
MOODY'S



Third Quarter 2015 Earnings Call

October 30, 2015

Overview

SALLI SCHWARTZ
GLOBAL HEAD OF INVESTOR RELATIONS

Disclaimer

Certain statements contained in this presentation are forward-looking statements and are based on future expectations, plans and prospects for Moody's business and operations that involve a number of risks and uncertainties. Moody's outlook for 2015 and other forward-looking statements in this presentation are made as of October 30, 2015, and the Company disclaims any duty to supplement, update or revise such statements on a going-forward basis, whether as a result of subsequent developments, changed expectations or otherwise. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company is identifying certain factors that could cause actual results to differ, perhaps materially, from those indicated by these forward-looking statements. Those factors, risks and uncertainties include, but are not limited to, the current world-wide credit market disruptions and economic slowdown, which is affecting and could continue to affect the volume of debt and other securities issued in domestic and/or global capital markets; other matters that could affect the volume of debt and other securities issued in domestic and/or global capital markets, including credit quality concerns, changes in interest rates and other volatility in the financial markets; the level of merger and acquisition activity in the US and abroad; the uncertain effectiveness and possible collateral consequences of US and foreign government initiatives to respond to the current world-wide credit disruptions and economic slowdown; concerns in the marketplace affecting our credibility or otherwise affecting market perceptions of the integrity or utility of independent agency ratings; the introduction of competing products or technologies by other companies; pricing pressure from competitors and/or customers; the level of success of new product development and global expansion; the impact of regulation as an NRSRO, the potential for new US, state and local legislation and regulations, including provisions in the Dodd-Frank Wall Street Reform and Consumer Protection Act and anticipated regulations resulting from that Act; the potential for increased competition and regulation in the EU and other foreign jurisdictions; exposure to litigation related to our rating opinions, as well as any other litigation to which the Company may be subject from time to time; provisions in the Dodd-Frank Act legislation modifying the pleading standards, and EU regulations modifying the liability standards, applicable to credit rating agencies in a manner adverse to credit rating agencies; provisions of EU regulations imposing additional procedural and substantive requirements on the pricing of services; the possible loss of key employees; failures or malfunctions of our operations and infrastructure; any vulnerabilities to cyber threats or other cybersecurity concerns; the outcome of any review by controlling tax authorities of the Company's global tax planning initiatives; the outcome of those legacy tax matters and legal contingencies that relate to the Company, its predecessors and their affiliated companies for which Moody's has assumed portions of the financial responsibility; the impact of mergers, acquisitions or other business combinations and the ability of the Company to successfully integrate acquired businesses; currency and foreign exchange volatility; the levels of capital investments; a decline in the demand for credit risk management tools by financial institutions; and other risk factors as discussed in the Company's annual report on Form 10-K for the year ended December 31, 2014 and in other filings made by the Company from time to time with the Securities and Exchange Commission.

Agenda

1. Third Quarter 2015 Results

Ray McDaniel, President and Chief Executive Officer

2. Financial and Operating Highlights

Linda Huber, Executive Vice President and Chief Financial Officer

3. 2015 Outlook

Ray McDaniel, President and Chief Executive Officer

4. Q&A

Ray McDaniel, President and Chief Executive Officer

Linda Huber, Executive Vice President and Chief Financial Officer

Michel Madelain, President and Chief Operating Officer, Moody's Investors Service

Mark Almeida, President, Moody's Analytics

1. Third Quarter 2015 Results

RAY MCDANIEL
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Third Quarter 2015 Results and Comparison to Third Quarter 2014

Moody's Corporation

- » Revenue ↑ 2% to \$835 million
 - ↑ 7% on a constant currency basis

- » Expense ↑ 4% to \$485 million
 - Foreign currency translation favorably impacted expense by 4%

- » Operating Income ↔ flat at \$350 million
 - ↑ 5% on a constant currency basis

- » Adjusted Operating Income ↑ 1% to \$378 million

Third Quarter 2015 Results and Comparison to Third Quarter 2014 (continued)

Moody's Corporation

- » Operating Margin • 41.9%
- » Adjusted Operating Margin • 45.3%
- » GAAP EPS ↑ 14% to \$1.14
- » Non-GAAP EPS* ↑ 14% to \$1.11

*Non-GAAP EPS excludes a \$0.03 benefit from a legacy tax matter in the third quarters of both 2014 and 2015

Year-to-Date 2015 Performance and Comparison to Year-to-Date 2014

Moody's Corporation

- » Revenue
 - ↑ 7% to \$2.6 billion
 - ↑ 11% on a constant currency basis
 - MIS
 - ↑ 5% to \$1.8 billion
 - ↑ 10% on a constant currency basis
 - MA
 - ↑ 10% to \$829 million
 - ↑ 15% on a constant currency basis
- » Expense
 - ↑ 9% to \$1.5 billion
 - Foreign currency translation favorably impacted expense by 4%
- » Operating Income
 - ↑ 4% to \$1.1 billion
 - ↑ 10% on a constant currency basis
- » Adjusted Operated Income
 - ↑ 5% to \$1.2 billion

Year-to-Date 2015 Performance and Comparison to Year-to-Date 2014 (continued)

Moody's Corporation

- » Operating Margin • 43.5%
- » Adjusted Operating Margin • 46.8 %
- » On a constant currency basis and excluding our 2014 and 2015 acquisitions, operating margin and adjusted operating margin would have increased approximately 50 bps and 60 bps, respectively, year-over-year
- » GAAP EPS ↑ 2% to \$3.54
- » Non-GAAP EPS* ↑ 14% to \$3.51
- » Reaffirming our 2015 EPS guidance of \$4.55 to \$4.65, which now includes a \$0.03 benefit from a legacy tax matter

*Non-GAAP EPS excludes a \$0.03 benefit from a legacy tax matter in both the year-to-date 2015 and 2014 periods. It also excludes a \$0.36 gain resulting from Moody's acquisition of a controlling interest in ICRA Ltd. in the second quarter of 2014.

2. Financial and Operating Highlights

LINDA HUBER

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Third Quarter 2015 Results and Comparison to Third Quarter 2014

Moody's Corporation Revenue

- » Total Global
 - ↑ 2% to \$835 million
 - ↑ 7% on a constant currency basis

- » US
 - ↑ 7% to \$482 million

- » Non-US
 - ↓ 4% to \$353 million
 - 42% of total global

- » Recurring Revenue
 - \$447 million
 - 54% of total revenue

Third Quarter 2015 Results and Comparison to Third Quarter 2014 (continued)

MIS Revenue by Geography

- » Total MIS ↔ flat at \$548 million
 ↑ 5% on a constant currency basis

- » US ↑ 7% to \$353 million

- » Non-US ↓ 10% to \$196 million
 • 36% of total MIS

Third Quarter 2015 Results and Comparison to Third Quarter 2014 (continued)

MIS Revenue by Line of Business

» Corporate Finance: \$248 million

- Global ↓ 5%
- Constant currency basis ↓ 1%
- US ↑ 5%
- Non-US ↓ 22%

» Structured Finance: \$113 million

- Global ↑ 10%
- Constant currency basis ↑ 15%
- US ↑ 12%
- Non-US ↑ 6%

Third Quarter 2015 Results and Comparison to Third Quarter 2014 (continued)

MIS Revenue by Line of Business

» Financial Institutions: \$90 million

- Global ↓ 3%
- Constant currency basis ↑ 4%
- US ↑ 8%
- Non-US ↓ 10%

» Public, Project & Infrastructure Finance: \$91 million

- Global ↑ 2%
- Constant currency basis ↑ 7%
- US ↑ 2%
- Non-US ↑ 4%

» MIS Other: \$7 million in 3Q15 versus \$4 million in 3Q14

Third Quarter 2015 Results and Comparison to Third Quarter 2014 (continued)

MA Revenue by Geography

- » Total MA
 - ↑ 6% to \$287 million
 - ↑ 11% on a constant currency basis

- » US
 - ↑ 8% to \$130 million

- » Non-US
 - ↑ 5% to \$157 million
 - 55% of Total MA

Third Quarter 2015 Results and Comparison to Third Quarter 2014 (continued)

MA Revenue by Line of Business

» ERS: \$92 million

– Global	↑	14%
– Constant currency basis	↑	18%
– US	↑	7%
– Non-US	↑	17%
– TTM* Revenue	↑	27%
– TTM* Sales	↑	12%

*Trailing twelve months

Third Quarter 2015 Results and Comparison to Third Quarter 2014 (continued)

MA Revenue by Line of Business

» Professional Services: \$37 million

- Global ↓ 19%
- Constant currency basis ↓ 14%
- US ↓ 28%
- Non-US ↓ 13%

Third Quarter 2015 Results and Comparison to Third Quarter 2014 (continued)

Moody's Corporation

- » Total Expense ↑ 4% to \$485 million
 - Foreign currency translation favorably impacted expense by 4%

- » Operating Margin • 41.9%

- » Adjusted Operating Margin • 45.3%

- » On a constant currency basis and excluding our 2014 and 2015 acquisitions, operating margin and adjusted operating margin would have increased by approximately 40 bps and 70 bps, respectively

- » Effective Tax Rate • 32.0%

Capital Allocation

- » During 3Q15, Moody's repurchased 2.9 million shares at a total cost of \$304.9 million, or an average cost of \$105.03 per share, and issued approximately 300,000 shares under annual employee stock-based compensation plans

- » In the first nine months of 2015, Moody's repurchased 8.9 million shares at a total cost of \$905.6 million, or an average cost of \$101.37 per share

- » Shares outstanding totaled 197.7 million as of September 30, 2015
 - 5% decline from September 30, 2014

- » As of September 30, 2015, \$658 million of share repurchase authority remaining

- » On October 21, 2015, Moody's announced a quarterly dividend of 34 cents per share of Moody's common stock payable December 10th to stockholders of record at the close of business November 20th

Balance Sheet and Free Cash Flow

- » As of September 30, 2015, Moody's had:
 - \$3.1 billion of outstanding debt
 - \$1 billion of additional debt capacity under revolving credit facility
 - Cash, cash equivalents and short-term investments of \$1.9 billion

- » Free cash flow of \$827.6 million in first nine months of 2015, up 27% from first nine months of 2014

- » As of September 30, 2015, approximately 75% of cash holdings maintained outside the US

3. 2015 Outlook

RAY MCDANIEL
PRESIDENT AND CHIEF EXECUTIVE OFFICER

2015 Outlook

- » Our guidance assumes foreign currency translation at end-of-quarter exchange rates
- » Specifically, our forecast reflects exchange rates for the British pound and the euro of \$1.52 to £1 and \$1.12 to €1, respectively
- » Reaffirming our 2015 EPS guidance of \$4.55 to \$4.65, which now includes a \$0.03 benefit from a legacy tax matter

Changes to 2015 Full-Year Financial Outlook*	
MIS	Current Guidance as of October 30, 2015
MIS Non-U.S.	decline in the mid-single-digit percent range
Corporate finance	approximately flat
Public, project and infrastructure finance	increase in the high-single-digit percent range
MA	
MA Non-U.S.	approximately flat
Capital Expenditures	approximately \$90 million

*Refer to "Moody's Corporation Reports Results for Third Quarter 2015" press release for a full review of guidance

4. Q&A Session

- » Ray McDaniel

President and Chief Executive Officer, Moody's Corporation

- » Linda Huber

Executive Vice President and Chief Financial Officer, Moody's Corporation

- » Michel Madelain

President and Chief Operating Officer, Moody's Investors Service

- » Mark Almeida

President, Moody's Analytics

Replay Details

- » Available from 3:30pm (Eastern Time) October 30, 2015 until 3:30pm (Eastern Time) November 21, 2015

- » Telephone Details:
 - US +888-203-1112
 - Non-US +1-719-457-0820
 - Passcode 5837983

- » Webcast Details:
 - Go to <http://ir.moody's.com>
 - Click on “Events & Presentations” featured on the left
 - Click on the link for “3Q 2015 Earnings Conference Call”

Appendix



Consolidated Statements of Operations (Unaudited)

	Three Months Ended September 30,		Nine Months End September 30,	
	2015	2014	2015	2014
<i>Amounts in millions, except per share amounts</i>				
Revenue	\$ 834.9	\$ 816.1	\$ 2,618.6	\$ 2,456.8
Expenses:				
Operating	236.1	236.7	724.4	674.8
Selling, general and administrative	220.8	206.5	669.1	619.0
Depreciation and amortization	28.3	23.2	84.8	68.6
Total expenses	485.2	466.4	1,478.3	1,362.4
Operating income	349.7	349.7	1,140.3	1,094.4
Non-operating (expense) income, net				
Interest (expense) income, net	(25.8)	(37.7)	(87.0)	(87.5)
Other non-operating (expense) income, net	19.7	16.4	14.0	15.5
ICRA Gain	-	-	-	102.8
Total non-operating (expense) income, net	(6.1)	(21.3)	(73.0)	30.8
Income before provision for income taxes	343.6	328.4	1,067.3	1,125.2
Provision for income taxes	109.8	109.9	338.1	360.6
Net income	233.8	218.5	729.2	764.6
Less: net income attributable to noncontrolling interests	2.2	3.3	5.8	12.2
Net income attributable to Moody's Corporation	\$ 231.6	\$ 215.2	\$ 723.4	\$ 752.4
Earnings per share attributable to Moody's common shareholders				
Basic	\$ 1.16	\$ 1.02	\$ 3.60	\$ 3.55
Diluted	\$ 1.14	\$ 1.00	\$ 3.54	\$ 3.48
Weighted average number of shares outstanding				
Basic	199.4	210.4	201.1	212.1
Diluted	202.5	214.2	204.5	216.1

Supplemental Revenue Information

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
<i>Amounts in millions</i>				
Moody's Investors Service				
Corporate Finance	\$ 248.3	\$ 260.7	\$ 866.6	\$ 846.0
Structured Finance	112.5	102.1	335.0	308.0
Financial Institutions	89.5	91.8	273.7	269.4
Public, Project and Infrastructure Finance	90.6	88.5	291.2	267.2
MIS Other*	7.2	3.5	23.1	10.1
Intersegment royalty	23.5	22.2	69.5	65.6
Sub-total MIS	571.6	568.8	1,859.1	1,766.3
Eliminations	(23.5)	(22.2)	(69.5)	(65.6)
Total MIS revenue	548.1	546.6	1,789.6	1,700.7
Moody's Analytics				
Research, Data and Analytics	157.9	143.3	465.0	422.3
Enterprise Risk Solutions	92.2	81.1	252.5	208.1
Professional Services	36.7	45.1	111.5	125.7
Intersegment revenue	3.3	3.5	9.7	10.1
Sub-total MA	290.1	273.0	838.7	766.2
Eliminations	(3.3)	(3.5)	(9.7)	(10.1)
Total MA revenue	286.8	269.5	829.0	756.1
Total Moody's Corporation revenue	\$ 834.9	\$ 816.1	\$ 2,618.6	\$ 2,456.8
Moody's Corporation revenue by geographic area				
United States	\$ 482.1	\$ 449.1	\$ 1,527.8	\$ 1,335.8
International	352.8	367.0	1,090.8	1,121.0
	\$ 834.9	\$ 816.1	\$ 2,618.6	\$ 2,456.8

*Pursuant to the acquisition of ICRA Ltd. (ICRA) in 2014, the Company realigned certain components of its presentation of revenue by LOB. Beginning in the fourth quarter of 2014, ICRA's non-ratings revenue was combined with non-ratings revenue associated with Moody's majority ownership of Korea Investors Service (KIS) to form the "MIS Other" LOB. Non-ratings revenue from KIS was previously reported in MA's RD&A LOB. Expenses relating to ICRA's and KIS's non-ratings revenue are now reported in the MIS segment. The prior year comparative results have been reclassified to reflect this realignment.

Supplemental Revenue Reclassification (Unaudited)

The following table summarizes the 2014 impact of the reclassification of non-ratings revenue associated with Moody's majority ownership of KIS, which was formerly reported in MA's RD&A LOB, to the MIS Other LOB.

	Three Months Ended September 30, 2014			Nine Months Ended September 30, 2014		
	As Reported	Reclassification	As Reclassified	As Reported	Reclassification	As Reclassified
<i>Amounts in millions</i>						
Moody's Investors Service						
Corporate Finance	\$ 260.7	\$ -	\$ 260.7	\$ 846.0	\$ -	\$ 846.0
Structured Finance	102.1	-	102.1	308.0	-	308.0
Financial Institutions	91.8	-	91.8	269.4	-	269.4
Public, Project and Infrastructure Finance	88.5	-	88.5	267.2	-	267.2
MIS Other	-	3.5	3.5	-	10.1	10.1
Total MIS revenue	<u>543.1</u>	<u>3.5</u>	<u>546.6</u>	<u>1,690.6</u>	<u>10.1</u>	<u>1,700.7</u>
Moody's Analytics						
Research, Data and Analytics	146.8	(3.5)	143.3	432.4	(10.1)	422.3
Enterprise Risk Solutions	81.1	-	81.1	208.1	-	208.1
Professional Services	45.1	-	45.1	125.7	-	125.7
Total MA revenue	<u>273.0</u>	<u>(3.5)</u>	<u>269.5</u>	<u>766.2</u>	<u>(10.1)</u>	<u>756.1</u>
Total Moody's Corporation revenue	<u>\$ 816.1</u>	<u>\$ -</u>	<u>\$ 816.1</u>	<u>\$ 2,456.8</u>	<u>\$ -</u>	<u>\$ 2,456.8</u>

Selected Consolidated Balance Sheet Data (Unaudited)

<i>Amounts in millions</i>	September 30, 2015	December 31, 2014
Cash and cash equivalents	\$ 1,471.1	\$ 1,219.5
Short-term investments	470.2	458.1
Total current assets	2,862.1	2,686.4
Non-current assets	1,910.8	1,982.6
Total assets	4,772.9	4,669.0
Total current liabilities	1,050.2	1,199.7
Total debt ⁽¹⁾	3,124.5	2,547.3
Other long-term liabilities	838.4	879.1
Total shareholders' (deficit) equity*	(240.2)	42.9
Total liabilities and shareholders' equity	4,772.9	4,669.0
Actual number of shares outstanding	197.7	204.4

* The decrease primarily reflects share repurchases and FX translation losses partially offset by net income in the first nine months of 2015.

⁽¹⁾ Total debt consists of the following:

	September 30, 2015	December 31, 2014
Series 2007-1 Notes due 2017	\$ 300.0	\$ 300.0
2010 Senior Notes due 2020 ^(a)	515.4	503.8
2012 Senior Notes due 2022 ^(b)	497.1	496.9
2013 Senior Notes due 2024 ^(c)	497.6	497.5
2014 Senior Notes due 2019 ^(d)	457.9	450.7
2014 Senior Notes due 2044 ^(e)	298.4	298.4
2015 Senior Notes due 2027 ^(f)	558.1	-
Total debt	\$ 3,124.5	\$ 2,547.3

^(a) Represents \$500 million of 5.5% publicly traded Senior Notes which mature on September 1, 2020; the notes were offered to the public at 99.374% of the face amount and include a \$17.1 million and a \$5.8 million adjustment relating to the fair value of an interest rate hedge at September 30, 2015 and December 31, 2014, respectively

^(b) Represents \$500 million of 4.5% publicly traded Senior Notes which mature on September 1, 2022; the notes were offered to the public at 99.218% of the face amount

^(c) Represents \$500 million of 4.9% publicly traded Senior Notes which mature on February 15, 2024; the notes were offered to the public at 99.431% of the face amount

^(d) Represents \$450 million of 2.75% publicly traded Senior Notes which mature on July 15, 2019; the notes were offered to the public at 99.838% of the face amount and include an \$8.4 million and a \$1.4 million adjustment relating to the fair value of an interest rate hedge at September 30, 2015 and December 31, 2014, respectively

^(e) Represents \$300 million of 5.25% publicly traded Senior Notes which mature on July 15, 2044; the notes were offered to the public at 99.462% of the face amount

^(f) Represents €500 million of 1.75% publicly traded Senior Notes which mature on March 9, 2027

Non-operating (expense) income, net

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
<i>Amounts in millions</i>				
Interest expense, net:				
Expense on borrowings ^(a)	\$ (29.8)	\$ (38.8)	\$ (88.8)	\$ (90.5)
Income	2.8	1.8	7.0	5.1
Legacy Tax benefit ^(b)	0.7	0.7	0.7	0.7
UTPs and other tax related liabilities	0.4	(1.7)	(6.3)	(3.2)
Interest Capitalized	0.1	0.3	0.4	0.4
Total interest expense, net	<u>\$ (25.8)</u>	<u>\$ (37.7)</u>	<u>\$ (87.0)</u>	<u>\$ (87.5)</u>
Other non-operating (expense) income, net:				
FX gain/(loss)	\$ 9.7	\$ 7.6	\$ (2.5)	\$ 1.5
Legacy Tax benefit ^(b)	6.4	6.4	6.4	6.4
Joint venture income (loss)	3.5	2.6	8.8	7.9
Other	0.1	(0.2)	1.3	(0.3)
Other non-operating income (expense), net	<u>19.7</u>	<u>16.4</u>	<u>14.0</u>	<u>15.5</u>
ICRA Gain	-	-	-	102.8
Total non-operating (expense) income, net	<u>\$ (6.1)</u>	<u>\$ (21.3)</u>	<u>\$ (73.0)</u>	<u>\$ 30.8</u>

(a) The 2014 amounts include approximately \$11 million in net costs related to the prepayment of the Series 2005-1 Notes.

(b) The amounts in both periods reflect the favorable resolution of Legacy Tax matters.

Financial Information by Segment

The table below presents revenue, adjusted operating income and operating income by reportable segment. The Company defines adjusted operating income as operating income excluding depreciation and amortization.

	Three Months Ended September 30,							
	2015				2014			
	MIS	MA	Eliminations	Consolidated	MIS	MA	Eliminations	Consolidated
Revenue	\$ 571.6	\$ 290.1	\$ (26.8)	\$ 834.9	\$ 568.8	273.0	(25.7)	\$ 816.1
Operating, selling, general and administrative expense	<u>268.1</u>	<u>215.6</u>	<u>(26.8)</u>	<u>456.9</u>	<u>263.4</u>	<u>205.5</u>	<u>(25.7)</u>	<u>443.2</u>
Adjusted operating income	<u>303.5</u>	<u>74.5</u>	<u>-</u>	<u>378.0</u>	<u>305.4</u>	<u>67.5</u>	<u>-</u>	<u>372.9</u>
Depreciation and amortization	<u>16.9</u>	<u>11.4</u>	<u>-</u>	<u>28.3</u>	<u>11.6</u>	<u>11.6</u>	<u>-</u>	<u>23.2</u>
Operating income	<u>\$ 286.6</u>	<u>\$ 63.1</u>	<u>\$ -</u>	<u>\$ 349.7</u>	<u>\$ 293.8</u>	<u>\$ 55.9</u>	<u>\$ -</u>	<u>\$ 349.7</u>
Adjusted operating margin	53.1%	25.7%		45.3%	53.7%	24.7%		45.7%
Operating margin	50.1%	21.8%		41.9%	51.7%	20.5%		42.9%
	Nine Months Ended September 30,							
	2015				2014			
	MIS	MA	Eliminations	Consolidated	MIS	MA	Eliminations	Consolidated
Revenue	\$ 1,859.1	\$ 838.7	\$ (79.2)	\$ 2,618.6	\$ 1,766.3	766.2	(75.7)	\$ 2,456.8
Operating, selling, general and administrative expense	<u>836.4</u>	<u>636.3</u>	<u>(79.2)</u>	<u>1,393.5</u>	<u>783.7</u>	<u>585.8</u>	<u>(75.7)</u>	<u>1,293.8</u>
Adjusted operating income	<u>1,022.7</u>	<u>202.4</u>	<u>-</u>	<u>1,225.1</u>	<u>982.6</u>	<u>180.4</u>	<u>-</u>	<u>1,163.0</u>
Depreciation and amortization	<u>48.7</u>	<u>36.1</u>	<u>-</u>	<u>84.8</u>	<u>34.4</u>	<u>34.2</u>	<u>-</u>	<u>68.6</u>
Operating income	<u>\$ 974.0</u>	<u>\$ 166.3</u>	<u>\$ -</u>	<u>\$ 1,140.3</u>	<u>\$ 948.2</u>	<u>\$ 146.2</u>	<u>\$ -</u>	<u>\$ 1,094.4</u>
Adjusted operating margin	55.0%	24.1%		46.8%	55.6%	23.5%		47.3%
Operating margin	52.4%	19.8%		43.5%	53.7%	19.1%		44.5%

Transaction and Relationship Revenue

The tables below summarize the split between transaction and relationship revenue. In the MIS segment, excluding MIS Other, transaction revenue represents the initial rating of a new debt issuance as well as other one-time fees while relationship revenue represents the recurring monitoring of a rated debt obligation and/or entities that issue such obligations, as well as revenue from programs such as commercial paper, medium-term notes, shelf registrations and other non-rating subscription based revenue. In MIS Other, transaction revenue represents revenue from professional services and outsourcing engagements and relationship revenue represents subscription based revenues. In the MA segment, relationship revenue represents subscription-based revenues and software maintenance revenue. Transaction revenue in MA represents software license fees and revenue from risk management advisory projects, training and certification services, and outsourced research and analytical engagements.

	Three Months Ended September 30,					
	2015			2014		
	Transaction	Relationship	Total	Transaction	Relationship	Total
Corporate Finance	\$161.6	\$86.7	\$248.3	\$179.8	\$80.9	\$260.7
	65%	35%	100%	69%	31%	100%
Structured Finance	\$69.8	\$42.7	\$112.5	60.5	41.6	102.1
	62%	38%	100%	59%	41%	100%
Financial Institutions	\$30.9	\$58.6	\$89.5	34.7	57.1	91.8
	35%	65%	100%	38%	62%	100%
Public, Project and Infrastructure Finance	\$51.0	\$39.6	\$90.6	51.2	37.3	88.5
	56%	44%	100%	58%	42%	100%
MIS Other	\$3.0	\$4.2	\$7.2	-	\$3.5	\$3.5
	42%	58%	100%	-	100%	100%
Total MIS	\$316.3	\$231.8	\$548.1	\$326.2	\$220.4	\$546.6
	58%	42%	100%	60%	40%	100%
Moody's Analytics	\$71.5	\$215.3	\$286.8	\$74.3	\$195.2	\$269.5
	25%	75%	100%	28%	72%	100%
Total Moody's Corporation	\$387.8	\$447.1	\$834.9	\$400.5	\$415.6	\$816.1
	46%	54%	100%	49%	51%	100%

Refer to "Moody's Corporation Reports Results for Third Quarter 2015" press release for table details

Transaction and Relationship Revenue (continued)

	Nine Months Ended September 30,					
	2015			2014		
	Transaction	Relationship	Total	Transaction	Relationship	Total
Corporate Finance	\$608.0	\$258.6	\$866.6	\$605.8	\$240.2	\$846.0
	70%	30%	100%	72%	28%	100%
Structured Finance	\$211.9	\$123.1	\$335.0	186.3	121.7	\$308.0
	63%	37%	100%	60%	40%	100%
Financial Institutions	\$101.4	\$172.3	\$273.7	96.3	173.1	\$269.4
	37%	63%	100%	36%	64%	100%
Public, Project and Infrastructure Finance	\$178.1	\$113.1	\$291.2	155.7	111.5	\$267.2
	61%	39%	100%	58%	42%	100%
MIS Other	\$10.4	\$12.7	\$23.1	-	\$10.1	\$10.1
	45%	55%	100%	-	100%	100%
Total MIS	\$1,109.8	\$679.8	\$1,789.6	\$1,044.1	\$656.6	\$1,700.7
	62%	38%	100%	61%	39%	100%
Moody's Analytics	\$199.2	\$629.8	\$829.0	\$187.6	\$568.5	\$756.1
	24%	76%	100%	25%	75%	100%
Total Moody's Corporation	\$1,309.0	\$1,309.6	\$2,618.6	\$1,231.7	\$1,225.1	\$2,456.8
	50%	50%	100%	50%	50%	100%

Refer to "Moody's Corporation Reports Results for Third Quarter 2015" press release for table details

Adjusted Operating Income and Adjusted Operating Margin

The tables below reflect certain adjusted results that the SEC defines as "non-GAAP financial measures" as well as a reconciliation of each non-GAAP measure to its most directly comparable GAAP measure. Management believes that such non-GAAP financial measures, when read in conjunction with the Company's reported results, can provide useful supplemental information for investors analyzing period-to-period comparisons of the Company's performance, facilitate comparisons to competitors' operating results and to provide greater transparency to investors of supplemental information used by management in its financial and operational decision-making. These non-GAAP measures, as defined by the Company, are not necessarily comparable to similarly defined measures of other companies. Furthermore, these non-GAAP measures should not be viewed in isolation or used as a substitute for other GAAP measures in assessing the operating performance or cash flows of the Company.

The table below reflects a reconciliation of the Company's operating income and operating margin to adjusted operating income and adjusted operating margin. The Company defines adjusted operating income as operating income excluding depreciation and amortization. The Company presents adjusted operating income because management deems this metric to be a useful measure of assessing the operating performance of Moody's, measuring the Company's ability to service debt, fund capital expenditures, and expand its business. Adjusted operating income excludes depreciation and amortization because companies utilize productive assets of different ages and use different methods of both acquiring and depreciating productive assets. Management believes that the exclusion of this item, detailed in the reconciliation below, allows for a more meaningful comparison of the Company's results from period to period and across companies. The Company defines adjusted operating margin as adjusted operating income divided by revenue.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
<i>(amounts in millions)</i>				
Operating income	\$ 349.7	\$ 349.7	\$ 1,140.3	\$ 1,094.4
Depreciation & amortization	28.3	23.2	84.8	68.6
Adjusted operating income	\$ 378.0	\$ 372.9	\$ 1,225.1	\$ 1,163.0
Operating margin	41.9%	42.9%	43.5%	44.5%
Adjusted operating margin	45.3%	45.7%	46.8%	47.3%
	Full-Year Ended December 31, 2015			
Operating margin guidance	Approximately 43%			
Depreciation and amortization	Approximately 3%			
Adjusted operating margin guidance	Approximately 46%			

Refer to "Moody's Corporation Reports Results for Third Quarter 2015" press release for table details

Free Cash Flow

The table below reflects a reconciliation of the Company's net cash flows from operating activities to free cash flow. The Company defines free cash flow as net cash provided by operating activities minus payments for capital additions. Management believes that free cash flow is a useful metric in assessing the Company's cash flows to service debt, pay dividends and to fund acquisitions and share repurchases. Management deems capital expenditures essential to the Company's product and service innovations and maintenance of Moody's operational capabilities. Accordingly, capital expenditures are deemed to be a recurring use of Moody's cash flow.

	Nine Months Ended September 30,	
	2015	2014
<i>(amounts in millions)</i>		
Net cash flows from operating activities	\$ 893.5	\$ 709.8
Capital additions	(65.9)	(56.8)
Free cash flow	\$ 827.6	\$ 653.0
Net cash used in investing activities	\$ (81.5)	\$ (244.6)
Net cash used in financing activities	\$ (512.5)	\$ (393.4)
	Full-Year Ended December 31, 2015	
Net cash flows from operating activities guidance	Approximately \$1.1 billion	
Capital additions guidance	Approximately \$90 million	
Free cash flow guidance	Approximately \$1.0 billion	

Refer to "Moody's Corporation Reports Results for Third Quarter 2015" press release for table details

Non-GAAP Diluted EPS Attributable to Moody's Common Shareholders

The Company presents this non-GAAP measure to exclude the impact of the ICRA Gain as well as benefits from the resolution of Legacy Tax Matters to allow for a more meaningful comparison of Moody's diluted earnings per share from period to period. Below is a reconciliation of this measure to its most directly comparable U.S. GAAP amount:

<i>(amounts in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Diluted EPS - GAAP	\$ 1.14	\$ 1.00	\$ 3.54	\$ 3.48
ICRA Gain	-	-	-	(0.36)
Legacy Tax	(0.03)	(0.03)	(0.03)	(0.03)
Diluted EPS - Non-GAAP	<u>\$ 1.11</u>	<u>\$ 0.97</u>	<u>\$ 3.51</u>	<u>\$ 3.09</u>

Constant Currency Measures

The Company presents revenue and operating income growth on a constant currency basis because management deems this metric to be a useful measure of assessing the operations of the Company in times of foreign exchange rate volatility. Constant currency measures exclude the impact of changes in foreign exchange rates on operating results. The Company calculates the dollar impact of foreign exchange as the difference between the translation of its current period non-USD functional currency results using prior comparative period weighted average foreign exchange translation rates and current year as reported results. Growth rates on a constant currency basis are determined based on the difference between current period revenue and operating income translated using prior period comparative weighted average exchange rates and prior period as reported results divided by prior as reported results. Below is a reconciliation of the Company's as reported revenue and operating income changes to the changes on a constant currency basis:

Three Months Ended September 30, 2015										
	CFG		SFG		FIG		PIIF		Total MIS	
	\$	%	\$	%	\$	%	\$	%	\$	%
Reported change	(12.4)	(5%)	10.4	10%	(2.3)	(3%)	2.1	2%	1.5	-
FX impact	9.0	4%	5.4	5%	6.0	7%	3.8	5%	24.5	5%
Constant currency change	(3.4)	(1%)	15.8	15%	3.7	4%	5.9	7%	26.0	5%
	RD&A		ERS		PS		Total MA			
	\$	%	\$	%	\$	%	\$	%	\$	%
Reported change	14.6	10%	11.1	14%	(8.4)	(19%)	17.3	6%		
FX impact	6.5	5%	3.9	4%	1.9	5%	12.3	5%		
Constant currency change	21.1	15%	15.0	18%	(6.5)	(14%)	29.6	11%		
	MCO Revenue		MCO Operating Income							
	\$	%	\$	%	\$	%	\$	%	\$	%
Reported change	18.8	2%	-	-						
FX impact	36.8	5%	16.5	5%						
Constant currency change	55.6	7%	16.5	5%						
Nine Months Ended September 30, 2015										
	MIS Revenue		MA Revenue		MCO Revenue		MCO Operating Income			
	\$	%	\$	%	\$	%	\$	%	\$	%
Reported change	88.9	5%	72.9	10%	161.8	7%	45.9	4%		
FX impact	82.9	5%	37.3	5%	120.2	4%	60.4	6%		
Constant currency change	171.8	10%	110.2	15%	282.0	11%	106.3	10%		

2015 Outlook

Moody's outlook for 2015 is based on assumptions about many macroeconomic and capital market factors, including interest rates, foreign currency exchange rates, corporate profitability and business investment spending, merger and acquisition activity, consumer borrowing and securitization, and the amount of debt issued. These assumptions are subject to some degree of uncertainty, and results for the year could differ materially from our current outlook. Moody's guidance, which is presented in the table below, assumes foreign currency translation at end-of-quarter exchange rates.

Full-Year 2015 Moody's Corporation guidance		
MOODY'S CORPORATION	Current guidance as of October 30, 2015	Last publicly disclosed guidance on September 30, 2015
Revenue	growth in the mid-single-digit percent range	NC
Operating Expenses	growth in the mid-single-digit percent range	NC
Depreciation & amortization	Approximately \$120 million	NC
Operating Margin	Approximately 43%	NC
Adjusted Operating Margin	Approximately 46%	NC
Effective tax rate	Approximately 31% - 32%	NC
GAAP EPS	\$4.55 to \$4.65	NC
Capital expenditures	Approximately \$90 million	Approximately \$100 - \$110 million
Free cash flow	Approximately \$1 billion	NC
Share repurchases	Approximately \$1 billion (subject to available cash, market conditions and other ongoing capital allocation decisions)	NC

Full-Year 2015 revenue guidance		
MIS	Current guidance as of October 30, 2015	Last publicly disclosed guidance on September 30, 2015
MIS global	growth in the mid-single-digit percent range	NC
MIS U.S.	growth in the low-double-digit percent range	NC
MIS Non-U.S.	decline in the mid-single-digit percent range	decline in the low-single-digit percent range
Corporate finance	approximately flat	growth in the mid-single-digit percent range
Structured finance	growth in the mid-single-digit percent range	NC
Financial institutions	growth in the low-single-digit percent range	NC
Public, project and infrastructure finance	growth in the high-single-digit percent range	growth in the low-double-digit percent range
MA		
MA global	growth in the mid-single-digit percent range	NC
MA U.S.	growth in the low-double-digit percent range	NC
MA Non-U.S.	approximately flat	growth in the low-single-digit percent range
Research, data and analytics	growth in the high-single-digit percent range	NC
Enterprise risk solutions	growth in the mid-single-digit percent range	NC
Professional services	decline in the low-double-digit percent range	NC

NC - There is no difference between the Company's current guidance and the last publicly disclosed guidance for this item.

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