

# MOODYS CORP /DE/

## FORM 10-Q (Quarterly Report)

Filed 8/14/2003 For Period Ending 6/30/2003

Address	99 CHURCH STREET NEW YORK, New York 10007
Telephone	212-553-0300
CIK	0001059556
Industry	Business Services
Sector	Services
Fiscal Year	12/31



SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended June 30, 2003  
OR

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

For the transition period from to

1-14037  
Commission file number

MOODY'S CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

13-3998945

(State of Incorporation)

(I.R.S. Employer Identification No.)

99 CHURCH 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  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in rule 12b-2 of the Exchange Act). Yes  No

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

Title of Class	Shares Outstanding at June 30, 2003
Common Stock, par value \$0.01 per share	149.2 million

## **TABLE OF CONTENTS**

### **PART I. FINANCIAL INFORMATION**

#### **ITEM 1. FINANCIAL STATEMENTS**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

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

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

#### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

#### **ITEM 4. CONTROLS AND PROCEDURES**

### **PART II. OTHER INFORMATION**

#### **ITEM 1. LEGAL PROCEEDINGS**

#### **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

#### **ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K**

### **SIGNATURES**

**EX-31.1: CERTIFICATION OF C.E.O. PER SECTION 302**

**EX-31.2: CERTIFICATION OF C.F.O. PER SECTION 302**

**EX-32.1: CERTIFICATION OF C.E.O. PER SECTION 906**

**EX-32.1: CERTIFICATION OF C.F.O. PER SECTION 906**

---

MOODY'S CORPORATION

INDEX TO FORM 10-Q

	<u>PAGE</u>
<b>PART I. FINANCIAL INFORMATION</b>	
Item 1. Financial Statements	
Condensed Consolidated Statements of Operations (Unaudited) for the Three Months and Six Months Ended June 30, 2003 and 2002	3
Condensed Consolidated Balance Sheets (Unaudited) at June 30, 2003 and December 31, 2002	4
Condensed Consolidated Statements of Cash Flows (Unaudited) for the Six Months Ended June 30, 2003 and 2002	5
Notes to Condensed Consolidated Financial Statements (Unaudited)	6-15
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	16-28
Item 3. Quantitative and Qualitative Disclosures About Market Risk	28
Item 4. Controls and Procedures	28
<b>PART II. OTHER INFORMATION</b>	
Item 1. Legal Proceedings	28
Item 4. Submission of Matters to a Vote of Security Holders	29
Item 6. Exhibits and Reports on Form 8-K	29
<b>SIGNATURES</b>	
<b>Exhibits</b>	
31.1 Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	31
31.2 Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	32
32.1 Chief Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	33
32.2 Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	34

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**MOODY'S CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**  
**(AMOUNTS IN MILLIONS, EXCEPT PER SHARE DATA)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Revenue	\$312.7	\$271.5	\$590.9	\$503.1
Expenses				
Operating, selling, general and administrative	128.1	118.3	249.4	211.1
Depreciation and amortization	7.9	6.2	15.7	10.3
Total expenses	136.0	124.5	265.1	221.4
Operating income	176.7	147.0	325.8	281.7
Interest and other non-operating income (expense), net	(4.2)	(6.0)	3.8	(10.6)
Income before provision for income taxes	172.5	141.0	329.6	271.1
Provision for income taxes	71.6	62.3	136.8	119.8
Net income	\$100.9	\$ 78.7	\$192.8	\$151.3
Earnings per share				
Basic	\$ 0.68	\$ 0.51	\$ 1.30	\$ 0.98
Diluted	\$ 0.66	\$ 0.49	\$ 1.27	\$ 0.95
Weighted average shares outstanding				
Basic	148.8	155.0	148.4	154.7
Diluted	153.0	159.3	152.2	158.6

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

**MOODY'S CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**  
**(DOLLAR AMOUNTS IN MILLIONS, EXCEPT PER SHARE DATA)**

	June 30, 2003	December 31, 2002
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 81.2	\$ 39.9
Accounts receivable, net of allowances of \$17.0 in 2003 and \$16.4 in 2002	237.2	178.1
Other current assets	50.3	54.3
	<u>368.7</u>	<u>272.3</u>
Total current assets	368.7	272.3
Property and equipment, net	48.4	50.6
Prepaid pension costs	60.0	59.3
Goodwill	126.3	126.3
Intangible assets, net	80.9	84.4
Other assets	36.6	37.9
	<u>720.9</u>	<u>630.8</u>
Total assets	\$ 720.9	\$ 630.8
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 149.8	\$ 184.9
Bank borrowings	—	107.1
Deferred revenue	200.1	170.0
	<u>349.9</u>	<u>462.0</u>
Total current liabilities	349.9	462.0
Non-current portion of deferred revenue	34.6	28.5
Notes payable	300.0	300.0
Other liabilities	175.9	167.3
	<u>860.4</u>	<u>957.8</u>
Total liabilities	860.4	957.8
Contingencies (Note 7)		
Shareholders' equity		
Preferred stock, par value \$ .01 per share; 10,000,000 shares authorized; no shares issued	—	—
Series common stock, par value \$ .01 per share; 10,000,000 shares authorized; no shares issued	—	—
Common stock, par value \$ .01 per share; 400,000,000 shares authorized; 171,451,136 shares issued at June 30, 2003 and December 31, 2002	1.7	1.7
Capital surplus	58.9	45.5
Retained earnings	401.3	221.8
Treasury stock, at cost; 22,221,468 and 22,560,826 shares of common stock at June 30, 2003 and December 31, 2002, respectively	(604.8)	(597.7)
Cumulative translation adjustment	3.4	1.7
	<u>(139.5)</u>	<u>(327.0)</u>
Total shareholders' equity	(139.5)	(327.0)
Total liabilities and shareholders' equity	\$ 720.9	\$ 630.8

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