GOLDMAN SACHS REPORTS THIRD QUARTER EARNINGS PER SHARE OF US$1.62

Record Net Revenues of US$4.53 Billion

NEW YORK, September 19, 2000 - The Goldman Sachs Group, Inc. (NYSE: GS) today reported net earnings of US$824 million, or US$1.62 per diluted share, for its fiscal third quarter ended August 25, 2000.

Earnings per diluted share were 24% above pro forma earnings per diluted share of US$1.31 for the same 1999 quarter, and 9% higher than US$1.48 for the second quarter of 2000. Pro forma earnings for 1999 assume that the firm's incorporation and other related transactions had occurred at the beginning of 1999. Annualized return on average stockholders' equity was 29% for the first nine months of 2000 and 27% for the third quarter.

Core earnings per diluted share were US$1.68 for the third quarter, 22% higher compared to US$1.38 in the same 1999 pro forma period. Core earnings per diluted share exclude the amortization of the employee initial public offering awards and include all of the related restricted stock units issued in connection with the initial public offering in common shares outstanding.

Business Highlights

- Goldman Sachs ranked first in worldwide, U.S. and European initial public offerings and public stock offerings. (1)
- The firm advised clients on announced mergers and acquisitions valued at more than US$850 billion in the calendar year through August, and ranked first in both announced and completed U.S. and European transactions. (1)
- The firm's Trading and Principal Investments business achieved record net revenues of US$2.12 billion, as all major components of the business exhibited strong results.
- Assets under supervision increased 14% to US$581 billion and assets under management grew 11% to US$308 billion, compared to the prior quarter.
- In August, the firm successfully completed its US$4.6 billion secondary offering – the largest U.S. secondary offering.

"These results demonstrate the strength and scale of our global franchise," said Henry M. Paulson, Jr., Chairman and Chief Executive Officer. "To ensure our position at the center of financial markets, we continue to build out our technology-driven trading platform. On September 11, we announced that Spear, Leeds & Kellogg would join Goldman Sachs. This combination extends our clearing, trading and market-making capabilities and significantly deepens our client base."

(1) Thomson Financial Securities Data – January 1, 2000 through August 25, 2000

Business Segments

Global Capital Markets

Net revenues in Global Capital Markets, which includes Investment Banking and Trading and Principal Investments, were US$3.44 billion, 32% above the third quarter of 1999 and 15% higher than the second quarter of 2000.

Investment Banking

Investment Banking generated net revenues of US$1.32 billion, 15% higher than last year's third quarter and 17% lower than the record second quarter of 2000. Revenue growth was strong in all major regions, compared to the same 1999 period. The firm's investment banking transaction backlog as of August 25, 2000 remained strong.

Financial Advisory net revenues increased 9% over the same 1999 period as the firm capitalized on increased mergers and acquisitions activity in the communications, media and entertainment and high technology sectors.

Net revenues in Underwriting increased 21% compared to the same 1999 period as the firm benefited from increased new issue activity in global equity markets. Net revenue growth was largely driven by strong performances in the communications, media and entertainment and high technology sectors.

Trading and Principal Investments

Net revenues in Trading and Principal Investments were US$2.12 billion for the quarter, 46% higher than the third quarter of 1999 and 51% higher than the second quarter of 2000, which was adversely affected by negative net revenues in Principal Investments.

Fixed Income, Currency and Commodities net revenues increased 32% compared to the third quarter of 1999, primarily due to increased customer flow in fixed income derivatives and improved performances in the Japanese and European government bond businesses, partially offset by lower net revenues from decreased customer activity in the firm's commodities and high-yield businesses.

Net revenues in Equities rose 67% over the same 1999 period, primarily resulting from strength in equity derivatives and higher transaction volumes in the firm's U.S. and European shares businesses.

Principal Investments net revenues increased 46% over the same 1999 period. Net revenues of US$480 million in the third quarter included significant gains, balanced between realized and unrealized, on certain of the firm's merchant banking investments in the high technology and telecommunications sectors.

<u>Asset Management and Securities Services</u>

Asset Management and Securities Services net revenues were US$1.09 billion, 35% above the same prior year period, and 6% lower than the prior quarter.

Asset Management net revenues increased 48% over last year's third quarter, primarily reflecting a 37% increase in average assets under management as well as favorable changes in the composition of assets managed. Strong net inflows and market appreciation led to the growth in assets under management during the quarter.

Securities Services net revenues were 20% higher than the same 1999 period, primarily due to increased customer balances in securities lending and margin lending, partially offset by reduced spreads in the fixed income matched book.

Commissions increased 34% compared to the same period last year, primarily due to higher transaction volumes in global equity markets. Revenues from the increased share of income and gains from the firm's merchant banking funds also contributed to the increase in Commissions.

Expenses

Operating expenses were US$3.15 billion, up 36% from the same period in 1999, primarily reflecting increased compensation and benefits commensurate with higher net revenue levels. The ratio of compensation and benefits to net revenues was 50% for the third quarter of 2000. Non-compensation-related expenses rose 56% compared to the same period in 1999, primarily due to costs associated with global expansion, higher employment levels and increased business activity. Technology expenditures also contributed to the increase in non-compensation-related expenses. The firm's effective tax rate for the third quarter was 40%.

Capital

As of August 25, 2000, total capital was US$41.22 billion, consisting of US$12.69 billion in stockholders' equity and US$28.53 billion in long-term debt. Book value per share was US$26.43, based on common shares outstanding, including restricted stock units granted to employees with no future service requirements, of 480,263,530 at period end. The firm repurchased 102,145 shares of its common stock during the quarter.

Dividend

The Board of Directors of The Goldman Sachs Group, Inc. declared a dividend of US$0.12 per share to be paid on November 20, 2000, to common shareholders of record on October 23, 2000.

Spear, Leeds & Kellogg

On September 11, 2000, the firm announced an agreement to combine with Spear, Leeds & Kellogg, L.P. (SLK), a leader in securities clearing and execution, floor-based market making and off-floor market making. The transaction is valued at US$6.5 billion, comprised of US$4.4 billion of Goldman Sachs stock (34 million shares) and cash.

As part of this transaction, the firm is establishing a US$900 million retention pool in Goldman Sachs common stock for all SLK employees, which will have varying vesting and delivery provisions. The transaction is expected to close before year-end, and is subject to customary regulatory and other approvals.

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Goldman Sachs is a leading global investment banking and securities firm that provides a wide range of services worldwide to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals. Founded in 1869, it is one of the oldest and largest investment banking firms. The firm is headquartered in New York and maintains offices in London, Frankfurt, Tokyo, Hong Kong and other major financial centers around the world.

Cautionary Note Regarding Forward-Looking Statements

This press release contains "forward-looking statements". These statements are not historical facts but instead represent only the firm's belief regarding future events, many of which, by their nature, are inherently uncertain and outside of the firm's control. It is possible that the firm's actual results and financial position may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements. For a discussion of some of the risks and factors that would affect the firm's future results, see our prospectus, dated August 1, 2000 (as filed with the SEC on August 2), under the caption "Risk Factors".

Forward-looking statements regarding the expected date of completion of the transaction with SLK are subject to the risk that the closing conditions will not be satisfied, including the risk that the necessary regulatory and other approvals will not be obtained.

Statements about the firm's investment banking transaction backlog also may constitute forward-looking statements. Such statements are subject to the risk that the terms of these transactions may be modified or that they may not be completed at all; therefore, the net revenues that we expect to earn from these transactions may differ, possibly materially, from those currently expected. Important factors that could result in a modification of the terms of a transaction or a transaction not being completed include, in the case of underwriting transactions, a decline in general economic conditions, volatility in the securities markets generally or an adverse development with respect to the issuer of the securities and, in the case of financial advisory transactions, a decline in the securities markets, an adverse development with respect to a party to the transaction or a failure to obtain a required regulatory approval. Other important factors that could adversely affect our investment banking transactions are contained in our prospectus, dated August 1, 2000, under the caption "Risk Factors".

The Goldman Sachs Group, Inc. and Subsidiaries

Business Segment Net Revenues

(unaudited)

($ in millions)

	Three Months Ended			Change From		Nine Months Ended		Change From
	August 25, 2000	May 26, 2000	August 27, 1999	May 26, 2000	August 27, 1999	August 25, 2000	August 27, 1999	August 27, 1999
Global Capital Markets								
Financial Advisory	$ 673	$ 712	$ 616	(5) %	9 %	$ 1,968	$ 1,648	19 %
Underwriting	648	882	534	(27)	21	2,183	1,406	55
Investment Banking	$ 1,321	$ 1,594	$ 1,150	(17)	15	$ 4,151	$ 3,054	36
FICC	$ 872	$ 634	$ 661	38	32	$ 2,522	$ 2,448	3
Equities	763	1,086	458	(30)	67	2,707	1,531	77
Principal Investments	480	(321)	328	N.M.	46	373	543	(31)
Trading and Principal Investments	$ 2,115	$ 1,399	$ 1,447	51	46	$ 5,602	$ 4,522	24
Total Global Capital Markets	$ 3,436	$ 2,993	$ 2,597	15	32	$ 9,753	$ 7,576	29
Asset Management and Securities Services								
Asset Management	$ 327	$ 354	$ 221	(8) %	48 %	$ 987	$ 637	55 %
Securities Services	234	252	195	(7)	20	724	576	26
Commissions	530	556	395	(5)	34	1,711	1,083	58
Total Asset Management and Securities Services	$ 1,091	$ 1,162	$ 811	(6)	35	$ 3,422	$ 2,296	49
Total net revenues	$ 4,527	$ 4,155	$ 3,408	9	33	$ 13,175	$ 9,872	33

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Assets Under Supervision

(unaudited)

($ in millions)

	As of			Change From		As of	
	August 31, 2000	May 31, 2000	August 31, 1999	May 31, 2000	August 31, 1999	Nov 30, 1999	Nov 30, 1998
Assets under management	$ 307,851	$ 276,610	$ 220,522	11 %	40 %	$ 258,045	$ 194,821
Other client assets	273,090	235,103	192,034	16	42	227,424	142,018
Total assets under supervision [1]	$ 580,941	$ 511,713	$ 412,556	14	41	$ 485,469	$ 336,839

[1] Substantially all assets under supervision are valued as of calendar month end.

The Goldman Sachs Group, Inc. and Subsidiaries

Consolidated Statements of Earnings

(unaudited)

	Three Months Ended			Nine Months Ended	
	August 25, 2000	May 26, 2000	August 27, 1999	August 25, 2000	August 27, 1999
	($ in millions, except per share amounts)				
Revenues					
Global capital markets					
Investment banking	$ 1,316	$ 1,585	$ 1,150	$ 4,131	$ 3,054
Trading and principal investments	2,112	1,335	1,423	5,543	4,540
Asset management and securities services	872	942	629	2,758	1,788
Interest income	4,551	4,334	3,238	12,579	9,269
Total revenues	8,851	8,196	6,440	25,011	18,651
Interest expense	4,324	4,041	3,032	11,836	8,779
Revenues, net of interest expense	4,527	4,155	3,408	13,175	9,872
Operating expenses					
Compensation and benefits, excluding employee initial public offering awards	2,263	2,077	1,704	6,587	4,932
Nonrecurring employee initial public offering awards	-	-	-	-	2,257
Amortization of employee initial public offering awards	102	101	115	314	154
Brokerage, clearing and exchange fees	136	154	108	419	328
Market development	126	111	92	343	247
Communications and technology	111	100	75	304	224
Depreciation and amortization	119	102	71	322	229
Occupancy	116	101	76	312	221
Professional services and other	181	151	85	464	297
Charitable contribution	-	-	-	-	200
Total operating expenses	3,154	2,897	2,326	9,065	9,089
Pre-tax earnings	1,373	1,258	1,082	4,110	783
Provision / (benefit) for taxes	549	503	444	1,644	(1,202)
Net earnings	$ 824	$ 755	$ 638	$ 2,466	$ 1,985
Earnings per share					
Basic	$ 1.71	$ 1.56	$ 1.34	$ 5.10	$ 4.18
Diluted	1.62	1.48	1.32	4.85	4.11
Average common shares outstanding					
Basic	481,252,647	484,380,052	474,694,245	483,403,066	474,698,130
Diluted	508,894,645	510,262,727	483,892,677	508,181,472	483,146,111
Employees at period end [(1)]	18,666	16,512	14,454		

The accompanying notes are an integral part of the Consolidated Statements of Earnings.

The Goldman Sachs Group, Inc. and Subsidiaries

Consolidated Statements of Earnings

(unaudited)

	Three Months Ended			Nine Months Ended	
	Actual		Pro Forma (2)	Actual	Pro Forma (2)
	August 25, 2000	May 26, 2000	August 27, 1999	August 25, 2000	August 27, 1999
	(in millions, except share and per share amounts)				
Revenues					
Global capital markets					
Investment banking	$ 1,316	$ 1,585	$ 1,150	$ 4,131	$ 3,054
Trading and principal investments	2,112	1,335	1,423	5,543	4,540
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Total revenues	8,851	8,196	6,440	25,011	18,651
Interest expense	4,324	4,041	3,032	11,836	8,786
Revenues, net of interest expense	4,527	4,155	3,408	13,175	9,865
Operating expenses					
Compensation and benefits, excluding employee initial public offering awards	2,263	2,077	1,704	6,587	4,932
Amortization of employee initial public offering awards	102	101	115	314	346
Brokerage, clearing and exchange fees	136	154	108	419	328
Market development	126	111	92	343	247
Communications and technology	111	100	75	304	224
Depreciation and amortization	119	102	71	322	229
Occupancy	116	101	76	312	221
Professional services and other	181	151	85	464	297
Total operating expenses	3,154	2,897	2,326	9,065	6,824
Pre-tax earnings	1,373	1,258	1,082	4,110	3,041
Provision for taxes	549	503	444	1,644	1,247
Net earnings	$ 824	$ 755	$ 638	$ 2,466	$ 1,794
Earnings per share					
Basic	$ 1.71	$ 1.56	$ 1.34	$ 5.10	$ 3.78
Diluted	1.62	1.48	1.31	4.85	3.73
Diluted core (3)	1.68	1.54	1.38	5.03	3.92
Average common shares outstanding					
Basic	481,252,647	484,380,052	474,694,245	483,403,066	474,706,262
Diluted	508,894,645	510,262,727	486,927,342 (4)	508,181,472	481,213,702 (4)
Diluted core	526,382,593	529,386,809	512,167,057 (4)	527,631,769	509,982,848 (4)
Ratio of compensation and benefits, excluding employee initial public offering awards to revenues, net of interest expense	50 %	50 %	50 %	50 %	50 %

The accompanying notes are an integral part of the Consolidated Statements of Earnings.

NOTES TO CONSOLIDATED STATEMENTS OF EARNINGS

(1) Excludes employees of Goldman Sachs' property management subsidiaries. Substantially all of the costs of these employees are reimbursed to Goldman Sachs by the real estate investment funds to which these companies provide property management services.

(2) Given the firm's conversion from partnership to corporation in the second quarter of 1999, management believes that the best measure by which to assess the firm's performance in 1999 is operating results on a pro forma basis, as if the incorporation and related transactions had taken place at the beginning of fiscal 1999.

The Pro Forma Consolidated Statements of Earnings do not give effect to the following items due to their nonrecurring nature:

- the employee award of formula-based restricted stock units,
- the initial irrevocable contribution of shares of common stock to the defined contribution plan,
- the recognition of certain net tax assets, and
- the contribution to The Goldman Sachs Foundation.

The Pro Forma Consolidated Statements of Earnings give effect to the following items:

- interest expense on junior subordinated debentures issued to retired limited partners in exchange for their partnership interests,
- the amortization of the restricted stock units awarded to employees in connection with the firm's initial public offering, for which future service is required as a condition to the delivery of the underlying shares of common stock, and
- the provision for taxes in corporate form.

(3) Core earnings per diluted share exclude the amortization of the employee initial public offering awards and include all of the related restricted stock units issued in connection with the initial public offering in common shares outstanding.

(4) For the purpose of calculating 1999 pro forma diluted and diluted core average common shares outstanding, the firm used the initial public offering price of $53 per share from the beginning of fiscal 1999 until May 4, 1999, the day trading in its common stock commenced. Thereafter, the firm used actual daily closing prices.