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

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2015

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______ to _______

Commission file number 001-35042

Nielsen N.V.

(Exact name of registrant as specified in its charter)

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

New York, New York 10004	1112 XL Diemen
(646) 654-5000	The Netherlands
	+31 (0) 20 398 87 77

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

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

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

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PART I. FINANCIAL INFORMATION

Item 1.Condensed Consolidated Financial Statements

Nielsen N.V.

Condensed Consolidated Statements of Operations (Unaudited)

	Three Months Ended March 31,	
(IN MILLIONS, EXCEPT SHARE AND PER SHARE DATA)	2015	2014
Revenues	$1,458	$1,489
Cost of revenues, exclusive of depreciation and amortization shown separately below	622	642
Selling, general and administrative expenses, exclusive of depreciation and amortization shown separately below	481	489
Depreciation and amortization	142	141
Restructuring charges	14	24
Operating income	199	193
Interest income	1	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	101	87
Provision for income taxes	(38)	(33)
Equity in net income of affiliates	—	1
Net income	63	55
Net loss attributable to noncontrolling interests	—	(3)
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	$0.17	$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	375,361,957	384,739,599
Dividends declared per common share	$0.25	$0.20

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

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)	$ 55

(1) Net of tax of $(12) million and $1 million for the three months ended March 31, 2015 and 2014, respectively

(2) Net of tax of $(2) million for the three months ended March 31, 2015 and 2014, respectively

(3) Net of tax of$2 million and zero for the three months ended March 31, 2015 and 2014, respectively

(4) Net of tax of $(1) million for the three months ended March 31, 2015 and 2014, respectively

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

Nielsen N.V.

Condensed Consolidated Balance Sheets

(IN MILLIONS, EXCEPT SHARE AND PER SHARE DATA)	March 31, 2015 (Unaudited)	December 31, 2014
Assets:		
Current assets		
Cash and cash equivalents	$ 343	$ 273
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	1,168	1,241
Prepaid expenses and other current assets	554	505
Total current assets	2,065	2,019
Non-current assets		
Property, plant and equipment, net	512	533
Goodwill	7,640	7,671
Other intangible assets, net	4,737	4,715
Deferred tax assets	67	83
Other non-current assets	367	355
Total assets	$ 15,388	$ 15,376
Liabilities and equity:		
Current liabilities		
Accounts payable and other current liabilities	$ 858	$ 1,035
Deferred revenues	320	304
Income tax liabilities	72	62
Current portion of long-term debt, capital lease obligations and short-term borrowings	188	397
Total current liabilities	1,438	1,798
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	955
Total liabilities	10,545	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	32
Additional paid-in capital	6,285	6,344
Treasury stock, at cost	(544)	(415)
Accumulated deficit	(65)	(128)
Accumulated other comprehensive loss, net of income taxes	(940)	(777)
Total Nielsen stockholders' equity	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.

Nielsen N.V.

Condensed Consolidated Statements of Cash Flows (Unaudited)

(IN MILLIONS)	Three Months Ended March 31, 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	(3)	(2)
Net cash provided by/(used in) financing activities	314	(75)
Effect of exchange-rate changes on cash and cash equivalents	(28)	(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.

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 ("€"). 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.

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.

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)	(165)
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

(IN MILLIONS)	Gross Amounts March 31, 2015	Gross Amounts December 31, 2014	Accumulated Amortization March 31, 2015	Accumulated Amortization December 31, 2014
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)	(30)
Computer software	2,027	1,935	(1,208)	(1,157)
Patents and other	105	105	(79)	(77)
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)	Currency Translation Adjustments	Available-for-Sale Securities	Cash Flow Hedges	Post Employment Benefits	Total
Balance December 31, 2014	$ (418)	$ 19	$ (2)	$ (376)	$(777)
Other comprehensive (loss)/income before reclassifications	(172)	3	(5)	1	(173)
Amounts reclassified from accumulated other comprehensive (loss)/income	—	—	2	5	7
Net current period other comprehensive (loss)/income	(172)	3	(3)	6	(166)
Net current period other comprehensive loss attributable to noncontrolling interest	(3)	—	—	—	(3)
Net current period other comprehensive (loss)/income attributable to Nielsen stockholders	(169)	3	(3)	6	(163)
Balance March 31, 2015	$ (587)	$ 22	$ (5)	$ (370)	$(940)

(IN MILLIONS)	Currency Translation Adjustments	Available-for-Sale Securities	Cash Flow Hedges	Post Employment Benefits	Total
Balance December 31, 2013	(124)	9	(5)	(267)	(387)
Other comprehensive (loss)/income before reclassifications	(8)	2	(2)	1	(7)
Amounts reclassified from accumulated other comprehensive (loss)/income	—	—	2	2	4
Net current period other comprehensive (loss)/income attributable to Nielsen stockholders	(8)	2	—	3	(3)
Balance March 31, 2014	(132)	11	(5)	(264)	(390)

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) Details about Accumulated Other Comprehensive Income components	Amount Reclassified from Accumulated Other Comprehensive Loss: Three Months Ended March 31, 2015	Three Months Ended March 31, 2014	Affected Line Item in the Condensed Consolidated 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 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:

(IN MILLIONS)	March 31, 2015	Level 1	Level 2	Level 3
Assets:				
Investments in equity securities [1]	$ 50	$ 50	—	—
Plan assets for deferred compensation [2]	30	30	—	—
Investment in mutual funds [3]	2	2	—	—
Total	$ 82	$ 82	$ —	—
Liabilities:				
Interest rate swap arrangements [4]	$ 10	—	$ 10	—
Deferred compensation liabilities [5]	30	30	—	—
Total	$ 40	$ 30	$ 10	—

	December 31, 2014	Level 1	Level 2	Level 3
Assets:				
Investments in equity securities [1]	$ 45	$ 45	—	—

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.

(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.

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

	Notional Amount	Maturity Date	Currency
Interest rate swaps designated as hedging instruments			
US Dollar term loan floating-to-fixed rate swaps	$250,000,000	September 2015	US Dollar
US Dollar term loan floating-to-fixed rate swaps	$125,000,000	November 2015	US Dollar
Euro term loan floating-to-fixed rate swaps	€125,000,000	November 2015	Euro
US Dollar term loan floating-to-fixed rate swaps	$1,575,000,000	May 2016	US Dollar
US Dollar term loan floating-to-fixed rate swaps	$500,000,000	November 2016	US Dollar
US Dollar term loan floating-to-fixed rate swaps	$250,000,000	September 2017	US Dollar
US Dollar term loan floating-to-fixed rate swaps	$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 Designated as Hedging Instruments (IN MILLIONS)	March 31, 2015 Accounts Payable and Other Current Liabilities	Other Non-Current Liabilities	December 31, 2014 Other Non-Current Assets	Accounts Payable and Other Current Liabilities	Other Non-Current Liabilities
Interest rate swaps	$ 3	$ 7	$ 1	$ 4	$ 2

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:

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

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.

	March 31, 2015			December 31, 2014		
(IN MILLIONS)	Weighted Interest Rate	Carrying Amount	Fair Value	Weighted Interest Rate	Carrying Amount	Fair Value
$1,580 million Senior secured term loan (LIBOR based variable rate of 2.18%) due 2019		1,521	1,513		1,542	1,533
$500 million Senior secured term loan (LIBOR based variable rate of 2.43%) due 2017		496	496		497	493
$1,100 million Senior secured term loan (LIBOR based variable rate of 3.18%) due 2021		1,092	1,091		1,094	1,088
€286 million Senior secured term loan (Euro LIBOR based variable rate of 2.99%) due 2021		305	305		345	343
$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 borrowings		188			397	
Non-current portion of long-term debt and capital lease and other financing obligations		$ 7,159			$ 6,465	

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
2016	123
2017	642
2018	212
2019	1,041
2020	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:

	Three Months Ended March 31, 2015
Actual number of shares of common stock outstanding	
Beginning of period	372,757,598
Shares of common stock issued through compensation plans	329,314
Repurchases of common stock	(3,198,145)
End of period	369,888,767

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 Per 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

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.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Dollar Value of Shares that may yet be Purchased under the Plans or 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	

10. Income Taxes

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)	Buy	Watch	Corporate	Total
Three Months Ended March 31, 2015				
Revenues	$798	$660	—	$1,458
Depreciation and amortization	$53	$88	$ 1	$142
Restructuring charges	$7	$4	$ 3	$14
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 l., 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.

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Nielsen N.V.

Condensed Consolidating Statement of Comprehensive Income (Unaudited)

For the three months ended March 31, 2015

(IN MILLIONS)	Parent	Issuers	Guarantor	Non-Guarantor	Elimination	Consolidated
Revenues	$—	$ —	$ 846	$ 612	$ —	$ 1,458
Cost of revenues, exclusive of depreciation and amortization shown separately below	—	—	312	310	—	622
Selling, general and administrative expenses, exclusive of depreciation and amortization shown 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	(73)
Foreign currency exchange transaction expense, net	—	—	(11)	(15)	—	(26)
Other expense/(income), net	—	—	(8)	8	—	—
(Loss)/income from continuing operations before income taxes and equity in net income/(loss) of subsidiaries and affiliates	(1)	152	(80)	30	—	101
(Provision)/benefit for income taxes	—	(53)	35	(20)	—	(38)
Equity in net income/(loss) of subsidiaries	64	(15)	109	—	(158)	—
Net income	63	84	64	10	(158)	63
Total other comprehensive loss	(163)	(9)	(163)	(232)	401	(166)
Total other comprehensive loss attributable to noncontrolling interests	—	—	—	(3)	—	(3)
Total other comprehensive loss attributable to controlling interests	(163)	(9)	(163)	(229)	401	(163)
Total comprehensive (loss)/income	(100)	75	(99)	(222)	243	(103)
Comprehensive loss attributable to noncontrolling interests	—	—	—	(3)	—	(3)

Total comprehensive (loss)/income attributable to						
controlling interest	$(100)	$ 75	$ (99)	$ (219)	$ 243	$ (100)

Nielsen N.V.

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the three months ended March 31, 2014

(IN MILLIONS)	Parent	Issuer	Guarantor	Non-Guarantor	Elimination	Consolidated
Revenues	$ —	$ —	$ 803	$ 686	$ —	$ 1,489
Cost of revenues, exclusive of depreciation and amortization shown separately below	—	—	307	335	—	642
Selling, general and administrative expenses, exclusive of depreciation and amortization shown separately below	—	—	248	241	—	489
Depreciation and amortization	—	—	110	31	—	141
Restructuring charges	—	—	12	12	—	24
Operating income	—	—	126	67	—	193
Interest income	—	208	12	2	(221)	1
Interest expense	—	(73)	(213)	(12)	221	(77)
Foreign currency exchange transaction income/(losses), net	—	—	1	(28)	—	(27)
Other (expense)/income, net	—	—	(10)	7	—	(3)
Income from continuing operations before income taxes and equity in net income/(loss) of subsidiaries and affiliates	—	135	(84)	36	—	87
Benefit/(provision) for income taxes	4	(47)	21	(11)	—	(33)
Equity in net income/(loss) of subsidiaries	54	(36)	118	—	(136)	—
Equity in net (loss)/income of affiliates	—	—	(1)	2	—	1
Net income	58	52	54	27	(136)	55
Less net loss attributable to noncontrolling interests	—	—	—	(3)	—	(3)
Net income attributable to controlling interest	58	52	54	30	(136)	58
Total other comprehensive (loss)/income	(3)	(12)	(3)	5	10	(3)
Total comprehensive income	55	40	51	32	(126)	52
Comprehensive loss attributable to noncontrolling interests	—	—	—	(3)	—	(3)
Total comprehensive income attributable to	$ 55	$ 40	$ 51	$ 35	$ (126)	$ 55

controlling interests

Nielsen N.V

Condensed Consolidating Balance Sheet (Unaudited)

March 31, 2015

(IN MILLIONS)	Parent	Issuers	Guarantor	Non-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						