

MMC Reports Third Quarter 2006 Results

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NEW YORK--(BUSINESS WIRE)--

Marsh & McLennan Companies, Inc. (MMC) today reported financial results for the third quarter and nine months ended September 30, 2006. Consolidated revenues for the quarter were \$2.9 billion, an increase of 4 percent from the 2005 third quarter. Consolidated net income more than doubled to \$176 million from \$69 million last year, and earnings per share grew to \$.31 from \$.12. Earnings per share from continuing operations increased to \$.32 in the third quarter from \$.11 last year.

For the first nine months of 2006, consolidated revenues were \$8.9 billion, compared with \$8.8 billion for the same period of 2005. Consolidated net income was \$764 million, or \$1.36 per share, compared with \$369 million, or \$.68 per share, in 2005. Results from discontinued operations, net of tax, were \$173 million, or \$.31 per share, resulting primarily from MMC's sale of its investment in Sedgwick Claims Management in January 2006. Results from discontinued operations in 2005 were \$17 million, or \$.03 per share. Income from continuing operations was \$591 million, or \$1.05 per share, compared with \$352 million, or \$.65 per share, in 2005. Stock option expense in the first nine months of 2006 was \$93 million. Stock option expense in the first nine months of 2005 was \$31 million, and related only to the third quarter, since MMC adopted SFAS No. 123(R), "Share-Based Payment," on July 1, 2005.

A number of noteworthy items affected financial results, including restructuring and related costs; legal and regulatory costs primarily related to market service agreements; and other items indicated in the attached supplemental schedules. In the third quarter and first nine months of 2006, noteworthy items totaled \$57 million, or \$.06 per share, and \$166 million, or \$.19 per share, respectively. In the third quarter and first nine months of 2005, noteworthy items reduced earnings per share from continuing operations by \$.19 and \$.58, respectively.

"MMC had a good third quarter," said Michael G. Cherkasky, president and chief executive officer of MMC. "Consolidated revenue growth was the highest we have achieved in two years. Our efforts to become more efficient across MMC

Kroll revenues increased 4 percent to \$251 million, and operating income rose to \$37 million in the third quarter. The technology services group, Kroll's largest business unit, sustained its solid performance, led by the background screening business, which reported double-digit growth. The unit's electronic discovery business responded successfully to market conditions and continued its improvement from the first quarter of this year. Consulting services reported double-digit underlying revenue growth.

Corporate advisory and restructuring performed well, but its results were affected by the anticipated absence of success fees from major restructuring assignments such as those recorded in the second quarter of the year. Results for the security group reflected the orderly exit from high-risk international assignments that had limited profitability and no longer fit Kroll's business strategy.

Consulting

Consulting revenues increased 13 percent to \$1.1 billion in the third quarter, or 10 percent on an underlying basis. Year-to-

and law enforcement authorities concerning our insurance and reinsurance brokerage and investment management operations (including the complaints relating to market service agreements and other matters filed by, respectively, the New York Attorney General's office in October 2004, the Connecticut Attorney General's office in January 2005 and the Florida Attorney General's office and Department of Financial Services in March 2006, and proceedings relating to market-timing matters at Putnam); and class actions, derivative actions and individual suits filed by policyholders and shareholders in connection with the foregoing;

- in light of Marsh's elimination of contingent commission arrangements in late 2004, our ability to achieve profitable revenue growth in our risk and insurance services segment by providing both traditional insurance brokerage services and additional risk advisory services;
- our ability to retain existing clients and attract new business, particularly in our risk and insurance services segment, and our ability to retain key employees;
- period-to-period revenue fluctuations in risk and insurance services relating to the net effect of new and lost business production and the timing of policy inception dates;
- the impact on risk and insurance services commission revenues of changes in the availability of, and the premiums insurance carriers charge for, insurance and reinsurance products, including the impact on premium rates and market capacity attributable to catastrophic events such as hurricanes;
- the impact on renewals in our risk and insurance services segment of pricing trends in particular insurance markets, fluctuations in the general level of economic activity and decisions by insureds with respect to the level of risk they will self-insure;
- the impact on our consulting segment of pricing trends and utilization rates;
- the actual and relative investment performance of Putnam's mutual funds and institutional and other advisory accounts, and the extent to which Putnam reverses its recent net redemption experience, increases assets under management and maintains management and administrative fees at historical levels;
- our ability to implement our restructuring initiatives and otherwise reduce or control expenses and achieve operating efficiencies;
- the impact of competition, including with respect to pricing and the emergence of new competitors;
- the impact of increasing focus by regulators, clients and others on potential conflicts of interest, particularly in connection with the provision of consulting and investment advisory services;
- fluctuations in the value of Risk Capital Holdings' investments in individual companies and investment funds;
- our ability to make strategic acquisitions and dispositions and to integrate, and realize expected synergies, savings or strategic benefits from, the businesses we acquire;

- our exposure to potential liabilities arising from errors and omissions claims against us;
- our ability to meet our financing needs by generating cash from operations and accessing external financing sources,

| | | | | |
|--|--------|--------|--------|--------|
| Income Taxes | 77 | 24 | 269 | 163 |
| Minority Interest Expense, Net of Tax | 4 | 2 | 9 | 6 |
| | ----- | ----- | ----- | ----- |
| Income from Continuing Operations | 180 | 63 | 591 | 352 |
| Discontinued Operations, Net of Tax | (4) | 6 | 173 | 17 |
| | ----- | ----- | ----- | ----- |
| Net Income | \$176 | \$69 | \$764 | \$369 |
| | ===== | ===== | ===== | ===== |
| Basic Net Income Per Share - Continuing Operations | \$0.33 | \$0.12 | \$1.08 | \$0.66 |
| | ===== | ===== | ===== | ===== |
| - Net Income | \$0.32 | \$0.13 | \$1.39 | \$0.69 |
| | ===== | ===== | ===== | ===== |
| Diluted Net Income Per Share - Continuing Operations | \$0.32 | \$0.11 | \$1.05 | \$0.65 |
| | ===== | ===== | ===== | ===== |
| - Net Income | \$0.31 | \$0.12 | \$1.36 | \$0.68 |
| | ===== | ===== | ===== | ===== |
| Average Number of Shares Outstanding | | | | |
| - Basic | 550 | 539 | 549 | 535 |
| | ===== | ===== | ===== | ===== |
| - Diluted | 554 | 544 | 555 | 539 |
| | ===== | ===== | ===== | ===== |
| Shares Outstanding at 9/30 | 551 | 544 | 551 | 544 |
| | ===== | ===== | ===== | ===== |

Marsh & McLennan Companies, Inc.
Supplemental Information - Revenue Analysis
Three Months Ended
(Millions) (Unaudited)

| | Three Months | | % Change GAAP Revenue | Components of Revenue Change | | |
|-----------------------------------|---------------|---------|-----------------------------|---|------------------------|-----------------------|
| | Ended | | | Acquisitions/ Currency Dispositions/Underlying | | |
| | September 30, | 2005 | | Currency Impact | Dispositions Impact | Underlying Revenue |
| Risk and Insurance Services | \$1,009 | \$1,028 | (2)% | 1% | (3)% | - |
| Reinsurance Services | 214 | 207 | 3% | - | - | 3% |
| Risk Capital Holdings | 45 | 45 | - | - | - | - |
| | ----- | ----- | | | | |
| Total Risk and Insurance Services | 1,268 | 1,280 | (1)% | 1% | (2)% | - |
| | ----- | ----- | | | | |
| Risk Consulting & Technology | 251 | 242 | 4% | 1% | 5% | (2)% |
| | ----- | ----- | | | | |

| | | | | | | |
|----------------|-------|-------|-----|----|----|-----|
| Consulting | | | | | | |
| Human Resource | | | | | | |
| Consulting | 762 | 691 | 10% | 3% | - | 7% |
| Specialty | | | | | | |
| Consulting | 304 | 249 | 22% | 2% | 4% | 16% |
| | ----- | ----- | | | | |
| Total | | | | | | |
| Consulting | 1,066 | 940 | 13% | 2% | 1% | 10% |
| | ----- | ----- | | | | |

Investment

| | | | | | | |
|--|---------|---------|-------|---|------|-------|
| and Insurance Services | 4,089 | 4,275 | (4)% | - | (2)% | (2)% |
| | ----- | ----- | | | | |
| Risk Consulting & Technology | 769 | 716 | 7% | - | 2% | 5% |
| | ----- | ----- | | | | |
| Consulting Human Resource Consulting | 2,252 | 2,104 | 7% | - | - | 7% |
| Specialty Consulting | 863 | 732 | 18% | - | 1% | 17% |
| | ----- | ----- | | | | |
| Total Consulting | 3,115 | 2,836 | 10% | - | 1% | 9% |
| | ----- | ----- | | | | |
| Investment Management | 1,026 | 1,146 | (10)% | - | - | (10)% |
| | ----- | ----- | | | | |
| Total Operating Segments | 8,999 | 8,973 | - | - | (1)% | 1% |
| | | | | | | |
| Corporate Eliminations | (110) | (147) | | | | |
| | ----- | ----- | | | | |
| Total Revenue | \$8,889 | \$8,826 | 1% | - | (1)% | 2% |
| | ===== | ===== | | | | |

Notes

Underlying revenue measures the change in revenue, before the impact of acquisitions and dispositions, using consistent currency exchange rates.

Interest income on fiduciary funds amounted to \$135 million and \$114 million for the nine months ended September 30, 2006 and 2005, respectively.

Revenue includes net investment income of \$124 million and \$151 million for Risk and Insurance Services and \$1 and \$0 million for Consulting and \$16 and \$5 million for Investment Management for the nine months ended September 30, 2006 and 2005, respectively.

Risk Capital Holdings owns MMC's investments in insurance and financial services firms, as well as MMC's investments in the Trident Funds.

Marsh & McLennan Companies, Inc.
Supplemental Information
(Millions) (Unaudited)

| Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------|---------------------------------------|-------|
| 2006 | 2005 | 2006 | 2005 |
| ----- | ----- | ----- | ----- |
| ----- | ----- | ----- | ----- |

Revenue:

| | | | | |
|---|---------|---------|---------|---------|
| Risk and Insurance Services | \$1,268 | \$1,280 | \$4,089 | \$4,275 |
| Risk Consulting & Technology | 251 | 242 | 769 | 716 |
| Consulting | 1,066 | 940 | 3,115 | 2,836 |
| Investment Management | 342 | 371 | 1,026 | 1,146 |
| | ----- | ----- | ----- | ----- |
| | 2,927 | 2,833 | 8,999 | 8,973 |
| Eliminations | (43) | (54) | (110) | (147) |
| | ----- | ----- | ----- | ----- |
| | \$2,884 | \$2,779 | \$8,889 | \$8,826 |
| | ----- | ----- | ----- | ----- |
| Operating Income (Loss): | | | | |
| Risk and Insurance Services | \$143 | \$20 | \$550 | \$243 |
| Risk Consulting & Technology | 37 | 36 | 98 | 109 |
| Consulting | 112 | 117 | 349 | 357 |
| Investment Management | 77 | 83 | 217 | 204 |
| Corporate | (49) | (69) | (159) | (172) |
| | ----- | ----- | ----- | ----- |
| | \$320 | \$187 | \$1,055 | \$741 |
| | ----- | ----- | ----- | ----- |
| Segment Operating Margins: | | | | |
| Risk and Insurance Services | 11.3% | 1.6% | 13.5% | 5.7% |
| Risk Consulting & Technology | 14.7% | 14.9% | 12.7% | 15.2% |
| Consulting | 10.5% | 12.4% | 11.2% | 12.6% |
| Investment Management | 22.5% | 22.4% | 21.2% | 17.8% |
| Consolidated Operating Margin | 11.1% | 6.7% | 11.9% | 8.4% |
| Pretax Margin | 9.0% | 3.2% | 9.8% | 5.9% |
| Effective Tax Rate | 29.5% | 27.0% | 31.0% | 31.3% |
| Potential Minority Interest Associated with the Putnam Equity Partnership Plan Net of Dividend Equivalent Expense Related to MMC Common Stock Equivalents | \$4 | \$1 | \$9 | \$2 |

Marsh & McLennan Companies, Inc.
Supplemental Information- Continuing Operations
(Millions) (Unaudited)

Significant Items Impacting the Comparability of Financial Results:

The year-over-year comparability of MMC's third quarter and nine-month financial results is affected by a number of noteworthy items, stock option expense and interest expense. The following table identifies the impact of noteworthy items on operating income for the periods indicated.

| | Risk & Insurance Services | Risk Consulting & Technology | Consulting |
|---------------------------------------|------------------------------------|---------------------------------------|------------|
| | ----- | ----- | ----- |
| Three Months Ended September 30, 2006 | | | |
| ----- | | | |
| Restructuring Charges (a) | \$18 | \$1 | \$18 |
| Accelerated Amortization/Depreciation | 2 | - | - |
| Settlement, Legal and Regulatory (b) | 11 | - | - |
| | ----- | ----- | ----- |
| Total Impact in 2006 | \$31 | \$1 | \$18 |
| | ----- | ----- | ----- |

| | | | |
|----------------------|-------|-------|-------|
| Reimbursement (c) | 1 | - | 1 |
| Other | 4 | 1 | 6 |
| Total Impact in 2005 | \$(7) | \$(3) | \$118 |

Nine Months Ended September 30, 2006

| | | | |
|---------------------------------------|-------|------|-------|
| Restructuring Charges (a) | \$- | \$31 | \$112 |
| Accelerated Amortization/Depreciation | - | 6 | 29 |
| Settlement, Legal and Regulatory (b) | (7) | - | 25 |
| Total Impact in 2006 | \$(7) | \$37 | \$166 |

Nine Months Ended September 30, 2005

| | | | |
|---|------|------|-------|
| Restructuring Charges (a) | \$- | \$55 | \$250 |
| Employee Retention Awards | - | - | 118 |
| Settlement, Legal and Regulatory (b) | (12) | (24) | 33 |
| Estimated Mutual Fund Reimbursement (c) | 35 | - | 35 |
| Other | 4 | (2) | 13 |
| Total Impact in 2005 | \$27 | \$29 | \$449 |

Notes:

(a) Primarily includes severance and related charges and costs for future rent and other costs for real estate resulting from previously announced cost reduction initiatives (see MMC's Form 10-Q for the period ended March 31, 2005 and Form 8-K dated September 20, 2006 for more information).

(b) Reflects costs of certain legal and regulatory matters, including legal fees and settlement costs arising out of: the civil complaint relating to market service agreements and other issues filed against MMC and Marsh by the New York State Attorney General in October 2004 and settled in January 2005; and market-timing and other issues at Putnam. Regulatory expenses in Risk and Insurance Services include fees for professional services provided by other MMC companies; the resulting inter-company balances are eliminated in Corporate. The negative amounts for Investment Management represent insurance recoveries relating to previously expensed legal fees.

(c) Reflects costs to address issues relating to the calculation of certain amounts paid by the Putnam mutual funds in previous years. The previous payments were cost reimbursements by the Putnam mutual funds to Putnam for transfer agency services related to defined contribution operations.

Stock-Option Expense. The year-over-year comparability of MMC's third quarter and nine-month financial results is affected by MMC's adoption, effective July 1, 2005, of SFAS 123(R) ("Share Based Payment"). Stock option expense for the three months ended September 30, 2006 was \$26 million: Risk and Insurance Services - \$11 million, Risk Consulting & Technology - \$0 million, Consulting - \$9 million, Investment Management - \$4 million, Corporate - \$2 million. Stock option expense for the nine months ended September 30, 2006 was \$93 million: Risk and Insurance Services - \$38 million, Risk Consulting &

Technology \$2 million, Consulting - \$32 million, Investment Management - \$11 million, Corporate - \$10 million. A charge of \$31 million for the quarter and nine months ended September 30, 2005 is reflected in Corporate results. For comparison purposes, an approximate allocation of the 2005 expense follows: Risk and Insurance Services - \$15 million, Consulting - \$10 million, Investment Management - \$3 million, Corporate - \$3 million.

Impact on Operating Margins in Risk and Insurance Services. In Risk and Insurance Services, noteworthy items and stock option expense together totaled \$156 million for the first nine months of 2006, affecting segment operating margin by 3.8 percentage points. Noteworthy items totaled \$363 million for nine months of 2005, affecting segment operating margin by 8.5 percentage points. Adjusting for these impacts, segment operating margin for the first nine months of 2006 was 17.3 percent, compared to 14.2 percent for the first nine months of 2005. This adjusted segment operating margin is a non-GAAP financial measure within the meaning of Regulation G promulgated by the Securities and Exchange Commission. MMC believes that presenting this measure may help investors and others understand aspects of Risk and Insurance Services operating performance that may not be apparent from MMC's reported GAAP results. However, this non-GAAP financial measure is not a substitute for MMC's reported GAAP information, and may not be comparable to similar information provided by industry peers.

Interest Expense. 2005 interest expense includes a \$34 million prepayment penalty related to a mortgage refinancing of MMC's headquarters building in New York.

Marsh & McLennan Companies, Inc.
Supplemental Information - Putnam Assets Under Management
(Billions) (Unaudited)

| | Sept. 30, 2006 | June 30, 2006 | March 31, 2006 | Dec. 31, 2005 | Sept. 30, 2005 |
|-----------------------------------|----------------------|------------------|----------------------|---------------------|----------------------|
| Mutual Funds: | | | | | |
| Growth Equity | \$26 | \$27 | \$31 | \$31 | \$32 |
| Value Equity | 36 | 36 | 37 | 37 | 38 |
| Blend Equity | 26 | 26 | 27 | 26 | 26 |
| Fixed Income | 30 | 30 | 31 | 32 | 33 |
| Total Mutual Fund Assets | 118 | 119 | 126 | 126 | 129 |
| Institutional: | | | | | |
| Equity | 34 | 32 | 34 | 34 | 33 |
| Fixed Income | 30 | 29 | 29 | 29 | 30 |
| Total Institutional Assets | 64 | 61 | 63 | 63 | 63 |
| Total Ending Assets | \$182 | \$180 | \$189 | \$189 | \$192 |
| Assets from Non-US Investors | \$34 | \$31 | \$32 | \$32 | \$33 |
| Average Assets Under Management: | | | | | |
| Quarter | \$179 | \$185 | \$190 | \$188 | \$195 |
| Year-to-Date | \$185 | \$188 | \$190 | \$196 | \$198 |

Net Redemptions including

| | | | | | |
|-----------------------|----------|----------|------------|----------|----------|
| Dividends Reinvested: | | | | | |
| Quarter | \$ (3.1) | \$ (6.0) | * \$ (6.6) | \$ (6.4) | \$ (8.5) |
| | ===== | ===== | ===== | ===== | ===== |
| Year-to-Date | \$(15.7) | \$(12.6) | \$(6.6) | \$(31.7) | \$(25.3) |
| | ===== | ===== | ===== | ===== | ===== |

| | | | | | |
|--|-------|---------|-------|-------|-------|
| Impact of Market/Performance on Ending Assets Under Management | \$5.5 | \$(3.5) | \$7.0 | \$2.8 | \$5.6 |
| | ===== | ===== | ===== | ===== | ===== |

* Net redemptions in the quarter include \$2.8 billion of redemptions in institutional equity resulting from ending Putnam's alliance with an Australian partner.

Categories of mutual fund assets reflect style designations aligned with Putnam's various prospectuses. All quarter-end assets conform with the current investment mandate for each product.

Marsh & McLennan Companies, Inc.
Consolidated Balance Sheets
(Millions) (Unaudited)

| | September 30, 2006 | December 31, 2005 |
|--|--------------------------|-------------------------|
| | ----- | ----- |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$1,682 | \$2,020 |
| Net receivables | 2,800 | 2,730 |
| Assets of discontinued operations | - | 153 |
| Other current assets | 367 | 359 |
| | ----- | ----- |
| Total current assets | 4,849 | 5,262 |
| Goodwill and intangible assets | 7,845 | 7,773 |
| Fixed assets, net | 1,098 | 1,178 |
| Long-term investments | 511 | 277 |
| Prepaid pension | 1,684 | 1,596 |
| Other assets | 1,828 | 1,806 |
| | ----- | ----- |
| TOTAL ASSETS | \$17,815 | \$17,892 |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Short-term debt | \$1,219 | \$498 |
| Accounts payable and accrued liabilities | 1,881 | 1,733 |
| Regulatory settlements-current portion | 236 | 333 |
| Accrued compensation and employee benefits | 1,188 | 1,413 |
| Liabilities of discontinued operations | 39 | 89 |
| Accrued income taxes | 64 | 192 |
| Dividends payable | 94 | 93 |
| | ----- | ----- |
| Total current liabilities | 4,721 | 4,351 |
| Fiduciary liabilities | 4,026 | 3,795 |
| Less - cash and investments held in a fiduciary capacity | (4,026) | (3,795) |

| | | |
|---|----------|----------|
| | ----- | ----- |
| | - | - |
| Long-term debt | 3,864 | 5,044 |
| Regulatory settlements | 173 | 348 |
| Pension, postretirement and postemployment benefits | 1,220 | 1,180 |
| Other liabilities | 1,633 | 1,609 |
| Total stockholders' equity | 6,204 | 5,360 |
| | ----- | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$17,815 | \$17,892 |
| | ===== | ===== |

Source: Marsh & McLennan Companies, Inc.

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