



MERCER KROLL
GU C A T N R OLIVER WYMAN

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“Overall, we have made excellent progress strengthening our operating companies while at the same time managing through the worst effects of the economic recession.” Mr. Duperreault concluded.

In the second quarter of 2009, MMC’s consolidated revenue was \$2.6 billion, a decline of 13 percent from the second quarter of 2008, or 6 percent on an underlying basis. Underlying revenue measures the change in revenue before the impact of acquisitions and dispositions, using consistent currency exchange rates.

MMC completed the sale of its U.S. government security clearance screening business, Kroll Government Services, in the second quarter of 2009. Its results for the quarter are included in discontinued operations and the previous results of this business have been restated as discontinued operations. In connection with this transaction, MMC evaluated Kroll’s overall goodwill for impairment. This resulted in a non-cash charge of \$315 million, or \$.60 per share. There is no tax benefit related to the impairment charge, nor any impact on MMC’s cash flows, tangible equity or debt covenants.

As a result of the goodwill impairment charge, MMC reported a net loss of \$193 million, or \$.37 per share, in the second quarter. This compared with net income of \$65 million, or \$.12 per share, in the second quarter of 2008.

Earnings per share on an adjusted basis, which excludes noteworthy items as presented in the attached supplemental schedules, was \$.33 in the second quarter of 2009, compared with \$.39 in the same quarter last year.

For the six months ended June 30, 2009, MMC’s net loss was \$17 million, or \$.03 per share, compared with a net loss of \$145 million, or \$.28 per share, last year. Adjusted earnings per share for the six months was \$.72, compared with \$.84 last year.

Risk and Insurance Services

Risk and Insurance Services segment revenue in the second quarter of 2009 was \$1.3 billion, a decline of 5 percent from the second quarter of 2008 (a last year).
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to \$245 million from \$150 million last year. Adjusted operating income rose 31 percent to \$271 million from \$207 million, reflecting substantially improved performance at both Marsh and Guy Carpenter. For the first six months of 2009, segment revenue was \$2.7 billion, a decline of 7 percent from the prior year period, and flat on an underlying basis. Excluding fiduciary interest, underlying revenue increased 1 percent.

In the second quarter, insurance premiums in the property and casualty marketplace continued to decline – similar to what was seen earlier in the year. Additionally, the global economic recession reduced demand for commercial insurance. Marsh's revenue in the second quarter declined 7 percent from last year to \$1.1 billion. On an underlying basis, revenue was flat in the quarter. Revenue for international operations was flat overall, with modest growth in Asia Pacific and 9 percent growth in Latin America. Marsh achieved a significant increase in profitability in the quarter as a result of its substantial reduction in expenses.

Guy Carpenter's revenue rose 16 percent to \$227 million in the second quarter of 2009, or 11 percent on an underlying basis, compared with the prior year's quarter. An increase in new business along with continuing cost discipline led to significant improvement in Guy Carpenter's profitability. Increased rates were evident in U.S. property catastrophe reinsurance in the second quarter, while rates in casualty reinsurance were stable to down. In the second quarter, Guy Carpenter completed the acquisition of John B. Collins Associates.

Consulting

Due to the impact of continued adverse global economic conditions, consulting segment revenue declined 17 percent to \$1.1 billion in the second quarter, or 9 percent on an underlying basis. Operating income in the second quarter of 2009 was \$96 million. This includes an increase in professional liability costs of approximately \$30 million, primarily reflecting a legal settlement at Mercer. Foreign currency translation reduced operating income by \$26 million in the quarter, primarily at Mercer. Adjusted operating income, which includes the impact of both the professional liability costs and foreign exchange, was \$101 million, compared with \$165 million in 2008. For the first six months of 2009, segment revenue declined 17 percent to \$2.2 billion, or 8 percent on an underlying basis.

MMC is a global professional services firm providing advice and solutions in the areas of risk, strategy and human capital. It is the parent company of a number of the world's leading risk experts and specialty consultants, including Marsh, the insurance broker and risk advisor; Guy Carpenter, the risk and reinsurance specialist; Mercer, the provider of

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenue	\$2,629	\$3,033	\$5,238	\$6,057
Expense:				
Compensation and Benefits	1,604	1,879	3,175	3,701
Other Operating Expenses	731	859	1,445	1,726
Goodwill Impairment Charge	315	115	315	540
Total Expense	2,650	2,853	4,935	5,967
Operating Income (Loss)	(21)	180	303	90
Interest Income	4	12	10	30
Interest Expense	(65)	(55)	(121)	(111)
Investment Income (Loss)	(31)	(16)	(46)	(8)
Income (Loss) Before Income Taxes	(113)	121	146	1
Income Taxes	49	66	129	159
Income (Loss) from Continuing Operations	(162)	55	17	(158)
Discontinued Operations, Net of Tax	(26)	12	(25)	18
Net Income (Loss) Before Non-Controlling Interest	\$ (188)	\$ 67	\$ (8)	\$ (140)
Less: Net Income Attributable to Non-Controlling Interest	5	2	9	5
Net Income (Loss) Attributable to MMC	\$ (193)	\$ 65	\$ (17)	\$ (145)

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

	Six Months Ended		% Change GAAP Revenue	Components of Revenue Change*		
	June 30,	2008		Currency Impact	Acquisitions/ Dispositions Impact	Underlying Revenue
Risk and Insurance Services	2009					
Marsh	\$2,179	\$2,379	(8)%	(8)%	-	0%
Guy Carpenter	508	460	11%	(6)%	7%	10%
Subtotal	2,687	2,839	(5)%	(8)%	1%	1%
Fiduciary Interest Income	28	76	(63)%	(5)%	-	(58)%
Total Risk and Insurance Services	2,715	2,915	(7)%	(7)%	1%	0%
Consulting						
Mercer	1,635	1,884	(13)%	(10)%	-	(3)%

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

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

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

Adjusted Operating Income and Adjusted Operating Margin

Adjusted operating income is calculated by excluding the impact of certain noteworthy items from MMC’s GAAP operating income. The following tables identify these noteworthy items and reconcile adjusted operating income to GAAP operating income, on a consolidated and segment basis, for the three months ended June 30, 2009 and 2008. The following tables also present *adjusted operating margin*, which is calculated by dividing adjusted operating income by consolidated or segment GAAP revenue.

	Risk & Insurance Services	Consulting	Risk Consulting & Technology	Corporate	Total
Three Months Ended June 30, 2009					
Operating income (loss)	\$245	\$ 96	\$(316)	\$(46)	\$ (21)
Add (deduct) impact of noteworthy items:					
Restructuring Charges (a)	50	5	6	6 (b)	67
Settlement, Legal and Regulatory (c)	(27)	-	-	-	(27)
Goodwill Impairment Charge	-	-	315	-	315
Accelerated Amortization	3	-	-	-	3
Other	-	-	2	-	2
Operating income adjustments	26	5	323	6	360
Adjusted operating income (loss)	\$271	\$101	\$ 7	\$(40)	\$339
Operating margin	18.2%	8.4%	N/A	N/A	N/A
Adjusted operating margin	20.2%	8.8%	4.3%	N/A	12.9%
Three Months Ended June 30, 2008					
Operating income (loss)	\$150	\$165	\$(88)	\$(47)	\$180
Add (deduct) impact of noteworthy items:					
Restructuring Charges (a)	47	-	4	2	53
Settlement, Legal and Regulatory (c)	10	-	-	-	10
Goodwill Impairment Charge	-	-	115	-	115
Operating income adjustments	57	-	119	2	178
Adjusted operating income (loss)	\$207	\$165	\$31	\$(45)	\$358
Operating margin	10.6%	12.0%	N/A	N/A	5.9%
Adjusted operating margin	14.6%	12.0%	11.7%	N/A	11.8%

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

(b) Primarily reflects adjustments to estimated future rent and other real estate costs related to previously vacated space in MMC’s New York headquarters.

(c) Reflects settlements of and 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 similar actions initiated by other states, including indemnification of former employees for legal fees. The second quarter of 2009 includes a credit of \$38 million related to insurance recoveries of previously expensed legal fees.

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

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

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

Adjusted Income, net of tax
Adjusted income, net of tax

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Marsh & McLennan Companies, Inc.
Supplemental Information – Discontinued Operations Reclassification
Continued
(Millions) (Unaudited)

The following table provides the revenue, expense and net operating income of Kroll Government Services that has been reclassified into discontinued operations.

	First Quarter 2008	Second Quarter 2008	Third Quarter 2008	Fourth Quarter 2008	Full Year 2008	First Quarter 2009
KGS Operations						
Revenue	\$15	\$15	\$19	\$20	\$69	\$20
Expense	13	13	13	15	54	13
Operating Income	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 6</u>	<u>\$ 5</u>	<u>\$15</u>	<u>\$ 7</u>

The following table provides prior period reported amounts after the reclassification of Kroll Government Services into discontinued operations.

	First Quarter 2008	Second Quarter 2008	Third Quarter 2008	Fourth Quarter 2008	Full Year 2008	First Quarter 2009
Operating Income						
Risk and Insurance Services	\$234	\$150	\$ (28)	\$104	\$460	\$297
Consulting	151	165	157	82	555	73
Risk Consulting & Technology	(414)	(88)	22	(32)	(512)	4
Corporate	(61)	(47)	(87)	(60)	(255)	(50)
	<u>(90)</u>	<u>180</u>	<u>64</u>	<u>94</u>	<u>248</u>	<u>324</u>
Interest Income	18	12	10	8	48	6
Interest Expense	(56)	(55)	(54)	(55)	(220)	(56)
Investment Income (Loss)	8	(16)	(23)	19	(12)	(15)
Income (Loss) Before Income Taxes	(120)	121	(3)	66	64	259
Income Taxes	93	66	(20)	(6)	133	80
Income (Loss) From Continuing Operations	(213)	55	17	72	(69)	179
Discontinued Operations, Net of Tax	6	12	(22)	11	7	1
Net Income (Loss) Before Non-Controlling Interest	(207)	67	(5)	83	(62)	180
Less: Net Income Attributable to Non-Controlling Interest	3	2	3	3	11	4
Net Income (Loss) Attributable to MMC	\$(210)	\$ 65	\$ (8)	\$ 80	\$ (73)	\$176
Basic Net Income (Loss) Per Share - Continuing Operations	\$(0.40)	\$0.10	\$0.03	\$0.14	\$(0.14)	\$0.33
Diluted Net Income (Loss) Per Share - Continuing Operations	\$(0.42)	\$0.10	\$0.03	\$0.13	\$(0.15)	\$0.33
Segment Operating Margin						
Risk and Insurance Services	15.6%	10.6%	N/A	8.2%	8.4%	21.6%
Consulting	11.7%	12.0%	11.8%	6.8%	10.7%	6.7%
Risk Consulting & Technology	N/A	N/A	9.4%	N/A	N/A	2.4%
Consolidated Operating Margin	N/A	5.9%	2.3%	3.6%	2.2%	12.4%

Marsh & McLennan Companies, Inc.
Supplemental Information – Discontinued Operations Reclassification
(Millions) (Unaudited)

Non-GAAP Earnings Per Share

The following table presents adjusted income, net of tax, a non-GAAP measure described on Page 13 of this release, for the first quarter of 2009 and each quarter of 2008 to reflect the reclassification of Kroll Government Services to discontinued operations.

	First Quarter 2008	Second Quarter 2008	Third Quarter 2008	Fourth Quarter 2008	Full Year 2008	First Quarter 2009
Non-GAAP Results						
Adjusted income, net of tax, as reported*	\$241	\$211	\$111	\$192	\$755	\$212
Reclass to discontinued operations	(1)	(2)	(4)	(4)	(11)	(5)
Adjusted income, net of tax as restated	240	209	107	188	744	207
Earnings attributable to unvested shares	7	8	4	3	22	6
Earnings attributable to common shares	<u>\$233</u>	<u>\$201</u>	<u>\$103</u>	<u>\$185</u>	<u>\$722</u>	<u>\$201</u>
Adjusted earnings per share, as reported	<u>\$0.45</u>	<u>\$0.40</u>	<u>\$0.21</u>	<u>\$0.37</u>	<u>\$1.42</u>	<u>\$0.40</u>
Adjusted earnings per share, as restated	<u>\$0.45</u>	<u>\$0.39</u>	<u>\$0.20</u>	<u>\$0.36</u>	<u>\$1.40</u>	<u>\$0.39</u>

* Includes reduction for net income attributable to non-controlling interests (previously reported as minority interest expense).

Operating Income, Adjusted Operating Income and Related Margins

The following table shows operating income, adjusted operating income and related margin information for the Risk Consulting & Technology segment reflecting the reclassification of Kroll Government Services as a discontinued operation.

	First Quarter 2008	Second Quarter 2008	Third Quarter 2008	Fourth Quarter 2008	Full Year 2008	First Quarter 2009
Risk Consulting & Technology						
Operating income (loss), as reported	\$(412)	\$(86)	\$28	\$(27)	\$(497)	\$11
Reclassification to discontinued operations	(2)	(2)	(6)	(5)	(15)	(7)
Operating income (loss), as restated	<u>(414)</u>	<u>(88)</u>	<u>22</u>	<u>(32)</u>	<u>(512)</u>	<u>4</u>
Adjusted operating income, as reported	16	33	28	11	88	12
Reclassification to discontinued operations	(2)	(2)	(6)	(5)	(15)	(7)
Adjusted operating income, as restated	<u>\$ 14</u>	<u>\$ 31</u>	<u>\$22</u>	<u>\$ 6</u>	<u>\$ 73</u>	<u>\$ 5</u>
Operating margin, as reported	N/A	N/A	11.0%	N/A	N/A	5.9%

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

	June 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$1,291	\$ 1,685
Net receivables	2,854	2,755
Other current assets	345	344
	4,490	4,784
Goodwill and intangible assets	6,983	7,163
Fixed assets, net	970	969
Pension related assets	397	150
Other assets	2,081	2,140
	\$14,921	\$15,206
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$ 9	\$ 408
Accounts payable and accrued liabilities	1,712	1,688
Accrued compensation and employee benefits	820	1,224
Accrued income taxes	24	66
Dividends payable	105	-
	2,670	3,386
Fiduciary liabilities	3,647	3,297
Less – cash and investments held in a fiduciary capacity	(3,647)	(3,297)
	-	-
Long-term debt	3,588	3,194
Pension, postretirement and postemployment benefits	1,168	1,217
Liabilities for errors and omissions	515	512
Other liabilities	1,220	1,137
	5,760	5,760
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$14,921	\$15,206