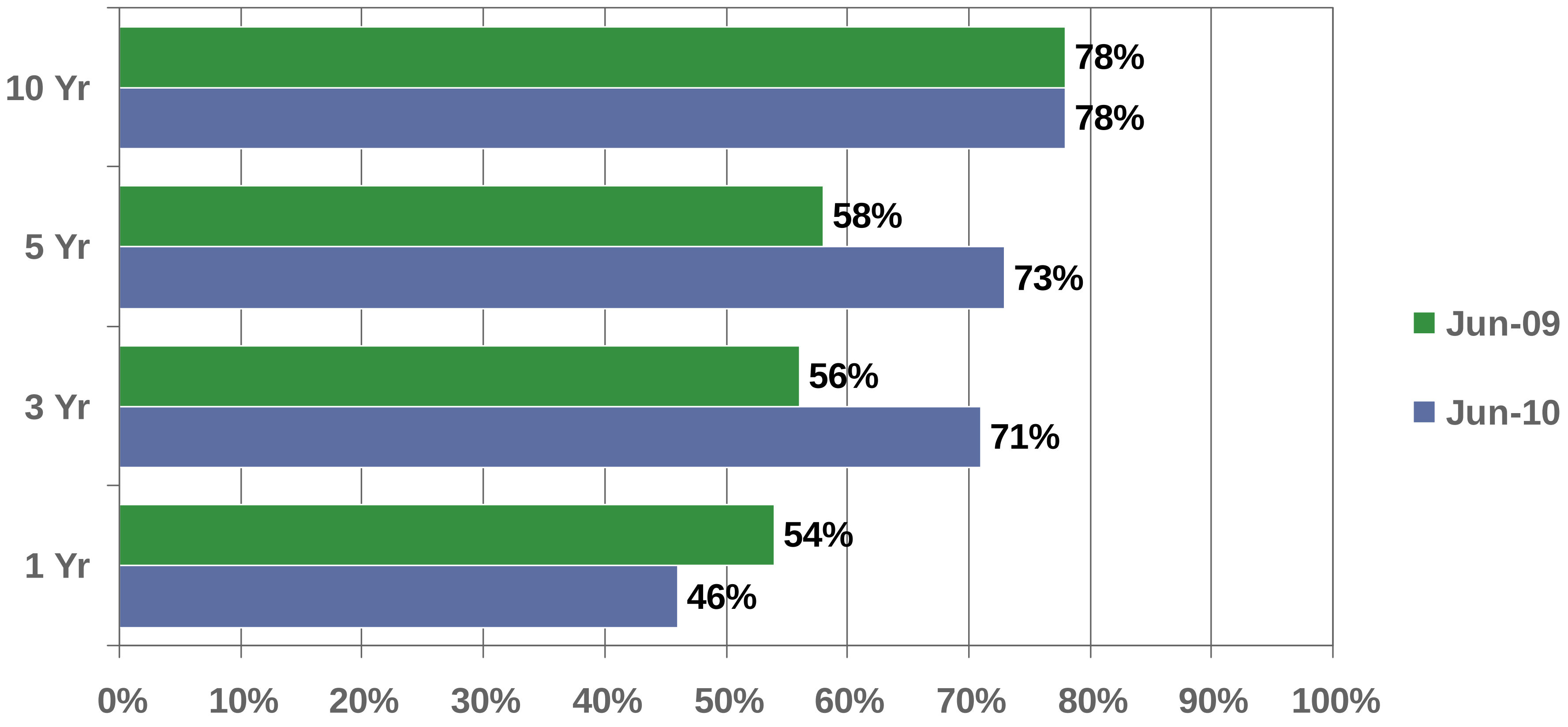
($ millions, except per share & AUM amounts)	Jun 10 Qtr	Mar 10 Qtr	Jun 09 Qtr
Revenues	$ 674.2	$ 671.4	$ 613.1
Operating Expenses	571.4	565.6	554.8
Operating Income	102.8	105.8	58.3
Net Income	47.9	63.6	50.1
EPS (diluted basis)	0.30	0.39	0.35
Adjusted Income[1]	96.3	111.3	86.8
Adjusted Income, per diluted share	0.60	0.69	0.61
Assets Under Management	$ 645.4	$ 684.5	$ 656.9

1 See Appendix A for GAAP reconciliation

Note: Adjusted income was formerly reported as “Cash income, as adjusted”

Long-Term Fund Performance

% of Long-Term U.S. Fund Assets beating Lipper Category Average[1]



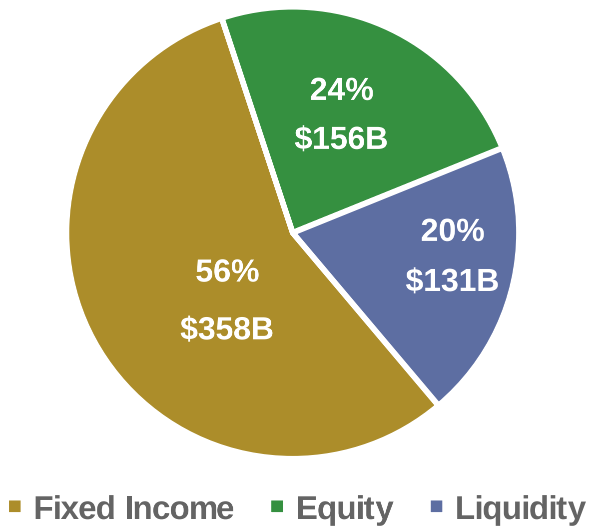
[1] As of June 30, 2010, includes open-end, closed-end, and variable annuity funds. Source: Lipper Inc.

LEGG MASON GLOBAL ASSET MANAGEMENT

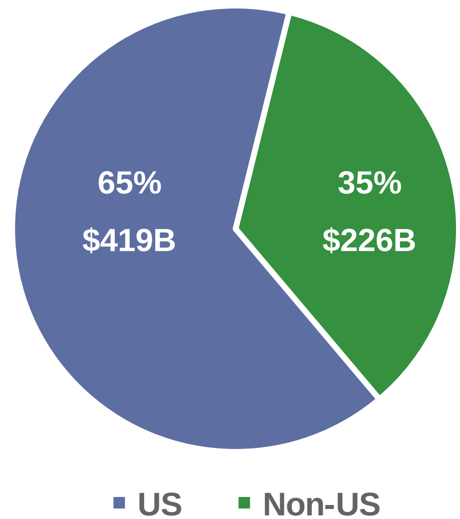
Achieving Diversity & Scale

Total AUM $645B

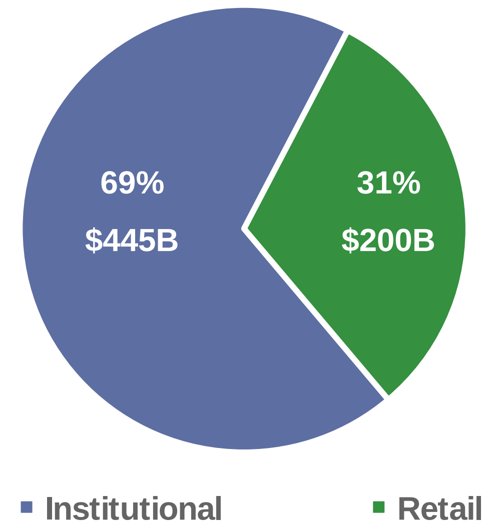
AUM by Asset Class



AUM by Client Domicile



AUM by Client



Data as of June 30, 2010

LEGG MASON
GLOBAL ASSET MANAGEMENT

Recent Achievements

- ClearBridge Energy MLP raised $1.3B, making it the industry's largest closed-end fund IPO since July 2007
- Legg Mason Investment Counsel earned the PSN 5-Star "Top Gun" award for LMIC Equity Institutional strategy during first quarter 2010 from Informa Investment Solutions
- Legg Mason Japan was awarded "Best Sales, Client Service and Marketing Support for FY 2010" by MaDo, a Japanese industry publication
- Western Asset Management's Global Inflation-Linked composite earned a 2010 Investment Performance Award for the Global Fixed Income, Inflation-Linked category by AsianInvestor
- Wall Street Journal Category Kings as of 3/31/10 --- LMCM (4 funds) and Royce (1 fund)

Streamlined Legg Mason Business Model

Affiliates Investing

BATTERYMARCH FINANCIAL MANAGEMENT, INC.

Brandywine GLOBAL

CLEARBRIDGE ADVISORS

LEGG MASON CAPITAL MANAGEMENT

LEGG MASON Global Equities Group

PERMAL

Royce&Associates

WESTERN ASSET

Strategic Services

Retail Distribution

- **Americas**
- **International**

Capital Allocation

Business Development

Client Value

&

Shareholder Value

LEGG MASON GLOBAL ASSET MANAGEMENT

Streamlined Business Model

- Status quo was not an option
- Sharpening focus around Affiliate investing and strategic corporate services
- Transition of Shared Services, including Operations & Technology applications and processes, to Affiliates and Distribution organizations to more efficiently and effectively deliver customized support our clients require
- Legg Mason Corporate to focus on value added strategic services, including distribution and capital allocation
- A stronger LM benefits clients, affiliates, shareholders and employees

$130M - $150M in projected annualized savings when fully phased-in (fourth quarter FY 2012)

Strategic Priorities

- Streamline our business model
- Partner with affiliates for franchise expansion
- Enhance growth through lift outs, bolt-ons and new product investment
- Effectively deploy capital

LEGG MASON
GLOBAL ASSET MANAGEMENT

Appendix

Appendix - Operating Expenses

($ millions)	Mar '10	Dec '09	% Chg	Mar '09	% Chg
Compensation and benefits	$ 267.3	$ 287.7	(7%)	$ 237.1	13%
Distribution and servicing	167.4	177.7	(6%)	180.6	(7%)
Communications and technology	42.2	39.8	6%	43.8	(4%)
Occupancy	25.5	63.2	(60%)	71.0	(64%)
Amortization of intangible assets	5.7	5.7	0%	8.0	(28%)
Impairment charges	-	-	0%	82.9	(100%)
Other	57.5	37.2	54%	39.1	47%
Total Operating Expenses	$ 565.6	$ 611.3	(7%)	$ 662.5	(15%)

- Decrease in Compensation and benefits and Distribution and servicing costs due to lower revenues
- Occupancy down as a result of lease charges in the previous quarter
- Increase in Other expenses primarily driven by a $19M settlement reserve

LEGG MASON
GLOBAL ASSET MANAGEMENT

Appendix - Compensation and Benefits

($ millions)	Mar 10	% of Net Rev. [1]	Dec 09	% of Net Rev.	$ Change
Salary and incentives	$ 208.4	42%	$ 231.6	45%	$ (23.2)
Benefits and payroll taxes	46.1	9%	41.9	8%	4.2
Subtotal Compensation and benefits	**254.5**	**51%**	**273.5**	**53%**	**(19.0)**
Severance	1.6	0%	1.5	0%	0.1
MTM deferred comp. and seed investments	11.2	2%	12.7	3%	(1.5)
Total Compensation and Benefits	$ 267.3	53%	$ 287.7	56%	$ (20.4)

- Decrease in Salary and incentives driven by lower revenues and impact of settlement reserve

[1] Net revenue is equal to operating revenues, as adjusted

Appendix – GAAP Reconciliation
Adjusted income

($ millions, except per share amounts)	Quarters Ended			Twelve Months Ended	
	Mar 10	Dec 09	Mar 09	Mar 10	Mar 09
Net Income (Loss) attributable to Legg Mason, Inc.	$ 63.6	$ 44.9	$ (330.2)	$ 204.4	$ (1,967.9)
Plus (Less):					
Amortization of intangible assets	5.7	5.8	8.0	22.8	36.5
Deferred income taxes on intangible assets	33.1	33.9	35.4	136.3	142.5
Deferred income taxes on impairment charges	-	-	(70.3)	-	(444.6)
Imputed interest on convertible debt(1)	8.9	8.6	8.3	34.4	32.3
Net money market fund support (gains) losses(2)	-	-	367.4	(16.6)	1,376.6
Impairment charges	-	-	82.9	-	1,307.9
Net loss on sale of SIV securities(2)	-	-	(843.0)	-	(1,674.7)
Adjusted Income (Loss)	$ 111.3	$ 93.2	$ (741.5)	$ 381.3	$ (1,191.4)
Net Income (Loss) per Diluted Share attributable to Legg Mason, Inc. common shareholders	$ 0.39	$ 0.28	$ (2.33)	$ 1.32	$ (13.99)
Plus (Less):					
Amortization of intangible assets	0.04	0.03	0.06	0.14	0.26
Deferred income taxes on intangible assets	0.20	0.21	0.25	0.88	1.01
Deferred income taxes on impairment charges	-	-	(0.50)	-	(3.16)
Imputed interest on convertible debt(1)	0.06	0.05	0.06	0.22	0.23
Net money market fund support (gains) losses(2)	-	-	2.59	(0.11)	9.79
Impairment charges	-	-	0.59	-	9.30
Net loss on sale of SIV securities(2)	-	-	(5.95)	-	(11.91)
Adjusted Income (Loss) per Diluted Share	$ 0.69	$ 0.57	$ (5.23)	$ 2.45	$ (8.47)

[1] Effective April 1, 2009, Legg Mason was reguired by accounting literature to retroactively impute (non-cash) interest expense on convertible debt using an effective interest rate that would have been attributable to nonconvertible debt at the original date of issuance. This adjustment also includes the actual tax benefits relating to the convertible debt that are not recognized for GAAP purposes.

[2] Includes related adjustments to operating expenses, if applicable, and income tax provision (benefit).

Note: Adjusted income was formerly reported as "Cash income, as adjusted"

LEGG MASON
GLOBAL ASSET MANAGEMENT

Appendix – GAAP Reconciliation
Operating Margins

($ millions)	Jun 08	Sep 08	Dec 08	Mar 09	Jun 09	Sep 09	Dec 09	Mar 10
	Quarters Ended							
Operating Revenues, GAAP basis	$ 1,054.0	$ 966.1	$ 720.0	$ 617.2	$ 613.1	$ 659.9	$ 690.5	$ 671.4
Plus (Less):								
Operating revenues eliminated upon consolidation of investment vehicles	-	-	-	1.2	0.8	0.6	0.9	0.5
Distribution and servicing expense excluding consolidated investment vehicles	(307.9)	(279.0)	(202.5)	(180.6)	(172.4)	(174.4)	(177.6)	(167.4)
Operating Revenues, as adjusted	$ 746.2	$ 687.2	$ 517.5	$ 437.8	$ 441.4	$ 486.1	$ 513.7	$ 504.5
Operating Income (Loss)	$ 228.9	$ 220.2	$ (1,073.0)	$ (45.3)	$ 58.3	$ 77.9	$ 79.1	$ 105.8
Plus (Less):								
Gains (losses) on deferred compensation and seed investments	(5.1)	(19.9)	(44.0)	(1.9)	31.4	24.1	12.6	11.2
Transition-related costs	-	-	-	-	-	-	-	-
Operating income and expenses of consolidated investment vehicles	-	-	-	1.9	0.3	0.2	0.8	0.8
Impairment charges	-	-	1,225.1	82.9	-	-	-	-
Operating Income, as adjusted	$ 223.8	$ 200.3	$ 108.1	$ 37.6	$ 90.0	$ 102.2	$ 92.5	$ 117.8
Operating margin, GAAP basis	21.7%	22.8%	-149.0%	-7.3%	9.5%	11.8%	11.5%	15.8%
Operating margin, as adjusted	30.0%	29.1%	20.9%	8.6%	20.4%	21.0%	18.0%	23.3%

[1] See explanations for Use of Supplemental Data as Non-GAAP Performance Measures.

LEGG MASON
GLOBAL ASSET MANAGEMENT

Appendix – GAAP Reconciliation

Operating Margins

($ millions)	FY 07	FY 08	FY 09	FY 10
Operating Revenues, GAAP basis	$ 4,343.7	$ 4,634.1	$ 3,357.4	$ 2,634.9
Plus (Less):				
Operating revenues eliminated upon consolidation of investment vehicles	-	-	1.2	2.8
Distribution and servicing expense excluding consolidated investment vehicles	(1,196.0)	(1,274.0)	(970.0)	(691.9)
Operating Revenues, as adjusted	$ 3,147.7	$ 3,360.1	$ 2,388.6	$ 1,945.8
Operating Income (Loss)	$ 1,028.3	$ 1,050.2	$ (669.2)	$ 321.2
Plus (Less):				
Gains (losses) on deferred compensation and seed investments	13.7	(8.8)	(70.9)	79.3
Transition-related costs	-	-	-	-
Operating income and expenses of consolidated investment vehicles	-	-	1.9	2.1
Impairment charges	-	151.0	1,308.0	-
Operating Income, as adjusted	$ 1,042.0	$ 1,192.4	$ 569.8	$ 402.6
Operating margin, GAAP basis	23.7%	22.7%	-19.9%	12.2%
Operating margin, as adjusted	33.1%	35.5%	23.9%	20.7%

LEGG MASON
GLOBAL ASSET MANAGEMENT