**Moody’s Financial Metrics (MFM)**

**Modifications to Interest Expense Calculation for Pension Adjustments**

Modifications to the interest expense calculation for the pension adjustments will be implemented in Financial Metrics to address the volatility of pension deficits and interest rates experienced in 2008 and 2009, which in some cases has caused distortions of 4th quarter interest expense calculations for companies that have large pension adjustments.  The changes can be summarized as follows:

1. Fourth quarter interest expense will now be calculated as follows:  pension debt times the current year intermediate-term corporate annual interest rate divided by 4.  This calculation will be applied to years 2005 to 2009 only.  Modifications to this time period will provide for relevant comparisons both annually and quarterly.

1. Annual interest expense will now be calculated by adding the relevant 4 quarters.  This will change the annual and LTM interest expense for the last 5 years.  Interest expense for quarters 1, 2 and 3 will remain the same, but annual and LTM interest expense will change for the last 5 years.
2. For companies that report on a semi-annual basis interest expense for the second half of the year will now be calculated as set out for the 4th quarter above.  Annual interest expense will consequently be calculated by adding the revised amount for the second half to the amount calculated for the first half which, as for quarters 1, 2 and 3, will remain the same as before.