FRANKLIN RESOURCES, INC.

Executive Earnings Commentary
Second Quarter Results
April 30, 2020

Jenny Johnson
President
Chief Executive Officer

Greg Johnson
Executive Chairman

Matthew Nicholls
Executive Vice President
Chief Financial Officer

Contents

Highlights

- In response to the extraordinary global COVID-19 pandemic and shelter-in-place orders around the world, Franklin Templeton activated our strong and well-tested global business continuity plan to protect our employees, while also ensuring our business operations and client service remain fully functional. As part of our plan, we effectively implemented our work-from-home capability that has successfully enabled over 97% of our employees around the world to work remotely.
- We announced plans to acquire Legg Mason, Inc. in February, bringing additional, world-class investment organizations to Franklin Templeton. The transaction will enhance the company's strategic positioning and long-term growth potential and deliver on our goal of creating a more diversified and balanced organization. The transaction remains on track, integration planning is well underway and we are working to satisfy the conditions to closing.
- Fiduciary Trust acquired Athena Capital Advisors in March and will close on Pennsylvania Trust in May, adding approximately $10 billion in assets under management to our ultra-high-net-worth wealth management business, and bolstering our ESG and trust capabilities.
- In this challenging environment, our investment disciplines are producing strong investment performance. Over the period February 20th through March 31st, approximately two-thirds of our listed U.S. mutual funds and ETFs were in the top two quartiles of their respective Morningstar categories, and more than half of those were in the 1st quartile. Our funds continued to outperform through April.
- Flows were impacted by industry-wide pressures that resulted in significantly elevated redemptions this quarter; however, we are encouraged by the rebound in long-term sales, particularly in U.S. retail that had its best quarter in nearly three years. In addition, our preliminary net flows for April show a pronounced improvement back to pre-crisis trend.
- We are introducing adjusted non-GAAP financial information this quarter, which we believe will help our investors in their assessment of our financial position. We continue to thoughtfully manage our expenses, which declined a further 4% on a U.S. GAAP basis and 7% on an adjusted basis this quarter, reflecting our efforts to drive efficiencies and effectively respond to the financial implications of the market pullback, while keeping the well-being of our employees as our top priority.

Conference Call Details:

Access to the teleconference at 11:00 AM Eastern will be available via investors.franklinresources.com or by dialing (877) 407-8293 in the U.S. and Canada or (201) 689-8349 internationally. A replay of the teleconference can also be accessed by calling (877) 660-6853 in the U.S. and Canada or (201) 612-7415 internationally using access code 13701317, after 2:00 p.m. Eastern Time on April 30, 2020 through May 30, 2020. Analysts and investors are encouraged to review the Company's recent filings with the U.S. Securities and Exchange Commission for additional information.

Forward-Looking Statements and Non-GAAP Financial Information

This commentary contains forward-looking statements that involve a number of known and unknown risks, uncertainties and other important factors. You should see the discussion on page 22 for important information concerning such matters. This commentary also contains non-GAAP financial measures. For the reconciliations from U.S. GAAP to non-GAAP measures, you should see the appendix to this commentary and the "Supplemental Non-GAAP Financial Measures" section of the earnings release.

Investment Performance

Peer Group Commentary[1, 2]

as of March 31, 2020	% of AUM in Top Two Peer Group Quartiles 1-Year	3-Year	5-Year	10-Year
Equity				
Global/International	52%	25%	24%	26%
United States	55%	70%	70%	49%
Total Equity	54%	47%	46%	37%
Multi-Asset/Balanced	12%	16%	16%	16%
Fixed Income				
Tax-free	89%	43%	45%	57%
Taxable				
Global/International	10%	11%	47%	74%
United States	30%	13%	3%	4%
Total Fixed Income	39%	21%	39%	55%

The positioning of our investment portfolios generally benefited from recent volatility, and firm wide relative performance over the 1-, 3-, 5- and 10- year periods improved over the prior quarter as a result.

Our U.S. equity strategies continued to show strength, with 70% of assets ranked in the top two quartiles for the 3- and 5-year periods, and Franklin Templeton Fixed Income Group's tax-free strategies improving notably for the 1-year period, due to strong outperformance in March attributable to the team's focus on higher quality issues, high current income and non-levered portfolios. Additionally, several of Templeton Global Equity Group's products ranked in the top two quartiles in the second half of the quarter, resulting in an improvement in the 1-year relative performance rankings for the category.

Our Templeton Global Macro team has also delivered strong relative performance since mid-February. These strategies are currently positioned to be uncorrelated to vulnerable asset classes, while delivering high income and defending capital, and hold a higher weighting of cash and short-term U.S treasuries to enable quick pursuit of opportunities as they arise. The team employed a similar strategy during the global financial crisis, building a defensive stance heading into the peak of the crisis and then shifting to an opportunistic pursuit of price distortions in the early phases of recovery.

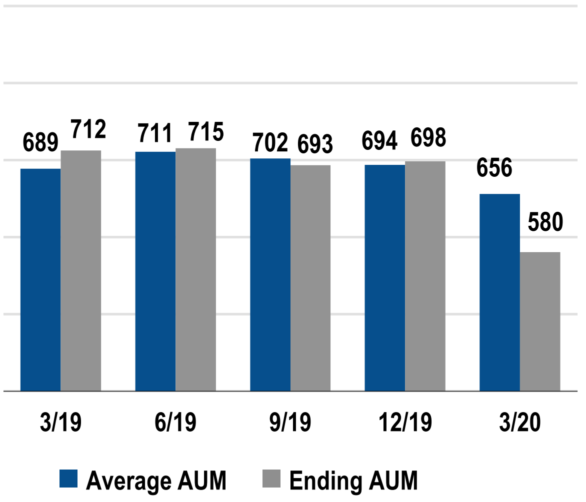
Falling oil prices during the quarter and the resulting shock to energy markets impacted Franklin Income Fund's relative performance, which weighed on the multi-asset/balanced category rankings. The fund continues to maintain a very competitive distribution rate of 6.2%.

1. Assets under management ("AUM") measured in the 1-year peer group rankings represents 84% of our total AUM as of March 31, 2020.
2. The peer group rankings are sourced from Lipper, a Thomson Reuters Company, Morningstar, eVestment, and various international third party providers in each fund's market and were based on an absolute ranking of returns.

Assets Under Management and Flows

Simple Monthly Average vs. End of Period

(In US$ billions, for the three months ended)



This extraordinary environment led to sharp market volatility and declines for the industry, but our firm continued to benefit from a diversified mix of assets under management by investment objective and sales region.

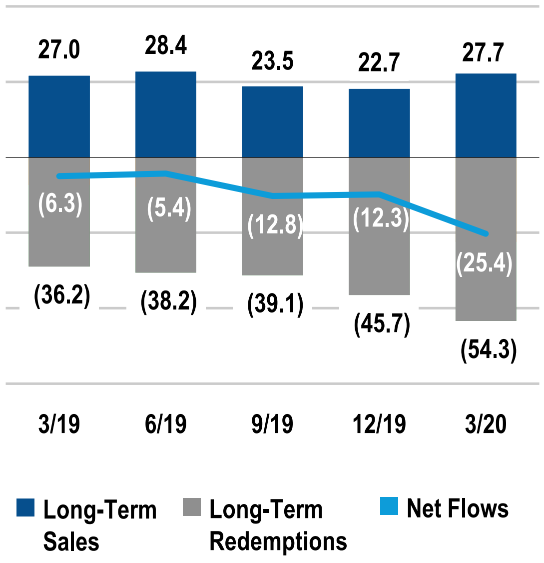
Nevertheless, assets under management ended the quarter at $580 billion, a decline of 17% due primarily to sharp market depreciation. Average assets under management declined by 5% this quarter.

Long-term net outflows of $25.4 billion followed an increase in long-term redemptions seen industry-wide that more than offset a $5 billion increase in long-term sales.

We are encouraged by recent sales momentum, which accelerated toward the end of the quarter with over $10 billion in sales in March. As an industry leader, our response to our clients and the financial markets during this volatile period has been robust and well-received. Even though March presented record levels of volatility, we view this challenging environment as an opportunity to innovatively connect with our clients. Our engagement efforts have shifted from physical meetings to calls and virtual meetings, supplemented by extensive online resources and commentary. Over the noted period of volatility, we published over 40 thought pieces, offering insights on market volatility from multiple investment teams around the world. We also launched numerous distribution efforts globally, including digital ad campaigns, podcasts, videos optimized for web and social media, and webinars, which received high engagement from advisors.

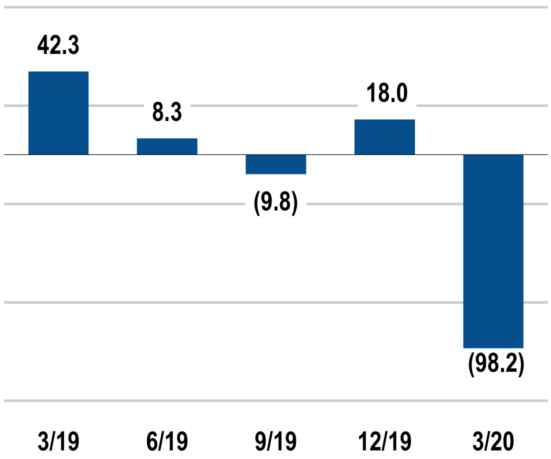
Long-Term Flows

(In US$ billions, for the three months ended)



Net Market Change, Distributions and Other

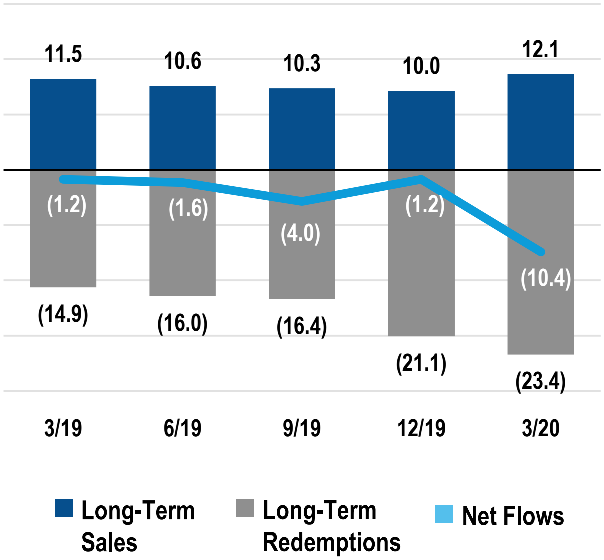
(In US$ billions, for the three months ended)



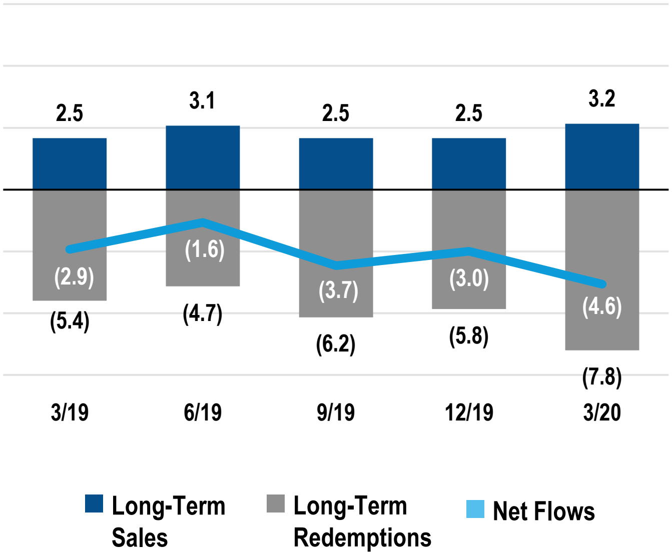
Long-Term Flows: Unites States[1]

(In US$ billions, for the three months ended)

Retail



Institutional



Long-term U.S. sales were the highest in three years and reached over $15 billion during the quarter, spurred by an increase in retail mutual fund sales, particularly within U.S. equities, and higher institutional sales. The improvement was broad-based across all investment objectives.

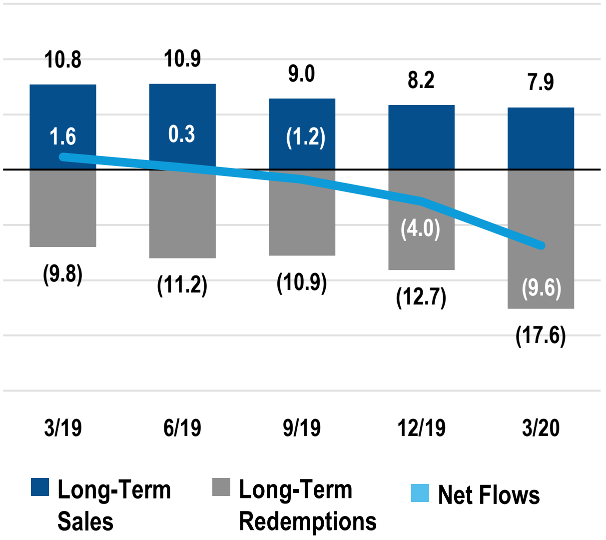
Consistent with the industry in general, our firm experienced notable increases in redemptions within tax-free muni, multi asset and global macro strategies this quarter due to heightened risk aversion, volatility, and reduced liquidity in fixed income markets. We have experienced a turnaround in flows during April, assisted by improved performance previously highlighted.

1. Graphs do not include high-net-worth client flows.

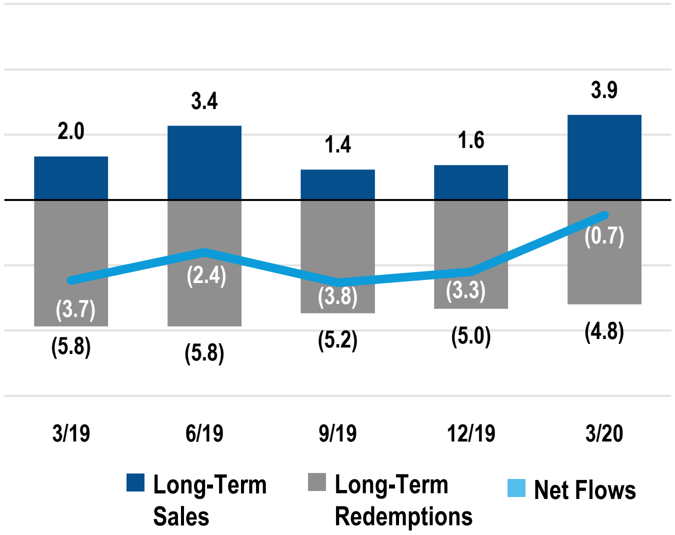
Long-Term Flows: International[1]

(In US$ billions, for the three months ended)

Retail



Institutional



International redemptions also increased during the quarter, particularly within our fixed income strategies in the retail channel. International retail sales also declined slightly, reflecting lower demand for global macro and emerging market bonds.

The unprecedented impact of COVID-19 to the Indian Credit market and the unique regulations of the Indian market led us to make the difficult decision last week to close a suite of six yield-oriented managed credit funds to protect investor assets. This process will take some time but will preserve value for unitholders and allow for an orderly realization and liquidation of the underlying assets. This development, which is unique to India, represented approximately $4 billion of AUM and investors will not be charged any investment management fees going forward.

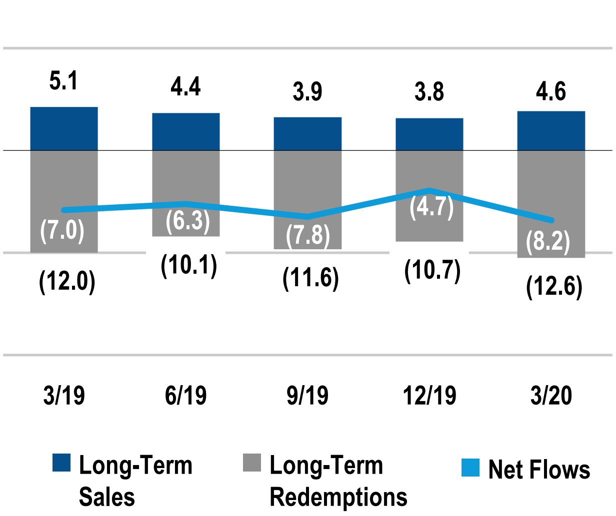
Our institutional business experienced a favorable change in both sales and redemptions internationally this quarter, and results reflected the funding of several large accounts that brought sales in this channel to the highest level in seven quarters.

1. Graphs do not include high-net-worth client flows.

Flows by Investment Objective

Global/International Equity

(In US$ billions, for the three months ended)

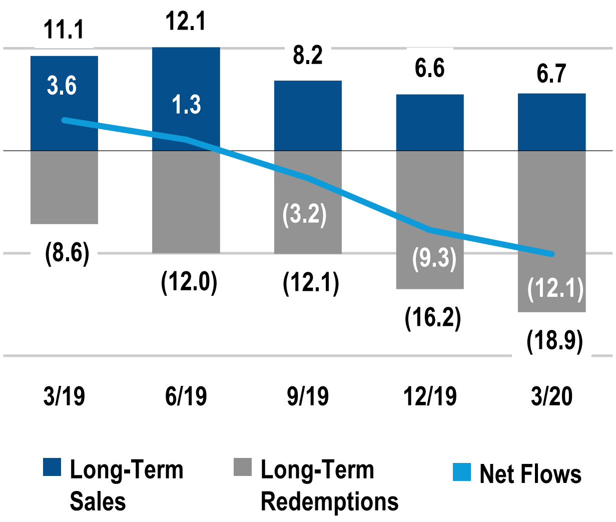


% of Beg. AUM[1]	Prior 4 Quarters Avg	Current Quarter
Sales	10%	11%
Redemptions	27%	31%

Several global equity retail funds generated higher sales, including Franklin International Growth, Franklin UK Equity Income, and Franklin Mutual Global Discovery funds, but institutional redemptions increased in this category, leading to net outflows of $8 billion.

Global/International Fixed Income

(In US$ billions, for the three months ended)



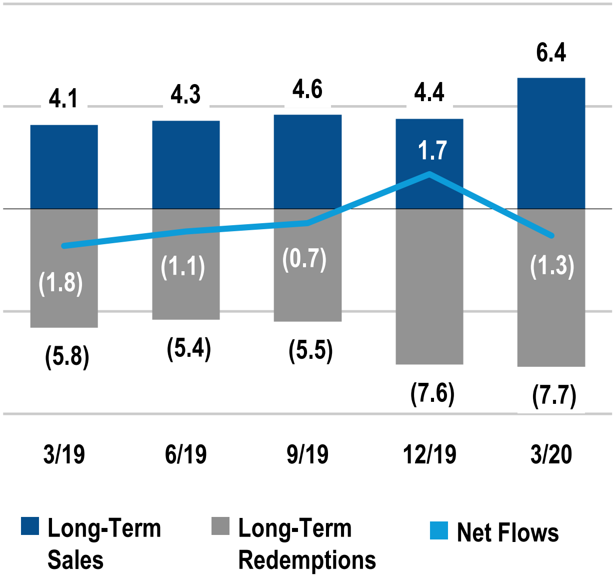
% of Beg. AUM[1]	Prior 4 Quarters Avg	Current Quarter
Sales	25%	20%
Redemptions	33%	55%

Industry redemptions from global fixed income was evident in our quarterly results with net outflows from our global fixed income strategies increasing to $12 billion. However, recent strength in relative performance supported sales levels in the category, which were essentially flat versus the prior quarter.

1. Sales and redemptions as a percentage of beginning AUM are annualized.

U.S. Equity

(In US$ billions, for the three months ended)



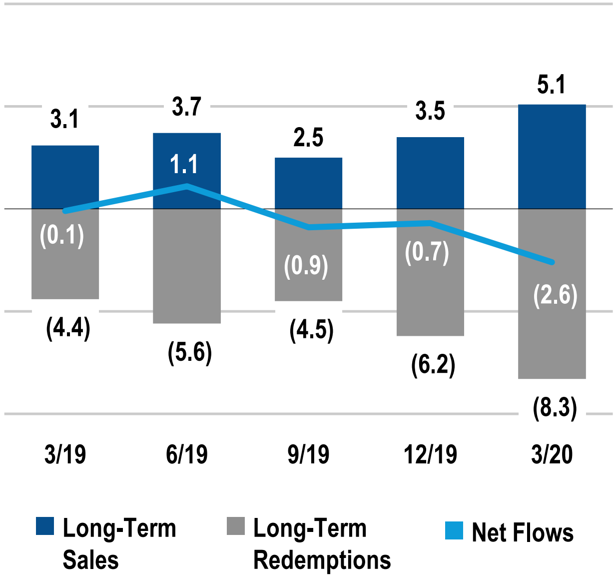
% of Beg. AUM[1]	Prior 4 Quarters Avg	Current Quarter
Sales	16%	22%
Redemptions	23%	26%

U.S. equity gross sales reached their highest level in six years of $6.4 billion and were the best ever in the U.S. sales region. The improvement was evident across a variety of funds, including growth and sector strategies, and Franklin Rising Dividends. Franklin Dynatech continued to grow, reaching record quarterly sales by surpassing $500 million in monthly sales for the first time in March. The fund remains in the top quartile with a 5-star Morningstar rating.

Redemptions were stable for the category versus the prior quarter, which included a $1.6 billion institutional redemption.

Multi-Asset/Balanced

(In US$ billions, for the three months ended)



% of Beg. AUM[1]	Prior 4 Quarters Avg	Current Quarter
Sales	10%	15%
Redemptions	16%	24%

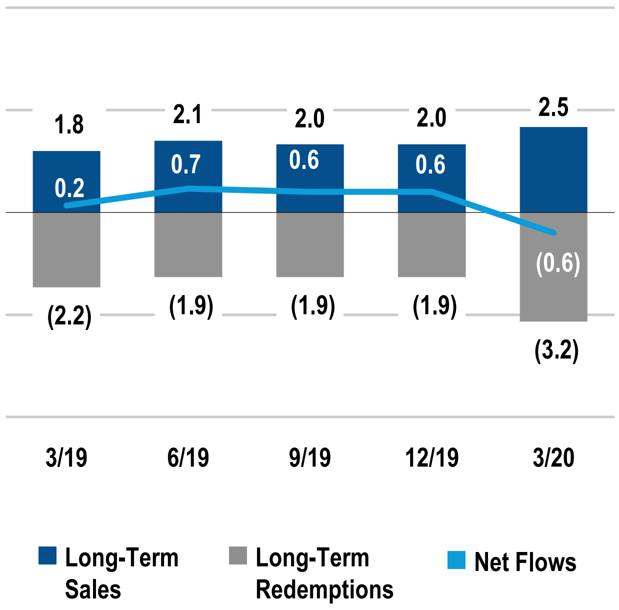
Sales were also notably higher in our multi-asset/balanced strategies at just over $5 billion, reflecting a large institutional account that funded during the quarter, and increased demand for several allocation funds.

Franklin Income, our largest multi-asset/balanced fund, experienced an increase in redemptions this quarter which drove the increase in redemptions for the category. The fund is sold primarily for its income generating capability, and while recent events impacted investment performance, they have also created opportunities in the high yield sector with potential to enhance its dividend yield.

1. Sales and redemptions as a percentage of AUM are annualized.

Tax-Free Fixed Income

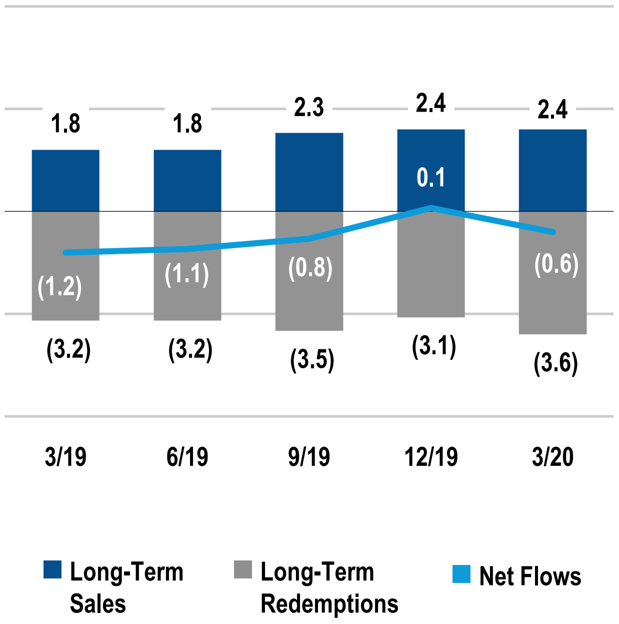
(In US$ billions, for the three months ended)



% of Beg. AUM[1]	Prior 4 Quarters Avg	Current Quarter
Sales	12%	15%
Redemptions	12%	19%

Taxable U.S. Fixed Income

(In US$ billions, for the three months ended)



% of Beg. AUM[1]	Prior 4 Quarters Avg	Current Quarter
Sales	14%	14%
Redemptions	22%	21%

Record breaking tax-free fixed income outflows across the industry in March caused net outflows for the quarter in our municipal bond strategies, despite strong relative performance and net inflows through February. We continue to apply a consistent strategy across our tax-free lineup with a focus on income production. Our products take a balanced approach to income and risk with no leverage, and a focus on higher quality issues. We believe these features offer a competitive advantage and give us the ability to be opportunistic, particularly during volatile market conditions.

Recent performance has been strong and the value of our products in this environment has resonated with clients, with sales into our tax-free fixed income strategies reaching the highest level in 14 quarters.

Several scaled funds in our U.S. taxable strategies returned to positive net flows this quarter, including Franklin U.S. Government Securities and Franklin Total Return, that combined represent almost $10 billion in assets under management. Redemptions, primarily in investment grade strategies, increased slightly in the category overall, leading to net outflows of $600 million.

In the quarter, Benefit Street Partners ("BSP") acquired two fund management contracts related to Broadstone Real Estate funds that added about $434 million of AUM to BSP's existing commercial real estate platform. Subsequent to quarter end, BSP has called over $1 billion of committed capital across all funds to deploy opportunistically into the recent dislocation in the credit markets. The team is actively working to launch a dislocation fund to take advantage of recent market opportunities and to develop an interval fund for retail clients.

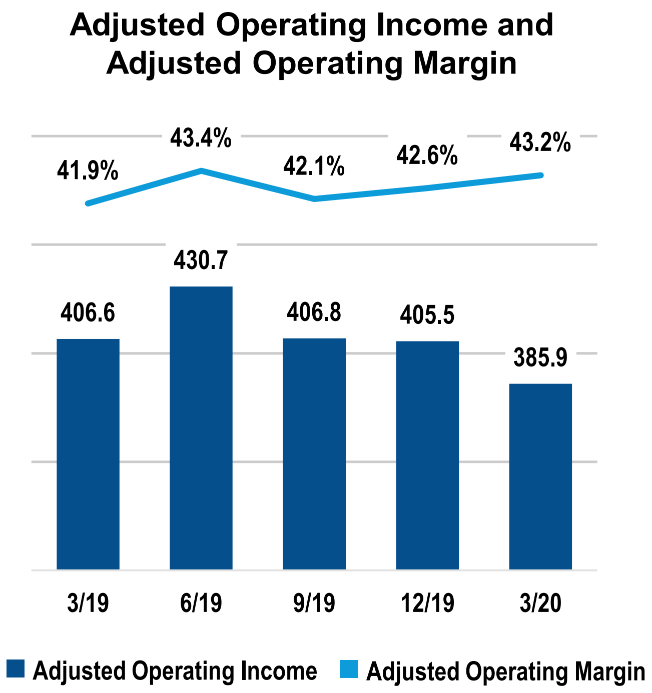
1. Sales and redemptions as a percentage of beginning AUM are annualized.

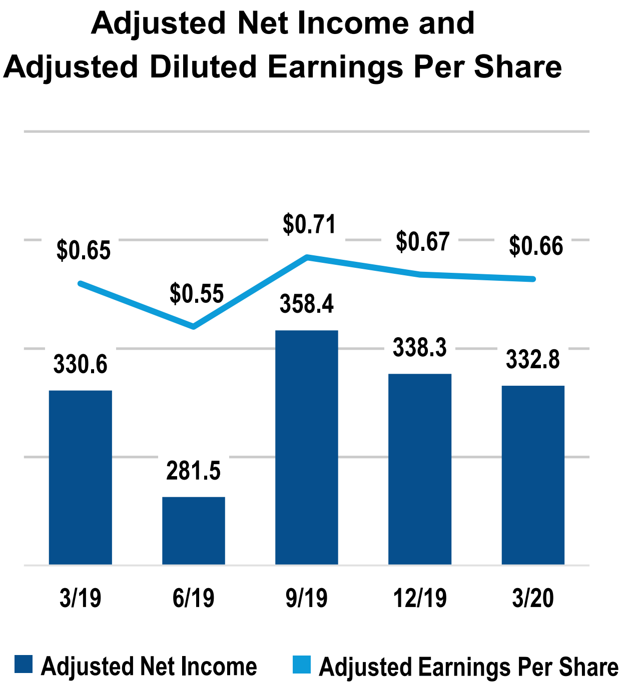
Financial Results

(in US$ millions except per share data, for the three months ended)

US GAAP	3/19	6/19	9/19	12/19	3/20
Operating Income	379.5	374.9	391.5	392.7	356.1
Operating Margin	26.5%	25.4%	27.0%	27.8%	26.6%

US GAAP	3/19	6/19	9/19	12/19	3/20
Net Income	367.5	245.9	306.4	350.5	79.1
Diluted EPS	$0.72	$0.48	$0.61	$0.70	$0.16





This quarter we are introducing adjusted non-GAAP financial information as we believe these adjusted metrics are useful when evaluating our financial performance and relative performance against our peers. Additional details are provided in the earnings press release and a detailed reconciliation of U.S GAAP to non-GAAP for the trailing six quarters and fiscal year 2019 is provided in the appendix to this commentary.

Non-GAAP adjustments exclude the impact of consolidated investment products, acquisition-related expenses, special termination benefits that we view as non-recurring, and unrealized gains and losses included in investment and other income. We've also adjusted revenues and expenses for sales, distribution and marketing expenses to align with peers.

Adjusted operating income for the quarter was $386 million, a 5% decline from the prior quarter, as we continued to demonstrate expense discipline and adjusted operating margin for the quarter improved to 43.2%.

Adjusted net income and adjusted earnings per share were slightly lower at $333 million and $0.66, respectively.

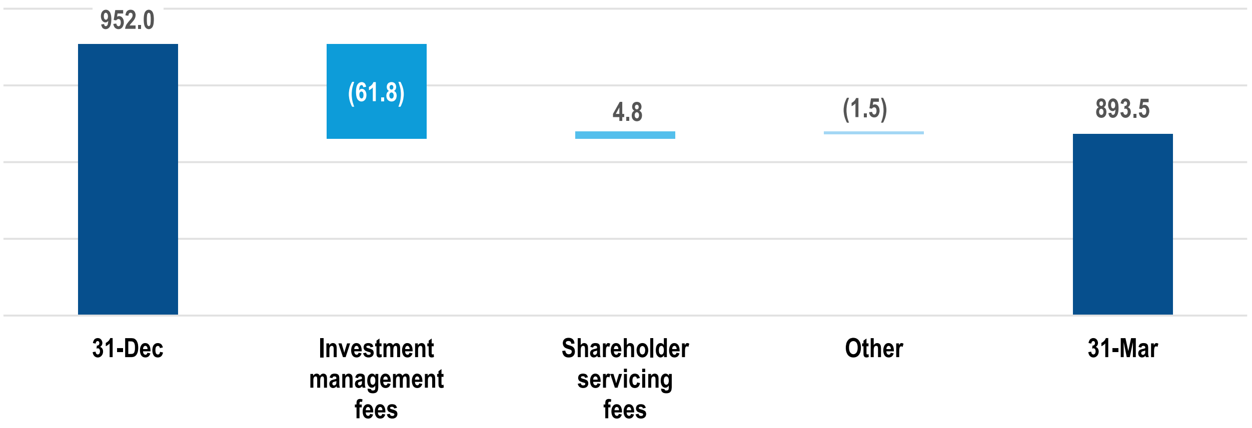
Non-GAAP financial measures. For the reconciliations from US GAAP to non-GAAP measures see the appendix to this commentary and the Supplemental Non-GAAP Financial Measures section of the earnings release.

Revenues

(in US$ millions, for the three months ended)

	Mar-20 US GAAP	Adjustments	Mar-20 Adjusted	Dec-19 Adjusted	Mar-20 Adjusted vs. Dec-19 Adjusted	Mar-19 Adjusted	Mar-20 Adjusted vs. Mar-19 Adjusted
Investment management fees	908.2	(76.0)	832.2	894.0	(7%)	907.7	(8%)
Sales and distribution fees	341.7	(341.7)	-	-	-	-	-
Shareholder servicing fees	54.8	-	54.8	50.0	10%	57.1	(4%)
Other	33.6	(27.1)	6.5	8.0	(19%)	4.8	35%
Total Operating Revenues	**1,338.3**	**(444.8)**	**893.5**	**952.0**	**(6%)**	**969.6**	**(8%)**

Adjusted Operating Revenues—Quarter Ended December 31, 2019 vs March 31, 2020



Adjusted operating revenues of $894 million declined 6% compared to the December quarter, as illustrated above, and 8% compared to the same quarter a year ago.

As noted previously, the appendix includes a detailed reconciliation of our non-GAAP adjustments, but we've also included a summary table above along with a waterfall chart to illustrate the quarter over quarter change.

Investment management fees, adjusted to include fees from investment products that were previously eliminated by consolidation and reduced by the allocation of investment management fees for sales, distribution and marketing expenses was $832.2 million, a decline of 7% form the prior quarter. This decrease was due to lower average assets under management in the quarter, though lower performance fees of $7.1 million and a shorter quarter also contributed to the change. The effective fee rate, excluding performance fees and reflecting the above adjustments was 50.6 basis points, versus last quarter's 50.3 basis points. The effective fee rate, on an unadjusted basis, was 55.3 basis points this quarter versus 55.2 basis points last quarter.

Seasonally higher shareholder servicing fees increased by nearly $5 million, and other revenue, which is adjusted to exclude the impact of consolidated investment products, was slightly lower at $6.5 million.

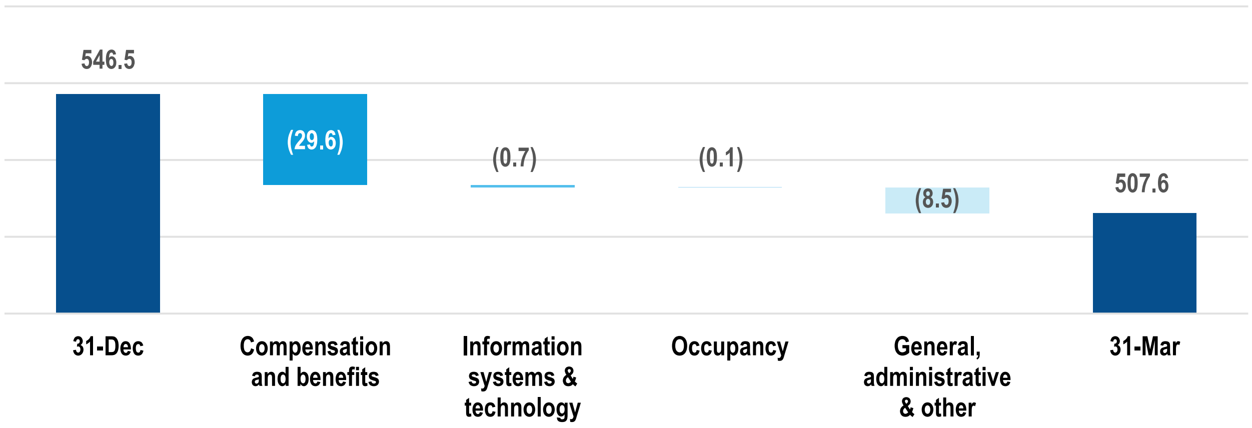
Non-GAAP financial measures. For the reconciliations from US GAAP to non-GAAP measures see the appendix to this commentary and the Supplemental Non-GAAP Financial Measures section of the earnings release.

Expenses

(in US$ millions, for the three months ended)

	Mar-20 US GAAP	Adjustments	Mar-20 Adjusted	Dec-19 Adjusted	Mar-20 Adjusted vs. Dec-19 Adjusted	Mar-19 Adjusted	Mar-20 Adjusted vs. Mar-19 Adjusted
Sales, distribution & marketing	423.9	(423.9)	-	-	-	-	-
Compensation & benefits	365.7	(27.2)	338.5	368.1	(8%)	380.9	(11%)
Information systems & technology	61.8	-	61.8	62.5	(1%)	62.1	0%
Occupancy	34.4	-	34.4	34.5	0%	31.4	10%
General, administrative & other	96.4	(23.5)	72.9	81.4	(10%)	88.6	(18%)
Total Operating Expenses	**982.2**	**(462.0)**	**507.6**	**546.5**	**(7%)**	**563.0**	**(10%)**

Adjusted Operating Expenses—Quarter Ended December 31, 2019 vs March 31, 2020



Adjusted operating expenses of $508 million declined 7% since last quarter and 10% compared to the same quarter a year ago, exceeding the change in revenue.

Compensation and benefits expense, which is adjusted to exclude $27.2 million of acquisition-related retention compensation, declined 8% to $338.5 million, primarily due to lower variable expenses in the quarter as we sought to rationalize our expense base for the change in revenue.

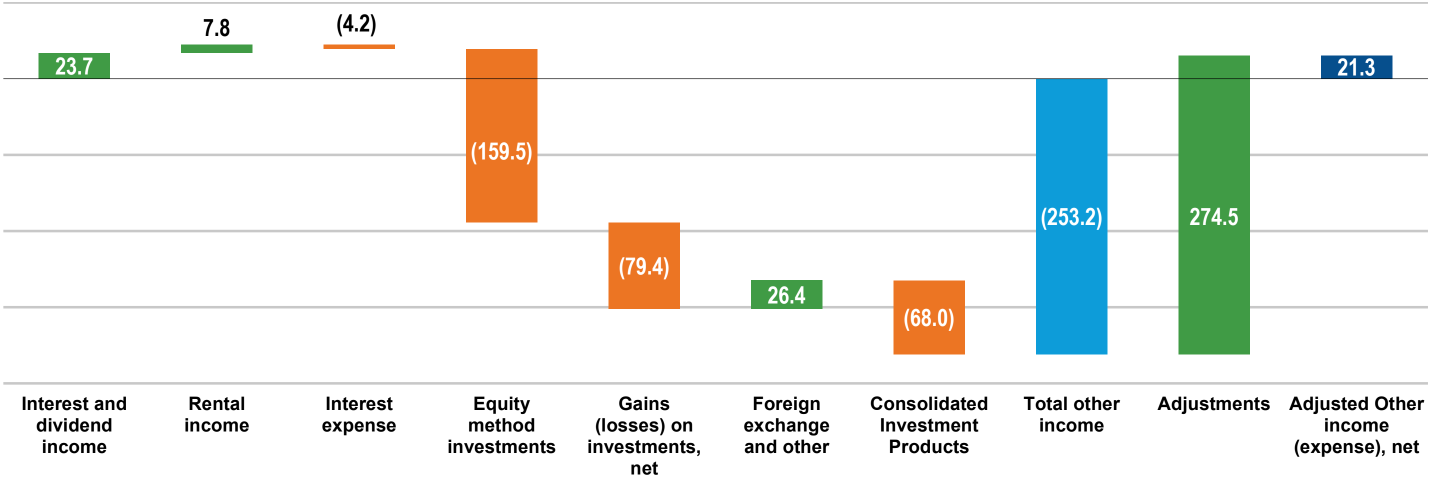
Technology and occupancy expenses were nearly flat quarter over quarter, while general, administrative and other expense, declined 10% due in large part to reduced travel and entertainment expense. General, administrative and other expense was adjusted to exclude the impact of consolidated investment products, other acquisition-related expenses, and amortization and impairment of intangible assets.

Non-GAAP financial measures. For the reconciliations from US GAAP to non-GAAP measures see the appendix to this commentary and the Supplemental Non-GAAP Financial Measures section of the earnings release.

Other Income and Taxes

(in US$ millions, for the three months ended March 31, 2020)

Other Income



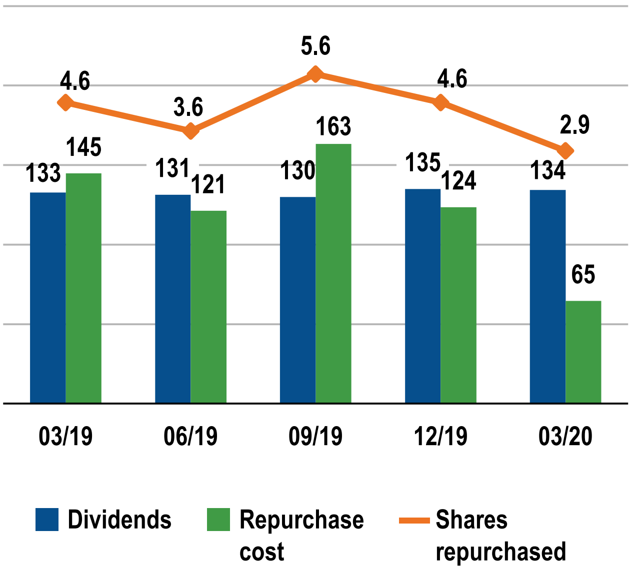
U.S. GAAP other income declined sharply from last quarter following the market sell-off that began in February. The chart above illustrates the key components of other income and the adjustments for consolidated investment products and unrealized losses to arrive at an adjusted other income, net of $21 million.

The effective tax rate of 42.9% for the quarter was due primarily to a shift in our global income mix, with more offshore unrealized investment losses that have no associated tax benefit. The year to date effective tax rate of 25.8% is in the range of what we anticipate on a GAAP basis.

Capital Management

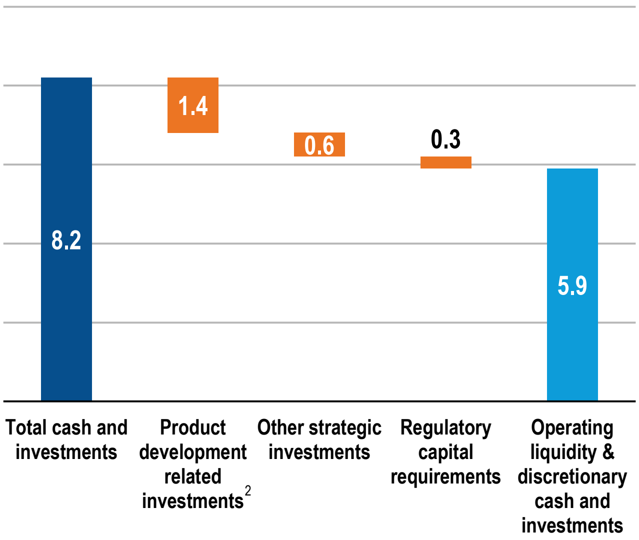
Dividends and Share Repurchases

(US$ millions, for the three months ended, except per share data)



Allocation of Cash and Investments[1]

(In US$ billions, as of March 31, 2020)



Share repurchases slowed in the quarter to $65 million as we have deemphasized repurchases following the announcement to acquire Legg Mason, Inc. and believe that it is prudent to preserve additional cash in the current market environment.

Over the trailing 12 months we've returned $1 billion to our shareholders through dividends and share repurchases resulting in a payout ratio of 77% of adjusted net income.

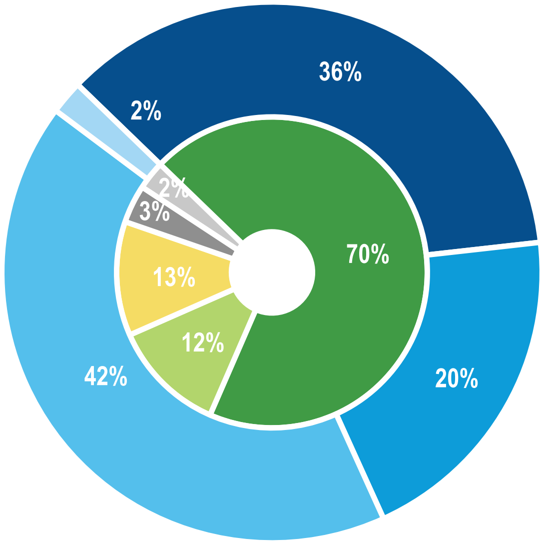
Total cash and investments of $8.2 billion remains robust with ample operating liquidity and discretionary cash and investments to navigate this unusual environment, including on a pro-forma basis for the Legg Mason acquisition that remains on track to close later this year.

1. Includes direct investments in CIPs of $0.6 billion.
2. Includes undrawn capital commitments of $250 million.

Appendix

Mix of Ending Assets Under Management

(As of March 31, 2020)



Investment Objective (US$ billions)		Mar-20
Equity	$	207.4
Multi Asset/Balanced		118.2
Fixed Income		244.0
Cash Management		10.7
Total	**$**	**580.3**

Sales Region (US$ billions)		Mar-20
United States	$	408.3
Europe, Middle East and Africa		70.8
Asia-Pacific		72.4
Canada		18.3
Latin America		10.5
Total	**$**	**580.3**

Reconciliation of US GAAP results to Non-GAAP results: Three months ended March 31, 2020

(in US$ millions except per share data)	US GAAP Basis	Consolidated Investment Products	Sales, distribution and marketing	Acquisition-related	Unrealized investment (gains) losses	Non-GAAP Basis
Revenues						
Investment management fees	**908.2**	6.2	(82.2)	-	-	**832.2**
Sales and distribution fees	**341.7**	-	(341.7)	-	-	**-**
Shareholder servicing fees	**54.8**	-	-	-	-	**54.8**
Other	**33.6**	(27.1)	-	-	-	**6.5**
Total Operating Revenues	**1,338.3**	**(20.9)**	**(423.9)**	**-**	**-**	**893.5**
Expenses						
Sales, distribution and marketing	**423.9**	-	(423.9)	-	-	**-**
Compensation and benefits	**365.7**	-	-	(27.2)	-	**338.5**
Information systems and technology	**61.8**	-	-	-	-	**61.8**
Occupancy	**34.4**	-	-	-	-	**34.4**
General, administrative and other	**96.4**	(10.9)	-	(12.6)	-	**72.9**
Total Operating Expenses	**982.2**	**(10.9)**	**(423.9)**	**(39.8)**	**-**	**507.6**
Operating Income	**356.1**	**(10.0)**	**-**	**39.8**	**-**	**385.9**
Other Income (Expense)						
Other income (expenses), net	**(253.2)**	16.9	-	-	257.6	**21.3**
Income before taxes	**102.9**	**6.9**	**-**	**39.8**	**257.6**	**407.2**
Taxes on income	**44.1**	-	-	9.1	18.2	**71.4**
Net income	**58.8**	**6.9**	**-**	**30.7**	**239.4**	**335.8**
Less: Net income (loss) attributable to noncontrolling interests	**(20.3)**	23.3	-	-	-	**3.0**
Net Income Attributable to Franklin Resources, Inc.	**79.1**	**(16.4)**	**-**	**30.7**	**239.4**	**332.8**
Diluted EPS	**$0.16**			**Adjusted Diluted EPS**		**$0.66**
Diluted Shares Outstanding	**491.8**			**Diluted Shares Outstanding**		**491.8**
Operating Margin	**26.6%**			**Adjusted Operating Margin**		**43.2%**

Reconciliation of US GAAP results to Non-GAAP results: Three months ended December 31, 2019

(in US$ millions except per share data)	US GAAP Basis	Consolidated Investment Products	Sales, distribution and marketing	Acquisition-related	Unrealized investment (gains) losses	Non-GAAP Basis
Revenues						
Investment management fees	**979.7**	6.7	(92.4)	-	-	**894.0**
Sales and distribution fees	**351.5**	-	(351.5)	-	-	**-**
Shareholder servicing fees	**50.0**	-	-	-	-	**50.0**
Other	**31.5**	(23.5)	-	-	-	**8.0**
Total Operating Revenues	**1,412.7**	**(16.8)**	**(443.9)**	**-**	**-**	**952.0**
Expenses						
Sales, distribution and marketing	**443.9**	-	(443.9)	-	-	**-**
Compensation and benefits	**389.4**	-	-	(21.3)	-	**368.1**
Information systems and technology	**62.5**	-	-	-	-	**62.5**
Occupancy	**34.5**	-	-	-	-	**34.5**
General, administrative and other	**89.7**	(3.7)	-	(4.6)	-	**81.4**
Total Operating Expenses	**1,020.0**	**(3.7)**	**(443.9)**	**(25.9)**	**-**	**546.5**
Operating Income	**392.7**	**(13.1)**	**-**	**25.9**	**-**	**405.5**
Other Income (Expense)						
Other income (expenses), net	**52.9**	20.0	-	-	(36.4)	**36.5**
Income before taxes	**445.6**	**6.9**	**-**	**25.9**	**(36.4)**	**442.0**
Taxes on income	**97.5**	-	-	6.0	0.3	**103.8**
Net income	**348.1**	**6.9**	**-**	**19.9**	**(36.7)**	**338.2**
Less: Net income (loss) attributable to noncontrolling interests	**(2.4)**	2.3	-	-	-	**(0.1)**
Net Income Attributable to Franklin Resources, Inc.	**350.5**	**4.6**	**-**	**19.9**	**(36.7)**	**338.3**
Diluted EPS	**$0.70**			**Adjusted Diluted EPS**		**$0.67**
Diluted Shares Outstanding	**495.3**			**Diluted Shares Outstanding**		**495.3**
Operating Margin	**27.8%**			**Adjusted Operating Margin**		**42.6%**

Reconciliation of US GAAP results to Non-GAAP results: Three months ended September 30, 2019

(in US$ millions except per share data)	US GAAP Basis	Consolidated Investment Products	Sales, distribution and marketing	Acquisition-related	Special Termination Benefits	Unrealized investment (gains) losses	Non-GAAP Basis
Revenues							
Investment management fees	**1,001.6**	7.0	(99.5)	-	-	-	**909.1**
Sales and distribution fees	**363.8**	-	(363.8)	-	-	-	**-**
Shareholder servicing fees	**51.4**	-	-	-	-	-	**51.4**
Other	**35.7**	(29.7)	-	-	-	-	**6.0**
Total Operating Revenues	**1,452.5**	**(22.7)**	**(463.3)**	**-**	**-**	**-**	**966.5**
Expenses							
Sales, distribution and marketing	**463.3**	-	(463.3)	-	-	-	**-**
Compensation and benefits	**382.4**	-	-	(20.7)	(4.9)	-	**356.8**
Information systems and technology	**69.8**	-	-	-	-	-	**69.8**
Occupancy	**38.8**	-	-	-	-	-	**38.8**
General, administrative and other	**106.7**	(3.3)	-	(9.1)	-	-	**94.3**
Total Operating Expenses	**1,061.0**	**(3.3)**	**(463.3)**	**(29.8)**	**(4.9)**	**-**	**559.7**
Operating Income	**391.5**	**(19.4)**	**-**	**29.8**	**4.9**	**-**	**406.8**
Other Income (Expense)							**-**
Other income (expenses), net	**4.3**	12.4	-	-	-	29.9	**46.6**
Income before taxes	**395.8**	**(7.0)**	**-**	**29.8**	**4.9**	**29.9**	**453.4**
Taxes on income	**86.5**	-	-	7.1	1.2	(1.0)	**93.8**
Net income	**309.3**	**(7.0)**	**-**	**22.7**	**3.7**	**30.9**	**359.6**
Less: Net income (loss) attributable to noncontrolling interests	**2.9**	(1.7)	-	-	-	-	**1.2**
Net Income Attributable to Franklin Resources, Inc.	**306.4**	**(5.3)**	**-**	**22.7**	**3.7**	**30.9**	**358.4**
Diluted EPS	**$0.61**				**Adjusted Diluted EPS**		**$0.71**
Diluted Shares Outstanding	**498.8**				**Diluted Shares Outstanding**		**498.8**
Operating Margin	**27.0%**				**Adjusted Operating Margin**		**42.1%**

Reconciliation of US GAAP results to Non-GAAP results: Three months ended June 30, 2019

(in US$ millions except per share data)	US GAAP Basis	Consolidated Investment Products	Sales, distribution and marketing	Acquisition-related	Special Termination Benefits	Unrealized investment (gains) losses	Non-GAAP Basis
Revenues							
Investment management fees	**1,019.4**	6.9	(94.9)	-	-	-	**931.4**
Sales and distribution fees	**367.5**	-	(367.5)	-	-	-	**-**
Shareholder servicing fees	**52.7**	-	-	-	-	-	**52.7**
Other	**37.1**	(28.3)	-	-	-	-	**8.8**
Total Operating Revenues	**1,476.7**	**(21.4)**	**(462.4)**	**-**	**-**	**-**	**992.9**
Expenses							
Sales, distribution and marketing	**462.4**	-	(462.4)	-	-	-	**-**
Compensation and benefits	**437.7**	-	-	(21.5)	(38.8)	-	**377.4**
Information systems and technology	**65.7**	-	-	-	-	-	**65.7**
Occupancy	**32.2**	-	-	-	-	-	**32.2**
General, administrative and other	**103.8**	(2.6)	-	(14.3)	-	-	**86.9**
Total Operating Expenses	**1,101.8**	**(2.6)**	**(462.4)**	**(35.8)**	**(38.8)**	**-**	**562.2**
Operating Income	**374.9**	**(18.8)**	**-**	**35.8**	**38.8**	**-**	**430.7**
Other Income (Expense)							**-**
Other income (expenses), net	**38.6**	16.6	-	-	-	(24.9)	**30.3**
Income before taxes	**413.5**	**(2.2)**	**-**	**35.8**	**38.8**	**(24.9)**	**461.0**
Taxes on income	**158.9**	-	-	8.8	9.3	(3.6)	**173.4**
Net income	**254.6**	**(2.2)**	**-**	**27.0**	**29.5**	**(21.3)**	**287.6**
Less: Net income (loss) attributable to noncontrolling interests	**8.7**	(2.6)	-	-		-	**6.1**
Net Income Attributable to Franklin Resources, Inc.	**245.9**	**0.4**	**-**	**27.0**	**29.5**	**(21.3)**	**281.5**
Diluted EPS	**$0.48**				**Adjusted Diluted EPS**		**$0.55**
Diluted Shares Outstanding	**502.3**				**Diluted Shares Outstanding**		**502.3**
Operating Margin	**25.4%**				**Adjusted Operating Margin**		**43.4%**

Reconciliation of US GAAP results to Non-GAAP results: Three months ended March 31, 2019

(in US$ millions except per share data)	US GAAP Basis	Consolidated Investment Products	Sales, distribution and marketing	Acquisition-related	Special Termination Benefits	Unrealized investment (gains) losses	Non-GAAP Basis
Revenues							
Investment management fees	**992.4**	6.2	(90.9)	-	-	-	**907.7**
Sales and distribution fees	**358.5**	-	(358.5)	-	-	-	**-**
Shareholder servicing fees	**57.1**	-	-	-	-	-	**57.1**
Other	**25.8**	(21.0)	-	-	-	-	**4.8**
Total Operating Revenues	**1,433.8**	**(14.8)**	**(449.4)**	**-**	**-**	**-**	**969.6**
Expenses							
Sales, distribution and marketing	**449.4**	-	(449.4)	-	-	-	**-**
Compensation and benefits	**409.6**	-	-	(16.9)	(11.8)	-	**380.9**
Information systems and technology	**62.1**	-	-	-	-	-	**62.1**
Occupancy	**31.4**	-	-	-	-	-	**31.4**
General, administrative and other	**101.8**	(8.7)	-	(4.5)	-	-	**88.6**
Total Operating Expenses	**1,054.3**	**(8.7)**	**(449.4)**	**(21.4)**	**(11.8)**	**-**	**563.0**
Operating Income	**379.5**	**(6.1)**	**-**	**21.4**	**11.8**	**-**	**406.6**
Other Income (Expense)							**-**
Other income (expenses), net	**113.0**	(3.0)	-	-	-	(66.9)	**43.1**
Income before taxes	**492.5**	**(9.1)**	**-**	**21.4**	**11.8**	**(66.9)**	**449.7**
Taxes on income	**110.9**	-	-	5.2	2.8	(0.4)	**118.5**
Net income	**381.6**	**(9.1)**	**-**	**16.2**	**9.0**	**(66.5)**	**331.2**
Less: Net income (loss) attributable to noncontrolling interests	**14.1**	(13.5)	-	-		-	**0.6**
Net Income Attributable to Franklin Resources, Inc.	**367.5**	**4.4**	**-**	**16.2**	**9.0**	**(66.5)**	**330.6**
Diluted EPS	**$0.72**				**Adjusted Diluted EPS**		**$0.65**
Diluted Shares Outstanding	**505.1**				**Diluted Shares Outstanding**		**505.1**
Operating Margin	**26.5%**				**Adjusted Operating Margin**		**41.9%**

Reconciliation of US GAAP results to Non-GAAP results: Three months ended December 31, 2018

(in US$ millions except per share data)	US GAAP Basis	Consolidated Investment Products	Sales, distribution and marketing	Acquisition-related	Unrealized investment (gains) losses	Non-GAAP Basis
Revenues						
Investment management fees	**971.8**	10.6	(89.7)	-	-	**892.7**
Sales and distribution fees	**354.8**	-	(354.8)	-	-	**-**
Shareholder servicing fees	**55.1**	-	-	-	-	**55.1**
Other	**29.8**	(26.1)	-	-	-	**3.7**
Total Operating Revenues	**1,411.5**	**(15.5)**	**(444.5)**	**-**	**-**	**951.5**
Expenses						
Sales, distribution and marketing	**444.5**	-	(444.5)	-	-	**-**
Compensation and benefits	**355.0**	-	-	(4.6)	-	**350.4**
Information systems and technology	**60.9**	-	-	-	-	**60.9**
Occupancy	**31.2**	-	-	-	-	**31.2**
General, administrative and other	**108.4**	-	-	(9.5)	-	**98.9**
Total Operating Expenses	**1,000.0**	**-**	**(444.5)**	**(14.1)**	**-**	**541.4**
Operating Income	**411.5**	**(15.5)**	**-**	**14.1**	**-**	**410.1**
Other Income (Expense)						
Other income (expenses), net	**(65.5)**	24.7	-	-	81.9	**41.1**
Income before taxes	**346.0**	**9.2**	**-**	**14.1**	**81.9**	**451.2**
Taxes on income	**86.0**	-	-	3.5	4.4	**93.9**
Net income	**260.0**	**9.2**	**-**	**10.6**	**77.5**	**357.3**
Less: Net income (loss) attributable to noncontrolling interests	**(15.9)**	12.4	-	-	-	**(3.5)**
Net Income Attributable to Franklin Resources, Inc.	**275.9**	**(3.2)**	**-**	**10.6**	**77.5**	**360.8**
Diluted EPS	**$0.54**			**Adjusted Diluted EPS**		**$0.70**
Diluted Shares Outstanding	**510.8**			**Diluted Shares Outstanding**		**510.8**
Operating Margin	**29.2%**			**Adjusted Operating Margin**		**43.1%**

Reconciliation of US GAAP results to Non-GAAP results: Fiscal Year ended September 30, 2019

(in US$ millions except per share data)	US GAAP Basis	Consolidated Investment Products	Sales, distribution and marketing	Acquisition related	Special Termination Benefits	Unrealized investment (gains) losses	Non-GAAP Basis
Revenues							
Investment management fees	**3,985.2**	30.7	(375.0)	-	-	-	**3,640.9**
Sales and distribution fees	**1,444.6**	-	(1,444.6)	-	-	-	**-**
Shareholder servicing fees	**216.3**	-	-	-	-	-	**216.3**
Other	**128.4**	(105.1)	-	-	-	-	**23.3**
Total Operating Revenues	**5,774.5**	**(74.4)**	**(1,819.6)**	**-**	**-**	**-**	**3,880.5**
Expenses							
Sales, distribution and marketing	**1,819.6**	-	(1,819.6)	-	-	-	**-**
Compensation and benefits	**1,584.7**	-	-	(63.7)	(55.5)	-	**1,465.5**
Information systems and technology	**258.5**	-	-	-	-	-	**258.5**
Occupancy	**133.6**	-	-	-	-	-	**133.6**
General, administrative and other	**420.7**	(14.6)	-	(37.4)	-	-	**368.7**
Total Operating Expenses	**4,217.1**	**(14.6)**	**(1,819.6)**	**(101.1)**	**(55.5)**	**-**	**2,226.3**
Operating Income	**1,557.4**	**(59.8)**	**-**	**101.1**	**55.5**	**-**	**1,654.2**
Other Income (Expense)							**-**
Other income (expenses), net	**90.4**	50.7	-	-	-	20.0	**161.1**
Income before taxes	**1,647.8**	**(9.1)**	**-**	**101.1**	**55.5**	**20.0**	**1,815.3**
Taxes on income	**442.3**	-	-	24.6	13.3	(0.6)	**479.6**
Net income	**1,205.5**	**(9.1)**	**-**	**76.5**	**42.2**	**20.6**	**1,335.7**
Less: Net income (loss) attributable to noncontrolling interests	**9.8**	(5.4)	-	-	-	-	**4.4**
Net Income Attributable to Franklin Resources, Inc.	**1,195.7**	**(3.7)**	**-**	**76.5**	**42.2**	**20.6**	**1,331.3**
Diluted EPS	**$2.35**				**Adjusted Diluted EPS**		**$2.62**
Diluted Shares Outstanding	**504.3**				**Diluted Shares Outstanding**		**504.3**
Operating Margin	**27.0%**				**Adjusted Operating Margin**		**42.6%**

Forward-Looking Statements

Statements in this commentary regarding Franklin Resources, Inc. and its subsidiaries, which are not historical facts, are "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. When used in this commentary, words or phrases generally written in the future tense and/or preceded by words such as “will,” “may,” “could,” “expect,” “believe,” “anticipate,” “intend,” “plan,” “seek,” “estimate,” “preliminary” or other similar words are forward-looking statements. Forward-looking statements involve a number of known and unknown risks, uncertainties and other important factors, some of which are listed below, that could cause actual results and outcomes to differ materially from any future results or outcomes expressed or implied by such forward-looking statements. While forward-looking statements are our best prediction at the time that they are made, you should not rely on them and are cautioned against doing so. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. They are neither statements of historical fact nor guarantees or assurances of future performance.

These and other risks, uncertainties and other important factors are described in more detail in our recent filings with the U.S. Securities and Exchange Commission, including, without limitation, in Risk Factors and Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019 and our subsequent Quarterly Reports on Form 10-Q:

- Our proposed acquisition of Legg Mason, Inc. remains subject to transaction-related and other risks.
- Our business and operations are subject to adverse effects from the outbreak and spread of contagious diseases such as COVID-19, and we expect such adverse effects to continue.
- Volatility and disruption of the capital and credit markets, and adverse changes in the global economy, may significantly affect our results of operations and may put pressure on our financial results.
- The amount and mix of our assets under management (“AUM”) are subject to significant fluctuations.
- We are subject to significant risk of asset volatility from changes in the global financial, equity, debt and commodity markets.
- Our funds may be subject to liquidity risks or an unanticipated large number of redemptions.
- A shift in our asset mix toward lower fee products may negatively impact our revenues.
- We may not effectively manage risks associated with the replacement of benchmark indices.
- Poor investment performance of our products could reduce the level of our AUM or affect our sales, and negatively impact our revenues and income.
- Harm to our reputation may negatively impact our revenues and income.
- Our business operations are complex and a failure to perform operational tasks properly or the misrepresentation of our services and products, resulting, without limitation, in the termination of investment management agreements representing a significant portion of our AUM, could have an adverse effect on our revenues and income.
- We face risks, and corresponding potential costs and expenses, associated with conducting operations and growing our business in numerous countries.
- Our increasing focus on international markets as a source of investments and sales of our products subjects us to increased exchange rate and market-specific political, economic or other risks that may adversely impact our revenues and income generated overseas.
- We may review and pursue strategic transactions that could pose risks to our business.
- Strong competition from numerous and sometimes larger companies with competing offerings and products could limit or reduce sales of our products, potentially resulting in a decline in our market share, revenues and income.
- Increasing competition and other changes in the third-party distribution and sales channels on which we depend could reduce our income and hinder our growth.
- Any failure of our third-party providers to fulfill their obligations, or our failure to maintain good relationships with our providers, could adversely impact our business.
- We may be adversely affected if any of our third-party providers is subject to a successful cyber or security attack.

Forward-Looking Statements (continued)

- Our ability to manage and grow our business successfully can be impeded by systems and other technological limitations.
- Any significant limitation, failure or security breach of our information and cyber security infrastructure, software applications, technology or other systems that are critical to our operations could disrupt our business and harm our operations and reputation.
- Our inability to recover successfully, should we experience a disaster or other business continuity problem, could cause material financial loss, regulatory actions, legal liability, and/or reputational harm.
- We depend on key personnel and our financial performance could be negatively affected by the loss of their services.
- Our future results are dependent upon maintaining an appropriate expense level.
- Our ability to meet cash needs depends upon certain factors, including the market value of our assets, our operating cash flows and our perceived creditworthiness.
- We are dependent on the earnings of our subsidiaries.
- We are subject to extensive, complex, overlapping and frequently changing rules, regulations, policies, and legal interpretations.
- We may be adversely affected as a result of new or revised legislation or regulations or by changes in the interpretation of existing laws and regulations.
- Global regulatory and legislative actions and reforms have made the regulatory environment in which we operate more costly and future actions and reforms could adversely impact our financial condition and results of operations.
- Failure to comply with the laws, rules or regulations in any of the jurisdictions in which we operate could result in substantial harm to our reputation and results of operations.
- Changes in tax laws or exposure to additional income tax liabilities could have a material impact on our financial condition, results of operations and liquidity.
- Our contractual obligations may subject us to indemnification costs and liability to third parties.
- Regulatory and governmental examinations and/or investigations, litigation and the legal risks associated with our business, could adversely impact our AUM, increase costs and negatively impact our profitability and/or our future financial results.

Any forward-looking statement made by us in this commentary speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

The information in this commentary is provided solely in connection with this commentary, and is not directed toward existing or potential investment advisory clients or fund shareholders.

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