



FOR IMMEDIATE RELEASE

**GOLDMAN SACHS REPORTS THIRD QUARTER
NET EARNINGS OF \$638 MILLION**

NEW YORK, September 21, 1999 - The Goldman Sachs Group, Inc. (NYSE: GS) today reported net earnings of \$638 million, or \$1.32 per diluted share, for its fiscal third quarter ended August 27, 1999.

Pro forma diluted earnings per share were \$1.31 for the third quarter. These results were significantly above those of the same period in 1998, which were affected by adverse market conditions, and slightly higher than the previous quarter. Pro forma earnings assume that the Firm's incorporation and other related transactions had occurred at the beginning of each fiscal year. Annualized return on average stockholders' equity in the third quarter was 31%.

Pro forma diluted core earnings per share were \$1.38 for the third quarter compared to \$1.36 in the prior quarter. Pro forma diluted core earnings per share exclude the amortization of the initial public offering awards and include all of the related restricted stock units awarded to employees in common shares outstanding.

Third Quarter Business Highlights

- Goldman Sachs remained first in worldwide announced and completed mergers and acquisitions for the calendar year, ⁽¹⁾ underscoring the Firm's leading position in this business.
- Goldman Sachs ranked first in both worldwide public stock offerings and worldwide initial public offerings for the calendar year. ⁽¹⁾
- The Firm's Trading and Principal Investments business achieved solid results despite increased inflationary concerns and uncertainty surrounding the direction of interest rates.
- Assets under supervision increased 8% to \$413 billion and assets under management grew 7% to \$221 billion.
- In July, the Firm announced an agreement to combine with The Hull Group, a leading global market maker in exchange-traded equity derivatives and an active market maker in equity securities worldwide. The transaction is expected to close during the fourth quarter of 1999.

"In our first full quarter as a public company, Goldman Sachs continued to produce outstanding financial results," said Henry M. Paulson, Jr., Chairman and Chief Executive Officer. "The results underscore the strength of our franchise, the scope of our leadership positions in core businesses around the world and, most importantly, our relentless focus on serving the needs of clients."

⁽¹⁾ Securities Data Company - January 1 - August 31, 1999.

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Business Lines

Investment Banking

Investment Banking generated net revenues of \$1.2 billion in the third quarter, a 15% increase over the prior quarter and 20% above the same 1998 period. The Firm's worldwide advisory and financing businesses continued to perform strongly as global corporate consolidation fueled healthy deal flow in financial advisory, and new issue activity remained robust. Net revenue growth was particularly strong in the technology, energy and power, and retail sectors. Investment Banking also benefited from active markets in both Europe and Asia.

Trading and Principal Investments

Net revenues in Trading and Principal Investments were \$1.4 billion, 16% lower than an outstanding second quarter of 1999 but substantially above last year's third quarter. FICC net revenues increased 52% over the same period in 1998 primarily due to improved performance in the Firm's trading and credit-sensitive businesses, which were negatively affected by a dramatic widening of credit spreads in 1998. Strong results in commodities, which benefited from increased customer activity, also contributed to the growth in FICC. Net revenues in Equities increased substantially over the prior year period primarily due to strength in equity arbitrage, higher transaction volumes in the global shares businesses and strong customer flow in equity derivatives. Net revenues in principal investments increased significantly over the prior year due to mark-to-market gains on certain of the Firm's merchant banking investments.

Asset Management and Securities Services

Net revenues in Asset Management and Securities Services were \$811 million for the third quarter, an increase of 8% over the second quarter and 13% above the third quarter of 1998. Asset management revenues increased 11% over the prior year period, reflecting growth in assets under management. Securities services net revenues were up 6% compared to the same 1998 period, primarily due to increased customer balances in the Firm's securities lending and margin lending businesses. Commissions rose by 17% compared to the prior year period, benefiting from higher transaction volumes worldwide in listed equity securities.

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Expenses

Operating expenses were \$2.3 billion in the third quarter, up 47% from the same pro forma period in 1998 reflecting increased compensation and benefits commensurate with higher net revenue levels. The ratio of compensation and benefits to net revenues was 50% for both the quarter and year-to-date periods. Non-compensation-related expenses rose 23% due to higher employment levels and growth in business activity. The Firm's effective tax rate was 41%.

Capital

As of August 27, 1999, total capital was \$28.9 billion, consisting of \$8.6 billion in stockholders' equity and \$20.3 billion in long-term debt. Book value per share was \$18.11, based on common shares outstanding, including the formula-based restricted stock units, of 474,598,485 at period end.

Dividend

On September 20, 1999, the Board of Directors of The Goldman Sachs Group, Inc. declared a dividend of \$0.12 per share to be paid on November 22, 1999 to voting and nonvoting common stockholders of record on October 25, 1999.

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Goldman Sachs is a leading global investment banking and securities firm, providing a full range of investing, advisory and financing services worldwide to a substantial and diversified client base, which 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

Statements in this press release may constitute "forward-looking statements". These forward-looking statements represent only the Firm's belief regarding future events, many of which, by their nature, are inherently uncertain and outside of its control. For a discussion of some of the risks and factors that could affect the Firm's future results, see the description of "Risk Factors" in its Prospectus, dated May 3, 1999.