

**To the Board of Directors and Shareholders of  
The Goldman Sachs Group, Inc.:**

In our opinion, the accompanying consolidated statements of financial condition and the related consolidated statements of earnings, changes in shareholders' equity and partners' capital, cash flows and comprehensive income present fairly, in all material respects, the financial position of The Goldman Sachs Group, Inc. and its Subsidiaries (the Company) as of November 30, 2001 and November 24, 2000, and the results of their operations and their cash flows for each of the three fiscal years in the period ended November 30, 2001, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
New York, New York  
January 28, 2002

SUPPLEMENTAL FINANCIAL INFORMATION

**Quarterly Results (unaudited)**

The following represents the firm's unaudited quarterly results for 2001 and 2000. These quarterly results were prepared in accordance with U.S. generally accepted accounting principles and reflect all adjustments, consisting only of normal recurring adjustments, that are, in the opinion of the management, necessary for a fair presentation of the results.

(IN MILLIONS, EXCEPT PER SHARE DATA)	2001 FISCAL QUARTER			
	FIRST	SECOND	THIRD	FOURTH
Total revenues	\$ 9,502	\$ 8,158	\$ 7,360	\$ 6,118
Interest expense	4,769	4,168	3,699	2,691
Revenues, net of interest expense	4,733	3,990	3,661	3,427
Operating expenses	3,474	3,044	2,894	2,703
Pre-tax earnings	1,259	946	767	724
Provision for taxes	491	369	299	227
Net earnings	\$ 768	\$ 577	\$ 468	\$ 497
Earnings per share				
Basic	\$ 1.49	\$ 1.12	\$ 0.92	\$ 0.99
Diluted	1.40	1.06	0.87	0.93
Dividends declared per common share	0.12	0.12	0.12	0.12

(IN MILLIONS, EXCEPT PER SHARE DATA)	2000 FISCAL QUARTER			
	FIRST	SECOND	THIRD	FOURTH
Total revenues	\$7,964	\$8,196	\$8,851	\$7,989
Interest expense	3,471	4,041	4,324	4,574
Revenues, net of interest expense	4,493	4,155	4,527	3,415
Operating expenses	3,014	2,897	3,154	2,505
Pre-tax earnings	1,479	1,258	1,373	910 <sup>(1)</sup>
Provision for taxes	592	503	549	309
Net earnings	\$ 887	\$ 755	\$ 824	\$ 601 <sup>(1)</sup>
Earnings per share				
Basic	\$ 1.83	\$ 1.56	\$ 1.71	\$ 1.23
Diluted	1.76	1.48	1.62	1.16 <sup>(2)</sup>
Dividends declared per share	0.12	0.12	0.12	0.12

<sup>(1)</sup> The fourth quarter pre-tax earnings and net earnings included a charge of \$290 million and \$180 million, respectively, related to the firm's combination with SLK.

<sup>(2)</sup> Excluding the charges related to the combination with SLK, the firm's diluted earnings per share were \$1.50.

### Common Stock Price Range

On May 4, 1999, the firm's common stock commenced trading on the New York Stock Exchange under the symbol "GS." Prior to that date, there was no public market for the firm's common stock. The following table sets forth, for the fiscal quarters indicated, the high and low closing prices per share of the firm's common stock as reported by the Consolidated Tape Association.

	CLOSING PRICE					
	2001		2000		1999	
	HIGH	LOW	HIGH	LOW	HIGH	LOW
First Quarter	<b>\$118.62</b>	<b>\$80.50</b>	\$ 94.19	\$ 74.50	\$ —	\$ —
Second Quarter	<b>103.29</b>	<b>77.53</b>	121.31	69.81	74.13	64.50
Third Quarter	<b>97.35</b>	<b>75.40</b>	120.75	72.00	72.25	55.81
Fourth Quarter	<b>91.50</b>	<b>65.75</b>	132.00	79.94	82.81	57.69

As of January 31, 2002, there were approximately 3,440 holders of record of the firm's common stock.

On January 31, 2002, the last reported sales price for the firm's common stock on the New York Stock Exchange was \$86.98 per share.

## Selected Financial Data

(\$ AND SHARE AMOUNTS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	AS OF OR FOR YEAR ENDED NOVEMBER				
	2001	2000 <sup>(4)</sup>	1999 <sup>(5)</sup>	1998	1997
<b>Income statement data</b>					
Total revenues	\$ 31,138	\$ 33,000	\$ 25,363	\$ 22,478	\$ 20,433
Interest expense	15,327	16,410	12,018	13,958	12,986
Net revenues	15,811	16,590	13,345	8,520	7,447
Compensation and benefits <sup>(1)</sup>	7,700	7,773	6,459	3,838	3,097
Nonrecurring employee initial public offering and acquisition awards	—	290	2,257	—	—
Amortization of employee initial public offering and acquisition awards	464	428	268	—	—
Other operating expenses	3,951	3,079	2,369	1,761	1,336
Pre-tax earnings <sup>(1)</sup>	\$ 3,696	\$ 5,020	\$ 1,992	\$ 2,921	\$ 3,014
<b>Balance sheet data</b>					
Total assets	\$312,218	\$284,410	\$248,348	\$205,739	\$178,401
Long-term borrowings	31,016	31,395	20,952	19,906	15,667
Total liabilities	293,987	267,880	238,203	199,355	171,864
Shareholders' equity	18,231	16,530	10,145	—	—
Partners' capital	—	—	—	6,310	6,107
<b>Common share data</b>					
Earnings per share—basic	\$ 4.53	\$ 6.33	\$ 5.69	—	—
Earnings per share—diluted	4.26	6.00	5.57	—	—
Dividends declared per share	0.48	0.48	0.24	—	—
Book value per share	36.33	32.18	20.94	—	—
Average common shares outstanding—basic	509.7	484.6	475.9	—	—
Average common shares outstanding—diluted	541.8	511.5	485.8	—	—
<b>Selected data (unaudited)</b>					
<b>Employees</b>					
United States	14,565	14,755	9,746	8,349	6,879
International	8,112	7,872	5,615	4,684	3,743
Total employees <sup>(2)</sup>	22,677	22,627 <sup>(6)</sup>	15,361	13,033	10,622
<b>Assets under supervision<sup>(3)</sup></b>					
Assets under management	\$350,718	\$293,842	\$258,045	\$194,821	\$135,929
Other client assets	152,192	197,876	227,424	142,018	102,033
Total assets under supervision	\$502,910	\$491,718	\$485,469	\$336,839	\$237,962

<sup>(1)</sup> As a partnership, payments for services rendered by profit participating limited partners were accounted for as distributions of partners' capital rather than as compensation and benefits expense. As a result, pre-tax earnings in 1998 and 1997 are not comparable with 2001, 2000 or 1999.

<sup>(2)</sup> 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 subsidiaries provide property management services.

<sup>(3)</sup> Substantially all assets under supervision are valued as of calendar month-end.

<sup>(4)</sup> In 2000, pre-tax earnings included a charge of \$290 million (\$180 million after taxes) related to the firm's combination with SLK. Excluding this charge, diluted earnings per share were \$6.35.

<sup>(5)</sup> In 1999, pre-tax earnings were reduced by nonrecurring expenses of \$2.26 billion associated with the conversion to corporate form and the charitable contribution to The Goldman Sachs Foundation of \$200 million made at the time of the initial public offering.

<sup>(6)</sup> Includes 2,600 employees related to the combination with SLK.