MOODYS CORP /DE/
Form 10-Q
May 04, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark one)

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

For the quarterly period ended March 31, 2016

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, N.Y.	**10007**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant s telephone number, including area code:

(212) 553-0300

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

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

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

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

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

Title of Each Class	**Shares Outstanding at March 31, 2016**
Common Stock, par value $0.01 per share	194.3 million

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MOODY S CORPORATION

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Exhibits Filed Herewith

10.1	Second Amendment to the Profit Participation Plan of Moody s Corporation
31.1	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Chief Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.DEF	XBRL Definitions Linkbase Document
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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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 depreciation and amortization
Adjusted Operating Margin	Operating margin excluding depreciation and amortization
Amba	Amba Investment Services; a provider of outsourced investment research and quantitative analytics for global financial institutions; a majority owned 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
ASC	The FASB Accounting Standards Codification; the sole source of authoritative GAAP as of July 1, 2009 except for rules and interpretive releases of the SEC, which are also sources of authoritative GAAP for SEC registrants
Asia-Pacific	Represents countries in Asia including but not limited to: Australia, China, India, Indonesia, Japan, Korea, Malaysia, Singapore, Sri Lanka and Thailand
ASU	The FASB Accounting Standards Update to the ASC. It also provides background information for accounting guidance and the bases for conclusions on the changes in the ASC. ASUs are not considered authoritative until codified into the ASC
BlackBox	BlackBox Logic; a leading provider of Residential Mortgage-Backed securities loan level data. The Company acquired the customer base and products of BlackBox Logic in December 2015
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 the CREF asset class within SFG
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 and reporting unit 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
CRAs	Credit rating agencies
CRA3	Regulation (EU) No 462/2013 of the European Parliament and of the Council, which updated the regulatory regimes imposing additional procedural requirements on CRAs
CREF	

	Commercial real estate finance which includes REITs, commercial real estate CDOs and mortgage-backed securities; part of SFG
CSI	CSI Global Education, Inc.; an acquisition completed in November 2010; part of the MA segment; a provider of financial learning, credentials, and certification services primarily in Canada

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TERM	DEFINITION
D&A	Depreciation and amortization
D&B Business	Old D&B s Dun & Bradstreet operating company
DBPP	Defined benefit pension plans
Debt/EBITDA	Ratio of Total Debt to EBITDA
EBITDA	Earnings before interest, taxes, depreciation and amortization
ECCA	Economics and Consumer Credit Analytics; a business within the RD&A LOB which provides economic and consumer credit trend analytics
EMEA	Represents countries within Europe, the Middle East and Africa
EPS	Earnings per share
Equilibrium	A leading provider of credit rating and research services in Peru and Panama; acquired by Moody s in May 2015
ERS	The enterprise risk solutions LOB within MA, which offers risk management software products as well as software implementation services and related risk management advisory engagements
ESMA	European Securities and Markets Authority
ETR	Effective tax rate
EU	European Union
EUR	Euros
European Ratings Platform	Central credit ratings website administered by ESMA
Excess Tax Benefits	The difference between the tax benefit realized at exercise of an option or delivery of a restricted share and the tax benefit recorded at the time the option or restricted share is expensed under GAAP
Exchange Act	The Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FIG	Financial institutions group; an LOB of MIS
Financial Reform Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
Free Cash Flow	Net cash provided by operating activities less cash paid for capital additions
FSTC	Financial Services Training and Certifications; 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
GGY	Gilliland Gold Young; a leading provider of advanced actuarial software for the global insurance industry. The Company acquired GGY on March 1, 2016
ICRA	ICRA Limited; a leading provider of credit ratings and research in India. The Company previously held 28.5% equity ownership and in June 2014, increased that ownership stake to just over 50% through the acquisition of additional shares
IRS	Internal Revenue Service
IT	Information technology
KIS	Korea Investors Service, Inc; a leading Korean rating agency and consolidated subsidiary of the Company
KIS Pricing	

	Korea Investors Service Pricing, Inc; a leading Korean provider of fixed income securities pricing and consolidated subsidiary of the Company
Legacy Tax Matter(s)	Exposures to certain potential tax liabilities assumed in connection with the 2000 Distribution

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TERM	DEFINITION
Lewtan	Lewtan Technologies; a leading provider of analytical tools and data for the global structured finance market; part of the RD&A LOB within MA; an acquisition completed in October 2014
LIBOR	London Interbank Offered Rate
LOB	Line of business
MA	Moody s Analytics a reportable segment of MCO formed in January 2008 which provides a wide range of products and services that support financial analysis and risk management activities of institutional participants in global financial markets; consists of three LOBs RD&A, ERS and PS
M&A	Mergers and acquisitions
Make Whole Amount	The prepayment penalty amount relating to the Series 2007-1 Notes, 2010 Senior Notes, 2012 Senior Notes, 2013 Senior Notes, 2014 Senior Notes (5-year), 2014 Senior Notes (30-year) and 2015 Senior Notes which is 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; consists of five LOBs SFG, CFG, FIG, PPIF and MIS Other
MIS Other	Consists of non-ratings revenue from ICRA, KIS Pricing and KIS Research. These businesses are components of MIS; MIS Other is an LOB of MIS
Moody s	Moody s Corporation and its subsidiaries; MCO; the Company
MSS	Moody s Shared Services
Net Income	Net income attributable to Moody s Corporation, which excludes net income from consolidated noncontrolling interests belonging to the minority interest holder
New D&B	The New D&B Corporation which is comprised of the D&B Business
NM	Percentage change is not meaningful
Non-GAAP	A financial measure not in accordance with GAAP; these measures, when read in conjunction with the Company s reported results, can provide useful supplemental information for investors analyzing period-to-period comparisons of the Company s performance, facilitate comparisons to competitors operating results and to provide greater transparency to investors of supplemental information used by management in its financial and operational decision making
NRSRO	Nationally Recognized Statistical Rating Organization
OCI	Other comprehensive income (loss); includes gains and losses on cash flow and net investment hedges, unrealized gains and losses on available for sale securities, certain gains and losses relating to pension and other retirement benefit obligations and foreign currency translation adjustments
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 Plan	The U.S. retirement healthcare and U.S. retirement life insurance plans
PPIF	Public, project and infrastructure finance; an LOB of MIS
Profit Participation Plan	Defined contribution profit participation plan that covers substantially all U.S. employees of the Company
PS	Professional Services, an LOB within MA that provides outsourced research and analytical services as well as financial training and certification programs
RD&A	Research, Data and Analytics; an LOB within MA that produces, sells and distributes research, data and related content. Includes products generated by MIS, such as analyses on major debt issuers, industry studies, and commentary on topical credit events, as well as economic research, data,

quantitative risk scores, and other analytical tools that are produced within MA

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TERM	DEFINITION
Reform Act	Credit Rating Agency Reform Act of 2006
REIT	Real Estate Investment Trust
Relationship Revenue	Represents MIS 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. For MIS Other represents subscription-based revenue. For MA, represents subscription-based and maintenance revenue
Retirement Plans	Moody s funded and unfunded pension plans, the healthcare plans and life insurance plans
SAV	Structured Analytics and Valuation; a business within the RD&A LOB which provides data and analytics for securitized assets
SEC	U.S. Securities and Exchange Commission
Securities Act	Securities Act of 1933
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
Total Debt	All indebtedness of the Company as reflected on the consolidated balance sheets
Transaction Revenue	For MIS, represents the initial rating of a new debt issuance as well as other one-time fees. For MIS Other, represents revenue from professional services and outsourcing engagements. For MA, represents software license fees and revenue from risk management advisory projects, training and certification services, and outsourced research and analytical engagements
U.K.	United Kingdom
U.S.	United States
USD	U.S. dollar
UTBs	Unrecognized tax benefits
UTPs	Uncertain tax positions
VSOE	Vendor specific objective evidence; as defined in the ASC, evidence of selling price limited to either of the following: the price charged for a deliverable when it is sold separately, or for a deliverable not yet being sold separately, the price established by management having the relevant authority
2000 Distribution	The distribution by Old D&B to its shareholders of all the outstanding shares of New D&B common stock on September 30, 2000
2007 Agreement	Note purchase agreement dated September 7, 2007, relating to the Series 2007-1 Notes
2010 Indenture	Supplemental indenture and related agreements dated August 19, 2010, relating to the 2010 Senior Notes
2010 Senior Notes	Principal amount of $500 million, 5.50% senior unsecured notes due in September 2020 pursuant to the 2010 Indenture

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TERM	DEFINITION
2012 Facility	Revolving credit facility of $1 billion entered into on April 18, 2012; was replaced with the 2015 Facility
2012 Indenture	Supplemental indenture and related agreements dated August 18, 2012, relating to the 2012 Senior Notes
2012 Senior Notes	Principal amount of $500 million, 4.50% senior unsecured notes due in September 2022 pursuant to the 2012 Indenture
2013 Indenture	Supplemental indenture and related agreements dated August 12, 2013, relating to the 2013 Senior Notes
2013 Senior Notes	Principal amount of the $500 million, 4.875% senior unsecured notes due in February 2024 pursuant to the 2013 Indenture
2014 Indenture	Supplemental indenture and related agreements dated July 16, 2014, relating to the 2014 Senior Notes
2014 Senior Notes (5-Year)	Principal amount of $450 million, 2.75% senior unsecured notes due in July 2019
2014 Senior Notes (30-Year)	Principal amount of $600 million, 5.25% senior unsecured notes due in July 2044
2015 Facility	Five-year unsecured revolving credit facility, with capacity to borrow up to $1 billion; replaces the 2012 Facility
2015 Indenture	Supplemental indenture and related agreements dated March 9, 2015, relating to the 2015 Senior Notes
2015 Senior Notes	Principal amount 500 million, 1.75% senior unsecured notes issued March 9, 2015 and due in March 2027
7WTC	The Company s corporate headquarters located at 7 World Trade Center in New York, NY
7WTC Lease	Operating lease agreement entered into on October 20, 2006

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MOODY S CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(Amounts in millions, except per share data)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Revenue	**$ 816.1**	**865.6**
Expenses		
Operating	249.2	244.4
Selling, general and administrative	232.9	221.3
Depreciation and amortization	29.9	28.6
Total expenses	**512.0**	**494.3**
Operating income	**304.1**	**371.3**
Non-operating (expense) income, net		
Interest expense, net	(34.1)	(29.3)
Other non-operating income, net	5.6	2.5
Total non-operating expense, net	**(28.5)**	**(26.8)**
Income before provision for income taxes	**275.6**	**344.5**
Provision for income taxes	89.0	113.2
Net income	186.6	231.3
Less: Net income attributable to noncontrolling interests	2.2	1.2
Net income attributable to Moody s	**$ 184.4**	**230.1**
Earnings per share attributable to Moody s common shareholders		
Basic	$ 0.95	$ 1.14
Diluted	$ 0.93	$ 1.11
Weighted average number of shares outstanding		
Basic	195.0	202.7
Diluted	197.9	206.5

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

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MOODY S CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(Amounts in millions)

	Three Months Ended March 31, 2016			2015		
	Pre-tax amounts	Tax amounts	After-tax amounts	Pre-tax amounts	Tax amounts	After-tax amounts
Net income			**$ 186.6**			$ 231.3
Other comprehensive income (loss):						
Foreign currency translation:						
Foreign currency translation adjustments	**$ 48.5**	**$ (12.5)**	**36.0**	$ (77.8)	$ (12.7)	(90.5)
Foreign currency translation adjustments - reclassification of gains included in net income				(0.1)		(0.1)
Cash flow hedges:						
Net unrealized gain on cash flow hedges	**2.0**	**(0.8)**	**1.2**			
Reclassification of gains included in net income	**(2.2)**	**0.8**	**(1.4)**			
Available for sale securities:						
Net unrealized gains on available for sale securities	**0.6**		**0.6**	1.1		1.1
Pension and Other Retirement Benefits:						
Amortization of actuarial losses and prior service costs included in net income	**2.6**	**(1.0)**	**1.6**	3.8	(1.5)	2.3
Total other comprehensive income (loss)	**$ 51.5**	**$ (13.5)**	**38.0**	$ (73.0)	$ (14.2)	(87.2)
Comprehensive income			**224.6**			144.1
Less: comprehensive income attributable to noncontrolling interests			**2.2**			1.2
Comprehensive income attributable to Moody s			**$ 222.4**			$142.9

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

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MOODY S CORPORATION

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

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

	March 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,576.1	$ 1,757.4
Short-term investments	490.6	474.8
Accounts receivable, net of allowances of $27.6 in 2016 and $27.5 in 2015	852.1	802.0
Deferred tax assets, net		29.3
Other current assets	166.5	179.6
Total current assets	3,085.3	3,243.1
Property and equipment, net of accumulated depreciation of $541.6 in 2016 and $518.9 in 2015	310.5	306.4
Goodwill	1,050.9	976.3
Intangible assets, net	329.2	299.1
Deferred tax assets, net	176.2	137.7
Other assets	162.8	140.4
Total assets	**$ 5,114.9**	$ 5,103.0
LIABILITIES AND SHAREHOLDERS DEFICIT		
Current liabilities:		
Accounts payable and accrued liabilities	$ 391.5	$ 566.6
Deferred tax liabilities, net		16.7
Deferred revenue	760.4	635.2
Total current liabilities	1,151.9	1,218.5
Non-current portion of deferred revenue	135.1	132.5
Long-term debt	3,428.6	3,380.6
Deferred tax liabilities, net	118.6	83.8
Unrecognized tax benefits	209.9	203.4
Other liabilities	422.3	417.2
Total liabilities	5,466.4	5,436.0
Contingencies (Note 14)		
Shareholders deficit:		
Preferred stock, par value $.01 per share; 10,000,000 shares authorized; no shares issued and outstanding		
Series common stock, par value $.01 per share; 10,000,000 shares authorized; no shares issued and outstanding		
Common stock, par value $.01 per share; 1,000,000,000 shares authorized; 342,902,272 shares issued at March 31, 2016 and December 31, 2015, respectively.	3.4	3.4
Capital surplus	431.7	451.3
Retained earnings	6,895.1	6,709.0
Treasury stock, at cost; 148,575,058 and 146,826,744 shares of common stock at March 31, 2016 and December 31, 2015, respectively	(7,610.3)	(7,389.2)
Accumulated other comprehensive loss	(301.5)	(339.5)

Total Moody s shareholders deficit	(581.6)	(565.0)
Noncontrolling interests	230.1	232.0
Total shareholders deficit	(351.5)	(333.0)
Total liabilities and shareholders deficit	**$ 5,114.9**	$ 5,103.0

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

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MOODY S CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Amounts in millions)

	Three Months Ended March 31, 2016	2015
Cash flows from operating activities		
Net income	$ 186.6	$ 231.3
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	29.9	28.6
Stock-based compensation expense	25.4	22.7
Deferred income taxes	11.3	7.6
Excess tax benefits from stock-based compensation plans	(16.3)	(37.4)
Changes in assets and liabilities:		
Accounts receivable	(45.5)	(62.7)
Other current assets	13.6	2.9
Other assets	1.5	(13.9)
Accounts payable and accrued liabilities	(99.0)	(72.8)
Deferred revenue	122.6	127.9
Unrecognized tax benefits and other non-current tax liabilities	5.3	7.4
Other liabilities	1.9	20.2
Net cash provided by operating activities	**237.3**	**261.8**
Cash flows from investing activities		
Capital additions	(26.3)	(19.0)
Purchases of investments	(134.6)	(167.9)
Sales and maturities of short-term investments	126.1	116.8
Acquisitions, net of cash acquired	(75.9)	
Settlement of net investment hedges	2.3	20.8
Net cash used in investing activities	**(108.4)**	**(49.3)**
Cash flows from financing activities		
Issuance of notes		552.8
Proceeds from stock-based compensation plans	24.3	34.8
Repurchase of shares for payroll tax withholdings related to stock-based compensation	(42.7)	(58.7)
Cost of treasury shares repurchased	(262.1)	(365.8)
Excess tax benefits from settlement of stock-based compensation plans	16.3	37.4
Payment of dividends	(72.1)	(68.7)
Payment of dividends to noncontrolling interests	(2.9)	(3.7)
Debt issuance costs and related fees		(4.2)
Net cash (used in) provided by financing activities	**(339.2)**	**123.9**
Effect of exchange rate changes on cash and cash equivalents	**29.0**	**(46.0)**
Net (decrease) increase in cash and cash equivalents	**(181.3)**	**290.4**
Cash and cash equivalents, beginning of the period	1,757.4	1,219.5

Cash and cash equivalents, end of the period	**$ 1,576.1**	**$ 1,509.9**

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

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MOODY S CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

NOTE 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

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

MIS, the credit rating agency, publishes credit ratings on a wide range of debt obligations and the entities that issue such obligations in markets worldwide. Revenue is primarily derived from the originators and issuers of such transactions who use MIS ratings in the distribution of their debt issues to investors. Additionally, MIS earns revenue from certain non-ratings-related operations, which consist primarily of the distribution of research and fixed income pricing services in the Asia-Pacific region and 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.

These interim financial statements have been prepared in accordance with the instructions to Form 10-Q and should be read in conjunction with the Company s consolidated financial statements and related notes in the Company s 2015 annual report on Form 10-K filed with the SEC on February 25, 2016. The results of interim periods are not necessarily indicative of results for the full year or any subsequent period. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation of financial position, results of operations and cash flows at the dates and for the periods presented have been included. The year-end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

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

In the first quarter of 2016, the Company adopted ASU No. 2015-17 Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes on a prospective basis, and accordingly, prior year comparative periods have not been adjusted. This ASU requires the classification of all deferred income tax assets and liabilities as noncurrent on the balance sheet.

In the first quarter of 2016, the Company adopted ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs on a retrospective basis. This ASU requires a company to present debt issuance costs in the balance sheet as a reduction of debt rather than as an asset. The impact to the Company s balance sheet as of December 31, 2015 and March 31, 2016 relating to the adoption of this ASU is set forth in the table below:

	As reported December 31, 2015	Reclassification	December 31, 2015 As adjusted	As reported March 31, 2016	Reclassification	March 31, 2016 Under previous accounting guidance
Long-term debt	**$ 3,401.0**	**$ (20.4)**	**$ 3,380.6**	**$ 3,428.6**	**$ 19.9**	**$ 3,448.5**
Other assets	$ 160.8	$ (20.4)	$ 140.4	$ 162.8	$ 19.9	$ 182.7

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NOTE 2. STOCK-BASED COMPENSATION

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

	Three Months Ended March 31,	
	2016	**2015**
Stock-based compensation cost	**$ 25.4**	$ 22.7
Tax benefit	**$ 8.4**	$ 7.9

During the first three months of 2016, the Company granted 0.5 million employee stock options, which had a weighted average grant date fair value of $22.93 per share based on the Black-Scholes option-pricing model. The Company also granted 1.2 million shares of restricted stock in the first three months of 2016, which had a weighted average grant date fair value of $80.83 per share. Both the employee stock options and restricted stock generally vest ratably over a four-year period. Additionally, the Company granted approximately 0.2 million shares of performance-based awards whereby the number of shares that ultimately vest are based on the achievement of certain non-market based performance metrics of the Company over a three-year period. The weighted average grant date fair value of these awards was $76.45 per share.

The following weighted average assumptions were used in determining the fair value for options granted in 2016:

Expected dividend yield	**1.83%**
Expected stock volatility	**32.3%**
Risk-free interest rate	**1.60%**
Expected holding period	**6.8 years**
Grant date fair value	**$ 22.93**

Unrecognized compensation expense at March 31, 2016 was $16.0 million and $172.5 million for stock options and unvested restricted stock, respectively, which is expected to be recognized over a weighted average period of 1.5 years and 1.9 years, respectively. Additionally, there was $23.8 million of unrecognized compensation expense relating to the aforementioned non-market based performance-based awards, which is expected to be recognized over a weighted average period of 1.2 years.

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

	Three Months Ended March 31,	
Exercise of stock options:	**2016**	**2015**
Proceeds from stock option exercises	**$ 22.8**	$ 33.5
Aggregate intrinsic value	**$ 11.0**	$ 32.1
Tax benefit realized upon exercise	**$ 3.9**	$ 11.9
Number of shares exercised	**0.4**	0.7

	Three Months Ended March 31,	
Vesting of restricted stock:	**2016**	**2015**
Fair value of shares vested	**$ 89.3**	$ 108.9
Tax benefit realized upon vesting	**$ 29.5**	$ 35.9
Number of shares vested	**1.0**	1.1

	Three Months Ended March 31,	
Vesting of performance-based restricted stock:	**2016**	**2015**
Fair value of shares vested	**$ 23.6**	$ 43.1

Tax benefit realized upon vesting	**$ 8.4**	$ 16.1
Number of shares vested	**0.2**	0.5

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NOTE 3. INCOME TAXES

Moody s effective tax rate was 32.3% and 32.9% for the three months ended March 31, 2016 and 2015, respectively. The decrease in the ETR compared to the first quarter of 2015 was primarily due to a reduction in UTBs resulting from a change in New York City tax law relating to income apportionment.

The Company classifies interest related to UTBs in interest expense, net in its consolidated statements of operations. Penalties, if incurred, would be recognized in other non-operating (expense) income, net. The Company had an increase in its UTBs of $6.5 million ($6.2 million net of federal tax benefit) during the first quarter of 2016.

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

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

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

	Three Months Ended March 31,	
	2016	**2015**
Income taxes paid	**$ 22.0**	$ 31.4

NOTE 4. WEIGHTED AVERAGE SHARES OUTSTANDING

Below is a reconciliation of basic to diluted shares outstanding:

	Three Months Ended March 31,	
	2016	**2015**
Basic	**195.0**	**202.7**
Dilutive effect of shares issuable under stock-based compensation plans	**2.9**	**3.8**
Diluted	**197.9**	**206.5**
Anti-dilutive options to purchase common shares and restricted stock as well as contingently issuable restricted stock excluded from the table above	**1.5**	1.0

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 March 31, 2016 and 2015. These assumed proceeds include Excess Tax Benefits and any unrecognized compensation of the awards.

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

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NOTE 5. CASH EQUIVALENTS AND INVESTMENTS

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

	As of March 31, 2016					
				Balance sheet location		
	Cost	Gross Unrealized Gains	Fair Value	Cash and cash equivalents	Short-term investments	Other assets
Money market mutual funds	$ 228.6	$	$ 228.6	$ 228.6	$	$
Certificates of deposit and money market deposit accounts (1)	$ 1,097.4	$	$ 1,097.4	$ 583.9	$ 490.6	$ 22.9
Fixed maturity and open ended mutual funds (2)	$ 28.5	$ 3.7	$ 32.2	$	$	$ 32.2

	As of December 31, 2015					
				Balance sheet location		
	Cost	Gross Unrealized Gains	Fair Value	Cash and cash equivalents	Short-term investments	Other assets
Money market mutual funds	$ 188.3	$	$ 188.3	$ 188.3	$	$
Certificates of deposit and money market deposit accounts (1)	$ 1,307.3	$	$ 1,307.3	$ 809.4	$ 474.8	$ 23.1
Fixed maturity and open ended mutual funds (2)	$ 28.7	$ 3.2	$ 31.9	$	$	$ 31.9

(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 13 months at March 31, 2016 and one month to 12 months at December 31, 2015. The remaining contractual maturities for the certificates of deposits classified in other assets are one month to 24 months at March 31, 2016 and one month to 27 months at December 31, 2015. 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. The remaining contractual maturities for the fixed maturity instruments range from eight months to 28 months and 11 months to 31 months at March 31, 2016 and December 31, 2015 respectively.

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

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NOTE 6. ACQUISITIONS

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

Gilliland Gold Young (GGY)

On March 1, 2016, subsidiaries of the Company acquired 100% of GGY, a leading provider of advanced actuarial software for the life insurance industry. The cash payment of $83.4 million made at closing was funded with cash on hand. The acquisition of GGY will allow MA to provide an industry-leading enterprise risk offering for global life insurers and reinsurers.

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

Cash paid at closing	$ 83.4
Additional consideration to be paid to sellers in 2016[(1)]	3.5
Total consideration	$ 86.9

(1) Represents additional consideration due to the sellers for amounts withheld at closing pending the completion of certain administrative matters

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

Current assets		$ 11.9
Property and equipment, net		2.1
Indemnification assets		1.5
Intangible assets:		
Trade name (19 year weighted average life)	$ 3.7	
Client relationships (21 year weighted average life)	13.8	
Software (7 year weighted average life)	16.6	
Total intangible assets (14 year weighted average life)		34.1
Goodwill		58.8
Liabilities		(21.5)
Net assets acquired		$ 86.9

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

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

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

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

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NOTE 7. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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

Derivatives and non-derivative instruments designated as accounting hedges:

Interest Rate Swaps

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. In the first quarter of 2015, the Company entered into interest rate swaps with a total notional amount of $200 million to convert the fixed interest rate on the remaining balance of the 2014 Senior Notes (5-year) 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 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.

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

Derivatives designated as fair value accounting hedges	Location on Statement of Operations	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Interest rate swaps	Interest income (expense), net	**$ 3.0**	$ 3.5

Cross-currency swaps

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

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Net investment hedges

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

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

The following table summarizes the notional amounts of the Company s outstanding net investment hedges:

	March 31, 2016	December 31, 2015
Notional amount of net investment hedges:		
Long-term debt designated as net investment hedge	**400.0**	400.0
Contracts to sell GBP for euros	**£ 21.5**	£ 21.2
Contracts to sell Japanese yen for USD	**¥ 19,400**	¥ 19,400

The outstanding contracts to sell Japanese yen for USD expire in November 2016. The outstanding contracts to sell GBP for euros expire in June 2016. The hedge relating to the portion of the 2015 Senior Notes that was designated as a net investment hedge will end upon the repayment of the notes in 2027 unless terminated earlier at the discretion of the Company.

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

Derivatives and non-derivative instruments in Net Investment Hedging Relationships	**Amount of Gain/(Loss) Recognized in AOCI on Derivative (Effective Portion), net of tax Three Months Ended March 31,**		**Location of Gain/(Loss) Reclassified from AOCI into Income (Effective Portion)**	**Amount of Gain/(Loss) Reclassified from AOCI into Income (Effective Portion) Three Months Ended March 31,**	
	2016	**2015**		**2016**	**2015**
FX forwards	**$ (4.6)**	$ 11.3	N/A	**$**	$
Long-term debt	**(13.1)**	7.6	N/A		
Total net investment hedges	**$ (17.7)**	$ 18.9	N/A	**$**	$
Derivatives in cash flow hedging relationships					
Cross currency swap	**$ 1.2**	$	Other non-operating income, net	**$ 1.4**	$
Total	**$ (16.5)**	$ 18.9	Total	**$ 1.4**	$

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

	Gains (Losses), net of tax	
	March 31, 2016	**December 31, 2015**
Net investment hedges		
FX forwards	**$ 29.7**	$ 34.3
Long-term debt	**(8.4)**	4.7
Total gains (losses) on net investment hedges	**$ 21.3**	$ 39.0
Cash flow hedges		
Treasury rate lock	**$ (1.1)**	$ (1.1)
Cross currency swap	**(0.2)**	
Total losses on cash flow hedges	**(1.3)**	(1.1)
Total net gains in AOCI	**$ 20.0**	$ 37.9

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Derivatives not designated as accounting hedges:

Foreign exchange forwards

The Company also enters into foreign exchange forwards to mitigate the change in fair value on certain assets and liabilities denominated in currencies other than a subsidiary s functional currency. These forward contracts are not designated as accounting hedges under the applicable sections of Topic 815 of the ASC. Accordingly, changes in the fair value of these contracts are recognized immediately in other non-operating income, net in the Company s consolidated statements of operations along with the FX gain or loss recognized on the assets and liabilities denominated in a currency other than the subsidiary s functional currency. These contracts have expiration dates at various times through June 2016.

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

	March 31, 2016	December 31, 2015
Notional amount of currency pair:		
Contracts to purchase USD with euros	**$ 0.5**	$
Contracts to sell USD for euros	**$ 71.2**	$ 70.1
Contracts to purchase euros with other foreign currencies	**34.1**	35.5
Contracts to sell euros for other foreign currencies		1.4
Contracts to sell euros for GBP	**38.2**	23.1

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

Derivatives not designated as accounting hedges	Location on Statement of Operations	Three Months Ended March 31, 2016	2015
Foreign exchange forwards	Other non-operating income (expense), net	**$ 0.5**	$ (4.4)

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

	Derivative and Non-derivative Instruments		
	Balance Sheet Location	March 31, 2016	December 31, 2015
Assets:			
Derivatives not designated as accounting hedges:			
FX forwards on certain assets and liabilities	Other current assets	**$ 1.8**	$ 0.1
Derivatives designated as accounting hedges:			
FX forwards on net investment in certain foreign subsidiaries	Other current assets	**$ 0.3**	$ 0.4
Interest rate swaps	Other assets	**32.3**	12.1
Total derivatives designated as accounting hedges		**32.6**	12.5
Total assets		**$ 34.4**	$ 12.6
Liabilities:			
Derivatives designated as accounting hedges:			
Cross-currency swap		**$ 0.4**	$

	Other non-current liabilities		
FX forwards on net investment in certain foreign subsidiaries	Accounts payable and accrued liabilities	**12.1**	1.2
Interest rate swaps	Other non-current liabilities		0.3
Total derivatives designated as accounting hedges		**$ 12.5**	**$ 1.5**
Non-derivative instrument designated as accounting hedge			
Long-term debt designated as net investment hedge	Long-term debt	**$ 455.8**	$ 434.5
Derivatives not designated as accounting hedges:			
Cross-currency swap	Other non-current liabilities		9.0
FX forwards on certain assets and liabilities	Accounts payable and accrued liabilities	**1.0**	1.9
Total liabilities		**$ 469.3**	**$ 446.9**

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NOTE 8. GOODWILL AND OTHER ACQUIRED INTANGIBLE ASSETS

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

	Three Months Ended March 31, 2016								
	MIS			MA			Consolidated		
	Gross goodwill	Accumulated impairment charge	Net goodwill	Gross goodwill	Accumulated impairment charge	Net goodwill	Gross goodwill	Accumulated impairment charge	Net goodwill
Balance at beginning of year	$ 284.4	$	$ 284.4	$ 704.1	$ (12.2)	$ 691.9	$ 988.5	$ (12.2)	$ 976.3
Additions/adjustments				58.8		58.8	58.8		58.8
Foreign currency translation adjustments	0.1		0.1	15.7		15.7	15.8		15.8
Ending balance	$ 284.5	$	$ 284.5	$ 778.6	$ (12.2)	$ 766.4	$ 1,063.1	$ (12.2)	$ 1,050.9

	Year ended December 31, 2015								
	MIS			MA			Consolidated		
	Gross goodwill	Accumulated impairment charge	Net goodwill	Gross goodwill	Accumulated impairment charge	Net goodwill	Gross goodwill	Accumulated impairment charge	Net goodwill
Balance at beginning of year	$ 298.7	$	$ 298.7	$ 734.6	$ (12.2)	$ 722.4	$ 1,033.3	$ (12.2)	$ 1,021.1
Additions/adjustments	3.7		3.7	5.0		5.0	8.7		8.7
Foreign currency translation adjustments	(18.0)		(18.0)	(35.5)		(35.5)	(53.5)		(53.5)
Ending balance	$ 284.4	$	$ 284.4	$ 704.1	$ (12.2)	$ 691.9	$ 988.5	$ (12.2)	$ 976.3

The 2016 additions/adjustments for the MA segment in the table above relate to the acquisition of GGY. The 2015 additions/adjustments for the MIS segment in the table above relate to the acquisition of Equilibrium. The 2015 additions/adjustments for the MA segment primarily reflect an adjustment to an indemnification asset recognized as part of the Copal acquisition, goodwill acquired from the acquisition of a business from BlackBox Logic and adjustments to deferred revenue balances and deferred tax assets recognized as part of the Lewtan acquisition.

The accumulated impairment charge in the table above reflects an impairment charge recognized in 2012 relating to the FSTC reporting unit within MA. This impairment charge reflected a contraction in spending for training and certification services for many individuals and global financial institutions in 2012 due to macroeconomic uncertainties at the time. The fair value of the FSTC reporting unit utilized in this impairment assessment was estimated using a discounted cash flow methodology and comparable public company and precedent transaction multiples.

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Acquired intangible assets and related amortization consisted of:

	March 31, 2016	December 31, 2015
Customer relationships	**$ 316.2**	$ 298.4
Accumulated amortization	**(114.8)**	(110.0)
Net customer relationships	**201.4**	188.4
Trade secrets	**30.1**	29.7
Accumulated amortization	**(23.8)**	(23.1)
Net trade secrets	**6.3**	6.6
Software	**93.6**	74.7
Accumulated amortization	**(51.4)**	(47.7)
Net software	**42.2**	27.0
Trade names	**76.4**	72.4
Accumulated amortization	**(17.1)**	(16.2)
Net trade names	**59.3**	56.2
Other	**44.2**	44.3
Accumulated amortization	**(24.2)**	(23.4)
Net other	**20.0**	20.9
Total acquired intangible assets, net	**$ 329.2**	$ 299.1

Other intangible assets primarily consist of databases, covenants not to compete, and acquired ratings methodologies and models.

Amortization expense relating to acquired intangible assets is as follows:

	Three Months Ended March 31,	
	2016	2015
Amortization expense	**$ 7.9**	$ 8.5

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

Year Ending December 31,	
2016 (after March 31)	**$ 25.3**
2017	**32.3**
2018	**26.3**

2019	**23.4**
2020	**22.3**
Thereafter	**199.6**
Total estimated future amortization	**$ 329.2**

Amortizable intangible assets are reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the estimated undiscounted future cash flows are lower than the carrying amount of the related asset, a loss is recognized for the difference between the carrying amount and the estimated fair value of the asset. There were no impairments to intangible assets during the three months ended March 31, 2016 and 2015.

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NOTE 9. FAIR VALUE

The table below presents information about items that are carried at fair value at March 31, 2016 and December 31, 2015:

		Fair Value Measurement as of March 31, 2016		
	Description	Balance	Level 1	Level 2
Assets:				
	Derivatives [a]	$ 34.4	$	$ 34.4
	Money market mutual funds	228.6	228.6	
	Fixed maturity and open ended mutual funds [b]	32.2	32.2	
	Total	$ 295.2	$ 260.8	$ 34.4
Liabilities:				
	Derivatives [a]	$ 13.5	$	$ 13.5
	Total	$ 13.5	$	$ 13.5

		Fair Value Measurement as of December 31, 2015		
	Description	Balance	Level 1	Level 2
Assets:				
	Derivatives [a]	$ 12.6	$	$ 12.6
	Money market mutual funds	188.3	188.3	
	Fixed maturity and open ended mutual funds [b]	31.9	31.9	
	Total	$ 232.8	$ 220.2	$ 12.6
Liabilities:				
	Derivatives [a]	$ 12.4	$	$ 12.4
	Total	$ 12.4	$	$ 12.4

(a) Represents FX forwards, interest rate swaps and cross-currency swaps as more fully described in Note 7 to the financial statements.

(b) Consists of investments in fixed maturity mutual funds and open-ended mutual funds.

The following are descriptions of the methodologies utilized by the Company to estimate the fair value of its derivative contracts, fixed maturity plans, open ended mutual funds and money market mutual funds:

Derivatives:

In determining the fair value of the derivative contracts, the Company utilizes industry standard valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using spot rates, forward points, currency volatilities, interest rates as well as the risk of non-performance of the Company and the counterparties with whom it has derivative contracts. The Company established strict counterparty credit guidelines and only enters into transactions with financial institutions that adhere to these guidelines. Accordingly, the risk of counterparty default is deemed to be minimal.

Fixed maturity and open ended mutual funds:

The fixed maturity mutual funds and open ended mutual funds primarily represent exchange traded funds in India and are classified as securities available-for-sale. Accordingly, any unrealized gains and losses are recognized through OCI until the instruments mature or are sold.

Money market mutual funds:

The money market mutual funds represent publicly traded funds with a stable $1 net asset value.

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NOTE 10. OTHER BALANCE SHEET AND STATEMENT OF OPERATIONS INFORMATION

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

	March 31, 2016	December 31, 2015
Other current assets:		
Prepaid taxes	**$ 74.1**	$ 83.3
Prepaid expenses	**69.2**	66.9
Other	**23.2**	29.4
Total other current assets	**$ 166.5**	$ 179.6

	March 31, 2016	December 31, 2015
Other assets:		
Investments in joint ventures	**$ 30.3**	$ 28.7
Deposits for real-estate leases	**11.8**	11.4
Indemnification assets related to acquisitions	**20.7**	19.2
Mutual funds and fixed deposits	**55.1**	55.0
Other	**44.9**	26.1
Total other assets	**$ 162.8**	$ 140.4

	March 31, 2016	December 31, 2015
Accounts payable and accrued liabilities:		
Salaries and benefits	**$ 91.0**	$ 83.0
Incentive compensation	**35.3**	137.2
Customer credits, advanced payments and advanced billings	**26.9**	24.6
Self-insurance reserves	**18.8**	19.7
Dividends	**6.8**	78.2
Professional service fees	**59.3**	54.5
Interest accrued on debt	**18.2**	59.4
Accounts payable	**14.4**	22.2
Income taxes	**41.5**	11.5
Pension and other retirement employee benefits	**5.8**	6.2
Other	**73.5**	70.1
Total accounts payable and accrued liabilities	**$ 391.5**	$ 566.6

	March 31, 2016	December 31, 2015
Other liabilities:		
Pension and other retirement employee benefits	**$ 270.0**	$ 261.7
Deferred rent-non-current portion	**98.9**	98.4
Interest accrued on UTPs	**30.7**	27.9

Legacy and other tax matters		**2.9**		1.7
Other		**19.8**		27.5
Total other liabilities	**$**	**422.3**	$	417.2

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

	Three Months Ended March 31, 2016	Year Ended December 31, 2015
Balance January 1,	**$ 19.7**	$ 21.5
Accruals (reversals), net	**0.4**	22.2
Payments	**(1.3)**	(24.0)
Balance	**$ 18.8**	$ 19.7

Other Non-Operating (Expense) Income:

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

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
FX gain	**$ 4.0**	$
Joint venture income	**1.9**	1.9
Other	**(0.3)**	0.6
Total	**$ 5.6**	$ 2.5

NOTE 11. COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME

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

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015	Affected line in the consolidated statement of operations
Gains (losses) on currency translation adjustments			
Liquidation of foreign subsidiary	**$**	$ 0.1	Other non-operating income, net
Total gains on currency translation adjustments		0.1	
Gains on cash flow hedges			
Cross-currency derivative contracts	**2.2**		Other non-operating income, net
Income tax effect of item above	**(0.8)**		Provision for income taxes
Total gains on cash flow hedges	**1.4**		
Pension and other retirement benefits			
	(1.6)	(2.3)	Operating expense

Amortization of actuarial losses and prior service costs included in net income					
Amortization of actuarial losses and prior service costs included in net income		**(1.0)**		**(1.5)**	SG&A expense
Total before income taxes		**(2.6)**		**(3.8)**	
Income tax effect of item above		1.0		1.5	Provision for income taxes
Total pension and other retirement benefits		**(1.6)**		**(2.3)**	
Total losses included in Net Income attributable to reclassifications out of AOCI	**$**	**(0.2)**	**$**	**(2.2)**	

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The following table shows changes in AOCI by component (net of tax):

	Three Months Ended March 31, 2016				
	Gains/ (Losses) on Cash Flow Hedges	Pension and Other Retirement Benefits	Foreign Currency Translation Adjustments	Gains on Available for Sale Securities	Total
Balance December 31, 2015	**$ (1.1)**	**$ (85.7)**	**$ (256.0)**	**$ 3.3**	**$ (339.5)**
Other comprehensive income before reclassifications	**1.2**		**36.0**	**0.6**	**37.8**
Amounts reclassified from AOCI	**(1.4)**	**1.6**			**0.2**
Other comprehensive income/(loss)	**(0.2)**	**1.6**	**36.0**	**0.6**	**38.0**
Balance March 31, 2016	**$ (1.3)**	**$ (84.1)**	**$ (220.0)**	**$ 3.9**	**$ (301.5)**

	Three Months Ended March 31, 2015				
	Gains/ (Losses) on Cash Flow Hedges	Pension and Other Retirement Benefits	Foreign Currency Translation Adjustments	Gains on Available for Sale Securities	Total
Balance December 31, 2014	$	$ (105.4)	$ (130.7)	$ 0.9	$ (235.2)
Other comprehensive income/(loss) before reclassifications			(90.5)	1.1	(89.4)
Amounts reclassified from AOCI		2.3	(0.1)		2.2
Other comprehensive income/(loss)		2.3	(90.6)	1.1	(87.2)
Balance March 31, 2015	$	$ (103.1)	$ (221.3)	$ 2.0	$ (322.4)

NOTE 12. PENSION AND OTHER RETIREMENT BENEFITS

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

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

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

	Three Months Ended March 31,			
	Pension Plans		Other Retirement Plans	
	2016	2015	2016	2015
Components of net periodic expense				

Service cost	**$ 5.2**	$ 5.8	**$ 0.5**	$ 0.5
Interest cost	**4.6**	4.3	**0.3**	0.2
Expected return on plan assets	**(4.3)**	(3.6)		
Amortization of net actuarial loss from earlier periods	**2.6**	3.4		0.1
Amortization of net prior service costs from earlier periods		0.2		
Net periodic expense	**$ 8.1**	$ 10.1	**$ 0.8**	$ 0.8

The Company made payments of $1.2 million related to its unfunded U.S. DBPPs and $0.1 million to its U.S. other retirement plans during the three months ended March 31, 2016. The Company anticipates making payments of $22 million related to its funded pension plan and making payments of $3.2 million related to its unfunded U.S. DBPPs and $0.9 million to its U.S. other retirement plans, respectively, during the remainder of 2016.

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NOTE 13. INDEBTEDNESS

The following table summarizes total indebtedness:

	March 31, 2016				
	Principal Amount	Fair Value of Interest Rate Swap (1)	Unamortized (Discount) Premium	Unamortized Debt Issuance Costs (2)	Carrying Value
Notes payable:					
6.06% Series 2007-1 Notes due 2017	**$ 300.0**	**$**	**$**	**$ (0.1)**	**$ 299.9**
5.50% 2010 Senior Notes, due 2020	**500.0**	**22.1**	**(1.6)**	**(1.9)**	**518.6**
4.50% 2012 Senior Notes, due 2022	**500.0**		**(2.7)**	**(2.4)**	**494.9**
4.875% 2013 Senior Notes, due 2024	**500.0**		**(2.2)**	**(3.0)**	**494.8**
2.75% 2014 Senior Notes (5-Year), due 2019	**450.0**	**10.2**	**(0.5)**	**(2.2)**	**457.5**
5.25% 2014 Senior Notes (30-Year), due 2044	**600.0**		**3.4**	**(6.1)**	**597.3**
1.75% 2015 Senior Notes, due 2027	**569.8**			**(4.2)**	**565.6**
Total long-term debt	**$ 3,419.8**	**$ 32.3**	**$ (3.6)**	**$ (19.9)**	**$ 3,428.6**

	December 31, 2015				
	Principal Amount	Fair Value of Interest Rate Swap (1)	Unamortized (Discount) Premium	Unamortized Debt Issuance Costs (2)	Carrying Value
Notes payable:					
6.06% Series 2007-1 Notes due 2017	$ 300.0	$	$	$ (0.2)	$ 299.8
5.50% 2010 Senior Notes, due 2020	500.0	9.4	(1.6)	(2.0)	505.8
4.50% 2012 Senior Notes, due 2022	500.0		(2.8)	(2.5)	494.7
4.875% 2013 Senior Notes, due 2024	500.0		(2.3)	(3.1)	494.6
2.75% 2014 Senior Notes (5-Year), due 2019	450.0	2.3	(0.5)	(2.4)	449.4
5.25% 2014 Senior Notes (30-Year), due 2044	600.0		3.4	(6.2)	597.2
1.75% 2015 Senior Notes, due 2027	543.1			(4.0)	539.1
Total long-term debt	**$ 3,393.1**	**$ 11.7**	**$ (3.8)**	**$ (20.4)**	**$ 3,380.6**

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

(2) Pursuant to ASU No. 2015-03, unamortized debt issuance costs are presented as a reduction to the carrying value of the notes payable. See Note 1 for additional discussion.

At March 31, 2016, the Company was in compliance with all covenants contained within all of the debt agreements. The 2015 Facility, the 2015 Senior Notes, the 2014 Senior Notes (5-year), the 2014 Senior Notes (30-year), the Series 2007-1 Notes, the 2010 Senior Notes, the 2012 Senior Notes and the 2013 Senior Notes all 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 March 31, 2016, there were no such cross defaults.

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Interest expense, net

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

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Income	**$ 2.9**	$ 1.9
Expense on borrowings	**(34.6)**	(28.3)
UTPs and other tax related liabilities	**(2.8)**	(3.2)
Capitalized	**0.4**	0.3
Total	**$ (34.1)**	$ (29.3)

The following table shows the cash paid for interest:

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Interest paid	**$ 67.1**	$ 48.2

The fair value and carrying value of the Company s long-term debt as of March 31, 2016 and December 31, 2015 are as follows:

	March 31, 2016		December 31, 2015	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Series 2007-1 Notes	**$ 299.9**	**$ 318.9**	$ 299.8	$ 320.6
2010 Senior Notes	**518.6**	**560.6**	505.8	551.2
2012 Senior Notes	**494.9**	**548.1**	494.7	530.0
2013 Senior Notes	**494.8**	**553.9**	494.6	533.8
2014 Senior Notes (5-Year)	**457.5**	**461.5**	449.4	454.3
2014 Senior Notes (30-Year)	**597.3**	**668.3**	597.2	617.7
2015 Senior Notes	**565.6**	**575.8**	539.1	520.2
Total	**$ 3,428.6**	**$ 3,687.1**	$ 3,380.6	$ 3,527.8

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

NOTE 14. CONTINGENCIES

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.

Following the global credit crisis of 2008, MIS and other credit rating agencies have been the subject of intense scrutiny, increased regulation, ongoing inquiry and governmental investigations, and civil litigation. Legislative, regulatory and enforcement entities around the world are considering additional legislation, regulation and enforcement actions, including with respect to MIS s compliance with regulatory standards.

Moody s periodically receives and is continuing to address subpoenas and inquiries from various governmental authorities, including the U.S. Department of Justice and states attorneys general, and is responding to such investigations and inquiries.

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In addition, the Company is facing litigation from market participants relating to the performance of MIS rated securities. Although Moody s in the normal course experiences such litigation, the volume and cost of defending such litigation has significantly increased following the events in the U.S. subprime residential mortgage sector and global credit markets more broadly over the last several years.

On August 25, 2008, Abu Dhabi Commercial Bank filed a purported class action in the United States District Court for the Southern District of New York asserting numerous common-law causes of action against two subsidiaries of the Company, another rating agency, and Morgan Stanley & Co. The action related to securities issued by a structured investment vehicle called Cheyne Finance (the Cheyne SIV) and sought, among other things, compensatory and punitive damages. The central allegation against the rating agency defendants was that the credit ratings assigned to the securities issued by the Cheyne SIV were false and misleading. In early proceedings, the court dismissed all claims against the rating agency defendants except those for fraud and aiding and abetting fraud. In June 2010, the court denied plaintiff s motion for class certification, and additional plaintiffs were subsequently added to the complaint. In January 2012, the rating agency defendants moved for summary judgment with respect to the fraud and aiding and abetting fraud claims. Also in January 2012, in light of new New York state case law, the court permitted the plaintiffs to file an amended complaint that reasserted previously dismissed claims against all defendants for breach of fiduciary duty, negligence, negligent misrepresentation, and related aiding and abetting claims. In May 2012, the court, ruling on the rating agency defendants motion to dismiss, dismissed all of the reasserted claims except for the negligent misrepresentation claim, and on September 19, 2012, after further proceedings, the court also dismissed the negligent misrepresentation claim. On August 17, 2012, the court ruled on the rating agencies motion for summary judgment on the plaintiffs remaining claims for fraud and aiding and abetting fraud. The court dismissed, in whole or in part, the fraud claims of four plaintiffs as against Moody s but allowed the fraud claims to proceed with respect to certain claims of one of those plaintiffs and the claims of the remaining 11 plaintiffs. The court also dismissed all claims against Moody s for aiding and abetting fraud. Three of the plaintiffs whose claims were dismissed filed motions for reconsideration, and on November 7, 2012, the court granted two of these motions, reinstating the claims of two plaintiffs that were previously dismissed. On February 1, 2013, the court dismissed the claims of one additional plaintiff on jurisdictional grounds. Trial on the remaining fraud claims against the rating agencies, and on claims against Morgan Stanley for aiding and abetting fraud and for negligent misrepresentation, was scheduled for May 2013. On April 24, 2013, pursuant to confidential settlement agreements, the 14 plaintiffs with claims that had been ordered to trial stipulated to the voluntary dismissal, with prejudice, of these claims as against all defendants, and the court so ordered that stipulation on April 26, 2013. The settlement did not cover certain claims of two plaintiffs, Commonwealth of Pennsylvania Public School Employees Retirement System (PSERS) and Commerzbank AG (Commerzbank), that were previously dismissed by the Court. On May 23, 2013, these two plaintiffs filed a Notice of Appeal to the Second Circuit, seeking reversal of the dismissal of their claims and also seeking reversal of the trial court s denial of class certification. According to pleadings filed by plaintiffs in earlier proceedings, PSERS and Commerzbank AG seek, respectively, $5.75 million and $69.6 million in compensatory damages in connection with the two claims at issue on the appeal. In October 2014, the Second Circuit affirmed the denial of class certification and the dismissal of PSERS claim but reversed a ruling of the trial court that had excluded certain evidence relevant to Commerzbank s principal argument on appeal. The Second Circuit did not reverse the dismissal of Commerzbank s claim but instead certified a legal question concerning Commerzbank s argument to the New York Court of Appeals. The New York Court of Appeals subsequently agreed to hear the certified question, and on June 30, 2015, the Court of Appeals ruled in Moody s favor. The case was then returned to the Second Circuit for final disposition of the appeal. On February 23, 2016, the Second Circuit affirmed the dismissal of Commerzbank s claim.

On July 9, 2009, the California Public Employees Retirement System (CalPERS) filed an action in the Superior Court of California in San Francisco (the Superior Court) asserting two common-law causes of action, negligent misrepresentation and negligent interference with prospective economic advantage. The complaint named as defendants the Company, MIS, The McGraw-Hill Companies, Fitch, Inc., and various subsidiaries of Fitch, Inc. The action related to the plaintiff s purchase of securities issued by three structured investment vehicles (SIVs) known as Cheyne Finance, Sigma Finance, and Stanfield Victoria Funding. The plaintiff s complaint sought unspecified compensatory damages arising from alleged losses in connection with investments that purportedly totaled approximately $1.3 billion; in subsequent court filings, the plaintiff claimed to have suffered unrealized losses of approximately $779 million. The central allegation against the defendants was that the credit ratings assigned to the securities issued by the SIVs were inaccurate and that the methodologies used by the rating agencies had no reasonable basis. In August 2009, the defendants removed the action to federal court, but the case was remanded to state court in November 2009 based on a finding that CalPERS is an arm of the State. In April 2010, in response to a motion by the defendants, the Superior Court dismissed the claim for negligent interference with prospective economic advantage but declined to dismiss the claim for negligent misrepresentation. On December 23, 2015, following the close of fact discovery, the Company and MIS filed a motion for summary judgment. On March 8, 2016, prior to argument or decision on the motion for summary judgment, the Company and CalPERS entered into an agreement to settle this matter, and the case was subsequently dismissed with prejudice. This resolution did not have a negative financial impact on the Company.

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.

NOTE 15 SEGMENT INFORMATION

The Company is organized into three operating segments: (i) MIS, (ii) MA and (iii) Copal Amba. The Copal Amba operating segment has been aggregated with the MA operating segment based on the fact that it has similar economic characteristics to MA. Accordingly, the Company reports in two reportable segments: MIS and MA.

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

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

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

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Financial Information by Segment

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

	Three Months Ended March 31,							
	2016				2015			
	MIS	MA	Eliminations	Consolidated	MIS	MA	Eliminations	Consolidated
Revenue	**$ 549.1**	**$ 293.8**	**$ (26.8)**	**$ 816.1**	$ 624.6	$ 266.6	$ (25.6)	$ 865.6
Operating, SG&A	**278.6**	**230.3**	**(26.8)**	**482.1**	281.3	210.0	(25.6)	465.7
Adjusted Operating Income	**270.5**	**63.5**		**334.0**	343.3	56.6		399.9
Less:								
Depreciation and amortization	**17.5**	**12.4**		**29.9**	16.0	12.6		28.6
Operating income	**$ 253.0**	**$ 51.1**	**$**	**$ 304.1**	$ 327.3	$ 44.0	$	$ 371.3

MIS and MA Revenue by Line of Business

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

	Three Months Ended March 31,	
	2016	2015
MIS:		
Corporate finance (CFG)	**$ 240.3**	$ 298.7
Structured finance (SFG)	**90.6**	101.3
Financial institutions (FIG)	**94.9**	93.8
Public, project and infrastructure finance (PPIF)	**91.5**	100.7
Total ratings revenue	**517.3**	594.5
MIS Other	**7.8**	7.8
Total external revenue	**525.1**	602.3
Intersegment royalty	**24.0**	22.3
Total	**549.1**	624.6
MA:		
Research, data and analytics (RD&A)	**164.9**	149.6
Enterprise risk solutions (ERS)	**89.5**	77.1
Professional services (PS)	**36.6**	36.6
Total external revenue	**291.0**	263.3
Intersegment revenue	**2.8**	3.3
Total	**293.8**	266.6

Eliminations	**(26.8)**	(25.6)
Total MCO	**$ 816.1**	$ 865.6

Consolidated Revenue Information by Geographic Area:

	Three Months Ended March 31,	
	2016	**2015**
Revenue		
United States	**$ 480.0**	$ 499.8
International:		
EMEA	**210.2**	227.6
Asia-Pacific	**82.0**	86.1
Americas	**43.9**	52.1
Total International	**336.1**	365.8
Total	**$ 816.1**	$ 865.6

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NOTE 16. RECENTLY ISSUED ACCOUNTING STANDARDS

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. In August 2015, the FASB issued ASU No. 2015-14 Revenue from Contracts with Customers (Topic 606), Deferral of the Effective Date which defers the effective date of the ASU for annual and interim reporting periods beginning after December 15, 2017, with early adoption permitted up to the original effective date of December 15, 2016. In addition, in March and April 2016, the FASB issued additional updates clarifying the implementation guidance for the new revenue recognition standard.

The Company is currently evaluating its adoption options with regard to the aforementioned ASU s relating to revenue recognition and the impact that adoption of these 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 which will be expensed as incurred under the new standard; ii) the accounting for certain software subscription revenue in MA whereby the license rights within the arrangement would be recognized at the inception of the contract based on estimated stand-alone selling price with the remainder recognized over the subscription period; iii) the accounting for certain ERS revenue arrangements where VSOE is not available should result in the acceleration of revenue recognition and iv) the accounting for contract acquisition costs which will be expensed as incurred under the new standard.

In January 2016, the FASB issued ASU No. 2016-01 Financial Instruments Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10). The amendments in this ASU update various aspects of recognition, measurement, presentation and disclosures relating to financial instruments. This ASU is effective for fiscal years beginning after December 15, 2017. The Company is currently evaluating the impact of this ASU on the Company s financial statements.

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

In March 2016, the FASB issued ASU No. 2016-07, Investments Equity Method and Joint Ventures (Topic 323), Simplifying the Transition to the Equity Method of Accounting. This ASU amends the accounting for an investment not previously accounted for under the equity method that subsequently qualifies for the equity method of accounting. It requires a company to add the cost of the additional interest acquired to its current basis and the commencement of the equity method of accounting when the criteria are met. In addition, the unrealized gains or losses in accumulated other comprehensive related to an available for sale equity security should be recognized through earnings if the investment subsequently qualifies for the equity method of accounting. The amendments of this ASU are effective for fiscal years beginning after December 15, 2016, with early adoption permitted. The adoption of this ASU will only impact the Company if an investment not previously accounted for under the equity method qualifies for accounting under the equity method.

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting . This ASU changes various aspects related to the accounting for share-based payments including: i) accounting for Excess Tax Benefits and shortfalls; ii) the accounting for forfeitures; iii) restrictions on the value of shares retained by an entity to fund the employee s portion of payroll taxes; and iv) classification of Excess Tax Benefits in the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2016 and early adoption is permitted if all amendments are adopted in the same period. The Company is evaluating the impact of this ASU on its financial statements but currently expects that the most significant effect of this ASU will be the impact on its reported Net Income and Diluted EPS as Excess Tax Benefits and shortfalls will be recorded to the provision for income taxes under this ASU as compared to a charge to capital surplus under current GAAP.

NOTE 17. SUBSEQUENT EVENT

On April 11, 2016, the Board approved the declaration of a quarterly dividend of $0.37 per share of Moody s common stock, payable on June 10, 2016 to shareholders of record at the close of business on May 20, 2016.

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

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

This Management s Discussion and Analysis of Financial Condition and Results of Operations contains Forward-Looking Statements. See Forward-Looking Statements commencing on page 46 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. 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, restructuring, goodwill and acquired intangible assets, pension and other retirement benefits, stock-based compensation, and income taxes. Actual results may differ from these estimates under different assumptions or conditions. Item 7, MD&A, in the Company s annual report on Form 10-K for the year ended December 31, 2015, includes descriptions of some of the judgments that Moody s makes in applying its accounting estimates in these areas. Since the date of the annual report on Form 10-K, there have been no material changes to the Company s critical accounting estimates.

Reportable Segments

The Company is organized into two reportable segments at March 31, 2016: MIS and MA.

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

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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.

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

RESULTS OF OPERATIONS

Three months ended March 31, 2016 compared with three months ended March 31, 2015

Executive Summary

Moody s revenue in the three months ended March 31, 2016 totaled $816.1 million, a decrease of $49.5 million, or 6%, compared to 2015 and reflected declines in MIS revenue partially offset by good growth in MA. Excluding the unfavorable impact of changes in FX translation rates, revenue decreased 4% from the prior year. The following discussion of MIS and MA revenue exclude intersegment revenue.

MIS revenue decreased 13% compared to the prior year reflecting lower revenue from rating high-yield and investment-grade corporate debt in the U.S. and EMEA primarily due to market volatility in the first quarter of 2016. Additionally, the decrease reflected lower securitization activity in the first quarter of 2016, most notably in the U.S. CMBS and CLO asset classes.

MA revenue was 11% higher than the prior year. Excluding the impact of unfavorable changes in FX translation rates, MA revenue grew 13% reflecting increases in ERS and RD&A across all regions. Revenue grew in all product areas of ERS, with particular strength in the Assets, Liability & Capital, Credit Assessment & Origination and Stress Testing products. The 2016 acquisition of GGY also contributed to the growth in ERS. In RD&A, revenue growth was primarily driven by credit research and licensing of ratings data as well as growth in SAV and ECCA.

Total operating expenses increased $17.7 million, or 4% reflecting higher compensation costs associated with headcount growth (including costs from the acquisition of GGY) and annual compensation increases partially offset by lower incentive compensation costs;

Excluding the favorable impact relating to changes in FX translation rates, total expenses increased 6% compared to the prior year.

Operating income of $304.1 million in the first quarter of 2016 was down $67.2 million compared to 2015 and resulted in an operating margin of 37.3%, compared to 42.9% in the prior year. Adjusted Operating Income of $334.0 million in the first quarter of 2016 decreased $65.9 million compared to 2015, resulting in an Adjusted Operating Margin of 40.9% compared to 46.2% in the prior year.

The ETR in the first quarter of 2016 was 60 BPS lower than the prior year primarily due to lower state income taxes.

The increase in non-operating expense, net, compared to the prior year is primarily due to interest on the 2015 Senior Notes issued in March 2015 as well as interest on the $300 million of additional borrowings under the 2014 Senior Notes (30-Year) in November 2015. These increases in expense were partially offset by higher FX gains in 2016.

Diluted EPS of $0.93 in the first quarter of 2016 decreased $0.18 from 2015 reflecting a decrease in Net Income partially offset by a 4% reduction in diluted weighted average shares outstanding.

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Moody s Corporation

	Three months ended March 31, 2016	2015	% Change Favorable (Unfavorable)
Revenue:			
United States	**$ 480.0**	$ 499.8	(4%)
International:			
EMEA	**210.2**	227.6	(8%)
Asia-Pacific	**82.0**	86.1	(5%)
Americas	**43.9**	52.1	(16%)
Total International	**336.1**	365.8	(8%)
Total	**816.1**	865.6	(6%)
Expenses:			
Operating	**249.2**	244.4	(2%)
SG&A	**232.9**	221.3	(5%)
Depreciation and amortization	**29.9**	28.6	(5%)
Total	**512.0**	494.3	(4%)
Operating income	**$ 304.1**	$ 371.3	(18%)
Adjusted Operating Income [(1)]	**$ 334.0**	$ 399.9	(16%)
Interest expense, net	**$ (34.1)**	$ (29.3)	(16%)
Other non-operating income, net	**$ 5.6**	$ 2.5	124%
Total non-operating expense, net	**$ (28.5)**	$ (26.8)	(6%)
Net income attributable to Moody s	**$ 184.4**	$ 230.1	(20%)
Diluted weighted average shares outstanding	**197.9**	206.5	4%
Diluted EPS attributable to Moody s common shareholders	**$ 0.93**	$ 1.11	(16%)
Operating margin	**37.3%**	42.9%	
Adjusted Operating Margin[(1)]	**40.9%**	46.2%	

(1) Adjusted Operating Income and Adjusted Operating Margin 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:

	March 31 2016	2015	% Change
United States	**3,441**	3,202	7%
International	**7,311**	6,768	8%
Total	**10,752**	9,970	8%

Global revenue of $816.1 million in the first quarter of 2016 decreased $49.5 million, or 6%, compared to 2015. Excluding the unfavorable impact of changes in FX translation rates, global revenue decreased 4% from the prior year and reflected lower MIS revenue partially offset by good growth in MA revenue.

The $77.2 million decrease in MIS revenue reflects declines in high-yield and investment-grade corporate debt revenue across all regions reflecting market volatility in the first quarter of 2016. Additionally, the decrease reflected lower securitization activity in the first quarter of 2016, most notably in the U.S. CMBS and CLO asset classes. Unfavorable changes in FX translation rates had a $7 million impact on revenue in the first quarter of 2016.

The $27.7 million growth in MA reflects increases in ERS and RD&A across all regions. Revenue grew in all product areas of ERS, with particular strength in the Assets, Liability & Capital, Credit Assessment & Origination and Stress Testing products. The 2016 acquisition of GGY also contributed to the growth in ERS. In RD&A, revenue growth was primarily driven by credit research and licensing of ratings data as well as growth in SAV and ECCA businesses. These results were partially offset by unfavorable changes in FX translation rates of approximately $6 million. Excluding the impact of changes in FX rates, MA revenue increased 13% compared to 2015.

Transaction revenue accounted for 45% of global MCO revenue in the first quarter of 2016 compared to 51% in the prior year.

U.S. revenue of $480.0 million in the first quarter of 2016 decreased $19.8 million from the prior year, reflecting lower revenue across all MIS LOBs, partially offset by growth in RD&A and ERS revenue within MA.

Non-U.S. revenue of $336.1 million decreased $29.7 million compared to the first quarter of 2015 due to declines in MIS across all regions being partially offset by growth in MA across all regions.

Operating expenses were $249.2 million in the first quarter of 2016, up 2% compared to 2015 and included an increase in compensation costs reflecting higher expenses resulting from the impact of annual compensation increases and increased headcount (including headcount from the acquisition of GGY). These increases were partially offset by lower incentive compensation costs reflecting lower projected achievement against full-year projected results compared to the prior year. The changes above include a favorable impact relating to changes in FX translation rates compared to the prior year.

SG&A expenses of $232.9 million in the first quarter of 2016 increased 5% from the prior year period reflecting higher compensation and non-compensation expenses of approximately $7 million and $5 million, respectively. The growth in compensation costs was primarily due to higher expenses resulting from annual compensation increases, headcount growth in MIS and MA as well as in overhead support areas coupled with higher headcount from the GGY acquisition. These increases were partially offset by lower incentive compensation costs reflecting lower projected achievement against full-year projected results compared to the prior year. The increase in non-compensation expenses primarily reflects higher legal fees as well as higher rent and occupancy costs reflecting various real estate expansion projects. The increases above include a favorable impact relating to changes in FX translation rates compared to the prior year.

Operating income of $304.1 million in the first quarter of 2016 was down $67.2 million compared to 2015 and resulted in an operating margin of 37.3%, compared to 42.9% in the prior year. Adjusted Operating Income of $334.0 million in the first quarter of 2016 decreased $65.9 million compared to 2015, resulting in an Adjusted Operating Margin of 40.9% compared to 46.2% in the prior year period.

Interest expense, net in the first quarter of 2016 was ($34.1) million, a $4.8 million increase in expense compared to 2015. The increase reflects interest on the 2015 Senior Notes which were issued in March 2015 as well as interest on the $300 million of additional borrowings under the 2014 Senior Notes (30-Year) in November 2015.

Other non-operating income, net was $5.6 million in the first quarter of 2016, a $3.1 million increase in income compared to 2015. This increase reflected approximately $4 million in higher FX gains compared to the prior year primarily due to the strengthening of the euro to both the British pound and the U.S. dollar over the previous three months.

The Company s ETR was 32.3% in the first quarter of 2016, compared with 32.9% in 2015 with the decrease primarily due to lower state income tax.

Net Income in the first quarter of 2016 was $184.4 million, or $0.93 per diluted share. This is a decrease of $45.7 million, or $0.18 per diluted share, compared to 2015. The decrease in diluted EPS reflects lower Net Income partially offset by a 4% reduction in diluted weighted average shares outstanding. This reduction in diluted weighted average shares outstanding reflects share repurchases under the Company s Board authorized share repurchase program partially offset by shares issued under the employee stock-based compensation programs.

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Segment Results

Moody s Investors Service

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

	Three months ended March 31, 2016	2015	% Change Favorable (Unfavorable)
Revenue:			
Corporate finance (CFG)	**$ 240.3**	$ 298.7	(20%)
Structured finance (SFG)	**90.6**	101.3	(11%)
Financial institutions (FIG)	**94.9**	93.8	1%
Public, project and infrastructure finance (PPIF)	**91.5**	100.7	(9%)
Total ratings revenue	**517.3**	594.5	(13%)
MIS Other	**7.8**	7.8	
Total external revenue	**525.1**	602.3	(13%)
Intersegment royalty	**24.0**	22.3	8%
Total	**549.1**	624.6	(12%)
Expenses:			
Operating and SG&A (external)	**275.8**	278.0	1%
Operating and SG&A (intersegment)	**2.8**	3.3	15%
Adjusted Operating Income	**270.5**	343.3	(21%)
Depreciation and amortization	**17.5**	16.0	(9%)
Operating income	**$ 253.0**	$ 327.3	(23%)
Adjusted Operating Margin	**49.3%**	55.0%	
Operating margin	**46.1%**	52.4%	

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

Global MIS revenue of $525.1 million in the first quarter of 2016 was down 13% compared to 2015 reflecting lower rated issuance volumes for high-yield corporate debt across all regions as well as declines in CMBS and CLO activity in the U.S. Also, there were declines in rated issuance volumes for investment-grade corporate debt across all non-U.S. regions reflecting market volatility in the first quarter of 2016. Transaction revenue for MIS was 56% of total revenue in the first quarter of 2016 compared to 63% in the first quarter of 2015.

In the U.S., revenue was $336.0 million in the first quarter of 2016, a decrease of $35.5 million compared to 2015 and reflected lower rated issuance volumes for high-yield corporate debt due to credit spread and market volatility in the first quarter of 2016. Additionally, there were declines in securitization activity in the CMBS and CLO asset classes within SFG reflecting market volatility as well as uncertainty relating to the implementation of regulatory requirements. Partially offsetting these decreases were higher monitoring fee revenue reflecting a larger number of outstanding rated instruments as well as higher insurance-related issuance volumes due to M&A activity in the sector.

Non-U.S. revenue was $189.1 million in the first quarter of 2016, a decrease of $41.7 million compared to 2015. The decrease reflects lower rated issuance volumes for high-yield and investment-grade corporate debt across all regions reflecting market volatility in the first quarter of 2016 resulting from global economic growth concerns and weak commodity prices. Partially offsetting these declines was higher monitoring fee revenue reflecting a larger number of outstanding rated instruments.

Global CFG revenue of $240.3 million in the first quarter of 2016 was down 20% compared to 2015. The decline reflects lower rated issuance volumes for speculative-grade corporate debt across all regions as credit spreads were volatile for high-yield instruments reflecting overall market volatility in the first quarter of 2016. Also, there were lower rated issuance volumes for investment-grade corporate debt across all non-U.S. regions reflecting the aforementioned market volatility in the first quarter of 2016. Partially offsetting these decreases were the benefits from changes in the mix of fee type, new fee initiatives and pricing increases. Transaction revenue represented 63% and 72% of total CFG revenue in the first quarter of 2016 and 2015, respectively. In the U.S., revenue was $172.4 million, or $19.7 million lower than the prior year. Internationally, revenue of $67.9 million decreased $38.7 million compared to the prior year.

Global SFG revenue of $90.6 million in the first quarter of 2016 decreased $10.7 million, or 11%, compared to 2015. In the U.S., revenue of $60.0 million decreased $10.7 million compared to the first quarter of 2015. This decrease reflected lower securitization activity in the CMBS asset class due to higher credit spreads resulting from overall market volatility in the first quarter of 2016 as well as uncertainties relating to the implementation of regulatory requirements. Additionally, the decline in the U.S. reflects lower CLO formation also due to wider credit spreads resulting from market volatility as well as declining availability of collateral for these instruments. Non-U.S. revenue in the first quarter of 2016 of $30.6 million was flat compared to the prior year as modest growth in EMEA was offset by declines in other regions. Transaction revenue was 55% of total SFG revenue in the first quarter of 2016 compared to 61% in the prior year.

Global FIG revenue of $94.9 million in the first quarter of 2016 increased $1.1 million, or 1%, compared to 2015. Excluding the unfavorable impact of changes in FX translation rates, FIG revenue grew 4% compared to the prior year. In the U.S., revenue was $40.2 million, or 3% lower than the prior year, primarily reflecting reduced banking-related issuance volumes due to market volatility in the first quarter of 2016. This decrease was partially offset by higher M&A rated issuance volumes in the insurance sector as well as benefits from changes in the mix of fee type, new fee initiatives and pricing increases. Internationally, revenue was $54.7 million in the first quarter of 2016, or $2.3 million higher compared to 2015. This increase primarily reflects higher banking revenue in EMEA and insurance revenue in Asia-Pacific as well as benefits from changes in the mix of fee type, new fee initiatives and pricing increases. Partially offsetting the increase in non-U.S. revenue was an approximate $2 million unfavorable impact from changes in FX rates. Transaction revenue was 39% of total FIG revenue in the first quarter of 2016 compared to 40% in the same period in 2015.

Global PPIF revenue was $91.5 million in the first quarter of 2016 and decreased $9.2 million, or 9%, compared to 2015. In the U.S., revenue in the first quarter of 2016 was $61.1 million, a decrease of $4.2 million compared to 2015 due to lower public and project finance revenue reflecting market volatility in the first quarter of 2016 compared to robust issuance in the prior year. Outside the U.S., PPIF revenue decreased $5.0 million compared to 2015, primarily due to lower rated issuance volumes in infrastructure finance in EMEA reflecting market volatility coupled with lower project finance revenue in Asia-Pacific. These decreases were partially offset by benefits from changes in the mix of fee type, new fee initiatives and pricing increases. Transaction revenue was 59% and 64% of total PPIF revenue in first quarter of 2016 and 2015, respectively.

Operating and SG&A expenses in the first quarter of 2016 decreased $2.2 million compared to 2015 primarily reflecting lower non-compensation expense of approximately $3 million primarily due to overall cost control initiatives. Partially offsetting this decrease was higher compensation expense of approximately $1 million primarily reflecting annual salary increases, headcount growth in the ratings LOBs as well as in the 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 in salary expense was partially offset by reduced incentive compensation costs reflecting lower projected achievement against full-year targeted results compared to the prior year.

Adjusted Operating Income and operating income in the first quarter of 2016, which includes intersegment royalty revenue and intersegment expenses, was $270.5 million and $253.0 million, respectively, and were down 21% and 23%, respectively, compared to 2015. Adjusted Operating Margin and operating margin were 49.3% and 46.1%, respectively, or 570 BPS and 630 BPS lower compared to the first quarter of 2015.

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Moody s Analytics

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

	Three months ended March 31, 2016	2015	% Change Favorable (Unfavorable)
Revenue:			
Research, data and analytics (RD&A)	**$ 164.9**	$ 149.6	10%
Enterprise risk solutions (ERS)	**89.5**	77.1	16%
Professional services (PS)	**36.6**	36.6	
Total external revenue	**291.0**	263.3	11%
Intersegment revenue	**2.8**	3.3	(15%)
Total MA Revenue	**293.8**	266.6	10%
Expenses:			
Operating and SG&A (external)	**206.3**	187.7	