Moody's

Fourth Quarter and Full Year 2015 Earnings Call

February 5, 2016

Overview

SALLI SCHWARTZ
GLOBAL HEAD OF INVESTOR RELATIONS

Disclaimer

Certain statements contained in this presentation 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. Moody's outlook for 2016 and other forward-looking statements in this presentation are made as of February 5, 2016, 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, risks and uncertainties include, but are not limited to, the current world-wide credit market disruptions and economic slowdown, which is affecting and could continue to 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 credit quality concerns, changes in interest rates and other volatility in the financial markets; the level of merger and acquisition activity in the US and abroad; the uncertain effectiveness and possible collateral consequences of US and foreign government initiatives to respond to the current world-wide credit disruptions and economic slowdown; concerns in the marketplace affecting our credibility or otherwise affecting market perceptions of the integrity or utility of independent 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 US, state and local legislation and regulations, including provisions in the Dodd-Frank Wall Street Reform and Consumer Protection Act and anticipated 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 to which the Company may be subject from time to time; provisions in the Dodd-Frank 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; 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; the outcome of those legacy tax matters and legal contingencies that relate to the Company, its predecessors and their affiliated companies for which Moody's has assumed portions of the financial responsibility; 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 levels of capital investments; 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, 2014 and in other filings made by the Company from time to time with the Securities and Exchange Commission.

Agenda

1. Fourth Quarter and Full Year 2015 Results
Ray McDaniel, President and Chief Executive Officer

2. Financial and Operating Highlights
Linda Huber, Executive Vice President and Chief Financial Officer

3. 2016 Outlook
Ray McDaniel, President and Chief Executive Officer

4. Q&A
Ray McDaniel, President and Chief Executive Officer
Linda Huber, Executive Vice President and Chief Financial Officer
Michel Madelain, President and Chief Operating Officer, Moody's Investors Service
Mark Almeida, President, Moody's Analytics

1. Fourth Quarter and Full Year 2015 Results

RAY MCDANIEL
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Fourth Quarter 2015 Results and Comparison to Fourth Quarter 2014

Moody's Corporation

- Revenue ↓ 1% to $866 million
  - ↑ 2% on a constant currency basis
- Operating Expense ↔ flat at $533 million
- Operating Income ↓ 3% to $333 million
- Adjusted Operating Income ↓ 3% to $362 million

Fourth Quarter 2015 Results and Comparison to Fourth Quarter 2014 (continued)

Moody's Corporation

- Operating Margin
  - 38.5%
- Adjusted Operating Margin
  - 41.8%
- GAAP EPS
  - ↓ 3% to $1.09

Full Year 2015 Performance and Comparison to Full Year 2014

Moody's Corporation

- Revenue — ↑ 5% to $3.5 billion
  - ↑ 9% on a constant currency basis
  - MIS — ↑ 3% to $2.3 billion
    - ↑ 8% on a constant currency basis
  - MA — ↑ 8% to $1.2 billion
    - ↑ 12% on a constant currency basis
- Operating Expense — ↑ 6% to $2.0 billion
  - Foreign currency translation favorably impacted operating expense by 4%
- Operating Income — ↑ 2% to $1.5 billion
- Adjusted Operated Income — ↑ 3% to $1.6 billion

Full Year 2015 Performance and Comparison to Full Year 2014 (continued)

Moody's Corporation

- Operating Margin
  - 42.3%
- Adjusted Operating Margin
  - 45.5 %
- On a constant currency basis and excluding our 2014 and 2015 acquisitions, operating margin and adjusted operating margin would have increased approximately 40 and 50 bps, respectively, year over year
- GAAP EPS
  - $4.63 vs. $4.61 for full year 2014
- Non-GAAP EPS*
  - ↑ 9% to $4.60

*Non-GAAP EPS excluded a $0.03 benefit from legacy tax matters in both the full year 2015 and 2014 periods. Full year 2014 non-GAAP EPS also excluded a $0.37 gain resulting from Moody's acquisition of a controlling interest in ICRA Ltd. in the second quarter of 2014.

2. Financial and Operating Highlights

LINDA HUBER
EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Fourth Quarter 2015 Results and Comparison to Fourth Quarter 2014

Moody's Corporation Revenue

- Total Global
  - ↓ 1% to $866 million
    - ↑ 2% on a constant currency basis
- US
  - ↑ 1% to $481 million
- Non-US
  - ↓ 4% to $385 million
    - ↑ 4% on a constant currency basis
    - 44% of total revenue
- Recurring Revenue
  - $446 million
    - 51% of total revenue

Fourth Quarter 2015 Results and Comparison to Fourth Quarter 2014 (continued)

MIS Revenue by Geography

- Total MIS
  - ↓ 4% to $545 million
  - ↔ flat on a constant currency basis
- US
  - ↓ 2% to $338 million
- Non-US
  - ↓ 7% to $206 million
  - ↑ 2% on a constant currency basis
  - 38% of total MIS revenue

Fourth Quarter 2015 Results and Comparison to Fourth Quarter 2014 (continued)

MIS Revenue by Line of Business

- Corporate Finance: $246 million
  - Global ↓ 7%
  - Constant currency basis ↓ 4%
  - US ↑ 1%
  - Non-US ↓ 20%
- Structured Finance: $114 million
  - Global ↓ 4%
  - Constant currency basis ↔ flat
  - US ↓ 3%
  - Non-US ↓ 5%

Fourth Quarter 2015 Results and Comparison to Fourth Quarter 2014 (continued)

MIS Revenue by Line of Business

- Financial Institutions: $92 million
  - Global ↑ 8%
  - Constant currency basis ↑ 13%
  - US ↑ 7%
  - Non-US ↑ 8%
- Public, Project & Infrastructure Finance: $85 million
  - Global ↓ 5%
  - Constant currency basis ↓ 2%
  - US ↓ 10%
  - Non-US ↑ 4%
- MIS Other: $7 million in 4Q15 versus $8 million in 4Q14

Fourth Quarter 2015 Results and Comparison to Fourth Quarter 2014 (continued)

MA Revenue by Geography

- Total MA
  - ↑ 3% to $321 million
    - ↑ 6% on a constant currency basis
- US
  - ↑ 6% to $143 million
- Non-US
  - ↑ 1% to $178 million
    - ↑ 6% on a constant currency basis
    - 56% of total MA revenue

Fourth Quarter 2015 Results and Comparison to Fourth Quarter 2014 (continued)

MA Revenue by Line of Business

» RD&A: $161 million

- Global ↑ 8%
  - 50% of total MA revenue
- Constant currency basis ↑ 11%
- US ↑ 10%
- Non-US ↑ 5%

↑ 11% on a constant currency basis

Fourth Quarter 2015 Results and Comparison to Fourth Quarter 2014 (continued)

MA Revenue by Line of Business

- ERS: $122 million
  - Global ↑ 1%
  - Constant currency basis ↑ 4%
  - US ↑ 1%
  - Non-US ↑ 1%
  - TTM* Revenue ↑ 14%
  - TTM* Sales ↑ 11%

*Trailing twelve months

Fourth Quarter 2015 Results and Comparison to Fourth Quarter 2014 (continued)

MA Revenue by Line of Business

- Professional Services: $38 million
  - Global ↓ 10%
  - Constant currency basis ↓ 6%
  - US ↓ 7%
  - Non-US ↓ 11%

Fourth Quarter 2015 Results and Comparison to Fourth Quarter 2014 (continued)

Moody's Corporation

- Operating Expense ⟷ flat at $533 million
  - Foreign currency translation favorably impacted expense by 3%
- Operating Margin
  - 38.5%
- Adjusted Operating Margin
  - 41.8%
- On a constant currency basis and excluding our 2014 and 2015 acquisitions, operating margin would have remained flat year over year and adjusted operating margin would have increased approximately 20 bps
- Effective Tax Rate
  - 29.4%

Capital Allocation

- On December 15, 2015, Moody's increased its quarterly dividend by 9% from 34 cents to 37 cents per share of common stock
- During 2015, Moody's returned $272 million to shareholders via dividend payments
- During 4Q15, Moody's repurchased 2.0 million shares at a total cost of $193 million, or an average cost of $100.09 per share, and issued 261,000 shares as part of employee stock-based compensation plans
- For full year 2015, Moody's repurchased 10.9 million shares at a total cost of $1.1 billion, or an average cost of $101.14 per share, and issued 3.2 million shares as part of employee stock-based compensation plans.
- Shares outstanding totaled 196.1 million as of December 31, 2015
  - 4% decline from December 31, 2014
- In December 2015, Board of Directors authorized an additional $1 billion share repurchase program to commence following the completion of the existing program
- As of December 31, 2015, $1.5 billion of share repurchase authority remaining

Balance Sheet and Free Cash Flow

- In November 2015, Moody's issued $300 million of 5.25% senior unsecured notes due 2044
- As of December 31, 2015, Moody's had:
  - $3.4 billion of outstanding debt
  - $1 billion of additional debt capacity available under its revolving credit facility
  - Cash, cash equivalents and short-term investments of $2.2 billion, up $555 million from prior year
- As of December 31, 2015, approximately 68% of cash and cash equivalents maintained outside the US
- Free cash flow of $1.1 billion for full year 2015, up 13% from full year 2014

3. 2016 Outlook

RAY MCDANIEL
PRESIDENT AND CHIEF EXECUTIVE OFFICER

MCO Full Year 2016 Financial Outlook

» Moody's guidance assumes foreign currency translation for British pound of $1.42 to £1 pound and for the euro of $1.09 to €1 euro. For all other currencies, Moody's assumes end-of-2015 exchange rates.

» Revenue	↑ mid-single-digit % range
» EPS	• $4.75 to $4.85
» Expense	↑ mid-single-digit % range
» Operating Margin	• Approximately 42%
» Adjusted Operating Margin	• Approximately 45%
» Effective Tax Rate	• 32% to 32.5%

MCO Full Year 2016 Financial Outlook (continued)

» Free Cash Flow	• Approximately $1.1 billion
» Share Repurchase	• Approximately $1 billion (subject to available cash, market conditions and other ongoing capital allocation decisions)
» Capital Expenditures	• Approximately $125-$135 million
» Depreciation and Amortization	• Approximately $130 million

MIS Full Year 2016 Financial Outlook

» Global	↑ mid-single-digit % range
» U.S.	↑ mid-single-digit % range
» Non-U.S.	↑ mid-single-digit % range
» Corporate Finance	↔ flat
» Structured Finance	↑ high-single-digit % range
» Public, Project & Infrastructure	↑ high-single-digit % range
» Financial Institutions	↑ mid-single-digit % range

MA Full Year 2016 Financial Outlook

» Global	↑ mid-single-digit % range
» U.S.	↑ high-single-digit % range
» Non-U.S.	↔ flat
» Research, Data & Analytics	↑ mid-single-digit % range
» Enterprise Risk Solutions	↑ low-single-digit % range
» Professional Services	↓ low-single-digit % range

4. Q&A Session

- Ray McDaniel

  President and Chief Executive Officer, Moody's Corporation

- Linda Huber

  Executive Vice President and Chief Financial Officer, Moody's Corporation

- Michel Madelain

  President and Chief Operating Officer, Moody's Investors Service

- Mark Almeida

  President, Moody's Analytics

USD Market: Issuance Views From Investment Banks

Views on this page are from four global "bulge bracket" investment banks as of February 3, 2016. Issuance views represent US dollar issuance for both financial and non-financial bonds and leveraged loans.

	January 2015	FY 2016E
Investment Grade	~$125 billion	~$1.2 trillion (about flat YOY)

- January was the 4th highest volume month ever ($46bn of this came from the AB-InBev deal)
- >$200bn in the visible M&A pipeline though volatility is factoring into the pace of issuance
- All-in funding costs remain generally attractive
- In addition to M&A, shareholder friendly activities likely to continue as corporates look to boost share prices via buybacks and dividends

High Yield Bonds	~$7 billion	~$240 billion (down 15% YOY)

- The leveraged finance market had a soft December and this tone has continued into early 2016
- >$35bn in the forward pipeline (bifurcated market with higher quality names continuing to see market access)
- Continued headwinds expected from commodities-related price volatility and default rate increases
- Last week saw positive HY mutual fund inflows for the first time since the start of 2016, which may indicate that the worst is behind us / we have hit wide enough levels for investors to begin buying again

Leveraged Loans	~$20 billion	~$260 billion (down 10% YOY)

- Despite low volumes in the HY bond market, HY loans are keeping pace with 2015
- Leveraged loans saw consistent activity week-to-week in January and banks expect this to continue
- >$45bn in the forward pipeline
- An uptick in defaults is expected in the loan space but to a lesser extent than in the HY bond market

Replay Details

- Available from 3:30pm (Eastern Time) February 5, 2016 until 3:30pm (Eastern Time) March 5, 2016

- Telephone Details:
  - US +1-888-203-1112
  - Non-US +1-719-457-0820
  - Passcode 6337202

- Webcast Details:
  - Go to http://ir.moodys.com
  - Click on “Events & Presentations” featured on the left
  - Click on the link for “4Q 2015 Earnings Conference Call”

Appendix



Consolidated Statements of Operations (Unaudited)

Amounts in millions, except per share amounts	Three Months Ended December 31, 2015	Three Months Ended December 31, 2014	Year Ended December 31, 2015	Year Ended December 31, 2014
Revenue	$ 865.9	$ 877.5	$ 3,484.5	$ 3,334.3
Expenses:				
Operating	251.9	255.5	976.3	930.3
Selling, general and administrative	252.2	250.3	921.3	869.3
Depreciation and amortization	28.7	27.0	113.5	95.6
Total expenses	532.8	532.8	2,011.1	1,895.2
Operating income	333.1	344.7	1,473.4	1,439.1
Non-operating (expense) income, net				
Interest (expense) income, net	(28.1)	(29.3)	(115.1)	(116.8)
Other non-operating (expense) income, net	7.3	20.4	21.3	35.9
ICRA Gain	-	-	-	102.8
Total non-operating (expense) income, net	(20.8)	(8.9)	(93.8)	21.9
Income before provision for income taxes	312.3	335.8	1,379.6	1,461.0
Provision for income taxes	91.9	94.4	430.0	455.0
Net income	220.4	241.4	949.6	1,006.0
Less: net income attributable to noncontrolling interests	2.5	5.1	8.3	17.3
Net income attributable to Moody's Corporation	$ 217.9	$ 236.3	$ 941.3	$ 988.7
Earnings per share attributable to Moody's common shareholders				
Basic	$ 1.11	$ 1.14	$ 4.70	$ 4.69
Diluted	$ 1.09	$ 1.12	$ 4.63	$ 4.61
Weighted average number of shares outstanding				
Basic	197.0	206.5	200.1	210.7
Diluted	200.2	210.5	203.4	214.7

Supplemental Revenue Information (Unaudited)

Amounts in millions	Three Months Ended December 31, 2015	Three Months Ended December 31, 2014	Year Ended December 31, 2015	Year Ended December 31, 2014
Moody's Investors Service				
Corporate Finance	$ 246.1	$ 263.3	$ 1,112.7	$ 1,109.3
Structured Finance	114.1	118.5	449.1	426.5
Financial Institutions	91.9	85.3	365.6	354.7
Public, Project and Infrastructure Finance	85.2	90.1	376.4	357.3
MIS Other	7.3	7.9	30.4	18.0
Intersegment royalty	24.0	21.9	93.5	87.6
Sub-total MIS	568.6	587.0	2,427.7	2,353.4
Eliminations	(24.0)	(21.9)	(93.5)	(87.6)
Total MIS revenue	544.6	565.1	2,334.2	2,265.8
Moody's Analytics				
Research, Data and Analytics	161.4	149.5	626.4	571.8
Enterprise Risk Solutions	121.5	120.4	374.0	328.5
Professional Services	38.4	42.5	149.9	168.2
Intersegment revenue	3.4	3.2	13.1	13.3
Sub-total MA	324.7	315.6	1,163.4	1,081.8
Eliminations	(3.4)	(3.2)	(13.1)	(13.3)
Total MA revenue	321.3	312.4	1,150.3	1,068.5
Total Moody's Corporation revenue	$ 865.9	$ 877.5	$ 3,484.5	$ 3,334.3
Moody's Corporation revenue by geographic area				
United States	$ 481.2	$ 478.7	$ 2,009.0	$ 1,814.5
International	384.7	398.8	1,475.5	1,519.8
	$ 865.9	$ 877.5	$ 3,484.5	$ 3,334.3

Non-operating (Expense) Income, Net (Unaudited)

Amounts in millions	Three Months Ended December 31, 2015	Three Months Ended December 31, 2014	Year Ended December 31, 2015	Year Ended December 31, 2014
Interest (expense) / income, net:				
Expense on borrowings[a]	$ (31.8)	$ (28.3)	$ (120.6)	$ (118.4)
Income	2.7	1.6	9.7	6.7
Legacy Tax[b]	-	-	0.7	0.7
UTPs and other tax related liabilities[c]	1.0	(2.6)	(5.3)	(5.8)
Interest capitalized	-	-	0.4	-
Total interest (expense) income, net	$ (28.1)	$ (29.3)	$ (115.1)	$ (116.8)
Other non-operating (expense) income, net:				
FX gain/(loss)	$ 3.6	$ 18.8	$ 1.1	$ 20.3
Legacy Tax[b]	-	-	6.4	6.4
Joint venture income (loss)	3.0	1.7	11.8	9.6
Other	0.7	(0.1)	2.0	(0.4)
Other non-operating (expense) income, net	7.3	20.4	21.3	35.9
ICRA Gain	-	-	-	102.8
Total non-operating (expense) income, net	$ (20.8)	$ (8.9)	$ (93.8)	$ 21.9

[a] The full-year 2014 amount includes approximately $11M in net costs related to the prepayment of the Series 2005-1 Notes.

[b] Reflects the favorable resolution of legacy tax matters.

[c] The 2015 amounts include benefits from the resolution of certain domestic and international tax matters.

Selected Consolidated Balance Sheet Data (Unaudited)

Amounts in millions	December 31, 2015	December 31, 2014
Cash and cash equivalents	$ 1,757.4	$ 1,219.5
Short-term investments	474.8	458.1
Total current assets	3,243.1	2,686.4
Non-current assets	1,880.3	1,982.6
Total assets	5,123.4	4,669.0
Total current liabilities	1,218.5	1,199.7
Total debt [1]	3,401.0	2,547.3
Other long-term liabilities	836.9	879.1
Total shareholders' (deficit) equity *	(333.0)	42.9
Total liabilities and shareholders' equity	5,123.4	4,669.0
Actual number of shares outstanding	196.1	204.4

* The decrease primarily reflects share repurchases and FX translation losses partially offset by net income in 2015.

[1] Total debt consists of the following:	December 31, 2015	December 31, 2014
Series 2007-1 Notes due 2017	300.0	300.0
2010 Senior Notes due 2020 [a]	507.8	503.8
2012 Senior Notes due 2022 [b]	497.2	496.9
2013 Senior Notes due 2024 [c]	497.7	497.5
2014 Senior Notes due 2019 [d]	451.8	450.7
2014 Senior Notes due 2044 [e]	603.4	298.4
2015 Senior Notes due 2027 [f]	543.1	-
Total debt	$ 3,401.0	$ 2,547.3

[a] Represents $500 million of 5.5% publicly traded Senior Notes which mature on September 1, 2020; the notes were offered to the public at 99.374% of the face amount and include a $9.4 million and a $5.8 million adjustment relating to the fair value of an interest rate hedge at December 31, 2015 and 2014, respectively.
[b] Represents $500 million of 4.5% publicly traded Senior Notes which mature on September 1, 2022; the notes were offered to the public at 99.218% of the face amount.
[c] Represents $500 million of 4.9% publicly traded Senior Notes which mature on February 15, 2024; the notes were offered to the public at 99.431% of the face amount.
[d] Represents $450 million of 2.75% publicly traded Senior Notes which mature on July 15, 2019; the notes were offered to the public at 99.838% of the face amount and include a $2.3 million and a $1.4 million adjustment relating to the fair value of an interest rate hedge at December 31, 2015 and 2014, respectively.
[e] Represents $600 million of 5.25% publicly traded Senior Notes which mature on July 15, 2044; the initial $300 million issuance of the notes in 2014 were offered to the public at 99.462% of the face amount; the additional $300 million issuance in 2015 were offered to the public at 101.663% of the face amount.
[f] Represents €500 million of 1.75% publicly traded Senior Notes which mature on March 9, 2027.

Financial Information by Segment

The table below presents revenue, adjusted operating income and operating income by reportable segment. The Company defines adjusted operating income as operating income excluding depreciation and amortization.

	Three Months Ended December 31,							
	2015				2014			
	MIS	MA	Eliminations	Consolidated	MIS	MA	Eliminations	Consolidated
Revenue	$ 568.6	$ 324.7	$ (27.4)	$ 865.9	$ 587.0	$ 315.6	$ (25.1)	$ 877.5
Operating, selling, general and administrative	283.9	247.6	(27.4)	504.1	292.6	238.3	(25.1)	505.8
Adjusted operating income	284.7	77.1	-	361.8	294.4	77.3	-	371.7
Depreciation and amortization	17.3	11.4	-	28.7	15.0	12.0	-	27.0
Operating income	$ 267.4	$ 65.7	$ -	$ 333.1	$ 279.4	$ 65.3	$ -	$ 344.7
Adjusted operating margin	50.1%	23.7%		41.8%	50.2%	24.5%		42.4%
Operating margin	47.0%	20.2%		38.5%	47.6%	20.7%		39.3%

	Year Ended December 31,							
	2015				2014			
	MIS	MA	Eliminations	Consolidated	MIS	MA	Eliminations	Consolidated
Revenue	$ 2,427.7	$ 1,163.4	$ (106.6)	$ 3,484.5	$ 2,353.4	$ 1,081.8	$ (100.9)	$ 3,334.3
Operating, selling, general and administrative	1,120.3	883.9	(106.6)	1,897.6	1,076.2	824.3	(100.9)	1,799.6
Adjusted operating income	1,307.4	279.5	-	1,586.9	1,277.2	257.5	-	1,534.7
Depreciation and amortization	66.0	47.5	-	113.5	49.4	46.2	-	95.6
Operating income	$ 1,241.4	$ 232.0	$ -	$ 1,473.4	$ 1,227.8	$ 211.3	$ -	$ 1,439.1
Adjusted operating margin	53.9%	24.0%		45.5%	54.3%	23.8%		46.0%
Operating margin	51.1%	19.9%		42.3%	52.2%	19.5%		43.2%

Transaction and Relationship Revenue

The tables below summarize the split between transaction and relationship revenue. In the MIS segment, excluding MIS Other, transaction revenue represents the initial rating of a new debt issuance as well as other one-time fees while relationship revenue represents the recurring monitoring of a rated debt obligation and/or entities that issue such obligations, as well as revenue from programs such as commercial paper, medium-term notes, shelf registrations and other non-rating subscription based revenue. 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 software license fees and revenue from risk management advisory projects, training and certification services, and outsourced research and analytical engagements.

	Three Months Ended December 31,					
	2015			2014		
	Transaction	Relationship	Total	Transaction	Relationship	Total
Corporate Finance	$ 160.8	$ 85.3	$ 246.1	$ 175.7	$ 87.6	$ 263.3
	65%	35%	100%	67%	33%	100%
Structured Finance	$ 76.0	$ 38.1	$ 114.1	$ 78.5	$ 40.0	$ 118.5
	67%	33%	100%	66%	34%	100%
Financial Institutions	$ 35.2	$ 56.7	$ 91.9	$ 27.6	$ 57.7	$ 85.3
	38%	62%	100%	32%	68%	100%
Public, Project and Infrastructure Finance	$ 47.8	$ 37.4	$ 85.2	$ 52.8	$ 37.3	$ 90.1
	56%	44%	100%	59%	41%	100%
MIS Other	$ 2.8	$ 4.5	$ 7.3	$ 3.8	$ 4.1	$ 7.9
	38%	62%	100%	48%	52%	100%
Total MIS	**$ 322.6**	**$ 222.0**	**$ 544.6**	$ 338.4	**$ 226.7**	**$ 565.1**
	59%	**41%**	**100%**	**60%**	**40%**	**100%**
Moody's Analytics	**$ 97.7**	**$ 223.6**	**$ 321.3**	$ 95.6	**$ 216.8**	**$ 312.4**
	30%	**70%**	**100%**	**31%**	**69%**	**100%**
Total Moody's Corporation	**$ 420.3**	**$ 445.6**	**$ 865.9**	$ 434.0	**$ 443.5**	**$ 877.5**
	49%	**51%**	**100%**	**49%**	**51%**	**100%**

Transaction and Relationship Revenue (continued)

	Year Ended December 31,					
	2015			2014		
	Transaction	Relationship	Total	Transaction	Relationship	Total
Corporate Finance	$ 768.8	$ 343.9	$ 1,112.7	$ 782.0	$ 327.3	$ 1,109.3
	69%	31%	100%	70%	30%	100%
Structured Finance	$ 287.9	$ 161.2	$ 449.1	$ 264.8	$ 161.7	$ 426.5
	64%	36%	100%	62%	38%	100%
Financial Institutions	$ 136.6	$ 229.0	$ 365.6	$ 123.8	$ 230.9	$ 354.7
	37%	63%	100%	35%	65%	100%
Public, Project and Infrastructure Finance	$ 225.9	$ 150.5	$ 376.4	$ 208.9	$ 148.4	$ 357.3
	60%	40%	100%	58%	42%	100%
MIS Other	$ 13.2	$ 17.2	$ 30.4	$ 3.8	$ 14.2	$ 18.0
	43%	57%	100%	21%	79%	100%
Total MIS	**$ 1,432.4**	**$ 901.8**	**$ 2,334.2**	**$ 1,383.3**	**$ 882.5**	$ 2,265.8
	61%	**39%**	**100%**	**61%**	**39%**	100%
Moody's Analytics	**$ 296.9**	**$ 853.4**	**$ 1,150.3**	**$ 283.2**	**$ 785.3**	$ 1,068.5
	26%	**74%**	**100%**	**27%**	**73%**	100%
Total Moody's Corporation	**$ 1,729.3**	**$ 1,755.2**	**$ 3,484.5**	**$ 1,666.5**	**$ 1,667.8**	**$ 3,334.3**
	50%	**50%**	**100%**	**50%**	**50%**	**100%**

Non-GAAP Diluted Earnings Per Share Attributable to Moody's Common Shareholders

The tables below reflect certain adjusted results that the SEC defines as "non-GAAP financial measures" as well as a reconciliation of each non-GAAP measure to its most directly comparable GAAP measure. Management believes that such non-GAAP 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 to provide greater transparency to investors of supplemental information used by management in its financial and operational decision-making. These non-GAAP measures, as defined by the Company, are not necessarily comparable to similarly defined measures of other companies. Furthermore, these non-GAAP measures should not be viewed in isolation or used as a substitute for other GAAP measures in assessing the operating performance or cash flows of the Company.

The Company presents this non-GAAP measure to exclude the impact of the ICRA Gain as well as benefits from the resolution of Legacy Tax Matters to allow for a more meaningful comparison of Moody's diluted earnings per share from period to period. Below is a reconciliation of this measure to its most directly comparable US GAAP amount:

	Year Ended December 31,	
	2015	2014
Diluted EPS - GAAP	$ 4.63	$ 4.61
ICRA Gain	-	(0.37)
Legacy Tax	(0.03)	(0.03)
Diluted EPS - Non-GAAP	$ 4.60	$ 4.21

Adjusted Operating Income and Adjusted Operating Margin

The table below reflects a reconciliation of the Company's operating income and operating margin to adjusted operating income and adjusted operating margin. The Company defines adjusted operating income as operating income excluding depreciation and amortization. The Company presents adjusted operating income because management deems this metric to be a useful measure of assessing the operating performance of Moody's, measuring the Company's ability to service debt, fund capital expenditures, and expand its business. Adjusted operating income excludes depreciation and amortization because companies utilize productive assets of different ages and use different methods of both acquiring and depreciating productive assets. Management believes that the exclusion of this item, detailed in the reconciliation below, allows for a more meaningful comparison of the Company's results from period to period and across companies. The Company defines adjusted operating margin as adjusted operating income divided by revenue.

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Operating income	$ 333.1	$ 344.7	$ 1,473.4	$ 1,439.1
Depreciation & amortization	28.7	27.0	113.5	95.6
Adjusted operating income	$ 361.8	$ 371.7	$ 1,586.9	$ 1,534.7
Operating margin	38.5%	39.3%	42.3%	43.2%
Adjusted operating margin	41.8%	42.4%	45.5%	46.0%

	Year Ended December 31, 2016
Operating Margin Guidance	Approximately 42%
Depreciation and amortization	Approximately 3%
Adjusted Operating Margin Guidance	Approximately 45%

Free Cash Flow

The table below reflects a reconciliation of the Company's net cash flows from operating activities to free cash flow. The Company defines free cash flow as net cash provided by operating activities minus payments for capital additions. Management 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.

	Year Ended December 31,	
	2015	2014
Net cash flows from operating activities	$ 1,154.0	$ 1,018.6
Capital additions	(89.0)	(74.6)
Free cash flow	$ 1,065.0	$ 944.0
Net cash used in investing activities	$ (92.4)	$ (564.9)
Net cash provided by (used in) financing activities	$ (461.0)	$ (1,064.5)

	Year Ended December 31, 2016
Net cash flow from operating activities guidance	Approximately $1.2 Billion
Capital additions	$125 - $135 million
Free cash flow guidance	Approximately $1.1 Billion

Constant Currency Measures

The Company presents revenue and operating income growth on a constant currency basis because management deems this metric to be a useful measure of assessing the operations of the Company in times of foreign exchange rate volatility. Constant currency measures exclude the impact of changes in foreign exchange rates on operating results. The Company calculates the dollar impact of foreign exchange as the difference between the translation of its current period non-USD functional currency results using prior comparative period weighted average foreign exchange translation rates and current year as reported results. Growth rates on a constant currency basis are determined based on the difference between current period revenue and operating income translated using prior period comparative weighted average exchange rates and prior period as reported results divided by prior as reported results. Below is a reconciliation of the Company's as reported revenue and operating income changes to the changes on a constant currency basis:

Three Months Ended December 31, 2015

	CFG Revenue		SFG Revenue		FIG Revenue		PPIF Revenue		Total MIS Revenue		MIS Non-US Revenue	
	$	%	$	%	$	%	$	%	$	%	$	%
Reported change	(17.2)	(7%)	(4.4)	(4%)	6.6	8%	(4.9)	(5%)	(20.5)	(4%)	(15.1)	(7%)
FX impact	7.0	3%	4.8	4%	4.3	5%	3.0	3%	19.4	4%	19.7	9%
Constant currency change	(10.2)	(4%)	0.4	-	10.9	13%	(1.9)	(2%)	(1.1)	-	4.6	2%

	RD&A Revenue		ERS Revenue		PS Revenue		Total MA Revenue		MA Non-US Revenue		RD&A Non-US Revenue	
	$	%	$	%	$	%	$	%	$	%	$	%
Reported change	11.9	8%	1.1	1%	(4.1)	(10%)	8.9	3%	1.0	1%	3.5	5%
FX impact	4.2	3%	4.3	3%	1.5	4%	10.0	3%	10.0	5%	4.2	6%
Constant currency change	16.1	11%	5.4	4%	(2.6)	(6%)	18.9	6%	11.0	6%	7.7	11%

	MCO Revenue		MCO Non-US Revenue		MCO Operating Income	
	$	%	$	%	$	%
Reported change	(11.6)	(1%)	(14.1)	(4%)	(11.6)	(3%)
FX impact	29.4	3%	29.7	8%	15.7	4%
Constant currency change	17.8	2%	15.6	4%	4.1	1%

Year Ended December 31, 2015

	MCO Revenue		MCO Operating Income		MCO Non-US Revenue	
	$	%	$	%	$	%
Reported change	150.2	5%	34.3	2%	(44.3)	(3%)
FX impact	149.5	4%	75.9	6%	145.8	10%
Constant currency change	299.7	9%	110.2	8%	101.5	7%

	Total MIS Revenue		MIS Non-US Revenue		Total MA Revenue		MA Non-US Revenue	
	$	%	$	%	$	%	$	%
Reported change	68.4	3%	(64.9)	(7%)	81.8	8%	20.6	3%
FX impact	102.2	5%	99.1	11%	47.3	4%	46.7	8%
Constant currency change	170.6	8%	34.2	4%	129.1	12%	67.3	11%

2016 Outlook

Moody's outlook for 2016 is based on assumptions about many macroeconomic and capital market factors, including interest rates, foreign currency exchange rates, corporate profitability and business investment spending, merger and acquisition activity, consumer borrowing and securitization, and the amount of debt issued. These assumptions are subject to some degree of uncertainty, and results for the year could differ materially from our current outlook. Moody's guidance, which is presented in the table below, assumes foreign currency translation at end-of-quarter exchange rates with the exception of the British pound (£) and the euro (€) which assume foreign currency translation of $1.42 to £1 and $1.09 to €1, respectively.

Full Year 2016 Moody's Corporation Guidance as of February 5, 2016	
MOODY'S CORPORATION	
Revenue	growth in the mid-single-digit percent range
Operating expense	growth in the mid-single-digit percent range
Depreciation & amortization	Approximately $130 million
Operating margin	Approximately 42%
Adjusted Operating margin	Approximately 45%
Effective tax rate	32% - 32.5%
EPS	$4.75 to $4.85
Capital expenditures	$125 - $135 million
Free cash flow	Approximately $1.1 billion
Share repurchases	Approximately $1 billion (subject to available cash, market conditions and other ongoing capital allocation decisions)
Full Year 2016 Revenue Guidance as of February 5, 2016	
MIS	
MIS global	growth in the mid-single-digit percent range
MIS US	growth in the mid-single-digit percent range
MIS non-US	growth in the mid-single-digit percent range
CFG	flat
SFG	growth in the high-single-digit percent range
FIG	growth in the mid-single-digit percent range
PPIF	growth in the high-single-digit percent range
MA	
MA global	growth in the mid-single-digit percent range
MA US	growth in the high-single-digit percent range
MA non-US	flat
RD&A	growth in the mid-single-digit percent range
ERS	growth in the low-single-digit percent range
PS	decline in low single-digit percent range

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