

GOLDMAN SACHS REPORTS SECOND QUARTER EARNINGS PER SHARE OF US\$1.48

INVESTMENT BANKING AND EQUITIES ACHIEVE RECORD RESULTS

NEW YORK, June 20, 2000 - The Goldman Sachs Group, Inc. (NYSE: GS) today reported net earnings of US\$755 million, or US\$1.48 per diluted share, for its fiscal second quarter ended May 26, 2000.

Earnings per diluted share were 14% above pro forma earnings per diluted share of US\$1.30 for the same 1999 quarter, and 16% lower than record results of US\$1.76 for the first 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 30% for the first half of 2000 and 26% for the second quarter.

Core earnings per diluted share were US\$1.54 for the second quarter compared to US\$1.36 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

- Investment Banking generated net revenues of US\$1.59 billion, 22% above its best prior quarter, with both Financial Advisory and Underwriting achieving record results.
- Goldman Sachs maintained its dominant position in equity new issues, ranking first in both worldwide and U.S. initial public offerings and public stock offerings. (1)
- The firm advised clients on announced mergers and acquisitions valued at more than US\$550 billion in the calendar year through May, and ranked first in both announced and completed U.S. transactions. (1)
- The firm's Equities trading business achieved net revenues of US\$1.09 billion, 27% higher than the record first quarter of 2000.
- Goldman Sachs' Asset Management business continued its growth in net revenues, which increased 65% from the same 1999 period to a record US\$354 million. Assets under management increased 34% from a year ago.

“Our second quarter performance again demonstrated the strength and breadth of the Goldman Sachs franchise. While the second quarter saw rising interest rates and volatile equity markets, we produced record revenues in many of our key businesses, including Investment Banking, Equities and Asset Management,” said Henry M. Paulson, Jr., Chairman and Chief Executive Officer.

(1) Thomson Financial Securities Data – January 1, 2000 through May 26, 2000

Business Segments

Global Capital Markets

Net revenues in Global Capital Markets, which includes Investment Banking and Trading and Principal Investments, were US\$2.99 billion, 10% above the second quarter of 1999 and 10% lower than the record first quarter of 2000.

Investment Banking

Investment Banking generated net revenues of US\$1.59 billion, a 59% increase from last year's second quarter and 29% above the prior quarter. Revenue growth was strong in all major regions, particularly in Europe.

Net revenues in the Financial Advisory business increased 40% over the same period in 1999, primarily due to increased mergers and acquisitions activity in the high technology, financial institutions, and energy and power sectors.

Underwriting net revenues increased 79% compared to the same 1999 period as the firm capitalized on strong equity new issue activity in the communications, media and entertainment and high technology sectors.

Trading and Principal Investments

Net revenues in Trading and Principal Investments were US\$1.40 billion for the quarter, 19% lower than the second quarter of 1999 and 33% lower than the record first quarter of 2000.

FICC net revenues decreased 30% compared to a strong second quarter of 1999, as higher interest rates and widening credit spreads led to a slowdown in new issue transactions and general declines in secondary market activity across many fixed income products.

Net revenues in Equities rose by 76% over the same 1999 period as increased customer flow and higher levels of market volatility led to growth in most components of the business. Net revenue growth was particularly strong in equity derivatives and Pan-European shares compared to the same prior year period.

Principal Investments experienced negative net revenues of US\$321 million as significant market declines in technology and telecommunications stocks led to a partial reversal of unrealized gains recorded primarily in the prior two quarters. These negative net revenues, when adjusted for the related reduction in compensation expense and taxes, lowered the firm's earnings per diluted share in the second quarter by US\$0.19.

Asset Management and Securities Services

Asset Management and Securities Services net revenues were US\$1.16 billion, 55% above the same prior year period, but essentially unchanged from the prior quarter.

Asset Management net revenues increased 65% over last year's second quarter, primarily reflecting a 34% increase in average assets under management as well as favorable changes in the composition of assets managed.

Securities Services net revenues were 45% higher than the same 1999 period, due to continued growth in the firm's prime brokerage business and increased customer balances in securities lending and margin lending.

Commissions increased 54% compared to the same period last year as transaction volumes in global equity markets rose to record levels.

Expenses

Operating expenses were US\$2.90 billion, up 20% from the same pro forma 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 second quarter of 2000. Non-compensation-related expenses rose 42% compared to the same pro forma period in 1999, primarily due to costs associated with higher employment levels, global expansion and growth in business activity. The firm's effective tax rate for the second quarter was 40%.

Capital

As of May 26, 2000, total capital was US\$36.6 billion, consisting of US\$11.9 billion in stockholders' equity and US\$24.7 billion in long-term debt. Book value per share was US\$24.60, based on common shares outstanding, including restricted stock units granted to employees with no future service requirements, of 483,995,863 at period end. The firm repurchased 588,000 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 August 24, 2000, to voting and nonvoting common shareholders of record on July 24, 2000.

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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

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 "Business - Certain Factors That May Affect Our Business" in the firm's Annual Report on Form 10-K for the fiscal year ended November 26, 1999.

The Goldman Sachs Group, Inc. and Subsidiaries

Business Segment Net Revenues

(unaudited)

(\$ in millions)

	Three Months Ended			Change From		Six Months Ended		Change From
	May 26, 2000	February 25, 2000	May 28, 1999	February 25, 2000	May 28, 1999	May 26, 2000	May 28, 1999	May 28, 1999
Global Capital Markets								
Financial Advisory	\$ 712	\$ 583	\$ 510	22 %	40 %	\$ 1,295	\$ 1,032	25 %
Underwriting	882	653	492	35	79	1,535	872	76
Investment Banking	\$ 1,594	\$ 1,236	\$ 1,002	29	59	\$ 2,830	\$ 1,904	49
FICC	\$ 634	\$ 1,016	\$ 911	(38)	(30)	\$ 1,650	\$ 1,787	(8)
Equities	1,086	858	618	27	76	1,944	1,073	81
Principal Investments	(321)	214	189	N.M.	N.M.	(107)	215	N.M.
Trading and Principal Investments	\$ 1,399	\$ 2,088	\$ 1,718	(33)	(19)	\$ 3,487	\$ 3,075	13
Total Global Capital Markets	\$ 2,993	\$ 3,324	\$ 2,720	(10)	10	\$ 6,317	\$ 4,979	27
Asset Management and Securities Services								
Asset Management	\$ 354	\$ 306	\$ 214	16 %	65 %	\$ 660	\$ 416	59 %
Securities Services	252	238	174	6	45	490	381	29
Commissions	556	625	361	(11)	54	1,181	688	72
Total Asset Management and Securities Services	\$ 1,162	\$ 1,169	\$ 749	(1)	55	\$ 2,331	\$ 1,485	57
Total net revenues	\$ 4,155	\$ 4,493	\$ 3,469	(8)	20	\$ 8,648	\$ 6,464	34

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Assets Under Supervision

(unaudited)

(\$ in millions)

	As of			Change From		As of	
	May 31, 2000	February 29, 2000	May 31, 1999	February 29, 2000	May 31, 1999	November 30, 1999	November 30, 1998
Assets under management	\$ 276,610	\$ 279,617	\$ 206,553	(1) %	34 %	\$ 258,045	\$ 194,821
Other client assets	235,103	272,991	176,369	(14)	33	227,424	142,018
Total assets under supervision ⁽¹⁾	\$ 511,713	\$ 552,608	\$ 382,922	(7)	34	\$ 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			Six Months Ended	
	May 26, 2000	February 25, 2000	May 28, 1999 ^{(1) (2)}	May 26, 2000	May 28, 1999
	(in millions, except share and per share amounts)				
Revenues					
Global capital markets					
Investment banking	\$ 1,585	\$ 1,230	\$ 1,002	\$ 2,815	\$ 1,904
Trading and principal investments	1,335	2,096	1,719	3,431	3,117
Asset management and securities services	942	944	616	1,886	1,159
Interest income	4,334	3,694	3,018	8,028	6,031
Total revenues	<u>8,196</u>	<u>7,964</u>	<u>6,355</u>	<u>16,160</u>	<u>12,211</u>
Interest expense	4,041	3,471	2,886	7,512	5,747
Revenues, net of interest expense	<u>4,155</u>	<u>4,493</u>	<u>3,469</u>	<u>8,648</u>	<u>6,464</u>
Operating expenses					
Compensation and benefits, excluding employee initial public offering awards	2,077	2,247	1,953	4,324	3,228
Nonrecurring employee initial public offering awards	-	-	2,257	-	2,257
Amortization of employee initial public offering awards	101	111	39	212	39
Brokerage, clearing and exchange fees	154	129	109	283	220
Market development	111	106	78	217	155
Communications and technology	100	93	71	193	149
Depreciation and amortization	102	101	61	203	158
Occupancy	101	95	67	196	145
Professional services and other	151	132	121	283	212
Charitable contribution	-	-	200	-	200
Total operating expenses	<u>2,897</u>	<u>3,014</u>	<u>4,956</u>	<u>5,911</u>	<u>6,763</u>
Pre-tax earnings / (loss)	1,258	1,479	(1,487)	2,737	(299)
Provision / (benefit) for taxes	503	592	(1,827)	1,095	(1,646)
Net earnings	<u>\$ 755</u>	<u>\$ 887</u>	<u>\$ 340</u>	<u>\$ 1,642</u>	<u>\$ 1,347</u>
Earnings per share					
Basic	\$ 1.56	\$ 1.83	\$ 0.72	\$ 3.39	\$ 2.84
Diluted	1.48	1.76	0.71	3.23	2.81
Average common shares outstanding					
Basic	484,380,052	484,576,498	474,712,271	484,478,275	474,712,271
Diluted	510,262,727	505,387,044	479,908,301	507,824,885	479,908,301

⁽¹⁾ Includes approximately ten weeks as a partnership and three weeks as a corporation.

⁽²⁾ Nonrecurring items recognized in connection with the firm's initial public offering reduced net earnings by \$672 million and diluted earnings per share by \$1.40 for the three months ended May 28, 1999.

The Goldman Sachs Group, Inc. and Subsidiaries
Consolidated Statements of Earnings
(unaudited)

	Three Months Ended			Six Months Ended	
	Actual	Pro Forma ⁽¹⁾		Actual	Pro Forma ⁽¹⁾
	May 26, 2000	February 25, 2000	May 28, 1999	May 26, 2000	May 28, 1999
	(in millions, except share and per share amounts)				
Revenues					
Global capital markets					
Investment banking	\$ 1,585	\$ 1,230	\$ 1,002	\$ 2,815	\$ 1,904
Trading and principal investments	1,335	2,096	1,719	3,431	3,117
Asset management and securities services	942	944	616	1,886	1,159
Interest income	<u>4,334</u>	<u>3,694</u>	<u>3,018</u>	<u>8,028</u>	<u>6,031</u>
Total revenues	8,196	7,964	6,355	16,160	12,211
Interest expense	<u>4,041</u>	<u>3,471</u>	<u>2,886</u>	<u>7,512</u>	<u>5,754</u>
Revenues, net of interest expense	4,155	4,493	3,469	8,648	6,457
Operating expenses					
Compensation and benefits, excluding employee initial public offering awards	2,077	2,247	1,788	4,324	3,228
Amortization of employee initial public offering awards	101	111	116	212	231
Brokerage, clearing and exchange fees	154	129	109	283	220
Market development	111	106	78	217	155
Communications and technology	100	93	71	193	149
Depreciation and amortization	102	101	61	203	158
Occupancy	101	95	67	196	145
Professional services and other	<u>151</u>	<u>132</u>	<u>121</u>	<u>283</u>	<u>212</u>
Total operating expenses	2,897	3,014	2,411	5,911	4,498
Pre-tax earnings	1,258	1,479	1,058	2,737	1,959
Provision for taxes	<u>503</u>	<u>592</u>	<u>434</u>	<u>1,095</u>	<u>803</u>
Net earnings	<u>\$ 755</u>	<u>\$ 887</u>	<u>\$ 624</u>	<u>\$ 1,642</u>	<u>\$ 1,156</u>
Earnings per share					
Basic	\$ 1.56	\$ 1.83	\$ 1.31	\$ 3.39	\$ 2.44
Diluted	1.48	1.76	1.30	3.23	2.42
Diluted core ⁽²⁾	1.54	1.81	1.36	3.35	2.54
Average common shares outstanding					
Basic	484,380,052	484,576,498	474,712,271	484,478,275	474,712,271
Diluted	510,262,727	505,387,044	480,914,852 ⁽³⁾	507,824,885	478,356,883 ⁽³⁾
Diluted core	529,386,809	527,125,907	509,776,347 ⁽³⁾	528,256,358	508,890,744 ⁽³⁾
Ratio of compensation and benefits, excluding employee initial public offering awards to revenues, net of interest expense	50 %	50 %	52 %	50 %	50 %

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

NOTES TO CONSOLIDATED STATEMENTS OF EARNINGS

- (1) 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 Fund.

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,
- compensation to managing directors who were profit participating limited partners for services rendered,
- the effect of issuing restricted stock units to employees, in lieu of cash compensation, for which future service is required as a condition to the delivery of the underlying shares of common stock,
- 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.

- (2) 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.

- (3) 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.