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

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended 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 incorporation or organization)	(I.R.S. Employer Identification No.)
85 Broad Street	Diemerhof 2

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

(Address of principal executive offices) (Zip Code)
(Registrant’s telephone numbers including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “accelerated filer”, “large accelerated filer”, and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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

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

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

Table of Contents

Contents

PART I. FINANCIAL INFORMATION

Item 1.Condensed Consolidated Financial Statements

Nielsen N.V.

Condensed Consolidated Statements of Operations (Unaudited)

(IN MILLIONS, EXCEPT SHARE AND PER SHARE DATA)	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Revenues	$1,572	$1,387	$4,655	$4,092
Cost of revenues, exclusive of depreciation and amortization shown separately below	648	573	1,967	1,732
Selling, general and administrative expenses, exclusive of depreciation and amortization shown 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), net	1	(7)	(32)	(23)
Other (expense)/income, net	(52)	12	(100)	—
Income from continuing operations before income 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 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

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)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(IN MILLIONS)	2014	2013	2014	2013
Net income	$ 92	$ 131	$ 223	$ 591
Other comprehensive (loss)/income, net of tax				
Foreign currency translation adjustments (1)	(169)	51	(136)	(83)
Available for sale securities (2)	—	3	4	9
Changes in the fair value of cash flow hedges (3)	4	(2)	3	6
Defined benefit pension plan adjustments (4)	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, 2014 (Unaudited)	December 31, 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; 382,509,366 and 379,044,531 shares issued and 381,074,001 and 378,635,464 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.

Nielsen N.V.

Condensed Consolidated Statements of Cash Flows (Unaudited)

(IN MILLIONS)	Nine Months Ended September 30, 2014	2013
Operating Activities		
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
Investing Activities		
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)
Financing Activities		
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
Supplemental Cash Flow Information		
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.

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.

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:

(IN MILLIONS)	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013
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:

(IN MILLIONS)	Three Months Ended September 30, 2014	2013	Nine Months Ended September 30, 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:

(IN MILLIONS)	Nine Months Ended September 30, 2014	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.

(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

	Gross Amounts		Accumulated Amortization	
(IN MILLIONS)	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)

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.

(IN MILLIONS)	Currency Translation Adjustments	Available-for-Sale Securities	Cash Flow Hedges	Post Employment Benefits	Total
Balance December 31, 2013	$ (124)	$ 9	$ (5)	$ (267)	$ (387)
Other comprehensive (loss)/income before reclassifications	(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)

(IN MILLIONS)	Currency Translation Adjustments	Available-for-Sale Securities	Cash Flow Hedges	Post Employment Benefits	Total
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)

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	(46)
Balance September 30, 2013	(107)	9	(7)	(274)	(379)

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) Details about Accumulated Other Comprehensive Income components	Amount Reclassified from Accumulated Other Comprehensive Loss: Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Affected Line Item in the Condensed Consolidated Statement of Operations
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) Details about Accumulated Other Comprehensive Income components	Amount Reclassified from Accumulated Other Comprehensive Loss: Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013	Affected Line Item in the Condensed Consolidated Statement of Operations
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)

	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 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 30, 2014	Level 1	Level 2	Level 3
Assets:				
Investments in equity securities [1]	$ 35	$ 35	—	—
Plan assets for deferred compensation [2]	27	27	—	—
Investment in mutual funds [3]	2	2	—	—
Interest rate swap arrangements [4]	2	—	2	—
Total	$ 66	$ 64	$ 2	—
Liabilities:				
Interest rate swap arrangements [4]	$ 7	—	$ 7	—
Deferred compensation liabilities [5]	27	27	—	—
Total	$ 34	$ 27	$ 7	—

	December 31, 2013	Level 1	Level 2	Level 3
Assets:				
Investments in equity securities [1]	$ 28	$ 28	—	—
Plan assets for deferred compensation [2]	25	25	—	—
Investment in mutual funds [3]	2	2	—	—
Total	$ 55	$ 55	—	—
Liabilities:				
Interest rate swap arrangements [4]	$ 10	—	$ 10	—
Deferred compensation liabilities [5]	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 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:

Derivatives Designated as Hedging Instruments	September 30, 2014			December 31, 2013	
	Other Non-Current Assets	Accounts Payable and Other Current Liabilities	Other Non-Current Liabilities	Accounts Payable and Other Current Liabilities	Other Non-Current Liabilities
(IN MILLIONS)					
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 Hedging Relationships (IN MILLIONS)	Amount of (Gain)/Loss Recognized in OCI (Effective Portion) Three Months Ended September 30, 2014	2013	Location of Loss Reclassified from AOCI into Income (Effective Portion)	Amount of Loss Reclassified from AOCI into Income (Effective Portion) Three Months Ended September 30, 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 Hedging Relationships (IN MILLIONS)	Amount of Loss Recognized in OCI (Effective Portion) Nine Months Ended September 30, 2014	2013	Location of Loss Reclassified from AOCI into Income (Effective Portion)	Amount of Loss Reclassified from AOCI into Income (Effective Portion) Nine Months Ended September 30, 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.

	September 30, 2014			December 31, 2013		
(IN MILLIONS)	Weighted Interest Rate	Carrying Amount	Fair Value	Weighted Interest Rate	Carrying Amount	Fair 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						