Moody's

Third Quarter 2018 Earnings Call

October 26, 2018

Overview

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Global Head of Investor Relations and Communications

Disclaimer

Certain statements contained in this release are forward-looking statements and are based on future expectations, plans and prospects for the Company's business and operations that involve a number of risks and uncertainties. The forward-looking statements and other information in this release are made as of the date hereof (except where noted otherwise), and the Company undertakes no obligation (nor does it intend) to publicly 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 examples of factors, risks and uncertainties 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, credit market disruptions or economic slowdowns, which could 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 regulation, credit quality concerns, changes in interest rates and other volatility in the financial markets such as that due to the U.K.'s referendum vote whereby the U.K. citizens voted to withdraw from the EU; the level of merger and acquisition activity in the U.S. and abroad; the uncertain effectiveness and possible collateral consequences of U.S. and foreign government actions affecting credit markets, international trade and economic policy; concerns in the marketplace affecting our credibility or otherwise affecting market perceptions of the integrity or utility of independent credit 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 U.S., state and local legislation and regulations, including provisions in the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") and regulations resulting from Dodd-Frank; 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, government and regulatory proceedings, investigations and inquires to which the Company may be subject from time to time; provisions in the Dodd-Frank 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 and the expansion of supervisory remit to include non-EU ratings used for regulatory purposes; 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; exposure to potential criminal sanctions or civil remedies if the Company fails to comply with foreign and U.S. laws and regulations that are applicable in the jurisdictions in which the Company operates, including data protection and privacy laws, sanctions laws, anti-corruption laws, and local laws prohibiting corrupt payments to government officials; 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 level of future cash flows; the levels of capital investments; and a decline in the demand for credit risk management tools by financial institutions. These factors, risks and uncertainties as well as other risks and uncertainties that could cause Moody's actual results to differ materially from those contemplated, expressed, projected, anticipated or implied in the forward-looking statements are described in greater detail under "Risk Factors" in Part I, Item 1A of the Company's annual report on Form 10-K for the year ended December 31, 2017, and in other filings made by the Company from time to time with the SEC or in materials incorporated herein or therein. Stockholders and investors are cautioned that the occurrence of any of these factors, risks and uncertainties may cause the Company's actual results to differ materially from those contemplated, expressed, projected, anticipated or implied in the forward-looking statements, which could have a material and adverse effect on the Company's business, results of operations and financial condition. New factors may emerge from time to time, and it is not possible for the Company to predict new factors, nor can the Company assess the potential effect of any new factors on it.

Agenda

1. **Third Quarter and Year-to-Date 2018 Results**
   Ray McDaniel, President and Chief Executive Officer

2. **Financial and Operating Highlights**
   Mark Kaye, Senior Vice President and Chief Financial Officer

3. **2018 Outlook**
   Ray McDaniel, President and Chief Executive Officer

4. **Q&A**
   Ray McDaniel, President and Chief Executive Officer
   Mark Kaye, Senior Vice President and Chief Financial Officer
   Mark Almeida, President, Moody's Analytics
   Rob Fauber, President, Moody's Investors Service

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Third Quarter and Year-to-Date 2018 Results

Ray McDaniel

President and Chief Executive Officer

Third Quarter 2018 Results and Comparison to Third Quarter 2017

Moody's Corporation

- Revenue — ↑ 2% to $1.1 billion
- Operating Expenses — ↔ approximately flat at $614 million
- Operating Income — ↑ 4% to $467 million
  - Impact of foreign currency translation was negligible
- Adjusted Operating Income[1] — ↑ 3% to $514 million
  - Impact of foreign currency translation was negligible

1 Third quarter 2018 and third quarter 2017 adjusted operating income exclude depreciation and amortization, as well as Acquisition-Related Expenses.

Third Quarter 2018 Results and Comparison to Third Quarter 2017 (continued)

Moody's Corporation

» Operating Margin	●	43.2%
» Adjusted Operating Margin[1]	●	47.6%
» Diluted EPS[2]	↓	2% to $1.59
» Adjusted Diluted EPS[1,2,3]	↑	11% to $1.69

1 Refer to Table 9 – "Adjusted Operating Income and Adjusted Operating Margin" in the press release for a reconciliation of GAAP to adjusted measures.
2 Neither third quarter 2018 diluted EPS nor third quarter 2018 adjusted diluted EPS were impacted by the adoption of accounting standard ASU 2016-09 compared to a $0.04 per share tax benefit in the third quarter of 2017.
3 Refer to Table 12 – "Adjusted Net Income and Adjusted Diluted EPS Attributable to Moody's Common Shareholders" in the press release for a reconciliation of GAAP to adjusted measures.

Year-to-Date 2018 Performance and Comparison to Year-to-Date 2017

Moody's Corporation Revenue

» Total Global	↑	11% to $3.4 billion
» U.S.	↑	3% to $1.8 billion
» Non-U.S.	↑	23% to $1.6 billion
» Total Global	●	Foreign currency translation favorably impacted Moody's revenue by 1%

Year-to-Date 2018 Performance and Comparison to Year-to-Date 2017 (continued)

MIS Revenue

» Total MIS	↑	3% to $2.1 billion
» U.S.	↑	1% to $1.3 billion
» Non-U.S.	↑	8% to $848 million
» Total MIS	●	Foreign currency translation favorably impacted MIS revenue by 1%

Year-to-Date 2018 Performance and Comparison to Year-to-Date 2017 (continued)

MA Revenue

» Total MA	↑	28% to $1.3 billion
» U.S.	↑	9% to $513 million
» Non-U.S.	↑	45% to $752 million
» Total MA	•	Foreign currency translation favorably impacted MA revenue by 2%
» Organic MA[1,2]	↑	9% to $1.1 billion

1 Organic MA revenue included Bureau van Dijk revenue as of August 11th.
2 Refer to Table 11 – "Organic Revenue and Growth Measures" in the press release for a reconciliation of GAAP to organic measures.

Year-to-Date 2018 Performance and Comparison to Year-to-Date 2017 (continued)

Moody's Corporation

» Operating Expenses	↑	12% to $1.9 billion – Foreign currency translation unfavorably impacted expenses by 1%
» Operating Income	↑	10% to $1.5 billion – Foreign currency translation favorably impacted operating income by 2%
» Adjusted Operating Income[1]	↑	11% to $1.6 billion – Foreign currency translation favorably impacted adjusted operating income by 2%

1 First nine months of 2018 and first nine months of 2017 adjusted operating income exclude depreciation and amortization, as well as Acquisition-Related Expenses.

Year-to-Date 2018 Performance and Comparison to Year-to-Date 2017 (continued)

Moody's Corporation

» Operating Margin	• 44.1%
» Adjusted Operating Margin[1]	• 48.5%
» Effective Tax Rate	• 21.0%

1 Refer to Table 9 – "Adjusted Operating Income and Adjusted Operating Margin" in the press release for a reconciliation of GAAP to adjusted measures.

Full Year 2018 Diluted EPS and Adjusted Diluted EPS Guidance[1]

Moody's Corporation

- FY 2018 diluted EPS guidance range now $6.95 to $7.10
- FY 2018 adjusted diluted EPS range now $7.50 to $7.65[2]

1 Moody's outlook assumes foreign currency at end-of-quarter exchange rates. Specifically, our forecast reflects exchange rates for the British pound (£) of $1.30 to £1 and for the euro (€) of $1.16 to €1.
2 Refer to Table 13 – "2018 Outlook" in the press release for a complete list of guidance and a reconciliation of GAAP to adjusted measures

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Financial and Operating Highlights

Mark Kaye

Senior Vice President and Chief Financial Officer

Third Quarter 2018 Results and Comparison to Third Quarter 2017

Moody's Corporation Revenue

» Total Global	↑	2% to $1.1 billion
» U.S.	↓	5% to $560 million
» Non-U.S.	↑	10% to $521 million - 48% of total revenue
» Recurring Revenue	↑	16% to $619 million - 57% of total revenue
» Total Global	●	Impact of foreign currency translation on was negligible

Third Quarter 2018 Results and Comparison to Third Quarter 2017 (continued)

MIS Revenue

» Total MIS	↓	7% to $645 million
» U.S.	↓	10% to $385 million
» Non-U.S.	↓	2% to $260 million - 40% of total MIS revenue
» Total MIS	●	Impact of foreign currency translation was negligible

Third Quarter 2018 Results and Comparison to Third Quarter 2017 (continued)

MIS Revenue by Line of Business

» Corporate Finance: $296 million

- Global ↓ 15%
- U.S. ↓ 21%
- Non-U.S. ↓ 4%

» Structured Finance: $125 million

- Global ↓ 2%
- U.S. ↓ 9%
- Non-U.S. ↑ 13%

Third Quarter 2018 Results and Comparison to Third Quarter 2017 (continued)

MIS Revenue by Line of Business

» Financial Institutions: $120 million

- Global	↑	17%
- U.S.	↑	48%
- Non-U.S.	↓	3%

» Public, Project & Infrastructure Finance: $99 million

- Global	↓	9%
- U.S.	↓	7%
- Non-U.S.	↓	13%

Third Quarter 2018 Results and Comparison to Third Quarter 2017 (continued)

MA Revenue by Geography

» Total MA	↑	18% to $436 million
» U.S.	↑	9% to $175 million
» Non-U.S.	↑	26% to $261 million - 60% of total MA revenue
» Total MA	●	Foreign currency translation unfavorably impacted MA revenue by 1%
» Organic MA[1,2]	↑	8% to $399 million

1 Organic MA revenue included Bureau van Dijk revenue as of August 11th.
2 Refer to Table 11 – "Organic Revenue and Growth Measures" in the press release for a reconciliation of GAAP to organic measures.

Third Quarter 2018 Results and Comparison to Third Quarter 2017 (continued)

MA Revenue by Line of Business

» Research, Data and Analytics: $283 million

- Global	↑	29%
- U.S.	↑	9%
- Non-U.S.	↑	50%
- Organic[1,2]	↑	13% to $246 million

1 Organic RD&A revenue included Bureau van Dijk revenue as of August 11th.
2 Refer to Table 11 – "Organic Revenue and Growth Measures" in the press release for a reconciliation of GAAP to organic measures.

Third Quarter 2018 Results and Comparison to Third Quarter 2017 (continued)

MA Revenue by Line of Business

» Enterprise Risk Solutions: $113 million		
- Global	↔	approximately flat
- U.S.	↑	9%
- Non-U.S.	↓	4%
» ERS TTM[1] Revenue	↑	6%
» ERS TTM[1] Sales	↑	4%

1 Trailing twelve months ended September 30, 2018.

Third Quarter 2018 Results and Comparison to Third Quarter 2017 (continued)

MA Revenue by Line of Business

» ERS TTM[1] Subscription Sales	↑	9%
» ERS TTM[1] One-time Sales[2]	↓	11%
» ERS TTM[1] Subscription Revenue	↑	11%
» ERS TTM[1] One-time Revenue[2]	↓	6%

1 Trailing twelve months ended September 30, 2018.
2 One-time sales and one-time revenue are inclusive of perpetual licenses and services fees.

Third Quarter 2018 Results and Comparison to Third Quarter 2017 (continued)

MA Revenue by Line of Business

» Professional Services: $40 million

- Global	↑	7%
- U.S.	↑	11%
- Non-U.S.	↑	5%

Third Quarter 2018 Results and Comparison to Third Quarter 2017 (continued)

Moody's Corporation

» Operating Expenses	⬌	approximately flat at $614 million – Foreign currency translation favorably impacted expense by 1%
» Operating Margin	●	43.2%
» Adjusted Operating Margin[1]	●	47.6%
» Effective Tax Rate	●	24.4%

1 Refer to Table 9 – "Adjusted Operating Income and Adjusted Operating Margin" in the press release for a reconciliation of GAAP to adjusted measures.

Capital Allocation

Third Quarter 2018

- Repurchased 0.4 million shares at a total cost of $66 million, or an average cost of $174.33 per share
- Issued approximately 0.1 million shares as part of employee stock-based compensation plans
- Returned $84 million to shareholders via dividend payments

Dividend Announcement

- On October 22, 2018, Moody's announced a quarterly dividend of $0.44 per share of Moody's common stock payable December 12, 2018 to stockholders of record at the close of business on November 21, 2018.

Capital Allocation (continued)

Through September 30, 2018

- Repurchased 0.9 million shares at a total cost of $147 million, or an average cost of $168.37 per share

- Issued a net 1.5 million shares as part of employee stock-based compensation plans[1]

- Returned $253 million to shareholders via dividend payments

1 The net amount includes shares withheld for employee payroll taxes.

Capital Allocation (continued)

As of September 30, 2018

- Outstanding shares totaled 191.6 million
  - approximately flat to September 30, 2017

- Approximately $380 million of share repurchase authority remaining

Balance Sheet

As of September 30, 2018

- Approximately $5 billion of outstanding debt
- Approximately $975 million of additional debt capacity available under its revolving credit facility
- Total cash, cash equivalents and short-term investments were $1.1 billion
  - approximately 87% held outside the U.S.
- Ratio of net debt to trailing twelve month adjusted operating income of 1.8x, down from 2.2x as of December 31, 2017

Free Cash Flow

- Cash flow from operations in the first nine months of 2018 was $1.1 billion, up from $350 million in the first nine months of 2017[1]
- Free cash flow in the first nine months of 2018 was $1.0 billion, up from $280 million in the first nine months of 2017[1]

1 Increases in cash flow from operations and free cash flow were largely due to payments the Company made in the first quarter of 2017 pursuant to its 2016 settlement with the Department of Justice and various states attorneys general.

Bureau van Dijk Stand-alone Performance

	Q3 2018[1]	YTD 2018[1]
» Revenue	$84 million	$237 million
» Direct Expenses[2]	$61 million	$188 million
» Operating Income	$23 million	$49 million
» Depreciation and Amortization	$18 million	$56 million
» Adjusted Operating Income[2,3]	$41 million	$105 million
» Operating Margin	27.4%	20.8%
» Adjusted Operating Margin[2,3]	49.0%	44.3%

1 The Q3 and YTD Bureau van Dijk results included approximately $1 million and $17 million of revenue reductions relating to adjustments to deferred revenue recorded as part of acquisition accounting. These revenue adjustments reduced adjusted operating margins by 60 bps and 370 bps for the Q3 and YTD periods, respectively.

2 Excludes allocation of corporate overhead expenses.

3 Adjusted operating income and adjusted operating margin are non-GAAP measures. Refer to Table 9 - “Adjusted Operating Income and Adjusted Operating Margin” for further information regarding these adjusted measures.

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2018 Outlook

Ray McDaniel

President and Chief Executive Officer

2018 Outlook

Moody's outlook assumes foreign currency translation at end-of-quarter exchange rates. Specifically, our forecast reflects exchange rates for the British pound (£) of $1.30 to £1 and for the euro (€) of $1.16 to €1.

Changes to 2018 Full-Year Financial Outlook[1]	
MCO	**Guidance as of October 26, 2018**
Operating margin	approximately 43%
Adjusted operating margin	approximately 48%
Capital expenditures	approximately $85 million
Operating Cash Flow	approximately $1.6 billion
Free Cash Flow	approximately $1.5 billion
Diluted EPS	$6.95 to $7.10
Adjusted Diluted EPS	$7.50 to $7.65

1 Refer to Table 13 – "2018 Outlook" in the press release for a complete list of guidance and a reconciliation of GAAP to adjusted measures.

2018 Outlook (continued)

Certain Components of 2018 Full-Year Financial Outlook[1]	
MIS	**Guidance as of October 26, 2018**
Global Revenue	increase in the low-single-digit percent range
U.S. Revenue	approximately flat
Corporate Finance	approximately flat
Structured Finance	increase in the high-single-digit percent range
MA	
U.S. Revenue	approximately 10%

1 Refer to Table 13 – "2018 Outlook" in the press release for a complete list of guidance and a reconciliation of GAAP to adjusted measures.

Recent Acquisitions, Investments and Initiatives

- Omega Performance acquisition closed on August 20, 2018
- Reis cash tender offer and acquisition closed on October 15, 2018
- Mona Breed joined Moody's as Chief Information Officer
- Derek Vadala named Global Head of Cyber Risk Analytics Group for MIS
- Team8 investment announced on October 23, 2018
- Inaugural partners for Reshape Tomorrow™ announced

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Q&A

Ray McDaniel
President and Chief Executive Officer

Mark Kaye
Senior Vice President and Chief Financial Officer

Mark Almeida
President, Moody’s Analytics

Rob Fauber
President, Moody’s Investors Service

USD Market: Issuance Views From Investment Banks

Views on this page are from various investment banks. Issuance views are for both financial and non-financial U.S. dollar issuance and may not align with Moody's revenue categorizations.

	FY 2018E
Investment Grade Bonds	~$1.15 trillion (down 10% to 15%)

- Rising rates have some issuers on the sidelines but overall IG remains comparatively stable
- Credit spreads have narrowed since their summer peak; while wider than the beginning of the year they remain low relative to historical levels
- Cash repatriators remain out of the market (significant decrease in large capitalization technology issuance)
- M&A has been a large driver of issuance YTD; lighter pipeline for remainder of 2018

High Yield Bonds	~$210 billion (down 25% to 30%)

- Rising benchmark rates have slowed issuance
- M&A and refinancings have been the primary drivers of issuance year-to-date
- HY spreads had tightened from summer highs due to light issuance, though they have widened again recently in tandem with October market volatility
- Pipelines are relatively light with rotation of spec grade issuance toward leveraged loans

Leveraged Loans	~$485 billion (down 5% to 10%)

- Leveraged loan market remains constructive for issuers and investors
- Re-pricing and refinancing activity have continued to be the main drivers of issuance, with M&A the next largest
- FY 2018 volumes expected to be slightly down from a record 2017, though overall demand (especially for use in CLOs) has remained strong in a rising rate environment
- Supply expected to continue to taper from early 2018 levels

Euro Market: Issuance Views From Investment Banks

Views on this page are from various investment banks. Issuance views are for both financial and non-financial euro issuance and may not align with Moody's revenue categorizations.

Investment Grade

» Issuance was strong in 3Q, though still down high single digits YTD and pipeline relatively soft

» Some increased concerns around geopolitics (Italian budget concerns, Brexit, trade tensions)

» The Euro area continues to see growth in GDP and corporate profits; strength in Euro inflation measures likely supportive of ECB's plan to pull back on QE

Speculative Grade

» Leveraged finance issuance remains relatively strong, though faces tough comps over a strong 2017; YTD issuance is down in the mid-teens range

» Rising rates and market volatility have impacted HY Bond spreads

» Leveraged loans have outperformed in rising rate environment, ensuring continued strong demand from investors and relatively narrow spreads

» M&A financings continue to be a primary driver of loan issuance; thinning pipeline for 4Q despite healthy demand

» Political uncertainty continues to factor

Replay Details

- Available from 3:30pm (Eastern Time) October 26, 2018 until 3:30pm (Eastern Time) November 24, 2018

- Telephone Details:
  - U.S. +1-888-203-1112
  - Non-U.S. +1-719-457-0820
  - Passcode 3746341

- Webcast Details:
  - Go to ir.moodys.com
  - Click on "Events & Presentations"
  - Click on the link for "3Q 2018 Earnings Conference Call"

Appendix

Consolidated Statements of Operations
(Unaudited)

Amounts in millions, except per share amounts	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Revenue	$ 1,080.8	$ 1,062.9	$ 3,382.6	$ 3,038.6
Expenses:				
Operating	306.3	315.6	941.4	875.7
Selling, general and administrative	260.3	245.7	801.9	682.5
Depreciation and amortization	46.1	43.0	143.6	108.4
Acquisition-Related Expenses	1.3	10.1	4.1	16.7
Total expenses	614.0	614.4	1,891.0	1,683.3
Operating income	466.8	448.5	1,491.6	1,355.3
Non-operating (expense) income, net				
Interest expense, net	(56.4)	(53.1)	(160.5)	(150.2)
Other non-operating income (expense), net	2.4	0.5	18.3	3.2
CCXI Gain	-	-	-	59.7
Purchase price hedge gain	-	69.9	-	111.1
Total non-operating income (expense), net	(54.0)	17.3	(142.2)	23.8
Income before provision for income taxes	412.8	465.8	1,349.4	1,379.1
Provision for income taxes	100.8	146.1	282.7	399.9
Net income	312.0	319.7	1,066.7	979.2
Less: net income attributable to noncontrolling interests	1.8	2.4	7.4	4.1
Net income attributable to Moody's Corporation	$ 310.2	$ 317.3	$ 1,059.3	$ 975.1
Earnings per share attributable to Moody's common shareholders				
Basic	$ 1.62	$ 1.66	$ 5.53	$ 5.10
Diluted	$ 1.59	$ 1.63	$ 5.45	$ 5.02
Weighted average number of shares outstanding				
Basic	191.8	191.1	191.7	191.1
Diluted	194.5	194.1	194.4	194.1

Supplemental Revenue Information

(Unaudited)

Amounts in millions	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Moody's Investors Service				
Corporate Finance	$ 296.1	$ 350.2	$ 1,051.4	$ 1,058.8
Structured Finance	125.4	128.3	396.7	347.7
Financial Institutions	119.5	102.1	354.4	316.8
Public, Project and Infrastructure Finance	99.0	109.2	300.3	312.0
MIS Other	4.8	4.4	14.2	13.8
Intersegment royalty	31.6	29.0	92.0	82.0
Sub-total MIS	676.4	723.2	2,209.0	2,131.1
Eliminations	(31.6)	(29.0)	(92.0)	(82.0)
Total MIS revenue	644.8	694.2	2,117.0	2,049.1
Moody's Analytics				
Research, Data and Analytics	282.6	218.4	831.7	574.7
Enterprise Risk Solutions	113.0	112.6	318.6	305.8
Professional Services	40.4	37.7	115.3	109.0
Intersegment revenue	2.6	4.1	10.0	11.6
Sub-total MA	438.6	372.8	1,275.6	1,001.1
Eliminations	(2.6)	(4.1)	(10.0)	(11.6)
Total MA revenue	436.0	368.7	1,265.6	989.5
Total Moody's Corporation revenue	$ 1,080.8	$ 1,062.9	$ 3,382.6	$ 3,038.6
Moody's Corporation revenue by geographic area				
United States	$ 559.6	$ 588.4	$ 1,782.7	$ 1,734.0
International	521.2	474.5	1,599.9	1,304.6
	$ 1,080.8	$ 1,062.9	$ 3,382.6	$ 3,038.6

Selected Consolidated Balance Sheet Data
(Unaudited)

Amounts in millions	September 30, 2018	December 31, 2017
Cash and cash equivalents	$ 1,034.8	$ 1,071.5
Short-term investments	110.7	111.8
Total current assets	2,516.2	2,580.6
Non-current assets	5,922.9	6,013.6
Total assets	8,439.1	8,594.2
Total current liabilities (1)	1,823.6	2,063.3
Total debt (2)	4,954.5	5,540.5
Other long-term liabilities	1,525.4	1,534.7
Total shareholders' equity (deficit)	606.1	(114.9)
Total liabilities and shareholders' equity (deficit)	8,439.1	8,594.2
Actual number of shares outstanding	191.6	191.0

(1) The September 30, 2018 and December 31, 2017 amounts include $470.5 million and $429.4 million, respectively, of debt and commercial paper classified as a current liability as the maturities are within twelve months of the balance sheet date.
(2) Includes debt classified in both current liabilities and long-term debt.

Selected Consolidated Balance Sheet Data (continued)

(Unaudited)

Total debt consists of the following:

Amounts in millions	September 30, 2018 Principal Amount	Fair Value of Interest Rate Swaps (1)	Unamortized (Discount) Premium	Unamortized Debt Issuance Costs	Carrying Value
Notes Payable:					
5.50% 2010 Senior Notes, due 2020	$ 500.0	$ (8.3)	$ (0.7)	$ (0.8)	$ 490.2
4.50% 2012 Senior Notes, due 2022	500.0	(3.1)	(1.7)	(1.5)	493.7
4.875% 2013 Senior Notes, due 2024	500.0	-	(1.6)	(2.1)	496.3
2.75% 2014 Senior Notes (5-Year), due 2019	450.0	(3.8)	(0.1)	(0.5)	445.6
5.25% 2014 Senior Notes (30-Year), due 2044	600.0	-	3.3	(5.5)	597.8
1.75% 2015 Senior Notes, due 2027	580.7	-	-	(3.2)	577.5
2.75% 2017 Senior Notes, due 2021	500.0	(2.6)	(1.1)	(2.6)	493.7
2.625% 2017 Senior Notes, due 2023	500.0	-	(0.9)	(3.1)	496.0
3.25% 2017 Senior Notes, due 2028	500.0	-	(4.9)	(3.8)	491.3
3.25% 2018 Senior Notes, due 2021	300.0	-	(0.4)	(1.6)	298.0
2017 Term Loan Facility, due 2020	50.0	-	-	(0.5)	49.5
Commercial Paper	25.0	-	(0.1)	-	24.9
Total debt	$ 5,005.7	$ (17.8)	$ (8.2)	$ (25.2)	$ 4,954.5
Current portion					(470.5)
Total long-term debt					$ 4,484.0

	December 31, 2017 Principal Amount	Fair Value of Interest Rate Swaps (1)	Unamortized (Discount) Premium	Unamortized Debt Issuance Costs	Carrying Value
Notes Payable:					
5.50% 2010 Senior Notes, due 2020	$ 500.0	$ -	$ (1.0)	$ (1.2)	$ 497.8
4.50% 2012 Senior Notes, due 2022	500.0	(0.8)	(2.0)	(1.7)	495.5
4.875% 2013 Senior Notes, due 2024	500.0	-	(1.8)	(2.4)	495.8
2.75% 2014 Senior Notes (5-Year), due 2019	450.0	(2.2)	(0.2)	(1.1)	446.5
5.25% 2014 Senior Notes (30-Year), due 2044	600.0	-	3.3	(5.7)	597.6
1.75% 2015 Senior Notes, due 2027	600.4	-	-	(3.6)	596.8
2.75% 2017 Senior Notes, due 2021	500.0	-	(1.3)	(3.2)	495.5
2017 Floating Rate Senior Notes, due 2018	300.0	-	-	(0.5)	299.5
2.625% 2017 Senior Notes, due 2023	500.0	-	(1.1)	(3.5)	495.4
3.25% 2017 Senior Notes, due 2028	500.0	-	(5.2)	(3.9)	490.9
2017 Term Loan Facility, due 2020	500.0	-	-	(0.7)	499.3
Commercial Paper	130.0	-	(0.1)	-	129.9
Total debt	$ 5,580.4	$ (3.0)	$ (9.4)	$ (27.5)	$ 5,540.5
Current portion					(429.4)
Total long-term debt					$ 5,111.1

(1) The Company has entered into interest rate swaps on the 2010 Senior Notes, the 2012 Senior Notes, the 2014 Senior Notes (5-Year) and the 2017 Senior Notes.

Non-operating (expense) Income, Net

Amounts in millions	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Interest:				
Expense on borrowings	$ **(46.4)**	$ (48.8)	$ **(147.1)**	$ (139.9)
Income	**4.1**	4.3	**10.7**	13.0
UTPs and other tax related liabilities	**(9.6)**	(3.9)	**(10.6)**	(9.4)
Net periodic pension costs-interest component[1]	**(4.9)**	(5.0)	**(14.5)**	(14.7)
Interest Capitalized	**0.4**	0.3	**1.0**	0.8
Total interest expense, net	$ **(56.4)**	$ (53.1)	$ **(160.5)**	$ (150.2)
Other non-operating (expense) income, net:				
FX loss	$ **(3.9)**	$ (6.7)	$ **(3.6)**	$ (12.5)
Net periodic pension costs - other components[1]	**2.6**	1.9	**7.8**	5.7
Joint venture income	**3.3**	2.7	**9.2**	7.7
Other	**0.4**	2.6	**4.9**	2.3
Other non-operating (expense) income, net	**2.4**	0.5	**18.3**	3.2
CCXI Gain [2]	-	-	-	59.7
Purchase Price Hedge Gain [3]	-	69.9	-	111.1
Total non-operating (expense) income, net	$ **(54.0)**	$ 17.3	$ **(142.2)**	$ 23.8

[1] The Company adopted a new accounting standard relating to the accounting for pension costs in the first quarter of 2018 whereby all components of pension expense except for the service cost component are required to be presented in other non-operating income (expense). The service cost component continues to be reported as a component of operating and selling, general and administrative (SG&A) expense. This standard required retrospective adoption resulting in the reclassification of prior period results.

[2] Reflects the non-cash, non-taxable gain from a strategic realignment and expansion involving Moody's China affiliate, China Cheng Xin International Credit Rating Co. Ltd.

[3] Reflects a gain on a foreign currency collar and forward contracts to economically hedge the Bureau van Dijk euro-denominated purchase price.

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 and Acquisition-Related Expenses.

	Three Months Ended September 30,							
	2018				2017[1]			
Amounts in millions	MIS	MA	Eliminations	Consolidated	MIS	MA	Eliminations	Consolidated
Revenue	$ 676.4	$ 438.6	$ (34.2)	$ 1,080.8	$ 723.2	$ 372.8	$ (33.1)	$ 1,062.9
Operating, selling, general and administrative expense	287.7	313.1	(34.2)	566.6	317.3	277.1	(33.1)	561.3
Adjusted operating income	388.7	125.5	-	514.2	405.9	95.7	-	501.6
Depreciation and amortization	15.8	30.3	-	46.1	18.6	24.4	-	43.0
Acquisition-Related Expenses	-	1.3	-	1.3	-	10.1	-	10.1
Operating income	$ 372.9	$ 93.9	$ -	$ 466.8	$ 387.3	$ 61.2	$ -	$ 448.5
Adjusted operating margin	57.5%	28.6%		47.6%	56.1%	25.7%		47.2%
Operating margin	55.1%	21.4%		43.2%	53.6%	16.4%		42.2%

	Nine Months Ended September 30,							
	2018				2017[1]			
Amounts in millions	MIS	MA	Eliminations	Consolidated	MIS	MA	Eliminations	Consolidated
Revenue	$ 2,209.0	$ 1,275.6	$ (102.0)	$ 3,382.6	$ 2,131.1	$ 1,001.1	$ (93.6)	$ 3,038.6
Operating, selling, general and administrative expense	901.7	943.6	(102.0)	1,743.3	893.2	758.6	(93.6)	1,558.2
Adjusted operating income	1,307.3	332.0	-	1,639.3	1,237.9	242.5	-	1,480.4
Depreciation and amortization	49.3	94.3	-	143.6	56.4	52.0	-	108.4
Acquisition-Related Expenses	-	4.1	-	4.1	-	16.7	-	16.7
Operating income	$ 1,258.0	$ 233.6	$ -	$ 1,491.6	$ 1,181.5	$ 173.8	$ -	$ 1,355.3
Adjusted operating margin	59.2%	26.0%		48.5%	58.1%	24.2%		48.7%
Operating margin	56.9%	18.3%		44.1%	55.4%	17.4%		44.6%

[1] Pursuant to the adoption of a new accounting standard relating to pension accounting, which required retrospective adoption, only the service cost component of net periodic pension expense will be classified within operating and SG&A expenses with the remaining components being classified as non-operating expenses. Prior period segment results have been restated to reflect this reclassification. Accordingly, operating and SG&A expenses for MIS and MA for the three months ended September 30, 2017 were reduced by $1.9 million and $1.2 million. For the nine months ended September 30, 2017 operating and SG&A expenses for MIS and MA were reduced by $5.7 million and $3.3 million, respectively.

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 and shelf registrations. In MIS Other, transaction revenue represents revenue from professional services and outsourcing engagements and relationship revenue represents subscription-based revenues. In the MA segment, transaction revenue represents perpetual software license fees and revenue from software implementation services, risk management advisory projects, training and certification services, and research and analytical engagements. Relationship revenue in MA represents subscription-based revenues and software maintenance revenue.

	Three Months Ended September 30,					
Amounts in millions	2018			2017		
	Transaction	Relationship	Total	Transaction	Relationship	Total
Corporate Finance	$ 192.0	$ 104.1	$ 296.1	$ 254.3	$ 95.9	$ 350.2
	65%	35%	100%	73%	27%	100%
Structured Finance	$ 81.0	$ 44.4	$ 125.4	$ 84.1	$ 44.2	$ 128.3
	65%	35%	100%	66%	34%	100%
Financial Institutions	$ 56.2	$ 63.3	$ 119.5	$ 40.6	$ 61.5	$ 102.1
	47%	53%	100%	40%	60%	100%
Public, Project and Infrastructure Finance	$ 60.8	$ 38.2	$ 99.0	$ 71.1	$ 38.1	$ 109.2
	61%	39%	100%	65%	35%	100%
MIS Other	$ 0.5	$ 4.3	$ 4.8	$ 0.4	$ 4.0	$ 4.4
	10%	90%	100%	9%	91%	100%
Total MIS	$ 390.5	$ 254.3	$ 644.8	$ 450.5	$ 243.7	$ 694.2
	61%	39%	100%	65%	35%	100%
Moody's Analytics	$ 71.0	$ 365.0	$ 436.0	$ 77.6	$ 291.1	$ 368.7
	16%	84%	100%	21%	79%	100%
Total Moody's Corporation	$ 461.5	$ 619.3	$ 1,080.8	$ 528.1	$ 534.8	$ 1,062.9
	43%	57%	100%	50%	50%	100%

Transaction and Relationship Revenue (continued)

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 and shelf registrations. In MIS Other, transaction revenue represents revenue from professional services and outsourcing engagements and relationship revenue represents subscription-based revenues. In the MA segment, transaction revenue represents perpetual software license fees and revenue from software implementation services, risk management advisory projects, training and certification services, and research and analytical engagements. Relationship revenue in MA represents subscription-based revenues and software maintenance revenue.

	Nine Months Ended September 30,					
Amounts in millions	2018			2017		
	Transaction	Relationship	Total	Transaction	Relationship	Total
Corporate Finance	$ 741.2	$ 310.2	$ 1,051.4	$ 777.4	$ 281.4	$ 1,058.8
	70%	30%	100%	73%	27%	100%
Structured Finance	$ 259.4	$ 137.3	$ 396.7	$ 216.8	$ 130.9	$ 347.7
	65%	35%	100%	62%	38%	100%
Financial Institutions	$ 162.4	$ 192.0	$ 354.4	$ 137.9	$ 178.9	$ 316.8
	46%	54%	100%	44%	56%	100%
Public, Project and Infrastructure Finance	$ 184.9	$ 115.4	$ 300.3	$ 197.5	$ 114.5	$ 312.0
	62%	38%	100%	63%	37%	100%
MIS Other	$ 1.5	$ 12.7	$ 14.2	$ 1.0	$ 12.8	$ 13.8
	11%	89%	100%	7%	93%	100%
Total MIS	$ 1,349.4	$ 767.6	$ 2,117.0	$ 1,330.6	$ 718.5	$ 2,049.1
	64%	36%	100%	65%	35%	100%
Moody's Analytics	$ 198.3	$ 1,067.3	$ 1,265.6	$ 205.0	$ 784.5	$ 989.5
	16%	84%	100%	21%	79%	100%
Total Moody's Corporation	$ 1,547.7	$ 1,834.9	$ 3,382.6	$ 1,535.6	$ 1,503.0	$ 3,038.6
	46%	54%	100%	51%	49%	100%

Bureau van Dijk Stand-alone Performance

Amounts in millions	Three Months Ended September 30, 2018 [1]	Nine Months Ended September 30, 2018 [1]
Revenue	$ 83.7	$ 237.2
Direct expenses[2]	60.8	187.8
Operating income	22.9	49.4
Depreciation and amortization	18.1	55.6
Adjusted operating income[2,3]	$ 41.0	$ 105.0
Operating margin	27.4%	20.8%
Adjusted operating margin[2,3]	49.0%	44.3%

[1] The Q3 and YTD Bureau van Dijk results included approximately $1 million and $17 million of revenue reductions relating to adjustments to deferred revenue recorded as part of acquisition accounting. These revenue adjustments reduced adjusted operating margins by 60 bps and 370 bps for the Q3 and YTD periods, respectively.

[2] Excludes allocation of corporate overhead expenses.

[3] Adjusted operating income and adjusted operating margin are non-GAAP measures. Refer to Table 9 - "Adjusted Operating Income and Adjusted Operating Margin" for further information regarding these adjusted measures.

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 adjusted 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 provide greater transparency to investors of supplemental information used by management in its financial and operational decision-making. These adjusted measures, as defined by the Company, are not necessarily comparable to similarly defined measures of other companies. Furthermore, these adjusted 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 Company presents Adjusted Operating Income because management deems this metric to be a useful measure of assessing the operating performance of Moody's. Adjusted Operating Income excludes depreciation and amortization and Acquisition-Related Expenses. Depreciation and amortization are excluded because companies utilize productive assets of different ages and use different methods of acquiring and depreciating productive assets. Acquisition-Related Expenses consist of expenses incurred to complete and integrate the acquisition of Bureau van Dijk and are excluded due to the material nature of these expenses on an annual basis which are not expected to recur at this dollar magnitude subsequent to the completion of the multi-year integration effort. Acquisition-Related Expenses from other acquisitions were not material. Management believes that the exclusion of depreciation and amortization and Acquisition-Related Expenses, as detailed in the reconciliation below, allows for an additional perspective on the Company's operating 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,	
Amounts in millions	2018	2017	2018	2017
Operating income	$ 466.8	$ 448.5	$ 1,491.6	$ 1,355.3
Depreciation & amortization	46.1	43.0	143.6	108.4
Acquisition-Related Expenses	1.3	10.1	4.1	16.7
Adjusted operating income	$ 514.2	$ 501.6	$ 1,639.3	$ 1,480.4
Operating margin	43.2%	42.2%	44.1%	44.6%
Adjusted operating margin	47.6%	47.2%	48.5%	48.7%

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 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. 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.

	Nine Months Ended	
Amounts in millions	2018	2017
Net cash flows provided by operating activities	$ 1,084.6	$ 349.8
Capital additions	(62.9)	(69.4)
Free cash flow	$ 1,021.7	$ 280.4
Net cash flows used in investing activities	$ (113.8)	$ (3,407.4)
Net cash flows (used in) provided by financing activities	$ (980.2)	$ 1,889.6

Organic Revenue and Growth Measures

The Company presents the organic revenue and growth for the MA segment and the RD&A LOB because management deems this metric to be a useful measure which provides additional perspective in assessing the revenue growth of the Company's MA segment and RD&A LOB excluding the inorganic revenue impacts from the August 10, 2017 acquisition of Bureau van Dijk, and revenue from the acquisition of Omega Performance. Inorganic revenue for Bureau van Dijk includes revenue from the start of the period until August 10, 2018. Below is a reconciliation of the Company's organic dollar revenue and growth rates:

	Three Months Ended September 30,			
Amounts in millions	2018	2017	Change	Growth
MA revenue	$ **436.0**	$ 368.7	$ 67.3	18%
Inorganic Bureau van Dijk revenue from July 1, 2018 through August 10, 2018	**(36.5)**	-	(36.5)	
Omega Performance revenue	**(0.4)**	-	(0.4)	
Organic MA revenue	$ **399.1**	$ 368.7	30.4	8%

	Nine Months Ended September 30,			
Amounts in millions	2018	2017	Change	Growth
MA revenue	$ **1,265.6**	$ 989.5	$ 276.1	28%
Inorganic Bureau van Dijk revenue from January 1, 2018 through August 10, 2018	**(190.0)**	-	(190.0)	
Omega Performance revenue	**(0.4)**	-	(0.4)	
Organic MA revenue	$ **1,075.2**	$ 989.5	$ 85.7	9%

	Three Months Ended September 30,			
Amounts in millions	2018	2017	Change	Growth
RD&A revenue	$ **282.6**	$ 218.4	$ 64.2	29%
Inorganic Bureau van Dijk revenue from July 1, 2018 through August 10, 2018	**(36.5)**	-	(36.5)	
Organic RD&A revenue	$ **246.1**	$ 218.4	$ 27.7	13%

Adjusted Net Income and Diluted Earnings per Share Attributable to Moody's Common Shareholders

The Company presents Adjusted Net Income and Adjusted Diluted EPS because management deems this metric to be a useful measure to provide additional perspective on the operating performance of Moody's. Adjusted Net Income and Adjusted Diluted EPS exclude the impact of amortization of acquired intangible assets, Acquisition-Related Expenses, the Purchase Price Hedge Gain, the CCXI Gain, the effects of U.S. tax reform and certain adjustments relating to the Company's non-U.S. uncertain tax positions (UTPs).

The Company excludes the impact of amortization of acquired intangible assets as companies utilize intangible assets with different ages and have different methods of acquiring and amortizing intangible assets. Furthermore, the timing and magnitude of business combination transactions are not predictable and the purchase price allocated to amortizable intangible assets and the related amortization period are unique to each acquisition and can vary significantly from period to period and across companies. Also, management believes that excluding acquisition-related amortization expense provides additional perspective when comparing operating results from period to period, and with both acquisitive and non-acquisitive peer companies. Additionally, the Acquisition-Related Expenses are excluded due to the material nature of these expenses on an annual basis which are not expected to recur at this dollar magnitude subsequent to the completion of the multi-year integration effort relating to Bureau van Dijk. Acquisition-Related Expenses from other acquisitions were not material.

The Company excludes the Purchase Price Hedge Gain and the CCXI Gain to provide additional perspective on the Company's operating results from period to period and across companies as the frequency and magnitude of similar transactions may vary widely across periods.

Furthermore, the Company excludes the impact of adjustments to the transition tax pursuant to U.S. tax reform and certain adjustments relating to the Company's non-U.S. UTPs, which resulted in significant adjustments to the provision for income taxes in 2018. The Company excludes these items to provide additional perspective when comparing net income and diluted EPS from period to period and across companies as the frequency and magnitude of similar transactions may vary widely across periods.

Below is a reconciliation of this measure to its most directly comparable U.S. GAAP amount:

	Three months ended September 30,				Nine months ended September 30,			
Amounts in millions	2018		2017		2018		2017	
Net income attributable to Moody's common		$ 310.2		$ 317.3		$ 1,059.3		$ 975.1
CCXI Gain		-		-		-		(59.7)
Pre-Tax Purchase Price Hedge Gain	$ -		$ (69.9)		$ -		$ (111.1)	
Tax on Purchase Price Hedge Gain	-		25.5		-		41.4	
Net Purchase Price Hedge Gain		-		(44.4)		-		(69.7)
Pre-Tax Acquisition-Related Expenses	$ 1.3		$ 10.1		$ 4.1		$ 16.7	
Tax on Acquisition-Related Expenses	(0.4)		(1.6)		(1.0)		(1.6)	
Net Acquisition-Related Expenses [(1)]		0.9		8.5		3.1		15.1
Pre-Tax Acquisition-Related Intangible Amortization Expenses	$ 24.6		$ 18.8		$ 75.4		$ 35.9	
Tax on Acquisition-Related Intangible Amortization Expenses	(5.5)		(5.0)		(17.0)		(9.9)	
Net Acquisition-Related Intangible Amortization Expenses		19.1		13.8		58.4		26.0
Impact of U.S. tax reform		(64.7)		-		(64.7)		-
Increase to non-U.S. UTPs		63.9		-		63.9		-
Adjusted Net Income		$ 329.4		$ 295.2		$ 1,120.0		$ 886.8

Adjusted Net Income and Diluted Earnings per Share Attributable to Moody's Common Shareholders (continued)

	Three months ended September 30, 2018		Three months ended September 30, 2017		Nine months ended September 30, 2018		Nine months ended September 30, 2017	
Earnings per share attributable to Moody's common shareholders		$ 1.59		$ 1.63		$ 5.45		$ 5.02
CCXI Gain		-		-		-		(0.31)
Pre-Tax Purchase Price Hedge Gain	$ -		$ (0.36)		$ -		$ (0.57)	
Tax on Purchase Price Hedge Gain	-		0.13		-		0.21	
Net Purchase Price Hedge Gain		-		(0.23)		-		(0.36)
Pre-Tax Acquisition-Related Expenses	$ 0.01		$ 0.05		$ 0.02		$ 0.09	
Tax on Acquisition-Related Expenses	(0.01)		(0.01)		(0.01)		(0.01)	
Net Acquisition-Related Expenses [1]		-		0.04		0.01		0.08
Pre-Tax Acquisition-Related Intangible Amortization Expenses	$ 0.13		$ 0.10		$ 0.39		$ 0.18	
Tax on Acquisition-Related Intangible Amortization Expenses	(0.03)		(0.02)		(0.09)		(0.04)	
Net Acquisition-Related Intangible		0.10		0.08		0.30		0.14
Impact of U.S. tax reform		(0.33)		-		(0.33)		-
Increase to non-U.S. UTPs		0.33		-		0.33		-
Adjusted Diluted EPS		$ 1.69		$ 1.52		$ 5.76		$ 4.57

[1] Certain of these Acquisition-Related Expenses are not deductible for tax.

2018 Outlook

Moody's outlook for 2018 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 acquisitions, consumer borrowing and securitization, and the amount of debt issued. These assumptions are subject to uncertainty, and results for the year could differ materially from our current outlook. Our guidance assumes foreign currency translation at end-of-quarter exchange rates. Specifically, our forecast reflects exchange rates for the British pound (£) of $1.30 to £1 and for the euro (€) of $1.16 to €1.

Full Year 2018 Moody's Corporation Guidance as of October 26, 2018

MOODY'S CORPORATION	Current guidance	Last publicly disclosed guidance
Revenue	increase in the high-single-digit percent range	NC
Operating expenses	increase in the high-single-digit percent range	NC
Restructuring	approximately $30 million - $40 million	N/A
Depreciation & amortization	approximately $195 million	NC
Operating margin	approximately 43%	approximately 44%
Adjusted operating margin[(1)]	approximately 48%	48% - 49%
Effective tax rate	22% - 23%	NC
Diluted EPS	$6.95 to $7.10	$7.20 to $7.40
Adjusted Diluted EPS[(1)]	$7.50 to $7.65	$7.65 to $7.85
Capital expenditures	approximately $85 million	approximately $105 million
Operating cash flow	approximately $1.6 billion	approximately $1.7 billion
Free cash flow[(1)]	approximately $1.5 billion	approximately $1.6 billion
Share repurchases	approximately $200 million (subject to available cash, market conditions and other ongoing capital allocation decisions)	NC

N/A - Not applicable. Not previously disclosed.

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

Note: All last publicly disclosed guidance is as of July 27, 2018.

(1) These metrics are adjusted measures. See below for reconciliation of these measures to their comparable GAAP measure.

2018 Outlook (continued)

Moody's outlook for 2018 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 acquisitions, consumer borrowing and securitization, and the amount of debt issued. These assumptions are subject to uncertainty, and results for the year could differ materially from our current outlook. Our guidance assumes foreign currency translation at end-of-quarter exchange rates. Specifically, our forecast reflects exchange rates for the British pound (£) of $1.30 to £1 and for the euro (€) of $1.16 to €1.

Full Year 2018 Moody's Corporation Guidance as of October 26, 2018

MIS	Current guidance	Last publicly disclosed guidance
MIS global	increase in the low-single-digit percent range	increase in the mid-single-digit percent range
MIS U.S.	approximately flat	increase in the low-single-digit percent range
MIS non-U.S.	increase in the mid-single-digit percent range	NC
CFG	approximately flat	increase in the low-single-digit percent range
SFG	increase in the high-single-digit percent range	increase in the low-double-digit percent range
FIG	increase in the mid-single-digit percent range	NC
PPIF	decrease in the mid-single-digit percent range	NC
MA		
MA global[1]	increase in the low-twenties percent range	NC
MA U.S.	approximately 10%	increase in the high-single-digit percent range
MA non-U.S.	increase in the low-thirties percent range	NC
RD&A[1]	increase in the high-thirties percent range	NC
ERS	decrease in the low-single-digit percent range	NC
PS	increase in the high-single-digit percent range	NC

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

Note: All last publicly disclosed guidance is as of July 27, 2018.

(1) Organic MA global revenue is still expected to increase in the high-single-digit percent range and organic RD&A revenue is still expected to increase in the low-teens percent range.

2018 Outlook (continued)

The following are reconciliations of the Company's adjusted forward looking measures to their comparable GAAP measure:

	Projected for the Year Ended December 31, 2018
Operating margin guidance	Approximately 43%
Depreciation and amortization	Approximately 4%
Restructuring	Approximately 1%
Acquisition-Related Expenses	Negligible
Adjusted operating margin guidance	**Approximately 48%**

	Projected for the Year Ended December 31, 2018
Operating cash flow guidance	Approximately $1.6 billion
Less: Capital expenditures	Approximately $85 million
Free cash flow guidance	**Approximately $1.5 billion**

	Projected for the Year Ended December 31, 2018
MA global revenue	Increase in the low-twenties percent range
	(Partial year impact of Bureau van Dijk)
Organic MA global revenue	**Increase in the high-single-digit percent range**

	Projected for the Year Ended December 31, 2018
RD&A revenue	Increase in the high-thirties percent range
	(Partial year impact of Bureau van Dijk)
Organic RD&A revenue	**Increase in the low-teens percent range**

	Projected for the Year Ended December 31, 2018
Diluted EPS	$6.95 to $7.10
Acquisition-Related Intangible Amortization Expenses	Approximately $0.40
Restructuring	$0.10 to $0.15
Acquisition-Related Expenses	$0.02 to $0.03
Net impact of U.S. tax reform	($0.33)
Increase to non-U.S. UTPs	0.33
Adjusted diluted EPS	**$7.50 to $7.65**

Moody's

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