

Nielsen N.V.  
Form 10-Q  
October 23, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014

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 | (I.R.S. Employer    |
| incorporation or organization)  | Identification No.) |
| 85 Broad Street                 | Diemerhof 2         |

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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 ☒ 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 ☒ 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 ☒

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 ☒

There were 381,074,001 shares of the registrant's Common Stock outstanding as of September 30, 2014.

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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<br>September 30, |         | Nine Months Ended<br>September 30, |         |
|---|-------------------------------------|---------|------------------------------------|---------|
| (IN MILLIONS, EXCEPT SHARE AND PER<br>SHARE DATA)   | 2014                                | 2013    | 2014                               | 2013    |
| Revenues  | \$1,572                             | \$1,387 | \$4,655                            | \$4,092 |
| Cost of revenues, exclusive of depreciation and<br>amortization shown separately below                                | 648                                 | 573     | 1,967                              | 1,732   |
| Selling, general and administrative expenses,<br>exclusive of depreciation and amortization shown<br>separately below | 468                                 | 434     | 1,439                              | 1,310   |
| Depreciation and amortization   | 139                                 | 117     | 425                                | 364     |
| Restructuring charges   | 6                                   | 20      | 43                                 | 63      |
| Operating income  | 311                                 | 243     | 781                                | 623     |
| Interest income   | 1                                   | 1       | 3                                  | 2       |
| Interest expense  | (74)                                | (78)    | (229)                              | (229)   |
| Foreign currency exchange transaction gains/(losses),<br>net  | 1                                   | (7)     | (32)                               | (23)    |
| Other (expense)/income, net   | (52)                                | 12      | (100)                              | —       |
| Income from continuing operations before income<br>taxes and equity in net income of affiliates                       | 187                                 | 171     | 423                                | 373     |
| Provision for income taxes  | (95)                                | (40)    | (202)                              | (104)   |
| Equity in net income of affiliates  | —                                   | —       | 2                                  | 3       |
| Income from continuing operations   | 92                                  | 131     | 223                                | 272     |
| Income from discontinued operations, net of tax   | —                                   | —       | —                                  | 319     |
| Net income  | 92                                  | 131     | 223                                | 591     |
| Net income/(loss) attributable to noncontrolling<br>interests   | 1                                   | (3)     | —                                  | (4)     |
| Net income attributable to Nielsen stockholders   | \$91                                | \$134   | \$223                              | \$595   |
| Net income per share of common stock, basic   |                                     |         |                                    |         |
| Income from continuing operations   | \$0.24                              | \$0.35  | \$0.59                             | \$0.74  |
| Income from discontinued operations, net of tax   | \$—                                 | \$—     | \$—                                | \$0.85  |
| Net income attributable to Nielsen stockholders   | \$0.24                              | \$0.35  | \$0.59                             | \$1.59  |
| Net income per share of common stock, diluted   |                                     |         |                                    |         |
| Income from continuing operations   | \$0.24                              | \$0.35  | \$0.58                             | \$0.73  |
| Income from discontinued operations, net of tax   | \$—                                 | \$—     | \$—                                | \$0.84  |

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|  |             |             |             |             |
|--|-------------|-------------|-------------|-------------|
| Net income attributable to Nielsen stockholders              | \$0.24      | \$0.35      | \$0.58      | \$1.57      |
| Weighted-average shares of common stock outstanding, basic   | 380,884,561 | 377,590,584 | 379,891,241 | 374,943,623 |
| Dilutive shares of common stock                              | 5,006,830   | 4,711,433   | 5,283,261   | 4,858,966   |
| Weighted-average shares of common stock outstanding, diluted | 385,891,391 | 382,302,017 | 385,174,502 | 379,802,589 |
| Dividends declared per common share                          | \$0.25      | \$0.20      | \$0.70      | \$0.52      |

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

Nielsen N.V.

## Condensed Consolidated Statements of Comprehensive (Loss)/Income (Unaudited)

| (IN MILLIONS)  | Three Months Ended<br>September 30, |        | Nine Months Ended<br>September 30, |        |
|--|-------------------------------------|--------|------------------------------------|--------|
|  | 2014                                | 2013   | 2014                               | 2013   |
| Net income   | \$ 92                               | \$ 131 | \$ 223                             | \$ 591 |
| Other comprehensive (loss)/income, net of tax                          |                                     |        |                                    |        |
| Foreign currency translation adjustments <sup>(1)</sup>                | (169 )                              | 51     | (136 )                             | (83 )  |
| Available for sale securities <sup>(2)</sup>                           | —                                   | 3      | 4                                  | 9      |
| Changes in the fair value of cash flow hedges <sup>(3)</sup>           | 4                                   | (2 )   | 3                                  | 6      |
| Defined benefit pension plan adjustments <sup>(4)</sup>                | 3                                   | 3      | 5                                  | 23     |
| Total other comprehensive (loss)/income                                | (162 )                              | 55     | (124 )                             | (45 )  |
| Total comprehensive (loss)/income                                      | (70 )                               | 186    | 99                                 | 546    |
| Less: comprehensive loss attributable to noncontrolling interests      | (1 )                                | (1 )   | (2 )                               | (3 )   |
| Total comprehensive (loss)/income attributable to Nielsen stockholders | \$ (69 )                            | \$ 187 | \$ 101                             | \$ 549 |

(1) Net of tax of \$(4) million and \$(2) million for the three months ended September 30, 2014 and 2013, respectively and \$(5) million and \$7 million for the nine months ended September 30, 2014 and 2013, respectively

(2) Net of tax of zero and \$(2) million for the three months ended September 30, 2014 and 2013, respectively, and \$(3) million and \$(6) million for the nine months ended September 30, 2014 and 2013, respectively

(3) Net of tax of \$(2) million and \$1 million for the three months ended September 30, 2014 and 2013, respectively, and \$(2) and \$(4) million for the nine months ended September 30, 2014 and 2013, respectively

(4) Net of tax of \$(1) million and zero for the three months ended September 30, 2014 and 2013, respectively, and zero and \$(16) million for the nine months ended September 30, 2014 and 2013, 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)   |  | September 30,<br>2014<br>(Unaudited) | December 31,<br>2013 |
|--|--|--------------------------------------|----------------------|
| Assets:  |  |                                      |                      |
| Current assets   |  |                                      |                      |
| Cash and cash equivalents  |  | \$ 369                               | \$ 564               |
| Trade and other receivables, net of allowances for doubtful accounts and sales   |  |                                      |                      |
| returns of \$31 and \$39 as of September 30, 2014 and December 31, 2013,   |  |                                      |                      |
| respectively   |  | 1,189                                | 1,196                |
| Prepaid expenses and other current assets  |  | 424                                  | 374                  |
| Total current assets   |  | 1,982                                | 2,134                |
| Non-current assets   |  |                                      |                      |
| Property, plant and equipment, net   |  | 525                                  | 560                  |
| Goodwill   |  | 7,715                                | 7,684                |
| Other intangible assets, net   |  | 4,716                                | 4,781                |
| Deferred tax assets  |  | 96                                   | 115                  |
| Other non-current assets   |  | 327                                  | 256                  |
| Total assets   |  | \$ 15,361                            | \$ 15,530            |
| Liabilities and equity:  |  |                                      |                      |
| Current liabilities  |  |                                      |                      |
| Accounts payable and other current liabilities   |  | \$ 917                               | \$ 1,026             |
| Deferred revenues  |  | 312                                  | 306                  |
| Income tax liabilities   |  | 201                                  | 55                   |
| Current portion of long-term debt, capital lease obligations and short-term borrowings   |  | 112                                  | 148                  |
| Total current liabilities  |  | 1,542                                | 1,535                |
| Non-current liabilities  |  |                                      |                      |
| Long-term debt and capital lease obligations   |  | 6,508                                | 6,492                |
| Deferred tax liabilities   |  | 839                                  | 864                  |
| Other non-current liabilities  |  | 772                                  | 832                  |
| Total liabilities  |  | 9,661                                | 9,723                |
| Commitments and contingencies (Note 12)  |  |                                      |                      |
| Equity:  |  |                                      |                      |
| Nielsen stockholders' equity   |  |                                      |                      |
| Common stock, €0.07 par value, 1,185,800,000 and 1,185,800,000 shares authorized;<br>382,509,366 and 379,044,531 shares issued and 381,074,001 and 378,635,464<br>shares outstanding at September 30, 2014 and December 31, 2013, respectively |  | 32                                   | 32                   |
| Additional paid-in capital   |  | 6,381                                | 6,596                |
| Accumulated deficit  |  | (289)                                | (512)                |
| Accumulated other comprehensive loss, net of income taxes  |  | (509)                                | (387)                |
| Total Nielsen stockholders' equity   |  | 5,615                                | 5,729                |
| Noncontrolling interests   |  | 85                                   | 78                   |
| Total equity   |  | 5,700                                | 5,807                |



|                              |           |           |
|------------------------------|-----------|-----------|
| Total liabilities and equity | \$ 15,361 | \$ 15,530 |
|------------------------------|-----------|-----------|

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

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Nielsen N.V.

## Condensed Consolidated Statements of Cash Flows (Unaudited)

|   | Nine Months<br>Ended<br>September 30, |          |
|---|---------------------------------------|----------|
| (IN MILLIONS)   | 2014                                  | 2013     |
| <b>Operating Activities</b>   |                                       |          |
| Net income  | \$223                                 | \$591    |
| Adjustments to reconcile net income to net cash provided by operating activities:               |                                       |          |
| Stock-based compensation expense  | 36                                    | 32       |
| Gain on sale of discontinued operations   | —                                     | (303 )   |
| Currency exchange rate differences on financial transactions and other losses                   | 134                                   | 29       |
| Equity in net income of affiliates, net of dividends received                                   | (2 )                                  | 1        |
| Depreciation and amortization   | 425                                   | 375      |
| Changes in operating assets and liabilities, net of effect of businesses acquired and divested: |                                       |          |
| Trade and other receivables, net  | (9 )                                  | (23 )    |
| Prepaid expenses and other current assets   | (81 )                                 | (37 )    |
| Accounts payable and other current liabilities and deferred revenues                            | (159 )                                | (128 )   |
| Other non-current liabilities   | (6 )                                  | (4 )     |
| Interest payable  | 46                                    | 36       |
| Income taxes  | 85                                    | 12       |
| Net cash provided by operating activities   | 692                                   | 581      |
| <b>Investing Activities</b>   |                                       |          |
| Acquisition of subsidiaries and affiliates, net of cash acquired                                | (203 )                                | (1,202 ) |
| Proceeds from the sale of subsidiaries and affiliates, net                                      | —                                     | 934      |
| Additions to property, plant and equipment and other assets                                     | (96 )                                 | (79 )    |
| Additions to intangible assets  | (178 )                                | (176 )   |
| Net cash used in investing activities   | (477 )                                | (523 )   |
| <b>Financing Activities</b>   |                                       |          |
| Proceeds from issuances of debt, net of issuance costs  | 4,544                                 | 2,485    |
| Repayment of debt   | (4,573 )                              | (1,933 ) |
| Increase in other short-term borrowings   | —                                     | 12       |
| Cash dividends paid to stockholders   | (261 )                                | (189 )   |
| Repurchase of common stock  | (75 )                                 | —        |
| Proceeds from exercise of stock options   | 80                                    | 59       |
| Other financing activities  | (91 )                                 | (24 )    |
| Net cash (used in)/provided by financing activities   | (376 )                                | 410      |
| Effect of exchange-rate changes on cash and cash equivalents                                    | (34 )                                 | (19 )    |
| Net (decrease)/increase in cash and cash equivalents  | (195 )                                | 449      |
| Cash and cash equivalents at beginning of period  | 564                                   | 288      |
| Cash and cash equivalents at end of period  | \$369                                 | \$737    |
| <b>Supplemental Cash Flow Information</b>   |                                       |          |
| Cash paid for income taxes  | \$(117 )                              | \$(101 ) |
| Cash paid for interest, net of amounts capitalized  | \$(183 )                              | \$(201 ) |

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

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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”). In June 2013, Nielsen completed the sale of its Expositions operating segment (see Note 4, Discontinued Operations, for more information). The Company’s condensed consolidated statements of operations reflect the Expositions operating segment as a discontinued operation. 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, 2013, Luxco owned 125,224,724 shares (or approximately 33%) of the Company’s common stock. During the nine months ended September 30, 2014, Luxco sold 51,139,058 shares of the Company’s common stock at an average price of \$46.58 per share. As of September 30, 2014, Luxco owned 74,085,666 shares (or approximately 19%) of the Company’s common stock.

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, 2013. 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 September 30, 2014 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 or loss 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 92,800 and 2,502,717 shares of common stock equivalents under stock compensation plans were excluded from the calculation of diluted earnings per share for the three months ended September 30, 2014 and 2013, respectively, as such shares would have been anti-dilutive.

The effect of 92,800 and 2,427,945 shares of common stock equivalents under stock compensation plans were excluded from the calculation of diluted earnings per share for the nine months ended September 30, 2014 and 2013, 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 has 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.

In February 2013, the Venezuelan government devalued its currency by 32%. The official exchange rate 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, Nielsen recorded a pre-tax charge of \$12 million during the first quarter of 2013 in foreign currency exchange transaction gains/(losses), net line in the condensed consolidated statement of operations primarily reflecting the write-down of monetary assets and liabilities.

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As of March 31, 2014, based on changes to the Venezuelan currency exchange rate mechanisms the Company changed the exchange rate used to remeasure our Venezuelan subsidiaries' financial statements in U.S. dollars. 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 a result of a recent exchange agreement between the Central Bank of Venezuela and the Venezuelan government, the Company believes any future remittances for royalty and dividend payments that occur would be transacted at the SICAD I exchange rate based on current facts and circumstances. Accordingly, because the equity of the Venezuelan subsidiary would be realized through the payment of royalties and dividends, the SICAD I exchange rate represents a more realistic exchange rate at which to remeasure the U.S. dollar value of the assets, liabilities, and results of the Company's Venezuelan subsidiary in the condensed consolidated financial statements. At September 30, 2014, the SICAD I exchange rate was 12.0 bolivars to the U.S. dollar, compared with the official exchange rate of 6.3 bolivars to the U.S. dollar. As a result of this change, Nielsen recorded a pre-tax charge of \$23 million during the nine months ended September 30, 2014 in foreign currency exchange transaction gains/(losses), net in the condensed consolidated statement of operations, reflecting the write-down of monetary assets and liabilities.

The Company will continue to assess the appropriate conversion rate based on events in Venezuela and the Company's specific facts and circumstances.

## 2. Summary of Recent Accounting Pronouncements

### Foreign Currency Matters

In March 2013, the FASB issued an Accounting Standards Update ("ASU"), "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity", to resolve the diversity in practice regarding the release into net income of the cumulative translation adjustment upon derecognition of a subsidiary or group of assets within a foreign entity. The amendment requires an entity that ceases to have a controlling financial interest in a subsidiary or group of assets within a foreign entity to release any related cumulative translation adjustment into net income. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. This guidance is effective for Nielsen's interim and annual reporting periods in 2014. The adoption of this ASU did not have a significant impact on Nielsen's condensed consolidated financial statements.

### Discontinued Operations

In April 2014, the FASB issued an ASU, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity", that raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. The ASU is aimed at reducing the frequency of disposals reported as discontinued operations by focusing on strategic shifts that have or will have a major effect on an entity's operations and financial reports. In addition, the guidance permits companies to have continuing cash flows and significant continuing involvement with the disposed component. The ASU is effective for interim and annual reporting periods beginning after December 15, 2014 and must be applied prospectively. Early adoption is permitted for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issue. The adoption of this ASU is not expected to have a significant impact on the Company's condensed consolidated financial statements.

### Revenue Recognition

In May 2014, the FASB issued an ASU, “Revenue from Contracts with Customers”. The new revenue recognition standard provides a five step analysis of transactions to determine when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. This ASU is effective for annual periods beginning after December 15, 2016 and shall be applied retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company is currently assessing the impact of the adoption of this ASU will have on its condensed consolidated financial statements.

#### Going Concern

In August 2014, the FASB issued an ASU, “Presentation of Financial Statements-Going Concern: Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern”. The new standard defines management's responsibility to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. This guidance will be effective for all entities in the first annual period ending after December 15, 2016; however, early adoption is permitted. The adoption of this ASU is not expected to have a significant impact on the Company’s condensed consolidated financial statements.

### 3. Business Acquisitions

#### Arbitron Inc.

On September 30, 2013, Nielsen completed the acquisition of Arbitron Inc., an international media and marketing research firm (“Arbitron”), through the purchase of 100% of Arbitron’s outstanding common stock for a total cash purchase price of \$1.3 billion (the “Acquisition”). Arbitron is expected to help Nielsen better address client needs in unmeasured areas of media consumption, including streaming audio and out-of-home and Nielsen’s global distribution footprint can help expand Arbitron’s capabilities outside of the U.S. With Arbitron’s assets, Nielsen intends to further expand its “Watch” segment’s audience measurement across screens and forms of listening. Arbitron has been rebranded Nielsen Audio.

The Company incurred acquisition related expenses of \$4 million and \$18 million for the three and nine months ended September 30, 2013, respectively, which primarily consisted of transaction fees, legal, accounting and other professional services that are included in selling, general and administrative expense in the condensed consolidated statement of operations.

The following unaudited pro forma information presents the consolidated results of operations of the Company and Arbitron for the three and nine months ended September 30, 2013, as if the acquisition had occurred on January 1, 2013, with pro forma adjustments to give effect to amortization of intangible assets, an increase in interest expense from acquisition financing, and certain other adjustments:

|                                   | Three<br>Months<br>Ended<br>September<br>30, 2013 | Nine<br>Months<br>Ended<br>September<br>30, 2013 |
|-----------------------------------|---|--|
| (IN MILLIONS)                     |   |  |
| Revenues                          | \$ 1,510  | \$ 4,447   |
| Income from continuing operations | \$ 151  | \$ 301   |

The unaudited pro forma results do not reflect any synergies and are not necessarily indicative of the results that the Company would have attained had the acquisition of Arbitron been completed as of the beginning of the reporting period. The Arbitron results of operations are fully reflected in Nielsen’s consolidated results of operations for the three and nine months ended September 30, 2014.

#### Other Acquisitions

For the nine months ended September 30, 2014, Nielsen paid cash consideration of \$203 million associated with both current period and previously executed acquisitions, net of cash acquired. Had these current period acquisitions occurred as of January 1, 2014, the impact on Nielsen’s consolidated results of operations would not have been material.

For the nine months ended September 30, 2013, excluding Arbitron, Nielsen paid cash consideration of \$42 million associated with both current period and previously executed acquisitions, net of cash acquired. Had these acquisitions



occurred as of January 1, 2013, the impact on Nielsen's consolidated results of operations would not have been material.

#### 4. Discontinued Operations

In February 2014, Nielsen completed the acquisition of Harris Interactive, Inc., a leading global market research firm, through the purchase of all outstanding shares of Harris Interactive's common stock for \$2.04 per share. In June 2014, the Company completed the sale of Harris Interactive European operations ("Harris Europe") to ITWP Acquisitions Limited ("ITWP"), the parent company of Toluna, a leading digital market research and technology company in exchange for a minority stake in ITWP. The condensed consolidated statements of operations reflect the operating results of Harris Europe as a discontinued operation.

In June 2013, the Company completed the sale of its Expositions business, which operates one of the largest portfolios of business-to-business trade shows and conference events in the United States, for total cash consideration of \$950 million and recorded a gain of \$303 million, net of tax. The condensed consolidated statements of operations reflect the operating results of this business as a discontinued operation.

In March 2013, Nielsen completed the exit and shut down of one of its legacy online businesses and recorded a net loss of \$3 million associated with this divestiture. The condensed consolidated statements of operations reflect the operating results of this business as a discontinued operation.

Summarized results of operations for discontinued operations are as follows:

|  | Three<br>Months<br>Ended<br>September<br>30,<br>2014 |      | Nine<br>Months<br>Ended<br>September<br>30,<br>2013 |        |
|--|--|------|---|--------|
| (IN MILLIONS)                              | 2014   | 2013 | 2014  | 2013   |
| Revenue                                    | \$ —   | \$ — | \$ 15   | \$ 103 |
| Operating income                           | —  | —    | —   | 35     |
| Interest expense                           | —  | —    | —   | (8 )   |
| Income from operations before income taxes | —  | —    | —   | 27     |
| Provision for income taxes                 | —  | —    | —   | (11 )  |
| Income from operations                     | —  | —    | —   | 16     |
| Gain on sale, net of tax                   | —  | —    | —   | 303    |
| Income from discontinued operations        | \$ —   | \$ — | \$ —  | \$ 319 |

Nielsen allocated a portion of its consolidated interest expense to discontinued operations based upon the ratio of net assets sold as a proportion of consolidated net assets. For the three and nine months ended September 30, 2013, interest expense of zero and \$8 million was allocated to discontinued operations.

Following are the major categories of cash flows from discontinued operations, as included in Nielsen's condensed consolidated statements of cash flows:

|   | Nine<br>Months<br>Ended<br>September<br>30,<br>2014 |       | 2013 |
|---|---|-------|------|
| (IN MILLIONS)                             | 2014  | 2013  | 2013 |
| Net cash provided by operating activities | \$ —  | \$ 36 |      |
| Net cash provided by investing activities | —   | —     |      |
| Net cash provided by financing activities | —   | —     |      |
|   | \$ —  | \$ 36 |      |

## 5. Goodwill and Other Intangible Assets

### Goodwill

The table below summarizes the changes in the carrying amount of goodwill by reportable segment for the nine months ended September 30, 2014.

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| (IN MILLIONS)                                    | Buy     | Watch   | Total   |
|--|---------|---------|---------|
| Balance, December 31, 2013                       | \$3,005 | \$4,679 | \$7,684 |
| Acquisitions, divestitures and other adjustments | 140     | \$4     | \$144   |
| Effect of foreign currency translation           | (98 )   | (15 )   | (113 )  |
| Balance, September 30, 2014                      | \$3,047 | \$4,668 | \$7,715 |

At September 30, 2014, \$78 million of the goodwill is expected to be deductible for income tax purposes.

Other Intangible Assets

| (IN MILLIONS)                 | Gross Amounts      |                   | Accumulated Amortization |                   |
|-------------------------------|--------------------|-------------------|--------------------------|-------------------|
|                               | September 30, 2014 | December 31, 2013 | September 30, 2014       | December 31, 2013 |
| Indefinite-lived intangibles: |                    |                   |                          |                   |
| Trade names and trademarks    | \$ 1,921           | \$ 1,921          | \$-                      | \$ -              |
| Amortized intangibles:        |                    |                   |                          |                   |
| Trade names and trademarks    | 164                | 156               | (65 )                    | (53 )             |
| Customer-related intangibles  | 2,926              | 2,882             | (1,012)                  | (897 )            |
| Covenants-not-to-compete      | 36                 | 36                | (28 )                    | (19 )             |
| Computer software             | 1,841              | 1,668             | (1,100)                  | (941 )            |
| Patents and other             | 106                | 95                | (73 )                    | (67 )             |
| Total                         | \$5,073            | \$ 4,837          | \$(2,278)                | \$(1,977 )        |

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Amortization expense associated with the above intangible assets was \$99 million and \$74 million for the three months ended September 30, 2014 and 2013, respectively. These amounts included amortization expense associated with computer software of \$52 million and \$38 million for the three months ended September 30, 2014 and 2013, respectively.

Amortization expense associated with the above intangible assets was \$300 million and \$228 million for the nine months ended September 30, 2014 and 2013, respectively. These amounts included amortization expense associated with computer software of \$160 million and \$120 million for the nine months ended September 30, 2014 and 2013, respectively.

#### 6. 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 nine months ended September 30, 2014 and 2013.

|   | Currency<br>Translation<br>Adjustments | Available-<br>for-Sale<br>Securities | Cash Flow<br>Hedges | Post Employment<br>Benefits | Total    |
|---|--|--------------------------------------|---------------------|-----------------------------|----------|
| (IN MILLIONS)   |  |                                      |                     |                             |          |
| Balance December 31, 2013   | \$ (124 )                              | \$ 9                                 | \$ (5 )             | \$ (267 )                   | \$ (387) |
| Other comprehensive (loss)/income before reclassifications                                | (136 )                                 | 4                                    | (4 )                | —                           | (136)    |
| Amounts reclassified from accumulated other comprehensive (loss)/income                   | —                                      | —                                    | 7                   | 5                           | 12       |
| Net current period other comprehensive (loss)/income                                      | (136 )                                 | 4                                    | 3                   | 5                           | (124)    |
| Net current period other comprehensive loss attributable to noncontrolling interest       | (2 )                                   | —                                    | —                   | —                           | (2 )     |
| Net current period other comprehensive (loss)/income attributable to Nielsen stockholders | (134 )                                 | 4                                    | 3                   | 5                           | (122)    |
| Balance September 30, 2014  | \$ (258 )                              | \$ 13                                | \$ (2 )             | \$ (262 )                   | \$ (509) |

|   | Currency<br>Translation<br>Adjustments | Available-<br>for-Sale<br>Securities | Cash Flow<br>Hedges | Post Employment<br>Benefits | Total |
|---|--|--------------------------------------|---------------------|-----------------------------|-------|
| (IN MILLIONS)   |  |                                      |                     |                             |       |
| Balance December 31, 2012   | (23 )                                  | —                                    | (13 )               | (297 )                      | (333) |
| Other comprehensive (loss)/income before reclassifications              | (83 )                                  | 9                                    | (2 )                | 12                          | (64 ) |
| Amounts reclassified from accumulated other comprehensive (loss)/income | —                                      | —                                    | 8                   | 11                          | 19    |
| Net current period other comprehensive (loss)/income                    | (83 )                                  | 9                                    | 6                   | 23                          | (45 ) |

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|   |      |   |   |      |       |
|---|------|---|---|------|-------|
| Net current period other comprehensive loss attributable to noncontrolling interest       | 1    | — | — | —    | 1     |
| Net current period other comprehensive (loss)/income attributable to Nielsen stockholders | (84  | ) | 9 | 6    | 23    |
| Balance September 30, 2013  | (107 | ) | 9 | (7   | )     |
|   |      |   |   | (274 | )     |
|   |      |   |   |      | (379) |

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The table below summarizes the reclassification of accumulated other comprehensive loss by component for the three months ended September 30, 2014 and 2013, respectively.

| (IN MILLIONS)<br>Details about Accumulated<br>Other Comprehensive | Amount Reclassified from<br>Accumulated Other<br>Comprehensive Loss |  | Affected Line Item in the<br>Condensed Consolidated<br>Statement of Operations |
|---|---|--|--|
|   | Three<br>Months<br>Ended<br>September 30,<br>2014                   | Three Months<br>Ended<br>September 30,<br>2013 |  |
| Income components   |   |  |  |
| Cash flow hedges  |   |  |  |
| Interest rate contracts   | \$ 4  | \$ 4   | Interest expense   |
|   | 2   | 1  | Benefit for income taxes   |
|   | \$ 2  | \$ 3   | Total, net of tax  |
| Amortization of Post-Employment Benefits                          |   |  |  |
| Actuarial loss  | \$ 3  | \$ 5   | (a)  |
|   | 1   | 1  | Benefit for income taxes   |
|   | \$ 2  | \$ 4   | Total, net of tax  |
| Total reclassification for the period                             | \$ 4  | \$ 7   | Net of tax   |

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

The table below summarizes the reclassification of accumulated other comprehensive loss by component for the nine months ended September 30, 2014 and 2013, respectively.

| (IN MILLIONS)<br>Details about Accumulated<br>Other Comprehensive | Amount Reclassified from<br>Accumulated Other<br>Comprehensive Loss |   | Affected Line Item in the<br>Condensed Consolidated<br>Statement of Operations |
|---|---|---|--|
|   | Nine<br>Months<br>Ended<br>September 30,<br>2014                    | Nine Months<br>Ended<br>September 30,<br>2013 |  |
| Income components   |   |   |  |
| Cash flow hedges  |   |   |  |
| Interest rate contracts   | \$ 12   | \$ 12   | Interest expense   |
|   | 5   | 4   | Benefit for income taxes   |
|   | \$ 7  | \$ 8  | Total, net of tax  |
| Amortization of Post-Employment Benefits                          |   |   |  |
| Actuarial loss  | \$ 9  | \$ 14   | (a)  |

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|                                       |       |       |                          |
|---------------------------------------|-------|-------|--------------------------|
|                                       | 4     | 3     | Benefit for income taxes |
|                                       | \$ 5  | \$ 11 | Total, net of tax        |
| Total reclassification for the period | \$ 12 | \$ 19 | Net of tax               |

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

## 7. Restructuring Activities

A summary of the changes in the liabilities for restructuring activities is provided below:

| (IN MILLIONS)                          | Total<br>Initiatives |
|--|----------------------|
| Balance at December 31, 2013           | \$ 99                |
| Charges                                | 43                   |
| Payments                               | (87 )                |
| Non cash charges and other adjustments | (1 )                 |
| Balance at September 30, 2014          | \$ 54                |

Nielsen recorded \$6 million and \$20 million in restructuring charges for the three months ended September 30, 2014 and 2013, respectively, primarily relating to severance costs.

Nielsen recorded \$43 million and \$63 million in restructuring charges for the nine months ended September 30, 2014 and 2013, respectively, primarily relating to severance and contract termination costs.

Of the \$54 million in remaining liabilities for restructuring actions, \$44 million is expected to be paid within one year and is classified as a current liability within the condensed consolidated balance sheet as of September 30, 2014.

## 8. 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 September 30, 2014 and December 31, 2013:

| (IN MILLIONS)  | September<br>30,<br>2014 | Level 1 | Level 2 | Level 3 |
|--|--------------------------|---------|---------|---------|
| Assets:  |                          |         |         |         |
| Investments in equity securities <sup>(1)</sup>      | \$ 35                    | \$ 35   | —       | —       |
| Plan assets for deferred compensation <sup>(2)</sup> | 27                       | 27      | —       | —       |
| Investment in mutual funds <sup>(3)</sup>            | 2                        | 2       | —       | —       |
| Interest rate swap arrangements <sup>(4)</sup>       | 2                        | —       | 2       | —       |
| Total  | \$ 66                    | \$ 64   | \$ 2    | —       |
| Liabilities:   |                          |         |         |         |
| Interest rate swap arrangements <sup>(4)</sup>       | \$ 7                     | —       | \$ 7    | —       |
| Deferred compensation liabilities <sup>(5)</sup>     | 27                       | 27      | —       | —       |
| Total  | \$ 34                    | \$ 27   | \$ 7    | —       |

|  | December<br>31,<br>2013 | Level 1 | Level 2 | Level 3 |
|--|-------------------------|---------|---------|---------|
| Assets:  |                         |         |         |         |
| Investments in equity securities <sup>(1)</sup>      | \$ 28                   | \$ 28   | —       | —       |
| Plan assets for deferred compensation <sup>(2)</sup> | 25                      | 25      | —       | —       |
| Investment in mutual funds <sup>(3)</sup>            | 2                       | 2       | —       | —       |
| Total  | \$ 55                   | \$ 55   | —       | —       |
| Liabilities:   |                         |         |         |         |
| Interest rate swap arrangements <sup>(4)</sup>       | \$ 10                   | —       | \$ 10   | —       |
| Deferred compensation liabilities <sup>(5)</sup>     | 25                      | 25      | —       | —       |
| Total  | \$ 35                   | \$ 25   | \$ 10   | —       |

- (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.
- (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 uses interest rate swap derivative instruments principally to manage the 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 September 30, 2014, Nielsen had no material exposure to potential economic losses due to counterparty credit default risk or cross-default risk on its derivative financial instruments.

#### 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 September 30, 2014 the Company had the following outstanding interest rate swaps utilized in the management of its interest rate risk:

|   | Notional<br>Amount | Maturity Date  | Currency  |
|---|--------------------|----------------|-----------|
| Interest rate swaps designated as hedging instruments |                    |                |           |
| US Dollar term loan floating-to-fixed rate swaps      | \$250,000,000      | November 2014  | US Dollar |
| 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 |

Nielsen expects to recognize approximately \$11 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 September 30, 2014 and December 31, 2013 were as follows:

|   | September 30, 2014          |                   |                   | December 31, 2013                  |                   |                   |
|---|-----------------------------|-------------------|-------------------|------------------------------------|-------------------|-------------------|
|   | Accounts Payable            |                   |                   | Accounts Payable and Other Current |                   |                   |
| Derivatives Designated as Hedging Instruments | Other and Other Non-Current | Other Non-Current | Other Non-Current | Other Non-Current                  | Other Non-Current | Other Non-Current |
| (IN MILLIONS)                                 | Current Assets              | Liabilities       | Liabilities       | Liabilities                        | Liabilities       | Liabilities       |
| Interest rate swaps                           | \$ 2                        | \$ 2              | \$ 5              | \$ 2                               | \$ 8              |                   |

#### Derivatives in Cash Flow Hedging Relationships

The pre-tax effect of derivative instruments in cash flow hedging relationships for the three months ended September 30, 2014 and 2013 was as follows:

| Derivatives in Cash Flow<br>Hedging Relationships<br>(IN MILLIONS) | Amount of<br>(Gain)/Loss<br>Recognized in OCI<br>(Effective Portion) |      | Location of Loss<br>Reclassified from AOCI<br>into Income (Effective<br>Portion) | Amount of Loss<br>Reclassified from AOCI<br>into Income<br>(Effective Portion) |      |
|--|--|------|--|--|------|
|  | Three Months Ended   |      |  | Three Months Ended   |      |
|  | September 30,  |      |  | September 30,  |      |
|  | 2014   | 2013 |  | 2014   | 2013 |
| Interest rate swaps  | \$ (3 )  | \$ 7 | Interest expense   | \$ 4   | \$ 4 |

The pre-tax effect of derivative instruments in cash flow hedging relationships for the nine months ended September 30, 2014 and 2013 was as follows:

| Derivatives in Cash Flow<br>Hedging Relationships<br>(IN MILLIONS) | Amount of Loss<br>Recognized in OCI<br>(Effective Portion) |      | Location of Loss<br>Reclassified from AOCI<br>into Income (Effective<br>Portion) | Amount of Loss<br>Reclassified from AOCI<br>into Income<br>(Effective Portion) |       |
|--|--|------|--|--|-------|
|  | Nine Months Ended  |      |  | Nine Months Ended  |       |
|  | September 30,<br>2014                                      | 2013 |  | September 30,<br>2014  | 2013  |
|  |  |      |  |  |       |
| Interest rate swaps  | \$ 6   | \$ 2 | Interest expense   | \$ 12  | \$ 12 |

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

The Company is required, on a nonrecurring basis, to adjust the carrying value or provide valuation allowances for certain assets using fair value measurements. 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 nine months ended September 30, 2014.

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

Unless otherwise stated, interest rates are as of September 30, 2014.

| (IN MILLIONS)  | September 30, 2014           |                    |               | December 31, 2013            |                    |               |
|--|------------------------------|--------------------|---------------|------------------------------|--------------------|---------------|
|  | Weighted<br>Interest<br>Rate | Carrying<br>Amount | Fair<br>Value | Weighted<br>Interest<br>Rate | Carrying<br>Amount | Fair<br>Value |
| \$2,532 million Senior secured term loan (LIBOR based variable rate of 2.90%) due 2016                                 | —                            | —                  | —             |                              | 2,507              | 2,512         |
| \$1,222 million Senior secured term loan (LIBOR based variable rate of 2.15%) due 2017                                 | —                            | —                  | —             |                              | 1,115              | 1,113         |
| \$1,580 million Senior secured term loan (LIBOR based variable rate of 2.15% ) due 2019                                |                              | 1,560              | 1,559         |                              | —                  | —             |
| \$500 million Senior secured term loan (LIBOR based variable rate of 2.40% ) due 2017                                  |                              | 499                | 496           |                              | —                  | —             |
| \$1,100 million Senior secured term loan (LIBOR based variable rate of 3.15% ) due 2021                                |                              | 1,097              | 1,093         |                              | —                  | —             |
| €289 million Senior secured term loan (Euro LIBOR based variable rate of 3.15%) due 2016                               |                              | —                  | —             |                              | 394                | 395           |
| €286 million Senior secured term loan (Euro LIBOR based variable rate of 3.00%) due 2021                               |                              | 360                | 360           |                              | —                  | —             |
| \$575 million senior secured revolving credit facility (Euro LIBOR or LIBOR based variable rate) due 2019              |                              | —                  | —             |                              | —                  | —             |
| Total senior secured credit facilities (with weighted-average interest rate)   | 2.68 %                       | 3,516              | 3,508         | 2.89 %                       | 4,016              | 4,020         |
| \$1,080 million 7.75% senior debenture loan due 2018   |                              | —                  | —             |                              | 1,083              | 1,172         |
| \$800 million 4.50% senior debenture loan due 2020   |                              | 800                | 777           |                              | 800                | 779           |
| \$1,550 million 5.00% senior debenture loan due 2022   |                              | 1,553              | 1,527         |                              | —                  | —             |
| \$625 million 5.50% senior debenture loan due 2021   |                              | 625                | 628           |                              | 625                | 636           |
| Total debenture loans (with weighted-average interest rate)  | 5.23 %                       | 2,978              | 2,932         | 6.51 %                       | 2,508              | 2,587         |
| Other loans  |                              | 8                  | 8             |                              | 5                  | 5             |
| Total long-term debt   | 3.86 %                       | 6,502              | 6,448         | 4.28 %                       | 6,529              | 6,612         |
| Capital lease and other financing obligations  |                              | 118                |               |                              | 111                |               |
| Total debt and other financing arrangements  |                              | 6,620              |               |                              | 6,640              |               |
| Less: Current portion of long-term debt, capital lease and other financing obligations and other short-term borrowings |                              | 112                |               |                              | 148                |               |
| Non-current portion of long-term debt and capital lease and other financing obligations                                |                              | \$ 6,508           |               |                              | \$ 6,492           |               |

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 October 1, 2014 to December 31, 2014 | \$25    |
| 2015                                     | 106     |
| 2016                                     | 118     |
| 2017                                     | 640     |
| 2018                                     | 212     |
| 2019                                     | 1,042   |
| Thereafter                               | 4,359   |
|  | \$6,502 |

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In April 2014, Nielsen completed the issuance of \$750 million in aggregate principal amount of 5.0% Senior Notes due 2022 at par. In addition, in April 2014, the Company 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 which provides for three new classes of term loans, Class A Term Loans, Class B-1 Term Loans and Class B-2 Term Loans, in a combined principal amount of \$3,180 million and €286 million, the proceeds of which, when combined with the net proceeds from the \$750 million 5.0% Senior Notes, were used to repay and replace the Company's existing Class D Term Loans maturing in February 2017 and the Class E Term Loans maturing in May 2016. Concurrent with the refinancing of the term loans, the existing \$635 million revolving credit facility with a final maturity in April 2016 was replaced with new aggregate revolving credit commitments of \$575 million with a final maturity of April 2019. Finally, in May 2014, the Company completed the redemption of \$280 million in principal amount of the then currently outstanding \$1,080 million aggregate principal amount of 7.75% Senior Notes due 2018 at a redemption price of 100% of the principal amount thereof plus an applicable "make-whole" premium. As a result of these transactions, the Company recorded a pre-tax charge of \$45 million during the second quarter of 2014 to other expense, net in the condensed consolidated statement of operations primarily related to the "make-whole" premium associated with the note redemption, as well as the write-off of certain previously capitalized deferred financing fees associated with the Class D and E term loans and certain costs incurred in connection with the refinancings.

The Class A Term Loans were issued with an aggregate principal balance of \$1,580 million, maturing in full in April 2019. The Class A Term Loans shall be required to be repaid in an amount equal to 5% of the original principal amount in the first year after the closing date, 5% in the second year, 7.5% in the third year, 10% in the fourth year, and 72.5% in the fifth year (with payments in each year being made in equal quarterly installments other than the fifth year, in which payments shall be equal to 3.75% of the original principal amount in each of the first three quarters, with the balance repayable on the maturity date). Class A Term Loans bear interest equal to, at our election, a base rate or eurocurrency rate, in each case plus an applicable margin which ranges from 0.50% to 1.25% (in the case of base rate loans) or 1.50% to 2.25% (in the case of eurocurrency rate loans). The specific applicable margin is determined by the Company's total leverage ratio (as defined in the credit agreement).

The Class B-1 Term Loans were issued with an aggregate principal balance of \$500 million, maturing in full in May 2017 and are required to be repaid in equal quarterly installments in aggregate annual amounts equal to 1.00% of the original principal amount of Class B-1 Term Loans, with the balance payable in May 2017. Class B-1 Term Loans bear interest equal to, at our election, a base rate or eurocurrency rate, in each case plus an applicable margin, which is equal to 1.25% (in the case of base rate loans) and 2.25% (in the case of eurocurrency rate loans).

The Class B-2 Term Loans were issued with an aggregate principal balance of \$1,100 million and €286 million, maturing in full in April 2021 and are required to be repaid in equal quarterly installments in aggregate annual amounts equal to 1.00% of the original principal amount of Class B-2 Term Loans, with the balance payable in April 2021. Class B-2 Term Loans denominated in dollars bear interest equal to, at our election, a base rate or eurocurrency rate, in each case plus an applicable margin, which is equal to 2.00% (in the case of base rate loans) and 3.00% (in the case of eurocurrency rate loans). Class B-2 Term Loan denominated in Euros bear interest equal to the eurocurrency rate plus an applicable margin of 3.00%.

The Fourth Amended and Restated Senior Secured Credit Agreement contains substantially the same affirmative covenants as the Third Amended and Restated Senior Secured Credit Agreement. However, certain negative covenants, including the limitation on the ability of Nielsen and certain of its subsidiaries to make investments and restricted payments and incur debt and liens have been amended, and the financial covenant requiring compliance with certain total leverage ratios has been revised and the covenant in respect of interest coverage ratios has been



eliminated.

In July 2014, Nielsen completed the issuance of an additional \$800 million aggregate principal amount of 5.0% Senior Notes due 2022. The notes are traded interchangeably with the \$750 million aggregate principal amount of 5.00% Senior Notes due 2022 issued in April 2014. In addition, in July 2014, the Company redeemed the remaining \$800 million of outstanding 7.75% Senior Notes due 2018 at a redemption price of 100% of the principal amount thereof plus an applicable “make-whole” premium. As a result of these transactions, the Company recorded a pre-tax charge of \$51 million during the third quarter of 2014 to other expense, net in the condensed consolidated statement of operations primarily related to the “make-whole” premium associated with the note redemption, as well as the write-off of certain previously capitalized deferred financing fees associated with the 7.75% Senior Notes.

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## 10. Stockholders' Equity

Common stock activity is as follows:

|   | Nine Months Ended<br>September 30, 2014 |
|---|---|
| Actual number of shares of common stock outstanding         |   |
| Beginning of period   | 378,635,464                             |
| Shares of common stock issued through compensation plans    | 3,978,073                               |
| Shares of common stock issued through business combinations | 68,737                                  |
| Repurchases of common stock                                 | (1,608,273 )                            |
| End of period   | 381,074,001                             |

Cumulative shares of treasury stock were 1,435,365 and 409,067 with a corresponding value of \$65 million and \$13 million as of September 30, 2014 and December 31, 2013, 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 2013 and the nine months ended September 30, 2014.

| Declaration Date  | Record Date       | Payment Date       | Dividend<br>Per<br>Share |
|-------------------|-------------------|--------------------|--------------------------|
| January 31, 2013  | March 6, 2013     | March 20, 2013     | \$ 0.16                  |
| May 2, 2013       | June 5, 2013      | June 19, 2013      | \$ 0.16                  |
| July 25, 2013     | August 28, 2013   | September 11, 2013 | \$ 0.20                  |
| October 22, 2013  | November 25, 2013 | December 9, 2013   | \$ 0.20                  |
| 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                  |

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

On July 25, 2013, the Company's board of directors approved a new share repurchase program for up to \$500 million of Nielsen's outstanding common stock. The primary purpose of the program is to mitigate dilution associated with the Company's equity compensation plans. Repurchases will be made in accordance with applicable securities laws from time to time in the open market depending on Nielsen management's evaluation of market conditions and other factors. The program will be executed within the limitations of the existing authority granted at Nielsen's 2014 Annual General Meeting of Shareholders. As of September 30, 2014, the Company has purchased 1,898,112 shares of Nielsen's common stock at an average price of \$45.37 per share (total consideration of approximately \$86 million) under this program. The activity during the nine months ended September 30, 2014 consisted of open market share repurchases and is summarized in the following table:

| Period                  | Total<br>Number<br>of Shares<br>Purchased | Average<br>Price<br>Paid<br>per<br>Share | Total<br>Number of<br>Shares<br>Purchased<br>as<br>Part of<br>Publicly<br>Announced<br>Plans<br>or<br>Programs | Dollar Value<br>of Shares<br>that may yet<br>be<br>Purchased<br>under the<br>Plans or<br>Programs |
|-------------------------|---|--|--|---|
| As of December 31, 2013 | 289,839                                   | \$ 39.49                                 | 289,839  | \$488,554,427   |
| 2014 Activity           |   |  |  |   |
| January 1- 31           | —   | n/a                                      | —  | \$488,554,427   |
| February 1- 28          | 110,239                                   | \$ 43.42                                 | 110,239  | \$483,768,078   |
| March 1- 31             | 241,091                                   | \$ 46.85                                 | 241,091  | \$472,472,783   |
| April 1-30              | 269,972                                   | \$ 44.47                                 | 269,972  | \$460,467,412   |
| May 1-31                | 211,848                                   | \$ 47.20                                 | 211,848  | \$450,467,820   |
| June 1-30               | 207,243                                   | \$ 47.44                                 | 207,243  | \$440,635,906   |
| July 1-31               | 188,612                                   | \$ 48.54                                 | 188,612  | \$431,480,660   |
| August 1-31             | 181,509                                   | \$ 47.15                                 | 181,509  | \$422,921,757   |
| September 1-30          | 197,759                                   | \$ 45.66                                 | 197,759  | \$413,891,828   |
| Total                   | 1,898,112                                 | \$ 45.37                                 | 1,898,112  |   |

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 2014 Annual General Meeting of Shareholders.

## 11. Income Taxes

The effective tax rates for the three months ended September 30, 2014 and 2013 were 51% and 23%, respectively. The tax rate for the three months ended September 30, 2014 was higher than the Dutch statutory rate as a result of the impact of tax rate differences in other jurisdictions where the Company files tax returns, residual tax expense on foreign source income, reserves for uncertain tax positions, and state and local income taxes offset by the favorable impact of certain financing activities. The tax rate for the three months ended September 30, 2013 was lower than the Dutch statutory rate as a result of the favorable of return to provision adjustments as well as the impact of certain financing activities.

The effective tax rates for the nine months ended September 30, 2014 and 2013 were 48% and 28%, respectively. The tax rate for the nine months ended September 30, 2014 was higher than the Dutch statutory rate as a result of the impact of tax rate differences in other jurisdictions where the Company files tax returns, residual tax expense on foreign source income, reserves for uncertain tax positions, and state and local income taxes offset by the favorable impact of certain financing activities. The tax rate for the nine months ended September 30, 2013 was higher than the Dutch statutory rate as a result of the tax impact of the Venezuela currency revaluation and reserves for uncertain tax positions, offset by the favorable impacts of return to provision adjustments as well as the impact of certain financing activities.

The estimated liability for unrecognized income tax benefits as of December 31, 2014 is \$496 million and was \$475 million as of December 31, 2013. 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 2004 through 2013.

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.

## 12. 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.

### 13. 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. The Company's condensed consolidated statements of operations reflect the Expositions reporting segment as a discontinued operation.

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 September 30, 2014         |         |         |           |          |
| Revenues                                      | \$878   | \$694   | —         | \$1,572  |
| Depreciation and amortization                 | \$55    | \$83    | \$ 1      | \$139    |
| Restructuring charges                         | \$4     | \$1     | \$ 1      | \$6      |
| Stock-based compensation expense              | \$3     | \$2     | \$ 7      | \$12     |
| Other items <sup>(1)</sup>                    | \$—     | \$5     | \$ 4      | \$9      |
| Operating income/(loss)                       | \$109   | \$226   | \$ (24 )  | \$311    |
| Business segment income/(loss) <sup>(2)</sup> | \$171   | \$317   | \$ (11 )  | \$477    |
| Total assets as of September 30, 2014         | \$6,882 | \$8,208 | \$ 271    | \$15,361 |

|   |         |         |         |          |
|---|---------|---------|---------|----------|
| (IN MILLIONS)                                 |         |         |         |          |
| Three Months Ended September 30, 2013         |         |         |         |          |
| Revenues                                      | \$848   | \$539   | \$—     | \$1,387  |
| Depreciation and amortization                 | \$49    | \$66    | \$2     | \$117    |
| Restructuring charges                         | \$10    | \$7     | \$3     | \$20     |
| Stock-based compensation expense              | \$3     | \$3     | \$5     | \$11     |
| Other items <sup>(1)</sup>                    | \$—     | —       | \$7     | \$7      |
| Operating income/(loss)                       | \$107   | \$163   | \$(27 ) | \$243    |
| Business segment income/(loss) <sup>(2)</sup> | \$169   | \$239   | \$(10 ) | \$398    |
| Total assets as of December 31, 2013          | \$6,768 | \$8,326 | \$436   | \$15,530 |

|   |         |         |           |         |
|---|---------|---------|-----------|---------|
| (IN MILLIONS)                                 | Buy     | Watch   | Corporate | Total   |
| Nine Months Ended September 30, 2014          |         |         |           |         |
| Revenues                                      | \$2,615 | \$2,040 | —         | \$4,655 |
| Depreciation and amortization                 | \$166   | \$256   | \$ 3      | \$425   |
| Restructuring charges                         | \$26    | \$11    | \$ 6      | \$43    |
| Stock-based compensation expense              | \$12    | \$8     | \$ 16     | \$36    |
| Other items <sup>(1)</sup>                    | \$—     | \$8     | \$ 20     | \$28    |
| Operating income/(loss)                       | \$252   | \$602   | \$ (73 )  | \$781   |
| Business segment income/(loss) <sup>(2)</sup> | \$456   | \$885   | \$ (28 )  | \$1,313 |

|                                      |         |         |      |         |
|--------------------------------------|---------|---------|------|---------|
| (IN MILLIONS)                        |         |         |      |         |
| Nine Months Ended September 30, 2013 |         |         |      |         |
| Revenues                             | \$2,503 | \$1,589 | \$—  | \$4,092 |
| Depreciation and amortization        | \$149   | \$209   | \$6  | \$364   |
| Restructuring charges                | \$27    | \$19    | \$17 | \$63    |

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|   |       |       |        |         |
|---|-------|-------|--------|---------|
| Stock-based compensation expense              | \$10  | \$7   | \$15   | \$32    |
| Other items <sup>(1)</sup>                    | \$5   | \$—   | \$22   | \$27    |
| Operating income/(loss)                       | \$268 | \$441 | \$(86) | \$623   |
| Business segment income/(loss) <sup>(2)</sup> | \$459 | \$676 | \$(26) | \$1,109 |

- (1) Other items primarily consist of transaction-related costs for the three months ended September 30, 2014 and 2013. Other items primarily consist of transaction-related costs for the nine months ended September 30, 2014. Other items for the nine months ended September 30, 2013, primarily consist of transaction-related costs of approximately \$23 million and a \$4 million write down of uninsured deposits in Cyprus.
- (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.

## 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, 2013 as contained in the Annual Report on Form 10-K filed by the Company with the Securities and Exchange Commission on February 21, 2014, 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 2013 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>, our Twitter account at <http://twitter.com/nielsen> and our iPad App, NielsenIR, available on the App Store.

### Background and Executive Summary

We are a global information and measurement company that provides clients with a comprehensive understanding of consumers and consumer behavior. We deliver critical media and marketing information, analytics and industry expertise about what consumers buy (referred to herein as "Buy") and what consumers watch and listen to on a global and local basis (consumer interaction across the television, radio, online and mobile viewing and listening platforms referred to herein as "Watch"). 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.

On September 30, 2013, we completed the acquisition of Arbitron Inc. ("Arbitron"), an international media and marketing research firm through the purchase of 100% of Arbitron's outstanding common stock for a total cash purchase price of \$1.3 billion. Arbitron is expected to help us better address client needs in unmeasured areas of media consumption, including streaming audio and out-of-home, and our global distribution footprint can help expand Arbitron's capabilities outside of the U.S. With Arbitron's assets, we intend to further expand our Watch segment's audience measurement across screens and forms of listening. Arbitron has been rebranded Nielsen Audio.

On February 3, 2014, we completed the acquisition of Harris Interactive, Inc., a leading global market research firm through the purchase of all outstanding shares of Harris Interactive's common stock for \$2.04 per share (total purchase price of \$116 million). Harris Interactive is expected to expand our footprint with important industry verticals including pharmaceutical, automobile and financial services.

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 cross-platform expansion of our insights services and measurement 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.

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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.

## Business Segment Overview

We align our business into two reporting segments: what consumers buy (consumer purchasing measurement and analytics) and what consumers watch and listen to (media audience measurement and analytics). Our Buy and Watch segments are built on a foundation of proprietary data assets that are designed to yield essential insights for our clients to successfully measure, analyze and grow their businesses.

Our Buy segment provides Information services, which include our core tracking and scan data (primarily transactional measurement data and consumer behavior information), and Insights services (primarily comprised of our analytical solutions) to businesses in the consumer packaged goods industry. Our services also enable our clients to better manage their brands, uncover new sources of demand, launch and grow new products, analyze their sales, improve their marketing mix and establish more effective consumer relationships. Our data is used by our clients to measure their market share, tracking billions of sales transactions per month in retail outlets around the world. 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. 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 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 for 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.

In June 2013, we completed the sale of our Expositions reporting segment (see "Discontinued Operations" discussion included in "Factors Affecting Our Financial Results" for more information). Our condensed consolidated statements of operations reflect the Expositions reporting segment as a discontinued operation.

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 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

#### Arbitron Acquisition

On September 30, 2013, we completed the acquisition of Arbitron for a total cash purchase price of \$1.3 billion.

We incurred acquisition-related expenses of \$4 million and \$18 million for the three and nine months ended September 30, 2013, respectively, which primarily consisted of transaction fees, legal, accounting and other professional services that are included in selling, general and administrative expense in the condensed consolidated statement of operations.

The following unaudited pro forma information presents the consolidated results of operations of us and Arbitron for the three and nine months ended September 30, 2013, as if the acquisition had occurred on January 1, 2013, with pro forma adjustments to give effect to amortization of intangible assets, an increase in interest expense from acquisition financing, and certain other adjustments:

|                                   | Three<br>Months<br>Ended<br>September<br>30, 2013 | Nine<br>Months<br>Ended<br>September<br>30, 2013 |
|-----------------------------------|---|--|
| (IN MILLIONS)                     |   |  |
| Revenues                          | \$ 1,510  | \$ 4,447   |
| Income from continuing operations | \$ 151  | \$ 301   |

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The unaudited pro forma results do not reflect any synergies and are not necessarily indicative of the results that we would have attained had the acquisition of Arbitron been completed as of the beginning of the reporting period.

The Arbitron results of operations are fully reflected in our consolidated results of operations for the three and nine months ended September 30, 2014.

#### Other Acquisitions

For the nine months ended September 30, 2014, we paid cash consideration of \$203 million associated with both current period and previously executed acquisitions, net of cash acquired. Had these current period acquisitions occurred as of January 1, 2014, the impact on our consolidated results of operations would not have been material.

For the nine months ended September 30, 2013, excluding Arbitron, we paid cash consideration of \$42 million associated with both current period and previously executed acquisitions, net of cash acquired. Had these current period acquisitions occurred as of January 1, 2013, the impact on our consolidated results of operations would not have been material.

#### Discontinued Operations

In February 2014, we completed the acquisition of Harris Interactive, Inc., a leading global market research firm, through the purchase of all outstanding shares of Harris Interactive's common stock for \$2.04 per share. In June 2014, we completed the sale of Harris Interactive European operations ("Harris Europe") to ITWP Acquisitions Limited ("ITWP"), the parent company of Toluna, a leading digital market research and technology company in exchange for a minority stake in ITWP. The condensed consolidated statements of operations reflect the operating results of Harris Europe as a discontinued operation.

In June 2013, we completed the sale of our Expositions business, which operates one of the largest portfolios of business-to-business trade shows and conference events in the United States, for total cash consideration of \$950 million and recorded a gain of \$303 million, net of tax. The condensed consolidated statements of operations reflect the operating results of this business as a discontinued operation.

In March 2013, we completed the exit and shut down of one of our legacy online businesses and recorded a net loss of \$3 million associated with this divestiture. The condensed consolidated statements of operations reflect the operating results of this business as a discontinued operation.

Summarized results of operations for discontinued operations are as follows:

|  | Three<br>Months<br>Ended<br>September<br>30,<br>2014 |      | Nine<br>Months<br>Ended<br>September<br>30,<br>2013 |       |
|--|--|------|---|-------|
| (IN MILLIONS)                              | 2014   | 2013 | 2014  | 2013  |
| Revenue                                    | \$ —   | \$ — | \$15  | \$103 |
| Operating income                           | —  | —    | —   | 35    |
| Interest expense                           | —  | —    | —   | (8 )  |
| Income from operations before income taxes | —  | —    | —   | 27    |

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|                                     |      |      |     |       |
|-------------------------------------|------|------|-----|-------|
| Provision for income taxes          | —    | —    | —   | (11 ) |
| Income from operations              | —    | —    | —   | 16    |
| Gain on sale, net of tax            | —    | —    | —   | 303   |
| Income from discontinued operations | \$ — | \$ — | \$— | \$319 |

We allocated a portion of our consolidated interest expense to discontinued operations based upon the ratio of net assets sold as a proportion of consolidated net assets. For the three and nine months ended September 30, 2013, interest expense of zero and \$8 million, respectively, was allocated to discontinued operations.

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Following are the major categories of cash flows from discontinued operations, as included in our condensed consolidated statements of cash flows:

|   | Nine Months<br>Ended<br>September 30, |       |
|---|---------------------------------------|-------|
| (IN MILLIONS)                             | 2014                                  | 2013  |
| Net cash provided by operating activities | \$ —                                  | \$ 36 |
| Net cash provided by investing activities | —                                     | —     |
| Net cash provided by financing activities | —                                     | —     |
|   | \$ —                                  | \$ 36 |

#### 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.

|                  | Nine Months<br>Ended<br>September 30, |       |
|------------------|---------------------------------------|-------|
|                  | 2014                                  | 2013  |
| U.S. Dollar      | 55 %                                  | 51 %  |
| Euro             | 11 %                                  | 12 %  |
| Other Currencies | 34 %                                  | 37 %  |
| Total            | 100 %                                 | 100 % |

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 \$1.36 to €1.00 and \$1.32 to €1.00 for the nine months ended September 30, 2014 and 2013, 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 have operations in both our 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, has 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.

In February 2013, the Venezuelan government devalued its currency by 32%. The official exchange rate 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 charge of \$12 million in 2013 in foreign currency exchange transaction gains/(losses), net in the condensed consolidated statement of operations primarily reflecting the write-down of monetary assets and liabilities.

As of March 31, 2014, based on changes to Venezuelan currency rate mechanisms, we changed the exchange rate we use to remeasure our Venezuelan Buy and Watch subsidiaries' financial statements in U.S. dollars. We began using the exchange rate determined by periodic auctions for U.S. dollars conducted under Venezuela's Complementary System of Foreign Administration ("SICAD I"). As a result of a recent exchange agreement between the Central Bank of Venezuela and the Venezuelan government, we believe any future remittances for royalty and dividend payments that occur would be transacted at the SICAD I exchange rate based on current facts and circumstances. Accordingly, because the equity of the Venezuelan subsidiary would be realized through the payment of royalties and dividends, the SICAD I exchange rate represents a more realistic exchange rate at which to remeasure the U.S. dollar value of the assets, liabilities, and results of the Company's Venezuelan subsidiary in the condensed consolidated financial statements. As of September 30, 2014, the SICAD I exchange rate was 12.0 bolivars to the U.S. dollar, compared to the official exchange rate of 6.3 bolivars to the U.S. dollar we used previously. As a result of this change, we recorded a charge of approximately \$23 million during the nine months ended September 30, 2014 in foreign currency exchange transaction gains/(losses), net in the condensed consolidated statement of operations primarily reflecting the write-down of monetary assets and liabilities.

We will continue to assess the appropriate conversion rate based on events in Venezuela and the Company's specific facts and circumstances.

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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.

#### Results of Operations – Three Months Ended September 30, 2014 Compared to the Three Months Ended September 30, 2013

The following table sets forth, for the periods indicated, the amounts included in our Condensed Consolidated Statements of Operations:

| (IN MILLIONS)   | Three Months Ended<br>September 30, |          |
|---|-------------------------------------|----------|
|   | 2014                                | 2013     |
| Revenues  | \$ 1,572                            | \$ 1,387 |
| Cost of revenues, exclusive of depreciation and amortization shown separately below                             | 648                                 | 573      |
| Selling, general and administrative expenses, exclusive of depreciation and amortization shown separately below | 468                                 | 434      |
| Depreciation and amortization   | 139                                 | 117      |
| Restructuring charges   | 6                                   | 20       |
| Operating income  | 311                                 | 243      |
| Interest income   | 1                                   | 1        |
| Interest expense  | (74 )                               | (78 )    |
| Foreign currency exchange transaction gains/(losses), net   | 1                                   | (7 )     |
| Other (expense)/income, net   | (52 )                               | 12       |
| Income from continuing operations before income taxes and equity in net income of affiliates                    | 187                                 | 171      |
| Provision for income taxes  | (95 )                               | (40 )    |
| Net income  | \$ 92                               | \$ 131   |
| 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 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.

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The below table presents a reconciliation from net income to Adjusted EBITDA for the three months ended September 30, 2014 and 2013:

| (IN MILLIONS)                    | Three Months Ended<br>September 30, |        |
|----------------------------------|-------------------------------------|--------|
|                                  | 2014                                | 2013   |
| Net income                       | \$ 92                               | \$ 131 |
| Interest expense, net            | 73                                  | 77     |
| Provision for income taxes       | 95                                  | 40     |
| Depreciation and amortization    | 139                                 | 117    |
| EBITDA                           | 399                                 | 365    |
| Other non-operating expense, net | 51                                  | (5 )   |
| Restructuring charges            | 6                                   | 20     |
| Stock-based compensation expense | 12                                  | 11     |
| Other items <sup>(a)</sup>       | 9                                   | 7      |
| Adjusted EBITDA                  | \$ 477                              | \$ 398 |

(a) Other items primarily consist of transaction-related costs for the three months ended September 30, 2014 and 2013. Consolidated Results for the Three Months Ended September 30, 2014 Compared to the Three Months Ended September 30, 2013

#### Revenues

Revenues increased 13.3% to \$1,572 million for the three months ended September 30, 2014 from \$1,387 million for the three months ended September 30, 2013, or an increase of 14.4% on a constant currency basis, excluding a 1.1% unfavorable impact of changes in foreign currency exchange rates. Excluding the impact of the Arbitron and Harris Interactive acquisitions, revenues increased 2.5% (3.4% on a constant currency basis). Revenues within our Buy segment increased 3.5% (4.9% on a constant currency basis). Excluding the impact of the Harris Interactive acquisition, Buy segment revenues increased 0.7% (2.0% on a constant currency basis). Revenues within our Watch segment increased 28.8% (29.2% on a constant currency basis). Excluding the impact of the Arbitron acquisition, Watch segment revenues increased 5.2% (5.6% on a constant currency basis).

#### Cost of Revenues, Exclusive of Depreciation and Amortization

Cost of revenues increased 13.1% to \$648 million for the three months ended September 30, 2014 from \$573 million for the three months ended September 30, 2013, or an increase of 13.7% on a constant currency basis, excluding a 0.6% favorable impact of changes in foreign currency exchange rates. Costs within our Buy segment increased 7.3% (8.5% on a constant currency basis) due primarily to the impact of the Harris Interactive acquisition in February 2014 and the continued global expansion of our services. Costs within our Watch segment increased 20.8% (20.8% on a constant currency basis) due primarily to the impact of the Arbitron acquisition in September 2013 partially offset by the impact of productivity initiatives.

#### Selling, General and Administrative Expenses, Exclusive of Depreciation and Amortization

Selling, general and administrative expenses increased 7.8% to \$468 million for the three months ended September 30, 2014 from \$434 million for the three months ended September 30, 2013, or an increase of 8.6% on a constant

currency basis, excluding a 0.8% favorable impact of changes in foreign currency exchange rates. Costs within our Buy segment were flat (an increase of 0.6% on a constant currency basis). Costs within our Watch segment increased 39.0% (39.0% on a constant currency basis) due primarily to the impact of the Arbitron acquisition in September 2013 as well as the impact of investments in product development initiatives. Corporate costs decreased by approximately \$5 million due primarily to higher transaction-related costs in 2013.

#### Depreciation and Amortization

Depreciation and amortization expense was \$139 million for the three months ended September 30, 2014 as compared to \$117 million for the three months ended September 30, 2013. This increase was primarily due to higher depreciation and amortization expense associated with assets acquired in business combinations.

For the three months ended September 30, 2014 and 2013, depreciation and amortization expense included charges for the depreciation and amortization of tangible and intangible assets acquired in business combinations of \$51 million and \$35 million, respectively.

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## Restructuring Charges

We recorded \$6 million and \$20 million in restructuring charges relating to employee severance associated with productivity initiatives for the three months ended September 30, 2014 and 2013, respectively.

## Operating Income

Operating income for the three months ended September 30, 2014 was \$311 million as compared to \$243 million for the three months ended September 30, 2013. Operating income within our Buy segment was \$109 million for the three months ended September 30, 2014 as compared to \$107 million for the three months ended September 30, 2013. Operating income within our Watch segment was \$226 million for the three months ended September 30, 2014 as compared to \$163 million for the three months ended September 30, 2013. Corporate operating expenses were \$24 million for the three months ended September 30, 2014 as compared to \$27 million for the three months ended September 30, 2013.

## Interest Expense

Interest expense was \$74 million for the three months ended September 30, 2014 as compared to \$78 million for the three months ended September 30, 2013. This decrease is primarily due to the refinancing of the 11.625% senior notes in October 2013, 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. The decrease is partially offset by the increased debt balance in September 2013 related to Arbitron acquisition financing.

## Foreign Currency Exchange Transaction Gains/(Losses), Net

Foreign currency exchange transaction gains/(losses), net, represent the net gain or 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 \$1.33 to €1.00 for each of the three months ended September 30, 2014 and 2013.

We realized net gains of \$1 million for the three months ended September 30, 2014 and net losses of \$7 million for the three months ended September 30, 2013, in each case resulting primarily from the fluctuations in certain foreign currencies associated with intercompany transactions.

## Other (Expense)/Income, Net

Other expense, net of \$52 million for the three months ended September 30, 2014 is primarily related to the "make-whole" premium associated with the July 2014 redemption of the remaining 7.75% Senior Notes due 2018.

The \$12 million of other income, net amount for the three months ended September 30, 2013, primarily relates to the \$24 million gain from the step acquisition of Scarborough partially offset by charges of \$12 million associated with the unused bridge loan terminated as part of the Arbitron acquisition.

## Income Taxes

The effective tax rates for the three months ended September 30, 2014 and 2013 were 51% and 23%, respectively. The tax rate for the three months ended September 30, 2014 was higher than the Dutch statutory rate as a result of the impact of tax rate differences in other jurisdictions where the Company files tax returns, residual tax

expense on foreign source income, reserves for uncertain tax positions, and state and local income taxes offset by the favorable impact of certain financing activities. The tax rate for the three months ended September 30, 2013 was lower than the Dutch statutory rate as a result of the favorable of return to provision adjustments as well as the impact of certain financing activities.

The estimated liability for unrecognized tax benefits as of December 31, 2014 is \$496 million and was \$475 million as of December 31, 2013. If our tax positions are favorably sustained by the taxing authorities, the reversal of the underlying liabilities would reduce our effective tax rate in future periods.

#### Adjusted EBITDA

Adjusted EBITDA increased 19.8% to \$477 million for the three months ended September 30, 2014 from \$398 million for the three months ended September 30, 2013, or 22.0% on a constant currency basis, excluding a 2.2% unfavorable impact of changes in

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foreign currency exchange rates. See “Results of Operations – Three Months Ended September 30, 2014 Compared to the Three Months Ended September 30, 2013” for the reconciliation of net income to Adjusted EBITDA.

#### Business Segment Results for the Three Months Ended September 30, 2014 Compared to the Three Months Ended September 30, 2013

##### Revenues

The table below sets forth our segment revenue performance data for the three months ended September 30, 2014 compared to the three months ended September 30, 2013, both on an as-reported and constant currency basis.

|                      | Three<br>Months Ended<br>September 30,<br>2014 | Three<br>Months Ended<br>September 30,<br>2013 | % Variance<br>2014 vs. 2013 | Three<br>Months<br>Ended<br>September 30,<br>2013<br>Constant<br>Currency | % Variance<br>2014 vs. 2013<br>Constant<br>Currency |   |
|----------------------|--|--|-----------------------------|---|---|---|
| (IN MILLIONS)        | Reported                                       | Reported                                       | Reported                    |   |   |   |
| Revenues by segment  |  |  |                             |   |   |   |
| Buy <sup>(a)</sup>   | \$ 878   | \$ 848   | 3.5                         | % \$ 837  | 4.9   | % |
| Watch <sup>(b)</sup> | 694  | 539  | 28.8                        | % 537   | 29.2  | % |
| Total <sup>(c)</sup> | \$ 1,572                                       | \$ 1,387                                       | 13.3                        | % \$ 1,374  | 14.4  | % |

(a) The Buy segment includes the results of Harris Interactive for the three months ended September 30, 2014.

Excluding the impact from the Harris Interactive acquisition, total Buy revenue was \$854 million, an increase of 0.7% (2.0% on a constant currency basis).

(b) The Watch segment includes Arbitron results for the three months ended September 30, 2014. Excluding the impact from the Arbitron acquisition, total Watch revenue was \$567 million, an increase of 5.2% (5.6% on a constant currency basis).

(c) Total Nielsen revenue includes the results of both Arbitron and Harris Interactive for the three months ended September 30, 2014. Excluding the impact from the two acquisitions, total Nielsen revenue was \$1,421 million, an increase of 2.5% (3.4% on a constant currency basis).

##### Buy Segment Revenues

Revenues increased 3.5% to \$878 million for the three months ended September 30, 2014 from \$848 million for the three months ended September 30, 2013 (4.9% on a constant currency basis). Excluding the impact of the Harris Interactive acquisition, revenues increased 0.7% (2.0% on a constant currency basis). Revenues from emerging markets increased 6.0% (10.3% on a constant currency basis) and revenues from developed markets increased 2.3% (2.3% on a constant currency basis). Excluding the impact from the Harris Interactive acquisition, revenues from developed markets decreased 2.0% (a decrease of 2.0% on a constant currency basis).

Revenues from Information services increased 2.0% to \$677 million for the three months ended September 30, 2014 from \$664 million for the three months ended September 30, 2013 (3.7% on a constant currency basis). Growth in Information services was driven largely by new client wins and increased client investment in retail measurement in the emerging markets.

Revenues from Insights services increased 9.2% to \$201 million for the three months ended September 30, 2014 from \$184 million for the three months ended September 30, 2013 (9.2% on a constant currency basis). Excluding the

impact of the Harris acquisition, revenues from Insights services decreased 3.8% (a decrease of 3.8% on a constant currency basis), driven by anticipated softness in North America.

#### Watch Segment Revenues

Revenues increased 28.8% to \$694 million for the three months ended September 30, 2014 from \$539 million for the three months ended September 30, 2013 (29.2% on a constant currency basis). Excluding the impact of the Arbitron acquisition, revenues increased 5.2% (5.6% on a constant currency basis). Audience measurement revenue, excluding Arbitron, grew 5.7% (6.2% on a constant currency basis). The increase in Watch revenues was driven by the continued strength of audience measurement, including digital and Advertiser Solutions.

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## 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 September 30, 2014 and 2013, 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.

| THREE MONTHS ENDED SEPTEMBER 30,<br>2014 (IN MILLIONS) | Operating<br>Income/(Loss) | Restructuring<br>Charges | Depreciation and<br>Amortization | Stock-Based<br>Compensation<br>Expense | Other Items<br>(1) | Non-GAAP<br>Business Segment<br>Income/(Loss) |
|--|----------------------------|--------------------------|----------------------------------|--|--------------------|---|
| Buy  | \$ 109                     | \$ 4                     | \$ 55                            | \$ 3                                   | \$ —               | \$ 171  |
| Watch  | 226                        | 1                        | 83                               | 2                                      | 5                  | 317   |
| Corporate and Eliminations                             | (24 )                      | 1                        | 1                                | 7                                      | 4                  | (11 )   |
| Total Nielsen  | \$ 311                     | \$ 6                     | \$ 139                           | \$ 12                                  | \$ 9               | \$ 477  |

| THREE MONTHS<br>ENDED SEPTEMBER 30,<br>2013 (IN MILLIONS) | Operating<br>Income/(Loss) | Restructuring<br>Charges | Depreciation and<br>Amortization | Stock-Based<br>Compensation<br>Expense | Other Items<br>(1) | Non-GAAP<br>Business Segment<br>Income/(Loss) |
|---|----------------------------|--------------------------|----------------------------------|--|--------------------|---|
| Buy   | \$ 107                     | \$ 10                    | \$ 49                            | \$ 3                                   | \$ —               | \$ 169  |
| Watch   | 163                        | 7                        | 66                               | 3                                      | —                  | 239   |
| Corporate and Eliminations                                | (27 )                      | 3                        | 2                                | 5                                      | 7                  | (10 )   |
| Total Nielsen   | \$ 243                     | \$ 20                    | \$ 117                           | \$ 11                                  | \$ 7               | \$ 398  |

(1) Other items primarily consist of transaction-related costs for the three months ended September 30, 2014 and 2013.

| (IN MILLIONS) | Three<br>Months<br>Ended<br>September 30,<br>2014<br>Reported | Three<br>Months<br>Ended<br>September 30,<br>2013<br>Reported | % Variance<br>2014 vs. 2013<br>Reported | Three<br>Months<br>Ended<br>September 30,<br>2013<br>Constant Currency | % Variance<br>2014 vs. 2013<br>Constant Currency |
|---------------|---|---|---|--|--|
|---------------|---|---|---|--|--|



Non-GAAP Business Segment  
Income/(Loss)

|                            |        |        |      |   |        |      |   |
|----------------------------|--------|--------|------|---|--------|------|---|
| Buy                        | \$ 171 | \$ 169 | 1.2  | % | \$ 163 | 4.9  | % |
| Watch                      | 317    | 239    | 32.6 | % | 237    | 33.8 | % |
| Corporate and Eliminations | (11 )  | (10 )  | NM   |   | (9 )   | NM   |   |
| Total Nielsen              | \$ 477 | \$ 398 | 19.8 | % | \$ 391 | 22.0 | % |
| Buy Segment Profitability  |        |        |      |   |        |      |   |

Operating income was \$109 million for the three months ended September 30, 2014 as compared to \$107 million for the three months ended September 30, 2013, as the revenue performance mentioned above was mostly offset by an increase investment in our global expansion of our services as well as higher depreciation and amortization expense in 2014. Non-GAAP business segment income increased 4.9% on a constant currency basis.

Watch Segment Profitability

Operating income was \$226 million for the three months ended September 30, 2014 as compared to \$163 million for the three months ended September 30, 2013. The increase was driven primarily by the revenue performance discussed above, the impact of productivity initiatives and lower restructuring charges partially offset by higher depreciation and amortization expense in 2014. Non-GAAP business segment income increased 33.8% on a constant currency basis.

## Corporate Expenses and Eliminations

Operating expenses were \$24 million for the three months ended September 30, 2014 as compared to \$27 million for the three months ended September 30, 2013 due primarily to higher transaction related charges for the three months ended September 30, 2013.

## Results of Operations – Nine Months Ended September 30, 2014 Compared to the Nine Months Ended September 30, 2013

The following table sets forth, for the periods indicated, the amounts included in our Condensed Consolidated Statements of Operations:

| (IN MILLIONS)   | Nine Months Ended<br>September 30, |          |
|---|------------------------------------|----------|
|   | 2014                               | 2013     |
| Revenues  | \$ 4,655                           | \$ 4,092 |
| Cost of revenues, exclusive of depreciation and amortization shown separately below                             | 1,967                              | 1,732    |
| Selling, general and administrative expenses, exclusive of depreciation and amortization shown separately below | 1,439                              | 1,310    |
| Depreciation and amortization   | 425                                | 364      |
| Restructuring charges   | 43                                 | 63       |
| Operating income  | 781                                | 623      |
| Interest income   | 3                                  | 2        |
| Interest expense  | (229 )                             | (229 )   |
| Foreign currency exchange transaction losses, net   | (32 )                              | (23 )    |
| Other expense, net  | (100 )                             | —        |
| Income from continuing operations before income taxes and equity in net income of affiliates                    | 423                                | 373      |
| Provision for income taxes  | (202 )                             | (104 )   |
| Equity in net income of affiliates  | 2                                  | 3        |
| Income from continuing operations   | 223                                | 272      |
| Income from discontinued operations, net of tax   | —                                  | 319      |
| Net income  | \$ 223                             | \$ 591   |
| Net Income to Adjusted EBITDA Reconciliation  |                                    |          |

The below table presents a reconciliation from net income to Adjusted EBITDA for the nine months ended September 30, 2014 and 2013:

| (IN MILLIONS)                                   | Nine Months Ended<br>September 30, |        |
|---|------------------------------------|--------|
|   | 2014                               | 2013   |
| Net income                                      | \$ 223                             | \$ 591 |
| Income from discontinued operations, net of tax | —                                  | (319 ) |
| Interest expense, net                           | 226                                | 227    |
| Provision for income taxes                      | 202                                | 104    |
| Depreciation and amortization                   | 425                                | 364    |

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|                                    |          |          |
|------------------------------------|----------|----------|
| EBITDA                             | 1,076    | 967      |
| Equity in net income of affiliates | (2 )     | (3 )     |
| Other non-operating expense, net   | 132      | 23       |
| Restructuring charges              | 43       | 63       |
| Stock-based compensation expense   | 36       | 32       |
| Other items <sup>(a)</sup>         | 28       | 27       |
| Adjusted EBITDA                    | \$ 1,313 | \$ 1,109 |

(a) Other items primarily consist of transaction-related costs for the nine months ended September 30, 2014. Other items primarily consist of transaction-related costs of \$23 million and a \$4 million write-down of uninsured deposits in Cyprus banks for the nine months ended September 30, 2013.

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Consolidated Results for the Nine Months Ended September 30, 2014 Compared to the Nine Months Ended September 30, 2013

Revenues

Revenues increased 13.8% to \$4,655 million for the nine months ended September 30, 2014 from \$4,092 million for the nine months ended September 30, 2013, or an increase of 15.1% on a constant currency basis, excluding a 1.3% unfavorable impact of changes in foreign currency exchange rates. Excluding the impact of the Arbitron and Harris Interactive acquisitions, revenues increased 3.2% (4.5% on a constant currency basis). Revenues within our Buy segment increased 4.5% (6.3% on a constant currency basis). Excluding the impact of the Harris Interactive acquisition, Buy segment revenues increased 1.8% (3.6% on a constant currency basis). Revenues within our Watch segment increased 28.4% (29.0% on a constant currency basis). Excluding the impact of the Arbitron acquisition, Watch segment revenues increased 5.4% (5.9% on a constant currency basis).

Cost of Revenues, Exclusive of Depreciation and Amortization

Cost of revenues increased 13.6% to \$1,967 million for the nine months ended September 30, 2014 from \$1,732 million for the nine months ended September 30, 2013, or an increase of 14.4% on a constant currency basis, excluding a 0.8% favorable impact of changes in foreign currency exchange rates. Costs within our Buy segment increased 8.9% (10.1% on a constant currency basis) due primarily to the impact of the Harris Interactive acquisition in February 2014 and the continued global expansion of our services. Costs within our Watch segment increased 20.2% (20.6% on a constant currency basis) due primarily to the impact of the Arbitron acquisition in September 2013 partially offset by the impact of productivity initiatives.

Selling, General and Administrative Expenses, Exclusive of Depreciation and Amortization

Selling, general and administrative expenses increased 9.8% to \$1,439 million for the nine months ended September 30, 2014 from \$1,310 million for the nine months ended September 30, 2013, or an increase of 11.0% on a constant currency basis, excluding a 1.2% favorable impact of changes in foreign currency exchange rates. Costs within our Buy segment increased 1.6% (2.8% on a constant currency basis) due primarily to the impact of the Harris Interactive acquisition in February 2014 as well as other investments associated with the global expansion of our services. Costs within our Watch segment increased 40.3% (40.7% on a constant currency basis) due primarily to the impact of the Arbitron acquisition in September 2013 as well as the impact of investments in product development initiatives. Corporate costs decreased by approximately \$9 million primarily due to higher transaction-related costs in 2013.

Depreciation and Amortization

Depreciation and amortization expense was \$425 million for the nine months ended September 30, 2014 as compared to \$364 million for the nine months ended September 30, 2013. This increase was primarily due to higher depreciation and amortization expense associated with assets acquired in business combinations.

For the nine months ended September 30, 2014 and 2013, depreciation and amortization expense included charges for the depreciation and amortization of tangible and intangible assets acquired in business combinations of \$152 million and \$109 million, respectively.

Restructuring Charges

We recorded \$43 million in restructuring charges relating to employee severance associated with productivity initiatives for the nine months ended September 30, 2014.

We recorded \$63 million in restructuring charges relating to employee severance associated with productivity initiatives and contract termination costs for the nine months ended September 30, 2013.

#### Operating Income

Operating income for the nine months ended September 30, 2014 was \$781 million as compared to \$623 million for the nine months ended September 30, 2013. Operating income within our Buy segment was \$252 million for the nine months ended September 30, 2014 as compared to \$268 million for the nine months ended September 30, 2013. Operating income within our Watch segment was \$602 million for the nine months ended September 30, 2014 as compared to \$441 million for the nine months ended September 30, 2013. Corporate operating expenses were \$73 million for the nine months ended September 30, 2014 as compared to \$86 million for the nine months ended September 30, 2013.

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## Interest Expense

Interest expense was \$229 million for the nine months ended September 30, 2014 and 2013. This result is primarily driven by the increased debt balance in September 2013 related to Arbitron acquisition financing and the interest expense allocated to our discontinued operations in the nine months ended September 30, 2013 as discussed in the “Discontinued Operations” section in “Factors Affecting Nielsen’s Financial Results” above, offset by the refinancing of Term Loan A and B in February 2013, the maturity of the mandatory convertible debt in February of 2013, the refinancing of the 11.625% senior notes in October 2013, and the refinancing of the 7.75% senior notes in April and July 2014.

## Foreign Currency Exchange Transaction Gains/(Losses), Net

Foreign currency exchange transaction gains/(losses), net, represent the net gain or 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 \$1.36 to €1.00 for the nine months ended September 30, 2014 as compared to \$1.32 to €1.00 for the nine months ended September 30, 2013.

We incurred net losses of \$32 million and \$23 million for the nine months ended September 30, 2014 and 2013, respectively, resulting primarily from the devaluation of the Venezuela bolivars Fuertes 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

Other expense, net of \$100 million for the nine months ended September 30, 2014 is primarily related to the “make-whole” premium associated with the redemption of our 7.75% Senior Notes due 2018, as well as the write-off of certain previously capitalized deferred financing fees associated with the Class D and E term loans, certain costs incurred in connection with the refinancings and the write down of a cost method investment.

Other expense, net for the nine months ended September 30, 2013 netted to zero and primarily relates to the write-off of the deferred financing costs and other costs associated with the amendment to our Senior Secured Credit Agreement and charges associated with the unused bridge loan terminated as part of the Arbitron acquisition offset by the gain from the Scarborough step acquisition.

## Income Taxes

The effective rate for the nine months ended September 30, 2014 and 2013 were 48% and 28%, respectively. The tax rate for the nine months ended September 30, 2014 was higher than the Dutch statutory rate as a result of the impact of tax rate differences in other jurisdictions where the Company files tax returns, residual tax expense on foreign source income, reserves for uncertain tax positions, and state and local income taxes offset by the favorable impact of certain financing activities. The tax rate for the nine months ended September 30, 2013 was higher than the Dutch statutory rate as a result of the tax impact of the Venezuela currency revaluation and reserves for uncertain tax positions, offset by the favorable impacts of return to provision adjustments as well as the impact of certain financing activities.

## Adjusted EBITDA

Adjusted EBITDA increased 18.4% to \$1,313 million for the nine months ended September 30, 2014 from \$1,109 million for the nine months ended September 30, 2013, or 20.8% on a constant currency basis, excluding a 2.4% unfavorable impact of changes in foreign currency exchange rates. See “Results of Operations – Nine Months Ended September 30, 2014 Compared to the Nine Months Ended September 30, 2013” for the reconciliation of net income to Adjusted EBITDA.

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## Business Segment Results for the Nine Months Ended September 30, 2014 Compared to the Nine Months Ended September 30, 2013

## Revenues

The table below sets forth our segment revenue performance data for the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, both on an as-reported and constant currency basis.

|                      | Nine<br>Months Ended<br>September 30,<br>2014 | Nine<br>Months Ended<br>September 30,<br>2013 | % Variance<br>2014 vs. 2013 | Nine<br>Months<br>Ended<br>September 30,<br>2013<br>Constant<br>Currency | % Variance<br>2014 vs. 2013<br>Constant<br>Currency |   |
|----------------------|---|---|-----------------------------|--|---|---|
| (IN MILLIONS)        | Reported                                      | Reported                                      | Reported                    |  |   |   |
| Revenues by segment  |   |   |                             |  |   |   |
| Buy <sup>(a)</sup>   | \$ 2,615                                      | \$ 2,503                                      | 4.5                         | % \$ 2,461   | 6.3   | % |
| Watch <sup>(b)</sup> | 2,040   | 1,589   | 28.4                        | % 1,582  | 29.0  | % |
| Total <sup>(c)</sup> | \$ 4,655                                      | \$ 4,092                                      | 13.8                        | % \$ 4,043   | 15.1  | % |

(a) The Buy segment includes the results of Harris Interactive for the nine months ended September 30, 2014, commencing on February 3, 2014, the acquisition date. Excluding the impact from the Harris Interactive acquisition, total Buy revenue was \$2,549 million, an increase of 1.8% (3.6% on a constant currency basis).

(b) The Watch segment includes Arbitron results for the nine months ended September 30, 2014. Excluding the impact from the Arbitron acquisition, total Watch revenue was \$1,675 million, an increase of 5.4% (5.9% on a constant currency basis).

(c) Total Nielsen revenue includes the results of both Arbitron (full period) and Harris Interactive (from February 3, 2014) for the nine months ended September 30, 2014. Excluding the impact from the two acquisitions, total Nielsen revenue was \$4,224 million, an increase of 3.2% (4.5% on a constant currency basis).

## Buy Segment Revenues

Revenues increased 4.5% to \$2,615 million for the nine months ended September 30, 2014 from \$2,503 million for the nine months ended September 30, 2013 (6.3% on a constant currency basis). Excluding the impact of the Harris Interactive acquisition, revenues increased 1.8% (3.6% on a constant currency basis). Revenues from emerging markets increased 2.7% (9.0% on a constant currency basis) and revenues from developed markets increased 5.4% (4.9% on a constant currency basis). Excluding the impact from the Harris Interactive acquisition, revenues from developed markets increased 1.4% (1.0% on a constant currency basis).

Revenues from Information services increased 2.3% to \$2,009 million for the nine months ended September 30, 2014 from \$1,964 million for the nine months ended September 30, 2013 (4.2% on a constant currency basis). Growth in Information services was driven by increased client investment in retail measurement in the emerging markets as well as the addition of new clients in developed markets.

Revenues from Insights services increased 12.4% to \$606 million for the nine months ended September 30, 2014 from \$539 million for the nine months ended September 30, 2013 (13.7% on a constant currency basis). Excluding the impact of the Harris acquisition, revenues from Insights services were flat (an increase of 1.3% on a constant currency basis), due to softness in North America.



#### Watch Segment Revenues

Revenues increased 28.4% to \$2,040 million for the nine months ended September 30, 2014 from \$1,589 million for the nine months ended September 30, 2013 (29.0% on a constant currency basis). Excluding the impact of the Arbitron acquisition, revenues increased 5.4% (5.9% on a constant currency basis). Audience measurement revenue, excluding Arbitron, grew 5.7% (6.3% on a constant currency basis). The increase in Watch revenues was driven by the continued strength of audience measurement, including digital and Advertiser Solutions.

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## Business Segment Profitability

| NINE MONTHS ENDED SEPTEMBER 30, 2014 (IN MILLIONS) | Operating Income/(Loss) | Restructuring Charges | Depreciation and Amortization Expense | Stock-Based Compensation Expense | Other Items <sup>(1)</sup> | Non-GAAP Business Segment Income/(Loss) |
|--|-------------------------|-----------------------|---------------------------------------|----------------------------------|----------------------------|---|
| Buy  | \$ 252                  | \$ 26                 | \$ 166                                | \$ 12                            | \$ —                       | \$ 456                                  |
| Watch  | 602                     | 11                    | 256                                   | 8                                | 8                          | 885                                     |
| Corporate and Eliminations                         | (73 )                   | 6                     | 3                                     | 16                               | 20                         | (28 )                                   |
| Total Nielsen                                      | \$ 781                  | \$ 43                 | \$ 425                                | \$ 36                            | \$ 28                      | \$ 1,313                                |

| NINE MONTHS ENDED SEPTEMBER 30, 2013 (IN MILLIONS) | Operating Income/(Loss) | Restructuring Charges | Depreciation and Amortization Expense | Stock-Based Compensation Expense | Other Items <sup>(1)</sup> | Non-GAAP Business Segment Income/(Loss) |
|--|-------------------------|-----------------------|---------------------------------------|----------------------------------|----------------------------|---|
| Buy  | \$ 268                  | \$ 27                 | \$ 149                                | \$ 10                            | \$ 5                       | \$ 459                                  |
| Watch  | 441                     | 19                    | 209                                   | 7                                | —                          | 676                                     |
| Corporate and Eliminations                         | (86 )                   | 17                    | 6                                     | 15                               | 22                         | (26 )                                   |
| Total Nielsen                                      | \$ 623                  | \$ 63                 | \$ 364                                | \$ 32                            | \$ 27                      | \$ 1,109                                |

(1) Other items primarily consist of transaction-related costs for the nine months ended September 30, 2014. Other items for the nine months ended September 30, 2013 primarily consists of transaction-related costs of \$23 million and a \$4 million write-down of uninsured deposits in Cyprus banks.

| (IN MILLIONS)                           | Nine Months Ended September 30, 2014<br>Reported | Nine Months Ended September 30, 2013<br>Reported | % Variance<br>2014 vs. 2013<br>Reported | Nine Months Ended September 30, 2013<br>Constant Currency | % Variance<br>2014 vs. 2013<br>Constant Currency |
|---|--|--|---|---|--|
| Non-GAAP Business Segment Income/(Loss) |  |  |   |   |  |
| Buy                                     | \$ 456   | \$ 459   | (0.7) %                                 | \$ 441  | 3.4 %  |
| Watch                                   | 885  | 676  | 30.9 %                                  | 671   | 31.9 %   |
| Corporate and Eliminations              | (28 )  | (26 )  | NM                                      | (25 )   | NM   |
| Total Nielsen                           | \$ 1,313   | \$ 1,109   | 18.4 %                                  | \$ 1,087  | 20.8 %   |
| Buy Segment Profitability               |  |  |   |   |  |

Operating income was \$252 million for the nine months ended September 30, 2014 as compared to \$268 million for the nine months ended September 30, 2013 as the revenue performance mentioned above was more than offset by investment in the continued global expansion of our services, higher depreciation and amortization expense and stock-based compensation expense. Non-GAAP business segment income increased 3.4% on a constant currency basis.

## Watch Segment Profitability

Operating income was \$602 million for the nine months ended September 30, 2014 as compared to \$441 million for the nine months ended September 30, 2013. The increase was driven primarily by the revenue performance discussed above and the impact of productivity initiatives partially offset by higher depreciation and amortization expense.

Non-GAAP business segment income increased 31.9% on a constant currency basis.

#### Corporate Expenses and Eliminations

Operating expenses were \$73 million for the nine months ended September 30, 2014 as compared to \$86 million for the nine months ended September 30, 2013 due primarily to higher restructuring charges for the nine months ended September 30, 2013.

#### Liquidity and Capital Resources

##### Overview

We have consistently generated strong cash flows from operations, providing a source of funds of \$692 million during the nine months ended September 30, 2014 as compared to \$581 million for the nine months ended September 30, 2013, an increase of \$111 million or 19.1%. 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 nine months ended September 30, 2014 and 2013:

|  | Nine<br>Months Ended<br>September 30,<br>2014 | Nine<br>Months Ended<br>September 30,<br>2013 |
|--|---|---|
| (IN MILLIONS)                                |   |   |
| Net cash from operating activities           | \$ 692  | \$ 581  |
| Cash and cash equivalents                    | \$ 369  | \$ 737  |
| Availability under Revolving credit facility | \$ 572  | \$ 622  |

Of the \$369 million in cash and cash equivalents, approximately \$335 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. As set forth in more detail below, in 2013 and 2014 we 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 nine months ended September 30, 2014 and 2013, respectively.

|  | Nine<br>Months Ended<br>September 30,<br>2014 |   | Nine<br>Months Ended<br>September 30,<br>2013 |   |
|--|---|---|---|---|
| Weighted average interest rate                                   | 3.86  | % | 4.64  | % |
| Cash paid for interest, net of amounts capitalized (in millions) | \$ 183  |   | \$ 201  |   |

In 2013 we re-priced \$3 billion of our term loan facility, issued \$625 million of 5.50% Senior Notes and redeemed certain of our notes issued with higher rates of interest.

In April 2014, we completed the issuance of \$750 million in aggregate principal amount of 5.00% Senior Notes due 2022 at par. In addition, 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, which provides for three new classes of term loans, Class A Term Loans, Class B-1 Term Loans and Class B-2 Term Loans, in a combined principal amount of \$3,180 million and €286 million, the proceeds of which, when combined with the net proceeds from the \$750 million 5.0% Senior Notes, were used to repay and replace our existing Class D Term Loans maturing in February 2017 and the Class E Term Loans maturing in May 2016. Concurrent with the refinancing of the term loans, the existing \$635 million revolving credit facility with a final maturity of April 2016 was replaced with new aggregate revolving credit commitments of \$575 million with a final maturity of April 2019. Finally, in May 2014, we completed the redemption of \$280 million in principal amount of the then currently outstanding \$1,080 million aggregate principal amount of 7.75% Senior Notes due 2018 at a redemption price of 100% of the principal amount thereof plus an applicable “make-whole” premium. As a result of these transactions, we recorded a pre-tax charge of \$45 million during the second quarter of 2014 to other (expense)/income, net in the condensed consolidated statement of operations primarily related to the “make-whole”

premium associated with the note redemption, as well as the write-off of certain previously capitalized deferred financing fees associated with the Class D and E term loans and certain costs incurred in connection with the refinancings.

In July 2014, we completed the issuance of an additional \$800 million aggregate principal amount of 5.00% Senior Notes due 2022. The notes are traded interchangeably with the \$750 million aggregate principal amount of 5.00% Senior Notes due 2022 issued in April 2014. In addition, in July 2014, we completed the redemption of the remaining \$800 million of outstanding 7.75% Senior Notes due 2018 at a redemption price of 100% of the principal amount thereof plus an applicable “make-whole” premium. As a result of these transactions, we recorded a pre-tax charge of \$51 million during the third quarter of 2014 to other (expense)/income, net in the condensed consolidated statement of operations primarily related to the “make-whole” premium associated with the note redemption, as well as the write-off of certain previously capitalized deferred financing fees associated with the 7.75% Senior Notes.

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

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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 September 30, 2014, 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 September 30, 2014 and 2013, we had zero borrowings outstanding and had outstanding letters of credit of \$3 million and \$13 million, respectively. As of September 30, 2014, we had \$572 million available for borrowing under the revolving credit facility.

#### Dividends and Share Repurchase Program

We remain committed to driving shareholder value as evidenced with the adoption of a quarterly cash dividend policy by our board of directors in 2013, under which we have paid \$261 million in cash dividends for the nine months ended September 30, 2014 and \$265 million in cash dividends during 2013. 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 2013 and the nine months ended September 30, 2014.

| Declaration Date  | Record Date       | Payment Date       | Dividend<br>Per<br>Share |
|-------------------|-------------------|--------------------|--------------------------|
| January 31, 2013  | March 6, 2013     | March 20, 2013     | \$ 0.16                  |
| May 2, 2013       | June 5, 2013      | June 19, 2013      | \$ 0.16                  |
| July 25, 2013     | August 28, 2013   | September 11, 2013 | \$ 0.20                  |
| October 22, 2013  | November 25, 2013 | December 9, 2013   | \$ 0.20                  |
| 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                  |

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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. 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 our Board's existing authority granted at our 2014 Annual General Meeting of Shareholders. As of September 30, 2014, we have purchased 1,898,112 shares of our common stock at an average price of \$45.37 per share (total consideration of approximately \$86 million) under this program. The activity during the nine months ended September 30, 2014 consisted of open market share repurchases and is summarized in the following table:

| Period         | Total<br>Number of<br>Shares<br>Purchased | Average<br>Price<br>Paid per<br>Share | Total<br>Number of<br>Shares<br>Purchased<br>as Part of<br>Publicly<br>Announced<br>Plans or<br>Programs | Dollar Value<br>of Shares that<br>may yet be<br>Purchased<br>under the<br>Plans or<br>Programs |
|----------------|---|---------------------------------------|--|--|
| 2013 Activity  | 289,839                                   | \$ 39.49                              | 289,839  | \$488,554,427  |
| 2014 Activity  |   |                                       |  |  |
| January 1- 31  | —   | n/a                                   | —  | \$488,554,427  |
| February 1- 28 | 110,239                                   | \$ 43.42                              | 110,239  | \$483,768,078  |
| March 1- 31    | 241,091                                   | \$ 46.85                              | 241,091  | \$472,472,783  |
| April 1-30     | 269,972                                   | \$ 44.47                              | 269,972  | \$460,467,412  |
| May 1-31       | 211,848                                   | \$ 47.20                              | 211,848  | \$450,467,820  |
| June 1-30      | 207,243                                   | \$ 47.44                              | 207,243  | \$440,635,906  |
| July 1-31      | 188,612                                   | \$ 48.54                              | 188,612  | \$431,480,660  |
| August 1-31    | 181,509                                   | \$ 47.15                              | 181,509  | \$422,921,757  |
| September 1-30 | 197,759                                   | \$ 45.66                              | 197,759  | \$413,891,828  |
| Total          | 1,898,112                                 | \$ 45.37                              | 1,898,112  |  |

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 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 our 2014 Annual General Meeting of Shareholders.

### Secondary Offerings

In March 2014, a secondary public offering totaling 30,000,000 shares of our common stock was completed on behalf of the selling stockholders, comprised of the Sponsor group, at a price of \$46.25 per share. In June 2014, a secondary public offering totaling 20,000,000 shares of our common stock was completed on behalf of the selling stockholders, comprised of the Sponsor group, at a price of \$47.08 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 \$692 million for the nine months ended September 30, 2014, as compared to \$581 million for the nine months ended September 30, 2013. This increase was driven by the overall financial performance described above and reductions in interest paid. 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 \$477 million for the nine months ended September 30, 2014, as compared to \$523 million for the nine months ended September 30, 2013. The primary driver for the decrease was the net amount paid for our Arbitron acquisition in 2013 partially offset by the net proceeds received from the sale of our Expositions business in 2013 as well as higher acquisition payments (excluding Arbitron) during the nine months ended September 30, 2014 as compared to the same period for 2013.

Financing activities. Net cash used in financing activities was \$376 million for the nine months ended September 30, 2014 as compared to net cash provided by financing activities of \$410 million for the nine months ended September 30, 2013. The increase in cash used in financing activities is primarily due to the decrease in net proceeds from debt issuance and refinancing activity for the nine

months ended September 30, 2014 as compared to the net proceeds from the debt issuance and refinancing activity for the nine months ended September 30, 2013, and the higher dividend payments and share repurchasing, as described in the “Dividends and Share Repurchase Program” section above, during the nine months ended September 30, 2014 as compared to the same period of 2013.

#### Capital Expenditures

Investments in property, plant, equipment, software and other assets totaled \$274 million for the nine months ended September 30, 2014 as compared to \$255 million for the nine months ended September 30, 2013.

#### 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

##### Discontinued Operations

In April 2014, the FASB issued an ASU, “Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity”, that raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. The ASU is aimed at reducing the frequency of disposals reported as discontinued operations by focusing on strategic shifts that have or will have a major effect on an entity’s operations and financial reports. In addition, the guidance permits companies to have continuing cash flows and significant continuing involvement with the disposed component. The ASU is effective for interim and annual reporting periods beginning after December 15, 2014 and must be applied prospectively. Early adoption is permitted for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issue. The adoption of this ASU is not expected to have a significant impact on our condensed consolidated financial statements.

##### Foreign Currency Matters

In March 2013, the FASB issued an accounting update, “Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity”, to resolve the diversity in practice regarding the release into net income of the cumulative translation adjustment upon derecognition of a subsidiary or group of assets within a foreign entity. The amendment requires an entity that ceases to have a controlling financial interest in a subsidiary or group of assets within a foreign entity to release any related cumulative translation adjustment into net income. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. This guidance is effective for our interim and annual reporting periods in 2014. The adoption of this update did not have a significant impact on our condensed consolidated financial statements.

##### Revenue Recognition

In May 2014, the FASB issued an ASU, “Revenue from Contracts with Customers”. The new revenue recognition standard provides a five step analysis of transactions to determine when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount

that reflects the consideration a company expects to receive in exchange for those goods or services. This ASU is effective for annual periods beginning after December 15, 2016 and shall be applied retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. We are currently assessing the impact of the adoption of this ASU will have on our condensed consolidated financial statements.

#### Going Concern

In August 2014, the FASB issued an ASU, "Presentation of Financial Statements-Going Concern: Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern". The new standard defines management's responsibility to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. This guidance will be effective for all entities in the first annual period ending after December 15, 2016; however, early adoption is permitted. The adoption of this ASU is not expected to have a significant impact on our condensed consolidated financial statements.

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## 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 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.

### Foreign Currency Exchange Risk

We operate globally and predominantly generate revenue and expenses in local currencies. Approximately 45% of our revenues and 47% of our operating costs were generated in currencies other than the U.S. Dollar for the nine months ended September 30, 2014. 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 \$7 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. We do not use derivative financial instruments for trading or speculative purposes.

The table below details the percentage of revenues and expenses by currency for the nine months ended September 30, 2014:

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|                 | U.S. Dollar |   | Euro |   | Other Currencies |   |
|-----------------|-------------|---|------|---|------------------|---|
| Revenues        | 55          | % | 11   | % | 34               | % |
| Operating costs | 53          | % | 11   | % | 36               | % |

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 has 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.

In February 2013, the Venezuelan government devalued its currency by 32%. The official exchange rate 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 charge of \$12 million in 2013 in foreign currency exchange transaction gains/(losses), net in the consolidated statement of operations primarily reflecting the write-down of monetary assets and liabilities.

As of March 31, 2014, based on changes to Venezuelan currency rate mechanisms, we changed the exchange rate we use to remeasure our Venezuelan Buy and Watch subsidiaries' financial statements in U.S. dollars. We began using the exchange rate determined by periodic auctions for U.S. dollars conducted under Venezuela's Complementary System of Foreign Administration ("SICAD I"). As a result of a recent exchange agreement between the Central Bank of Venezuela and the Venezuelan government, we

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believe any future remittances for royalty and dividend payments that occur would be transacted at the SICAD I exchange rate based on current facts and circumstances. Accordingly, because the equity of the Venezuelan subsidiary would be realized through the payment of royalties and dividends, the SICAD I exchange rate represents a more realistic exchange rate at which to remeasure the U.S. dollar value of the assets, liabilities, and results of the Company's Venezuelan subsidiary in the condensed consolidated financial statements. As of September 30, 2014, the SICAD I exchange rate we used was 12.0 bolivars to the U.S. dollar, compared to the official exchange rate of 6.3 bolivars to the U.S. dollar we used previously. As a result of this change, we recorded a charge of \$23 million during the nine months ended September 30, 2014 in foreign currency exchange transaction gains/(losses), net in the condensed consolidated statement of operations primarily reflecting the write-down of monetary assets and liabilities.

We will continue to assess the appropriate conversion rate based on events in Venezuela and the Company's specific facts and circumstances.

#### 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 September 30, 2014, we had \$3,516 million in carrying value of floating-rate debt under our senior secured credit facilities of which \$2,858 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 \$7 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 September 30, 2014 (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.

## 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, 2013.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no unregistered sales of our common stock for the nine months ended September 30, 2014.

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. 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 September 30, 2014, we have purchased 1,898,112 shares of our common stock at an average price of \$45.37 per share (total consideration of approximately \$86 million) under this program. The activity during the three months ended September 30, 2014 consisted of open market share repurchases and is summarized in the following table:

| Period         | Total<br>Number of<br>Shares<br>Purchased | Average<br>Price<br>Paid per<br>Share | Total<br>Number of<br>Shares<br>Purchased<br>as Part of<br>Publicly<br>Announced<br>Plans or<br>Programs | Dollar Value<br>of Shares that<br>may yet be<br>Purchased<br>under the<br>Plans or<br>Programs |
|----------------|---|---------------------------------------|--|--|
| July 1-31      | 188,612                                   | \$ 48.54                              | 188,612  | \$431,480,660  |
| August 1-31    | 181,509                                   | \$ 47.15                              | 181,509  | \$422,921,757  |
| September 1-30 | 197,759                                   | \$ 45.66                              | 197,759  | \$413,891,828  |
| Total          | 567,880                                   | \$ 47.09                              | 567,880  |  |



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 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 our 2014 Annual General Meeting of Shareholders.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibit index attached hereto is incorporated herein by reference.

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: October 23, 2014 /s/ Jeffrey R. Charlton  
Jeffrey R. Charlton  
Senior Vice President and Corporate Controller  
Duly Authorized Officer and Principal Accounting Officer

## EXHIBIT INDEX

The agreements and other documents filed as exhibits to this quarterly report on Form 10-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

- |       |   |
|-------|---|
| 4.1   | Supplemental Indenture, dated as of July 8, 2014, 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 July 8, 2014 (File No. 001-35042))   |
| 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 September 30, 2014, formatted in XBRL includes: (i) Condensed Consolidated Statements of Operations (Unaudited) for the three and nine months ended September 30, 2014 and 2013, (ii) Condensed Consolidated Statements of Comprehensive Income (Unaudited) for the three and nine months ended September 30, 2014 and 2013, (iii) Condensed Consolidated Balance Sheets at September 30, 2014 (Unaudited) and December 31, 2013, (iv) Condensed Consolidated Statements of Cash Flows (Unaudited) for the nine months ended September 30, 2014 and 2013, and (v) the Notes to Condensed Consolidated Financial Statements. |

\*Filed or furnished herewith

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