

COMMITMENT

Commitment is rooted in Goldman Sachs' distinctive culture; it has been our foundation and fuel throughout our 131-year history. Clients have come to value our commitment to helping them innovate and execute ambitious strategies. For some clients, our commitment to innovation helped them become formidable global competitors. For others, our commitment to the superior execution of complex deals reinforced their trust in us and contributed to their continued success. As a firm, we pride ourselves on our high level of client service. The people of Goldman Sachs remain committed to our culture of innovation and execution that enables us to deliver for our clients.

FELLOW SHAREHOLDERS

2000 was a remarkable year for Goldman Sachs and a rewarding one for our shareholders. In our first full year as a public company, we posted record earnings⁽¹⁾ of \$3.25 billion, up 27% from \$2.55 billion in 1999. Earnings per diluted share rose to \$6.35, a 20% increase from \$5.27 in 1999. And our return on equity reached 27%.

These results reflect more than a very good year for a number of our businesses. They are also evidence of our continued progress toward our goal of becoming the preeminent, global investment banking and securities firm. This goal is underpinned by a strategy that emphasizes expanding in key markets our core



John A. Thain / Henry M. Paulson, Jr. / John L. Thornton

businesses: Global Capital Markets (Investment Banking and Trading and Principal Investments) and Asset Management and Securities Services. Our goal is for Goldman Sachs to be the financial advisor of choice for the most important and influential corporations, institutions and individuals worldwide. It is critical that we capture — and keep — a leading share of the high value-added business of these clients. In 2000, we experienced marked success in doing so.

In Investment Banking, for instance, we were the number one advisor in merger transactions on a worldwide basis. Goldman Sachs advised on a total of \$1.3 trillion in announced transactions, including seven out of ten of the largest in the world. We hold strong leadership positions in key growth industries, including telecommunications, financial institutions, technology, healthcare and energy. Goldman Sachs was also the number one global underwriter of initial public offerings (IPOs) and all common stock

offerings. In addition, we improved our high-yield underwriting business, finishing the year with the number two market share in the United States.

In 2000, we also continued to expand our most profitable trading businesses. We placed a special emphasis on client-driven transactions and solving complex problems with highly tailored solutions. During the course of the year, we succeeded in increasing our trading revenues while lowering risk. In Fixed Income, Currency and Commodities (FICC), net revenues grew by 5% despite difficult market conditions. Our Equities business posted spectacular gains, with net revenues up 78% over 1999. In October, we strengthened our capabilities in the equity market through our combination with Spear, Leeds & Kellogg, an industry leader in securities market making and clearing. In Principal Investments, we substantially expanded our global platform, raising \$8 billion in new private equity and real estate funds. Goldman Sachs now manages more than \$30 billion of merchant banking investments for our clients and our own account.

Asset Management and Securities Services also generated strong growth in 2000. Net revenues rose 43% from 1999 and assets under management reached \$294 billion, a 14% increase over the previous year. Since 1995, our assets under management have expanded at an average rate of 41% per year, making us one of the fastest growing large asset managers in the industry. In 2000, we added \$40 billion of new client assets, building on \$34 billion and \$46 billion increases in 1999 and 1998, respectively. This growth is testimony to both our investment record and distribution power. We see attractive growth opportunities in the high-net-worth market and are investing to capture an increasing share of it.

A strong capital position is an important part of our strategy. Indeed, one of the principal reasons we became a public company was to secure the permanent capital necessary to serve our clients better. Since our IPO, our equity capital has grown from \$6.6 billion to \$16.5 billion. Despite this increase, we remain as disciplined about our capital as we were when we were a private partnership. Our capital is available to help clients meet their important needs but we use it carefully for those transactions where we can combine it with our expertise and where we believe that the potential rewards justify the risk. We owe our shareholders no less.

⁽¹⁾ Results for 2000 exclude the charge related to our combination with Spear, Leeds & Kellogg. Results for 1999 reflect the pro forma effect of our incorporation and related transactions. Source of market share information: Thomson Financial Securities Data

We continue to compete with firms with more capital than Goldman Sachs. And, in 2000, we continued to compete successfully. The reason is simple: Our clients choose us not just because of our balance sheet but because of even more important assets — our reputation for excellence and our people who provide the very best advice and execution.

Our distinctive culture — which emphasizes integrity, entrepreneurship, excellence, teamwork and fairness — has allowed us to assemble the most talented team in the business. Our IPO further strengthened our culture by giving all our employees a stake in the firm's future. Today, the people of Goldman Sachs own more than 55% of the firm, making us one of the largest employee-owned companies in the world and the employer of choice in our industry.

It is critical that Goldman Sachs continue to be a magnet for talent at both senior and entry levels. This is why attracting, retaining and rewarding the very best individuals was one of our highest priorities in 2000. As part of this effort, in November we expanded our senior leadership by selecting 114 new participating managing directors and naming 198 new managing directors. These individuals — the most diverse group of senior leaders we have ever chosen — combine tested professional excellence with a strong personal commitment to our core values.

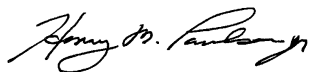
We are proud of our accomplishments in 2000. Our scope was truly global, with European and Asian operations representing more than 35% of our workforce and more than 40% of our net revenues. In key businesses — advisory services, underwriting and trading — we are leaders in every important market in the world. And our asset management business, already strong, is poised for even more global growth in the future.

In 2000, we were fortunate to exceed again our financial goals of a return on equity of more than 20% and earnings growth in the 12–15% range. These remain our objectives. But, looking forward, we do not expect a predictable, stable pattern of quarter-over-quarter earnings increases. Goldman Sachs will continue to seek faster growth in our investment banking and asset management businesses to ensure greater stability in our earnings. But fluctuating market conditions mean that the securities industry can never attain the stability of some other businesses.

The markets of the last months of 2000 and the first part of 2001 produced a much less favorable business environment than earlier in 2000, reminding us that our greatest challenge remains managing growth. We will be disciplined in our approach, but we will continue to build for the future. In our business, periods of slowing and volatility are to be expected, but they do not change our enthusiasm about the medium to long term. And, in the short term, they provide us with an opportunity to strengthen our competitive position.

The untimely death of Michael Mortara in November was a loss to the firm and to all of us who had the privilege of working with him. Mike played an instrumental role in the creation of the mortgage-backed securities market in the 1980s. As co-head of our FCC Division from 1994 to 2000 and, from May 2000, president and CEO of GS Ventures, the firm's financial services incubator, Mike was one of the most respected and beloved members of the Goldman Sachs family.

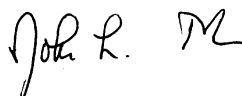
Looking ahead, the changes sweeping today's economy — globalization, deregulation, consolidation, technological transformation and pension reform — are creating a business environment of great opportunities. By virtue of the firm's global presence, unparalleled reputation and extraordinary people, Goldman Sachs is well positioned to seize those opportunities on behalf of our shareholders. We are absolutely committed to doing so in 2001 and beyond.



Henry M. Paulson, Jr.
Chairman and Chief Executive Officer



John A. Thain
President and Co-Chief Operating Officer



John L. Thornton
President and Co-Chief Operating Officer

OUR CORE BUSINESSES

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.

Our activities are divided into two segments:

Global Capital Markets, which comprises our Investment Banking and Trading and Principal Investments businesses, and Asset Management and Securities Services. The product and service offerings within these segments are described in the following tables:

GLOBAL CAPITAL MARKETS

INVESTMENT BANKING

- Equity and debt underwriting
- Financial restructuring advisory services
- Mergers and acquisitions advisory services
- Real estate advisory services

TRADING AND PRINCIPAL INVESTMENTS

- Bank loans
- Commodities
- Currencies
- Equity and fixed income derivatives
- Equity and fixed income securities
- Principal investments
- Proprietary arbitrage
- Specialist in securities and options

Our Investment Banking activities are divided into two categories: Financial Advisory and Underwriting. Financial Advisory includes advisory assignments with respect to mergers and acquisitions, divestitures, corporate defense activities, restructurings and spin-offs. Underwriting includes public offerings and private placements of equity and debt securities.

Our Trading and Principal Investments activities are divided into three categories: Fixed Income, Currency and Commodities; Equities; and Principal Investments. In our Trading and Principal Investments business, we facilitate client transactions and take proprietary positions through market making in, and trading of, fixed income and equity products, currencies, commodities, and swaps and other derivatives. In addition, we engage in floor-based market making as a specialist on U.S. equities and options exchanges. Principal Investments primarily represents net revenues from our merchant banking investments.

ASSET MANAGEMENT AND SECURITIES SERVICES

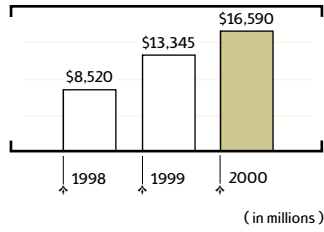
- Commissions
- Institutional and high-net-worth asset management
- Margin lending
- Matched book
- Merchant banking fees
- Increased share of merchant banking fund income and gains
- Mutual funds
- Prime brokerage
- Securities lending
- Securities and options clearing services

Our Asset Management and Securities Services activities are divided into three categories: Asset Management, Securities Services and Commissions. In Asset Management, we provide a broad array of investment advisory services to a diverse client base. Securities Services includes prime brokerage, financing services and securities lending, and our matched book businesses. Commissions include clearing and agency transactions for clients on major stock, options and futures exchanges and revenues from the increased share of the income and gains derived from our merchant banking funds.

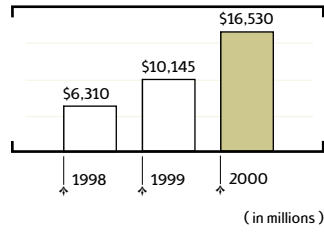
FINANCIAL HIGHLIGHTS

FIRMWIDE

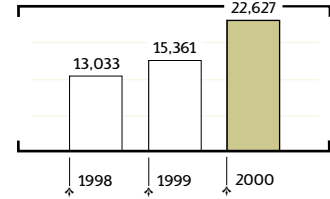
Net Revenues



Equity Capital



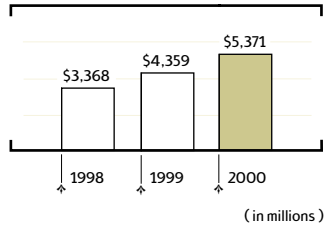
Employees



GLOBAL CAPITAL MARKETS

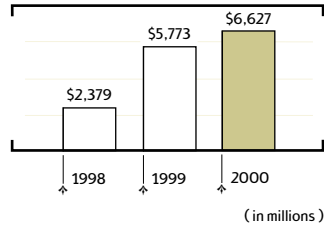
Investment Banking

Net Revenues



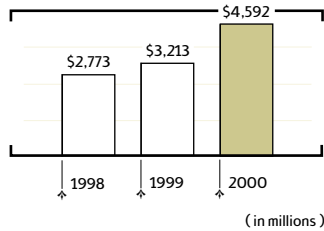
Trading and Principal Investments

Net Revenues

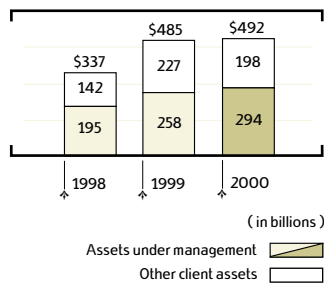




ASSET MANAGEMENT AND SECURITIES SERVICES

Net Revenues



Assets Under Supervision



Assets under management 
Other client assets 

CULTURE

COMMITMENT TO:



1938

Events such as the first annual Goldman Sachs outing set the foundation for the firm's distinctive culture.

Our culture's success is based on its ability to grow and adapt to its new environments without losing its sense of cohesion or compromising its principles. As global demand for our services has increased, we have grown substantially. We are providing new products and services, entering new markets, acquiring new resources and helping new clients. This activity is all predicated on our continued ability to attract and retain some of the most talented people in the world. Our culture is the glue that makes this possible, and enables colleagues old and new to work together to meet the exacting standards of our clients and shareholders. Our firm's long-standing values of teamwork, client focus, excellence and entrepreneurship remain codified in our business principles. Over the past year, the firm has initiated new programs and expanded existing ones that encourage the people of Goldman Sachs to adhere to their principles and to keep their culture vibrant and responsive.

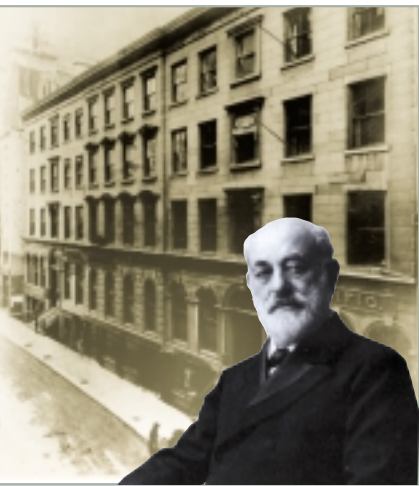


2000
Goldman Sachs continues to value teamwork, integrity, excellence and entrepreneurship. The culture has allowed us to strengthen our position as the employer of choice in our industry.

As the number of people at Goldman Sachs has increased significantly over the years, the firm has remained committed to a **CULTURE** of individual excellence within a community dedicated to teamwork and leadership.

1990s

To help further the professional development of its people, Goldman Sachs institutes a full 360-degree review process.



1984

Goldman Sachs is the only investment bank ranked in the top 10 in the first publication of *The 100 Best Companies to Work for in America*.

1922

Goldman Sachs is committed to hiring the best people and is one of the first investment banks to annually recruit MBAs from Harvard Business School.

1978

Goldman Sachs creates its original business principles.

1869

Marcus Goldman establishes M. Goldman, banker and broker, on Pine Street in New York City.

EMPLOYEE GROWTH



2000

Today, Goldman Sachs employs over 22,000 people in 42 offices in more than 20 countries. We include 130 nationalities, and we speak over 70 different languages, from Amharic to Zulu.

1997

Goldman Sachs launches an on-campus strategic recruiting initiative, *Minds. Wide Open®*.

2000

Goldman Sachs is ranked 15th in *Fortune's* 100 Best Companies to Work For. The firm is also selected as one of the 100 best companies for working mothers by *Working Mother* magazine.



1992

Goldman Sachs formalizes a long history of community service by creating the Community Service Department.

2000

Goldman Sachs continues its commitment to training, offering its people an average of 60 hours of professional development and setting up Pine Street, a training and development initiative for its managing directors.

1999

Goldman Sachs becomes a public company, sharing broad ownership across the firm.

1999

To strengthen its commitment to charitable initiatives in the field of education, the firm makes a \$200 million contribution to The Goldman Sachs Foundation.

1999

Goldman Sachs establishes the Wellness Exchange to help employees optimize their work / life balance and enhance their health and overall quality of life.

1992

1995

1999

2000

Recruiting

In a service business, to be the best firm, you must have exceptional people. Therefore, we make an unusual effort to recruit the best individual for every job, selecting our employees one by one. In fact, identifying and attracting top talent is a way of life here, and a firmwide responsibility of all of our employees across divisions and geographies. This is increasingly challenging given the firm's exceptional growth and the heightened competition for talent in the marketplace. Whether it is for opportunities in investment banking, sales and trading, or software design and systems implementation, our search for talent knows no bounds.

This process is aided by robust programs to identify undergraduates, graduates and experienced hires who are team- and goal-oriented, and who thrive on challenges. Our Minds. Wide Open® philosophy means that a wide variety of backgrounds and talents are welcomed, and that a diversity of ideas and informed opinions are encouraged — in fact, expected.



Diversity

At Goldman Sachs, we recognize that having a diverse workforce encourages increased creativity and innovation, which is crucial to improved performance and continued business success. To that end, we are committed to creating an environment that values diversity and promotes inclusion.

We are constantly strengthening our mentoring, training and work / life balance programs in an effort to ensure that all employees have access to professional and personal development opportunities. We also offer numerous ways for employees to network and explore their varied backgrounds through events sponsored by our affinity groups and programs to promote cultural awareness.

Our goals for a more inclusive workforce have resulted in a highly focused recruiting strategy. We actively seek out diverse candidates by broadening the schools that we target globally in order to reach a wide spectrum of strong candidates. In addition, we participate in several academic and organizational career conferences for minorities and women in order to find

talented individuals. Further, we offer academic scholarships, educational opportunities, summer internships and full-time positions to many outstanding students.

The firm continuously supports and sponsors a myriad of organizations in the community such as Rainbow PUSH/Wall Street Project, The Jackie Robinson Foundation and Junior Achievement. Furthermore, we actively reach out to minority- and women-owned businesses through our Supplier Diversity Program and Urban Investment Group.

We believe that our culture, built on teamwork and excellence, affords opportunities for everyone to have an important impact on the building of our businesses. We are constantly striving toward a more diverse workplace, both for the benefit of the firm and in order to more successfully meet the needs of our clients.

John C. Whitehead Award

This year, the Firmwide Marketing Committee instituted the John C. Whitehead Award, which recognizes excellence in cross-marketing the firm's services and products. Cross-marketing can involve professionals on opposite sides of the globe, working in very distinct product and service areas. Our clients benefit from the firm's ability to identify a broad range of opportunities and to utilize our geographically widespread and professionally diverse organization. Over 80 nominations were received for the initial award, representing all divisions, regions and levels of the firm. The nominations included both individuals and entire teams. In December 2000, two outstanding contributors were recognized for the inaugural award: Jack Kelly in the Global Investment Research Division and Ryan Limaye in the Investment Banking Division.

Community TeamWorks

An extension of Goldman Sachs' commitment to the communities where our employees work and live, Community TeamWorks (CTW) is a firmwide initiative that gives members of the firm a day off from work to participate in community service. During the spring of 2000, more than 15,000 of our employees participated in CTW in more than 900 programs including working with the elderly, building homes, mentoring youth and restoring the beauty of our environment. Our employees bring to their volunteer service the same qualities they bring to their professional work: energy, new ideas, and an appreciation of both the big picture and the importance of the individual. The projects sponsored by CTW are coordinated and executed by employees and provide an opportunity for team building within the firm and community building with our not-for-profit partners.



Global Training and Development

Placing clients' interests first...achieving excellence...entrepreneurship...stressing creativity...teamwork. As Goldman Sachs grows, keeping these and other core values vibrant and meaningful is of paramount importance, because the firm's unique corporate culture is entwined with the firm's success. As it has been throughout our history, sustaining and strengthening our culture depends on attracting exceptional people with exceptional knowledge and skills, and then providing them with opportunities to learn and excel in an environment that is ever more global and complex. We are committed to ensuring that the people of Goldman Sachs are offered the best learning and development possible. All of our divisions and a majority of our departments provide extensive, ongoing technical and functional instruction that keeps everyone in step with the marketplace, and ensures that our people are flexible and constantly growing.

Through the extensive use of technology, we aim to embed learning in our daily work, providing instant access to tools

and critical knowledge where and when people need them. We are continuing to build a network of world-class learning centers that, by the end of 2001, will circle the world.

Mentoring, regular reviews and our more formal training programs provide the ongoing feedback essential to optimizing each person's performance and realizing his or her potential. These programs are complemented by initiatives focused on more universal aspects of our business and on such vital issues as diversity, our culture and leadership. Pine Street, our newest leadership development program, concentrates on training the current and future leaders of our firm.

The effectiveness of this global learning enterprise circles back to our people. Our senior leaders, managing directors and business specialists, as well as highly regarded external experts, are deeply involved in the continuous and essential task of training and career development at Goldman Sachs.

INNOVATION

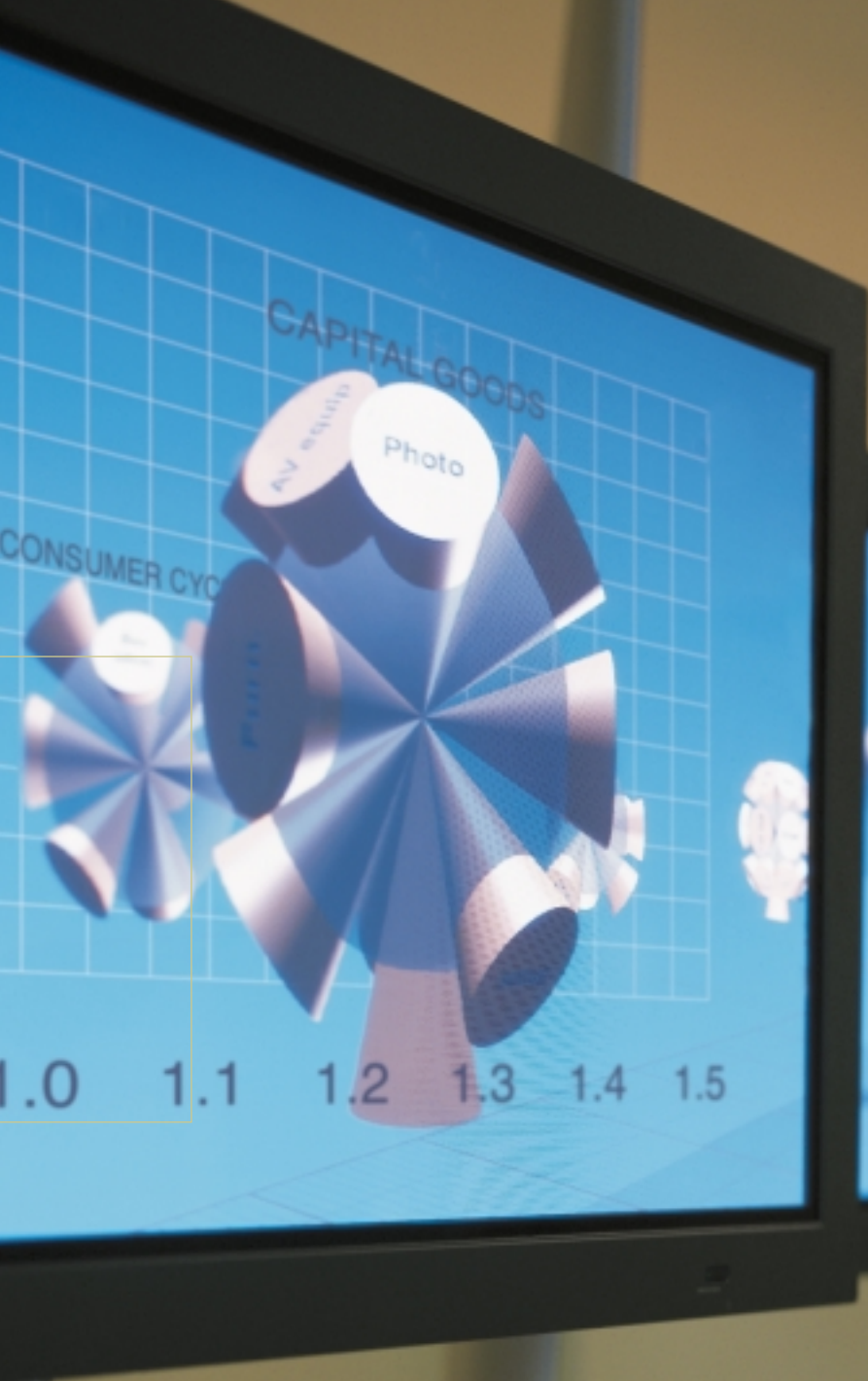
COMMITMENT TO:



1800s

Goldman Sachs' early focus on innovation was evident in the firm's receptiveness to embrace technologies that would help steer change.

The people of Goldman Sachs have inherited a tradition of innovation that stretches back to our founders. Innovation across all aspects of our products, services and operations continues to be a requirement of success in one of the world's most dynamic industries. Our clients have benefited from the intellectual curiosity and entrepreneurship that keep this tradition alive. They have also come to value the principles and dedication required to turn innovative strategies into reality. As we look forward to 2001, the successes of our clients during 2000 give us confidence in our ability to serve their needs in the coming years.



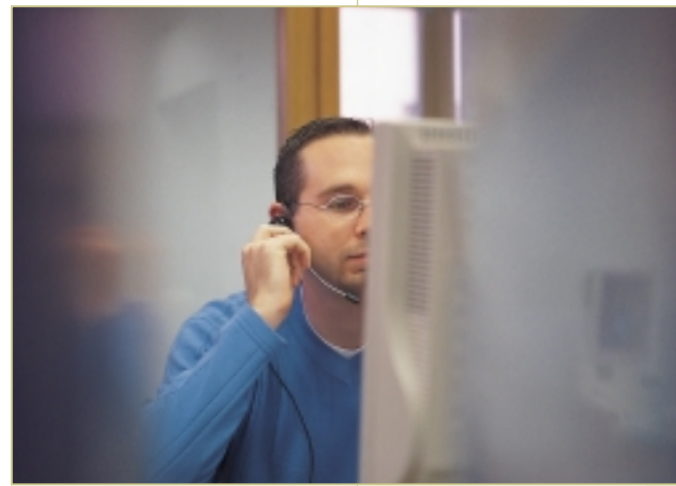
2000

We see the impact of technological change in almost every aspect of business worldwide. Our goal is to have technology that matches — and helps manage — the web of relationships we have around the world.

New technologies are just one of the most visual stimuli for business innovation; Goldman Sachs' commitment to **INNOVATION** for its clients is embodied in more than a century of invention and investment in ideas.

1982

In recognition of the special needs of a growing group of small and medium-sized companies with exceptional promise, the firm establishes a high technology group.



1897

Goldman Sachs recognizes the value of new technology and uses the telegraph to enable the firm to borrow money for clients at lower rates in Europe.

1927

Goldman Sachs introduces automated client statements that detail trades.

1950s

Goldman Sachs acquires its first mainframe computer.

1977

The creation of a single computerized information network provides instant access for all Goldman Sachs offices.

1986

Goldman Sachs underwrites the first of many sector-defining IPOs by taking Microsoft public.

Pieces of mail handled by the U.S. Postal Service

COMMUNICATIONS GROWTH

Global telephone calls

U.S. cellular phone subscribers



2000

Recognizing the importance of electronic distribution, Goldman Sachs executes a number of industry-defining electronic offerings for its clients, such as the first-ever fully integrated electronic bond offering, the first-ever Brady bond e-exchange and the first-ever municipal e-bond offering.

2000

To boost the capacity of data, video and voice that can be transmitted between offices, Goldman Sachs increases its network bandwidth by 224% globally.

1996

Goldman Sachs recognizes the potential of the Internet sector through its research analysis and the IPO of Yahoo!



1999

Goldman Sachs focuses on electronic trading of fixed income securities to help centralize liquidity and expand its sales and trading franchise across markets.

1997

Goldman Sachs makes the first of many investments in electronic equity trading platforms.

1995

Goldman Sachs enhances client service by creating a proprietary Web site, the GS Financial WorkbenchSM, helping clients plan and execute investment strategies.

1998

Goldman Sachs leads the bulge bracket by structuring its equity research around global teams.

1998

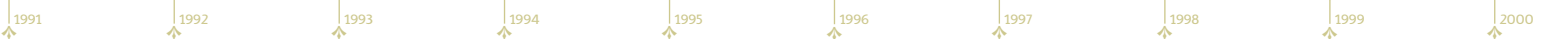
Despite market volatility, Goldman Sachs continues with the IPO of a small online auction company, eBay.

1992

Goldman Sachs releases its first Communicopia research report, which identifies key trends in the communications industry.

Global e-mail boxes

Global online population



Vodafone Group Plc

Chris Gent,
Chief Executive

“Our acquisition of Mannesmann was challenging, but from the outset Goldman Sachs came in with innovative ideas about how to structure the proposal to be maximally effective to different shareholder communities. The transaction was deemed to be attempting the impossible. The Goldman Sachs team repeatedly drew on precision thinking and outstanding technical advice to keep us going.”

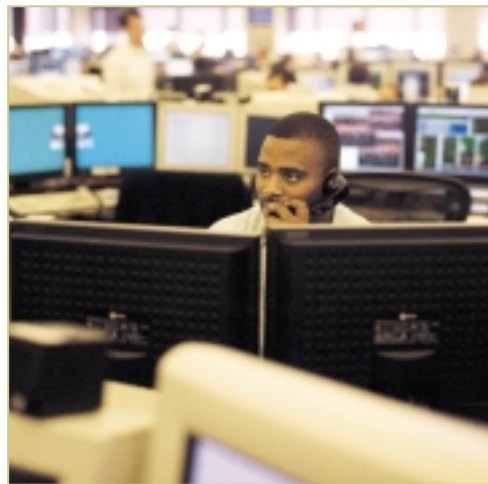
- Goldman Sachs was a financial advisor to Vodafone on its acquisition of Mannesmann, which created the world’s leading mobile telecom provider.

Corning Incorporated

James B. Flaws,
Executive Vice President and Chief Financial Officer

“We value the quality of the advice we get, which is delivered in a commonsense, practical way. Even more important to us is the cultural fit. Goldman Sachs’ business practices and integrity are exceptional. The firm is focused on doing what is right for the client, not on fees. If a transaction is not in our best interests, they will tell us so. We regard Goldman Sachs as an integral part of how we run Corning.”

- In 2000, Goldman Sachs advised Corning on \$7.8 billion in merger activity and \$7.2 billion in equity and debt financings.



Unilever

Patrick Cescau,
Foods Director

“Two words define our relationship with Goldman Sachs: continuity and teamwork. A relationship is about mutual commitment over time. Because together we have developed a true global team with a strong level of continuity, Goldman Sachs can assign us the most qualified people from around the world, work closely with us to understand our industry structure and strategy, and support us in many ways in helping to improve our business. The acquisition of Bestfoods is a product of this strategic relationship.”

- Goldman Sachs served as financial advisor to Unilever on its \$24.4 billion acquisition of Bestfoods, the largest all-cash cross-border deal ever, and was joint bookrunner of the associated acquisition financing and of approximately \$14.3 billion of debt offerings in 2000.

The World Bank Group

Gumersindo Oliveros,
Director, Treasury Finance

“Goldman Sachs was our lead manager of choice for many reasons. An electronic bond issue requires e-preparedness for book building, distribution and trading. Goldman Sachs was way ahead of the field in all these areas. Notably, it already had its electronic bond trading platform, Web.ETSM, up and running. And while many other banks were approaching electronic distribution with reluctance, Goldman Sachs early on had the strategic vision to see it as something important, and recognized it as the wave of the future. This experience has reinforced the high regard we hold for the professionalism of the Goldman Sachs team and their ability to innovate and execute.”

- Goldman Sachs was the sole bookrunning lead manager on the first-ever fully integrated electronic bond offering.

Infinion Technologies AG

Dr. Ulrich Schumacher,
President and Chief Executive Officer

“The Goldman Sachs team proved to be a real catalyst in enabling us to create our business model and operating strategy. The quality of this professional team is very high and they brought a very profound understanding of Infineon to our discussions. When we asked questions, we got very precise answers. This precision engendered enormous trust.”

- Goldman Sachs was financial advisor to Infineon Technologies AG on its approximately €6.1 billion initial public offering, the largest corporate IPO in Germany and the largest European high-tech offering ever.



AES Corporation

Joseph Brandt

“We felt that Goldman Sachs was one of the very few investment banks that could successfully execute AES Drax’s £1.3 billion financial optimization plan. The unprecedented complexity of this transaction required a very aggressive team that could think way outside of the box. Also, given the turbulence and volatility of electricity markets in the U.K., the Goldman Sachs franchise was essential in getting investors’ attention. This was a very unforgiving deal to structure and execute. Nothing short of excellence would enable this deal to be done.”

- Goldman Sachs was co-global financing coordinator of the £1.3 billion financial optimization plan involving one of the largest single-asset power generation financings and one of the largest dual-currency project financings ever.

Federative Republic of Brazil

With a \$5.2 billion Brady bond exchange executed entirely over Goldman Sachs’ proprietary exchange system on the Internet, the largest-ever such exchange, Goldman Sachs helped the Federative Republic of Brazil optimize its debt structure to issue the first long-term callable emerging markets bond and the first 40-year bond.

Goldman Sachs Research Select FundSM

The firm has focused its product development efforts on leveraging Goldman Sachs’ resources and capabilities to create unique, innovative solutions to meet investors’ needs.

PGGM

Marjolein Sol,
Director Fixed Income and Treasury

“The Goldman Sachs Commodity Index (GSCI), which is our benchmark for investing in commodities, met our criteria. It has provided us with an excellent benchmark for allocating a significant percentage of our pension fund, PGGM, to commodities.”

PetroChina Company Limited

Over a 13-month period, the Goldman Sachs team worked closely with Chinese oil industry executives and government officials to convert PetroChina from a state-owned, production-focused organization, operating as over 50 independent subsidiaries, into a centralized market-oriented, return-based company. Goldman Sachs was engaged in every aspect of the transformation: advising PetroChina on the separation of non-core assets and the institution of performance-linked stock option and management incentive plans.

- Goldman Sachs served as financial advisor to PetroChina on the first comprehensive restructuring of a large-scale, state-owned enterprise in China.

Deutsche Telekom AG

In the recent past, with Goldman Sachs working as its primary financial advisor, Deutsche Telekom has pursued an aggressive growth strategy through acquisitions and the purchase of broadband licenses. Given this background, Deutsche Telekom recognized the need for a large multicurrency debt offering that would include the U.S., the world’s deepest and most liquid market. Working with Deutsche Telekom’s legal staff in preparation for the offering, the Goldman Sachs team coordinated the establishment of the complex framework required to issue registered securities to retail and institutional investors in the U.S. At the same time, our investment banking, research, debt capital markets and sales divisions worked together to prepare and market the offering.

- Goldman Sachs was global coordinator and joint bookrunner for Deutsche Telekom’s \$14.6 billion multicurrency, multi-tranche global debt offering, the largest corporate bond issue ever in international capital markets.

EXECUTION

COMMITMENT TO:



1972

Access to the most up-to-date market knowledge has always been critical to Goldman Sachs' ability to execute effectively for its clients in all its business areas.

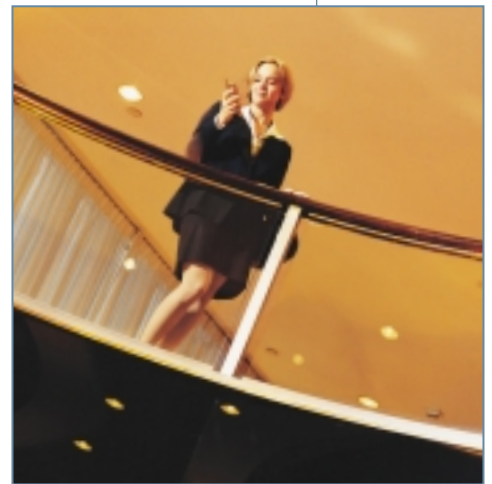
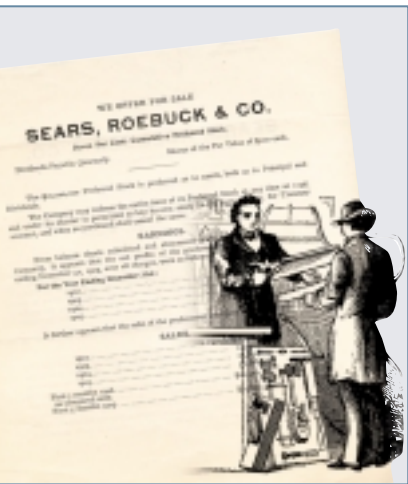
In a landmark transaction for the firm, this year Goldman Sachs combined with Spear, Leeds & Kellogg (SLK). This merger of two firms with similar cultures and highly complementary businesses creates a significant new platform for the worldwide growth of our equities businesses. SLK is a leading stock and options clearing firm in the United States, employing technology developed over years of serving highly demanding professional trading organizations. SLK also has a leadership position in providing liquidity in all major U.S. equities markets, with an important position as a New York Stock Exchange specialist, options exchange specialist and Nasdaq market maker. This transaction will enhance our ability to serve clients in our equities markets, as we offer expanded products and services to our combined client base. This move was one example of how, over the past year, the firm has continued its long tradition of searching for ways to help our clients accomplish their objectives.



2000

By combining with Spear, Leeds & Kellogg, Goldman Sachs offers a suite of integrated services that include market making, trading and execution capabilities.

As the financial markets become more global and complex, Goldman Sachs has continued to demonstrate a commitment to superior **EXECUTION** for its clients by building one of the financial industry's most advanced technological and intellectual infrastructures.



1981

To help clients reduce their borrowing costs, Goldman Sachs develops the first-ever original issue discount bond.

1960

Goldman Sachs recognizes the opportunity to provide its clients with dedicated mergers and acquisitions services and becomes one of the first investment banks to create a separate department solely for this purpose.

1981

Goldman Sachs acquires J. Aron & Co. to establish a stronger global presence in the currency and commodities markets.

1970s

Recognizing the need to better serve global clients, Goldman Sachs opens offices in Europe and Asia.

1950

By the 1950s, Goldman Sachs is a leader in the equities markets through its innovations in block trading and risk arbitrage.

1906

By utilizing the 7% preferred stock for the Sears, Roebuck & Co. IPO, Goldman Sachs anticipates the growth in equity investments and financing.

1984

For ARA Services, Goldman Sachs places one of the first registered high-yield bond financings for a leveraged buyout.

DJIA

GLOBAL INDICES

Nikkei 225

Nasdaq

Hang Seng

FTSE 100

2000

Goldman Sachs combines with Spear, Leeds & Kellogg to become one of the leading market makers of equities and options in the U.S. marketplace.

1998

Goldman Sachs is global coordinator and bookrunner for NTT DoCoMo's IPO, the largest corporate IPO in history.

1990

In order to shorten trade execution time, Goldman Sachs invents a paperless order-taking and transaction device that has become the industry standard on the New York Stock Exchange.

2000

Goldman Sachs continues to grow its Investment Management business with over \$490 billion in assets under supervision.



1990

Goldman Sachs creates the Black-Litterman Asset Allocation Model, which continues to be a vital tool used by industry money managers.

2000

Goldman Sachs continues its global strength in M&A by advising on the Warner-Lambert/Pfizer and Vodafone/Mannesmann transactions.

1986

As the U.S. advisor and lead manager of the U.K.'s sell-off of British Gas, Goldman Sachs leads the worldwide development of government privatizations.

1999

Goldman Sachs combines with The Hull Group to complement existing businesses, to expand trading capabilities and to gain a leadership position in electronic markets.

1996

Goldman Sachs publishes the first annual Issues and Outlook research report to provide clients with a comprehensive forecast of each industry around the world.

1990

1996

1998

1999

2000

The Royal Bank of Scotland Group plc

Fred Goodwin,
Group Chief Executive

“As part of our overall advisory team, Goldman Sachs helped us create the strategy that convinced shareholders and the investment community of the merits of the takeover. Goldman Sachs was an automatic choice to play a role on our advisory team for the NatWest acquisition. Throughout this pressured, complex effort, Goldman Sachs provided a committed and supportive team approach to achieving our goals.”

- Royal Bank of Scotland’s acquisition of National Westminster Bank plc created one of the top three banks in Europe by market capitalization.

Telefónica, S.A.

José María Álvarez-Pallete,
Chief Financial Officer

“We awarded the offering mandate to Goldman Sachs because of the firm’s strengths in global distribution and research as well as its knowledge of Telefónica and the telecom industry. For many years, we have had a relationship that has covered equity and debt offerings, risk management as well as mergers and acquisitions.”

- Goldman Sachs was joint global coordinator of Telefónica’s \$6 billion multi-tranche global bond offering.



Taiwan Semiconductor Manufacturing Co. Ltd. (TSMC)

Harvey Chang,
Senior Vice President and Chief Financial Officer

“We appreciate that when we need resources or expert judgment, Goldman Sachs brings in people from around the world with superior knowledge of our industry, the technology sector and the global markets. As we worked together to map out a strategy that would ensure TSMC’s continued leadership role in our industry, the Goldman Sachs team helped us address complex regulatory issues and, in a very difficult market, position TSMC with investors as the most profitable and fastest growing semiconductor foundry in the world.”

- Goldman Sachs was the sole global coordinator and bookrunner on TSMC’s \$1.2 billion offering of American Depositary Shares, which was one of the largest corporate equity issues in non-Japan Asia at the time.

GS Capital Partners 2000 Fund (GSCP 2000)

The firm’s Principal Investment Area (PIA) has invested \$5.4 billion through its GS Capital Partners funds since 1992. In July 2000, PIA closed GS Capital Partners 2000 with \$5.25 billion in commitments, including \$1.6 billion from Goldman Sachs and our employees. GSCP 2000 is the fourth in a series of global, diversified private equity funds managed by PIA. GSCP 2000 draws on Goldman Sachs’ broad experience as an investor; its global resources for identifying, structuring, monitoring and harvesting investments; and its proprietary access to investment opportunities. The fund has a broad investment mandate and is continuing the firm’s strategy of opportunistic investing.

- With \$5.25 billion raised and a focus on merchant banking, telecommunications/broadband and technology investments, GSCP 2000 is one of the largest active private equity funds in existence today.

Putnam Investments Inc.

Richard Leibovitch,
Managing Director, Global Head of Trading and Derivatives

“We created teams at both Goldman Sachs and Putnam using various quantitative tools to identify and analyze the risks and to come up with creative ways to manage our exposures. Complete confidentiality was critical. We compared ideas and then worked as a consolidated team to develop and execute a trading strategy. Goldman Sachs really stood out for having the analytics to track the portfolio in real time as risks changed so that we could make the right trading decisions. The outcome went well beyond our expectations.”

- Putnam Investments turned to Goldman Sachs when executing a multibillion-dollar asset allocation transaction.

Kingdon Capital Management

Peter Cobos,
Chief Financial Officer and General Partner

“We rely on Goldman Sachs Global Securities Services to keep us informed of the current best practices of the investment industry. While we are one of the largest hedge funds, we can function with a relatively small back office thanks in part to Goldman Sachs’ global presence. We draw on their extensive knowledge to help us quickly and efficiently solve problems and make operating decisions. This is vitally important given the rapid changes in our marketplace.”

- Kingdon Capital, one of the largest global hedge funds, uses Goldman Sachs extensively to provide consolidated prime brokerage, administration and execution services.



Mizuho Financial Group / Sumitomo Mitsui Banking Corporation / United Financial of Japan

The Goldman Sachs advisory team worked closely with the banks to assess their position in an increasingly competitive environment and identify opportunities for structural changes and increased efficiencies.

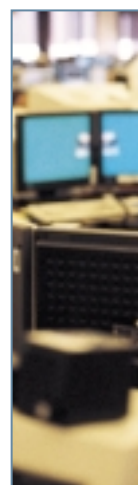
China Mobile (Hong Kong) Limited

Wang Xiaochu,
Chairman and Chief Executive Officer

“We continued to pursue our aggressive growth strategy in 2000, with Goldman Sachs continuing its role as our key advisor, supporting us in important transactions related to the acquisition of seven provincial and municipal cellular assets in Mainland China.”

Cariplo Foundation Real Estate Portfolio

When recent Italian legislation mandated the disposition of real estate holdings by charitable organizations, the Goldman Sachs Whitehall Fund purchased at auction Cariplo’s highly valued portfolio of real estate properties.



MTR Corporation Limited (MTRC)

Clement Kwok,
Finance Director

“Many complex issues were involved, and the Goldman Sachs team worked closely with us to negotiate agreements with the government defining the regulation of fares and operations. At the same time, they advised us on some key financial restructuring issues. When we initiated talks with the Hong Kong government about privatizing MTRC, Goldman Sachs already knew us well. The firm also understood the political and economic environment in Hong Kong. Goldman Sachs’ strong links to government and nongovernment institutions helped us create and communicate a strategic plan that was sensitive to the perspective of the Legislative Council, the public and the investment community.”

- The Hong Kong SAR government sold 550 million shares to institutional investors and 600 million shares to retail investors, together accounting for 23% of the company’s equity.

Lincoln Financial Group

Kelly Clevenger,
Vice President, Lincoln National Life

“When we were looking for a new sub-advisor for several substantial portfolios, Goldman Sachs’ excellent work for our affiliate in the U.K. immediately caught our attention. We had established a number of criteria for the new sub-advisor, and Goldman Sachs met them all. It has a well-known name, a model-driven quantitative portfolio management style, a good track record, and very deep resources in terms of portfolio managers, portfolio construction personnel and research analysts. Since teaming up with Goldman Sachs, we’ve already experienced significant input from its various departments.”

- Goldman Sachs is sub-advisor to Delaware Lincoln Investment Advisers on two portfolios with assets of \$4.2 billion as of December 31, 2000.

THE GOLDMAN SACHS FOUNDATION

INVESTING IN TOMORROW'S GLOBAL LEADERS

The Goldman Sachs Foundation reflects our firm's long-standing tradition of philanthropy and public leadership. The Foundation was funded at the time of our initial public offering with a donation of \$200 million. The principles of the Foundation mirror those of the firm — creativity and imagination, teamwork, integrity and determination to achieve at the highest level. Accordingly, the mission of the Foundation is to promote excellence and innovation in education worldwide, and to improve academic performance and lifelong productivity of young people.



John C. Whitehead,
Chairman of the Board of Trustees

Stephanie Bell-Rose,
President



The Foundation makes substantial investments in outstanding educational initiatives that prepare today's young people to become tomorrow's scholars, leaders and entrepreneurs. A critical component of the Foundation's strategy is strong partnerships with effective, high-quality organizations that implement achievement-oriented education programs, and that produce substantial, measurable results. Through its distinctive venture philanthropy approach, the Foundation couples sizable grants in the range of \$1 million with infusions of "social capital," in the form of professional services, volunteer time and the business expertise of Goldman Sachs executives. The Foundation allocated \$20.4 million in grants to education and youth-serving institutions worldwide in its first year of operation.