

Company Release - 08/03/2006 07:33

NEW YORK--(BUSINESS WIRE)--Aug. 3, 2006--

Marsh & McLennan Companies, Inc. (NYSE: MMC) today reported financial results for the second quarter and six months ended June 30, 2006. Consolidated revenues for the quarter were \$3 billion, unchanged from the 2005 second quarter. Net income was \$172 million, or \$.31 per share, compared with \$166 million, or \$.31 per share, last year. Income from continuing operations was \$173 million, or \$.31 per share, compared with \$160 million, or \$.30 per share, in the second quarter of 2005. Stock option expense was \$27 million, or \$.03 per share, in the second quarter of 2006. Stock option expense was not recorded in the first half of 2005 due to MMC's adoption of SFAS No. 123(R) entitled "Share-Based Payment" on July 1, 2005.

For the first six months of 2006, consolidated revenues of \$6 billion were essentially flat, compared with last year. Net income was \$588 million, or \$1.05 per share, compared with \$300 million, or \$.56 per share, in 2005. Results from discontinued operations, net of tax, were \$177 million, or \$.32 per share, compared with \$11 million, or \$.02 per share, in 2005. Income from continuing operations was \$411 million, or \$.73 per share, compared with \$289 million, or \$.54 per

Michael G. Cherkasky, president and chief executive officer of MMC, said: "Results for the quarter were mixed. Marsh achieved significant improvement in both operating margin and new business development, particularly in North America, which had improved retention rates from last year. However, underlying revenues in Europe did not meet expectations, due primarily to lower client retention levels. Guy Carpenter, Kroll, and Mercer Specialty Consulting all reported excellent results, with double-digit growth in revenues and profitability. Mercer Human Resource Consulting increased revenues, but profitability was disappointing. Putnam performed as expected. We are encouraged about the positive trends in all of our businesses, except for profitability in Mercer HR, which we are addressing."

Risk and Insurance Services

Risk and insurance services revenues declined 5 percent in the second quarter to \$1.3 billion, or 3 percent on an underlying basis. Half of this decline was due to the planned reduction in sales of investments held through Risk Capital

underlying revenues. This unit includes Kroll Ontrack's elec

York Attorney General's office in October 2004, the Connecticut Attorney General's office in January 2005 and the Florida Attorney General's office and Department of Financial Services in March 2006, and proceedings relating to market-timing matters at Putnam); and class actions, derivative actions and individual suits filed by policyholders and shareholders in connection with the foregoing;

- in light of Marsh's elimination of contingent commission arrangements in late 2004, our ability to achieve profitable revenue growth in our risk and insurance services segment by providing both traditional insurance brokerage services and additional risk advisory services;

from operations and accessing external financing sources, including the potential impact of rating agency actions on our cost of financing or ability to borrow;

- the impact on our operating results of foreign exchange fluctuations; and
- changes in the tax or accounting treatment of our operations, and the impact of other legislation and regulation in the jurisdictions in which we operate.

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-

Income from Continuing Operations	173	160	411	289
Discontinued Operations, Net of Tax	(1)	6	177	11
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Net Income	\$ 172	\$ 166	\$ 588	\$ 300
	=====	=====	=====	=====
Basic Net Income Per Share - Continuing Operations	\$ 0.32	\$ 0.30	\$ 0.75	\$ 0.54
	=====	=====	=====	=====
Net Income	\$ 0.31	\$ 0.31	\$ 1.07	\$ 0.56
	=====	=====	=====	=====
Diluted Net Income Per Share - Continuing Operations	\$ 0.31	\$ 0.30	\$ 0.73	\$ 0.54
	=====	=====	=====	=====
- Net Income	\$ 0.31	\$ 0.31	\$ 1.05	\$ 0.56
	=====	=====	=====	=====
Average Number of Shares Outstanding - Basic	549	535	548	533
	=====	=====	=====	=====
- Diluted	555	538	555	537
	=====	=====	=====	=====
Shares Outstanding at 6/30	550	534	550	534
	=====	=====	=====	=====

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

	Three Months Ended		% Change GAAP Revenue	Components of Revenue Change		
	June 30,			Currency Impact	Acquisitions/ Dispositions Impact	Underlying Revenue
	2006	2005				
Risk and Insurance Services	\$1,106	\$1,172	(6)%	-	(2)%	(4)%
Insurance Services	214	192	12%	-	-	12%
Risk Capital Holdings	28	54	(47)%	-	(7)%	(40)%
	-----	-----				
Total Risk and Insurance Services	1,348	1,418	(5)%	-	(2)%	(3)%
	-----	-----				
Risk Consulting & Technology	275	241	14%	-	2%	12%
	-----	-----				
Consulting Human Resource Consulting Specialty	751	718	4%	-	-	4%

Consulting	297	254	17%	-	-	17%
	-----	-----				
Total Consulting	1,048	972	8%	-	-	8%
	-----	-----				
Investment Management	339	377	(10)%	-	-	(10)%
	-----	-----				
Total Operating Segments	3,010	3,008	-	-	(1)%	1%
Corporate Eliminations	(30)	(31)				
	-----	-----				
Total Revenue	\$2,980	\$2,977	-	-	(1)%	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 amounted to \$44 million and \$36 million for the three months ended June 30, 2006 and 2005, respectively.

Revenue includes investment income (loss) of \$28 million and \$50 million for Risk and Insurance Services and \$0 and \$1 million for Investment Management for the three months ended June 30, 2006 and 2005, respectively.

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

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Consulting						
Human Resource Consulting	1,490	1,413	5%	(1)%	-	6%
Specialty Consulting	559	483	16%	(1)%	-	17%
	-----	-----				
Total Consulting	2,049	1,896	8%	(1)%	-	9%
	-----	-----				
Investment Management	684	775	(12)%	-	-	(12)%
	-----	-----				
Total Operating Segments	6,072	6,140	(1)%	(1)%	(1)%	1%
Corporate Eliminations	(67)	(93)				
	-----	-----				
Total Revenue	\$6,005	\$6,047	(1)%	(1)%	(1)%	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 amounted to \$85 million and \$71 million for the six months ended June 30, 2006 and 2005, respectively.

Revenue includes investment income (loss) of \$78 million and \$106 million for Risk and Insurance Services and \$1 million and \$0 for Consulting and \$5 million and \$2 million for Investment Management for the six months ended June 30, 2006 and 2005, respectively.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
	-----	-----	-----	-----
Revenue:				
Risk and Insurance Services	\$1,348	\$1,418	\$2,821	\$2,995
Risk Consulting & Technology Consulting	275	241	518	474
Investment Management	1,048	972	2,049	1,896
	339	377	684	775
	-----	-----	-----	-----
	3,010	3,008	6,072	6,140
Eliminations	(30)	(31)	(67)	(93)
	-----	-----	-----	-----
	\$2,980	\$2,977	\$6,005	\$6,047
	-----	-----	-----	-----
Operating Income (Loss) including Minority Interest Expense:				
Risk and Insurance Services	\$ 139	\$ 86	\$ 407	\$ 223

Risk Consulting & Technology	40	36	61	73
Consulting	124	130	237	240
Investment Management	76	71	140	121
Corporate	(42)	(30)	(110)	(103)
	-----	-----	-----	-----
	\$ 337	\$ 293	\$ 735	\$ 554
	-----	-----	-----	-----

Segment Operating Margins:				
Risk and Insurance Services	10.3%	6.1%	14.4%	7.4%
Risk Consulting & Technology	14.5%	14.9%	11.8%	15.4%
Consulting	11.8%	13.4%	11.6%	12.7%
Investment Management	22.4%	18.8%	20.5%	15.6%
Consolidated Operating Margin	11.3%	9.8%	12.2%	9.2%
Pretax Margin	9.1%	7.8%	10.1%	7.1%
Effective Tax Rate	35.3%	29.9%	31.6%	32.2%

Potential Minority Interest Associated
with the Putnam

Equity Partnership Plan Net of Dividend Equivalent Expense Related to MMC Common Stock Equivalents	\$ (3)	\$ -	\$ (5)	\$ -
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Marsh & McLennan Companies, Inc.
Supplemental Information- Continuing Operations
(Millions) (Unaudited)

Significant Items Impacting the Comparability of Financial Results:
The year-over-year comparability of MMC's second quarter and six-month

	Insurance Services	& Technology	Consul ti ng
Three Months Ended June 30, 2006	-----	-----	-----
Restructuring Charges	\$26	\$-	\$(1)
Accelerated			
Amortization/Depreciation	16	-	-
Settlement, Legal and			
Regulatory	11	-	-
Insurance Recoverable	-	-	-
	-----	-----	-----
Total Impact in 2006	\$53	\$-	\$(1)
	-----	-----	-----

Three Months Ended June 30,
2005

Restructuring Charges	\$48	\$-	\$-
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Amortization/Depreciation	-	3	19
Settlement, Legal and Regulatory	-	-	11
Insurance Recoverable	(10)	-	(10)
Total Impact in 2006	\$(10)	\$4	\$46

Three Months Ended June 30, 2005

Restructuring Charges	\$-	\$5	\$53
Employee Retention Awards	-	-	33
Settlement, Legal and Regulatory	-	(2)	8
Estimated Mutual Fund Reimbursement	4	-	4
Other	-	-	7
Total Impact in 2005	\$4	\$3	\$105

Six Months Ended June 30, 2006

	Investment Management	Corporate & Eliminations	Total
Restructuring Charges	\$-	\$27	\$71
Accelerated Amortization/Depreciation	-	3	24
Settlement, Legal and Regulatory	3	-	24
Insurance Recoverable	(10)	-	(10)
Total Impact in 2006	\$(7)	\$30	\$109

Six Months Ended June 30, 2005

Restructuring Charges	\$-	\$54	\$198
Employee Retention Awards	-	-	58
Settlement, Legal and Regulatory	-	(19)	34
Estimated Mutual Fund Reimbursement	34	-	34
Other	-	(3)	7
Total Impact in 2005	\$34	\$32	\$331

Stock-Option Expense. The year-over-year comparability of MMC's second quarter and six-month financial results is also affected by MMC's adoption, effective July 1, 2005, of SFAS 123 (R) ("Share Based Payment"). Beginning in the third quarter of 2005, MMC has recognized costs under SFAS 123 (R), primarily related to stock options, which it did not recognize in prior periods. Stock option expense for the three months ended June 30, 2006 was \$27 million, as follows: Risk & Insurance Services - \$9, Risk Consulting & Technology - \$1, Consulting - \$10, Investment Management - \$2, Corporate - \$5. Stock option expense for the six months ended June 30, 2006 was \$67 million, as follows: Risk & Insurance Services - \$27, Risk Consulting & Technology - \$2, Consulting - \$23, Investment Management - \$7, Corporate - \$8.

Impact on Operating Margins in Risk & Insurance Services. In Risk & Insurance Services, noteworthy items and stock option expense together totaled \$114 million in the first half of 2006, affecting segment operating margin by 4.1 points. Noteworthy items totaled

\$245 million in the first half of 2005, affecting segment operating margin by 8.3 points. Adjusting for these impacts, segment operating margin for the first half of 2006 was 18.5 percent, compared to 15.7 percent for the first half of 2005. This adjusted segment operating margin is a non-GAAP financial measure within the meaning of Regulation G promulgated by the Securities and Exchange Commission. MMC believes that presenting this measure may help investors and others understand aspects of Risk & Insurance Services operating performance that may not be apparent from MMC's reported GAAP results. However, this non-GAAP financial measure is not a substitute for MMC's reported GAAP information, and may not be comparable to similar information provided by industry peers.

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

	June 30, 2006	March 31, 2006	Dec. 31, 2005	Sept. 30, 2005	June 30, 2005
Mutual Funds:					
Growth Equity	\$ 27	\$ 31	\$ 31	\$ 32	\$ 33
Value Equity	36	37	37	38	39
Blend Equity	26	27	26	26	26
Fixed Income	30	31	32	33	34
Total Mutual Fund Assets	119	126	126	129	132
Institutional:					
Equity	32	34	34	33	33
Fixed Income	29	29	29	30	30
Total Institutional Assets	61	63	63	63	63
Total Ending Assets	\$ 180	\$ 189	\$ 189	\$ 192	\$ 195
Assets from Non-US Investors	\$ 31	\$ 32	\$ 32	\$ 33	\$ 34
Average Assets Under Management:					
Quarter	\$ 185	\$ 190	\$ 188	\$ 195	\$ 196
Year-to-Date	\$ 188	\$ 190	\$ 196	\$ 198	\$ 200
Net Redemptions including Dividends Reinvested:					
Quarter *	\$ (6.0)	\$(6.6)	\$ (6.4)	\$ (8.5)	\$ (7.1)
Year-to-Date *	\$(12.6)	\$(6.6)	\$(31.7)	\$(25.3)	\$(16.8)
Impact of Market/Performance on Ending Assets Under Management	\$ (3.5)	\$ 7.0	\$ 2.8	\$ 5.6	\$ 3.1

* Net Redemptions in the three month and year-to-date periods ended June 30, 2006 include \$2.8 billion of redemptions in institutional equity resulting from ending Putnam's alliance with an Australian

partner.

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

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

June 30, 2006 December 31, 2005

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,375	\$ 2,020
Net receivables	2,921	2,730
Assets of discontinued operations	53	153

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