MMC Reports First Quarter 2008 Results

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NEW YORK -- (BUSINESS WIRE) --

Marsh & McLennan Companies, Inc. (MMC) today reported financial results for the first quarter ended March 31, 2008.

Segment revenue was \$259 million, an increase of 10 percent from \$235 million in the first quarter of 2007. On an underlying basis, revenue increased 3 percent in the current quarter.

Kroll's revenue was \$220 million in the first quarter, an increase of 14 percent from the year-ago quarter, or 5 percent on an underlying basis. This growth was driven by an 11 percent increase in risk mitigation and response and a 7 percent increase in litigation support and data recovery, partially offset by a decline of 2 percent in background screening.

Revenue for MMC's corporate advisory and restructuring business, which now operates as a separate business within the Risk Consulting and Technology segment, was \$39 million in the first quarter, a decline of 7 percent. This performance reflected growth in the United States that was more than offset by a decline in Europe.

Other Items

In March 2008, MMC received 10.8 million shares of its common stock, completing the \$800 million accelerated share repurchase transaction funded in August 2007. Including the initial receipt of 21.3 million shares, MMC purchased a total of 32.1 million shares under this transaction. MMC's average shares outstanding decreased from 562 million in the first quarter 2007 to 519 million in the comparable period of 2008, and ended the quarter at 511 million shares outstanding.

MMC's net debt position, which is total debt less cash and cash equivalents, was \$2.3 billion at the end of the first quarter of 2008, compared with \$3.5 billion at the end of the year-ago quarter.

Conference Call

A conference call to discuss first quarter 2008 results will be held today at 8:30 a.m. Eastern Time. To participate in the teleconference, please dial 877 874 1569. Callers from outside the United States should dial 719 325 4805. The access code for both numbers is 7277403. The live audio webcast may be accessed at <u>www.mmc.com</u>. A replay of the webcast will be available approximately two hours after the event at the same web address.

MMC is a global professional services firm providing advice and solutions in the areas of risk, strategy and human capital. It

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 of fluctuations in the value of Risk Capital Holdings' investments on profitability in our risk and insurance services segment;
- -- the impact on our consulting segment of pricing trends, utilization rates, legislative changes affecting client demand, and the general economic environment;
- -- 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 "market service" compensation;
- -- 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 exposure to potential liabilities arising from errors and omissions claims against us, for which we increasingly must self-insure;
- -- our ability to meet our financing needs by generating cash from operations and accessing external financing sources, including the potential impact of rating agency actions on our cost of financing or ability to borrow,
- -- 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; and
- -- 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.

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)

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	Three Mont March	
	2008	2007
Revenue: Service Revenue Investment Income (Loss)	\$3. 041	\$2, 763 49
Tot al Revenue	3, 047	2, 812
Expense: Compensation and Benefits Other Operating Expenses Goodwill Impairment Charge	874	1, 652 773 -
Tot al Expense	3, 127	2, 425
Operating (Loss) Income		387
Interest Income	18	19
Interest Expense	(56)	(71)
(Loss) Income Before Income Taxes and Minority Interest Expense	(118)	335
Income Taxes	94	106
Minority Interest Expense, Net of Tax	3	1
(Loss) Income from Continuing Operations	(215)	228
Discontinued Operations, Net of Tax	5	40
Net (Loss) Income	\$(210) =======	
Basic Net (Loss) Income Per Share - Continuing Operations	\$(0.41) ========	\$0. 41 =======
- Net (Loss) Income	\$(0. 40) =======	
Diluted Net (Loss) Income Per Share - Continuing Operations		\$0.41
- Net (Loss) Income	\$(0. 40)	\$0.47
Average Number of Shares Outstanding - Basic	519	553
- Diluted	=======================================	====== 562
Shares Outstanding at 3/31	====== 511 ======	555

Marsh & McLennan Companies, Inc. Supplemental Information - Revenue Analysis Three Months Ended

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(MILions) (Unaudited)

	Components of Revenue Change						
		ded n 31,	% Change GAAP		Acquisitions Dispositions	5/	
	2008	2007			Impact		
Risk and Insurance Services							
Marsh	\$1, 227 273	\$1, 142 292	7% (6) %	6% 2%		1% (8) %	
Hol dings		49	(87) %	-	-	(87) %	
Total Risk and Insurance Services	1 506	1 492	2%	6%		(1) %	
Ser vi ces	1, 506		Ζ 70	0 %	-	(4)%	
Consulting Mercer Cliver Wyman	925	800	16%	6%	1%	9%	
Group	370		13%	5%	2%	6%	
Tot al Consul t i ng		1, 129	15%	6%	1%	8%	
Risk Consulting & Technology Kroll Corporate	220	193	14%	2%	7%	5%	
Advisory and Restructuring	39	42	(7)%	1%	-	(8) %	
Total Risk Consulting & Technology	259	235	10%	1%	6%	3%	
Total Operating Segments	3, 060	2, 847	8%	5%	1%	2%	
Corporate Eliminations	(13)	(35)					
Total Revenue		\$2, 812 =====		5%	1%	2%	
Revenue Details the c1.1333 TDp	ores 29	%d above	e:			Components of	Revenue Change
sitions/	Thr ee 1			GAAP		Dispositions Under	l yi ng
act Reven	nue						

EMEA Asia Pacific Latin America	\$588 94 49	\$524 78 44	12% 19% 12%	9% 11% 14%	- (5) %	3% 8% 3%
Total International U.S. and Canada	731 496	646 496	13% -	10% 2%	-	3% (2) %
Total Marsh		\$1, 142 =====	7%	6%	-	1%
Mercer: Retirement Health and	\$313	\$276	14%	7%	3%	4%
Benef i t s	220	197	11%	4%	-	7%
Other Consulting Lines	g 126	106	18%	6%	-	12%
Mercer Consulting Outsourcing Investment Consulting & Management	659 188 78	579 161 60	14% 17% 31%	5% 5% 8%	2% - -	7% 12% 23%
Total Mercer	\$925	\$800	16%	6%	1%	9%
Kroll: Litigation Support and Data Recovery Background	\$79	\$60	32%	2%	23%	7%
Screening Risk Mitigation	71	72	(2)%	-	-	(2)%
and Response	70	61	14%	3%	-	11%
Total Kroll	\$220 ======	\$193 =====	14%	2%	7%	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 amounted to \$44 million and \$48 million for the three months ended March 31, 2008 and 2007, respectively.

Marsh & McLennan Companies, Inc. Non-GAAP Measures Three Months Ended March 31 (MILions) (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; adjusted income, net of tax; and net income excluding goodwill impairment charge.

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 March 31, 2008 and 2007. The following table also presents adjusted operating margin, which is calculated by taking adjusted operating income and dividing it by consolidated or segment GAAP revenue.

	Risk & Insurance				
	Services	Consulting	& Technol ogy		Tot al
Three Months Ended March 31, 2008					
Operating (loss) income	\$240	\$151	\$(410)	\$(61)	\$(80)
Add impact of noteworthy items: Restructuring					
Charges (a) Settlement, Legal	14	-	3	16	33
and Regulatory (b) Goodwill Impairment	13	-	-	-	13
Charge Other	- 3	-	425 -	-	425 3
Operating income adjustments	30		428		474
Adjusted operating income			\$18 =======	• • •	
Operating margin			⊳ N⁄A =======		
Adjusted operating margin	17.9%	11.7%	6.9% ======	o N∕A	12. 9%
Three Months Ended March 31, 2007					
Operating income			\$26		\$387
Add (deduct) impact of noteworthy items: Restructuring					
Charges (a) Settlement, Legal	24	-	-	6	30
and Regulatory (b) Accelerated	11	-	-	-	11
Amortization Other (c)	5 -	3-	-	3 (14)	11 (14)
Operating income adjustments	40	3		(5)	38

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margin	20. 2%	12.5%	11.1%	N/ A	15.1%
Adjusted operating					
	=========				
Operating margin	17.5%	12.2%	11.1%	N/ A	13.8%
	=========	=========		========	=====
i ncome	\$299	\$141	\$26	\$(41)	\$425
Adjusted operating					

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

(b) 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, and indemnification of former employees for legal fees incurred in connection with the events of October 2004.
(c) Represents an accrual adjustment related to the separation of former MMC senior executives.

Marsh & McLennan Companies, Inc. Non-GAAP Measures Three Months Ended March 31 (MILions) (Unaudited)

Adjusted Income, net of tax Adjusted income, net of tax is calculated as: (i) MMC's GAAP (loss) income from continuing operations, adjusted (a) to reflect the aftertax 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

	Thr ee Mont hs Ended 2008	Diluted EPS	Three Months Ended 2007	Diluted EPS	
(Loss) income from continuing operations Add impact of operating income adjustments Del ad I ad 6.7(djustma)-6.7(dj	\$474	\$(0.41) come.)∎JT	\$228 \$38 'Ro	\$0. 41	

	2008	EPS	2007 EPS			
Net (loss) income Add impact of goodwill	\$(210)	\$(0.40)	\$268 \$0.47			
impairment charge	425	0. 81				
Net income, excluding goodwill impairment charge	\$215	\$0. 41	\$268 \$0. 47			
Marsh & McLennan Companies, Inc. Consolidated Balance Sheets (Millions) (Unaudited)						
	I	March 31, 2008	December 31, 2007			
ASSETS						
Current assets: Cash and cash equivalents Net receivables Other current assets		\$1, 285 3, 070 424				
	:					

Cash and cash eq oodwill

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Marsh & McLennan Companies, Inc. Supplemental Information – Quarterly Revenue Analysis 2007 (Millions) (Unaudited)

Revenue Details The following table provides detailed revenue information by quarter for 2007:

		Second Quarter 2007	Quarter		Year		
Risk and Insurance Services Marsh Guy Carpenter Risk Capital Holdings	292 49	\$1, 124 217 32	226 74	167 8	902 163		
Total Risk and Insurance Services		1, 373					
Consulting Mercer Cliver Wyman Group	329	842 376	374	437	1, 516		
Total Consulting	1, 129	1, 218	1, 218	1, 319	4, 884		
Risk Consulting & Technology Kroll Corporate Advisory and Restructuring	193 42	201 50	-				
Restructuring 42 50 50 38 180 Total Risk Consulting & Technology Iting & T(Technology Itinp 0n7 TD()-6.7(g &)][JT[T(Tec. 0995 r 50 /7https://www.snl.com/l ract 3/Kfile.aspx20Not Redirect To3=1&id=6048025&KeyFile							

Retirement	\$276	\$269	\$255	\$279	\$1, 079
Health and Benefits	197	216	210	204	827
Other Consulting Lines	106	125	140	138	509
Mercer Consulting	579	610	605	621	2, 415