UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark one)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2018

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-14037

Moody's Corporation

(Exact name of registrant as specified in its charter)

Delaware (State of Incorporation)	**13-3998945** (I.R.S. Employer Identification No.)
7 World Trade Center at **250 Greenwich Street, New York, N.Y.** (Address of Principal Executive Offices)	**10007** (Zip Code)

Registrant's telephone number, including area code:
(212) 553-0300

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months, or for such shorter period that the registrant was required to submit such files. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Title of Each Class	Shares Outstanding at September 30, 2018
Common Stock, par value $0.01 per share	191.6 million

MOODY'S CORPORATION

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Exhibits Filed Herewith

10.1	Employment Offer Letter between Moody's Corporation and Mark Kaye, dated July 18, 2018
12	Statement of Computations of Ratio of Earnings to Fixed Charges
31.1	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Chief Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.DEF	XBRL Definitions Linkbase Document
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

GLOSSARY OF TERMS AND ABBREVIATIONS

The following terms, abbreviations and acronyms are used to identify frequently used terms in this report:

TERM	DEFINITION
Acquisition-Related Amortization	Amortization of definite-lived intangible assets acquired by the Company from all business combination transactions
Acquisition-Related Expenses	Consists of expenses incurred to complete and integrate the acquisition of Bureau van Dijk for which the integration will be a multi-year effort
Adjusted Diluted EPS	Diluted EPS excluding the impact of certain items as detailed in the section entitled “Non-GAAP Financial Measures”
Adjusted Net Income	Net Income excluding the impact of certain items as detailed in the section entitled “Non-GAAP Financial Measures”
Adjusted Operating Income	Operating income excluding depreciation and amortization
Adjusted Operating Margin	Adjusted Operating Income divided by revenue
Americas	Represents countries within North and South America, excluding the U.S.
AOCI	Accumulated other comprehensive income (loss); a separate component of shareholders’ equity (deficit)
ASC	The FASB Accounting Standards Codification; the sole source of authoritative GAAP as of July 1, 2009 except for rules and interpretive releases of the SEC, which are also sources of authoritative GAAP for SEC registrants
ASC 605	The U.S. GAAP authoritative guidance for revenue accounting prior to the adoption of ASU No. 2014-09, “Revenue from Contracts with Customers (ASC Topic 606).
Asia-Pacific	Represents Australia and countries in Asia including but not limited to: China, India, Indonesia, Japan, Korea, Malaysia, Singapore, Sri Lanka and Thailand
ASU	The FASB Accounting Standards Update to the ASC. It also provides background information for accounting guidance and the bases for conclusions on the changes in the ASC. ASUs are not considered authoritative until codified into the ASC
Board	The board of directors of the Company
BPS	Basis points
Bureau van Dijk	Bureau van Dijk Electronic Publishing, B.V., a global provider of business intelligence and company information; acquired by the Company on August 10, 2017 via the acquisition of Yellow Maple I B.V., an indirect parent of Bureau van Dijk.
CCXI	China Cheng Xin International Credit Rating Co. Ltd.; China’s first and largest domestic credit rating agency approved by the People’s Bank of China; the Company acquired a 49% interest in 2006; currently Moody’s owns 30% of CCXI.
CCXI Gain	In the first quarter of 2017 CCXI, as part of a strategic business realignment, issued additional capital to its majority shareholder in exchange for a ratings business wholly-owned by the majority shareholder and which has the right to rate a different class of debt instrument in the Chinese market. The capital issuance by CCXI in exchange for this ratings business diluted Moody’s ownership interest in CCXI to 30% of a larger business and resulted in a $59.7 million non-cash, non-taxable gain.

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TERM	DEFINITION
CFG	Corporate finance group; an LOB of MIS
CLO	Collateralized loan obligation
CMBS	Commercial mortgage-backed securities; part of the CREF asset class within SFG
Commission	European Commission
Common Stock	The Company's common stock
Company	Moody's Corporation and its subsidiaries; MCO; Moody's
Council	Council of the European Union
CP	Commercial Paper
CP Notes	Unsecured commercial paper issued under the CP Program
CP Program	A program entered into on August 3, 2016 allowing the Company to privately place CP up to a maximum of $1 billion for which the maturity may not exceed 397 days from the date of issue and which is backstopped by the 2015 facility.
CRAs	Credit rating agencies
CRA3	Regulation (EU) No 462/2013 of the European Parliament and of the Council, which updated the regulatory regimes imposing additional procedural requirements on CRAs
CREF	Commercial real estate finance which includes REITs, commercial real estate CDOs and mortgage-backed securities; part of SFG
D&A	Depreciation and amortization
DBPPs	Defined benefit pension plans
Debt/EBITDA	Ratio of Total Debt to EBITDA
EBITDA	Earnings before interest, taxes, depreciation and amortization
EMEA	Represents countries within Europe, the Middle East and Africa
EPS	Earnings per share
ERS	The Enterprise Risk Solutions LOB within MA, which offers risk management software solutions as well as related risk management advisory engagements services
ESA	Economics and Structured Analytics; part of the RD&A line of business within MA
ESMA	European Securities and Markets Authority
ETR	Effective tax rate
EU	European Union
EUR	Euros

TERM	DEFINITION
EURIBOR	The Euro Interbank Offered Rate
Excess Tax Benefits	The difference between the tax benefit realized at exercise of an option or delivery of a restricted share and the tax benefit recorded at the time the option or restricted share is expensed under GAAP
Exchange Act	The Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FIG	Financial institutions group; an LOB of MIS
Financial Reform Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
Free Cash Flow	Net cash provided by operating activities less cash paid for capital additions
FSTC	Financial Services Training and Certifications; now referred to as MALS
FX	Foreign exchange
GAAP	U.S. Generally Accepted Accounting Principles
GBP	British pounds
ICRA	ICRA Limited; a leading provider of credit ratings and research in India. The Company previously held 28.5% equity ownership and in June 2014, increased that ownership stake to just over 50% through the acquisition of additional shares
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IRS	Internal Revenue Service
IT	Information technology
KIS	Korea Investors Service, Inc; a leading Korean rating agency and consolidated subsidiary of the Company
KIS Pricing	Korea Investors Service Pricing, Inc; a leading Korean provider of fixed income securities pricing and consolidated subsidiary of the Company
KIS Research	Korea Investors Service Research; a Korean provider of financial research and consolidated subsidiary of the Company
Korea	Republic of South Korea
LIBOR	London Interbank Offered Rate
LOB	Line of business

TERM	DEFINITION
M&A	Mergers and acquisitions
MA	Moody's Analytics – a reportable segment of MCO which provides a wide range of products and services that support financial analysis and risk management activities of institutional participants in global financial markets; consists of three LOBs – RD&A, ERS and PS
Make Whole Amount	The prepayment penalty amount relating to the Series 2007-1 Notes, 2010 Senior Notes, 2012 Senior Notes, 2013 Senior Notes, 2014 Senior Notes (5-year), 2014 Senior Notes (30-year), 2015 Senior Notes, 2017 Senior Notes and 2018 Senior Notes which is a premium based on the excess, if any, of the discounted value of the remaining scheduled payments over the prepaid principal
MAKS	Moody's Analytics Knowledge Services; formerly known as Copal Amba; provides offshore research and analytic services to the global financial and corporate sectors; part of the PS LOB and a reporting unit within the MA reportable segment
MALS	Moody's Analytics Learning Solutions; a reporting unit within the MA segment that includes on-line and classroom-based training services as well as credentialing and certification services; formerly known as FSTC
MCO	Moody's Corporation and its subsidiaries; the Company; Moody's
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MIS	Moody's Investors Service – a reportable segment of MCO; consists of five LOBs – SFG, CFG, FIG, PPIF and MIS Other
MIS Other	Consists of non-ratings revenue from ICRA, KIS Pricing and KIS Research. These businesses are components of MIS; MIS Other is an LOB of MIS
Moody's	Moody's Corporation and its subsidiaries; MCO; the Company
Net Income	Net income attributable to Moody's Corporation, which excludes net income from consolidated noncontrolling interests belonging to the minority interest holder
New Revenue Accounting Standard	Updates to the ASC pursuant to ASU No. 2014-09, "Revenue from Contracts with Customers (ASC Topic 606)". This new accounting guidance significantly changes the accounting framework under U.S. GAAP relating to revenue recognition and to the accounting for the deferral of incremental costs of obtaining or fulfilling a contract with a customer
NM	Percentage change is not meaningful
Non-GAAP	A financial measure not in accordance with GAAP; these 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
NRSRO	Nationally Recognized Statistical Rating Organization, which is a credit rating agency registered with the SEC.
OCI	Other comprehensive income (loss); includes gains and losses on cash flow and net investment hedges, unrealized gains and losses on available for sale securities (in periods prior to January 1, 2018), certain gains and losses relating to pension and other retirement benefit obligations and foreign currency translation adjustments

TERM	DEFINITION
Omega Performance	A leading provider of online credit training; acquired by the Company in August 2018.
Operating segment	Term defined in the ASC relating to segment reporting; the ASC defines an operating segment as a component of a business entity that has each of the three following characteristics: i) the component engages in business activities from which it may recognize revenue and incur expenses; ii) the operating results of the component are regularly reviewed by the entity's chief operating decision maker; and iii) discrete financial information about the component is available.
Other Retirement Plan	The U.S. retirement healthcare and U.S. retirement life insurance plans
PCS	Post-Contract Customer Support
PPIF	Public, project and infrastructure finance; an LOB of MIS
Profit Participation Plan	Defined contribution profit participation plan that covers substantially all U.S. employees of the Company
PS	Professional Services, an LOB within MA consisting of MAKS and MALS that provides offshore analytical and research services as well as learning solutions and certification programs
Purchase Price Hedge	Foreign currency collars and forward contracts entered into by the Company to economically hedge the Bureau van Dijk euro denominated purchase price
Purchase Price Hedge Gain	Gain on foreign currency collars and forward contracts to economically hedge the Bureau van Dijk euro denominated purchase price
RD&A	an LOB within MA that offers subscription based research, data and analytical products, including credit ratings produced by MIS, credit research, quantitative credit scores and other analytical tools, economic research and forecasts, business intelligence and company information products, and commercial real estate data and analytical tools
Reform Act	Credit Rating Agency Reform Act of 2006
REIT	Real Estate Investment Trust
Relationship Revenue	For MIS, represents recurring monitoring fees 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. For MIS Other represents subscription-based revenue. For MA, represents subscription-based revenue and software maintenance revenue
Retirement Plans	Moody's funded and unfunded pension plans, the healthcare plans and life insurance plans
SaaS	Software-as-a-Service
SCDM	SCDM Financial, a leading provider of analytical tools for participants in securitization markets. Moody's acquired SCDM's structured finance data and analytics business in February 2017
SEC	U.S. Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
Series 2007-1 Notes	Principal amount of $300 million, 6.06% senior unsecured notes due in September 2017 pursuant to the 2007 Agreement; prepaid in March 2017
Settlement Charge	Charge of $863.8 million recorded in the fourth quarter of 2016 related to an agreement entered into on January 13, 2017 with the U.S. Department of Justice and the attorneys general of 21 U.S. states and the District of Columbia to resolve pending and potential civil claims related to credit ratings that MIS assigned to certain structured finance instruments in the financial crisis era
SFG	Structured finance group; an LOB of MIS

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TERM	DEFINITION
SG&A	Selling, general and administrative expenses
SSP	Standalone selling price
T&M	Time-and-Material
Tax Act	The "Tax Cuts and Jobs Act" enacted into U.S. law on December 22, 2017 which significantly amends the tax code in the U.S.
Total Debt	All indebtedness of the Company as reflected on the consolidated balance sheets
Transaction Revenue	For MIS, represents the initial rating of a new debt issuance as well as other one-time fees. For MIS Other, represents revenue from professional services as well as data services, research and analytical engagements. For MA, represents perpetual software license fees and revenue from software implementation services, risk management advisory projects, training and certification services, and research and analytical engagements
U.K.	United Kingdom
U.S.	United States
USD	U.S. dollar
UTPs	Uncertain tax positions
VSOE	Vendor specific objective evidence; as defined in the ASC, evidence of selling price limited to either of the following: the price charged for a deliverable when it is sold separately, or for a deliverable not yet being sold separately, the price established by management having the relevant authority
2007 Agreement	Note purchase agreement dated September 7, 2007, relating to the Series 2007-1 Notes
2010 Indenture	Supplemental indenture and related agreements dated August 19, 2010, relating to the 2010 Senior Notes
2010 Senior Notes	Principal amount of $500 million, 5.50% senior unsecured notes due in September 2020 pursuant to the 2010 Indenture
2012 Indenture	Supplemental indenture and related agreements dated August 18, 2012, relating to the 2012 Senior Notes
2012 Senior Notes	Principal amount of $500 million, 4.50% senior unsecured notes due in September 2022 pursuant to the 2012 Indenture
2013 Indenture	Supplemental indenture and related agreements dated August 12, 2013, relating to the 2013 Senior Notes
2013 Senior Notes	Principal amount of the $500 million, 4.875% senior unsecured notes due in February 2024 pursuant to the 2013 Indenture
2014 Indenture	Supplemental indenture and related agreements dated July 16, 2014, relating to the 2014 Senior Notes

TERM	DEFINITION
2014 Senior Notes (5-Year)	Principal amount of $450 million, 2.75% senior unsecured notes due in July 2019
2014 Senior Notes (30-Year)	Principal amount of $600 million, 5.25% senior unsecured notes due in July 2044
2015 Facility	Five-year unsecured revolving credit facility, with capacity to borrow up to $1 billion; backstops CP issued under the CP Program
2015 Indenture	Supplemental indenture and related agreements dated March 9, 2015, relating to the 2015 Senior Notes
2015 Senior Notes	Principal amount of €500 million, 1.75% senior unsecured notes issued March 9, 2015 and due in March 2027
2017 Floating Rate Senior Notes	Principal amount of $300 million, floating rate senior unsecured notes due in September 2018
2017 Indenture	Collectively the Supplemental indenture and related agreements dated March 2, 2017, relating to the 2017 Floating Rate Senior Notes and 2017 Notes Due 2023 and 2028, and the supplemental indenture and related agreements dated June 12, 2017, relating to the 2017 Notes Due 2023 and 2028
2017 Senior Notes Due 2023	Principal amount of $500 million, 2.625% senior unsecured notes due January 15, 2023
2017 Senior Notes Due 2028	Principal amount of $500 million, 3.250% senior unsecured notes due January 15, 2028
2017 Senior Notes Due 2021	Principal amount of $500 million, 2.75% senior unsecured notes due in December 2021
2017 Term Loan	$500 million, three-year term loan facility entered into on June 6, 2017 for which the Company drew down $500 million on August 8, 2017 to fund the acquisition of Bureau van Dijk
2018 Senior Notes	Principal amount of $300 million, 3.250% senior unsecured notes due June 7, 2021

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MOODY'S CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(Amounts in millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue	**$1,080.8**	**$1,062.9**	**$3,382.6**	**$3,038.6**
Expenses				
Operating	306.3	315.6	941.4	875.7
Selling, general and administrative	260.3	245.7	801.9	682.5
Depreciation and amortization	46.1	43.0	143.6	108.4
Acquisition-Related Expenses	1.3	10.1	4.1	16.7
Total expenses	**614.0**	**614.4**	**1,891.0**	**1,683.3**
Operating income	**466.8**	**448.5**	**1,491.6**	**1,355.3**
Non-operating (expense) income, net				
Interest expense, net	(56.4)	(53.1)	(160.5)	(150.2)
Other non-operating income, net	2.4	0.5	18.3	3.2
Purchase Price Hedge Gain	—	69.9	—	111.1
CCXI Gain	—	—	—	59.7
Total non-operating (expense) income, net	**(54.0)**	**17.3**	**(142.2)**	**23.8**
Income before provisions for income taxes	**412.8**	**465.8**	**1,349.4**	**1,379.1**
Provision for income taxes	100.8	146.1	282.7	399.9
Net income	312.0	319.7	1,066.7	979.2
Less: Net income attributable to noncontrolling interests	1.8	2.4	7.4	4.1
Net income attributable to Moody's	**$ 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
Dividends declared per share attributable to Moody's common shareholders	$ 0.44	$ 0.38	$ 1.32	$ 0.76

The accompanying notes are an integral part of the consolidated financial statements.

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MOODY'S CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(Amounts in millions)

	Three Months Ended September 30, 2018			Three Months Ended September 30, 2017		
	Pre-tax amounts	Tax amounts	After-tax amounts	Pre-tax amounts	Tax amounts	After-tax amounts
Net Income			**$ 312.0**			$ 319.7
Other Comprehensive Income (loss):						
Foreign Currency Adjustments:						
Foreign currency translation adjustments, net	**$ (46.5)**	**$ (1.8)**	**(48.3)**	$ 45.4	$ 6.4	51.8
Cash Flow Hedges:						
Net realized and unrealized gain (loss) on cash flow hedges	**—**	**—**	**—**	5.2	(2.0)	3.2
Reclassification of gains included in net income	**(0.1)**	**—**	**(0.1)**	(4.2)	1.6	(2.6)
Available for Sale Securities:						
Net unrealized gains on available for sale securities	**—**	**—**	**—**	0.5	—	0.5
Reclassification of gains included in net income	**—**	**—**	**—**	(2.2)	—	(2.2)
Pension and Other Retirement Benefits:						
Amortization of actuarial losses and prior service costs included in net income	**1.1**	**(0.3)**	**0.8**	2.1	(0.8)	1.3
Total Other Comprehensive (loss) income	**$ (45.5)**	**$ (2.1)**	**(47.6)**	$ 46.8	$ 5.2	52.0
Comprehensive income			**264.4**			371.7
Less: comprehensive (loss) income attributable to noncontrolling interests			**(8.4)**			3.1
Comprehensive Income Attributable to Moody's			**$ 272.8**			$ 368.6

	Nine Months Ended September 30, 2018			Nine Months Ended September 30, 2017		
	Pre-tax amounts	Tax amounts	After-tax amounts	Pre-tax amounts	Tax amounts	After-tax amounts
Net Income			**$1,066.7**			$ 979.2
Other Comprehensive Income (loss):						
Foreign Currency Adjustments:						
Foreign currency translation adjustments, net	**$(175.2)**	**$ (7.4)**	**(182.6)**	$ 94.9	$ 19.5	114.4
Cash Flow Hedges:						
Net realized and unrealized gain (loss) on cash flow hedges	**1.9**	**(0.4)**	**1.5**	10.0	(3.8)	6.2
Reclassification of gains included in net income	**(0.3)**	**—**	**(0.3)**	(11.7)	4.9	(6.8)
Available for Sale Securities:						
Net unrealized gains on available for sale securities	**—**	**—**	**—**	1.6	—	1.6
Reclassification of gains included in net income	**—**	**—**	**—**	(2.2)	—	(2.2)
Pension and Other Retirement Benefits:						
Amortization of actuarial losses and prior service costs included in net income	**3.5**	**(1.0)**	**2.5**	6.4	(2.5)	3.9
Net actuarial gains and prior service costs	**1.6**	**(0.4)**	**1.2**	7.9	(3.0)	4.9
Total other comprehensive (loss) income	**$(168.5)**	**$ (9.2)**	**(177.7)**	$106.9	$ 15.1	122.0
Comprehensive income			**889.0**			1,101.2
Less: comprehensive (loss) income attributable to noncontrolling interests			**(2.7)**			19.6
Comprehensive Income Attributable to Moody's			**$ 891.7**			$1,081.6

The accompanying notes are an integral part of the condensed consolidated financial statements.

MOODY'S CORPORATION
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(Amounts in millions, except share and per share data)

	September 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 1,034.8**	$ 1,071.5
Short-term investments	**110.7**	111.8
Accounts receivable, net of allowances of $36.9 in 2018 and $36.6 in 2017	**1,131.8**	1,147.2
Other current assets	**238.9**	250.1
Total current assets	**2,516.2**	2,580.6
Property and equipment, net of accumulated depreciation of $767.9 in 2018 and $706.0 in 2017	**311.1**	325.1
Goodwill	**3,661.3**	3,753.2
Intangible assets, net	**1,517.6**	1,631.6
Deferred tax assets, net	**189.3**	143.8
Other assets	**243.6**	159.9
Total assets	**$ 8,439.1**	$ 8,594.2
LIABILITIES, NONCONTROLLING INTERESTS AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 581.6**	$ 750.3
Commercial paper	**24.9**	129.9
Current portion of long-term debt	**445.6**	299.5
Deferred revenue	**771.5**	883.6
Total current liabilities	**1,823.6**	2,063.3
Non-current portion of deferred revenue	**123.9**	140.0
Long-term debt	**4,484.0**	5,111.1
Deferred tax liabilities, net	**354.8**	341.6
Uncertain tax positions	**471.8**	389.1
Other liabilities	**574.9**	664.0
Total liabilities	**7,833.0**	8,709.1
Contingencies (Note 16)	**—**	—
Shareholders' equity (deficit):		
Preferred stock, par value $.01 per share; 10,000,000 shares authorized; no shares issued and outstanding	**—**	—
Series common stock, par value $.01 per share; 10,000,000 shares authorized; no shares issued and outstanding	**—**	—
Common stock, par value $.01 per share; 1,000,000,000 shares authorized; 342,902,272 shares issued at September 30, 2018 and December 31, 2017, respectively.	**3.4**	3.4
Capital surplus	**569.7**	528.6
Retained earnings	**8,429.1**	7,465.4
Treasury stock, at cost; 151,293,579 and 151,932,157 shares of common stock at September 30, 2018 and December 31, 2017, respectively	**(8,260.1)**	(8,152.9)
Accumulated other comprehensive loss	**(342.0)**	(172.2)
Total Moody's shareholders' equity (deficit)	**400.1**	(327.7)
Noncontrolling interests	**206.0**	212.8
Total shareholders' equity (deficit)	**606.1**	(114.9)
Total liabilities, noncontrolling interests and shareholders' equity (deficit)	**$ 8,439.1**	$ 8,594.2

The accompanying notes are an integral part of the consolidated financial statements.

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MOODY'S CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Amounts in millions)

	Nine Months Ended September 30	
	2018	**2017**
Cash flows from operating activities		
Net income	**$1,066.7**	$ 979.2
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	**143.6**	108.4
Stock-based compensation	**100.0**	88.9
CCXI Gain	**—**	(59.7)
Purchase Price Hedge Gain	**—**	(111.1)
Deferred income taxes	**(75.3)**	161.4
Changes in assets and liabilities:		
Accounts receivable	**22.5**	(9.8)
Other current assets	**36.6**	(16.2)
Other assets	**(7.4)**	11.4
Accounts payable and accrued liabilities	**(176.5)**	(827.2)
Deferred revenue	**(35.3)**	(19.3)
Unrecognized tax benefits and other non-current tax liabilities	**42.8**	18.4
Other liabilities	**(33.1)**	25.4
Net cash provided by operating activities	**1,084.6**	349.8
Cash flows from investing activities		
Capital additions	**(62.9)**	(69.4)
Purchases of investments	**(142.5)**	(124.0)
Sales and maturities of investments	**120.9**	183.8
Cash received upon disposal of a subsidiary, net of cash transferred to purchaser	**5.7**	—
Cash paid for acquisitions, net of cash acquired	**(35.0)**	(3,511.0)
Receipts from Purchase Price Hedge	**—**	111.1
Receipts from settlements of net investment hedges	**—**	2.1
Net cash used in investing activities	**(113.8)**	(3,407.4)
Cash flows from financing activities		
Issuance of notes	**299.6**	2,291.9
Repayment of notes	**(750.0)**	(300.0)
Issuance of commercial paper	**434.4**	1,437.5
Repayment of commercial paper	**(539.2)**	(1,123.2)
Proceeds from stock-based compensation plans	**42.9**	49.3
Repurchase of shares related to stock-based compensation	**(62.0)**	(48.3)
Treasury shares	**(147.2)**	(163.6)
Dividends	**(252.9)**	(217.8)
Dividends to noncontrolling interests	**(4.0)**	(3.2)
Payment for noncontrolling interest	**—**	(6.2)
Debt issuance costs, extinguishment costs and related fees	**(1.8)**	(26.8)
Net cash (used in) provided by financing activities	**(980.2)**	1,889.6
Effect of exchange rate changes on cash and cash equivalents	**(27.3)**	79.3
Decrease in cash and cash equivalents	**(36.7)**	(1,088.7)
Cash and cash equivalents, beginning of period	**1,071.5**	2,051.5
Cash and cash equivalents, end of period	**$1,034.8**	$ 962.8

The accompanying notes are an integral part of the consolidated financial statements

MOODY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(tabular dollar and share amounts in millions, except per share data)

NOTE 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Moody's is a provider of (i) credit ratings; (ii) credit, capital markets and economic research, data and analytical tools; (iii) software solutions that support financial risk management activities; (iv) quantitatively derived credit scores; (v) learning solutions and certification services; (vi) offshore financial research and analytical services; and (vii) company information and business intelligence products. Moody's reports in two reportable segments: MIS and MA.

MIS, the credit rating agency, publishes credit ratings on a wide range of debt obligations and the entities that issue such obligations in markets worldwide. Revenue is primarily derived from the originators and issuers of such transactions who use MIS ratings in the distribution of their debt issues to investors. Additionally, MIS earns revenue from certain non-ratings-related operations which consist primarily of financial instrument pricing services in the Asia-Pacific region as well as revenue from ICRA's non-ratings operations. The revenue from these operations is included in the MIS Other LOB and is not material to the results of the MIS segment.

The MA segment develops a wide range of products and services that support financial analysis and risk management activities of institutional participants in global financial markets. Within its RD&A business, MA offers subscription based research, data and analytical products, including credit ratings produced by MIS, credit research, quantitative credit scores and other analytical tools, economic research and forecasts, business intelligence and company information products, and commercial real estate data and analytical tools. Within its ERS business, MA provides software solutions as well as related risk management services. The PS business provides offshore analytical and research services along with learning solutions and certification programs.

These interim financial statements have been prepared in accordance with the instructions to Form 10-Q and should be read in conjunction with the Company's consolidated financial statements and related notes in the Company's 2017 annual report on Form 10-K filed with the SEC on February 27, 2018. The results of interim periods are not necessarily indicative of results for the full year or any subsequent period. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation of financial position, results of operations and cash flows at the dates and for the periods presented have been included. The year-end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

Certain reclassifications have been made to prior period amounts to conform to the current presentation.

Adoption of New Accounting Standards

On January 1, 2018, the Company adopted ASU No. 2014-09, "Revenue from Contracts with Customers (ASC Topic 606)" using the modified retrospective approach which Moody's has elected to apply only to those contracts which were not completed as of January 1, 2018. Additionally, the Company has not retrospectively restated contract positions for contract modifications made prior to the adoption. ASU No. 2014-09 also includes updates related to the accounting for the deferral of incremental costs of obtaining or fulfilling a contract with a customer ("ASC Subtopic 340-40"). Hereunder, discussion of the provisions of ASC Topic 606 and ASC Subtopic 340-40 are both individually and collectively referred to as the "New Revenue Accounting Standard." Results for reporting periods beginning on January 1, 2018 are presented under the guidance set forth in the New Revenue Accounting Standard, while prior period amounts have not been adjusted and continue to be reported in accordance with the previous accounting guidance.

The most significant impacts to the Company's financial statements from adopting the New Revenue Accounting Standard are primarily related to: i) the accounting for certain installed software subscription revenue in MA whereby the license rights within the arrangement are recognized at the inception of the contract based on SSP with the remainder recognized over the subscription period (compared to ASC Topic 605 whereby all installed software subscription revenue was previously recognized over the subscription period); ii) the accounting for certain ERS and ESA revenue arrangements where VSOE was not available under ASC Topic 605 now results in the acceleration of revenue recognition (compared to ASC Topic 605 whereby revenue was deferred due to lack of VSOE until all elements without VSOE had been delivered); iii) sales commissions incurred in the MA segment will be capitalized and amortized over an extended period which is generally based upon the average economic life of products/services sold and incorporates anticipated subscription renewals (compared to previous accounting guidance whereby capitalized sales commissions were amortized over the committed subscription period only); iv) the immediate expensing of software implementation project costs to fulfill a contract for its ERS and ESA businesses which under previous accounting guidance were capitalized and expensed when related project revenue was recognized; v) the capitalization of work-in-process costs for in-progress MIS ratings at the end of each reporting period which under ASC Topic 605 were expensed as incurred; vi) the timing of when revenue for certain MIS ratings products is recognized; and vii) the estimation of variable consideration at contract inception whereas under ASC Topic 605 companies were not required to consider the amount of consideration for which it expected to be entitled.

The Company does not anticipate that applying the provisions of the New Revenue Accounting Standard will have a material impact to its 2018 consolidated Net Income. However, there could be quarterly fluctuations in the financial results of both MIS and MA, or there could be increases or decreases in revenues and expenses which would largely offset and not be material to total consolidated Net Income for the full year.

The table below provides detail relating to the adjustment to the Company's retained earnings balance upon adoption of the New Revenue Accounting Standard:

Transition adjustment	Benefit to / (reduction of) January 1, 2018 Retained Earnings	Corresponding Balance Sheet Line Item
Recognition of MA deferred revenue / increase in MA unbilled receivables (1)	$108 million	Deferred revenue, Non-current portion of deferred revenue, Accounts receivable, Other assets
Increase to capitalized MA sales commissions (2)	$78 million	Other current assets, Other assets, Accounts payable and accrued liabilities
Capitalization of work-in-process for in-progress ratings	$9 million	Other current assets
Net impact of all other adjustments	$4 million	Various
Net increase in tax liability on the above	($43 million)	Deferred tax liabilities, net
Total post-tax adjustment	$156 million	

(1) Represents deferred revenue as of December 31, 2017 as well as amounts then unbilled that would have been recognized as revenue in 2017 or earlier if the New Revenue Accounting Standard was then in effect. These amounts will not be recognized as revenue in future statements of operations. Conversely, revenue will be recorded to the Company's statement of operations in 2018 under the New Revenue Accounting Standard, which otherwise would have been recognized in periods subsequent to 2018 if accounted for under ASC Topic 605.

(2) Represents sales commissions that would have been capitalized as of December 31, 2017 if the New Revenue Accounting Standard was then in effect, but had previously been expensed by the Company under the previous accounting guidance. These sales commissions, as well as sales commissions incurred in 2018 related to new sales and renewals, will be amortized to expense in the statements of operations beginning in 2018 over an extended period generally based upon the average economic life of the products sold or over the period in which implementation and advisory services will be provided.

The table below presents the cumulative effect of the changes made to the Company's consolidated balance sheet at January 1, 2018 for the adoption of the New Revenue Accounting Standard:

	As Reported December 31, 2017	Adjustment Due to New Revenue Accounting Standard	Balance at January 1, 2018
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,071.5	$ —	$ 1,071.5
Short-term investments	111.8	—	111.8
Accounts receivable, net of allowances	1,147.2	16.8	1,164.0
Other current assets	250.1	32.9	283.0
Total current assets	2,580.6	49.7	2,630.3
Property and equipment, net	325.1	—	325.1
Goodwill	3,753.2	—	3,753.2
Intangible assets, net	1,631.6	—	1,631.6
Deferred tax assets, net	143.8	—	143.8
Other assets	159.9	71.3	231.2
Total assets	$ 8,594.2	$ 121.0	$ 8,715.2
LIABILITIES, NONCONTROLLING INTERESTS AND SHAREHOLDERS' (DEFICIT)/EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	$ 750.3	$ (0.8)	$ 749.5
Commercial paper	129.9	—	129.9
Current portion of long-term debt	299.5	—	299.5
Deferred revenue	883.6	(69.3)	814.3
Total current liabilities	2,063.3	(70.1)	1,993.2
Non-current portion of deferred revenue	140.0	(8.0)	132.0
Long-term debt	5,111.1	—	5,111.1
Deferred tax liabilities, net	341.6	42.7	384.3
Unrecognized tax benefits	389.1	—	389.1
Other liabilities	664.0	0.3	664.3
Total liabilities	8,709.1	(35.1)	8,674.0
Shareholders' (deficit) equity:			
Common stock	3.4	—	3.4
Capital surplus	528.6	—	528.6
Retained earnings	7,465.4	156.1	7,621.5
Treasury stock	(8,152.9)	—	(8,152.9)
Accumulated other comprehensive loss	(172.2)	—	(172.2)
Total Moody's shareholders' (deficit) equity	(327.7)	156.1	(171.6)
Noncontrolling interests	212.8	—	212.8
Total shareholders' (deficit) equity	(114.9)	156.1	41.2
Total liabilities, noncontrolling interests and shareholders' (deficit) equity	$ 8,594.2	$ 121.0	$ 8,715.2

The below table presents the impacts on the Company's statement of operations for the current reporting period from applying the provisions of the New Revenue Accounting Standard compared to the accounting standard in effect before the change:

	For the Three Months Ended September 30, 2018		
	As Reported	Under previous accounting guidance	Effect of Change Higher/(Lower)
Revenue	**$1,080.8**	**$ 1,072.4**	**$ 8.4**
Expenses			
Operating	306.3	306.6	(0.3)
Selling, general and administrative	260.3	263.4	(3.1)
Depreciation and amortization	46.1	46.1	—
Acquisition-related expenses	1.3	1.3	—
Total expenses	**614.0**	**617.4**	**(3.4)**
Operating income	**466.8**	**455.0**	**11.8**
Non-operating (expense) income, net			
Interest expense, net	(56.4)	(56.4)	—
Other non-operating income, net	2.4	2.4	—
Total non-operating (expense) income, net	**(54.0)**	**(54.0)**	**—**
Income before provision for income taxes	**412.8**	**401.0**	**11.8**
Provision for income taxes	100.8	98.4	2.4
Net income	312.0	302.6	9.4
Less: Net income attributable to noncontrolling interests	1.8	1.8	—
Net income attributable to Moody's	**$ 310.2**	**$ 300.8**	**$ 9.4**
Earnings per share			
Basic	$ 1.62	$ 1.57	$ 0.05
Diluted	$ 1.59	$ 1.55	$ 0.04
Weighted average shares outstanding			
Basic	191.8	191.8	
Diluted	194.5	194.5	

	For the Nine Months Ended September 30, 2018		
	As Reported	Under previous accounting guidance	Effect of Change Higher/(Lower)
Revenue	**$3,382.6**	**$ 3,368.7**	**$ 13.9**
Expenses			
Operating	941.4	942.8	(1.4)
Selling, general and administrative	801.9	807.4	(5.5)
Depreciation and amortization	143.6	143.6	—
Acquisition-related expenses	4.1	4.1	—
Total expenses	**1,891.0**	**1,897.9**	**(6.9)**
Operating income	**1,491.6**	**1,470.8**	**20.8**
Non-operating (expense) income, net			
Interest expense, net	(160.5)	(160.5)	—
Other non-operating income, net	18.3	18.3	—
Total non-operating (expense) income, net	**(142.2)**	**(142.2)**	**—**
Income before provision for income taxes	**1,349.4**	**1,328.6**	**20.8**
Provision for income taxes	282.7	277.6	5.1
Net income	1,066.7	1,051.0	15.7
Less: Net income attributable to noncontrolling interests	7.4	7.4	—
Net income attributable to Moody's	$1,059.3	$ 1,043.6	$ 15.7
Earnings per share			
Basic	$ 5.53	$ 5.44	$ 0.09
Diluted	$ 5.45	$ 5.37	$ 0.08
Weighted average shares outstanding			
Basic	191.7	191.7	
Diluted	194.4	194.4	

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The below table presents the impacts on the Company's consolidated balance sheet at the end of the current reporting period from applying the provisions of the New Revenue Accounting Standard compared to the accounting standard in effect before the change:

	As Reported September 30, 2018	Under previous accounting guidance September 30, 2018	Effect of Change Higher/(Lower)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,034.8	$ 1,034.8	$ —
Short-term investments	110.7	110.7	—
Accounts receivable, net of allowances	1,131.8	1,093.4	38.4
Other current assets	238.9	222.5	16.4
Total current assets:	2,516.2	2,461.4	54.8
Property and equipment, net	311.1	311.1	—
Goodwill	3,661.3	3,661.3	—
Intangible assets, net	1,517.6	1,517.6	—
Deferred tax assets, net	189.3	189.3	—
Other assets	243.6	172.6	71.0
Total assets	$ 8,439.1	$ 8,313.3	$ 125.8
LIABILITIES, NONCONTROLLING INTERESTS AND SHAREHOLDERS' EQUITY			
Accounts payable and accrued liabilities	$ 581.6	$ 581.4	$ 0.2
Commercial paper	24.9	24.9	—
Current portion of long-term debt	445.6	445.6	—
Deferred revenue	771.5	836.5	(65.0)
Total current liabilities	1,823.6	1,888.4	(64.8)
Non-current portion of deferred revenue	123.9	130.1	(6.2)
Long-term debt	4,484.0	4,484.0	—
Deferred tax liabilities, net	354.8	330.8	24.0
Unrecognized tax benefits	471.8	471.8	—
Other liabilities	574.9	574.8	0.1
Total liabilities	7,833.0	7,879.9	(46.9)
Shareholders' equity:			
Common stock	3.4	3.4	—
Capital surplus	569.7	569.7	—
Retained earnings	8,429.1	8,256.4	172.7
Treasury stock	(8,260.1)	(8,260.1)	—
Accumulated other comprehensive loss	(342.0)	(342.0)	—
Total Moody's shareholders' equity	400.1	227.4	172.7
Noncontrolling interests	206.0	206.0	—
Total shareholders' equity	606.1	433.4	172.7
Total liabilities, noncontrolling interests and shareholders' equity	$ 8,439.1	$ 8,313.3	$ 125.8

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The below table presents the impacts on various line items within the operating cash flow within the Company's statement of cash flows for the current reporting period from applying the provisions of the New Revenue Accounting Standard compared to the accounting standard in effect before the change.

	For the Nine Months Ended September 30, 2018		
	As Reported	Under previous accounting guidance	Effect of Change
Cash flows from operating activities			
Net income	$ 1,066.7	$ 1,051.0	$ 15.7
Reconciliation of net income to net cash provided by operating activities:			
Depreciation and amortization	143.6	143.6	—
Stock-based compensation	100.0	100.0	—
Deferred income taxes	(75.3)	(59.3)	(16.0)
Changes in assets and liabilities:			
Accounts receivable	22.5	44.1	(21.6)
Other current assets	36.6	20.1	16.5
Other assets	(7.4)	(7.8)	0.4
Accounts payable and accrued liabilities	(176.5)	(178.4)	1.9
Deferred revenue	(35.3)	(41.4)	6.1
Unrecognized tax benefits and other non-current tax liabilities	42.8	42.8	—
Other liabilities	(33.1)	(30.1)	(3.0)
Net cash provided by operating activities	$ 1,084.6	$ 1,084.6	$ —

The New Revenue Accounting Standard did not have any impact on individual line items within investing or financing cash flows in the Company's consolidated statement of cash flows. In 2018, the adoption of the New Revenue Accounting Standard will likely result in higher cash taxes as the cumulative catch-up adjustment to retained earnings is taxable and there is expected to be acceleration of revenue recognition under the New Revenue Accounting Standard.

On January 1, 2018, the Company adopted ASU No. 2017-07, "Compensation—Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost". As required by this ASU, the components of net periodic pension costs were disaggregated in the statement of operations on a retrospective basis. The Company has continued to reflect the service cost component in either Operating or SG&A expenses in Moody's statement of operations. The other components of net benefit cost are presented within non-operating (expense) income, net, within the statement of operations. The adoption of this ASU has no impact on Net Income in the Company's statements of operations. The impact to the Company's statements of operations for the three and nine months ended September 30, 2018 and 2017 related to the adoption of this ASU are set forth in the table below

	For the Three Months Ended September 30, 2018			For the Three Months Ended September 30, 2017		
	As Reported	Under previous accounting guidance	Effect of Change Higher/(Lower)	As Adjusted	Under previous accounting guidance	Effect of Change Higher/(Lower)
Operating expenses	**$ 306.3**	**$ 307.5**	**$ (1.2)**	$ 315.6	$ 317.2	$ (1.6)
Selling, general and administrative expenses	**260.3**	**261.4**	**(1.1)**	245.7	247.2	(1.5)
Operating income	**466.8**	**464.5**	**2.3**	448.5	445.4	3.1
Interest expense, net	**(56.4)**	**(51.5)**	**(4.9)**	(53.1)	(48.1)	(5.0)
Other non-operating income (expense), net	**2.4**	**(0.2)**	**2.6**	0.5	(1.4)	1.9

	For the Nine Months Ended September 30, 2018			For the Nine Months Ended September 30, 2017		
	As Reported	Under previous accounting guidance	Effect of Change Higher/(Lower)	As Adjusted	Under previous accounting guidance	Effect of Change Higher/(Lower)
Operating expenses	**$ 941.4**	**$ 944.9**	**$ (3.5)**	$ 875.7	$ 880.4	$ (4.7)
Selling, general and administrative expenses	**801.9**	**805.1**	**(3.2)**	682.5	686.8	(4.3)
Operating income	**1,491.6**	**1,484.9**	**6.7**	1,355.3	1,346.3	9.0
Interest expense, net	**(160.5)**	**(146.0)**	**(14.5)**	(150.2)	(135.5)	(14.7)
Other non-operating income (expense), net	**18.3**	**10.5**	**7.8**	3.2	(2.5)	5.7

On January 1, 2018, the Company adopted ASU No. 2016-01 "Financial Instruments—Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"). The amendments in this ASU update various aspects of recognition, measurement, presentation and disclosures relating to financial instruments. Upon adoption, the Company recorded a $2.3 million cumulative adjustment to reclassify net unrealized gains on investments in equity securities previously classified as available-for-sale under the previous guidance from AOCI to retained earnings. Beginning in the first quarter of 2018, the Company will measure equity investments with readily determinable fair values (except those accounted for under the equity method, those that result in consolidation of the investee and certain other investments) at fair value and recognize any changes in fair value in net income. The adoption of this ASU did not have a material impact on the Company's financial statements for the three and nine months ended September 30, 2018.

In March 2018, the FASB issued ASU No. 2018-05, "Income Taxes (Topic 740)—Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118". This ASU adds SEC paragraphs to the codification pursuant to the SEC Staff Accounting Bulletin No. 118, which addresses the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to finalize the calculations for the 2017 income tax effects of the Tax Act. This ASU provides entities with a one year measurement period from the December 22, 2017 enactment date, in order to complete the accounting for the effects of the Tax Act. The Company has recorded a provisional estimate for the transition tax relating to the Tax Act which is more fully described in Note 5. This provisional estimate may be impacted by a number of additional considerations, including but not limited to the issuance of regulations and the Company's ongoing analysis of the new law.

On January 1, 2018, the Company adopted ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a Consensus of the Emerging Issues Task Force)" on a retrospective basis. This ASU reduces diversity in practice in how certain transactions are reflected in the statement of cash flows. Pursuant to the adoption of this ASU, the Company reclassified $7.1 million in cash paid in the first nine months of 2017 relating to a Make-Whole provision upon the repayment of the Series 2007-1 Notes from cash flows used in operations to cash flows provided by financing activities.

During the second quarter of 2018, the Company early adopted ASU No. 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities". This ASU fosters enhanced transparency relating to risk management activities and simplifies the application of hedge accounting in certain circumstances. The adoption of this ASU did not have an impact on the Company's financial statements at the date of adoption. Refer to Note 9 for further discussion on the prospective impact of this ASU on the Company's financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company adopted the New Revenue Accounting Standard on January 1, 2018 using the modified retrospective transition method. Below are the Company's revised accounting policies reflecting the provisions of the New Revenue Accounting Standard; ASU 2016-01 (as codified under ASC Topic 321) relating to the accounting for financial instruments; and the amendments to ASC Topic 815 as a result of the Company's second quarter adoption of ASU 2017-12 relating to derivative instruments and hedging activities. The Company's adoption of these ASUs is further discussed in Note 1. All other significant accounting policies described in the Form 10-K for the year ended December 31, 2017 remain unchanged. Also refer to Note 3 of the condensed consolidated financial statements for certain quantitative disclosures relating to the Company's revenue from contracts with customers.

Revenue Recognition and Costs to Obtain or Fulfill a Contract with a Customer

Revenue recognition:

Revenue is recognized when control of promised goods or services is transferred to the customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

When contracts with customers contain multiple performance obligations, the Company accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to each distinct performance obligation on a relative SSP basis. The Company determines the SSP by using the price charged for a deliverable when sold separately or uses management's best estimate of SSP for goods or services not sold separately based on the maximum number of observable data points, including: internal factors relevant to its pricing practices such as costs and margin objectives; standalone sales prices of similar products; percentage of the fee charged for a primary product or service relative to a related product or service; and customer segment and geography. Additional consideration is also given to market conditions such as competitor pricing strategies and market trends.

Sales, usage-based, value added and other taxes are excluded from revenues.

MIS Revenue

In the MIS segment, revenue arrangements are generally comprised of two distinct performance obligations, an initial rating and the related monitoring service. Revenue attributed to initial ratings of issued securities is generally recognized when the rating is delivered to the issuer. Revenue attributed to monitoring of issuers or issued securities is recognized ratably over the period in which the monitoring is performed, generally one year. In the case of certain structured finance products, primarily CMBS, issuers can elect to pay all of the annual monitoring fees upfront. These fees are deferred and recognized over the future monitoring periods based on the expected lives of the rated securities.

MIS arrangements generally have standard contractual terms for which the stated payments are due at conclusion of the ratings process for initial ratings and either upfront or in arrears for monitoring services; and are signed by customers either on a per issue basis or at the beginning of the relationship with the customer. However, customer fee arrangements may be adjusted for which the Company accounts for as variable consideration at inception using the expected value method based on analysis of similar contracts in the same line of business, which is constrained based on the Company's assessment of the realization of the adjustment amount.

The Company allocates the transaction price within arrangements that include both the initial rating and the related monitoring service based upon the relative SSP of each service. The Company generally uses management's best estimate based on observable pricing points in determining SSP for its initial ratings as the Company rarely provides initial ratings separately without providing related monitoring services. The SSP for monitoring fees in these arrangements are generally based upon directly observable selling prices where the monitoring service is sold separately.

MA Revenue

In the MA segment, products and services offered by the Company include hosted research and data subscriptions, installed software subscriptions, perpetual installed software licenses and related maintenance, or PCS, and professional services. Subscription and PCS contracts are generally invoiced in advance of the contractual coverage period, which is principally one year, but can range from 3-5 years; while perpetual software licenses are generally invoiced upon delivery and professional services are invoiced as those services are provided. Payment terms and conditions vary by contract type, but primarily include a requirement of payment within 30 to 60 days.

Revenue from research, data and other hosted subscriptions is recognized ratably over the related subscription period. A large portion of these services are invoiced in the months of November, December and January.

Revenue from the sale of a software license, when considered distinct from the related software implementation services, is generally recognized at the time the product master or first copy is delivered or transferred to the customer. However, in instances where the software license (perpetual or subscription) and related implementation services are considered to be one combined performance obligation, revenue is recognized on a percentage-of-completion basis (input method) as implementation services are performed over time, which is consistent with the pattern of recognition for the software implementation services if considered to be a separate distinct performance obligation. The Company exercises judgment in determining the level of integration and interdependency between the promise to grant the software license and the promise to deliver the related implementation services. This determination influences whether the software license is considered distinct and accounted for separately, or not distinct and accounted for together with the implementation services and recognized over time. PCS is generally recognized ratably over the contractual period commencing when the software license is fully delivered. Revenue from installed software subscriptions, which includes PCS, is bifurcated into a software license performance obligation and a PCS performance obligation, which follow the patterns of recognition described above.

For implementation services and other service projects within the ERS and ESA LOBs for which fees are fixed, the Company determined progress towards completion is most accurately measured on a percentage-of-completion basis (input method) as this approach utilizes the most directly observable data points and is therefore used to recognize the related revenue. For implementation services where price varies based on time expended, a time-based measure of progress towards completion of the performance obligation is utilized.

Revenue from professional services rendered within the PS LOB is generally recognized as the services are performed over time.

Products and services offered within the MA segment are sold either stand-alone or together in various combinations. In instances where an arrangement contains multiple performance obligations, the Company accounts for the individual performance obligations separately if they are considered distinct. Revenue is generally allocated to all performance obligations based upon the relative SSP at contract inception. Judgment is often required to determine the SSP for each distinct performance obligation. Revenue is recognized for each performance obligation based upon the conditions for revenue recognition noted above.

In the MA segment, customers usually pay a fixed fee for the products and services based on signed contracts. However, accounting for variable consideration is applied mainly for: i) estimates for cancellation rights and price concessions and ii) T&M based services.

The Company estimates the variable consideration associated with cancellation rights and price concessions based on the expected amount to be provided to customers and reduces the amount of revenue to be recognized. T&M based contracts represent about half of MA's service projects within the ERS and ESA LOBs. The Company provides agreed upon services at a contracted daily or hourly rate. The commitment represents a series of goods and services that are substantially the same and have the same pattern of transfer to the customer. As such, if T&M services are sold with other MA products, the Company allocates the variable consideration entirely to the T&M performance obligation if the services are sold at standard pricing or at a similar discount level compared to other performance obligations in the same revenue contract. If these criteria are not met, the Company estimates variable consideration for each performance obligation upfront.

Each form of variable consideration is included in the transaction price only to the extent that it is probable that a significant reversal of any incremental revenue will not occur.

Costs to Obtain or Fulfill a Contract with a Customer:

Costs incurred to obtain customer contracts, such as sales commissions, are deferred and recorded within other current assets and other assets when such costs are determined to be incremental to obtaining a contract, would not have been incurred otherwise and the Company expects to recover those costs. These costs are amortized to expense consistent with the recognition pattern of the related revenue over time. Depending on the line of business to which the contract relates, this may be based upon the average economic life of the products sold or average period for which services are provided, inclusive of anticipated contract renewals. Determining the estimated economic life of the products sold requires judgment with respect to anticipated future technological changes. The Company had a balance of $93.3 million in such deferred costs as of September 30, 2018 and recognized $8.0 million and $24.7 million of related amortization during the three and nine-month periods ended September 30, 2018, respectively, which is included within SG&A expenses in the consolidated statement of operations. Costs incurred to obtain customer contracts are only in the MA segment.

Costs incurred to fulfill customer contracts, are deferred and recorded within other current assets and other assets when such costs relate directly to a contract, generate or enhance resources of the Company that will be used in satisfying performance obligations in the future and the Company expects to recover those costs.

The Company capitalizes work-in-process costs for in-progress MIS ratings, which is recognized consistent with the rendering of the related services to the customers, as ratings are issued. The Company had a balance of $10.6 million in such deferred costs as of September 30, 2018 and recognized $10.3 million and $29.8 million of amortization of the costs during the three and nine-month periods ended September 30, 2018, respectively, which is included within operating expenses in the consolidated statement of operations.

In addition, within the MA segment, the Company capitalizes royalty costs related to third-party information data providers associated with hosted company information and business intelligence products. These costs are amortized to expense consistent with the recognition pattern of the related revenue over time. The Company had a balance of $24.8 million in such deferred costs as of September 30, 2018 and recognized $12.9 million and $41.2 million of related amortization during the three and nine-month periods ended September 30, 2018, respectively, which is included within operating expenses in the consolidated statement of operations.

Fair Value of Financial Instruments

The Company's financial instruments include cash, cash equivalents, trade receivables and payables, all of which are short-term in nature and, accordingly, approximate fair value. Additionally, the Company invests in certain short-term investments consisting primarily of certificates of deposit that are carried at cost, which approximates fair value due to their short-term maturities.

The Company also has certain investments in closed-ended and open-ended mutual funds in India which are accounted for as equity securities with readily determinable fair values under ASC Topic 321. Beginning in the first quarter of 2018, the Company will measure these investments at fair value with both realized gains and losses and unrealized holding gains and losses for these investments included in net income.

Prior to January 1, 2018, the investments in closed-ended and open-ended mutual funds in India were designated as 'available for sale' under Topic 320 of the ASC. Accordingly, unrealized gains and losses on these investments were recorded to other comprehensive income and were reclassified out of accumulated other comprehensive income to the statement of operations when the investment matured or was sold using a specific identification method.

Also, the Company uses derivative instruments to manage certain financial exposures that occur in the normal course of business. These derivative instruments are carried at fair value on the Company's consolidated balance sheets.

Fair value is defined by the ASC as the price that would be received from selling an asset or paid to transfer a liability (i.e., an exit price) in an orderly transaction between market participants at the measurement date. The determination of this fair value is based on the principal or most advantageous market in which the Company could commence transactions and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions and risk of nonperformance. Also, determination of fair value assumes that market participants will consider the highest and best use of the asset.

The ASC establishes a fair value hierarchy whereby the inputs contained in valuation techniques used to measure fair value are categorized into three broad levels as follows:

Level 1: quoted market prices in active markets that the reporting entity has the ability to access at the date of the fair value measurement;

Level 2: inputs other than quoted market prices described in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

Level 3: unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurement of the assets or liabilities.

Derivative Instruments and Hedging Activities

Based on the Company's risk management policy, from time to time the Company may use derivative financial instruments to reduce exposure to changes in foreign exchange rates and interest rates. The Company does not enter into derivative financial instruments for speculative purposes. All derivative financial instruments are recorded on the balance sheet at their respective fair values. The changes in the value of derivatives that qualify as fair value hedges are recorded in the same income statement line item in earnings in which the corresponding adjustment to the carrying value of the hedged item is presented. The entire change in the fair value of derivatives that qualify as cash flow hedges is recorded to OCI and such amounts are reclassified from AOCI to the same income statement line in earnings in the same period or periods during which the hedged transaction affects income. Effective with the Company early adoption of ASC 2017-12, the Company changed the method by which it assesses effectiveness for net investment hedges from the forward-method to the spot-method. The Company considers the spot-method an improved method of assessing hedge effectiveness, as spot rate changes relating to the hedging instrument's notional amount perfectly offset the currency translation adjustment on the hedged net investment in the Company's foreign subsidiaries. The entire change in the fair value of derivatives that qualify as net investment hedges is initially recorded to OCI. Those changes in fair value attributable to components included in the assessment of hedge effectiveness in a net investment hedge are recorded in the currency translation adjustment component of OCI and remain in AOCI until the period in which the hedged item affects earnings. Those changes in fair value attributable to components excluded from the assessment of hedge effectiveness in a net investment hedge are recorded to OCI and amortized to earnings using a systematic and rational method over the duration of the hedge. Any changes in the fair value of derivatives that the Company does not designate as hedging instruments under Topic 815 of the ASC are recorded in the consolidated statements of operations in the period in which they occur. Refer to Note 9 for further information regarding the Company's derivative financial instruments and hedging activities.

NOTE 3. REVENUES

Revenue by Category

The following table presents the Company's revenues disaggregated by LOB:

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017 (1)	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017 (1)
MIS:				
Corporate finance (CFG)				
Investment-grade	**$ 51.0**	$ 78.5	**$ 199.4**	$ 235.2
High-yield	**38.3**	62.9	**154.8**	189.8
Bank loans	**75.9**	82.4	**301.9**	274.1
Other accounts (2)	**130.9**	126.4	**395.3**	359.7
Total CFG	**296.1**	350.2	**1,051.4**	1,058.8
Structured finance (SFG)				
Asset-backed securities	**24.6**	22.8	**80.7**	69.6
Residential mortgage backed securities	**23.7**	21.9	**74.8**	64.7
Commercial real estate finance	**25.9**	37.5	**90.7**	96.7
Structured credit	**50.7**	45.6	**148.6**	115.2
Other accounts	**0.5**	0.5	**1.9**	1.5
Total SFG	**125.4**	128.3	**396.7**	347.7
Financial institutions (FIG)				
Banking	**72.9**	70.1	**227.2**	219.6
Insurance	**37.7**	23.9	**98.9**	72.4
Managed investments	**5.5**	4.6	**18.4**	15.6
Other accounts	**3.4**	3.5	**9.9**	9.2
Total FIG	**119.5**	102.1	**354.4**	316.8
Public, project and infrastructure finance (PPIF)				
Public finance / sovereign	**45.3**	49.4	**143.9**	155.6
Project and infrastructure	**53.7**	59.8	**156.4**	156.4
Total PPIF	**99.0**	109.2	**300.3**	312.0
Total ratings revenue	**640.0**	689.8	**2,102.8**	2,035.3
MIS Other	**4.8**	4.4	**14.2**	13.8
Total external revenue	**644.8**	694.2	**2,117.0**	2,049.1
Intersegment royalty	**31.6**	29.0	**92.0**	82.0
Total MIS	**676.4**	723.2	**2,209.0**	2,131.1
MA:				
Research, data and analytics (RD&A)	**282.6**	218.4	**831.7**	574.7
Enterprise risk solutions (ERS)	**113.0**	112.6	**318.6**	305.8
Professional services (PS)	**40.4**	37.7	**115.3**	109.0
Total external revenue	**436.0**	368.7	**1,265.6**	989.5
Intersegment revenue	**2.6**	4.1	**10.0**	11.6
Total MA	**438.6**	372.8	**1,275.6**	1,001.1
Eliminations	**(34.2)**	(33.1)	**(102.0)**	(93.6)
Total MCO	**$ 1,080.8**	$ 1,062.9	**$ 3,382.6**	$ 3,038.6

(1) Prior period amounts have not been adjusted under the modified retrospective method of adoption for the New Revenue Accounting Standard.

(2) Other includes: recurring monitoring fees of a rated debt obligation and/or entities that issue such obligations as well as fees from programs such as commercial paper, medium term notes, and ICRA corporate finance revenue.

The following table presents the Company's revenues disaggregated by LOB and geographic area:

	Three Months Ended September 30, 2018			Three Months Ended September 30, 2017 [1]		
	United States	**International**	**Total**	**United States**	**International**	**Total**
MIS:						
Corporate finance (CFG)	**$ 184.0**	**$ 112.1**	**$ 296.1**	$ 234.0	$ 116.2	$ 350.2
Structured finance (SFG)	**81.3**	**44.1**	**125.4**	89.3	39.0	128.3
Financial institutions (FIG)	**59.8**	**59.7**	**119.5**	40.5	61.6	102.1
Public, project and infrastructure finance (PPIF)	**59.4**	**39.6**	**99.0**	63.8	45.4	109.2
Total ratings revenue	**384.5**	**255.5**	**640.0**	427.6	262.2	689.8
MIS Other	**0.2**	**4.6**	**4.8**	0.1	4.3	4.4
Total MIS	**384.7**	**260.1**	**644.8**	427.7	266.5	694.2
MA:						
Research, data and analytics (RD&A)	**116.7**	**165.9**	**282.6**	107.5	110.9	218.4
Enterprise risk solutions (ERS)	**43.0**	**70.0**	**113.0**	39.5	73.1	112.6
Professional services (PS)	**15.2**	**25.2**	**40.4**	13.7	24.0	37.7
Total MA	**174.9**	**261.1**	**436.0**	160.7	208.0	368.7
Total MCO	**$ 559.6**	**$ 521.2**	**$1,080.8**	$ 588.4	$ 474.5	$ 1,062.9

	Nine Months Ended September 30, 2018			Nine Months Ended September 30, 2017 [1]		
	United States	**International**	**Total**	**United States**	**International**	**Total**
MIS:						
Corporate finance (CFG)	**$ 673.0**	**$ 378.4**	**$1,051.4**	$ 698.6	$ 360.2	$ 1,058.8
Structured finance (SFG)	**259.2**	**137.5**	**396.7**	235.9	111.8	347.7
Financial institutions (FIG)	**162.7**	**191.7**	**354.4**	135.0	181.8	316.8
Public, project and infrastructure finance (PPIF)	**173.9**	**126.4**	**300.3**	192.8	119.2	312.0
Total ratings revenue	**1,268.8**	**834.0**	**2,102.8**	1,262.3	773.0	2,035.3
MIS Other	**0.5**	**13.7**	**14.2**	0.3	13.5	13.8
Total MIS	**1,269.3**	**847.7**	**2,117.0**	1,262.6	786.5	2,049.1
MA:						
Research, data and analytics (RD&A)	**347.5**	**484.2**	**831.7**	310.6	264.1	574.7
Enterprise risk solutions (ERS)	**124.1**	**194.5**	**318.6**	120.1	185.7	305.8
Professional services (PS)	**41.8**	**73.5**	**115.3**	40.7	68.3	109.0
Total MA	**513.4**	**752.2**	**1,265.6**	471.4	518.1	989.5
Total MCO	**$ 1,782.7**	**$ 1,599.9**	**$3,382.6**	$ 1,734.0	$ 1,304.6	$ 3,038.6

(1) Prior period amounts have not been adjusted under the modified retrospective method of adoption for the New Revenue Accounting Standard.

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 fees 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, relationship revenue represents subscription-based revenues and software maintenance revenue. Transaction revenue in MA represents perpetual software license fees and revenue from software implementation services, risk management advisory projects, training and certification services, and outsourced research and analytical engagements.

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	Three Months Ended September 30, 2018 Transaction	Relationship	Total	2017 [2] 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[1]**	**$ 365.0**	**$ 436.0**	$ 77.6[1]	$ 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%

	Nine Months Ended September 30, 2018 Transaction	Relationship	Total	2017 [2] 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]**	**$ 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%

(1) Revenue from software implementation services and risk management advisory projects, while classified by management as transactional revenue, is recognized over time under the New Revenue Accounting Standard (please also refer to the table below).

(2) Prior period amounts have not been adjusted under the modified retrospective method of adoption for the New Revenue Accounting Standard.

The following table presents the timing of revenue recognition:

	Three Months Ended September 30, 2018 MIS	MA	Total	Nine Months Ended September 30, 2018 MIS	MA	Total
Revenue recognized at a point in time	**$ 390.5**	**$ 19.5**	**$ 410.0**	**$1,349.4**	**$ 49.0**	**$1,398.4**
Revenue recognized over time	**254.3**	**416.5**	**670.8**	**767.6**	**1,216.6**	**1,984.2**
Total	**$ 644.8**	**$ 436.0**	**$ 1,080.8**	**$2,117.0**	**$1,265.6**	**$3,382.6**

Unbilled receivables, Deferred revenue and Remaining performance obligations

Unbilled receivables

At September 30, 2018, accounts receivable included approximately $349.4 million of unbilled receivables related to the MIS segment. Certain MIS arrangements contain contractual terms whereby the customers are billed in arrears for annual monitoring services, requiring revenue to be accrued as an unbilled receivable as such services are provided. Additionally, there are other instances in which the timing of when the Company has the unconditional right to consideration and recognizes revenue prior to invoicing the customer, for which an unbilled receivable is recorded.

In addition, for certain MA arrangements, the timing of when the Company has the unconditional right to consideration and recognizes revenue occurs prior to invoicing the customer. Consequently, at September 30, 2018, accounts receivable included approximately $57.0 million of unbilled receivables related to the MA segment.

Historically, the Company has not had material differences between the estimated revenue and the actual billings.

Deferred revenue

The Company recognizes deferred revenue when a contract requires a customer to pay consideration to the Company in advance of when revenue related to that contract is recognized. This deferred revenue is relieved when the Company satisfies the related performance obligation and revenue is recognized.

Significant changes in the deferred revenue balances during the three and nine months ended September 30, 2018 are as follows:

	Three Months Ended September 30, 2018		
	MIS	MA	Total
Balance at June 30, 2018	**$ 377.5**	**$ 609.0**	**$ 986.5**
Changes in deferred revenue			
Revenue recognized that was included in the deferred revenue balance at the beginning of the period	**(127.4)**	**(241.8)**	**(369.2)**
Increases due to amounts billable excluding amounts recognized as revenue during the period	**101.6**	**176.6**	**278.2**
Effect of exchange rate changes	**1.1**	**(1.2)**	**(0.1)**
Total changes in deferred revenue	**(24.7)**	**(66.4)**	**(91.1)**
Balance at September 30, 2018	**$ 352.8**	**$ 542.6**	**$ 895.4**

	Nine Months Ended September 30, 2018		
	MIS	MA	Total
Balance at January 1, 2018 (after New Revenue Accounting Standard transition adjustment)	**$ 334.7**	**$ 611.6**	**$ 946.3**
Changes in deferred revenue			
Revenue recognized that was included in the deferred revenue balance at the beginning of the period	**(196.2)**	**(417.1)**	**(613.3)**
Increases due to amounts billable excluding amounts recognized as revenue during the period	**217.6**	**359.9**	**577.5**
Effect of exchange rate changes	**(3.3)**	**(11.8)**	**(15.1)**
Total changes in deferred revenue	**18.1**	**(69.0)**	**(50.9)**
Balance at September 30, 2018	**$ 352.8**	**$ 542.6**	**$ 895.4**
Deferred revenue - current	$ 233.9	$ 537.6	$ 771.5
Deferred revenue - noncurrent	$ 118.9	$ 5.0	$ 123.9

For the MIS segment, the changes in the deferred revenue balance during the three and nine months ended September 30, 2018 were primarily related to the significant portion of contract renewals that occur during the first quarter of 2018 and are generally recognized over a one year period.

For the MA segment, the decrease in deferred revenue for the three months ended September 30, 2018 was primarily due to the recognition of annual subscription and maintenance billings from December 2017 and January 2018. For the nine months ended September 30, 2018, the decrease in the deferred revenue balance attributable to recognition of revenues related to the aforementioned December 2017 billings, was largely offset by the impact of the high concentration of January 2018 billings.

Remaining performance obligations

The following tables include the expected recognition period for the remaining performance obligations for each reportable segment as of September 30, 2018:

MIS						
Total	Less than 1 year	1 - 5 years	6 - 10 Years	11 - 15 years	16-20 years	Over 20 Years
$151.3	**$ 22.4**	**$ 68.0**	**$ 43.2**	**$ 7.5**	**$ 4.2**	**$ 6.0**

The balances in the MIS table above largely reflect deferred revenue related to monitoring fees for certain structured finance products, primarily CMBS, where the issuers can elect to pay the monitoring fees for the life of the security in advance. With respect to the remaining performance obligations for the MIS segment, the Company has applied a practical expedient set forth in ASC Topic 606 permitting the omission from the table above for unsatisfied performance obligations relating to contracts with an original expected length of one year or less.

MA			
Total	Less than 1 Year	1 - 2 Years	Over 2 Years
$ 1,265.2	**$ 930.1**	**$ 236.1**	**$ 99.0**

The balances in the MA table above include both amounts recorded as deferred revenue on the balance sheet as of September 30, 2018 as well as amounts not yet invoiced to customers as of September 30, 2018 largely reflecting future revenue related to signed multi-year arrangements for hosted and installed subscription based products.

NOTE 4. STOCK-BASED COMPENSATION

Presented below is a summary of the stock-based compensation cost and associated tax benefit included in the accompanying consolidated statements of operations:

	Three Months Ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Stock-based compensation cost	**$ 30.5**	$ 31.8	**$ 100.0**	$ 88.9
Tax benefit	**$ 11.5**	$ 10.3	**$ 26.0**	$ 28.8

During the first nine months of 2018, the Company granted 0.2 million employee stock options, which had a weighted average grant date fair value of $45.87 per share based on the Black-Scholes option-pricing model. The Company also granted 0.7 million shares of restricted stock in the first nine months of 2018, which had a weighted average grant date fair value of $167.48 per share. Both the employee stock options and restricted stock generally vest ratably over a four-year period. Additionally, the Company granted 0.1 million shares of performance-based awards whereby the number of shares that ultimately vest are based on the achievement of certain non-market based performance metrics of the Company over a three-year period. The weighted average grant date fair value of these awards was $162.42 per share.

The following weighted average assumptions were used in determining the fair value for options granted in 2018:

Expected dividend yield	**1.05%**
Expected stock volatility	**25.6%**
Risk-free interest rate	**2.81%**
Expected holding period	**6.2 years**
Grant date fair value	**$ 45.87**

Unrecognized stock-based compensation expense at September 30, 2018 was $7.5 million and $164.6 million for stock options and unvested restricted stock, respectively, which is expected to be recognized over a weighted average period of 2.0 years and 2.5 years, respectively. Additionally, there was $35.2 million of unrecognized stock-based compensation expense relating to the aforementioned non-market based performance-based awards, which is expected to be recognized over a weighted average period of 1.8 years.

The following tables summarize information relating to stock option exercises and restricted stock vesting:

	Nine months ended September 30,	
Exercise of stock options:	**2018**	**2017**
Proceeds from stock option exercises	**$ 36.2**	$ 44.0
Aggregate intrinsic value	**$ 94.9**	$ 75.7
Tax benefit realized upon exercise	**$ 23.2**	$ 26.9
Number of shares exercised	**0.8**	1.0

	Nine months ended September 30,	
Vesting of restricted stock:	**2018**	**2017**
Fair value of shares vested	**$150.0**	$109.1
Tax benefit realized upon vesting	**$ 34.7**	$ 34.6
Number of shares vested	**0.9**	1.0

	Nine months ended September 30,	
Vesting of performance-based restricted stock:	**2018**	**2017**
Fair value of shares vested	**$ 23.0**	$ 19.5
Tax benefit realized upon vesting	**$ 5.6**	$ 6.9
Number of shares vested	**0.1**	0.2

NOTE 5. INCOME TAXES

Moody's effective tax rate was 24.4% and 31.4% for the three month periods ended September 30, 2018 and 2017, respectively and 21.0% and 29.0% for the nine month periods ended September 30, 2018 and 2017, respectively. The decline in the tax rate primarily reflects the impact of an enacted lower corporate tax rate in the U.S. pursuant to the Tax Act. Additionally, the ETR in 2018 includes a $37.5 million benefit relating to Excess Tax Benefits on stock-based compensation as well as a net uncertain tax position benefit pursuant to statute of limitation lapses. The ETR in 2017 reflected the non-taxable CCXI gain as well as $35.6 million in Excess Tax Benefits on stock-based compensation partially offset by tax on the Purchase Price Hedge Gain which was taxed in a higher tax jurisdiction.

On December 22, 2017, the Tax Act was signed into law which resulted in significant changes to U.S. corporate tax laws. The Tax Act includes a mandatory one-time deemed repatriation tax ("transition tax") on previously untaxed accumulated earnings of foreign subsidiaries and beginning in 2018 reduces the statutory federal corporate income tax rate from 35% to 21%. Due to the complexities of the Tax Act, the SEC issued guidance requiring that companies provide a reasonable estimate of the impact of the Tax Act to the extent such reasonable estimate has been determined. Accordingly, as of December 31, 2017 the Company recorded a provisional estimate for the transition tax of $247.3 million. In September, 2018, the Company filed its 2017 federal income tax return and revised its estimate of the transition tax to $237.0 million, a reduction of $10.3 million from the estimate at December 31, 2017. The reduction is primarily due to Proposed Regulations issued by the Internal Revenue Service and the finalization of earnings and profits calculations. A portion of the transition tax will be payable over eight years, starting in 2018, and will not accrue interest. The above revised provisional estimate may be impacted by a number of additional considerations, including but not limited to the issuance of final regulations and our ongoing analysis of the new law.

As a result of the Tax Act, all previously net undistributed foreign earnings have now been subject to U.S. tax. The Company continues to evaluate which entities it will indefinitely reinvest earnings outside the U.S. The Company has provided deferred taxes for those entities whose earnings are not considered permanently reinvested outside of the U.S.

The Company classifies interest related to UTPs in interest expense, net in its consolidated statements of operations. Penalties, if incurred, would be recognized in other non-operating (expense) income, net. The Company had an increase in its UTPs of $73.5 million ($73.4 million net of federal tax) during the third quarter of 2018 and a net increase in its UTPs during the first nine months of 2018 of $82.7 million ($80.9 million net of federal tax). The movement in UTPs was primarily related to the additional reserves established for non-U.S. tax matters and an adjustment to the transition tax under U.S. tax reform. The Company has recorded a deferred tax asset in the amount of $54.4 million for potential transition tax benefits if certain non-U.S. UTPs are not sustained.

Moody's Corporation and subsidiaries are subject to U.S. federal income tax as well as income tax in various state, local and foreign jurisdictions. The Company's U.S. federal income tax returns for 2013, 2015 through 2017 remain open to examination. The Company's New York State tax returns for 2011 through 2014 are currently under examination and the Company's New York City tax return for 2014 is currently under examination. The Company's U.K. tax return for 2012 is currently under examination and its returns for 2013 through 2016 remain open to examination.

For ongoing audits, it is possible the balance of UTPs could decrease in the next twelve months as a result of the settlement of these audits, which might involve the payment of additional taxes, the adjustment of certain deferred taxes and/or the recognition of tax benefits. It is also possible that new issues might be raised by tax authorities which could necessitate increases to the balance of UTPs. As the Company is unable to predict the timing or outcome of these audits, it is therefore unable to estimate the amount of changes to the balance of UTPs at this time. However, the Company believes that it has adequately provided for its financial exposure relating to all open tax years by tax jurisdiction in accordance with the applicable provisions of Topic 740 of the ASC regarding UTPs.

The following table shows the amount the Company paid for income taxes:

	Nine months ended September 30,	
	2018	**2017**
Income taxes paid	**$337.0**	$194.7

NOTE 6. WEIGHTED AVERAGE SHARES OUTSTANDING

Below is a reconciliation of basic to diluted shares outstanding:

	Three Months Ended September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
Basic	**191.8**	191.1	**191.7**	191.1
Dilutive effect of shares issuable under stock-based compensation plans	**2.7**	3.0	**2.7**	3.0
Diluted	**194.5**	194.1	**194.4**	194.1
Anti-dilutive options to purchase common shares and restricted stock as well as contingently issuable restricted stock which are excluded from the table above	**0.3**	0.5	**0.4**	0.6

The calculation of diluted EPS requires certain assumptions regarding the use of both cash proceeds and assumed proceeds that would be received upon the exercise of stock options and vesting of restricted stock outstanding as of September 30, 2018 and 2017.

NOTE 7. CASH EQUIVALENTS AND INVESTMENTS

The table below provides additional information on the Company's cash equivalents and investments:

	As of September 30, 2018					
				Balance sheet location		
	Cost	**Gross Unrealized Gains**	**Fair Value**	**Cash and cash equivalents**	**Short-term investments**	**Other assets**
Money market mutual funds	**$ 32.3**	**$ —**	**$ 32.3**	**$ 32.3**	**$ —**	**$ —**
Certificates of deposit and money market deposit accounts (1)	**$324.0**	**$ —**	**$324.0**	**$ 202.2**	**$ 110.7**	**$11.1**
Open ended mutual funds	**$ 31.1**	**$ 3.6**	**$ 34.7**	**$ —**	**$ —**	**$34.7**

	As of December 31, 2017					
				Balance sheet location		
	Cost	**Gross Unrealized Gains**	**Fair Value**	**Cash and cash equivalents**	**Short-term investments**	**Other assets**
Money market mutual funds	$ 42.2	$ —	$ 42.2	$ 42.2	$ —	$ —
Certificates of deposit and money market deposit accounts (1)	$351.4	$ —	$351.4	$ 238.6	$ 111.8	$ 1.0
Fixed maturity and open ended mutual funds (2)	$ 16.8	$ 4.3	$ 21.1	$ —	$ —	$21.1

(1) Consists of time deposits and money market deposit accounts. The remaining contractual maturities for the certificates of deposits classified as short-term investments were one to 12 months at both September 30, 2018 and December 31, 2017. The remaining contractual maturities for the certificates of deposits classified in other assets are 13 to 39 months at September 30, 2018 and 15 to 48 months at December 31, 2017. Time deposits with a maturity of less than 90 days at time of purchase are classified as cash and cash equivalents.

(2) At December 31, 2017, the remaining contractual maturities for the fixed maturity instruments were six months to seven months.

As a result of the adoption of ASU 2016-01, as further discussed in Note 1 and Note 2, the money market mutual funds and the fixed maturity and open-ended mutual funds in the table above are deemed to be equity securities with readily determinable fair values with changes in the fair value recognized through net income under ASC Topic 321. The fair value of these instruments is determined using Level 1 inputs as defined in the ASC.

NOTE 8. ACQUISITIONS

The business combinations described below are accounted for using the acquisition method of accounting whereby assets acquired and liabilities assumed were recognized at fair value on the date of the transaction. Any excess of the purchase price over the fair value of the assets acquired and liabilities assumed was recorded to goodwill.

Omega Performance

On August 16, 2018, the Company acquired 100% of Omega Performance, a provider of online credit training. The aggregate purchase price was not material and the near term impact to the Company's operations and cash flows is not expected to be material. This business operates in the MA reportable segment and goodwill related to this acquisition has been allocated to the MALS reporting unit.

Bureau van Dijk

On August 10, 2017, a subsidiary of the Company acquired 100% of Yellow Maple I B.V., an indirect parent company of Bureau van Dijk Electronic Publishing B.V., a global provider of business intelligence and company information products. The cash payment of $3,542.0 million was funded with a combination of cash on hand, primarily offshore, and new debt financing. The acquisition extends Moody's position as a leader in risk data and analytical insight.

Shown below is the final purchase price allocation, which summarizes the fair value of the assets and liabilities assumed, at the date of acquisition:

(Amounts in millions)		
Current assets		$ 158.4
Property and equipment, net		4.2
Intangible assets:		
Customer relationships (23 year weighted average life)	$ 998.7	
Product technology (12 year weighted average life)	258.5	
Trade name (18 year weighted average life)	82.3	
Database (10 year weighted average life)	12.9	
Total intangible assets (21 year weighted average life)		1,352.4
Goodwill		2,614.7
Other assets		5.9
Liabilities		
Deferred revenue	$(101.1)	
Accounts payable and accrued liabilities	(44.3)	
Deferred tax liabilities, net	(329.8)	
Other liabilities	(118.4)	
Total liabilities		(593.6)
Net assets acquired		$3,542.0

The Company has completed the valuation analysis of the fair market value of assets and liabilities of the Bureau van Dijk business. Current assets in the table above include acquired cash of $36.0 million. Additionally, current assets include accounts receivable of approximately $88.0 million (net of an allowance for uncollectible accounts of 3.7 million).

The acquired deferred revenue balance of approximately $154 million was reduced by $53 million as part of acquisition accounting to establish the fair value of deferred revenue. This will reduce reported revenue by $53 million over the remaining contractual period of in-progress customer arrangements assumed as of the acquisition date. This resulted in approximately $1 million and $17 million less in reported revenue for the three and nine months ended September 30, 2018, respectively, with the remaining approximate $1 million to reduce revenue in the fourth quarter of 2018. Amortization of acquired intangible assets was $17.6 million and $54.2 million for three months and nine months ended September 30, 2018, respectively, compared to $10.0 million in each of the same periods ended September 30, 2017.

Goodwill

Under the acquisition method of accounting for business combinations, the excess of the purchase price over the fair value of the net assets acquired is allocated to goodwill. Goodwill typically results through expected synergies from combining operations of an acquiree and an acquirer, anticipated new customer acquisition and products, as well as from intangible assets that do not qualify for separate recognition. The goodwill recognized as a result of this acquisition includes, among other things, the value of combining the complementary product portfolios of the Company and Bureau van Dijk, which is expected to extend the Company's reach to new and evolving market segments as well as cost savings synergies, expected new customer acquisitions and products.

Goodwill, which has been assigned to the MA segment, is not deductible for tax purposes.

Bureau van Dijk is a separate reporting unit for purposes of the Company's annual goodwill impairment assessment.

Other Liabilities Assumed

In connection with the acquisition, the Company assumed liabilities relating to UTPs as well as deferred tax liabilities which relate to acquired intangible assets. These items are included in other liabilities in the table above.

Supplementary Unaudited Pro Forma Information

Supplemental information on an unaudited pro forma basis is presented below for the nine months ended September 30, 2017 as if the acquisition of Bureau van Dijk occurred on January 1, 2016. The pro forma financial information is presented for comparative purposes only and is based on certain estimates and assumptions, which the Company believes to be reasonable but not necessarily indicative of future results of operations or the results that would have been reported if the acquisition had been completed at January 1, 2016. The unaudited pro forma information includes amortization of acquired intangible assets based on the purchase price allocation and an estimate of useful lives reflected above, and incremental financing costs resulting from the acquisition, net of income tax, which was estimated using the weighted average statutory tax rates in effect in the jurisdiction for which the pro forma adjustment relates.

(Amounts in millions)	For nine months ended September 30, 2017
Pro forma Revenue	$ 3,226.9
Pro forma Net Income attributable to Moody's	$ 965.9

The unaudited pro forma results do not include any anticipated cost savings or other effects of the planned integration of Bureau van Dijk. Accordingly, the pro forma results above are not necessarily indicative of the results that would have been reported if the acquisition had occurred on the dates indicated, nor are the pro forma results indicative of results which may occur in the future. The Bureau van Dijk results included in the table above have been converted to U.S. GAAP from IFRS as issued by the IASB and have been translated to USD at rates in effect for the periods presented.

SCDM Financial

On February 13, 2017, a subsidiary of the Company acquired the structured finance data and analytics business of SCDM Financial. The aggregate purchase price was not material and the near term impact to the Company's operations and cash flow is not expected to be material. This business unit operates in the MA reportable segment and goodwill related to this acquisition has been allocated to the RD&A reporting unit.

NOTE 9. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to global market risks, including risks from changes in FX rates and changes in interest rates. Accordingly, the Company uses derivatives in certain instances to manage the aforementioned financial exposures that occur in the normal course of business. The Company does not hold or issue derivatives for speculative purposes.

Derivatives and non-derivative instruments designated as accounting hedges:

Interest Rate Swaps

The Company has entered into interest rate swaps to convert the fixed interest rate on certain of its long-term debt to a floating interest rate based on the 3-month LIBOR. The purpose of these hedges is to mitigate the risk associated with changes in the fair value of the long-term debt, thus the Company has designated these swaps as fair value hedges. The fair value of the swaps is adjusted quarterly with a corresponding adjustment to the carrying value of the debt. The changes in the fair value of the swaps and the underlying hedged item generally offset and the net cash settlements on the swaps are recorded each period within interest expense, net in the Company's consolidated statement of operations.

The following table summarizes the Company's interest rate swaps designated as fair value hedges:

		Notional Amount		
Hedged Item	Nature of Swap	As of September 30, 2018	As of December 31, 2017	Floating Interest Rate
2010 Senior Notes due 2020	Pay Floating/Receive Fixed	**$ 500.0**	$ 500.0	3-month LIBOR
2017 Senior Notes due 2021	Pay Floating/Receive Fixed	**$ 500.0**	$ —	3-month LIBOR
2014 Senior Notes due 2019	Pay Floating/Receive Fixed	**$ 450.0**	$ 450.0	3-month LIBOR
2012 Senior Notes due 2022	Pay Floating/Receive Fixed	**$ 80.0**	$ 80.0	3-month LIBOR

Refer to Note 15 for information on the cumulative amount of fair value hedging adjustments included in the carrying amount of the above hedged items.

The following table summarizes the impact to the statement of operations of the Company's interest rate swaps designated as fair value hedges:

		Amount of income/(loss) recognized in the consolidated statements of operations			
		Three Months Ended September 30,		Nine months ended September 30,	
		2018	2017	2018	2017
Total amounts of financial statement line item presented in the statements of operations in which the effects of fair value hedges are recorded					
Interest expense, net		**$(56.4)**	$(53.1)	**$(160.5)**	$(150.2)
Descriptions	**Location on Statement of Operations**				
Net interest settlements and accruals on interest rate swaps	Interest expense, net	**$ (0.5)**	$ 1.6	**$ (1.0)**	$ 5.8
Fair value changes on interest rate swaps	Interest expense, net	**$ (3.3)**	$ (2.3)	**$ (14.8)**	$ (2.2)
Fair value changes on hedged debt	Interest expense, net	**$ 3.3**	$ 2.3	**$ 14.8**	$ 2.2

Cash flow hedges

In conjunction with the issuance of the 2015 Senior Notes, the Company entered into a cross-currency swap to exchange €100 million for U.S. dollars on the date of the settlement of the notes. The purpose of this cross-currency swap was to mitigate FX risk on the remaining principal balance on the 2015 Senior Notes that initially was not designated as a net investment hedge. Under the terms of the swap, the Company paid the counterparty interest on the $110.5 million received at 3.945% per annum and the counterparty paid the Company interest on the €100 million paid at 1.75% per annum. These interest payments were settled in March of each year, beginning in 2016, until early termination of the cross-currency swap in 2017 which was at the discretion of the Company. In March 2016, the Company designated these cross-currency swaps as cash flow hedges. Accordingly, changes in fair value subsequent to the date the swaps were designated as cash flow hedges were recognized in OCI. Gains and losses on the swaps initially recognized in OCI were reclassified to the statement of operations in the period in which changes in the underlying hedged item affects net income. On December 18, 2017, when the Company terminated the cross-currency swap, it designated the full €500 million principal of the 2015 Senior Notes as a net investment hedge as discussed below.

Net investment hedges

The Company has designated €500 million of the 2015 Senior Notes Due 2027 as a net investment hedge. This hedge is intended to mitigate FX exposure related to a portion of the Company's euro net investment in certain foreign subsidiaries against changes in euro/USD exchange rates. This net investment hedge is designated as an accounting hedge under the applicable sections of Topic 815 of the ASC and will end upon the repayment of the notes in 2027 unless terminated earlier at the discretion of the Company.

In addition, during the second quarter of 2018 the Company entered into cross-currency swaps to exchange an aggregate amount of €490.1 million with corresponding interest based on the floating 3-month EURIBOR for an aggregate amount of $580.0 million with corresponding interest based on the floating 3-month U.S. LIBOR, which were designated as net investment hedges under ASC Topic 815. The purpose of these cross-currency swaps is to mitigate FX exposure related to a portion of the Company's euro net investments in certain foreign subsidiaries against changes in euro/USD exchange rates. These hedges will expire and be settled in 2021 and 2022 for €422.5 million and €67.6 million of the total notional amount, respectively, unless terminated early at the discretion of the Company.

Beginning in 2018 with the Company's initial application of ASU 2017-12, net periodic interest settlements and accruals on the cross currency swaps (which would include any cross-currency basis spread adjustment) are reported directly in interest expense, net. Changes in the fair value of the cross-currency swaps resulting from changes in the foreign exchange spot rate will continue to be recorded within the cumulative translation component of OCI.

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The following table provides information on the gains/(losses) on the Company's net investment and cash flow hedges:

Derivative and Non-Derivative Instruments in Net Investment Hedging Relationships	Amount of Gain/(Loss) Recognized in AOCI on Derivative, net of Tax		Amount of Gain/(Loss) Reclassified from AOCI into Income, net of Tax		Gain/(Loss) Recognized in Income on Derivative (Amount Excluded from Effectiveness Testing)	
	Three Months Ended September 30,		Three Months Ended September 30,		Three Months Ended September 30,	
	2018	2017 (a)	2018	2017 (a)	2018 (c)	2017 (d)
Cross currency swaps	**$ 1.8**	$ —	**$ —**	$ —	**$ 4.1**	$ —
FX forwards	**—**	0.4	**—**	—	**—**	—
Long-term debt	**2.2**	(10.3)	**—**	—	**—**	—
Total net investment hedges	**$ 4.0**	$ (9.9)	**$ —**	$ —	**$ 4.1**	$ —
Derivatives in Cash Flow Hedging Relationships						
Cross currency swap	**$ —**	$ 3.2	**$ 0.1**	$ 2.6(b)	**$ —**	$ —
Interest rate contracts	**—**	—	**—**	—	**—**	—
Total cash flow hedges	**$ —**	$ 3.2	**$ 0.1**	$ 2.6	**$ —**	$ —
Total	**$ 4.0**	$ (6.7)	**$ 0.1**	$ 2.6	**$ 4.1**	$ —
Derivative and Non-Derivative Instruments in Net Investment Hedging Relationships	**Nine months ended September 30,**		**Nine months ended September 30,**		**Nine months ended September 30,**	
	2018	**2017 (a)**	**2018**	**2017 (a)**	**2018 (c)**	**2017 (d)**
Cross currency swaps	**$ 5.8**	$ —	**$**	$ —	**$ 6.2**	$ —
FX forwards	**—**	1.2	**—**	—	**—**	—
Long-term debt	**14.7**	(31.4)	**—**	—	**—**	—
Total net investment hedges	**$ 20.5**	$ (30.2)	**$ —**	$ —	**$ 6.2**	$ —
Derivatives in Cash Flow Hedging Relationships						
Cross currency swap	**$ 1.5**	$ 6.6	**$ 0.3**	$ 7.9(b)	**$ —**	$ 0.4
Interest rate contracts	**—**	(0.4)	**—**	(1.1)	**—**	—
Total cash flow hedges	**$ 1.5**	$ 6.2	**$ 0.3**	$ 6.8	**$ —**	$ 0.4
Total	**$ 22.0**	$ (24.0)	**$ 0.3**	$ 6.8	**$ 6.2**	$ 0.4

(a) For the three and nine months ended September 30, 2017, amount of gain or (loss) represents only the effective portion of the hedging relationship as this period was prior to the Company's 2018 initial application of ASU 2017-12.

(b) For the three and nine months ended September 30, 2017, reflects $4.2 million and $12.8 million, respectively in gains recorded in other non-operating income (expense), net and $1.6 million and $4.9 million relating to the tax effect of the aforementioned item.

(c) Effective with the adoption of ASU 2017-12, the Company has elected to assess the effectiveness of its net investment hedges based on changes in spot exchange rates. Accordingly, amounts recognized directly into Net Income during the three and nine months ended September 30, 2018 related to its cross-currency swaps represent net periodic interest settlements and accruals which are recognized in interest expense, net.

(d) For the three and nine months ended September 30, 2017, amount of gain or (loss) recognized directly into income represents the ineffective portion of the hedging relationship. No hedging instruments for which ineffectiveness was recognized directly into Net Income in 2017 or in years prior were outstanding at the date of adoption of ASU 2017-12.

The cumulative amount of net investment hedge and cash flow hedge gains (losses) remaining in AOCI is as follows:

	Cumulative Gains/(Losses), net of tax	
	September 30, 2018	December 31, 2017
Net investment hedges		
Cross currency swaps	$ **5.8**	$ —
FX forwards	**23.5**	23.5
Long-term debt	**(10.0)**	(24.7)
Total net investment hedges	$ **19.3**	$ (1.2)
Cash flow hedges		
Interest rate contracts	$ **(0.4)**	$ (0.4)
Cross currency swap	**2.5**	1.3
Total cash flow hedges	**2.1**	0.9
Total net gain (loss) in AOCI	$ **21.4**	$ (0.3)

Derivatives not designated as accounting hedges:

Foreign exchange forwards

The Company also enters into foreign exchange forwards to mitigate the change in fair value on certain assets and liabilities denominated in currencies other than a subsidiary's functional currency. These forward contracts are not designated as accounting hedges under the applicable sections of Topic 815 of the ASC. Accordingly, changes in the fair value of these contracts are recognized immediately in other non-operating (expense) income, net in the Company's consolidated statements of operations along with the FX gain or loss recognized on the assets and liabilities denominated in a currency other than the subsidiary's functional currency. These contracts have expiration dates at various times through January 2019.

The following table summarizes the notional amounts of the Company's outstanding foreign exchange forwards:

	September 30, 2018		December 31, 2017	
	Sell	Buy	Sell	Buy
Notional amount of currency pair:				
Contracts to sell USD for GBP	**$556.8**	**£ 415.9**	$484.7	£ 362.3
Contracts to sell USD for Japanese Yen	**$ 25.5**	**¥ 2,700.0**	$ 24.3	¥ 2,700.0
Contracts to sell USD for Canadian dollars	**$ 85.0**	**C$ 109.0**	$ 51.7	C$ 64.0
Contracts to sell USD for Singapore dollars	**$ —**	**S$ —**	$ 39.2	S$ 53.0
Contracts to sell USD for Euros	**$200.8**	**€ 169.9**	$465.2	€ 390.0

NOTE: € = Euro, £ = British pound, $ = U.S. dollar, ¥ = Japanese Yen, C$ = Canadian dollar, S$= Singapore dollars

Foreign Exchange Options

The Company entered into a foreign currency collar in 2017 consisting of option contracts to economically hedge the Bureau van Dijk euro denominated purchase price (as discussed further in Note 8 of the financial statements). These option contracts were not designated as accounting hedges under the applicable sections of Topic 815 of the ASC. The foreign currency option contracts consisted of separate put and call options each in the aggregate notional amount of €2.7 billion. This collar was settled at the end of July 2017, in advance of the August 10, 2017 closing of the Bureau van Dijk acquisition.

The Company entered into foreign exchange forwards to hedge the Bureau van Dijk purchase price for the period from the settlement of the aforementioned foreign currency collar until the closing date on August 10, 2017. These forward contracts were not designated as accounting hedges under the applicable sections of Topic 815 of the ASC. The foreign exchange contracts were to sell $2.8 billion and buy € 2.4 billion and sell $41 million and buy £31 million.

The following table summarizes the impact to the consolidated statements of operations relating to the net (losses) gains on the Company's derivatives which are not designated as hedging instruments:

Derivatives not designated as accounting hedges	Location on Statement of Operations	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Foreign exchange forwards	Other non-operating income, net	**$(11.8)**	$ 9.2	**$(29.1)**	$ 14.0
FX collar relating to Bureau van Dijk acquisition	Purchase Price Hedge Gain	**—**	59.6	**—**	100.8
Foreign exchange forwards relating to Bureau van Dijk acquisition	Purchase Price Hedge Gain	**—**	10.3	**—**	10.3
		$(11.8)	$79.1	**$(29.1)**	$125.1

The table below shows the classification between assets and liabilities on the Company's consolidated balance sheets for the fair value of the derivative instrument as well as the carrying value of its non-derivative debt instruments designated and qualifying as net investment hedges:

	Derivative and Non-Derivative Instruments		
	Balance Sheet Location	September 30, 2018	December 31, 2017
Assets:			
Derivatives designated as accounting hedges:			
Cross-currency swaps designated as net investment hedges	Other current assets	**$ 7.8**	$ —
Interest rate swaps	Other assets	**—**	0.5
Total derivatives designated as accounting hedges		**7.8**	0.5
Derivatives not designated as accounting hedges:			
FX forwards on certain assets and liabilities	Other current assets	**2.5**	12.5
Total assets		**$ 10.3**	$ 13.0
Liabilities:			
Derivatives designated as accounting hedges:			
Interest rate swaps	Other current liabilities	**$ 3.8**	$ —
Interest rate swaps	Other non-current liabilities	**14.0**	3.5
Total derivatives designated as accounting hedges		**17.8**	3.5
Non-derivative instrument designated as accounting hedge			
Long-term debt designated as net investment hedge	Long-term debt	**580.7**	600.4
Derivatives not designated as accounting hedges:			
FX forwards on certain assets and liabilities	Accounts payable and accrued liabilities	**20.5**	2.0
Total liabilities		**$ 619.0**	$ 605.9

NOTE 10. GOODWILL AND OTHER ACQUIRED INTANGIBLE ASSETS

The following table summarizes the activity in goodwill for the periods indicated:

	Nine months ended September 30, 2018								
	MIS			MA			Consolidated		
	Gross goodwill	Accumulated impairment charge	Net goodwill	Gross goodwill	Accumulated impairment charge	Net goodwill	Gross goodwill	Accumulated impairment charge	Net goodwill
Balance at beginning of year	**$285.2**	**$ —**	**$285.2**	**$3,480.2**	**$ (12.2)**	**$3,468.0**	**$3,765.4**	**$ (12.2)**	**$3,753.2**
Additions/adjustments	**—**	**—**	**—**	**23.8**	**—**	**23.8**	**23.8**	**—**	**23.8**
Foreign currency translation adjustments	**(13.1)**	**—**	**(13.1)**	**(102.6)**	**—**	**(102.6)**	**(115.7)**	**—**	**(115.7)**
Ending balance	**$272.1**	**$ —**	**$272.1**	**$3,401.4**	**$ (12.2)**	**$3,389.2**	**$3,673.5**	**$ (12.2)**	**$3,661.3**

	Year ended December 31, 2017								
	MIS			MA			Consolidated		
	Gross goodwill	Accumulated impairment charge	Net goodwill	Gross goodwill	Accumulated impairment charge	Net goodwill	Gross goodwill	Accumulated impairment charge	Net goodwill
Balance at beginning of year	$277.0	$ —	$277.0	$ 758.8	$ (12.2)	$ 746.6	$1,035.8	$ (12.2)	$1,023.6
Additions/adjustments	—	—	—	2,622.6	—	2,622.6	2,622.6	—	2,622.6
Foreign currency translation adjustments	8.2	—	8.2	98.8	—	98.8	107.0	—	107.0
Ending balance	$285.2	$ —	$285.2	$3,480.2	$ (12.2)	$3,468.0	$3,765.4	$ (12.2)	$3,753.2

The 2018 additions/adjustments for the MA segment in the table above relate to the acquisition of Omega Performance coupled with certain immaterial adjustments relating to Bureau van Dijk's acquired accounts payable and accrued liabilities as of the acquisition date.

The 2017 additions/adjustments for the MA segment in the table above relate to the acquisition of Bureau van Dijk and structured finance data and analytics business of SCDM.

Acquired intangible assets and related amortization consisted of:

	September 30, 2018	December 31, 2017
Customer relationships	**$ 1,312.3**	$ 1,345.1
Accumulated amortization	**(200.9)**	(159.9)
Net customer relationships	**1,111.4**	1,185.2
Trade secrets	**30.1**	30.2
Accumulated amortization	**(28.3)**	(28.1)
Net trade secrets	**1.8**	2.1
Software/product technology	**348.8**	358.6
Accumulated amortization	**(96.2)**	(78.0)
Net software/product technology	**252.6**	280.6
Trade names	**156.4**	161.6
Accumulated amortization	**(33.0)**	(26.7)
Net trade names	**123.4**	134.9
Other [1]	**58.9**	57.4
Accumulated amortization	**(30.5)**	(28.6)
Net other	**28.4**	28.8
Total acquired intangible assets, net	**$ 1,517.6**	$ 1,631.6

(1) Other intangible assets primarily consist of databases, covenants not to compete, and acquired ratings methodologies and models.

Amortization expense relating to acquired intangible assets is as follows:

	Three Months Ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Amortization expense	**$ 24.6**	$ 18.8	**$ 75.4**	$ 35.9

Estimated future amortization expense for acquired intangible assets subject to amortization is as follows:

Year Ending December 31,	
2018 (after September 30)	$ 25.1
2019	95.5
2020	93.1
2021	92.9
2022	92.2
Thereafter	1,118.8
Total estimated future amortization	$1,517.6

Amortizable intangible assets are reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the estimated undiscounted future cash flows are lower than the carrying amount of the related asset, a loss is recognized for the difference between the carrying amount and the estimated fair value of the asset. There were no impairments to intangible assets during the nine months ended September 30, 2018 and 2017.

NOTE 11. FAIR VALUE

The table below presents information about items that are carried at fair value at September 30, 2018 and December 31, 2017:

	Fair Value Measurement as of September 30, 2018		
Description	Balance	Level 1	Level 2
Assets:			
Derivatives [a]	$ 10.3	$ —	$ 10.3
Money market mutual funds	32.3	32.3	—
Open ended mutual funds	34.7	34.7	—
Total	$ 77.3	$ 67.0	$ 10.3
Liabilities:			
Derivatives [a]	$ 38.3	$ —	$ 38.3
Total	$ 38.3	$ —	$ 38.3

	Fair Value Measurement as of December 31, 2017		
Description	Balance	Level 1	Level 2
Assets:			
Derivatives [a]	$ 13.0	$ —	$ 13.0
Money market mutual funds	42.2	42.2	—
Fixed maturity and open ended mutual funds	21.1	21.1	—
Total	$ 76.3	$ 63.3	$ 13.0
Liabilities:			
Derivatives [a]	$ 5.5	$ —	$ 5.5
Total	$ 5.5	$ —	$ 5.5

(a) Represents FX forwards on certain assets and liabilities as well as interest rate swaps and cross-currency swaps as more fully described in Note 9 to the condensed consolidated financial statements.

The following are descriptions of the methodologies utilized by the Company to estimate the fair value of its derivative contracts, fixed maturity plans, and money market mutual funds:

Derivatives:

In determining the fair value of the derivative contracts in the table above, the Company utilizes industry standard valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using spot rates, forward points, currency volatilities, interest rates as well as the risk of non-performance of the Company and the counterparties with whom it has derivative contracts. The Company established strict counterparty credit guidelines and only enters into transactions with financial institutions that adhere to these guidelines. Accordingly, the risk of counterparty default is deemed to be minimal.

Fixed maturity and open-ended mutual funds:

As a result of the adoption of ASU 2016-01, as further discussed in Note 1 and Note 2, the fixed maturity and open-ended mutual funds in the table above are deemed to be equity securities with readily determinable fair values with changes in the fair value recognized through net income under ASC Topic 321. Prior to the Company's adoption of ASU No. 2016-01, any unrealized gains and losses were recognized through OCI until the instruments matured or were sold. The fair value of these instruments is determined using Level 1 inputs as defined in the ASC.

Money market mutual funds:

Similar to fixed maturity and open-ended mutual funds, the money market mutual funds in the table above are deemed to be equity securities with readily determinable fair values with changes in the fair value recognized through net income under ASC Topic 321 as required by ASU 2016-01. The money market mutual funds represent publicly traded funds with a stable $1 net asset value.

NOTE 12. OTHER BALANCE SHEET AND STATEMENT OF OPERATIONS INFORMATION

The following tables contain additional detail related to certain balance sheet captions:

	September 30, 2018	December 31, 2017
Other current assets:		
Prepaid taxes	**$ 77.1**	$ 94.9
Prepaid expenses	**78.9**	91.7
Capitalized costs to obtain and fulfill sales contracts (1)	**39.3**	15.9
Other	**43.6**	47.6
Total other current assets	**$ 238.9**	$ 250.1

	September 30, 2018	December 31, 2017
Other assets:		
Investments in joint ventures	**$ 98.3**	$ 99.1
Deposits for real-estate leases	**13.0**	12.3
Indemnification assets related to acquisitions	**15.8**	17.0
Mutual funds and fixed deposits	**45.8**	22.1
Costs to obtain sales contracts (1)	**68.0**	—
Other	**2.7**	9.4
Total other assets	**$ 243.6**	$ 159.9

(1) The 2018 amount reflects capitalized costs to obtain sales contracts (sales commissions) pursuant to the adoption of the New Revenue Accounting Standard, which are amortized over an average 7 year period as well as costs incurred and capitalized for in process ratings (current assets only).

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	September 30, 2018	December 31, 2017
Accounts payable and accrued liabilities:		
Salaries and benefits	**$ 91.9**	$ 129.6
Incentive compensation	**133.7**	246.7
Customer credits, advanced payments and advanced billings	**23.2**	22.2
Self-insurance reserves	**13.1**	8.1
Dividends	**5.6**	6.2
Professional service fees	**50.7**	47.1
Interest accrued on debt	**36.2**	73.9
Accounts payable	**16.2**	21.8
Income taxes	**79.9**	79.2
Pension and other retirement employee benefits (see Note 14)	**5.9**	5.9
Accrued royalties	**13.5**	26.4
Foreign exchange forwards on certain assets and liabilities	**20.5**	2.0
Other	**91.2**	81.2
Total accounts payable and accrued liabilities	**$ 581.6**	$ 750.3

	September 30, 2018	December 31, 2017
Other liabilities:		
Pension and other retirement employee benefits (see Note 14)	**$ 252.7**	$ 244.5
Deferred rent - non-current portion	**96.6**	103.1
Interest accrued on UTPs	**65.0**	54.7
Other tax matters	**1.3**	1.3
Income tax liability - non-current (2)	**122.6**	232.2
Interest rate swaps	**14.0**	3.5
Other	**22.7**	24.7
Total other liabilities	**$ 574.9**	$ 664.0

(2) Primarily reflects the transition tax pursuant to the Tax Act, which was enacted into law in December 2017.

Changes in the Company’s self-insurance reserves for claims insured by the Company’s wholly-owned insurance subsidiary, which primarily relate to legal defense costs for claims from prior years, are as follows:

	Nine months ended September 30, 2018	Year Ended December 31, 2017
Balance January 1,	**$ 8.1**	$ 11.1
Accruals (reversals), net	**4.9**	9.6
Payments	**0.1**	(12.6)
Balance	**$ 13.1**	$ 8.1

Other Non-Operating Income (Expense):

The following table summarizes the components of other non-operating income (expense):

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
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
Total	**$ 2.4**	$ 0.5	**18.3**	$ 3.2

(1) The Company adopted ASU No. 2017-07 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. The service cost component continues to be reported as an operating expense.

Noncontrolling Interests:

The following table summarizes the changes in the Company's noncontrolling interests:

	Non-Controlling Interests
Balance at December 31, 2016	**$ 197.7**
Net income	7.1
Dividends	(3.3)
Purchase of noncontrolling interest	(1.0)
Non-controlling interests portion of foreign currency translation adjustments	13.0
Net realized and unrealized gain on available for sale securities	(0.7)
Balance at December 31, 2017	**$ 212.8**
Net income	7.4
Dividends	(4.0)
Non-controlling interests portion of foreign currency translation adjustments	(10.2)
Balance at September 30, 2018	**$ 206.0**

NOTE 13. COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table provides details about the reclassifications out of AOCI:

	Three Months Ended September 30, 2018	Nine months ended September 30, 2018	Affected line in the consolidated statement of operations
Gains on cash flow hedges			
Cross-currency swap	**$ 0.1**	**$ 0.3**	Interest expense, net
Income tax effect of items above	**—**	**—**	Provision for income taxes
Total net gains on cash flow hedges	**0.1**	**0.3**	
Pension and other retirement benefits			
Amortization of actuarial losses and prior service costs included in net income	**(0.6)**	**(2.2)**	Operating expense
Amortization of actuarial losses and prior service costs included in net income	**(0.5)**	**(1.3)**	SG&A expense
Total before income taxes	**(1.1)**	**(3.5)**	
Income tax effect of item above	**0.3**	**1.0**	Provision for income taxes
Total pension and other retirement benefits	**(0.8)**	**(2.5)**	
Total losses included in Net Income attributable to reclassifications out of AOCI	**$ (0.7)**	**$ (2.2)**	

	Three Months Ended September 30, 2017	Nine months ended September 30, 2017	Affected line in the consolidated statement of operations
Gains on cash flow hedges			
Cross-currency swap	$ 3.5	$ 12.1	Other non-operating expense, net
Treasury rate lock	0.7	(0.4)	Interest expense, net
Total before income taxes	4.2	11.7	
Income tax effect of item above	(1.6)	(4.9)	Provision for income taxes
Total net gains on cash flow hedges	2.6	6.8	
Gains on available for sale securities:			
Gains on available for sale securities	1.1	1.1	Other non-operating income (expense), net
Total gains on available for sale securities	1.1	1.1	
Pension and other retirement benefits			
Amortization of actuarial losses and prior service costs included in net income	(1.3)	(4.0)	Operating expense
Amortization of actuarial losses and prior service costs included in net income	(0.8)	(2.4)	SG&A expense
Total before income taxes	(2.1)	(6.4)	
Income tax effect of item above	0.8	2.5	Provision for income taxes
Total pension and other retirement benefits	(1.3)	(3.9)	
Total net gains included in Net Income attributable to reclassifications out of AOCI	$ 2.4	$ 4.0	

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The following table shows changes in AOCI by component (net of tax):

	Three Months Ended									
	September 30, 2018					September 30, 2017				
Gains/(Losses)	Pension and Other Retirement Benefits	Gains/ (Losses) on Cash Flow Hedges	Foreign Currency Translation Adjustments	Gains on Available for Sale Securities	Total	Pension and Other Retirement Benefits	Gains/ (Losses) on Cash Flow Hedges	Foreign Currency Translation Adjustments	Gains on Available for Sale Securities	Total
Balance June 30,	**$ (58.6)**	**$ 2.2**	**$ (248.4)**	**$ —**	**$(304.8)**	$ (72.0)	$ 0.5	$ (241.8)	$ 3.6	$(309.7)
Other comprehensive income/(loss) before reclassifications	**—**	**—**	**(37.9)**	**—**	**(37.9)**	—	3.2	50.8	0.3	54.3
Amounts reclassified from AOCI	**0.8**	**(0.1)**	**—**	**—**	**0.7**	1.3	(2.6)	—	(1.1)	(2.4)
Other comprehensive income/(loss)	**0.8**	**(0.1)**	**(37.9)**	**—**	**(37.2)**	1.3	0.6	50.8	(0.8)	51.9
Balance September 30,	**$ (57.8)**	**$ 2.1**	**$ (286.3)**	**$ —**	**$(342.0)**	$ (70.7)	$ 1.1	$ (191.0)	$ 2.8	$(257.8)

	Nine months ended									
	September 30, 2018					September 30, 2017				
Gains/(Losses)	Pension and Other Retirement Benefits	Gains/ (Losses) on Cash Flow Hedges	Foreign Currency Translation Adjustments	Gains on Available for Sale Securities	Total	Pension and Other Retirement Benefits	Gains/ (Losses) on Cash Flow Hedges	Foreign Currency Translation Adjustments	Gains on Available for Sale Securities	Total
Balance December 31,	**$ (61.5)**	**$ 0.9**	**$ (113.9)**	**$ 2.3**	**$(172.2)**	$ (79.5)	$ 1.7	$ (290.2)	$ 3.1	$(364.9)
Adoption of ASU 2016-01 (Refer to Note 1 and Note 2)	**—**	**—**	**—**	**(2.3)**	**(2.3)**	—	—	—	—	—
Other comprehensive income/(loss) before reclassifications	**1.2**	**1.5**	**(172.4)**	**—**	**(169.7)**	4.9	6.2	99.2	0.8	111.1
Amounts reclassified from AOCI	**2.5**	**(0.3)**	**—**	**—**	**2.2**	3.9	(6.8)	—	(1.1)	(4.0)
Other comprehensive income/(loss)	**3.7**	**1.2**	**(172.4)**	**(2.3)**	**(169.8)**	8.8	(0.6)	99.2	(0.3)	107.1
Balance September 30,	**$ (57.8)**	**$ 2.1**	**$ (286.3)**	**$ —**	**$(342.0)**	$ (70.7)	$ 1.1	$ (191.0)	$ 2.8	$(257.8)

NOTE 14. PENSION AND OTHER RETIREMENT BENEFITS

Moody’s maintains funded and unfunded noncontributory Defined Benefit Pension Plans. The U.S. plans provide defined benefits using a cash balance formula based on years of service and career average salary for its employees or final average pay for selected executives. The Company also provides certain healthcare and life insurance benefits for retired U.S. employees. The retirement healthcare plans are contributory; the life insurance plans are noncontributory. Moody’s funded and unfunded U.S. pension plans, the U.S. retirement healthcare plans and the U.S. retirement life insurance plans are collectively referred to herein as the “Retirement Plans”. The U.S. retirement healthcare plans and the U.S. retirement life insurance plans are collectively referred to herein as the “Other Retirement Plans”. The non-U.S. defined benefit pension plan are immaterial.

Effective January 1, 2008, the Company no longer offers DBPPs to U.S. employees hired or rehired on or after January 1, 2008. New U.S. employees will instead receive a retirement contribution of similar benefit value under the Company’s Profit Participation Plan. Current participants of the Company’s DBPPs continue to accrue benefits based on existing plan formulas.

The components of net periodic benefit expense related to the Retirement Plans are as follows:

	Three Months Ended September 30,			
	Pension Plans		Other Retirement Plans	
	2018	2017	**2018**	2017
Components of net periodic expense				
Service cost	**$ 4.6**	$ 4.6	**$ 0.7**	$ 0.7
Interest cost	**4.4**	4.7	**0.3**	0.2
Expected return on plan assets	**(3.8)**	(4.1)	**—**	—
Amortization of net actuarial loss from earlier periods	**1.5**	2.1	**—**	0.1
Amortization of net prior service costs from earlier periods	**—**	—	**(0.1)**	(0.1)
Net periodic expense	**$ 6.7**	$ 7.3	**$ 0.9**	$ 0.9

	Nine months ended September 30,			
	Pension Plans		Other Retirement Plans	
	2018	2017	**2018**	2017
Components of net periodic expense				
Service cost	**$ 14.0**	$ 13.8	**$ 2.2**	$ 1.9
Interest cost	**13.2**	13.9	**0.8**	0.8
Expected return on plan assets	**(11.4)**	(12.4)	**—**	—
Amortization of net actuarial loss from earlier periods	**4.6**	6.6	**—**	0.1
Amortization of net prior service costs from earlier periods	**(0.2)**	—	**(0.2)**	(0.2)
Net periodic expense	**$ 20.2**	$ 21.9	**$ 2.8**	$ 2.6

The Company made a contribution of $15.6 million to its funded pension plan as well as payments of $3.2 million related to its unfunded U.S. DBPPs and $0.4 million to its U.S. other retirement plans during the nine months ended September 30, 2018. Additionally, the Company anticipates making payments of $2.1 million and $0.5 million to its unfunded U.S. DBPPs and U.S. other retirement plans, respectively, during the remainder of 2018.

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NOTE 15. INDEBTEDNESS

The following table summarizes total indebtedness:

	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 due 2021 which are more fully discussed in Note 9 above. These amounts represent the cumulative amount of fair value hedging adjustments included in the carrying amount of the hedged debt.

Term Loan Facility

In the second quarter of 2018, the Company repaid $450 million of the 2017 Term Loan Facility. As of September 30, 2018, the Company has $50 million outstanding under the 2017 Term Loan Facility.

Commercial Paper

As of September 30, 2018, the Company has CP borrowings outstanding of $25 million with a weighted average maturity date at the time of issuance of 11 days. At September 30, 2018, the weighted average remaining maturity and interest rate on CP outstanding was 5 days and 2.35% respectively.

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Notes Payable

On June 1, 2018, the Company issued $300 million aggregate principal amount of senior unsecured notes in a public offering. The 2018 Senior Notes bear interest at the annual fixed rate of 3.250% and mature on June 7, 2021. Interest on the notes will be due semi-annually on June 7 and December 7 of each year, commencing December 7, 2018. The Company may redeem, in whole or in part, the notes at any time, at a price equal to the greater of (i) 100% of the principal amount being prepaid, plus accrued and unpaid interest, and (ii) the make-whole redemption price set forth in the notes, plus accrued and unpaid interest. Notwithstanding the preceding sentence, the Company may redeem all or a portion of the notes at its option at any time on or after May 7, 2021 (one month prior to their maturity), at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

Additionally, at the option of the holders of the notes, the Company may be required to purchase all or a portion of the notes upon the occurrence of a Change of Control Triggering Event (as defined in the Indenture) at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of purchase. The indenture contains covenants that limit the ability of the Company and certain of its subsidiaries to, among other things, incur or create liens and enter into sale and leaseback transactions. In addition, the indenture contains a covenant that limits the ability of the Company to consolidate or merge with another entity or to sell all or substantially all of its assets to another entity. The indenture contains customary default provisions. In addition, an event of default will occur if the Company or certain of its subsidiaries fail to pay the principal of any Indebtedness (as defined in the Indenture) when due at maturity in an aggregate amount of $50 million or more, or a default occurs that results in the acceleration of the maturity of the Company's or certain of its subsidiaries' indebtedness in an aggregate amount of $50 million or more. Upon the occurrence and during the continuation of an event of default under the indenture, the notes may become immediately due and payable either automatically or by the vote of the holders of more than 25% of the aggregate principal amount of all of the notes then outstanding.

In the third quarter of 2018, the Company repaid the 2017 Floating Rate Senior Notes of $300 million.

At September 30, 2018, the Company was in compliance with all covenants contained within all of its debt agreements. All the debt agreements contain cross default provisions which state that default under one of the aforementioned debt instruments could in turn permit lenders under other debt instruments to declare borrowings outstanding under those instruments to be immediately due and payable. As of September 30, 2018, there were no such cross defaults.

The repayment schedule for the Company's borrowings is as follows:

Year Ending December 31,	2010 Senior Notes due 2020	2012 Senior Notes due 2022	2013 Senior Notes due 2024	2014 Senior Notes (5-year) due 2019	2014 Senior Notes (30-year) due 2044	2015 Senior Notes due 2027	2017 Term Loan Facility due 2020	2017 Senior Notes due 2021	2017 Notes due 2023	2017 Notes due 2028	2018 Notes due 2021	Commercial Paper	Total
2018 (after September 30,)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 25.0	$ 25.0
2019	—	—	—	450.0	—	—	—	—	—	—	—	—	450.0
2020	500.0	—	—	—	—	—	50.0	—	—	—	—	—	550.0
2021	—	—	—	—	—	—	—	500.0	—	—	300.0	—	800.0
2022	—	500.0	—	—	—	—	—	—	—	—	—	—	500.0
Thereafter	—	—	500.0	—	600.0	580.7	—	—	500.0	500.0	—	—	2,680.7
Total	$500.0	$500.0	$500.0	$ 450.0	$ 600.0	$580.7	$ 50.0	$500.0	$500.0	$500.0	$300.0	$ 25.0	$5,005.7

Interest expense, net

The following table summarizes the components of interest as presented in the consolidated statements of operations:

	Three Months Ended September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
Income	**$ 4.1**	$ 4.3	**$ 10.7**	$ 13.0
Expense on borrowings	**(46.4)**	(48.8)	**(147.1)**	(139.9)
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)
Capitalized	**0.4**	0.3	**1.0**	0.8
Total	**$ (56.4)**	$ (53.1)	**$(160.5)**	$(150.2)

(1) The Company adopted ASU No. 2017-07 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. The service cost component continues to be reported as an operating expense.

The following table shows the cash paid for interest:

	Nine months ended September 30,	
	2018	2017
Interest paid	**$169.7**	$136.2

The Company's debt is recorded at its carrying amount, which represents the issuance amount plus or minus any issuance premium or discount, except for the 2010 Senior Notes, the 2014 Senior Notes (5-Year), the 2012 Senior Notes and the 2017 Senior Notes due 2021 which are recorded at the carrying amount adjusted for the fair value of an interest rate swap used to hedge the fair value of the note.

The fair value and carrying value of the Company's debt (excluding Commercial Paper) as of September 30, 2018 and December 31, 2017 are as follows:

	September 30, 2018		December 31, 2017	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
5.50% 2010 Senior Notes, due 2020	**$ 490.2**	**$ 519.7**	$ 497.8	$ 537.9
4.50% 2012 Senior Notes, due 2022	**493.7**	**514.8**	495.5	535.6
4.875% 2013 Senior Notes, due 2024	**496.3**	**522.2**	495.8	547.8
2.75% 2014 Senior Notes (5-Year), due 2019	**445.6**	**449.4**	446.5	452.8
5.25% 2014 Senior Notes (30-Year), due 2044	**597.8**	**667.1**	597.6	722.4
1.75% 2015 Senior Notes, due 2027	**577.5**	**594.8**	596.8	617.7
2.75% 2017 Senior Notes, due 2021	**493.7**	**488.6**	495.5	500.0
2017 Floating Rate Senior Notes, due 2018	**—**	**—**	299.5	300.2
2.625% 2017 Senior Notes, due 2023	**496.0**	**478.5**	495.4	494.8
3.25% 2017 Senior Notes, due 2028	**491.3**	**469.1**	490.9	493.6
2017 Term Loan Facility, due 2020	**49.5**	**49.5**	499.3	499.3
3.25% 2018 Senior Notes, due 2021	**298.0**	**298.7**	—	—
Total	**$4,929.6**	**$5,052.4**	$5,410.6	$5,702.1

The fair value of the Company's long-term debt is estimated based on quoted market prices for similar instruments. Accordingly, the inputs used to estimate the fair value of the Company's long-term debt are classified as Level 2 inputs within the fair value hierarchy.

NOTE 16. CONTINGENCIES

Given the nature of their activities, Moody's and its subsidiaries are subject to legal and tax proceedings, governmental, regulatory and legislative investigations, subpoenas and other inquiries, and claims and litigation by governmental and private parties that are based on ratings assigned by MIS or that are otherwise incidental to the Company's business. Moody's and MIS also are subject to periodic reviews, inspections, examinations and investigations by regulators in the U.S. and other jurisdictions, any of which may result in claims, legal proceedings, assessments, fines, penalties or restrictions on business activities. Moody's also is subject to ongoing tax audits as addressed in Note 5 to the financial statements.

In May 2013, the Company and five subsidiaries (collectively, the "Company Defendants") were served with a qui tam complaint filed by a former employee ("Plaintiff") in New York Supreme Court (the "Court") on behalf of New York State (the "State") and New York City (the "City") asserting purported claims under the New York False Claims Act ("NYFCA"). Both the State and the City were given an opportunity to intervene as plaintiffs in the action but declined to do so. In August 2013, Plaintiff filed an Amended Complaint adding Marsh & McLennan Companies, Inc. as a defendant. Plaintiff's central allegation against the Company Defendants is that their treatment of the Company's wholly-owned captive insurance subsidiary, Moody's Assurance Company, Inc. ("MAC"), in their State and City tax filings between 2002 and 2014 was contrary to the State and City tax codes. Plaintiff also asserts a cause of action for retaliation under the NYFCA and alleges that his employment was improperly terminated after he reported his concerns regarding MAC's tax treatment internally. Plaintiff alleges that the Company underpaid State and City taxes by more than $120 million (which the Company believes is unsupported as a matter of fact and law), and requests statutory damages of triple that amount, as well as unspecified damages related to the retaliation claim. In December 2016, the Court issued a decision largely denying the Company Defendants' motion to dismiss. The Company Defendants appealed, and in August 2018, the Appellate Division of the New York Supreme Court upheld the Court's decision. Discovery is ongoing and, absent earlier disposition, the Company expects the case to go to trial no earlier than late 2019. The Company is unable to estimate a range of loss, and is contesting Plaintiff's claims, which it believes are meritless.

Management periodically assesses the Company's liabilities and contingencies in connection with these matters based upon the latest information available. For claims, litigation and proceedings and governmental investigations and inquiries not related to income taxes, the Company records liabilities in the consolidated financial statements when it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated and periodically adjusts these as appropriate. When the reasonable estimate of the loss is within a range of amounts, the minimum amount of the range is accrued unless some higher amount within the range is a better estimate than another amount within the range. In instances when a loss is reasonably possible but uncertainties exist related to the probable outcome and/or the amount or range of loss, management does not record a liability but discloses the contingency if material. As additional information becomes available, the Company adjusts its assessments and estimates of such matters accordingly. Moody's also discloses material pending legal proceedings pursuant to SEC rules and other pending matters as it may determine to be appropriate.

In view of the inherent difficulty of assessing the potential outcome of legal proceedings, governmental, regulatory and legislative investigations and inquiries, claims and litigation and similar matters and contingencies, particularly when the claimants seek large or indeterminate damages or assert novel legal theories or the matters involve a large number of parties, the Company often cannot predict what the eventual outcome of the pending matters will be or the timing of any resolution of such matters. The Company also may be unable to predict the impact (if any) that any such matters may have on how its business is conducted, on its competitive position or on its financial position, results of operations or cash flows. As the process to resolve any pending matters progresses, management will continue to review the latest information available and assess its ability to predict the outcome of such matters and the effects, if any, on its operations and financial condition and to accrue for and disclose such matters as and when required. However, because such matters are inherently unpredictable and unfavorable developments or resolutions can occur, the ultimate outcome of such matters, including the amount of any loss, may differ from those estimates.

NOTE 17. SEGMENT INFORMATION

The Company is organized into two operating segments: MIS and MA and accordingly, the Company reports in two reportable segments: MIS and MA.

The MIS segment consists of five LOBs. The CFG, SFG, FIG and PPIF LOBs generate revenue principally from fees for the assignment and ongoing monitoring of credit ratings on debt obligations and the entities that issue such obligations in markets worldwide. The MIS Other LOB primarily consists of financial instruments pricing services in the Asia-Pacific region as well as ICRA non-ratings revenue.

The MA segment develops a wide range of products and services that support the risk management activities of institutional participants in global financial markets. The MA segment consists of three LOBs—RD&A, ERS and PS.

In August 2017, a subsidiary of the Company acquired Yellow Maple I B.V., an indirect parent of Bureau van Dijk. Bureau van Dijk is part of the MA reportable segment and its revenue is included in the RD&A LOB. Refer to Note 8 for further discussion on the acquisition.

Revenue for MIS and expenses for MA include an intersegment royalty charged to MA for the rights to use and distribute content, data and products developed by MIS. The royalty rate charged by MIS approximates the fair value of the aforementioned content, data and products and is generally based on comparable market transactions. Also, revenue for MA and expenses for MIS include an intersegment fee charged to MIS from MA for certain MA products and services utilized in MIS's ratings process. These fees charged by MA are generally equal to the costs incurred by MA to produce these products and services. Additionally, overhead costs and corporate expenses of the Company that exclusively benefit only one segment are fully charged to that segment. Overhead costs and corporate expenses of the Company that benefit both segments are allocated to each segment based on a revenue-split methodology. Accordingly, a reportable segment's share of these costs will increase as its proportion of revenue relative to Moody's total revenue increases. Overhead expenses include costs such as rent and occupancy, information technology and support staff such as finance, human resources and legal. "Eliminations" in the table below represent intersegment revenue/expense. Moody's does not report the Company's assets by reportable segment, as this metric is not used by the chief operating decision maker to allocate resources to the segments. Consequently, it is not practical to show assets by reportable segment.

Financial Information by Segment

The table below shows revenue, Adjusted Operating Income and operating income by reportable segment. Adjusted Operating Income is a financial metric utilized by the Company's chief operating decision maker to assess the profitability of each reportable segment. Refer to Note 3 for further details on the components of the Company's revenue.

	Three Months Ended September 30,							
	2018				2017			
	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, SG&A	**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
Less:								
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

	Nine Months Ended September 30,							
	2018				2017			
	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, SG&A	**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
Less:								
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

* Pursuant to the adoption of a new accounting standard relating to pension accounting as more fully discussed in Note 1, 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.

CONSOLIDATED REVENUE INFORMATION BY GEOGRAPHIC AREA

Consolidated Revenue Information by Geographic Area:

	Three Months Ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
United States	$ 559.6	$ 588.4	$ 1,782.7	$ 1,734.0
International:				
EMEA	344.5	291.0	1,047.9	779.3
Asia-Pacific	123.0	118.6	366.9	336.0
Americas	53.7	64.9	185.1	189.3
Total International	521.2	474.5	1,599.9	1,304.6
Total	$ 1,080.8	$ 1,062.9	$ 3,382.6	$ 3,038.6

NOTE 18. RECENTLY ISSUED ACCOUNTING STANDARDS

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842)” requiring lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement and presentation of expenses and cash flows will depend on classification as either a finance or operating lease. During July 2018, the FASB issued additional updates to the new lease accounting standard. ASU No. 2018-10, “Codification Improvements to Topic 842, Leases” clarifies certain aspects of the new lease accounting standard. In addition, ASU No. 2018-11, “Leases (Topic 842), Targeted Improvements” provides companies with the option to apply the provisions of the new lease accounting standard on the date of adoption (effective date of January 1, 2019 for Moody’s), and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, without adjusting the comparative periods presented, as initially required.

The Company will adopt the new lease accounting standard as of January 1, 2019 and has elected to apply the provisions of the standard on the date of adoption. Accordingly, the Company will not restate prior year comparative periods for the impact of the new standard. The Company intends to elect the package of practical expedients permitted under the transition guidance within the new lease accounting standard, which permits the Company not to reassess the following for any expired or existing contracts: i) whether any contracts contain leases; ii) lease classification (i.e. operating lease or finance/capital lease); and iii) initial direct costs.

At September 30, 2018, the Company continues to assess and document key changes to its accounting policies relating to the adoption of the new lease accounting standard. Additionally, the Company is assessing the impact that the standard will have on its processes and internal controls. Furthermore, the Company is in the process of implementing a software solution which supports the accounting under the new lease accounting standard.

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments”. The amendments in this ASU require the use of an “expected credit loss” impairment model for most financial assets reported at amortized cost which will require entities to estimate expected credit losses over the lifetime of the instrument. This may result in the earlier recognition of allowances for losses. For available-for-sale debt securities with unrealized losses, an allowance for credit losses will be recognized as a contra account to the amortized cost carrying value of the asset rather than a direct reduction to the carrying value, with changes in the allowance impacting earnings. This ASU is effective for annual and interim reporting periods beginning after December 15, 2019, with early adoption permitted in annual and interim reporting periods beginning after December 15, 2018. Entities will apply the standard’s provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first effective reporting period. The Company is currently evaluating the impact of this ASU on its financial statements. Currently, the Company believes that the most notable impact of this ASU will relate to its processes around the assessment of the adequacy of its allowance for doubtful accounts on accounts receivable.

In February 2018, FASB issued ASU No. 2018-02, “Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income”. Under current GAAP, adjustments to deferred tax assets and liabilities related to a change in tax laws or rates are included in income from continuing operations, even in situations where the related items were originally recognized in OCI (commonly referred to as a “stranded tax effect”). The provisions of this ASU permit the reclassification of the stranded tax effect related to the Tax Act from AOCI to retained earnings. This ASU is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. Adoption of this ASU is to be applied either in the period of adoption or retrospectively to each period in which the effect of the Tax Act were recognized. The Company is currently in the process of quantifying the amount of the reclassification from AOCI to retained earnings relating to the aforementioned stranded tax effect of the Tax Act.

In June 2018, the FASB issued ASU No. 2018-07, “Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting”, which simplifies the accounting for nonemployee share-based payment transactions. The amendments specify that ASC Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor’s own operations by issuing share-based payment awards. The ASU is effective for all entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted. The Company does not anticipate that the adoption of this ASU will have a significant impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, “Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract”, which requires implementation costs incurred by customers in cloud computing arrangements (i.e., hosting arrangements) to be capitalized under the same premises of authoritative guidance for internal-use software, and deferred over the non-cancellable term of the cloud computing arrangements plus any option renewal periods that are reasonably certain to be exercised by the customer or for which the exercise is controlled by the service provider. The ASU is effective for all entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact of this ASU on its financial statements and currently does not expect that it will have a significant impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-14, “Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans”. This ASU eliminates requirements for certain disclosures and requires additional disclosures under defined benefit pension plans and other postretirement plans. The ASU is effective for all entities for fiscal years beginning after December 15, 2020 on a retrospective basis to all periods presented, with early adoption permitted. The Company is currently evaluating the impact of this ASU on its financial statements.

In October 2018, the FASB issued ASU No. 2018-16, “Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes”. The amendments in this ASU permit the use of the OIS rate based on SOFR as a U.S. benchmark interest rate for hedge accounting purposes under ASC 815, in addition to the currently permissible benchmark interest rates. This ASU will provide the Company the ability to utilize the OIS rate based on SOFR as the benchmark interest rate on certain hedges of interest rate risk. For entities, such as the Company, that have already adopted ASU 2017-12, this ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. The ASU is to be adopted on a prospective basis for qualifying new or redesignated hedging relationships entered into on or after the date of adoption. The Company does not anticipate that the adoption of this ASU will have a significant impact on its consolidated financial statements.

NOTE 19. SUBSEQUENT EVENTS

On October 22, 2018, the Board approved the declaration of a quarterly dividend of $0.44 per share of Moody’s common stock, payable on December 12, 2018 to shareholders of record at the close of business on November 21, 2018.

On October 15, 2018, the Company completed the acquisition of Reis, Inc., a provider of commercial real estate market information and analytical tools to real estate professionals for approximately $278 million. The acquisition further expands Moody’s Analytics’ network of data and analytics providers in the commercial real estate space. Due to the close proximity of the completion of the acquisition to the filing of this Form 10-Q, the Company is unable to provide a preliminary purchase price allocation of the fair value of the assets purchased and liabilities assumed in the transaction. The Company will disclose a preliminary purchase price allocation in its Form 10-K for the year ending December 31, 2018.

On October 26, 2018, the Company approved a restructuring program (the “Program”) that the Company estimates will result in annualized savings of approximately $30 to $40 million a year commencing in 2019. The Program is estimated to result in total pre-tax charges of $45 to $60 million, of which $30 to $40 million are expected to be recorded in the fourth quarter 2018. The Program is expected to be substantially completed by June 30, 2019.

The Program includes relocation of certain functions from high-cost to lower-cost jurisdictions, a reduction of staff, including from recent acquisitions and pursuant to a review of the business criticality of certain positions, and the rationalization and exit of certain real estate leases due to consolidation of various business activities. The exit from certain leased office space is anticipated to begin in the fourth quarter of 2018 and to entail approximately $20 to $25 million of the charges to either terminate or sublease the affected real estate leases.

The Program is anticipated also to represent approximately $25 to $35 million of personnel-related restructuring charges, an amount that includes severance and related costs primarily determined under the Company’s existing severance plans. The Company expects that a majority of the charge relating to severance and related costs will be recognized in the fourth quarter of 2018. Cash outlays associated with the Program are anticipated to be approximately $25 to $35 million, the majority of which will be paid in 2019.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis of financial condition and results of operations should be read in conjunction with the Moody's Corporation condensed consolidated financial statements and notes thereto included elsewhere in this quarterly report on Form 10-Q.

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains Forward-Looking Statements. See "Forward-Looking Statements" commencing on page 77 for a discussion of uncertainties, risks and other factors associated with these statements.

The Company

Moody's is a provider of (i) credit ratings; (ii) credit, capital markets and economic research, data and analytical tools; (iii) software solutions that support financial risk management activities; (iv) quantitatively derived credit scores; (v) learning solutions and certification services; (vi) offshore financial research and analytical services; and (vii) company information and business intelligence products. Moody's reports in two reportable segments: MIS and MA.

MIS, the credit rating agency, publishes credit ratings on a wide range of debt obligations and the entities that issue such obligations in markets worldwide. Revenue is primarily derived from the originators and issuers of such transactions who use MIS ratings in the distribution of their debt issues to investors. Additionally, MIS earns revenue from certain non-ratings-related operations which consist primarily of financial instrument pricing services in the Asia-Pacific region as well as revenue from ICRA's non-ratings operations. The revenue from these operations is included in the MIS Other LOB and is not material to the results of the MIS segment.

The MA segment develops a wide range of products and services that support financial analysis and risk management activities of institutional participants in global financial markets. Within its RD&A business, MA offers subscription based research, data and analytical products, including credit ratings produced by MIS, credit research, quantitative credit scores and other analytical tools, economic research and forecasts, business intelligence and company information products, and commercial real estate data and analytical tools. Within its ERS business, MA provides software solutions as well as related risk management services. The PS business provides offshore analytical and research services along with learning solutions and certification programs.

Critical Accounting Estimates

Moody's discussion and analysis of its financial condition and results of operations are based on the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires Moody's to make estimates and judgments that affect reported amounts of assets and liabilities and related disclosures of contingent assets and liabilities at the dates of the financial statements and revenue and expenses during the reporting periods. These estimates are based on historical experience and on other assumptions that are believed to be reasonable under the circumstances. On an ongoing basis, Moody's evaluates its estimates, including those related to revenue recognition, accounts receivable allowances, contingencies, restructuring, goodwill and acquired intangible assets, pension and other retirement benefits, stock-based compensation, and income taxes. Actual results may differ from these estimates under different assumptions or conditions. Item 7, MD&A, in the Company's annual report on Form 10-K for the year ended December 31, 2017, includes descriptions of some of the judgments that Moody's makes in applying its accounting estimates in these areas. Since the date of the annual report on Form 10-K, there have been no material changes to the Company's critical accounting estimates other than certain updates reported in the Company's Form 10-Q for the three months ended March 31, 2018 relating to the critical accounting estimate disclosures for revenue recognition due to the adoption of the New Revenue Accounting Standard. Additionally, the critical accounting estimate disclosures relating to goodwill and other acquired intangible assets are updated below to discuss the results of the Company's annual impairment assessment as of July 31, 2018.

Goodwill and Other Acquired Intangible Assets

On July 31st of each year, Moody's evaluates its goodwill for impairment at the reporting unit level, defined as an operating segment or one level below an operating segment.

The Company has seven primary reporting units: two within the Company's ratings business (one for the ICRA business and one that encompasses all of Moody's other ratings operations) and five reporting units within MA: RD&A, ERS, MALS (formerly FSTC), MAKS and Bureau van Dijk. The RD&A reporting unit offers subscription based research, data and analytical products, including credit ratings produced by MIS, credit research, quantitative credit scores and other analytical tools, economic research and forecasts, business intelligence and company information products, and commercial real estate data and analytical tools. The ERS reporting unit provides products and services that support the credit risk management and regulatory compliance activities of financial institutions and also provides advanced actuarial software for the life insurance industry. These products and services are primarily delivered via software that is licensed on a perpetual basis or sold on a subscription basis. The MALS reporting unit consists of the portion of the MA business that offers both credit training as well as other professional development training. The MAKS reporting unit provides offshore research and analytical services. The Bureau van Dijk reporting unit consists of the newly acquired Bureau van Dijk business, which was acquired on August 10, 2017, and primarily provides business intelligence and company information products.

The Company evaluates the recoverability of goodwill using a two-step impairment test approach at the reporting unit level. In the first step, the Company assesses various qualitative factors to determine whether the fair value of a reporting unit may be less than its carrying amount. If a determination is made based on the qualitative factors that an impairment does not exist, the Company is not required to perform further testing. If the aforementioned qualitative assessment results in the Company concluding that it is more likely than not that the fair value of a reporting unit may be less than its carrying amount, the fair value of the reporting unit will be quantitatively determined and compared to its carrying value including goodwill. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and the Company is not required to perform further testing. If the fair value of the reporting unit is less than the carrying value, the Company will record a goodwill impairment charge for the amount by which the carrying value exceeds the reporting unit's fair value in accordance with ASU No. 2017-04, "Intangibles—Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment". The Company evaluates its reporting units on an annual basis, or more frequently if there are changes in the reporting structure of the Company due to acquisitions or realignments. For the reporting units where the Company is consistently able to conclude that no impairment exists using only a qualitative approach, the Company's accounting policy is to perform the second step of the aforementioned goodwill impairment assessment at least once every three years.

At July 31, 2018 the Company performed quantitative assessments of the ERS, MALS, MAKS and ICRA reporting units and a qualitative assessment for the remaining reporting units. The quantitative assessments did not result in the carrying value of the reporting unit exceeding its fair value. The qualitative analyses resulted in the Company determining that it was not more likely than not that the fair value of this reporting unit was less than its carrying amount.

The Company quantitatively tested the ERS, MALS, MAKS and ICRA reporting units as of July 31, 2018 due to the factors outlined below:

ERS – this reporting unit was quantitatively assessed to update its valuation to reflect the current assumptions relating to the timing of a strategic shift in the business away from lower margin perpetual software sales and implementation services to higher margin SaaS sales. This migration to subscription-based revenue is expected to contribute to a more stable and more profitable base of recurring revenue over the medium to long-term. In 2018, the Company revised its projections for ERS to reflect a faster deterioration of the lower margin perpetual software and implementation services sales than was previously projected in 2017.

MALS and MAKS – these reporting units were quantitatively assessed at the discretion of the Company as they have historically been the reporting units with the lowest amount by which the fair value of a reporting unit exceeds its carrying value.

ICRA – this reporting unit was tested quantitatively due to it having a readily available fair value based on its stock price.

Determining the fair value of a reporting unit or an indefinite-lived acquired intangible asset involves the use of significant estimates and assumptions. These estimates and assumptions include projections of future operating results and cash flows of each reporting unit that are based on internal budgets and strategic plans, expected long-term growth rates, terminal values, weighted average cost of capital, the effects of external factors and market conditions as well as appropriate comparable market metrics. However, as these estimates and assumptions are unpredictable and inherently uncertain, actual future results may differ from these estimates. In addition, the Company also makes certain judgments and assumptions in allocating shared assets and liabilities to determine the carrying values for each of its reporting units.

Other assets and liabilities, including applicable corporate assets, are allocated to the extent they are related to the operation of respective reporting units.

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Sensitivity Analyses and Key Assumptions for Deriving the Fair Value of a Reporting Unit

The following table identifies the amount of goodwill allocated to each reporting unit as of September 30, 2018 and the amount by which the net assets of each reporting unit would exceed the fair value under Step 2 of the goodwill impairment test as prescribed in ASC Topic 350, assuming hypothetical reductions in their fair values as of the date of the last quantitative goodwill impairment assessment for each reporting unit (July 31, 2018 for ERS, MALS, MAKS and ICRA; July 31, 2016 for MIS and RD&A).

		Sensitivity Analysis			
		Deficit Caused by a Hypothetical Reduction to Fair Value			
	Goodwill	10%	20%	30%	40%
MIS	$ 48.0	$ —	$ —	$ —	$ —
RD&A	345.2	—	—	—	—
ERS	618.1	—	—	(33.1)	(169.2)
MALS [1]	125.9	—	—	—	(2.9)
MAKS	180.8	—	—	—	(21.6)
ICRA	227.5	—	—	(1.2)	(59.6)
Bureau van Dijk [2]	2,115.8	N/A	N/A	N/A	N/A
Totals	$3,661.3	$ —	$ —	$ (34.3)	$ (253.3)

(1) Omega Performance was acquired subsequent to the Company's annual goodwill impairment assessment as of July 31, 2018. Goodwill related to this acquisition is reported within the MALS reporting unit.

(2) Bureau van Dijk was acquired in August 2017 and has not yet been subject to a quantitative goodwill assessment. The purchase price approximates the fair value of the reporting unit at July 31, 2018, and accordingly, Bureau van Dijk was not subject to the sensitivity analysis above.

Methodologies and significant estimates utilized in determining of the fair value of reporting units:

The following is a discussion regarding the Company's methodology for determining the fair value of its reporting units, excluding ICRA, as of the date of each reporting unit's last quantitative assessment (July 31, 2018 for ERS, MALS, and MAKS and July 31, 2016 for MIS and RD&A). As ICRA is a publicly traded company in India, the Company was able to observe its fair value based on its market capitalization.

The fair value of each reporting unit, excluding ICRA, was estimated using a discounted cash flow methodology and comparable public company and precedent transaction multiples. The discounted cash flow analysis requires significant estimates, including projections of future operating results and cash flows of each reporting unit that are based on internal budgets and strategic plans, expected long-term growth rates, terminal values, weighted average cost of capital and the effects of external factors and market conditions. Changes in these estimates and assumptions could materially affect the estimated fair value of each reporting unit that could result in an impairment charge to reduce the carrying value of goodwill, which could be material to the Company's financial position and results of operations. Moody's allocates newly acquired goodwill to reporting units based on the reporting unit expected to benefit from the acquisition.

The sensitivity analyses on the future cash flows and WACC assumptions described below are as of each reporting unit's last quantitative goodwill impairment assessment. The following discusses the key assumptions utilized in the discounted cash flow valuation methodology that requires significant management judgment:

- *Future cash flow assumptions* — The projections for future cash flows utilized in the models are derived from historical experience and assumptions regarding future growth and profitability of each reporting unit. These projections are consistent with the Company's operating budget and strategic plan. Cash flows for the five years subsequent to the date of the quantitative goodwill impairment analysis were utilized in the determination of the fair value of each reporting unit. The growth rates assumed a gradual increase in revenue based on a continued improvement in the global economy and capital markets, new customer acquisition and new products. Beyond five years, a terminal value was determined using a perpetuity growth rate based on inflation and real GDP growth rates. A sensitivity analysis of the revenue growth rates was performed on all reporting units. For each reporting unit analyzed, a 10% decrease in the revenue growth rates used would not have resulted in its carrying value exceeding its estimated fair value.

- *WACC* — The WACC is the rate used to discount each reporting unit's estimated future cash flows. The WACC is calculated based on the proportionate weighting of the cost of debt and equity. The cost of equity is based on a risk-free interest rate and an equity risk factor, which is derived from public companies similar to the reporting unit and which captures the perceived risks and uncertainties associated with the reporting unit's cash flows. The cost of debt component is calculated as the weighted average cost associated with all of the Company's outstanding borrowings as of the date of the impairment test and was immaterial to the computation of the WACC. The cost of debt and equity is weighted based on the debt to market capitalization ratio of publicly traded companies with similarities to the reporting unit being tested. The WACC for all reporting units ranged from 8.5% to 10.5% as of the date of the reporting unit's most recent quantitative assessment. Differences in the WACC used between reporting units is primarily due to distinct risks and uncertainties regarding the cash flows of the different reporting units. A sensitivity analysis of the WACC was performed on all reporting units as of the date of the reporting unit's last quantitative goodwill impairment assessment. For each reporting unit analyzed, an increase in the WACC of one percentage point would not result in its carrying value exceeding its fair value.

Reportable Segments

The Company is organized into two reportable segments at September 30, 2018: MIS and MA, which are more fully described in the section entitled "The Company" above.

The following is a discussion of the results of operations of the Company and its reportable segments. Total MIS revenue and total MA expenses include the intersegment royalty revenue for MIS and expense charged to MA for the rights to use and distribute content, data and products developed by MIS. The royalty rate charged by MIS approximates the fair value of the aforementioned content, data and products developed by MIS. Total MA revenue and total MIS expenses include intersegment fees charged to MIS from MA for the use of certain MA products and services in MIS's ratings process. These fees charged by MA are generally equal to the costs incurred by MA to provide these products and services. Overhead charges and corporate expenses that exclusively benefit one segment are fully charged to that segment. Additionally, overhead costs and corporate expenses of the Company that benefit both segments are generally allocated to each segment based on a revenue-split methodology. Overhead expenses include costs such as rent and occupancy, information technology and support staff such as finance, human resources and legal.

RESULTS OF OPERATIONS

Three months ended September 30, 2018 compared with three months ended September 30, 2017

Executive Summary

- Moody's completed the acquisition of Bureau van Dijk on August 10, 2017. Moody's results of operations include Bureau van Dijk's operating results beginning as of August 11, 2017. In the discussion below, reference to inorganic revenue growth refers to Bureau van Dijk's operating results from July 1, 2018 through and including August 10, 2018.
- Moody's revenue in the third quarter of 2018 totaled $1,080.8 million, an increase of $17.9 million, or 2%, compared to 2017, reflecting growth in MA being partially offset by declines in MIS.
  - MIS external revenue was 7% lower compared to a strong prior year comparative period and primarily reflected broad declines in corporate debt issuance in the U.S., which reflected:
    - a return of a seasonal slowdown in the fixed income markets relative to unseasonably high issuance in the third quarter of 2017;
    - higher U.S. benchmark interest rates and widening non-U.S. credit spreads; and
    - an increase in U.S. corporate sector liquidity resulting from U.S. tax reform.
  - MA external revenue grew 18% compared to the prior year mainly reflecting:
    - growth in RD&A, which included approximately $37 million in inorganic revenue growth from Bureau van Dijk, or approximately 10 percentage points of the growth; and
    - continued strength in credit research and rating data feeds products.
- Total operating expenses excluding D&A and Acquisition-Related Expenses were in line with 2017 and included approximately $19 million in inorganic expense growth from Bureau van Dijk and higher salaries and employee benefit costs relating to salary adjustments and hiring. These increases were offset by declines in incentive compensation accruals.
- Operating margin was 43.2% compared to 42.2% in the prior year. Adjusted Operating Margin was 47.6% compared to 47.2% in the prior year period.
- The change in total non-operating (expense) income, net compared to the prior year period is primarily due to the $69.9 million Purchase Price Hedge Gain in the third quarter of 2017.
- The ETR in the third quarter of 2018 was 24.4%, down from 31.4% for the prior-year period. The decline in the tax rate primarily reflects the impact of an enacted lower corporate tax rate in the U.S. pursuant to the Tax Act.
- Diluted EPS of $1.59 decreased $0.04 compared to 2017, which included the $0.23 Purchase Price Hedge Gain. Adjusted Diluted EPS of $1.69 increased $0.17 (refer to the section entitled "Non-GAAP Financial Measures" of this MD&A for items excluded in the derivation of Adjusted EPS).

Moody's Corporation

	Three Months Ended September 30, 2018	2017	% Change Favorable (Unfavorable)
Revenue:			
United States	**$ 559.6**	$ 588.4	(5%)
International:			
EMEA	**344.5**	291.0	18%
Asia-Pacific	**123.0**	118.6	4%
Americas	**53.7**	64.9	(17%)
Total International	**521.2**	474.5	10%
Total	**1,080.8**	1,062.9	2%
Expenses:			
Operating	**306.3**	315.6	3%
SG&A	**260.3**	245.7	(6%)
Depreciation and amortization	**46.1**	43.0	(7%)
Acquisition-Related Expenses	**1.3**	10.1	87%
Total	**614.0**	614.4	—
Operating income	**$ 466.8**	$ 448.5	4%
Adjusted Operating Income [1]	**$ 514.2**	$ 501.6	3%
Interest expense, net	**$ (56.4)**	$ (53.1)	(6%)
Other non-operating income , net	**2.4**	0.5	380%
Purchase Price Hedge Gain	**—**	69.9	NM
Non-operating (expense) income , net	**(54.0)**	17.3	NM
Net income attributable to Moody's	**$ 310.2**	$ 317.3	(2%)
Diluted weighted average shares outstanding	**194.5**	194.1	—
Diluted EPS attributable to Moody's common shareholders	**$ 1.59**	$ 1.63	(2%)
Adjusted Diluted EPS [1]	**$ 1.69**	$ 1.52	11%
Operating margin	**43.2%**	42.2%	
Adjusted Operating Margin [1]	**47.6%**	47.2%	

(1) Adjusted Operating Income, Adjusted Operating Margin and Adjusted Diluted EPS are non-GAAP financial measures. Refer to the section entitled "Non-GAAP Financial Measures" of this Management Discussion and Analysis for further information regarding these measures.

The table below shows Moody's global staffing by geographic area:

	September 30, 2018	2017	% Change
United States	**3,743**	3,566	5%
International	**8,878**	8,182	9%
Total	**12,621**	11,748	7%

Global revenue of $1,080.8 million in the third quarter of 2018 increased $17.9 million, or 2%, compared to 2017 reflecting growth in MA partially offset by declines in MIS.

Transaction revenue accounted for 43% of global MCO revenue in the third quarter of 2018 compared to 50% in the prior year.

U.S. revenue of $559.6 million in the third quarter of 2018 decreased $28.8 million compared to the prior year, reflecting growth in MA partially offset by declines in MIS.

Non-U.S. revenue of $521.2 million increased $46.7 million compared to the third quarter of 2017 reflecting growth in MA, which included approximately $32 million in inorganic revenue growth from Bureau van Dijk, partially offset by declines in MIS.

Operating expenses were $306.3 million in the third quarter of 2018, or 3% lower compared to 2017 primarily due to lower compensation expenses of approximately $13 million partially offset by higher non-compensation expenses of approximately $4 million. The decline in compensation expenses reflects approximately $22 million in lower incentive compensation accruals reflecting lower projected achievement against full-year targeted results compared to the prior year, partially offset by higher salaries and employee benefits costs due to inorganic expense growth from Bureau van Dijk and the impact of salary adjustments and hiring. The increase in non-compensation costs includes inorganic expense growth from Bureau van Dijk.

SG&A expenses of $260.3 million in the third quarter of 2018 increased $14.6 million from the prior year period reflecting an approximate $17 million increase in non-compensation expenses, partially offset by modest declines in compensation costs. The increase in non-compensation costs reflects both costs to enhance the Company's IT and operational infrastructure and inorganic expenses from Bureau van Dijk. The modest declines in compensation costs reflect lower incentive compensation accruals resulting from lower projected achievement against full-year targeted results compared to the prior year. This decrease was mostly offset by an increase in salaries and employee benefit expenses, which includes the impact of annual compensation increases and inorganic expenses from Bureau van Dijk.

Operating income of $466.8 million in the third quarter of 2018 increased $18.3 million compared to 2017, resulting in an operating margin of 43.2%, compared to 42.2% in the prior year. Adjusted Operating Income of $514.2 million in the third quarter of 2018 increased $12.6 million compared to 2017, resulting in an Adjusted Operating Margin of 47.6% compared to 47.2% in the prior year period.

Interest expense, net in the third quarter of 2018 was $56.4 million, a $3.3 million increase in expense compared to 2017 primarily due to higher tax-related interest expense resulting from increases in UTPs in the third quarter of 2018 pursuant to certain non-U.S. tax matters. These increases were partially offset by benefits realized from cross-currency swaps executed in the second quarter of 2018, which are more fully discussed in Note 9 to the financial statements.

The Purchase Price Hedge Gain in the third quarter of 2017 for $69.9 million reflected gains on FX collars executed by the Company to economically hedge the euro denominated purchase price of the Bureau van Dijk acquisition.

The ETR in the third quarter of 2018 was 24.4%, down from 31.4% for the prior-year period. The decline in the tax rate primarily reflects the impact of an enacted lower corporate tax rate in the U.S. pursuant to the Tax Act. Additionally, the 2018 ETR includes additional UTPs relating to certain non-U.S. matters offset by a decrease relating to the transition tax liability, each for approximately $65 million.

Diluted EPS of $1.59 in the third quarter of 2018 decreased $0.04 from 2017, which included $0.23 from the Purchase Price Hedge Gain. Adjusted Diluted EPS of $1.69 in 2018 increased $0.17 compared to 2017 (refer to the section entitled "Non-GAAP Financial Measures" of this MD&A for items excluded in the derivation of Adjusted EPS).

Segment Results

Moody's Investors Service

The table below provides a summary of revenue and operating results, followed by further insight and commentary:

	Three Months Ended September 30, 2018	2017	% Change Favorable (Unfavorable)
Revenue:			
Corporate finance (CFG)	**$ 296.1**	$ 350.2	(15%)
Structured finance (SFG)	**125.4**	128.3	(2%)
Financial institutions (FIG)	**119.5**	102.1	17%
Public, project and infrastructure finance (PPIF)	**99.0**	109.2	(9%)
Total ratings revenue	**640.0**	689.8	(7%)
MIS Other	**4.8**	4.4	9%
Total external revenue	**644.8**	694.2	(7%)
Intersegment royalty	**31.6**	29.0	9%
Total	**676.4**	723.2	(6%)
Expenses:			
Operating and SG&A (external)	**285.1**	313.2	9%
Operating and SG&A (intersegment)	**2.6**	4.1	37%
Adjusted Operating Income	**388.7**	405.9	(4%)
Depreciation and amortization	**15.8**	18.6	15%
Operating income	**$ 372.9**	$ 387.3	(4%)
Adjusted Operating Margin	**57.5%**	56.1%	
Operating margin	**55.1%**	53.6%	

The following is a discussion of external MIS revenue and operating expenses:

Global MIS revenue of $644.8 million in the third quarter of 2018 decreased 7% compared to 2017, reflecting declines in all ratings LOBs excluding FIG.

Transaction revenue for MIS was 61% in the third quarter of 2018 compared to 65% in the third quarter of 2017.

In the U.S., revenue was $384.7 million in the third quarter of 2018, a decrease of $43.0 million compared to 2017, reflecting declines in CFG, SFG and PPIF, partially offset by growth in FIG.

Non-U.S. revenue was $260.1 million in the third quarter of 2018, a decrease of $6.4 million, or 2%, compared to 2017, reflecting declines in all ratings LOBs excluding SFG.

Global CFG revenue of $296.1 million in the third quarter of 2018 decreased 15% compared to a strong prior year comparative period. The decrease was primarily due to broad declines in corporate debt issuance in the U.S., which reflected: i) a return of a seasonal slowdown in the fixed income markets relative to unseasonably high issuance in the third quarter of 2017; ii) higher U.S. benchmark interest rates and widening non-U.S. credit spreads; and iii) increased U.S. corporate sector liquidity subsequent to U.S. tax reform. These declines were partially offset by benefits from changes in the mix of fee type and pricing increases, as well as growth in recurring revenue resulting from an increase in monitored credits. Transaction revenue represented 65% and 73% of total CFG revenue in the third quarter of 2018 and 2017, respectively. In the U.S., revenue was $184.0 million, $50.0 million lower than the prior year. Internationally, revenue was $112.1 million, or $4.1 million lower than 2017.

Global SFG revenue of $125.4 million in the third quarter of 2018 decreased $2.9 million, or 2%, compared to 2017. The decrease reflects an unfavorable issuance mix in the U.S. CMBS asset class, partially offset by strength in CLO issuance in the U.S. and EMEA resulting from increased supply of collateral and high investor demand. These decreases were partially offset by benefits from changes in the mix of fee type and pricing increases. Revenue in the U.S. of $81.3 million decreased $8.0 million compared to 2017. Non-U.S. revenue in the third quarter of 2018 was $44.1 million and increased $5.1 million compared to the prior year. Transaction revenue was 65% of total SFG revenue in the third quarter of 2018 compared to 66% in the prior year.

Global FIG revenue of $119.5 million in the third quarter of 2018 increased 17% compared to 2017 and reflected growth in the insurance sector mainly resulting from M&A activity coupled with benefits from changes in the mix of fee type and pricing increases across all sectors. Additionally, the growth reflects higher banking revenue in the U.S. and Asia-Pacific. In the U.S., revenue was $59.8 million, $19.3 million higher compared to 2017. Internationally, revenue was $59.7 million, or $1.9 million lower compared to 2017. Transaction revenue was 47% of total FIG revenue in the third quarter of 2018 compared to 40% in the same period in 2017.

Global PPIF revenue was $99.0 million in the third quarter of 2018, a decrease of $10.2 million, or 9%, compared to 2017. Non-U.S. PPIF revenue was $39.6 million and decreased $5.8 million, or 13% compared to 2017 mainly due to declines in project and infrastructure finance revenue in Latin America resulting from a weaker macroeconomic environment and political uncertainties in the region. PPIF revenue in the U.S. of $59.4 million was down $4.4 million compared to 2017 primarily due to lower infrastructure and project finance revenue compared to the prior year. Both of the aforementioned declines the U.S. and internationally were partially offset by benefits from changes in the mix of fee type and pricing increases. Transaction revenue was 61% of total PPIF revenue in the third quarter of 2018 compared to 65% in the same period in 2017.

Operating and SG&A expenses in the third quarter of 2018 decreased $28.1 million compared to 2017 primarily due to lower incentive compensation accruals.

Adjusted Operating Income and operating income in the third quarter of 2018, which includes intersegment royalty revenue and intersegment expenses, were $388.7 million and $372.9 million, respectively, both down 4% compared to 2017. Adjusted Operating Margin was 57.5%, or 140BPS higher than 2017. Operating margin was 55.1%, or 150BPS higher compared to the third quarter of 2017.

Moody's Analytics

The table below provides a summary of revenue and operating results, followed by further insight and commentary:

	Three months ended September 30, 2018	2017	% Change Favorable (Unfavorable)
Revenue:			
Research, data and analytics (RD&A)	**$ 282.6**	$ 218.4	29%
Enterprise risk solutions (ERS)	**113.0**	112.6	—
Professional services (PS)	**40.4**	37.7	7%
Total external revenue	**436.0**	368.7	18%
Intersegment revenue	**2.6**	4.1	(37%)
Total MA Revenue	**438.6**	372.8	18%
Expenses:			
Operating and SG&A (external)	**281.5**	248.1	(13%)
Operating and SG&A (intersegment)	**31.6**	29.0	(9%)
Adjusted Operating Income	**125.5**	95.7	31%
Acquisition-Related Expenses	**1.3**	10.1	87%
Depreciation and amortization	**30.3**	24.4	(24%)
Operating income	**$ 93.9**	$ 61.2	53%
Adjusted Operating Margin	**28.6%**	25.7%	
Operating margin	**21.4%**	16.4%	

The following is a discussion of external MA revenue and operating expenses:

Global MA revenue increased $67.3 million, or 18%, compared to the third quarter of 2017 primarily reflecting growth in RD&A, which included approximately $37 million of inorganic revenue growth from Bureau van Dijk, or 10 percentage points of the growth. The organic growth from Bureau van Dijk also reflects an approximate $14 million reduction in revenue in 2017 relating to a deferred revenue adjustment required as part of acquisition accounting. Additionally, the growth over the prior year reflects benefits from higher fees within MA's recurring revenue base due to enhanced content and continued alignment of usage and licensing parameters. Recurring revenue comprised 84% and 79% of total MA revenue in the third quarter of 2018 and 2017, respectively.

In the U.S., revenue of $174.9 million in the third quarter of 2018 increased $14.2 million, and reflected growth across all LOBs.

Non-U.S. revenue of $261.1 million in the third quarter of 2018 was $53.1 million higher than in 2017 reflecting growth in RD&A (which includes approximately $32 million of inorganic revenue growth from Bureau van Dijk).

Global RD&A revenue of $282.6 million, which comprised 65% of total external MA revenue in the third quarter of 2018, increased $64.2 million, or 29%, over the prior year period. This growth included approximately $37 million of inorganic revenue growth from Bureau van Dijk, or 16 percentage points of the growth. Additionally, the revenue growth reflects strong results in the credit research and rating data feeds product lines, where enhanced content and continued alignment of usage and licensing parameters have generated higher fees. U.S. revenue of $116.7 million and non-U.S. revenue of $165.9 million increased 9% and 50%, respectively, over the prior year and included approximately $5 million and $32 million, respectively, of inorganic revenue growth from Bureau van Dijk.

Global ERS revenue in the third quarter of 2018 of $113.0 million was flat compared to 2017 and reflected strong growth in loan origination solutions and the timing of revenue recognition in accordance with the New Revenue Accounting Standard, as well as benefits from pricing increases within ERS's recurring revenue base. These increases were offset by a revenue decline for perpetual software licenses and related implementation services as the business continues to transition to subscription products sold on a SaaS basis. Revenue in ERS is subject to quarterly volatility resulting from the variable nature of project timing and the concentration of software implementation and license revenue in a relatively small number of engagements. In the U.S., revenue of $43.0 million increased 9% compared to 2017. Non-U.S. revenue of $70.0 million declined 4% compared to the prior year.

Global PS revenue of $40.4 million in the third quarter of 2018 increased $2.7 million compared to 2017. The increase reflected growth in the analytical and research services business, which benefited from strong new sales and improved customer retention, coupled with growth from e-learning solutions in the MALS business. In the U.S., revenue of $15.2 million was up 11% compared to the prior year. Non-U.S. revenue of $25.2 million increased 5% compared to the prior year.

Operating and SG&A expenses in the third quarter of 2018 increased $33.4 million compared to 2017. The increase includes approximately $19 million of inorganic expense growth relating to Bureau van Dijk coupled with higher compensation costs primarily reflecting salary adjustments and hiring.

Depreciation and amortization increased $5.9 million primarily due to amortization of Bureau van Dijk's intangible assets.

Adjusted Operating Income was $125.5 million in the third quarter of 2018 and increased $29.8 million compared to the same period in 2017. Operating income of $93.9 million in the third quarter of 2018 increased $32.7 million compared to the prior year. Adjusted Operating Margin for the third quarter of 2018 was 28.6%, compared to 25.7% in 2017. Operating margin was 21.4% compared to 16.4% in the prior year. Adjusted Operating Income and operating income both include intersegment revenue and expense.

RESULTS OF OPERATIONS

Nine months ended September 30, 2018 compared with nine months ended September 30, 2017

Executive Summary

- Moody's completed the acquisition of Bureau van Dijk on August 10, 2017. Moody's results of operations include Bureau van Dijk's operating results beginning as of August 11, 2017. In the discussion below, reference to inorganic revenue growth refers to Bureau van Dijk's operating results from January 1, 2018 through and including August 10, 2018.

- Moody's revenue in the first nine months of 2018 totaled $3,382.6 million, an increase of $344.0 million, or 11%, compared to 2017 reflecting growth in both segments.
  - MIS external revenue was 3% higher compared to the prior year reflecting:
    - demand for floating rate instruments supporting bank loan issuance and an increase in new CLO formation;
    - an increase in new ratings mandates; and
    - benefits from a favorable issuance mix and pricing increases;

    partially offset by broad declines in corporate debt issuance, reflecting:
    - a return of a seasonal slowdown in the fixed income markets in the third quarter of 2018 relative to unseasonably high issuance in the third quarter of 2017;
    - higher U.S. benchmark interest rates and widening non-U.S. credit spreads; and
    - an increase in U.S. corporate sector liquidity resulting from U.S. tax reform.
  - MA external revenue grew 28% compared to the prior year reflecting growth across all LOBs and included approximately $190 million of inorganic revenue growth from Bureau van Dijk, or approximately 19 percentage points of the growth. Favorable changes in FX rates also contributed two percentage points to the growth.
- Total operating expenses excluding D&A and Acquisition-Related Expenses increased $185.1 million, or 12% compared to 2017, with the most notable drivers being approximately $109 million of inorganic expense growth from Bureau van Dijk and approximately $50 million in higher salaries and employee benefit costs.
- D&A increased $35.2 million primarily due to amortization of intangible assets acquired as part of the Bureau van Dijk acquisition.
- Operating margin was 44.1% in the first nine months of 2018, compared to 44.6% in the prior year. Adjusted Operating Margin was 48.5% in the first nine months of 2018 compared to 48.7% in the prior year.
- The change in total non-operating (expense) income, net compared to the prior year is primarily due to the $59.7 million CCXI Gain and $111.1 million Purchase Price Hedge Gain in 2017.
- The ETR in the first nine months of 2018 was 21.0%, down from 29.0% for the prior-year period. The decline in the tax rate primarily reflects the impact of an enacted lower corporate tax rate in the U.S. pursuant to the Tax Act.
- Diluted EPS of $5.45 increased $0.43 compared to 2017, which included both the $0.31 CCXI Gain and the $0.36 Purchase Price Hedge Gain. Adjusted Diluted EPS of $5.76 in the first nine months of 2018 increased $1.19 compared to 2017 (refer to the section entitled "Non-GAAP Financial Measures" of this MD&A for items excluded in the derivation of Adjusted EPS).

Moody's Corporation

	Nine months ended September 30, 2018	2017	% Change Favorable (Unfavorable)
Revenue:			
United States	**$ 1,782.7**	$ 1,734.0	3%
International:			
EMEA	**1,047.9**	779.3	34%
Asia-Pacific	**366.9**	336.0	9%
Americas	**185.1**	189.3	(2%)
Total International	**1,599.9**	1,304.6	23%
Total	**3,382.6**	3,038.6	11%
Expenses:			
Operating	**941.4**	875.7	(8%)
SG&A	**801.9**	682.5	(17%)
Depreciation and amortization	**143.6**	108.4	(32%)
Acquisition-Related Expenses	**4.1**	16.7	75%
Total	**1,891.0**	1,683.3	(12%)
Operating income	**$ 1,491.6**	$ 1,355.3	10%
Adjusted Operating Income [1]	**$ 1,639.3**	$ 1,480.4	11%
Interest expense, net	**$ (160.5)**	$ (150.2)	(7%)
Other non-operating income, net	**18.3**	3.2	NM
Purchase Price Hedge Gain	**—**	111.1	NM
CCXI Gain	**—**	59.7	NM
Non-operating (expense) income, net	**$ (142.2)**	$ 23.8	NM
Net income attributable to Moody's	**$ 1,059.3**	$ 975.1	9%
Diluted weighted average shares outstanding	**194.4**	194.1	—
Diluted EPS attributable to Moody's common shareholders	**$ 5.45**	$ 5.02	9%
Adjusted Diluted EPS [1]	**$ 5.76**	$ 4.57	26%
Operating margin	**44.1%**	44.6%	
Adjusted Operating Margin [1]	**48.5%**	48.7%	

(1) Adjusted Operating Income, Adjusted Operating Margin and Adjusted Diluted EPS attributable to Moody's common shareholders are non-GAAP financial measures. Refer to the section entitled "Non-GAAP Financial Measures" of this Management Discussion and Analysis for further information regarding these measures.

Global revenue of $3,382.6 million in the first nine months of 2018 increased $344.0 million, or 11%, compared to 2017 and reflected growth in both MIS and MA.

Transaction revenue accounted for 46% of global MCO revenue in the first nine months of 2018 compared to 51% in the prior year.

U.S. revenue of $1,782.7 million in 2018 increased $48.7 million over the prior year, mainly due to growth in MA.

Non-U.S. revenue of $1,599.9 million increased $295.3 million from 2017 reflecting growth in both reportable segments, and included approximately $167 million of inorganic revenue growth from Bureau van Dijk.

Operating expenses were $941.4 million in the first nine months of 2018, up $65.7 million from 2017, reflecting increases in non-compensation and compensation costs of approximately $43 million and $23 million, respectively. The increase in non-compensation costs is primarily due to inorganic expense growth related to Bureau van Dijk. The increase in compensation costs reflects an increase in salaries and employee benefits expenses, which includes the impact of salary adjustments and hiring, as well as inorganic expense growth related to Bureau van Dijk. These increases were partially offset by lower incentive compensation reflecting lower projected achievement against full-year targeted results compared to the prior year.

SG&A expenses of $801.9 million in the first nine months of 2018 increased $119.4 million from the prior year reflecting increases in non-compensation and compensation costs of approximately $69 million and $50 million, respectively. The increase in non-compensation costs reflects inorganic expense growth related to Bureau van Dijk and higher legal costs. The growth in compensation costs reflects an increase in salaries and employee benefits expenses, which includes the impact of salary adjustments and hiring, as well as inorganic expense growth related to Bureau van Dijk. These increases were partially offset by lower incentive compensation reflecting lower projected achievement against full-year targeted results compared to the prior year.

D&A increased $35.2 million primarily due to amortization of intangible assets acquired as part of the Bureau van Dijk acquisition.

Operating income of $1,491.6 million in the first nine months of 2018 increased $136.3 million compared to 2017 and resulted in an operating margin of 44.1%, compared to 44.6% in the prior year. Adjusted Operating Income of $1,639.3 million in 2018 increased $158.9 million compared to 2017, resulting in an Adjusted Operating Margin of 48.5% compared to 48.7% in the prior year.

Interest expense, net in the first nine months of 2018 was $160.5 million, a $10.3 million increase in expense compared to 2017, primarily due to interest and fees on additional debt issued in 2017 to fund the acquisition of Bureau van Dijk and the issuance of the 2018 Senior Notes in the second quarter of 2018, both of which are more fully discussed in Note 15 to the condensed consolidated financial statements. Refer to the section entitled “Liquidity and Capital Resources” of this MD&A for further discussion regarding cash flows relating to the Company’s indebtedness. This increase was partially offset by benefits from cross-currency swaps executed in the first half of 2018, which are more fully discussed in Note 9 to the condensed consolidated financial statements. Additionally, interest expense in 2017 included approximately $7 million due to the Make Whole Amount on the prepayment of the Series 2007-1 Notes.

Other non-operating income, net was $18.3 million in the first nine months of 2018, a $15.1 million increase compared to 2017 primarily reflecting lower FX losses of approximately $9 million coupled with a reversal of accrued penalties resulting from statute of limitations lapses relating to UTPs.

Additionally, Moody’s recognized the $59.7 million CCXI Gain and the $111.1 million Purchase Price Hedge Gain in 2017.

The reduction in the ETR to 21.0% in the first nine months of 2018 reflects the impact of an enacted lower corporate tax rate in the U.S. pursuant to the Tax Act. Additionally, the 2018 ETR includes additional UTPs relating to certain non-U.S. matters offset by a decrease relating to the transition tax liability, each for approximately $65 million. Furthermore, the first nine months of 2018 ETR includes net UTP benefits pursuant to statute of limitations lapses. The ETR in the first nine months of 2017 was 29.0% and reflected the non-taxable CCXI Gain, partially offset by tax on the Purchase Price Hedge Gain which was taxed in a higher tax jurisdiction.

Diluted EPS of $5.45 increased $0.43 compared to 2017, which included the $0.31 CCXI Gain and the $0.36 Purchase Price Hedge Gain. Adjusted Diluted EPS of $5.76 in the first nine months of 2018 increased $1.19 compared to the prior year (refer to the section entitled “Non-GAAP Financial Measures” of this MD&A for items excluded in the derivation of Adjusted EPS).

Segment Results

Moody's Investors Service

The table below provides a summary of revenue and operating results, followed by further insight and commentary:

	Nine Months Ended September 30,		% Change Favorable (Unfavorable)
	2018	2017	
Revenue:			
Corporate finance (CFG)	**$ 1,051.4**	$ 1,058.8	(1%)
Structured finance (SFG)	**396.7**	347.7	14%
Financial institutions (FIG)	**354.4**	316.8	12%
Public, project and infrastructure finance (PPIF)	**300.3**	312.0	(4%)
Total ratings revenue	**2,102.8**	2,035.3	3%
MIS Other	**14.2**	13.8	3%
Total external revenue	**2,117.0**	2,049.1	3%
Intersegment royalty	**92.0**	82.0	12%
Total	**2,209.0**	2,131.1	4%
Expenses:			
Operating and SG&A (external)	**891.7**	881.6	(1%)
Operating and SG&A (intersegment)	**10.0**	11.6	14%
Adjusted Operating Income	**1,307.3**	1,237.9	6%
Depreciation and amortization	**49.3**	56.4	13%
Operating income	**$ 1,258.0**	$ 1,181.5	6%
Adjusted Operating Margin	**59.2%**	58.1%	
Operating margin	**56.9%**	55.4%	

The following is a discussion of external MIS revenue and operating expenses:

Global MIS revenue of $2,117.0 million in the first nine months of 2018 was up 3% compared to 2017, reflecting growth in SFG and FIG, partially offset by declines in PPIF and CFG. The favorable impact of changes in the mix of fee type and pricing increases contributed to the growth for all LOBs.

Transaction revenue for MIS was 64% in the first nine months of 2018, compared to 65% in the first nine months of 2017.

In the U.S., revenue was $1,269.3 million in the first nine months of 2018, up modestly from 2017 reflecting growth in FIG and SFG being offset by declines in CFG and PPIF.

Non-U.S. revenue was $847.7 million in the first nine months of 2018, an increase of $61.2 million or 8%, compared to 2017 reflecting growth across all ratings LOBs.

Global CFG revenue of $1,051.4 million in the first nine months of 2018 declined modestly compared to 2017 and reflected lower corporate debt rated issuance volumes in the U.S. and EMEA due to: i) a return of a seasonal slowdown in the fixed income markets in the third quarter of 2018 relative to unseasonably high issuance in the third quarter of 2017; ii) higher U.S. benchmark interest rates and widening of non-U.S. credit spreads; and iii) an increase in U.S. corporate sector liquidity subsequent to U.S. tax reform. These declines were partially offset by changes in the mix of fee type and pricing increases coupled with growth in new ratings mandates which resulted in higher monitoring fees in all regions. Additionally, the declines compared to 2017 were partially offset by higher bank loan revenue in the U.S. and EMEA resulting from favorable changes in issuance mix, M&A financing activity and strong investor demand for floating rate debt instruments. Transaction revenue represented 70% and 73% of total CFG revenue in the first nine months of 2018 and 2017, respectively. In the U.S., revenue was $673.0 million, or 4% lower compared to the prior year. Internationally, revenue of $378.4 million increased 5% compared to the prior year.

Global SFG revenue of $396.7 million in the first nine months of 2018 increased $49.0 million, or 14%, compared to 2017. In the U.S., revenue of $259.2 million increased $23.3 million over 2017 and reflected continued strength in CLO issuance resulting from an increase in the supply of collateral and favorable market conditions which facilitated both new securitizations and ongoing refinancing activity. Non-U.S. revenue in the first nine months of 2018 of $137.5 million increased $25.7 million compared to the prior year primarily reflecting growth across most asset classes in the EMEA region, most notably in structured credit which has benefited from robust bank loan issuance amid favorable market conditions. Transaction revenue was 65% of total SFG revenue in the first nine months of 2018 compared to 62% in the prior year. Favorable changes in FX rates contributed two percentage points to the SFG growth in the first nine months of 2018.

Global FIG revenue of $354.4 million in the first nine months of 2018 increased $37.6 million, or 12%, compared to 2017 primarily due to growth in the insurance sector reflecting issuance to fund M&A activity and refinancing as well as benefits from changes in the mix of fee type and pricing increases. In the U.S., revenue of $162.7 million increased 21% compared to the prior year. Internationally, revenue was $191.7 million in the first nine months of 2018, up 5% compared to 2017. Transaction revenue was 46% of total FIG revenue in the first nine months of 2018, compared to 44% in the same period in 2017. Favorable changes in FX rates contributed two percentage points to the FIG growth in the first nine months of 2018.

Global PPIF revenue was $300.3 million in the first nine months of 2018 and decreased 4% compared to 2017. In the U.S., revenue in the first nine months of 2018 was $173.9 million, a decrease of $18.9 million compared to 2017, primarily due to lower U.S. public sector supply following the enactment of the Tax Act, which disallowed certain tax exemptions for advance refunding transactions. These decreases were partially offset by benefits from changes in the mix of fee type and pricing increases. Outside the U.S., PPIF revenue was $126.4 million and increased $7.2 million compared to 2017, primarily reflecting a favorable issuance mix in EMEA infrastructure and revenue from sovereign issuers. Transaction revenue was 62% in the first nine months of 2018, compared to 63% in the same period of 2017.

Operating and SG&A expenses in the first nine months of 2018 increased modestly compared to 2017 primarily due to approximately $21 million of higher salaries and employee benefits costs reflecting salary adjustments and hiring coupled with higher legal costs. These increases were offset by lower incentive compensation accruals reflecting lower projected achievement against full-year targeted results compared to the prior year.

Adjusted Operating Income and operating income in the first nine months of 2018, which includes intersegment royalty revenue and intersegment expenses, were $1,307.3 million and $1,258.0 million, respectively, and increased $69.4 million and $76.5 million, respectively, compared to 2017. Adjusted Operating Margin was 59.2%, or 110BPS higher than the prior year. Operating margin was 56.9% in the first nine months of 2018 compared to 55.4% in the prior year.

Moody's Analytics

The table below provides a summary of revenue and operating results, followed by further insight and commentary:

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017	% Change Favorable (Unfavorable)
Revenue:			
Research, data and analytics (RD&A)	**$ 831.7**	$ 574.7	45%
Enterprise risk solutions (ERS)	**318.6**	305.8	4%
Professional services (PS)	**115.3**	109.0	6%
Total external revenue	**1,265.6**	989.5	28%
Intersegment revenue	**10.0**	11.6	(14%)
Total MA Revenue	**1,275.6**	1,001.1	27%
Expenses:			
Operating and SG&A (external)	**851.6**	676.6	(26%)
Operating and SG&A (intersegment)	**92.0**	82.0	(12%)
Adjusted Operating Income	**332.0**	242.5	37%
Acquisition-Related Expenses	**4.1**	16.7	75%
Depreciation and amortization	**94.3**	52.0	(81%)
Operating income	**$ 233.6**	$ 173.8	34%
Adjusted Operating Margin	**26.0%**	24.2%	
Operating margin	**18.3%**	17.4%	

The following is a discussion of external MA revenue and operating expenses:

Global MA revenue increased $276.1 million, or 28%, compared to the first nine months of 2017, primarily due to growth in RD&A, which included approximately $190 million of inorganic revenue growth from Bureau van Dijk, or 19 percentage points of the growth. Additionally, the growth over the prior year reflects benefits from higher fees within MA's recurring revenue base due to enhanced content and continued alignment of usage and licensing parameters. Recurring revenue comprised 84% and 79% of total MA revenue in the first nine months of 2018 and 2017, respectively. Favorable changes in FX rates contributed two percentage points to MA revenue growth in the first nine months of 2018.

In the U.S., revenue of $513.4 million in the first nine months of 2018 increased $42.0 million, mainly reflecting growth in RD&A.

Non-U.S. revenue of $752.2 million in the first nine months of 2018 was $234.1 million higher than in 2017 primarily reflecting growth in RD&A, which included approximately $167 million of inorganic growth from Bureau van Dijk. Favorable changes in FX rates contributed three percentage points to international MA revenue growth in the first nine months of 2018.

Global RD&A revenue of $831.7 million, which comprised 66% and 58% of total external MA revenue in the first nine months of 2018 and 2017, respectively, increased $257.0 million, or 45%, over the prior year period. RD&A revenue in the first nine months of 2018 included approximately $190 million of inorganic revenue growth, or 33 percentage points of the growth, from the Bureau van Dijk acquisition. RD&A revenue growth also reflects strong results in the credit research and rating data feeds product lines, where enhanced content and continued alignment of usage and licensing parameters have generated higher fees. U.S. revenue of $347.5 million and non-U.S. revenue of $484.2 million increased 12% and 83%, respectively, compared to 2017. Favorable changes in FX rates contributed two percentage points to RD&A revenue growth in the first nine months of 2018.

Global ERS revenue of $318.6 million in the first nine months of 2018 increased $12.8 million, or 4%, over 2017 primarily reflecting continued strong demand for subscription-based products, particularly in the risk analytics and insurance product verticals. These increases were partially offset by a decline in perpetual software licenses and related implementation services as the business continues to transition to subscription products sold on a SaaS basis. Additionally, the increase over the prior year reflects benefits from pricing increases within ERS's recurring revenue base. Revenue in ERS is subject to quarterly volatility resulting from the variable nature of project timing and the concentration of software implementation and license revenue in a relatively small number of engagements. In the U.S., revenue of $124.1 million increased 3% compared to the prior year. Non-U.S. revenue of $194.5 million increased 5% compared to the prior year.

Global PS revenue of $115.3 million in the first nine months of 2018 increased $6.3 million compared to 2017 reflecting higher revenue from analytical and research services in EMEA, which benefited from strong new sales and improved customer retention coupled with growth in learning solutions revenue. In the U.S., revenue in the first nine months of 2018 was $41.8 million, up 3% compared to 2017. International revenue was $73.5 million, up 8% compared to 2017.

Operating and SG&A expenses in the first nine months of 2018 increased $175.0 million compared to 2017 primarily due to approximately $109 million of inorganic expense growth from Bureau van Dijk coupled with higher compensation costs primarily reflecting salary adjustments and hiring.

Depreciation and amortization increased $42.3 million primarily due to the amortization of Bureau van Dijk's intangible assets.

Adjusted Operating Income was $332.0 million in the first nine months of 2018 and increased $89.5 million compared to the same period in 2017. Operating income of $233.6 million in the first nine months of 2018 increased $59.8 million compared to the same period in 2017. Adjusted Operating Margin in the first nine months of 2018 was 26.0%, up 180BPS from 2017. Operating margin was 18.3% in the first nine months of 2018, up 90BPS from the prior year. Adjusted Operating Income and operating income both include intersegment revenue and expense.

Liquidity and Capital Resources

Cash Flow

The Company is currently financing its operations, capital expenditures and share repurchases from cash flow from operating and financing activities. The following is a summary of the changes in the Company's cash flows followed by a brief discussion of these changes:

	Nine months ended September 30,		$ Change Favorable (Unfavorable)
	2018	**2017**	
Net cash provided by operating activities	**$1,084.6**	$ 349.8	$ 734.8
Net cash used in investing activities	**$ (113.8)**	$(3,407.4)	$ 3,293.6
Net cash (used in) provided by financing activities	**$ (980.2)**	$ 1,889.6	$ (2,869.8)
Free Cash Flow*	**$1,021.7**	$ 280.4	$ 741.3

* Free Cash Flow is an adjusted financial measure. Refer to the section "Non-GAAP Financial Measures" of this MD&A for further information on this financial measure.

Net cash provided by operating activities

Net cash flows from operating activities increased $734.8 million compared to the prior year primarily due to the approximate $864 million payment for the Settlement Charge in 2017 and higher operating income in the first nine months of 2018 compared to the same period in 2017. These increases were partially offset by higher incentive compensation payouts in 2018 compared to 2017 and timing of tax payments.

Net cash used in investing activities

The $3,293.6 million decrease in cash flows used in investing activities compared to 2017 primarily reflects the acquisition of Bureau van Dijk for approximately $3.5 billion in 2017. This decrease was partially offset by cash received of $111.1 million relating to the Purchase Price Hedge in 2017 and higher net purchases of investments of approximately $81 million in 2018.

Net cash (used in) provided by financing activities

The $2,869.8 million increase in cash used in financing activities was primarily attributed to:

- net proceeds of $2.3 billion in 2017 which included debt/commercial paper issued to fund the acquisition of Bureau van Dijk and the Settlement Charge, partially offset by the early repayment of the 2007-1 Notes and repayments of commercial paper in 2017; and
- net repayments of approximately $555 million in the first nine months of 2018 relating to the partial repayment of the Company's 2017 Term Loan and repayments of commercial paper, partially offset by the issuance of the 2018 Senior Notes in June 2018.

Cash and short-term investments held in non-U.S. jurisdictions

The Company's aggregate cash and cash equivalents and short-term investments of $1,145.5 million at September 30, 2018 consisted of approximately $1.0 billion located outside of the U.S. Approximately 30% of the Company's aggregate cash and cash equivalents and short-term investments is denominated in euros and British pounds. The Company manages both its U.S. and international cash flow to maintain sufficient liquidity in all regions to effectively meet its operating needs.

Following the enactment of the Tax Act in the fourth quarter of 2017 and the recognition of the transition tax more fully described in Note 5 to the financial statements, the Company revised its assertion relating to certain undistributed earnings, which were previously deemed to be indefinitely reinvested in the Company's non-U.S. operations for certain of its subsidiaries. Accordingly, the Company has commenced repatriating a portion of its non-U.S. cash in these subsidiaries and will continue to repatriate certain of its offshore cash in a manner that addresses compliance with local statutory requirements, sufficient offshore working capital and any other factors that may be relevant in certain jurisdictions. Notwithstanding the Tax Act, which generally eliminated federal income tax on future cash repatriation to the U.S., cash repatriation may be subject to state and local taxes or withholding or similar taxes.

Indebtedness

At September 30, 2018, Moody's had $5.0 billion of outstanding debt and approximately $975 million of additional borrowing capacity available under the Company's CP program, which is backstopped by the 2015 Facility. At September 30, 2018, the Company was in compliance with all covenants contained within all of the debt agreements. All of the Company's long-term debt agreements contain cross default provisions which state that default under one of the aforementioned debt instruments could in turn permit lenders under other debt instruments to declare borrowings outstanding under those instruments to be immediately due and payable. At September 30, 2018, there were no such cross defaults.

In the second quarter of 2018, the Company issued $300 million aggregate principal amount of senior unsecured rate notes in a public offering, the terms of which are more fully discussed in Note 15, and repaid $450 million on the 2017 Term Loan.

In the third quarter of 2018, the Company repaid the 2017 Floating Rate Senior Notes of $300 million.

The Company remains committed to deleveraging its balance sheet following additional financing obtained in 2017 to partially fund the acquisition of Bureau van Dijk.

The repayment schedule for the Company's borrowings outstanding at September 30, 2018 is as follows:

Year Ending December 31,	2010 Senior Notes due 2020	2012 Senior Notes due 2022	2013 Senior Notes due 2024	2014 Senior Notes (5-year) due 2019	2014 Senior Notes (30-year) due 2044	2015 Senior Notes due 2027	2017 Term Loan Facility due 2020	2017 Senior Notes due 2021	2017 Notes due 2023	2017 Notes due 2028	2018 Notes due 2021	Commercial Paper	Total
2018 (after September 30,)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 25.0	$ 25.0
2019	—	—	—	450.0	—	—	—	—	—	—	—	—	450.0
2020	500.0	—	—	—	—	—	50.0	—	—	—	—	—	550.0
2021	—	—	—	—	—	—	—	500.0	—	—	300.0	—	800.0
2022	—	500.0	—	—	—	—	—	—	—	—	—	—	500.0
Thereafter	—	—	500.0	—	600.0	580.7	—	—	500.0	500.0	—	—	2,680.7
Total	$500.0	$500.0	$500.0	$ 450.0	$ 600.0	$580.7	$ 50.0	$500.0	$500.0	$500.0	$300.0	$ 25.0	$5,005.7

Management may consider pursuing additional long-term financing when it is appropriate in light of cash requirements for operations, share repurchases and other strategic opportunities, which would result in higher financing costs.

Other Material Future Cash Requirements

The Company believes that it has the financial resources needed to meet its cash requirements and expects to have positive operating cash flow for the next twelve months. Cash requirements for periods beyond the next twelve months will depend, among other things, on the Company's profitability and its ability to manage working capital requirements. The Company may also borrow from various sources.

The Company remains committed to using its strong cash flow to create value for shareholders by investing in growing areas of the business, reinvesting in ratings quality initiatives, making selective acquisitions, repurchasing stock and paying dividends, all in a manner consistent with maintaining sufficient liquidity after giving effect to any additional indebtedness that may be incurred. On October 22, 2018, the Board of Directors of the Company declared a quarterly dividend of $0.44 per share of Moody's common stock, payable December 12, 2018 to shareholders of record at the close of business on November 21, 2018. The continued payment of dividends at this rate, or at all, is subject to the discretion of the Board. In December 2015, the Board authorized $1.0 billion of share repurchase authority, which had a remaining repurchase authority of approximately $380 million at September 30, 2018. Additionally, in October 2018, the Board authorized an additional $1.0 billion of share repurchase authority. Full-year 2018 total share repurchases are expected to be approximately $200 million, subject to available cash, market conditions and other ongoing capital allocation decisions.

On October 15, 2018, the Company completed its acquisition of Reis, Inc. which resulted in cash payment of approximately $278 million, as more fully discussed in Note 19 to the condensed consolidated financial statements.

As more fully discussed in Note 19 to the condensed consolidated financial statements, on October 26, 2018, the Company approved a restructuring program that is estimated to result in a total pre-tax charge of approximately $45-60 million, of which approximately $25-35 million is expected to result in future cash outlays. The Company expects that a majority of these cash outlays will occur in 2019.

The Company has future cash requirements, including operating leases and debt service and payments as noted in the tables that follow as well as future payments related to the transition tax under the Tax Act.

Off-Balance Sheet Arrangements

At September 30, 2018, Moody's did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as special purpose or variable interest entities where Moody's is the primary beneficiary, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, Moody's is not exposed to any financing, liquidity market or credit risk that could arise if it had engaged in such relationships.

Contractual Obligations

The following table presents payments due under the Company's contractual obligations as of September 30, 2018:

(in millions)	Total	Payments Due by Period Less Than 1 Year	1 -3 Years	3 -5 Years	Over 5 Years
Indebtedness [(1)]	**$6,578.9**	$ 655.5	$2,366.2	$1,159.0	$ 2,398.2
Operating lease obligations	**680.1**	104.2	187.8	154.2	233.9
Purchase obligations	**105.5**	67.0	38.3	0.2	—
Acquisition of Reis, Inc.	**278.0**	278.0	—	—	—
Pension obligations [(2)]	**132.5**	3.2	39.9	18.0	71.4
Total [(3)]	**$7,775.0**	$ 1,107.9	$2,632.2	$1,331.4	$ 2,703.5

(1) Reflects principal payments, related interest and applicable fees due on all indebtedness outstanding as described in Note 15 to the consolidated financial statements.

(2) Reflects projected benefit payments relating to the Company's U.S. unfunded DBPPs and Retirement and Other Plans described in Note 14 to the consolidated financial statements.

(3) The table above does not include the Company's net long-term tax liabilities of $471.8 million relating to UTPs, since the expected cash outflow of such amounts by period cannot be reasonably estimated. Additionally, the table above does not include approximately $213 million relating to the remaining unpaid deemed repatriation liability resulting from the Tax Act enacted into law in the U.S. in December 2017.

Non-GAAP Financial Measures:

In addition to its reported results, Moody's has included in this MD&A certain adjusted results that the SEC defines as "non-GAAP financial measures." 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 can 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. Below are brief descriptions of the Company's adjusted financial measures accompanied by a reconciliation of the adjusted measure to its most directly comparable GAAP measure:

Adjusted Operating Income and Adjusted Operating Margin:

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,	
	2018	2017	2018	2017
Operating income	**$466.8**	$448.5	**$1,491.6**	$1,355.3
Adjustments:				
Depreciation and 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%

Adjusted Net Income and Adjusted Diluted EPS 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 the Tax Act and certain adjustments relating to the Company's non-U.S. 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 the transition tax pursuant to the Tax Act 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.

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

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	
Net income attributable to Moody's common shareholders		**$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**

	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 Amortization Expenses		**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

Note: the tax impacts in the table above were calculated using tax rates in effect in the jurisdiction for which the item relates.

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. Below is a reconciliation of the Company's net cash flows from operating activities to Free Cash Flow:

	Nine Months Ended September 30,	
	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

Recently Issued Accounting Standards

Refer to Note 18 to the condensed consolidated financial statements located in Part I on this Form 10-Q for a discussion on the impact to the Company relating to recently issued accounting pronouncements.

As noted in further detail in Note 18 of the condensed consolidated financial statements, the Company will adopt the new lease accounting standard as of January 1, 2019. The Company will apply the provisions of the new standard on the date of adoption (January 1, 2019), and will not adjust prior year comparative periods.

The Company expects adoption of the standard will result in the recognition of right-of-use assets and lease liabilities of approximately $500 million at January 1, 2019, consisting primarily of operating leases relating to real estate. Pursuant to this transition adjustment, the Company also anticipates recognizing approximately $125 million in both additional deferred tax assets and liabilities. This estimate is based on the Company's current lease portfolio and is subject to change as the Company finalizes its evaluation and adoption of the new standard. This estimate could also change due to updates in the Company's lease portfolio in the time period from the filing of this Form 10-Q and the adoption date on January 1, 2019. The Company doesn't currently anticipate that the new lease accounting standard will materially impact its statement of operations or statement of cash flows in periods subsequent to adoption.

Contingencies

Legal proceedings in which the Company is involved also may impact Moody's liquidity or operating results. No assurance can be provided as to the outcome of such proceedings. In addition, litigation inherently involves significant costs. For information regarding legal proceedings, see Item 1 - "Financial Statements", Note 16 "Contingencies."

Regulation

MIS and many of the securities that it rates are subject to extensive regulation in both the U.S. and in other countries (including by state and local authorities). Thus, existing and proposed laws and regulations can impact the Company's operations and the markets for securities that it rates. Additional laws and regulations have been adopted but not yet implemented or have been proposed or are being considered. Each of the existing, adopted, proposed and potential laws and regulations can increase the costs and legal risk associated with the issuance of credit ratings and may negatively impact Moody's operations or profitability, the Company's ability to compete, or result in changes in the demand for credit ratings, in the manner in which ratings are utilized and in the manner in which Moody's operates.

The regulatory landscape has changed rapidly in recent years, and continues to evolve. In the EU, the CRA industry is registered and supervised through a pan-European regulatory framework. The European Securities and Markets Authority has direct supervisory responsibility for the registered CRA industry throughout the EU. MIS is a registered entity and is subject to formal regulation and periodic inspection. Applicable rules include procedural requirements with respect to ratings of sovereign issuers, liability for intentional or grossly negligent failure to abide by applicable regulations, mandatory rotation requirements of CRAs hired by issuers of securities for ratings of resecuritizations, restrictions on CRAs or their shareholders if certain ownership thresholds are crossed, reporting requirements to ESMA regarding fees, and additional procedural and substantive requirements on the pricing of services. In 2016, the Commission published a report concluding that no new European legislation was needed for the industry at that time, but that it would continue to monitor the credit rating industry and analyze approaches that may strengthen existing regulation. In addition, from time to time, ESMA publishes interpretive guidance, or thematic reports regarding various aspects of the regulation. Two such reports were published in the first half of 2018. The first report provided further guidance from ESMA regarding the endorsement mechanism that CRAs will need to employ for those ratings that are produced outside of the EU but are used inside the EU by EU-regulated entities. The second report discusses ESMA's observations on CRAs fee practices. Further, in March 2018, ESMA published a consultation report seeking feedback on the extent to which EU regulation should be applied to CRAs operating outside of the EU to make their ratings eligible for regulatory use in the EU. In July 2018, ESMA published its final guidance on the applicability of EU regulation to endorsed ratings, with an expected effective date of January 1, 2019. In the final guidance, ESMA indicated that as long as the underlying principles of the EU rules were adhered to, ESMA did not expect that the EU's CRA rules would need to be exported to non-EU jurisdictions for endorsement purposes.

Separately, on June 23, 2016, the U.K. voted through a referendum to exit the EU. The UK officially launched the exit process by submitting its Article 50 letter to the EU, informing it of the UK's intention to exit. The submission of this letter started the clock on the negotiation of the terms of exit, which originally was expected to take up to two years, but may take longer.

The longer-term impacts of the decision to leave the EU on the overall regulatory framework for the U.K. will depend, in part, on the relationship that the U.K. negotiates with the EU in the future. In the interim, however, the U.K.'s markets regulator (the Financial Conduct Authority) has said that all EU financial regulations will stay in place and that firms must continue to abide by their existing obligations. As a consequence, at this point in time, there is no change to the regulatory framework under which MIS operates and ESMA remains MIS's regulator both in the EU and in the U.K.

In the U.S., CRAs are subject to extensive regulation primarily pursuant to the Reform Act and the Financial Reform Act. The SEC is required by these legislative acts to publish two annual reports to Congress on NRSROs. The Financial Reform Act requires the SEC to examine each NRSRO once a year and issue an annual report summarizing the examination findings, among other requirements. The annual report required by the Reform Act details the SEC's views on the state of competition, transparency and conflicts of interests among NRSROs, among other requirements. The SEC voted in August 2014 to adopt its final rules for NRSROs as required by the Financial Reform Act. The Company has made and continues to make substantial IT and other investments, and has implemented the relevant compliance obligations.

In light of the regulations that have gone into effect in both the EU and the U.S. (as well as many other countries), periodically and as a matter of course pursuant to their enabling legislation these regulatory authorities have and will continue to publish reports that describe their oversight activities over the industry. In addition, other legislation and/or interpretation of existing regulation relating to credit rating and research services is being considered by local, national and multinational bodies and this type of activity is likely to continue in the future. Finally, in certain countries, governments may provide financial or other support to locally-based rating agencies. For example, governments may from time to time establish official rating agencies or credit ratings criteria or procedures for evaluating local issuers. If enacted, any such legislation and regulation could change the competitive landscape in which MIS operates. The legal status of rating agencies has been addressed by courts in various decisions and is likely to be considered and addressed in legal proceedings from time to time in the future. Management of the Company cannot predict whether these or any other proposals will be enacted, the outcome of any pending or possible future legal proceedings, or regulatory or legislative actions, or the ultimate impact of any such matters on the competitive position, financial position or results of operations of Moody's.

Forward-Looking Statements

Certain statements contained in this quarterly report on Form 10-Q 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. Such statements involve estimates, projections, goals, forecasts, assumptions and uncertainties that could cause actual results or outcomes to differ materially from those contemplated, expressed, projected, anticipated or implied in the forward-looking statements. Those statements appear at various places throughout this quarterly report on Form 10-Q, including in the sections entitled "Contingencies" under Item 2 "MD&A", commencing on page 54 of this quarterly report on Form 10-Q, under "Legal Proceedings" in Part II, Item 1 of this Form 10-Q, and elsewhere in the context of statements containing the words "believe", "expect", "anticipate", "intend", "plan", "will", "predict", "potential", "continue", "strategy", "aspire", "target", "forecast", "project", "estimate", "should", "could", "may" and similar expressions or words and variations thereof relating to the Company's views on future events, trends and contingencies.

Stockholders and investors are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements and other information are made as of the date of this quarterly report on Form 10-Q, 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 Financial Reform Act and 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, government and regulatory proceedings, investigations and inquires to which the Company may be subject from time to time; provisions in the Financial Reform 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 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.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The following discussion outlines changes in Moody's derivative instrument portfolio subsequent to the filing of the Company's Form 10-K for the year ended December 31, 2017:

Cross-currency swap designated as a net investment hedge:

During the second quarter of 2018 the Company entered into cross-currency swaps to exchange an aggregate amount of €490.1 million with corresponding interest based on the floating 3-month EURIBOR for an aggregate amount of $580.0 million with corresponding interest based on the floating 3-month U.S. LIBOR, which were designated as net investment hedges under ASC Topic 815. The purpose of these cross-currency swaps is to mitigate FX exposure related to a portion of the Company's euro net investments in certain foreign subsidiaries against changes in euro/USD exchange rates. If the euro were to strengthen 10% relative to the U.S. dollar, there would be an approximate $57 million unfavorable impact to the fair value of the cross-currency swap recognized in OCI which would be offset by favorable currency translation gains on the Company's euro net investment in foreign subsidiaries.

Interest rate swaps designated as a fair value hedge:

Furthermore, in the second quarter of 2018, the Company entered into interest rate swaps with a notional amount of $500 million to convert the fixed rate of interest on the 2017 Senior Notes due 2021 to a floating interest rate based on the 3-month LIBOR. A hypothetical change of 100 BPS in the LIBOR-based swap rate would result in an approximate $15 million change to the fair value of the swap which would be offset by the change in fair value of the hedged item.

Refer to Note 9 to the condensed consolidated financial statements in this Form 10-Q and Item 7A. "Quantitative and Qualitative Disclosures about Market Risk", contained in the Company's annual report on Form 10-K for the year ended December 31, 2017 for further discussion on the Company's derivative financial instruments.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures: The Company carried out an evaluation, as required by Rule 13a-15(b) under the Exchange Act, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act, as of the end of the period covered by this report (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the communication to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Except as described below, the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, has determined that there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, these internal controls over financial reporting during the period covered by the report.

During the fiscal year ended December 31, 2017, the Company acquired Bureau van Dijk, and during the nine months ended September 30, 2018 we further integrated the acquired entity into the Company's financial reporting processes and procedures and internal control over financial reporting. Additionally, during the first nine months of 2018, the Company implemented internal controls relating to the New Revenue Accounting Standard which was adopted by Moody's on January 1, 2018.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding legal proceedings, see Item 1 – "Financial Statements – Notes to Condensed Consolidated Financial Statements (Unaudited)," Note 16 "Contingencies" in this Form 10-Q.

Item 1A. Risk Factors

There have been no material changes since December 31, 2017 to the significant risk factors and uncertainties known to the Company that, if they were to occur, could materially adversely affect the Company's business, financial condition, operating results and/or cash flow. For a discussion of the Company's risk factors, refer to Item 1A. "Risk Factors", contained in the Company's annual report on Form 10-K for the year ended December 31, 2017.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

MOODY'S PURCHASES OF EQUITY SECURITIES
For the Three Months Ended September 30, 2018

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares That May Yet be Purchased Under the Program (2)
July 1 - 31	54,831	$ 177.73	52,872	$ 436.5 million
August 1 - 31	231,323	$ 172.37	230,200	$ 396.8 million
September 1 - 30	96,510	$ 177.13	96,510	$ 379.7 million
Total	382,664	$ 174.33	379,582	

(1) Includes surrender to the Company of 1,959 and 1,123 shares of common stock in July and August, respectively, to satisfy tax withholding obligations in connection with the vesting of restricted stock issued to employees

(2) As of the last day of each of the months. On December 15, 2015, the Board authorized a $1 billion share repurchase program, which at September 30, 2018 had approximately $380 million of remaining authority. Additionally, in October 2018, the Board authorized an additional $1.0 billion share repurchase program which may commence following the completion of the existing program. There is no established expiration date for the remaining authorizations.

During the third quarter of 2018, Moody's issued 0.1 million shares under employee stock-based compensation plans.

Item 5. Other Information

Costs Associated with Exit or Disposal Activities.

On October 26, 2018, the chief executive officer of Moody's approved a restructuring program (the "Program") that the Company estimates will result in annualized savings of approximately $30 to $40 million a year commencing in 2019. The Program is estimated to result in total pre-tax charges of $45 to $60 million, of which $30 to $40 million are expected to be recorded in the fourth quarter 2018. The Program is expected to be substantially completed by June 30, 2019.

The Program includes relocation of certain functions from high-cost to lower-cost jurisdictions, a reduction of staff, including from recent acquisitions and pursuant to a review of the business criticality of certain positions, and the rationalization and exit of certain real estate leases due to consolidation of various business activities. The exit from certain leased office space is anticipated to begin in the fourth quarter of 2018 and to entail approximately $20 to $25 million of the charges to either terminate or sublease the affected real estate leases.

The Program is anticipated also to represent approximately $25 to $35 million of personnel-related restructuring charges, an amount that includes severance and related costs primarily determined under the Company's existing severance plans. The Company expects that a majority of the charge relating to severance and related costs will be recognized in the fourth quarter of 2018. Cash outlays associated with the Program are anticipated to be approximately $25 to $35 million, the majority of which will be paid in 2019.

Table of Contents

Item 6. Exhibits

Exhibit No.	Description
3	ARTICLES OF INCORPORATION AND BY-LAWS
.1	Restated Certificate of Incorporation of Moody's Corporation dated April 17, 2013 (incorporated by reference to Exhibit 3.4 to the Report on Form 8-K of the Registrant file number 1-14037, filed April 22, 2013.
.2	Amended and Restated By-laws of Moody's Corporation, effective April 17, 2013 (incorporated by reference to Exhibit 3.2 to the Report on Form 8-K of the Registrant, file number 1-14037, filed April 22, 2013).
10	MATERIAL CONTRACTS
.1*	Employment Offer Letter between Moody's Corporation and Mark Kaye, dated July 18, 2018.
12*	Statement of Computation of Ratios of Earnings to Fixed Charges.
31	CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
.1*	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
.2*	Principal Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	CERTIFICATIONS PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
.1*	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. The Company has furnished this certification and does not intend for it to be considered filed under the Securities Exchange Act of 1934 or incorporated by reference into future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934.
.2*	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. The Company has furnished this certification and does not intend for it to be considered filed under the Securities Exchange Act of 1934 or incorporated by reference into future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934.
101	XBRL
101.DEF*	XBRL Definitions Linkbase Document
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MOODY'S CORPORATION

By: / S / MARK KAYE

Mark Kaye
Senior Vice President and Chief Financial Officer
(principal financial officer)

By: / S / DAVID HOGAN

David Hogan
Managing Director – Assistant Controller
(principal accounting officer)

Date: October 31, 2018

Exhibit 10.1

MOODY'S

7 World Trade Center
250 Greenwich Street
New York, NY 10007
www.moodys.com

July 18, 2018

Mark Kaye
[Address]

Dear Mark:

Congratulations! On behalf of Moody's Corporation ("Moody's"), Ray McDaniel and I are pleased to extend you an offer to join Moody's in accordance with the terms and conditions of this offer letter. If you accept this offer, and the contingencies of this offer are satisfied, the terms of your employment will be as follows.

1. Your Position

Initially, you will have the position of Senior Vice President & Chief Financial Officer and will report to Ray McDaniel in the New York office. We anticipate that you will start work no later than September 24, 2018 (your "Start Date"). You will have whatever reasonable duties are assigned to you consistent with your title and position. Moody's, in its sole discretion, may change your title and duties as it sees fit.

2. Compensation

You will receive a base salary of $525,000 per year, payable on the 15th and the last day of each month, in accordance with Moody's customary payroll practices. In your position your hours are expected to fluctuate from week to week based on the type of projects you are handling and the demands of the business. Regardless of the number of hours you work, your salary will stay the same each week and is intended to compensate you for all of your hours of work.

In addition to your base salary, you will be eligible to receive an annual discretionary bonus under Moody's Performance Incentive Compensation ("PIC") Plan. Your actual bonus award will be based on the performance of Moody's, including Moody's meeting certain targeted annual financial objectives, and your individual performance. Funding for PIC and individual awards may vary substantially from year-to-year based on the extent to which performance and financial objectives are met, exceeded or missed. Moody's has broad discretion with respect to determining actual bonus awards. In order to earn and receive payment of any bonus award, you must remain actively employed by Moody's through the date on which bonuses are paid and otherwise satisfy the eligibility requirements of the PIC.

For calendar year 2018, your bonus target will be $625,000. Moody’s will guarantee you an actual bonus of $625,000, provided that you are actively employed by Moody’s on the date that bonuses are paid and satisfy the PIC eligibility requirements of remaining in good standing, meaning that you are satisfactorily carrying out your material duties and refraining from engaging in misconduct or violation of Company policy. Bonuses are typically paid during the first quarter of 2019.

In addition, within 30 days after your start date with Moody’s, you will receive a one-time payment of $150,000, less all applicable taxes and withholdings. This payment represents our appreciation for your continued employment, which we hope will continue for some time. By countersigning this letter, you agree that, as a condition of this sign-on bonus, if you voluntarily resign or are terminated by Moody’s for Cause before the first anniversary of your date of hire, you shall immediately repay Moody’s the net amount of the one-time payment ($150,000), received by you after the applicable taxes and withholdings, without pro-ration, offset, reduction or adjustment of any kind. In addition, please sign and return a copy of the enclosed Authorization and Agreement for Repayment of Sign-On Bonus with your signed Offer Letter, which sets forth the terms and conditions of your obligations regarding repaying your Sign-On Bonus.

You will receive a one-time long-term award valued at $1,200,000 (the “Total Award Value”) on October 1, 2018. Of this amount, you will receive 100% in Moody’s Corporation restricted stock units having an aggregate value on the grant date of 100% of the Total Award Value. The number of shares of restricted stock units that you will receive will be the Total Award Value divided by the fair market value of Moody’s Corporation’s common stock on October 1, 2018. This award will vest 50% on October 1, 2019 and 50% on October 1, 2020, subject to your remaining continuously employed by Moody’s through each applicable vesting date. Formal grant letters containing further information, including the terms and conditions of your one-time long-term award, will be sent to you following the grant date.

In addition, you will receive a second incentive award opportunity on October 23, 2018 valued at $1,150,000. Of this amount, you will receive 60% percent in performance shares for the period 2018-2020. The performance shares will provide for a payout, upon achievement of performance goals at the end of the performance period. The actual number of shares issued to you upon payout will depend on the level of achievement of the performance goals. The remainder of the grant will be awarded 20% in stock options and 20% in restricted stock units. The grants pursuant to the second incentive award will be subject to your remaining continuously employed by Moody’s through the actual grant dates. Formal grant letters containing further information, including the terms and conditions of your second incentive awards, will be sent to you following the grant dates.

You will also be considered for additional long-term incentive awards at the time that awards are generally made to eligible employees of Moody’s. The next award date is currently anticipated to be in February 2019. Any such long-term incentive award will be subject to the discretion and approval of the Compensation & Human Resources Committee. The annual long-term incentive award amount that is recommended to the Committee is expected to be granted in the same proportion as the second incentive award: 60 percent as three-year performance shares, 20 percent in stock options, and 20 percent as restricted stock units. The recommended target grant value will be $1,150,000.

For the avoidance of doubt, as a member of the Moody's Executive Team, you are covered by the Moody's Change in Control Severance Plan and the Moody's Corporation Career Transition Plan, as in effect at the relevant time.

3. Benefits

Upon joining Moody's, you will accrue 20 vacation days in each calendar year, which is accrued on a monthly basis in accordance with Moody's US Vacation policy. Vacation time will be pro-rated in accordance with your Start Date.

You will be allotted up to 3 personal days each calendar year in accordance with Moody's Personal Day Policy. You will also be allotted up to 3 floating holidays each calendar year depending on the holiday schedule for that year, in accordance with Moody's Floating Holiday Policy. In your first year, personal days and floating holidays will be pro-rated based on your Start Date.

A Service Anniversary Day is granted to each employee with two (2) or more years of service on his or her anniversary date. Starting next year, your eligibility for paid time off shall be determined in accordance with Moody's policies that are then in effect.

You will also be eligible to participate in Moody's welfare and benefits programs. You will be able to obtain detailed information about Moody's welfare and benefit plans from Moody's intranet, once you commence employment. You will be eligible to elect and enroll in Moody's welfare and benefit plans after you receive your first paycheck. Enrollment in benefits can be conducted electronically through Moody's Benefit Center at Fidelity, which can be accessed at Netbenefits.Fidelity.com or through Moody's intranet. Any health and welfare benefits you elect as a new hire will be effective retro-active to your hire date. You have 31 days from the date of your first paycheck to enroll in health and welfare benefits. Failure to make any election within the 31 day timeframe will be regarded as a declination of benefits and will be administratively coded as a no coverage election. You will have an opportunity to change your election(s) during the next designated annual enrollment period or if you experience a qualified life event prior to the next annual enrollment period.

4. At-will Employment

While Moody's looks forward to a long and mutually beneficial relationship with you, you should understand that there is no fixed duration for your employment. Your employment with Moody's is at-will, which means that you can resign or Moody's can terminate your employment for any or no reason and with or without advance notice or cause. Please note that your job duties, title, responsibilities, reporting level, compensation and benefits, as well as the personnel policies and procedures applicable to you, may be changed at any time, with or without notice in Moody's sole discretion. No commitments affecting the term of your employment are binding on Moody's unless contained in writing and signed by an authorized representative of Moody's. In addition, nothing in this offer letter should be construed as a guarantee of any particular level of benefits or of your participation in any benefit plan. Please understand that Moody's periodically reviews its compensation and benefits programs and may from time to time amend, modify or terminate any benefit or compensation plan then in effect.

5. Prerequisites of Employment

This offer is contingent upon our receiving satisfactory responses from your references, satisfactory results from Moody's regular pre-employment procedures, including a drug screening test to be administered prior to your starting with us. Your offer is also contingent upon acceptance of all applicable Moody's policies, including but not limited to the Moody's Code of Business Conduct.

Your offer is also contingent upon your execution of a Confidentiality and Proprietary Rights Agreement, a copy of which is enclosed with this offer letter.

This offer letter is contingent upon you satisfying your obligations, if any, under Moody's Securities Trading Policy. This may include divestiture of securities that are restricted based on the requirements of the position for which you are being considered and utilizing designated broker-dealers for your securities holdings. If you have obligations under the Securities Trading Policy, you will receive an email with a link to the Prospective Employee Securities Holding form, which must be completed in order to commence the clearance of relevant securities holdings.

This offer is also contingent upon providing proper documentation demonstrating your eligibility to work in the United States. Please be prepared to show appropriate identification and proof of eligibility to work in the United States on the first day that you report to work. Failure to show the appropriate eligibility documentation on your first day will result in your being sent home that day and failure to produce the appropriate documentation within three days of your start date may result in termination of your employment. Please refer to the enclosed materials or contact us if you have questions regarding this requirement.

You will be expected to devote your full working time and attention and your best efforts, skills, and abilities to performing your duties in the sole interest of Moody's. In performing your duties, you will be expected to comply with all applicable laws, regulatory and self-regulatory rules and regulations, and all policies and procedures of Moody's. You acknowledge and agree that your violation of any such laws, rules, regulations, policies or procedures, including any conduct constituting a reoccurrence of a prior violation of any such laws, rules and regulations, may result in immediate termination.

By signing this letter you confirm that you are not subject to, and you will not be in violation or breach of, any agreement or restriction that in any way prohibits you from joining Moody's or performing your work with us. You also agree that you will not disclose to Moody's any confidential information of any third party.

6. Other Matters

By accepting this offer of employment, you and the Company agree to bring any claims relating to, arising out of, or pertaining to your employment with and compensation from the Company in an individual capacity and unless you and the Company agree in writing, claims covered by this agreement may not be joined or consolidated in court with other individuals' claims in a class, collective, or representative action, and no damages or penalties may be sought or recovered on behalf of other individuals. You further agree that if you are included within any such class, collective, or representative action, you will take all steps necessary to opt-out of the action or refrain from opting in, as the case may be. Nothing in this Agreement shall preclude you from filing a charge with the National Labor Relations Board ("NLRB").

You acknowledge that in deciding to sign this offer letter you have not relied on any representations, promises or commitments concerning your employment, whether spoken or in writing, made to you by any Moody's representative, except for what is expressly stated in this offer letter. You also acknowledge that this offer letter is intended as written, and that no marginal notations or other revisions to this offer letter are binding on Moody's unless expressly consented to in writing by the undersigned. This offer letter, together with the Confidentiality and Proprietary Rights Agreement, will be the entire agreement relating to your employment with Moody's.

This offer letter shall be construed and interpreted in accordance with the laws of the State of New York.

Kindly indicate your acceptance of employment with Moody's on the terms stated above by signing the enclosed copy of this offer letter in the space provided below and email it to me at HRAdministration@Moodys.com within 3 days from the date of this letter. The original offer letter is in effect as of your first day of work and will be collected from you during that day.

We hope that you will find this opportunity with Moody's rewarding. If you have any questions, please call me at [Telephone Number].

Sincerely,

/s/ Elin Thomasian

Elin Thomasian,
Senior Vice President - Talent Acquisition

ACCEPTED & AGREED TO:

/s/ Mark Kaye	7/18/18
Mark Kaye	Date

cc: L. Agostini

Exhibit 12

STATEMENT OF COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES

amounts in millions, except fixed charges ratios	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017	Year Ended December 31, 2017	2016	2015	2014	2013
Earnings:							
Income before income taxes and noncontrolling interests	**$1,349.4**	$1,379.1	$1,786.8	$558.0	$1,379.6	$1,461.0	$1,169.3
Add:							
Fixed charges (see below)	**184.2**	174.0	238.7	182.3	155.5	152.2	125.6
Amortization of capitalized interest	**0.5**	0.8	1.0	1.1	1.1	0.8	0.8
Less:							
Capitalized interest	**1.0**	0.8	1.0	0.8	0.4	—	—
Total earnings for computation of ratio	**$1,533.1**	$1,553.1	$2,025.5	$740.6	$1,535.8	$1,614.0	$1,295.7
Fixed charges:							
Interest expense on borrowings (1)	**$ 147.1**	$ 139.9	$ 190.1	$141.9	$ 120.6	$ 118.4	$ 92.3
Interest (income) expense, net on unrecognized tax benefits and other tax-related liabilities (2)	**10.6**	9.4	15.3	7.8	5.3	5.8	8.6
Interest capitalized	**1.0**	0.8	1.0	0.8	0.4	—	—
Estimated interest portion of rental expense (3)	**25.5**	23.9	32.3	31.8	29.2	28.0	24.7
Total fixed charges	**$ 184.2**	$ 174.0	$ 238.7	$182.3	$ 155.5	$ 152.2	$ 125.6
Ratio of earnings to fixed charges	**8.3**	8.9	8.5	4.1	9.9	10.6	10.3

(1) Amounts are net of gains and losses on certain interest rate swaps that the Company utilizes to mitigate interest rate risk on its borrowings.

(2) Represents net interest expense (income) related to unrecognized tax benefits and other tax-related liabilities. There may be periods whereby interest expense may be wholly or partially offset by reductions in accrued interest due to the completion of tax audits or updates to the Company's tax positions which could result in the reversal of accrued interest.

(3) Represents one third of rent expense which is the estimate of the interest component of rent expense.

Exhibit 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Raymond W. McDaniel, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Moody’s Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/ S / RAYMOND W. MCDANIEL, JR.

Raymond W. McDaniel, Jr.
President and Chief Executive Officer

October 31, 2018

Exhibit 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Mark Kaye, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Moody's Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/ S / MARK KAYE

Mark Kaye
Senior Vice President and Chief Financial Officer

October 31, 2018

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Moody’s Corporation (the “Company”) on Form 10-Q for the period ended September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Raymond W. McDaniel, Jr., certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/ S / RAYMOND W. MCDANIEL, JR.

Raymond W. McDaniel, Jr.
President and Chief Executive Officer

October 31, 2018

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Moody’s Corporation (the “Company”) on Form 10-Q for the period ended September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mark Kaye, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/ S / MARK KAYE

Mark Kaye
Senior Vice President and Chief Financial Officer

October 31, 2018