Moody's Corporation Reports Results for Third Quarter 2001

NEW YORK, Oct 22, 2001 -- Moody's Corporation (NYSE: MCO) today announced results for the third quarter of 2001.

Results for Third Quarter 2001

Revenue in the third quarter of 2001 totaled $190.4 million, an increase of 24.9% from $152.5 million for the same period of 2000. Third quarter operating income of $93.7 million rose 28.5% from $72.9 million in the third quarter of 2000. Reported net income for the three months ended September 30, 2001 was $49.9 million, an increase of 23.2% from $40.5 million for the same period of 2000. Moody's third quarter 2001 results included net interest expense of $2.1 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 the third quarter of 2001 were $0.31, compared with $0.25 for the third quarter of 2000. On a pro forma basis, including interest expense on the private placement debt (and excluding any interest income) for both periods, third quarter diluted earnings per share would have been $0.30 for 2001 compared with $0.23 for 2000, an increase of 30.4%.

Moody's strong third quarter results were driven by a 25.7% increase in global ratings revenue over the year ago quarter. Issuance volumes in the United States corporate and public finance markets were significantly above the prior year period, principally due to declining interest rates. Structured finance issuance continued at an exceptionally strong pace in the United States and in Europe. Moody's research revenue posted a 17.1% year-over-year gain in the quarter, and risk management services revenue grew 26.2%.

Moody's United States revenue totaled $134.5 million for the third quarter of 2001, an increase of 24.5% from $108.0 million in the same period of 2000. This increase reflected strong issuance growth in several ratings sectors including corporate and municipal bonds, mortgage-backed securities, and asset-backed securities.

Moody's international revenue was $55.9 million in the third quarter of 2001, an increase of 25.6% over $44.5 million in the third quarter of 2000. Continued strong growth in European structured finance ratings was the most significant driver of this performance. Non-U.S. research and risk management services revenue both posted strong double-digit year-over-year gains.

John Rutherfurd, Jr., President and Chief Executive Officer of Moody's Corporation, said, "Moody's third quarter results reflect not only continuing long-term favorable trends in the global capital markets, but also the outstanding performance of our employees during a very difficult period. Following the September 11th tragedy, which displaced us from our headquarters building, Moody's technical and operations teams worked swiftly to implement our backup recovery plan that allowed our analysts to continue to do their work. The first day following the terrorist attacks, Moody's disseminated economic commentary and rating changes; the next day, we were assigning new ratings. One week after the attacks, we began a series of customer teleconferences, which were extremely well attended, presenting Moody's outlook for global credit markets and several industries. The effective restoration of our business operations after the September 11th tragedy enabled Moody's to continue to provide high levels of service to our clients and to the capital markets."

Results for First Nine Months of 2001

Revenue for the first nine months of 2001 was $575.8 million, an increase of 30.5% from $441.2 million in the prior year period. Operating income for the first nine months totaled $287.5 million, an increase of 35.9% from $211.5 million in the comparable period of 2000. Reported net income of $153.4 million was up 29.9% from $118.1 million in 2000. Moody's results for the first nine months included net interest expense of $6.6 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 first nine months of 2001 were $0.95, compared with $0.72 for the same period of 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 first nine months would have been $0.93 for 2001 compared with $0.67 for 2000, an increase of 38.8%.

Moody's year-to-date results reflected 31.8% year-to-year growth in global ratings revenue. This increase was primarily driven by strong growth in U.S. corporate and public finance issuance, principally as a result of declining interest rates, and significant

growth in structured finance issuance in the U.S. and Europe. Global research revenue increased 18.7% for the year to date period, and global risk management revenue increased 31.3%.

Revenue in the United States rose to $412.5 million for the first nine months of 2001, an increase of 32.4% from $311.5 million a year earlier. This increase reflected strong growth in ratings revenue, principally due to higher issuance volumes in several market sectors, including corporate and municipal bonds, residential and commercial mortgage-backed securities, and collateralized bond obligations. Moody's international revenue totaled $163.3 million for the first nine months of 2001, a 25.9% year-over-year increase, reflecting strong growth in structured finance ratings revenue in Europe. International research revenue and risk management services revenue both posted strong double-digit gains.

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 to $300 million. The program includes both special share repurchases and systematic repurchases of Moody's common stock to offset the dilutive effect of issuance under the company's employee benefit arrangements. During the third quarter of 2001, the company repurchased 2.9 million shares of its common stock pursuant to this program, at a total cost of approximately $99 million. For the nine months ended September 30, 2001, Moody's repurchased 6.4 million shares at a total cost of approximately $195 million. Since October 2000 and through the end of the third quarter, Moody's has repurchased 9.2 million shares at a total cost of approximately $267 million.

In addition, the Board of Directors of Moody's Corporation this month authorized repurchases of up to an additional $300 million, covering both special share repurchases and systematic repurchases of Moody's common stock to offset the dilutive effect of issuance under the company's employee benefit arrangements. Moody's anticipates that the additional share repurchase program will be completed by mid 2003.

2001 Outlook

The events of September 11th have created a higher level of uncertainty in worldwide capital markets, especially in the U.S. Given the importance of capital markets issuance to Moody's revenue, it is difficult to forecast Moody's results in the current environment. Wall Street forecasts of second half 2001 volumes in the U.S. had generally anticipated marked declines from the record first half levels, and third quarter volumes were on the high side of expectations despite the September disruption. However, fourth quarter expectations have generally been lowered in light of the current uncertainties. The World Trade Center disaster has magnified prior concerns about weak business fundamentals and investment, and has increased the likelihood that the consumer economy may weaken. It has also reduced the level of certainty that planned transactions will close in the fourth quarter, especially those of lower credit quality or higher complexity, but has also encouraged more aggressive economic stimulus actions, including deeper reductions in official interest rate targets.

In light of these factors, investor demand for high quality debt securities and declining interest rates are expected to support reasonably strong issuance in certain sectors. Issuance of high-grade corporate and municipal securities is expected to be reasonably strong in the fourth quarter, whereas speculative grade issuance is expected to be weak due to credit concerns. Strong pipelines exist in most areas of U.S. structured finance, but the rate at which transactions close in the fourth quarter could be lower than normal in some areas. In Europe, fourth quarter corporate issuance may weaken somewhat despite the recent reduction in interest rates by the European Central Bank, and some more complex structured finance transactions may be postponed. However, the secular growth of the European structured finance market is still expected to drive strong issuance. Any further reductions in European Central Bank interest rates could create a more favorable environment for issuance.

Depending on the timing and extent of these impacts, we expect that year-to-year revenue growth in the fourth quarter may range from mid-single digits to mid-teens percent. We expect operating income growth in the quarter to be lower than revenue growth, principally reflecting catch-up of certain spending that was postponed after the September disaster. Pro-forma EPS would be up high single digits to mid-teens percent compared with the 2000 quarter. For full year 2001, Moody's currently expects revenue growth in the mid-twenties percent range. We anticipate operating income growing modestly faster than revenue due to the strong margins in the first nine months of the year, and pro forma EPS rising high twenties to low thirties percent over the prior year.

Moody's Corporation (NYSE: MCO) is a leading provider of credit ratings, research and analysis covering debt instruments and securities in the global capital markets. 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 "2001 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 October 22, 2001, 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)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Amounts in millions, except per share amounts				
Revenue	$ 190.4	$ 152.5	$ 575.8	$ 441.2
Expenses:				
Operating, General and Administrative Expenses	92.3	75.1	275.8	216.9
Depreciation and Amortization	4.4	4.5	12.5	12.8
Total Expenses	96.7	79.6	288.3	229.7
Operating Income	93.7	72.9	287.5	211.5
Non Operating Income (Expense), net	(3.9)	(0.4)	(11.5)	0.1
Income Before Provision for Income Taxes	89.8	72.5	276.0	211.6
Provision for Income Taxes	39.9	32.0	122.6	93.5
Net Income	$ 49.9	$ 40.5	$ 153.4	$ 118.1
Basic Earnings Per Share	$ 0.32	$ 0.25	$ 0.97	$ 0.73
Diluted Earnings Per Share	$ 0.31	$ 0.25	$ 0.95	$ 0.72
Weighted Average Number of Shares Outstanding:				
Basic	158.2	162.2	158.4	161.8
Diluted	161.5	163.9	161.1	163.1

Notes: Non Operating Income (Expense), net for the three months and nine months ended September 30, 2001 includes $2.1 million and $6.6 million, respectively of net after-tax interest expense, reflecting $5.7 million and $17.1 million, respectively of interest expense on 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 in 2001 and including interest expense related to the

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Pro Forma Diluted Earnings Per Share	$ 0.30	$ 0.23	$ 0.93	$ 0.67

Moody's Corporation
Supplemental Revenue Information (unaudited)

Amounts in millions	Three Months Ended September 30, 2001	2000	Nine Months Ended September 30, 2001	2000
Ratings:				
Structured Finance Ratings	$ 67.0	$ 48.1	$ 194.4	$ 139.6
Corporate Finance Ratings	52.1	43.0	169.2	125.8
Financial Institutions and Sovereign Ratings	30.4	28.2	94.7	83.8
Public Finance Ratings	15.4	11.9	46.2	33.5
Total Ratings Revenue	164.9	131.2	504.5	382.7
Other	25.5	21.3	71.3	58.5
Total Revenue	$ 190.4	$ 152.5	$ 575.8	$ 441.2
Geographic Revenue:				
United States	$ 134.5	$ 108.0	$ 412.5	$ 311.5
International	55.9	44.5	163.3	129.7
Total Revenue	$ 190.4	$ 152.5	$ 575.8	$ 441.2

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