

MMC Reports Third Quarter 2008 Results

GAAP EPS Declines Due to Gain on Sale of Putnam Investments in 2007 Third Quarter Adjusted EPS Flat With Prior Year
Company Release - 11/05/2008 07:00

NEW YORK--(BUSINESS WIRE)--

Marsh & McLennan Companies, Inc. (MMC) today reported financial results for the third quarter ended September 30, 2008.

In the quarter, consolidated revenue was \$2.8 billion, up 5 percent from the third quarter of 2007. Revenue growth was 2 percent on an underlying basis, which measures the change in revenue before the impact of acquisitions and dispositions,

billion, an increase of 8 percent, or 3 percent on an underlying basis, from the comparable period in 2007.

Year-over-year net income comparisons were affected by MMC's gain of \$1.9 billion, net of tax, on the divestiture of Putnam Investments in August 2007, reflected in discontinued operations. In the third quarter of 2008, MMC's net loss was \$8 million, or \$.02 per share, compared with net income of \$1.9 billion, or \$3.60 per share, last year. Income from continuing operations in the third quarter of 2008, net of tax, was \$18 million, or \$.03 per share, compared with \$80 million, or \$.15 per share, last year. Third quarter 2008 results include an increase in professional liability reserves of \$33 million, or \$.04 per share, due to a recent adverse decision affecting Marsh.

On an adjusted basis, as presented in the attached supplemental schedules, earnings per share in the third quarter of 2008 was \$.21 per share, flat with last year. Adjusted earnings per share was \$1.08 for the first nine months compared with \$1.09 in 2007.

MMC's results for the nine months ended September 30, 2008 include the previously reported non-cash goodwill impairment charge of \$540 million in the Risk Consulting and Technology segment. This resulted in a net loss of \$153 million, or \$.30 per share. In the comparable period of 2007, net income was \$2.4 billion, or \$4.31 per share, reflecting the gain on the divestiture of Putnam Investments.

Brian Duperreault, president and chief executive officer of MMC, said: "I am pleased with MMC's solid performance, not only in the third quarter but also throughout the year. Results for the quarter were driven by continued improvement at Marsh. Guy Carpenter's alignment of expenses with revenue levels enabled it to maintain profitability on a year-over-year basis. Mercer reported excellent performance, with strong revenue growth across its businesses as well as margin improvement and increased profitability. Oliver Wyman had a difficult quarter due to adverse economic and financial market conditions. Kroll's growth in profitability was driven by its risk mitigation and litigation support businesses. Looking at our progress to date, I am encouraged by MMC's operating results, and optimistic about the future."

Risk and Insurance Services

MMC's Risk and Insurance Services segment revenue in the third quarter of 2008 was \$1.3 billion, an increase of 1 percent from the third quarter of 2007. For the first nine months of 2008, segment revenue was \$4.2 billion, an increase of 4 percent from the prior year. The operating loss in the third quarter of 2008 was \$28 million, including charges for noteworthy items of \$97 million and the increase in professional liability reserves of \$33 million. In the third quarter, adjusted operating income, which excludes only noteworthy items, increased to \$69 million from \$5 million last year, due to Marsh's improved operating performance.

Marsh's revenue in the third quarter was \$1.1 billion, an increase of 3 percent from last year, or 1 percent on an underlying basis. The strongest underlying growth was in Asia Pacific, with 11 percent growth; EMEA, with 4 percent growth; and Latin America, with 3 percent growth. Marsh's client revenue retention in the quarter improved on a year-over-year basis, continuing the trend seen throughout the year. New business remained strong in the current quarter, at levels consistent with the year-ago period. Marsh's third quarter results were achieved in an environment of continued price competition in-5.2()27.4267 0e y

MMC's Consulting segment revenue grew 9 percent to \$1.3 billion in the third quarter of 2008. Operating income was \$157 million, an increase of 6 percent from \$148 million in the thir

of acquisitions and dispositions; pension obligations; cash flow and liquidity; future actions by regulators; the impact of changes in accounting rules; and changes in senior management.

Forward-looking statements are subject to inherent risks and uncertainties. Factors that could cause actual results to differ materially from those expressed or implied in our forward-looking statements include:

- the challenges we face in achieving profitable revenue growth and improving operating margins at Marsh;
- the extent to which we retain existing clients and attract new business, and our ability to incentivize and retain key employees;
- 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;
- 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;
- revenue fluctuations in risk and insurance services relating to the effect of new and lost business production and the timing of policy inception dates;
- the impact on our consulting segment of pricing trends, utilization rates, the general economic environment and legislative changes affecting client demand;
- the impact of competition, including with respect to pricing, the emergence of new competitors, and the fact that many of Marsh's competitors are not constrained in their ability to receive contingent commissions;
- the impact of current financial market conditions on our results of operations and financial condition;
- the potential impact of legislative, regulatory, accounting and other initiatives which may be taken in response to the current financial crisis;
- our exposure to potential liabilities arising from errors and omissions claims against us, including claims of professional negligence in providing actuarial services, such as those alleged by the Alaska Retirement Management Board against Mercer;
- the ultimate economic impact on MMC of contingencies described in the notes to our financial statements, including the risk of a significant adverse outcome in the shareholder lawsuit against MMC concerning the late 2004 decline in MMC's share price;
- our ability to meet our financing needs by generating cash from operations and accessing external financing sources, including the impact of current economic conditions on our cost of financing or ability to borrow;
- the potential impact of rating agency actions on our cost of financing and ability to borrow, as well as on our operating costs and competitive position;
- changes in the funded status of our global defined benefit

pension plans and the impact of any increased pension funding resulting from those changes;

- our ability to make strategic acquisitions and dispositions and to integrate, and realize expected synergies, savings or strategic benefits from, the businesses we acquire;
- the impact on net income of foreign exchange and/or interest rate fluctuations;
- changes in applicable tax or accounting requirements;
- potential income statement effects from the application of FIN 48 ("Accounting for Uncertainty in Income Taxes") and SFAS 142 ("Goodwill and Other Intangible Assets"), including the effect of any subsequent adjustments to the estimates MMC uses in applying these accounting standards;
- the impact of, and potential challenges in complying with, legislation and regulation in the jurisdictions in which we operate, particularly given the global scope of our businesses and the possibility of conflicting regulatory requirements across the jurisdictions in which we do business; and
- other risks detailed from time to time in MMC's filings with the Securities and Exchange Commission.

The factors identified above are not exhaustive. MMC and its subsidiaries operate in a dynamic business environment in which new risks may emerge frequently. Accordingly, MMC cautions readers not to place undue reliance on its forward-looking statements, which speak only as of the dates on which they are made. MMC undertakes no obligation to update or revise any forward-looking statement to reflect events or circumstances arising after the date on which it is made. Further information concerning MMC and its businesses, including information about factors that could materially affect our results of operations and financial condition, is contained in MMC's filings with the Securities and Exchange Commission, including the "Risk Factors" section of MMC's most recently filed Annual Report on Form 10-K.

Marsh & McLennan Companies, Inc.
Consolidated Statements of Income
(In millions, except per share figures)
(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|----------------------------|--|---------|---------------------------------------|---------|
| | 2008 | 2007 | 2008 | 2007 |
| Revenue | \$2,838 | \$2,716 | \$8,925 | \$8,262 |
| Expense: | | | | |
| Compensation and Benefits | 1,811 | 1,778 | 5,524 | 5,109 |
| Other Operating Expenses | 957 | 822 | 2,697 | 2,462 |
| Goodwill Impairment Charge | - | - | 540 | - |
| Total Expense | 2,768 | 2,600 | 8,761 | 7,571 |
| Operating Income | 70 | 116 | 164 | 691 |
| Interest Income | 10 | 30 | 40 | 64 |
| Interest Expense | (54) | (65) | (165) | (211) |
| Investment Income (Loss) | (23) | 78 | (31) | 163 |

| | | | | |
|---|------|-----|-----|-----|
| Income Before Income Taxes and Minority Interest Expense | 3 | 159 | 8 | 707 |
| Income Taxes | (18) | 75 | 142 | 251 |

| | | | | | | |
|--------------------------------------|---------|---------|-------|------|----|-------|
| Group | 377 | 374 | 1% | 2% | 4% | (5)% |
| | ----- | ----- | | | | |
| Total Consulting | 1,328 | 1,218 | 9% | 1% | 2% | 6% |
| | ----- | ----- | | | | |
| Risk Consulting & Technology | | | | | | |
| Kroll | 218 | 210 | 4% | - | 5% | (1)% |
| Corporate Advisory and Restructuring | 36 | 48 | (25)% | (3)% | - | (22)% |
| | ----- | ----- | | | | |
| Total Risk Consulting & Technology | 254 | 258 | (2)% | (1)% | 4% | (5)% |
| | ----- | ----- | | | | |
| Total Operating Segments | 2,857 | 2,739 | 4% | 1% | 1% | 2% |
| Corporate Eliminations | (19) | (23) | | | | |
| | ----- | ----- | | | | |
| Total Revenue | \$2,838 | \$2,716 | 5% | 2% | 1% | 2% |
| | ===== | ===== | | | | |

Revenue Details

The following table provides more detailed revenue information for certain of the components presented above:

| | Components of Revenue Change | | | | | |
|------------------------------------|------------------------------|--------------------|-----------------------|-----------------|---------------------------|--------------------|
| | Three Months Ended | | % Change GAAP Revenue | Currency Impact | Acquisitions/Dispositions | Underlying Revenue |
| | September 30, 2008 | September 30, 2007 | | | | |
| Marsh: | | | | | | |
| EMEA | \$ 370 | \$ 345 | 7% | 3% | - | 4% |
| Asia Pacific | 110 | 96 | 15% | 4% | - | 11% |
| Latin America | 65 | 60 | 9% | 11% | (5)% | 3% |
| | ----- | ----- | | | | |
| Total International | 545 | 501 | 9% | 5% | (1)% | 5% |
| U.S. and Canada | 525 | 536 | (2)% | - | - | (2)% |
| | ----- | ----- | | | | |
| Total Marsh | \$1,070 | \$1,037 | 3% | 2% | - | 1% |
| | ===== | ===== | | | | |
| Mercer: | | | | | | |
| Retirement | \$ 299 | \$ 255 | 17% | 1% | 5% | 11% |
| Health and Benefits | 238 | 210 | 13% | 1% | - | 12% |
| Other Consulting Lines | 154 | 140 | 10% | 2% | (1)% | 9% |
| | ----- | ----- | | | | |
| Total Mercer Consulting | 691 | 605 | 14% | 1% | 2% | 11% |
| Outsourcing | 183 | 171 | 7% | - | - | 7% |
| Investment Consulting & Management | 77 | 68 | 13% | - | 1% | 12% |

| | | | | | | |
|--------------------------------------|--------|--------|-------|------|-----|-------|
| Total Mercer | \$ 951 | \$ 844 | 12% | 1% | 1% | 10% |
| | ===== | ===== | | | | |
| Kroll: | | | | | | |
| Litigation Support and Data Recovery | \$ 82 | \$ 69 | 18% | 1% | 14% | 3% |
| Background Screening | 65 | 78 | (16)% | (1)% | - | (15)% |
| Risk Mitigation and Response | 71 | 63 | 12% | - | - | 12% |
| | ----- | ----- | | | | |
| Total Kroll | \$ 218 | \$ 210 | 4% | - | 5% | (1)% |
| | ===== | ===== | | | | |

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 included in revenue amounted to \$40 million and \$53 million for the three months ended September 30, 2008 and 2007, respectively.

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

| | Nine Months Ended September 30, | | % Change GAAP Revenue | Components of Revenue Change | | |
|--------------------------------------|------------------------------------|---------|-----------------------------|------------------------------|---|------------------------|
| | | | | Currency Impact | Acqui s- i tions/ Di spos- i tions Impact | Underl ying Revenue |
| | | | | | | |
| Risk and Insurance Services | | | | | | |
| Marsh | \$3,508 | \$3,303 | 6% | 4% | - | 2% |
| Guy Carpenter | 682 | 735 | (7)% | 2% | - | (9)% |
| | ----- | ----- | | | | |
| Total Risk and Insurance Services | 4,190 | 4,038 | 4% | 4% | - | - |
| | ----- | ----- | | | | |
| Consulting | | | | | | |
| Mercer | 2,835 | 2,486 | 14% | 4% | 1% | 9% |
| Oliver Wyman Group | 1,162 | 1,079 | 8% | 4% | 3% | 1% |
| | ----- | ----- | | | | |
| Total Consulting | 3,997 | 3,565 | 12% | 4% | 1% | 7% |
| | ----- | ----- | | | | |
| Risk Consulting & Technology | | | | | | |
| Kroll | 678 | 604 | 12% | 1% | 6% | 5% |
| Corporate Advisory and Restructuring | 114 | 136 | (16)% | (1)% | - | (15)% |

| | | | | | | | |
|------------------------------------|-------|-------|-------|-------|----|-----------------|-------|
| Total Risk Consulting & Technology | 792 | 740 | 7% | 1% | 5% | 1% | |
| Total Operating Segments | 8,979 | 8,343 | 8% | 4% | 1% | 3% | |
| Corporate-qqqq[)-3i mi n(ToT* | | | 4(54) | 4(81) | 5% | 1%)JJK()-6.7(| ----- |

| | | | | | | |
|--------------|--------|--------|-----|----|----|-----|
| and Response | 215 | 184 | 16% | 2% | - | 14% |
| | ----- | ----- | | | | |
| Total Kroll | \$ 678 | \$ 604 | 12% | 1% | 6% | 5% |
| | ===== | ===== | | | | |

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 included in revenue amounted to \$123 million and \$149 million for the nine months ended September 30, 2008 and 2007, respectively.

Marsh & McLennan Companies, Inc.
Non-GAAP Measures
Three Months Ended September 30
(Millions) (Unaudited)

MMC presents below certain additional financial measures that are "non-GAAP measures," within the meaning of Regulation G under the Securities Exchange Act of 1934. These measures are: adjusted operating income; adjusted operating margin and adjusted income, net of tax.

MMC presents these non-GAAP measures to provide investors with additional information to analyze the company's performance from period to period. Management also uses these measures to assess performance for incentive compensation purposes and to allocate resources in managing MMC's businesses. However, investors should not consider these non-GAAP measures in isolation from, or as a substitute for, the financial information that MMC reports in accordance with GAAP. MMC's non-GAAP measures reflect subjective determinations by management, and may differ from similarly titled non-GAAP measures presented by other companies.

Adjusted Operating Income and Adjusted Operating Margin
Adjusted operating income is calculated by excluding the impact of certain noteworthy items from MMC's GAAP operating income. The following table identifies these noteworthy items and reconciles adjusted operating income to GAAP operating income, on a consolidated and segment basis, for the three months ended September 30, 2008 and 2007. The following tables also present adjusted operating margin, which is calculated by dividing adjusted operating income by consolidated or segment GAAP revenue.

| | Risk & Insurance Services | Consul ting | Ri sk Consul ting & Technology | Corporate | Total |
|---|---------------------------------|-------------|---|-----------|-------|
| | ----- | ----- | ----- | ----- | ----- |
| Three Months Ended September 30, 2008 | | | | | |
| Operating income | \$ (28) | \$ 157 | \$ 28 | \$ (87) | \$ 70 |
| Add impact of noteworthy items: | | | | | |
| Restructuring Charges (a) | 68 | 1 | - | 49 (b) | 118 |
| Settlement, Legal and Regulatory (c) | 15 | - | - | - | 15 |
| Accel erated Amorti zation/ Depreci ation | 14 | - | - | - | 14 |
| | ----- | ----- | ----- | ----- | ----- |

| | | | | | |
|---------------------------------------|--------|--------|-------|---------|-------|
| Operating income adjustments | 97 | 1 | - | 49 | 147 |
| Adjusted operating income | \$ 69 | \$ 158 | \$ 28 | \$ (38) | \$217 |
| Operating margin | N/A | 11.8% | 11.0% | N/A | 2.5% |
| Adjusted operating margin | 5.4% | 11.9% | 11.0% | N/A | 7.6% |
| Three Months Ended September 30, 2007 | | | | | |
| Operating income | \$(11) | \$ 148 | \$ 29 | \$ (50) | \$116 |
| Add impact of noteworthy items: | | | | | |
| Restructuring Charges (a) | 3 | - | - | 11 | 14 |
| Settlement, Legal and Regulatory (c) | 12 | - | - | - | 12 |
| Accelerated Amortization/Depreciation | 1 | 1 | - | 1 | 3 |
| Operating income adjustments | 16 | 1 | - | 12 | 29 |
| Adjusted operating income | \$ 5 | \$ 149 | \$ 29 | \$ (38) | \$145 |
| Operating margin | N/A | 12.2% | 11.2% | N/A | 4.3% |
| Adjusted operating margin | 0.4% | 12.2% | 11.2% | N/A | 5.3% |

(a) Primarily includes severance from restructuring activities and related charges, costs for future rent and other real estate costs, and fees and consulting costs related to cost reduction activities.

(b) Represents future rent and other real estate costs to exit five floors in MMC's New York headquarters building.

(c) Reflects legal fees 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, including indemnification of former employees for legal fees.

Noteworthy items exclude a credit of \$10 million for a payment received in the third quarter of 2008 from U.S. Investigations Services Inc. in connection with the hiring of MMC's former CEO. This amount was recorded in operating income as a reduction of corporate expense. Noteworthy items also exclude a \$33 million charge in the third quarter of 2008 to increase professional liability reserves recorded in risk and insurance services. These items are therefore included in both operating income and adjusted operating income.

Marsh & McLennan Companies, Inc.
Non-GAAP Measures
Nine Months Ended September 30
(Millions) (Unaudited)

MMC presents below certain additional financial measures that are "non-GAAP measures," within the meaning of Regulation G under the Securities Exchange Act of 1934. These measures are: adjusted operating income; adjusted operating margin and adjusted income, net of tax.

MMC presents these non-GAAP measures to provide investors with additional information to analyze the company's performance from period to period. Management also uses these measures to assess performance for incentive compensation purposes and to allocate resources in managing MMC's businesses. However, investors should not consider these non-GAAP measures in isolation from, or as a substitute for, the financial information that MMC reports in accordance with GAAP. MMC's non-GAAP measures reflect subjective determinations by management, and may differ from similarly titled non-GAAP measures presented by other companies.

Adjusted Operating Income and Adjusted Operating Margin

Adjusted operating income is calculated by excluding the impact of certain noteworthy items from MMC's GAAP operating income. The following table identifies these noteworthy items and reconciles adjusted operating income to GAAP operating income, on a consolidated and segment basis, for the nine months ended September 30, 2008 and 2007. The following tables also present adjusted operating margin, which is calculated by dividing adjusted operating income by consolidated or segment GAAP revenue.

| | Risk & Insurance Services | Risk Consulting | Risk Consulting & Technology | Corporate | Total |
|--|---------------------------------|--------------------|---------------------------------------|-----------|--------|
| ----- | | | | | |
| Nine Months Ended September 30, 2008 | | | | | |
| Operating income | \$ 356 | \$ 473 | \$(470) | \$(195) | \$ 164 |
| Add impact of noteworthy items: | | | | | |
| Restructuring Charges (a) | 129 | 1 | 7 | 67 (b) | 204 |
| Settlement, Legal and Regulatory (c) | 38 | - | - | - | 38 |
| Goodwill Impairment Charge | - | - | 540 | - | 540 |
| Other | 3 | - | - | - | 3 |
| Accelerated Amortization/ Depreciation | 14 | - | - | - | 14 |
| Operating income adjustments | 184 | 1 | 547 | 67 | 799 |
| Adjusted operating income | \$ 540 | \$ 474 | \$ 77 | \$(128) | \$ 963 |
| Operating margin | 8.5% | 11.8% | N/A | N/A | 1.8% |
| | ===== | ===== | ===== | ===== | ===== |

| | | | | | |
|--|--------|--------|-------|---------|--------|
| Adjusted operating margin | 12.9% | 11.9% | 9.7% | N/A | 10.8% |
| ===== | | | | | |
| Nine Months Ended September 30, 2007 | | | | | |
| ----- | | | | | |
| Operating income | \$ 292 | \$ 445 | \$ 83 | \$(129) | \$ 691 |
| ----- | | | | | |
| Add (deduct) impact of noteworthy items: | | | | | |
| Restructuring Charges (a) | 31 | 1 | - | 22 | 54 |
| Settlement, Legal and Regulatory (c) | 38 | - | - | - | 38 |
| Accelerated Amortization/Depreciation | 9 | 6 | - | 4 | 19 |
| Other (d) | - | - | - | (14) | (14) |
| ----- | | | | | |
| Operating income adjustments | 78 | 7 | - | 12 | 97 |
| ----- | | | | | |
| Adjusted operating income | \$ 370 | \$ 452 | \$ 83 | \$(117) | \$ 788 |
| ===== | | | | | |
| Operating margin | 7.2% | 12.5% | 11.2% | N/A | 8.4% |
| ===== | | | | | |
| Adjusted operating margin | 9.2% | 12.7% | 11.2% | N/A | 9.5% |
| ===== | | | | | |

(a) Primarily includes severance from restructuring activities and related charges, costs for future rent and other real estate costs, and fees and consulting costs related to cost reduction activities.

(b) Restructuring charges include \$49 million of future rent and other real estate costs to exit five floors in MMC's New York headquarters building.

(c) Reflects legal fees 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, including indemnification of former employees for legal fees.

(d) Represents an adjustment related to the separation of former MMC senior executives.

Noteworthy items exclude a credit of \$10 million for a payment received in the third quarter of 2008 from U.S. Investigations Services Inc. in connection with the hiring of MMC's former CEO. This amount was recorded in operating income as a reduction of corporate expense. Noteworthy items also exclude a \$33 million charge in the third quarter of 2008 to increase professional liability reserves recorded in risk and insurance services. These items are therefore included in both operating income and adjusted operating income.

(Millions) (Unaudited)

Adjusted Income, net of tax

Adjusted income, net of tax is calculated as: (i) MMC's GAAP income (loss) from continuing operations, adjusted (a) to reflect the after-tax impact of the operating income adjustments set forth in the preceding table and (b) to include the operating income, net of tax, of MMC's former subsidiary, Putnam (included in discontinued operations through August 2, 2007); divided by (ii) MMC's average number of shares outstanding--diluted for the period.

Adjusted income, net of tax does not include gains or losses from the sales of operations included in discontinued operations, but, as noted above, does include the operating income of Putnam in 2007.

Reconciliation of the Impact of Non-GAAP Measures on Diluted Earnings Per Share - Three Months Ended

| | Three Months Ended 2008 | Diluted EPS | Three Months Ended 2007 | Diluted EPS |
|--|-------------------------|-------------|-------------------------|-------------|
| Income from continuing operations | \$18 | \$0.03 | \$80 | \$0.15 |
| Add impact of operating income adjustments | \$147 | | \$29 | |
| Deduct impact of income tax expense | (54) | | (9) | |
| | 93 | 0.18 | 20 | 0.04 |
| Income from continuing operations, as adjusted | 111 | 0.21 | 100 | 0.19 |
| Add Putnam operating income, net of tax | - | - | 13 | 0.02 |
| Adjusted income, net of tax | \$111 | \$0.21 | \$113 | \$0.21 |

Reconciliation of the Impact of Non-GAAP Measures on Diluted Earnings Per Share - Nine Months Ended

| | Nine Months Ended 2008 | Diluted EPS | Nine Months Ended 2007 | Diluted EPS |
|--|------------------------|-------------|------------------------|-------------|
| (Loss) income from continuing operations | \$(142) | \$(0.28) | \$448 | \$0.81 |
| Add impact of operating income adjustments | \$799 | | \$97 | |
| Deduct impact of income tax expense | (94) | | (31) | |
| | 705 | 1.36 | 66 | 0.12 |
| Income from continuing operations, as adjusted | 563 | 1.08 | 514 | 0.93 |
| Add Putnam operating income, net of tax | - | - | 90 | 0.16 |
| Adjusted income, net of tax | \$563 | \$1.08 | \$604 | \$1.09 |

Marsh & McLennan Companies, Inc.
Consolidated Balance Sheets

(Millions) (Unaudited)

| | September 30, 2008 | December 31, 2007 |
|---|-----------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,461 | \$ 2,133 |
| Net receivables | 2,914 | 2,874 |
| Other current assets | 430 | 447 |
| Total current assets | 4,805 | 5,454 |
| Goodwill and intangible assets | 7,335 | 7,759 |
| Fixed assets, net | 1,037 | 992 |
| Pension related asset | 1,318 | 1,411 |
| Other assets | 1,531 | 1,743 |
| TOTAL ASSETS | \$16,026 | \$17,359 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Short-term debt | \$ 408 | \$ 260 |
| Accounts payable and accrued liabilities | 1,686 | 1,670 |
| Regulatory settlements-current portion | - | 177 |
| Accrued compensation and employee benefits | 1,116 | 1,290 |
| Accrued income taxes | - | 96 |
| Dividends payable | 104 | - |
| Total current liabilities | 3,314 | 3,493 |
| Fiduciary liabilities | 3,774 | 3,612 |
| Less - cash and investments held in a fiduciary capacity | (3,774) | (3,612) |
| | - | - |
| Long-term debt | 3,197 | 3,604 |
| Pension, postretirement and postemployment benefits | 788 | 709 |
| Liabilities for errors and omissions | 586 | 596 |
| Other liabilities | 1,225 | 1,135 |
| Total stockholders' equity | 6,916 | 7,822 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$16,026 | \$17,359 |

Source: Marsh & McLennan Companies, Inc.
