Nielsen N.V.
Form 10-Q
April 22, 2015

## UNITED STATES

## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q
(Mark One)
xQUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2015
OR
"TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from $\qquad$ to $\qquad$
Commission file number 001-35042

Nielsen N.V.
(Exact name of registrant as specified in its charter)

| The Netherlands <br> (State or other jurisdiction of | 98-0662038 <br> (I.R.S. Employer |
| :--- | :--- |
| incorporation or organization) | Identification No.) |
|  |  |
| 85 Broad Street | Diemerhof 2 |

Edgar Filing: Nielsen N.V. - Form 10-Q
New York, New York 100041112 XL Diemen
(646) 654-5000 The Netherlands
+31 (0) 203988777
(Address of principal executive offices) (Zip Code)
(Registrant's telephone numbers including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 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
( $\$ 232.405$ of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes 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 definition of "accelerated filer", "large accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filerx
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 ${ }^{\text {- }}$ No x

There were $369,888,767$ shares of the registrant's Common Stock outstanding as of March 31, 2015.

Table of Contents
Contents

|  |  | PAGE |
| :--- | :--- | ---: |
| PART I. | FINANCIAL INFORMATION | $-3-$ |
| Item 1. | Condensed Consolidated Financial Statements | $-3-$ |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | $-24-$ |
| Item 3. | Quantitative and Oualitative Disclosures About Market Risk | $-35-$ |
| Item 4. | Controls and Procedures | $-37-$ |
| PART II. | OTHER INFORMATION | $-38-$ |
| Item 1. | Legal Proceedings | $-38-$ |
| Item 1A. | Risk Factors | $-38-$ |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | $-38-$ |
| Item 3. | Defaults Upon Senior Securities | $-38-$ |
| Item 4. | Mine Safety Disclosures | $-38-$ |
| Item 5. | Other Information | $-38-$ |
| Item 6. | Exhibits | $-38-$ |
|  | Signatures | $-39-$ |

## PART I. FINANCIAL INFORMATION

Item 1.Condensed Consolidated Financial Statements

Nielsen N.V.
Condensed Consolidated Statements of Operations (Unaudited)

|  | Three Months Ended |  |
| :--- | :--- | :--- |
|  | March 31, | 2014 |
| (IN MILLIONS, EXCEPT SHARE AND PER SHARE DATA) | 2015 | $\$ 1,489$ |
| Revenues | $\$ 1,458$ | 642 |
| Cost of revenues, exclusive of depreciation and amortization shown separately below | 622 |  |
| Selling, general and administrative expenses, exclusive of depreciation and |  |  |
| amortization shown |  |  |

separately below $481 \quad 489$

Depreciation and amortization 142141
$\begin{array}{lll}\text { Restructuring charges } & 14 & 24\end{array}$
$\begin{array}{lll}\text { Operating income } & 199 & 193\end{array}$
Interest income 1

Interest expense (73 ) (77
Foreign currency exchange transaction losses, net (26) (27
Other expense, net
(3
Income from continuing operations before income taxes and equity in net income of
affiliates 10
10187

Provision for income taxes
Equity in net income of affiliates
(38
) (33

Net income
63
Net loss attributable to noncontrolling interests
55

Net income attributable to Nielsen stockholders \$63 \$58
Net income per share of common stock, basic
Income from continuing operations
\$0.17 \$0.15
Net income attributable to Nielsen stockholders $\quad \$ 0.17 \quad \$ 0.15$
Net income per share of common stock, diluted
Income from continuing operations
\$0.17 \$0.15
Net income attributable to Nielsen stockholders
\$0.17 \$0.15
Weighted-average shares of common stock outstanding, basic
371,169,651 379,012,826
Dilutive shares of common stock
4,192,306 5,726,773
Weighted-average shares of common stock outstanding, diluted
Dividends declared per common share
375,361,957 384,739,599
\$0.25 \$0.20
The accompanying notes are an integral part of these condensed consolidated financial statements.

Edgar Filing: Nielsen N.V. - Form 10-Q

- 3 -

Nielsen N.V.
Condensed Consolidated Statements of Comprehensive (Loss)/Income (Unaudited)

|  | Three Months Ended March 31, |  |  |
| :---: | :---: | :---: | :---: |
| (IN MILLIONS) | 2015 |  | 2014 |
| Net income | \$ 63 |  | \$ 55 |
| Other comprehensive (loss)/income, net of tax |  |  |  |
| Foreign currency translation adjustments ${ }^{(1)}$ | (172 | ) | (8 |
| Available for sale securities ${ }^{(2)}$ | 3 |  | 2 |
| Changes in the fair value of cash flow hedges ${ }^{(3)}$ | (3 | ) |  |
| Defined benefit pension plan adjustments (4) | 6 |  | 3 |
| Total other comprehensive loss | (166 |  | (3 |
| Total comprehensive (loss)/income | (103 |  | 52 |
| Less: comprehensive loss attributable to noncontrolling interests | (3 |  | (3 |
| Total comprehensive (loss)/income attributable to Nielsen stockholders | \$ (100 |  |  |
| tax of $\$(12)$ million and $\$ 1$ million for the three months ended March 31, 2015 and 2014, respectively |  |  |  |
| tax of \$2 million and zero for the three months ended March 31, 2015 and 2014, respectively |  |  |  |
| tax of \$(1) million for the three months ended March 31, 2015 and 2014, respectively |  |  |  |
| panying notes are an integral part of these condensed conso | stat |  |  |

[^0]Nielsen N.V.

Condensed Consolidated Balance Sheets

## (IN MILLIONS, EXCEPT SHARE AND PER SHARE DATA)

## Assets:

Current assets
Cash and cash equivalents
Trade and other receivables, net of allowances for doubtful accounts and sales
returns of \$31 and \$29 as of March 31, 2015 and December 31, 2014, respectively
March 31, December 31, 20152014
(Unaudited)
\$ 343
\$ 273

Prepaid expenses and other current assets
1,168
1,241

Total current assets
554
505

Non-current assets
Property, plant and equipment, net
512
7,640
533
Goodwill
$\begin{array}{ll}\text { Other intangible assets, net } & 4,737\end{array}$
67
367

| Total assets | $\$ 15,388$ |
| :--- | :--- |

7,671

Deferred tax assets
Other non-current assets

## 4,715

83

Liabilities and equity:
Current liabilities
Accounts payable and other current liabilities
\$ 858
\$ 1,035
Deferred revenues
Income tax liabilities
Current portion of long-term debt, capital lease obligations and short-term borrowings
Total current liabilities
320
304
72
188
1,438
62

Non-current liabilities
Long-term debt and capital lease obligations
7,159
6,465
Deferred tax liabilities
1,026
1,025
Other non-current liabilities
922
10,545 955
Total liabilities
10,243
Commitments and contingencies (Note 11)
Equity:
Nielsen stockholders' equity
Common stock, $€ 0.07$ par value, $1,185,800,000$ and $1,185,800,000$ shares authorized;
$382,652,203$ and $382,622,922$ shares issued and $369,888,767$ and $372,757,598$ shares
outstanding at March 31, 2015 and December 31, 2014, respectively 32
Additional paid-in capital
Treasury stock, at cost
Accumulated deficit
Accumulated other comprehensive loss, net of income taxes
Total Nielsen stockholders' equity

6,285
6,344
(544) (415
(65 ) (128 )
(940) (777 )

4,768 5,056

| Noncontrolling interests | 75 | 77 |
| :--- | :---: | :---: |
| Total equity | 4,843 | 5,133 |
| Total liabilities and equity | $\$ 15,388$ | $\$ 15,376$ |
| The accompanying notes are an integral part of these condensed consolidated financial statements. |  |  |

- 5 -

Nielsen N.V.<br>Condensed Consolidated Statements of Cash Flows (Unaudited)

|  | Three Months <br> Ended <br> March 31, |  |
| :---: | :---: | :---: |
| (IN MILLIONS) | 2015 | 2014 |
| Operating Activities |  |  |
| Net income | \$63 | \$55 |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |  |
| Stock-based compensation expense | 14 | 12 |
| Excess tax benefits from stock-based compensation | (26) | - |
| Currency exchange rate differences on financial transactions and other losses | 26 | 30 |
| Equity in net income of affiliates, net of dividends received | - | (1 |
| Depreciation and amortization | 142 | 141 |
| Changes in operating assets and liabilities, net of effect of businesses acquired and divested: |  |  |
| Trade and other receivables, net | 47 | 21 |
| Prepaid expenses and other current assets | (56) | (48) |
| Accounts payable and other current liabilities and deferred revenues | (200) | (167) |
| Other non-current liabilities | (1) | 3 |
| Interest payable | 57 | 43 |
| Income taxes | 9 | 1 |
| Net cash provided by operating activities | 75 | 90 |
| Investing Activities |  |  |
| Acquisition of subsidiaries and affiliates, net of cash acquired | (191) | (184) |
| Additions to property, plant and equipment and other assets | (33) | (14) |
| Additions to intangible assets | (69) | (63) |
| Other investing activities | 2 | - |
| Net cash used in investing activities | (291) | (261) |
| Financing Activities |  |  |
| Net (payments)/borrowings under revolving credit facility | (205) | 30 |
| Proceeds from issuances of debt, net of issuance costs | 746 | - |
| Repayment of debt | (25) | (24) |
| Cash dividends paid to stockholders | (90) | (74) |
| Repurchase of common stock | (141) | (16) |
| Proceeds from exercise of stock options | 6 | 11 |
| Excess tax benefits from stock-based compensation | 26 | - |
| Other financing activities |  | (2) |
| Net cash provided by/(used in) financing activities | 314 | (75) |
| Effect of exchange-rate changes on cash and cash equivalents |  | (17) |
| Net increase/(decrease) in cash and cash equivalents | 70 | (263) |
| Cash and cash equivalents at beginning of period | 273 | 564 |
| Cash and cash equivalents at end of period | \$343 | \$301 |
| Supplemental Cash Flow Information |  |  |
| Cash paid for income taxes | \$(29 ) | \$(32) |
| Cash paid for interest, net of amounts capitalized | \$(16) | \$(34 ) |

The accompanying notes are an integral part of these condensed consolidated financial statements.
-6-

## Nielsen N.V.

Notes to Condensed Consolidated Financial Statements

## 1. Background and Basis of Presentation

## Background

Nielsen N.V. (formerly Nielsen Holdings N.V.) ("Nielsen" or the "Company"), together with its subsidiaries, is a leading global information and measurement company that provides clients with a comprehensive understanding of consumers and consumer behavior. Nielsen is aligned into two reporting segments: what consumers buy ("Buy") and what consumers watch and listen to ("Watch"). Nielsen has a presence in more than 100 countries, with its headquarters located in Diemen, the Netherlands and New York, USA.

The Company was formed by several private equity groups through Valcon Acquisition Holding (Luxembourg) S.à r.l. ("Luxco"). As of December 31, 2014, Luxco owned approximately $15 \%$ of the Company's common stock. During the three months ended March 31, 2015, Luxco sold 17.8 million shares of the Company's common stock. As of March 31, 2015, Luxco owned approximately $10 \%$ of the Company's common stock.

On February 26, 2015, Nielsen announced that its Board of Directors unanimously approved a proposal that would result in a change in domicile of the Company from the Netherlands to the United Kingdom. Under the proposal, the Company's principal executive offices would continue to be located in the United States. The proposed change in domicile is subject to approval from Nielsen's shareholders and the satisfaction of other customary conditions.

## Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited but, in the opinion of management, contain all the adjustments (consisting of those of a normal recurring nature) considered necessary to present fairly the Company's financial position and the results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the U.S. ("U.S. GAAP") applicable to interim periods. For a more complete discussion of significant accounting policies, commitments and contingencies and certain other information, refer to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014. All amounts are presented in U.S. Dollars ("\$"), except for share data or where expressly stated as being in other currencies, e.g., Euros (" $\epsilon$ "). The condensed consolidated financial statements include the accounts of Nielsen and all subsidiaries and other controlled entities. The Company has evaluated events occurring subsequent to March 31, 2015 for potential recognition or disclosure in the condensed consolidated financial statements and concluded there were no subsequent events that required recognition or disclosure other than those provided.

Earnings per Share
Basic net income per share is computed using the weighted-average number of shares of common stock outstanding during the period. Diluted net income per share is computed using the weighted-average number of shares of common stock and dilutive potential shares of common stock outstanding during the period. Dilutive potential shares of common stock consist of employee stock options and restricted stock.

The effect of $2,418,103$ and 81,000 shares of common stock equivalents under stock compensation plans were excluded from the calculation of diluted earnings per share for the three months ended March 31, 2015 and 2014,
respectively, as such shares would have been anti-dilutive.

Devaluation of Venezuelan Currency
Nielsen has operations in both the Buy and Watch segments in Venezuela and the functional currency for these operations was the Venezuelan Bolivares Fuertes. Venezuela's currency has been considered hyperinflationary since January 1, 2010 and, accordingly, the local currency transactions have been denominated in U.S. dollars since January 1, 2010 and will continue to be until Venezuela's currency is deemed to be non-hyperinflationary.

During the period between the first quarter of 2013 through the first quarter of 2015, there have been a number of changes in the foreign exchange regime in Venezuela that have impacted the conversion rates used by the Company for the conversion of Venezuelan Bolivares Fuertes into U.S. Dollars in its financial statements, resulting in foreign currency exchange transaction losses in the condensed consolidated statement of operations, reflecting the write-down of monetary assets and liabilities in our Venezuelan operations.

- 7 -

In February 2013, the official exchange rate was moved from 4.30 to 6.30 and the regulated System of Transactions with Securities in Foreign Currency market was suspended.

Based on facts and circumstances present at March 31, 2014, Nielsen began using the exchange rate determined by periodic auctions for U.S. dollars conducted under Venezuela's Complementary System of Foreign Currency Administration ("SICAD I") as the SICAD I exchange rate represented what was the most realistic official exchange rate at which to remeasure the U.S. dollar value of the bolivar-denominated monetary assets and liabilities of Nielsen's Venezuelan operations at that time. At March 31, 2014, the SICAD I exchange rate was 10.8 bolivars to the U.S. dollar. As a result of this change, Nielsen recorded a pre-tax charge of $\$ 20$ million during the first quarter of 2014.

Due to the lack of access to the SICAD I auction system throughout the remainder of 2014, as of December 31, 2014 the Company decided it was more likely that it would be able to gain access to U.S. dollars through the SICAD II mechanism to settle transactions conducted by the Company in Venezuela as SICAD II was created to provide a more open mechanism that was designed to permit any company to request U.S. dollars for any purpose. At December 31, 2014, the SICAD II exchange rate was 50.0 bolivars to the U.S. dollar. As a result of the changes in exchange rate assumptions in the fourth quarter 2014, Nielsen recorded a pre-tax charge of $\$ 32$ million, for a total of $\$ 52$ million for the year ended December 31, 2014.

On February 12, 2015, the Venezuelan government replaced SICAD II with a new foreign exchange market mechanism ("SIMADI"). Nielsen currently expects to be able to access U.S. dollars through the SIMADI market. SIMADI has significantly higher foreign exchange rates than those available through the other foreign exchange mechanisms. At March 31, 2015, the SIMADI exchange rate was 193.0 bolivars to the U.S. dollar. As a result of this change, Nielsen recorded a pre-tax charge of $\$ 7$ million during the first quarter of 2015.

The Company will continue to assess the appropriate conversion rate based on events in Venezuela and the Company's specific facts and circumstances. Total net monetary assets in U.S. dollars at the March 31, 2015 SIMADI rate totaled $\$ 3$ million.

## 2. Summary of Recent Accounting Pronouncements

## Consolidation

In February 2015, the FASB issued Accounting Standards Update ("ASU") 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis". The new standard is intended to improve targeted areas of the consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures. The amendments in the ASU affect the consolidation evaluation for reporting organizations. In addition, the amendments in this ASU simplify and improve current GAAP by reducing the number of consolidation models. This guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2015; however, early adoption is permitted. Nielsen is currently assessing the impact of the adoption of this ASU will have on the Company's condensed consolidated financial statements.

Debt Issuance Costs

In March 2015, the FASB issued an ASU, "Simplifying the Presentation of Debt Issuance Costs". The new standard changes the presentation of debt issuance costs in financial statements. Under the ASU, an entity will present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. This guidance will be effective for fiscal years and interim periods within those fiscal years beginning after December 15,2015 ; however, early adoption is permitted. Nielsen is currently assessing the impact of the adoption of this ASU will have on the Company's condensed consolidated financial statements.

## 3. Business Acquisitions

For the three months ended March 31, 2015, Nielsen paid cash consideration of $\$ 191$ million associated with both current period and previously executed acquisitions, net of cash acquired. Had these current period acquisitions occurred as of January 1, 2015, the impact on Nielsen's consolidated results of operations would not have been material.

For the three months ended March 31, 2014, we paid cash consideration of $\$ 184$ million associated with both current period and previously executed acquisitions, net of cash acquired. Had these acquisitions occurred as of January 1, 2014, the impact on Nielsen's consolidated results of operations would not have been material.

- 8 -


## 4. Goodwill and Other Intangible Assets

## Goodwill

The table below summarizes the changes in the carrying amount of goodwill by reportable segment for the three months ended March 31, 2015.

| (IN MILLIONS) | Buy | Watch | Total |
| :--- | :--- | :--- | :--- |
| Balance, December 31, 2014 | $\$ 3,014$ | $\$ 4,657$ | $\$ 7,671$ |
| Acquisitions, divestitures and other adjustments | 5 | $\$ 129$ | $\$ 134$ |
| Effect of foreign currency translation | $(147)$ | $(18$ | $)$ |
| Balance, March 31, 2015 | $\$ 2,872$ | $\$ 4,768$ | $\$ 7,640$ |

At March 31, 2015, $\$ 68$ million of the goodwill is expected to be deductible for income tax purposes.
Other Intangible Assets

|  |  |  |  | Accumulated |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | Amortization |  |  |  |
|  | Gross Amounts <br> March 31December 31, |  |  | March 2015 |  | Decembe 014 |  |
| Indefinite-lived intangibles: |  |  |  |  |  |  |  |
| Trade names and trademarks | \$1,921 | \$ | 1,921 | \$- |  | - |  |
| Amortized intangibles: |  |  |  |  |  |  |  |
| Trade names and trademarks | 167 |  | 166 | (72 |  | (68 | ) |
| Customer-related intangibles | 2,967 |  | 2,938 | $(1,097)$ |  | (1,054 | ) |
| Covenants-not-to-compete | 38 |  | 36 | (32 |  |  | ) |
| Computer software | 2,027 |  | 1,935 | $(1,208)$ |  | (1,157 | ) |
| Patents and other | 105 |  | 105 | (79 |  |  | ) |
| Total | \$5,304 | \$ | 5,180 | \$ 2,488 ) |  | (2,386 |  |

Amortization expense associated with the above intangible assets was $\$ 100$ million and $\$ 97$ million for the three months ended March 31, 2015 and 2014, respectively. These amounts included amortization expense associated with computer software of $\$ 54$ million and $\$ 51$ million for the three months ended March 31, 2015 and 2014, respectively.

## 5. Changes in and Reclassification out of Accumulated Other Comprehensive Loss by Component

The table below summarizes the changes in accumulated other comprehensive loss, net of tax, by component for the three months ended March 31, 2015 and 2014.
(IN MILLIONS)
Balance December 31, 2014
Other comprehensive (loss)/income before reclassifications
Amounts reclassified from accumulated other comprehensive (loss)/income
Net current period other comprehensive (loss)/income
Net current period other comprehensive loss attributable
to noncontrolling interest
Net current period other comprehensive
(loss)/income
attributable to Nielsen stockholders
Balance March 31, 2015

Currency Available-
Translation for-Sale Post Employment
Adjustments Securities Cash Flow HedgeBenefits Total
\$ (418 ) \$ $19 \quad \$ \quad(2 \quad) \$(376 \quad) \$(777)$
$(172) \quad 3 \quad 15$

7
$(172) \quad 3 \quad(3)$
(3 ) - - -

- 9 -
(IN MILLIONS)
Balance December 31, 2013 (124 ) 9 (5 ) (267 ) (387)
Other comprehensive (loss)/income before reclassifications
Amounts reclassified from accumulated other $\begin{array}{cccccc}\text { comprehensive (loss)/income } & - & - & 2 & 2 & 4\end{array}$
Net current period other comprehensive (loss)/income

| attributable to Nielsen stockholders | $(8$ | $)$ | 2 | - | 3 | $(3)$ |  |
| :---: | :--- | :--- | :--- | :--- | :--- | :--- | :--- |
| Balance March 31, 2014 | $(132$ | $)$ | 11 | $(5)$ | $)$ | $(264$ | $)$ |

The table below summarizes the reclassification of accumulated other comprehensive loss by component for the three months ended March 31, 2015 and 2014, respectively.

| (IN MILLIONS) | Amount Reclassified from Accumulated Other Comprehensive Loss |  |  |  | Affected Line Item in the |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  |
| Details about Accumulated |  |  |  |  |  |
| Other Comprehensive | Three |  | Three |  |  |
|  | Months |  | Months |  | Condensed Consolidated |
|  | Ended |  | Ended |  |  |
| Income components | $\begin{aligned} & \text { March 31, } \\ & 2015 \end{aligned}$ |  | $\begin{aligned} & \text { March 31, } \\ & 2014 \end{aligned}$ |  | Statement of Operations |
| Cash flow hedges |  |  |  |  |  |
| Interest rate contracts | \$ | 3 | \$ | 4 | Interest expense |
|  |  | 1 |  | 2 | Benefit for income taxes |
|  | \$ | 2 | \$ | 2 | Total, net of tax |
| Amortization of Post-Employment Benefits |  |  |  |  |  |
| Actuarial loss | \$ | 6 | \$ | 3 | (a) |
|  |  | 1 |  | 1 | Benefit for income taxes |
|  | \$ | 5 | \$ | 2 | Total, net of tax |
| Total reclassification for the period | \$ | 7 | \$ | 4 | Net of tax |

(a) This accumulated other comprehensive loss component is included in the computation of net periodic pension cost.

## 6. Restructuring Activities

A summary of the changes in the liabilities for restructuring activities is provided below:
(IN MILLIONS)
Balance at December 31, 2014 ..... \$72
Charges ..... 14
Payments ..... (22)
Non cash charges and other adjustments ..... (5)
Balance at March 31, 2015 ..... \$59

Nielsen recorded $\$ 14$ million and $\$ 24$ million in restructuring charges for the three months ended March 31, 2015 and 2014, respectively, primarily relating to severance costs.

Of the $\$ 59$ million in remaining liabilities for restructuring actions, $\$ 48$ million is expected to be paid within one year and is classified as a current liability within the condensed consolidated balance sheet as of March 31, 2015.

## 7. Fair Value Measurements

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, the Company considers the principal

- 10 -
or most advantageous market in which the Company would transact, and also considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of non-performance.

There are three levels of inputs that may be used to measure fair value:

Level 1: Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.
Level 2: Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3: Pricing inputs that are generally unobservable and may not be corroborated by market data. Financial Assets and Liabilities Measured on a Recurring Basis

The Company's financial assets and liabilities are measured and recorded at fair value, except for equity method investments, cost method investments, and long-term debt. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The Company's assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

The following table summarizes the valuation of the Company's material financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2015 and December 31, 2014:


| Plan assets for deferred compensation ${ }^{(2)}$ | 28 | 28 | - | - |  |
| :--- | :--- | :--- | :--- | :--- | :--- |
| Investment in mutual funds ${ }^{(3)}$ | 2 | 2 | - | - |  |
| Interest rate swap arrangements ${ }^{(4)}$ |  | 1 |  | - | 1 |
| Total | $\$$ | 76 | $\$ 75$ | 1 | - |
| Liabilities: |  |  |  |  |  |
| Interest rate swap arrangements ${ }^{(4)}$ | $\$$ | 6 | - | $\$$ | 6 |
| Deferred compensation liabilities ${ }^{(5)}$ |  | 28 | 28 |  | - |
| Total | $\$$ | 34 | $\$ 28$ | $\$$ | 6 |

(1) Investments in equity securities are carried at fair value, which is based on the quoted market price at period end in an active market. These investments are classified as available-for-sale with any unrealized gains or losses resulting from changes in fair value recorded, net of tax, as a component of accumulated other comprehensive income/(loss) until realized. Nielsen assesses declines in the value of individual investments to determine whether such decline is other than temporary and thus the investment is impaired by considering available evidence. No impairment charge was recorded for these available-for-sale securities during the three months ended March 31, 2015 and the year ended December 31, 2014.

- 11 -
(2)Plan assets are comprised of investments in mutual funds, which are intended to fund liabilities arising from deferred compensation plans. These investments are carried at fair value, which is based on quoted market prices at period end in active markets. These investments are classified as trading securities with any gains or losses resulting from changes in fair value recorded in other expense, net.
(3) Investments in mutual funds are money-market accounts held with the intention of funding certain specific retirement plans.
(4) Derivative financial instruments include interest rate swap arrangements recorded at fair value based on externally-developed valuation models that use readily observable market parameters and the consideration of counterparty risk.
(5)The Company offers certain employees the opportunity to participate in a deferred compensation plan. A participant's deferrals are invested in a variety of participant directed stock and bond mutual funds and are classified as trading securities. Changes in the fair value of these securities are measured using quoted prices in active markets based on the market price per unit multiplied by the number of units held exclusive of any transaction costs. A corresponding adjustment for changes in fair value of the trading securities is also reflected in the changes in fair value of the deferred compensation obligation.
Derivative Financial Instruments
Nielsen primarily uses interest rate swap derivative instruments to manage risk that changes in interest rates will affect the cash flows of its underlying debt obligations.

To qualify for hedge accounting, the hedging relationship must meet several conditions with respect to documentation, probability of occurrence, hedge effectiveness and reliability of measurement. Nielsen documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions as well as the hedge effectiveness assessment, both at the hedge inception and on an ongoing basis. Nielsen recognizes all derivatives at fair value either as assets or liabilities in the consolidated balance sheets and changes in the fair values of such instruments are recognized currently in earnings unless specific hedge accounting criteria are met. If specific cash flow hedge accounting criteria are met, Nielsen recognizes the changes in fair value of these instruments in accumulated other comprehensive income/(loss).

Nielsen manages exposure to possible defaults on derivative financial instruments by monitoring the concentration of risk that Nielsen has with any individual bank and through the use of minimum credit quality standards for all counterparties. Nielsen does not require collateral or other security in relation to derivative financial instruments. A derivative contract entered into between Nielsen or certain of its subsidiaries and a counterparty that was also a lender under Nielsen's senior secured credit facilities at the time the derivative contract was entered into is guaranteed under the senior secured credit facilities by Nielsen and certain of its subsidiaries (see Note 9 - Long-term Debt and Other Financing Arrangements for more information). Since it is Nielsen's policy to only enter into derivative contracts with banks of internationally acknowledged standing, Nielsen considers the counterparty risk to be remote.

It is Nielsen's policy to have an International Swaps and Derivatives Association ("ISDA") Master Agreement established with every bank with which it has entered into any derivative contract. Under each of these ISDA Master Agreements, Nielsen agrees to settle only the net amount of the combined market values of all derivative contracts outstanding with any one counterparty should that counterparty default. Certain of the ISDA Master Agreements contain cross-default provisions where if the Company either defaults in payment obligations under its credit facility or if such obligations are accelerated by the lenders, then the Company could also be declared in default on its derivative obligations. At March 31, 2015, Nielsen had no material exposure to potential economic losses due to counterparty credit default risk or cross-default risk on its derivative financial instruments.

## Foreign Currency Exchange Risk

Foreign currency translation risk is the risk that exchange rate gains or losses arise from translating foreign entities' statements of earnings and balance sheets from functional currency to our reporting currency (the U.S. Dollar) for consolidation purposes. Nielsen manages translation risk exposure by creating "natural hedges" in its financing or by using derivative financial instruments aimed at offsetting certain exposures in the statement of earnings or the balance sheet. Nielsen does not trade derivative financial instruments for speculative purposes. During the quarters ended March 31, 2015 and 2014, Nielsen recorded a net gain of $\$ 2$ million and zero, respectively, associated with foreign currency derivative financial instruments within foreign currency exchange transactions losses, net in our condensed consolidated statements of operations. As of March 31, 2015 and December 31, 2014 there were no foreign currency derivative financial instruments outstanding.

## Interest Rate Risk

Nielsen is exposed to cash flow interest rate risk on the floating-rate U.S. Dollar and Euro Term Loans, and uses floating-to-fixed interest rate swaps to hedge this exposure. For these derivatives, Nielsen reports the after-tax gain or loss from the effective portion of the hedge as a component of accumulated other comprehensive income/(loss) and reclassifies it into earnings in the same period or periods in which the hedged transaction affects earnings, and within the same income statement line item as the impact of the hedged transaction.

- 12 -

As of March 31, 2015 the Company had the following outstanding interest rate swaps utilized in the management of its interest rate risk:

Interest rate swaps designated as hedging instruments US Dollar term loan floating-to-fixed rate swaps US Dollar term loan floating-to-fixed rate swaps Euro term loan floating-to-fixed rate swaps US Dollar term loan floating-to-fixed rate swaps US Dollar term loan floating-to-fixed rate swaps US Dollar term loan floating-to-fixed rate swaps US Dollar term loan floating-to-fixed rate swaps

| Notional Amount | Maturity Date | Currency |
| :--- | :--- | :--- |
|  |  |  |
| $\$ 250,000,000$ | September 2015 | US Dollar |
| $\$ 125,000,000$ | November 2015 | US Dollar |
| $€ 125,000,000$ | November 2015 | Euro |
| $\$ 1,575,000,000$ | May 2016 | US Dollar |
| $\$ 500,000,000$ | November 2016 | US Dollar |
| $\$ 250,000,000$ | September 2017 | US Dollar |
| $\$ 250,000,000$ | May 2018 | US Dollar |

Nielsen expects to recognize approximately $\$ 8$ million of net pre-tax losses from accumulated other comprehensive loss to interest expense in the next 12 months associated with its interest-related derivative financial instruments.

Fair Values of Derivative Instruments in the Consolidated Balance Sheets
The fair values of the Company's derivative instruments as of March 31, 2015 and December 31, 2014 were as follows:


Derivatives in Cash Flow Hedging Relationships
The pre-tax effect of derivative instruments in cash flow hedging relationships for the three months ended March 31, 2015 and 2014 was as follows:

|  |  |  | Amount of Loss |
| :--- | :--- | :--- | :--- |
|  | Amount of Loss |  | Reclassified from AOCI |
| Recognized in OCI | Location of Loss | into Income |  |
| (Effective Portion) | Reclassified from AOCI | (Effective Portion) |  |
| Derivatives in Cash Flow | Three Months Ended | into Income (Effective | Three Months Ended |

## Edgar Filing: Nielsen N.V. - Form 10-Q

| Hedging Relationships | March 31, | Portion) | March 31, |  |  |
| :--- | :--- | :--- | :--- | :--- | :--- |
| (IN MILLIONS) | 2015 | 2014 |  | 2015 | 2014 |
| Interest rate swaps | $\$ 8$ | $\$ 4$ | Interest expense | $\$ 3$ | $\$ 4$ |

## Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The Company is required, on a nonrecurring basis, to adjust the carrying value using fair value measurements or provide valuation allowances for certain assets using the more-likely-than-not criteria. The Company's equity method investments, cost method investments, and non-financial assets, such as goodwill, intangible assets, and property, plant and equipment, are measured at fair value when there is an indicator of impairment and recorded at fair value only when an impairment charge is recognized.

The Company did not measure any material non-financial assets or liabilities at fair value during the three months ended March 31, 2015.

## 8. Long-term Debt and Other Financing Arrangements

Unless otherwise stated, interest rates are as of March 31, 2015.
(IN MILLIONS)
\$1,580 million Senior secured term loan (LIBOR based
$\$ 500$ million Senior secured term loan (LIBOR based variable rate of $2.43 \%$ ) due $2017 \quad 496 \quad 496 \quad 497 \quad 493$ $\$ 1,100$ million Senior secured term loan (LIBOR based
$€ 286$ million Senior secured term loan (Euro LIBOR based $\begin{array}{cllll}\text { variable rate of } 2.99 \% \text { ) due } 2021 & 305 & 305 & 345 & 343\end{array}$
\$575 million senior secured revolving credit facility (Euro

| LIBOR or LIBOR based variable rate) due 2019 | 75 | 75 | 280 |
| :--- | :--- | :--- | :--- |
| 274 |  |  |  |

Total senior secured credit facilities (with weighted-

| average interest rate) | $2.69 \%$ | 3,489 | 3,480 | $2.65 \%$ | 3,758 | 3,731 |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- |
| $\$ 800$ million 4.50\% senior debenture loan due 2020 |  | 800 | 814 |  | 800 | 801 |
| $\$ 1,550$ million 5.00\% senior debenture loan due 2022 |  | - | - |  | 1,553 | 1,554 |
| $\$ 625$ million 5.50\% senior debenture loan due 2021 |  | 625 | 646 |  | 625 | 633 |
| $\$ 2,300$ million 5.00\% senior debenture loan due 2022 |  | 2,308 | 2,326 |  | - | - |
| Total debenture loans (with weighted-average interest rate) | $5.22 \%$ | 3,733 | 3,786 | $5.23 \%$ | 2,978 | 2,988 |
| Other loans |  | 9 | 9 |  | 8 | 8 |
| Total long-term debt | $4.00 \%$ | 7,231 | 7,275 | $3.79 \%$ | 6,744 | 6,727 |
| Capital lease and other financing obligations |  | 116 |  |  | 118 |  |
| Total debt and other financing arrangements | 7,347 |  |  | 6,862 |  |  |

Less: Current portion of long-term debt, capital lease and other financing obligations and other short-term

Non-current portion of long-term debt and capital

The fair value of the Company's long-term debt instruments was based on the yield on public debt where available or current borrowing rates available for financings with similar terms and maturities and such fair value measurements are considered Level 1 or Level 2 in nature, respectively.

Annual maturities of Nielsen's long-term debt are as follows:
(IN MILLIONS)
For April 1, 2015 to December 31, 2015 \$149
2016123
2017 642
2018 212
2019 1,041
$2020 \quad 814$
Thereafter 4,250
\$7,231

In February 2015, Nielsen completed the issuance of $\$ 750$ million aggregate principal amount of their $5.0 \%$ Senior Notes due 2022. The notes are traded interchangeably with the $\$ 750$ million and the $\$ 800$ million aggregate principal amount of $5.00 \%$ Senior Notes due 2022 issued in April 2014 and July 2014, respectively. The proceeds of from the issuances will be used to make repurchases of Nielsen's outstanding common stock from time to time, in the open market or otherwise, pursuant to Nielsen's existing share repurchase programs, to reduce outstanding amounts under its revolving credit facility, to pay related fees and expenses, and for general corporate purposes
9. Stockholders' Equity

Common stock activity is as follows:
$\left.\begin{array}{ll} & \begin{array}{l}\text { Three Months Ended } \\ \text { March 31, 2015 }\end{array} \\ \text { Actual number of shares of common stock outstanding } & \\ \text { Beginning of period } & 372,757,598 \\ \text { Shares of common stock issued through compensation plans } & 329,314 \\ \text { Repurchases of common stock } & (3,198,145 \\ \text { End of period } & 369,888,767\end{array}\right)$

Cumulative shares of treasury stock were $12,763,436$ and $9,865,324$ with a corresponding value of $\$ 544$ million and $\$ 415$ million as of March 31, 2015 and December 31, 2014, respectively.

On January 31, 2013, the Company's Board of Directors adopted a cash dividend policy to pay quarterly cash dividends on its outstanding common stock. The below table summarizes the dividends declared on Nielsen's common stock during 2014 and the three months ended March 31, 2015.

| Declaration Date | Record Date | Payment Date | Dividend <br> Per |
| :--- | :--- | :--- | :--- |
| February 20, 2014 | March 6, 2014 | March 20, 2014 | $\$ 0.20$ |
| Share |  |  |  |

The dividend policy and the payment of future cash dividends are subject to the discretion of the Company's Board of Directors.

On April 20, 2015, the Company's Board declared a cash dividend of $\$ 0.28$ per share on our common stock. The dividend is payable on June 18, 2015 to stockholders of record at the close of business on June 4, 2015.

On July 25, 2013, Nielsen's Board approved a share repurchase program for up to $\$ 500$ million of its outstanding common stock. The primary purpose of the program is to mitigate dilution associated with Nielsen's equity compensation plans. On October 23, 2014, the Company announced that its board of directors approved a new share repurchase program for up to $\$ 1$ billion of Nielsen's outstanding common stock. This is in addition to the current authorization in place since July 2013 as described above. Repurchases will be made in accordance with applicable securities laws from time to time in the open market or otherwise depending on Nielsen management's evaluation of market conditions and other factors. This program will be executed within the limitations of the existing authority
granted at Nielsen's 2015 Annual General Meeting of Shareholders. As of March 31, 2015, there have been 14,381,128 shares of our common stock purchased at an average price of $\$ 42.96$ per share (total consideration of $\$ 618$ million) under this program. The activity during the three months ended March 31, 2015 consisted of open market share repurchases and is summarized in the following table.

|  |  |  | Total |  |
| :---: | :---: | :---: | :---: | :---: |
|  |  |  | Number of Shares |  |
|  |  |  | Purchased as | Dollar Value of Shares |
|  | Total |  | Part of |  |
|  | Number | Average | Publicly | that may yet be |
|  |  | Price | Announced | Purchased |
|  | of Shares | Paid | Plans | under the |
| Period |  | per |  | Plans or |
|  | Purchased | Share | or Programs | Programs |
| As of December 31, 2014 | 11,182,983 | \$ 42.67 | 11,182,983 | \$1,022,830,101 |
| 2015 Activity |  |  |  |  |
| January 1-31 | 1,611,203 | 44.09 | 1,611,203 | \$951,797,780 |
| February 1-28 | 814,753 | \$ 43.90 | 814,753 | \$916,031,448 |
| March 1-31 | 772,189 | \$ 43.76 | 772,189 | \$882,241,498 |
| Total | 14,381,128 | \$ 42.96 | 14,381,128 |  |

The effective tax rate was $38 \%$ for the three months ended March 31, 2015 and 2014, respectively. The tax rate for the three months ended March 31, 2015 was higher than the statutory rate as a result of the impact of tax rate differences in other jurisdictions where the Company files tax returns, the effect of global licensing activities and foreign distributions and audit settlements, offset by the favorable impact of certain financing activities and the release of certain tax contingencies. The tax rate for the three months ended March 31, 2014 was higher than the statutory rate as a result of the tax impact of the Venezuela currency revaluation, the impact of tax rate differences in other jurisdictions where the Company files tax returns, and accrual for future audit settlements offset by the favorable impact of certain financing activities and release of tax contingencies.

The estimated liability for unrecognized income tax benefits as of December 31, 2015 is $\$ 457$ million and was $\$ 452$ million as of December 31, 2014. If the Company's tax positions are favorably sustained by the taxing authorities, the reversal of the underlying liabilities would reduce the Company's effective tax rate in future periods.

The Company files numerous consolidated and separate income tax returns in the U.S. and in many state and foreign jurisdictions. With few exceptions the Company is no longer subject to U.S. Federal income tax examination for 2006 and prior periods. In addition, the Company has subsidiaries in various states, provinces and countries that are currently under audit for years ranging from 2003 through 2014.

To date, the Company is not aware of any material adjustments not already accrued related to any of the current Federal, state or foreign audits under examination.

## 11. Commitments and Contingencies

Legal Proceedings and Contingencies
Nielsen is subject to litigation and other claims in the ordinary course of business, some of which include claims for substantial sums. Accruals have been recorded when the outcome is probable and can be reasonably estimated. While the ultimate results of claims and litigation cannot be determined, the Company does expect that the ultimate disposition of these matters will not have a material adverse effect on its operations or financial condition. However, depending on the amount and the timing, an unfavorable resolution of some or all of these matters could materially affect the Company's future results of operations or cash flows in a particular period.

## 12. Segments

The Company aligns its operating segments in order to conform to management's internal reporting structure, which is reflective of service offerings by industry. Management aggregates such operating segments into two reporting segments: what consumers buy ("Buy"), consisting principally of market research information and analytical services; and what consumers watch ("Watch"), consisting principally of television, radio, online and mobile audience and advertising measurement and corresponding analytics.

Corporate consists principally of unallocated items such as certain facilities and infrastructure costs as well as intersegment eliminations. Certain corporate costs, other than those described above, including those related to selling, finance, legal, human resources, and information technology systems, are considered operating costs and are allocated
to the Company's segments based on either the actual amount of costs incurred or on a basis consistent with the operations of the underlying segment. Information with respect to the operations of each of Nielsen's business segments is set forth below based on the nature of the services offered and geographic areas of operations.

## Business Segment Information

| (IN MILLIONS) <br> Three Months Ended March 31, 2015 | Buy | Watch | Corporate | Total |
| :--- | :--- | :--- | :--- | :--- |
| Revenues | $\$ 798$ | $\$ 660$ |  |  |
| Depreciation and amortization | $\$ 53$ | $\$ 88$ | $\$ 1$ | $\$ 1,458$ |
| Restructuring charges | $\$ 7$ | $\$ 4$ | $\$ 3$ | $\$ 142$ |
| Stock-based compensation expense | $\$ 5$ | $\$ 2$ | $\$ 7$ | $\$ 14$ |
| Other items ${ }^{(1)}$ | $\$-$ | $\$-$ | $\$ 11$ | $\$ 11$ |
| Operating income $/($ loss $)$ | $\$ 45$ | $\$ 184$ | $\$(30$ | $) \$ 199$ |
| Business segment income/(loss) ${ }^{(2)}$ | $\$ 110$ | $\$ 278$ | $\$(8$ | $) \$ 380$ |
| Total assets as of March 31, 2015 | $\$ 6,522$ | $\$ 8,431$ | $\$ 435$ | $\$ 15,388$ |


| (IN MILLIONS) | Buy | Watch | Corporate | Total |
| :---: | :---: | :---: | :---: | :---: |
| Three Months Ended March 31, 2014 |  |  |  |  |
| Revenues | \$837 | \$652 | \$- | \$ 1,489 |
| Depreciation and amortization | \$54 | \$86 | \$1 | \$141 |
| Restructuring charges | \$18 | \$3 | \$3 | \$24 |
| Stock-based compensation expense | \$6 | \$4 | \$2 | \$ 12 |
| Other items ${ }^{(1)}$ | \$- | 1 | \$5 | \$6 |
| Operating income/(loss) | \$40 | \$ 173 | \$(20 | ) \$193 |
| Business segment income/(loss) ${ }^{(2)}$ | \$118 | \$267 | \$(9 | ) \$376 |
| Total assets as of December 31, 2014 | \$6,869 | \$8,156 | \$351 | \$15,376 |

(1) Other items primarily consist of non-recurring costs for the three months ended March 31, 2015 and 2014.
(2) The Company's chief operating decision making group uses business segment income/(loss) to measure performance from period to period both at the consolidated level as well as within its operating segments.

## 13. Guarantor Financial Information

The following supplemental financial information is being provided for purposes of compliance with reporting covenants contained in certain debt obligations of Nielsen and its subsidiaries. The financial information sets forth for Nielsen, its subsidiaries that have issued certain debt securities (the "Issuers") and its guarantor and non-guarantor subsidiaries, the consolidating balance sheet as of March 31, 2015 and December 31, 2014 and consolidating statements of operations and cash flows for the periods ended March 31, 2015 and 2014. The issued debt securities are jointly and severally guaranteed on a full and unconditional basis by Nielsen and subject to certain exceptions, each of the direct and indirect $100 \%$ owned subsidiaries of Nielsen, in each case to the extent that such entities provide a guarantee under the senior secured credit facilities. The issuers are also $100 \%$ owned indirect subsidiaries of Nielsen: Nielsen Finance LLC and Nielsen Finance Co. for certain series of debt obligations, and The Nielsen Company (Luxembourg) S ar 1., for the other series of debt obligations. Each issuer is a guarantor of the debt obligations not issued by it.

Nielsen is a holding company and does not have any material assets or operations other than ownership of the capital stock of its direct and indirect subsidiaries. All of Nielsen's operations are conducted through its subsidiaries, and, therefore, Nielsen is expected to continue to be dependent upon the cash flows of its subsidiaries to meet its obligations. The senior secured credit facilities contain certain limitations on the ability of Nielsen to receive the cash flows of its subsidiaries.

While all subsidiary guarantees of the issued debt securities are full and unconditional, these guarantees contain customary release provisions including when (i) the subsidiary is sold or sells all of its assets, (ii) the subsidiary is declared "unrestricted" for covenant purposes, (iii) the subsidiary's guarantee under the senior secured credit facilities is released and (iv) the requirements for discharge of the indenture have been satisfied.

Edgar Filing: Nielsen N.V. - Form 10-Q

- 17 -

Nielsen N.V.
Condensed Consolidating Statement of Comprehensive Income (Unaudited)
For the three months ended March 31, 2015

## (IN MILLIONS)

Revenues
Cost of revenues, exclusive of depreciation and

Selling, general and administrative expenses,
exclusive of depreciation and amortization
shown

| $\quad$ separately below | 1 | - | 258 | 222 | - | 481 |  |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- |
| Depreciation and amortization | - | - | 113 | 29 | - | 142 |  |
| Restructuring charges | - | - | 11 | 3 | - | 14 |  |
| Operating (loss)/income | $(1$ | $)$ | - | 152 | 48 | - | 199 |
| Interest income | - | 220 | 11 | 1 | $(231$ | $)$ | 1 |
| Interest expense | - | $(68)$ | $(224$ | $)$ | $(12$ | $)$ | 231 |
| Foreign currency exchange transaction expense, |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| net | - | - | $(11$ | $)$ | $(15$ | $)$ | - |

(Loss)/income from continuing operations before income taxes and equity in net income/(loss) of subsidiaries and affiliates
(Provision)/benefit for income taxes
Equity in net income/(loss) of subsidiaries
Net income
Total other comprehensive loss
Total other comprehensive loss attributable to noncontrolling interests
Total other comprehensive loss attributable to
controlling interests
Total comprehensive (loss)/income Comprehensive loss attributable to noncontrolling
(100) 75 (99 ) (222 ) 243 (103 )

Total comprehensive (loss)/income attributable to controlling interest

$$
\$(100) \$ 75 \quad \$(99 \quad) \$(219 \quad) \$ 243 \quad \$(100 \quad)
$$

$$
\text { - } 18 \text { - }
$$

Nielsen N.V.
Condensed Consolidated Statement of Comprehensive Income (Unaudited)
For the three months ended March 31, 2014
(IN MILLIONS)
Revenues
Cost of revenues, exclusive of depreciation and $\begin{array}{llllllll}\text { amortization shown separately below } & - & - & 307 & 335 & - & 642\end{array}$
Selling, general and administrative expenses,
exclusive of depreciation and amortization
shown


Income from continuing operations before income
taxes and equity in net income/(loss) of
subsidiaries and affiliates
Benefit/(provision) for income taxes
Equity in net income/(loss) of subsidiaries
Equity in net (loss)/income of affiliates
Net income
Less net loss attributable to noncontrolling
interests

Net income attributable to controlling interest
Total other comprehensive (loss)/income
Total comprehensive income
Comprehensive loss attributable to noncontrolling
interests
Total comprehensive income attributable to

|  |  | Non- |  |  |  |  |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- |
| Parent | Issuer | Guarantor | Guarantor | Elimination | Consolidated |  |
| $\$-$ | $\$-$ | $\$ 803$ | $\$ 686$ | $\$-$ | $\$ 1,489$ |  |

[^1] \$- \$-


controlling interests

- 19 -

Nielsen N.V<br>Condensed Consolidating Balance Sheet (Unaudited)

March 31, 2015

| (IN MILLIONS) | Parent | Issuers | Guarantor | Non- <br> Guarantor | Elimination |  | Consolidated |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Assets: |  |  |  |  |  |  |  |
| Current assets |  |  |  |  |  |  |  |
| Cash and cash equivalents | \$30 | - | 74 | 239 | - |  | 343 |
| Trade and other receivables, net | 1 | - | 539 | 628 | - |  | 1,168 |
| Prepaid expenses and other current assets | - | 9 | 391 | 154 | - |  | 554 |
| Intercompany receivables | 1 | 440 | 139 | 179 | (759 | ) | - |
| Total current assets | 32 | 449 | 1,143 | 1,200 | (759 | ) | 2,065 |
| Non-current assets |  |  |  |  |  |  |  |
| Property, plant and equipment, net | - | - | 337 | 175 | - |  | 512 |
| Goodwill | - | - | 5,719 | 1,921 | - |  | 7,640 |
| Other intangible assets, net | - | - | 4,375 | 362 | - |  | 4,737 |
| Deferred tax assets | 1 | - | 24 | 42 | - |  | 67 |
| Other non-current assets | - | 49 | 189 | 129 | - |  | 367 |
| Equity investment in subsidiaries | 4,767 | 1,322 | 6,184 | - | (12,273 | ) | - |
| Intercompany loans | - | 10,835 | 496 | 183 | (11,514 | ) | - |
| Total assets | \$4,800 | \$12,655 | \$ 18,467 | \$ 4,012 | \$ (24,546 |  | \$ 15,388 |
| Liabilities and equity: |  |  |  |  |  |  |  |
| Current liabilities |  |  |  |  |  |  |  |
| Accounts payable and other current liabilities | \$13 | \$98 | \$314 | \$ 433 | \$- |  | \$ 858 |
| Deferred revenues | - | - | 185 | 135 | - |  | 320 |
| Income tax liabilities | - | - | 18 | 54 | - |  | 72 |
| Current portion of long-term debt, capital lease |  |  |  |  |  |  |  |
| obligations and short-term borrowings | - | 98 | 89 | 1 | - |  | 188 |
| Intercompany payables | 7 | - | 622 | 130 | (759 | ) | - |
| Total current liabilities | 20 | 196 | 1,228 | 753 | (759 | ) | 1,438 |
| Non-current liabilities |  |  |  |  |  |  |  |
| Long-term debt and capital lease obligations | - | 7,049 | 89 | 21 | - |  | 7,159 |
| Deferred tax liabilities | - | 78 | 867 | 81 | - |  | 1,026 |
| Intercompany loans | 10 | 61 | 10,948 | 495 | (11,514 | ) | - |
| Other non-current liabilities | 2 |  | 568 | 345 | - |  | 922 |
| Total liabilities | 32 | 7,391 | 13,700 | 1,695 | (12,273 | ) | 10.545 |
| Total stockholders' equity | 4,768 | 5,264 | 4,767 | 2,242 | (12,273 | ) | 4,768 |
| Noncontrolling interests | - | - | - | 75 | - |  | 75 |
| Total equity | 4,768 | 5,264 | 4,767 | 2,317 | (12,273 | ) | 4,843 |
| Total liabilities and equity | \$4,800 | \$12,655 | \$ 18,467 | \$ 4,012 | \$ (24,546 |  | \$ 15,388 |

Edgar Filing: Nielsen N.V. - Form 10-Q

Nielsen N.V.
Condensed Consolidating Balance Sheet
December 31, 2014

## (IN MILLIONS)

Assets:
Current assets

| Cash and cash equivalents | \$49 | \$ 1 | \$ (51 | ) \$ | 274 | \$ |  | \$ 273 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Trade and other receivables, net | 1 | - | 526 |  | 714 | - |  | 1,241 |
| Prepaid expenses and other current assets | - | 8 | 339 |  | 158 | - |  | 505 |
| Intercompany receivables | 1 | 228 | 141 |  | 190 | (560 | ) | - |
| Total current assets | 51 | 237 | 955 |  | 1,336 | (560 | ) | 2,019 |
| Non-current assets | - |  |  |  |  |  |  |  |
| Property, plant and equipment, net | - | - | 335 |  | 198 | - |  | 533 |
| Goodwill | - | - | 5,588 |  | 2,083 | - |  | 7,671 |
| Other intangible assets, net | - | - | 4,318 |  | 397 | - |  | 4,715 |
| Deferred tax assets | 1 | - | 25 |  | 57 | - |  | 83 |
| Other non-current assets | - | 44 | 171 |  | 140 | - |  | 355 |
| Equity investment in subsidiaries | 5,017 | 1,124 | 6,548 |  | - | (12,689 | ) | - |
| Intercompany receivables | - | 10,493 | 560 |  | 191 | (11,244 | ) | - |
| Total assets | \$5,069 | \$11,898 | \$ 18,500 | \$ | 4,402 | \$ $(24,493$ |  | \$ 15,376 |
| Liabilities and equity |  |  |  |  |  |  |  |  |
| Current liabilities |  |  |  |  |  |  |  |  |
| Accounts payable and other current |  |  |  |  |  |  |  |  |
| liabilities | \$ 10 | \$44 | \$ 418 | \$ | 563 | \$ - |  | \$ 1,035 |
| Deferred revenues | - | - | 159 |  | 145 | - |  | 304 |
| Income tax liabilities | 1 | - | 18 |  | 43 | - |  | 62 |

Current portion of long-term debt, capital lease


Edgar Filing: Nielsen N.V. - Form 10-Q

- 21 -

Nielsen N.V.
Condensed Consolidating Statement of Cash Flows (Unaudited)
For the three months ended March 31, 2015


- 22 -

Nielsen N.V.
Condensed Consolidated Statement of Cash Flows (Unaudited)
For the three months ended March 31, 2014

| (IN MILLIONS) | Parent | Issuers | Non- |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Net cash (used in)/provided by operating activities | \$ (2 | \$ 178 | \$ (70 |  | (16 |  | \$ | 90 |
| Investing activities: |  |  |  |  |  |  |  |  |
| Acquisition of subsidiaries and affiliates, net of cash acquired | - | - | (114 |  | (70 | ) |  | (184 |
| Additions to property, plant and equipment and other assets | - | - | (10 |  | (4 | ) |  | (14 |
| Additions to intangible assets | - | - | (59 |  | (4 | ) |  | (63 |
| Other investing activities | 6 | - | (6 | ) | - |  |  | - |
| Net cash provided by/(used in) investing activities | 6 | - | (189 |  | (78 | ) |  | (261 |
| Financing activities: |  |  |  |  |  |  |  |  |
| Net borrowings under revolving credit facility | - | - | 30 |  | - |  |  | 30 |
| Repayments of debt | - | (23 | - |  | (1 | ) |  | (24 |
| Cash dividends paid to stockholders | (74) | - | - |  | - |  |  | (74 |
| Repurchase of common stock | (16) |  |  |  |  |  |  | (16 |
| Activity under stock plans | 12 | - | - |  | (1 | ) |  | 11 |
| Other financing activities | 65 | (155) | 54 |  | 34 |  |  | (2 |
| Net cash (used in)/provided by financing activities | (13) | (178) | 84 |  | 32 |  |  | (75 |
| Effect of exchange-rate changes on cash and cash equivalents | - | - | - |  | (17 | ) |  | (17 |
| Net decrease in cash and cash equivalents | (9 | - | (175 | ) | (79 | ) |  | (263 |
| Cash and cash equivalents at beginning of period | 12 | - | 205 |  | 347 |  |  | 564 |
| Cash and cash equivalents at end of period | \$ 3 | \$- | \$ 30 |  | \$ 268 |  |  | 301 |

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations Introduction

The following discussion and analysis supplements management's discussion and analysis of Nielsen N.V. (formerly Nielsen Holdings N.V.) ("the Company" or "Nielsen") for the year ended December 31, 2014 as contained in the Annual Report on Form 10-K filed by the Company with the Securities and Exchange Commission on February 20, 2015, and presumes that readers have read or have access to such discussion and analysis. The following discussion and analysis should also be read together with the accompanying Condensed Consolidated Financial Statements and related notes thereto. Further, this report may contain material that includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect, when made, Nielsen's current views with respect to current events and financial performance. Statements, other than those based on historical facts, which address activities, events or developments that we expect or anticipate may occur in the future are forward-looking statements. Such forward-looking statements are subject to many risks, uncertainties and factors relating to Nielsen's operations and business environment that may cause actual results to be materially different from any future results, express or implied, by such forward-looking statements, including but not limited to, those set forth in this Item 2 and Part II, Item 1A, if any, and those noted in our 2014 Annual Report on Form 10-K under "Risk Factors." Forward-looking statements speak only as of the date of this report or as of the date they were made. We disclaim any intention to update the current expectations or forward-looking statements contained in this report. Unless required by context, references to "we", "us", and "our" refer to Nielsen and each of its consolidated subsidiaries.

From time to time, Nielsen may use its website and social media outlets as channels of distribution of material company information. Financial and other material information regarding the company is routinely posted and accessible on our website at http://www.nielsen.com/investors and our Twitter account at http://twitter.com/nielsen.

## Background and Executive Summary

We are a leading global performance management company. The company provides to clients a comprehensive understanding of what consumers buy and what they watch and how those choices intersect. We deliver critical media and marketing information, analytics and manufacturer and retailer expertise about what and where consumers buy (referred to herein as "Buy") and what consumers read, watch and listen to (consumer interaction across the television, radio, online and mobile viewing and listening platforms referred to herein as "Watch") on a local and global basis. Our information, insights and solutions help our clients maintain and strengthen their market positions and identify opportunities for profitable growth. We have a presence in more than 100 countries, including many emerging markets, and hold leading market positions in many of our services and geographies.

We believe that important measures of our results of operations include revenue, operating income and Adjusted EBITDA (defined below). Our long-term financial objectives include consistent revenue growth and expanding operating margins. Accordingly, we are focused on geographic market and service offering expansion to drive revenue growth and improving operating efficiencies including effective resource utilization, information technology leverage and overhead cost management.

Our business strategy is built upon a model that has traditionally yielded consistent revenue performance. Typically, before the start of each year, nearly $70 \%$ of our annual revenue has been committed under contracts in our combined Buy and Watch segments, which provides us with a high degree of stability to our revenue and allows us to effectively manage our profitability and cash flows. We continue to look for growth opportunities through global expansion, specifically within emerging markets, as well as through the expansion of our measurement and analytics services.

Our restructuring and other productivity initiatives have been focused on a combination of improving operating leverage through targeted cost-reduction programs, business process improvements and portfolio restructuring actions,
while at the same time investing in key programs to enhance future growth opportunities.
Achieving our business objectives requires us to manage a number of key risk areas. Our growth objective of geographic market and service expansion requires us to maintain the consistency and integrity of our information and underlying processes on a global scale, and to invest effectively our capital in technology and infrastructure to keep pace with our clients' demands and our competitors. Our operating footprint across approximately 100 countries requires disciplined global and local resource management of internal and third party providers to ensure success. In addition, our high level of indebtedness requires active management of our debt profile, with a focus on underlying maturities, interest rate risk, liquidity and operating cash flows.

On February 26, 2015, Nielsen announced that its Board of Directors unanimously approved a proposal that would result in a change in domicile of the Company from the Netherlands to the United Kingdom. Under the proposal, the Company's principal executive offices would continue to be located in the United States. The proposed change in domicile is subject to approval from Nielsen's shareholders and the satisfaction of other customary conditions.

- 24 -


# Edgar Filing: Nielsen N.V. - Form 10-Q 

## Business Segment Overview

We align our business into two reporting segments, Buy (consumer purchasing measurement and analytics) and Watch (media audience measurement and analytics). Our Buy and Watch segments are built on an extensive foundation of proprietary data assets designed to yield essential insights for our clients to successfully measure, analyze and grow their businesses and manage their performance. The information from our Buy and Watch segments, when brought together, can deliver powerful insights into the effectiveness of branding, advertising and consumer choice by linking media consumption trends with consumer purchasing data to better understand behavior and better manage supply and demand as well as media spend, supply chain issues, and much more. We believe these integrated insights better enable our clients to enhance the return on both long-term and short-term investments.

Our Buy segment provides retail transactional measurement data, consumer behavior information and analytics primarily to businesses in the consumer packaged goods industry. Our extensive database of retail and consumer information, combined with our advanced analytical capabilities, helps generate strategic insights that influence our clients' key business decisions. We track billions of sales transactions per month in retail outlets globally and our data is used to measure their sales and market share. Our Buy services also enable our clients to better manage their brands, uncover new sources of demand, manage their supply chain issues, launch and grow new services, analyze their sales, improve their marketing mix and establish more effective consumer relationships. Within our Buy segment, we have two primary geographic groups, developed and emerging markets. Developed markets primarily include the United States, Canada, Western Europe, Japan, South Korea and Australia while emerging markets include Africa, Latin America, Eastern Europe, Russia, China, India and Southeast Asia.

Our Watch segment provides viewership and listening data and analytics primarily to the media and advertising industries across the television, radio, online and mobile viewing and listening platforms. Our Watch data is used by our media clients to understand their audiences, establish the value of their advertising inventory and maximize the value of their content, and by our advertising clients to plan and optimize their spending.

Certain corporate costs, including those related to selling, finance, legal, human resources, and information technology systems, are considered operating costs and are allocated to our segments based on either the actual amount of costs incurred or on a basis consistent with the operations of the underlying segment.

## Factors Affecting Our Financial Results

Acquisitions and Investments in Affiliates
For the three months ended March 31, 2015, we paid cash consideration of $\$ 191$ million associated with both current period and previously executed acquisitions, net of cash acquired. Had these current period acquisitions occurred as of January 1, 2015, the impact on our consolidated results of operations would not have been material.

For the three months ended March 31, 2014, we paid cash consideration of $\$ 184$ million associated with both current period and previously executed acquisitions, net of cash acquired. Had such current period acquisitions occurred as of January 1, 2014, the impact on our consolidated results of operations would not have been material.

## Foreign Currency

Our financial results are reported in U.S. dollars and are therefore subject to the impact of movements in exchange rates on the translation of the financial information of individual businesses whose functional currencies are other than U.S. dollars. Our principal foreign exchange revenue exposure is spread across several currencies, primarily the Euro. The table below sets forth the profile of our revenue by principal currency.

Three

Months
Ended
March 31,
20152014
U.S. Dollar $60 \% \quad 55 \%$

Euro $9 \quad \% \quad 12 \%$
Other Currencies 31 \% 33 \%
Total $100 \% \quad 100 \%$

- 25 -

As a result, fluctuations in the value of foreign currencies relative to the U.S. dollar impact our operating results. Impacts associated with fluctuations in foreign currency are discussed in more detail under "Item 3.-Quantitative and Qualitative Disclosures about Market Risk." In countries with currencies other than the U.S. dollar, assets and liabilities are translated into U.S. dollars using end-of-period exchange rates; revenues, expenses and cash flows are translated using average rates of exchange. The average U.S. dollar to Euro exchange rate was $\$ 1.13$ to $€ 1.00$ and $\$ 1.37$ to $€ 1.00$ for the three months ended March 31, 2015 and 2014, respectively. Constant currency growth rates used in the following discussion of results of operations eliminate the impact of year-over-year foreign currency fluctuations.

We evaluate our results of operations on both an as reported and a constant currency basis. The constant currency presentation is a non-GAAP financial measure, which excludes the impact of fluctuations in foreign currency exchange rates. We believe providing constant currency information provides valuable supplemental information regarding our results of operations, consistent with how we evaluate our performance. We calculate constant currency percentages by converting our prior-period local currency financial results using the current period foreign currency exchange rates and comparing these adjusted amounts to our current period reported results. This calculation may differ from similarly-titled measures used by others. In addition, the constant currency presentation is not meant to be a substitution for recorded amounts presented in conformity with GAAP nor should such amounts be considered in isolation.

Operations in Venezuela
We have operations in both the Buy and Watch segments in Venezuela and the functional currency for these operations was the Venezuelan Bolivares Fuertes. Venezuela's currency has been considered hyperinflationary since January 1, 2010 and, accordingly, the local currency transactions have been denominated in U.S. dollars since January 1, 2010 and will continue to be until Venezuela's currency is deemed to be non-hyperinflationary.

During the period between the first quarter of 2013 through the first quarter of 2015, there have been a number of changes in the foreign exchange regime in Venezuela that have impacted the conversion rates used by us for the conversion of Venezuelan Bolivares Fuertes into U.S. Dollars in its financial statements, resulting in foreign currency exchange transaction losses in the consolidated statement of operations, reflecting the write-down of monetary assets and liabilities in our Venezuelan operations.

In February 2013, the official exchange rate was moved from 4.30 to 6.30 and the regulated System of Transactions with Securities in Foreign Currency market was suspended.

Based on facts and circumstances present at March 31, 2014, we began using the exchange rate determined by periodic auctions for U.S. dollars conducted under Venezuela's Complementary System of Foreign Currency Administration ("SICAD I") as the SICAD I exchange rate represented what was the most realistic official exchange rate at which to remeasure the U.S. dollar value of the bolivar-denominated monetary assets and liabilities of our Venezuelan operations at that time. At March 31, 2014, the SICAD I exchange rate was 10.8 bolivars to the U.S. dollar. As a result of this change, we recorded a pre-tax charge of \$20 million during the first quarter of 2014.

Due to the lack of access to the SICAD I auction system throughout the remainder of 2014, as of December 31, 2014 we decided it was more likely that we would be able to gain access to U.S. dollars through the SICAD II mechanism to settle transactions conducted by the Company in Venezuela as SICAD II was created to provide a more open mechanism that was designed to permit any company to request U.S. dollars for any purpose. At December 31, 2014, the SICAD II exchange rate was 50.0 bolivars to the U.S. dollar. As a result of the changes in exchange rate assumptions in the fourth quarter of 2014, we recorded a pre-tax charge of $\$ 32$ million, for a total of $\$ 52$ million for the year ended December 31, 2014.

On February 12, 2015, the Venezuelan government replaced SICAD II with a new foreign exchange market mechanism ("SIMADI"). We currently expect to be able to access U.S. dollars through the SIMADI market. SIMADI has significantly higher foreign exchange rates than those available through the other foreign exchange mechanisms. At March 31, 2015, the SIMADI exchange rate was 193.0 bolivars to the U.S. dollar. As a result of this change, we recorded a pre-tax charge of $\$ 7$ million during the first quarter of 2015.

We will continue to assess the appropriate conversion rate based on events in Venezuela and our specific facts and circumstances. Total net monetary assets in U.S. dollars at the March 31, 2015 SIMADI rate totaled $\$ 3$ million.

- 26 -

Results of Operations - Three Months Ended March 31, 2015 Compared to the Three Months Ended March 31, 2014
The following table sets forth, for the periods indicated, the amounts included in our Condensed Consolidated Statements of Operations:
$\left.\begin{array}{llll} & \begin{array}{l}\text { Three Months Ended } \\ \text { March 31, }\end{array} \\ \text { (IN MILLIONS) } & 2015 & 2014 \\ \text { Revenues } & \$ 1,458 & \$ 1,489 \\ \text { Cost of revenues, exclusive of depreciation and amortization shown separately below } & 622 & 642 \\ \text { Selling, general and administrative expenses, exclusive of depreciation and amortization shown } & & \\ \text { separately below } & 481 & 489 \\ \text { Depreciation and amortization } & 142 & 141 \\ \text { Restructuring charges } & 14 & 24 \\ \text { Operating income } & 199 & 193 \\ \text { Interest income } & 1 & 1 \\ \text { Interest expense } & (73 & ) & (77 \\ \text { Foreign currency exchange transaction losses, net } & (26 & ) & (27\end{array}\right)$

Net Income to Adjusted EBITDA Reconciliation
We define Adjusted EBITDA as net income or loss from our consolidated statements of operations before interest income and expense, income taxes, depreciation and amortization, restructuring charges, goodwill and intangible asset impairment charges, stock-based compensation expense, equity in net income of affiliates and other non-operating items from our consolidated statements of operations as well as certain other items specifically described below.

Adjusted EBITDA is not a presentation made in accordance with GAAP, and our use of the term Adjusted EBITDA may vary from the use of similarly-titled measures by others in our industry due to the potential inconsistencies in the method of calculation and differences due to items subject to interpretation.

We use Adjusted EBITDA to measure our performance from period to period both at the consolidated level as well as within our operating segments, to evaluate and fund incentive compensation programs and to compare our results to those of our competitors. In addition to Adjusted EBITDA being a significant measure of performance for management purposes, we also believe that this presentation provides useful information to investors regarding financial and business trends related to our results of operations and that when non-GAAP financial information is viewed with GAAP financial information, investors are provided with a more meaningful understanding of our ongoing operating performance.

Adjusted EBITDA should not be considered as an alternative to net income or loss, operating income, cash flows from operating activities or any other performance measures derived in accordance with GAAP as measures of operating performance or cash flows as measures of liquidity. Adjusted EBITDA has important limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP.

The below table presents a reconciliation from net income to Adjusted EBITDA for the three months ended March 31, 2015 and 2014:

|  | Three Months Ended <br> March 31, |  |
| :--- | :---: | :--- |
| (IN MILLIONS) | 2015 | 2014 |
| Net income | $\$ 63$ | $\$ 55$ |
| Interest expense, net | 72 | 76 |
| Provision for income taxes | 38 | 33 |
| Depreciation and amortization | 142 | 141 |
| EBITDA | 315 | 305 |
| Equity in net income of affiliates | - | $(1$ |
| Other non-operating expense, net | 26 | 30 |
| Restructuring charges | 14 | 24 |
| Stock-based compensation expense | 14 | 12 |
| Other items ${ }^{\text {(a) }}$ | 11 | 6 |
| Adjusted EBITDA | $\$ 380$ | $\$ 376$ |

(a) Other items primarily consist of non-recurring costs for the three months ended March 31, 2015 and 2014. Consolidated Results for the Three Months Ended March 31, 2015 Compared to the Three Months Ended March 31, 2014

## Revenues

Revenues decreased $2.1 \%$ to $\$ 1,458$ million for the three months ended March 31, 2015 from $\$ 1,489$ million for the three months ended March 31, 2014, or an increase of $4.4 \%$ on a constant currency basis, excluding a $6.5 \%$ unfavorable impact of changes in foreign currency exchange rates. Revenues within our Buy segment decreased $4.7 \%$ (an increase of $5.1 \%$ on a constant currency basis). Revenues within our Watch segment increased $1.2 \%$ ( $3.6 \%$ on a constant currency basis). Refer to the "Business Segment Results" section for further discussion of our revenue performance.

## Cost of Revenues, Exclusive of Depreciation and Amortization

Cost of revenues decreased $3.1 \%$ to $\$ 622$ million for the three months ended March 31, 2015 from $\$ 642$ million for the three months ended March 31, 2014, or an increase of $3.3 \%$ on a constant currency basis, excluding a $6.4 \%$ favorable impact of changes in foreign currency exchange rates.

Costs within our Buy segment decreased $6.0 \%$, or an increase of $2.5 \%$ on a constant currency basis. Excluding an $8.5 \%$ favorable impact of changes in foreign currency exchange rates, cost of revenues increased due to the continued global investments in our services.

Costs within our Watch segment increased $4.6 \%$, or $7.4 \%$ on a constant currency basis. Excluding a $2.8 \%$ favorable impact of changes in foreign currency exchange rates, cost of revenues increased due to higher spending on product portfolio management initiatives, including our digital and Marketing Effectiveness product offerings.

Selling, General and Administrative Expenses, Exclusive of Depreciation and Amortization
Selling, general and administrative expenses decreased $1.6 \%$ to $\$ 481$ million for the three months ended March 31, 2015 from $\$ 489$ million for the three months ended March 31, 2014, or an increase of $5.0 \%$ on a constant currency basis, excluding a $6.6 \%$ favorable impact of changes in foreign currency exchange rates.

Costs within our Buy segment decreased $2.8 \%$, or an increase of $6.4 \%$ on a constant currency basis. Excluding a $9.2 \%$ favorable impact of changes in foreign currency exchange rates, selling, general and administrative increased due to continued global investments associated with our services.

Costs within our Watch segment decreased $11.1 \%$, or $8.7 \%$ on a constant currency basis. Excluding a $2.4 \%$ favorable impact of changes in foreign currency exchange rates, selling, general and administrative expenses decreased due to the impact from the Arbitron integration activities that occurred in the second half of 2014 as well as other productivity initiatives.

Corporate costs increased by approximately $\$ 16$ million due primarily to higher non-recurring costs and stock-based compensation expense in 2015.

- 28 -


## Depreciation and Amortization

Depreciation and amortization expense was $\$ 142$ million for the three months ended March 31, 2015 as compared to $\$ 141$ million for the three months ended March 31, 2014.

For the three months ended March 31, 2015 and 2014, depreciation and amortization expense included charges for the depreciation and amortization of tangible and intangible assets acquired in business combinations of $\$ 50$ million.

## Restructuring Charges

We recorded $\$ 14$ million and $\$ 24$ million in restructuring charges relating to employee severance associated with productivity initiatives for the three months ended March 31, 2015 and 2014, respectively.

Operating Income
Operating income for the three months ended March 31, 2015 was $\$ 199$ million as compared to $\$ 193$ million for the three months ended March 31, 2014. Operating income within our Buy segment was $\$ 45$ million for the three months ended March 31, 2015 as compared to $\$ 40$ million for the three months ended March 31, 2014. Operating income within our Watch segment was $\$ 184$ million for the three months ended March 31, 2015 as compared to $\$ 173$ million for the three months ended March 31, 2014. Corporate operating expenses were $\$ 30$ million for the three months ended March 31, 2015 as compared to $\$ 20$ million for the three months ended March 31, 2014.

Interest Expense
Interest expense was $\$ 73$ million for the three months ended March 31, 2015 as compared to $\$ 77$ million for the three months ended March 31, 2014. This decrease is primarily due to the partial refinancing of the $7.75 \%$ senior notes in April 2014 and the refinancing of the remaining $7.75 \%$ senior notes in July 2014 partially offset by the issuance of $\$ 750$ million 5.00\% Senior Notes in February 2015.

## Foreign Currency Exchange Transaction Losses, Net

Foreign currency exchange transaction losses, net, primarily represent the net loss on revaluation of external debt, intercompany loans and other receivables and payables denominated in currencies other than the respective entity's functional currency. Fluctuations in the value of foreign currencies relative to the U.S. Dollar have a significant effect on our operating results, primarily the Euro. The average U.S. Dollar to Euro exchange rate was $\$ 1.13$ to $€ 1.00$ for the three months ended March 31, 2015 as compared to $\$ 1.37$ to $€ 1.00$ for the three months ended March 31, 2014.

We realized net losses of $\$ 26$ million for the three months ended March 31, 2015, resulting primarily from the revaluation of our U.S. denominated debt and cash held in Euro functional currency entities of $\$ 13$ million, the devaluation of the Venezuela bolivars Fuertes of $\$ 7$ million as discussed in the "Foreign Currency" section of "Factors Affecting Nielsen's Financial Results" as well as the fluctuations in certain foreign currencies associated with intercompany transactions, partially offset by a gain of $\$ 2$ million associated with foreign currency derivative financial instruments.

We realized net losses of $\$ 27$ million for the three months ended March 31, 2014, resulting primarily from the devaluation of the Venezuela bolivars Fuertes of $\$ 20$ million as discussed in the "Foreign Currency" section of "Factors Affecting Nielsen's Financial Results" as well as the fluctuations in certain foreign currencies associated with intercompany transactions

Other Expense, Net
The $\$ 3$ million of other expense, net amount for the three months ended March 31, 2014, relates to a $\$ 3$ million write down of an investment in a cost method investment.

Income Taxes
The effective tax rate was $38 \%$ for the three months ended March 31, 2015 and 2014. The tax rate for the three months ended March 31, 2015 was higher than the statutory rate as a result of the impact of tax rate differences in other jurisdictions where the Company files tax returns, the effect of global licensing activities and foreign distributions and audit settlements, offset by the favorable impact of certain financing activities and the release of certain tax contingencies. The tax rate for the three months ended March 31, 2014 was higher than the statutory rate as a result of the tax impact of the Venezuela currency revaluation, the impact of tax

- 29 -
rate differences in other jurisdictions where the Company files tax returns, and accrual for future audit settlements offset by the favorable impact of certain financing activities and release of tax contingencies.

The estimated liability for unrecognized tax benefits as of December 31, 2015 is $\$ 457$ million and was $\$ 452$ million as of December 31, 2014. If the Company's tax positions are favorably sustained by the taxing authorities, the reversal of the underlying liabilities would reduce the Company's effective tax rate in future periods.

## Adjusted EBITDA

Adjusted EBITDA increased $1.1 \%$ to $\$ 380$ million for the three months ended March 31, 2015 from $\$ 376$ million for the three months ended March 31, 2014, or $7.3 \%$ on a constant currency basis, excluding a $6.2 \%$ unfavorable impact of changes in foreign currency exchange rates. See "Results of Operations - Three Months Ended March 31, 2015 Compared to the Three Months Ended March 31, 2014" for the reconciliation of net income to Adjusted EBITDA.

Business Segment Results for the Three Months Ended March 31, 2015 Compared to the Three Months Ended March 31, 2014

Revenues
The table below sets forth our segment revenue performance data for the three months ended March 31, 2015 compared to the three months ended March 31, 2014, both on an as-reported and constant currency basis.
$\left.\begin{array}{lllllll} & & & & \\ & & & & \\ & & \text { Three } \\ \text { Months }\end{array}\right]$

Buy Segment Revenues
Revenues decreased $4.7 \%$ to $\$ 798$ million for the three months ended March 31, 2015 from $\$ 837$ million for the three months ended March 31, 2014, or an increase of $5.1 \%$ on a constant currency basis, excluding a $9.8 \%$ unfavorable impact of changes in foreign currency exchange rates.

Revenues from developed markets decreased $4.9 \%$ to $\$ 549$ million, or an increase of $3.0 \%$ on a constant currency basis, excluding an $7.9 \%$ unfavorable impact of changes in foreign currency exchange rates. Excluding the impact of foreign currency exchange rates, revenue grew as a result of continued investments in products such as advanced analytics, segmentation and innovation as well as growth in our subscription based products.

Revenues from emerging markets decreased $4.2 \%$ to $\$ 249$ million, or an increase of $10.2 \%$ on a constant currency basis, excluding a $14.4 \%$ unfavorable impact of changes in foreign currency exchange rates. Excluding the impact of foreign currency exchange rates, revenue growth was driven by our continued commitment to invest in coverage and
analytics capabilities, which resulted in broad based demand for our services within both our multinational and local client bases. For the three months ended March 31, 2015, these investments drove double-digit growth in Latin America, South East Asia and China and mid-single digit growth in the Middle East, Africa and Eastern Europe.

## Watch Segment Revenues

Revenues increased $1.2 \%$ to $\$ 660$ million for the three months ended March 31,2015 from $\$ 652$ million for the three months ended March 31, 2014, or an increase of $3.6 \%$ on a constant currency basis, excluding a $2.4 \%$ unfavorable impact of changes in foreign currency exchange rates. Excluding the impact of foreign currency exchange rates, revenue growth was driven by growth in Audience Measurement, which excluding Audio increased $2.5 \%$ ( $5.5 \%$ on a constant currency basis) due to the resilience in our core television audience measurement and our continued investment in digital. Audio growth was $1.7 \%$, on a reported and constant currency basis, for the three months ended March 31, 2015. Combined, Audience Measurement and Audio comprise approximately $85 \%$ of our Watch segment revenues. Our Marketing Effectiveness offerings had another strong quarter, growing 19.1\% ( $22.7 \%$ on a constant currency basis), as client's demand for our Marketing ROI products continue to increase. However, this gain was offset by a

- 30 -
decrease of $22.7 \%$ ( $20.0 \%$ on a constant currency basis) in our other watch products as we continue to run-off the legacy online rankings product, which will be replaced by Digital Content Ratings in the fall of this year, in addition to exiting non-core media analytics products.


## Business Segment Profitability

We do not allocate items below operating income/(loss) to our business segments and therefore the tables below set forth a reconciliation of operating income/(loss) at the business segment level for the three months ended March 31, 2015 and 2014, adjusting for certain items affecting operating income/(loss), such as restructuring charges, depreciation and amortization, stock-based compensation expense and certain other items described below resulting in a presentation of our non-GAAP business segment profitability. Non-GAAP business segment profitability provides useful supplemental information to management and investors regarding financial and business trends related to our results of operations. When this non-GAAP financial information is viewed with our GAAP financial information, investors are provided with a meaningful understanding of our ongoing operating performance. It is important to note that the non-GAAP business segment profitability corresponds in total to our consolidated Adjusted EBITDA described within our consolidated results of operations above, which our chief operating decision making group and other members of management use to measure our performance from period to period both at the consolidated level as well as within our operating segments, to evaluate and fund incentive compensation programs and to compare our results to those of our competitors. These non-GAAP measures should not be considered as an alternative to net income/(loss), operating income/(loss), cash flows from operating activities or any other performance measures derived in accordance with GAAP as measures of operating performance or cash flows as measures of liquidity. These non-GAAP measures have important limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP.

Stock-Based
THREE MONTHS ENDED MARCH 31, Operating Restructurimgepreciation andmpensation Non-GAAP

Business Segment
2015 (IN MILLIONS)
Buy
Watch
Corporate and Eliminations
Total Nielsen

| Income/(Los§)harges |  |  | Amortization Expense |  |  |  | Other Items Income/(Loss) |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| \$ 45 | \$ | 7 | \$ | 53 | \$ | 5 | \$ | - | \$ | 110 |  |
| 184 |  | 4 |  | 88 |  | 2 |  | - |  | 278 |  |
| (30 | ) | 3 |  | 1 |  | 7 |  | 11 |  | (8) | ) |
| \$ 199 | \$ | 14 | \$ | 142 | \$ | 14 |  | 11 | \$ |  |  |


(1) Other items primarily consist of non-recurring costs for the three months ended March 31, 2015 and 2014.
(IN MILLIONS)
Non-GAAP Business Segment
Income/(Loss)

| Buy | $\$ 110$ | $\$ 118$ | $(6.8$ | $) \%$ | $\$ 101$ | 8.9 | $\%$ |
| :--- | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Watch | 278 |  | 267 | 4.1 | $\%$ | 262 | 6.1 |
| Corporate and Eliminations | $(8)$ | $(9$ | $)$ | NM |  | $(9$ | $)$ |
| NM |  |  |  |  |  |  |  |
| Total Nielsen | $\$ 380$ | $\$ 376$ | 1.1 | $\%$ | $\$$ | 354 | 7.3 |

Reported Reported Reported Constant CurrencyConstant Currency
Three Three

Months Months

| Ended | Ended | Three |
| :--- | :--- | :--- |
| March 31, March 31, \% Variance | Months Ended | \% Variance |

201520142015 vs. 2014 March 31, 20142015 vs. 2014

Buy Segment Profitability
Operating income was $\$ 45$ million for the three months ended March 31, 2015 as compared to $\$ 40$ million for the three months ended March 31, 2014, as the revenue performance mentioned above was more than offset by a decrease in restructuring charges. Non-GAAP business segment income increased $8.9 \%$ on a constant currency basis.

- 31 -


## Watch Segment Profitability

Operating income was $\$ 184$ million for the three months ended March 31,2015 as compared to $\$ 173$ million for the three months ended March 31, 2014. The increase was driven primarily by the revenue performance discussed above and the impact of productivity initiatives. Non-GAAP business segment income increased $6.1 \%$ on a constant currency basis.

## Corporate Expenses and Eliminations

Operating expenses were $\$ 30$ million for the three months ended March 31, 2015 as compared to $\$ 20$ million for the three months ended March 31, 2014 due primarily to higher non-recurring charges and stock-based compensation expense for the three months ended March 31, 2015.

## Liquidity and Capital Resources

## Overview

We have consistently generated strong cash flows from operations, providing a source of funds of $\$ 75$ million during the three months ended March 31, 2015 as compared to $\$ 90$ million for the three months ended March 31, 2014, a decrease of $\$ 15$ million primarily due to the $\$ 26$ million cumulative excess tax benefit from stock based compensation, partially offset by the stronger operating performance for the three months ended March 31, 2015. In addition to the cumulative excess tax benefit from stock-based compensation being presented as a reduction of operating cash flows, this amount is also reflected as an increase to cash flows from financing activities in the condensed consolidated statements of cash flows and consequently our total cash flow is unchanged as a result of this item. We provide for additional liquidity through several sources including maintaining an adequate cash balance, access to global funding sources and a committed revolving credit facility. The following table provides a summary of the major sources of liquidity as of and for the three months ended March 31, 2015 and 2014:

|  | Three <br> Months | Three <br> Months <br> Ended <br> Ended |
| :--- | :--- | :--- |
|  | March 31, | March 31, |
|  | 2015 | 2014 |
| (IN MILLIONS) | $\$ 75$ | $\$ 90$ |
| Net cash from operating activities | $\$ 343$ | $\$ 301$ |
| Cash and cash equivalents | $\$ 602$ |  |
| Availability under Revolving credit facility | $\$ 495$ | $\$ 60$ |

Of the $\$ 343$ million in cash and cash equivalents, approximately $\$ 300$ million was held in jurisdictions outside the U.S. and as a result there may be tax consequences if such amounts were moved out of these jurisdictions or repatriated to the U.S. We regularly review the amount of cash and cash equivalents held outside of the U.S. to determine the amounts necessary to fund the current operations of our foreign operations and their growth initiatives and amounts needed to service our U.S. indebtedness and related obligations.

We continue to focus on extending debt maturities and reducing cash interest expense. We have obtained amendments to our term loan and revolving credit facilities, and used the proceeds from new issuances of senior notes to redeem previously outstanding notes with higher interest rates. The below table illustrates the results of these efforts through the decrease in our weighted average interest rate and cash paid for interest over the three months ended March 31, 2015 and 2014, respectively.

|  | Three | Three |  |
| :--- | :--- | :--- | :--- |
|  | Months | Months |  |
|  | Ended | Ended |  |
|  | March 31, | March 31, |  |
|  | 2015 | 2014 |  |
|  | 4.00 | $\%$ | 4.28 |
| Weighted average interest rate | $\%$ |  |  |

In February 2015, we completed the issuance of $\$ 750$ million in aggregate principal amount of $5.00 \%$ Senior Notes due 2022. The notes are traded interchangeably with the $\$ 750$ million and the $\$ 800$ million aggregate principal amount of $5.00 \%$ Senior Notes due 2022 issued in April 2014 and July 2014, respectively. The proceeds from the issuance will be used to make repurchases of our outstanding common stock from time to time, in the open market or otherwise, pursuant to our existing share repurchase programs, to reduce outstanding amounts under its revolving credit facility, to pay related fees and expenses, and for general corporate purposes.

- 32 -

Our contractual obligations, commitments and debt service requirements over the next several years are significant. We believe we will have available resources to meet both our short-term and long-term liquidity requirements, including our senior secured debt service. We expect the cash flow from our operations, combined with existing cash and amounts available under the revolving credit facility, will provide sufficient liquidity to fund our current obligations, projected working capital requirements, restructuring obligations, dividend payments and capital spending over the next year. In addition we may, from time to time, purchase, repay, redeem or retire any of our outstanding debt securities (including any publicly issued debt securities) in privately negotiated or open market transactions, by tender offer or otherwise.

## Financial Debt Covenants Attributable to TNC B.V.

In April 2014, we entered into an amendment agreement to amend and restate the Third Amended and Restated Senior Secured Credit Agreement in the form of the Fourth Amended and Restated Credit Agreement. The financial covenant contained in our Fourth Amended and Restated Credit Agreement consist of a maximum leverage ratio applicable to our indirect wholly-owned subsidiary, Nielsen Holding and Finance B.V. and its restricted subsidiaries. The leverage ratio requires that we not permit the ratio of total net debt (as defined in the Senior Secured Credit Agreement) at the end of any calendar quarter to Covenant EBITDA (as defined in the Senior Secured Credit Agreement) for the four quarters then ended to exceed a specified threshold. The maximum permitted ratio is 5.50 to 1.00.

Failure to comply with this financial covenant would result in an event of default under our Fourth Amended and Restated Credit Agreement unless waived by our senior credit lenders. An event of default under our Fourth Amended and Restated Credit Agreement can result in the acceleration of our indebtedness under the facilities, which in turn would result in an event of default and possible acceleration of indebtedness under the agreements governing our debt securities as well. As our failure to comply with the financial covenant described above can cause us to go into default under the agreements governing our indebtedness, management believes that our Fourth Amended and Restated Credit Agreement and this covenant are material to us. As of March 31, 2015, we were in full compliance with the financial covenant described above.

## Revolving Credit Facility

In April 2014, we entered into an amendment agreement to amend and restate the Third Amended and Restated Senior Secured Credit Agreement in the form of the Fourth Amended and Restated Credit Agreement, in connection with which the existing $\$ 635$ million revolving credit facility was replaced with new aggregate revolving credit commitments of $\$ 575$ million with a final maturity of April 2019. The Fourth Amended and Restated Credit Agreement contains a senior secured revolving credit facility under which Nielsen Finance LLC, TNC (US) Holdings, Inc., and Nielsen Holding and Finance B.V. can borrow revolving loans. The revolving credit facility can also be used for letters of credit, guarantees and swingline loans.

The senior secured revolving credit facility is provided under the Senior Secured Credit Agreement and so contains covenants and restrictions as noted above with respect to the Senior Secured Credit Agreement under the "Term loan facilities" section above. Obligations under the revolving credit facility are guaranteed by the same entities that guarantee obligations under the Senior Secured Credit Agreement and Senior Secured Loan Agreement.

As of March 31, 2015 and 2014, we had $\$ 75$ million and $\$ 30$ million borrowings outstanding and had outstanding letters of credit of $\$ 5$ million and $\$ 3$ million, respectively. As of March 31, 2015, we had $\$ 495$ million available for borrowing under the revolving credit facility.

## Dividends and Share Repurchase Program

On January 31, 2013, our Board of Directors adopted a cash dividend policy to pay quarterly cash dividends on our outstanding common stock. Any decision to declare and pay dividends in the future will be made at the discretion of our board of directors and will be subject to the board's continuing determination that the dividend policy and the declaration of dividends thereunder are in the best interests of our shareholders, and are in compliance with all laws and agreements to which we are subject. The below table summarizes the dividends declared on our common stock during 2014 and the three months ended March 31, 2015.

|  |  |  | Dividend <br> Per |
| :--- | :--- | :--- | :--- |
| Declaration Date | Record Date | Payment Date | Share |
| February 20, 2014 | March 6, 2014 | March 20, 2014 | $\$ 0.20$ |
| May 1, 2014 | June 5, 2014 | June 19, 2014 | $\$ 0.25$ |
| July 24, 2014 | August 28, 2014 | September 11, 2014 | $\$ 0.25$ |
| October 30, 2014 | November 25, 2014 | December 9, 2014 | $\$ 0.25$ |
| February 19, 2015 | March 5, 2015 | March 19, 2015 | $\$ 0.25$ |

On April 20, 2015, our Board declared a cash dividend of $\$ 0.28$ per share on our common stock. The dividend is payable on June 18, 2015 to stockholders of record at the close of business on June 4, 2015.

On July 25, 2013, Nielsen's Board approved a share repurchase program for up to $\$ 500$ million of its outstanding common stock. The primary purpose of the program is to mitigate dilution associated with Nielsen's equity compensation plans. On October 23, 2014, the Company announced that its board of directors approved a new share repurchase program for up to $\$ 1$ billion of Nielsen's outstanding common stock. This is in addition to the authorization in place since July 2013 as described above. Repurchases will be made in accordance with applicable securities laws from time to time in the open market or otherwise depending on Nielsen management's evaluation of market conditions and other factors. This program will be executed within the limitations of the existing authority granted at Nielsen's 2014 Annual General Meeting of Shareholders. As of March 31, 2015, there have been 14,381,128 shares of our common stock purchased at an average price of $\$ 42.96$ per share (total consideration of approximately $\$ 618$ million) under this program. The activity during the three months ended March 31, 2015 consisted of open market share repurchases and is summarized in the following table:

|  |  | Total <br> Number of <br> Shares |  |  |
| :--- | :--- | :--- | :--- | :--- |
| Purchased |  |  |  |  |
| as Part of |  |  |  |  |$\quad$| Dollar Value of |
| :--- |
| Shares that may |


| March 1-31 | 772,189 | $\$ 43.76$ | 772,189 | $\$ 882,241,498$ |
| :--- | :--- | :--- | :--- | :--- |
| Total | $14,381,128$ | $\$ 42.96$ | $14,381,128$ |  |

## Secondary Offerings

In March 2015, a secondary public offering totaling $8,000,000$ shares of our common stock was completed on behalf of the selling stockholders, comprised of two of the Sponsor group members, at a price of $\$ 45.00$ per share. All proceeds were received by the selling stockholders and the offerings did not have a significant impact on our operating results or financial position.

## Cash Flows

Operating activities. Net cash provided by operating activities was $\$ 75$ million for the three months ended March 31, 2015, as compared to $\$ 90$ million for the three months ended March 31, 2014. This decrease was driven by the $\$ 26$ million excess tax benefits from stock-based compensation expense partially offset by the overall financial performance described above. Our key collections performance measure, days billing outstanding (DBO), increased by 1 day as compared to the same period last year.

Investing activities. Net cash used in investing activities was $\$ 291$ million for the three months ended March 31, 2015, as compared to $\$ 261$ million for the three months ended March 31, 2014. The primary driver for the increase was higher capital expenditures and acquisition payments during the three months ended March 31, 2015 as compared to the same period for 2014.

- 34 -

Financing activities. Net cash provided by financing activities was $\$ 314$ million for the three months ended March 31, 2015 as compared to net cash used in financing activities of $\$ 75$ million for the three months ended March 31, 2014. The increase in cash provided by financing activities is primarily due to the net proceeds from debt issuance for the three months ended March 31, 2015 as compared to the net proceeds from the debt issuance for the three months ended March 31, 2014 and the $\$ 26$ million excess tax benefits from stock-based compensation, partially offset by the higher dividend payments and share repurchasing, as described in the "Dividends and Share Repurchase Program" section above, during the three months ended March 31, 2015 as compared to the same period of 2014 and the net repayments of the revolving credit facility in 2015.

## Capital Expenditures

Investments in property, plant, equipment, software and other assets totaled $\$ 102$ million for the three months ended March 31, 2015 as compared to $\$ 77$ million for the three months ended March 31, 2014. The increase in capital expenditures for the three months ended March 31, 2015 was driven by investments in local panel expansion.

## Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that currently have or are reasonably likely to have a material effect on our consolidated financial condition, changes in financial condition, results of operations, liquidity, capital expenditure or capital resources.

## Summary of Recent Accounting Pronouncements

## Consolidation

In February 2015, the FASB issued Accounting Standards Update ("ASU") 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis". The new standard is intended to improve targeted areas of the consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures. The amendments in the ASU affect the consolidation evaluation for reporting organizations. In addition, the amendments in this ASU simplify and improve current GAAP by reducing the number of consolidation models. This guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2015; however, early adoption is permitted. Nielsen is currently assessing the impact of the adoption of this ASU will have on the Company's condensed consolidated financial statements.

## Debt Issuance Costs

In March 2015, the FASB issued an ASU, "Simplifying the Presentation of Debt Issuance Costs". The new standard changes the presentation of debt issuance costs in financial statements. Under the ASU, an entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. This guidance will be effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2015; however, early adoption is permitted. We are currently assessing the impact of the adoption of this ASU will have on our condensed consolidated financial statements.

Commitments and Contingencies
Legal Proceedings and Contingencies
We are subject to litigation and other claims in the ordinary course of business, some of which include claims for substantial sums. Accruals have been recorded when the outcome is probable and can be reasonably estimated. While
the ultimate results of claims and litigation cannot be determined, we expect that the ultimate disposition of these matters will not have a material adverse effect on its operations or financial condition. However, depending on the amount and the timing, an unfavorable resolution of some or all of these matters could materially affect our future results of operations or cash flows in a particular period.

Other Contractual Obligations
Our other contractual obligations include capital lease obligations (including interest portion), facility leases, leases of certain computer and other equipment, agreements to purchase data and telecommunication services, the payment of principal and interest on debt and pension fund obligations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk
Market risk is the potential loss arising from adverse changes in market rates and market prices such as interest rates, foreign currency exchange rates, and changes in the market value of equity instruments. We are exposed to market risk, primarily related to

- 35 -
foreign exchange and interest rates. We actively monitor these exposures. Historically, in order to manage the volatility relating to these exposures, we entered into a variety of derivative financial instruments, mainly interest rate swaps, cross-currency swaps and forward rate agreements. Currently we only employ basic contracts, that is, without options, embedded or otherwise. Our objective is to reduce, where it is deemed appropriate to do so, fluctuations in earnings, cash flows and the value of our net investments in subsidiaries resulting from changes in interest rates and foreign currency rates. It is our policy not to trade in financial instruments for speculative purposes.


## Foreign Currency Exchange Risk

We operate globally and predominantly generate revenue and expenses in local currencies. Approximately $40 \%$ of our revenues and $44 \%$ of our operating costs were generated in currencies other than the U.S. Dollar for the three months ended March 31, 2015. Because of fluctuations (including possible devaluations) in currency exchange rates or the imposition of limitations on conversion of foreign currencies into our reporting currency, we are subject to currency translation exposure on the profits of our operations, in addition to transaction exposure. Typically, a one cent change in the U.S. Dollar/Euro exchange rate, holding all other currencies constant, will impact revenues by approximately $\$ 5$ million annually, with an immaterial impact on our profitability.

Foreign currency translation risk is the risk that exchange rate gains or losses arise from translating foreign entities’ statements of earnings and balance sheets from functional currency to our reporting currency (the U.S. Dollar) for consolidation purposes. Translation risk exposure is managed by creating "natural hedges" in our financing. It is our policy not to trade derivative financial instruments for speculative purposes. During the quarters ended March 31, 2015 and 2014, we recorded a net gain of $\$ 2$ million and zero, respectively, associated with foreign currency derivative financial instruments within foreign currency exchange transactions losses, net in our condensed consolidated statements of operations. As of March 31, 2015 and December 31, 2014, there were no foreign currency derivative financial instruments outstanding.

The table below details the percentage of revenues and expenses by currency for the three months ended March 31, 2015:

|  | U.S. Dollar | Euro |  | Other Currencies |  |
| :--- | :--- | :--- | :--- | :--- | :--- |
| Revenues | 60 | $\%$ | 9 | $\%$ | 31 |
| Operating costs | 56 | $\%$ | 10 | $\%$ | 34 |

We have operations in both the Buy and Watch segments in Venezuela and the functional currency for these operations was the Venezuelan Bolivares Fuertes. Venezuela's currency has been considered hyperinflationary since January 1, 2010 and, accordingly, the local currency transactions have been denominated in U.S. dollars since January 1, 2010 and will continue to be until Venezuela's currency is deemed to be non-hyperinflationary.

During the period between the first quarter of 2013 through the first quarter of 2015, there have been a number of changes in the foreign exchange regime in Venezuela that have impacted the conversion rates used by the Company for the conversion of Venezuelan Bolivares Fuertes into US Dollars in its financial statements, resulting in foreign currency exchange transaction losses in the consolidated statement of operations, reflecting the write-down of monetary assets and liabilities in our Venezuelan operations.

In February 2013, the official exchange rate was moved from 4.30 to 6.30 and the regulated System of Transactions with Securities in Foreign Currency market was suspended. As a result of this change, we recorded a pre-tax charge of $\$ 12$ million.

Based on facts and circumstances present at March 31, 2014, we began using the exchange rate determined by periodic auctions for U.S. dollars conducted under Venezuela's Complementary System of Foreign Currency Administration ("SICAD I") as the SICAD I exchange rate represented what was the most realistic official exchange rate at which to remeasure the U.S. dollar value of the bolivar-denominated monetary assets and liabilities of our Venezuelan operations at that time. At March 31, 2014, the SICAD I exchange rate was 10.8 bolivars to the U.S. dollar. As a result of this change, we recorded a pre-tax charge of $\$ 20$ million during the first quarter of 2014.

Due to the lack of access to the SICAD I auction system throughout the remainder of 2014, as of December 31, 2014 we decided it was more likely that we would be able to gain access to U.S. dollars through the SICAD II mechanism to settle transactions conducted by the Company in Venezuela as SICAD II was created to provide a more open mechanism that was designed to permit any company to request U.S. dollars for any purpose. At December 31, 2014, the SICAD II exchange rate was 50.0 bolivars to the U.S. dollar. As a result of the changes in exchange rate assumptions in the fourth quarter of 2014, we recorded a pre-tax charge of $\$ 32$ million, for a total of $\$ 52$ million for the year ended December 31, 2014.

On February 12, 2015, the Venezuelan government replaced SICAD II with a new foreign exchange market mechanism ("SIMADI"). We currently expect to be able to access U.S. dollars through the SIMADI market. SIMADI has significantly higher

- 36 -
foreign exchange rates than those available through the other foreign exchange mechanisms. At March 31, 2015, the SIMADI exchange rate was 193.0 bolivars to the U.S. dollar. As a result of this change, we recorded a pre-tax charge of $\$ 7$ million during the first quarter of 2015.

We will continue to assess the appropriate conversion rate based on events in Venezuela and the Company's specific facts and circumstances. Total net monetary assets in U.S. dollars at the March 31, 2015 SIMADI rate totaled $\$ 3$ million

Interest Rate Risk

We continually review our fixed and variable rate debt along with related hedging opportunities in order to ensure our portfolio is appropriately balanced as part of our overall interest rate risk management strategy. At March 31, 2015, we had $\$ 3,489$ million in carrying value of floating-rate debt under our senior secured credit facilities of which $\$ 2,584$ million was subject to effective floating-fixed interest rate swaps. A one percent increase in interest rates applied to our floating rate indebtedness would therefore increase annual interest expense by approximately $\$ 9$ million ( $\$ 35$ million without giving effect to any of our interest rate swaps).

Derivative instruments involve, to varying degrees, elements of non-performance, or credit risk. We do not believe that we currently face a significant risk of loss in the event of non-performance by the counterparties associated with these instruments, as these transactions were executed with a diversified group of major financial institutions with a minimum investment-grade or better credit rating. Our credit risk exposure is managed through the continuous monitoring of our exposures to such counterparties.

## Equity Price Risk

We are not exposed to material equity risk.

## Item 4. Controls and Procedures

(a)Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in the reports that the Company files or submits to the SEC under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures as of March 31, 2015 (the "Evaluation Date"). Based on such evaluation and subject to foregoing, such officers have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective at the reasonable assurance level.

## (b) Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's
internal control over financial reporting.

- 37 -


## PART II. OTHER INFORMATION

Item 1. Legal Proceedings
We are subject to litigation and other claims in the ordinary course of business, some of which include claims for substantial sums. Accruals have been recorded when the outcome is probable and can be reasonably estimated. While the ultimate results of claims and litigation cannot be determined, we do expect that the ultimate disposition of these matters will not have a material adverse effect on our operations or financial condition. However, depending on the amount and the timing, an unfavorable resolution of some or all of these matters could materially affect our future results of operations or cash flows in a particular period.

## Item 1A. Risk Factors

There have been no material changes to our Risk Factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
There were no unregistered sales of our common stock for the three months ended March 31, 2015.
On July 25, 2013, our Board approved a share repurchase program for up to $\$ 500$ million of our outstanding common stock. The primary purpose of the program is to mitigate dilution associated with our equity compensation plans. On October 23, 2014, we announced that our board of directors approved a new share repurchase program for up to $\$ 1$ billion of our outstanding common stock. This is in addition to the authorization in place since July 2013 as described above. Repurchases will be made in accordance with applicable securities laws from time to time in the open market depending on our management's evaluation of market conditions and other factors. The program will be executed within the limitations of the existing authority granted at our 2014 Annual General Meeting of Shareholders. As of March 31, 2015, we have purchased $14,381,128$ shares of our common stock at an average price of $\$ 42.96$ per share (total consideration of approximately $\$ 618$ million) under this program. The activity during the three months ended March 31, 2015 consisted of open market share repurchases and is summarized in the following table:

|  |  |  | Total |  |
| :---: | :---: | :---: | :---: | :---: |
|  |  |  | Number of |  |
|  |  |  | Shares | Dollar Value of Shares that |
|  |  |  | Purchased as Part of | may yet be |
|  | Total |  | Publicly | Purchased |
|  | Number of | Average | Announced |  |
|  | Shares | Price |  | under the |
|  |  | Paid per | Plans or | Plans or |
| Period | Purchased | Share | Programs | Programs |
| January 1-31 | 1,611,203 | \$ 44.09 | 1,611,203 | \$951,797,780 |
| February 1-28 | 814,753 | \$ 43.90 | 814,753 | \$916,031,448 |
| March 1-31 | 772,189 | \$ 43.76 | 772,189 | \$882,241,498 |
| Total | 3,198,145 | \$ 43.96 | 3,198,145 |  |

Item 3. Defaults Upon Senior Securities
Not applicable.

Item 4. Mine Safety Disclosures
Not applicable.
Item 5. Other Information
On April 20, 2015, James W. Cuminale informed us of his intention to resign as our Chief Legal Officer effective June 30, 2015.

Item 6. Exhibits
The exhibit index attached hereto is incorporated herein by reference.

- 38 -


## SIGNATURES

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

Nielsen N.V.
(Registrant)
Date: April 22, 2015 /s/ Jeffrey R. Charlton
Jeffrey R. Charlton
Senior Vice President and Corporate Controller
Duly Authorized Officer and Principal Accounting Officer

- 39 -


## EXHIBIT INDEX

The agreements and other documents filed as exhibits to this quarterly report on Form $10-\mathrm{Q}$ are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by the registrant in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

## Exhibit

## Number Description of Exhibits

2.1 Common Draft Terms of the Cross-Border Legal Merger by and among Nielsen N.V. and Nielsen Holdings Limited dated March 26, 2015 (incorporated herein by reference to the Current Report on Form 8-K filed on March 31, 2015)
4.1 Supplemental Indenture, dated as of February 25, 2015, among Nielsen Finance LLC, Nielsen Finance Co., the Guarantors (as defined therein) and Law Debenture Trust Company of New York, as Trustee. (incorporated herein by reference to the Current Report on Form 8-K filed on February 25, 2015 (File No. 001-35042))
10.1* Form of Nielsen N.V. Performance Restricted Stock Unit Agreement
31.1* CEO 302 Certification Pursuant to Rule 13a-15(e)/15d-15(e)
31.2* CFO 302 Certification Pursuant to Rule 13a-15(e)/15d-15(e)
32.1* Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

101* The following financial information from Nielsen N.V.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, formatted in XBRL includes: (i) Condensed Consolidated Statements of Operations (Unaudited) for the three months ended March 31, 2015 and 2014, (ii) Condensed Consolidated Statements of Comprehensive Income (Unaudited) for the three months ended March 31, 2015 and 2014, (iii) Condensed Consolidated Balance Sheets at March 31, 2015 (Unaudited) and December 31, 2014, (iv) Condensed Consolidated Statements of Cash Flows (Unaudited) for the three months ended March 31, 2015 and 2014, and (v) the Notes to Condensed Consolidated Financial Statements.
*Filed or furnished herewith

- 40 -


[^0]:    - 4 -

[^1]:    $\qquad$

