
Second Quarter 2009 Earnings Call



July 29, 2009

MOODY'S

Overview

A blue-tinted world map is visible in the background of the slide, showing the continents of North America, South America, Europe, Africa, Asia, and Australia.

Liz Zale

VP – Investor Relations

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Disclaimer

Certain of the 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. The forward-looking statements and other information are made as of July 29, 2009 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 has identified 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, the current world-wide credit market disruptions and economic slowdown, which is affecting and could continue to affect the volume of debt securities issued in domestic and/or global capital markets; other matters that could affect the volume of debt securities issued, including credit quality concerns, changes in interest rates and other volatility in the financial markets; the uncertain effectiveness and possible collateral consequences of U.S. and foreign government initiatives to respond to the economic slowdown; possible loss of market share through competition; and other risk factors as discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2008 and in other filings made by the Company from time to time with the Securities and Exchange Commission. This presentation includes certain non-GAAP financial measures as defined under SEC rules. As required by SEC rules, at the end of this slide presentation we have provided a reconciliation of those measures to the most directly comparable GAAP measures. A copy of this presentation, including the relevant reconciliation slides, is available on Moody's investor relations website <http://ir.moody.com>.

Second Quarter and Year-to-Date 2009 Results

A blue-tinted world map is visible in the background of the slide, showing the continents of North America, South America, Europe, Africa, and Asia.

Raymond McDaniel

Chairman and Chief Executive Officer

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Agenda

- Second Quarter and Year-to-Date 2009 Results
 - *Raymond McDaniel, Chairman & CEO*

- Financial and Operating Highlights
 - *Linda Huber, Chief Financial Officer*

- Regulatory Developments and 2009 Outlook
 - *Raymond McDaniel*

- Q&A
 - *Raymond McDaniel, Linda Huber*
 - *Michel Madelain (Chief Operating Officer, MIS)*
 - *Mark Almeida (President, Moody's Analytics)*

Second Quarter 2009 Results

Moody's Corporation – 2Q09

- Revenue ↓ 8% to **\$451 million**

- Operating Income ↓ 20% to **\$187 million**

- Reported EPS ↓ 15% to **\$0.46**
Legacy tax benefit & restructuring charge (\$0.03)

- Non-GAAP EPS* ↓ 16% to **\$0.43**

* Excludes certain legacy tax matters and restructuring activities from both periods

Year-to-Date 2009 Results

Moody's Corporation – YTD09

- Revenue ↓ 6% to **\$860 million**

- Operating Income ↓ 22% to **\$336 million**

- Reported EPS ↓ 18% to **\$0.84**
Restructuring charge & legacy tax benefit \$0.01

- Non-GAAP EPS* ↓ 14% to **\$0.85**

* Excludes the restructuring charge and certain legacy tax matters from both periods

Financial and Operating Highlights

A blue-tinted world map is visible in the background of the slide, showing the continents of North America, South America, Europe, Africa, and Asia.

Linda Huber

Chief Financial Officer

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Second Quarter 2009 Performance

Moody's Corporation Revenue – 2Q09

- Global ↓ 8% to **\$451 million**
 - Excluding impact of foreign currency translation, revenue decreased 4%

- U.S. ↓ 10% to **\$237 million**

- Non-U.S. ↓ 5% to **\$214 million**
 - 47% of MCO total

Second Quarter 2009 Performance

MIS Segment Revenue – 2Q09

- Global ↓ 13% to **\$310 million**
 - Excluding impact of foreign currency translation, revenue decreased 9%

- U.S. ↓ 13% to **\$174 million**

- Non-U.S. ↓ 13% to **\$137 million**
 - 44% of MIS total

Second Quarter 2009 Performance

MIS Segment Revenue – 2Q09

- **Financial Institutions - \$67 million**

- Global  10%
- U.S.  17%
- Non-U.S.  5%

- **Public, Project & Infrastructure Finance -\$61 million**

- Global  8%
- U.S.  18%
- Non-U.S.  22%

Second Quarter 2009 Performance

MA Segment Revenue – 2Q09

- Global ↑ 7% to **\$140 million**
 - Excluding impact of foreign currency translation, revenue increased 9%

- U.S. ↓ 2% to **\$ 63 million**

- Non-U.S. ↑ 14% to **\$ 77 million**
 - 55% of Analytics total

Second Quarter 2009 Performance

MA Segment Revenue – 2Q09

- Subscriptions ↔ about flat at **\$118 million**
- Software ↑ 83% to **\$17 million**
- Professional Services ↔ about flat at **\$5 million**

Second Quarter 2009 Operating Expense

Moody's Corporation – 2Q09

- Total expense ↑ 4% to **\$264 million**
 - Excluding the restructuring charge of \$3 million, expenses were 2% higher than the prior-year period

- Operating margin ● **41.5%**
 - Excluding the restructuring charge, operating margin was 42.2%

- Effective tax rate ● **36.4%**
 - Down from 38.5% in 2Q08
 - Excluding certain legacy tax matters and restructuring adjustments in both periods, effective tax rate was **38.8% vs. 39.6%** in prior-year-period

Share Repurchases and Debt Capacity

- **\$1.4 billion** of share repurchase authority remaining as of 6/30/09
- 2Q09 issued **0.6 million** shares under employee stock-based compensation plans
- At 6/30/09, actual outstanding shares totaled **236.3 million**
 - Actual shares outstanding decreased **3%** from prior-year period
- At 6/30/09, Moody's had:
 - **\$1.3 billion** of debt outstanding
 - **~\$400 million** of available debt capacity
 - Reduced total short-term debt by **\$80 million** during 2Q08

Regulatory Developments and 2009 Outlook

A blue-tinted world map is visible in the background of the slide, showing the continents in a lighter shade of blue against a darker blue background.

Raymond McDaniel

Chairman and Chief Executive Officer

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Legislative and Regulatory Developments

- United States

- Obama Administration published blueprint for financial system regulatory reform
- Draft bill was published specific to rating agencies
- SEC exploring the possibility of proposing additional rules

- Europe

- New EU regulation expected to be fully implemented by 2H 2010

2009 Financial Outlook

Moody's Corporation – FY09

- EPS • \$1.45 - \$1.55
- Revenue ↓ mid-single-digit % range
- Expenses ↑ mid-single-digit % range
- Operating margin • mid- to high-thirties % range

2009 Revenue Outlook

MIS Segment – FY09

- **Structured Finance**

 - ↓ mid-twenties % range

- **Corporate Finance**

 - ↑ high-single-digit % range

- **Financial Institutions**

 - ↓ mid-single-digit % range

- **Public, Project and Infrastructure Finance**

 - ↔ about flat

2009 Revenue Outlook

MA Segment – FY09

- **Global** ↑ low-single-digit % range
- Subscriptions ↓ low-single-digit % range
- Software ↑ strong growth
- Professional Services ↓ high-single-digit % range

Q&A Session

- **Raymond McDaniel**

Chairman and CEO, Moody's Corporation

- **Linda Huber**

Chief Financial Officer, Moody's Corporation

- **Michel Madelain**

Chief Operating Officer, Moody's Investors Service

- **Mark Almeida**

President, Moody's Analytics

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Appendix

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Consolidated Statements of Operations

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
<i>Amounts in millions, except per share amounts</i>				
Revenue	\$ 450.7	\$ 487.6	\$ 859.6	\$ 918.3
Expenses:				
Operating	128.0	123.3	250.4	243.2
Selling, general and administrative	116.7	114.0	226.9	213.7
Restructuring	3.1	(0.2)	14.9	(0.9)
Depreciation and amortization	15.7	16.8	31.3	29.3
Total expenses	263.5	253.9	523.5	485.3
Operating income	187.2	233.7	336.1	433.0
Non-operating (expense) income, net				
Interest (expense) income, net	(6.1)	(12.4)	(9.4)	(23.9)
Other non-operating (expense) income, net	(6.5)	2.5	(10.5)	11.4
Total	(12.6)	(9.9)	(19.9)	(12.5)
Income before provision for income taxes	174.6	223.8	316.2	420.5
Provision for income taxes	63.6	86.2	114.1	161.7
Net income	111.0	137.6	202.1	258.8
Less: net income attributable to noncontrolling interests	1.7	2.4	2.6	2.9
Net income attributable to Moody's Corporation	\$ 109.3	\$ 135.2	\$ 199.5	\$ 255.9
Earnings per share attributable to Moody's common shareholders				
Basic	\$ 0.46	\$ 0.55	\$ 0.85	\$ 1.04
Diluted	\$ 0.46	\$ 0.54	\$ 0.84	\$ 1.03
Weighted average number of shares outstanding				
Basic	236.1	244.6	235.8	246.0
Diluted	238.1	248.1	237.3	249.5

Supplemental Revenue Information

(Unaudited)

<i>Amounts in millions</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Moody's Investors Service				
Structured Finance	\$ 74.6	\$ 115.6	\$ 147.0	\$ 218.0
Corporate Finance	107.5	98.9	191.6	172.2
Financial Institutions	67.3	75.1	123.6	142.1
Public, Project and Infrastructure Finance	60.9	66.2	118.3	121.7
Intersegment royalty	14.4	15.7	29.1	31.7
Sub-total MIS	<u>324.7</u>	<u>371.5</u>	<u>609.6</u>	<u>685.7</u>
Eliminations	<u>(14.4)</u>	<u>(15.7)</u>	<u>(29.1)</u>	<u>(31.7)</u>
Total MIS revenue	<u>310.3</u>	<u>355.8</u>	<u>580.5</u>	<u>654.0</u>
Moody's Analytics				
Subscriptions	117.8	117.1	234.8	235.3
Software	17.4	9.5	33.5	19.0
Professional Services *	5.2	5.2	10.8	10.0
Total MA revenue	<u>140.4</u>	<u>131.8</u>	<u>279.1</u>	<u>264.3</u>
Total Moody's Corporation revenue	<u>\$ 450.7</u>	<u>\$ 487.6</u>	<u>\$ 859.6</u>	<u>\$ 918.3</u>
Moody's Corporation revenue by geographic area				
United States	\$ 237.1	\$ 263.5	\$ 446.0	\$ 496.4
International	213.6	224.1	413.6	421.9
	<u>\$ 450.7</u>	<u>\$ 487.6</u>	<u>\$ 859.6</u>	<u>\$ 918.3</u>

* During the second quarter of 2009 the Company renamed its 'Consulting' line of business within the MA operating segment to 'Professional Services'. The new name more accurately reflects the type of services rendered in this area, primarily training and other specialized projects undertaken at the request of customers.

Consolidated Interest (Expense)/Income, Net (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
<i>Amounts in millions</i>				
Interest (expense) / income:				
Expense on borrowings	\$ (12.5)	\$ (14.3)	\$ (24.4)	\$ (29.7)
Income	0.6	3.2	1.4	10.2
Legacy Tax ^(a)	6.5	2.3	6.5	2.3
FIN 48 and other tax	(0.7)	(3.7)	6.7	(6.8)
Interest capitalized	-	0.1	0.4	0.1
Total interest (expense) income, net	\$ (6.1)	\$ (12.4)	\$ (9.4)	\$ (23.9)

(a) The 2009 amount represents interest income related to the favorable settlement of the 1993 - 1996 legacy tax matter; the 2008 amount represents a reduction of accrued interest due to the favorable resolution of legacy tax matters.

Selected Consolidated Balance Sheet Data

(Unaudited)

	June 30, 2009	December 31, 2008
<i>Amounts in millions</i>		
Cash and cash equivalents	\$ 392.8	\$ 245.9
Short-term investments	4.9	7.1
Total current assets	900.6	809.1
Non-current assets	973.3	964.3
Total assets	1,873.9	1,773.4
Total current liabilities	1,305.1	1,393.1
Total debt ⁽¹⁾	1,330.4	1,467.7
Other long-term liabilities	568.3	616.4
Total shareholders' deficit	(749.5)	(986.1)
Total liabilities and shareholders' deficit	1,873.9	1,773.4
Actual number of shares outstanding	236.3	235.1

⁽¹⁾ Includes long-term debt of \$750.0 million at June 30, 2009 and December 31, 2008. Additionally, this includes amounts outstanding under the Company's commercial paper program and revolving credit facility of \$370.4 million and \$210.0 million, respectively, at June 30, 2009, and \$104.7 million and \$613.0 million, respectively, at December 31, 2008, which are included in total current liabilities.

Reconciliation to Non-GAAP Financial Measures (Unaudited)

Three Months Ended June 30,

Amounts in millions, except per share amounts

	2009			2008		
	As Reported	Adjustments	Non-GAAP Financial Measures *	As Reported	Adjustments	Non-GAAP Financial Measures *
Revenue	\$ 450.7	\$ -	\$ 450.7	\$ 487.6	\$ -	\$ 487.6
Expenses	263.5	(3.1) (a)	260.4	253.9	0.2 (a)	254.1
Operating income	187.2	3.1	190.3	233.7	(0.2)	233.5
Non-operating (expense) income, net	(12.6)	(6.5) (b)	(19.1)	(9.9)	(8.7) (b)	(18.6)
Income before provision for income taxes	174.6	(3.4)	171.2	223.8	(8.9)	214.9
Provision for income taxes	63.6	2.9 (c)	66.5	86.2	(1.0) (c)	85.2
Net income	111.0	(6.3)	104.7	137.6	(7.9)	129.7
Less: net income attributable to noncontrolling interests	1.7	-	1.7	2.4	-	2.4
Net income attributable to Moody's Corporation	\$ 109.3	\$ (6.3)	\$ 103.0	\$ 135.2	\$ (7.9)	\$ 127.3
Earnings per share attributable to Moody's common shareholders						
Basic	\$ 0.46		\$ 0.44	\$ 0.55		\$ 0.52
Diluted	\$ 0.46		\$ 0.43	\$ 0.54		\$ 0.51

*In addition to its reported results, Moody's has included in the table above adjusted results that the Securities and Exchange Commission defines as "non-GAAP financial measures." 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 results. May not add due to rounding.

The tables above show Moody's consolidated results for each of the three month periods ended June 30, 2009 and 2008, adjusted to exclude the impact of the following:

- (a) To exclude adjustments relating to the fourth quarter 2007 restructuring charge and the 2009 restructuring plan approved on March 27, 2009.
- (b) To exclude benefits relating to the resolution of certain legacy tax matters.
- (c) To reflect the income tax impacts related to the adjustments described in notes (a) and (b) above, and to exclude a \$4.3 million tax benefit recorded in the second quarter of 2009 related to the sett a legacy tax matter.

Reconciliation to Non-GAAP Financial Measures (Unaudited)

Six Months Ended June 30,

Amounts in millions, except per share amounts

	2009			2008		
	As Reported	Adjustments	Non-GAAP Financial Measures *	As Reported	Adjustments	Non-GAAP Financial Measures *
Revenue	\$ 859.6	\$ -	\$ 859.6	\$ 918.3	\$ -	\$ 918.3
Expenses	523.5	(14.9) (a)	508.6	485.3	0.9 (a)	486.2
Operating income	336.1	14.9	351.0	433.0	(0.9)	432.1
Non-operating (expense) income, net	(19.9)	(6.5) (b)	(26.4)	(12.5)	(8.7) (b)	(21.2)
Income before provision for income taxes	316.2	8.4	324.6	420.5	(9.6)	410.9
Provision for income taxes	114.1	7.3 (c)	121.4	161.7	(1.2) (c)	160.5
Net income	202.1	1.1	203.2	258.8	(8.4)	250.4
Less: net income attributable to noncontrolling interests	2.6	-	2.6	2.9	-	2.9
Net income attributable to Moody's Corporation	\$ 199.5	\$ 1.1	\$ 200.6	\$ 255.9	\$ (8.4)	\$ 247.5
Earnings per share attributable to Moody's common shareholders						
Basic	\$ 0.85		\$ 0.85	\$ 1.04		\$ 1.01
Diluted	\$ 0.84		\$ 0.85	\$ 1.03		\$ 0.99

*In addition to its reported results, Moody's has included in the table above adjusted results that the Securities and Exchange Commission defines as "non-GAAP financial measures." 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 results. May not add due to rounding.

The tables above show Moody's consolidated results for each of the six month periods ended June 30, 2009 and 2008, adjusted to exclude the impact of the following:

- (a) To exclude adjustments relating to the fourth quarter 2007 restructuring charge and the 2009 restructuring plan approved on March 27, 2009.
- (b) To exclude benefits relating to the resolution of certain legacy tax matters.
- (c) To reflect the income tax impacts related to the adjustments described in notes (a) and (b) above, and to exclude a \$4.3 million tax benefit recorded in the second quarter of 2009 related to the settlement of a legacy tax matter.

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