

## GOLDMAN SACHS IS A CATALYST FOR GROWTH.

Goldman Sachs has established itself as an agent of financial progress for a wide range of clients in markets around the world. In other words, Goldman Sachs is a catalyst—a catalyst for innovation and for economic growth.

Clearly it is our clients, with their aspirations, creativity and risk taking, that ultimately effect change. Yet firms such as Goldman Sachs play a vital role in allocating capital and managing risk so that sophisticated global issuers and investors can maximize their opportunities in today's marketplace.

As we conduct our broad-reaching businesses in ever more complex markets, our people must continually find new ways to provide access to capital, to achieve attractive returns for our clients and to help them realize their goals.

We are judged—and rightly so—by the decisions we make, the leadership we show and the dedication with which we serve our clients. Goldman Sachs has sustained a decades-long commitment to hiring and training outstanding leaders. For, in the end, it is the quality and integrity of our people working on behalf of our clients that allow us to be a catalyst for innovation and progress.



A STRATEGIC REACTION





We help companies find capital to grow their ideas.





#### SEARS, ROEBUCK AND CO.

Goldman Sachs helped Sears divest its credit and financial products business, creating significant shareholder value and substantially improving Sears' credit profile.

Serving as Sears' exclusive financial advisor, Goldman Sachs' Investment Banking and Fixed Income professionals worked together to secure

a strong buyer for the business. To support Sears during the sales process, the Goldman Sachs team arranged a \$2 billion secured credit facility as interim funding.

Goldman Sachs has been advising Sears for over a century, including helping to manage the company's IPO in 1906.



#### WE HELP COMPANIES FIND CAPITAL TO GROW THEIR IDEAS.

Fueling business growth and nurturing high-potential ideas require capital. Goldman Sachs' clients rely on the firm's expertise to access capital from a range of sources and in a variety of market conditions.

The solutions we bring to bear are diverse. We help clients tap the equity and debt capital markets, restructure balance sheets, manage assets and liabilities, and assess strategic options for mergers and acquisitions, divestitures, corporate defense activities and spin-offs. In each instance, Goldman Sachs draws upon its deep resources to help our clients achieve their objectives.

Businesses, large and small, are at the heart of the modern market system. They create jobs and profits, setting the stage for larger prosperity. In serving our clients' interests, we contribute to greater economic well-being.

"Goldman Sachs has helped create some extraordinary global companies—but our role is only that of an advisor; the companies themselves have the true vision. We pride ourselves on having given the strategic advice that helped them achieve their goals."

RAJIV GHATALIA, INVESTMENT BANKING, HONG KONG

SUMITOMO MITSUI  
FINANCIAL GROUP, INC.

A series of transactions between Goldman Sachs and Sumitomo Mitsui Financial Group, Inc. (SMFG) demonstrated our long-term commitment to Japan and its financial markets.

The initiatives announced include Goldman Sachs' JPY 150.3 billion (approximately \$1.25 billion) investment in the convertible preferred stock of SMFG, the provision by SMFG of credit loss protection for Goldman Sachs in connection

with certain lending activities and greater cooperative business efforts. These transactions expanded SMFG's capital base and facilitated mutually beneficial business opportunities.

The transactions also build on a long and extensive relationship that includes former Sumitomo Bank's successful \$500 million investment in the Goldman Sachs partnership in 1986.



YELL GROUP PLC

Goldman Sachs jointly led the international directories business's highly successful initial public offering.

Our Investment Banking, Equity Capital Markets and Equities professionals mobilized for Yell's equity market debut, translating strong investor

demand into an increased offering size, rapid execution, attractive pricing and a broad distribution of shares.

At \$1.9 billion, the Yell transaction was the second-largest IPO of 2003 and the largest IPO in the United Kingdom since 2001.

FROM LEFT TO RIGHT:

Susan Willetts, Frank Lopez-Balboa, Peter Aberg, Howard Silverstein, Bill Wolf, Roger Matthews, James Ziperski, Anshul Krishan, Huw Williams, Chris Bischoff, Simon Dingemans, Jane Liu, Toshinobu Kasai, Taneki Ono, Shigeki Kiritani, Toshihiko Umetani





AN INNOVATIVE REACTION





We help investors find the ideas that make their capital grow.



#### DREAMING WITH BRICS: THE PATH TO 2050

Goldman Sachs has predicted a major shift in the global economic balance in a groundbreaking piece of research that has gained international attention for its conclusions.

The Goldman Sachs Economic Research report, dubbed BRICs (standing for Brazil, Russia, India and China) forecasts that, by 2050, the BRICs economies together could be larger in U.S. dollar

terms than the G-6, consisting of the U.S., Germany, Japan, the U.K., France and Italy.

By projecting emerging market GDP growth, income per capita and currency movements, the research team forecast a potential global economic realignment with significant implications for international policy-makers and investors.



#### WE HELP INVESTORS FIND THE IDEAS THAT MAKE THEIR CAPITAL GROW.

Investors are viewing markets and asset classes in far more fluid and global terms than in years past. Where previously they focused on individual industries, regions or asset classes, they now seek broader options to diversify risk and produce competitive returns.

As market dynamics grow more complex, our investing clients call upon Goldman Sachs to help them access new opportunities, as well as to protect and enhance the value of existing investments. Research insights, such as our 2003 report on Global Energy, help guide clients to investment opportunities in sectors with growth potential. We also help clients monitor and track assets, portfolios and actual performance precisely and in real time.

Through these activities, Goldman Sachs contributes to efficient and productive investment of capital worldwide.

“In many cases we work with entrepreneurs who didn’t come from great wealth, but who had a great idea, and who worked really hard to achieve it. So they’ve built this wealth, and we help them to preserve it and pass it on to future generations.”

LESLIE RUBLER, INVESTMENT MANAGEMENT, NEW YORK



#### GS MEZZANINE PARTNERS III

In June 2003, Goldman Sachs raised its third mezzanine fund, GS Mezzanine Partners III (GSMP III), with \$2.7 billion of available capital for investment in leveraged buyout, restructuring and recapitalization opportunities worldwide.

The world's largest fund for mezzanine investment, GSMP III is able to target investments of \$40 million to \$200 million, significantly above the limits of traditional mezzanine capital providers.

The fund was formed through the collective efforts of Goldman Sachs' Investment Management, Merchant Banking, Fixed Income, Currency and Commodities, and Investment Banking divisions.

Since 1996, GS Mezzanine Partners has raised more than \$5 billion across its funds.



#### GALEN FAMILY

Goldman Sachs Private Wealth Management advised Louis and Helene Galen on a landmark \$35 million sponsorship of a new events center at the University of Southern California.

Knowing the importance to the Galens of philanthropy and their desire to express their commitment to USC, the Private Wealth Management team worked to identify the right opportunity—and the appropriate financial structure—for the Galens to make a meaningful contribution to the school.

The Galen Center will house athletic, cultural and community events and will provide a first true home-court advantage for USC's basketball and volleyball teams. It also will bring significant benefits to the USC community and surrounding region; USC estimates a total economic impact of more than \$150 million, in addition to 1,300 jobs created during the Center's construction.

#### FROM LEFT TO RIGHT:

Jim O'Neill, Roopa Purushothaman, Dominic Wilson, Steven Bergman, Jeff Daly, Armando Montejano, JoAnn Norris-Robie, Michael Sheedy, Thomas Schwartz, Michael O'Brien, Jordan Bender, Jonathan Matz, Earl Enzer, Patrick Dalton, Robin Doumar, Ben Adler, Muneer Satter, Melina Higgins, Larry Restieri, Eric Goldstein, Katherine Enquist, George Wells, Eric Lane, Michael Koester

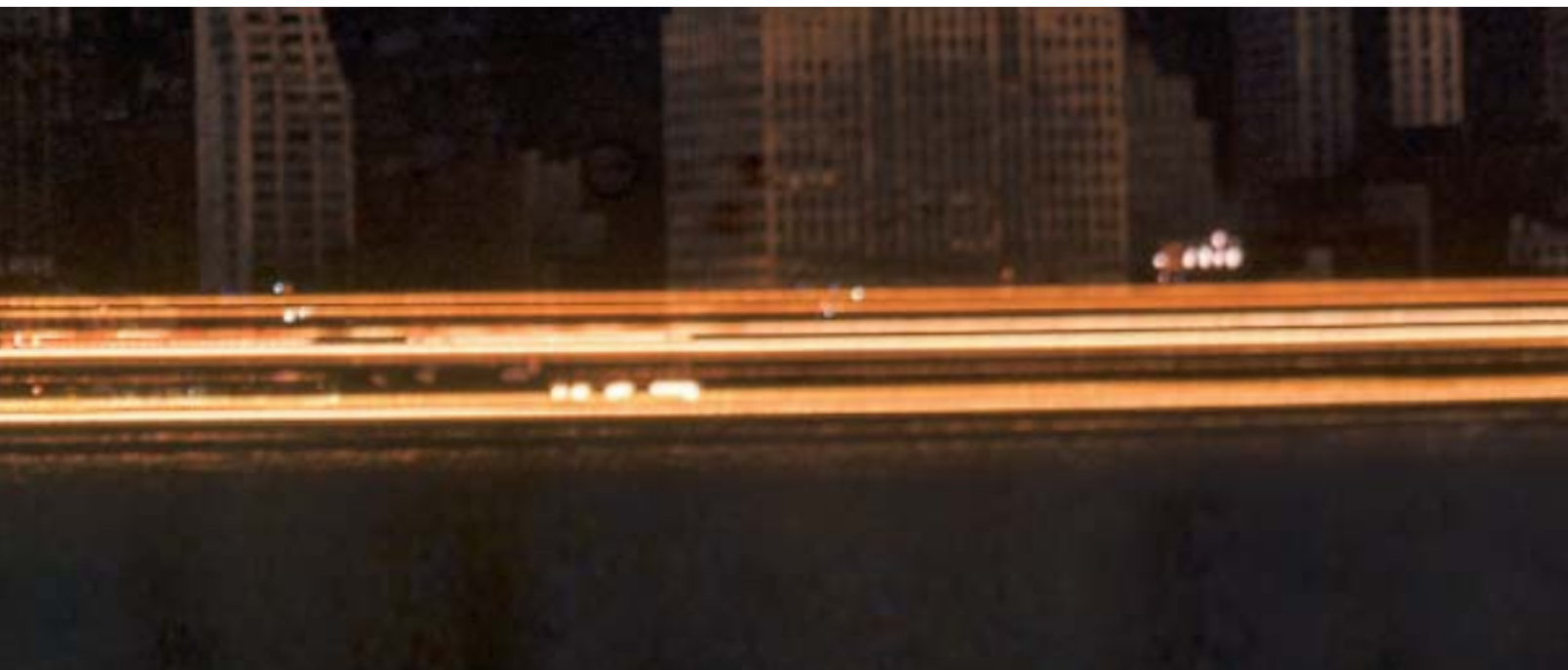
A nighttime photograph of a city skyline, likely New York City, featuring prominent skyscrapers like the Empire State Building. The foreground shows horizontal light trails from traffic on a bridge or highway. A white arrow-shaped banner is positioned across the middle of the image.

A RESILIENT REACTION





We help markets find ways to connect ideas and capital.



#### SELECTED POWER SECTOR TRANSACTIONS

Through several significant transactions this year, Goldman Sachs assumed a larger position in the U.S. power sector.

In October 2003, Goldman Sachs purchased East Coast Power L.L.C., owner of a 940-megawatt cogeneration facility in Linden, New Jersey. In December, we acquired privately owned Cogentrix Energy, Inc., owner of interests in 26 power plants with significant production capacity. These holdings are expected to generate stable, long-term cash flows and greater opportunities for trading and risk management.

From Allegheny Energy, Goldman Sachs bought a power supply contract with the California Department of Water Resources, and associated gas and power hedge transactions, thereby enabling Allegheny to alleviate risk and improve its liquidity position.

Additionally, Goldman Sachs sole managed a \$3.3 billion financing for Calpine Corporation. This high-yield offering, the largest since March 1999, was followed by an \$800 million nonrecourse financing for a Calpine subsidiary, employing an innovative commodities hedge to enhance the structure for investors.



#### WE HELP MARKETS FIND WAYS TO CONNECT IDEAS AND CAPITAL.

Global markets—in all their utility, interdependencies and scale—are at the core of our business. We will continue to see tremendous growth and innovation in markets around the world, driven in part by advancements in technology, but also by the evolving needs of the societies they serve.

As complex as markets become, we must continually embrace new opportunities with creativity, flexibility and decisive action. We are committed to remaining at the center of the global markets so that we may leverage their strengths and manage their risks on behalf of our clients.

“Our goal is to generate interesting transactions for our clients and for ourselves, but it clearly has the side effect of being good for the world economy. We find strategically important initiatives for our clients to engage in, and we’re constantly at the center of the people who need capital and the people who are able to provide it.”

MICHAEL SHERWOOD, FIXED INCOME, CURRENCY AND COMMODITIES, LONDON





#### GENERAL MOTORS CORPORATION

General Motors (GM) asked Goldman Sachs Asset Management (GSAM) to propose an investment strategy that would reduce the volatility of GM's pension portfolio without compromising its targeted return.

GM, with the largest corporate pension plan in the U.S., sought an innovative structure to invest \$1 billion in new pension assets. GSAM's tailored solution was adopted by GM and

involves a diversified portfolio of equity, fixed income and alternative investments, focused on capturing absolute returns uncorrelated to the equity and fixed income markets.

The Broad Scope Mandate, which utilizes GSAM's cutting-edge, flexible approach called *Active Alpha Investing*, will play an important role in helping GM provide pension benefits to its 460,000 active and retired employees.

FROM LEFT TO RIGHT:

Larry Kellerman, Mark Jenkins, Marc Nachmann, Robert Mancini, Steven Bunkin, Sabrina Liak, Leslie Biddle, Gaurav Bhandari, Bob Litterman, Mark Carhart, Scott McDermott, Alec Stais, Lisa Rotenberg



A GLOBAL REACTION







We help societies use their ideas and capital to move forward.



#### THE PEOPLE'S REPUBLIC OF CHINA

Goldman Sachs helped the Ministry of Finance of the People's Republic of China execute a landmark global financing that showcased China's strong credit profile, broadened its investor base and achieved the lowest coupon ever for a U.S. dollar offering by the government of China.

The success of the \$1 billion offering, as well as the Moody's foreign currency credit rating upgrade that coincided with it, underscored confidence in China's long-term growth prospects and stability. Goldman Sachs served as credit rating advisor to the Ministry of Finance and acted as joint book-running lead manager on the bond issue.



#### WE HELP SOCIETIES USE THEIR IDEAS AND CAPITAL TO MOVE FORWARD.

The capital markets and our activities can have a significant impact on societies and their economic and social progress. This past year, Goldman Sachs executed offerings for several nations, including Austria, Brazil, China, Italy, Korea, Portugal, Turkey and the United Kingdom, helping the governments of these countries to fund important national commitments. By also supporting the private sector and innovative businesses, we contribute to important societal changes, stimulate meaningful growth and create greater opportunity.

"Many Asian capital markets are in the early stages of development, and we're participating in the creation, formation and structuring of those markets.

If these markets are set up in exactly the right way, it will be to the enduring benefit of Korea, Asia and ultimately the global economy."

CHAN-KEUN LEE, INVESTMENT BANKING, SEOUL



#### BIOGEN, INC.

As sole financial advisor to Biogen, Goldman Sachs helped execute the largest-ever merger between independent biotech firms, creating Biogen Idec Inc., the world's third-largest biotechnology company.

Biogen and IDEC, each of which had a critical "blockbuster" drug fueling its future growth, saw a merger as an opportunity to create a biotechnology company with a broader product

portfolio and a deeper pipeline. The new company expects to benefit from its significant clinical development and global marketing capabilities in both oncology and immunology.

The companies combined in a carefully crafted merger of equals that capitalized on their complementary strengths and preserved strong relationships with their licensing partners.



#### HM TREASURY (HER MAJESTY'S TREASURY)

Goldman Sachs jointly led a \$3 billion debt offering that enabled the British government to refinance its reserve position and created a benchmark for the United Kingdom in the U.S. dollar market.

The offering was met with outstanding demand, enabling the U.K. to price the bonds at a level more attractive than U.S. Treasuries of comparable maturities. HM Treasury's first U.S. financing in nearly seven years, this groundbreaking transaction exceeded the client's pricing expectations and achieved a high-quality investor distribution.

#### FROM LEFT TO RIGHT:

Carlos Cordeiro, Clark Anderson, Mark Giancola, Haitao Zhai, John McGarry, Michael Sherwood, Christopher Egerton-Warburton, Sofia Maroudia, Jack Levy, David Woodhouse, Robert King, Claire Levy, Christiana Stamoulis, Lorence Kim





A COOPERATIVE REACTION





“Working with Goldman Sachs helps us become better at what we do.”

ELIZABETH FROMKIN, LIFESTYLES FOR THE DISABLED

Goldman Sachs is committed to assisting those in need and to enhancing the communities in which we work and live—through volunteer endeavors, financial support and ongoing relationships with nonprofit organizations.

Our signature volunteer program, Community TeamWorks (CTW), embodies this commitment by offering our people one day off annually to take part in a team-based community project. Each year, we offer hundreds of innovative volunteer opportunities with a diverse range of nonprofit organizations around the globe. In 2003, more than 14,800 volunteers teamed up with 585 nonprofits through CTW. This high rate of participation underscores the enthusiasm and commitment our people bring to their efforts to make a tangible difference in our communities.

In addition to CTW, Goldman Sachs also sponsors a year-round mentoring program that offers our people a variety of ways to positively impact young people through one-to-one and group interactions.

Our people bring to their volunteer service the same qualities they bring to their professional work: excellence, dedication, innovation, energy and an appreciation of both the big picture and the importance of the individual. As Goldman Sachs continues to explore new avenues for our philanthropic programs, we look forward to applying our resources and entrepreneurial spirit to respond to the ongoing needs of our communities.

---

#### JOHANNESBURG, SOUTH AFRICA

Goldman Sachs continued its relationship this year with the Mveledzandivho Primary School, a 12-classroom school in the township of Soweto, accommodating 700 students aged 5-14.

Goldman Sachs volunteers renovated the school's cafeteria, replanted five gardens, installed irrigation systems, laid a 30-meter path and hosted a party for the students. Since 2000, our efforts have also included revamping other school facilities and hosting school-wide feasts and educational events.

#### TOKYO, JAPAN

Volunteers from Goldman Sachs Tokyo provided mentorship and support to women from Saya Saya, a nonprofit organization that aids survivors of domestic violence.

The day-long professional skills workshop enabled participants to build the basic knowledge, resources and confidence essential for them to achieve financial independence.

This program continued a series of initiatives to assist low-income individuals seeking professional jobs, including the Dress for Success suit drives in our New York and London offices.

#### NEW YORK, USA

Since 2001, Goldman Sachs New York has worked with Mentoring USA (MUSA), a nonprofit organization that provides structured, one-to-one mentoring in New York City to particularly “at risk” populations.

Our volunteers mentor children in MUSA's foster care initiative, providing children and teenagers in foster care with a positive and supportive human connection that is too often missing from their lives.