

## **GOLDMAN SACHS REPORTS RECORD FIRST QUARTER RESULTS AND ANNOUNCES SHARE REPURCHASE PROGRAM**

NEW YORK, March 21, 2000 - The Goldman Sachs Group, Inc. (NYSE: GS) today reported net earnings of US\$887 million, or US\$1.76 per diluted share, for its fiscal first quarter ended February 25, 2000.

Earnings per diluted share were 57% above pro forma earnings per diluted share of US\$1.12 for the same 1999 quarter, and 14% higher than pro forma results of US\$1.54 for the 1999 fourth quarter. 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 in the first quarter was 33%.

Core earnings per diluted share were US\$1.81 for the first quarter compared to pro forma per share results of US\$1.60 in the prior quarter. 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**

- Net revenues were 29% higher than the prior quarter, rising to US\$4.5 billion, a record for the firm.
- Investment Banking exhibited continued strength, maintaining a leading position in worldwide mergers and acquisitions and underwriting activities.
- Goldman Sachs achieved record results in Fixed Income, Currency and Commodities (FICC) and Equities, with combined net revenues of US\$1.9 billion.
- Asset Management and Securities Services net revenues increased 27% from the prior quarter with particularly strong growth in Commissions as the firm capitalized on record worldwide transaction volumes. Assets under supervision increased 14% to US\$553 billion and assets under management grew 8% to US\$280 billion.
- On March 20, 2000, the Board of Directors approved a share repurchase program authorizing the repurchase of up to 15 million shares of the firm's common stock.

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“These first quarter results, which were truly excellent, demonstrate the earnings and growth potential of Goldman Sachs’ global franchise,” said Henry M. Paulson, Jr., Chairman and Chief Executive Officer. “While the firm clearly benefited during the quarter from strong market conditions, the keys to our long-term success continue to be the ability to lead rather than follow changes in our industry and our single-minded commitment to creating value for clients and, as a result, for our shareholders.”

## **Business Segments**

### **Global Capital Markets**

Net revenues in Global Capital Markets, which includes Investment Banking and Trading and Principal Investments, were US\$3.3 billion, a 30% increase from the prior quarter and 47% above last year's first quarter.

### **Investment Banking**

Investment Banking generated net revenues of US\$1.2 billion, a 5% decrease from the record prior quarter and 37% above last year's first quarter. Underwriting revenues increased significantly over the same period in 1999 as strong investor demand in global equity markets continued to create a favorable environment for new issue activity. Net revenues in the Financial Advisory business increased 12% over the same period in 1999, resulting from an active global mergers and acquisitions market and an increase in the number of large transactions. Net revenue growth was particularly strong in the high technology and communications, media and entertainment sectors as compared with the first quarter of 1999. Net revenues increased in all major regions compared to the first quarter of 1999.

### **Trading and Principal Investments**

Net revenues in Trading and Principal Investments were US\$2.1 billion for the quarter, significantly above both the fourth quarter of 1999 and last year's first quarter. FICC net revenues increased 16% compared to the first quarter of 1999, primarily due to increased customer activity in fixed income derivatives, partially offset by a reduction in net revenues from the firm's government bond business. Net revenues in Equities increased substantially over the same 1999 period, primarily due to favorable conditions in global equity markets that resulted in higher transaction volumes in the firm's global shares businesses, particularly in Europe, and increased customer flow in equity derivatives. Net revenues in Principal Investments increased substantially over the same 1999 period, primarily due to mark-to-market gains on certain of the firm's merchant banking investments in the high technology and telecommunications sectors.

### **Asset Management and Securities Services**

Net revenues in Asset Management and Securities Services were US\$1.2 billion, an increase of 27% over the fourth quarter and 59% above the same prior year period. Asset Management revenues increased 51% over last year's first quarter, primarily reflecting a 33% increase in average assets under management as well as favorable changes in the composition of assets managed. Securities Services net revenues were 15% higher than the same 1999 period, primarily due to growth in the firm's prime brokerage business and increased customer balances in securities lending and margin lending. Commissions nearly doubled compared to the same prior year period as healthy global equity markets led worldwide transaction volumes to record levels. Revenues from the increased share of gains from the firm's merchant banking funds also contributed to the growth in Commissions.

## **Expenses**

Operating expenses were US\$3.0 billion for the quarter, up 44% 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 first quarter of 2000. Non-compensation-related expenses rose 23% compared to the same 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 first quarter was 40%.

## **Capital**

As of February 25, 2000, total capital was US\$33.8 billion, consisting of US\$11.1 billion in stockholders' equity and US\$22.7 billion in long-term debt. Book value per share was US\$22.90, based on common shares outstanding, including restricted stock units granted to employees with no future service requirements, of 484,613,335 at period end.

## **Dividend**

On March 20, 2000, the Board of Directors of The Goldman Sachs Group, Inc. (the Board) declared a dividend of US\$0.12 per share to be paid on May 25, 2000, to voting and nonvoting common shareholders of record on April 24, 2000.

## **Share Repurchase Program**

On March 20, 2000, the Board approved a share repurchase program authorizing the repurchase of up to 15 million shares of the firm's common stock. The repurchase program will be effected from time to time, depending on market conditions, through open market purchases and privately negotiated transactions.

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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)

	<b>Three Months Ended</b>			<b>Change From</b>	
	<b>February 25, 2000</b>	<b>November 26, 1999</b>	<b>February 26, 1999</b>	<b>November 26, 1999</b>	<b>February 26, 1999</b>
<u>Global Capital Markets</u>					
Financial Advisory	\$ 583	\$ 622	\$ 522	(6) %	12 %
Underwriting	653	683	380	(4)	72
Investment Banking	\$ 1,236	\$ 1,305	\$ 902	(5)	37
FICC	\$ 1,016	\$ 414	\$ 876	145	16
Equities	858	430	455	100	89
Principal Investments	214	407	26	(47)	N.M.
Trading and Principal Investments	\$ 2,088	\$ 1,251	\$ 1,357	67	54
Total Global Capital Markets	\$ 3,324	\$ 2,556	\$ 2,259	30	47
<u>Asset Management and Securities Services</u>					
Asset Management	\$ 306	\$ 282	\$ 202	9 %	51 %
Securities Services	238	196	207	21	15
Commissions	625	439	327	42	91
Total Asset Management and Securities Services	\$ 1,169	\$ 917	\$ 736	27	59
Total net revenues	\$ 4,493	\$ 3,473	\$ 2,995	29	50

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**Assets Under Supervision**

(unaudited)  
(\$ in millions)

	<b>As of</b>			<b>Change From</b>	
	<b>February 25, 2000</b>	<b>November 26, 1999</b>	<b>February 26, 1999</b>	<b>November 26, 1999</b>	<b>February 26, 1999</b>
Assets under management	\$ 279,617	\$ 258,045	\$ 206,380	8 %	35 %
Other client assets	272,991	227,424	163,315	20	67
Total assets under supervision	\$ 552,608	\$ 485,469	\$ 369,695	14	49

## The Goldman Sachs Group, Inc. and Subsidiaries

### Consolidated Statements of Earnings (unaudited)

	Three Months Ended		
	February 25, 2000	November 26, 1999	February 26, 1999
	(in millions, except share and per share amounts)		
Revenues			
Global capital markets			
Investment banking	\$ 1,230	\$ 1,305	\$ 902
Trading and principal investments	2,096	1,218	1,398
Asset management and securities services	944	736	543
Interest income	3,694	3,453	3,013
Total revenues	7,964	6,712	5,856
Interest expense	3,471	3,239	2,861
Revenues, net of interest expense	4,493	3,473	2,995
Operating expenses			
Compensation and benefits, excluding employee initial public offering awards	2,247	1,527	1,275
Amortization of employee initial public offering awards	111	114	-
Brokerage, clearing and exchange fees	129	118	111
Market development	106	117	77
Communications and technology	93	82	78
Depreciation and amortization	101	108	97
Occupancy	95	93	78
Professional services and other	132	105	91
Total operating expenses	3,014	2,264	1,807
Pre-tax earnings	1,479	1,209	1,188
Provision for taxes	592	486	181
Net earnings	\$ 887	\$ 723	\$ 1,007
Earnings per share			
Basic	\$ 1.83	\$ 1.51	
Diluted	1.76	1.48	
Average common shares outstanding			
Basic	484,576,498	477,395,104	
Diluted	505,387,044	489,011,804	

**The Goldman Sachs Group, Inc. and Subsidiaries**

**Consolidated Statements of Earnings**

(unaudited)

	Three Months Ended		
	Actual	Pro Forma <sup>(1)</sup>	
	February 25, 2000	November 26, 1999	February 26, 1999
	(in millions, except share and per share amounts)		
Revenues			
Global capital markets			
Investment banking	\$ 1,230	\$ 1,305	\$ 902
Trading and principal investments	2,096	1,218	1,398
Asset management and securities services	944	736	543
Interest income	3,694	3,453	3,013
Total revenues	7,964	6,712	5,856
Interest expense	3,471	3,239	2,868
Revenues, net of interest expense	4,493	3,473	2,988
Operating expenses			
Compensation and benefits, excluding employee initial public offering awards	2,247	1,527	1,440
Amortization of employee initial public offering awards	111	114	115
Brokerage, clearing and exchange fees	129	118	111
Market development	106	117	77
Communications and technology	93	82	78
Depreciation and amortization	101	108	97
Occupancy	95	93	78
Professional services and other	132	105	91
Total operating expenses	3,014	2,264	2,087
Pre-tax earnings	1,479	1,209	901
Provision for taxes	592	453	369
Net earnings	\$ 887	\$ 756	\$ 532
Earnings per share			
Basic	\$ 1.83	\$ 1.58	\$ 1.12
Diluted	1.76	1.54	1.12
Diluted Core <sup>(2)</sup>	1.81	1.60	1.18
Average common shares outstanding			
Basic	484,576,498	477,395,104	474,712,271
Diluted	505,387,044	491,911,257 <sup>(3)</sup>	475,798,913 <sup>(3)</sup>
Diluted Core	527,125,907	515,025,621 <sup>(3)</sup>	508,005,140 <sup>(3)</sup>
Ratio of compensation and benefits, excluding employee initial public offering awards to revenues, net of interest expense	50 %	44 %	48 %

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 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 income 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.