Moody's Corporation Reports Record Results for Fourth Quarter and Full Year 2001

NEW YORK, Feb 4, 2002 -- Moody's Corporation (NYSE: MCO) today announced record results for the fourth quarter and full year of 2001.

Results for Fourth Quarter 2001

Revenue in the fourth quarter of 2001 was $220.9 million, an increase of 37% from $161.1 million for the same period of 2000. Fourth quarter operating income of $111.0 million was up 44% from $77.0 million in the fourth quarter of 2000. Reported net income was $58.8 million for the three months ended December 31, 2001, an increase of 46% over $40.4 million for the same period of 2000. Moody's fourth quarter results included net interest expense of $2.5 million after tax, representing interest expense on $300 million of privately placed debt in connection with its spin-off from The Dun & Bradstreet Corporation, net of interest income on invested cash.

Diluted earnings per share for the fourth quarter of 2001 was $0.37 compared with $0.25 for the fourth quarter of 2000. On a pro forma basis, including interest expense on the private placement debt (and excluding any interest income) for both periods, fourth quarter diluted earnings per share would have been $0.37 in 2001 compared with $0.24 in 2000, an increase of 54%.

Moody's strong fourth quarter results reflected robust revenue gains in all lines of business. Global ratings revenue rose to $189.9 million in the quarter, up 39% over the same period in 2000. Issuance volumes in the United States and European corporate finance markets and in the United States public finance sector were significantly above prior year levels principally due to more favorable interest rate environments. Structured finance issuance continued at an exceptionally strong pace in both the United States and Europe. Moody's Risk Management Services reported revenue growth of 39% in the quarter as sales of its credit risk assessment software and subscription products continued to grow. Moody's research revenue grew 23% in the quarter, reflecting strong sales in Europe and increased demand for internet-based delivery of services.

Moody's United States revenue totaled $148.2 million for the fourth quarter of 2001, an increase of 26% from $117.4 million in the prior year period. Moody's achieved strong growth in ratings revenue as a result of higher issuance volumes in corporate and municipal bonds and structured finance. The number of United States investment grade issues in the fourth quarter of 2001 rose 86% from the prior year's level as a result of the favorable interest rate environment. In public finance, the level of municipal bond issuance rose 63% in the fourth quarter. In structured finance, asset-backed, residential mortgage, commercial mortgage and collateralized debt obligation issuance were all strong.

Moody's international revenue reached $72.7 million in the fourth quarter of 2001, an increase of 66% from $43.7 million in the same period of 2000. This strong growth was principally driven by higher corporate finance and structured finance ratings revenue in Europe. Non-US research and risk management services revenue also showed strong double digit growth.

Moody's operating margin was 50% for fourth quarter of 2001, up from 48% a year earlier and above our long-term target of 48%. Unexpectedly high revenue resulting from robust issuance caused the quarter's strong margin.

Results for Full Year 2001

Revenue for the full-year 2001 was $796.7 million, an increase of 32% from $602.3 million in 2000. Operating income of $398.5 million rose 38% from $288.5 million in 2000. Reported net income was $212.2 million in 2001 compared with $158.5 million in 2000, an increase of 34%. Moody's 2001 results included net interest expense of $9.1 million after tax, representing interest expense on $300 million of privately placed debt in connection with its spin-off from The Dun & Bradstreet Corporation, net of interest income on invested cash.

Diluted earnings per share for 2001 was $1.32 compared with $0.97 in 2000. On a pro forma basis, including interest expense on the private placement debt (and excluding any interest income) for both periods, diluted earnings per share for the year would have been $1.30, an increase of 43% over $0.91 in 2000.

Moody's ratings revenue was $694.4 million in 2001, an increase of 34% from $519.6 million in 2000. Moody's Risk Management Services revenue increased 34% and research revenue rose 20%.

Revenue in the United States was $560.7 million in 2001, an increase of 31% over $428.9 million in 2000. This increase

reflected strong growth in ratings revenue, principally due to higher issuance volumes in most market sectors, including investment-grade and high-yield corporate bonds, municipal bonds, asset-backed securities and mortgage-backed securities. The number of investment grade corporate issues was up more than 48% over 2000 and public finance issuance dollar volume grew by 43%. In U.S. structured finance, asset-backed volume was up 29%, residential mortgage volume rose 130%, and commercial mortgage volume was up 50%. Moody's 50% margin for the full-year 2001 was up notably from 48% in 2000 due to the strong revenue that we experienced throughout the year. Moody's international revenue was $236.0 million in 2001 compared to $173.4 million in 2000, an increase of 36%. European structured finance produced close to 100% revenue growth for the year. International corporate finance grew more than 20%, and non-U.S. financial institutions showed solid double digit growth. International revenue at Moody's Risk Management Services rose 46% and research revenue grew 24%.

John Rutherfurd Jr., President and Chief Executive Officer of Moody's Corporation said, "While Moody's results for 2001 reflect the very favorable interest rate environment in the United States, they also demonstrate our success executing the Company's long-term business strategy and capitalizing on the long-term growth of the public debt capital markets, particularly in structured finance and in Europe. Moody's delivered significant value for its shareholders during 2001 and we are well-positioned to achieve our long-term growth objectives by executing our three main strategies: capitalizing on continued growth in worldwide capital markets, introducing new products to our outstanding customer base of corporations and financial institutions, and extending the Moody's brand, particularly in credit risk management. Our recent senior management appointments also ensure that we have the right leadership in place to continue to deliver increased shareholder value over the next decade. Strong cash flow in 2001 enabled us to complete our first share repurchase program and begin our second, which we view as an important element of our objective to create shareholder value."

Share Repurchase Program

In October 2000, the Board of Directors of Moody's Corporation authorized a share repurchase program of up to $250 million. This amount was subsequently increased by $50 million to $300 million. The program includes both special share repurchases and systematic repurchases of Moody's common stock to offset the dilutive effect of share issuance under the company's employee benefit arrangements. In October 2001, Moody's Board of Directors authorized special and systematic share repurchases of up to an additional $300 million.

During the fourth quarter of 2001, the company repurchased 2.1 million shares of its common stock at a total cost of approximately $72 million. For the full-year 2001, Moody's repurchased 8.5 million shares at a total cost of $268 million, bringing total repurchases since program inception to 11.3 million shares at a cost of approximately $340 million. This includes 3.1 million shares, at a cost of approximately $95 million, to offset issuances under Moody's stock plans. Moody's anticipates completing the current share repurchase program by mid-2003.

2002 Outlook

Management continues to have the same earnings growth expectations for the full-year 2002 as announced in mid-December, notwithstanding the better than expected fourth quarter and full-year 2001 results.

It is difficult to forecast business volumes in 2002 for a number of reasons. In the United States, weak corporate profits, cautious business investment spending and weakness in merger and acquisition activity could lead to a slowdown in domestic debt issuance. Also in the United States, the consumer economy could suffer the effects of rising unemployment rates, high levels of consumer debt and the wealth effect of lower financial asset prices, leading to a slowdown in structured finance volumes. However, the aggressive stimulus action of the Federal Reserve Bank, including reductions in official interest rate targets, has created a favorable environment for debt issuance and continued consumer spending. In Europe, the outlook for corporate issuance remains solid in view of recent interest rate reductions by the European Central Bank. The long-term growth of the European structured finance market is expected to continue in 2002.

Depending on the timing and extent of these impacts, Moody's management continues to expect 2002 year-to-year percent revenue growth to be in the mid to high single digits. The impacts of a lower tax rate and share repurchases are expected to result in double digit growth in diluted EPS, with low teens growth in pro forma diluted EPS.

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. Moody's Risk Management Services, a subsidiary of Moody's Investors Service, is a leading developer of credit risk assessment software used by 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 February 4, 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 uncertainty regarding market acceptance and revenue generating opportunities for web-based research products; and other factors as discussed in The New D&B Corporation Form 10 (Amendment No. 2) filed on September 11, 2000 with the Securities and Exchange Commission 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 December 31, 2001	Three Months Ended December 31, 2000	Year Ended December 31, 2001	Year Ended December 31, 2000
Revenue	$ 220.9	$ 161.1	$ 796.7	$ 602.3
Expenses:				
Operating, General and Administrative Expenses	105.4	80.3	381.2	297.2
Depreciation and Amortization	4.5	3.8	17.0	16.6
Total Expenses	109.9	84.1	398.2	313.8
Operating Income	111.0	77.0	398.5	288.5
Non Operating Income (Expense), net	(5.1)	(4.6)	(16.6)	(4.5)
Income Before Provision for Income Taxes	105.9	72.4	381.9	284.0
Provision for Income Taxes	47.1	32.0	169.7	125.5
Net Income	$ 58.8	$ 40.4	$ 212.2	$ 158.5
Basic Earnings Per Share	$ 0.38	$ 0.25	$ 1.35	$ 0.98
Diluted Earnings Per Share	$ 0.37	$ 0.25	$ 1.32	$ 0.97
Weighted Average Number of Shares Outstanding:				
Basic	155.1	161.6	157.6	161.7
Diluted	158.0	163.4	160.2	163.0

Notes:

Non Operating Income (Expense), net for the three months and year ended December 31, 2001 includes $2.5 million and $9.1 million, respectively of net after-tax interest expense, compared to $3.6 million for the three months and year ended December 31, 2000. The amounts for the three months and year ended December 31, 2001, reflect $5.7 million and $22.8 million, respectively, of interest expense compared to $5.7 million for the three months and year ended December 31, 2000. Note that interest expense for all periods presented relates to the $300 million of private placement debt that was incurred in connection with the Company's September 30, 2000 spin-off from The Dun & Bradstreet Corporation, net of interest income on invested cash.

Diluted earnings per share on a pro forma basis, excluding the interest income on invested cash and including interest expense

related to the $300 million debt private placement in 2000, is as follows:

	Three Months Ended December 31,		Year Ended December 31,	
	2001	2000	2001	2000
Pro Forma Diluted Earnings Per Share	$ 0.37	$ 0.24	$ 1.30	$ 0.91

Moody's Corporation
Supplemental Revenue Information (unaudited)

Amounts in millions	Three Months Ended December 31, 2001	2000	Year Ended December 31, 2001	2000
Ratings:				
Structured Finance	$ 79.4	$ 59.6	$ 273.8	$ 199.2
Corporate Finance	56.5	36.9	225.7	162.7
Financial Institutions and Sovereign Risk	36.0	27.8	130.7	111.6
Public Finance	18.0	12.6	64.2	46.1
Total Ratings Revenue	189.9	136.9	694.4	519.6
Other	31.0	24.2	102.3	82.7
Total Revenue	$ 220.9	$ 161.1	$ 796.7	$ 602.3
Geographic Revenue:				
United States	$ 148.2	$ 117.4	$ 560.7	$ 428.9
International	72.7	43.7	236.0	173.4
Total Revenue	$ 220.9	$ 161.1	$ 796.7	$ 602.3

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