MOODYS CORP /DE/
Form 10-K
February 26, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

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)

DELAWARE	**13-3998945**
(STATE OF INCORPORATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

7 World Trade Center at 250 Greenwich Street, NEW YORK, NEW YORK 10007

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(ZIP CODE)

REGISTRANT S TELEPHONE NUMBER, INCLUDING AREA CODE: (212) 553-0300.

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON STOCK, PAR VALUE $.01 PER SHARE	NEW YORK STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No þ

Indicate by check mark whether the Registrant: (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes þ 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (see definition of accelerated filer and large accelerated filer in Exchange Act Rule 12b-2).

Large Accelerated Filer þ Accelerated Filer ¨ Non-accelerated Filer ¨ Smaller reporting company ¨

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

The aggregate market value of Moody s Corporation Common Stock held by nonaffiliates* on June 30, 2014 (based upon its closing transaction price on the Composite Tape on such date) was approximately $18.3 billion.

As of January 31, 2015, 202.7 million shares of Common Stock of Moody s Corporation were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s definitive proxy statement for use in connection with its annual meeting of stockholders scheduled to be held on April 14, 2015, are incorporated by reference into Part III of this Form 10-K.

The Index to Exhibits is included as Part IV, Item 15(3) of this Form 10-K.

*Calculated by excluding all shares held by executive officers and directors of the Registrant without conceding that all such persons are affiliates of the Registrant for purposes of federal securities laws.

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MOODY S CORPORATION

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GLOSSARY OF TERMS AND ABBREVIATIONS

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

Term	Definition
Adjusted Operating Income	Operating income excluding restructuring, depreciation and amortization and a goodwill impairment charge
Adjusted Operating Margin	Adjusted Operating Income divided by revenue
Amba	Amba Investment Services; a provider of investment research and quantitative analytics for global financial institutions; a subsidiary of the Company acquired 100% of Amba in December 2013.
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); includes accumulated gains & losses on cash flow and net investment hedges, certain gains and losses relating to pension and other retirement benefits obligations and foreign currency translation adjustments.
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 also including but not limited to: Australia and its proximate islands, China, India, Indonesia, Japan, Korea, Malaysia, Singapore and Thailand
ASU	The FASB Accounting Standards Updates 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
Basel II	Capital adequacy framework published in June 2004 by the Basel Committee on Banking Supervision
Basel III	A new global regulatory standard on bank capital adequacy and liquidity agreed by the members of the Basel Committee on Banking Supervision. Basel III was developed in a response to the deficiencies in financial regulation revealed by the global financial crisis. Basel III strengthens bank capital requirements and introduces new regulatory requirements on bank liquidity and bank leverage.
Board	The board of directors of the Company
Bps	Basis points
Canary Wharf Lease	Operating lease agreement entered into on February 6, 2008 for office space in London, England, occupied by the Company in the second half of 2009
CFG	Corporate finance group; an LOB of MIS
CLO	Collateralized loan obligation

CMBS	Commercial mortgage-backed securities; part of CREF
Commission	European Commission
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 outsourced research and analytical services to institutional investors
Copal Amba	Operating segment created in January 2014 that consists of all operations from Copal as well as the operations of Amba. The Copal Amba operating segment provides outsourced research and analytical services to the global financial and corporate sectors
Council	Council of the European Union
COSO	Committee of Sponsoring Organizations of the Treadway Commission

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Term	Definition
CP	Commercial paper
CRAs	Credit rating agencies
CRA1	Regulation (EC) No 1060/2009 of the European Parliament and of the Council, establishing an oversight regime for the CRA industry in the EU
CRA2	Regulation (EC) No 513/2011 of the European Parliament and of the Council, which transferred direct supervisory responsibility of the registered CRA industry in the EU to ESMA
CRA3	Regulation (EC) No 462/2013 of the European Parliament and of the Council, which updated the regulatory regimes imposing additional procedural requirements on CRAs
CREF	Commercial real estate finance which includes REITs, commercial real estate collateralized debt obligations and CMBS; part of SFG
CreditView	Research product offered by MA that provides credit professionals a comprehensive, consolidated and streamlined view of credit information
CSI	CSI Global Education, Inc.; an acquisition completed in November 2010; part of the MA segment; a provider of financial learning, credentials, and certification in Canada
D&B Business	Old D&B s Dun & Bradstreet operating company
DBPPs	Defined benefit pension plans
DCF	Discounted cash flow; a fair value calculation methodology whereby future projected cash flows are discounted back to their present value
Debt/EBITDA	Ratio of Total Debt to EBITDA
Directors Plan	The 1998 Moody s Corporation Non-Employee Directors Stock Incentive Plan
Distribution Date	September 30, 2000; the date which Old D&B separated into two publicly traded companies Moody s Corporation and New D&B
EBITDA	Earnings before interest, taxes, depreciation and amortization
ECB	European Central Bank
EMEA	Represents countries within Europe, the Middle East and Africa
EPS	Earnings per share
ERS	The enterprise risk solutions LOB within MA; offers risk management software products as well as software implementation services and related risk management advisory engagements
ESMA	European Securities and Market Authority
ESP	Estimated Selling Price; estimate of selling price, as defined in the ASC, at which the vendor would transact if the deliverable were sold by the vendor regularly on a stand-alone basis
ESPP	The 1999 Moody s Corporation Employee Stock Purchase Plan
ETR	Effective tax rate
EU	European Union
EUR	Euros

European Ratings Platform	Central credit ratings website administered by ESMA
Excess Tax Benefit	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 that the option or restricted share is expensed under GAAP
Exchange Act	The Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board

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Term	Definition
FIG	Financial institutions group; an LOB of MIS
Fitch	Fitch Ratings, a part of the Fitch Group
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; a reporting unit within the MA segment that includes on-line and classroom-based training services and CSI
FX	Foreign exchange
GAAP	U.S. Generally Accepted Accounting Principles
GBP	British pounds
GDP	Gross domestic product
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 50.06% through the acquisition of additional shares
ICRA Gain	Gain relating to the step-acquisition of ICRA; U.S. GAAP requires the remeasurement to fair value of the previously held non-controlling shares upon obtaining a controlling interest in a step-acquisition. This remeasurement of the Company s equity investment in ICRA to fair value resulted in a pre-tax gain of $102.8 million ($78.5 million after tax) in the second quarter of 2014
Intellectual Property	The Company s intellectual property, including but not limited to proprietary information, trademarks, research, software tools and applications, models and methodologies, databases, domain names, and other proprietary materials
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 Korean provider of fixed income securities pricing and consolidated subsidiary of the Company
Korea	Republic of South Korea
Legacy Tax Matter(s)	Exposures to certain potential tax liabilities assumed in connection with the 2000 Distribution
Lewtan	Lewtan Technologies; a leading provider of analytical tools and data for the global structured finance market; an acquisition completed in October 2014
LIBOR	London Interbank Offered Rate
LOB	Line of Business

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Term	Definition
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
M&A	Mergers and acquisitions
Make Whole Amount	The prepayment penalty relating to the Series 2005-1 Notes and Series 2007-1 Notes; a premium based on the excess, if any, of the discounted value of the remaining scheduled payments over the prepaid principal
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
MIS Other	Consists of non-ratings revenue from ICRA, KIS Pricing and KIS Research. These businesses are managed by MIS; an LOB of MIS
Moody s	Moody s Corporation and its subsidiaries; MCO; the Company
Net Income	Earnings attributable to Moody s Corporation, which excludes the portion of net income from consolidated entities attributable to non-controlling shareholders
New D&B	The New D&B Corporation which comprises the D&B business after September 30, 2000
NM	Not-meaningful percentage change (over 400%)
NRSRO	Nationally Recognized Statistical Rating Organization
OCI	Other comprehensive income (loss); includes gains and losses on cash flow and net investment hedges, certain gains and losses relating to pension and other retirement benefit obligations and foreign currency translation adjustments.
Old D&B	The former Dun and Bradstreet Company which distributed New D&B shares on September 30, 2000, and was renamed Moody s Corporation
Other Retirement Plans	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
PPP	Profit Participation Plan
PS	Professional Services; an LOB of MA
Redeemable Noncontrolling Interest	Represents minority shareholders interest in entities which are controlled but not wholly-owned by Moody s and for which Moody s obligation to redeem the minority shareholders interest is represented by a put/call relationship
Reform Act	Credit Rating Agency Reform Act of 2006
REITs	Real estate investment trusts

Relationship Revenue	In MIS, excluding MIS Other, relationship revenue represents the recurring monitoring of a rated debt obligation and/or entities that issue such obligations, as well as revenue from programs such as commercial paper, medium-term notes and shelf registrations. In MIS Other, relationship revenue represents subscription-based revenue. For MA, relationship revenue represents subscription-based revenue and maintenance revenue
Reorganization	The Company s business reorganization announced in August 2007 which resulted in two new reportable segments (MIS and MA) beginning in January 2008
Retirement Plans	Moody s funded and unfunded U.S. pension plans, the U.S. post-retirement healthcare plans and the U.S. post-retirement life insurance plans
RMBS	Residential mortgage-backed securities; part of SFG

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Term	Definition
S&P	Standard & Poor s, a division of McGraw-Hill Financial, Inc.
SEC	Securities and Exchange Commission
Securities Act	Securities Act of 1933
Series 2005-1 Notes	Principal amount of $300 million, 4.98% senior unsecured notes; notes were paid in 2014
Series 2007-1 Notes	Principal amount of $300 million, 6.06% senior unsecured notes due in September 2017 pursuant to the 2007 Agreement
SFG	Structured finance group; an LOB of MIS
SG&A	Selling, general and administrative expenses
SIV	Structured Investment Vehicle
Stock Plans	The Old D&B s 1998 Key Employees Stock Incentive Plan and the Restated 2001 Moody s Corporation Key Employees Stock Incentive Plan
Total Debt	Current and long-term portion of debt as reflected on the consolidated balance sheets, excluding current accounts payable and accrued liabilities incurred in the ordinary course of business
TPE	Third party evidence, as defined in the ASC, used to determine selling price based on a vendor s or any competitor s largely interchangeable products or services in standalone sales transactions to similarly situated customers
Transaction Revenue	For MIS, excluding MIS Other, revenue representing the initial rating of a new debt issuance as well as other one-time fees. In MIS Other, transaction revenue represents revenue from professional services and outsourcing engagements. For MA, transaction revenue represents software license fees and revenue from risk management advisory projects, training and certification services, and knowledge outsourcing 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; evidence, as defined in the ASC, 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
WACC	Weighted average cost of capital
WebEquity	WebEquity Solutions LLC; a leading provider of cloud-based loan origination solutions for financial institutions. The Company acquired WebEquity on July 17, 2014
1998 Plan	Old D&B s 1998 Key Employees Stock Incentive Plan
2000 Distribution	The distribution by Old D&B to its shareholders of all of the outstanding shares of New D&B common stock on September 30, 2000

2000 Distribution Agreement	Agreement governing certain ongoing relationships between the Company and New D&B after the 2000 Distribution including the sharing of any liabilities for the payment of taxes, penalties and interest resulting from unfavorable IRS determinations on certain tax matters and certain other potential tax liabilities
2001 Plan	The Amended and Restated 2001 Moody s Corporation Key Employees Stock Incentive Plan
2005 Agreement	Note purchase agreement dated September 30, 2005 relating to the Series 2005-1 Notes

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Term	Definition
2007 Agreement	Note purchase agreement dated September 7, 2007 relating to the Series 2007-1 Notes
2007 Facility	Revolving credit facility of $1 billion entered into on September 28, 2007, expiring in 2012
2008 Term Loan	Five-year $150.0 million senior unsecured term loan entered into by the Company on May 7, 2008
2010 Indenture	Supplemental indenture and related agreements dated August 19, 2010, relating to the 2010 Senior Notes
2010 Senior Notes	Principal amount of $500.0 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, maturing in 2017
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 $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
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 $300 million, 5.25% senior unsecured notes due in July 2044
7WTC	The Company s corporate headquarters located at 7 World Trade Center
7WTC Lease	Operating lease agreement entered into on October 20, 2006

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PART I

ITEM 1. BUSINESS

BACKGROUND

As used in this report, except where the context indicates otherwise, the terms Moody s or the Company refer to Moody s Corporation, a Delaware corporation, and its subsidiaries. The Company s executive offices are located at 7 World Trade Center at 250 Greenwich Street, New York, NY 10007 and its telephone number is (212) 553-0300.

THE COMPANY

Moody s is a provider of (i) credit ratings, (ii) credit, capital markets 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) outsourced research and analytical services to financial institution customers. Moody s reports in two reportable segments: MIS and MA. Financial information and operating results of these segments, including revenue, expenses and operating income, are included in Part II, Item 8. Financial Statements of this annual report, and are herein incorporated by reference.

MIS publishes credit ratings on a wide range of debt obligations and the entities that issue such obligations in markets worldwide, including various corporate and governmental obligations, structured finance securities and commercial paper programs. Ratings revenue is derived from the originators and issuers of such transactions who use MIS ratings to support the distribution of their debt issues to investors. MIS provides ratings in more than 120 countries. Ratings are disseminated via press releases to the public through a variety of print and electronic media, including the Internet and real-time information systems widely used by securities traders and investors. As of December 31, 2014, MIS had ratings relationships with approximately 11,000 corporate issuers and approximately 21,000 public finance issuers. Additionally, the Company has rated and currently monitors ratings on approximately 72,000 structured finance obligations (representing approximately 12,000 transactions). The aforementioned amounts relating to the number of issuers and transactions represent issuers or transactions that had an active rating at any point during the year ended December 31, 2014. 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 support financial analysis and risk management activities of institutional participants in global financial markets. Within its Research, Data and Analytics 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, commentary on topical credit related events and also provides economic research and credit data and analytical tools such as quantitative credit risk scores. Within its Enterprise Risk Solutions business, MA provides software solutions as well as related risk management services. Within its Professional Services business it provides outsourced research and analytical services along with financial training and certification programs. MA customers represent more than 4,700 institutions worldwide operating in approximately 130 countries. During 2014 Moody s research web site was accessed by over 245,000 individuals including 33,000 client users.

The Company operated as part of Old D&B until September 30, 2000, when Old D&B separated into two publicly traded companies Moody s Corporation and New D&B. At that time, Old D&B distributed to its shareholders shares of New D&B stock. New D&B comprised the business of Old D&B s Dun & Bradstreet operating company. The remaining business of Old D&B consisted solely of the business of providing ratings and related research and credit risk management services and was renamed Moody s Corporation. For purposes of governing certain ongoing relationships between the Company and New D&B after the 2000 Distribution, the Company and New D&B entered into various agreements including a distribution agreement, tax allocation agreement and employee benefits agreement.

PROSPECTS FOR GROWTH

Over recent decades, global fixed-income markets have grown significantly both in terms of the amount and the types of securities or other obligations outstanding. Beginning in mid-2007, there was a severe market disruption and associated financial crisis both in the

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developed and emerging markets resulting in a global decline in issuance activity for some significant asset classes and weak economic performance in advanced economies. Since this financial crisis, many markets and economies have recovered and Moody s believes that the overall long-term outlook remains favorable for continued growth of the global fixed-income market and related financial information market, which includes information such as credit opinions, research, data, analytics, risk management tools and related services.

Moody s growth is influenced by a number of trends that impact financial information markets including:

» Health of the world s major economies;

» Debt capital markets activity;

» Disintermediation of credit markets;

» Fiscal and monetary policy of governments;

» Changing regulatory requirements; and

» Business investment spending.

Moody s is well positioned to benefit from a continued growth in global fixed-income market activity and a more informed use of credit ratings as well as research and related analytical products in an environment with heightened attention to credit risk analysis and management. Moody s expects that these developments will support continued long-term demand for high-quality, independent credit opinions, research, data, analytics, risk management tools and related services.

Strong secular trends should continue to provide long-term growth opportunities. Moody s key growth drivers include debt market issuance driven by global GDP growth, continued disintermediation of fixed-income markets in both developed and emerging economies that drives issuance and demand for new products and services, growth in MA driven by further penetration into MA s client base and expansion of bank and insurance risk regulatory requirements, pricing opportunities aligned with value and advances in information technology.

Growth in global fixed income markets in a given year is dependent on many macroeconomic and capital market factors including interest rates, business investment spending, corporate refinancing needs, merger and acquisition activity, issuer profits, consumer borrowing levels and securitization activity. Rating fees paid by debt issuers account for most of the revenue of MIS. Therefore, a substantial portion of MIS s revenue is dependent upon the dollar-equivalent volume and number of ratable debt securities issued in the global capital markets. MIS s results can be affected by factors such as the performance and prospects for growth of the major world economies, the fiscal and monetary policies pursued by their governments and the decisions of issuers to request MIS ratings to aid investors in their investment decisions. However, annual fee arrangements with frequent debt issuers, annual debt monitoring fees and annual fees from commercial paper and medium-term note programs, bank and insurance company financial strength ratings, mutual fund ratings, and other areas partially mitigate MIS s dependence on the volume or number of new debt securities issued in the global fixed-income markets. Furthermore, the strong growth seen in the issuance of structured finance securities from the mid-1990 s reversed dramatically in 2008 due to market turmoil, with continued declines seen in 2009 and 2010, before stabilizing in 2011 with Moody s experiencing revenue growth in this market beginning in 2012. Despite significant declines from peak market issuance levels, Moody s believes that structured finance securities will continue to play a role in global fixed-income markets and provide opportunities for longer term revenue growth. Moody s will continue to monitor this market and adapt to meet the changing needs of its participants.

The pace of change in technology and communication over the past two decades makes information about investment alternatives widely available throughout the world and facilitates issuers ability to place securities outside their national markets and investors capacity to obtain information about securities issued outside their national markets. Technology also allows issuers and investors the ability to more readily obtain information about new financing techniques and new types of securities that they may wish to purchase or sell, which in the absence of the appropriate technology may not be readily or easily obtainable. This availability of information promotes the ongoing integration and expansion of financial markets worldwide giving issuers and investors access to a wider range of established and newer capital markets. As technology provides broader access to worldwide markets, it also results in a greater need for credible, globally comparable opinions about credit risk, data, analytics and related services. Additionally, information technology also provides opportunities to further build a global platform to support Moody s continued expansion in developing markets.

An ongoing trend in the world s capital markets is the disintermediation of financial systems. Issuers increasingly raise capital in the global public capital markets, in addition to, or in substitution for, traditional financial intermediaries. Moreover, financial intermediaries have sold assets in the global public capital markets, in addition to, or instead of, retaining those assets. Moody s believes that debt capital markets offer advantages in capacity and efficiency compared to the traditional banking systems and that the trend of increased disintermediation will continue. Further, disintermediation has continued because of the ongoing low interest rate environment and bank deleveraging, which has encouraged a number of corporations and other entities to seek alternative funding in the bond markets.

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Moody s also observes disintermediation in key emerging markets where economic growth may outpace internal banking system capacity. Thus, disintermediation is expected to continue over the longer-term, with Moody s targeting investment and resources to those markets where disintermediation and bond issuance is expected to remain robust.

In response to the credit market disruptions beginning in mid-2007 and, ongoing volatility in the global capital markets, and new regulatory requirements, financial institutions are investing in people, processes and systems to enhance risk management and compliance functions. Regulations such as the Dodd-Frank Wall Street Reform and Consumer Protection Act, Basel II, Basel III, Solvency II and others may stimulate demand for MA products. Financial institutions are also investing in advanced qualitative and quantitative tools and services to support their management of complex balance sheets and diverse portfolios as well as operating costs. MA offers a suite of risk management products and services to address these needs, including but not limited to risk management software, economic analysis, training and professional services.

Legislative bodies and regulators in the U.S., Europe and other jurisdictions continue to conduct regulatory reviews of CRAs, which may result in, for example, an increased number of competitors, changes to the business model or restrictions on certain business activities of MIS, removal of references to ratings in certain regulations, or increased costs of doing business for MIS. Therefore, in order to broaden the potential for expansion of non-ratings services, Moody s reorganized in January 2008 into two distinct businesses: MIS, consisting primarily of the ratings business, and MA, which conducts activities including the sale of credit research produced by MIS and the production and sale of other economic and credit-related products and services. The reorganization broadens the opportunities for expansion by MA into activities that may have otherwise been restricted for MIS, due to the potential for conflicts of interest with the ratings business. At present, Moody s is unable to assess the nature and effect that any regulatory changes may have on future growth opportunities.

Moody s operations are subject to various risks, as more fully described in Part I, Item 1A Risk Factors, inherent in conducting business on a global basis. Such risks include currency fluctuations and possible nationalization, expropriation, exchange and price controls, changes in the availability of data from public sector sources, limits on providing information across borders and other restrictive governmental actions.

COMPETITION

MIS competes with other CRAs and with investment banks and brokerage firms that offer credit opinions and research. Many users of MIS s ratings also have in-house credit research capabilities. MIS s largest competitor in the global credit rating business is Standard & Poor s Ratings Services (S&P), a division of McGraw Hill Financial. There are some rating markets, based on industry, geography and/or instrument type, in which Moody s has made investments and obtained market positions superior to S&P, while in other markets, the reverse is true.

In addition to S&P, MIS s competitors include Fitch Ratings, Dominion Bond Rating Service, A.M. Best Company, Japan Credit Rating Agency Ltd., Kroll Bond Rating Agency Inc., Morningstar Inc. and Egan-Jones Ratings Company. In Europe, examples of competitors include Euler Hermes Rating, Feri EuroRating Services AG, Creditreform Rating AG, ICAP Group and Companhia Portuguesa de Rating. There are additional competitors in other regions and countries, for example, in China, where Moody s operates through a joint venture. These competitors include China Lianhe Credit Rating Co Ltd., Shanghai Brilliance Credit Rating & Investors Service Co Ltd., Dagong Global Credit Rating Co Ltd. and Pengyuan Credit Rating Co Ltd.

MA competes broadly in the financial information industry against diversified competitors such as Thomson Reuters, Bloomberg, S&P Capital IQ, Fitch Solutions, Dun & Bradstreet, IBM, Wolters Kluwer, Sungard, SAS, Fiserv, MSCI and Markit Group among others. MA s main competitors within RD&A include S&P Capital IQ, CreditSights, Thomson Reuters, Intex, IHS Global Insight, BlackRock Solutions, FactSet and other providers of fixed income analytics, valuations, economic data and research. In ERS, MA faces competition from both large software providers such as IBM Algorithmics, SunGard, SAS, Oracle, Misys, Oliver Wyman, Verisk and various other vendors and in-house solutions. Within Professional Services, MA competes with Omega Performance, DC Gardner, and a host of financial training and education firms, and with Evalueserve, CRISIL Global Research & Analytics, and other providers of outsourced research and professional services, respectively.

MOODY S STRATEGY

Moody s corporate strategy is to be the world s most respected authority serving financial risk-sensitive markets. The key aspects to implement this strategy are to:

» Defend and enhance the core ratings and research business of MIS;

» Build MA s position as a leading provider of risk management solutions to financial institutions; and

» Invest in strategic growth opportunities.

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Moody s will make investments to defend and enhance its core businesses in an attempt to position the Company to fully capture market opportunities resulting from global debt capital market expansion and increased business investment spending. Moody s will also make strategic investments to achieve scale in attractive financial information markets, move into attractive product and service adjacencies where the Company can leverage its brand, extend its thought leadership and expand its geographic presence in high growth emerging markets.

To broaden the Company s potential, MA provides a wide range of products and services to enable financial institutions to better manage risk. As such, MA adds to the Company s value proposition in three ways. First, MA s subscription businesses provide a significant base of recurring revenue to offset cyclicality in ratings issuance volumes that may result in volatility to MIS s revenues. Second, MA products and services, such as financial training and professional services on research and risk management best practices, provide opportunities for entry into emerging markets before debt capital markets fully develop and thus present long-term growth opportunities for the ratings business. Finally, MA s integrated risk management software platform embeds Moody s solutions deep into the technology infrastructure of banks and insurance companies worldwide.

Moody s invests in initiatives to implement the Company s strategy, including internally-led organic development and targeted acquisitions. Example initiatives include:

» Enhancements to ratings quality and product extensions;

» Investments that extend ownership and participation in joint ventures and strategic alliances;

» Headcount growth to meet customer demand for new products and services;

» Selective, bolt-on acquisitions that accelerate the ability to scale and grow Moody s businesses; and

» Expansion in emerging markets.

During 2014, Moody s completed several strategic transactions in MIS and MA. In June, Moody s secured majority control of ICRA Ltd., which is a leading provider of credit ratings and research in India, increasing its ownership position from 28.5% to just over 50.0%. In December, Moody s completed the acquisition of the remaining outstanding interest of Copal Amba (formed through the acquisitions of Copal Partners in 2011 and Amba Investment Services in 2013) and now owns 100% of the company.

Moody s also made two acquisitions in MA to enhance and expand its product and service offerings to enable financial institutions to better manage risk. In July, Moody s acquired WebEquity Solutions, LLC, which is a leading provider of cloud-based loan origination solutions for financial institutions. The WebEquity acquisition strengthens MA s position as a leader in loan origination software and bolsters its suite of award-winning risk management products for banks, insurance companies and corporations. In October, Moody s acquired Lewtan Technologies, which is a leading provider of analytical tools and data for the global structured finance market. Lewtan provides solutions to issuers, investors, underwriters and others to administer, monitor and value securitized transactions.

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 therefore 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 resecuritizations, restrictions on CRAs or their shareholders if certain ownership thresholds are crossed, and additional procedural and substantive requirements on the pricing of services.

On January 6, 2015, two additional rules (generally referred to as Regulatory Technical Standards or RTSs) of direct relevance to the CRA industry were published in the Official Journal of the European Union: (i) CRAs reporting requirements to ESMA on their fees; and (ii) the types of information that CRAs are to provide about certain ratings (those that were paid for by issuers) for publication on a central website administered by ESMA (the European Ratings Platform). The RTSs were the final pieces of the rulemaking requirements that CRA3 imposed on ESMA and the EU s legislative tripartite (the European Commission, the European Parliament and the Council of the European Union). Separately, CRA3 also requires that ESMA and / or the European Commission produce several reports on the industry s structure and the use of ratings. These reports are expected to be published by year end 2015.

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 final rules differ from earlier proposals by including additional measures regarding: (i) sales and marketing activities; and (ii) the design and enforcement of internal controls for the rating process. The Company has made and continues to make substantial IT and other investments. Consequently, the Company will be in a position to implement the relevant compliance obligations by the set deadlines, generally ranging from 60 days to 9 months following the September 15, 2014 publication of the final rules in the Federal Register.

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 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.

INTELLECTUAL PROPERTY

Moody s and its affiliates own and control a variety of intellectual property, including but not limited to proprietary information, trademarks, research, software tools and applications, models and methodologies, databases, domain names, and other proprietary materials that, in the aggregate, are of material importance to Moody s business. Management of Moody s believes that each of the trademarks and related corporate names, marks and logos containing the term Moody s are of material importance to the Company.

The Company, primarily through MA, licenses certain of its databases, software applications, credit risk models, training courses in credit risk and capital markets, research and other publications and services that contain Intellectual Property to its customers. These licenses are provided pursuant to standard fee-bearing agreements containing customary restrictions and intellectual property protections.

In addition, Moody s licenses certain technology and other intellectual property rights owned and controlled by others. Specifically, Moody s licenses financial information (such as market and index data, financial statement data, third party research, default data, and security identifiers) as well as software development tools and libraries. The

Company obtains such technology and intellectual property rights from generally available commercial sources. Most of such technology and intellectual property is available from a variety of sources. Although certain financial information (particularly security identifiers and certain pricing or index data) is available only from a limited number of sources, Moody s does not believe it is dependent on any one data source for a material aspect of its business.

The Company considers its Intellectual Property to be proprietary, and Moody s relies on a combination of copyright, trademark, trade secret, patent, non-disclosure and other contractual safeguards for protection. Moody s also pursues instances of third-party infringement of its Intellectual Property in order to protect the Company s rights. The Company owns two patents. None of the Intellectual Property is subject to a specific expiration date, except to the extent that the patents and the copyright in items that the Company authors (such as credit reports, research, software, and other written opinions) expire pursuant to relevant law.

The names of Moody s products and services referred to herein are trademarks, service marks or registered trademarks or service marks owned by or licensed to Moody s or one or more of its subsidiaries.

EMPLOYEES

As of December 31, 2014 the number of full-time equivalent employees of Moody s was approximately 9,900.

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AVAILABLE INFORMATION

Moody s investor relations Internet website is http://ir.moodys.com/. Under the SEC Filings tab at this website, the Company makes available free of charge its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after they are filed with, or furnished to, the SEC.

The SEC maintains an internet site that contains annual, quarterly and current reports, proxy and other information statements that the Company files electronically with the SEC. The SEC s internet site is http://www.sec.gov/.

Executive Officers of the Registrant

Name, Age and Position	Biographical Data
Mark E. Almeida, 55 *President, Moody s Analytics*	Mr. Almeida has served as President of Moody s Analytics since January 2008. Prior to this position, Mr. Almeida was Senior Vice President of Moody s Corporation from August 2007 to January 2008, Senior Managing Director of the Investor Services Group (ISG) at Moody s Investors Service, Inc. from December 2004 to January 2008 and was Group Managing Director of ISG from June 2000 to December 2004. Mr. Almeida joined Moody s Investors Service, Inc. in April 1988 and has held a variety of positions with the company in both the U.S. and overseas.
Richard Cantor, 57 *Chief Risk Officer*	Mr. Cantor has served as Chief Risk Officer of Moody s Corporation since December 2008 and as Chief Credit Officer of Moody s Investors Service, Inc. since November 2008. From July 2008 to November 2008, Mr. Cantor served as Acting Chief Credit Officer. Prior thereto, Mr. Cantor was Managing Director of Moody s Credit Policy Research Group from June 2001 to July 2008, after serving as Senior Vice President in the Financial Guarantors Rating Group. Mr. Cantor joined Moody s in 1997 from the Federal Reserve Bank of New York, where he served as Assistant Vice President in the Research Group and was Staff Director at the Discount Window. Prior to the Federal Reserve, Mr. Cantor taught Economics at UCLA and Ohio State and has taught on an adjunct basis at the business schools of Columbia University and New York University.
Robert Fauber, 44 *Senior Vice President,* *Corporate and Commercial Development*	Mr. Fauber has served as Senior Vice President Corporate & Commercial Development since April 2014 and has been Head of the MIS Commercial Group since January 2013. From April 2009 through April 2014 he served as Senior Vice President Corporate Development of Moody s Corporation. Mr. Fauber served as Vice President-Corporate Development from September 2005 to April 2009. Prior to joining Moody s, Mr. Fauber served in several roles at Citigroup from 1999 to 2005, including most recently, Director of Planning and Business Development for Citigroup s Alternative Investments division. Prior to that, Mr. Fauber worked as a Director in Corporate Strategy & Business Development for Citigroup and a Vice President and Associate in the Financial Sponsor and Telecom investment banking groups at the firm s Salomon Smith Barney subsidiary. From 1992-1996, Mr. Fauber worked at NationsBank (now Bank of America), working in the middle market commercial banking group and also ran the firm s Global Finance college recruiting program in

	1997.
John J. Goggins, 54 *Executive Vice President and General Counsel*	Mr. Goggins has served as the Company s Executive Vice President and General Counsel since April 2011 and the Company s Senior Vice President and General Counsel from October 2000 until April 2011. Mr. Goggins joined Moody s Investors Service, Inc. in February 1999 as Vice President and Associate General Counsel. Prior thereto, he served as counsel at Dow Jones & Company from 1995 to 1999, where he was responsible for securities, acquisitions and general corporate matters. Prior to Dow Jones, he was an associate at Cadwalader, Wickersham & Taft from 1985 to 1995, where he specialized in mergers and acquisitions.
Linda S. Huber, 56 *Executive Vice President and Chief Financial Officer*	Ms. Huber has served as the Company s Executive Vice President and Chief Financial Officer since May 2005. Prior thereto, she served as Executive Vice President and Chief Financial Officer at U.S. Trust Company, a subsidiary of Charles Schwab & Company, Inc., from 2003 to 2005. Prior to U.S. Trust, she was Managing Director at Freeman & Co. from 1998 through 2002. She served PepsiCo as Vice President of Corporate Strategy and Development from 1997 until 1998 and as Vice President and Assistant Treasurer from 1994 until 1997. She served as Vice President in the Energy Investment Banking Group at Bankers Trust Company from 1991 until 1994 and as an Associate in the Energy Group at First Boston Corporation from 1986 through 1990. She also held the rank of Captain in the U.S. Army where she served from 1980 to 1984.

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Name, Age and Position	Biographical Data
Michel Madelain, 59 *President and Chief Operating Officer, Moody s Investors Service*	Mr. Madelain has served as President of Moody s Investors Service Inc. since November 2010 and as Chief Operating Officer since May 2008. Prior to this, Mr. Madelain served as Executive Vice President, Fundamental Ratings from September 2007 to May 2008, with responsibility for all Global Fundamental Ratings, including Corporate Finance, Financial Institutions, Public Finance and Infrastructure Finance. He managed the Financial Institutions group from March 2007 until September 2007. Mr. Madelain served as Group Managing Director, EMEA Corporate Ratings from November 2000 to March 2007 and prior thereto held several Managing Director positions in the U.S. and U.K. Fundamental Rating Groups. Prior to joining Moody s in 1994, Mr. Madelain served as a Partner of Ernst & Young, Auditing Practice. Mr. Madelain is qualified as a Chartered Accountant in France.
Joseph (Jay) McCabe, 64 *Senior Vice President, Corporate Controller*	Mr. McCabe has served as the Company s Senior Vice President Corporate Controller since December 2005. Mr. McCabe joined Moody s in July 2004 as Vice President and Corporate Controller. Before joining the Company, he served as Vice President Corporate Controller at PPL Corporation, an energy and utility holding company, from 1994 to 2003. Prior to PPL Corporation, he served Deloitte & Touche as Partner from 1984 to 1993 and as a member of the firm s audit practice from 1973 to 1984.
Raymond W. McDaniel, Jr., 57 *President and Chief Executive Officer*	Mr. McDaniel has served as the President and Chief Executive Officer of the Company since April 2012, and served as the Chairman and Chief Executive Officer from April 2005 until April 2012. He currently serves on the MIS Committee of the Board of Directors. Mr. McDaniel served as the Company s President from October 2004 until April 2005 and the Company s Chief Operating Officer from January 2004 until April 2005. He has served as Chairman and Chief Executive Officer of Moody s Investors Service, Inc., a subsidiary of the Company, since October 2007 and held the additional title of President from November 2001 to August 2007 and December 2008 to November 2010. Mr. McDaniel served as the Company s Executive Vice President from April 2003 to January 2004, and as Senior Vice President, Global Ratings and Research from November 2000 until April 2003. He served as Senior Managing Director, Global Ratings and Research, of Moody s Investors Service from November 2000 until November 2001 and as Managing Director, International from 1996 to November 2000. Mr. McDaniel currently is a Director of John Wiley & Sons, Inc. and is a member of the Board of Trustees of Muhlenberg College.
Lisa S. Westlake, 53 *Senior Vice President and Chief Human Resource Officer*	Ms. Westlake has served as the Company s Senior Vice President and Chief Human Resources Officer since November 2008. Prior to this position, Ms. Westlake served as Vice President Investor Relations from December 2006 to November 2008 and Managing Director Finance from September 2004 to December 2006. Prior to joining the Company, Ms. Westlake was a senior consultant with the Schiff Consulting Group from 2003 to 2004. From 1996 to 2003 Ms. Westlake worked at American Express Company where she held several different positions such as Vice President and Chief Financial Officer for the OPEN Small Business Network, Vice President and Chief Financial Officer for Establishment Services and Vice President and Chief Financial Officer for

	Relationship Services. From 1989 to 1995 Ms. Westlake held a range of financial management positions at Dun & Bradstreet Corporation and its subsidiary at the time, IMS International. From 1984 to 1987 Ms. Westlake served at Lehman Brothers in both the investment banking and municipal trading areas.
Blair L. Worrall, 58 *Senior Vice President, Ratings Delivery and Data*	Mr. Worrall has served as Senior Vice President Ratings Delivery and Data since February 2013 and Head of MIS Ratings Transaction Services since January 2014. Mr. Worrall served as Senior Vice President Internal Audit from April 2011 to February 2013 and as Vice President Internal Audit from September 2007 to April 2011. He served as the Controller for MIS from November 2004 until September 2007. Prior to joining the Company, Mr. Worrall was Vice President, Accounting for RCN Corporation from 2002 to 2004 and held various finance positions at Dow Jones & Company, Inc. from 1979 to 2001.

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ITEM 1A. RISK FACTORS

The following risk factors and other information included in this annual report on Form 10-K should be carefully considered. The risks and uncertainties described below are not the only ones the Company faces. Additional risks and uncertainties not presently known to the Company or that the Company s management currently deems minor or insignificant also may impair its business operations. If any of the following risks occur, Moody s business, financial condition, operating results and cash flows could be materially and adversely affected. These risk factors should be read in conjunction with the other information in this annual report on Form 10-K.

U.S. Laws and Regulations Affecting the Credit Rating Industry are Rapidly Evolving and May Negatively Impact the Nature and Economics of the Company s Business

Moody s operates in a highly regulated industry and is subject to extensive regulation by federal, state and local authorities in the U.S., including the Reform Act and the Financial Reform Act. These regulations are complex, continually evolving and have tended to become more stringent over time. See Regulation in Part 1, Item 1 of this annual report on Form 10-K for more information. These laws and regulations:

» seek to encourage, and may result in, increased competition among rating agencies and in the credit rating business;

» may result in alternatives to credit ratings or changes in the pricing of credit ratings;

» restrict the use of information in the development or maintenance of credit ratings;

» increase regulatory oversight of the credit markets and CRA operations;

» provide for direct jurisdiction of the SEC over CRAs that seek NRSRO status, and grant authority to the SEC to inspect the operations of CRAs; and

» authorize the adoption of enhanced oversight standards and new pleading standards, which may result in increases in the number of legal proceedings claiming liability for losses suffered by investors on rated securities and aggregate legal defense costs.

These laws and regulations, and any future rulemaking or court rulings, could result in reduced demand for credit ratings and increased costs, which Moody s may be unable to pass through to customers. In addition, there may be uncertainty over the scope, interpretation and administration of such laws and regulations. The Company may be required to incur significant expenses in order to ensure compliance and mitigate the risk of fines, penalties or other sanctions. Legal proceedings could become increasingly lengthy and there may be uncertainty over and exposure to liability. It is difficult to accurately assess the future impact of legislative and regulatory requirements on Moody s business and its customers businesses, and they may affect MIS s communications with issuers as part of the rating assignment process, alter the manner in which MIS s ratings are developed, assigned and communicated, affect the manner in which MIS or its customers or users of credit ratings operate, impact the demand for MIS s ratings and alter the economics of the credit ratings business, including by restricting or mandating business models for rating agencies. Further, speculation concerning the impact of legislative and regulatory initiatives and the increased uncertainty over potential liability and adverse legal or judicial determinations may affect Moody s stock price. Although these recent and pending legislative and regulatory initiatives apply to rating agencies and credit markets generally, they may affect Moody s in a disproportionate manner. Each of these developments increase the costs and legal risk associated with the issuance of credit ratings and may have a material adverse effect on Moody s operations, profitability and competitiveness, the demand for credit ratings and the manner in which such ratings are utilized.

Financial Reforms Outside the U.S. Affecting the Credit Rating Industry May Negatively Impact the Nature and Economics of the Company s Business

In addition to the extensive and evolving U.S. laws and regulations governing the industry, foreign jurisdictions have taken measures to increase regulation of rating agencies and the markets for ratings. In particular, the EU has adopted a new regulatory framework for rating agencies operating in the EU, and introduced a common EU regulatory approach to oversight of CRAs. The EU has established conditions for the issuance of credit ratings, rules on the organization and conduct of CRAs including restrictions on certain activities deemed to create a conflict of interest and special requirements for the rating of structured finance instruments. ESMA has direct supervisory authority for CRAs in the EU.

MIS is a registered entity and is therefore 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 resecuritizations, restrictions on CRAs or their shareholders if certain ownership thresholds are crossed, and additional procedural and substantive requirements on the pricing of services.

On January 6, 2015, two additional rules (generally referred to as Regulatory Technical Standards or RTSs) of direct relevance to the CRA industry were published in the Official Journal of the European Union: (i) CRAs reporting requirements to ESMA on their fees; and

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(ii) the types of information that CRAs are to provide about certain ratings (those that were paid for by issuers) for publication on a central website administered by ESMA (the European Ratings Platform). Separately, CRA3 also requires that ESMA and / or the European Commission produce several reports on the industry s structure and the use of ratings. These reports are expected to be published by year end 2015.

EU financial reforms could have a significant negative effect on Moody s operations, profitability or ability to compete, or the markets for its products and services, including in ways that Moody s presently is unable to predict. In particular, exposure to increased liability under the EU regulations may further increase costs and legal risks associated with the issuance of credit ratings and materially and adversely impact Moody s results of operations. In addition, compliance with the amended EU regulations may increase costs of operations.

Further, Moody s believes there is still potential for additional rulemaking by the EU and other jurisdictions that can significantly impact operations or the markets for Moody s products and services, such as regulations affecting the need for debt securities to be rated, establishing criteria for credit ratings or limiting the entities authorized to provide credit ratings. Moody s cannot predict the extent of such future laws and regulations, and the effect that they will have on Moody s business or the potential for increased exposure to liability could be significant. Financial reforms in the EU and other foreign jurisdictions may have a material adverse effect on Moody s business, operating results and financial condition.

The Company Faces Exposure to Litigation Related to Rating Opinions and Other Business Practices

Moody s faces exposure to litigation related to MIS s ratings actions, as well as other business practices. As a result of difficult economic times and turbulent markets in recent years, the market value of credit-dependent instruments has declined and defaults have increased. This development has led to a significant increase in the number of legal proceedings that Moody s is facing, including class actions and other litigation, government investigations and inquiries concerning events in the U.S. subprime residential mortgage sector and the credit markets more broadly. Legal proceedings impose additional expenses on the Company and require the attention of senior management to an extent that may significantly reduce their ability to devote time addressing other business issues. Risks relating to legal proceedings may be heightened in foreign jurisdictions that lack the legal protections or liability standards comparable to those that exist in the U.S. In addition, new laws and regulations have been and may continue to be enacted that establish lower liability standards, shift the burden of proof or relax pleading requirements, thereby increasing the risk of successful litigations in the U.S. and in foreign jurisdictions. These litigation risks are often difficult to assess or quantify. Moody s may not have adequate insurance or reserves to cover these risks, and the existence and magnitude of these risks often remains unknown for substantial periods of time. Furthermore, to the extent that Moody s is unable to achieve dismissals at an early stage and litigation matters proceed to trial, the aggregate legal defense costs incurred by Moody s increase substantially, as does the risk of an adverse outcome. See Note 18 to the consolidated financial statements for more information regarding ongoing investigations and civil litigation that the Company currently faces. Due to the number of these proceedings and the significant amount of damages sought, there is a risk that Moody s will be subject to judgments, settlements, fines, penalties or other adverse results that could have a material adverse effect on its business, operating results and financial condition.

The Company is Exposed to Legal, Economic and Regulatory Risks of Operating in Multiple Jurisdictions

Moody s conducts operations in various countries outside the U.S. and derives a significant portion of its revenue from foreign sources. Changes in the economic condition of the various foreign economies in which the Company operates may have an impact on the Company s business. For example, economic uncertainty in the Eurozone or elsewhere could affect the number of securities offerings undertaken within those particular areas. In addition, operations abroad expose Moody s to a number of legal, economic and regulatory risks such as:

» restrictions on the ability to convert local currency into USD;

» exposure to exchange rate movements between foreign currencies and USD;

» the costs of repatriating cash held by entities outside the U.S.;

» U.S. laws affecting overseas operations including domestic and foreign export and import restrictions, tariffs and other trade barriers;

» differing legal or civil liability, compliance and regulatory standards;

» current and future regulations relating to the imposition of mandatory rotation requirements on CRAs hired by issuers of securities;

» uncertain and evolving laws and regulations applicable to the financial services industries;

» economic, political and geopolitical market conditions;

» the possibility of nationalization, expropriation, price controls and other restrictive governmental actions;

» competition with local rating agencies that have greater familiarity, longer operating histories and/or support from local governments or other institutions;

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» reduced protection for intellectual property rights;

» longer payment cycles and possible problems in collecting receivables;

» differing accounting principles and standards;

» difficulties and delays in translating documentation into foreign languages; and

» potentially adverse tax consequences.

Additionally, Moody s is subject to complex U.S. and foreign laws and regulations, such as the Foreign Corrupt Practices Act, the U.K. Bribery Act and other anti-bribery and anti-corruption laws. Although the Company has implemented internal controls, policies and procedures and employee training and compliance programs to deter prohibited practices, such measures may not be effective in preventing employees, contractors or agents from violating or circumventing such internal policies and violating applicable laws and regulations. Any determination that the Company has violated anti-bribery or anti-corruption laws could have a material adverse effect on Moody s financial condition. Compliance with international and U.S. laws and regulations that apply to the Company s international operations increases the cost of doing business in foreign jurisdictions. Violations of such laws and regulations may result in fines and penalties, criminal sanctions, administrative remedies, restrictions on business conduct and could have a material adverse effect on Moody s reputation, its ability to attract and retain employees, its business, operating results and financial condition.

Moody s Operations and Infrastructure May Malfunction or Fail

Moody s ability to conduct business may be materially and adversely impacted by a disruption in the infrastructure that supports its businesses and the communities in which Moody s is located, including New York City, the location of Moody s headquarters, major cities worldwide in which Moody s has offices, and locations in China used for data and development work. This may include a disruption involving physical or technological infrastructure, including the Company s electronic delivery systems, data center facilities and the Internet, used by the Company or third parties with or through whom Moody s conducts business, whether due to human error, natural disasters, power loss, telecommunication failures, break-ins, sabotage, intentional acts of vandalism, acts of terrorism, political unrest, war or otherwise. Moody s efforts to secure and plan for potential disruptions of its major operating systems may not be successful. The Company relies on third-party providers to provide certain essential services. While the Company believes that such providers are reliable, the Company has limited control over the performance of such providers. To the extent any of the Company s third-party providers ceases to provide these services in an efficient, cost-effective manner or fail to adequately expand its services to meet the Company s needs and the needs of the Company s customers, the Company could experience lower revenues and higher costs. The Company also does not have fully redundant systems for most of its smaller office locations and low-risk systems, and its disaster recovery plan does not include restoration of non-essential services. If a disruption occurs in one of Moody s locations or systems and its personnel in those locations or those who rely on such systems are unable to utilize other systems or communicate with or travel to other locations, such persons ability to service and interact with Moody s clients and customers may suffer. The Company cannot predict with certainty all of the adverse effects that could result from the Company s failure, or the failure of a third party, to efficiently address and resolve these delays and interruptions. A disruption to Moody s operations or infrastructure may have a material adverse effect on its business, operating results and financial condition.

The Company is Exposed to Risks Related to Cybersecurity and Protection of Confidential Information

The Company s operations rely on the secure processing, storage and transmission of confidential, sensitive, proprietary and other types of information relating to its business operations and confidential and sensitive information about its clients in the Company s computer systems and networks and those of its third party vendors. The cyber risks the Company s faces range from cyber-attacks common to most industries, to more advanced threats that target the Company because of its prominence in the global marketplace, or due to its ratings of sovereign debt. Breaches of Moody s or Moody s vendors technology and systems, whether from circumvention of security systems, denial-of-service attacks or other cyber-attacks, hacking, computer viruses or malware, employee error, malfeasance, social engineering, physical breaches or other actions, may result in manipulation or corruption of sensitive data, material interruptions or malfunctions in the Company s or such vendors web sites, applications, data processing, or disruption of other business operations, or may compromise the confidentiality and integrity of material information held by the Company (including information about Moody s business or customers), as well as sensitive personally identifiable information (PII), the disclosure of which could lead to identity theft. Measures that Moody s takes to avoid or mitigate material incidents can be expensive, and may be insufficient, circumvented, or may become obsolete. Any material breaches of cybersecurity could cause the Company to experience reputational harm, loss of customers, regulatory actions, sanctions or other statutory penalties, litigation, liability for failure to safeguard the Company s clients information or financial losses that are either not insured against or not fully covered through any insurance maintained by the Company. Any of the foregoing may have a material adverse effect on Moody s business, operating results or financial condition.

Changes in the Volume of Debt Securities Issued in Domestic and/or Global Capital Markets and Changes in Interest Rates and Other Volatility in the Financial Markets May Negatively Impact the Nature and Economics of the Company s Business

Moody s business is impacted by general economic conditions and volatility in the U.S. and world financial markets. Furthermore, issuers of debt securities may elect to issue securities without ratings or securities which are rated or evaluated by non-traditional parties such as financial advisors, rather than traditional CRAs, such as MIS. A majority of Moody s credit-rating-based revenue is transaction-based, and therefore it is especially dependent on the number and dollar volume of debt securities issued in the capital markets. Accordingly, any market volatility or conditions that either reduce investor demand for debt securities or issuers willingness or ability to issue such securities could reduce the number and dollar-equivalent volume of debt issuances for which Moody s provides ratings services and thereby have an adverse effect on the fees derived from the issuance of ratings. Therefore, no assurance can be given as to the amount of revenues that may be derived from Moody s ratings services.

Credit market disruptions and economic slowdown and uncertainty have in the past negatively impacted the volume of debt securities issued in global capital markets and the demand for credit ratings. Economic and government factors such as a long-term continuation of difficult economic conditions and a worsening of the sovereign debt crisis in Europe may have an adverse impact on the Company s business. Future debt issuances could be negatively affected by a sharp increase in long-term interest rates or factors which cause instability or volatility in the global capital markets, such as significant regulatory, political or economic events, the use of alternative sources of credit, including financial institutions and government sources, and defaults of significant issuers and other market and economic factors. Changes in the markets for such securities and in the role and regulation of rating agencies may materially and adversely affect the Company.

Moody s initiatives to reduce costs to counteract a decline in its business may not be sufficient and cost reductions may be difficult or impossible to obtain in the short term, due in part to rent, technology, compliance and other fixed costs associated with some of the Company s operations as well as the need to monitor outstanding ratings. Further, cost-reduction initiatives, including those undertaken to date, could make it difficult for the Company to rapidly expand operations in order to accommodate any unexpected increase in the demand for ratings. Volatility in the financial markets, including changes in the volumes of debt securities and changes in interest rates, may have a material adverse effect on the business, operating results and financial condition.

The Company Faces Increased Pricing Pressure from Competitors and/or Customers

There is price competition in the credit rating, research, credit risk management markets, outsourced research and analytical services and financial training and certification services. Competition for customers and market share has spurred more aggressive tactics by some competitors in areas such as pricing and services, as well as increased competition from non-NRSROs that evaluate debt risk for issuers or investors. At the same time, the current challenging business environment and the consolidation of customers, particularly those involved in structured finance products, and other factors affecting demand may enhance the market power of competitors and result in reductions in the size of the Company s customer base. Tepid economic growth is also intensifying the competitive pressures as to pricing. While Moody s seeks to compete primarily on the basis of the quality of its products and services, it may lose market share if its pricing is not sufficiently competitive with its current and future competitors. In addition, the Reform Act was designed to encourage competition among rating agencies. The formation of additional NRSROs may increase pricing and competitive pressures. Any inability of Moody s to compete successfully with respect to the pricing of its products and services could have a material adverse impact on its business, operating results and financial condition.

The Company is Exposed to Reputation and Credibility Concerns

Moody s reputation and the strength of its brand are key competitive strengths. To the extent that the rating agency business as a whole or Moody s, relative to its competitors, suffers a loss in credibility, Moody s business could be significantly impacted. Factors that may have already affected credibility and could potentially continue to have an impact in this regard include the appearance of a conflict of interest, the performance of securities relative to the rating assigned to such securities, the timing and nature of changes in ratings, a major compliance failure, negative perceptions or publicity and increased criticism by users of ratings, regulators and legislative bodies, including as to the ratings process and its implementation with respect to one or more securities. Operational errors, whether by Moody s or a Moody s competitor, could also harm the reputation of the Company or the credit rating industry. Damage to reputation and credibility could have a material adverse impact on Moody s business, operating results and financial condition.

The Introduction of Competing Products or Technologies by Other Companies May Negatively Impact the Nature and Economics of the Company s Business

The markets for credit ratings, research, credit risk management services, outsourced research and analytical services and financial training and certification services are highly competitive and characterized by rapid technological change, changes in client demands and evolving industry standards. The ability to develop and successfully launch and maintain innovative products and technologies that anticipate customers changing requirements and utilize emerging technological trends is a key factor in maintaining market share. Moody s competitors include both established companies with significant financial resources, brand recognition, market experience and technological expertise, and smaller companies which may be better poised to quickly adopt new or emerging technologies or respond to customer requirements. Competitors may develop quantitative methodologies or related services for assessing credit risk that customers and market participants may deem preferable, more cost-effective or more valuable than the credit risk assessment methods currently employed by Moody s, or may position, price or market their products in manners that differ from those utilized by Moody s. Moody s also competes indirectly against consulting firms and other information providers; these indirect competitors could choose to compete directly with us in the future. In addition, customers or others may develop alternative, proprietary systems for assessing credit risk. Such developments could affect demand for Moody s products and services and its growth prospects. Further, the increased availability in recent years of free or relatively inexpensive Internet information may reduce the demand for Moody s products and services. Moody s growth prospects also could be adversely affected by Moody s failure to make necessary or optimal capital infrastructure expenditures and improvements and the inability of its information technologies to provide adequate capacity and capabilities to meet increased demands of producing quality ratings and research products at levels achieved by competitors. Any inability of Moody to compete successfully may have a material adverse effect on its business, operating results and financial condition.

The Company Has a Significant Amount of Intangible Assets

At December 31, 2014, Moody s had $1,021.1 million of goodwill and $345.5 million of intangible assets on its balance sheet. Approximately 71% of these intangibles reside in the MA business and are allocated to the four reporting units within MA: RD&A; ERS; Financial Services Training and Certifications; and Copal Amba. The remaining 29% of these intangibles reside in MIS and primarily relate to ICRA. Failure to achieve business objectives and financial projections in any of these reporting units could result in an asset impairment charge, which would result in a non-cash charge to operating expenses. Goodwill and intangible assets with indefinite lives are tested for impairment on an annual basis and also when events or changes in circumstances indicate that impairment may have occurred. Determining whether an impairment of goodwill exists can be difficult as a result of increased uncertainty and current market dynamics, and requires significant management estimates and judgment. In addition, the potential for goodwill impairment is increased during periods of economic uncertainty. An asset impairment charge could have a material adverse effect on Moody s business, operating results and financial condition.

Possible Loss of Key Employees and Related Compensation Cost Pressures May Negatively Impact the Company

Moody s success depends upon its ability to recruit, retain and motivate highly skilled, experienced financial analysts and other professionals. Competition for skilled individuals in the financial services industry is intense, and Moody s ability to attract high quality employees could be impaired if it is unable to offer competitive compensation and other incentives or if the regulatory environment mandates restrictions on or disclosures about individual employees that would not be necessary in competing analytical industries. As greater focus has been placed on executive compensation at public companies, in the future, Moody s may be required to alter its compensation practices in ways that could adversely affect its ability to attract and retain talented employees. Investment banks, investors and competitors may seek to attract analyst talent by providing more favorable working conditions or offering significantly more attractive compensation packages than Moody s. Moody s also may not be able to identify and hire the appropriate qualified employees in some markets outside the U.S. with the required experience or skills to perform sophisticated credit analysis. There is a risk that even if the Company invests significant resources in attempting to attract, train and retain qualified personnel, it will not succeed in its efforts, and its business could be harmed.

Moody s is highly dependent on the continued services of Raymond W. McDaniel, Jr., the President and Chief Executive Officer, and other senior officers and key employees. The loss of the services of skilled personnel for any reason and Moody s inability to replace them with suitable candidates quickly or at all, as well as any negative market perception resulting from such loss, could have a material adverse effect on Moody s business, operating results and financial condition.

Moody s Acquisitions and Other Strategic Transactions May Not Produce Anticipated Results

Moody s has made and expects to continue to make acquisitions or enter into other strategic transactions to strengthen its business and grow the Company. Such transactions present significant challenges and risks. The market for acquisition targets and other strategic transactions is highly competitive, especially in light of industry consolidation, which may affect Moody s ability to complete such transactions. If Moody s is unsuccessful in completing such transactions or if such opportunities for expansion do not arise, its business, operating results and financial condition could be materially adversely affected.

If such transactions are completed, the anticipated growth, synergies and other strategic objectives of such transactions may not be fully realized, and a variety of factors may adversely affect any anticipated benefits from such transactions. Any strategic transaction can involve a number of risks, including unanticipated challenges regarding integration of operations, technologies and new employees; the existence of liabilities or contingencies not disclosed to or otherwise known by the Company prior to closing a transaction; unexpected regulatory and operating difficulties and expenditures; failure to retain key personnel of the acquired business; diverting management s focus from other business operations; and failing to implement or remediate controls, procedures and policies appropriate for a larger public company at acquired companies that prior to the acquisition lacked such controls, procedures and policies. The anticipated benefits from an acquisition or other strategic transaction may not be realized fully, or may take longer to realize than expected. As a result, the failure of acquisitions and other strategic transactions to perform as expected may have a material adverse effect on Moody s business, operating results and financial condition.

The Trading Price of Moody s Stock Could be Affected by Third Party Actions

Ownership of Moody s stock is highly concentrated with a significant portion of shares held by a few institutional stockholders. Due to this concentrated stockholder base, the trading price of Moody s stock could be affected considerably by actions of significant stockholders to increase or decrease their positions in Moody s stock. As a result, the actions of these institutional stockholders could create high stock volatility.

The Company s Compliance and Risk Management Programs Might Not be Effective and May Result in Outcomes That Could Adversely Affect the Company s Reputation, Financial Condition and Operating Results.

Moody s operates in a number of countries, and as a result the Company is required to comply with numerous international and U.S. federal, state and local laws and regulations. The Company s ability to comply with applicable laws and regulations, including anti-corruption laws, is largely dependent on its establishment and maintenance of compliance, review and reporting systems. Moody s policies and procedures to identify, evaluate and manage the Company s risks may not be fully effective, and Moody s employees [or agents] may engage in misconduct, fraud or other errors. It is not always possible to deter such errors, and the precautions the Company takes to prevent and detect this activity may not be effective in all cases. If Moody s employees violate its policies or if the Company s risk management methods are not effective, the Company could be subject to regulatory sanctions and suffer harm to the Company s reputation, financial condition and operating results.

Legal Protections for the Company s Intellectual Property Rights may not be Sufficient or Available to Protect the Company s Competitive Advantages.

Moody s considers many aspects of its products and services to be proprietary. Failure to protect the Company s intellectual property adequately could harm its reputation and affect the Company s ability to compete effectively. In addition, the Company s operating results may be adversely affected by inadequate or changing legal and technological protections for intellectual property and proprietary rights in some jurisdictions and markets. On January 6, 2015, a rule with direct relevance to the CRA industry was published in the Official Journal of the European Union regarding the types of information that CRAs are to provide about certain ratings (those that were paid for by issuers) for publication on a central website administered by ESMA (the European Ratings Platform). This rule directly relates to the Company s intellectual property as it would require that the Company provide proprietary information at no cost that the Company currently sells, which could result in lost revenue.

Additionally, despite the Company s efforts to protect its intellectual property rights, unauthorized third parties may try to obtain and use technology or other information that the Company regards as proprietary. Even if Moody s attempts to protect its intellectual property rights through litigation, it may require considerable cost, time and resources to do so, and there is no guarantee that the Company will be successful.

The Company is Dependent on the Use of Third-Party Software, Data, Hosted Solutions, Data Centers, and Network Infrastructure (Together, Third Party Technology), and Any Reduction in Third-Party Product Quality or Service Offerings, Could Have a Material Adverse Effect on the Company s Business, Financial Condition or Results of Operations.

Moody s relies on Third Party Technology in connection with its product development and offerings. The Company depends on the ability of Third Party Technology providers to deliver and support reliable products, enhance their current products, develop new products on a timely and cost-effective basis, and respond to emerging industry standards and other technological changes. The Third Party Technology Moody s uses may become obsolete, incompatible with future versions of the Company s products, unavailable or fail to operate effectively, and Moody s business could be adversely affected if the Company is unable to timely or effectively replace such Third Party Technology. The Company also monitors its use of Third Party Technology to comply with applicable license and other contractual requirements. Despite the Company s efforts, the Company cannot assure that such third parties will permit Moody s use in the future, resulting in increased Third Party Technology acquisition costs and loss of rights. In addition, the Company s operating costs could increase if license or other usage fees for Third Party Technology increase or the efforts to incorporate enhancements to Third Party Technology are substantial. Some of these third-party suppliers are also Moody s competitors, increasing the risks noted above. If any of these risks materialize, they could have a material adverse effect on the Company s business, financial condition or results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Moody s corporate headquarters is located at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, with approximately 797,537 square feet of leased space. As of December 31, 2014, Moody s operations were conducted from 21 U.S. offices and 76 non-U.S. office locations, all of which are leased. These properties are geographically distributed to meet operating and sales requirements worldwide. These properties are generally considered to be both suitable and adequate to meet current operating requirements.

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ITEM 3. LEGAL PROCEEDINGS

For information regarding legal proceedings, see Part II, Item 8 Financial Statements , Note 18 Contingencies in this Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR THE REGISTRANT S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Information in response to this Item is set forth under the captions below.

MOODY S PURCHASES OF EQUITY SECURITIES

For the three months ended December 31, 2014

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)
October 1 31	1,777,716	$ 93.41	1,777,716	$ 837.7 million
November 1 30	1,110,097	$ 99.91	1,109,805	$ 726.8 million
December 1 31	1,672,753	$ 97.58	1,672,621	$ 1,563.5 million
Total	4,560,566	$ 96.52	4,560,142	

(1) Includes the surrender to the Company of 292 shares and 132 shares of common stock in November and December, 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 16, 2014, the Board authorized a $1 billion share repurchase program which will commence following the completion of the existing program. There is no established expiration date for the remaining authorization.

During the fourth quarter of 2014, Moody s issued 0.3 million shares under employee stock-based compensation plans.

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COMMON STOCK INFORMATION AND DIVIDENDS

The Company s common stock trades on the New York Stock Exchange under the symbol MCO . The table below indicates the high and low sales price of the Company s common stock and the dividends declared and paid for the periods shown. The number of registered shareholders of record at January 31, 2015 was 2,394. A substantially greater number of the Company s common stock is held by beneficial holders whose shares are held of record by banks, brokers and other financial institutions.

	Price Per Share		Dividends Per Share	
	High	Low	Declared	Paid
2014:				
First quarter	**$ 85.70**	**$ 72.57**	**$**	**$ 0.28**
Second quarter	**$ 89.08**	**$ 74.36**	**0.28**	**0.28**
Third quarter	**$ 96.14**	**$ 86.50**	**0.28**	**0.28**
Fourth quarter	**$ 102.24**	**$ 88.25**	**0.62**	**0.28**
Year ended December 31, 2014			**$ 1.18**	**$ 1.12**
2013:				
First quarter	$ 55.58	$ 40.67	$	$ 0.20
Second quarter	$ 69.70	$ 51.31	0.20	0.20
Third quarter	$ 71.74	$ 59.69	0.25	0.25
Fourth quarter	$ 79.15	$ 66.91	0.53	0.25
Year Ended December 31, 2013			$ 0.98	$ 0.90

On December 16, 2014, the Board of the Company approved the declaration of a quarterly dividend of $0.34 per share of Moody s common stock, payable on March 10, 2015 to shareholders of record at the close of business on February 20, 2015. The continued payment of dividends at the rate noted above, or at all, is subject to the discretion of the Board.

EQUITY COMPENSATION PLAN INFORMATION

The table below sets forth, as of December 31, 2014, certain information regarding the Company s equity compensation plans.

	Number of Securities to be Issued Upon	Weighted-Average Exercise Price of Outstanding	Number of Securities Remaining Available for

Plan Category	Exercise of Outstanding Options, Warrants and Rights (a)		Options, Warrants and Rights[(2)] (b)	Future Issuance Under Equity Compensation Plans (excluding Securities Reflected in Column (a) (c)
Equity compensation plans approved by security holders	10,432,616[(1)]	$	46.00	24,407,013[(3)]
Equity compensation plans not approved by security holders		$		
Total	10,432,616	$	46.00	24,407,013

(1) Includes 8,260,530 options and unvested restricted shares outstanding under the Company s 2001 Key Employees Stock Incentive Plan, 437,581 options and unvested restricted shares outstanding under the Company s 1998 Key Employees Stock Incentive Plan, and 15,212 unvested restricted shares outstanding under the 1998 Non-Employee Directors Stock Incentive Plan. This number also includes a maximum of 1,719,293 performance shares outstanding under the Company s 2001 Key Employees Stock Incentive Plan, which is the maximum number of shares issuable pursuant to performance share awards assuming the maximum payout at 225% of the target award for performance shares granted in 2012, 2013 and 2014. Assuming payout at target, the number of shares to be issued upon the vesting of outstanding performance share awards is 764,130.

(2) Does not reflect unvested restricted shares or performance share awards included in column (a) because these awards have no exercise price.

(3) Includes 20,482,399 shares available for issuance as under the 2001 Stock Incentive Plan, of which all may be issued as options and 12,997,143 may be issued as restricted stock, performance shares or other stock-based awards under the 2001 Stock Incentive Plan and 958,173 shares available for issuance as options, shares of restricted stock or performance shares under the 1998 Directors Plan, and 2,966,441 shares available for issuance under the Company s Employee Stock Purchase Plan. No new grants may be made under the 1998 Stock Incentive Plan, which expired by its terms in June 2008.

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PERFORMANCE GRAPH

The following graph compares the total cumulative shareholder return of the Company to the performance of Standard & Poor s Stock 500 Composite Index and the Russell 3000 Financial Services Index. Both of the aforementioned indexes are easily accessible to the Company s shareholders in newspapers, the internet and other readily available sources for purposes of the following graph.

The comparison assumes that $100.00 was invested in the Company s common stock and in each of the foregoing indices on December 31, 2009. The comparison also assumes the reinvestment of dividends, if any. The total return for the common stock was 286% during the performance period as compared with a total return during the same period of 93% for the Russell 3000 Financial Services Index and 105% for the S&P 500 Composite Index.

Comparison of Cumulative Total Return

Moody s Corporation, Russell 3000 Financial Services Index and S&P 500 Composite Index

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

Among Moody s, the S&P 500 Index

and the Russell 3000 Financial Services Index

	Year Ended December 31,					
	2009	**2010**	**2011**	**2012**	**2013**	**2014**
Moody s Corporation	$ 100.00	$ 100.77	$ 129.95	$ 197.33	$ 312.21	$ 386.10
S&P 500 Composite Index	$ 100.00	$ 115.06	$ 117.49	$ 136.30	$ 180.44	$ 205.14
Russell 3000 Financial Services Index	$ 100.00	$ 112.59	$ 99.18	$ 125.54	$ 168.80	$ 192.51

The comparisons in the graph above are provided in response to disclosure requirements of the SEC and are not intended to forecast or be indicative of future performance of the Company s common stock.

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ITEM 6. SELECTED FINANCIAL DATA

The Company s selected consolidated financial data should be read in conjunction with Item 7. MD&A and the Moody s Corporation consolidated financial statements and notes thereto.

	Year Ended December 31,				
amounts in millions, except per share data	**2014**	**2013**	**2012**	**2011**	**2010**
Results of operations					
Revenue	**$ 3,334.3**	$ 2,972.5	$ 2,730.3	$ 2,280.7	$ 2,032.0
Operating and SG&A expenses	**1,799.6**	1,644.5	1,547.2	1,313.1	1,192.8
Depreciation and amortization	**95.6**	93.4	93.5	79.2	66.3
Goodwill impairment			12.2		
Restructuring					0.1
Operating income	**1,439.1**	1,234.6	1,077.4	888.4	772.8
Non-operating income (expense), net [1]	**21.9**	(65.3)	(53.4)	(48.6)	(58.4)
Income before provision for income taxes	**1,461.0**	1,169.3	1,024.0	839.8	714.4
Provision for income taxes	**455.0**	353.4	324.3	261.8	201.0
Net income [2]	**1,006.0**	815.9	699.7	578.0	513.4
Less: Net income attributable to noncontrolling interests	**17.3**	11.4	9.7	6.6	5.6
Net income attributable to Moody s [2]	**$ 988.7**	$ 804.5	$ 690.0	$ 571.4	$ 507.8
Earnings per share					
Basic	**$ 4.69**	$ 3.67	$ 3.09	$ 2.52	$ 2.16
Diluted	**$ 4.61**	$ 3.60	$ 3.05	$ 2.49	$ 2.15
Weighted average shares outstanding					
Basic	**210.7**	219.4	223.2	226.3	235.0
Diluted	**214.7**	223.5	226.6	229.4	236.6
Dividends declared per share	**$ 1.18**	$ 0.98	$ 0.68	$ 0.58	$ 0.43
Operating margin	**43.2%**	41.5%	39.5%	39.0%	38.0%

	December 31,				
	2014	**2013**	**2012**	**2011**	**2010**
Balance sheet data					
Total assets	**$ 4,669.0**	$ 4,395.1	$ 3,960.9	$ 2,876.1	$ 2,540.3
Long-term debt	**$ 2,547.3**	$ 2,101.8	$ 1,607.4	$ 1,172.5	$ 1,228.3
Total shareholders equity (deficit)	**$ 42.9**	$ 347.9	$ 396.6	$ (158.4)	$ (298.4)

	NON-GAAP FINANCIAL MEASURES [3] Year Ended December 31,				
	2014	**2013**	**2012**	**2011**	**2010**
Adjusted Operating Income	**$ 1,534.7**	$ 1,328.0	$ 1,183.1	$ 967.6	$ 839.2

Adjusted Operating Margin	**46.0%**	44.7%	43.3%	42.4%	41.3%
Non-GAAP diluted EPS attributable to Moody s common shareholders	**$ 4.21**	$ 3.65	$ 2.99	$ 2.46	$ 2.13
Free cash flow	**$ 944.0**	$ 884.5	$ 778.1	$ 735.6	$ 574.3

(1) The 2014, 2013, 2012, 2011 and 2010 amounts include benefits of $7.1 million, $22.8 million, $17.2 million, $10.1 million, and $2.5 million, respectively, related to the favorable resolution of certain Legacy Tax Matters. The 2014 amount also includes the ICRA Gain of $102.8 million.

(2) The 2014, 2013, 2012, 2011 and 2010 amounts include benefits of $6.8 million, $21.3 million, $12.8 million, $7.0 million and $4.6 million, respectively, related to the resolution of certain Legacy Tax Matters. Also, the 2014 amount includes the ICRA Gain of $78.5 million and the 2013 amount includes a litigation settlement charge which is more fully discussed in Note 18 to the consolidated financial statements.

(3) Refer to Non-GAAP measures in Item 7 of this Form 10K for a discussion of the Company s non-GAAP financial measures

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ITEM 7. 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 consolidated financial statements and notes thereto included elsewhere in this annual report on Form 10-K.

This MD&A contains Forward-Looking Statements. See Forward-Looking Statements commencing on page 54 and Item 1A. Risk Factors commencing on page 17 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) outsourced research and analytical services to institutional customers. 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 outsourced research and analytical 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 GAAP. 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, goodwill and intangible assets, pension and other retirement benefits, UTPs and stock-based compensation. Actual results may differ from these estimates under different assumptions or conditions. The following accounting estimates are considered critical because they are particularly dependent on management s judgment about matters that are uncertain at the time the accounting estimates are made and changes to those estimates could have a material impact on the Company s consolidated results of operations or financial condition.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or the services have been provided and accepted by the customer when applicable, fees are determinable and the collection of resulting receivables is considered probable.

Pursuant to the guidance of ASC Topic 605, when a sales arrangement contains multiple deliverables, the Company allocates revenue to each deliverable based on its relative selling price which is determined based on its vendor specific objective evidence if available, third party evidence if VSOE is not available, or estimated selling price if neither VSOE nor TPE is available.

The Company s products and services will generally qualify as separate units of accounting under ASC Topic 605. The Company evaluates each deliverable in an arrangement to determine whether it represents a separate unit of accounting. A deliverable constitutes a separate unit of accounting when it has stand-alone value to the customers and if the arrangement includes a customer refund or return right relative to the delivered item, the delivery and performance of the undelivered item is considered probable and substantially in the Company s control. In instances where the aforementioned criteria are not met, the delivered item is combined with the undelivered items and revenue recognition is determined as one single unit.

The Company determines whether its selling price in a multi-element transaction meets the VSOE criteria by using the price charged for a deliverable when sold separately. In instances where the Company is not able to establish VSOE for all deliverables in a multiple element arrangement, which may be due to the Company infrequently selling each element separately, not selling products within a reasonably narrow price range, or only having a limited sales history, the Company attempts to establish TPE for deliverables. The Company determines whether TPE exists by evaluating largely similar and interchangeable competitor products or services in standalone sales to similarly situated customers. However, due to the difficulty in obtaining third party pricing, possible differences in the Company s market strategy from that of its peers and the potential that products and services offered by the Company may contain a significant level of differentiation and/or customization such that the comparable pricing of products with similar functionality cannot be obtained, the Company generally is unable to reliably determine TPE. Based on the selling price hierarchy established by ASU 2009-13, when the Company is unable to establish selling price using VSOE or TPE, the Company will establish an ESP. ESP is the price at which the Company would transact a sale if the product or service were sold on a stand-alone basis. The Company establishes its best estimate of ESP considering internal factors relevant to its pricing practices such as costs and margin objectives, standalone sales prices of similar products, percentage of the fee charged for a primary product or service relative to a related product or service, and customer segment and geography. Additional consideration is also given to market conditions such as competitor pricing strategies and market trend. The Company reviews its determination of VSOE, TPE and ESP on an annual basis or more frequently as needed.

In the MIS segment, revenue attributed to initial ratings of issued securities is recognized when the rating is issued. Revenue attributed to monitoring of issuers or issued securities is recognized ratably over the period in which the monitoring is performed, generally one year. In the case of commercial mortgage-backed securities, structured credit, international residential mortgage-backed and asset-backed securities, issuers can elect to pay the monitoring fees upfront. These fees are deferred and recognized over the future monitoring periods based on the expected lives of the rated securities, which was approximately 28 years on a weighted average basis at December 31, 2014. At December 31, 2014, 2013 and 2012, deferred revenue related to these securities was approximately $107 million, $97 million and $82 million, respectively.

Multiple element revenue arrangements in the MIS segment are generally comprised of an initial rating and the related monitoring service. In instances where monitoring fees are not charged for the first year monitoring effort, fees are allocated to the initial rating and monitoring services based on the relative selling price of each service to the total arrangement fees. The Company generally uses ESP in determining the selling price for its initial ratings as the Company rarely sells initial ratings separately without providing related monitoring services and thus is unable to establish VSOE or TPE for initial ratings.

MIS estimates revenue for ratings of commercial paper for which, in addition to a fixed annual monitoring fee, issuers are billed quarterly based on amounts outstanding. Revenue is accrued each quarter based on estimated amounts outstanding and is billed when actual data is available. The estimate is determined based on the issuers most recent reported quarterly data. At December 31, 2014, 2013 and 2012, accounts receivable included approximately $22 million, $21 million and $22 million, respectively, related to accrued commercial paper revenue. Historically, MIS has not had material differences between the estimated revenue and the actual billings. Furthermore, for certain annual monitoring services, fees are not invoiced until the end of the monitoring period, however, revenue is recognized ratably over the monitoring period.

In the MA segment, products and services offered by the Company include software licenses and related maintenance, subscriptions, and professional services. Revenue from subscription based products, such as research and data subscriptions and certain software-based credit risk management subscription products, is recognized ratably over the related subscription period, which is principally one year. Revenue from sale of perpetual licenses of credit processing software is generally recognized at the time the product master or first copy is delivered or transferred to and accepted by the customer. Software maintenance revenue is recognized ratably over the annual maintenance period. Revenue from professional services rendered is generally recognized as the services are performed. If uncertainty exists regarding customer acceptance of the product or service, revenue is not recognized until acceptance occurs. A large portion of annual research and data subscriptions as well as annual software maintenance is invoiced in November, December and January of each year.

Products and services offered within the MA segment are sold either stand-alone or together in various combinations. In instances where a multiple element arrangement includes software and non-software deliverables, revenue is allocated to the non-software deliverables and to the software deliverables, as a group, using the relative selling prices of each of the deliverables in the arrangement based on the aforementioned selling price hierarchy. Revenue is recognized for each element based upon the conditions for revenue recognition previously described.

If the arrangement contains more than one software deliverable, the arrangement consideration allocated to the software deliverables as a group is allocated to each software deliverable using VSOE. In the instances where the Company is not able to determine VSOE for all of the deliverables of an arrangement, the Company allocates the revenue to the undelivered elements equal to its VSOE and the residual revenue to the delivered elements. If the Company is unable to determine VSOE for an undelivered element, the Company defers all revenue allocated to the software deliverables until the Company has delivered all of the elements or when VSOE has been determined for the undelivered elements. In cases where software implementation services are considered essential and VSOE of fair value exists for post-contract customer support (PCS), once the delivery criteria have been met on the standard software, license and

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service revenue is recognized on a percentage-of-completion basis as implementation services are performed, while PCS is recognized over the coverage period. If VSOE of fair value does not exist for PCS, once the delivery criteria have been met on the standard software, service revenue is recognized on a zero profit margin basis until essential services are complete, at which point total remaining arrangement revenue is then spread ratably over the remaining PCS coverage period.

Accounts Receivable Allowance

Moody s records an allowance for estimated future adjustments to customer billings as a reduction of revenue, based on historical experience and current conditions. Such amounts are reflected as additions to the accounts receivable allowance. Additionally, estimates of uncollectible accounts are recorded as bad debt expense and are reflected as additions to the accounts receivable allowance. Actual billing adjustments and uncollectible account write-offs are charged against the allowance. Moody s evaluates its accounts receivable allowance by reviewing and assessing historical collection and adjustment experience and the current aging status of customer accounts. Moody s also considers the economic environment of the customers, both from an industry and geographic perspective, in evaluating the need for allowances. Based on its analysis, Moody s adjusts its allowance as considered appropriate in the circumstances. This process involves a high degree of judgment and estimation and could involve significant dollar amounts. Accordingly, Moody s results of operations can be affected by adjustments to the allowance. Management believes that the allowance for uncollectible accounts receivable is adequate to cover anticipated adjustments and write-offs under current conditions. However, significant changes in any of the above factors, or actual write-offs or adjustments that differ from the estimated amounts could impact the Company s consolidated results of operations.

Contingencies

Accounting for contingencies, including those matters described in Note 18 to the consolidated financial statements, is highly subjective and requires the use of judgments and estimates in assessing their magnitude and likely outcome. In many cases, the outcomes of such matters will be determined by third parties, including governmental or judicial bodies. The provisions made in the consolidated financial statements, as well as the related disclosures, represent management s best estimates of the then current status of such matters and their potential outcome based on a review of the facts and in consultation with outside legal counsel where deemed appropriate. The Company regularly reviews contingencies and as new information becomes available may, in the future, adjust its associated liabilities.

For claims, litigation and proceedings and governmental investigations and inquiries not related to income taxes, where it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated, the Company records liabilities in the consolidated financial statements 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 other instances, because of uncertainties related to the probable outcome and/or the amount or range of loss, management does not record a liability but discloses the contingency if significant. As additional information becomes available, the Company adjusts its assessments and estimates of such matters accordingly. In view of the inherent difficulty of predicting the outcome of litigation, regulatory, governmental investigations and inquiries, enforcement and similar matters and contingencies, particularly where the claimants seek large or indeterminate damages or where the parties assert novel legal theories or the matters involve a large number of parties, the Company cannot predict what the eventual outcome of the pending matters will be or the timing of any resolution of such matters. The Company also cannot 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. However, in light of the large or indeterminate damages sought in some of them, the absence of similar court rulings on the theories of law asserted and uncertainties regarding apportionment of any potential damages, an estimate of the range of possible losses cannot be made at this time.

The Company s wholly-owned insurance subsidiary insures the Company against certain risks including but not limited to deductibles for worker s compensation, employment practices litigation, employee medical claims and terrorism, for which the claims are not material to the Company. In addition, for claim years 2008 and 2009, the insurance subsidiary insured the Company for defense costs related to professional liability claims. For matters insured by the Company s insurance subsidiary, Moody s records liabilities based on the estimated total claims expected to be paid and total projected costs to defend a claim through its anticipated conclusion. The Company determines liabilities based on an assessment of management s best estimate of claims to be paid and legal defense costs as well as actuarially determined estimates. The Cheyne SIV and Rhinebridge SIV matters, more fully discussed in Note 18 to the consolidated financial statements, were both cases from the 2008/2009 claims period, and accordingly the defense cost for these matters were insured by the Company s insurance subsidiary. Defense costs for matters not self-insured by the Company s wholly-owned insurance subsidiary are expensed as services are provided.

For income tax matters, the Company employs the prescribed methodology of Topic 740 of the ASC which requires a company to first determine whether it is more-likely-than-not (defined as a likelihood of more than fifty percent) that a tax position will be sustained based on its technical merits as of the reporting date, assuming that taxing authorities will examine the position and have full knowledge of all relevant information. A tax position that meets this more-likely-than-not threshold is then measured and recognized at the largest amount of benefit that is greater than fifty percent likely to be realized upon effective settlement with a taxing authority.

Goodwill and Other Acquired Intangible Assets

On July 31 of each year, Moody s evaluates its goodwill for impairment at the reporting unit level, defined as an operating segment or one level below an operating segment.

At July 31, 2014, the Company had six primary reporting units: two within the Company s ratings business (one for the newly acquired ICRA business and one that encompasses all of Moody s other ratings operations) and four reporting units within MA: RD&A, ERS, FSTC and Copal Amba. The RD&A reporting unit encompasses the distribution of investor-oriented research and data developed by MIS as part of its ratings process, in-depth research on major debt issuers, industry studies, economic research and commentary on topical events and credit analytic tools. The ERS reporting unit provides products and services that support the credit risk management and regulatory compliance activities of financial institutions, primarily delivered via software that is licensed or sold on a subscription basis. The FSTC reporting unit consists of the portion of the MA business that offers both credit training as well as other professional development training and implementation services. The Copal Amba reporting unit provides outsourced research and analytical services. In July 2014, a subsidiary of the Company acquired WebEquity Solutions, LLC, a leading provider of cloud-based loan origination solutions for financial institutions. WebEquity Solutions operates as part of the ERS reporting unit. In October 2014, the Company acquired Lewtan Technologies, a leading provider of analytical tools and data for the global structured finance market. Lewtan operates as part of the RD&A reporting unit.

The Company evaluates the recoverability of goodwill using a three-step impairment test approach at the reporting unit level. In the first step, the Company assesses various qualitative factors to determine whether the fair value of a reporting unit may be less than its carrying amount. If a determination is made that, based on the qualitative factors, that an impairment does not exist, the Company is not required to perform further testing. If the aforementioned qualitative assessment results in the Company concluding that it is more likely than not that the fair value of a reporting unit may be less than its carrying amount, the fair value of the reporting unit will be determined and compared to its carrying value including goodwill. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and the Company is not required to perform further testing. If the fair value of the reporting unit is less than the carrying value, the Company must perform a third step of the impairment test to determine the implied fair value of the reporting unit s goodwill. The implied fair value of the goodwill is determined based on the difference between the fair value of the reporting unit and the net fair value of the identifiable assets and liabilities of the reporting unit. If the implied fair value of the goodwill is less than its carrying value, the difference is recognized as an impairment charge. For the reporting units where the Company is consistently able to conclude that no impairment exists using only a qualitative approach, the Company s accounting policy is to perform the second step of the aforementioned goodwill impairment assessment at least once every three years. At July 31, 2013, the Company performed the second step of the goodwill impairment test on all reporting units, which resulted in no impairment of goodwill.

At July 31, 2014 the Company performed quantitative assessments of the FSTC and Copal Amba reporting units and qualitative assessments for all remaining reporting units. The qualitative analyses resulted in the Company determining that it was not more likely than not that the fair value of these reporting units was less than their carrying amounts. The most significant factors in these qualitative assessments were an assessment of actual to projected results and a comparison of projected results in the prior year compared to current year projection for each reporting unit. Additionally, the weighted average cost of capital (WACC) is assessed as well as the impact of various macroeconomic conditions and factors specific to the reporting unit that could impact future cash flows. No assessment was performed on the ICRA reporting unit due to the proximity of the acquisition date to the goodwill impairment assessment date. Accordingly, the carrying value of ICRA s net assets acquired approximates fair value at July 31, 2014.

At July 31, 2014, the Company performed a quantitative analysis on the FSTC reporting unit due to the small amount of excess of fair value over net assets in the prior year and slower than anticipated growth in projected cash flows than was utilized in the quantitative assessment performed at July 31, 2013. This slower than anticipated growth in cash flows reflects various investment initiatives in the medium term for this business. The Company also performed a quantitative assessment on the Copal Amba reporting unit due to the acquisition of the Amba business subsequent to the July 31 impairment test dates so as to establish a base-line fair value. Both of these quantitative assessments resulted in no impairment to goodwill at July 31, 2014.

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. The Company bases its fair value estimates on reasonable assumptions. 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.

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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 December 31, 2014 as well as 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. For the FSTC and Copal Amba reporting units, the fair value was calculated as of July 31, 2014. For all remaining reporting units excluding ERS, the fair value was calculated as of July 31, 2013, as there have been no qualitative factors that have resulted in the Company deeming it necessary to perform a quantitative assessment subsequent to this date. For ERS, the WebEquity price was added to the prior year fair value as the WebEquity purchase price approximated its fair value as of July 31, 2014 due to the proximity of the acquisition to the goodwill impairment assessment date.

			Sensitivity Analysis							
			Deficit Caused by a Hypothetical Reduction to Fair Value							
		Goodwill		**10%**		**20%**		**30%**		**40%**
MIS	$	46.7	$		$		$		$	
RD&A		185.1								
ERS		286.2				(21.9)		(83.7)		(145.4)
FSTC		94.4		(8.6)		(26.2)		(43.9)		(61.5)
Copal Amba		156.7								
ICRA		252.0		*		*		*		*
Totals	$	1,021.1	$	(8.6)	$	(48.1)	$	(127.6)	$	(206.9)

* ICRA was excluded from the sensitivity analysis in the table above as it was acquired in June 2014. Due to the proximity of the acquisition date to the annual goodwill assessment date, the purchase price of the net assets acquired approximates its fair value at July 31, 2014.

As can be seen from the table above, the reporting unit most at risk for potential impairment is the FSTC reporting unit and failure to meet its financial projections could result in further goodwill impairment (there was a goodwill impairment charge of $12.2 million for this reporting unit in the fourth quarter of 2012). This business is, in part, sensitive to the staffing levels and profitability of the global financial services industry, particularly in Canada and EMEA.

Based on the July 31, 2013 valuation, the ERS reporting unit also carried some risk of potential impairment. Management of the ERS reporting unit continues to focus on expanding market penetration as well as enhancing the scalability of its products and services. This will reduce margins in the near term but is anticipated that it will enhance margins in the medium to long-term.

There could be a future goodwill impairment charge if FSTC fails or ERS significantly fails to meet its current financial plans.

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 as of the date of each reporting unit s last quantitative test (July 31, 2014 for FSTC and Copal Amba; July 31, 2013 for the remaining reporting units excluding ICRA). ICRA has not yet been subject to a full quantitative impairment analysis due to the proximity of the acquisition of this entity to the annual goodwill impairment assessment date.

The fair value of each reporting unit 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, which 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 Company evaluates its reporting units on an annual basis, or more frequently if there are changes in the reporting structure of the Company due to acquisitions or realignments.

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The sensitivity analyses on the future cash flows and WACC assumptions described below are as of the date of last quantitative assessment for each reporting unit. The following discusses the key assumptions utilized in the discounted cash flow valuation methodology which 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 from financial service customers 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 growth rates was performed on all reporting units. For all reporting units, a 10% decrease in the 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, 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 10% to 11.5% as of the date of the last quantitative assessment for each reporting unit. 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 last quantitative goodwill assessment for each reporting unit. For the FSTC reporting unit, an increase in the WACC of one percentage point would have resulted in the carrying value of the reporting unit exceeding its estimated fair value by approximately $2 million. For the remaining 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.

Amortizable intangible assets are reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There were no such events or changes during 2014 that would indicate that the carrying amount of amortizable intangible assets in any of the Company s reporting units may not be recoverable. This determination was made based on continued growth, consistent with operating and strategic plans for the reporting unit where the intangible asset resides. Additionally, there were no events or circumstances during 2014 that would indicate the need for an adjustment of the remaining useful lives of these amortizable intangible assets.

Pension and Other Retirement Benefits

The expenses, assets and liabilities that Moody s reports for its Retirement Plans are dependent on many assumptions concerning the outcome of future events and circumstances. These assumptions include the following:

» future compensation increases, based on the Company s long-term actual experience and future outlook;

» long-term return on pension plan assets, based on historical portfolio results and the expected future average annual return for each major asset class within the plan s portfolio (which is principally comprised of equity and fixed-income investments);

» future healthcare cost trends, based on historical market data, near-term outlooks and assessments of likely long-term trends; and

» discount rates, based on current yields on high-grade corporate long-term bonds.

The discount rates selected to measure the present value of the Company s benefit obligation for its Retirement Plans as of December 31, 2014 were derived using a cash flow matching method whereby the Company compares each plan s projected payment obligations by year with the corresponding yield on the Citibank pension discount curve. The cash flows by plan are then discounted back to present value to determine the discount rate applicable to each plan.

Moody s major assumptions vary by plan and assumptions used are set forth in Note 12 to the consolidated financial statements. In determining these assumptions, the Company consults with outside actuaries and other advisors as deemed appropriate. While the Company believes that the assumptions used in its calculations are reasonable, differences in actual experience or changes in assumptions could have a significant effect on the expenses, assets and liabilities related to the Company s Retirement Plans. Additionally, the Company has updated its mortality assumption by adopting the newly released RP-2014 mortality tables and accompanying mortality improvement scale MP-2014 to reflect the latest information regarding future mortality expectations by the Society of Actuaries.

When actual plan experience differs from the assumptions used, actuarial gains or losses arise. Excluding differences between the expected long-term rate of return assumption and actual experience on plan assets, the Company amortizes, as a component of annual pension expense, total outstanding gains or losses over the estimated average future working lifetime of active plan participants to the extent that the gain/loss exceeds 10% of the greater of the beginning-of-year projected benefit obligation or the market-related value of plan assets. For Moody s Retirement Plans, the total actuarial losses as of December 31, 2014 that have not been recognized in annual expense are $176.9 million, and Moody s expects to recognize a net periodic expense of $13.9 million in 2015 related to the amortization of actuarial losses.

For Moody s funded U.S. pension plan, the differences between the expected long-term rate of return assumption and actual experience could also affect the net periodic pension expense. As permitted under ASC Topic 715, the Company spreads the impact of asset experience over a five-year period for purposes of calculating the market-related value of assets that is used in determining the expected return on assets component of annual expense and in calculating the total unrecognized gain or loss subject to amortization. As of December 31, 2014, the Company has an unrecognized asset gain of $5.4 million, of which $0.8 million will be recognized in the market-related value of assets that is used to calculate the expected return on assets component of 2016 expense.

The table below shows the estimated effect that a one percentage-point decrease in each of these assumptions will have on Moody s 2015 operating income. These effects have been calculated using the Company s current projections of 2015 expenses, assets and liabilities related to Moody s Retirement Plans, which could change as updated data becomes available.

	Assumption Used for 2015		**Estimated Impact on 2015 Operating Income (Decrease)/Increase**
Weighted Average Discount Rates*	3.78%/3.65%	$	(13.4)
Weighted Average Assumed Compensation Growth Rate	3.76%	$	2.4
Assumed Long-Term Rate of Return on Pension Assets	5.80%	$	(2.5)

*Weighted average discount rates of 3.78% and 3.65% for pension plans and Other Retirement Plans, respectively.
A one percentage-point increase in assumed healthcare cost trend rates will not affect 2015 projected expenses. Based on current projections, the Company estimates that expenses related to Retirement Plans will be $43.7 million in 2015 compared with $30.6 million in 2014. The expected expense increase in 2015 reflects the effects of higher benefit obligations primarily due to lower discount rate assumptions, higher amortization of actuarial losses, and a lower assumed long term rate of return on pension assets.

Stock-Based Compensation

The Company records compensation expense for all share-based payment award transactions granted to employees based on the fair value of the equity instrument at the time of grant. This includes stock options and restricted stock. The fair value of each stock option award is estimated on the date of grant using the Black-Scholes option pricing model that uses assumptions and estimates that the Company believes are reasonable. Some of the assumptions and estimates, such as share price volatility and expected option holding period, are based in part on Moody s experience during the period since becoming a public company. The use of different assumptions and estimates in the Black-Scholes option pricing model could produce materially different estimated fair values for option awards and related expense.

An increase in the following assumptions would have had the following estimated effect on operating income in 2014 (dollars in millions):

	Assumption Used for 2010-2014 employee stock options	Increase in Assumption	Estimated impact on Operating Income in 2014 Increase/(Decrease)	
Average Expected Dividend Yield	1.3% - 2.1%	0.1%	$	0.3
Average Expected Share Price Volatility	39.8% - 48.7%	5%	$	(2.0)
Expected Option Holding Period	5.6 - 7.6 years	1.0 year	$	(1.0)

Income Taxes

The Company is subject to income taxes in the U.S. and various foreign jurisdictions. The Company s tax assets and liabilities are affected by the amounts charged for services provided and expenses incurred as well as other tax matters such as intercompany transactions. The Company accounts for income taxes under the asset and liability method in accordance with ASC Topic 740. Therefore, income tax expense is based on reported income before income taxes, and deferred income taxes reflect the effect of temporary differences between the amounts of assets and liabilities that are recognized for financial reporting purposes and the amounts that are recognized for income tax purposes.

The Company is subject to tax audits in various jurisdictions which involve Legacy Tax and other tax matters. The Company regularly assesses the likely outcomes of such audits in order to determine the appropriateness of liabilities for UTPs. The Company classifies

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interest related to income taxes as a component of interest expense in the Company s consolidated financial statements and associated penalties, if any, as part of other non-operating expenses.

For UTPs, ASC Topic 740 requires a company to first determine whether it is more-likely-than-not (defined as a likelihood of more than fifty percent) that a tax position will be sustained based on its technical merits as of the reporting date, assuming that taxing authorities will examine the position and have full knowledge of all relevant information. A tax position that meets this more-likely-than-not threshold is then measured and recognized at the largest amount of benefit that is greater than fifty percent likely to be realized upon effective settlement with a taxing authority. As the determination of liabilities related to UTPs and associated interest and penalties requires significant estimates to be made by the Company, there can be no assurance that the Company will accurately predict the outcomes of these audits, and thus the eventual outcomes could have a material impact on the Company s operating results or financial condition.

For certain of its non-U.S. subsidiaries, the Company has deemed the undistributed earnings relating to these subsidiaries to be indefinitely reinvested within its foreign operations. Accordingly, the Company has not provided deferred income taxes on these indefinitely reinvested earnings. It is not practicable to determine the amount of deferred taxes that might be required to be provided if such earnings were distributed in the future due to complexities in the tax laws and in the hypothetical calculations that would have to be made.

Other Estimates

In addition, there are other accounting estimates within Moody s consolidated financial statements, including recoverability of deferred tax assets, anticipated dividend distributions from non-U.S. subsidiaries and valuation of investments in affiliates. Management believes the current assumptions and other considerations used to estimate amounts reflected in Moody s consolidated financial statements are appropriate. However, if actual experience differs from the assumptions and other considerations used in estimating amounts reflected in Moody s consolidated financial statements, the resulting changes could have a material adverse effect on Moody s consolidated results of operations or financial condition.

See Note 2 to the consolidated financial statements for further information on significant accounting policies that impact Moody s.

REPORTABLE SEGMENTS

The Company is organized into two reportable segments at December 31, 2014: MIS and MA.

The MIS segment is comprised primarily of all of the Company s ratings operations. The MIS segment consists of five lines of business 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.

In December 2013, a subsidiary of the Company acquired Amba, a provider of investment research and quantitative analytics for global financial institutions. Amba is part of the MA reportable segment and its revenue is included in the PS LOB. In June 2014, a subsidiary of the Company acquired a controlling stake in ICRA, a leading provider of credit ratings and research in India. ICRA is part of the MIS reportable segment and its ratings revenue is included in the respective ratings LOBs of MIS while its non-ratings revenue is included in the MIS Other LOB. In July 2014, a subsidiary of the Company acquired WebEquity, a leading provider of cloud-based loan origination solutions for financial institutions. WebEquity is part of the MA reporting segment and its revenue is included in the ERS LOB. In October 2014, the Company acquired Lewtan, a leading provider of analytical tools and data for the global structured finance market. Lewtan is part of the MA reportable segment and its revenue is included in the RD&A LOB.

Pursuant to the acquisition of ICRA, the Company realigned certain components of its reportable segments in the fourth quarter of 2014. This realignment resulted in the creation of the MIS Other LOB which now consists of non-ratings revenue from ICRA as well as certain research and fixed income pricing revenue in the Asia-Pacific region which was previously reported in the RD&A LOB of MA. These businesses are all managed by MIS and the expenses from these operations will be included in the MIS reportable segment. All prior period results for both MIS and MA have been restated to reflect this realignment and the impact of the realignment was not significant to MIS s or MA s previously reported results.

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 which exclusively benefit one segment are fully charged to that segment. Additionally, overhead costs and corporate expenses of the Company which 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

Year ended December 31, 2014 compared with year ended December 31, 2013

Executive Summary

» Moody s revenue in 2014 totaled $3,334.3 million, an increase of $361.8 million compared to 2013 and reflected growth in both MIS and MA.

» Total expenses increased $157.3 million compared to the prior year reflecting higher compensation costs of approximately $155 million primarily relating to headcount growth (both organic and from acquisitions) and annual compensation increases coupled with higher incentive compensation reflecting higher achievement against full-year targeted results in 2014 compared to 2013. Non-compensation expenses were flat compared to 2013 with higher rent and occupancy costs, higher costs related to the Company s investment in IT infrastructure and higher variable costs correlated with business growth being offset by a litigation settlement charge in the prior year.

» Operating income of $1,439.1 million increased $204.5 million compared to 2013 and resulted in an operating margin of 43.2%, compared to 41.5% in the prior year. Adjusted Operating Income of $1,534.7 million in 2014 increased $206.7 million compared to 2013, resulting in an Adjusted Operating Margin of 46.0% compared to 44.7% in the prior year period. Both the operating margin and Adjusted Operating Margin in 2013 included the aforementioned litigation settlement charge.

» Non-operating income (expense), net was $21.9 million compared to net expense of ($65.3) million in 2013. The change reflects the $102.8 million ICRA Gain and FX gains relating to the strengthening of the U.S. dollar to the euro and British pound partially offset by higher interest expense reflecting additional long-term debt issued by the Company in 2014.

» The ETR increased 90bps compared to 2013 primarily due to a greater legacy tax settlement in 2013, as well as a tax benefit in 2013 related to retroactive tax legislation.

» Diluted EPS of $4.61 in 2014, which included $0.37 for the ICRA Gain as well as a $0.03 benefit from a Legacy Tax Matter, increased $1.01 over 2013, which included a $0.14 charge related to the aforementioned litigation settlement and a $0.09 benefit from a Legacy Tax Matter. Excluding the ICRA Gain and litigation settlement charge in 2014 and 2013, respectively, and the benefit from the Legacy Tax Matters in both years, Non-GAAP Diluted EPS in 2014 of $4.21 was $0.56 higher than 2013 Non-GAAP Diluted EPS of $3.65.

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Moody s Corporation

	Year ended December 31, 2014	2013	% Change Favorable (Unfavorable)
Revenue:			
United States	**$ 1,814.5**	$ 1,626.5	12%
International:			
EMEA	**952.8**	862.8	10%
Asia-Pacific	**338.3**	286.1	18%
Americas	**228.7**	197.1	16%
Total International	**1,519.8**	1,346.0	13%
Total	**3,334.3**	2,972.5	12%
Expenses:			
Operating	**930.3**	822.4	(13%)
SG&A	**869.3**	822.1	(6%)
Depreciation and amortization	**95.6**	93.4	(2%)
Total	**1,895.2**	1,737.9	(9%)
Operating income	**$ 1,439.1**	$ 1,234.6	17%
Adjusted Operating Income [1]	**$ 1,534.7**	$ 1,328.0	16%
Interest income (expense), net	**$ (116.8)**	$ (91.8)	(27%)
Other non-operating income (expense), net	**$ 35.9**	$ 26.5	35%
ICRA Gain	**$ 102.8**	$	NM
Net income attributable to Moody s	**$ 988.7**	$ 804.5	23%
Diluted EPS attributable to Moody s common shareholders	**$ 4.61**	$ 3.60	28%
Non-GAAP EPS attributable to Moody s common shareholders	**$ 4.21**	$ 3.65	15%
Operating margin	**43.2%**	41.5%	
Adjusted Operating Margin [1]	**46.0%**	44.7%	

(1) Adjusted Operating Income, Adjusted Operating Margin and Non-GAAP 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.

The table below shows Moody s global staffing by geographic area:

	December 31,		
	2014	**2013**	**% Change**
United States	**3,138**	2,847	10%
International	**6,746***	5,517	22%
Total	**9,884**	8,364	18%

* Total as of December 31, 2014 includes approximately 1,300 staff from the acquisitions of ICRA, Lewtan and WebEquity of which a significant portion are located in low cost jurisdictions.

Global revenue of $3,334.3 million in 2014 increased $361.8 million compared to 2013 reflecting growth in both MIS and MA. The primary drivers of the increase in MIS revenue reflect changes in the mix of fee type, new fee initiatives and certain pricing increases, primarily in the U.S., coupled with growth in rated issuance volumes for CLOs, investment-grade corporate debt and bank loans. Also contributing to the growth were higher monitoring fees. The growth in MA reflects higher revenue across all LOBs. The growth in RD&A resulted from increases in credit research, licensing of ratings data and economic analysis and data while the growth in PS reflected revenue from the fourth quarter 2013 acquisition of Amba as well as growth from the Copal and FSTC businesses. The increase in ERS was driven by growth across nearly all product offerings, most notably in the asset-liability and capital solutions, credit origination, insurance and stress-testing verticals. Additionally, ERS revenue benefitted from the acquisition of WebEquity Solutions in July 2014. Transaction revenue accounted for 50% of global MCO revenue in both 2014 and 2013.

U.S. revenue of $1,814.5 million in 2014 increased $188.0 million over the prior year, reflecting changes in the mix of fee type, new fee initiatives and certain pricing increases within MIS as well as growth in rated issuance volumes for investment-grade corporate debt and CLOs. Also contributing to the growth were higher monitoring fees in MIS and growth across all LOBs within MA. These increases were partially offset by declines in high-yield corporate debt rated issuance volumes as well as declines in MIS banking-related revenue which is primarily due to an unfavorable shift in issuance mix.

Non-U.S. revenue increased $173.8 million compared to 2013, reflecting growth across all regions in both reportable segments. The growth in the MIS segment reflected changes in the mix of fee type, new fee initiatives and certain pricing increases as well as higher bank loan rated issuance volumes in EMEA. Additionally, higher banking-related rated issuance volumes in Asia-Pacific and higher monitoring fees in all regions contributed to the MIS growth. Additionally, the non-U.S. growth within MA reflected increases in all LOBs across all regions.

Operating expenses were $930.3 million in 2014 and increased $107.9 million from 2013 primarily due to an approximate $92 million increase in compensation costs reflecting higher salaries and related employee benefits resulting from the impact of annual compensation increases and growth in headcount due to incremental hires and the acquisitions of Amba, WebEquity, ICRA and Lewtan. Also contributing to the increase in compensation expenses were higher incentive compensation costs reflecting greater achievement against full-year targeted results compared to the prior year. Additionally, non-compensation expenses increased approximately $16 million primarily reflecting costs associated with the aforementioned acquisitions as well as higher costs to support investments in IT infrastructure.

SG&A expenses of $869.3 million in 2014 increased $47.2 million compared to the prior year period reflecting higher compensation and non-compensation expenses partially offset by the first quarter 2013 litigation settlement charge relating to two matters regarding structured finance transactions rated by MIS, as more fully discussed in Note 18 to the consolidated financial statements. The growth in compensation costs of approximately $63 million was primarily due to higher salaries and related employee benefits resulting from annual compensation increases, headcount growth in MIS and MA as well as in overhead support areas coupled with higher headcount from acquisitions. Also contributing to the increase in compensation expenses were higher incentive compensation costs reflecting greater achievement against full-year targeted results compared to the prior year coupled with headcount growth. Additionally, there were higher rent and occupancy costs of approximately $13 million reflecting additional floors leased at the Company s 7WTC headquarters coupled with various other real estate expansion projects worldwide as well as higher costs to support investments in the Company s IT infrastructure. Also, incremental non-compensation expenses from acquisitions contributed to the expense growth.

Operating income of $1,439.1 million increased $204.5 million from 2013. Adjusted Operating Income was $1,534.7 million in 2014 and increased $206.7 million compared to 2013. Operating margin increased 170 bps compared to 2013. Adjusted Operating Margin in 2014 of 46.0% increased 130 bps compared to the prior year. The increase in operating margin and Adjusted Operating Margin is primarily due to the aforementioned litigation settlement charge in 2013 which negatively impacted the prior year margins.

Interest income (expense), net in 2014 was ($116.8) million, a $25.0 million increase in net expense compared to 2013. This increase is primarily due to approximately $26 million in higher interest expense resulting from the issuance of the 2013 Senior Notes in August 2013 as well as the issuance of the 2014 Senior Notes (5-Year) and 2014 Senior Notes (30-Year) in July 2014. Also, the increase in interest expense included approximately $11 million in net costs (net of a gain on the settlement of an interest rate swap) relating to the early repayment of the Series 2005-1 Notes.

Other non-operating income (expense), net was $35.9 million in 2014, a $9.4 million increase in income compared to 2013. The increase reflects FX gains of $20.3 million in 2014 which is primarily due to strengthening of the U.S. dollar relative to the euro and British pound for certain U.S. dollar denominated assets held in international jurisdictions. This increase was partially offset by an approximate $13 million higher benefit from the resolution of Legacy Tax Matters in 2013 compared to 2014.

The $102.8 million ICRA Gain related to a fair value remeasurement of the Company s previously held equity investment in ICRA which occurred in connection with Moody s acquiring a controlling stake in ICRA on June 26, 2014.

The Company s ETR was 31.1% in 2014, up from 30.2% in 2013. The increase was primarily due to a greater legacy tax settlement in 2013 as well as a tax benefit in 2013 related to retroactive tax legislation.

Net Income in 2014, which included $78.5 million for the ICRA Gain as well as a $6.4 million benefit related to the aforementioned Legacy Tax Matter, was $988.7 million, or $4.61 per diluted share. This is an increase of $184.2 million, or $1.01 per diluted share, compared to 2013, which included a $0.14 charge related to the settlement of certain legal matters and a $0.09 benefit related to the resolution of a Legacy Tax Matter.

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Excluding the $0.37 ICRA Gain in 2014, the litigation settlement charge in 2013 and benefits from Legacy Tax Matters in both years, Non-GAAP Diluted EPS of $4.21 in 2014 was $0.56 higher than Non-GAAP Diluted EPS of $3.65 in the prior year.

SEGMENT RESULTS

Moody s Investors Service

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

	Year ended December 31, 2014	2013	% Change Favorable (Unfavorable)
Revenue:			
Corporate finance (CFG)	**$ 1,109.3**	$ 996.8	11%
Structured finance (SFG)	**426.5**	382.5	12%
Financial institutions (FIG)	**354.7**	338.8	5%
Public, project and infrastructure finance (PPIF)	**357.3**	341.3	5%
Total ratings revenue	**2,247.8**	2,059.4	9%
MIS Other	**18.0**	12.2	48%
Total external revenue	**2,265.8**	2,071.6	9%
Intersegment royalty	**87.6**	78.6	11%
Total MIS Revenue	**2,353.4**	2,150.2	9%
Expenses:			
Operating and SG&A (external)	**1,062.9**	1,021.6	(4%)
Operating and SG&A (intersegment)	**13.3**	12.4	(7%)
Adjusted Operating Income	**1,277.2**	1,116.2	14%
Depreciation and amortization	**49.4**	46.7	(6%)
Operating income	**$ 1,227.8**	$ 1,069.5	15%
Adjusted Operating Margin	**54.3%**	51.9%	
Operating margin	**52.2%**	49.7%	

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

Global MIS revenue of $2,265.8 million in 2014 increased $194.2 million compared to 2013 with the most notable drivers reflecting benefits from changes in the mix of fee type, new fee initiatives and certain pricing increases as well as higher rated issuance volumes for investment-grade corporate debt and CLOs. The growth over 2013 also reflects higher monitoring fees across all regions. These increases were partially offset by declines in rated issuance volumes in high-yield corporate debt as well as banking-related revenue in the U.S. Transaction revenue for MIS was 61% in 2014, down slightly from 62% in the prior year.

In the U.S., revenue was $1,341.0 million in 2014, an increase of $124.3 million compared to 2013 reflecting changes in the mix of fee type, new fee initiatives and certain pricing increases coupled with growth in rated issuance volumes for investment-grade corporate debt and CLOs. Additionally, higher monitoring fees contributed to the revenue growth. These increases were partially offset by unfavorable issuance mix in the banking sector and lower rated issuance volumes for speculative-grade corporate debt.

Non-U.S. revenue was $924.8 million in 2014, an increase of $69.9 million compared to 2013. The growth reflects higher bank loan and structured credit revenue in EMEA and Asia-Pacific and higher banking-related issuance volumes in Asia-Pacific. Also contributing to the growth were changes in the mix of fee type, new fee initiatives and certain pricing increases, as well as higher monitoring fees across all regions resulting from an expanding base of monitored instruments. Partially offsetting these increases were declines in investment-grade corporate debt, ABS, covered bond and infrastructure finance revenue in the EMEA region.

Global CFG revenue of $1,109.3 million in 2014 increased $112.5 million from 2013 reflecting higher U.S. investment-grade rated issuance volumes coupled with changes in the mix of fee type, new fee initiatives and certain pricing increases, primarily in the U.S. The growth in U.S. investment grade revenue reflects increases in rated issuance volumes, most notably in the fourth quarter of 2014, reflecting issuance related to M&A activity and a shift of investor demand towards high-grade instruments due to falling oil prices and geopolitical and global macroeconomic growth uncertainties. Monitoring and program fee revenue also contributed to the revenue growth in all regions due to an expanding base of monitored instruments. Additionally, there were higher rated issuance volumes for bank loans in EMEA reflecting issuers taking advantage of favorable market conditions as well as higher bank loan revenue in the U.S. reflecting a favorable shift in issuance mix. Partially offsetting these increases was a decline in high-yield corporate debt issuance in the U.S. reflecting investor demand shifting to investment-grade securities as well as declines in investment-grade revenue in EMEA compared to robust refinancing issuance volumes in the prior year. Transaction revenue represented 70% of total CFG revenue in 2014, compared to 73% in the prior year period. In the U.S., revenue in 2014 was $687.3 million, or $74.1 million higher than the prior year. Internationally, revenue of $422.0 million in the 2014 increased $38.4 million compared to the prior year.

Global SFG revenue of $426.5 million in 2014 increased $44.0 million compared to 2013 primarily due to higher rated issuance volumes for CLOs in the U.S. and EMEA resulting from growing liquidity demand coupled with increased investor demand reflecting solid performance and low underlying defaults in this asset class. Also contributing to the growth was an increase in CREF revenue which reflected higher average fees on CMBS deals and higher monitoring revenue as well as the favorable impact of changes in the mix of fee type, new fee initiatives and certain pricing increases. Partially offsetting these increases were declines in ABS and covered bond issuance in EMEA reflecting banks in the region utilizing the unsecured financing market and declines in automobile loans and credit card securitization in the region. Transaction revenue was 62% of total SFG revenue in 2014 compared to 60% in the prior year. In the U.S., revenue of $282.9 million increased $38.2 million compared to 2013. Non-U.S. revenue in 2014 of $143.6 million increased $5.8 million compared to the prior year.

Global FIG revenue of $354.7 million in 2014 was $15.9 million higher compared to 2013 due to changes in the mix of fee type, new fee initiatives and pricing increases as well as higher banking-related issuance in the Asia-Pacific region. Partially offsetting these increases was a decline in U.S. banking revenue which reflected an unfavorable shift in issuance mix. Transaction revenue was 35% of total FIG revenue in both 2014 and 2013. In the U.S., revenue was $141.2 million, or down $2.2 million compared to the prior year. Internationally, revenue was $213.5 million in 2014, or $18.1 million higher compared to 2013.

Global PPIF revenue was $357.3 million in 2014 and increased $16.0 million compared to 2013. The growth reflects changes in the mix of fee type, new fee initiatives and pricing increases partially offset by lower U.S. public finance refunding volumes in the first three quarters of 2014 due to higher benchmark interest rates. Transaction revenue was 58% of total PPIF revenue in 2014 compared to 60% in the prior year. In the U.S., revenue in 2014 was $226.2 million and increased $10.8 million compared to 2013. Outside the U.S., PPIF revenue increased $5.2 million compared to 2013.

Operating and SG&A expenses in 2014 increased $41.3 million compared to 2013 primarily reflecting higher compensation costs of approximately $70 million resulting from annual compensation increases, headcount growth in the ratings LOBs and from the acquisition of ICRA as well as in support areas such as IT, finance and human resources for which the costs are allocated to each segment based on a revenue-split methodology. Also, there were higher non-compensation costs in 2014 to support the Company s IT systems and infrastructure as well as higher rent and occupancy costs of approximately $9 million for additional leased floors at 7WTC coupled with various other global real estate expansion projects. Furthermore, the increase in non-compensation expenses reflected the consolidation of the results of operations for ICRA in the fourth quarter of 2014. These increases were partially offset by a litigation settlement charge in 2013 regarding two structured finance transactions rated by MIS as more fully discussed in Note 18 to the consolidated financial statements.

Adjusted Operating Income and operating income in 2014 were $1,277.2 million and $1,227.8 million, respectively, and increased $161.0 million and $158.3 million, respectively, compared to 2013. Adjusted Operating Margin and operating margin were 54.3% and 52.2%, respectively, or 240 bps and 250 bps higher than the prior year, respectively. The increase in both margins compared to the prior year is primarily due to the aforementioned litigation settlement charge in 2013. Adjusted Operating Income and operating income both include intersegment revenue and expense.

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Moody s Analytics

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

	Year ended December 31, 2014	2013	% Change Favorable (Unfavorable)
Revenue:			
Research, data and analytics (RD&A)	**$ 571.8**	$ 519.8	10%
Enterprise risk solutions (ERS)	**328.5**	262.5	25%
Professional services (PS)	**168.2**	118.6	42%
Total external revenue	**1,068.5**	900.9	19%
Intersegment revenue	**13.3**	12.4	7%
Total MA Revenue	**1,081.8**	913.3	18%
Expenses:			
Operating and SG&A (external)	**736.7**	622.9	(18%)
Operating and SG&A (intersegment)	**87.6**	78.6	(11%)
Adjusted Operating Income	**257.5**	211.8	22%
Depreciation and amortization	**46.2**	46.7	1%
Operating income	**$ 211.3**	$ 165.1	28%
Adjusted Operating Margin	**23.8%**	23.2%	
Operating margin	**19.5%**	18.1%	

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

Global MA revenue increased $167.6 million compared to 2013, with growth across all LOBs. Recurring revenue comprised 73% and 77% of total MA revenue in 2014 and 2013, respectively.

In the U.S., revenue of $473.5 million in 2014 increased $63.7 million, and reflected growth across all LOBs. International revenue of $595.0 million in 2014 was $103.9 million higher than in 2013.

Global RD&A revenue, which comprised 54% and 58% of total external MA revenue in 2014 and 2013, respectively, increased $52.0 million over the prior year period. The growth, which was most notable in the U.S. and EMEA, was primarily due to increases in credit research, licensing of ratings data and economic analysis and data. Additionally, the growth reflected general market price increases, the favorable impact of changes in FX translation rates and revenue from the acquisition of Lewtan in the fourth quarter of 2014. In the U.S., revenue of $306.8 million increased

$25.0 million compared to 2013. Internationally, revenue increased $27.0 million compared to the prior year.

Global ERS revenue in 2014 increased $66.0 million over 2013, primarily due to growth across nearly all product offerings, most notably in the asset-liability and capital solutions, credit origination, insurance and stress testing verticals. The revenue growth also reflects the acquisition of WebEquity in the third quarter of 2014. 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 $110.1 million increased $13.7 million compared to 2013. Internationally, revenue of $218.4 million increased $52.3 million compared to the prior year.

Revenue from PS increased $49.6 million compared to 2013 with approximately 84% of the growth reflecting revenue from the acquisition of Amba in the fourth quarter of 2013. In addition to the acquisition of Amba, the growth reflects further penetration into the market for outsourced research and analytical services as well as growth in the FSTC business. In the U.S., revenue of $56.6 million increased $25.0 million compared to 2013. Internationally, revenue increased $24.6 million compared to the prior year.

Operating and SG&A expenses in 2014 increased $113.8 million compared to 2013. The expense growth reflects an approximate $85 million increase in compensation costs primarily due to higher headcount to support business growth as well as higher headcount in support areas, for which the costs are allocated to each segment based on a revenue-split methodology. Headcount from the acquisitions of Amba, WebEquity and Lewtan as well as annual merit increases also contributed to the compensation expense growth. The growth in compensation costs also reflects higher incentive compensation due to higher achievement against full-year targeted results compared to the prior year. Non-compensation expenses increased approximately $29 million due to higher consulting costs for continued investment in IT infrastructure as well as costs related to ERS product development and project delivery. Furthermore, there was an increase in rent and occupancy costs of approximately $6 million reflecting additional floors at 7WTC as well as various other real estate expansion projects worldwide. Also, the expense growth reflected additional non-compensation costs related to the acquisitions of Amba, WebEquity and Lewtan. These increases were partially offset by approximately $6 million in lower contingent consideration costs relating to the Copal acquisition.

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Adjusted Operating Income was $257.5 million in 2014 and increased $45.7 million compared to the same period in 2013. Operating income of $211.3 million in 2014 increased $46.2 million compared to the same period in 2013. Adjusted Operating Margin in 2014 was 23.8%, up 60 bps from 2013. Operating margin was 19.5% in 2014, up 140 bps from the prior year. Adjusted operating income and operating income both include intersegment revenue and expense.

Year ended December 31, 2013 compared with year ended December 31, 2012

Executive Summary

» Moody s revenue in 2013 totaled $2,972.5 million, an increase of $242.2 million compared to 2012 and reflected good growth in both reportable segments, most notably in the high-yield and bank loan sectors of CFG within MIS and within all LOBs within MA.

» Total expenses, which included the settlement of the Abu Dhabi and Rhinebridge litigation matters more fully discussed in Note 18 to the consolidated financial statements, increased $85.0 million compared to the prior year which included a $12.2 million goodwill impairment charge relating to the Company s FSTC reporting unit within MA. The increase in expenses also reflected higher salaries and benefit costs of $56.2 million primarily relating to headcount growth and annual compensation increases. These increases were partially offset by lower incentive compensation costs of $30.3 million.

» Operating income of $1,234.6 million increased $157.2 million compared to 2012 and resulted in an operating margin of 41.5% in 2013, compared to 39.5% in the prior year. Adjusted Operating Income of $1,328.0 million in 2013 increased $144.9 million compared to 2012 resulting in an Adjusted Operating Margin of 44.7% compared to 43.3% in the prior year period.

» Diluted EPS of $3.60 in 2013, which includes a $0.14 charge in the first quarter related to the aforementioned settlement of two litigation matters and a $0.09 benefit from a Legacy Tax Matter in the fourth quarter of 2013, increased $0.55 over the prior year period, which included a $0.06 benefit relating to a Legacy Tax Matter. Excluding the litigation settlement in the first quarter of 2013 and the benefits from Legacy Tax Matters in both years, Non-GAAP Diluted EPS was $3.65, or $0.66 higher than $2.99 in 2012.

Moody s Corporation

	Year Ended December 31, 2013	2012	% Change Favorable (Unfavorable)
Revenue:			
United States	**$ 1,626.5**	$ 1,472.4	10%
International:			
EMEA	**862.8**	800.2	8%
Asia-Pacific	**286.1**	266.5	7%

Americas		**197.1**		191.2	3%
Total International		**1,346.0**		1,257.9	7%
Total		**2,972.5**		2,730.3	9%
Expenses:					
Operating		**822.4**		795.0	(3%)
SG&A		**822.1**		752.2	(9%)
Goodwill impairment charge				12.2	100%
Depreciation and amortization		**93.4**		93.5	
Total		**1,737.9**		1,652.9	(5%)
Operating income	**$**	**1,234.6**	$	1,077.4	15%
Adjusted Operating Income [1]	**$**	**1,328.0**	$	1,183.1	12%
Interest income (expense), net	**$**	**(91.8)**	$	(63.8)	(44%)
Other non-operating income (expense), net	**$**	**26.5**	$	10.4	155%
Net income attributable to Moody s	**$**	**804.5**	$	690.0	17%
Diluted EPS attributable to Moody s common shareholders	**$**	**3.60**	$	3.05	18%
Non-GAAP Diluted EPS attributable to Moody s common shareholders	**$**	**3.65**	$	2.99	22%
Operating margin		**41.5%**		39.5%	
Adjusted Operating Margin [1]		**44.7%**		43.3%	

(1) Adjusted Operating Income, Adjusted Operating Margin and Non-GAAP 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.

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The table below shows Moody s global staffing by geographic area:

	December 31,		
	2013	**2012**	**% Change**
United States	**2,847**	2,609	9%
International	**5,517 ***	4,149	33%
Total	**8,364**	6,758	24%

* Total as of December 31, 2013 includes 971 staff from the fourth quarter 2013 acquisition of Amba, of which a significant portion are based in low cost jurisdictions.

Global revenue of $2,972.5 million in 2013 increased $242.2 million compared to 2012 reflecting good growth in both reportable segments. The increase in ratings revenue reflects benefits from changes in the mix of fee type, new fee initiatives and certain pricing increases, primarily in the U.S., coupled with higher global rated issuance volumes for high-yield corporate debt and bank loans. The growth in MA reflects higher revenue across all LOBs, most notably in RD&A, which benefited from solid demand for data and analytic products, and in ERS which was driven by the completion of certain software implementations. Transaction revenue accounted for 50% of global MCO revenue in both 2013 and 2012.

U.S. revenue of $1,626.5 million increased $154.1 million over 2012, reflecting growth across all ratings LOBs, most notably in CFG and SFG, coupled with growth in all LOBs within MA.

Non-U.S. revenue increased $88.1 million compared to 2012, reflecting higher CFG revenue in all regions coupled with increases in MA revenue within the EMEA and Asia-Pacific regions. These increases were partially offset by declines in all asset classes in SFG within the EMEA region.

Operating expenses were $822.4 million in 2013, an increase of $27.4 million from 2012 and reflected growth in both compensation and non-compensation costs. The increase in compensation costs of approximately $11 million reflects higher salaries and related employee benefits of approximately $30 million primarily resulting from increases in headcount as well as the impact of annual compensation increases. These increases were partially offset by lower incentive compensation of approximately $21 million due to lower achievement against full-year targeted results in 2013 compared to 2012. The growth in non-compensation expenses of approximately $17 million is primarily due to an increase in costs relating to ongoing IT initiatives coupled with higher variable costs correlated with business growth.

SG&A expenses of $822.1 million in 2013 increased $69.9 million from 2012 with the primary driver of the expense growth reflecting the settlement of the Abu Dhabi and Rhinebridge litigation matters more fully discussed in Note 18 to the consolidated financial statements. The remaining increase in SG&A expenses reflects growth in compensation costs of approximately $18 million primarily due to higher salaries and related employee benefits of approximately $26 million resulting from annual compensation increases and headcount growth in sales personnel within MA as well as in overhead support areas. The growth in salaries and related employee benefits was partially offset by lower incentive compensation of approximately $10 million due to lower achievement against full-year targeted results in

2013 compared to 2012. Additionally, there was a decline in non-compensation expenses (excluding the aforementioned settlement for litigation matters) which primarily reflected lower legal defense costs in 2013 following the first quarter litigation settlement. These declines were partially offset by higher costs for ongoing IT initiatives coupled with higher contingent consideration costs of approximately $7 million relating to the acquisition of Copal.

Operating income of $1,234.6 million increased $157.2 million from 2012. Adjusted Operating Income was $1,328.0 million in 2013 and increased $144.9 million compared to 2012. Operating margin and Adjusted Operating Margin of 41.5% and 44.7%, respectively, increased 200bps and 140bps, respectively, compared to the prior year. The increased margins reflected good revenue growth in both reportable segments outpacing operating expense growth.

Interest income (expense), net in 2013 was ($91.8) million, a $28.0 million increase in expense compared to 2012. This increase is due to higher interest on borrowings reflecting the issuance of the 2012 Senior Notes and the 2013 Senior Notes in August 2012 and 2013, respectively, partially offset by lower interest expense due to the final repayment of the 2008 Term Loan in May 2013. Also, the increase in expense reflects an approximate $7 million reversal of interest on UTPs in 2012 related to the settlement of state and local tax audits.

Other non-operating income (expense), net was $26.5 million in 2013, a $16.1 million increase in income compared to 2012 and reflected approximately $6 million in FX losses in 2012 compared to immaterial gains in 2013. The FX losses in 2012 primarily related to the decline of the euro relative to the British pound in the prior year. Also contributing to the increase in income was a higher Legacy Tax benefit in 2013 compared to 2012 ($19.2 million in 2013 compared to $12.8 million in 2012).

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The Company s ETR was 30.2% in 2013, down from 31.7% in 2012. The decrease was primarily due to U.S. tax legislation enacted in early 2013 which retroactively extended certain tax benefits to the 2012 tax year and prospectively extended these benefits to the 2013 tax year as well as tax benefits on the aforementioned litigation settlement charge.

Net Income in 2013 was $804.5 million, or $3.60 per diluted share, and included a $0.14 charge related to the aforementioned litigation settlement in the first quarter of 2013 as well as a $0.09 benefit relating to the resolution of a Legacy Tax Matter. This is an increase of $114.5 million, or $0.55 per diluted share, compared to 2012, which included a $0.06 benefit relating to a Legacy Tax Matter. Excluding the charge for the litigation settlement in 2013 and the Legacy Tax benefits in both years, Non-GAAP Diluted EPS of $3.65 in 2013 was $0.66 higher than in the same period of the prior year.

SEGMENT RESULTS

Moody s Investors Service

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

	Year Ended December 31, 2013	2012	% Change Favorable (Unfavorable)
Revenue:			
Corporate finance (CFG)	$ **996.8**	$ 857.6	16%
Structured finance (SFG)	**382.5**	381.0	
Financial institutions(FIG)	**338.8**	325.5	4%
Public, project and infrastructure finance (PPIF)	**341.3**	322.7	6%
Total ratings revenue	**2,059.4**	1,886.8	9%
MIS Other	**12.2**	10.5	16%
Total external revenue	**2,071.6**	1,897.3	9%
Intersegment royalty	**78.6**	71.5	10%
Total MIS Revenue	**2,150.2**	1,968.8	9%
Expenses:			
Operating and SG&A (external)	**1,021.6**	964.4	(6%)
Operating and SG&A (intersegment)	**12.4**	11.9	(4%)
Adjusted Operating Income	**1,116.2**	992.5	12%
Depreciation and amortization	**46.7**	44.4	(5%)

Operating income	**$**	**1,069.5**	$	948.1	13%
Adjusted Operating Margin		**51.9%**		50.4%	
Operating margin		**49.7%**		48.2%	

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

Global MIS revenue of $2,071.6 million in 2013 increased $174.3 million compared to 2012, reflecting growth in all ratings LOBs excluding SFG, which was flat compared to the prior year. The drivers of the growth include changes in the mix of fee type, new fee initiatives and certain pricing increases, primarily in the U.S. and an increase in rated issuance volumes for speculative-grade corporate debt and bank loans, particularly in the first half of 2013, coupled with higher U.S. CMBS and REIT issuance. These increases were partially offset by declines across all asset classes within SFG in EMEA. Transaction revenue for MIS was 62% of total MIS revenue in both 2013 and 2012.

In the U.S., revenue was $1,216.7 million in 2013, an increase of $103.9 million, or 9% compared to 2012 reflecting changes in the mix of fee type, new fee initiatives and certain pricing increases as well as strong growth in rated issuance volumes for bank loans, CMBS, REITs and CLOs. Higher revenue from monitoring fees in CFG also contributed to the growth.

Non-U.S. revenue was $854.9 million in 2013, an increase of $70.4 million compared to 2012 reflecting changes in the mix of fee type, new fee initiatives and certain pricing increases as well as higher revenue from rating high-yield corporate debt and bank loans across all regions. Partially offsetting these increases were declines in rated issuance volumes across most asset classes in SFG within the EMEA region.

Global CFG revenue of $996.8 million in 2013 increased $139.2 million from 2012 reflecting changes in the mix of fee type, new fee initiatives and certain pricing increases, primarily in the U.S. as well as growth in rated issuance volumes for high-yield corporate debt

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and bank loans, particularly in the first half of 2013. The increase in high-yield corporate debt and bank loans largely reflected issuers taking advantage of the overall low interest rate environment to issue new debt as well as to refinance existing borrowings combined with increased investor appetite for higher-yielding fixed income securities. Monitoring and program fee revenue also increased due to growth in the number of outstanding rated issuances. Transaction revenue represented 73% of total CFG revenue in 2013, compared to 74% in 2012. In the U.S., revenue in 2013 was $613.2 million, or $51.4 million higher than 2012. Internationally, revenue of $383.6 million in 2013 increased $87.8 million compared to 2012.

Global SFG revenue of $382.5 million in 2013 was flat compared to 2012 reflecting an increase in rated issuance volumes for CMBS, REITs and CLOs in the U.S. coupled with the favorable impact of changes in the mix of fee type, new fee initiatives and certain pricing increases. These increases were offset by declines across all asset classes in EMEA. Transaction revenue was 60% of total SFG revenue in 2013 compared to 58% in 2012. In the U.S., revenue of $244.7 million increased $37.3 million compared to the same period in 2012, reflecting the aforementioned growth in CLO, CMBS and REIT rated issuance volumes due to favorable market conditions. Non-U.S. revenue in 2013 of $137.8 million decreased $35.8 million compared to 2012 reflecting declines across all asset classes in the EMEA region, most notably in RMBS and ABS. The decline in EMEA RMBS and ABS was primarily due to depressed issuance levels reflecting banks use of unsecured financing in preference to securitized funding conduits, coupled with their balance sheets being well funded from the ECB and other government sponsored funding programs (e.g. the ECB s long-term refinancing operation).

Global FIG revenue of $338.8 million in 2013 was $13.3 million higher compared to 2012 due to benefits from changes in the mix of fee type, new fee initiatives and pricing increases as well as growth in banking-related revenue in the U.S. The growth in banking-related revenue reflects higher issuance volumes from specialty finance, financial leasing and securities holding companies due to favorable market conditions. Additionally, the increase reflected higher insurance revenue, most notably in EMEA, primarily reflecting issuers opportunistically refinancing debt amidst favorable interest rate conditions coupled with issuance to fund M&A activity in the sector, particularly in the first half of 2013. Transaction revenue was 35% of total FIG revenue in 2013 compared to 37% in the same period in 2012. In the U.S. and internationally, revenue was $143.4 million and $195.4 million, respectively, in 2013, or 6% and 3% higher, respectively, compared to 2012.

Global PPIF revenue was $341.3 million in 2013, an increase of $18.6 million compared to 2012, reflecting benefits from changes in the mix of fee type, new fee initiatives and pricing increases as well as increases in U.S. project and infrastructure finance rated issuance volumes. Partially offsetting these increases was a decline in U.S. public finance issuance reflecting lower municipal bond refunding volumes due to higher borrowing costs associated with increases in benchmark interest rates for U.S. Treasury Bonds beginning in May 2013. Transaction revenue was 60% and 61% of total PPIF revenue in 2013 and 2012, respectively. In the U.S., revenue in 2013 was $215.4 million and increased $6.8 million compared to 2012. Outside the U.S., PPIF revenue increased $11.8 million compared to 2012.

Operating and SG&A expenses in 2013 increased $57.2 million compared to 2012 primarily due to growth in non-compensation costs of approximately $56 million, for which the primary driver was the settlement of the Abu Dhabi and Rhinebridge litigation matters more fully discussed in Note 18 to the consolidated financial statements. Compensation costs were flat compared to the prior year reflecting higher salaries and related employee benefits costs of approximately $31 million resulting from annual compensation increases, headcount growth in the ratings LOBs as well as in support areas such as IT, finance and human resources for which the costs are allocated to each segment based on a revenue-split methodology. This increase was offset by an approximate $32 million decline in incentive compensation which was primarily due to lower achievement against full-year targeted results in 2013 compared to 2012.

Adjusted Operating Income in 2013, which includes the aforementioned litigation settlement charge was $1,116.2 million, an increase of $123.7 million compared to 2012. Operating income in 2013 of $1,069.5 million increased $121.4 million from 2012. Adjusted Operating Margin and operating margin were 51.9% and 49.7%, respectively, or both 150bps higher than 2012 and both include intersegment revenue and expense.

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Moody s Analytics

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

	Year Ended December 31, 2013	2012	% Change Favorable (Unfavorable)
Revenue:			
Research, data and analytics (RD&A)	**$ 519.8**	$ 482.7	8%
Enterprise risk solutions (ERS)	**262.5**	242.6	8%
Professional services (PS)	**118.6**	107.7	10%
Total external revenue	**900.9**	833.0	8%
Intersegment revenue	**12.4**	11.9	4%
Total MA Revenue	**913.3**	844.9	8%
Expenses:			
Operating and SG&A (external)	**622.9**	582.8	(7%)
Operating and SG&A (intersegment)	**78.6**	71.5	(10%)
Adjusted Operating Income	**211.8**	190.6	11%
Depreciation and amortization	**46.7**	49.1	5%
Goodwill impairment charge		12.2	100%
Operating income	**$ 165.1**	$ 129.3	28%
Adjusted Operating Margin	**23.2%**	22.6%	
Operating margin	**18.1%**	15.3%	

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

Global MA revenue increased $67.9 million compared to 2012, with good growth across all LOBs. Recurring revenue comprised 77% of total MA revenue in both 2013 and 2012.

In the U.S., revenue of $409.8 million in 2013 increased $50.2 million, and reflected growth across all three LOBs. International revenue of $491.1 million in 2013 was $17.7 million higher than in 2012.

Global RD&A revenue, which comprised 58% of total external MA revenue in both 2013 and 2012, increased $37.1 million over the prior year period. The growth was primarily due to increased sales of the CreditView product and solid growth from other data and analytic products as well as general market price increases.

Global ERS revenue in 2013 increased $19.9 million over 2012, primarily due to revenue from the sale and implementation of regulatory and compliance software to various financial institutions. This growth is primarily due to demand for solutions to comply with an increasingly complex regulatory environment in the banking industry. Revenue in ERS is subject to quarterly volatility resulting from the variable nature of project timing and the concentration of revenue in a relatively small number of engagements.

Revenue from PS, which included approximately $2 million in revenue from the acquisition of Amba, increased $10.9 million compared to 2012, reflecting growth in revenue from Copal being partially offset by softness in the FSTC reporting unit. This growth in revenue from Copal reflects further penetration into the market for outsourced research and analytical services.

Operating and SG&A expenses in 2013 increased $40.1 million compared to 2012 reflecting both higher compensation and non-compensation costs of approximately $27 million and $13 million, respectively. The increase in compensation costs reflects higher headcount to support business growth coupled with annual compensation increases as well as higher headcount in support areas for which the costs are allocated to each segment based on a revenue-split methodology. The increase in non-compensation expenses is primarily due to higher contingent consideration costs of approximately $7 million relating to the acquisition of Copal and higher professional service fees of approximately $7 million related to product delivery.

Adjusted Operating Income was $211.8 million in 2013 and increased $21.2 million compared to the same period in 2012. Operating income of $165.1 million in 2013, increased $35.8 million compared to the same period in 2012, which included a $12.2 million goodwill impairment charge. Adjusted Operating Margin for 2013 was 23.2%, compared to 22.6% in 2012. Operating margin was 18.1%, or 280bps higher compared to the prior year, with the higher margin in 2013 reflecting the absence of the aforementioned goodwill impairment charge and good revenue growth outpacing expense growth. Adjusted Operating Income and operating income both include intersegment revenue and expense.

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MARKET RISK

Foreign exchange risk:

Moody s maintains a presence in 32 countries outside the U.S. In 2014, approximately 49% and 62% of the Company s revenue and expenses, respectively, were reported in functional currencies other than the U.S. dollar, principally in the British pound and the euro. As such, the Company is exposed to market risk from changes in FX rates. As of December 31, 2014, approximately 62% of Moody s assets were located outside the U.S. making the Company susceptible to fluctuations in FX rates. The effects of translating assets and liabilities of non-U.S. operations with non-U.S. functional currencies to the U.S. dollar are charged or credited to AOCI in the consolidated statements of shareholders equity (deficit).

The effects of revaluing assets and liabilities that are denominated in currencies other than a subsidiary s functional currency are charged to other non-operating income (expense), net in the Company s consolidated statements of operations. Accordingly, the Company enters into foreign exchange forwards to partially mitigate the change in fair value on certain assets and liabilities denominated in currencies other than a subsidiary s functional currency. If the euro were to weaken 10% relative U.S. dollar, there would be an approximate $4 million unfavorable impact to the fair value of the forward contracts. If the British pound were to weaken 10% relative to the euro, there would be an approximate $3 million unfavorable impact to the fair value of the forward contracts. Additionally, if other foreign currencies in the Company s foreign exchange forward portfolio were to devalue 10% compared to the euro, there would be an approximate $4 million favorable impact to the fair value of the forward contracts. The change in fair value of the foreign exchange forward contracts would be offset by FX revaluation gains or losses in future earnings on underlying assets and liabilities denominated in currencies other than a subsidiary s functional currency. Additional information on the Company s forward contracts can be found in Note 5 to the consolidated financial statements located in Item 8 of this Form 10K.

Additionally, the Company enters into foreign currency forward contracts to hedge the exposure related to non-U.S. dollar net investments in certain foreign subsidiaries against adverse changes in foreign exchange rates. Any change in the fair value of these hedges that is the result of ineffectiveness would be recognized immediately in other non-operating (expense) income in the Company s consolidated statements of operations. For the year ended December 31, 2014, all gains and losses on these derivatives designated as net investment hedges were recognized in OCI. If all foreign currencies in the Company s foreign exchange forward portfolio designated as net investment hedges were to appreciate 10% compared to the U.S. dollar, there would be an approximate $26 million unfavorable impact to the foreign currency forwards recorded as an adjustment to OCI. This adjustment would partially offset the currency translation adjustment component of AOCI. Additional information on the Company s forward contracts designated as net investment hedges can be found in Note 5 to the consolidated financial statements located in Item 8 of this Form 10K.

Moody s aggregate cash and cash equivalents and short-term investments of $1,677.6 million at December 31, 2014 consisted of $1,250.6 million located outside the U.S. Approximately 47% of the Company s aggregate cash and cash equivalents and short term investments at December 31, 2014 were held in currencies other than USD. As such, a decrease in the value of foreign currencies against the U.S. dollar, particularly the euro and GBP, could reduce the reported amount of USD cash and cash equivalents and short-term investments.

Credit and Interest rate risk:

The Company s interest rate risk management objectives are to reduce the funding cost and volatility to the Company and to alter the interest rate exposure to the desired risk profile. Moody s uses interest rate swaps as deemed necessary to assist in accomplishing these objectives.

The Company is exposed to interest rate risk on its various outstanding fixed rate debt for which the fair value of the outstanding fixed rate debt fluctuates based on changes in interest rates. The Company has entered into interest rate swaps to convert the fixed rate of interest on certain of its borrowings to a floating rate based on the 3-month LIBOR. These swaps are adjusted to fair market value based on prevailing interest rates at the end of each reporting period and fluctuations are recorded as a reduction or addition to the carrying value of the borrowing, while net interest payments are recorded as interest expense/income in the Company s consolidated statement of operations. A hypothetical change of 100bps in the LIBOR-based swap rate would result in an approximate $24 million change to the fair value of these interest rate swaps. Additional information on these interest rate swaps is disclosed in Note 5 to the consolidated financial statements located in Item 8 of this Form 10K.

Moody s cash equivalents consist of investments in high-quality investment-grade securities within and outside the U.S. with maturities of three months or less when purchased. The Company manages its credit risk exposure by allocating its cash equivalents among various money market mutual funds, money market deposit accounts, certificates of deposit and issuers of high-grade commercial paper and by limiting the amount it can invest with any single issuer. Short-term investments primarily consist of certificates of deposit.

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LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

The Company is currently financing its operations, capital expenditures and share repurchases from operating and financing cash flow.

The following is a summary of the changes in the Company s cash flows followed by a brief discussion of these changes:

	Year Ended December 31,			Year Ended December 31,		
	2014	**2013**	**$ Change Favorable (unfavorable)**	**2013**	**2012**	**$ Change Favorable (unfavorable)**
Net cash provided by operating activities	**$ 1,018.6**	$ 926.8	$ 91.8	$ 926.8	$ 823.1	$ 103.7
Net cash used in investing activities	**$ (564.9)**	$ (261.9)	$ (303.0)	$ (261.9)	$ (50.2)	$ (211.7)
Net cash (used in) provided by financing activities	**$ (1,064.5)**	$ (498.8)	$ (565.7)	$ (498.8)	$ 202.6	$ (701.4)
Free Cash Flow*	**$ 944.0**	$ 884.5	$ 59.5	$ 884.5	$ 778.1	$ 106.4

* Free Cash Flow is a non-GAAP measure and is defined by the Company as net cash provided by operating activities minus cash paid for capital additions. Refer to the section Non-GAAP Financial Measures of this MD&A for further information on this financial measure.

Net cash provided by operating activities

Year ended December 31, 2014 compared to the year ended December 31, 2013:

The following changes in non-cash items impacted cash provided by operating activities in 2014 compared to 2013, relative to net income:

» a $57.1 million increase in deferred income taxes primarily due to an increase in deferred tax liabilities relating to the ICRA Gain;

» a $102.8 million decrease related to the non-cash ICRA Gain in 2014;

In addition to the non-cash items discussed above and an increase in net income of $190.1 million, the change in net cash flows provided by operating activities also reflected:

» an approximate $71 million increase primarily relating to higher incentive compensation payouts in 2013 compared to 2014 which reflected greater achievement against full-year targeted results in 2012 compared to achievement in 2013;

partially offset by:

» an approximate $40 million decrease due to the timing of income tax payments;

» a $31.3 million decrease in cash flow from changes in accounts receivable balances primarily reflecting an increase in accounts receivable balances in 2014 compared to 2013. The increase in accounts receivable balances primarily reflects growth in both MIS and MA revenue. Approximately 29% and 26% of the Company s accounts receivable balance at December 31, 2014 and 2013, respectively, represents unbilled receivables which primarily reflect certain annual fees in MIS which are invoiced in arrears;

» a $27.7 million decrease relating to changes in deferred revenue balances which includes the impact of timing of revenue recognition for certain projects within ERS.

Year ended December 31, 2013 compared to the year ended December 31, 2012:

The following changes in non-cash items impacted cash provided by operating activities in 2013 compared to 2012, relative to net income:

» A $63.3 million decrease in deferred income taxes primarily due to the utilization of deferred tax assets relating to the settlement of UTPs in the first quarter of 2012;

» a $12.2 million goodwill impairment charge in 2012 related to the FSTC reporting unit within MA.

In addition to the non-cash items discussed above and an increase in net income of $116.2 million, the change in net cash flows provided by operating activities also reflected:

» Payments of approximately $121 million in the first quarter of 2012, reflecting the settlement of state and local tax audits;

» a $61.2 million increase in cash flow from changes in accounts receivable balances primarily reflecting a larger increase in accounts receivable balances in 2012 compared to 2013. The increase in 2012 reflected lower accounts receivable balances at December 31, 2011 resulting from declines in corporate finance issuance in the fourth quarter of 2011. Approximately 26% and 23% of the Company s accounts receivable balance at December 31, 2013 and 2012, respectively, represents unbilled receivables which primarily reflect certain annual fees in MIS which are invoiced in arrears;

» a $45.2 million increase in cash flows from changes in deferred revenue balances primarily reflecting overall growth in both segments;

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Partially offset by:

» an approximate $100 million decrease relating to higher incentive compensation payouts (including profit sharing and related payroll taxes) in 2013 compared to 2012 reflecting higher achievement against full-year targeted results in 2012 compared to achievement in the prior year period;

» an approximate $45 million decrease in cash flows relating to the timing of income tax payments primarily resulting from IRS relief due to Hurricane Sandy which allowed for the delay of fourth quarter 2012 estimated tax payments to the first quarter of 2013;

» a $23.1 million decrease relating to greater excess tax benefits from stock-based compensation plans primarily due to a higher intrinsic value of awards exercised in 2013 resulting from a higher Moody s stock price.

Net cash used in investing activities

Year ended December 31, 2014 compared to the year ended December 31, 2013:

The $303.0 million increase in cash flows used in investing activities compared to 2013 primarily reflects:

» an increase in capital additions of $32.3 million which reflects ongoing initiatives to enhance the Company s IT infrastructure as well as costs relating to the build-out of additional leased space at 7WTC;

» higher cash paid for acquisitions in 2014 of $189.0 million reflecting the Company s purchase of a controlling interest in ICRA as well as the purchase of WebEquity and Lewtan;

» higher net purchases of investments of $103.4 million reflecting the Company s investment of excess non-U.S. cash balances.

Year ended December 31, 2013 compared to the year ended December 31, 2012:

The $211.7 million increase in cash flows used in investing activities compared to 2012 primarily reflects :

» A $169.7 million increase in cash used to purchase short-term investments with excess non-U.S. cash;

» cash paid, net of cash acquired, of $50.7 million relating to the acquisition of Amba in December 2013.

Net cash used in financing activities

Year ended December 31, 2014 compared to the year ended December 31, 2013:

The $565.7 million increase in cash used in financing activities was primarily attributed to:

» treasury shares repurchased of $1,220.5 million in 2014 compared to $893.1 million repurchased in the prior year period;

» cash paid of $183.8 million in 2014 to redeem the Company s non-controlling interest in Copal Amba which resulted in Moody s owning 100% of this business;

» higher dividends paid to MCO shareholders of $38.7 million reflecting $1.12 per share paid in 2014 compared to $0.90 per share paid in the prior year;

» a $38.0 million decrease in net proceeds from stock plans primarily reflecting a decrease in stock options exercised in 2014 compared to the prior year;

partially offset by:

» higher excess tax benefits from stock-based compensation plans of $19.9 million due to due to a higher intrinsic value of awards exercised in 2014 resulting from a higher Moody s stock price.

Year ended December 31, 2013 compared to the year ended December 31, 2012:

The $701.4 million increase in cash used in financing activities was primarily attributed to:

» treasury shares repurchased of $893.1 million in 2013 compared to $196.5 million repurchased in the prior year period;

» higher dividends paid to MCO shareholders of $54.3 million reflecting $0.90 per share paid in 2013 compared to $0.64 per share paid in the prior year;

Partially offset by:

» an increase in net proceeds from stock-based compensation plans of $19.3 million reflecting higher strike prices for options exercised in 2013 compared to the prior year. These proceeds were partially offset by a greater number of shares repurchased from employees to satisfy tax withholding obligations in connection with the vesting of restricted stock in March 2013;

» higher excess tax benefits from stock-based compensation plans of $23.1 million due to due to a higher intrinsic value of awards exercised in 2013 resulting from a higher Moody s stock price.

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Cash held in non-U.S. jurisdictions

The Company s aggregate cash and cash equivalents and short-term investments of $1.7 billion at December 31, 2014 consisted of approximately $1.3 billion located outside of the U.S., of which approximately 45% is denominated in euros and British pounds. Over 95% of the cash 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 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 December 31, 2014, Moody s had $2.5 billion of outstanding debt and $1.0 billion of additional capacity available under the 2012 Facility. All significant terms of the Company s indebtedness are more fully described in Note 15 to the consolidated financial statements. At December 31, 2014, the Company was in compliance with all covenants contained within all of the debt agreements. The 2012 Facility, the 2007 Agreement, the 2010 Indenture, the 2012 Indenture, the 2013 Indenture, and the 2014 Indenture contain cross default provisions. These provisions 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 December 31, 2014, there were no such cross defaults.

On July 16, 2014, the Company issued $450 million aggregate principal amount of unsecured notes in a public offering. The notes bear interest at 2.75% and mature on July 15, 2019. Also on July 16, 2014, the Company issued $300 million aggregate principal amount of unsecured notes in a public offering. The $300 million notes bear interest at 5.25% and mature on July 15, 2044. The Company used the proceeds to retire the Series 2005-1 Notes and will use the remaining proceeds for general corporate purposes. The Company entered into interest rate swaps with a total notional amount of $250 million to convert the fixed interest rate on a portion of the $450 million unsecured notes to a floating interest rate based on the 3-month LIBOR. The purpose of this hedge was to mitigate the risk associated with changes in the fair value of a portion of the $450 million unsecured notes.

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

Year Ended December 31,	Series 2007-1 Notes	2010 Senior Notes	2012 Senior Notes	2013 Senior Notes	2014 Senior Notes (5-Year)	2014 S (30-
2015	$	$	$	$	$	$
2016						
2017	300.0					
2018						
2019					450.0	
Thereafter		500.0	500.0	500.0		

Total	$	300.0	$	500.0	$	500.0	$	500.0	$	450.0	$

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 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 December 2014, the Board of Directors of the Company declared a quarterly dividend of $0.34 per share of Moody s common stock, payable on March 10, 2015 to shareholders of record at the close of business on February 20, 2015. The continued payment of dividends at this rate, or at all, is subject to the discretion of the Board. On February 11, 2014, the Board approved $1.0 billion of share repurchase authority which has a remaining repurchase authority of approximately $564 million at December 31, 2014. In December 2014, the Board authorized an additional $1.0 billion of share repurchase authority which will be utilized following completion of the program

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authorized in February 2014. Full-year 2015 total share repurchases are expected to be approximately $1 billion, subject to available cash, market conditions and other ongoing capital allocation decisions.

On February 6, 2008, the Company entered into an operating lease agreement to occupy six floors of an office tower located in the Canary Wharf district of London, England. The Canary Wharf Lease has an initial term of 17.5-years with a total of 15 years of renewal options. The total base rent of the Canary Wharf Lease over its initial 17.5-year term is approximately £134 million, and the Company began making base rent payments in 2011. In addition to the base rent payments the Company will be obligated to pay certain customary amounts for its share of operating expenses and tax obligations. The total remaining lease payments as of December 31, 2014 are approximately £100 million, of which approximately £10 million will be paid in the next twelve months. Payments under this lease agreement are included in the contractual obligations table below.

On October 20, 2006, the Company entered into an operating lease agreement with 7 World Trade Center, LLC for 589,945 square-feet of an office building located at 7WTC at 250 Greenwich Street, New York, New York, which is serving as Moody s headquarters. The 7WTC Lease has an initial term of 21 years with a total of 20 years of renewal options. The total base rent of 7WTC Lease over its initial 21-year term is approximately $536 million including rent credits from the World Trade Center Rent Reduction Program promulgated by the Empire State Development Corporation. On March 28, 2007, the 7WTC lease agreement was amended for the Company to lease an additional 78,568 square-feet at 7WTC. The additional base rent is approximately $106 million over a 20-year term. The total remaining lease payments as of December 31, 2014, including the aforementioned rent credits, are approximately $449 million, of which approximately $33 million will be paid during the next twelve months. Payments under this lease agreement are included in the contractual obligations table below.

On October 21, 2013, the Company entered into a fourteen-year lease for three additional floors at its 7WTC headquarters. The total remaining net commitment for this lease is approximately $63 million. The lease became effective in January 2014 and the net cash outlay during the next twelve months will be immaterial. Payments under this lease agreement are included in the contractual obligations table below.

Off-Balance Sheet Arrangements

At December 31, 2014, 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 December 31, 2014:

		Payments Due by Period			
(in millions)	**Total**	**Less Than 1 Year**	**1-3 Years**	**3-5 Years**	**Over 5 Years**
Indebtedness [1]	**$ 3,637.3**	$ 107.9	$ 514.6	$ 626.4	$ 2,388.4
Operating lease	**837.5**	93.4	159.2	137.6	447.3

obligations										
Purchase obligations		**106.3**		58.9		47.4				
Contingent consideration related to acquisitions (2)		**2.1**				2.1				
Pension and other retirement obligations (3)		**141.2**		15.7		16.1		44.1		65.3
Total (4)	**$**	**4,724.4**	$	275.9	$	739.4	$	808.1	$	2,901.0

(1) Reflects principal payments, related interest and applicable fees due on the Series 2007-1 Notes, the 2010 Senior Notes, the 2012 Senior Notes, the 2013 Senior Notes, the 2014 Senior Notes (5-year), the 2014 Senior Notes (30-year)and the 2012 Facility as described in Note 15 to the consolidated financial statements

(2) The 1-3 years category reflects a $2.1 million contingent cash payment related to the November 18, 2010 acquisition of CSI Global Education, Inc. The cash payment is dependent upon the achievement of a certain contractual milestone by January 2016.

(3) Primarily reflects projected benefit payments for the next ten years relating to the Company s U.S. unfunded Retirement Benefit Plans described in Note 12 to the condensed consolidated financial statements

(4) The table above does not include the Company s net long-term tax liabilities of $228.6 million relating to UTP and Legacy Tax Matters, since the expected cash outflow of such amounts by period cannot be reasonably estimated.

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 non-GAAP financial measures, when read in conjunction with the Company s reported results, can provide useful supplemental information for investors analyzing period to period comparisons of the Company s performance, facilitate comparisons to competitors operating results and can provide greater transparency to investors of supplemental

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information used by management in its financial and operational decision-making. These non-GAAP measures, as defined by the Company, are not necessarily comparable to similarly defined measures of other companies. Furthermore, these non-GAAP measures should not be viewed in isolation or used as a substitute for other GAAP measures in assessing the operating performance or cash flows of the Company. Below are brief descriptions of the Company s non-GAAP financial measures accompanied by a reconciliation of the non-GAAP 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, measuring the Company s ability to service debt, fund capital expenditures, and expand its business. Adjusted Operating Income excludes depreciation and amortization as well as goodwill impairment charges because companies utilize productive assets of different ages and use different methods of acquiring productive assets including goodwill. Companies also have different methods of depreciating and amortizing productive assets as well as different methods of valuing goodwill. Management believes that the exclusion of certain items, detailed in the reconciliation below, allows for a more meaningful comparison of the Company s operating results from period to period and across companies. Below is a reconciliation of the Company s operating income and operating margin to Adjusted Operating Income and Adjusted Operating Margin:

	Year Ended December 31,				
	2014	**2013**	**2012**	**2011**	**2010**
Operating income	**$ 1,439.1**	$ 1,234.6	$ 1,077.4	$ 888.4	$ 772.8
Adjustments:					
Depreciation and amortization	**95.6**	93.4	93.5	79.2	66.3
Goodwill impairment charge			12.2		
Restructuring					0.1
Adjusted Operating Income	**$ 1,534.7**	$ 1,328.0	$ 1,183.1	$ 967.6	$ 839.2
Operating Margin	**43.2%**	41.5%	39.5%	39.0%	38.0%
Adjusted Operating Margin	**46.0%**	44.7%	43.3%	42.4%	41.3%

Non-GAAP Diluted EPS

The Company presents this non-GAAP measure to exclude the impact of litigation settlements, Legacy Tax Matters and the ICRA Gain to allow for a more meaningful comparison of Moody s diluted earnings per share from period to period. The impact of litigation settlement relates to the settlement of two legal matters in the first quarter of 2013 which are more fully discussed in Note 18 to the consolidated financial statements. The Legacy Tax items are specific to the Company resulting from the 2000 Distribution. The ICRA Gain resulted from the Company acquiring a controlling interest in ICRA in 2014. Below is a reconciliation of these measures to their most directly comparable U.S. GAAP amount:

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Diluted EPS attributable to Moody s common shareholders GAAP	**$ 4.61**	$ 3.60	$ 3.05	$ 2.49	$ 2.15
Legacy Tax	**(0.03)**	(0.09)	(0.06)	(0.03)	(0.02)
ICRA Gain	**(0.37)**				
Impact of litigation settlement		0.14			
Diluted EPS attributable to Moody s common shareholders Non-GAAP	**$ 4.21**	$ 3.65	$ 2.99	$ 2.46	$ 2.13

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

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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:

	Year Ended December 31,								
		2014		2013		2012		2011		2010
Net cash provided by operating activities	**$**	**1,018.6**	$	926.8	$	823.1	$	803.3	$	653.3
Capital additions		**(74.6)**		(42.3)		(45.0)		(67.7)		(79.0)
Free Cash Flow	**$**	**944.0**	$	884.5	$	778.1	$	735.6	$	574.3
Net cash used in investing activities	**$**	**(564.9)**	$	(261.9)	$	(50.2)	$	(267.6)	$	(228.8)
Net cash provided by (used in) financing activities	**$**	**(1,064.5)**	$	(498.8)	$	202.6	$	(417.7)	$	(241.3)

2015 OUTLOOK

Moody s outlook for 2015 is based on assumptions about many macroeconomic and capital market factors, including interest rates, foreign currency exchange rates, corporate profitability and business investment spending, merger and acquisition activity, consumer borrowing and securitization, and the amount of debt issued. There is an important degree of uncertainty surrounding these assumptions, and, if actual conditions differ, Moody s results for the year may differ materially from the current outlook. The Company s guidance assumes foreign currency translation at end-of-2014 exchange rates, with the exception of the British pound (£) and the euro ( ) which assume foreign currency translation of $1.51 to £1 and $1.15 to 1, respectively.

Full-year 2015 Moody s Corporation guidance

MOODY S CORPORATION	**Guidance as of the filing of this Form 10K**
Revenue	growth in the mid-single-digit percent range
Operating Expenses	growth in the mid-single-digit percent range
Depreciation & amortization	Approximately $120 million
Operating Margin	Approximately 43%
Adjusted Operating Margin	Approximately 46%
Effective tax rate	Approximately 32% - 33%
GAAP EPS	$4.55 to $4.65
Capital expenditures	Approximately $110 - $115 million
Free Cash Flow	Approximately $1 billion
Share repurchases	Approximately $1 billion (subject to available cash, market conditions and other ongoing capital allocation decisions)

Full-year 2015 revenue guidance

MIS	**Guidance as of the filing of this Form 10K**
MIS global	growth in the mid-single-digit percent range
MIS U.S.	growth in the mid-single-digit percent range
MIS Non-U.S.	growth in the mid-single-digit percent range
CFG	growth in the mid-single-digit percent range
SFG	growth in the mid-single-digit percent range
FIG	growth in the mid-single-digit percent range
PPIF	growth in the high-single-digit percent range
MA	**Guidance as of the filing of this Form 10K**
MA global	growth in the mid-single-digit percent range
MA U.S.	growth of approximately 10%
MA Non-U.S.	growth in the mid-single-digit percent range
RD&A	growth in the high-single-digit percent range
ERS	growth in the mid-single-digit percent range
PS	approximately flat

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Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers . 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. This ASU is effective for annual and interim reporting periods beginning after December 15, 2016 and early adoption is not permitted. The Company is currently evaluating its adoption options and the impact that adoption of this update will have on its consolidated financial statements. Currently, the Company believes this ASU will have an impact on: i) the capitalization of certain contract implementation costs for its ERS business; ii) the accounting for certain ratings monitoring fees received in advance of service being rendered; iii) the accounting for certain license and maintenance revenue in MA; iv) the accounting for certain ERS revenue arrangements where VSOE is not available and v) the accounting for contract acquisition costs.

In June 2014, the FASB issued ASU No. 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. This ASU clarifies the current accounting guidance for entities that issue share-based payment awards that require a specific performance target be achieved for employees to become eligible to vest in the awards, which may occur subsequent to a required service period. The current accounting guidance does not explicitly address how to account for these types of awards. The ASU provides explicit guidance and clarifies that these types of performance targets should be treated as performance conditions, and accordingly should not be reflected in the determination of the grant-date fair value of the award. This ASU is effective for all annual periods and interim reporting periods beginning after December 15, 2015, with early adoption permitted. The Company currently accounts for transactions involving stock-based compensation awards with performance conditions in accordance with the provisions set forth in this ASU. Accordingly, the adoption of this update will not have an impact on the Company s consolidated financial statements.

CONTINGENCIES

For information regarding legal proceedings, see Part II, Item 8 Financial Statements , Note 18 Contingencies in this Form 10-K.

Forward-Looking Statements

Certain statements contained in this annual report on Form 10-K 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 annual report on Form 10-K, including in the sections entitled 2015 Outlook and Contingencies under Item 7. MD&A , commencing on page 28 of this annual report on Form 10-K, under Legal Proceedings in Part I, Item 3, of this Form 10-K, and elsewhere in the context of statements containing the words believe , expect , anticipate , intend , plan , will , pr potential , continue , strategy , aspire , target , forecast , project , estimate , should , could , may and 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 annual report on Form 10-K, 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, the current world-wide credit market disruptions and economic slowdown, which is affecting and could continue to affect the volume of debt and other securities issued in domestic and/or global capital markets; other matters that could affect the volume of debt and other securities issued in domestic and/or global capital markets, including credit quality concerns, changes in interest rates and other volatility in the financial markets; the level of merger and acquisition activity in the U.S. and abroad; the uncertain effectiveness and possible collateral consequences of U.S. and foreign government initiatives to respond to the current world-wide credit market disruptions and economic slowdown; concerns in the marketplace affecting Moody s 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 Moody s rating opinions, as well as any other litigation 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 Moody s operations and infrastructure; any vulnerabilities to cyber threats or other cybersecurity concerns; the outcome of any review by controlling tax authorities of the Company s global tax planning initiatives; the outcome of those Legacy Tax Matters and legal contingencies that relate to the Company, its predecessors and their affiliated companies for which Moody s has assumed portions of the financial responsibility; the impact of mergers, acquisitions or other business combinations and the ability of the Company to successfully integrate acquired businesses; currency and foreign exchange volatility; the level of future cash flows; the levels of capital investments; and a decline in the demand for credit risk management tools by financial institutions. 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 this annual report on Form 10-K, 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 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information in response to this Item is set forth under the caption Market Risk in Part II, Item 7 on page 47 of this annual report on Form 10-K.

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ITEM 8. FINANCIAL STATEMENTS
Index to Financial Statements

Schedules are omitted as not required or inapplicable or because the required information is provided in the consolidated financial statements, including the notes thereto.

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MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Moody s Corporation is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by the SEC in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, internal control over financial reporting is a process designed by, or under the supervision of, the Company s principal executive and principal financial officers, or persons performing similar functions, and effected by the Company s Board, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Moody s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of Moody s management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management of the Company has undertaken an assessment of the design and operational effectiveness of the Company s internal control over financial reporting as of December 31, 2014 based on criteria established in Internal Control Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The COSO framework is based upon five integrated components of control: risk assessment, control activities, control environment, information and communications and ongoing monitoring.

Based on the assessment performed, management has concluded that Moody s maintained effective internal control over financial reporting as of December 31, 2014.

The effectiveness of our internal control over financial reporting as of December 31, 2014 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which appears herein.

/s/ RAYMOND W. MCDANIEL, JR.

Raymond W. McDaniel, Jr.

President and Chief Executive Officer

/s/ LINDA S. HUBER

Linda S. Huber

Executive Vice President and Chief Financial Officer

February 25, 2015

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Moody s Corporation:

We have audited the accompanying consolidated balance sheets of Moody s Corporation (the Company) as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, stockholders equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2014. We also have audited Moody s Corporation s internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Moody s Corporation s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Moody s Corporation as of December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Moody s Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ KPMG LLP

New York, New York

February 25, 2015

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MOODY S CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(amounts in millions, except per share data)

	Year Ended December 31,		
	2014	**2013**	**2012**
Revenue	**$ 3,334.3**	$ 2,972.5	$ 2,730.3
Expenses			
Operating	**930.3**	822.4	795.0
Selling, general and administrative	**869.3**	822.1	752.2
Goodwill impairment charge			12.2
Depreciation and amortization	**95.6**	93.4	93.5
Total expenses	**1,895.2**	1,737.9	1,652.9
Operating income	**1,439.1**	1,234.6	1,077.4
Interest income (expense), net	**(116.8)**	(91.8)	(63.8)
Other non-operating income (expense), net	**35.9**	26.5	10.4
ICRA Gain	**102.8**		
Non-operating income (expense), net	**21.9**	(65.3)	(53.4)
Income before provision for income taxes	**1,461.0**	1,169.3	1,024.0
Provision for income taxes	**455.0**	353.4	324.3
Net income	**1,006.0**	815.9	699.7
Less: Net income attributable to noncontrolling interests	**17.3**	11.4	9.7
Net income attributable to Moody s	**$ 988.7**	$ 804.5	$ 690.0
Earnings per share			
Basic	**$ 4.69**	$ 3.67	$ 3.09
Diluted	**$ 4.61**	$ 3.60	$ 3.05
Weighted average shares outstanding			
Basic	**210.7**	219.4	223.2
Diluted	**214.7**	223.5	226.6

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

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MOODY S CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(amounts in millions)

	Year Ended December 31, 2014			Year Ended December 31, 2013			Year Ended December 31, 2012		
	Pre-tax amounts	**Tax amounts**	**After-tax amounts**	**Pre-tax amounts**	**Tax amounts**	**After-tax amounts**	**Pre-tax amounts**	**Tax amounts**	**After-tax amounts**
Net income			**$ 1,006.0**			$ 815.9			$ 699.7
Other Comprehensive Income (loss):									
Foreign currency adjustments:									
Foreign currency translation adjustments	**$ (155.3)**	**$ 2.2**	**(153.1)**	$ (15.8)	$ 0.6	(15.2)	$ 35.4	$ (0.2)	35.2
Foreign currency translation adjustments reclassification of losses included in net income	**4.4**		**4.4**	1.4		1.4			
Cash flow and net investment hedges:									
Net realized and unrealized (loss) gain on cash flow and net investment hedges	**32.3**	**(12.9)**	**19.4**	6.3	(2.6)	3.7	(3.9)	1.6	(2.3)
Reclassification of losses included in net income				1.2	(0.5)	0.7	4.1	(1.7)	2.4
Available for sale securities:									
Net unrealized gains on available for sale securities	**1.0**		**1.0**						
Reclassification of gains included in net income	**(0.1)**		**(0.1)**						
Pension and Other Retirement Benefits:									
Amortization of actuarial losses and prior service costs included in net income	**7.3**	**(2.8)**	**4.5**	11.9	(4.9)	7.0	10.0	(4.1)	5.9
Net actuarial gains (losses) and prior service costs	**(93.8)**	**37.1**	**(56.7)**	50.9	(21.0)	29.9	(26.0)	11.2	(14.8)
Total other comprehensive	**$ (204.2)**	**$ 23.6**	**(180.6)**	$ 55.9	$ (28.4)	27.5	$ 19.6	$ 6.8	26.4

income (loss)			
Comprehensive Income	**825.4**	843.4	726.1
Less: comprehensive income attributable to noncontrolling interests and redeemable noncontrolling interest	**17.3**	11.4	10.7
Comprehensive income attributable to Moody s	**$ 808.1**	$ 832.0	$ 715.4

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

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MOODY S CORPORATION

CONSOLIDATED BALANCE SHEETS

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

	December 31, 2014		2013
ASSETS			
Current assets:			
Cash and cash equivalents	**$**	**1,219.5**	$ 1,919.5
Short-term investments		**458.1**	186.8
Accounts receivable, net of allowances of $29.4 in 2014 and $28.9 in 2013		**792.4**	694.2
Deferred tax assets, net		**43.9**	53.9
Other current assets		**172.5**	114.4
Total current assets		**2,686.4**	2,968.8
Property and equipment, net		**302.3**	278.7
Goodwill		**1,021.1**	665.2
Intangible assets, net		**345.5**	221.6
Deferred tax assets, net		**167.8**	148.7
Other assets		**145.9**	112.1
Total assets	**$**	**4,669.0**	$ 4,395.1
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND SHAREHOLDERS EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	**$**	**557.6**	$ 538.9
Deferred tax liabilities, net		**17.5**	4.0
Deferred revenue		**624.6**	598.4
Total current liabilities		**1,199.7**	1,141.3
Non-current portion of deferred revenue		**132.2**	109.2
Long-term debt		**2,547.3**	2,101.8
Deferred tax liabilities, net		**95.7**	59.1
Unrecognized tax benefits		**220.3**	195.6
Other liabilities		**430.9**	360.2
Total liabilities		**4,626.1**	3,967.2
Contingencies (Note 18)			
Redeemable noncontrolling interest			80.0

Shareholders equity:				
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 $.01 per share; 1,000,000,000 shares authorized; 342,902,272 shares issued at December 31, 2014 and December 31, 2013, respectively.		**3.4**		3.4
Capital surplus		**383.9**		405.8
Retained earnings		**6,044.3**		5,302.1
Treasury stock, at cost; 138,539,128 and 128,941,621 shares of common stock at December 31, 2014 and December 31, 2013, respectively		**(6,384.2)**		(5,319.7)
Accumulated other comprehensive loss		**(235.2)**		(54.6)
Total Moody s shareholders (deficit) equity		**(187.8)**		337.0
Noncontrolling interests		**230.7**		10.9
Total shareholders equity		**42.9**		347.9
Total liabilities, redeemable noncontrolling interest and shareholders equity	**$**	**4,669.0**	$	4,395.1

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

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MOODY S CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in millions)

	Year Ended December 31,		
	2014	**2013**	**2012**
Cash flows from operating activities			
Net income	**$ 1,006.0**	$ 815.9	$ 699.7
Reconciliation of net income to net cash provided by operating activities:			
Depreciation and amortization	**95.6**	93.4	93.5
Stock-based compensation	**80.4**	67.1	64.5
Goodwill impairment charge			12.2
Deferred income taxes	**29.9**	(27.2)	36.1
Excess tax benefits from settlement of stock-based compensation awards	**(58.7)**	(38.8)	(15.7)
ICRA Gain	**(102.8)**		
Legacy Tax Matters	**(6.4)**	(19.2)	(12.8)
Changes in assets and liabilities:			
Accounts receivable	**(98.3)**	(67.0)	(128.2)
Other current assets	**(41.0)**	(21.7)	(14.1)
Other assets	**(1.7)**	(0.7)	5.1
Accounts payable and accrued liabilities	**59.2**	(2.9)	101.7
Deferred revenue	**38.4**	66.1	20.9
Unrecognized tax benefits	**30.6**	30.9	(49.2)
Other liabilities	**(12.6)**	30.9	9.4
Net cash provided by operating activities	**1,018.6**	926.8	823.1
Cash flows from investing activities			
Capital additions	**(74.6)**	(42.3)	(45.0)
Purchases of investments	**(406.3)**	(225.9)	(56.2)
Sales and maturities of investments	**134.0**	57.0	54.5
Cash paid for acquisitions and investment in affiliates, net of cash acquired	**(239.7)**	(50.7)	(3.5)
Payments for settlements of net investment hedges	**(0.5)**		
Receipts from settlement of net investment hedges	**22.2**		
Net cash used in investing activities	**(564.9)**	(261.9)	(50.2)

Cash flows from financing activities			
Issuance of notes	**747.7**	497.2	496.1
Repayment of notes	**(300.0)**	(63.8)	(71.3)
Net proceeds from stock plans	**98.0**	136.0	116.7
Excess tax benefits from settlement of stock-based compensation awards	**58.7**	38.8	15.7
Cost of treasury shares repurchased	**(1,220.5)**	(893.1)	(196.5)
Payment of dividends	**(236.0)**	(197.3)	(143.0)
Payment of dividends to noncontrolling interests	**(11.8)**	(12.2)	(8.3)
Payment to redeem noncontrolling interest	**(183.8)**		
Contingent consideration paid	**(10.3)**	(0.3)	(0.5)
Debt issuance costs and related fees	**(6.5)**	(4.1)	(6.3)
Net cash (used in) provided by financing activities	**(1,064.5)**	(498.8)	202.6
Effect of exchange rate changes on cash and cash equivalents	**(89.2)**	(2.0)	19.9
(Decrease) increase in cash and cash equivalents	**(700.0)**	164.1	995.4
Cash and cash equivalents, beginning of period	**1,919.5**	1,755.4	760.0
Cash and cash equivalents, end of period	**$ 1,219.5**	$ 1,919.5	$ 1,755.4

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

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MOODY S CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (DEFICIT)

(amounts in millions)

Shareholders of Moody s Corporation									
ommon Stock				Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total Moody s Shareholders Equity (Deficit)	Cont In
ares	Amount	Capital Surplus	Retained Earnings	Shares	Amount			
42.9	**$ 3.4**	**$ 394.5**	**$ 4,176.1**	**(120.5)**	**$ (4,635.5)**	**$ (107.5)**	**$ (169.0)**	**$**
			690.0				690.0	
			(152.8)				(152.8)	
		64.6					64.6	
		(100.9)		5.6	217.5		116.6	
		10.3					10.3	
		(3.4)					(3.4)	
				(4.8)	(196.5)		(196.5)	
						34.2	34.2	

												(14.8)		(14.8)	
												5.9		5.9	
												0.1		0.1	
42.9	**$**	**3.4**	**$**	**365.1**	**$**	**4,713.3**		**(119.7)**	**$**	**(4,614.5)**	**$**	**(82.1)**	**$**	**385.2**	**$**

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

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (DEFICIT) *continued*

(amounts in millions)

Shareholders of Moody s Corporation								
ommon Stock				Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total Moody s Shareholders Equity (Deficit)	Cont In
ares	Amount	Capital Surplus	Retained Earnings	Shares	Amount			
42.9	**$ 3.4**	**$ 365.1**	**$ 4,713.3**	**(119.7)**	**$ (4,614.5)**	**$ (82.1)**	**$ 385.2**	**$**
			804.5				804.5	
			(215.7)				(215.7)	
		67.2					67.2	
		(51.9)		5.0	187.9		136.0	
		33.3					33.3	
		(7.9)					(7.9)	
				(14.2)	(893.1)		(893.1)	
						(13.8)	(13.8)	
						29.9	29.9	

												7.0		7.0	
												4.4		4.4	
42.9	**$**	**3.4**	**$**	**405.8**	**$**	**5,302.1**		**(128.9)**	**$**	**(5,319.7)**	**$**	**(54.6)**	**$**	**337.0**	**$**

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

(continued on next page)

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (DEFICIT) *continued*

(amounts in millions)

Shareholders of Moody s Corporation								
ommon Stock				Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total Moody s Shareholders Equity (Deficit)	Cont In
ares	Amount	Capital Surplus	Retained Earnings	Shares	Amount			
342.9	**$ 3.4**	**$ 405.8**	**$ 5,302.1**	**(128.9)**	**$ (5,319.7)**	**$ (54.6)**	**$ 337.0**	**$**
			988.7				988.7	
			(246.5)				(246.5)	
		80.6					80.6	
		(58.0)		4.2	156.0		98.0	
		54.7					54.7	
		(99.2)					(99.2)	
				(13.8)	(1,220.5)		(1,220.5)	
						(148.7)	(148.7)	

						(56.7)	(56.7)
						4.5	4.5
						0.9	0.9
						19.4	19.4
342.9 $	**3.4 $**	**383.9 $**	**6,044.3**	**(138.5) $**	**(6,384.2) $**	**(235.2) $**	**(187.8) $**

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

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MOODY S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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) outsourced research and analytical services to institutional customers. 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 outsourced 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 support financial analysis and risk management activities of institutional participants in global financial markets. Within its Research, Data and Analytics 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 Enterprise Risk Solutions business, MA provides software solutions as well as related risk management services. The Professional Services business provides outsourced research and analytical services along with financial training and certification programs.

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Consolidation

The consolidated financial statements include those of Moody s Corporation and its majority- and wholly-owned subsidiaries. The effects of all intercompany transactions have been eliminated. Investments in companies for which the Company has significant influence over operating and financial policies but not a controlling interest are accounted for on an equity basis whereby the Company records its proportional share of the investment s net income or loss as part of other non-operating income (expense), net and any dividends received reduce the carrying amount of the investment. The Company applies the guidelines set forth in Topic 810 of the ASC in assessing its interests in variable interest entities to decide whether to consolidate that entity. The Company has reviewed the potential variable interest entities and determined that there are no consolidation requirements under Topic 810 of the ASC. The Company consolidates its ICRA subsidiaries on a three month lag.

Cash and Cash Equivalents

Cash equivalents principally consist of investments in money market mutual funds and money market deposit accounts as well as high-grade commercial paper and certificates of deposit with maturities of three months or less when purchased.

Short-term Investments

Short-term investments are securities with maturities greater than 90 days at the time of purchase that are available for operations in the next twelve months. The Company s short-term investments primarily consist of certificates of deposit and their cost approximates fair value due to the short-term nature of the instruments. Interest and dividends on these investments are recorded into income when earned.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over their estimated useful lives. Expenditures for maintenance and repairs that do not extend the economic useful life of the related assets are charged to expense as incurred.

Research and Development Costs

All research and development costs are expensed as incurred. These costs primarily reflect the development of credit processing software and quantitative credit risk assessment products sold by the MA segment.

Research and development costs were $37.9 million, $22.8 million and $16.1 million for the years ended December 31, 2014, 2013 and 2012, respectively, and are included in operating expenses within the Company s consolidated statements of operations. These costs generally consist of professional services provided by third parties and compensation costs of employees.

Costs for internally developed computer software that will be sold, leased or otherwise marketed are capitalized when technological feasibility has been established. These costs primarily relate to the development or enhancement of products in the ERS business and generally consist of professional services provided by third parties and compensation costs of employees that develop the software. Judgment is required in determining when technological feasibility of a product is established and the Company believes that technological feasibility for its software products is reached after all high-risk development issues have been resolved through coding and testing. Generally, this occurs shortly before the products are released to customers. Accordingly, costs for internally developed computer software that will be sold, leased or otherwise marketed that were eligible for capitalization under Topic 985 of the ASC as well as the related amortization expense related to such costs were immaterial for the years ended December 31, 2014, 2013 and 2012.

Computer Software Developed or Obtained for Internal Use

The Company capitalizes costs related to software developed or obtained for internal use. These assets, included in property and equipment in the consolidated balance sheets, relate to the Company s accounting, product delivery and other systems. Such costs generally consist of direct costs for third-party license fees, professional services provided by third parties and employee compensation, in each case incurred either during the application development stage or in connection with upgrades and enhancements that increase functionality. Such costs are depreciated over their estimated useful lives on a straight-line basis. Costs incurred during the preliminary project stage of development as well as maintenance costs are expensed as incurred.

Long-Lived Assets, Including Goodwill and Other Acquired Intangible Assets

Moody s evaluates its goodwill for impairment at the reporting unit level, defined as an operating segment or one level below an operating segment, annually as of July 31 or more frequently if impairment indicators arise in accordance with ASC Topic 350.

The Company evaluates the recoverability of goodwill using a three-step impairment test approach at the reporting unit level. In the first step, the Company assesses various qualitative factors to determine whether the fair value of a reporting unit may be less than its carrying amount. If a determination is made that, based on the qualitative factors, an impairment does not exist, the Company is not required to perform further testing. If the aforementioned qualitative assessment results in the Company concluding that it is more likely than not that the fair value of a reporting unit may be less than its carrying amount, the fair value of the reporting unit will be determined and compared to its carrying value including goodwill. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and the Company is not required to perform further testing. If the fair value of the reporting unit is less than the carrying value, the Company must perform a third step of the impairment test to determine the implied fair value of the reporting unit s goodwill. The implied fair value of the goodwill is determined based on the difference between the fair value of the reporting unit and the net fair value of the identifiable assets and liabilities of the reporting unit. If the implied fair value of the goodwill is less than its carrying value, the difference is recognized as an impairment charge. For the reporting units where the Company is consistently able to conclude that an impairment does not exist using only a qualitative approach, the Company s accounting policy is to perform the second step of the aforementioned goodwill impairment assessment at least once every three years. Goodwill is assigned to a reporting unit at the date when an acquisition is integrated into one of the established reporting units, and is based on which reporting unit is expected to benefit from the synergies of the acquisition.

For purposes of assessing the recoverability of goodwill, the Company has six reporting units at December 31, 2014: two within the Company s ratings business (one for the newly acquired ICRA business and one that encompasses all of Moody s other ratings operations) and four reporting units within MA: RD&A, ERS, Financial Services Training and Certifications and Copal Amba. The RD&A reporting unit encompasses the distribution of investor-oriented research and data developed by MIS as part of its ratings process, in-depth research on major debt issuers, industry studies, economic research and commentary on topical events and credit analytic tools. The ERS reporting unit consists of credit risk management and compliance software that is sold on a license or subscription basis as well as related advisory services for implementation and maintenance. The FSTC reporting unit consists of the portion of the MA business that offers both credit training as well as other professional development training and certification services. The Copal Amba reporting unit consists of outsourced research and analytical services.

Amortizable intangible assets are reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Rent Expense

The Company records rent expense on a straight-line basis over the life of the lease. In cases where there is a free rent period or future fixed rent escalations the Company will record a deferred rent liability. Additionally, the receipt of any lease incentives will be recorded as a deferred rent liability which will be amortized over the lease term as a reduction of rent expense.

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Stock-Based Compensation

The Company records compensation expense for all share-based payment award transactions granted to employees based on the fair value of the equity instrument at the time of grant. This includes shares issued under stock option and restricted stock plans. The Company has also established a pool of additional paid-in capital related to the tax effects of employee share-based compensation, which is available to absorb any recognized tax shortfalls.

Derivative Instruments and Hedging Activities

Based on the Company s risk management policy, from time to time the Company may use derivative financial instruments to reduce exposure to changes in foreign exchange rates and interest rates. The Company does not enter into derivative financial instruments for speculative purposes. All derivative financial instruments are recorded on the balance sheet at their respective fair values. The changes in the value of derivatives that qualify as fair value hedges are recorded with a corresponding adjustment to the carrying value of the item being hedged. Changes in the derivative s fair value that qualify as cash flow hedges are recorded to other comprehensive income or loss, to the extent the hedge is effective, and such amounts are reclassified from accumulated other comprehensive income or loss to earnings in the same period or periods during which the hedged transaction affects income. Changes in the derivative s fair value that qualify as net investment hedges are recorded to other comprehensive income or loss, to the extent the hedge is effective. Any changes in the fair value of derivatives that the Company does not designate as hedging instruments under Topic 815 of the ASC are recorded in the consolidated statements of operations in the period in which they occur.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or the services have been provided and accepted by the customer when applicable, fees are determinable and the collection of resulting receivables is considered probable.

Pursuant to ASC Topic 605, when a sales arrangement contains multiple deliverables, the Company allocates revenue to each deliverable based on its relative selling price which is determined based on its vendor specific objective evidence if available, third party evidence if VSOE is not available, or estimated selling price if neither VSOE nor TPE is available.

The Company s products and services will generally qualify as separate units of accounting under ASC Topic 605. The Company evaluates each deliverable in an arrangement to determine whether it represents a separate unit of accounting. A deliverable constitutes a separate unit of accounting when it has stand-alone value to the customers and if the arrangement includes a customer refund or return right relative to the delivered item and the delivery and performance of the undelivered item is considered probable and substantially in the Company s control. In instances where the aforementioned criteria are not met, the deliverable is combined with the undelivered items and revenue recognition is determined as one single unit.

The Company determines whether its selling price in a multi-element transaction meets the VSOE criteria by using the price charged for a deliverable when sold separately. In instances where the Company is not able to establish VSOE for all deliverables in a multiple element arrangement, which may be due to the Company infrequently selling each element separately, not selling products within a reasonably narrow price range, or only having a limited sales history, the Company attempts to establish TPE for deliverables. The Company determines whether TPE exists by evaluating largely similar and interchangeable competitor products or services in standalone sales to similarly situated customers. However, due to the difficulty in obtaining third party pricing, possible differences in its market strategy from that of its peers and the potential that products and services offered by the Company may contain a significant level of differentiation and/or customization such that the comparable pricing of products with similar functionality cannot be obtained, the Company generally is unable to reliably determine TPE. Based on the selling price hierarchy established by ASC Topic 605, when the Company is unable to establish selling price using VSOE or TPE, the Company will establish an ESP. ESP is the price at which the Company would transact a sale if the product or service were sold on a stand-alone basis. The Company establishes its best estimate of ESP considering internal factors relevant to is pricing practices such as costs and margin objectives, standalone sales prices of similar products, percentage of the fee charged for a primary product or service relative to a related product or service, and customer segment and geography. Additional consideration is also given to market conditions such as competitor pricing strategies and market trend. The Company reviews its determination of VSOE, TPE and ESP on an annual basis or more frequently as needed.

In the MIS segment, revenue attributed to initial ratings of issued securities is recognized when the rating is issued. Revenue attributed to monitoring of issuers or issued securities is recognized ratably over the period in which the monitoring is performed, generally one year. In the case of commercial mortgage-backed securities, structured credit, international residential mortgage-backed and asset-backed securities, issuers can elect to pay the monitoring fees upfront. These fees are deferred and recognized over the future monitoring periods based on the expected lives of the rated securities, which was approximately 28 years on a weighted average basis at December 31, 2014. At December 31, 2014, 2013 and 2012, deferred revenue related to these securities was approximately $107 million, $97 million and $82 million.

Multiple element revenue arrangements in the MIS segment are generally comprised of an initial rating and the related monitoring service. In instances where monitoring fees are not charged for the first year monitoring effort, fees are allocated to the initial rating and monitoring services based on the relative selling price of each service to the total arrangement fees. The Company generally uses ESP in determining the selling price for its initial ratings as the Company rarely sells initial ratings separately without providing related monitoring services and thus is unable to establish VSOE or TPE for initial ratings.

MIS estimates revenue for ratings of commercial paper for which, in addition to a fixed annual monitoring fee, issuers are billed quarterly based on amounts outstanding. Revenue is accrued each quarter based on estimated amounts outstanding and is billed when actual data is available. The estimate is determined based on the issuers most recent reported quarterly data. At December 31, 2014, 2013 and 2012, accounts receivable included approximately $22 million, $21 million and $22 million, respectively, related to accrued commercial paper revenue. Historically, MIS has not had material differences between the estimated revenue and the actual billings. Furthermore, for certain annual monitoring services, fees are not invoiced until the end of the annual monitoring period and revenue is accrued ratably over the monitoring period.

In the MA segment, products and services offered by the Company include software licenses and related maintenance, subscriptions, and professional services. Revenue from subscription based products, such as research and data subscriptions and certain software-based credit risk management subscription products, is recognized ratably over the related subscription period, which is principally one year. Revenue from sale of perpetual licenses of credit processing software is generally recognized at the time the product master or first copy is delivered or transferred to and accepted by the customer. If uncertainty exists regarding customer acceptance of the product or service, revenue is not recognized until acceptance occurs. Software maintenance revenue is recognized ratably over the annual maintenance period. Revenue from professional services rendered is generally recognized as the services are performed. A large portion of annual research and data subscriptions and annual software maintenance are invoiced in the months of November, December and January.

Products and services offered within the MA segment are sold either stand-alone or together in various combinations. In instances where a multiple element arrangement includes software and non-software deliverables, revenue is allocated to the non-software deliverables and to the software deliverables, as a group, using the relative selling prices of each of the deliverables in the arrangement based on the aforementioned selling price hierarchy. Revenue is recognized for each element based upon the conditions for revenue recognition noted above.

If the arrangement contains more than one software deliverable, the arrangement consideration allocated to the software deliverables as a group is allocated to each software deliverable using VSOE. In the instances where the Company is not able to determine VSOE for all of the deliverables of an arrangement, the Company allocates the revenue to the undelivered elements equal to its VSOE and the residual revenue to the delivered elements. If the Company is unable to determine VSOE for an undelivered element, the Company defers all revenue allocated to the software deliverables until the Company has delivered all of the elements or when VSOE has been determined for the undelivered elements. In cases where software implementation services are considered essential and VSOE of fair value exists for post-contract customer support (PCS), once the delivery criteria has been met on the standard software, license and service revenue is recognized on a percentage-of-completion basis as implementation services are performed, while PCS is recognized over the coverage period. If VSOE of fair value does not exist for PCS, once the delivery criteria has been met on the standard software, service revenue is recognized on a zero profit margin basis until essential services are complete, at which point total remaining arrangement revenue is then spread ratably over the remaining PCS coverage period.

Accounts Receivable Allowances

Moody s records an allowance for estimated future adjustments to customer billings as a reduction of revenue, based on historical experience and current conditions. Such amounts are reflected as additions to the accounts receivable allowance. Additionally, estimates of uncollectible accounts are recorded as bad debt expense and are reflected as additions to the accounts receivable allowance. Actual billing adjustments and uncollectible account write-offs are recorded against the allowance. Moody s evaluates its accounts receivable allowance by reviewing and assessing historical collection and adjustment experience and the current status of customer accounts. Moody s also considers the economic environment of the customers, both from an industry and geographic perspective, in evaluating the need for allowances. Based on its analysis, Moody s adjusts its allowance as considered appropriate in the circumstances.

Contingencies

Moody s is involved in legal and tax proceedings, governmental investigations and inquiries, claims and litigation that are incidental to the Company s business, including claims based on ratings assigned by MIS. Moody s is also subject to ongoing tax audits in the normal course of business. Management periodically assesses the Company s liabilities and contingencies in connection with these matters based upon the latest information available. Moody s discloses material pending legal proceedings pursuant to SEC rules and other pending matters as it may determine to be appropriate.

For claims, litigation and proceedings and governmental investigations and inquires not related to income taxes, where it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated, the Company records liabilities in the consolidated financial statements 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 other instances, because of uncertainties related to the probable outcome and/or the amount or range of loss, management does not record a liability but discloses the contingency if significant. As additional information becomes available, the Company adjusts its assessments and estimates of such matters accordingly. In view of the inherent difficulty of predicting the outcome of litigation, regulatory, governmental investigations and inquiries, enforcement and similar matters , particularly where the claimants seek large or indeterminate damages or where the parties assert novel legal theories or the matters involve a large number of parties, the Company cannot predict what the eventual outcome of the pending matters will be or the timing of any resolution of such matters. The Company also cannot 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. However, in light of the large or indeterminate damages sought in some of them, the absence of similar court rulings on the theories of law asserted and uncertainties regarding apportionment of any potential damages, an estimate of the range of possible losses cannot be made at this time.

The Company s wholly-owned insurance subsidiary insures the Company against certain risks including but not limited to deductibles for worker s compensation, employment practices litigation and employee medical claims and terrorism, for which the claims are not material to the Company. In addition, for claim years 2008 and 2009, the insurance subsidiary insured the Company for defense costs related to professional liability claims. For matters insured by the Company s insurance subsidiary, Moody s records liabilities based on the estimated total claims expected to be paid and total projected costs to defend a claim through its anticipated conclusion. The Company determines liabilities based on an assessment of management s best estimate of claims to be paid and legal defense costs as well as actuarially determined estimates. The Cheyne SIV and Rhinebridge SIV matters more fully discussed in Note 18 are both cases from the 2008/2009 claims period, and accordingly defense costs for these matters are covered by the Company s insurance subsidiary. Defense costs for matters not self-insured by the Company s wholly-owned insurance subsidiary are expensed as services are provided.

For income tax matters, the Company employs the prescribed methodology of Topic 740 of the ASC which requires a company to first determine whether it is more-likely-than-not (defined as a likelihood of more than fifty percent) that a tax position will be sustained based on its technical merits as of the reporting date, assuming that taxing authorities will examine the position and have full knowledge of all relevant information. A tax position that meets this more-likely-than-not threshold is then measured and recognized at the largest amount of benefit that is greater than fifty percent likely to be realized upon effective settlement with a taxing authority.

Operating Expenses

Operating expenses include costs associated with the development and production of the Company s products and services and their delivery to customers. These expenses principally include employee compensation and benefits and travel costs that are incurred in connection with these activities. Operating expenses are charged to income as incurred, except for certain costs related to software implementation services which are deferred until related revenue is recognized. Additionally, certain costs incurred to develop internal use software are capitalized and depreciated over their estimated useful life.

Selling, General and Administrative Expenses

SG&A expenses include such items as compensation and benefits for corporate officers and staff and compensation and other expenses related to sales of products. They also include items such as office rent, business insurance, professional fees and gains and losses from sales and disposals of assets. SG&A expenses are charged to income as incurred, except for certain expenses incurred to develop internal use software are capitalized and depreciated over their estimated useful life.

Redeemable Noncontrolling Interest

The Company records its redeemable noncontrolling interest at fair value on the date of the related business combination transaction. The redeemable noncontrolling interest represents noncontrolling shareholders interest in entities which are controlled but not wholly-owned by Moody s and for which Moody s obligation to redeem the minority shareholders interest is governed by a put/call relationship. Subsequent to the initial measurement, the redeemable noncontrolling interest is recorded at the greater of its redemption value or its carrying value at the end of each reporting period. If the redeemable noncontrolling interest is carried at its redemption value, the difference between the redemption value and the carrying value would be adjusted through capital surplus at the end of each reporting period. The Company also performs a quarterly assessment to determine if the aforementioned redemption value exceeds the fair value of the redeemable noncontrolling interest. If the redemption value of the redeemable noncontrolling interest were to exceed its fair value, the excess would reduce the net income attributable to Moody s shareholders. The Company settled its redeemable noncontrolling interest in the fourth quarter of 2014 by exercising its call option to acquire the remaining share of Copal Amba that it did not previously own.

Foreign Currency Translation

For all operations outside the U.S. where the Company has designated the local currency as the functional currency, assets and liabilities are translated into U.S. dollars using end of year exchange rates, and revenue and expenses are translated using average exchange rates for the year. For these foreign operations, currency translation adjustments are accumulated in a separate component of shareholders equity.

Comprehensive Income

Comprehensive income represents the change in net assets of a business enterprise during a period due to transactions and other events and circumstances from non-owner sources including foreign currency translation impacts, net actuarial losses and net prior service costs related to pension and other retirement plans, gains and losses on derivative instruments and unrealized gains and losses on securities designated as available-for-sale under Topic 320 of the ASC.

Income Taxes

The Company accounts for income taxes under the asset and liability method in accordance with ASC Topic 740. Therefore, income tax expense is based on reported income before income taxes and deferred income taxes reflect the effect of temporary differences between the amounts of assets and liabilities that are recognized for financial reporting purposes and the amounts that are recognized for income tax purposes.

The Company classifies interest related to unrecognized tax benefits as a component of interest expense in its consolidated statements of operations. Penalties are recognized in other non-operating expenses. For UTPs, the Company first determines whether it is more-likely-than-not (defined as a likelihood of more than fifty percent) that a tax position will be sustained based on its technical merits as of the reporting date, assuming that taxing authorities will examine the position and have full knowledge of all relevant information. A tax position that meets this more-likely-than-not threshold is then measured and recognized at the largest amount of benefit that is greater than fifty percent likely to be realized upon effective settlement with a taxing authority.

For certain of its non-U.S. subsidiaries, the Company has deemed the undistributed earnings relating to these subsidiaries to be indefinitely reinvested within its foreign operations. Accordingly, the Company has not provided deferred income taxes on these indefinitely reinvested earnings. It is not practicable to determine the amount of deferred taxes that might be required to be provided if such earnings were distributed in the future due to complexities in the tax laws and in the hypothetical calculations that would have to be made.

Fair Value of Financial Instruments

The Company s financial instruments include cash, cash equivalents, trade receivables and payables, all of which are short-term in nature and, accordingly, approximate fair value. Additionally, the Company invests in certain short-term investments consisting primarily of certificates of deposit that are carried at cost, which approximates fair value due to their short-term maturities.

The Company also has certain investments in closed-ended and open-ended mutual funds in India which are designated as available for sale under Topic 320 of the ASC. Accordingly, unrealized gains and losses on these investments are recorded to other comprehensive income and are reclassified out of accumulated other comprehensive income to the statement of operations when the investment matures or is sold using a specific identification method.

Also, the Company uses derivative instruments, as further described in Note 5, to manage certain financial exposures that occur in the normal course of business. These derivative instruments are carried at fair value on the Company s consolidated balance sheets.

The Company also is subject to contingent consideration obligations related to certain of its acquisitions as more fully discussed in Note 9. These obligations are carried at their estimated fair value within the Company s consolidated balance sheets.

Fair value is defined by the ASC as the price that would be received from selling an asset or paid to transfer a liability (i.e., an exit price) in an orderly transaction between market participants at the measurement date. The determination of this fair value is based on the principal or most advantageous market in which the Company could commence transactions and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions and risk of nonperformance. Also, determination of fair value assumes that market participants will consider the highest and best use of the asset.

The ASC establishes a fair value hierarchy whereby the inputs contained in valuation techniques used to measure fair value are categorized into three broad levels as follows:

Level 1: quoted market prices in active markets that the reporting entity has the ability to access at the date of the fair value measurement;

Level 2: inputs other than quoted market prices described in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

Level 3: unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurement of the assets or liabilities.

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Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk principally consist of cash and cash equivalents, short-term investments, trade receivables and derivatives.

The Company manages its credit risk exposure by allocating its cash equivalents among various money market mutual funds, money market deposit accounts, certificates of deposits and high- grade commercial paper. Short-term investments primarily consist of certificates of deposit as of December 31, 2014 and 2013. The Company manages its credit risk exposure on cash equivalents and short-term investments by limiting the amount it can invest with any single entity. No customer accounted for 10% or more of accounts receivable at December 31, 2014 or 2013.

Earnings per Share of Common Stock

Basic shares outstanding is calculated based on the weighted average number of shares of common stock outstanding during the reporting period. Diluted shares outstanding is calculated giving effect to all potentially dilutive common shares, assuming that such shares were outstanding during the reporting period.

Pension and Other Retirement Benefits

Moody s maintains various noncontributory DBPPs as well as other contributory and noncontributory retirement plans. The expense and assets/liabilities that the Company reports for its pension and other retirement benefits are dependent on many assumptions concerning the outcome of future events and circumstances. These assumptions represent the Company s best estimates and may vary by plan. The differences between the assumptions for the expected long-term rate of return on plan assets and actual experience is spread over a five-year period to the market related value of plan assets which is used in determining the expected return on assets component of annual pension expense. All other actuarial gains and losses are generally deferred and amortized over the estimated average future working life of active plan participants.

The Company recognizes as an asset or liability in its consolidated balance sheet the funded status of its defined benefit retirement plans, measured on a plan-by-plan basis. Changes in the funded status due to actuarial gains/losses are recorded as part of other comprehensive income during the period the changes occur.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Estimates are used for, but not limited to, revenue recognition, accounts receivable allowances, income taxes, contingencies, valuation of long-lived and intangible assets, goodwill, pension and other retirement benefits, stock-based compensation, and depreciable lives for property and equipment and computer software.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers . 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. This ASU is effective for annual and interim reporting periods beginning after December 15, 2016 and early adoption is not permitted. The Company is currently evaluating its adoption options and the impact that adoption of this update will have on its consolidated financial statements. Currently, the Company believes this ASU will have an impact on: i) the capitalization of certain contract implementation costs for its ERS business; ii) the accounting for certain ratings monitoring fees received in advance of the service being rendered; iii) the accounting for certain license and maintenance revenue in MA; iv) the accounting for certain ERS revenue arrangements where VSOE is not available and v) the accounting for contract acquisition costs.

In June 2014, the FASB issued ASU No. 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. This ASU clarifies the current accounting guidance for entities that issue share-based payment awards that require a specific performance target be achieved for employees to become eligible to vest in the awards, which may occur subsequent to a required service period. The current accounting guidance does not explicitly address how to account for these types of awards. The ASU provides explicit guidance and clarifies that these types of performance targets should be treated as performance conditions, and accordingly should not be reflected in the determination of the grant-date fair value of the award. This ASU is effective for all annual periods and interim reporting periods beginning after December 15, 2015, with early adoption permitted. The Company currently accounts for transactions involving stock-based compensation awards with performance conditions in accordance with the provisions set forth in this ASU. Accordingly, the adoption of this update will not have an impact on the Company s consolidated financial statements.

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NOTE 3 **RECONCILIATION OF WEIGHTED AVERAGE SHARES OUTSTANDING**
Below is a reconciliation of basic to diluted shares outstanding:

	Year Ended December 31,		
	2014	**2013**	**2012**
Basic	**210.7**	219.4	223.2
Dilutive effect of shares issuable under stock-based compensation plans	**4.0**	4.1	3.4
Diluted	**214.7**	223.5	226.6
Antidilutive options to purchase common shares and restricted stock as well as contingently issuable restricted stock which are excluded from the table above	**0.7**	4.0	7.5

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 December 31, 2014, 2013 and 2012. These assumed proceeds include Excess Tax Benefits and any unrecognized compensation on the awards.

NOTE 4 **CASH EQUIVALENTS AND INVESTMENTS**
The table below provides additional information on the Company s cash equivalents and investments:

	As of December 31, 2014					
				Balance sheet location		
	Cost	**Gross Unrealized Gains**	**Fair Value**	**Cash and cash equivalents**	**Short-term investments**	**Other assets**
Money market mutual funds	**$ 149.7**	**$**	**$ 149.7**	**$ 149.7**	**$**	**$**
Certificates of deposit and money market deposit accounts [1]	**$ 842.5**	**$**	**$ 842.5**	**$ 380.1**	**$ 458.1**	**$ 4.3**
Fixed maturity and open ended mutual funds [2]	**$ 47.1**	**$ 0.9**	**$ 48.0**	**$**	**$**	**$ 48.0**

	As of December 31, 2013					
				Balance sheet location		
	Cost	**Gross Unrealized Gains**	**Fair Value**	**Cash and cash equivalents**	**Short-term investments**	**Other assets**

Money market mutual funds	$	212.3	$		$	212.3	$	212.3	$		$	
Certificates of deposit and money market deposit accounts [1]	$	911.8	$		$	911.8	$	725.0	$	186.8	$	

(1) 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 month to ten months at December 31, 2014 and one month to nine months at December 31, 2013. Time deposits with a maturity of less than 90 days at time of purchase are classified as cash and cash equivalents.

(2) Consists of investments in fixed maturity mutual funds and open-ended mutual funds held by ICRA. The remaining contractual maturities for the fixed maturity instruments range from two months to 23 months at December 31, 2014.

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 which are more fully described in Note 2.

The total proceeds received in the year ended December 31, 2014 for maturities of fixed maturity mutual funds was $10.7 million. The gross realized gains on these maturities were immaterial.

NOTE 5 **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.

Interest Rate Swaps

In the fourth quarter of 2010, the Company entered into interest rate swaps with a total notional amount of $300 million to convert the fixed interest rate on the Series 2005-1 Notes to a floating interest rate based on the 3-month LIBOR. The purpose of this hedge was to mitigate the risk associated with changes in the fair value of the Series 2005-1 Notes, thus the Company designated these swaps as fair value hedges. The fair value of the swaps was adjusted quarterly with a corresponding adjustment to the carrying value of the Series 2005-1 Notes. The changes in the fair value of the hedges and the underlying hedged item generally offset and the net cash settlements on the swaps were recorded each period within interest income (expense), net, in the Company s consolidated statement of operations. In August of 2014, the Company terminated the swaps on the Series 2005-1 Notes concurrent with the early retirement of those notes as further described in Note 15. The termination of these swaps resulted in a gain of approximately $4 million in 2014 which is recorded in interest income (expense), net in the Company s consolidated statement of operations.

In the second quarter of 2014, the Company entered into interest rate swaps with a total notional amount of $250 million to convert the fixed interest rate on the 2010 Senior Notes to a floating interest rate based on the 3-month LIBOR. In the third quarter of 2014, the Company entered into interest rate swaps with a total notional amount of $250 million to convert the fixed interest rate on the remaining balance of the 2010 Senior Notes 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 2010 Senior Notes, 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 2010 Senior Notes. The changes in the fair value of the hedges and the underlying hedged item generally offset and the net cash settlements on the swaps are recorded each period within interest income (expense), net, in the Company s consolidated statement of operations.

In the third quarter of 2014, the Company entered into interest rate swaps with a total notional amount of $250 million to convert the fixed interest rate on a portion of the 2014 Senior Notes (5-year) to a floating interest rate based on the 3-month LIBOR. The purpose of this hedge was to mitigate the risk associated with changes in the fair value of a portion of the 2014 Senior Notes (5-year), 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 2014 Senior Notes (5-year). The changes in the fair value of the hedges and the underlying hedged item generally offset and the net cash settlements on the swaps are recorded each period within interest income (expense), net, in the Company s consolidated statement of operations.

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 the subsidiary s functional currency. These forward contracts are not designated as hedging instruments 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 income (expense), 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 March 2015.

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

		December 31, 2014		December 31, 2013
Notional amount of Currency Pair:				
Contracts to purchase USD with euros	**$**	**38.5**	$	14.2
Contracts to sell USD for euros	**$**	**51.1**	$	53.2
Contracts to purchase USD with GBP	**$**	**0.2**	$	
Contracts to purchase USD with other foreign currencies	**$**	**1.2**	$	
Contracts to purchase euros with other foreign currencies		**34.0**		13.1
Contracts to purchase euros with GBP		**25.0**		22.1
Contracts to sell euros for GBP		**38.2**		

Net Investment Hedges

The Company enters into foreign currency forward contracts to hedge the exposure related to non-U.S. dollar net investments in certain foreign subsidiaries against adverse changes in foreign exchange rates. These forward contracts are designated as hedging instruments 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 forward contracts on a pre-tax basis. For hedges that meet the effectiveness requirements, any change in fair value for the hedge is recorded in OCI. Any change in the fair value of these hedges that is the result of ineffectiveness would be recognized immediately in other non-operating (expense) income in the Company s consolidated statements of operations. These outstanding contracts expire in March 2015 for contracts to sell euros for USD and in November 2015 for contracts to sell Japanese yen for USD.

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

		December 31, 2014		December 31, 2013
Notional amount of Currency Pair:				
Contracts to sell euros for USD		**50.0**		50.0
Contracts to sell Japanese yen for USD	**¥**	**19,400**	¥	19,700

The table below shows the classification between assets and liabilities on the Company s consolidated balance sheets for the fair value of the derivative instruments:

	Fair Value of Derivative Instruments				
	Balance Sheet Location		December 31, 2014		December 31, 2013
Assets:					
Derivatives designated as accounting hedges:					
Interest rate swaps	Other assets	**$**	**17.4**	$	10.3
FX forwards on net investment in certain foreign subsidiaries	Other current assets		**18.8**		9.3
Total derivatives designated as accounting hedges			**36.2**		19.6
Derivatives not designated as accounting hedges:					
FX forwards on certain assets and liabilities	Other current assets		**5.6**		0.9
Total		**$**	**41.8**	$	20.5
Liabilities:					
Derivatives designated as accounting hedges:					
FX forwards on net investment in certain foreign subsidiaries	Accounts payable and accrued liabilities	**$**		$	1.0
Total derivatives designated as accounting hedges					1.0
Derivatives not designated as accounting hedges:					
			2.1		0.7

FX forwards on certain assets and liabilities	Accounts payable and accrued liabilities				
Total		**$**	**2.1**	$	1.7

The following table summarizes the net gain (loss) on the Company s foreign exchange forwards which are not designated as hedging instruments as well as the gain (loss) on the interest rate swaps designated as fair value hedges:

		Amount of Gain (Loss) Recognized in consolidated statement of operations					
		Year Ended December 31,					
			2014		**2013**		**2012**
Derivatives designated as accounting hedges	**Location on Consolidated Statements of Operations**						
Interest rate swaps	Interest income (expense), net	**$**	**11.7**	$	4.2	$	3.6
Derivatives not designated as accounting hedges							
Foreign exchange forwards	Other non-operating (expense) income	**$**	**(2.0)**	$	2.1	$	0.9

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The following table provides information on annual gains (losses) on the Company s net investment hedges:

Derivatives in Net Investment Hedging Relationships	Amount of Gain/(Loss), net of tax, Recognized in AOCI on Derivative (Effective Portion) Year Ended December 31,		
	2014	**2013**	**2012**
FX forwards	**$ 19.4**	$ 3.7	$ (2.2)
Total	**$ 19.4**	$ 3.7	$ (2.2)

All gains and losses on derivatives designated as net investment hedges are recognized through OCI.

There were no gains or losses reclassified from AOCI to the statement of operations or any hedge ineffectiveness in the years ended December 31, 2014, 2013 and 2012.

The cumulative amount of hedge gain (losses) recorded in AOCI relating to derivative instruments is as follows:

	Gains (Losses), net of tax	
	December 31, 2014	**December 31, 2013**
FX forwards on net investment hedges	**$ 20.9**	$ 1.5

NOTE 6 **PROPERTY AND EQUIPMENT, NET**

Property and equipment, net consisted of:

	December 31,	
	2014	**2013**
Office and computer equipment (3 10 year estimated useful life)	**$ 152.5**	$ 129.7
Office furniture and fixtures (3 10 year estimated useful life)	**43.8**	40.6
Internal-use computer software (3 10 year estimated useful life)	**336.8**	284.9
Leasehold improvements and building (3 20 year estimated useful life)	**220.7**	199.2
Total property and equipment, at cost	**753.8**	654.4
Less: accumulated depreciation and amortization	**(451.5)**	(375.7)
Total property and equipment, net	**$ 302.3**	$ 278.7

Depreciation and amortization expense related to the above assets was $67.2 million, $65.4 million, and $63.4 million for the years ended December 31, 2014, 2013 and 2012, respectively.

NOTE 7 **ACQUISITIONS**

All of the acquisitions described below were accounted for using the acquisition method of accounting whereby assets acquired and liabilities assumed were recognized at their acquisition date fair value. Any excess of the purchase price over the fair value of the assets acquired and liabilities assumed was recorded to goodwill. For all of the acquisitions described below, the Company has not presented proforma combined results for the acquisitions because the impact on previously reported statements of operations would not have been material. Furthermore, for all acquisitions described below, the amount of revenue and expenses in the year of acquisition from the acquisition date through the end of the year was not material. These acquisitions are discussed below in more detail.

Lewtan Technologies

On October 27, 2014, a subsidiary of the Company acquired 100% of Lewtan Technologies, a leading provider of analytical tools and data for the global structured finance market. The acquisition of Lewtan will bolster MA s Structured Analytics and Valuations (SAV) business within its RD&A LOB, which provides an extensive data and analytics library for securitized assets. The aggregate purchase price was not material and the near term impact to the Company s operations and cash flows is not expected to be material. Lewtan will operate in the RD&A LOB of MA and goodwill related to this acquisition was allocated to the RD&A reporting unit.

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WebEquity Solutions, LLC

On July 17, 2014, a subsidiary of the Company acquired 100% of WebEquity Solutions, LLC, a leading provider of cloud-based loan origination solutions for financial institutions. The cash payment to the sellers of $130.5 million was funded using Moody s U.S. cash. This acquisition will enhance MA s risk management product portfolio.

The Company incurred approximately $2 million of costs directly related to this acquisition in 2014, which are recorded within selling, general and administrative expenses in the Company s consolidated statements of operations.

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

Current assets			$	3.0
Property and equipment, net				2.3
Intangible assets:				
Client relationships (18 year weighted average life)	$	42.8		
Software (15 year weighted average life)		11.5		
Trade name (4 year weighted average life)		0.5		
Total intangible assets (17 year weighted average life)				54.8
Goodwill				77.6
Liabilities assumed				(7.2)
Net assets acquired			$	130.5

Current assets include acquired cash of $0.6 million. Additionally, current assets includes gross accounts receivable of $0.7 million, of which an immaterial amount is not expected to be collectible. The acquired goodwill, which has been assigned to the MA segment, will be deductible for tax.

As of the date of the acquisition, WebEquity is part of the ERS reporting unit.

ICRA Limited

On June 26, 2014, a subsidiary of the Company acquired 2,154,722 additional shares of ICRA Limited, a publicly traded company in India, pursuant to a conditional open tender offer which was initiated in February 2014. ICRA is a leading provider of credit ratings and research in India and will extend MIS s reach in the growing domestic debt market in India as well as other emerging markets in the region. The acquisition of the additional shares increased Moody s ownership stake in ICRA from 28.5% to 50.06%, resulting in a controlling interest in ICRA. Accordingly, the Company consolidates ICRA s financial statements on a three month lag which resulted in only one quarter of ICRA s operating results included in the Company s statement of operations in 2014.

Prior to the acquisition of the additional shares, Moody s accounted for its investment in ICRA on an equity basis whereby the Company recorded its proportional share of the investment s net income or loss as part of other non-operating income (expense), net. The acquisition of the additional shares has resulted in the Company consolidating ICRA into its financial statements. As a result of this consolidation and in accordance with ASC 805, the carrying value of the Company s equity investment in ICRA was remeasured to fair value as of the acquisition date resulting in a pre-tax gain of $102.8 million ($78.5 million after-tax) in 2014. The fair value of the Company s equity investment was based on ICRA s quoted market price on the date of acquisition.

The Company incurred approximately $2 million of costs directly related to the acquisition of ICRA during 2014 which are recorded within selling, general and administrative expenses in the Company s consolidated statements of operations.

The table below details the total consideration relating to the ICRA step-acquisition:

Cash paid	$	86.0
Fair value of equity interest in ICRA prior to obtaining a controlling interest		124.9
Total consideration	$	210.9

The cash paid in the table above was funded by using Moody s non-U.S. cash on hand.

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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			$	25.4
Property and equipment, net				15.1
Intangible assets:				
Trade name (36 year weighted average life)	$	46.8		
Client relationships (19 year weighted average life)		33.8		
Other (17 year weighted average life) *		18.3		
Total intangible assets (26 year weighted average life)				98.9
Goodwill				296.7
Other assets				56.3
Liabilities				(62.7)
Fair value of non-controlling interest assumed				(218.8)
Net assets acquired			$	210.9

* Primarily consists of acquired technical know-how and ratings methodologies

Current assets include acquired cash of approximately $5 million. Additionally, current assets includes gross accounts receivable of approximately $14 million, of which an immaterial amount is not expected to be collectible. Goodwill, which has been assigned to the MIS segment, is not deductible for tax.

The fair value of the non-controlling interest was determined based on the quoted market price per share of ICRA on the date that the Company acquired the controlling stake.

ICRA will operate as its own reporting unit for purposes of the Company s annual goodwill impairment assessment.

Amba Investment Services

On December 10, 2013, Copal Partners Limited, a majority-owned subsidiary of the Company, acquired 100% of Amba Investment Services, a provider of investment research and quantitative analytics for global financial institutions. Amba currently operates within the PS LOB of MA and will bolster the research and analytical capabilities offered by MA through Copal, a majority of which was acquired in December 2011. The table below details the total consideration transferred to the sellers of Amba:

Cash paid	$	67.3
Contingent consideration liability assumed		4.3
Total fair value of consideration transferred	$	71.6

The cash payment to the sellers was funded by using Moody s non-U.S. cash on hand.

The purchase agreement contained a provision for a contingent cash payment to the sellers valued at $4.3 million at the acquisition date which was dependent on Amba achieving certain revenue targets for the period from the acquisition date through March 31, 2014. The target was met and a $4.3 million payment was made to the sellers in the third quarter of 2014.

The Company incurred approximately $1 million of costs directly related to the acquisition of Amba during the year ended December 31, 2013. These costs, which primarily consist of consulting and legal fees, are recorded within selling, general and administrative expenses in the Company s consolidated statements of operations.

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

Current assets			$	23.7
Property and equipment, net				0.4
Intangible assets:				
Trade name (7 year weighted average life)	$	3.3		
Client relationships (12 year weighted average life)		26.7		
Other (3 year weighted average life)		1.6		
Total intangible assets (11 year weighted average life)				31.6
Goodwill				29.2
Indemnification asset				10.4
Other assets				2.0
Liabilities assumed				(25.7)
Net assets acquired			$	71.6

Current assets include acquired cash of approximately $16 million. Additionally, current assets includes gross accounts receivable of approximately $6 million, of which an immaterial amount is not expected to be collectible. The acquired goodwill, which has been assigned to the MA segment, will not be deductible for tax.

In connection with the acquisition, the Company assumed liabilities relating to certain UTPs. These UTPs 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 UTPs. Accordingly, the Company carries an indemnification asset on its consolidated balance sheet at December 31, 2014.

As of the date of the acquisition, Amba was integrated with Copal to form the Copal Amba reporting unit.

NOTE 8 **GOODWILL AND OTHER ACQUIRED INTANGIBLE ASSETS**

The following table summarizes the activity in goodwill:

	Year Ended December 31, 2014							
	MIS			**MA**			**Consolidated**	
	Gross goodwill	**Accumulated Impairment charge**	**Net goodwill**	**Gross goodwill**	**Accumulated Impairment charge**	**Net goodwill**	**Gross goodwill**	**Accumulated Impairment charge**
t	**$ 11.4**	**$**	**$ 11.4**	**$ 666.0**	**$ (12.2)**	**$ 653.8**	**$ 677.4**	**$**