

MOODYS CORP /DE/  
Form 10-Q  
July 27, 2017  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

(Mark one)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

For the quarterly period ended June 30, 2017

Or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

For the transition period from                      to

Commission file number 1-14037

**Moody's Corporation**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State of Incorporation)

**13-3998945**  
(I.R.S. Employer Identification No.)

**7 World Trade Center at**

**250 Greenwich Street, New York, N.Y.**  
(Address of Principal Executive Offices)

**10007**  
(Zip Code)

**Registrant's telephone number, including area code:**

**(212) 553-0300**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months, or for such shorter period that the registrant was required to submit and post such files. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

**Title of Each Class**  
Common Stock, par value \$0.01 per share

**Shares Outstanding at June 30, 2017**  
191.0 million

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The following terms, abbreviations and acronyms are used to identify frequently used terms in this report:

<b>TERM</b>	<b>DEFINITION</b>
Acquisition-Related Expenses	Consists of expenses incurred to complete and integrate the pending acquisition of Bureau van Dijk
Adjusted Diluted EPS	Diluted EPS excluding the impact of the CCXI Gain, Acquisition-Related Expenses and the Purchase Price Hedge Gain related to the acquisition of Bureau van Dijk
Adjusted Operating Income	Operating income excluding depreciation and amortization and non-recurring acquisition-related expenses relating to the acquisition of Bureau van Dijk
Adjusted Operating Margin	Adjusted Operating Income divided by revenue
Americas	Represents countries within North and South America, excluding the U.S.
AOCI	Accumulated other comprehensive income (loss); a separate component of shareholders' equity (deficit)
ASC	The FASB Accounting Standards Codification; the sole source of authoritative GAAP as of July 1, 2009 except for rules and interpretive releases of the SEC, which are also sources of authoritative GAAP for SEC registrants
Asia-Pacific	Represents countries in Asia including but not limited to: Australia, China, India, Indonesia, Japan, Korea, Malaysia, Singapore, Sri Lanka and Thailand
ASU	The FASB Accounting Standards Update to the ASC. It also provides background information for accounting guidance and the bases for conclusions on the changes in the ASC. ASUs are not considered authoritative until codified into the ASC
Board	The board of directors of the Company
BPS	Basis points
Bureau van Dijk	A global provider of business intelligence and company information; in May 2017, a subsidiary of the Company entered into a definitive agreement to acquire the parent company of Bureau van Dijk which is subject to regulatory approval in the EU
CCXI	China Cheng Xin International Credit Rating Co. Ltd.; China's first and largest domestic credit rating agency approved by the People's Bank of China; the Company acquired a 49% interest in 2006; currently Moody's owns 30% of CCXI.
CCXI Gain	In the first quarter of 2017 CCXI, as part of a strategic business realignment, issued additional capital to its majority shareholder in exchange for a ratings business wholly-owned by the majority shareholder and which has the right to rate a different class of debt instrument in the Chinese market. The capital issuance by CCXI in exchange for this ratings business diluted Moody's ownership interest in CCXI to 30% of a larger business and resulted in a \$59.7 million non-cash, non-taxable gain.
CLO	Collateralized loan obligation
Commission	European Commission

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Common Stock	The Company's common stock
Company	Moody's Corporation and its subsidiaries; MCO; Moody's
Copal	Copal Partners; an acquisition completed in November 2011; part of the MA segment; leading provider of research and analytical services to institutional investors
Copal Amba	Operating segment (rebranded as MAKES in 2016) created in January 2014 that consists of all operations from Copal and Amba. Part of the PS LOB within the MA reportable segment. Also a reporting unit.
Council	Council of the European Union
CP	Commercial Paper
CP Notes	Unsecured commercial paper issued under the CP Program
CP Program	A program entered into on August 3, 2016 allowing the Company to privately place CP up to a maximum of \$1 billion for which the maturity may not exceed 397 days from the date of issue
CRA's	Credit rating agencies
CRA3	Regulation (EU) No 462/2013 of the European Parliament and of the Council, which updated the regulatory regimes imposing additional procedural requirements on CRA's
D&A	Depreciation and amortization
DBPP	Defined benefit pension plans
Debt/EBITDA	Ratio of Total Debt to EBITDA
EBITDA	Earnings before interest, taxes, depreciation and amortization
EMEA	Represents countries within Europe, the Middle East and Africa
EPS	Earnings per share
ERS	The enterprise risk solutions LOB within MA, which offers risk management software products as well as software implementation services and related risk management advisory engagements
ESMA	European Securities and Markets Authority
ETR	Effective tax rate
EU	European Union
EUR	Euros
Excess Tax Benefits	The difference between the tax benefit realized at exercise of an option or delivery of a restricted share and the tax benefit recorded at the time the option or restricted share is expensed under GAAP
Exchange Act	The Securities Exchange Act of 1934, as amended

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FASB	Financial Accounting Standards Board
FIG	Financial institutions group; an LOB of MIS
Financial Reform Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
Free Cash Flow	Net cash provided by operating activities less cash paid for capital additions
FSTC	Financial Services Training and Certifications; part of the PS LOB and a reporting unit within the MA reportable segment; consists of online and classroom-based training services and CSI Global Education, Inc.
FX	Foreign exchange
GAAP	U.S. Generally Accepted Accounting Principles
GBP	British pounds
GGY	Gilliland Gold Young; a leading provider of advanced actuarial software for the global insurance industry. The Company acquired GGY on March 1, 2016; part of the ERS LOB and reporting unit within the MA reportable segment
ICRA	ICRA Limited; a leading provider of credit ratings and research in India. The Company previously held 28.5% equity ownership and in June 2014, increased that ownership stake to just over 50% through the acquisition of additional shares
ICTEAS	ICRA Techno Analytics; formerly a wholly-owned subsidiary of ICRA; divested by ICRA in the fourth quarter of 2016
IRS	Internal Revenue Service
IT	Information technology
KIS	Korea Investors Service, Inc; a leading Korean rating agency and consolidated subsidiary of the Company
KIS Pricing	Korea Investors Service Pricing, Inc; a leading Korean provider of fixed income securities pricing and consolidated subsidiary of the Company
LIBOR	London Interbank Offered Rate
LOB	Line of business
M&A	Mergers and acquisitions
MA	Moody's Analytics a reportable segment of MCO formed in January 2008 which provides a wide range of products and services that support financial analysis and risk management activities of institutional participants in global financial markets; consists of three LOBs RD&A, ERS and PS
Make Whole Amount	The prepayment penalty amount relating to the Series 2007-1 Notes, 2010 Senior Notes, 2012 Senior Notes, 2013 Senior Notes, 2014 Senior Notes (5-year), 2014 Senior Notes (30-year), 2015 Senior Notes, 2017 Senior Notes, 2017 Private Placement Notes Due 2023 and 2017 Private Placement Notes Due 2028 which is a premium based on the excess, if any, of the discounted value of the remaining scheduled payments over the prepaid principal

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MAKS	Moody's Analytics Knowledge Services; formerly known as Copal Amba; provides offshore research and analytic services to the global financial and corporate sectors; part of the PS LOB and a reporting unit within the MA reportable segment
MCO	Moody's Corporation and its subsidiaries; the Company; Moody's
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MIS	Moody's Investors Service—a reportable segment of MCO; consists of five LOBs—SFG, CFG, FIG, PPIF and MIS Other
MIS Other	Consists of non-ratings revenue from ICRA, KIS Pricing and KIS Research. These businesses are components of MIS; MIS Other is an LOB of MIS
Moody's	Moody's Corporation and its subsidiaries; MCO; the Company
Net Income	Net income attributable to Moody's Corporation, which excludes net income from consolidated noncontrolling interests belonging to the minority interest holder
NM	Percentage change is not meaningful
Non-GAAP	A financial measure not in accordance with GAAP; these 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 provide greater transparency to investors of supplemental information used by management in its financial and operational decision making
NRSRO	Nationally Recognized Statistical Rating Organization
OCI	Other comprehensive income (loss); includes gains and losses on cash flow and net investment hedges, unrealized gains and losses on available for sale securities, certain gains and losses relating to pension and other retirement benefit obligations and foreign currency translation adjustments
Other Retirement Plan	The U.S. retirement healthcare and U.S. retirement life insurance plans
PPIF	Public, project and infrastructure finance; an LOB of MIS
Profit Participation Plan	Defined contribution profit participation plan that covers substantially all U.S. employees of the Company
PS	Professional Services, an LOB within MA consisting of MAKS and FSTC that provides research and analytical services as well as financial training and certification programs
Purchase Price Hedge Gain	Unrealized gain on foreign currency collars to economically hedge the Bureau van Dijk euro denominated purchase price
RD&A	Research, Data and Analytics; an LOB within MA that produces, sells and distributes research, data and related content. Includes products generated by MIS, such as analyses on major debt issuers, industry studies, and commentary on topical credit events, as well as economic research, data, quantitative risk scores, and other analytical tools that are produced within MA
Reform Act	Credit Rating Agency Reform Act of 2006
REIT	Real Estate Investment Trust
Relationship Revenue	For MIS represents 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 and shelf registrations. For MIS Other represents subscription-based revenue. For MA, represents subscription-based license and maintenance revenue

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Retirement Plans	Moody's funded and unfunded pension plans, the healthcare plans and life insurance plans
SCDM	SCDM Financial, a leading provider of analytical tools for participants in securitization markets. Moody's acquired SCDM's structured finance data and analytics business in February 2017
SEC	U.S. Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
Series 2007-1 Notes	Principal amount of \$300 million, 6.06% senior unsecured notes due in September 2017 pursuant to the 2007 Agreement; prepaid in March 2017
Settlement Charge	Charge of \$863.8 million recorded in the fourth quarter of 2016 related to an agreement entered into on January 13, 2017 with the U.S. Department of Justice and the attorneys general of 21 U.S. states and the District of Columbia to resolve pending and potential civil claims related to the credit ratings that MIS assigned to certain structured finance instruments in the financial crisis era
SFG	Structured finance group; an LOB of MIS
SG&A	Selling, general and administrative expenses
Total Debt	All indebtedness of the Company as reflected on the consolidated balance sheets
Transaction Revenue	For MIS, represents the initial rating of a new debt issuance as well as other one-time fees. For MIS Other, represents revenue from professional services as well as data services, research and analytical engagements. For MA, represents software license fees and revenue from risk management advisory projects, training and certification services, and research and analytical engagements
U.K.	United Kingdom
U.S.	United States
USD	U.S. dollar
UTBs	Unrecognized tax benefits
UTPs	Uncertain tax positions
VSOE	Vendor specific objective evidence; as defined in the ASC, evidence of selling price limited to either of the following: the price charged for a deliverable when it is sold separately, or for a deliverable not yet being sold separately, the price established by management having the relevant authority
2000 Distribution	The distribution by Old D&B to its shareholders of all the outstanding shares of New D&B common stock on September 30, 2000
2007 Agreement	Note purchase agreement dated September 7, 2007, relating to the Series 2007-1 Notes
2010 Indenture	Supplemental indenture and related agreements dated August 19, 2010, relating to the 2010 Senior Notes
2010 Senior Notes	Principal amount of \$500 million, 5.50% senior unsecured notes due in September 2020 pursuant to the 2010 Indenture
2012 Facility	Revolving credit facility of \$1 billion entered into on April 18, 2012; was replaced with the 2015 Facility



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2012 Indenture	Supplemental indenture and related agreements dated August 18, 2012, relating to the 2012 Senior Notes
2012 Senior Notes	Principal amount of \$500 million, 4.50% senior unsecured notes due in September 2022 pursuant to the 2012 Indenture
2013 Indenture	Supplemental indenture and related agreements dated August 12, 2013, relating to the 2013 Senior Notes
2013 Senior Notes	Principal amount of the \$500 million, 4.875% senior unsecured notes due in February 2024 pursuant to the 2013 Indenture
2014 Indenture	Supplemental indenture and related agreements dated July 16, 2014, relating to the 2014 Senior Notes
2017 Indenture	Collectively the Supplemental indenture and related agreements dated March 2, 2017, relating to the 2017 Floating Rate Senior Notes and 2017 Senior Notes and the Supplemental indenture and related agreements dated June 12, 2017, relating to the 2017 Private Placement Notes Due 2023 and 2017 Private Placement Notes Due 2028
2014 Senior Notes (5-Year)	Principal amount of \$450 million, 2.75% senior unsecured notes due in July 2019
2014 Senior Notes (30-Year)	Principal amount of \$600 million, 5.25% senior unsecured notes due in July 2044
2015 Facility	Five-year unsecured revolving credit facility, with capacity to borrow up to \$1 billion; replaces the 2012 Facility
2015 Indenture	Supplemental indenture and related agreements dated March 9, 2015, relating to the 2015 Senior Notes
2015 Senior Notes	Principal amount 500 million, 1.75% senior unsecured notes issued March 9, 2015 and due in March 2027
2017 Bridge Credit Facility	Bridge Credit Agreement entered into in May 2017 pursuant to the definitive agreement to acquire Bureau van Dijk; this facility was terminated in June 2017 upon issuance of the 2017 Private Placement Notes Due 2023 and the 2017 Private Placement Notes Due 2028
2017 Floating Rate Senior Notes	Principal amount of \$300 million, floating rate senior unsecured notes due in September 2018
2017 Private Placement Notes Due 2023	Principal amount \$500 million, 2.625% senior unsecured notes due January 15, 2023
2017 Private Placement Notes Due 2028	Principal amount \$500 million, 3.250% senior unsecured notes due January 15, 2028
2017 Senior Notes	Principal amount of \$500 million, 2.75% senior unsecured notes due in December 2021
2017 Term Loan Facility	Three-year unsecured revolving credit facility, with capacity to borrow up to \$500 million.

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****MOODY S CORPORATION****CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

(Amounts in millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
<b>Revenue</b>	<b>\$ 1,000.5</b>	<b>\$ 928.9</b>	<b>\$ 1,975.7</b>	<b>\$ 1,745.0</b>
Expenses				
Operating	285.8	258.9	563.2	508.1
Selling, general and administrative	217.7	228.6	439.6	461.5
Depreciation and amortization	32.9	31.2	65.4	61.1
Acquisition-Related Expenses	6.6		6.6	
<b>Total expenses</b>	<b>543.0</b>	<b>518.7</b>	<b>1,074.8</b>	<b>1,030.7</b>
<b>Operating income</b>	<b>457.5</b>	<b>410.2</b>	<b>900.9</b>	<b>714.3</b>
Non-operating (expense) income, net				
Interest expense, net	(45.0)	(34.3)	(87.4)	(68.4)
Other non-operating income (expense), net	8.3	3.0	(1.1)	8.6
Purchase Price Hedge Gain	41.2		41.2	
CCXI Gain			59.7	
<b>Total non-operating income (expense), net</b>	<b>4.5</b>	<b>(31.3)</b>	<b>12.4</b>	<b>(59.8)</b>
<b>Income before provisions for income taxes</b>	<b>462.0</b>	<b>378.9</b>	<b>913.3</b>	<b>654.5</b>
Provision for income taxes	148.4	120.8	253.8	209.8
<b>Net income</b>	<b>313.6</b>	<b>258.1</b>	<b>659.5</b>	<b>444.7</b>
Less: Net income attributable to noncontrolling interests	1.4	2.6	1.7	4.8
<b>Net income attributable to Moody s</b>	<b>\$ 312.2</b>	<b>255.5</b>	<b>657.8</b>	<b>439.9</b>
Earnings per share attributable to Moody s common shareholders				
Basic	\$ 1.63	1.32	3.44	2.27
Diluted	\$ 1.61	1.30	3.39	2.24
Weighted average number of shares outstanding				

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Basic	191.0	193.4	191.1	194.2
Diluted	193.8	195.8	194.1	196.8
Dividends declared per share attributable to Moody's common shareholders	\$ 0.38	\$ 0.37	\$ 0.38	\$ 0.37

The accompanying notes are an integral part of the consolidated financial statements.

**Table of Contents****MOODY S CORPORATION****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

(Amounts in millions)

	Three Months Ended June 30, 2017			Three Months Ended June 30, 2016		
	Pre-tax amounts	Tax amounts	After-tax amounts	Pre-tax amounts	Tax amounts	After-tax amounts
Net Income			\$ 313.6			\$ 258.1
<b>Other Comprehensive Income (Loss):</b>						
<b>Foreign Currency Adjustment:</b>						
Foreign currency translation adjustments, net	\$ 35.1	\$ 15.4	50.5	\$ (45.9)	\$ 26.5	(19.4)
<b>Cash Flow Hedges:</b>						
Net realized and unrealized gain (loss) on cash flow hedges	5.1	(1.9)	3.2	(4.6)	1.7	(2.9)
Reclassification of (gains) losses included in net income	(6.1)	2.8	(3.3)	2.6	(0.9)	1.7
<b>Available for Sale Securities:</b>						
Net unrealized gains on available for sale securities	0.6		0.6	0.6		0.6
<b>Pension and Other Retirement Benefits:</b>						
Amortization of actuarial losses and prior service costs included in net income	1.9	(0.8)	1.1	2.3	(0.9)	1.4
Net actuarial gains and prior service costs	7.9	(3.0)	4.9	5.3	(2.0)	3.3
<b>Total Other Comprehensive Income (Loss)</b>	<b>\$ 44.5</b>	<b>\$ 12.5</b>	<b>\$ 57.0</b>	<b>\$ (39.7)</b>	<b>\$ 24.4</b>	<b>\$ (15.3)</b>
Comprehensive Income			370.6			242.8
Less: comprehensive income attributable to noncontrolling interests			10.8			2.6
<b>Comprehensive Income Attributable to Moody's</b>			<b>\$ 359.8</b>			<b>\$ 240.2</b>

	Six Months Ended June 30, 2017			Six Months Ended June 30, 2016		
	Pre-tax amounts	Tax amounts	After-tax amounts	Pre-tax amounts	Tax amounts	After-tax amounts
Net Income			\$ 659.5			\$ 444.7
<b>Other Comprehensive Income (Loss):</b>						
<b>Foreign Currency Adjustment:</b>						
Foreign currency translation adjustments, net	\$ 49.5	\$ 13.1	62.6	\$ 2.6	\$ 14.0	16.6
<b>Cash flow hedges:</b>						
Net realized and unrealized gain (loss) on cash flow hedges	4.8	(1.8)	3.0	(2.6)	0.9	(1.7)
Reclassification of (gains) losses included in net income	(7.5)	3.3	(4.2)	0.4	(0.1)	0.3
<b>Available for sale securities:</b>						
Net unrealized gains on available for sale securities	1.1		1.1	1.2		1.2
<b>Pension and Other Retirement Benefits:</b>						
Amortization of actuarial losses and prior service costs included in net income	4.3	(1.7)	2.6	4.9	(1.9)	3.0
Net actuarial gains and prior service costs	7.9	(3.0)	4.9	5.3	(2.0)	3.3

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Total Other Comprehensive Income	\$ 60.1	\$ 9.9	\$ 70.0	\$ 11.8	\$ 10.9	\$ 22.7
Comprehensive Income			729.5			467.4
Less: comprehensive income attributable to noncontrolling interests			16.5			4.8
<b>Comprehensive Income Attributable to Moody's</b>			<b>\$ 713.0</b>			<b>\$ 462.6</b>

The accompanying notes are an integral part of the condensed consolidated financial statements.

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**MOODY S CORPORATION**  
**CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

(Amounts in millions, except share and per share data)

	June 30, 2017	December 31, 2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,280.9	\$ 2,051.5
Short-term investments	86.3	173.4
Accounts receivable, net of allowances of \$27.0 in 2017 and \$25.7 in 2016	916.5	887.4
Other current assets	275.4	140.8
<b>Total current assets</b>	<b>4,559.1</b>	<b>3,253.1</b>
Property and equipment, net of accumulated depreciation of \$645.7 in 2017 and \$595.5 in 2016	329.7	325.9
Goodwill	1,054.5	1,023.6
Intangible assets, net	287.1	296.4
Deferred tax assets, net	135.3	316.1
Other assets	170.6	112.2
<b>Total assets</b>	<b>\$ 6,536.3</b>	<b>\$ 5,327.3</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 490.4	\$ 1,444.3
Current portion of long-term debt		300.0
Deferred revenue	746.8	683.9
<b>Total current liabilities</b>	<b>1,237.2</b>	<b>2,428.2</b>
Non-current portion of deferred revenue	132.2	134.1
Long-term debt	4,887.1	3,063.0
Deferred tax liabilities, net	107.6	104.3
Unrecognized tax benefits	213.6	199.8
Other liabilities	426.1	425.2
<b>Total liabilities</b>	<b>7,003.8</b>	<b>6,354.6</b>
Contingencies (Note 14)		
Shareholders' deficit:		
Preferred stock, par value \$.01 per share; 10,000,000 shares authorized; no shares issued and outstanding		
Series common stock, par value \$.01 per share; 10,000,000 shares authorized; no shares issued and outstanding		
Common stock, par value \$.01 per share; 1,000,000,000 shares authorized; 342,902,272 shares issued at June 30, 2017 and December 31, 2016, respectively.	3.4	3.4
Capital surplus	465.5	477.2
Retained earnings	7,269.6	6,688.9
Treasury stock, at cost; 151,865,749 and 152,208,231 shares of common stock at June 30, 2017 and December 31, 2016, respectively	(8,108.6)	(8,029.6)
Accumulated other comprehensive loss	(309.7)	(364.9)
<b>Total Moody's shareholders' deficit</b>	<b>(679.8)</b>	<b>(1,225.0)</b>

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Noncontrolling interests	212.3	197.7
Total shareholders' deficit	(467.5)	(1,027.3)
Total liabilities and shareholders' deficit	<b>\$ 6,536.3</b>	<b>\$ 5,327.3</b>

The accompanying notes are an integral part of the consolidated financial statements.

**Table of Contents****MOODY S CORPORATION****CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

(Amounts in millions)

	Six months ended June 30,	
	2017	2016
<b>Cash flows from operating activities</b>		
Net income	\$ 659.5	\$ 444.7
Reconciliation of net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	65.4	61.1
Stock-based compensation expense	57.1	48.9
CCXI Gain	(59.7)	
Purchase Price Hedge Gain	(41.2)	
Deferred income taxes	193.5	13.7
<b>Changes in assets and liabilities:</b>		
Accounts receivable	(16.5)	(45.2)
Other current assets	(91.0)	19.2
Other assets	8.9	13.7
Accounts payable and accrued liabilities	(884.5)	(69.8)
Deferred revenue	43.9	66.7
Unrecognized tax benefits and other non-current tax liabilities	8.4	(4.3)
Other liabilities	8.5	(2.3)
<b>Net cash (used in) provided by operating activities</b>	<b>(47.7)</b>	<b>546.4</b>
<b>Cash flows from investing activities</b>		
Capital additions	(42.8)	(54.3)
Purchases of investments	(75.3)	(174.5)
Sales and maturities of investments	161.6	294.9
Cash paid for acquisitions, net of cash acquired and equity investments	(5.0)	(75.9)
Receipts from settlement of net investment hedges	1.4	2.5
<b>Net cash provided by (used in) investing activities</b>	<b>39.9</b>	<b>(7.3)</b>
<b>Cash flows from financing activities</b>		
Issuance of notes	1,791.9	
Repayments of notes	(300.0)	
Issuance of commercial paper	703.7	
Repayment of commercial paper	(703.7)	
Proceeds from stock-based compensation plans	39.1	36.9
Repurchase of shares for payroll tax withholdings related to stock-based compensation	(47.9)	(43.2)
Cost of treasury shares repurchased	(134.5)	(485.9)
Payment of dividends	(145.2)	(143.6)
Payment of dividends to noncontrolling interests	(0.8)	(4.6)
Payment for noncontrolling interest	(6.2)	
Debt issuance costs and related fees	(18.8)	
<b>Net cash provided by (used in) financing activities</b>	<b>1,177.6</b>	<b>(640.4)</b>



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Effect of exchange rate changes on cash and cash equivalents	59.6	18.2
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,229.4</b>	<b>(83.1)</b>
Cash and cash equivalents, beginning of the period	2,051.5	1,757.4
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 3,280.9</b>	<b>\$ 1,674.3</b>

The accompanying notes are an integral part of the condensed consolidated financial statements.

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**MOODY S CORPORATION**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**(tabular dollar and share amounts in millions, except per share data)**

**NOTE 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION**

Moody's is a provider of (i) credit ratings, (ii) credit, capital markets and economic research, data and analytical tools, (iii) software solutions and related risk management services, (iv) quantitative credit risk measures, financial services training and certification services and (v) analytical and research services. Moody's has two reportable segments: MIS and MA.

MIS, the credit rating agency, publishes credit ratings on a wide range of debt obligations and the entities that issue such obligations in markets worldwide. Revenue is primarily derived from the originators and issuers of such transactions who use MIS ratings in the distribution of their debt issues to investors. Additionally, MIS earns revenue from certain non-ratings-related operations which consist primarily of the distribution of research and financial instrument pricing services in the Asia-Pacific region as well as revenue from ICRA's non-ratings operations. The revenue from these operations is included in the MIS Other LOB and is not material to the results of the MIS segment.

The MA segment develops a wide range of products and services that support financial analysis and risk management activities of institutional participants in global financial markets. Within its RD&A business, MA distributes research and data developed by MIS as part of its ratings process, including in-depth research on major debt issuers, industry studies and commentary on topical credit-related events. The RD&A business also produces economic research as well as data and analytical tools such as quantitative credit risk scores. Within its ERS business, MA provides software solutions as well as related risk management services. The PS business provides analytical and research services along with financial training and certification programs.

These interim financial statements have been prepared in accordance with the instructions to Form 10-Q and should be read in conjunction with the Company's consolidated financial statements and related notes in the Company's 2016 annual report on Form 10-K filed with the SEC on February 25, 2017. The results of interim periods are not necessarily indicative of results for the full year or any subsequent period. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation of financial position, results of operations and cash flows at the dates and for the periods presented have been included. The year-end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

Certain reclassifications have been made to prior period amounts to conform to the current presentation.

**Adoption of New Accounting Standard**

In the first quarter of 2017, the Company adopted ASU No. 2016-09 Improvements to Employee Share-Based Payment Accounting. As required by ASU 2016-09, Excess Tax Benefits or shortfalls recognized on stock-based compensation expense are reflected in the consolidated statement of operations as a component of the provision for income taxes on a prospective basis. Prior to the adoption of this ASU, Excess Tax Benefits and shortfalls were recorded to capital surplus within shareholders' deficit. The impact of this adoption was an \$8.9 million and \$27.9 million benefit to the provision for income taxes for the three and six months ended June 30, 2017, respectively.

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Additionally, in accordance with this ASU, Excess Tax Benefits or shortfalls recognized on stock-based compensation are classified as operating cash flows in the consolidated statement of cash flows, and the Company has applied this provision on a retrospective basis. Under previous accounting guidance, the Excess Tax Benefits or shortfalls were shown as a reduction to operating activity and an increase to financing activity. Furthermore, the Company has elected to continue to estimate the number of stock-based awards expected to vest, rather than accounting for award forfeitures as they occur, to determine the amount of stock-based compensation cost recognized in each period. The impact to the Company's statement of cash flows for the six months ended June 30, 2016 relating to the adoption of this provision of the ASU is set forth in the table below:

	As reported Six Months Ended June 30, 2016	Adoption Adjustment	Six Months Ended June 30, 2016 As adjusted
<i>(amounts in millions)</i>			
Net cash provided by operating activities	\$ 528.8	\$ 17.6	\$ 546.4
Net cash used in financing activities	\$ (622.8)	\$ (17.6)	\$ (640.4)

**NOTE 2. STOCK-BASED COMPENSATION**

Presented below is a summary of the stock-based compensation cost and associated tax benefit included in the accompanying consolidated statements of operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Stock-based compensation cost	\$ 28.7	\$ 23.5	\$ 57.1	\$ 48.9
Tax benefit	\$ 9.4	\$ 7.5	\$ 18.5	\$ 15.9

During the first six months of 2017, the Company granted 0.2 million employee stock options, which had a weighted average grant date fair value of \$29.88 per share based on the Black-Scholes option-pricing model. The Company also granted 1.0 million shares of restricted stock in the first six months of 2017, which had a weighted average grant date fair value of \$113.32 per share. Both the employee stock options and restricted stock generally vest ratably over a four-year period. Additionally, the Company granted approximately 0.2 million shares of performance-based awards whereby the number of shares that ultimately vest are based on the achievement of certain non-market based performance metrics of the Company over a three-year period. The weighted average grant date fair value of these awards was \$108.88 per share.

The following weighted average assumptions were used in determining the fair value for options granted in 2017:

Expected dividend yield	1.34%
Expected stock volatility	26.8%
Risk-free interest rate	2.19%
Expected holding period	6.5 yrs
Grant date fair value	\$ 29.88

Unrecognized compensation expense at June 30, 2017 was \$10.1 million and \$174.9 million for stock options and unvested restricted stock, respectively, which is expected to be recognized over a weighted average period of 1.4 years and 1.7 years, respectively. Additionally, there was \$25.6 million of unrecognized compensation expense relating to the aforementioned non-market based performance-based awards, which is expected to be recognized over a weighted average period of 1.1 years.

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The following tables summarize information relating to stock option exercises and restricted stock vesting:

	<b>Six Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>Exercise of stock options:</b>		
Proceeds from stock option exercises	\$ 35.3	\$ 33.4
Aggregate intrinsic value	\$ 52.2	\$ 21.0
Tax benefit realized upon exercise	\$ 18.3	\$ 7.4
Number of shares exercised	0.8	0.6
	<b>Six Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>Vesting of restricted stock:</b>		
Fair value of shares vested	\$ 107.9	\$ 90.6
Tax benefit realized upon vesting	\$ 34.1	\$ 29.6
Number of shares vested	1.0	1.0
	<b>Six Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>Vesting of performance-based restricted stock:</b>		
Fair value of shares vested	\$ 19.5	\$ 23.6
Tax benefit realized upon vesting	\$ 6.9	\$ 8.4
Number of shares vested	0.2	0.2

**NOTE 3. INCOME TAXES**

Moody's effective tax rate was 32.1% and 31.9% for the three months ended June 30, 2017 and 2016, respectively and 27.8% and 32.1% for the six month periods ended June 30, 2017 and 2016, respectively. The slight increase in the three months ended June 30, 2017 included the tax effects of the Purchase Price Hedge Gains which are incurred in a higher tax jurisdiction, partially offset by approximately \$9 million in Excess Tax Benefits on stock-based compensation. The second quarter of 2016 included an approximate \$4 million benefit from the favorable resolution of state and local tax matters. The decrease in the ETR in the six months ended June 30, 2017 was primarily due to approximately \$28 million in Excess Tax Benefits, as further discussed in Note 1 above and the non-taxable CCXI Gain as discussed in Note 10 below.

The Company classifies interest related to UTBs in interest expense, net in its consolidated statements of operations. Penalties, if incurred, would be recognized in other non-operating (expense) income, net. The Company had an increase in its UTBs of \$10.8 million (\$10.6 million net of federal tax) during the second quarter of 2017 and an increase in its UTBs during the first six months of 2017 of \$13.8 million (\$14.3 million net of federal tax).

Moody's Corporation and subsidiaries are subject to U.S. federal income tax as well as income tax in various state, local and foreign jurisdictions. The Company's U.S. federal income tax returns for the years 2011 and 2012 are under examination and its returns for 2013, 2014 and 2015 remain open to examination. The Company's New York State tax returns for 2011 through 2014 are currently under examination and the Company's New York City tax return for 2014 is currently under examination. The Company's U.K. tax return for 2012 is currently under examination and its returns for 2013, 2014 and 2015 remain open to examination.

For ongoing audits, it is possible the balance of UTBs could decrease in the next twelve months as a result of the settlement of these audits, which might involve the payment of additional taxes, the adjustment of certain deferred taxes and/or the recognition of tax benefits. It is also possible that new issues might be raised by tax authorities which could necessitate increases to the balance of UTBs. As the Company is unable to predict the timing or outcome of these audits, it is therefore unable to estimate the amount of changes to the balance of UTBs at this time. However, the Company believes that it has adequately provided for its financial exposure relating to all open tax years by tax jurisdiction in accordance with the applicable provisions of Topic 740 of the ASC regarding UTBs.

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On March 30, 2016, the FASB issued Accounting Standards Update (ASU) 2016-09, Improvements to Employee Share Based Payment Accounting as more fully discussed in Note 1 to the condensed consolidated financial statements. The new guidance requires all tax effects related to share based payments to be recorded through the provision for income taxes in the income statement. The Company has adopted the new guidance as of the first quarter of 2017 and expects the adoption to result in a benefit to the provision for income taxes of approximately \$30 million for the full-year of 2017, or \$0.16 per diluted share.

In the first quarter of 2017, the Company adopted Accounting Standards Update 2016-16, Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory. Under previous guidance, the tax effects of intra-entity asset transfers (intercompany sales) were deferred until the transferred asset was sold to a third party or otherwise recovered through use. The new guidance eliminates the exception for all intra-entity sales of assets other than inventory. Upon adoption, a cumulative-effect adjustment is recorded in retained earnings as of the beginning of the period of adoption. The net impact upon adoption is a reduction to retained earnings of \$4.6 million. The Company does not expect any material impact on its future operations as a result of the adoption of this guidance.

The following table shows the amount the Company paid for income taxes:

	<b>Six Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>
Income taxes paid*	<b>\$ 83.9</b>	<b>\$ 151.8</b>

\* The decrease in income taxes paid is primarily due to tax benefits relating to the Settlement Charge

**NOTE 4. WEIGHTED AVERAGE SHARES OUTSTANDING**

Below is a reconciliation of basic to diluted shares outstanding:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Basic	<b>191.0</b>	193.4	<b>191.1</b>	194.2
Dilutive effect of shares issuable under stock-based compensation plans	<b>2.8</b>	2.4	<b>3.0</b>	2.6
<b>Diluted</b>	<b>193.8</b>	195.8	<b>194.1</b>	196.8
Anti-dilutive options to purchase common shares and restricted stock as well as contingently issuable restricted stock which are excluded from the table above	<b>0.7</b>	1.2	<b>1.0</b>	1.5

The calculation of diluted EPS requires certain assumptions regarding the use of both cash proceeds and assumed proceeds that would be received upon the exercise of stock options and vesting of restricted stock outstanding as of June 30, 2017 and 2016. The assumed proceeds in 2017 do not include Excess Tax Benefits pursuant to the prospective adoption of ASU 2016-09 in the first quarter of 2017. The assumed proceeds in 2016 include Excess Tax Benefits.

The decrease in the diluted shares outstanding primarily reflects treasury share repurchases under the Company's Board authorized share repurchase program.

**Table of Contents****NOTE 5. CASH EQUIVALENTS AND INVESTMENTS**

The table below provides additional information on the Company's cash equivalents and investments:

	As of June 30, 2017					
	Balance sheet location					
	Cost	Gross Unrealized Gains	Fair Value	Cash and cash equivalents	Short-term investments	Other assets
Money market mutual funds	\$ 247.0	\$	\$ 247.0	\$ 247.0	\$	\$
Certificates of deposit and money market deposit accounts <sup>(1)</sup>	\$ 2,150.2	\$	\$ 2,150.2	\$ 2,060.9	\$ 86.3	\$ 3.0
Fixed maturity and open ended mutual funds <sup>(2)</sup>	\$ 27.6	\$ 6.8	\$ 34.4	\$	\$	\$ 34.4

  

	As of December 31, 2016					
	Balance sheet location					
	Cost	Gross Unrealized Gains	Fair Value	Cash and cash equivalents	Short-term investments	Other assets
Money market mutual funds	\$ 189.0	\$	\$ 189.0	\$ 189.0	\$	\$
Certificates of deposit and money market deposit accounts <sup>(1)</sup>	\$ 1,190.5	\$	\$ 1,190.5	\$ 1,017.0	\$ 173.4	\$ 0.1
Fixed maturity and open ended mutual funds <sup>(2)</sup>	\$ 27.0	\$ 5.6	\$ 32.6	\$	\$	\$ 32.6

- <sup>(1)</sup> Consists of time deposits and money market deposit accounts. The remaining contractual maturities for the certificates of deposits classified as short-term investments were one to 12 months at both June 30, 2017 and December 31, 2016. The remaining contractual maturities for the certificates of deposits classified in other assets are 20 to 21 months at June 30, 2017 and 13 months to 15 months at December 31, 2016. Time deposits with a maturity of less than 90 days at time of purchase are classified as cash and cash equivalents.
- <sup>(2)</sup> Consists of investments in fixed maturity mutual funds and open-ended mutual funds. The remaining contractual maturities for the fixed maturity instruments range from one month to 13 months and six months to 19 months at June 30, 2017 and December 31, 2016 respectively.

The money market mutual funds as well as the fixed maturity and open ended mutual funds in the table above are deemed to be available for sale under ASC Topic 320 and the fair value of these instruments is determined using Level 1 inputs as defined in the ASC.

**Table of Contents****NOTE 6. ACQUISITIONS**

The business combinations described below are accounted for using the acquisition method of accounting whereby assets acquired and liabilities assumed were recognized at fair value on the date of the transaction. Any excess of the purchase price over the fair value of the assets acquired and liabilities assumed was recorded to goodwill. The Company has not presented proforma combined results because the impact on previously reported statements of operations would not have been material. Additionally, the near term impact to the Company's operations and cash flows is not material.

**Pending Acquisition****Bureau van Dijk**

In May 2017, a subsidiary of the Company entered into a definitive agreement to acquire 100% of the shares of the parent company of Bureau van Dijk, a global provider of business intelligence and company information, for \$3.0 billion in cash plus a daily working capital rate of approximately \$259,000 from January 1, 2017 through the closing date. The acquisition is expected to extend Moody's position as a leader in risk data and analytical insight. The Company expects to finance the transaction through a combination of offshore cash and debt financing. The acquisition is subject to regulatory approval in the European Union and is expected to close in the third quarter of 2017. It is anticipated that a majority of Bureau van Dijk's revenue will be reported as part of MA's RD&A LOB.

**Completed Acquisitions****SCDM Financial**

On February 13, 2017, a subsidiary of the Company acquired the structured finance data and analytics business of SCDM Financial. The aggregate purchase price was not material and the near term impact to the Company's operations and cash flow is not expected to be material. This business unit operates in the MA reportable segment and goodwill related to this acquisition has been allocated to the RD&A reporting unit.

**Korea Investor Service (KIS)**

In July 2016, a subsidiary of the Company acquired the non-controlling interest of KIS and additional shares of KIS Pricing. The aggregate purchase price was not material and the near term impact to the Company's operations and cash flow is not expected to be material. KIS and KIS Pricing are a part of the MIS segment.

**Gilliland Gold Young (GGY)**

On March 1, 2016, subsidiaries of the Company acquired 100% of GGY, a leading provider of advanced actuarial software for the life insurance industry. The cash payments noted in the table below were funded with cash on hand. The acquisition of GGY will allow MA to provide an industry-leading enterprise risk offering for global life insurers and reinsurers.

The table below details the total consideration relating to the acquisition:

Cash paid at closing	\$ 83.4
Additional consideration paid to sellers in the third quarter 2016 <sup>(1)</sup>	3.1
<b>Total consideration</b>	<b>\$ 86.5</b>

<sup>(1)</sup> Represents additional consideration paid to the sellers for amounts withheld at closing pending the completion of certain administrative matters





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Shown below is the purchase price allocation, which summarizes the fair value of the assets and liabilities assumed, at the date of acquisition:

Current assets	\$ 11.7
Property and equipment, net	2.0
Indemnification assets	1.5
Intangible assets:	
Trade name (19 year weighted average life)	\$ 3.7
Client relationships (21 year weighted average life)	13.8
Software (7 year weighted average life)	16.6
Total intangible assets (14 year weighted average life)	34.1
Goodwill	59.4
Liabilities	(22.2)
Net assets acquired	\$ 86.5

Current assets in the table above include acquired cash of \$7.5 million. Additionally, current assets include accounts receivable of \$2.9 million. Goodwill, which has been assigned to the MA segment, is not deductible for tax.

In connection with the acquisition, the Company assumed liabilities relating to UTPs and certain other tax exposures which are included in the liabilities assumed in the table above. The sellers have contractually indemnified the Company against any potential payments that may have to be made regarding these amounts. Accordingly, the Company carries an indemnification asset on its consolidated balance sheet at June 30, 2017 and December 31, 2016.

The Company incurred \$0.9 million of costs directly related to the GGY acquisition of which \$0.6 million was incurred in 2015 and \$0.3 million was incurred in the first quarter of 2016. These costs are recorded within selling, general and administrative expenses in the Company's consolidated statements of operations.

GGY is part of the ERS reporting unit for purposes of the Company's annual goodwill impairment assessment.

**Table of Contents****NOTE 7. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES**

The Company is exposed to global market risks, including risks from changes in FX rates and changes in interest rates. Accordingly, the Company uses derivatives in certain instances to manage the aforementioned financial exposures that occur in the normal course of business. The Company does not hold or issue derivatives for speculative purposes.

**Derivatives and non-derivative instruments designated as accounting hedges:*****Interest Rate Swaps***

The Company has entered into interest rate swaps to convert the fixed interest rate on certain of its long-term debt to a floating interest rate based on the 3-month LIBOR. The purpose of these hedges is to mitigate the risk associated with changes in the fair value of the long-term debt, thus the Company has designated these swaps as fair value hedges. The fair value of the swaps is adjusted quarterly with a corresponding adjustment to the carrying value of the debt. The changes in the fair value of the swaps and the underlying hedged item generally offset and the net cash settlements on the swaps are recorded each period within interest (expense) income, net in the Company's consolidated statement of operations.

The following table summarizes the Company's interest rate swaps designated as fair value hedges:

Hedged Item	Nature of Swap	Notional Amount		Floating Interest Rate
		As of June 30, 2017	As of December 31, 2016	
2010 Senior Notes due 2020	Pay Floating/Receive Fixed	\$ 500.0	\$ 500.0	3-month LIBOR
2014 Senior Notes due 2019	Pay Floating/Receive Fixed	\$ 450.0	\$ 450.0	3-month LIBOR
2012 Senior Notes due 2022	Pay Floating/Receive Fixed	\$ 80.0	\$ 80.0	3-month LIBOR

The following table summarizes the impact to the statement of operations of the Company's interest rate swaps designated as fair value hedges:

		Amount of income recognized in the consolidated statements of operations			
		Three Months Ended June 30,	Three Months Ended June 30,	Six Months Ended June 30,	Six Months Ended June 30,
<b>Derivatives designated as fair value</b>					
accounting hedges	Location on Statement of Operations	2017	2016	2017	2016
Interest rate swaps	Interest expense, net	\$ 1.8	\$ 3.1	\$ 4.2	\$ 6.1

**Table of Contents*****Cross-currency swaps***

In conjunction with the issuance of the 2015 Senior Notes, the Company entered into a cross-currency swap to exchange 100 million for U.S. dollars on the date of the settlement of the notes. The purpose of this cross-currency swap is to mitigate FX risk on the remaining principal balance on the 2015 Senior Notes that was not designated as a net investment hedge as more fully discussed below. Under the terms of the swap, the Company will pay the counterparty interest on the \$110.5 million received at 3.945% per annum and the counterparty will pay the Company interest on the 100 million paid at 1.75% per annum. These interest payments will be settled in March of each year, beginning in 2016, until either the maturity of the cross-currency swap in 2027 or upon early termination at the discretion of the Company. The principal payments on this cross currency swap will be settled in 2027, concurrent with the repayment of the 2015 Senior Notes at maturity or upon early termination at the discretion of the Company. In March 2016, the Company designated these cross-currency swaps as cash flow hedges. Accordingly, changes in fair value subsequent to the date the swaps were designated as cash flow hedges will initially be recognized in OCI. Gains and losses on the swaps initially recognized in OCI will be reclassified to the statement of operations in the period in which changes in the underlying hedged item affects net income. Ineffectiveness, if any, will be recognized in other non-operating (expense) income, net in the Company's consolidated statement of operations.

***Forward start interest rate swaps***

In the second quarter of 2017, in conjunction with the then-forecasted issuance of the Company's 2017 Private Placement Notes Due 2023 and 2017 Private Placement Notes Due 2028, the Company entered into forward starting interest rate swaps to mitigate the risk of changes in the semi-annual interest payments attributable to changes in market interest rates during the period leading up to the forecasted debt issuance. The swaps were terminated on June 5, 2017 following the issuance of the aforementioned notes and the losses recorded to OCI upon settlement were not material.

***Net investment hedges***

The Company enters into foreign currency forward contracts that are designated as net investment hedges and additionally has designated 400 million of the 2015 Senior Notes as a net investment hedge. These hedges are intended to mitigate FX exposure related to non-U.S. dollar net investments in certain foreign subsidiaries against changes in foreign exchange rates. These net investment hedges are designated as accounting hedges under the applicable sections of Topic 815 of the ASC.

Hedge effectiveness is assessed based on the overall changes in the fair value of the hedge. For hedges that meet the effectiveness requirements, any change in the fair value is recorded in OCI in the foreign currency translation account. Any change in the fair value of these hedges that is the result of ineffectiveness is recognized immediately in other non-operating (expense) income, net in the Company's consolidated statement of operations.

The following table summarizes the notional amounts of the Company's outstanding forward contracts that are designated as net investment hedges:

	June 30, 2017		December 31, 2016	
	Sell	Buy	Sell	Buy
<b>Notional amount of net investment hedges:</b>				
Contracts to sell GBP for euros	£ 22.8	25.8	£ 22.1	26.4

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The outstanding contracts to sell GBP for euros mature in September 2017. The hedge relating to the portion of the 2015 Senior Notes that was designated as a net investment hedge will end upon the repayment of the notes in 2027 unless terminated earlier at the discretion of the Company.

The following table provides information on the gains/(losses) on the Company's net investment and cash flow hedges:

Derivatives and non-derivative instruments in	Amount of Gain/(Loss) Recognized		Amount of Gain/(Loss) Reclassified from AOCI into Income (Effective Portion)		Amount of Gain/(Loss) Recognized Directly into Income (Ineffective Portion), net of Tax	
	in AOCI on Derivative (Effective Portion)		Reclassified from AOCI into Income (Effective Portion)		Three Months Ended	
	Three Months Ended June 30,		Three Months Ended June 30,		Ended June 30,	
	2017	2016	2017	2016	2017	2016
Net Investment Hedging Relationships						
FX forwards	\$ 0.8	\$ (8.6)	\$	\$	\$	\$
Long-term debt	(17.5)	7.1				
Total net investment hedges	\$ (16.7)	\$ (1.5)	\$	\$	\$	\$

**Derivatives in cash flow hedging relationships**

Cross currency swap	\$ 3.6	\$ (2.9)	\$ 4.3*	\$ (1.7)*	\$ 0.4**	\$
Interest rate contracts	(0.4)		(1.0)			
Total cash flow hedges	\$ 3.2	\$ (2.9)	\$ 3.3	\$ (1.7)	\$ 0.4	\$
Total	\$ (13.5)	\$ (4.4)	\$ 3.3	\$ (1.7)	\$ 0.4	\$

Derivatives and non-derivative instruments in	Amount of Gain/(Loss) Recognized		Amount of Gain/(Loss) Reclassified from AOCI into Income (Effective Portion)		Amount of Gain/(Loss) Recognized Directly into Income (Ineffective Portion), net of Tax	
	in AOCI on Derivative (Effective Portion)		Reclassified from AOCI into Income (Effective Portion)		Six Months Ended	
	Six Months Ended June 30,		Six Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016	2017	2016
Net Investment Hedging Relationships						
FX forwards	\$ 0.8	\$ (13.2)	\$	\$	\$	\$
Long-term debt	(21.1)	(6.0)				
Total net investment hedges	\$ (20.3)	\$ (19.2)	\$	\$	\$	\$

**Derivatives in cash flow hedging relationships**

Cross currency swap	\$ 3.4	\$ (1.7)	\$ 5.3*	\$ (0.3)*	\$ 0.4**	\$ *
Interest rate contracts	(0.4)		(1.1)			

Total cash flow hedges	\$ 3.0	\$ (1.7)	\$ 4.2	\$ (0.3)	\$ 0.4	\$
<b>Total</b>	<b>\$ (17.3)</b>	<b>\$ (20.9)</b>	<b>\$ 4.2</b>	<b>\$ (0.3)</b>	<b>\$ 0.4</b>	<b>\$</b>

- \* For the three and six months ended June 30, 2017, reflects \$7.1 million and \$8.6 million in gains, respectively, recorded in other non-operating income (expense), net and \$2.8 million and \$3.3 million relating to the tax effect of the aforementioned item. For the three and six months ended June 30, 2016, reflects \$2.6 million and \$0.4 million in losses, respectively, recorded in other non-operating income (expense), net and \$0.9 million and \$0.1 million relating to the tax effect of the aforementioned item.
- \*\* For the three and six months ended June 30, 2017, reflects \$0.6 million in gains recorded in other non-operating income (expense), net and \$0.2 million relating to the tax effect of the aforementioned item.

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The cumulative amount of realized and unrecognized net investment hedge and cash flow hedge gains (losses) recorded in AOCI is as follows:

	Cumulative Gains/(Losses), net of tax	
	June 30, 2017	December 31, 2016
<i>Net investment hedges</i>		
FX forwards	\$ 23.1	\$ 22.3
Long-term debt	(8.6)	12.5
Total net gains on net investment hedges	\$ 14.5	\$ 34.8
<i>Cash flow hedges</i>		
Interest rate contracts	\$ (0.4)	\$ (1.1)
Cross currency swap	0.9	2.8
Total net gains on cash flow hedges	0.5	1.7
Total net gains in AOCI	\$ 15.0	\$ 36.5

**Derivatives not designated as accounting hedges:***Foreign exchange forwards*

The Company also enters into foreign exchange forwards to mitigate the change in fair value on certain assets and liabilities denominated in currencies other than a subsidiary's functional currency. These forward contracts are not designated as accounting hedges under the applicable sections of Topic 815 of the ASC. Accordingly, changes in the fair value of these contracts are recognized immediately in other non-operating (expense), income net in the Company's consolidated statements of operations along with the FX gain or loss recognized on the assets and liabilities denominated in a currency other than the subsidiary's functional currency. These contracts have expiration dates at various times through October 2017.

The following table summarizes the notional amounts of the Company's outstanding foreign exchange forwards:

	June 30, 2017		December 31, 2016	
	Sell	Buy	Sell	Buy
<b>Notional amount of currency pair:</b>				
Contracts to sell USD for GBP	\$ 232.2	£ 184.1	\$	£
Contracts to sell USD for JPY	\$ 20.5	¥ 2,284.9	\$	\$
Contracts to sell USD for CAD	\$ 38.6	C\$ 51.1	\$	C\$
Contracts to purchase euros with Singapore dollars	S\$		S\$ 55.5	36.0
Contracts to sell euros for GBP	181.0	£ 157.9	31.0	£ 25.9

Note: € = Euro, £ = British pound, S\$ = Singapore dollar, C\$ = Canadian dollar, \$ = U.S. dollar ¥ = Japanese Yen

*Foreign Exchange Options*

The Company entered into a foreign currency collar consisting of option contracts to economically hedge the Bureau van Dijk euro denominated purchase price (as discussed further in Note 6 of the financial statements). These option contracts are not designated as accounting hedges under the applicable sections of Topic 815 of the ASC. The foreign currency option contracts consist of separate put and call options each in the aggregate notional amount of 2.7 billion.



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The following table summarizes the impact to the consolidated statements of operations relating to the net gain (loss) on the Company's derivatives which are not designated as hedging instruments:

Derivatives not designated as accounting hedges	Location on Statement of Operations	Three Months Ended June 30,		Six Months Ended June 30,	
		2017	2016	2017	2016
Foreign exchange forwards	Other non-operating income (expense), net	\$ 7.1	\$ (5.7)	\$ 4.8	\$ (5.2)
FX collar relating to Bureau van Dijk acquisition	Purchase Price Hedge Gain	41.2		41.2	
		\$ 48.3	\$ (5.7)	\$ 46.0	\$ (5.2)

The table below shows the classification between assets and liabilities on the Company's consolidated balance sheets for the fair value of the derivative instrument as well as the carrying value of its non-derivative debt instruments designated and qualifying as net investment hedges:

	Derivative and Non-derivative Balance Sheet Location	Instruments June 30, 2017	December 31, 2016
<b>Assets:</b>			
<i>Derivatives designated as accounting hedges:</i>			
FX forwards on net investment in certain foreign subsidiaries	Other current assets	\$	\$ 0.6
Cross-currency swap	Other assets	2.2	
Interest rate swaps	Other assets	7.1	7.0
Total derivatives designated as accounting hedges		\$ 9.3	\$ 7.6
<i>Derivatives not designated as accounting hedges:</i>			
FX forwards on certain assets and liabilities	Other current assets	8.8	
FX options on Bureau van Dijk purchase price	Other current assets	41.2	
Total assets		\$ 59.3	\$ 7.6
<b>Liabilities:</b>			
<i>Derivatives designated as accounting hedges:</i>			
Cross-currency swap	Other liabilities	\$	\$ 3.8
FX forwards on net investment in certain foreign subsidiaries	Accounts payable and accrued liabilities	0.1	
Interest rate swaps	Other liabilities	0.8	0.8
Total derivatives designated as accounting hedges		0.9	4.6
<i>Non-derivative instrument designated as accounting hedge:</i>			
Long-term debt designated as net investment hedge	Long-term debt	456.2	421.9
<i>Derivatives not designated as accounting hedges:</i>			
FX forwards on certain assets and liabilities	Accounts payable and accrued liabilities	1.9	0.8
Total liabilities		\$ 459.0	\$ 427.3





**Table of Contents****NOTE 8. GOODWILL AND OTHER ACQUIRED INTANGIBLE ASSETS**

The following table summarizes the activity in goodwill for the periods indicated:

	<b>Six Months Ended June 30, 2017</b>								
	<b>MIS</b>			<b>MA</b>			<b>Consolidated</b>		
	Gross goodwill	Accumulated impairment charge	Net goodwill	Gross goodwill	Accumulated impairment charge	Net goodwill	Gross goodwill	Accumulated impairment charge	Net goodwill
Balance at beginning of year	\$ 277.0	\$	\$ 277.0	\$ 758.8	\$ (12.2)	\$ 746.6	\$ 1,035.8	\$ (12.2)	\$ 1,023.6
Additions/adjustments				3.6		3.6	3.6		3.6
Foreign currency translation adjustments	9.0		9.0	18.3		18.3	27.3		27.3
Ending balance	\$ 286.0	\$	\$ 286.0	\$ 780.7	\$ (12.2)	\$ 768.5	\$ 1,066.7	\$ (12.2)	\$ 1,054.5

  

	<b>Year ended December 31, 2016</b>								
	<b>MIS</b>			<b>MA</b>			<b>Consolidated</b>		
	Gross goodwill	Accumulated impairment charge	Net goodwill	Gross goodwill	Accumulated impairment charge	Net goodwill	Gross goodwill	Accumulated impairment charge	Net goodwill
Balance at beginning of year	\$ 284.4	\$	\$ 284.4	\$ 704.1	\$ (12.2)	\$ 691.9	\$ 988.5	\$ (12.2)	\$ 976.3
Additions/adjustments				61.0		61.0	61.0		61.0
Goodwill derecognized upon sale of subsidiary	(3.2)		(3.2)				(3.2)		(3.2)
Foreign currency translation adjustments	(4.2)		(4.2)	(6.3)		(6.3)	(10.5)		(10.5)
Ending balance	\$ 277.0	\$	\$ 277.0	\$ 758.8	\$ (12.2)	\$ 746.6	\$ 1,035.8	\$ (12.2)	\$ 1,023.6

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The 2017 additions/adjustments for the MA segment in the table above relate to the acquisition of the structured finance data and analytics business of SCDM. The 2016 additions/adjustments for the MA segment in the table above relate to the acquisition of GGY. The 2016 goodwill derecognized for the MIS segment in the table above relates to the divestiture of ICTEAS in the fourth quarter of 2016.

Acquired intangible assets and related amortization consisted of:

	June 30, 2017	December 31, 2016
Customer relationships	\$ 317.2	\$ 310.1
Accumulated amortization	(133.5)	(124.4)
Net customer relationships	183.7	185.7
Trade secrets	30.0	29.9
Accumulated amortization	(26.9)	(25.6)
Net trade secrets	3.1	4.3
Software	91.7	87.7
Accumulated amortization	(63.2)	(54.9)
Net software	28.5	32.8
Trade names	76.9	75.3
Accumulated amortization	(22.4)	(19.9)
Net trade names	54.5	55.4
Other <sup>(1)</sup>	44.2	43.5
Accumulated amortization	(26.9)	(25.3)
Net other	17.3	18.2
Total acquired intangible assets, net	\$ 287.1	\$ 296.4

<sup>(1)</sup> Other intangible assets primarily consist of databases, covenants not to compete, and acquired ratings methodologies and models. Amortization expense relating to acquired intangible assets is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Amortization expense	\$ 8.6	\$ 8.7	\$ 17.1	\$ 16.6

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Estimated future amortization expense for acquired intangible assets subject to amortization is as follows:

<b>Year Ending December 31,</b>	
2017 (after June 30)	<b>\$ 15.8</b>
2018	<b>27.2</b>
2019	<b>24.3</b>
2020	<b>21.2</b>
2021	<b>20.8</b>
Thereafter	<b>177.8</b>
<b>Total estimated future amortization</b>	<b>\$ 287.1</b>

Amortizable intangible assets are reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the estimated undiscounted future cash flows are lower than the carrying amount of the related asset, a loss is recognized for the difference between the carrying amount and the estimated fair value of the asset. There were no impairments to intangible assets during the six months ended June 30, 2017 and 2016.

**NOTE 9. FAIR VALUE**

The table below presents information about items that are carried at fair value at June 30, 2017 and December 31, 2016:

Description	Fair Value Measurement as of June 30, 2017		
	Balance	Level 1	Level 2
<b>Assets:</b>			
Derivatives <sup>(a)</sup>	\$ 59.3	\$	\$ 59.3
Money market mutual funds	247.0	247.0	
Fixed maturity and open ended mutual funds <sup>(b)</sup>	34.4	34.4	
<b>Total</b>	<b>\$ 340.7</b>	<b>\$ 281.4</b>	<b>\$ 59.3</b>

<b>Liabilities:</b>			
Derivatives <sup>(a)</sup>	\$ 2.8	\$	\$ 2.8
<b>Total</b>	<b>\$ 2.8</b>	<b>\$</b>	<b>\$ 2.8</b>

Description	Fair Value Measurement as of December 31, 2016		
	Balance	Level 1	Level 2
<b>Assets:</b>			
Derivatives <sup>(a)</sup>	\$ 7.6	\$	\$ 7.6
Money market mutual funds	189.0	189.0	
Fixed maturity and open ended mutual funds <sup>(b)</sup>	32.6	32.6	
<b>Total</b>	<b>\$ 229.2</b>	<b>\$ 221.6</b>	<b>\$ 7.6</b>

<b>Liabilities:</b>			
Derivatives <sup>(a)</sup>	\$ 5.4	\$	\$ 5.4

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Total	\$	5.4	\$	\$	5.4
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- (a) Represents FX forwards on certain assets and liabilities and on net investments in certain foreign subsidiaries as well as FX options, interest rate swaps and cross-currency swaps as more fully described in Note 7 to the condensed consolidated financial statements.

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The money market mutual funds as well as the fixed maturity and open ended mutual funds in the table above are deemed to be available for sale under ASC Topic 320 and the fair value of these instruments is determined using Level 1 inputs as defined in the ASC.

**NOTE 10. OTHER BALANCE SHEET AND STATEMENT OF OPERATIONS INFORMATION**

The following tables contain additional detail related to certain balance sheet captions:

	June 30, 2017	December 31, 2016
Other current assets:		
Prepaid taxes	\$ 121.9	\$ 47.0
Prepaid expenses	61.1	65.7
Fair value of Bureau van Dijk purchase price hedge	41.2	
Other	51.2	28.1
 Total other current assets	 \$ 275.4	 \$ 140.8

	June 30, 2017	December 31, 2016
Other assets:		
Investments in joint ventures	\$ 80.7	\$ 26.3
Deposits for real-estate leases	11.0	10.8
Indemnification assets related to acquisitions	16.9	16.5
Mutual funds and fixed deposits	34.4	32.7
Other	27.6	25.9
 Total other assets	 \$ 170.6	 \$ 112.2

	June 30, 2017	December 31, 2016
Accounts payable and accrued liabilities:		
Salaries and benefits	\$ 79.1	\$ 89.3
Incentive compensation	97.2	151.1
Accrued settlement charge		863.8
Customer credits, advanced payments and advanced billings	25.1	28.4
Self-insurance reserves	10.2	11.1
Dividends	4.4	78.5
Professional service fees	53.9	40.4
Interest accrued on debt	51.7	59.2
Accounts payable	25.0	28.4
Income taxes	53.6	16.8
Restructuring	1.4	6.3
Pension and other retirement employee benefits	7.3	6.1
Other	81.5	64.9
 Total accounts payable and accrued liabilities	 \$ 490.4	 \$ 1,444.3

	June 30, 2017	December 31, 2016
Other liabilities:		

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Pension and other retirement employee benefits	\$ 259.4	\$ 264.1
Deferred rent-non-current portion	102.8	98.3
Interest accrued on UTPs	39.6	34.1
Other tax matters	1.2	1.2
Other	23.1	27.5
<b>Total other liabilities</b>	<b>\$ 426.1</b>	<b>\$ 425.2</b>

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Changes in the Company's self-insurance reserves for claims insured by the Company's wholly-owned insurance subsidiary, which primarily relate to legal defense costs for claims from prior years, are as follows:

	Six Months Ended June 30, 2017	Year Ended December 31, 2016
<b>Balance January 1,</b>	<b>\$ 11.1</b>	<b>\$ 19.7</b>
Accruals (reversals), net	3.0	12.1
Payments	(3.9)	(20.7)
<b>Balance</b>	<b>\$ 10.2</b>	<b>\$ 11.1</b>

**Other Non-Operating Income (Expense):**

The following table summarizes the components of other non-operating (expense) income:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
FX gain/(loss)	\$ 3.8	\$ 0.8	\$ (5.8)	\$ 4.8
Joint venture income	4.0	3.0	5.0	4.9
Other	0.5	(0.8)	(0.3)	(1.1)
Total	\$ 8.3	\$ 3.0	\$ (1.1)	\$ 8.6

**Purchase Price Hedge Gain:**

The \$41.2 million gain reflects unrealized gains on an FX collar hedging strategy to economically hedge the euro denominated purchase price for Bureau van Dijk as more fully discussed in Note 7 to the condensed consolidated financial statements.

**CCXI Gain:**

CCXI is a Chinese credit rating agency in which Moody's acquired a 49% stake in 2006. Moody's accounts for this investment under the equity method of accounting. On March 21, 2017, CCXI, as part of a strategic business realignment, issued additional capital to its majority shareholder in exchange for a ratings business wholly-owned by the majority shareholder and which has the right to rate a different class of debt instrument in the Chinese market. The capital issuance by CCXI in exchange for this ratings business diluted Moody's ownership interest in CCXI to 30% of a larger business and resulted in a \$59.7 million non-cash, non-taxable gain. The issuance of additional capital by CCXI is treated as if Moody's sold a 19% interest in CCXI at fair value. The fair value of the 19% interest in CCXI that Moody's hypothetically sold was estimated using both a discounted cash flow methodology and comparable public company multiples. A DCF analysis requires significant estimates, including projections of future operating results and cash flows based on the budgets and forecasts of CCXI, expected long-term growth rates, terminal values, WACC and the effects of external factors and market conditions. Moody's will continue to account for its 30% interest in CCXI under the equity method of accounting.



**Table of Contents****NOTE 11. COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME**

The following table provides details about the reclassifications out of AOCI:

	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017	Affected line in the consolidated statement of operations
<b>Gains (losses) on cash flow hedges</b>			
Cross-currency swap	7.1	8.6	Other non-operating income (expense), net
Interest rate contract	(1.0)	(1.1)	Interest expense, net
Total before income taxes	6.1	7.5	
Income tax effect of items above	(2.8)	(3.3)	Provision for income taxes
<b>Total net gains on cash flow hedges</b>	<b>3.3</b>	<b>4.2</b>	
<b>Pension and other retirement benefits</b>			
Amortization of actuarial losses and prior service costs included in net income	(1.2)	(2.7)	Operating expense
Amortization of actuarial losses and prior service costs included in net income	(0.7)	(1.6)	SG&A expense
<b>Total before income taxes</b>	<b>(1.9)</b>	<b>(4.3)</b>	
Income tax effect of item above	0.8	1.7	Provision for income taxes
<b>Total pension and other retirement benefits</b>	<b>(1.1)</b>	<b>(2.6)</b>	
<b>Total net gains included in Net Income attributable to reclassifications out of AOCI</b>	<b>\$ 2.2</b>	<b>\$ 1.6</b>	

	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016	Affected line in the consolidated statement of operations
<b>(Losses) Gains on cash flow hedges</b>			
Cross-currency swap	(2.6)	(0.4)	Other non-operating income (expense), net
Income tax effect of item above	0.9	0.1	Provision for income taxes
<b>Total net losses on cash flow hedges</b>	<b>(1.7)</b>	<b>(0.3)</b>	
<b>Pension and other retirement benefits</b>			
Amortization of actuarial losses and prior service costs included in net income	(1.5)	(3.1)	Operating expense
	(0.8)	(1.8)	SG&A expense

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Amortization of actuarial losses and prior service costs included  
in net income

Total before income taxes	(2.3)	(4.9)
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Income tax effect of item above	0.9	1.9	Provision for income taxes
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Total pension and other retirement benefits	(1.4)	(3.0)
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Total losses included in Net Income attributable to reclassifications out of AOCI	\$ (3.1)	\$ (3.3)
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The following table shows changes in AOCI by component (net of tax):

<i>Gains/(Losses)</i>	Three Months Ended					Three Months Ended				
	June 30, 2017					June 30, 2016				
	Pension and Other Retirement Benefits	Gains/(Losses) on Cash Flow Hedges	Foreign Currency Translation Adjustments	Gains on Available for Sale Securities	Total	Pension and Other Retirement Benefits	Gains/(Losses) on Cash Flow Hedges	Foreign Currency Translation Adjustments	Gains on Available for Sale Securities	Total
<b>Balance March 31,</b>	<b>\$ (78.0)</b>	<b>\$ 0.6</b>	<b>\$ (283.3)</b>	<b>\$ 3.4</b>	<b>\$ (357.3)</b>	<b>\$ (84.1)</b>	<b>\$ (1.3)</b>	<b>\$ (220.0)</b>	<b>\$ 3.9</b>	<b>\$ (301.5)</b>
Other comprehensive income/(loss) before reclassifications	4.9	3.2	41.5	0.2	49.8	3.3	(2.9)	(19.4)	0.6	(18.4)
Amounts reclassified from AOCI	1.1	(3.3)			(2.2)	1.4	1.7			3.1
Other comprehensive income/(loss)	6.0	(0.1)	41.5	0.2	47.6	4.7	(1.2)	(19.4)	0.6	(15.3)
<b>Balance June 30,</b>	<b>\$ (72.0)</b>	<b>\$ 0.5</b>	<b>\$ (241.8)</b>	<b>\$ 3.6</b>	<b>\$ (309.7)</b>	<b>\$ (79.4)</b>	<b>\$ (2.5)</b>	<b>\$ (239.4)</b>	<b>\$ 4.5</b>	<b>\$ (316.8)</b>

<i>Gains/(Losses)</i>	Six Months Ended					Six Months Ended				
	June 30, 2017					June 30, 2016				
	Pension and Other Retirement Benefits	Gains/(Losses) on Cash Flow Hedges	Foreign Currency Translation Adjustments	Gains on Available for Sale Securities	Total	Pension and Other Retirement Benefits	Gains/(Losses) on Cash Flow Hedges	Foreign Currency Translation Adjustments	Gains on Available for Sale Securities	Total
<b>Balance December 31,</b>	<b>\$ (79.5)</b>	<b>\$ 1.7</b>	<b>\$ (290.2)</b>	<b>\$ 3.1</b>	<b>\$ (364.9)</b>	<b>\$ (85.7)</b>	<b>\$ (1.1)</b>	<b>\$ (256.0)</b>	<b>\$ 3.3</b>	<b>\$ (339.5)</b>
Other comprehensive income/(loss) before reclassifications	4.9	3.0	48.4	0.5	56.8	3.3	(1.7)	16.6	1.2	19.4
Amounts reclassified from AOCI	2.6	(4.2)			(1.6)	3.0	0.3			3.3
Other comprehensive income/(loss)	7.5	(1.2)	48.4	0.5	55.2	6.3	(1.4)	16.6	1.2	22.7
<b>Balance June 30,</b>	<b>\$ (72.0)</b>	<b>\$ 0.5</b>	<b>\$ (241.8)</b>	<b>\$ 3.6</b>	<b>\$ (309.7)</b>	<b>\$ (79.4)</b>	<b>\$ (2.5)</b>	<b>\$ (239.4)</b>	<b>\$ 4.5</b>	<b>\$ (316.8)</b>

**Table of Contents****NOTE 12. PENSION AND OTHER RETIREMENT BENEFITS**

Moody's maintains funded and unfunded noncontributory Defined Benefit Pension Plans. The U.S. plans provide defined benefits using a cash balance formula based on years of service and career average salary for its employees or final average pay for selected executives. The Company also provides certain healthcare and life insurance benefits for retired U.S. employees. The retirement healthcare plans are contributory; the life insurance plans are noncontributory. Moody's funded and unfunded U.S. pension plans, the U.S. retirement healthcare plans and the U.S. retirement life insurance plans are collectively referred to herein as the Retirement Plans. The U.S. retirement healthcare plans and the U.S. retirement life insurance plans are collectively referred to herein as the Other Retirement Plans.

Effective January 1, 2008, the Company no longer offers DBPPs to U.S. employees hired or rehired on or after January 1, 2008. New U.S. employees will instead receive a retirement contribution of similar benefit value under the Company's Profit Participation Plan. Current participants of the Company's DBPPs continue to accrue benefits based on existing plan formulas.

The components of net periodic benefit expense related to the Retirement Plans are as follows:

	Three Months Ended June 30,			
	Pension Plans		Other Retirement Plans	
	2017	2016	2017	2016
<b>Components of net periodic expense</b>				
Service cost	\$ 4.3	\$ 4.9	\$ 0.6	\$ 0.6
Interest cost	4.5	4.5	0.3	0.2
Expected return on plan assets	(4.2)	(4.2)		
Amortization of net actuarial loss from earlier periods	2.1	2.3		
Amortization of net prior service costs from earlier periods				(0.1)
<b>Net periodic expense</b>	<b>\$ 6.7</b>	<b>\$ 7.5</b>	<b>\$ 0.9</b>	<b>\$ 0.7</b>

	Six Months Ended June 30,			
	Pension Plans		Other Retirement Plans	
	2017	2016	2017	2016
<b>Components of net periodic expense</b>				
Service cost	\$ 9.2	\$ 10.1	\$ 1.2	\$ 1.1
Interest cost	9.2	9.1	0.6	0.5
Expected return on plan assets	(8.3)	(8.5)		
Amortization of net actuarial loss from earlier periods	4.5	4.9		
Amortization of net prior service costs from earlier periods			(0.1)	(0.1)
<b>Net periodic expense</b>	<b>\$ 14.6</b>	<b>\$ 15.6</b>	<b>\$ 1.7</b>	<b>\$ 1.5</b>

The Company made a contribution of \$10.4 million to its funded pension plan as well as payments of \$2.2 million related to its unfunded U.S. DBPPs and \$0.4 million to its U.S. other retirement plans during the six months ended June 30, 2017. The Company anticipates making payments of \$3.6 million and \$0.6 million to its unfunded U.S. DBPPs and U.S. other retirement plans, respectively, during the remainder of 2017.

**Table of Contents****NOTE 13. INDEBTEDNESS**

The following table summarizes total indebtedness:

	June 30, 2017				
	Principal Amount	Fair Value of Interest Rate Swap <sup>(1)</sup>	Unamortized (Discount) Premium	Unamortized Debt Issuance Costs	Carrying Value
Notes Payable:					
5.50% 2010 Senior Notes, due 2020	\$ 500.0	\$ 5.6	\$ (1.2)	\$ (1.4)	\$ 503.0
4.50% 2012 Senior Notes, due 2022	500.0	0.1	(2.2)	(1.9)	496.0
4.875% 2013 Senior Notes, due 2024	500.0		(1.9)	(2.5)	495.6
2.75% 2014 Senior Notes (5-Year), due 2019	450.0	0.6	(0.3)	(1.4)	448.9
5.25% 2014 Senior Notes (30-Year), due 2044	600.0		3.3	(5.8)	597.5
1.75% 2015 Senior Notes, due 2027	570.3			(3.6)	566.7
2.75% 2017 Senior Notes, due 2021	500.0		(1.4)	(3.7)	494.9
2017 Floating Rate Senior Notes, due 2018	300.0			(1.0)	299.0
2.625% 2017 Private Placement Notes, due 2023	500.0		(1.2)	(3.8)	495.0
3.25% 2017 Private Placement Notes, due 2028	500.0		(5.4)	(4.1)	490.5
Total long-term debt	\$ 4,920.3	\$ 6.3	\$ (10.3)	\$ (29.2)	\$ 4,887.1

	December 31, 2016				
	Principal Amount	Fair Value of Interest Rate Swap <sup>(1)</sup>	Unamortized (Discount) Premium	Unamortized Debt Issuance Costs	Carrying Value
Notes Payable:					
6.06% Series 2007-1 Notes due 2017	\$ 300.0	\$	\$	\$	\$ 300.0
5.50% 2010 Senior Notes, due 2020	500.0	5.5	(1.3)	(1.6)	502.6
4.50% 2012 Senior Notes, due 2022	500.0	(0.2)	(2.4)	(2.1)	495.3
4.875% 2013 Senior Notes, due 2024	500.0		(2.1)	(2.7)	495.2
2.75% 2014 Senior Notes (5-Year), due 2019	450.0	0.9	(0.4)	(1.7)	448.8
5.25% 2014 Senior Notes (30-Year), due 2044	600.0		3.3	(5.9)	597.4
1.75% 2015 Senior Notes, due 2027	527.4			(3.7)	523.7
Total debt	\$ 3,377.4	\$ 6.2	\$ (2.9)	\$ (17.7)	\$ 3,363.0
Current portion					(300.0)
Total long-term debt					\$ 3,063.0

<sup>(1)</sup> The Company has entered into interest rate swaps on the 2010 Senior Notes and the 2014 Senior Notes (5-Year) which are more fully discussed in Note 7 above.

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### ***Term Loan Facility***

On June 6, 2017, the Company entered into a three-year term loan facility with the capacity to borrow up to \$500.0 million. At June 30, 2017, the Company did not have any outstanding borrowings under the 2017 Term Loan Facility. Any proceeds from the 2017 Term Loan Facility will be used to (i) fund the acquisition of Bureau van Dijk, (ii) pay acquisition-related fees and expenses and (iii) to repay certain existing indebtedness (including termination of certain hedging arrangements) of Bureau van Dijk's affiliated entities. At the Company's election, interest on borrowings under the facility is payable at rates that are based on either (a) Alternate Base Rate (as defined in the 2017 Term Loan Facility agreement) plus a premium (ranging from 0 BPS to 50 BPS annum) or (b) the Adjusted LIBO Rate (as defined in the 2017 Term Loan Facility agreement) plus a premium (ranging from 87.5 BPS to 150 BPS per annum), in each case, depending on the Company's index debt rating. In addition, from the date that is 90 days after the date of the 2017 Term Loan Facility through and including the date the commitments under the 2017 Term Loan Facility are terminated in full, the Company also shall pay a non-refundable ticking fee quarterly in arrears on the aggregate daily amount of the commitments under the 2017 Term Loan Facility ranging from 8 BPS to 17.5 BPS of the aggregate amount of commitments under the facility, depending on the Company's index debt rating.

The 2017 Term Loan Facility contains covenants that, among other things, restrict the ability of the Company to engage in mergers, consolidations, asset sales, transactions with affiliates, sale and leaseback transactions or to incur liens, with exceptions as set forth in the 2017 Term Loan Facility agreement. The 2017 Term Loan Facility also contains a financial covenant that requires the Company to maintain a debt to EBITDA ratio of not more than: (i) 4.5 to 1.0 as of the end of each fiscal quarter (with respect to the first three consecutive fiscal quarters immediately following the closing of the 2017 Term Loan Facility when the Bureau van Dijk acquisition is consummated) and (ii) 4.0 to 1.0 as of the end of the fourth fiscal quarter immediately following the closing of the 2017 Term Loan Facility when the Bureau van Dijk acquisition is consummated and each fiscal quarter thereafter. The 2017 Term Loan Facility also contains customary events of default.

### ***Credit Facility***

On June 6, 2017, the Company entered into an amendment to the 2015 Facility. Pursuant to the amendment, the applicable rate for borrowings under the 2015 Facility will range from 0 BPS to 32.5 BPS per annum for Alternate Base Rate loans (as defined in the 2015 Facility agreement) and 79.5 BPS to 132.5 BPS per annum for Eurocurrency loans (as defined in the 2015 Facility agreement). In addition, the facility fee paid by the Company now ranges from 8 BPS to 17.5 BPS on the daily amount of commitments (whether used or unused), in each case, depending on the Company's index debt rating. The amendment also modifies, among other things, the existing financial covenant, so that, solely to the extent the acquisition of Bureau van Dijk closes, the Company's debt to EBITDA ratio shall not exceed 4.5 to 1.0 as of the end of the first three consecutive fiscal quarters immediately following the closing of the Bureau van Dijk acquisition and shall not exceed 4.0 to 1.0 as of the fourth fiscal quarter immediately following the closing of the Bureau van Dijk acquisition and each fiscal quarter thereafter.

### ***Commercial Paper***

On August 3, 2016, the Company entered into a private placement commercial paper program under which the Company may issue CP notes up to a maximum amount of \$1.0 billion. Borrowings under the CP Program are backstopped by the 2015 Facility. Amounts under the CP Program may be re-borrowed. The maturity of the CP Notes will vary, but may not exceed 397 days from the date of issue. The CP Notes are sold at a discount from par, or alternatively, sold at par and bear interest at rates that will vary based upon market conditions. The rates of interest will depend on whether the CP Notes will be a fixed or floating rate. The interest on a floating rate may be based on the following: (a) certificate of deposit rate; (b) commercial paper rate; (c) the federal funds rate; (d) the LIBOR; (e) prime rate; (f) Treasury rate; or (g) such other base rate as may be specified in a supplement to the private placement agreement. The CP Program contains certain events of default including, among other things: non-payment of principal, interest or fees; entrance into any form of moratorium; and bankruptcy and insolvency events, subject in certain instances to cure periods. At June 30, 2017, there were no borrowings outstanding under the CP Program.

### ***Notes Payable***

On March 2, 2017, the Company issued \$300 million aggregate principal amount of senior unsecured floating rate notes in a public offering. The 2017 Floating Rate Senior Notes bear interest at a floating rate which is to be calculated by Wells Fargo Bank, National Association, equal to three-month LIBOR as determined on the interest determination date plus 0.35%. The interest

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determination date for an interest period will be the second London business day preceding the first day of such interest period. The 2017 Floating Rate Senior Notes will mature on September 4, 2018. Interest on the 2017 Floating Rate Senior Notes will accrue from March 2, 2017, and will be paid quarterly in arrears on June 4, 2017, September 4, 2017, December 4, 2017, March 4, 2018, June 4, 2018 and on the maturity date, to the record holders at the close of business on the business date preceding the interest payment date. The 2017 Floating Rate Senior Notes are not redeemable prior to their maturity.

On March 2, 2017, the Company issued \$500 million aggregate principal amount of senior unsecured notes in a public offering. The 2017 Senior Notes bear interest at a fixed rate of 2.750% and mature on December 15, 2021. Interest on the 2017 Senior Notes is due semiannually on June 15 and December 15 of each year, commencing June 15, 2017. The Company may redeem the 2017 Senior Notes, in whole or in part, at any time at a price equity to 100% of the principal amount being redeemed, plus accrued and unpaid interest and a Make-Whole Amount.

On June 12, 2017, the Company issued and sold through a private placement transaction, \$500 million aggregate principal amount of its 2017 Private Placement Notes Due 2023 and \$500 million aggregate principal amount of its 2017 Private Placement Notes Due 2028. The 2017 Private Placement Notes Due 2023 bear interest at the fixed rate of 2.625% per year and mature on January 15, 2023. The 2017 Private Placement Notes Due 2028 bear interest at the fixed rate of 3.250% per year and mature on January 15, 2028. Interest on each tranche of notes will be due semiannually on January 15 and July 15 of each year, commencing January 15, 2018. The Company entered into a registration rights agreement, dated as of June 12, 2017, with the representatives of the initial purchasers of the notes, which sets forth, among other things, the Company's obligations to register the notes under the Securities Act, within 365 days of issuance. The net proceeds of the note offering will be used to finance, in part, the acquisition of Bureau van Dijk. In the event that the Company does not complete the acquisition on or prior to January 29, 2018, or the share purchase agreement is terminated at any time prior to such date, the Company will be required to redeem all of the notes on a special mandatory redemption date at a redemption price equal to 101% of the principal amount of the notes, plus any accrued and unpaid interest up to, but not including, the redemption date. In addition, the Company may redeem the 2017 Private Placement Notes Due 2023 and 2017 Private Placement Notes Due 2028, in whole or in part, at any time at a price equity to 100% of the principal amount being redeemed, plus accrued interest and a Make-Whole Amount.

For all of the aforementioned notes, at the option of the holders of the notes, the Company may be required to purchase all or a portion of the notes upon occurrence of a Change of Control Triggering Event, as defined in the 2017 Indenture, at a price equal to 101% of the principal amount, thereof, plus accrued and unpaid interest to the date of purchase. The 2017 Indenture contains covenants that limit the ability of the Company and certain of its subsidiaries to, among other things, incur or create liens and enter into sale and leaseback transactions. In addition, the 2017 Indenture contains a covenant that limits the ability of the Company to consolidate or merge with another entity or to sell all or substantially all of its assets to another entity. The 2017 Indenture also contains customary default provisions. In addition, an event of default will occur if the Company or certain of its subsidiaries fail to pay the principal of any indebtedness (as defined in the 2017 Indenture) when due at maturity in an aggregate amount of \$50 million or more, or a default occurs that results in the acceleration of the maturity of the Company's or certain of its subsidiaries' indebtedness in an aggregate amount of \$50 million or more. Upon the occurrence and during the continuation of an event of default under the 2017 Indenture, all the aforementioned notes may become immediately due and payable either automatically or by the vote of the holders of more than 25% of the aggregate principal amount of all of the notes of the applicable series then outstanding.

In the first quarter of 2017, the Company repaid the Series 2007-1 Notes along with a Make-Whole Amount of approximately \$7 million.

**Table of Contents****2017 Bridge Credit Facility**

On May 15, 2017, the Company entered into a 364-Day Bridge Credit Agreement providing for a \$1.5 billion bridge facility. On June 12, 2017, the commitments under this facility were terminated upon the issuance of the 2017 Private Placement Notes Due 2023, the 2017 Private Placement Notes Due 2028 and the 2017 Term Loan Facility.

At June 30, 2017, the Company was in compliance with all covenants contained within all of the debt agreements. All the debt agreements contain cross default provisions which state that default under one of the aforementioned debt instruments could in turn permit lenders under other debt instruments to declare borrowings outstanding under those instruments to be immediately due and payable. As of June 30, 2017, there were no such cross defaults.

The repayment schedule for the Company's borrowings is as follows:

Year Ended December 31,	2010 Senior Notes due 2020	2012 Senior Notes due 2022	2013 Senior Notes due 2024	2014 Senior Notes (5-Year) due 2019	2014 Senior Notes (30-Year) due 2044	2015 Senior Notes (1) due 2027	2017 Floating Rate Senior Notes due 2018	2017 Senior Notes due 2021	2017 Private Placement Notes due 2023	2017 Private Placement Notes due 2028	Total
2017 (after June 30,)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2018							300.0				300.0
2019				450.0							450.0
2020	500.0										500.0
2021								500.0			500.0
Thereafter		500.0	500.0		600.0	570.3			500.0	500.0	3,170.3
Total	\$ 500.0	\$ 500.0	\$ 500.0	\$ 450.0	\$ 600.0	\$ 570.3	\$ 300.0	\$ 500.0	\$ 500.0	\$ 500.0	\$ 4,920.3

<sup>(1)</sup> Based on end of quarter FX rates

**Interest expense, net**

The following table summarizes the components of interest as presented in the consolidated statements of operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Income	\$ 4.6	\$ 2.8	\$ 8.7	\$ 5.7
Expense on borrowings	(46.4)	(35.4)	(91.1)	(70.0)
Expense on UTPs and other tax related liabilities	(3.4)	(1.7)	(5.5)	(4.5)
Capitalized	0.2		0.5	0.4
Total	\$ (45.0)	\$ (34.3)	\$ (87.4)	\$ (68.4)



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The following table shows the cash paid for interest:

	Six Months Ended June 30,	
	2017	2016
Interest paid*	\$ 88.5	\$ 73.9

\* Amount in 2017 includes an approximate \$7 million Make-Whole Amount relating to the early repayment of the Series 2007-1 Notes in the first quarter of 2017

The fair value and carrying value of the Company's debt as of June 30, 2017 and December 31, 2016 are as follows:

	June 30, 2017		December 31, 2016	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Series 2007-1 Notes	\$	\$	\$ 300.0	\$ 308.9
2010 Senior Notes	503.0	547.8	502.6	548.3
2012 Senior Notes	496.0	540.2	495.3	535.3
2013 Senior Notes	495.6	550.2	495.2	539.9
2014 Senior Notes (5-Year)	448.9	456.6	448.8	456.2
2014 Senior Notes (30-Year)	597.5	695.3	597.4	661.5
2015 Senior Notes	566.7	577.6	523.7	534.8
2017 Senior Notes (5-Year)	494.9	504.1		
2017 Floating Rate Senior Notes	299.0	300.7		
2.65% 2017 Private Placement Notes, due 2023	495.0	496.6		
3.25% 2017 Private Placement Notes, due 2028	490.5	492.6		
Total	\$4,887.1	\$5,161.7	\$ 3,363.0	\$ 3,584.9

The fair value of the Company's debt is estimated based on quoted market prices for similar instruments. Accordingly, the inputs used to estimate the fair value of the Company's long-term debt are classified as Level 2 inputs within the fair value hierarchy.

**NOTE 14. CONTINGENCIES**

Given the nature of their activities, Moody's and its subsidiaries are subject to legal and tax proceedings, governmental, regulatory and legislative investigations and inquiries, and claims and litigation that are based on ratings assigned by MIS or that are otherwise incidental to the Company's business. They periodically receive and respond to subpoenas and other inquiries which may relate to Moody's activities or to activities of others that may result in claims and litigation, proceedings or investigations by private litigants or governmental, regulatory or legislative authorities. Moody's also is subject to ongoing tax audits as addressed in Note 3 to the financial statements.

Management periodically assesses the Company's liabilities and contingencies in connection with these matters based upon the latest information available. For claims, litigation and proceedings and governmental investigations and inquiries not related to income taxes, the Company records liabilities in the consolidated financial statements when it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated and periodically adjusts these as appropriate. When the reasonable estimate of the loss is within a range of amounts, the minimum amount of the range is accrued unless some higher amount within the range is a better estimate than another amount within the range. In instances when a loss is reasonably possible but uncertainties exist related to the probable outcome and/or the amount or range of loss, management does not record a liability but discloses the contingency if material. As additional information becomes available, the Company adjusts its assessments and estimates of such matters accordingly. Moody's also discloses material pending legal proceedings pursuant to SEC rules and other pending matters as it may determine to be appropriate.

In view of the inherent difficulty of assessing the potential outcome of legal proceedings, governmental, regulatory and legislative investigations and inquiries, claims and litigation and similar matters and contingencies, particularly when the claimants seek large or indeterminate damages

or assert novel legal theories or the matters involve a large number of parties, the Company often cannot

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predict what the eventual outcome of the pending matters will be or the timing of any resolution of such matters. The Company also may be unable to predict the impact (if any) that any such matters may have on how its business is conducted, on its competitive position or on its financial position, results of operations or cash flows. As the process to resolve any pending matters progresses, management will continue to review the latest information available and assess its ability to predict the outcome of such matters and the effects, if any, on its operations and financial condition and to accrue for and disclose such matters as and when required. However, because such matters are inherently unpredictable and unfavorable developments or resolutions can occur, the ultimate outcome of such matters, including the amount of any loss, may differ from those estimates.

### **NOTE 15. SEGMENT INFORMATION**

The Company is organized into two operating segments: MIS and MA and accordingly, the Company reports in two reportable segments: MIS and MA.

The MIS segment consists of five LOBs. The CFG, SFG, FIG and PPIF LOBs generate revenue principally from fees for the assignment and ongoing monitoring of credit ratings on debt obligations and the entities that issue such obligations in markets worldwide. The MIS Other LOB primarily consists of the distribution of research and financial instruments pricing services in the Asia-Pacific region as well as ICRA non-ratings revenue.

The MA segment develops a wide range of products and services that support the risk management activities of institutional participants in global financial markets. The MA segment consists of three LOBs RD&A, ERS and PS.

Revenue for MIS and expenses for MA include an intersegment royalty charged to MA for the rights to use and distribute content, data and products developed by MIS. The royalty rate charged by MIS approximates the fair value of the aforementioned content, data and products and is generally based on comparable market transactions. Also, revenue for MA and expenses for MIS include an intersegment fee charged to MIS from MA for certain MA products and services utilized in MIS's ratings process. These fees charged by MA are generally equal to the costs incurred by MA to produce these products and services. Additionally, overhead costs and corporate expenses of the Company that exclusively benefit only one segment are fully charged to that segment. Overhead costs and corporate expenses of the Company that benefit both segments are allocated to each segment based on a revenue-split methodology. Accordingly, a reportable segment's share of these costs will increase as its proportion of revenue relative to Moody's total revenue increases. Overhead expenses include costs such as rent and occupancy, information technology and support staff such as finance, human resources and information technology. Eliminations in the table below represent intersegment revenue/expense. Moody's does not report the Company's assets by reportable segment, as this metric is not used by the chief operating decision maker to allocate resources to the segments. Consequently, it is not practical to show assets by reportable segment.

**Table of Contents****Financial Information by Segment**

The table below shows revenue, Adjusted Operating Income and operating income by reportable segment. Adjusted Operating Income is a financial metric utilized by the Company's chief operating decision maker to assess the profitability of each reportable segment.

	Three Months Ended June 30,							
	MIS	MA	2017 Eliminations	Consolidated	MIS	MA	2016 Eliminations	Consolidated
Revenue	\$ 713.7	\$ 317.6	\$ (30.8)	\$ 1,000.5	\$ 650.3	\$ 306.0	\$ (27.4)	\$ 928.9
Operating, SG&A	291.4	242.9	(30.8)	503.5	281.3	233.6	(27.4)	487.5
Adjusted Operating Income	422.3	74.7		497.0	369.0	72.4		441.4
Less:								
Depreciation and amortization	18.9	14.0		32.9	18.2	13.0		31.2
Acquisition-Related Expenses		6.6		6.6				
Operating income	\$ 403.4	\$ 54.1	\$	\$ 457.5	\$ 350.8	\$ 59.4	\$	\$ 410.2

	Six Months Ended June 30,							
	MIS	MA	2017 Eliminations	Consolidated	MIS	MA	2016 Eliminations	Consolidated
Revenue	\$ 1,407.9	\$ 628.3	\$ (60.5)	\$ 1,975.7	\$ 1,199.4	\$ 599.8	\$ (54.2)	\$ 1,745.0
Operating, SG&A	579.7	483.6	(60.5)	1,002.8	559.9	463.9	(54.2)	969.6
Adjusted Operating Income	828.2	144.7		972.9	639.5	135.9		775.4
Less:								
Depreciation and amortization	37.8	27.6		65.4	35.7	25.4		61.1
Acquisition-Related Expenses		6.6		6.6				
Operating income	\$ 790.4	\$ 110.5	\$	\$ 900.9	\$ 603.8	\$ 110.5	\$	\$ 714.3

**Table of Contents****MIS and MA Revenue by Line of Business**

The table below presents revenue by LOB within each reportable segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
<b>MIS:</b>				
Corporate finance (CFG)	\$ 355.8	\$ 304.9	\$ 708.6	\$ 545.2
Structured finance (SFG)	119.2	111.5	219.4	202.1
Financial institutions (FIG)	102.4	89.7	214.7	184.6
Public, project and infrastructure finance (PPIF)	104.7	112.3	202.8	203.8
Total ratings revenue	682.1	618.4	1,345.5	1,135.7
MIS Other	4.6	7.3	9.4	15.1
Total external revenue	686.7	625.7	1,354.9	1,150.8
Intersegment royalty	27.0	24.6	53.0	48.6
Total	713.7	650.3	1,407.9	1,199.4
<b>MA:</b>				
Research, data and analytics (RD&A)	180.9	168.3	356.3	333.2
Enterprise risk solutions (ERS)	97.3	97.5	193.2	187.0
Professional services (PS)	35.6	37.4	71.3	74.0
Total external revenue	313.8	303.2	620.8	594.2
Intersegment revenue	3.8	2.8	7.5	5.6
Total	317.6	306.0	628.3	599.8
Eliminations	(30.8)	(27.4)	(60.5)	(54.2)
Total MCO	\$ 1,000.5	\$ 928.9	\$ 1,975.7	\$ 1,745.0

**Consolidated Revenue Information by Geographic Area:**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
United States	\$ 567.8	\$ 545.9	\$ 1,145.6	\$ 1,025.9
International:				
EMEA	252.0	229.3	488.3	439.5
Asia-Pacific	118.0	97.5	217.4	179.5
Americas	62.7	56.2	124.4	100.1
Total International	432.7	383.0	830.1	719.1
Total	\$ 1,000.5	\$ 928.9	\$ 1,975.7	\$ 1,745.0



**Table of Contents****NOTE 16. RECENTLY ISSUED ACCOUNTING STANDARDS**

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU outlines a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. In August 2015, the FASB issued ASU No. 2015-14 Revenue from Contracts with Customers (Topic 606), Deferral of the Effective Date which defers the effective date of the ASU for annual and interim reporting periods beginning after December 15, 2017, with early adoption permitted up to the original effective date of December 15, 2016. In addition, during 2016, the FASB issued additional updates clarifying the implementation guidance for the new revenue recognition standard.

The Company intends to adopt the new revenue guidance as of January 1, 2018 using the modified retrospective transition method. Under this adoption method, the Company will record a cumulative adjustment to retained earnings at January 1, 2018 and apply the provisions of the ASU prospectively. Currently, the Company believes this ASU will have an impact on, which is not limited to: i) the accounting for certain software subscription revenue in MA whereby the license rights within the arrangement would be recognized at the inception of the contract based on estimated stand-alone selling price with the remainder recognized over the subscription period (compared to ASC 605 whereby all software subscription revenue is currently recognized over the subscription period); ii) the accounting for certain ERS revenue arrangements where VSOE is not currently available under ASC 605 would result in the acceleration of revenue recognition (compared to ASC 605 whereby revenue is currently deferred due to lack of VSOE); iii) the capitalization of software implementation project costs to fulfill a contract for its ERS business which will be expensed as incurred under the new standard; and iv.) the capitalization and related amortization period for sales commissions in the MA segment. This ASU will also require new comprehensive disclosures about contracts with customers including the significant reasonable judgments the Company has made when applying the ASU.

At June 30, 2017, the Company is progressing in assessing and documenting key changes to judgmental areas of its accounting policies relating to the adoption of the new revenue accounting standard. However, the quantitative impact of adopting this ASU is not currently known or reasonably estimable as the impact will be heavily dependent upon the status of contracts in-process primarily within the Company's ERS LOB as of the date of adoption (the Company does not have any material software implementation arrangements with terms longer than two years). Furthermore, the Company is in the process of upgrading its IT infrastructure in order to support the accounting under the new standard as well as assessing the impact that the new standard will have on its processes and internal controls.

In January 2016, the FASB issued ASU No. 2016-01 Financial Instruments - Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this ASU update various aspects of recognition, measurement, presentation and disclosures relating to financial instruments. This ASU is effective for fiscal years beginning after December 15, 2017. The Company is currently evaluating the impact of this ASU on the Company's financial statements. The Company believes that the most pertinent impact to its financial statements upon the adoption of this ASU will relate to the discontinuance of the available-for-sale classification for investments in equity securities (unrealized gains and losses were recorded through OCI). Accordingly, subsequent to adoption of this ASU, changes in the fair value of equity securities held by the Company will be recorded through earnings.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) requiring lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement and presentation of expenses and cash flows will depend on classification as either a finance or operating lease. This ASU is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. This standard must be adopted using a modified retrospective approach whereby leases will be presented in accordance with the new standard as of the earliest period presented. The Company is currently evaluating the impact of this ASU on the Company's financial statements. The Company believes that the most notable impact to its financial statements upon the adoption of this ASU will be the recognition of a material right-of-use asset and lease liability for its real estate leases.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments. The amendments in this ASU require the use of an expected credit loss impairment model for most financial assets reported at amortized cost which will require entities to estimate expected credit losses over the lifetime of the instrument. This may result in the earlier recognition of allowances for losses. For available-for-sale debt securities with unrealized losses, an allowance for credit losses will be recognized as a contra account to the amortized cost carrying value of the asset rather than a direct reduction to the carrying value, with changes in the allowance impacting earnings. This ASU is effective for annual and interim reporting periods beginning after December 15, 2019, with early adoption permitted in annual and interim reporting periods beginning after December 15, 2018. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first effective reporting period. The Company is currently evaluating the impact of this ASU on its financial statements. Currently, the Company believes that the most notable impact of this ASU will relate to its processes around the assessment of the adequacy of its allowance for doubtful accounts on accounts receivable.

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In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments. This ASU adds or clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows with the intent to alleviate diversity in practice for classifying various types of cash flows. This ASU is effective for annual and interim reporting periods beginning after December 15, 2017, with early adoption permitted. The Company will apply this clarification guidance in its statements of cash flows upon adoption.



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In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805), Clarifying the Definition of a Business . This ASU clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This ASU is effective for annual and interim reporting periods beginning after December 15, 2017 and should be applied prospectively. Upon adoption, the Company will apply the guidance in this ASU when evaluating whether acquired assets and activities constitute a business.

In March 2017, the FASB issued ASU No. 2017-07, Compensation – Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost . This ASU impacts the presentation of net periodic pension costs in the statement of operations. Entities will be required to report the service cost component in the same line item or items as other compensation costs (either Operating or SG&A in Moody's statement of operations). The other components of net benefit cost are required to be presented in the statement of operations separately from the service cost component and outside of operating income. The ASU permits only the service cost component of net periodic pension cost to be eligible for capitalization, when applicable. This ASU is effective for annual and interim reporting periods beginning after December 15, 2017. Upon adoption, the Company will bifurcate its net periodic pension costs reported in its statements of operations in accordance with this ASU.

In May 2017, the FASB issued ASU No. 2017-09, Compensation – Stock Compensation (Topic 718), Scope of Modification Accounting . This ASU clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. Under this ASU, an entity will not apply modification accounting to a share-based payment award if the award's fair value, vesting conditions and classification as an equity or liability instrument are the same immediately before and after the change. The new guidance will reduce diversity in practice and result in fewer changes to the terms of an award being accounted for as modifications. This ASU is effective for annual and interim reporting periods beginning after December 15, 2017 and should be applied prospectively to awards modified on or after the adoption date. The Company does not expect the adoption of this ASU to have a material impact on its financial statements.

## **NOTE 17. SUBSEQUENT EVENT**

On July 10, 2017, the Board approved the declaration of a quarterly dividend of \$0.38 per share of Moody's common stock, payable on September 12, 2017 to shareholders of record at the close of business on August 22, 2017.

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### **Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This discussion and analysis of financial condition and results of operations should be read in conjunction with the Moody's Corporation condensed consolidated financial statements and notes thereto included elsewhere in this quarterly report on Form 10-Q.

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains Forward-Looking Statements. See Forward-Looking Statements commencing on page 66 for a discussion of uncertainties, risks and other factors associated with these statements.

#### **The Company**

Moody's is a provider of (i) credit ratings, (ii) credit and economic related research, data and analytical tools, (iii) software solutions and related risk management services, (iv) quantitative credit risk measures, financial services training and certification services and (v) analytical and research services. Moody's has two reportable segments: MIS and MA.

MIS, the credit rating agency, publishes credit ratings on a wide range of debt obligations and the entities that issue such obligations in markets worldwide. Revenue is primarily derived from the originators and issuers of such transactions who use MIS ratings in the distribution of their debt issues to investors. Additionally, MIS earns revenue from certain non-ratings-related operations, which consist primarily of the distribution of research and fixed income pricing services in the Asia-Pacific region, and from ICRA non-ratings services. The revenue from these operations is included in the MIS Other LOB and is not material to the results of the MIS segment.

The MA segment develops a wide range of products and services that primarily support financial analysis and risk management activities of institutional participants in global financial markets. Within its RD&A business, MA distributes research and data developed by MIS as part of its ratings process, including in-depth research on major debt issuers, industry studies and commentary on topical credit-related events. The RD&A business also produces economic research as well as data and analytical tools such as quantitative credit risk scores. Within its ERS business, MA provides software solutions as well as related risk management services. The PS business provides analytical and research services and financial training and certification programs.

#### **Critical Accounting Estimates**

Moody's discussion and analysis of its financial condition and results of operations are based on the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires Moody's to make estimates and judgments that affect reported amounts of assets and liabilities and related disclosures of contingent assets and liabilities at the dates of the financial statements and revenue and expenses during the reporting periods. These estimates are based on historical experience and on other assumptions that are believed to be reasonable under the circumstances. On an ongoing basis, Moody's evaluates its estimates, including those related to revenue recognition, accounts receivable allowances, contingencies, restructuring, goodwill and acquired intangible assets, pension and other retirement benefits, stock-based compensation, and income taxes. Actual results may differ from these estimates under different assumptions or conditions. Item 7, MD&A, in the Company's annual report on Form 10-K for the year ended December 31, 2016, includes descriptions of some of the judgments that Moody's makes in applying its accounting estimates in these areas. Since the date of the annual report on Form 10-K, there have been no material changes to the Company's critical accounting estimates other than the update below relating to a goodwill impairment assessment performed on the Company's MAKs reporting unit in the first quarter of 2017.

**Table of Contents****Goodwill and Other Acquired Intangible Assets**

The following is an update to the Company's critical accounting estimate disclosures relating to goodwill and other acquired intangible assets which were presented in Moody's Form 10-K for the year ended December 31, 2016. This update should be read in conjunction with the disclosures made in the aforementioned Form 10-K, and relates to the Company's MAKS reporting unit, formerly known as Copal Amba, which is a provider of research and analytical services.

In January 2017, there was a management change in the MAKS business. A quantitative goodwill impairment assessment for the MAKS reporting unit was performed during the first quarter of 2017 upon the completion of revised financial projections by the new management of this reporting unit. This assessment resulted in no impairment of goodwill for the MAKS reporting unit at March 31, 2017; however, the amount by which the fair value of the reporting unit exceeded its carrying value declined compared to amounts derived during the last quantitative impairment assessment as of July 31, 2016.

Determining the fair value of a reporting unit or an indefinite-lived acquired intangible asset involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions, and appropriate comparable market metrics. However, as these estimates and assumptions are unpredictable and inherently uncertain, actual future results may differ from these estimates.

In addition, the Company also makes certain judgments and assumptions in allocating shared assets and liabilities to determine the carrying values for each of its reporting units. Other assets and liabilities, including applicable corporate assets, are allocated to the extent they are related to the operation of respective reporting units.

**Sensitivity Analyses and Key Assumptions for Deriving the Fair Value of a Reporting Unit**

The following table identifies the amount of goodwill allocated to each reporting unit as of June 30, 2017 and the amount by which the net assets of each reporting unit would exceed the fair value under Step 2 of the goodwill impairment test as prescribed in ASC Topic 350, assuming hypothetical reductions in their fair values as of the date of the last quantitative goodwill impairment assessment for all reporting units (March 31, 2017 for MAKS; July 31, 2016 for the remaining reporting units).

	Goodwill	Sensitivity Analysis Deficit Caused by a Hypothetical Reduction to Fair Value			
		10%	20%	30%	40%
MIS	\$ 49.5	\$	\$	\$	\$
RD&A	183.5				
ERS	333.3				
FSTC	87.8			(14.4)	(34.6)
MAKS	160.6			(23.1)	(53.5)
ICRA	239.8				
Totals	\$ 1,054.5	\$	\$	\$ (37.5)	\$ (88.1)

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### ***Methodologies and significant estimates utilized in determining of the fair value of reporting units:***

The following is a discussion regarding the Company's methodology for determining the fair value of its reporting units, excluding ICRA, as of the date of each reporting unit's last quantitative assessment (March 31, 2017 for MAKs and July 31, 2016 for the remaining reporting units). As ICRA is a publicly traded company in India, the Company was able to observe its fair value based on its market capitalization.

The fair value of each reporting unit, excluding ICRA, was estimated using a discounted cash flow methodology and comparable public company and precedent transaction multiples. The DCF analysis requires significant estimates, including projections of future operating results and cash flows of each reporting unit that is based on internal budgets and strategic plans, expected long-term growth rates, terminal values, weighted average cost of capital and the effects of external factors and market conditions. Changes in these estimates and assumptions could materially affect the estimated fair value of each reporting unit which could result in an impairment charge to reduce the carrying value of goodwill, which could be material to the Company's financial position and results of operations. Moody's allocates newly acquired goodwill to reporting units based on the reporting unit expected to benefit from the acquisition.

The sensitivity analyses on the future cash flows and WACC assumptions described below are as of each reporting unit's last quantitative goodwill impairment assessment. The following discusses the key assumptions utilized in the discounted cash flow valuation methodology that requires significant management judgment:

*Future cash flow assumptions* The projections for future cash flows utilized in the models are derived from historical experience and assumptions regarding future growth and profitability of each reporting unit. These projections are consistent with the Company's operating and strategic plan. Cash flows for the five years subsequent to the date of the quantitative goodwill impairment analysis were utilized in the determination of the fair value of each reporting unit. The growth rates assumed a gradual increase in revenue based on a continued improvement in the global economy and capital markets, new customer acquisition and new products. Beyond five years, a terminal value was determined using a perpetuity growth rate based on inflation and real GDP growth rates. A sensitivity analysis of the revenue growth rates was performed on all reporting units. For all reporting units, a 10% decrease in the revenue growth rates used would not have resulted in the carrying value of the reporting unit exceeding its respective estimated fair value.

*WACC* The WACC is the rate used to discount each reporting unit's estimated future cash flows. The WACC is calculated based on the proportionate weighting of the cost of debt and equity. The cost of equity is based on a risk-free interest rate and an equity risk factor which is derived from public companies similar to the reporting unit and which captures the perceived risks and uncertainties associated with the reporting unit's cash flows. The cost of debt component is calculated as the weighted average cost associated with all of the Company's outstanding borrowings as of the date of the impairment test and was immaterial to the computation of the WACC. The cost of debt and equity is weighted based on the debt to market capitalization ratio of publicly traded companies with similarities to the reporting unit being tested. The WACC for all reporting units ranged from 8.5% to 11.5% as of the date of the reporting unit's last quantitative assessment. Differences in the WACC used between reporting units is primarily due to distinct risks and uncertainties regarding the cash flows of the different reporting units. A sensitivity analysis of the WACC was performed on all reporting units as of the date of the reporting unit's last quantitative goodwill impairment assessment. For all reporting units, an increase in the WACC of one percentage point would not result in the carrying value of the reporting unit exceeding its fair value.

### **Reportable Segments**

The Company is organized into two reportable segments at June 30, 2017: MIS and MA.

The MIS segment is comprised primarily of all of the Company's ratings operations consisting of five LOBs: CFG, SFG, FIG, PPIF and MIS Other. The ratings LOBs generate revenue principally from fees for the assignment and ongoing monitoring of credit ratings on debt obligations and the entities that issue such obligations in markets worldwide. The MIS Other LOB consists of certain non-ratings operations managed by MIS which consists of non-rating revenue from ICRA as well as certain research and fixed income pricing service operations in the Asia-Pacific region.

The MA segment develops a wide range of products and services that support financial analysis and risk management activities of institutional participants in global financial markets. The MA segment consists of three lines of business: RD&A, ERS and PS.



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The following is a discussion of the results of operations of the Company and its reportable segments. Total MIS revenue and total MA expenses include the intersegment royalty revenue for MIS and expense charged to MA for the rights to use and distribute content, data and products developed by MIS. The royalty rate charged by MIS approximates the fair value of the aforementioned content, data and products developed by MIS. Total MA revenue and total MIS expenses include intersegment fees charged to MIS from MA for the use of certain MA products and services in MIS's ratings process. These fees charged by MA are generally equal to the costs incurred by MA to provide these products and services. Overhead charges and corporate expenses that exclusively benefit one segment are fully charged to that segment. Additionally, overhead costs and corporate expenses of the Company that benefit both segments are generally allocated to each segment based on a revenue-split methodology. Overhead expenses include costs such as rent and occupancy, information technology and support staff such as finance, human resources and information technology.

## **RESULTS OF OPERATIONS**

### ***Three months ended June 30, 2017 compared with three months ended June 30, 2016***

#### ***Executive Summary***

Moody's revenue in the three months ended June 30, 2017 totaled \$1,000.5 million, an increase of \$71.6 million, or 8%, compared to 2016 and reflected growth in both reportable segments.

MIS revenue increased 10% compared to the prior year with the most notable growth reflecting strength in leveraged finance revenue within CFG, an increase in the number of rated deals within the CLO asset class in SFG and higher banking-related revenue in FIG across all regions.

MA revenue was 3.5% higher than the prior year reflecting an increase in RD&A driven by growth in credit research subscriptions and licensing of ratings data.

Total operating expenses increased \$24.3 million, or 5%, compared to the second quarter of 2016 mainly due to higher incentive compensation costs reflecting higher projected achievement against full-year projected results compared to the prior year and approximately \$7 million in acquisition-related costs relating to Bureau van Dijk. These increases were partially offset by lower legal-related costs.

Operating income of \$457.5 million in the second quarter of 2017 was up \$47.3 million compared to 2016. Operating margin was 45.7% compared to 44.2% in the prior year. Adjusted Operating Income of \$497.0 million in the second quarter of 2017 increased \$55.6 million compared to 2016. Adjusted Operating Margin was 49.7% compared to 47.5% in the prior year period.

The increase in non-operating income (expense), net, compared to the prior year is primarily due to:

the \$41.2 million Purchase Price Hedge Gain;

*Partially offset by:*

higher interest expense of \$10.7 million reflecting \$800 million in notes issued in early March 2017 to fund the Settlement Charge and repayment of the Series 2007-1 Notes as well as \$1 billion in notes issued in mid-June 2017 and an undrawn bridge loan facility to fund the acquisition of Bureau van Dijk as more fully discussed in Note 13 to the condensed consolidated financial statements. The Bureau van Dijk matters resulted in \$7 million of the incremental \$10.7 million of

interest expense in the second quarter of 2017.

The ETR of 32.1% in the second quarter of 2017 was in line with the second quarter of 2016 and included tax on the Purchase Price Hedge Gain, which is incurred in a higher tax jurisdiction partially offset by an approximate \$9 million benefit reflecting the adoption on a prospective basis of a new accounting standard relating to Excess Tax Benefits on stock-based compensation (refer to Note 1 to the condensed consolidated financial statements for further discussion on the impacts of this new accounting standard). The second quarter of 2016 included an approximate \$4 million benefit from the favorable resolution of state and local tax matters.

Diluted EPS of \$1.61 in the second quarter of 2017, which included: i) \$0.13 from the Purchase Price Hedge Gain; ii) \$0.05 relating to Excess Tax Benefits on stock-based compensation; partially offset by, iii) \$0.03 in Acquisition-Related Expenses; and iv) \$0.03 in financing expenses related to the pending acquisition of Bureau van Dijk, increased \$0.31 from 2016. Excluding Purchase Price Hedge Gain and Acquisition-Related Expenses, Adjusted EPS of \$1.51 in 2017 increased \$0.21.

**Table of Contents****Moody's Corporation**

	Three Months Ended June 30,		% Change Favorable (Unfavorable)
	2017	2016	
Revenue:			
United States	\$ 567.8	\$ 545.9	4%
International:			
EMEA	252.0	229.3	10%
Asia-Pacific	118.0	97.5	21%
Americas	62.7	56.2	12%
Total International	432.7	383.0	13%
Total	1,000.5	928.9	8%
Expenses:			
Operating	285.8	258.9	(10%)
SG&A	217.7	228.6	5%
Depreciation and amortization	32.9	31.2	(5%)
Acquisition-Related Expenses	6.6		NM
Total	543.0	518.7	(5%)
Operating income	\$ 457.5	\$ 410.2	12%
Adjusted Operating Income <sup>(1)</sup>	\$ 497.0	\$ 441.4	13%
Interest expense, net	\$ (45.0)	\$ (34.3)	(31%)
Other non-operating income (expense), net	8.3	3.0	177%
Purchase Price Hedge Gain	41.2		NM
Non-operating income (expense), net	4.5	(31.3)	114%
Net income attributable to Moody's	\$ 312.2	\$ 255.5	22%
Diluted weighted average shares outstanding	193.8	195.8	1%
Diluted EPS attributable to Moody's common shareholders	\$ 1.61	\$ 1.30	24%
Adjusted Diluted EPS attributable to Moody's common shareholders <sup>(1)</sup>	\$ 1.51	\$ 1.30	16%
Operating margin	45.7%	44.2%	
Adjusted Operating Margin <sup>(1)</sup>	49.7%	47.5%	

<sup>(1)</sup> Adjusted Operating Income, Adjusted Operating Margin and Adjusted Diluted EPS are non-GAAP financial measures. Refer to the section entitled "Non-GAAP Financial Measures" of this Management Discussion and Analysis for further information regarding these measures. The table below shows Moody's global staffing by geographic area:

	June 30,		% Change
	2017	2016	
United States	3,404	3,442	(1%)
International	7,214	7,372	(2%)



Total	<b>10,618</b>	10,814	(2%)
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Global revenue of \$1,000.5 million in the second quarter of 2017 increased \$71.6 million, or 8%, compared to 2016 reflecting growth in both reportable segments.

The 10% increase in MIS revenue is primarily due to higher leveraged finance revenue in CFG as well as strong growth in CLO rated deal counts in SFG. Additionally, the growth reflects increases in banking revenue across all regions and benefits from changes in the mix of fee type, new fee initiatives and pricing increases.

The 3.5% increase in MA reflects growth in RD&A driven by credit research subscriptions and licensing of ratings data.

Transaction revenue accounted for 51% of global MCO revenue in the second quarter of 2017 compared to 50% in the prior year.

U.S. revenue of \$567.8 million in the second quarter of 2017 increased \$21.9 million compared to the prior year, reflecting growth in both MIS and MA.

Non-U.S. revenue of \$432.7 million increased \$49.7 million compared to the second quarter of 2016 primarily reflecting growth in MIS across all regions.

Operating expenses were \$285.8 million in the second quarter of 2017, or 10% higher compared to 2016 primarily reflecting higher incentive compensation due to greater achievement relative to full-year targeted results compared to the prior year. The increase also reflects higher salaries and employee benefit expenses primarily resulting from the impact of annual compensation increases.

SG&A expenses of \$217.7 million in the second quarter of 2017 decreased \$10.9 million from the prior year period reflecting lower salaries and benefits expenses due to the impact of cost management initiatives implemented in 2016 that have benefited 2017. Additionally, there were lower non-compensation expenses primarily due to lower legal costs. These decreases were partially offset by higher incentive compensation reflecting greater projected achievement against full-year targeted results compared to the prior year.

Acquisition-Related Expenses represent expenses incurred to complete and integrate the pending acquisition of Bureau van Dijk.

Operating income of \$457.5 million in the second quarter of 2017 increased \$47.3 million compared to 2016, resulting in an operating margin of 45.7%, compared to 44.2% in the prior year. Adjusted Operating Income of \$497.0 million in the second quarter of 2017 increased \$55.6 million compared to 2016, resulting in an Adjusted Operating Margin of 49.7% compared to 47.5% in the prior year period.

Interest expense, net in the second quarter of 2017 was (\$45.0) million, a \$10.7 million increase in expense compared to 2016 reflecting: i) interest on the 2017 Senior Notes and 2017 Floating Rate Senior Notes which were issued in the first quarter of 2017; ii) interest on the 2017 Private Placement Notes Due 2023 and 2017 Private Placement Notes Due 2028 which were issued in June 2017 to fund the pending acquisition of Bureau van Dijk; and iii) fees on the undrawn 2017 Bridge Credit Facility also related to the pending acquisition of Bureau van Dijk.

Other non-operating income (expense), net was \$8.3 million in the second quarter of 2017, a \$5.3 million increase in income compared to 2016 reflecting higher FX gains of approximately \$3 million compared to the prior year. The gains in 2017 primarily relate to the strengthening of the euro to the British pound during the second quarter.

The Purchase Price Hedge Gain reflects unrealized gains on FX collars executed by the Company to economically hedge the euro denominated purchase price of the Bureau van Dijk acquisition.

The Company's ETR was 32.1% in the second quarter of 2017, compared with 31.9% in 2016 and included tax on the Purchase Price Hedge Gain incurred in a higher tax jurisdiction partially offset by an approximate \$9 million benefit reflecting the adoption on a prospective basis of a new accounting standard relating to Excess Tax Benefits on stock-based compensation (refer to Note 1 to the condensed consolidated financial statements for further discussion on the impacts of this new accounting standard). The second quarter of 2016 included an approximate \$4 million benefit from the favorable resolution of state and local tax matters.

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Net Income in the second quarter of 2017, which included: i) \$25.3 million in the net-of-tax Purchase Price Hedge Gain; ii) approximately \$9 million in Excess Tax Benefits; partially offset by iii) approximately \$7 million in Acquisition-Related Expenses; and iv) approximately \$5 million in net-of-tax additional financing costs relating to the acquisition of Bureau van Dijk, was \$312.2 million, or \$56.7 million higher than 2016. Diluted EPS of \$1.61 in the second quarter of 2017, which included: i) \$0.13 relating to the Purchase Price Hedge Gain; ii) \$0.05 relating to Excess Tax Benefits on stock-based compensation; partially offset by, iii) \$0.03 in Acquisition-Related Expenses; and iv) \$0.03 in financing expenses related to the pending acquisition of Bureau van Dijk, increased \$0.31 from 2016. Excluding the Purchase Price Hedge Gain and Acquisition-Related Expenses, Adjusted EPS of \$1.51 in the second quarter of 2017 increased \$0.21.

**Segment Results****Moody's Investors Service**

The table below provides a summary of revenue and operating results, followed by further insight and commentary:

	Three Months Ended June 30,		% Change Favorable (Unfavorable)
	2017	2016	
Revenue:			
Corporate finance (CFG)	\$ 355.8	\$ 304.9	17%
Structured finance (SFG)	119.2	111.5	7%
Financial institutions (FIG)	102.4	89.7	14%
Public, project and infrastructure finance (PPIF)	104.7	112.3	(7%)
Total ratings revenue	682.1	618.4	10%
MIS Other	4.6	7.3	(37%)
Total external revenue	686.7	625.7	10%
Intersegment royalty	27.0	24.6	10%
Total	713.7	650.3	10%
Expenses:			
Operating and SG&A (external)	287.6	278.5	(3%)
Operating and SG&A (intersegment)	3.8	2.8	(36%)
Adjusted Operating Income	422.3	369.0	14%
Depreciation and amortization	18.9	18.2	(4%)
Operating income	\$ 403.4	\$ 350.8	15%
Adjusted Operating Margin	59.2%	56.7%	
Operating margin	56.5%	53.9%	

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The following is a discussion of external MIS revenue and operating expenses:

Global MIS revenue of \$686.7 million in the second quarter of 2017 increased 10% compared to 2016. The most notable growth was in the U.S. and EMEA bank loan sector coupled with growth in investment-grade revenue across all non-U.S. regions and high-yield corporate debt in all regions except EMEA. Additionally, the growth reflected strength in the U.S. CLO asset class in SFG and non-U.S. banking revenue as well as benefits from changes in the mix of fee type, new fee initiatives and pricing increases. These increases were partially offset by lower investment-grade corporate debt revenue in the U.S.

Transaction revenue for MIS was 65% in the second quarter of 2017 compared to 62% in the second quarter of 2016.

In the U.S., revenue was \$412.4 million in the second quarter of 2017, an increase of \$13.3 million compared to 2016 reflecting growth in all LOBs excluding PPIF.

Non-U.S. revenue was \$274.3 million in the second quarter of 2017, an increase of \$47.7 million, or 21%, compared to 2016 reflecting growth in the CFG and FIG LOBs across all regions.

Global CFG revenue of \$355.8 million in the second quarter of 2017 increased 17% compared to 2016 with the most notable growth in the leveraged finance sector (high-yield corporate debt and bank loans). There was strong growth in bank loan revenue in the U.S. primarily reflecting a favorable issuance mix in 2017 compared to the prior year where issuance volumes included a greater number of lower-yielding jumbo deals. Additionally, the growth in bank loan revenue reflected higher rated issuance volumes in EMEA resulting from refinancing activity amidst favorable market conditions in the region. Also, the increase reflects higher investment-grade corporate debt revenue in EMEA and Asia-Pacific primarily due to a favorable mix of fee type compared to the prior year. There were also higher issuance volumes in speculative-grade corporate debt in the U.S. and Asia-Pacific. These increases were partially offset by a decline in U.S. investment-grade revenue reflecting an unfavorable shift in the mix of fee type in this sector. Transaction revenue represented 74% and 71% of total CFG revenue in the second quarter of 2017 and 2016, respectively. In the U.S., revenue was \$220.8 million, or \$12.6 million higher than the prior year. Internationally, revenue of \$135.0 million increased \$38.3 million compared to the prior year.

Global SFG revenue of \$119.2 million in the second quarter of 2017 increased \$7.7 million, or 7%, compared to 2016, primarily due to strong growth in U.S. CLO activity resulting from an increased supply of bank loans and favorable market conditions which led to asset managers refinancing obligations. These increases were partially offset by lower revenue from rating REITs in the U.S. which reflected smaller deal sizes compared to the prior year. Revenue in the U.S. of \$81.6 million increased \$8.7 million. Non-U.S. revenue in the second quarter of 2017 of \$37.6 million decreased \$1.0 million primarily reflecting declines in ABS across all non-U.S. regions. Transaction revenue was 63% of total SFG revenue in the second quarter of 2017 compared to 61% in the prior year.

Global FIG revenue of \$102.4 million in the second quarter of 2017 increased 14% compared to 2016, with a majority of the growth reflecting higher banking revenue in EMEA and Asia-Pacific resulting from opportunistic issuance amidst current favorable market conditions coupled with benefits from changes in the mix of fee type, new fee initiatives and pricing increases. In the U.S., revenue was \$43.9 million, \$3.1 million higher compared to 2016. Internationally, revenue was \$58.5 million, or \$9.6 million higher compared to 2016. Transaction revenue was 43% of total FIG revenue in the second quarter of 2017 compared to 33% in the same period in 2016.

Global PPIF revenue was \$104.7 million in the second quarter of 2017, a decrease of \$7.6 million, or 7%, compared to 2016. PPIF revenue in the U.S. of \$66.0 million was down \$9.0 million compared to 2016 reflecting declines in public and project revenue due to lower municipal issuance resulting from higher benchmark interest rates and credit spreads relative to the same period in the prior year. Additionally, U.S. infrastructure finance issuance also declined compared to strong issuance in the prior year. Internationally, revenue grew 4% reflecting strength in infrastructure finance issuance in Asia-Pacific being partially offset by declines infrastructure finance revenue in EMEA resulting from an unfavorable issuance mix. Transaction revenue was 64% and 65% of total PPIF revenue in second quarter of 2017 and 2016, respectively.

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Operating and SG&A expenses in the second quarter of 2017 increased \$9.1 million compared to 2016. Compensation expenses increased approximately \$19 million primarily due to higher incentive compensation reflecting higher projected achievement against full-year targeted results compared to the prior year. Non-compensation expenses declined approximately \$10 million reflecting lower legal fees and continued cost control initiatives.

Adjusted Operating Income and operating income in the second quarter of 2017, which includes intersegment royalty revenue and intersegment expenses, were \$422.3 million and \$403.4 million, respectively, up 14% and 15%, respectively, compared to 2016. Adjusted Operating Margin and operating margin were 59.2% and 56.5%, respectively, or 250BPS and 260BPS higher compared to the second quarter of 2016.

**Moody's Analytics**

The table below provides a summary of revenue and operating results, followed by further insight and commentary:

	Three months ended June 30,		% Change Favorable (Unfavorable)
	2017	2016	
Revenue:			
Research, data and analytics (RD&A)	\$ 180.9	168.3	7%
Enterprise risk solutions (ERS)	97.3	97.5	
Professional services (PS)	35.6	37.4	(5%)
Total external revenue	313.8	303.2	3.5%
Intersegment revenue	3.8	2.8	36%
Total MA Revenue	317.6	306.0	4%
Expenses:			
Operating and SG&A (external)	215.9	209.0	(3%)
Operating and SG&A (intersegment)	27.0	24.6	(10%)
Adjusted Operating Income	74.7	72.4	3%
Acquisition-Related Expenses	6.6		NM
Depreciation and amortization	14.0	13.0	(8%)
Operating income	\$ 54.1	\$ 59.4	(9%)
Adjusted Operating Margin	23.5%	23.7%	
Operating margin	17.0%	19.4%	

The following is a discussion of external MA revenue and operating expenses:

Global MA revenue increased \$10.6 million, or 3.5%, compared to the second quarter of 2016 reflecting growth in RD&A partially offset by declines in PS. Recurring revenue comprised 80% and 76% of total MA revenue in the second quarter of 2017 and 2016, respectively.

In the U.S., revenue of \$155.4 million in the second quarter of 2017 increased \$8.6 million, and reflected growth across all LOBs.

Non-U.S. revenue of \$158.4 million in the second quarter of 2017 was \$2.0 million higher than in 2016 reflecting growth in RD&A being partially offset by declines in ERS and PS.

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Global RD&A revenue of \$180.9 million, which comprised 58% of total external MA revenue in the second quarter of 2017 and 56% of total external MA revenue in the second quarter of 2016, increased \$12.6 million, or 7%, over the prior year period. This growth, which was most notable in the U.S. and EMEA, reflected strong sales of credit research and licensing of ratings data as well as benefits from pricing increases. In the U.S., revenue of \$101.7 million increased 6% over the prior year. Non-U.S. revenue of \$79.2 million increased 10%.

Global ERS revenue in the second quarter of 2017 of \$97.3 million was flat compared to 2016. In the U.S., revenue of \$40.4 million increased 7% compared to the prior year primarily resulting from higher revenue from insurance products. Non-U.S. revenue of \$56.9 million decreased 5% compared to the prior year primarily resulting from the variable nature of project timing and the concentration of software implementation and license revenue in a relatively small number of engagements.

Global PS revenue of \$35.6 million in the second quarter of 2017 decreased \$1.8 million compared to 2016 primarily reflecting declines in the analytical and research services business internationally. In the U.S., revenue of \$13.3 million increased 6%, over the prior year. Non-U.S. revenue of \$22.3 million decreased 10% compared to the prior year.

Operating and SG&A expenses in the second quarter of 2017 increased \$6.9 million compared to 2016 primarily reflecting higher compensation costs due to annual salary increases.

Additionally, there were \$6.6 million in Acquisition-Related Expenses relating to the pending acquisition of Bureau van Dijk.

Adjusted Operating Income was \$74.7 million in the second quarter of 2017 and increased \$2.3 million compared to the same period in 2016. Operating income of \$54.1 million in the second quarter of 2017 was \$5.3 million lower compared to the same period in 2016 reflecting the aforementioned Acquisition-Related Expenses. Adjusted Operating Margin for the second quarter of 2017 was 23.5%, compared to 23.7% in 2016. Operating margin was 17.0% compared to 19.4% in the prior year. Adjusted Operating Income and operating income both include intersegment revenue and expense.

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### **RESULTS OF OPERATIONS**

#### ***Six months ended June 30, 2017 compared with six months ended June 30, 2016***

##### ***Executive Summary***

Moody's revenue in the first six months of 2017 totaled \$1,975.7 million, an increase of \$230.7 million, or 13%, compared to 2016 reflecting strong growth in MIS as well as good growth in MA.

MIS revenue increased 18% compared to a weak prior year period, especially the first quarter of 2016, where issuance volumes were suppressed due to market volatility at the time. Rated issuance volumes in the first six months of 2017 were strong and reflected robust activity in the bank loan and high-yield corporate debt sectors in CFG as issuers took advantage of favorable market conditions to refinance obligations. The increase also reflects growth in the banking sector within FIG and growth in CLO issuance in SFG.

MA revenue was 4% higher than the prior year primarily reflecting an increase in RD&A which was driven by growth in credit research subscriptions and licensing of ratings data.

Total operating expenses increased \$44.1 million, or 4% compared to 2016. The increase is primarily due to growth in incentive compensation costs reflecting higher projected achievement against full-year projected results compared to the prior year coupled with Acquisition-Related Expenses relating to the pending acquisition of Bureau van Dijk. These increases were partially offset by lower legal costs.

Operating income of \$900.9 million in the first six months of 2017 increased \$186.6 million compared to 2016 and resulted in an operating margin of 45.6% compared to 40.9% in the prior year. Adjusted Operating Income of \$972.9 million in the first six months of 2017 increased \$197.5 million compared to 2016, resulting in an Adjusted Operating Margin of 49.2% compared to 44.4% in the prior year.

The increase in non-operating income (expense) net, compared to the prior year is primarily due to:

the \$59.7 million CCXI Gain;

the \$41.2 million Purchase Price Hedge Gain;

*Partially offset by:*

higher interest expense of \$19.0 million reflecting an approximate \$7 million prepayment penalty on the early repayment of the Series 2007-1 Notes as well as interest and fees on additional financing (including commercial paper) in 2017. This additional interest expense includes approximately \$7 million of financing costs relating to both an undrawn bridge credit facility and borrowings to fund the pending Bureau van Dijk acquisition.

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FX losses of approximately \$6 million in the first half of 2017 compared to FX gains of approximately \$5 million in the prior year.

The ETR of 27.8% in the first six months of 2017 was 430 BPS lower than the prior year primarily due to the non-taxable CCXI Gain as well as an approximate \$28 million benefit reflecting the adoption on a prospective basis of a new accounting standard relating to Excess Tax Benefits on stock-based compensation (refer to Note 1 to the condensed consolidated financial statements for further discussion of the impacts of this new accounting standard). These items were partially offset by tax on the Purchase Price Hedge Gain incurred in a higher tax jurisdiction.

Diluted EPS of \$3.39 in the first six months of 2017, which includes: i) a \$0.31 benefit related to the CCXI Gain; ii) \$0.13 relating to the Purchase Price Hedge Gain; iii) a \$0.15 benefit relating to the new accounting standard for Excess Tax Benefits; partially offset by iv) \$0.04 in Acquisition-Related Expenses; and v) \$0.03 in financing costs relating to the pending Bureau van Dijk acquisition, increased \$1.15 compared to 2016, reflecting higher Net Income and a 1% reduction in diluted weighted average shares outstanding. Excluding the CCXI Gain, Purchase Price Hedge Gain and Acquisition-Related Expenses in the first six months of 2017, Adjusted Diluted EPS of \$2.99 increased \$0.75 compared to 2016.



**Table of Contents****Moody's Corporation**

	Six months ended June 30,		% Change Favorable (Unfavorable)
	2017	2016	
Revenue:			
United States	\$ 1,145.6	\$ 1,025.9	12%
International:			
EMEA	488.3	439.5	11%
Asia-Pacific	217.4	179.5	21%
Americas	124.4	100.1	24%
Total International	830.1	719.1	15%
Total	1,975.7	1,745.0	13%
Expenses:			
Operating	563.2	508.1	(11%)
SG&A	439.6	461.5	5%
Depreciation and amortization	65.4	61.1	(7%)
Acquisition-Related Expenses	6.6		NM
Total	1,074.8	1,030.7	(4%)
Operating income	\$ 900.9	\$ 714.3	26%
Adjusted Operating Income <sup>(1)</sup>	\$ 972.9	\$ 775.4	25%
Interest expense, net	\$ (87.4)	\$ (68.4)	(28%)
Other non-operating income (expense), net	(1.1)	8.6	NM
Purchase Price Hedge Gain	41.2		NM
CCXI Gain	59.7		NM
Non-operating income (expense), net	\$ 12.4	\$ (59.8)	NM
Net income attributable to Moody's	\$ 657.8	\$ 439.9	50%
Diluted weighted average shares outstanding	194.1	196.8	1%
Diluted EPS attributable to Moody's common shareholders	\$ 3.39	\$ 2.24	51%
Adjusted Diluted EPS attributable to Moody's common shareholders <sup>(1)</sup>	\$ 2.99	\$ 2.24	33%
Operating margin	45.6%	40.9%	
Adjusted Operating Margin <sup>(1)</sup>	49.2%	44.4%	

<sup>(1)</sup> Adjusted Operating Income, Adjusted Operating Margin and Adjusted Diluted EPS attributable to Moody's common shareholders are non-GAAP financial measures. Refer to the section entitled "Non-GAAP Financial Measures" of this Management Discussion and Analysis for further information regarding these measures.

Global revenue of \$1,975.7 million in the first half of 2017 increased \$230.7 million, or 13%, compared to 2016 and reflected strong growth in MIS and good growth in MA.

The \$204.1 million increase in MIS revenue primarily reflects strong leveraged finance rated issuance volumes in CFG as issuers took advantage of favorable market conditions to refinance obligations in the first half of 2017 compared to weak issuance in the prior year, particularly in the first quarter of 2016, reflecting market volatility. The increase also reflects growth in the banking sector within FIG and growth in CLO issuance in SFG. Additionally, the increase over prior year reflects benefits from changes in the mix of fee type, new fee initiatives and pricing increases.

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The \$26.6 million growth in MA primarily reflects increases in RD&A driven by growth in credit research subscriptions and licensing of ratings data.

Transaction revenue accounted for 51% of global MCO revenue in the first half of 2017 compared to 47% in the prior year.

U.S. revenue of \$1,145.6 million in the first half of 2017 increased \$119.7 million from the prior year, reflecting growth in both reportable segments.

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Non-U.S. revenue of \$830.1 million in the first half of 2017 increased \$111.0 million compared to the prior year reflecting growth in both reportable segments.

Operating expenses were \$563.2 million in the first half of 2017, up \$55.1 million compared to 2016 primarily due to an increase in compensation costs reflecting higher incentive compensation due to greater projected achievement relative to full-year targeted results compared to the prior year. This increase also reflects higher salaries and employee benefit expenses resulting from the impact of annual compensation increases.

SG&A expenses of \$439.6 million in the first half of 2017 decreased \$21.9 million from the prior year period primarily reflecting lower salaries and benefits costs due to the impact of cost management initiatives implemented in 2016 that have benefited 2017 and lower legal costs. These decreases were partially offset by higher incentive compensation reflecting greater projected achievement relative to full-year targeted results compared to the prior year.

Acquisition-Related Expenses represent expenses incurred to complete and integrate the pending acquisition of Bureau van Dijk.

Operating income of \$900.9 million increased \$186.6 million from the first half of 2016. Adjusted Operating Income was \$972.9 million in the first half of 2017, an increase of \$197.5 million compared to 2016. Operating margin of 45.6% increased 470 BPS compared to the first half of 2016. Adjusted Operating Margin of 49.2% increased 480 BPS compared to the prior year.

Interest expense, net in the first half of 2017 was (\$87.4) million, a \$19.0 million increase in expense compared to 2016, primarily due to: i) an approximate \$7 million prepayment penalty on the early repayment of the Series 2007-1 Notes; ii) interest on the 2017 Senior Notes and 2017 Floating Rate Senior Notes which were issued in the first quarter of 2017; iii) interest on the 2017 Private Placement Notes Due 2023 and 2017 Private Placement Notes Due 2028 which were issued in June 2017 to fund the pending acquisition of Bureau van Dijk and iv) fees on the undrawn 2017 Bridge Credit Facility also related to the pending acquisition of Bureau van Dijk.

Other non-operating (expense) income, net was (\$1.1) million in the first half of 2017, a \$9.7 million increase in expense compared to 2016 primarily reflecting approximately \$6 million in FX losses in the first half of 2017 compared to approximately \$5 million in FX gains in the prior year. The losses in 2017 primarily relate to the weakening of the U.S. dollar to the euro and British pound for U.S. dollar denominated assets held by foreign entities.

Additionally, Moody's recognized the \$59.7 million CCXI Gain and the \$41.2 million Purchase Price Hedge Gain in the first half of 2017.

The ETR of 27.8% in the first half of 2017 was 430 BPS lower than the prior year. This decrease was primarily due to the non-taxable CCXI Gain as well as an approximate \$28 million benefit reflecting the adoption on a prospective basis of a new accounting standard relating to Excess Tax Benefits on stock-based compensation. In accordance with the new accounting standard, these Excess Tax Benefits are now recorded to the provision for income taxes, whereas in the prior year were recorded to capital surplus (refer to Note 1 to the condensed consolidated financial statements for further discussion on this new accounting standard). These items were partially offset by tax on the Purchase Price Hedge Gain incurred in a higher tax jurisdiction.

Net Income in the first half of 2017, which included: i) the \$59.7 million CCXI Gain; ii) \$25.3 million in net-of-tax gains on the aforementioned Purchase Price Hedge Gain; iii) approximately \$28 million in Excess Tax Benefits; partially offset by iv) approximately \$7 million in Acquisition-Related Expenses; and v) approximately \$5 million in net-of-tax additional financing costs relating to the acquisition of Bureau van Dijk, was \$657.8 million, or \$217.9 million higher than prior year. Diluted EPS of \$3.39 in the first six months of 2017, which includes: i) a \$0.31 benefit related to the CCXI Gain; ii) \$0.13 relating to the Purchase Price Hedge Gain; iii) a \$0.15 benefit relating to the new accounting standard for Excess Tax Benefits; partially offset by iv) \$0.04 in Acquisition-Related Expenses; and v) \$0.03 in incremental financing costs relating to the pending Bureau van Dijk acquisition, increased \$1.15 compared to 2016, reflecting higher Net Income and a 1% reduction in diluted weighted average shares outstanding. Excluding the CCXI Gain, Purchase Price Hedge Gain and Acquisition-Related Expenses for Bureau van Dijk in the first six months of 2017, Adjusted Diluted EPS of \$2.99 increased \$0.75 compared to 2016.

**Table of Contents****Segment Results*****Moody's Investors Service***

The table below provides a summary of revenue and operating results, followed by further insight and commentary:

	Six Months Ended June 30,		% Change Favorable (Unfavorable)
	2017	2016	
Revenue:			
Corporate finance (CFG)	\$ 708.6	\$ 545.2	30%
Structured finance (SFG)	219.4	202.1	9%
Financial institutions (FIG)	214.7	184.6	16%
Public, project and infrastructure finance (PPIF)	202.8	203.8	
Total ratings revenue	1,345.5	1,135.7	18%
MIS Other	9.4	15.1	(38%)
Total external revenue	1,354.9	1,150.8	18%
Intersegment royalty	53.0	48.6	9%
Total	1,407.9	1,199.4	17%
Expenses:			
Operating and SG&A (external)	572.2	554.3	(3%)
Operating and SG&A (intersegment)	7.5	5.6	(34%)
Adjusted Operating Income	828.2	639.5	30%
Depreciation and amortization	37.8	35.7	(6%)
Operating income	\$ 790.4	\$ 603.8	31%
Adjusted Operating Margin	58.8%	53.3%	
Operating margin	56.1%	50.3%	

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The following is a discussion of external MIS revenue and operating expenses:

Global MIS revenue of \$1,354.9 million in the first half of 2017 increased 18% compared to 2016 reflecting robust rated issuance volumes for bank loans and high-yield corporate debt within CFG coupled with strong growth in banking-related revenue in FIG and growth across most asset classes in SFG. The strong issuance volume activity in the first half of 2017 is in contrast to weak issuance conditions in the prior year, especially in the first quarter of 2016, when market volatility resulted in suppressed issuance volumes. Also contributing to the growth was the favorable impact of changes in the mix of fee type, new fee initiatives and pricing increases.

Transaction revenue for MIS was 65% in the first half of 2017 compared to 59% in the first half of 2016.

In the U.S., revenue was \$834.9 million in the first half of 2017, an increase of \$99.8 million, or 14%, compared to 2016 primarily reflecting strong growth in CFG, SFG and FIG revenue being partially offset by declines in PPIF and MIS Other revenue.

Non-U.S. revenue was \$520.0 million in the first half of 2017, an increase of \$104.3 million, or 25%, compared to 2016 reflecting growth across all LOBs excluding MIS Other.

Global CFG revenue of \$708.6 million in the first half of 2017 increased \$163.4 million, or 30%, compared to 2016 primarily due to robust rated issuance volumes in bank loans and high-yield corporate debt in the U.S. and EMEA as issuers took advantage of favorable market conditions to refinance obligations compared to a challenging prior year period, especially in the first quarter of 2016, where global market volatility at the time suppressed leveraged finance issuance volumes. The growth in leveraged finance revenue also reflects benefits from a favorable issuance mix in 2017 compared to the prior year where issuance volumes included a greater number of lower-yielding jumbo deals. The increase over the prior year also reflects higher investment-grade corporate debt revenue in EMEA resulting from elevated liquidity within the region resulting from the ECB sponsored CSPP and benefits from changes in the mix of fee type, new fee initiatives and pricing increases. Transaction revenue represented 74% and 67% of total CFG revenue in the first half of 2017 and 2016, respectively. In the U.S., revenue was \$464.6 million, or 22% higher compared to the prior year. Internationally, revenue of \$244.0 million increased 48% compared to the prior year.

Global SFG revenue of \$219.4 million in the first half of 2017 increased \$17.3 million, or 9%, compared to 2016. In the U.S., revenue of \$146.6 million increased \$13.7 million over 2016 primarily due to strong growth in CLO issuance reflecting an increase in bank loan supply and favorable market conditions compared to a challenging prior year period when global market volatility suppressed issuance. Non-U.S. revenue in the first half of 2017 of \$72.8 million increased \$3.6 million compared to the prior year primarily reflecting growth in most asset classes in the Americas region. Transaction revenue was 60% of total SFG revenue in the first half of 2017 compared to 58% in the prior year.

Global FIG revenue of \$214.7 million in the first half of 2017 increased \$30.1 million, or 16%, compared to 2016. In the U.S., revenue was \$94.5 million, up 17% compared to the first half of 2016 reflecting higher issuance in the banking sector and benefits from changes in the mix of fee type, new fee initiatives and price increases. Internationally, revenue was \$120.2 million in the first half of 2017, up 16% compared to 2016 primarily due to growth in the Asia-Pacific region reflecting higher cross-border issuance from Chinese banks and asset managers. The non-U.S. growth also reflects higher banking revenue in EMEA from opportunistic issuance amidst current favorable market conditions as well as benefits from changes in the mix of fee type, new fee initiatives and pricing increases. Transaction revenue was 45% of total FIG revenue in the first half of 2017 compared to 36% in the same period in 2016.

Global PPIF revenue was \$202.8 million in the first half of 2017 and was flat compared to 2016 with declines in the U.S. being offset by growth internationally. In the U.S., revenue of \$129.0 million in the first half of 2017 decreased \$7.1 million compared to 2016 primarily due to declines in public and project finance rated issuance volumes as higher benchmark interest rates and credit spreads in the first half of 2017 relative to the prior year suppressed municipal issuance volumes. These decreases were partially offset by growth in infrastructure finance revenue compared to a challenging prior year period where market volatility at the time, especially in the first quarter of 2016, resulted in lower issuance volumes coupled with benefits from changes in the mix of fee type, new fee initiatives and pricing increases. Outside the U.S., PPIF revenue increased \$6.1 million compared to 2016 reflecting strong growth in infrastructure finance revenue in the Asia-Pacific region and growth in public finance revenue in EMEA and Asia-Pacific being partially offset by declines in infrastructure finance revenue in the Americas region. Transaction revenue was 62% in both the first half of 2017 and 2016.

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Operating and SG&A expenses in the first half of 2017 increased \$17.9 million compared to 2016. Compensation expenses increased approximately \$35 million primarily due to higher incentive compensation reflecting higher projected achievement against full-year targeted results compared to the prior year partially offset by continued cost control initiatives. Non-compensation expenses declined approximately \$17 million reflecting lower legal fees and continued cost control initiatives.

Adjusted Operating Income and operating income in the first half of 2017, which includes intersegment royalty revenue and intersegment expenses, were \$828.2 million and \$790.4 million, respectively, and increased \$188.7 million and \$186.6 million, respectively, compared to 2016. Adjusted Operating Margin and operating margin were 58.8% and 56.1%, respectively, compared to 53.3% and 50.3%, in the prior year, respectively.

**Moody's Analytics**

The table below provides a summary of revenue and operating results, followed by further insight and commentary:

	Six Months Ended June 30,		% Change
	2017	2016	Favorable (Unfavorable)
Revenue:			
Research, data and analytics (RD&A)	\$ 356.3	\$ 333.2	7%
Enterprise risk solutions (ERS)	193.2	187.0	3%
Professional services (PS)	71.3	74.0	(4%)
Total external revenue	620.8	594.2	4%
Intersegment revenue	7.5	5.6	34%
Total MA Revenue	628.3	599.8	5%
Expenses:			
Operating and SG&A (external)	430.6	415.3	(4%)
Operating and SG&A (intersegment)	53.0	48.6	(9%)
Adjusted Operating Income	144.7	135.9	6%
Acquisition-Related Expenses	6.6		NM
Depreciation and amortization	27.6	25.4	(9%)
Operating income	\$ 110.5	\$ 110.5	
Adjusted Operating Margin	23.0%	22.7%	
Operating margin	17.6%	18.4%	

The following is a discussion of external MA revenue and operating expenses:

Global MA revenue increased \$26.6 million, or 4%, compared to first half of 2016 and reflected growth in RD&A as well as ERS, which included revenue from the acquisition of GGY. Additionally, the growth over the prior year reflects benefits from pricing increases within MA's recurring revenue base. Recurring revenue comprised 79% and 76% of total MA revenue in the first half 2017 and 2016, respectively.

In the U.S., revenue of \$310.7 million in first half 2017 increased \$19.9 million and primarily reflected growth in RD&A and ERS.

Non-U.S. revenue of \$310.1 million in the first half of 2017 was \$6.7 million higher than in the first half of 2016 reflecting growth in RD&A partially offset by declines in PS.

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Global RD&A revenue of \$356.3 million, which comprised 57% of total external MA revenue in the first half of 2017 and 56% of total external MA revenue in the first half of 2016, increased \$23.1 million, or 7%, over the prior year period. The growth reflected upgrades in credit research subscriptions and pricing increases in licensing of ratings data, most notably in the U.S. and EMEA. In the U.S., revenue of \$203.1 million increased 6% million compared to the first half of 2016. Non-U.S. revenue of \$153.2 million increased 9%.

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Global ERS revenue of \$193.2 million in the first half of 2017 increased \$6.2 million, or 3%, over the first half of 2016. This growth is primarily due to incremental revenue from GGY, which was acquired in March 2016, coupled with higher revenues from Risk and Finance Analytics products. Additionally, the revenue growth reflects benefits from pricing increases within ERS's recurring revenue base. Revenue in ERS is subject to quarterly volatility resulting from the variable nature of project timing and the concentration of software implementation and license revenue in a relatively small number of engagements. In the U.S., revenue of \$80.6 million increased 10% compared to the prior year. Non-U.S. revenue of \$112.6 million decreased 1%.

Global PS revenue of \$71.3 million in first half of 2017 decreased \$2.7 million, or 4%, from 2016 reflecting lower non-U.S. revenue from analytical and research services partially offset by higher revenue from these services in the U.S. In the U.S., revenue in the first half of 2017 was \$27.0 million, up 7% compared to 2016. International revenue was \$44.3 million, down 9% compared to the first half of 2016.

Operating and SG&A expenses in 2017 increased \$15.3 million compared to 2016. The expense growth primarily reflects an increase in compensation costs primarily due to headcount from the acquisition of GGY coupled with annual salary increases partially offset by cost control initiatives.

There were approximately \$7 million in Acquisition-Related Expenses for the pending Bureau van Dijk acquisition in the first six months of 2017.

Adjusted Operating Income was \$144.7 million in the first half of 2017 and increased \$8.8 million compared to the same period in 2016. Operating income of \$110.5 million in the first half of 2017 was flat compared to the same period in 2016. Adjusted Operating Margin in the first half of 2017 was 23.0%, up 30 BPS from 2016. Operating margin was 17.6% in the first half of 2017, down 80 BPS from the prior year reflecting approximately \$7 million in Bureau van Dijk Acquisition-Related Expenses. Adjusted Operating Income and operating income both include intersegment revenue and expense.

**Liquidity and Capital Resources****Cash Flow**

The Company is currently financing its operations, capital expenditures and share repurchases from cash flow from operating and financing activities. The following is a summary of the changes in the Company's cash flows followed by a brief discussion of these changes:

	Six Months Ended June 30,		\$ Change Favorable (Unfavorable)
	2017	2016	
Net cash (used in) provided by operating activities	\$ (47.7)	\$ 546.4	\$ (594.1)
Net cash provided by (used in) investing activities	\$ 39.9	\$ (7.3)	\$ 47.2
Net cash provided by (used in) financing activities	\$ 1,177.6	\$ (640.4)	\$ 1,818.0
Free Cash Flow*	\$ (90.5)	\$ 492.1	\$ (582.6)

\* Free Cash Flow is an adjusted financial measure. Refer to the section "Non-GAAP Financial Measures" of this MD&A for further information on this financial measure.

**Net cash (used in) provided by operating activities**

Net cash flows from operating activities decreased \$594.1 million compared to the prior year primarily due to Settlement Charge payments of \$863.8 million in the first quarter of 2017 partially offset by related tax benefits (deferred taxes and prepaid taxes, net) of approximately \$116 million. Changes in working capital accounts, excluding the Settlement Charge and the Purchase Price Hedge Gain, positively impacted cash flow from operations by approximately \$40 million. These are partially offset by an increase in net income of \$214.8 million of which \$59.7 million is the non-cash CCXI gain and \$41.2 million is the Purchase Price Hedge Gain which are presented as a cash reduction, relative to net income, in cash flow from operations.





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### **Net cash provided by (used in) investing activities**

The \$47.2 million increase in cash provided by investing activities is primarily due to:

a \$70.9 million decrease in cash paid for acquisitions compared to the prior year primarily reflecting the acquisition of GGY in the first quarter of 2016;

*Partially offset by:*

lower net maturities of short-term investments of \$34.1 million.

### **Net cash provided by (used in) financing activities**

The \$1,818.0 million increase in cash provided by financing activities was attributed to:

proceeds of \$1.0 billion from notes issued to fund the acquisition of Bureau van Dijk and \$0.8 billion issued in the first quarter of 2017 to fund the Settlement Charge and the early repayment of the Series 2007-1 Notes;

treasury shares repurchased of \$134.5 million in the first six months of 2017 compared to \$485.9 million in the first six months of 2016;

*partially offset by:*

repayment of the \$300 million Series 2007-1 Notes.

### **Cash and short-term investments held in non-U.S. jurisdictions**

The Company's aggregate cash and cash equivalents and short-term investments of \$3.4 billion at June 30, 2017 consisted of approximately \$2.0 billion located outside of the U.S. Approximately 23% of the Company's aggregate cash and cash equivalents and short-term investments is denominated in euros and British pounds. Approximately 96% of the cash and cash equivalents and short-term investments in the Company's non-U.S. operations are held by entities whose undistributed earnings are indefinitely reinvested in the Company's foreign operations. Accordingly, the Company has not provided for deferred income taxes on these indefinitely reinvested earnings. A future distribution or change in assertion regarding reinvestment by the foreign subsidiaries relating to these earnings could result in additional tax liability to the Company. It is not practicable to determine the amount of the potential additional tax liability due to complexities in the tax laws and in the hypothetical calculations that would have to be made. The Company manages both its U.S. and international cash flow to maintain sufficient liquidity in all regions to effectively meet its operating needs.

### **Indebtedness**

At June 30, 2017, Moody's had \$4.9 billion of outstanding debt and approximately \$1.5 billion of additional capacity available under the Company's CP Program (which is backstopped by the 2015 Facility) and the undrawn 2017 Term Loan Facility as more fully discussed in Note 13 to the condensed consolidated financial statements. At June 30, 2017, the Company was in compliance with all covenants contained within all of the debt agreements. All of the Company's long-term debt agreements contain cross default provisions which state that default under one of the aforementioned debt instruments could in turn permit lenders under other debt instruments to declare borrowings outstanding under those instruments to be immediately due and payable. As of June 30, 2017, there were no such cross defaults.

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The repayment schedule for the Company's borrowings is as follows:

Year Ended December 31,	2010 Senior Notes due 2020	2012 Senior Notes due 2022	2013 Senior Notes due 2024	2014 Senior Notes (5-Year) due 2019	2014 Senior Notes (30-Year) due 2044	2015 Senior Notes (1) due 2027	2017 Floating Rate Senior Notes due 2018	2017 Senior Notes due 2021	2017 Private Placement Notes due 2023	2017 Private Placement Notes due 2028	Total
2017 (after June 30,)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2018							300.0				300.0
2019				450.0							450.0
2020	500.0										500.0
2021								500.0			500.0
Thereafter		500.0	500.0		600.0	570.3			500.0	500.0	3,170.3
Total	\$ 500.0	\$ 500.0	\$ 500.0	\$ 450.0	\$ 600.0	\$ 570.3	\$ 300.0	\$ 500.0	\$ 500.0	\$ 500.0	\$ 4,920.3

(1) Based on end of quarter FX rates

Management may consider pursuing additional long-term financing when it is appropriate in light of cash requirements for operations, share repurchases and other strategic opportunities, which would result in higher financing costs.

**Other Material Future Cash Requirements**

The Company believes that it has the financial resources needed to meet its cash requirements and expects to have positive operating cash flow for the full-year ended December 31, 2017 and for the next twelve months. Cash requirements for periods beyond the next twelve months will depend, among other things, on the Company's profitability and its ability to manage working capital requirements. The Company may also borrow from various sources.

The Company remains committed to using its strong cash flow to create value for shareholders by investing in growing areas of the business, reinvesting in ratings quality initiatives, making selective acquisitions, repurchasing stock and paying a dividend, all in manner consistent with maintaining sufficient liquidity after giving effect to any additional indebtedness that may be incurred.

In May 2017, a subsidiary of the Company entered into a definitive agreement to acquire 100% of the shares of the parent company of Bureau van Dijk, a global provider of business intelligence and company information, for \$3.0 billion in cash plus a daily working capital rate of approximately \$259,000 from January 1, 2017 through the closing date. The acquisition is expected to extend Moody's position as a leader in risk data and analytical insight. The Company expects to finance the transaction through a combination of offshore cash and debt financing. The acquisition is subject to regulatory approval in the European Union and is expected to close in the third quarter of 2017. It is anticipated that a majority of Bureau van Dijk's revenue will be reported as part of MA's RD&A LOB.

In July 2017, the Board of Directors of the Company declared a quarterly dividend of \$0.38 per share of Moody's common stock, payable on September 12, 2017 to shareholders of record at the close of business on August 22, 2017. The continued payment of dividends at this rate, or at all, is subject to the discretion of the Board. In December 2015, the Board authorized \$1.0 billion of share repurchase authority, which had a remaining repurchase authority of approximately \$592 million at June 30, 2017. Full-year 2017 share repurchases are expected to be approximately \$200 million, subject to available cash, market conditions and other ongoing capital allocation decisions.

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The Company has future cash requirements, including operating leases, as noted in the contractual obligations table below.

**Off-Balance Sheet Arrangements**

At June 30, 2017, Moody's did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as special purpose or variable interest entities where Moody's is the primary beneficiary, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, Moody's is not exposed to any financing, liquidity market or credit risk that could arise if it had engaged in such relationships.

**Contractual Obligations**

The following table presents payments due under the Company's contractual obligations as of June 30, 2017:

(in millions)	Payments Due by Period				
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	Over 5 Years
Indebtedness <sup>(1)</sup>	<b>\$ 6,541.8</b>	\$ 156.8	\$ 1,093.9	\$ 1,252.5	\$ 4,038.6
Operating lease obligations	<b>706.2</b>	98.5	156.5	137.0	314.2
Capital lease obligations	<b>0.3</b>	0.3			
Purchase obligations	<b>146.0</b>	72.0	63.9	10.1	
Pension obligations <sup>(2)</sup>	<b>153.8</b>	15.3	45.1	24.6	68.8
Total <sup>(3)</sup>	<b>\$ 7,548.1</b>	\$ 342.9	\$ 1,359.4	\$ 1,424.2	\$ 4,421.6

<sup>(1)</sup> Reflects principal payments, related interest and applicable fees due on all indebtedness outstanding as described in Note 13 to the condensed consolidated financial statements.

<sup>(2)</sup> Reflects projected benefit contributions to the Company's funded U.S. DBPP and payments relating to the Company's U.S. unfunded DBPPs and Retirement and Other Plans described in Note 12 to the condensed consolidated financial statements.

<sup>(3)</sup> The table above does not include payments expected to be made in the third quarter of 2017 related to the pending Bureau van Dijk acquisition of approximately 3.0 billion in cash plus a daily working capital rate of approximately 259,000 from January 1, 2017 through the closing date, as the exact closing date of the acquisition is uncertain. The table above also does not include the Company's net long-term tax liabilities of \$214.8 million relating to UTP and tax related reserves, since the expected cash outflow of such amounts by period cannot be reasonably estimated.

**Dividends**

On July 10, 2017, the Board approved the declaration of a quarterly dividend of \$0.38 per share of Moody's common stock, payable on September 12, 2017 to shareholders of record at the close of business on August 22, 2017.

**Table of Contents****Non-GAAP Financial Measures:**

In addition to its reported results, Moody's has included in this MD&A certain adjusted results that the SEC defines as non-GAAP financial measures. Management believes that such adjusted 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 can provide greater transparency to investors of supplemental information used by management in its financial and operational decision-making. These adjusted measures, as defined by the Company, are not necessarily comparable to similarly defined measures of other companies. Furthermore, these adjusted 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. Below are brief descriptions of the Company's adjusted financial measures accompanied by a reconciliation of the adjusted measure to its most directly comparable GAAP measure:

**Adjusted Operating Income and Adjusted Operating Margin:**

The Company presents Adjusted Operating Income because management deems this metric to be a useful measure of assessing the operating performance of Moody's. Adjusted Operating Income excludes depreciation and amortization and Acquisition-Related Expenses. Acquisition-Related Expenses consist of expenses incurred to complete and integrate the pending acquisition of Bureau van Dijk. Depreciation and amortization are excluded because companies utilize productive assets of different ages and use different methods of acquiring and depreciating productive assets. Acquisition-Related Expenses are excluded due to the material nature of these expenses which are not expected to recur at this dollar magnitude subsequent to the completion of the multi-year integration effort. Acquisition related expenses from previous acquisitions were not material. Management believes that the exclusion of depreciation and amortization and Acquisition-Related Expenses, detailed in the reconciliation below, allows for an additional perspective on the Company's operating results from period to period and across companies. The Company defines Adjusted Operating Margin as Adjusted Operating Income divided by revenue.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
<b>Operating income</b>	<b>\$ 457.5</b>	<b>\$ 410.2</b>	<b>\$ 900.9</b>	<b>\$ 714.3</b>
Adjustments:				
Depreciation and amortization	32.9	31.2	65.4	61.1
Acquisition-Related Expenses	6.6		6.6	
<b>Adjusted Operating Income</b>	<b>\$ 497.0</b>	<b>\$ 441.4</b>	<b>\$ 972.9</b>	<b>\$ 775.4</b>
Operating margin	45.7%	44.2%	45.6%	40.9%
Adjusted Operating Margin	49.7%	47.5%	49.2%	44.4%

**Table of Contents****Adjusted net income and Adjusted Diluted EPS attributable to Moody's common shareholders:**

The Company presents this adjusted measure to exclude the CCXI Gain and the Purchase Price Hedge Gain as the frequency and magnitude of similar transactions may vary widely across periods. Additionally, the Company excludes Acquisition-Related Expenses due to the material nature of these expenses which are not expected to recur at this dollar magnitude subsequent to the completion of the multi-year integration effort. Acquisition-Related Expenses from previous acquisitions were not material. Acquisition-Related Expenses consist of expenses incurred to complete and integrate the pending acquisition of Bureau van Dijk. This measure allows for an additional perspective when comparing Moody's net income and diluted earnings per share from period to period. Below is a reconciliation of this measure to its most directly comparable U.S. GAAP amount

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
<b>Net income attributable to Moody's common shareholders</b>	<b>\$ 312.2</b>	<b>\$ 255.5</b>	<b>\$ 657.8</b>	<b>\$ 439.9</b>
<b>CCXI Gain</b>			<b>(59.7)</b>	
<b>Acquisition-Related Expenses <sup>(1)</sup></b>	<b>6.6</b>		<b>6.6</b>	
Pre-Tax Purchase Price Hedge Gain	\$ (41.2)	\$	\$ (41.2)	\$
Tax on Purchase Price Hedge Gain	15.9		15.9	
<b>Net Purchase Price Hedge Gain</b>	<b>(25.3)</b>		<b>(25.3)</b>	
<b>Adjusted net income attributable to Moody's common shareholders</b>	<b>\$ 293.5</b>	<b>\$ 255.5</b>	<b>\$ 579.4</b>	<b>\$ 439.9</b>

  

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
<b>Earnings per share attributable to Moody's common shareholders</b>	<b>\$ 1.61</b>	<b>\$ 1.30</b>	<b>\$ 3.39</b>	<b>\$ 2.24</b>
<b>CCXI Gain</b>			<b>(0.31)</b>	
<b>Acquisition-Related Expenses <sup>(1)</sup></b>	<b>0.03</b>		<b>0.04</b>	
Pre-Tax Purchase Price Hedge Gain	\$ (0.21)	\$	\$ (0.21)	\$
Tax on Purchase Price Hedge Gain	0.08		0.08	
<b>Net Purchase Price Hedge Gain</b>	<b>(0.13)</b>		<b>(0.13)</b>	
<b>Adjusted Diluted EPS attributable to Moody's common shareholders</b>	<b>\$ 1.51</b>	<b>\$ 1.30</b>	<b>\$ 2.99</b>	<b>\$ 2.24</b>

<sup>(1)</sup> These Acquisition-Related Expenses are not deductible for tax

**Table of Contents****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. Below is a reconciliation of the Company's net cash flows from operating activities to free cash flow:

	<b>Six Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>Net cash (used in) provided by operating activities</b>	<b>\$ (47.7)</b>	<b>\$ 546.4</b>
Capital additions	(42.8)	(54.3)
<b>Free cash flow</b>	<b>\$ (90.5)</b>	<b>\$ 492.1</b>
<b>Net cash provided by (used in) investing activities</b>	<b>\$ 39.9</b>	<b>\$ (7.3)</b>
<b>Net cash provided by (used in) financing activities</b>	<b>\$ 1,177.6</b>	<b>\$ (640.4)</b>

**Recently Issued Accounting Standards**

Refer to Note 16 to the condensed consolidated financial statements located in Part I on this Form 10-Q for a discussion on the impact to the Company relating to recently issued accounting pronouncements.

**Contingencies**

Legal proceedings in which the company is involved also may impact Moody's liquidity or operating results. No assurance can be provided as to the outcome of such proceedings. In addition, litigation inherently involves significant costs. For information regarding legal proceedings, see Item 1 - Financial Statements, Note 14 - Contingencies.

**Regulation**

MIS and many of the securities that it rates are subject to extensive regulation in both the U.S. and in other countries (including by state and local authorities). Thus, existing and proposed laws and regulations can impact the Company's operations and the markets for securities that it rates. Additional laws and regulations have been adopted but not yet implemented or have been proposed or are being considered. Each of the existing, adopted, proposed and potential laws and regulations can increase the costs and legal risk associated with the issuance of credit ratings and may negatively impact Moody's operations or profitability, the Company's ability to compete, or result in changes in the demand for credit ratings, in the manner in which ratings are utilized and in the manner in which Moody's operates.

The regulatory landscape has changed rapidly in recent years, and continues to evolve. In the EU, the CRA industry is registered and supervised through a pan-European regulatory framework. The European Securities and Markets Authority has direct supervisory responsibility for the registered CRA industry throughout the EU. MIS is a registered entity and is subject to formal regulation and periodic inspection. Applicable rules include procedural requirements with respect to ratings of sovereign issuers, liability for intentional or grossly negligent failure to abide by applicable regulations, mandatory rotation requirements of CRAs hired by issuers of securities for ratings of securitizations, restrictions on CRAs or their shareholders if certain ownership thresholds are crossed, reporting requirements to ESMA regarding fees, and additional procedural and substantive requirements on the pricing of services. In 2016, the Commission published a report concluding that no new European legislation was needed for the industry at that time, but that it would continue to monitor the credit rating industry and analyze approaches that may strengthen existing regulation.

Separately, on June 23, 2016 the U.K. voted through a referendum to exit the EU. The UK officially launched the exit process by submitting its Article 50 letter to the EU, informing it of the UK's intention to exit. The submission of this letter starts the clock on the negotiation of the terms of exit which will take up to two years. The specifics regarding the new relationship or any transitional arrangements (bridging the UK's exit from its re-engagement with the EU) will only begin once the broad terms of exit have been agreed upon by all parties.





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The longer-term impacts of the decision to leave the EU on the overall regulatory framework for the U.K. will depend, in part, on the relationship that the U.K. negotiates with the EU in the future. In the interim, however, the U.K.'s markets regulator (the Financial Conduct Authority) has said that all EU financial regulations will stay in place and that firms must continue to abide by their existing obligations. As a consequence, at this point in time, there is no change to the regulatory framework under which MIS operates and ESMA remains MIS's regulator both in the EU and in the U.K.

In the U.S., CRAs are subject to extensive regulation primarily pursuant to the Reform Act and the Financial Reform Act. The SEC is required by these legislative acts to publish two annual reports to Congress on NRSROs. The Financial Reform Act requires the SEC to examine each NRSRO once a year and issue an annual report summarizing the examination findings, among other requirements. The annual report required by the Reform Act details the SEC's views on the state of competition, transparency and conflicts of interests among NRSROs, among other requirements. The SEC voted in August 2014 to adopt its final rules for NRSROs as required by the Financial Reform Act. The Company has made and continues to make substantial IT and other investments, and has implemented the relevant compliance obligations.

In light of the regulations that have gone into effect in both the EU and the U.S. (as well as many other countries), from time to time and as a matter of course pursuant to their enabling legislation these regulatory authorities have and will continue to publish reports that describe their oversight activities over the industry. In addition, other legislation and/or interpretation of existing regulation relating to credit rating and research services is being considered by local, national and multinational bodies and this type of activity is likely to continue in the future. Finally, in certain countries, governments may provide financial or other support to locally-based rating agencies. For example, governments may from time to time establish official rating agencies or credit ratings criteria or procedures for evaluating local issuers. If enacted, any such legislation and regulation could change the competitive landscape in which MIS operates. The legal status of rating agencies has been addressed by courts in various decisions and is likely to be considered and addressed in legal proceedings from time to time in the future. Management of the Company cannot predict whether these or any other proposals will be enacted, the outcome of any pending or possible future legal proceedings, or regulatory or legislative actions, or the ultimate impact of any such matters on the competitive position, financial position or results of operations of Moody's.

## **Forward-Looking Statements**

Certain statements contained in this quarterly report on Form 10-Q are forward-looking statements and are based on future expectations, plans and prospects for the Company's business and operations that involve a number of risks and uncertainties. Such statements involve estimates, projections, goals, forecasts, assumptions and uncertainties that could cause actual results or outcomes to differ materially from those contemplated, expressed, projected, anticipated or implied in the forward-looking statements. Those statements appear at various places throughout this quarterly report on Form 10-Q, including in the section entitled "Contingencies" under Item 2. "MD&A", commencing on page 43 of this quarterly report on Form 10-Q, under "Legal Proceedings" in Part II, Item 1, of this Form 10-Q, and elsewhere in the context of statements containing the words "believe", "expect", "anticipate", "intend", "plan", "will", "predict", "potential", "continue", "strategy", "aspire", "target", "should", "could", "may" and similar expressions or words and variations thereof relating to the Company's views on future events, trends and contingencies. Stockholders and investors are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements and other information are made as of the date of this quarterly report on Form 10-Q, and the Company undertakes no obligation (nor does it intend) to publicly 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 examples of factors, risks and uncertainties 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, world-wide credit market disruptions or an economic slowdown, which could 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 regulation, credit quality concerns, changes in interest rates and other volatility in the financial markets such as that due to the U.K.'s referendum vote whereby the U.K. citizens voted to withdraw from the EU; the level of merger and acquisition activity in the U.S. and abroad; the uncertain effectiveness and possible collateral consequences of U.S. and foreign government actions affecting world-wide credit markets, international trade and economic policy; concerns in the marketplace affecting our credibility or otherwise affecting market perceptions of the integrity or utility of independent credit 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 U.S., state and local legislation and regulations, including provisions in the Financial Reform Act and 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, government and regulatory proceedings,



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investigations and inquires to which the Company may be subject from time to time; provisions in the Financial Reform 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; exposure to potential criminal sanctions or civil remedies if the Company fails to comply with foreign and U.S. laws and regulations that are applicable in the jurisdictions in which the Company operates, including sanctions laws, anti-corruption laws, and local laws prohibiting corrupt payments to government officials; 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 level of future cash flows; the levels of capital investments; and a decline in the demand for credit risk management tools by financial institutions. Other factors, risks and uncertainties relating to our pending acquisition of Bureau van Dijk could cause our actual results to differ, perhaps materially, from those indicated by these forward-looking statements, including the ability of the parties to successfully complete the proposed acquisition on anticipated terms and timing, or at all; risks relating to the integration of Bureau van Dijk's operations, products and employees into Moody's and the possibility that anticipated synergies and other benefits of the proposed acquisition will not be realized in the amounts anticipated or will not be realized within the expected timeframe; risks that the proposed acquisition could have an adverse effect on the business of Bureau van Dijk or its prospects, including, without limitation, on relationships with vendors, suppliers or customers; claims made, from time to time, by vendors, suppliers or customers; changes in the European or global marketplaces that have an adverse effect on the business of Bureau van Dijk; and other factors, risks and uncertainties relating to the transaction as set forth under the caption "Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995" in Moody's report on Form 8-K filed on May 15, 2017, which are incorporated by reference herein. These factors, risks and uncertainties as well as other risks and uncertainties that could cause Moody's actual results to differ materially from those contemplated, expressed, projected, anticipated or implied in the forward-looking statements are described in greater detail under "Risk Factors" in Part I, Item 1A of the Company's annual report on Form 10-K for the year ended December 31, 2016, and in other filings made by the Company from time to time with the SEC or in materials incorporated herein or therein. Stockholders and investors are cautioned that the occurrence of any of these factors, risks and uncertainties may cause the Company's actual results to differ materially from those contemplated, expressed, projected, anticipated or implied in the forward-looking statements, which could have a material and adverse effect on the Company's business, results of operations and financial condition. New factors may emerge from time to time, and it is not possible for the Company to predict new factors, nor can the Company assess the potential effect of any new factors on it.

### **Item 4. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures:** The Company carried out an evaluation, as required by Rule 13a-15(b) under the Exchange Act, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act, as of the end of the period covered by this report (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the communication to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

In addition, the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, has determined that there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, these internal controls over financial reporting during the period covered by the report.

**Table of Contents****PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

For information regarding legal proceedings, see Item 1 Financial Statements Notes to Condensed Consolidated Financial Statements (Unaudited), Note 14 Contingencies in this Form 10-Q.

**Item 1A. Risk Factors**

There have been no material changes since December 31, 2016 to the significant risk factors and uncertainties known to the Company that, if they were to occur, could materially adversely affect the Company's business, financial condition, operating results and/or cash flow. For a discussion of the Company's risk factors, refer to Item 1A. Risk Factors, contained in the Company's annual report on Form 10-K for the year ended December 31, 2016.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds****MOODY'S PURCHASES OF EQUITY SECURITIES**

**For the Three Months Ended June 30, 2017**

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares That May Yet be Purchased Under the Program (2)
April 1 - 30	412,503	\$ 113.48	409,676	\$ 625.3 million
May 1 - 31	187,846	\$ 117.63	186,985	\$ 603.3 million
June 1 - 30	92,405	\$ 119.00	92,405	\$ 592.3 million
Total	692,754	\$ 114.06	689,066	

- (1) Includes surrender to the Company of 2,827 and 861 shares of common stock in April and May, respectively, to satisfy tax withholding obligations in connection with the vesting of restricted stock issued to employees
- (2) As of the last day of each of the months. On December 15, 2015, the Board authorized a \$1 billion share repurchase program. There is no established expiration date for the remaining authorization.

During the second quarter of 2017, Moody's issued 0.4 million shares under employee stock-based compensation plans.

**Item 5. Other Information**

Not applicable



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### **Item 6. Exhibits**

#### **Exhibit**

<b>No.</b>	<b>Description</b>
2	PLAN OF ACQUISITION, REORGANIZATION, ARRANGEMENT, LIQUIDATION OR SUCCESSION
.1**	Securities Purchase Agreement, dated as of May 15, 2017, among Moody's Corporation, Moody's Holdings NL B.V., Yellow Maple I B.V., Yellow Maple Syrup I B.V., Yellow Maple Syrup II B.V. and the Sellers identified therein (incorporated by reference to Exhibit 2.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed May 15, 2017).
.2**	Warranty Agreement, dated as of May 15, 2017, between Moody's Holdings NL B.V. and the Warrantors identified therein (incorporated by reference to Exhibit 2.2 to the Report on Form 8-K of the Registrant, file number 1-14037, filed May 15, 2017).
3	ARTICLES OF INCORPORATION AND BY-LAWS
.1	Amended and Restated By-laws of Moody's Corporation, effective April 17, 2013 (incorporated by reference to Exhibit 3.2 to the Report on Form 8-K of the Registrant, file number 1-14037, filed April 22, 2013).
.2	Restated Certificate of Incorporation of Moody's Corporation, dated April 17, 2013 (incorporated by reference to Exhibit 3.4 to the Report on Form 8-K of the Registrant, file number 1-14037, filed April 22, 2013).
4	INSTRUMENTS DEFINING THE RIGHTS OF SECURITY HOLDERS, INCLUDING INDENTURES
.1	364-Day Bridge Credit Agreement dated as of May 15, 2017, among Moody's Corporation, the Lenders Party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed May 15, 2017).
.2**	Loan Agreement, dated as of June 6, 2017, among Moody's Corporation, the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed June 12, 2017).
.3	Amendment No. 1, dated as of June 6, 2017, among Moody's Corporation, the financial institutions party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent under that certain Credit Agreement, dated as of May 11, 2015, among Moody's Corporation, the Borrowing Subsidiaries party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 4.2 to the Report on Form 8-K of the Registrant, file number 1-14037, filed June 12, 2017).
.4	Seventh Supplemental Indenture, dated as of June 12, 2017, between Moody's Corporation and Wells Fargo, National Association, as Trustee (incorporated by reference to Exhibit 4.3 to the Report on Form 8-K of the Registrant, file number 1-14037, filed June 12, 2017).
.5	Form of 2.625% Note due 2023 (incorporated by reference to Exhibit 4.4 to the Report on Form 8-K of the Registrant, file number 1-14037, filed June 12, 2017).
.6	Form of 3.250% Note due 2028 (incorporated by reference to Exhibit 4.5 to the Report on Form 8-K of the Registrant, file number 1-14037, filed June 12, 2017).
.7	Registration Rights Agreement, dated as of June 12, 2017, between Moody's Corporation and the representatives of the initial purchasers of the notes (incorporated by reference to Exhibit 4.6 to the Report on Form 8-K of the Registrant, file number 1-14037, filed June 12, 2017).
12*	Statement of Computation of Ratios of Earnings to Fixed Charges

**Table of Contents****Exhibit**

<b>No.</b>	<b>Description</b>
31	CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
.1*	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
.2*	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	CERTIFICATIONS PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
.1*	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. The Company has furnished this certification and does not intend for it to be considered filed under the Securities Exchange Act of 1934 or incorporated by reference into future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934.
.2*	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. The Company has furnished this certification and does not intend for it to be considered filed under the Securities Exchange Act of 1934 or incorporated by reference into future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934.
101.DEF*	XBRL Definitions Linkbase Document
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herewith.

\*\* Certain schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby undertakes to furnish supplemental copies of any of the omitted schedules upon request by the Securities and Exchange Commission.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MOODY S CORPORATION

By: */ s / LINDA S. HUBER*  
**Linda S. Huber**  
**Executive Vice President and Chief Financial Officer**  
  
**(principal financial officer)**

Date: July 26, 2017

By: */ s / MICHAEL CRIMMINS*  
**Michael Crimmins**  
**Senior Vice President and Corporate Controller**  
  
**(principal accounting officer)**