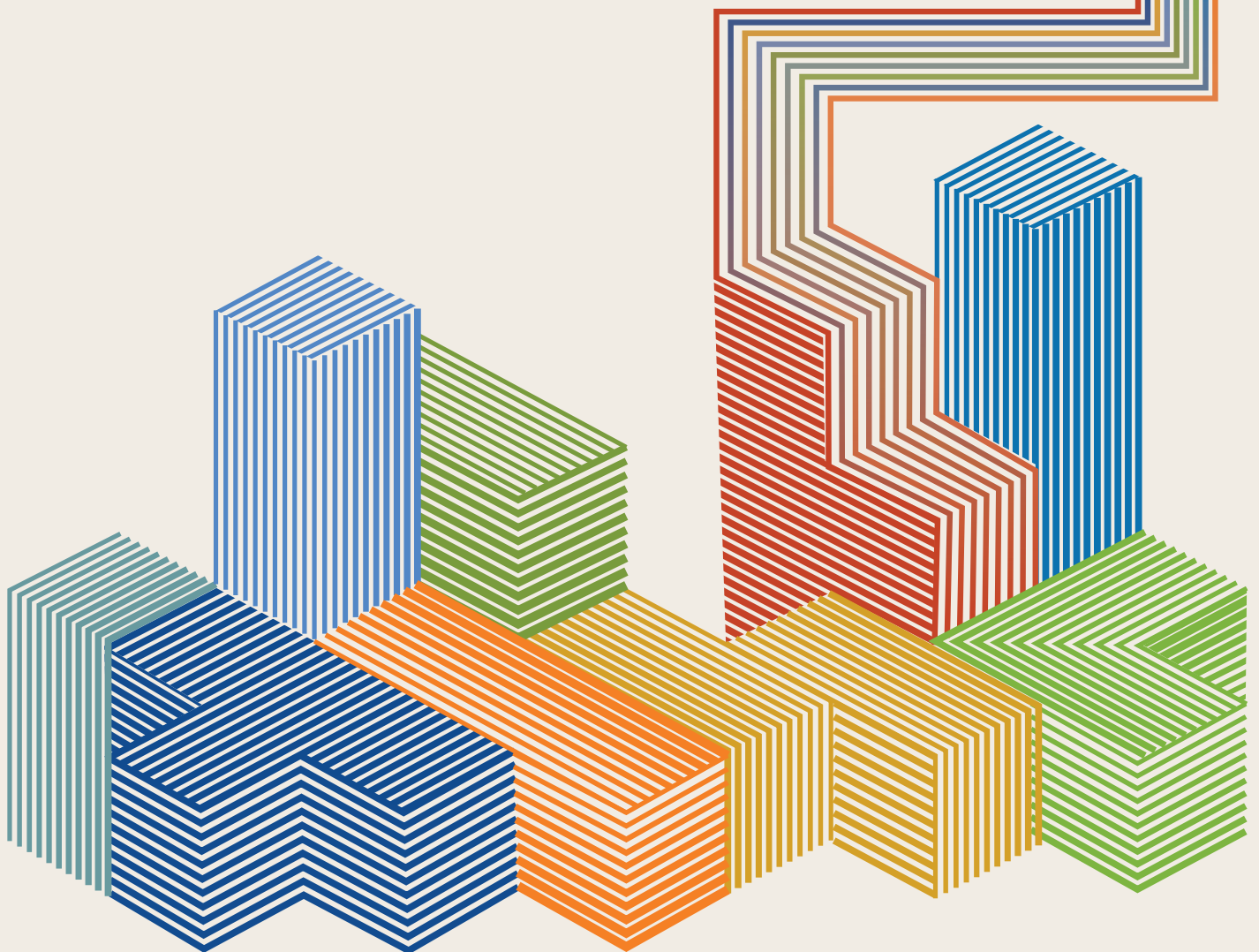


ANNUAL REPORT 2019

EMBRACING CHANGE, CREATING OPPORTUNITY



FINANCIAL HIGHLIGHTS

Dollars in thousands, except per-share amounts

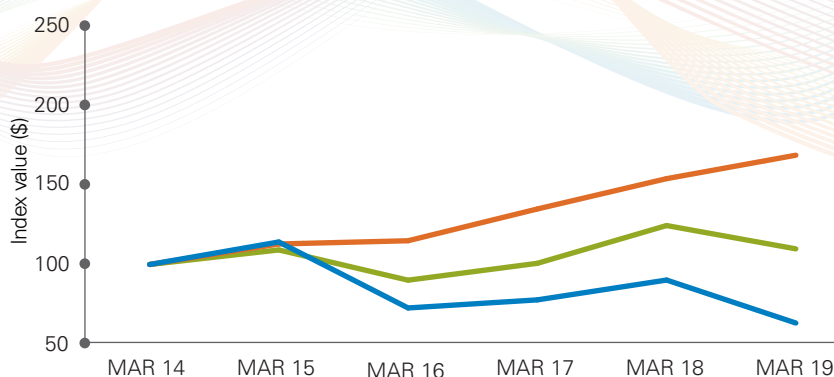
		Years ended March 31,				
		2019	2018	2017	2016	2015
Operating results						
Operating revenues	\$	2,903,259	3,140,322	2,886,902	2,660,844	2,819,106
Operating income (loss)		103,102	324,001	422,243	50,831	498,219
Income (loss) before income tax provision (benefit)		28,495	233,840	370,878	(25,218)	367,993
Net income (loss) attributable to Legg Mason, Inc.		(28,508)	285,075	227,256	(25,032)	237,080
Per share						
Net income (loss), attributable to Legg Mason, Inc. shareholders, diluted	\$	(0.38)	3.01	2.18	(0.25)	2.04
Dividends declared		1.36	1.12	0.88	0.80	0.64
Book value		42.78	45.20	41.61	39.37	40.23
Financial condition						
Total assets	\$	7,794,122	8,152,534	8,290,415	7,520,446	7,064,834
Total stockholders' equity attributable to Legg Mason, Inc.		3,659,755	3,824,405	3,983,374	4,213,563	4,484,901
Adjusted EBITDA ¹		622,224	637,228	560,240	561,432	658,262

¹ Adjusted EBITDA represents a liquidity measure that is based on a methodology other than generally accepted accounting principles ("non-GAAP"). For more information regarding this non-GAAP measure, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our fiscal year 2019 Annual Report on Form 10-K.

TOTAL RETURN PERFORMANCE

Dollars

		Years ended March 31,					
		2014	2015	2016	2017	2018	2019
Index							
— Legg Mason, Inc.	\$	100.00	113.98	73.04	78.06	90.36	63.70
— S&P 500 Index		100.00	112.73	114.74	134.45	153.26	167.81
— SNL Asset Manager Index		100.00	109.04	90.28	100.74	124.18	109.71



The graph compares the cumulative total stockholder return on Legg Mason's common stock for the last five fiscal years to the cumulative total return of the S&P 500 Stock Index and the SNL Asset Manager Index over the same period (assuming the investment of \$100 in each on March 31, 2014). The SNL Asset Manager Index consists of 42 asset management firms.

Prepared by S&P Global Market Intelligence, a division of S&P Global Inc.

LETTER FROM CEO

Dear Clients and Fellow Shareholders,

Over the past year, our employees around the world have taken new steps to build a better Legg Mason. We are proud of our accomplishments, all of which support four key drivers of value creation:

- To further leverage centralized retail distribution to grow,
- To capitalize on our investments and M&A agenda, and expand investor choice,
- To more effectively control our costs to improve profitability, and
- To prudently manage the company's balance sheet, with thoughtful capital return.

As our industry continues to evolve, we at Legg Mason are working together with an intensified spirit of collaboration to better serve our clients.

In a practical sense, this means diversifying our business across strategies, vehicles and distribution access points, while continually developing the potential of our investments and acquisitions.

Combining the world-class investment expertise of our affiliates with Legg Mason's product design and technological innovations can be quite powerful. And we believe that this approach, in addition to the execution of our key value creation drivers, will help position us to succeed for the long term.

Leveraging Retail Distribution to Grow

Around the world, regulatory, economic and commercial factors are prompting investors to move away from individual mutual fund investments to more holistic and bespoke investment solutions. Our breadth of investment capabilities and our expertise in building tailored products uniquely suits us to take advantage of this industry shift. The simplicity and efficiency of our investment strategies in off-the-shelf products will continue to be important, even as we anticipate increased demand for customized options.



Joseph A. Sullivan
Chairman & Chief Executive Officer

Our focus on investor needs enables us to provide our clients with the depth and breadth of choice they expect and promotes enduring business relationships.

For example, as a result of the collaborative product development by our distribution teams and our investment management affiliates, a large European asset manager chose Legg Mason as the sub-advisor for a new flexible bond fund earlier this year. We co-developed a multi-asset credit solution that met the client's investment requirements, as well as its commercial needs, and tailored client servicing requirements. Using underlying strategies from Western Asset, the fund will be made available to the manager's external distribution network, which includes 15 local banks, through its fund-of-fund platform.

Our global distribution scale helps to both diversify and grow our business.

In December 2018, Legg Mason Global Distribution worked with Royce & Associates to launch the Legg Mason Global Premier Small-Cap Equity Fund, the manager's first product to be made available to retail investors in Japan.

This product launch builds on Royce's 15-year track record of managing small-cap strategies for non-U.S. investors through Legg Mason. In addition, it exemplifies the collaborative type of development work we do for our clients in Japan as we continue to further penetrate four different channels in that market: retail, quasi-institutional, pension and insurance.

Capitalizing on Our Investments

As part of our effort to build a better Legg Mason, we work closely with our affiliates to capitalize on new opportunities, and our recent work with Clarion Partners, which became a Legg Mason affiliate in 2016, is a great example.

We collaborated with and supported Clarion with its May 2019 acquisition of a majority stake in Gramercy Europe, a real estate manager specializing in pan-European logistics and industrial assets. Gramercy is a strong strategic addition to Clarion, which adds to the company's already robust \$16 billion, 700-property portfolio of logistics assets. Over the long term, Clarion expects Gramercy to help expand its new European platform with new products and clients.

We are also helping Clarion reach more clients across the globe by launching a bespoke fund structure in multiple countries in Asia and Switzerland with a global private banking client. Additionally, we are developing a real estate-related product that will be available in the U.S. retail market later this year.

Just as we've curated a diverse slate of independent asset managers with expertise across the spectrum of equity, fixed income, liquidity and alternative investments, we've broadened the range of vehicles we offer from mutual funds to include separately managed accounts, cross-border funds, ETFs and more.

In 2016, we acquired a minority stake in Precidian Investments, focused on market structure and financial vehicle innovation. In May of this year, Precidian Investments' semi-transparent ETF structure, ActiveShares®, was granted exemptive relief by the U.S. Securities and Exchange Commission (SEC).

Following approval for listing on a national exchange, investors will for the first time be able to access actively managed ETFs that are not required to disclose holdings on a daily basis but trade and operate similar to any other ETF. In effect, Precidian's solution provides a 2019 update to a 1940 Act structure while maintaining appropriate investor protections.

Precidian is seeing very strong interest in this methodology from an impressive array of asset managers and companies that have already licensed this technology, representing approximately 24% of the addressable active equity mutual fund market captured by their strategies.

ClearBridge plans to offer its first active ETF utilizing the ActiveShares methodology later this year, subject to SEC and exchange listing approval.

Another opportunity in Asia — and a great example of how we are extending the scope of distribution — involves our investment in new digital distribution technologies. In June 2018, we announced a minority investment in Quantifeed

Holdings Limited, a leading provider of digital wealth management solutions.

Quantifeed is attracting interest from banks, insurers and advisors in Australia, Japan and China, as well as other areas in the Asia Pacific region where our clients are looking for differentiated customer experiences that can keep pace with ever-changing consumer expectations. One financial institution in particular plans to utilize the platform to offer its customers an income investing model developed by QS Investors and may add other affiliates as fulfillment managers over time.

Whether investment strategy, product and vehicle options or distribution access, we are capitalizing on our investments to meet evolving investor needs by expanding client choice.

Identifying Efficiencies and Thoughtfully Allocating Capital

After more than 20 years at Legg Mason, I continually think about how to create value in a company founded 120 years ago, in 1899.

Further leveraging our centralized retail distribution capabilities and doing all we can to maximize the potential of our investments are two important elements of our strategy.

But building a better Legg Mason requires more than that: we must effectively manage costs to operate more efficiently while prudently managing our balance sheet.

We recently launched a strategic restructuring at Legg Mason's corporate center earlier this year to improve profitability and to facilitate the investment of additional capital in our business for future growth.

We are focused on making our existing global business platform more efficient and effective and have committed to achieving \$100 million or more in run-rate savings within two years.

Specifically, we expect to achieve 35% of targeted savings on a run-rate basis by the end of June 2019, and 75% or more of targeted run-rate savings by the fiscal year end next March.

We recognize that thoughtful capital allocation is critical to value creation. This year we were pleased to see S&P Global Ratings raise our ratings outlook to positive from stable, while affirming our BBB senior debt rating as we prepare to pay off \$250 million in senior notes maturing in July.

Finally, we continue to return capital to our shareholders as our Board of Directors approved an 18% increase in our annual dividend to \$1.60 per share. This marks our 10th straight year of dividend increases.

We will continue to thoughtfully allocate our capital as we go forward.

Embracing Change

Today, the asset management industry is facing rapidly evolving global regulatory landscapes.

Technology is reshaping every facet of our business.

Relentless competition and extreme pricing pressure show few signs of abating.

As our clients' needs evolve, so must we.

Our mission of Investing to Improve Lives™ is at the center of how we do business, and this principle has guided our evolution from a regional equity broker-dealer to a broker dealer with a collection of exceptional asset managers to the global, pure-play asset manager we are today.

At every step along the way, we've confronted difficult challenges while maintaining our keen focus on delivering investment excellence to our clients in support of our mission.

Today, Legg Mason continues to embrace change and the opportunity it presents.

We welcome Trian Partners' return as a significant shareholder and the addition of Nelson Peltz and Ed Garden to our Board of Directors, and we look forward to working with them to increase the value of Legg Mason to our clients and for our shareholders.

Going forward, we will continue to challenge ourselves to be more efficient and effective through innovation. We will continue to collaborate in more, new and different ways. And, we will continue to allocate resources to those areas that will enable us to differentiate ourselves in the eyes of our clients.

Each of these commitments is critical as we seek to build a better Legg Mason for our clients and our shareholders.

My best to you always,



Joseph A. Sullivan
Chairman & Chief Executive Officer



“

Further leveraging our centralized retail distribution capabilities and doing all we can to maximize the potential of our investments are two important elements of our strategy. But building a better Legg Mason requires more than that: we must effectively manage costs to operate more efficiently while prudently managing our balance sheet.

”

LEADERSHIP EXECUTIVE COMMITTEE



Joseph A. Sullivan

*Chairman & Chief
Executive Officer*



Frances L. Cashman

*Head of Global Marketing
and Communications*



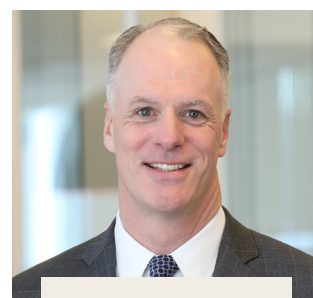
Thomas K. Hoops

*Head of Business
Development*



Terence A. Johnson

*Head of
Global Distribution*



John D. Kenney

*Global Head of Affiliate
Strategic Initiatives*



Patricia Lattin

*Chief Human
Resources Officer*



Thomas C. Merchant

General Counsel



Peter H. Nachtwey

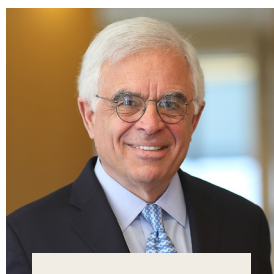
Chief Financial Officer



Ursula A. Schliessler

Chief Administrative Officer

LEADERSHIP BOARD OF DIRECTORS



Robert E. Angelica

Private Investor; Former Chairman and CEO, AT&T Investment Management Corporation (Chairman of Risk Committee)



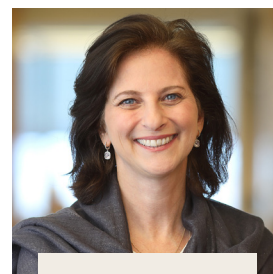
**Carol Anthony
"John" Davidson**

Private Investor; Former Controller and Chief Accounting Officer, Tyco International, Ltd.



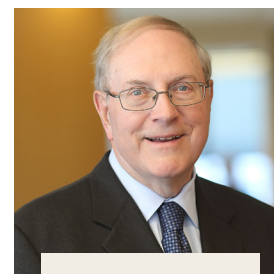
Ed P. Garden

Chief Investment Officer and Founding Partner of Trian Fund Management, L.P.



Michelle J. Goldberg

Partner, Ignition Partners



Barry W. Huff

Former Vice Chairman, Deloitte (Chairman of Audit Committee)



John V. Murphy

Former CEO, OppenheimerFunds Inc. (Lead Independent Director & Chairman of Compensation Committee)



Nelson Peltz

Chief Executive and Founding Partner of Trian Fund Management, L.P.



Alison A. Quirk

Senior Advisor and Consultant; Former Global Human Resources Executive, State Street Corporation



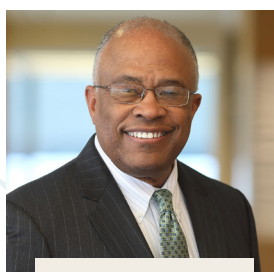
W. Allen Reed

Private Investor; Former CEO, GM Asset Management Corporation (Chairman of Finance Committee)



**Margaret Milner
Richardson**

Private Consultant and Investor; Former U.S. Commissioner of Internal Revenue



Kurt L. Schmoke

President, University of Baltimore; Former Mayor, City of Baltimore (Chairman of Nominating & Corporate Governance Committee)



Joseph A. Sullivan

Chairman and Chief Executive Officer, Legg Mason, Inc.

Corporate Data

Executive Offices

100 International Drive
Baltimore, Maryland 21202
(410) 539-0000
www.LeggMason.com

Form 10-K

Legg Mason's Annual Report on Form 10-K for the year ended March 31, 2019, filed with the Securities and Exchange Commission and containing audited financial statements, is available upon request without charge by writing to the Corporate Secretary at the Executive Offices of the Company.

Copies can also be obtained by accessing our website at www.LeggMason.com

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP
100 E. Pratt Street
Baltimore, Maryland 21202
(410) 783-7600
www.pwc.com

Transfer Agent

American Stock Transfer & Trust Company
6201 15th Avenue
Brooklyn, New York 11219
(212) 936-5100
www.amstock.com

Common Stock

Shares of Legg Mason, Inc. common stock are listed and traded on the New York Stock Exchange (symbol: LM). As of March 31, 2019, there were approximately 1,200 shareholders of record of the Company's common stock.
