Moody's Corporation Reports Record Results for First Quarter 2002

NEW YORK, Apr 24, 2002 --Moody's Corporation (NYSE: MCO) today announced record results for the first quarter of 2002.

Results for First Quarter 2002

Moody's revenue for the three months ended March 31, 2002 totaled $231.6 million, an increase of 29% from $180.2 million for the same period of 2001. First quarter operating income of $134.7 million rose 50% from $89.8 million in the first quarter of 2001. Net income for the first quarter of 2002 was $72.6 million, an increase of 51% from $48.0 million for the first quarter of 2001. Diluted earnings per share for the first quarter of 2002 were $0.46 compared with $0.30 for the first quarter of 2001, a gain of 53%.

John Rutherfurd Jr., President and Chief Executive Officer of Moody's Corporation said, "As in 2001, although U.S. revenue experienced excellent growth in the first quarter, our international activities produced an even greater year-to-year percentage increase, reflecting long term favorable trends in companies using the public capital markets and in structured finance. In addition to exceptional year-to-year growth, our results exceeded the very strong fourth quarter of 2001. Although we do not expect business volumes of the first quarter to persist through the remainder of the year, we are looking forward to delivering strong growth in revenue and earnings per share in 2002 and continued value for our shareholders."

Moody's strong first quarter results reflected revenue gains in all lines of business. Ratings revenue for the first quarter of 2002 totaled $202.0 million, an increase of 28% from $158.0 million in the first quarter of 2001. Research revenue grew 27% to $21.5 million in the quarter, and Moody's Risk Management Services ("MRMS") revenue increased 53% to $8.1 million.

Within the ratings business, global structured finance revenue totaled $88.6 million for the first quarter of 2002, an increase of 50% from $59.1 million a year earlier. Growth in U.S. and European structured finance was broad-based, including strong results in residential mortgage-backed securities and credit derivatives. Corporate ratings revenue of $58.0 million in the first quarter was up 6% from $54.5 million in the year-ago quarter, reflecting modest gains in U.S. issuance and continued double-digit growth in Europe. Revenue from global financial institutions and sovereigns grew 20% year-to-year, to $37.7 million in the first quarter, as U.S. issuers took advantage of favorable borrowing costs in this sector. U.S. public finance ratings revenue grew 36%, to $17.7 million for the first quarter of 2002, reflecting growth in issuance dollar volume and in the number of issues rated.

Moody's United States revenue totaled $163.9 million for the first quarter of 2002, an increase of 24% from $131.9 million in the first quarter of 2001. Structured finance was the major growth driver, rising over 40% from the prior year quarter due to double-digit growth in all sectors and especially strong results in residential mortgage-backed securities. International revenue reached $67.7 million in the first quarter, an increase of 40% over $48.3 million in the same period of 2001. Results were driven by strong gains in European structured finance and corporate finance as well as in Japanese structured finance.

Moody's operating margin for the first quarter of 2002 was 58%, up from 50% a year earlier and above our long-term target of 48%. The increased margin principally reflected unexpected revenue strength in structured finance without a proportional increase in expenses, as staffing to support increased business volume generally lags revenue. Moody's expects that margins will be lower for the remainder of the year as staffing is increased in areas of strong growth.

Comparison of First Quarter 2002 with Fourth Quarter 2001

Capital market conditions in the fourth quarter of 2001 generally continued into the first quarter of this year. In the United States, corporate treasurers continued to lengthen the maturities of their debt. Below investment grade issuance was stronger, based on declining yields, and momentum continued in structured finance and public finance. In Europe, moderate strength in corporate and financial institutions issuance continued and structured finance was very strong.

Share Repurchase Program

During the first quarter of 2002, the company repurchased approximately 0.8 million shares of its common stock at a total cost of approximately $31 million, bringing cumulative repurchases to 12.2 million shares at a total cost of $371 million. The first quarter repurchases included 0.7 million shares to offset share issuance under the company's stock plans. Moody's anticipates completing its current $300 million share repurchase program by mid-2003.

Acquisition of KMV

On April 12 2002, Moody's completed the previously announced acquisition of KMV, the leader in quantitative credit risk management tools, in an all-cash transaction for $210 million. The transaction was initially funded with a combination of cash on hand and Moody's existing bank credit lines. Moody's plans to pursue long-term debt financing in order to continue its share repurchase program and maintain open bank credit lines. Peter Crosbie, who was President and Chief Operating Officer of KMV before the acquisition, has been appointed President and Chief Executive Officer of the combined MRMS and KMV business reporting directly to Mr. Rutherfurd. The combined business will provide the market's most complete suite of quantitative credit risk assessment tools, along with credit decisioning and training products. Plans for integrating the two organizations are well underway, and Moody's remains confident that this combination will create incremental value both for our customers and our shareholders.

2002 Outlook

Our 2002 outlook announced in February was for percentage growth in revenue in the mid-to-high single digits, with share repurchases and a lower tax rate driving double-digit growth in earnings per share. We assumed that United States debt issuance would slow during the year after refinancings had run their course, due to weak business fundamentals and a lack of recovery in capital investment and merger and acquisition spending. We also expected that growth in the United States consumer economy would moderate after several years of strength, which could lead to a slowdown in growth of structured finance volumes. However, expected favorable interest rates for much of the year would create a favorable environment for debt issuance and continued consumer spending. In Europe, we assumed a solid outlook for corporate debt issuance and a continuation of the long-term growth in structured finance.

Since our initial 2002 outlook, the macroeconomic environment in the United States appears to have improved modestly. Nevertheless, expectations for issuance in the fundamental corporate and financial institutions sectors are largely unchanged because economic recovery may not immediately translate into long-term debt issuance. Continued refinancing activity or a recovery in business investment financed by long-term debt could provide upside in these sectors. Downside would arise from earlier than expected or more aggressive Federal Reserve Board interest rate increases. In structured finance, the very strong first quarter results should drive higher than expected revenue for the full year. In Europe, we continue to expect good growth in the corporate sector as new issuers enter the market. We expect operating margins in 2002 to continue to exceed our long-term target of 48%, as spending for increased staffing and other investments will generally lag revenue growth.

Depending on the timing and extent of these factors, we expect 2002 year-to-year percent revenue growth in the high single digits to low teens, with higher growth in operating income and with the first half of the year being stronger than the second. Including the impacts of share repurchases and a slightly lower effective tax rate, Moody's expects 2002 diluted EPS to range from $1.54 to $1.57. For the second quarter, we anticipate year-to-year percent revenue growth in the range of mid-single digits to low teens, with continued strength in United States and European structured finance being the most important growth drivers. Operating income growth should be higher than revenue growth and, including the impact of share repurchases, diluted EPS should range from $0.37 to $0.39.

The second quarter and full year outlooks do not reflect incremental 2002 revenue from KMV, which is expected to approximate $40 million. However, the outlooks do include modest projected EPS dilution related to the acquisition, and one-time transaction-related charges, which are expected to be incurred mainly in the second quarter and to be in the range of $3 million to $5 million.

Moody's Corporation (NYSE: MCO) is the parent company of Moody's Investors Service, a leading provider of credit ratings, research and analysis covering debt instruments and securities in the global capital markets, and Moody's KMV, a credit risk management technology firm serving the world's largest financial institutions. The corporation had reported revenue of $797 million in 2001. Further information is available at www.moodys.com.

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995

The statements contained in the "2002 Outlook" section of this release are forward-looking statements and are based on future expectations, plans and prospects for Moody's business and operations that involve a number of risks and uncertainties. The forward-looking statements and other information are made as of April 24, 2002, and the Company disclaims any duty to supplement, update or revise such statements on a going-forward basis, whether as a result of subsequent developments, changed expectations or otherwise. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company is identifying certain factors that could cause actual results to differ, perhaps materially, from those indicated by these forward-looking statements. Those factors include, but are not limited to, changes in the volume of debt securities issued in domestic and/or global capital markets; changes in interest rates and other volatility in the financial markets; possible loss of market share through competition; introduction of competing products or technologies by other companies; pricing pressures from competitors and/or customers; the potential emergence of government-sponsored credit rating agencies; proposed U.S., foreign, state and local legislation and regulations, including those relating to nationally

recognized statistical rating organizations; the possible loss of key employees to investment or commercial banks or elsewhere and related compensation cost pressures; the outcome of any review by controlling tax authorities of the Company's global tax planning initiatives; the ability of the Company to successfully integrate the KMV and MRMS businesses; a decline in the demand for credit risk management tools by financial institutions; and other risk factors as discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2001 and in other filings made by the Company from time to time with the Securities and Exchange Commission.

Moody's Corporation
Consolidated Statements of Operations (Unaudited)

Amounts in millions, except per share amounts	Three Months Ended March 31, 2002	2001
Revenue	$ 231.6	$ 180.2
Expenses:		
Operating, general and administrative expenses	92.8	86.3
Depreciation and amortization	4.1	4.1
Total expenses	96.9	90.4
Operating income	134.7	89.8
Interest and other non-operating expense, net	(4.6)	(3.5)
Income before provision for income taxes	130.1	86.3
Provision for income taxes	57.5	38.3
Net income	$ 72.6	$ 48.0
Earnings per share		
Basic	$ 0.47	$ 0.30
Diluted	$ 0.46	$ 0.30
Weighted average number of shares outstanding:		
Basic	154.4	159.0
Diluted	158.1	161.1

Moody's Corporation
Supplemental Revenue Information (Unaudited)

	Three Months Ended March 31,

Amounts in millions	2002	2001
Ratings:		
Structured finance	$ 88.6	$ 59.1
Corporate finance	58.0	54.5
Financial institutions and sovereign risk	37.7	31.4
Public finance	17.7	13.0
Total ratings revenue	202.0	158.0
Other	29.6	22.2
Total revenue	$ 231.6	$ 180.2
Geographic revenue:		
United States	$ 163.9	$ 131.9
International	67.7	48.3
Total revenue	$ 231.6	$ 180.2

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