

Nielsen Holdings plc
Form 10-K
February 19, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015

OR

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

For the transition period from _____ to _____

Commission file number 001-35042

Nielsen Holdings plc

(Exact name of registrant as specified in its charter)

England and Wales (State of incorporation) 85 Broad Street	98-1225347 (I.R.S. Employer Identification No.) A C Nielsen House
--	---

New York, New York 10004	London Road
--------------------------	-------------

(646) 654-5000	Oxford
----------------	--------

Oxfordshire, OX3 9RX

Edgar Filing: Nielsen Holdings plc - Form 10-K

United Kingdom

+1 (646) 654-5000

(Address, including zip code, and telephone number, including area code, of the registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Ordinary shares, par value €0.07 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K.

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 the definitions of "large accelerated filer," "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

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates as of June 30, 2015, the last day of business of our most recently completed second fiscal quarter, was \$16,034 million,

Edgar Filing: Nielsen Holdings plc - Form 10-K

based on the closing sale price of the registrant's common stock as reported on the New York Stock Exchange on such date of \$44.77 per share.

There were 361,878,969 shares of the registrant's Common Stock outstanding as of January 31, 2016.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement of the registrant to be filed pursuant to Regulation 14A of the general rules and regulations under the Securities Exchange Act of 1934, as amended, for the 2016 annual meeting of stockholders of the registrant are incorporated by reference into Part III of this Annual Report on Form 10-K.

Table of Contents

	PAGE
PART I	
Item 1. <u>Business</u>	3
Item 1A. <u>Risk Factors</u>	13
Item 1B. <u>Unresolved Staff Comments</u>	21
Item 2. <u>Properties</u>	21
Item 3. <u>Legal Proceedings</u>	21
Item 4. <u>Mine Safety Disclosures</u>	21
PART II	
Item 5. <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	22
Item 6. <u>Selected Financial Data</u>	25
Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	26
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	54
Item 8. <u>Financial Statements and Supplementary Data</u>	57
Item 9. <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	124
Item 9A. <u>Controls and Procedures</u>	124
Item 9B. <u>Other Information</u>	124
PART III	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	125
Item 11. <u>Executive Compensation</u>	125
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	125
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	125
Item 14. <u>Principal Accounting Fees and Services</u>	125
PART IV	
Item 15. <u>Exhibits, Financial Statement Schedules</u>	126
<u>Signatures</u>	127

The terms “Company,” “Nielsen,” “we,” “our” or “us,” as used herein, refer to Nielsen Holdings plc (formerly known as Nielsen N.V.) and our consolidated subsidiaries unless otherwise stated or indicated by context. The term “TNC B.V.,” as used herein, refers to The Nielsen Company B.V., the principal subsidiary of Nielsen.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K includes forward-looking statements. These forward-looking statements generally can be identified by the use of words such as “anticipate,” “expect,” “plan,” “could,” “may,” “will,” “believe,” “estimate,” “forecast,” “project” and other words of similar meaning. Such statements are not guarantees of future performance, events or results and involve potential risks and uncertainties. These forward-looking statements are based on our current plans and expectations and are subject to a number of known and unknown uncertainties and risks, many of which are beyond our control, which could significantly affect current plans and expectations and our future financial position and results of operations. These factors include, but are not limited to the factors discussed in Item 1A. Risk Factors of this Form 10-K.

We caution you that the factors discussed in Item 1A. Risk Factors may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this annual report on Form 10-K may not in fact occur or may prove to be materially different from the expectations expressed or implied by these forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

PART I

Item 1. Business.

Background and Business Overview

We are a leading global performance management company. The company provides to clients a comprehensive understanding of what consumers watch and what they buy and how those choices intersect. We deliver critical media and marketing information, analytics and manufacturer and retailer expertise about what and where consumers buy (referred to herein as “Buy”) and what consumers read, watch and listen to (consumer interaction across the television, radio, online and mobile viewing and listening platforms referred to herein as “Watch”) on a local and global basis. Our information, insights and solutions help our clients maintain and strengthen their market positions and identify opportunities for profitable growth. We have a presence in more than 100 countries and our services cover more than 90 percent of the globe’s GDP and population. We have significant investments in resources and associates all over the world, including in many emerging markets, and hold leading market positions in many of our services and geographies. Based on the strength of the Nielsen brand, our scale and the breadth and depth of our solutions, we believe we are the global leader in measuring and analyzing consumer behavior in the segments in which we operate.

We help our clients enhance their interactions with consumers and make critical business decisions that we believe positively affect their sales and profitability. Our data and analytics solutions, which have been developed through substantial investment over many decades, are deeply embedded into our clients’ workflow. Our long-term client relationships are made up largely of multi-year contracts and high contract renewal rates. The average length of relationship with our top ten clients, which include The Coca-Cola Company, NBC Universal, Nestle S.A., The Procter & Gamble Company, Twenty-First Century Fox Inc. and the Unilever Group, is more than 30 years. Typically, before the start of each year, more than 70% of our annual revenue has been committed under contracts in our combined Buy and Watch segments.

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

Our Buy segment provides retail transactional measurement data, consumer behavior information and analytics primarily to businesses in the consumer packaged goods industry. According to Deloitte, the aggregate retail revenue of the Top 250 global retailers approached \$4.4 trillion in 2013. Our extensive database of retail and consumer information, combined with our advanced analytical capabilities, helps generate strategic insights that influence our clients’ key business decisions. We track billions of sales transactions per month in retail outlets globally and our data is used to measure their sales and market share. We are the only company offering such extensive global coverage for the collection, provision and analysis of this information for consumer packaged goods. Our Buy services also enable our clients to better manage their brands, uncover new sources of demand, manage their supply chain issues, launch and grow new services, analyze their sales, improve their marketing mix and establish more effective consumer relationships. Within our Buy segment, we have two primary geographic groups, developed and emerging markets. Developed markets primarily include the United States, Canada, Western Europe, Japan, South Korea and Australia while emerging markets include Africa, Latin America, Eastern Europe, Russia, China, India and Southeast Asia. Our

Buy segment represented approximately 54% of our consolidated revenues in 2015.

Our Watch segment provides viewership and listening data and analytics primarily to the media and advertising industries across the television, radio, online and mobile viewing and listening platforms. According to ZenithOptimedia, a leading global media services agency, total global spending on advertising including television, radio, online and mobile platforms is projected to reach \$579 billion by end of 2016.

3

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 our Watch segment, our ratings are the primary metrics used to determine the value of programming and advertising in the U.S. total television advertising marketplace, which was approximately \$69 billion in 2014 according to PwC. In addition to the United States, we measure television viewing in 35 other countries. We also measure markets that account for nearly 80% of global TV ad spend and offer mobile measurement and analytic services in 60 countries, including the United States, where we are the market leader. The acquisition of Arbitron Inc. in 2013 provided us with measurement of an additional two hours a day per person of dynamic media consumption. This acquisition allows us to measure unmeasured areas that are important to the industries and clients we serve, like streaming audio, out-of-home measurements for television consumption and deeper measurement of multicultural audiences in the U.S. Our Watch segment represented approximately 46% of our consolidated revenue in 2015.

Our Company was founded in 1923 by Arthur C. Nielsen, Sr., who invented an approach to measuring competitive sales results that made the concept of “market share” a practical management tool. For over 90 years, we have advanced the practice of market research and media audience measurement to provide our clients a better understanding of their consumers. Our Company, originally incorporated in the Netherlands, was purchased on May 24, 2006 by a consortium of private equity firms (collectively, the “Sponsors”). In January 2011, our Company consummated an initial public offering of our common stock and our shares started trading on the New York Stock Exchange under the symbol “NLSN”. On August 31, 2015, Nielsen N.V., a Dutch public company listed on the New York Stock Exchange, merged with Nielsen Holdings plc, by way of a cross-border merger under the European Cross-Border Merger Directive, with Nielsen Holdings plc being the surviving company (the “Merger”). The Merger effectively changed the place of incorporation of Nielsen’s publically traded parent holding company from the Netherlands to England and Wales, with no changes made to the business being conducted by Nielsen prior to the Merger. As of December 31, 2015, the Sponsors that held equity interests in Nielsen at the time of the January 2011 initial public offering had disposed of such interests.

Services and Solutions

What Consumers Buy

Our Buy segment provides retail transactional measurement data, consumer behavior information and analytics primarily to businesses in the consumer packaged goods industry. Within our Buy segment, in 2015, 69% of revenues came from Developed markets and 31% came from Emerging markets. For the year ended December 31, 2015, revenues from our Buy segment represented approximately 54% of our consolidated revenues. This segment has historically generated stable revenue streams that are characterized by multi-year contracts and high contract renewal rates. At the beginning of each year, over 60% of the segment’s revenue base for the upcoming year is typically committed under existing agreements. Our top five segment clients represented approximately 20% of our segment revenues for the year ended December 31, 2015 and the average length of relationship with these same clients is over 30 years. No single client accounted for 10% or more of our Buy segment revenues in 2015.

Retail Measurement Services

We are a global leader in retail measurement services. Our purchasing data provides market share, competitive sales volumes, and insights into such activities as distribution, pricing, merchandising and promotion. By combining this detailed information with our in-house expertise and professional consultative services, we produce valuable insights that help our clients improve their manufacturing, marketing and sales decisions and grow their market share.

Depending on the sophistication of each country’s retailer systems, we collect retail sales information from stores using electronic point-of-sale technology and/or teams of local field auditors. Stores within our worldwide retail network

include grocery, drug, convenience, discount and eCommerce retailers, who, through various cooperation arrangements, share their sales data with us. The electronic retail sales information collected by stores through checkout scanners is transmitted directly to us. In certain emerging markets where electronic retail sales information is unavailable, we utilize field auditors to collect information through in-store inventory and price checks. For eCommerce retailers where electronic retail sales information is unavailable, we are increasingly using consumer sourced data to collect information by leveraging proven expertise developed in our Consumer Panel business. For all information we collect, our stringent quality control systems validate and confirm the source data. The data is then processed into databases that clients access using our proprietary software that allows them to query the information, conduct customized analysis and generate reports and alerts.

Consumer Panel Measurement

We conduct consumer panels around the world that help our clients understand consumer purchasing dynamics at the household level. Among other things, this information offers insight into shopper behavior such as trial and repeat purchase for new products and likely substitutes, as well as customer segmentation. In addition, our panel data augments our retail measurement information providing blinded but detailed household demographics and can provide data in circumstances where we do not collect data from certain retailers.

Our consumer panels collect data from more than 250,000 household panelists across 26 countries that use in-home scanners to record purchases from each shopping trip. In the United States, for example, approximately 100,000 selected households, constituting a demographically balanced sample, participate in the panels. Data received from household panels undergo a quality control process including UPC verification and validation, before being processed into databases and reports. Clients may access these databases to perform analyses.

Analytical Services

Utilizing our foundation of consumer purchasing information, we provide a wide and growing selection of consumer intelligence and analytical services that help clients make smarter business decisions throughout their product development and marketing cycles. We draw actionable insights from our retail and consumer panel measurement data sets, our online behavioral information, as well as a variety of other proprietary data sets.

We use consumer trends and comprehensive data analysis to advise our clients across their innovation process and apply a demand-driven approach to identify unmet consumer needs so they can develop breakthrough products. We use intelligence from comprehensive retail and consumer data analysis to inform client decisions on marketing spend for media, price, promotion and assortment. We help clients influence purchase decisions that shoppers make whether pre-store, in-store or online, and provide insights on how to market effectively along a shopper's path to purchase. We also help clients drive profitable growth using demand-driven strategies that close the gap between consumer demand and sales, aligning what people want to what people buy.

What Consumers Watch

Our Watch segment provides viewership and listening data and analytics primarily to the media and advertising industries across the television, radio, digital and mobile viewing and listening platforms. For the year ended December 31, 2015, revenues from our Watch segment represented approximately 46% of our consolidated revenues. This segment has historically generated stable revenue streams that are characterized by multi-year contracts and high contract renewal rates. At the beginning of each year, over 85% of the segment's revenue base for the upcoming year is typically committed under existing agreements. Our top five clients represented approximately 24% of segment revenues for the year ended December 31, 2015 and the average length of relationship with these same clients is more than 30 years. No customer accounted for 10% or more of our Watch segment revenues in 2015.

Television Audience Measurement Services

We are the global leader in television audience measurement. In the United States, which is by far the world's largest market for television programming, broadcasters and cable networks use our television audience ratings as the primary currency to establish the value of their airtime and more effectively schedule and promote their programming. Advertisers use this information to plan television advertising campaigns, evaluate the effectiveness of their commercial messages and negotiate advertising rates.

We provide two principal television ratings services in the United States: measurement of national television audiences and measurement of local television audiences in all 210 designated local television markets. We use various methods to collect the data from households including electronic meters, which provide minute-by-minute viewing information for next day consumption by our clients, and written diaries. These households are meticulously identified using the U.S. Census as a model in order to properly and accurately model our national and local ratings. These methods enable us to collect not only television device viewing data but also the demographics of the audience (i.e., who in the household is watching), from which we calculate statistically reliable and accurate estimates of total television viewership. We have made significant investments over decades to build an infrastructure that can accurately and efficiently track television audience viewing, a process that has become increasingly complex as the

industry has converted to digital transmission and integrated new technologies allowing for developments such as time-shifted viewing.

Our measurement techniques are constantly evolving to account for new television viewing behavior, increased fragmentation and new media technologies. For example, to help advertisers and programmers understand time-shifted viewing behavior, we created the Average Commercial Minute (ACM) ratings, which is a measure of how many people watch commercials during live and time-shifted viewing, both through 3 days ("C3") and through 7 days ("C7"). The C3 rating has become the primary metric for buying and selling advertising on national broadcast television. We are expanding our television audience measurement to incorporate viewing of video-on-demand and from connected devices such as gaming consoles. We are developing and testing ways to measure how consumers watch video on tablets and other devices, to help advertising and programmers incorporate this viewing behavior into their programming and advertising plans. In the U.S., we utilize a single-source TV and PC panel to provide information to clients about simultaneous usage of more than one screen (e.g., if a consumer uses Facebook while watching a TV program), unduplicated reach (i.e., total audience net of duplication across platforms), cause and effect analysis (e.g., if a TV advertisement spurs a consumer to view a specific website online) and program viewing behavior (e.g., what platforms consumers use to view certain programming).

Nielsen has also been working with clients and partners to better measure online and mobile viewers, like asking TV networks to install software in their digital video players, websites, and apps to track their digital audiences, and striking data deals with partners like Facebook to collect the anonymous demographics of the more than 180 million American Facebook users who watch those digital videos or use those websites and apps).

We are also working with Twitter to establish a measurement of consumer interaction with television programming and social media to address the growing interest in social TV among advertisers and media players.

We measure television viewing in 35 countries outside the United States, including Australia, Indonesia, Italy and South Korea. The international television audience measurement industry operates on a different model than in the United States. In many international markets, a joint industry committee of broadcasters in each individual country selects a single official audience measurement provider, which is designated the “currency” through an organized bidding process that is typically revisited every several years. We have strong relationships in these countries and see a significant opportunity to expand our presence into additional countries around the world.

Audio Audience Measurement Services

We provide independent measurement and consumer research primarily servicing radio, advertisers and advertising agencies in the audio industry. We estimate the size and composition of radio audiences in local markets and of audiences to network radio programming and commercials in the U.S. We refer to our local and network radio audience ratings services, collectively, as our “syndicated radio ratings services.” We provide our syndicated radio ratings services in local markets in the United States to radio broadcasters, advertising agencies, and advertisers. Our national services estimate the size and demographic composition of national radio audiences and the size and composition of audiences of network radio programs and commercials. Broadcasters use our data primarily to price and sell advertising time, and advertising agencies and advertisers use our data in purchasing advertising time.

In addition to the services described above, we also provide qualitative information about consumers, including their lifestyles, shopping patterns, and use of media in local markets and across the United States. Generally referred to as “qualitative services,” we market these services to customers of our syndicated radio ratings services who wish to demonstrate the value of their advertising propositions. We also market our quantitative and qualitative audience and consumer information to customers outside of our traditional base, such as the advertising sales organizations of local cable television companies, national cable and broadcast television networks, and out-of-home media sales organizations.

We provide software applications allowing our customers to access our proprietary databases of media and marketing information. These applications enable our customers to analyze this information more effectively for sales, management, and programming purposes. Some of our software applications also allow our customers to access data owned by third-parties, provided the customers have a separate license to use such third-party data.

We have developed our electronic Portable People Meter™ (“PPM®”) technology, which we deploy across many of our customer offerings and have licensed to other media information services companies to use in their media audience ratings services in countries outside of the United States. We have commercialized our PPM ratings service in 48 of the largest radio markets in the United States.

Digital Audience Measurement Services

We are a global provider of digital media and market research, audience analytics and social media measurement. We employ a variety of measurement offerings to provide digital publishers, internet and media companies, marketers and retailers with metrics to better understand the behavior of online audiences. Through a combination of patented panel

and census data collection methods, we measure and study the internet surfing, online buying, and video viewing (including television content) of digital audiences. In addition to measuring overall internet usage, Nielsen is the only company that has a Media Ratings Council (“MRC”) accredited age and gender measurement across its U.S. Digital Ad Ratings and U.S. television ratings services. Nielsen’s Digital Ad Ratings are now in 17 countries with 8 more markets planned in 2016. Those 17 current Digital Ad Ratings markets account for about 85% of global digital ad spend.

Since 2010, Nielsen has been providing innovative census measurement through third party data enrichment providers such as Facebook. Through such partnerships, Nielsen has privacy-protected and anonymous access to demographic data on over 1.5 billion user profiles. We provide critical advertising metrics such as audience demographics, page and ad views, and time spent. As newer forms of digital media such as video advertising, social media and applications become a greater proportion of consumer behavior, we are transitioning our portfolio of digital services, including discontinuation of certain legacy services in certain markets and the launch of other services, to address the evolving requirements of measuring digital audiences and better serve our clients. Nielsen Social is

the leading provider of social TV measurement, analytics and audience engagement solutions for TV networks, agencies and advertisers, helping the industry measure, understand and act on the activity and reach of TV-related conversation on Twitter. Nielsen Social uses Gracenote US TV data as the foundation of its measurement for linear TV. Using Gracenote's definition of a television network today we measure 15 Broadcast, 184 Cable-National, and 39 Cable – Regional Sports channels. We also measure programming from 6 streaming providers and 8 TV syndication groups. In total that is 252 programming networks. In terms of brands, Nielsen Social manually enters brands into our Brand Tracking System and once entered the Twitter activity around each brand is measured on a 24/7 basis.

Currently there are 2,097 brands in our database that are being tracked. Through our exclusive agreement with Twitter we produce Nielsen Twitter TV Ratings, the first-ever measure of the total activity and reach, as well as demographics, of TV-related conversation on Twitter.

Along with tracking Twitter TV conversation around linear airtimes, we are also now tracking Twitter TV conversation in the U.S. on a 24/7 basis for over 650 series programs, including linear and over-the-top programming such as Netflix and Hulu.

Nielsen Social is also available in Italy, Australia, and Mexico and uses local TV data as the foundation for its measurement (Gracenote in Australia and Mexico and Rovi in Italy). In Australia we measure 19 Free to Air and 82 Subscription TV channels. In Italy we measure 45 Free to Air and 76 Subscription TV channels. In Mexico we measure 11 Free to Air and 85 Subscription TV channels. In total that is 318 TV networks. In terms of brands, each territory uses their own install of the Brand Tracking System. Currently there are 552 brands in Mexico, 563 brands in Italy and 691 brands in Australia. In total that is 1,806 brands.

Mobile Measurement Services

We provide independent measurement and consumer research for telecom and media companies in the mobile telecommunications industry. Clients, principally mobile carriers and device manufacturers, rely upon our data to make consumer marketing, competitive strategy and resource allocation decisions. In the United States, our metrics are a leading indicator for market share, customer satisfaction, device share, service quality, revenue share, content audience and other key performance indicators. We also benchmark the end-to-end consumer experience to pinpoint problem areas in the service delivery chain, track key performance metrics for mobile devices and identify key market opportunities (e.g., demand tracking for device features and services). To address the rapid growth of mobile internet consumption, we have deployed a combination of panel and census based measurement to capture internet, video and other media on mobile, smartphone, and tablet devices. In the U.S., Nielsen has deployed our mobile software development kit (SDK) to offer a comprehensive mobile advertising and content measurement for our media clients. In addition, our census demographic measurement uses the world's largest mobile demographic data set through our data enrichment providers. We offer mobile measurement and analytic services in 60 countries worldwide, including the United States, where we are a leader in the market for mobile audience measurement, and are focused on expanding our presence in other markets

Marketing Effectiveness

We provide a range of solutions to major advertisers, whether they are consumer packaged goods manufacturers, retailers, media companies, or other verticals such as automotive, telecom or financial services, to help validate and optimize their advertising spend. We quantify the effectiveness of advertising by reporting behavioral observations, attitudinal changes and actual offline purchase activity. We offer services specific to television, digital and social marketing to determine “resonance” or impact of specific campaigns, by measuring objectives such as breakthrough, brand recall, purchase intent and effect on product and brand loyalty. These services can also help clients determine which elements of their advertising campaigns are more or less effective, including frequency of repetition, length of commercial and context. As part of these efforts, we collect and analyze more than 21 million surveys annually to

measure consumer engagement and recall of advertisements across television and online to provide important insights on advertising and content effectiveness.

We also combine intelligence on what consumers watch and buy to inform client decisions on their advertising spend. We integrate data from our Buy segment and other third party sources, including our Nielsen Catalina Solutions business, with Watch data on audience exposure to help assess the effect of an advertising campaign on purchase activity. We believe these and other offerings of consumer behavior data and marketing insights can provide value to advertisers as well as media content owners and distributors, and help these clients answer some of their most important marketing questions.

7

Competitive Advantages

We are faced with a number of competitors in the markets in which we operate. Some of our competitors in each market may have substantially greater financial, marketing and other resources than we do and may benefit from other competitive advantages. See “Competitive Landscape” and “Risk Factors”. We face competition, which could adversely affect our business, financial condition, results of operations and cash flow. Notwithstanding the challenges presented by the competitive landscape, we believe that we have several competitive advantages, including the following:

Global Scale and Brand. We provide a breadth of information and insights about consumers covering approximately 90 percent of all population and GDP globally. In our Buy segment, we track billions of sales transactions per month in retail outlets in more than 100 countries around the world. We also have approximately 250,000 household panelists across 26 countries. In our Watch segment, our ratings are the primary metrics used to determine the value of programming and advertising in the U.S. total television advertising marketplace, which was approximately \$69 billion in 2014 according to PwC. We believe our footprint, independence, credibility and leading market positions will continue to contribute to our long-term growth and strong operating margins as the number and role of multinational companies expand. Our scale is supported by our global brand, which is defined by the original Nielsen code created by our founder, Arthur C. Nielsen, Sr.: impartiality, thoroughness, accuracy, integrity, economy, price, delivery and service.

Strong, Diversified Client Relationships. Many of the world’s largest brands rely on us as their information and analytics provider to create value for their business. We maintain long-standing relationships and multi-year contracts with high renewal rates due to the value of the services and solutions we provide. In our Buy segment, our clients include the largest consumer packaged goods and merchandising companies in the world such as The Coca-Cola Company, Kraft Foods and The Procter & Gamble Company, as well as leading retail chains such as Carrefour, Kroger, Safeway, Tesco, Walgreens and Wal-Mart Stores. In our Watch segment, our client base includes leading broadcast, radio, cable and internet companies such as CBS, Clear Channel Media, Disney/ABC, Facebook, Google, Microsoft, NBC Universal/Comcast, Twenty-First Century Fox, Inc., Time Warner, Twitter, Univision and Yahoo!; leading advertising agencies such as WPP, IPG, Omnicom, and Publicis; leading telecom companies such as AT&T, Verizon, Vodafone, and Nokia; and leading automotive companies such as Chrysler, Ford and Toyota. The average length of relationship with our top 10 clients across both our Buy and Watch segments is more than 30 years. In addition, due to our growing presence in emerging markets, we have cultivated strong relationships with local market leaders that can benefit from our services as they expand globally. Our strong client relationships provide both a foundation for recurring revenues as well as a platform for growth.

Enhanced Data Assets and Measurement Science. Our extensive portfolio of transactional and consumer behavioral data across our Buy and Watch segments enables us to provide critical information to our clients. For decades, we have employed advanced measurement methodologies that yield statistically accurate information about consumer behavior while having due regard for their privacy. Our particular expertise in panel measurement includes a proven methodology to create statistically accurate research insights that are statistically representative of designated audiences. This expertise is a distinct advantage as we extrapolate more precise insights from emerging large-scale census databases to provide greater granularity and segmentation for our clients. We continue to enhance our core competency in measurement science by improving research approaches and investing in new methodologies. We have also invested significantly in our data architecture to enable the integration of distinct large-scale census data sets including those owned by third parties. We believe that our expertise, established standards and increasingly granular and comprehensive data assets provide us with a distinct advantage as we deliver more precise insights to our clients.

Innovation. We have focused on innovation to deepen our capabilities, expand in new and emerging forms of measurement, enhance our analytical offerings and capitalize on industry trends. For example, we are investing in Total Audience measurement, bringing together audiences across digital and television platforms for both ad

campaigns (Total Ad Ratings) and content (Total Content Ratings). These measurement offerings allow content providers and advertisers to understand their true reach across and among all platforms using a combination of Nielsen's gold standard panels and census-based measurement.

We are also working with our clients to help maximize the value of the data we give to them by allowing them to evaluate new distribution options (e.g. the Apple TV, Roku, Game Console breakout) as well as understanding the true impact and audiences of their content when sent to Subscription Video on Demand ("SVOD").

We have also made investments in providing cross platform data aggregation and audience activation via the acquisition of eXelate. Its data management platform and big data infrastructure enabled unified consumer mapping and targeting across multiple media platforms.

We have further enhanced our information and analytics delivery platform, Nielsen Answers on Demand, to enable the management of consumer loyalty programs for retailers. The continued expansion of our Nielsen Campaign Ratings service provides "reach" metrics for TV and digital campaign ratings, and can offer advertisers and media companies a unique measurement of unduplicated audiences for their advertising and programming across television and online viewing.

Our ability to deliver marketing effectiveness results in "real time" in a more scalable fashion, and with a broader series of data points (demo+) is expected to expand by leveraging the big data infrastructure and data marketplace acquired through the eXelate acquisition. Nielsen has also created the first currency-quality, respondent level planning dataset and software solution for Total Audience media planning, Media Impact.

Scalable Operating Model. Our global presence and operating model allow us to scale our services and solutions rapidly and efficiently. We have a long track record of establishing leading services that can be quickly expanded across clients, markets and geographies. Our global operations and technology organization enables us to achieve faster, higher quality outcomes for clients in a cost-efficient manner. Our flexible architecture allows us to incorporate leading third-party technologies as well as data from external sources, and enables our clients to use our technology and solutions on their own technology platforms. In addition, we work with leading technology partners such as IBM, Tata Consultancy Services, Amazon and TIBCO, which allows for greater quality in client offerings and efficiency in our global operations.

Industry Trends

We believe companies, including our clients, require an increasing amount of data and analytics to set strategy and direct operations. This has resulted in a large market for business information and insight which we believe will continue to grow. Our clients are media, advertising and consumer packaged goods companies in the large and growing markets. We believe that significant economic, technological, demographic and competitive trends facing consumers and our clients will provide a competitive advantage to our business and enable us to capture a greater share of our significant market opportunity. We may not be able to realize these opportunities if these trends do not continue or if we are otherwise unable to execute our strategies. See "Risk Factors – We may be unable to adapt to significant technological change which could adversely affect our business" and "Risk Factors – Our international operations are exposed to risks which could impede growth in the future."

Emerging markets present significant expansion opportunities. Brand marketers are focused on attracting new consumers in emerging countries as a result of the fast-paced population growth of the middle class in these regions. In addition, the retail trade in these markets is quickly evolving from small, local formats toward larger, more modern formats with electronic points of sale, a similar evolution to what occurred in developed markets over the last several decades. We provide established measurement methodologies to help give consumer packaged goods companies, retailers and media companies an accurate understanding of local consumers to allow them to harness growing consumer buying power in markets like Brazil, India and China.

Demographic shifts and changes in spending behavior are altering the consumer landscape. Consumer demographics and related trends are constantly evolving globally, leading to changes in consumer preferences and the relative size and buying power of major consumer groups. Shifts in population size, age, racial composition, family size and relative wealth are causing marketers continuously to re-evaluate and reprioritize their consumer marketing strategies. We track and interpret consumer demographics that help enable our clients to engage more effectively with their existing consumers as well as forge new relationships with emerging segments of the population.

The media landscape is dynamic and changing. Consumers are rapidly changing their media consumption patterns. The growing availability of the internet, and the proliferation of new formats and channels such as mobile devices, social networks and other forms of user-generated media have led to an increasingly fragmented consumer base that is more difficult to measure and analyze. In addition, simultaneous usage of more than one screen is becoming a regular aspect of daily consumer media consumption. We have effectively measured and tracked media consumption through numerous cycles in the industry's evolution – from broadcast to cable, from analog to digital, from offline to online and from live to time-shifted and Video On Demand/Subscription Video On Demand. We believe our distinct ability to provide independent audience measurement and metrics across television, radio, online and mobile platforms helps

clients better understand, adapt to and profit from the continued transformation of the global media landscape.

Consumers are more connected, informed and in control. More than three-quarters of the world's homes have access to television, there are approximately 3.1 billion internet users around the globe, and mobile penetration rates have reached 96% globally. Advances in technology have given consumers a greater level of control of when, where and how they consume information and interact with media and brands. They can compare products and prices instantaneously and have new avenues to learn about, engage with and purchase products and services. These shifts in behavior create significant complexities for our clients. Our broad portfolio of measurement and analytical services enables our clients to engage consumers with more impact and efficiency, influence consumer purchasing decisions and actively participate in and shape conversations about their brands.

Increasing amounts of consumer information are leading to new marketing approaches. The advent of the internet and other digital platforms has created rapid growth in consumer data that is expected to intensify as more entertainment and commerce are delivered across these platforms. As a result, companies are looking for real-time access to more granular levels of data to understand growth opportunities more quickly and more precisely. This presents a significant opportunity for us to work with companies to effectively manage, integrate and analyze large amounts of information and extract meaningful insights that allow marketers to generate profitable growth.

Consumers are looking for greater value. Economic and social trends have spurred consumers to seek greater value in what they buy as exemplified by the rising demand for “private label” (store branded) products. This increased focus on value is causing manufacturers, retailers and media companies to re-evaluate brand positioning, pricing and loyalty. We believe companies will increasingly look to our broad range of consumer purchasing insights and analytics to more precisely and effectively measure consumer behavior and target their products and marketing offers at the right place and at the right price.

Our Growth Strategy

We believe we are well-positioned for growth worldwide and have a multi-faceted strategy that builds upon our brand, strong client relationships and integral role in measuring and analyzing the global consumer. Our growth strategy is also subject to certain risks. For example, we may be unable to adapt to significant technological changes such as changes in the technology used to collect and process data or in methods of television viewing. In addition, consolidation in our customers’ industries may reduce the aggregate demand for our services. See “Risk Factors.”

Continue to grow in emerging markets

Emerging markets (measured in our Buy segment) comprised approximately 31% of our 2015 Buy segment revenues (17% of our 2015 consolidated revenues) and represent a significant long-term opportunity for us given the growth of the middle class and the rapid evolution and modernization of the retail trade in these regions. Currently, the middle class is expanding significantly each year on a global basis, with Africa, Brazil, Russia, India and China currently contributing nearly half of all global consumption growth. Key elements of our strategy include:

- Continuing to grow our existing services in local markets while simultaneously introducing into emerging markets new services drawn from our global portfolio;
- Partnering with existing clients as they expand their businesses into emerging markets and providing the high-quality measurement and insights to which they are accustomed; and
- Building relationships with local companies that are expanding beyond their home markets by capitalizing on the global credibility and integrity of the Nielsen brand.

Continue to develop innovative services

We intend to continue emerging our service portfolio to provide our clients with comprehensive and advanced solutions. Key elements of our strategy include:

- Further developing our analytics offerings across all facets of our client base to provide a more comprehensive offering and help our clients think through their most important challenges;
- Continuing to grow our leadership in measurement and insight services related to television, radio, digital and mobile and expanding our services in growth areas including social media to help our media clients more effectively reach their target audiences and better understand the value of their content; and
- Continuing to expand our Marketing Effectiveness offering, which integrates our proprietary data and analytics from both the Buy and Watch segments, by emerging powerful tools to help clients better understand the effectiveness of advertising and the impact of advertising spend on consumer purchasing behavior.

Continue to attract new clients and expand existing relationships

We believe that substantial opportunities exist to both attract new clients and to increase our revenue from existing clients. Building on our deep knowledge and the embedded position of our Buy and Watch segments, we expect to sell new and innovative solutions to our new and existing clients, increasing our importance to their decision making processes.

10

Continue to pursue strategic acquisitions to complement our leadership positions

We have increased our capabilities through investments and acquisitions in the areas of retail measurement, U.S. and international audience measurement, and advertising effectiveness for digital and social media campaigns. Going forward, we will consider select acquisitions of complementary businesses that enhance our product and geographic portfolio and can benefit from our scale, scope and status as a global leader.

Technology Infrastructure

We operate with an extensive data and technology infrastructure utilizing 9 primary data centers in six countries around the world. We also use AWS from Amazon for cloud based infrastructure. Our global database has the capacity to house approximately 54 petabytes of information, with our Buy segment processing approximately 9.5 billion purchasing data points each month in 2015, our Watch segment processing approximately 200 billion tuning and viewing records (across panel and census data) each month in 2015 and our eXelate platform processing 300 billion events each month in 2015. Our technology infrastructure plays an instrumental role in meeting service commitments to global clients and allows us to quickly scale our services across practice areas and geographies. Our technology platform utilizes an open approach that facilitates integration of distinct data sets, interoperability with client data and technology, and partnerships with leading technology companies such as IBM, Tata Consulting Services, TIBCO and Amazon.

Intellectual Property

Our patents, trademarks, trade secrets, copyrights and all of our other intellectual property are important assets that afford protection to our business. Our success depends to a degree upon our ability to protect and preserve certain proprietary aspects of our technology and our brand. To ensure that objective, we control access to our proprietary technology. Our employees and consultants enter into confidentiality, non-disclosure and invention assignment agreements with us. We protect our rights to proprietary technology and confidential information in our business arrangements with third parties through confidentiality and other intellectual property and business agreements.

We hold a number of third-party patent and intellectual property license agreements that afford us rights to third-party patents, technology and other intellectual property. Such license agreements most often do not preclude either party from licensing our patents and technology to others. Such licenses may involve one-time payments or ongoing royalty obligations, and we cannot ensure that future license agreements can or will be obtained or renewed on acceptable terms, or at all.

Employees

As of December 31, 2015, we employed approximately 43,000 people worldwide. Approximately 20% of our employees are covered under collective bargaining agreements and an additional 17% are covered under works council agreements in Europe. We may become subject to additional agreements or experience labor disruptions which may result in higher operating costs over time. We actively invest in our employee relations and believe they are solid. Nielsen is committed to treating employees in a way that respects and protects their human rights everywhere we operate around the world.

Competitive Landscape

There is no single competitor that offers all of the services we offer in all of the markets in which we offer them. We have many competitors worldwide that offer some of the services we provide in selected markets. While we maintain leading positions in many markets in which we operate, our future success will depend on our ability to enhance and

expand our suite of services, provide reliable and accurate measurement solutions and related information, drive innovation that anticipates and responds to emerging client needs, strengthen and expand our geographic footprint, and protect consumer privacy. See “Risk Factors – We face competition, which could adversely affect our business, financial condition, results of operations and cash flow.” We believe our global presence and integrated portfolio of services are key assets in our ability to effectively compete in the marketplace. A summary of the competitive landscape for each of our segments is included below:

11

What Consumers Buy

While we do not have one global competitor in our Buy segment, we face numerous competitors in various areas of our service in different markets throughout the world. Competition includes companies specializing in marketing research, in-house research departments of manufacturers and advertising agencies, retailers that sell information directly or through brokers, information management and software companies, and consulting and accounting firms. In retail measurement, our principal competitor in the United States is Information Resources, Inc., which is also present in some European and Asia/Pacific markets. Our retail measurement service also faces competition in individual markets from local companies. Our consumer panel services and analytics services have many direct and/or indirect competitors in all markets around the world including in selected cases GfK, Ipsos, Kantar and local companies in individual countries.

What Consumers Watch

While we do not have one global competitor in our Watch segment, we face numerous competitors in various areas of our operations in different markets throughout the world. We are the clear market leader in U.S. television audience measurement; however, there are many emerging players and technologies that will increase competitive pressure. Numerous companies such as, Rentrak and TiVo are attempting to provide alternative forms of television audience measurement using, inter alia, set-top box data and panel-based measurement. Our principal competitor in television audience measurement outside the United States is Kantar, with companies such as GfK and Ipsos also providing competition in select individual countries.

Our primary competitor in the digital audience and campaign measurement solutions in the United States is comScore. Globally (including the United States), we face competition from additional companies that provide digital measurement and analytics services such as Oracle, Google Analytics, Adobe Analytics and IBM Digital Analytics as well as in the small but growing space of social measurement. In 2016 Rentrak merged into a wholly-owned subsidiary of comScore and the combined companies will focus on cross platform measurement. We are the market leader in the U.S. audio audience measurement. Our principal competitors include Triton and Kantar, which are developing technologies similar to our PPM ratings service.

Regulation

Our operations are subject to and affected by data protection laws in many countries. These laws pertain primarily to personal data (i.e., information relating to an identified or identifiable individual), constrain whether and how we collect personal data, how that data may be used and stored, and whether, to whom and where that data may be transferred. What constitutes “personal data” varies from country to country and region to region and continues to evolve. Data collection methods that may not always be obvious to the data subject, like the use of cookies online, or that present a higher risk of abuse, such as collecting data directly from children, tend also to be more highly regulated, and products that rely on these technologies may require re-engineering to comply with new laws. In addition, these data transfer constraints can impact multinational access to a central database and cross-border data transfers.

Some of the personal data we collect may be considered “sensitive” by the laws of many jurisdictions because they may include certain demographic information and consumption preferences. Sensitive personal data typically are more highly regulated than non-sensitive data. Generally, this means that for sensitive data the data subject’s consent should be more explicit and fully informed and security measures surrounding the storage of the data should be more rigorous. The greater constraints that apply to the collection and use of sensitive personal data increase the administrative and operational burdens and costs of panel recruitment and management.

The attention privacy and data protection issues attract can offer us a competitive advantage. Because we recognize the importance of privacy to our panelists, our customers, consumers in general, and regulators, we devote dedicated resources to enhancing our privacy and security practices in our product development plans and other areas of operation, and participate in privacy policy organizations and “think tanks.” We do this to improve both our practices and the perception of Nielsen as a leader in this area.

Recent Developments

On February 18, 2016, our Board declared a cash dividend of \$0.28 per share on our common stock. The dividend is payable on March 17, 2016 to stockholders of record at the close of business on March 3, 2016.

Financial Information about Segments and Geographic Areas

See Note 17 to our consolidated financial statements – “Segments,” for further information regarding our operating segments and our geographic areas.

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports will be made available free of charge on our website at <http://www.nielsen.com> as soon as reasonably practicable after we electronically file such reports with, or furnish them to, the Securities and Exchange Commission (“SEC”). Information on our website is not incorporated by reference herein and is not a part of this report.

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/NielsenIR> and our iPad App, NielsenIR, available on the App Store.

Item 1A. Risk Factors

The risks described below are not the only risks facing us. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial may also materially and adversely affect our business, financial condition or results of operations.

Risks Related to Our Business

We may be unable to adapt to significant technological change which could adversely affect our business.

We operate in businesses that require sophisticated data collection, processing systems, software and other technology. Some of the technologies supporting the industries we serve are changing rapidly. We will be required to adapt to changing technologies, either by developing and marketing new services or by enhancing our existing services, to meet client demand.

Moreover, the introduction of new services embodying new technologies and the emergence of new industry standards could render existing services obsolete. Our continued success will depend on our ability to adapt to changing technologies, manage and process ever-increasing amounts of data and information and improve the performance, features and reliability of our existing services in response to changing client and industry demands. We may experience difficulties that could delay or prevent the successful design, development, testing, introduction or marketing of our services. New services, or enhancements to existing services, may not adequately meet the requirements of current and prospective clients or achieve any degree of significant market acceptance.

Traditional methods of television viewing continue to change as a result of fragmentation of channels and digital and other new television technologies and devices such as video-on-demand, digital video recorders, game consoles, tablets, other mobile devices and internet viewing. In addition, consumption of consumer packaged goods is growing in new and different channels such as discount stores and e-commerce. If we are unable to continue to successfully adapt our media and consumer measurement systems to new viewing and consumption habits, our business, financial position and results of operations could be adversely affected.

Consolidation in the consumer packaged goods, media, entertainment, telecommunications and technology industries could put pressure on the pricing of our services, thereby leading to decreased earnings.

Consolidation in the consumer packaged goods, media, entertainment, telecommunications and technology industries could reduce aggregate demand for our services in the future and could limit the amounts we earn for our services. When companies merge, the services they previously purchased separately are often purchased by the combined entity in the aggregate in a lesser quantity than before, leading to volume compression and loss of revenue. While we attempt to mitigate the revenue impact of any consolidation by expanding our range of services, there can be no assurance as to the degree to which we will be able to do so as industry consolidation continues, which could adversely affect our business, financial position and results of operations.

Client procurement strategies could put additional pressure on the pricing of our services, thereby leading to decreased earnings.

Certain of our clients may continue to seek further price concessions from us. This puts pressure on the pricing of our services, which could limit the amounts we earn. While we attempt to mitigate the revenue impact of any pricing pressure through effective negotiations and by providing services to individual businesses within particular groups, there can be no assurance as to the degree to which we will be able to do so, which could adversely affect our business, financial position and results of operations.

Continued adverse market conditions, particularly in the consumer packaged goods, media, entertainment, telecommunications or technology industries, could adversely impact our revenue.

A number of adverse financial developments continue to impact the global financial markets. The current economic environment has witnessed continued malaise in consumer confidence and demand, impacting the demand for our customers' products and services. Those reduced demands could adversely affect the ability of some of our customers to meet their current obligations to us and hinder their ability to incur new obligations until the economy and their businesses strengthen. The inability of our customers to pay us for our services and/or decisions by current or future customers to forego or defer purchases may adversely impact our business, financial condition, results of operations, profitability and cash flows and may continue to present risks for an extended period of time. We cannot predict the impact of economic slowdowns on our future financial performance.

We expect that revenues generated from our measurement and analytical services will continue to represent a substantial portion of our overall revenue for the foreseeable future. To the extent the businesses we service, especially our clients in the consumer packaged goods, media, entertainment, telecommunications and technology industries, are subject to the financial pressures of, for example, increased costs or reduced demand for their products, the demand for our services, or the prices our clients are willing to pay for those services, may decline.

During challenging economic times, clients, typically advertisers, within our Buy segment may reduce their discretionary advertising expenditures and may be less likely to purchase our analytical services, which would have an adverse effect on our revenue.

Clients within our Watch segment derive a significant amount of their revenue from the sale or purchase of advertising. During challenging economic times, advertisers may reduce advertising expenditures and advertising agencies and other media may be less likely to purchase our media information services, which would have an adverse effect on our revenue.

Our substantial indebtedness could adversely affect our financial health.

We have now and will continue to have a significant amount of indebtedness. As of December 31, 2015, we had total indebtedness of \$7,338 million.

Our substantial indebtedness could have important consequences. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to interest and principal payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, service development efforts, dividends, share repurchases and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- expose us to the risk of increased interest rates as certain of our borrowings are at variable rates of interest;
- restrict us from making strategic acquisitions or cause us to make non-strategic divestitures;
- limit our ability to obtain additional financing for working capital, capital expenditures, service development, debt service requirements, dividends, share repurchases, acquisitions and general corporate or other purposes;
- limit our ability to adjust to changing market conditions;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit our ability to service our dividend and stock repurchases programs.

In addition, the indentures governing our outstanding notes and our credit facility contain financial and other restrictive covenants that could limit the ability of our operating subsidiaries to engage in activities that may be in our best interests in the long term. The failure to comply with any of those covenants could result in an event of default

which, if not cured or waived, could result in the acceleration of all of our debt.

Despite current indebtedness levels, we and our subsidiaries may still be able to incur substantially more debt. This could further increase the risks associated with our substantial leverage.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. If new debt is added to our and our subsidiaries' current debt levels, the related risks that we and they now face could intensify.

We will require a significant amount of cash as well as continued access to the capital markets to service our indebtedness, fund capital expenditures and meet our other liquidity needs. Our ability to generate cash and our access to the capital markets depend on many factors beyond our control.

Our ability to make payments on our indebtedness (both interest and principal) and to fund planned capital expenditures and other liquidity needs will depend on our ability to generate cash in the future and our ability to refinance our indebtedness. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

We may not be able to generate sufficient cash flow from operations to pay our indebtedness or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness on or before maturity. We may not be able to refinance any of our indebtedness, including our senior secured credit facilities, on commercially reasonable terms or at all. See Note 11 to our consolidated financial statements – “Long-term Debt and Other Financing Arrangements,” for a description of our debt maturities.

A substantial portion of our indebtedness is at variable rates, and we are exposed to the risk of increased interest rates

Our cash interest expense for the years ended December 31, 2015, 2014 and 2013 was \$296 million, \$294 million and \$304 million, respectively. At December 31, 2015, we had \$3,496 million of floating-rate debt under our senior secured credit facilities of which \$2,325 million (excluding \$550 million of forward swaps effective after December 31, 2015) 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 \$12 million (\$35 million without giving effect to any of our interest rate swaps). We periodically review our fixed/floating debt mix, and the volume, rates and duration of our interest rate hedging portfolio are subject to changes, which could adversely affect our results of operations.

The success of our business depends on our ability to recruit sample participants to participate in our research samples.

Our business uses scanners and diaries to gather consumer data from sample households as well as Set Meters, People Meters, Active/Passive Meters, PPM's and diaries to gather television and audio audience measurement data from sample households. It is increasingly difficult and costly to obtain consent from households to participate in the surveys. In addition, it is increasingly difficult and costly to ensure that the selected sample of households mirrors the behaviors and characteristics of the entire population and covers all of the demographic segments requested by our clients. Additionally, as consumers adopt modes of telecommunication other than traditional telephone service, such as mobile, cable and internet calling, it may become more difficult for our services to reach and recruit participants for consumer purchasing and audience measurement services. If we are unsuccessful in our efforts to recruit appropriate participants, maintain the integrity of our panels, maintain adequate participation levels or properly model the sample data, our clients may lose confidence in our ratings services and we could lose the support of the relevant industry groups. If this were to happen, our consumer purchasing and audience measurement services may be materially and adversely affected.

Data protection laws and self-regulatory codes may restrict our activities and increase our costs.

Various statutes and rules regulate conduct in areas such as privacy and data protection which may affect our collection, use, storage and transfer of information both abroad and in the United States. The definition of “personally identifiable information” and “personal data” continues to evolve and broaden, new laws and regulations are being enacted, and long-established programs, like the EU-US Safe Harbor framework, are being declared invalid, so that this area remains in a state of flux. In addition, some of our online products and services are subject to the

self-regulatory programs of several organizations. Compliance with these laws and self-regulatory codes may require us to make certain investments or may dictate that we not offer certain types of services or only offer such services after making necessary modifications. Failure to comply with these laws and self-regulatory codes may result in, among other things, civil and criminal liability, negative publicity, data being blocked from use and/or liability under contractual warranties. In addition, there is an increasing public concern regarding data and consumer protection issues, and the number of jurisdictions with data protection laws has been increasing. There is also the possibility that the scope of existing privacy laws may be expanded. For example, several countries, including the United States, have regulations that restrict telemarketing to individuals who request to be included on a do-not-call list. Typically, these regulations target sales activity and do not apply to survey research. If the laws were extended to include survey research, our ability to recruit research participants could be adversely affected. In addition, the European Union has reached agreement on the General Data Protection Regulation, originally introduced in 2012. The final text of the Regulation is expected to be formally adopted by the European Parliament and Council in the spring of 2016, and this Regulation should become effective in 2018. Interpretations of the Regulation may have a negative impact on some of our services or may require us to revise some of our practices, procedures or products. These or future initiatives may adversely affect our ability to generate or assemble data or to develop or market current or future services, which could negatively impact our business.

Our services involve the receipt, storage and transmission of proprietary information. If our security measures are breached and unauthorized access is obtained, our services may be perceived as not being secure and regulators, panelists and survey respondents may hold us liable for disclosure of personal data, and clients and venture partners may hold us liable or reduce their use of our services.

We receive, store and transmit large volumes of proprietary information and data that contains personal information about individuals. Security breaches could expose us to a risk of loss of this information, litigation and possible liability and our reputation could be damaged. It may also make it more difficult to recruit panelists and survey respondents. For example, hackers or individuals who attempt to breach our network security could, if successful, misappropriate proprietary information or cause interruptions in our services. If we experience any breaches of our network security or sabotage, we might be required to expend significant capital and resources to protect against or to alleviate problems and to respond to regulators' inquiries. We may not be able to remedy any problems caused by hackers or saboteurs in a timely manner, or at all. Techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target and, as a result, we may be unable to anticipate these techniques or to implement adequate preventive measures. If an actual or perceived breach of our security occurs, the perception of the effectiveness of our security measures could be harmed and we could lose current and potential clients. In addition, we may be subject to investigation and fines by jurisdictions that have data breach notification laws.

If we are unable to protect our intellectual property rights, our business could be adversely affected.

The success of our business will depend, in part, on:

- obtaining patent protection for our technology and services;
- defending our patents, copyrights, trademarks, service marks and other intellectual property;
- preserving our trade secrets and maintaining the security of our know-how and data; and
- operating our business without infringing upon intellectual property rights held by third parties.

We rely on a combination of contractual provisions, confidentiality procedures and the patent, copyright, trademark and trade secret laws of the United States and other countries to protect our intellectual property. These legal measures afford only limited protection and may not provide sufficient protection to prevent the infringement, misuse or misappropriation of our intellectual property. Intellectual property law in several foreign jurisdictions is subject to considerable uncertainty. There can be no assurances that the protections we have available for our proprietary technology in the United States and other countries will be available to us in all of the places we sell our services. Any infringement or misappropriation of our technology can have a negative impact on our business. The patents we own could be challenged, invalidated or circumvented by others and may not be of sufficient scope or strength to provide us with meaningful protection or commercial advantage. The expiration of our patents may lead to increased competition. Although our employees, consultants, clients and collaborators enter into confidentiality agreements with us, our trade secrets, data and know-how could be subject to unauthorized use, misappropriation or unauthorized disclosure. The growing need for global data, along with increased competition and technological advances, puts increasing pressure on us to share our intellectual property for client applications with others, which could result in infringement. Competitors may gain access to our intellectual property and proprietary information. Our trademarks could be challenged, which could force us to rebrand our services, result in a loss of brand recognition and require us to devote resources to advertising and marketing new brands. Furthermore, litigation may be necessary to enforce our intellectual property rights, to protect our trade secrets and to determine the validity and scope of our proprietary rights. Given the importance of our intellectual property, we will enforce our rights whenever it is necessary and prudent to do so. Any future litigation, regardless of the outcome, could result in substantial expense and diversion of time and attention of management, may not be resolved in our favor and could adversely affect our business.

If third parties claim that we infringe upon their intellectual property rights, our operating profits could be adversely affected.

We cannot be certain that we do not and will not infringe the intellectual property rights of others in operating our business. We may be subject to legal proceedings and claims in the ordinary course of our business, including claims that we have infringed third parties' intellectual property rights. Any such claims of intellectual property infringement, even those without merit, could:

- be expensive and time-consuming to defend;
- result in our being required to pay possibly significant damages;
- cause us to cease providing our services that incorporate the challenged intellectual property;
- require us to redesign or rebrand our services;

16

- divert management's attention and resources; or
- require us to enter into potentially costly royalty or licensing agreements in order to obtain the right to use a third party's intellectual property, although royalty or licensing agreements may not be available to us on acceptable terms or at all.

Any of the above could have a negative impact on our operating profits and harm our future prospects and financial condition.

We generate revenues throughout the world which are subject to exchange rate fluctuations, and our revenues and net income may suffer due to currency translations and repatriation of earnings to the U.S.

We operate globally, deriving approximately 40% of revenues for the year ended December 31, 2015 in currencies other than U.S. dollars, with approximately 9% of revenues deriving in Euros. Our U.S. operations earn revenues and incur expenses primarily in U.S. dollars, while our European operations earn revenues and incur expenses primarily in Euros. Outside the United States and the Euro Zone, we generate revenues and expenses predominantly in local currencies. Because of fluctuations (including possible devaluations) in currency exchange rates, we are subject to currency translation exposure on the profits of our operations, in addition to economic exposure. In certain instances, we may not be able to freely convert foreign currencies into U.S. dollars due to limitations placed on such conversions.

We have operations in both the Buy and Watch segments in Venezuela. The functional currency for these operations was the Venezuelan Bolivares Fuertes, which has been considered hyperinflationary since January 1, 2010. 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 losses, net in the consolidated statement of operations primarily reflecting the write-down of monetary assets and liabilities.

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

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

On February 12, 2015, the Venezuelan government replaced SICAD II with a new foreign exchange market mechanism ("SIMADI"). We currently expect to be able to access U.S. dollars through the SIMADI market. SIMADI has significantly higher foreign exchange rates than those available through the other foreign exchange mechanisms. At December 31, 2015, the SIMADI exchange rate was 198.7 bolivars to the U.S. dollar. As a result of this change, we recorded a pre-tax charge of \$8 million during the year ended December 31, 2015.

As of December 31, 2015, of the \$357 million in cash and cash equivalents, approximately \$317 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.

Our international operations are exposed to risks which could impede growth in the future.

We continue to explore opportunities in major international markets around the world, including China, Russia, India and Brazil. International operations expose us to various additional risks, which could adversely affect our business, including:

- costs of customizing services for clients outside of the United States;
- reduced protection for intellectual property rights in some countries;
- the burdens of complying with a wide variety of foreign laws;

17

- difficulties in managing international operations;
- longer sales and payment cycles;
- exposure to foreign currency exchange rate fluctuation;
- exposure to local economic conditions;
- limitations on the repatriation of funds from foreign operations;
- exposure to local political conditions, including adverse tax and other government policies and positions, civil unrest and seizure of assets by a foreign government; and
- the risks of an outbreak of war, the escalation of hostilities and acts of terrorism in the jurisdictions in which we operate.

In countries where there has not been a historical practice of using consumer packaged goods retail information or audience measurement information in the buying and selling of advertising time, it may be difficult for us to maintain subscribers.

Criticism of our audience measurement service by various industry groups and market segments could adversely affect our business.

Due to the high-profile nature of our services in the media, internet and entertainment information industries, we could become the target of criticism by various industry groups and market segments. We strive to be fair, transparent and impartial in the production of audience measurement services, and the quality of our U.S. ratings services are voluntarily subject to review and accreditation by the Media Rating Council, a voluntary trade organization, whose members include many of our key client constituencies. However, criticism of our business by special interests, and by clients with competing and often conflicting demands on our measurement service, could result in government regulation. While we believe that government regulation is unnecessary, no assurance can be given that legislation will not be enacted in the future that would subject our business to regulation, which could adversely affect our business.

A loss of one of our largest clients could adversely impact our results of operations.

Our top ten clients accounted for approximately 22% of our total revenues for the year ended December 31, 2015. We cannot assure you that any of our clients will continue to use our services to the same extent, or at all, in the future. A loss of one or more of our largest clients, if not replaced by a new client or an increase in business from existing clients, would adversely affect our prospects, business, financial condition and results of operations.

We rely on third parties to provide certain data and services in connection with the provision of our current services.

We rely on third parties to provide certain data and services for use in connection with the provision of our current services and our reliance on third-party data providers is growing. For example, our Buy segment enters into agreements with third parties (primarily retailers of fast-moving consumer goods) to obtain the raw data on retail product sales it processes and edits and from which it creates products and services. These suppliers of data may increase restrictions on our use of such data, fail to adhere to our quality control standards or otherwise satisfactorily perform services, increase the price they charge us for this data or refuse altogether to license the data to us. Supplier consolidation could put pressure on our cost structure. In addition, we may need to enter into agreements with third parties to assist with the marketing, technical and financial aspects of expanding our services for other types of media. In the event we are unable to use such third party data and services or if we are unable to enter into agreements with third parties, when necessary, our business and/or our potential growth could be adversely affected. In the event that such data and services are unavailable for our use or the cost of acquiring such data and services increases, our business could be adversely affected.

We rely on third parties for the performance of a significant portion of our worldwide information technology and operations functions. A failure to provide these functions in a satisfactory manner could have an adverse effect on our business.

We are dependent upon third parties for the performance of a significant portion of our information technology and operations functions worldwide. The success of our business depends in part on maintaining our relationships with these third parties and their continuing ability to perform these functions in a timely and satisfactory manner. If we experience a loss or disruption in the provision of any of these functions, or they are not performed in a satisfactory manner, we may have difficulty in finding alternate providers on terms favorable to us, or at all, and our business could be adversely affected.

Long-term disruptions in the mail, telecommunication infrastructure and/or air service could adversely affect our business.

Our business is dependent on the use of the mail, telecommunication infrastructure and air service. Long-term disruptions in one or more of these services, which could be caused by events such as natural disasters, the outbreak of war, the escalation of hostilities, civil unrest and/or acts of terrorism, could adversely affect our business, results of operations and financial condition.

Hardware and software failures, delays in the operations of our data gathering procedures, our computer and communications systems or the failure to implement system enhancements may harm our business.

Our success depends on the efficient and uninterrupted operation of our computer and communications systems and our data gathering procedures. A failure of our network or data gathering procedures could impede the processing of data, delivery of databases and services, client orders and day-to-day management of our business and could result in the corruption or loss of data. While many of our services have appropriate disaster recovery plans in place, we currently do not have full backup facilities everywhere in the world to provide redundant network capacity in the event of a system failure. Despite any precautions we may take, damage from fire, floods, hurricanes, power loss, telecommunications failures, computer viruses, break-ins and similar events at our various computer facilities, or delays in our data gathering operations due to weather or other acts of nature, could result in interruptions in the flow of data to our servers and to our clients. In addition, any failure by our computer environment to provide our required data communications capacity could result in interruptions in our service. In the event of a delay in the delivery of data, we could be required to transfer our data collection operations to an alternative provider. Such a transfer could result in significant delays in our ability to deliver our services to our clients and could be costly to implement. Additionally, significant delays in the planned delivery of system enhancements and improvements, or inadequate performance of the systems once they are completed, could damage our reputation and harm our business. Finally, long-term disruptions in infrastructure caused by events such as natural disasters, the outbreak of war, the escalation of hostilities, civil unrest and/or acts of terrorism (particularly involving cities in which we have offices) could adversely affect our services. Although we carry property and business interruption insurance, our coverage may not be adequate to compensate us for all losses that may occur.

The presence of our Global Technology and Information Center in Florida heightens our exposure to hurricanes and tropical storms, which could disrupt our business.

The technological data processing functions for certain of our U.S. operations are concentrated at our Global Technology and Information Center (“GTIC”) at a single location in Florida. Our geographic concentration in Florida heightens our exposure to a hurricane or tropical storm. These weather events could cause severe damage to our property and technology and could cause major disruptions to our operations. Although our GTIC was built in anticipation of severe weather events and we have insurance coverage, if we were to experience a catastrophic loss, we may exceed our policy limits and/or we may have difficulty obtaining similar insurance coverage in the future. As such, a hurricane or tropical storm could have an adverse effect on our business.

Changes in tax laws and the continuing ability to apply the provisions of various international tax treaties may adversely affect our financial results and increase our tax expense.

Changes in tax laws, international treaties, regulations, related interpretations and tax accounting standards in the United States, the United Kingdom, the Netherlands and other countries in which we operate may adversely affect our financial results, particularly our income tax expense. For example, recent legislative proposals to reform U.S. taxation of non-U.S. earnings could have a material adverse effect on our financial results by subjecting a significant portion of our non-U.S. earnings to incremental U.S. taxation and/or by delaying or permanently deferring certain

deductions otherwise allowed in calculating our U.S. tax liabilities. Further changes in the tax laws of foreign jurisdictions could arise as a result of the base erosion and profit shifting (BEPS) action plans issued by the Organisation for Economic Co-operation and Development (OECD) in 2015 as well as interpretations as to the application of EU rules on state aid. The OECD, which represents a coalition of member countries, has recommended changes to numerous long-standing tax principles. These changes, if adopted by countries, could increase tax uncertainty and may adversely affect our provision for income taxes. Finally, governments are increasingly considering changes to tax law regimes as a means to cover budgetary shortfalls resulting from the current economic environment. These changes could result in higher taxation to Nielsen.

We face increasing competition, which could adversely affect our business, financial condition, results of operations and cash flow.

We are faced with a number of competitors in the markets in which we operate. Some of our competitors in each market may have substantially greater financial, marketing and other resources than we do and may in the future engage in aggressive pricing action to compete with us and provide better technology. Although we believe we are currently able to compete effectively in each of the various markets in which we participate, we may not be able to do so in the future or be capable of maintaining or further increasing our current market share. Our failure to compete successfully in our various markets could adversely affect our business, financial condition, results of operations and cash flow.

We may be subject to antitrust litigation or government investigation in the future, which may result in an award of money damages or force us to change the way we do business.

In the past, certain of our business practices have been investigated by government antitrust or competition agencies, and we have on several occasions been sued by private parties for alleged violations of the antitrust and competition laws of various jurisdictions. Following some of these actions, we have changed certain of our business practices to reduce the likelihood of future litigation. Although each of these material prior legal actions have been resolved, there is a risk based upon the leading position of certain of our business operations that we could, in the future, be the target of investigations by government entities or actions by private parties challenging the legality of our business practices. Also, in markets where the retail trade is concentrated, regulatory authorities may perceive certain of our retail services as potential vehicles for collusive behavior by retailers or manufacturers. There can be no assurance that any such investigation or challenge will not result in an award of money damages, penalties or some form of order that might require a change in the way that we do business, any of which could adversely affect our revenue stream and/or profitability.

Our ability to successfully manage ongoing organizational changes could impact our business results.

We recently experienced senior leadership changes, and we continue to execute a number of significant business and organizational changes, including acquisitions, divestitures and workforce optimization projects to support our growth strategies. We expect these types of changes, which may include many staffing adjustments as well as employee departures, to continue for the foreseeable future. Successfully managing these changes, including the identification, development and retention of key employees to provide uninterrupted leadership and direction for our business, is critical to our success. This includes developing organization capabilities in key growth markets where the depth of skilled or experienced employees may be limited and competition for these resources is intense. Finally, our financial targets assume a consistent level of productivity improvement. If we are unable to deliver expected productivity improvements, while continuing to invest in business growth, our financial results could be adversely impacted.

If we are unable to attract, retain and motivate employees, we may not be able to compete effectively and will not be able to expand our business.

Our success and ability to grow are dependent, in part, on our ability to hire, retain and motivate sufficient numbers of talented people, with the increasingly diverse skills needed to serve clients and expand our business, in many locations around the world. Competition for highly qualified, specialized technical and managerial, and particularly consulting personnel is intense. Recruiting, training and retention costs and benefits place significant demands on our resources. The inability to attract qualified employees in sufficient numbers to meet particular demands or the loss of a significant number of our employees could have an adverse effect on us, including our ability to obtain and successfully complete important client engagements and thus maintain or increase our revenues.

We have suffered losses due to goodwill impairment charges in the past and could do so again in the future.

Goodwill and indefinite-lived intangible assets are subject to annual review for impairment (or more frequently should indications of impairment arise). In addition, other intangible assets are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. As of December 31, 2015, we had goodwill and intangible assets of \$12,555 million. Any downward revisions in the fair value of our reporting units or our intangible assets could result in impairment charges for goodwill and intangible assets that could materially affect our financial performance.

Failure to successfully complete or integrate acquisitions into our existing operations could have an adverse impact on our business, financial condition and results of operations.

We regularly evaluate opportunities for strategic growth through tuck-in acquisitions. Potential issues associated with these acquisitions could include, among other things, our ability to realize the full extent of the benefits or cost savings that we expect to realize as a result of the completion of the acquisition within the anticipated time frame, or at all; receipt of necessary consents, clearances and approvals in connection with the acquisition; diversion of management's attention from base strategies and objectives; and, with respect to acquisitions, our ability to successfully combine our businesses with the business of the acquired company in a manner that permits cost savings to be realized, including sales and administrative support activities and information technology systems among our company and the acquired company, motivating, recruiting and retaining executives and key employees, conforming standards, controls, procedures and policies, business cultures and compensation structures among our company and the acquired company, consolidating and streamlining corporate and administrative infrastructures, consolidating sales and marketing operations, retaining existing customers and attracting new customers, identifying and eliminating redundant and underperforming operations and assets, coordinating geographically dispersed organizations, and managing tax costs or inefficiencies associated with integrating our operations following completion of the acquisitions. In addition, acquisitions outside of the United States increase our exposure to risks associated with foreign operations, including fluctuations in foreign exchange rates and compliance with foreign laws and regulations. If an acquisition is not successfully completed or integrated into our existing operations, our business, financial condition and results of operations could be adversely impacted.

Our results of operations and financial condition could be negatively impacted by our U.S. and non-U.S. pension plans:

Adverse equity market conditions and volatility in the credit markets may have an unfavorable impact on the value of our pension trust assets and future estimated pension liabilities. As a result, our financial results in any period could be negatively impacted. In addition, in a period of an extended financial market downturn, we could be required to provide incremental pension plan funding with resulting liquidity risk which could negatively impact our financial position.

Ineffective internal controls could impact our business and operating results:

Our internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If we fail to maintain the adequacy of our internal controls, including any failure to implement required new or improved controls, or if we experience difficulties in its implementation, our business and operating results could be harmed and we could fail to meet our financial reporting obligations.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

We lease property in approximately 600 locations worldwide. We also own eight properties worldwide, including our offices in Oxford, United Kingdom, Mexico City, Mexico and Sao Paulo, Brazil. Our leased property includes offices in New York, New York, Oldsmar, Florida and Markham, Canada. In addition, we are subject to certain covenants including the requirement that we meet certain conditions in the event we merge into or convey, lease, transfer or sell our properties or assets as an entirety or substantially as an entirety to, any person or persons, in one or a series of transactions.

Item 3. Legal Proceedings

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.

Item 4. Mine Safety Disclosures
Not Applicable.

21

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on the New York Stock Exchange and is traded under the symbol “NLSN.” At the close of business on February 1, 2016, there was 1 stockholder of record. We believe that the number of beneficial owners is substantially greater than the number of record holders because a large portion of our common stock is held in “street name” by brokers.

The high and low reported sale prices per share for our common stock for the quarterly periods for the years ended December 31, 2015 and 2014 were as follows:

Quarterly Period	2015		2014	
	High	Low	High	Low
First	\$46.71	\$41.92	\$47.45	\$40.88
Second	\$46.85	\$44.11	\$48.67	\$42.54
Third	\$49.37	\$42.76	\$49.44	\$43.89
Fourth	\$48.78	\$44.13	\$45.89	\$40.56

In January 2013, our Board of Directors (the “Board”) adopted a cash dividend policy with the present intent to pay quarterly cash dividends on our outstanding common stock. Any decision to declare and pay dividends in the future will be made at the discretion of our Board 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. In addition, our ability to pay dividends is limited by covenants in our senior secured credit facilities and in the indentures governing our notes. See the “Liquidity and Capital Resources” section of Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations and Note 11 to our consolidated financial statements – “Long-term Debt and Other Financing Arrangements,” for a description of our senior secured credit facilities, debenture loans and these dividend restrictions.

The below table summarizes the dividends declared and paid on our common stock for the years ended December 31, 2015 and 2014.

Declaration Date	Record Date	Payment Date	Dividend Per Share
February 20, 2014	March 6, 2014	March 20, 2014	\$ 0.20
May 1, 2014	June 5, 2014	June 19, 2014	\$ 0.25
July 24, 2014	August 28, 2014	September 11, 2014	\$ 0.25
October 30, 2014	November 25, 2014	December 9, 2014	\$ 0.25
February 19, 2015	March 5, 2015	March 19, 2015	\$ 0.25
April 20, 2015	June 4, 2015	June 18, 2015	\$ 0.28
July 23, 2015	August 27, 2015	September 10, 2015	\$ 0.28

Edgar Filing: Nielsen Holdings plc - Form 10-K

October 29, 2015 November 24, 2015 December 8, 2015 \$ 0.28

On February 18, 2016, our Board declared a cash dividend of \$0.28 per share on our common stock. The dividend is payable on March 17, 2016 to stockholders of record at the close of business on March 3, 2016.

Our Board has approved a share repurchase program, as included in the below table, for up to \$2 billion of our outstanding common stock. The primary purpose of the program is to return value to shareholders and to mitigate dilution associated with our equity compensation plans.

	Share Repurchase Authorization
	(\$ in millions)
Board Approval July 25, 2013	\$ 500
October 23, 2014	\$ 1,000
December 11, 2015	\$ 500
Total Share Repurchase Authorization	\$ 2,000

Repurchases under these plans will be made in accordance with applicable securities laws from time to time in the open market or otherwise depending on our evaluation of market conditions and other factors. This program has been executed within the limitations of the existing authority granted at Nielsen’s Annual General Meetings of Shareholders held in 2014 and 2015. During the fourth quarter 2015, we repurchased a total of 3,699,951 shares of our common stock for \$174 million at an average price of \$47.04 per share. The activity during the fourth quarter of 2015 consisted of open market share repurchases and is summarized in the following table:

Period	Total Number of		Total Number of	
	Purchased	Average Price	Shares	Shares
October 1-31	1,276,829	\$ 46.95	1,276,829	\$ 469,601,614
November 1-30	1,141,708	\$ 47.75	1,141,708	\$ 415,084,736
December 1 - 31	1,281,414	\$ 46.50	1,281,414	\$ 855,495,985
Total fourth quarter 2015	3,699,951	\$ 47.04	3,699,951	

United Kingdom tax consequences for holders of common stock

The United Kingdom tax consequences discussed below do not reflect a complete analysis or listing of all the possible United Kingdom tax consequences that may be relevant to holders of our common stock. Furthermore, the statements below only apply to holders of our common stock who are resident for tax purposes outside of the United Kingdom.

Investors should consult their own tax advisors in respect of the tax consequences related to receipt, ownership, purchase or sale or other disposition of our common stock.

United Kingdom withholding tax

Under current law, the Company is not required to make any deduction or withholding for or on account of United Kingdom tax from dividends distributed on our common stock, irrespective of the tax residence or individual circumstances of the recipient shareholder.

United Kingdom income tax on dividends

A non-United Kingdom tax resident holder of our common stock will not be subject to United Kingdom income taxes on dividend income and similar distributions in respect of our shares, unless the shares are attributable to a permanent establishment or a fixed place of business maintained in the United Kingdom by such non-U.K. holder.

Disposition of Nielsen Shares

Holders of our common stock who are neither resident for tax purposes in the United Kingdom nor holding the common stock in connection with a trade carried on through a permanent establishment in the United Kingdom will not be subject to any United Kingdom taxes on chargeable gains as a result of any disposals of their common stock.

Common stock held outside the facilities of The Depository Trust Company ("DTC") should be treated as UK situs assets for the purpose of U.K. inheritance tax.

Stamp duty and stamp duty reserve tax ("SDRT")

Stamp duty and/or SDRT are imposed in the United Kingdom on certain transfers of securities (including shares in companies which, like us, are incorporated in the United Kingdom) at a rate of 0.5% of the consideration paid for the transfer. Certain transfers of shares to depositaries or into clearance systems are charged a higher rate of 1.5%.

Transfers of interests in shares within a depository or clearance system, and from a depository to a clearance system, are generally exempt from stamp duty and SDRT.

Transfers of our common stock held in book entry form through the facilities of DTC will not attract a charge to stamp duty or SDRT in the United Kingdom provided no instrument of transfer is entered into (which should not be necessary).

Any transfer of, or agreement to transfer, our common stock that occurs outside the DTC system, including repurchases by us, will ordinarily attract stamp duty or SDRT at a rate of 0.5%. This duty must be paid (and where applicable the transfer document stamped by HMRC) before the transfer can be registered in our books. Typically this stamp duty or SDRT would be paid by the purchaser of the common stock.

A transfer of title in our common stock from within the DTC system out of the DTC system will not attract stamp duty or SDRT if undertaken for no consideration. If that common stock is redeposited into DTC (which may only be done via a deposit of the common stock first with an appropriate offshore depository followed by a transfer of the common stock from the offshore depository into DTC), however, the redeposit will attract stamp duty or SDRT at a rate of 1.5%.

Investors should therefore note that the withdrawal of our common stock from the DTC system, or any transfers outside the DTC system, are likely to cause additional costs and delays in disposing of their common stock than would be the case if they hold our common stock in book entry form through the DTC system.

Item 6. Selected Financial and Other Data

The following table sets forth selected historical consolidated financial data as of the dates and for the periods indicated. The selected consolidated statement of operations data for the years ended December 31, 2015, 2014 and 2013 and selected consolidated balance sheet data as of December 31, 2015 and 2014 have been derived from our audited consolidated financial statements and related notes appearing elsewhere in this Form 10-K. The selected consolidated statement of operations data for the years ended December 31, 2012 and 2011 and selected consolidated balance sheet data as of December 31, 2013, 2012 and 2011 have been derived from our audited consolidated financial statements, which are not included in this annual report on Form 10-K.

The results of operations for any period are not necessarily indicative of the results to be expected for any future period. The audited consolidated financial statements, from which the historical financial information for the periods set forth below have been derived, were prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). The selected historical consolidated financial data set forth below should be read in conjunction with, and are qualified by reference to “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited consolidated financial statements and related notes thereto appearing elsewhere in this annual report on Form 10-K.

In March 2013, we completed the exit and shut down of one of our legacy online businesses and, in June 2013, we completed the sale of our Expositions business. These businesses are reported as discontinued operations, which requires retrospective restatement of prior periods to classify operating results of these businesses as discontinued operations. See “Item 7. Management Discussion and Analysis of Financial Condition and Results of Operations” for more information.

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	Year Ended December 31,				
	2015 ⁽¹⁾	2014 ⁽²⁾	2013 ⁽³⁾	2012 ⁽⁴⁾	2011 ⁽⁵⁾
Statement of Operations Data:					
Revenues	\$6,172	\$6,288	\$5,703	\$5,407	\$5,328
Depreciation and amortization ⁽⁶⁾	574	573	510	493	502
Operating income	1,093	1,089	861	880	726
Interest expense	311	300	309	390	449
Income from continuing operations	575	381	431	242	61
Income from discontinued operations	—	—	305	30	26
Income from continuing operations per common share (basic)	1.55	1.01	1.16	0.67	0.17
Income from continuing operations per common share (diluted)	1.54	1.00	1.14	0.66	0.17
Cash dividends declared per common share	1.09	0.95	0.72	—	—

(IN MILLIONS)	December 31,				
	2015	2014	2013 ⁽⁷⁾	2012 ⁽⁷⁾	2011 ⁽⁷⁾
Balance Sheet Data:					
Total assets	\$15,303	\$15,326	\$15,480	\$14,525	\$14,431
Long-term debt including capital leases	7,338	6,812	6,590	6,519	6,689

(1)

- Income for the year ended December 31, 2015 included \$51 million in restructuring charges, a gain of \$158 million recorded from the step acquisition of Nielsen Catalina Solutions and an \$8 million charge associated with the change to the Venezuelan currency exchange rate mechanism.
- (2) Income for the year ended December 31, 2014 included \$89 million in restructuring charges, \$97 million of charges associated with certain debt retirement transactions and a \$52 million charge associated with the change to the Venezuelan currency exchange rate mechanism.
- (3) Income for the year ended December 31, 2013 included \$119 million in restructuring charges.
- (4) Income for the year ended December 31, 2012 included \$85 million in restructuring charges and \$121 million of charges associated with certain debt retirement transactions.
- (5) Income for the year ended December 31, 2011 included \$83 million in restructuring charges and \$333 million of charges associated with the initial public offering of the Company's common stock and related debt retirement transactions and Sponsor agreement termination payments.
- (6) Depreciation and amortization expense included charges for the depreciation and amortization of tangible and intangible assets acquired in business combinations of \$205 million, \$204 million, \$162 million, \$145 million and \$161 million for the years ended December 31, 2015, 2014, 2013, 2012 and 2011, respectively.
- (7) As of December 31, 2013, 2012 and 2011, we have reclassified \$50 million, \$60 million and \$73 million, respectively, of debt issuance costs between total assets and long-term debt inclusive of capital leases to conform to current year presentation.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

The following discussion and analysis should be read together with the accompanying 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. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, those described in "Item 1A. Risk Factors." 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 and will be, as the case may be, 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. See "Cautionary Statement Regarding Forward Looking Statements" in Part I of this Annual Report on Form 10-K. The terms "Company," "Nielsen," "we," "our" or "us," as used herein, refer to Nielsen Holdings plc and its consolidated subsidiaries unless otherwise stated or indicated by context.

Background and Executive Summary

We are a leading global performance management 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 read, watch and listen to (consumer interaction across the television, radio, digital and mobile viewing and listening platforms referred to herein as "Watch") on a global and local basis. Our measurement and analytical services 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., 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 has helped us better address client needs in unmeasured areas of media consumption, including streaming audio and out-of-home, and our global distribution footprint has helped expand Arbitron's capabilities outside of the U.S. With Arbitron's assets, we have expanded 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 a total purchase price of \$116 million. Harris Interactive has expanded 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, more than 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 analytical 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.

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 more than 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 measurement services, which include our core tracking and scan data (primarily transactional measurement data and consumer behavior information), and analytical services 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, Australia and South Korea 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, digital 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 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.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and the related disclosure of contingent assets and liabilities. The most significant of these policies relate to: revenue recognition; business combinations including purchase price allocations; accruals for pension costs and other post-retirement benefits; accounting for income taxes; and valuation of long-lived assets including goodwill and indefinite-lived intangible assets, computer software and stock-based compensation. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the valuation of assets and liabilities that are not readily apparent from other sources. We evaluate these estimates on an ongoing basis. Actual results could vary from these estimates under different assumptions or conditions. For a summary of the significant accounting policies, including critical accounting policies discussed below, see Note 1 – "Description of Business, Basis of Presentation and Significant Accounting Policies" – to our consolidated financial statements.

Revenue Recognition

We recognize revenues when persuasive evidence of an arrangement exists, services have been rendered or information has been delivered, the fee is fixed or determinable and the collectability of the related revenue is reasonably assured.

A significant portion of our revenue is generated from information (primarily retail measurement and consumer panel services) and measurement (primarily from television, radio, internet and mobile audiences) services. We generally recognize revenue from the sale of services as the services are performed and delivered to the consumer, which is usually ratably over the term of the contract(s). Invoiced amounts are recorded as deferred revenue until earned. Substantially all of our customer contracts are non-cancelable and non-refundable.

Certain of our revenue arrangements include multiple deliverables and in these arrangements, the individual deliverables within the contract that have stand-alone value to the customer are separated and recognized upon delivery based upon our best estimate of their selling prices. These arrangements are not significant to our results of operations. In certain cases, software is included as part of these arrangements to allow our customers to view delivered information and is provided for the term of the arrangement and is not

significant to the marketing effort and is not sold separately. Accordingly, software provided to our customers is considered to be incidental to the arrangements and is not recognized as a separate element.

A discussion of our revenue recognition policies, by segment, follows:

Buy

Revenue from our Buy segment, primarily from retail measurement services and consumer panel services, is recognized over the period during which the services are performed and information is delivered to the customer, primarily on a straight line basis.

We also provide insights and solutions to customers through analytical studies that are recognized into revenue as value is delivered to the customer. The pattern of revenue recognition for these contracts varies depending on the terms of the individual contracts, and may be recognized proportionally or deferred until the end of the contract term and recognized when the information has been delivered to the customer.

Watch

Revenue from our Watch segment is primarily generated from television, radio, digital and mobile measurement services and recognized over the contract period, as the service is delivered to the customer, primarily on a straight-line basis.

Stock-Based Compensation

Expense Recognition

Our stock-based compensation programs are comprised of both stock options and restricted stock units (“RSUs”). We measure the cost of all stock-based payments, including stock options, at fair value on the grant date and recognize such costs within the consolidated statements of operations; however, no expense is recognized for stock-based payments that do not ultimately vest. We recognize expense associated with stock-based payments that vest upon a single date using the straight-line method. For those that vest over time, an accelerated graded vesting is used. We recorded \$48 million, \$47 million and \$47 million of expense associated with stock-based compensation for the years ended December 31, 2015, 2014 and 2013, respectively. As of December 31, 2015, the aggregate grant date fair value of all outstanding vested and unvested options was \$49 million and \$32 million, respectively. As of December 31, 2015, approximately \$38 million of unearned stock-based compensation related to unvested RSUs (net of estimated forfeitures) is expected to be recognized over a weighted average period of 3.4 years.

Fair Value Measurement

Determining the fair value of stock-based awards at the grant date requires considerable judgment. Stock-based compensation expense for time-based stock options is primarily based on the estimated grant date fair value using the Black-Scholes option pricing model, which considers factors such as estimating the expected term of stock options, expected volatility of our stock, and the number of stock-based awards expected to be forfeited due to future terminations. Some of the critical assumptions used in estimating the grant date fair value are presented in the table below:

Year Ended December 31,

Edgar Filing: Nielsen Holdings plc - Form 10-K

	2015	2014	2013
Expected life (years)	4.50-5.25	3.00-5.25	3.50-6.00
Risk-free interest rate	1.27-1.58 %	0.87%-1.66 %	0.40%-1.99 %
Expected dividend yield	2.18- 2.45 %	1.77% - 2.39 %	0% - 2.19 %
Expected volatility	23.44-23.70%	23.50%-25.32%	25.40%-27.60%
Weighted-average volatility	23.56 %	23.89 %	25.89 %

We consider several factors in estimating the expected life of our options granted, including the expected lives used by a peer group of companies and the historical option exercise behavior of our employees, which we believe are representative of future behavior. For 2015, 2014 and 2013, expected volatility was based on our historical volatility.

In addition, for stock-based awards where vesting is dependent upon achieving certain operating performance goals, we estimate the likelihood of achieving the performance goals. The total number of performance restricted share units to be earned is subject to achievement of cumulative performance goals for the three year period. Forty percent of the target award will be determined based on the Company's relative total shareholder return and sixty percent of the target award will be determined based on free cash flow achievements. The maximum payout is 200% of target. The fair value of the target award related to free cash flow was the fair value

on the date of the grant, and the fair value of the target awards related to relative shareholder return was based on the Monte Carlo model. Differences between actual results and these estimates could have a material effect on our financial results.

The assumptions used in calculating the fair value of stock-based awards represent our best estimates and, although we believe them to be reasonable, these estimates involve inherent uncertainties and the application of management's judgment. If factors change and we employ different assumptions in the application of our option-pricing model in future periods or if we experience different forfeiture rates, the compensation expense that is derived may differ significantly from what we have recorded in the current year.

Accounts Receivable

During the year ended December 31, 2015, we sold \$50 million of accounts receivables to a third party and recorded an immaterial loss on the sale to interest expense, net in the consolidated statement of operations. The sale was accounted for as a true sale, without recourse. We maintain servicing responsibilities of the receivables, for which the related costs are not significant. The proceeds of \$50 million from the sale were reported as a component of the changes in trade and other receivables, net within operating activities in the consolidated statement of cash flows.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill and other indefinite-lived intangible assets are stated at historical cost less accumulated impairment losses, if any.

Goodwill and other indefinite-lived intangible assets, consisting of certain trade names and trademarks, are each tested for impairment on an annual basis and whenever events or circumstances indicate that the carrying amount of such asset may not be recoverable. We have designated October 1st as the date in which the annual assessment is performed as this timing corresponds with the development of our formal budget and business plan review. We review the recoverability of our goodwill by comparing the estimated fair values of reporting units with their respective carrying amounts. We established, and continue to evaluate, our reporting units based on our internal reporting structure and define such reporting units at our operating segment level or one level below. The estimates of fair value of a reporting unit are determined using a combination of valuation techniques, primarily by an income approach using a discounted cash flow analysis and supplemented by a market-based approach.

A discounted cash flow analysis requires the use of various assumptions, including expectations of future cash flows, growth rates, discount rates and tax rates in developing the present value of future cash flow projections. Many of the factors used in assessing fair value are outside of the control of management, and these assumptions and estimates can change in future periods. Changes in assumptions or estimates could materially affect the determination of the fair value of a reporting unit, and therefore could affect the amount of potential impairment. The following assumptions are significant to our discounted cash flow analysis:

- Business projections – expected future cash flows and growth rates are based on assumptions about the level of business activity in the marketplace as well as applicable cost levels that drive our budget and business plans. The budget and business plans are updated at least annually and are frequently reviewed by management and our board of directors. Actual results of operations, cash flows and other factors will likely differ from the estimates used in our valuation, and it is possible that differences and changes could be material. A deterioration in profitability, adverse market conditions and a slower or weaker economic recovery than currently estimated by management could have a significant impact on the estimated fair value of our reporting units and could result in an impairment charge in the future. Should such events or circumstances arise, management would evaluate other options available at that time that, if executed, could result in future profitability.

- Long-term growth rates – the assumed long-term growth rate representing the expected rate at which a reporting unit’s earnings stream, beyond that of the budget and business plan period, is projected to grow. These rates are used to calculate the terminal value, or value at the end of the future earnings stream, of our reporting units, and are added to the cash flows projected for the budget and business plan period. The long-term growth rate for each reporting unit is influenced by general market conditions as well as factors specific to the reporting unit such as the maturity of the underlying services. The long-term growth rates we used for each of our reporting units in our 2015 evaluation was 3%.
- Discount rates – the reporting unit’s combined future cash flows are discounted at a rate that is consistent with a weighted-average cost of capital that is likely to be used by market participants. The weighted-average cost of capital is our estimate of the overall after-tax rate of return required by equity and debt holders of a business enterprise. The discount rate for each reporting unit is influenced by general market conditions as well as factors specific to the reporting unit. The discount rates we used in our 2015 evaluation of our reporting units were between 8.5% and 11.5%.

These estimates and assumptions vary between each reporting unit depending on the facts and circumstances specific to that unit. We believe that the estimates and assumptions we made are reasonable, but they are susceptible to change from period to period.

We also use a market-based approach in estimating the fair value of our reporting units. The market-based approach utilizes available market comparisons such as indicative industry multiples that are applied to current year revenue and earnings as well as recent comparable transactions.

To validate the reasonableness of the reporting unit fair values, we reconcile the aggregate fair values of our reporting units to our enterprise market capitalization. Enterprise market capitalization includes, among other factors, the market value of our common stock and the appropriate redemption values of our debt.

We did not have any indicators of impairment during the year ended December 31, 2015 that would require us to perform an interim impairment assessment. Our annual impairment assessment, performed as of October 1, 2015, resulted in no impairment. Further all four reporting units have fair values exceeding carrying values by at least 20% as of the annual impairment assessment date.

We perform sensitivity analyses on our assumptions, primarily around both long-term growth rate and discount rate assumptions. Our sensitivity analyses include several combinations of reasonably possible scenarios with regard to these assumptions. However, we consistently test a one percent movement in both our long-term growth rate and discount rate assumptions. When applying these sensitivity analyses, we noted that the fair value was greater than the underlying book value for all of our reporting units. While management believes that these sensitivity analyses provide a reasonable basis on which to evaluate the recovery of our goodwill, other facts or circumstances may arise that could impact the impairment assessment and therefore these analyses should not be used as a sole predictor of impairment.

The impairment test for other indefinite-lived intangible assets consists of a comparison of the fair value of the intangible asset with its carrying amount. If the carrying amount of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The estimates of fair value of trade names and trademarks are determined using a “relief from royalty” discounted cash flow valuation methodology. Significant assumptions inherent in this methodology include estimates of royalty rates and discount rates. Discount rate assumptions are based on an assessment of the risk inherent in the respective intangible assets. Assumptions about royalty rates are based on the rates at which comparable trade names and trademarks are being licensed in the marketplace.

Pension Costs

We provide a number of retirement benefits to our employees, including defined benefit pension plans and post-retirement medical plans. Pension costs, in respect of defined benefit pension plans, primarily represent the increase in the actuarial present value of the obligation for pension benefits based on employee service during the year and the interest on this obligation in respect of employee service in previous years, net of the expected return on plan assets. Differences between this expected return and the actual return on these plan assets and actuarial changes are not recognized in the statement of operations, unless the accumulated differences and changes exceed a certain threshold. The excess is amortized and charged to the statement of operations over, at the maximum, the average remaining term of employee service. We recognize obligations for contributions to defined contribution pension plans as expenses in the statement of operations as they are incurred.

The determination of benefit obligations and expenses is based on actuarial models. In order to measure benefit costs and obligations using these models, critical assumptions are made with regard to the discount rate, the expected return on plan assets, the assumed rate of compensation increases and longevity changes in the local jurisdictions. We provide retiree medical benefits to a limited number of participants in the U.S. and have ceased to provide retiree health care benefits to certain of our Dutch retirees. Therefore, retiree medical care cost trend rates are not a significant driver of our post retirement costs. Management reviews these critical assumptions at least annually. Other

assumptions involve demographic factors such as turnover, retirement and mortality rates. Management reviews these assumptions periodically and updates them as necessary.

The discount rate is the rate at which the benefit obligations could be effectively settled. For our U.S. plans, the discount rate is based on a bond portfolio that includes only long-term bonds with an Aa rating, or equivalent, from a major rating agency. For the Dutch and other non-U.S. plans, the discount rate is set by reference to market yields on high-quality corporate bonds. We believe the timing and amount of cash flows related to the bonds in these portfolios are expected to match the estimated payment benefit streams of our plans.

To determine the expected long-term rate of return on pension plan assets, we consider, for each country, the structure of the asset portfolio and the expected rates of return for each of the components. For our U.S. plans, a 50 basis point decrease in the expected return on assets would increase pension expense on our principal plans by approximately \$1 million per year. A similar 50 basis point decrease in the expected return on assets would increase pension expense on our principal Dutch plans by approximately \$3 million per year. We assumed that the weighted-averages of long-term returns on our pension plans were 6.0% for each of the years ended December 31, 2015, 2014 and 2013. We apply the expected long-term rate of return to the fair value of pension plan assets. The

actual return on plan assets will vary year to year from this assumption. Although the actual return on plan assets will vary from year to year, we believe it is appropriate to use long-term expected forecasts in selecting our expected return on plan assets. As such, there can be no assurance that our actual return on plan assets will approximate the long-term expected forecasts.

Effective January 1, 2016, we intend to change our approach to calculating the discount rate for our retirement benefit pension plans from a weighted-average yield curve approach to a spot-rate approach. Under the spot-rate approach, we will use individual spot rates along the yield curve that correspond with the timing of each future cash outflow for benefit payments in order to calculate interest cost and service cost within net periodic benefit costs. The spot-rate approach will represent a more precise measurement of interest and service cost. The new approach represents a change in accounting estimate that is inseparable from a change in accounting principle and accordingly is accounted for prospectively.

Income Taxes

We have a presence in more than 100 countries. We have completed many material acquisitions and divestitures which have generated complex tax issues requiring management to use its judgment to make various tax determinations. We try to organize the affairs of our subsidiaries in a tax efficient manner, taking into consideration the jurisdictions in which we operate. Although we are confident that tax returns have been appropriately prepared and filed, there is risk that additional tax may be assessed on certain transactions or that the deductibility of certain expenditures may be disallowed for tax purposes. Our policy is to estimate tax risk to the best of our ability and provide accordingly for those risks and take positions in which a high degree of confidence exists that the tax treatment will be accepted by the tax authorities. The policy with respect to deferred taxation is to provide in full for temporary differences using the liability method.

Deferred tax assets and deferred tax liabilities are computed by assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. The carrying value of deferred tax assets is adjusted by a valuation allowance to the extent that these deferred tax assets are not considered to be realized on a more likely than not basis. Realization of deferred tax assets is based, in part, on our judgment and various factors including reversal of deferred tax liabilities, our ability to generate future taxable income in jurisdictions where such assets have arisen and potential tax planning strategies. Valuation allowances are recorded in order to reduce the deferred tax assets to the amount expected to be realized in the future.

The Company records a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. Such tax positions are, based solely on their technical merits, more likely than not to be sustained upon examination by taxing authorities and reflect the largest amount of benefit, determined on a cumulative probability basis that is more likely than not to be realized upon settlement with the applicable taxing authority with full knowledge of all relevant information. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

Long-Lived Assets

We are required to assess whether the value of our long-lived assets, including our buildings, improvements, technical and other equipment, and amortizable intangible assets have been impaired whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. We do not perform a periodic assessment of assets for impairment in the absence of such information or indicators. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used or a significant adverse change that would indicate that the carrying amount of an asset or group of assets is not recoverable. Recoverability of assets that are held and

used is measured by comparing the sum of the future undiscounted cash flows expected to be derived from an asset (or a group of assets) to their carrying value. If the carrying value of the asset (or the group of assets) exceeds the sum of the future undiscounted cash flows, impairment is considered to exist. If impairment is considered to exist based on undiscounted cash flows, the impairment charge is measured using an estimation of the assets' fair value, typically using a discounted cash flow method. The identification of impairment indicators, the estimation of future cash flows and the determination of fair values for assets (or groups of assets) requires us to make significant judgments concerning the identification and validation of impairment indicators, expected cash flows and applicable discount rates. These estimates are subject to revision as market conditions and our assessments change. No impairment indicators were noted for the years ended December 31, 2015, 2014 and 2013.

We capitalize software development costs with respect to major internal use software initiatives or enhancements. The costs are capitalized from the time that the preliminary project stage is completed, and we consider it probable that the software will be used to perform the function intended until the time the software is placed in service for its intended use. Once the software is placed in service, the capitalized costs are generally amortized over periods of three to seven years. If events or changes in circumstances indicate that the carrying value of software may not be recovered, a recoverability analysis is performed based on estimated undiscounted cash flows to be generated from the software in the future. If the analysis indicates that the carrying value is not recoverable from future cash flows, the software cost is written down to estimated fair value and an impairment is recognized. These

estimates are subject to revision as market conditions and as our assessments change. Impairment charges for the year ended December 31, 2015 were insignificant.

Factors Affecting Nielsen's Financial Results

Acquisitions, Dispositions and Investments in Affiliates

Arbitron Inc.

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

As part of the acquisition, we acquired the remaining 49.5% interest in Scarborough Research, a joint venture between us and Arbitron ("Scarborough") that we historically accounted for under the equity method of accounting. We accounted for this transaction as a step-acquisition and calculated the fair value of the investment immediately before the acquisition to be \$75 million. As a result, during the third quarter of 2013, we recorded a \$24 million gain on the investment in Scarborough to other income/(expense), net in the consolidated statement of operations. Commencing October 1, 2013, the financial results of Scarborough were included within our consolidated financial statements.

The acquisition was accounted for using the acquisition method of accounting which requires, among other things, the assets acquired and the liabilities assumed be recognized at their fair values as of the acquisition date. Since the date of the acquisition occurred on the last day of the third quarter of 2013, the financial results of Arbitron were included within our consolidated financial statements commencing October 1, 2013. Our consolidated statement of operations for the year ended December 31, 2013 includes \$134 million of revenues related to the Arbitron acquisition.

The purchase price was allocated based upon the fair value of the assets acquired and liabilities assumed at the date of acquisition. The following table summarizes the purchase price allocation:

(IN MILLIONS)

Fair value of business combination:

Cash paid for Arbitron common stock	\$1,296
Accrued payment for directors' and employees' equity awards pertaining to pre-merger service	42
Accrued dividend payment on Arbitron common stock	3
Fair value of previously held equity interest in Scarborough	75
Total	\$1,416
Identifiable assets acquired and liabilities assumed:	
Cash	\$136
Other current assets	129
Property and equipment	32
Goodwill	947
Amortizable intangible assets	472
Other long term assets	2
Deferred revenue	(47)

Other current liabilities	(53)
Deferred tax liabilities	(184)
Other long term liabilities	(18)
Total	\$1,416

As of the acquisition date, the expected fair value of accounts receivable approximated historical cost. The gross contractual receivable was \$64 million, of which \$4 million was deemed uncollectible.

The allocation of the purchase price to goodwill and identified intangible assets was \$947 million and \$472 million, respectively. All of the Arbitron related goodwill and intangible assets are attributable to our Watch segment.

Intangible assets and their estimated useful lives consist of the following:

(IN MILLIONS)		
Description	Amount	Useful Life
Customer-related intangibles	\$ 271	10 – 15 years
Computer software	159	5 – 10 years
Trade names and trademarks	31	3 - 5 years
Covenants-not-to-compete	11	1 – 2 years
Total	\$ 472	

Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents expected synergies and the going concern nature of Arbitron.

We incurred acquisition-related expenses of \$19 million for the year ended December 31, 2013, which primarily consisted of transaction fees, legal, accounting and other professional services that are included in selling, general and administrative expense in the consolidated statement of operations.

The following unaudited pro forma information presents the consolidated results of our operations and Arbitron's for the year ended December 31, 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)		2013
Revenues		\$6,058
Income from continuing operations		\$497

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.

Nielsen Audio's results of operations are fully reflected in our consolidated results of operations for the year ended December 31, 2015 and 2014.

Other Acquisitions

For the year ended December 31, 2015, we paid cash consideration of \$246 million associated with both current period and previously executed acquisitions, net of cash acquired. Included in this amount is \$45 million for an additional 13.5% interest in Nielsen Catalina Solutions, a joint venture between us and Catalina ("NCS") that we historically accounted for under the equity method of accounting. As part of this transaction we gained control of NCS and, as such accounted for it as a step-acquisition and calculated the fair value of the investment immediately before the acquisition to be \$161 million. As a result, during the fourth quarter of 2015, we recorded a \$158 million gain on the investment in NCS to other income/(expense), net in the consolidated statement of operations. Commencing October 1, 2015, NCS was reflected as a consolidated subsidiary within our consolidated financial statements. Had these current period's acquisitions occurred as of January 1, 2015, the impact on our consolidated results of operations

would not have been material.

For the year ended December 31, 2014, we paid cash consideration of \$314 million associated with both current period and previously executed acquisitions (including Harris Interactive, Inc.), net of cash acquired. Had that period's acquisitions occurred as of January 1, 2014, the impact on our consolidated results of operations would not have been material.

For the year ended December 31, 2013, excluding Arbitron, we paid cash consideration of \$43 million associated with both current period and previously executed acquisitions, net of cash acquired. Had that period's acquisitions occurred as of January 1, 2013, the impact on our consolidated results of operations would not have been material.

Discontinued Operations and Other Dispositions

In November 2015, we completed the sale of the National Research Group, Inc., a leader in providing market research to movie studios within our Watch segment, for total cash consideration of \$34 million and recorded an \$18 million gain on the sale to other income/(expense), net in the consolidated statement of operations. The disposition did not qualify to be classified as 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. 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 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 \$290 million. The 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 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)	Year Ended	
	December 31,	
	2015	2014 2013
Revenue	\$—	\$ 15 \$ 103
Operating income	—	— 35
Interest expense ⁽¹⁾	—	— (8)
Income from operations before income taxes	—	— 27
Provision for income taxes	—	— (12)
Income from operations	—	— 15
Gain on sale, net of tax	—	— 290
Net income attributable to noncontrolling interest	—	— —
Income from discontinued operations, net of tax	\$—	\$ — \$ 305

(1) 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 years ended December 31, 2015, 2014 and 2013, interest expense of zero, zero and \$8 million, respectively, was allocated to discontinued operations.

Following are the major categories of cash flows from discontinued operations, as included in our consolidated statements of cash flows for the years ended December 31, 2015, 2014 and 2013:

(IN MILLIONS)	Year Ended	
	December 31,	
	2015	2014 2013
Net cash provided by operating activities	\$ —	\$ — \$ 36
Net cash used in investing activities	—	— —
Net cash used in 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.

	Year ended December 31, 2015		Year ended December 31, 2014		Year ended December 31, 2013	
U.S. Dollar	60	%	56	%	52	%
Euro	9	%	11	%	12	%
Other Currencies	31	%	33	%	36	%
Total	100	%	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 7A.—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 \$1.11 to €1.00, \$1.33 to €1.00 and \$1.33 to €1.00 for the years ended December 31, 2015, 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 the Buy and Watch segments in Venezuela and the functional currency for these operations was the Venezuelan Bolivares Fuertes (“bolivars”). Venezuela’s currency has been considered hyperinflationary since January 1, 2010 and, accordingly, the local currency transactions have been denominated in U.S. dollars since January 1, 2010 and will continue to be until Venezuela’s currency is deemed to be non-hyperinflationary.

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

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

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

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

On February 12, 2015, the Venezuelan government replaced SICAD II with a new foreign exchange market mechanism (“SIMADI”). We currently expect to be able to access U.S. dollars through the SIMADI market. SIMADI has significantly higher foreign exchange rates than those available through the other foreign exchange mechanisms. At December 31, 2015, the SIMADI exchange rate was 198.7 bolivars to the U.S. dollar. As a result of this change, we recorded a pre-tax charge of \$8 million during the year ended December 31, 2015.

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

We evaluate our results of operations on both an as reported and a constant currency basis. The constant currency presentation, which is a non-GAAP financial measure, 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, thereby facilitating period-to-period comparisons of our business performance and is consistent with how management evaluates the Company’s performance. We calculate constant currency percentages by converting our prior-period local currency financial results using the current period exchange rates and comparing

these adjusted amounts to our current period reported results. This calculation may differ from similarly-titled measures used by others and, accordingly, 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 – Years Ended December 31, 2015, 2014 and 2013

The following table sets forth, for the periods indicated, the amounts included in our consolidated statements of operations:

(IN MILLIONS)	Year Ended		
	December 31,		
	2015	2014	2013
Revenues	\$6,172	\$6,288	\$5,703
Cost of revenues, exclusive of depreciation and amortization shown separately below	2,539	2,620	2,398
Selling, general and administrative expenses, exclusive of depreciation and amortization shown separately below	1,915	1,917	1,815
Depreciation and amortization	574	573	510
Restructuring charges	51	89	119
Operating income	1,093	1,089	861
Interest income	4	3	2
Interest expense	(311)	(300)	(309)
Foreign currency exchange transaction losses, net	(31)	(71)	(25)
Other income/(expense), net	206	(100)	(9)
Income from continuing operations before income taxes and equity in net (loss)/income of affiliates	961	621	520
Provision for income taxes	(383)	(236)	(91)
Equity in net (loss)/income of affiliates	(3)	(4)	2
Income from continuing operations	575	381	431
Income from discontinued operations, net of tax	—	—	305
Net income	575	381	736
Net income/(loss) attributable to noncontrolling interests	5	(3)	(4)
Net income attributable to Nielsen stockholders	\$570	\$384	\$740

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, 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.

36

The below table presents a reconciliation from net income to Adjusted EBITDA for the years ended December 31, 2015, 2014 and 2013:

(IN MILLIONS)	Year Ended		
	December 31,		
	2015	2014	2013
Net income	\$575	\$381	\$736
Income from discontinued operations, net	—	—	(305)
Interest expense, net	307	297	307
Provision for income taxes	383	236	91
Depreciation and amortization	574	573	510
EBITDA	1,839	1,487	1,339
Equity in net loss/(income) of affiliates	3	4	(2)
Other non-operating (income)/expense, net	(175)	171	34
Restructuring charges	51	89	119
Stock-based compensation expense	48	47	47
Other items ^(a)	92	39	80
Adjusted EBITDA	\$1,858	\$1,837	\$1,617

(a) For the years ended December 31, 2015, other items consist of a \$36 million donation to the Nielsen Foundation, \$14 million charge for the partial settlement of certain U.S. pension plan participants, and other non-recurring costs. For the year ended December 31, 2014, other items primarily consist of non-recurring items. For the year ended December 31, 2013, other items consist primarily of one-time items associated with the acquisition of Arbitron, including non-cash purchase accounting adjustments and transaction-related costs

Consolidated Results for the Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

Revenues

Revenues decreased 1.8% to \$6,172 million for the year ended December 31, 2015 from \$6,288 million for the year ended December 31, 2014, or an increase of 5.0% on a constant currency basis, excluding a 6.8% unfavorable impact of changes in foreign currency exchange rates. Revenues within our Buy segment decreased 5.1%, or an increase of 5.0% on a constant currency basis, excluding a 10.1% unfavorable impact of changes in foreign currency exchange rates. Revenues within our Watch segment increased 2.2%, or 4.9% on a constant currency basis, excluding a 2.7% unfavorable impact of changes in foreign currency exchange rates. Refer to the “Business Segment Results” section for further discussion of our revenue performance.

Cost of Revenues, Exclusive of Depreciation and Amortization

Cost of revenues decreased 3.1% to \$2,539 million for the year ended December 31, 2015 from \$2,620 million for the year ended December 31, 2014, or an increase of 3.7% on a constant currency basis, excluding a 6.8% favorable impact of changes in foreign currency exchange rates.

Costs within our Buy segment decreased 5.9%, or an increase of 3.5% on a constant currency basis. Excluding a 9.4% favorable impact of changes in foreign currency exchange rates, cost of revenues increased due to the continued global investments in our services.

Costs within our Watch segment increased 1.5%, or 4.5% on a constant currency basis. Excluding a 3.0% favorable impact of changes in foreign currency exchange rates, cost of revenues increased due to higher spending on product portfolio management initiatives, including our digital and Marketing Effectiveness product offerings.

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

Selling, general and administrative expenses decreased 0.1% to \$1,915 for the year ended December 31, 2015 from \$1,917 million for the year ended December 31, 2014, or an increase of 7.4% on a constant currency basis, excluding a 7.5% favorable impact of changes in foreign currency exchange rates.

Costs within our Buy segment decreased 3.7%, or an increase of 5.7% on a constant currency basis. Excluding a 9.4% favorable impact of changes in foreign currency exchange rates, selling, general and administrative expenses increased due to continued global investments associated with our services.

Costs within our Watch segment decreased 2.8%, or an increase 0.4% on a constant currency basis. Excluding a 3.2% favorable impact of changes in foreign currency exchange rates, selling, general and administrative expenses increased due to increased investment in product development initiatives, partially offset by Arbitron integration activities that occurred in the second half of 2014.

Corporate costs increased by \$62 million for the year ended December 31, 2015, primarily due to a \$36 million donation to the Nielsen Foundation and a \$14 million charge for the partial settlement of certain U.S. pension plans.

Depreciation and Amortization

Depreciation and amortization expense was \$574 million for the year ended December 31, 2015 as compared to \$573 million for the year ended December 31, 2014. Depreciation and amortization expense associated with tangible and intangible assets acquired in business combinations increased to \$205 million for the year ended December 31, 2015 from \$204 million for the year ended December 31, 2014.

Restructuring Charges

We recorded \$51 million in restructuring charges for the year ended December 31, 2015, primarily related to employee severance associated with productivity initiatives.

We recorded \$89 million in restructuring charges for the year ended December 31, 2014, primarily related to employee severance associated with productivity initiatives.

Operating Income

Operating income for the year ended December 31, 2015 was \$1,093 million compared to operating income of \$1,089 million for the year ended December 31, 2014. Operating income within our Buy segment increased to \$369 million for the year ended December 31, 2015 from \$358 million for the year ended December 31, 2014. Operating income within our Watch segment increased to \$880 million for the year ended December 31, 2015 from \$836 million for the year ended December 31, 2014. Corporate operating expenses increased to \$156 million for the year ended December 31, 2015 from \$105 million for the year ended December 31, 2014.

Interest Expense

Interest expense was \$311 million for the year ended December 31, 2015 compared to \$300 million for the year ended December 31, 2014. This increase is primarily related to the higher debt balances due to the issuance of \$750 million 5.00% Senior Notes in February 2015 partially offset by 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.

Foreign Currency Exchange Transaction Losses, Net

Foreign currency exchange transaction losses, net, represent the net loss on revaluation of certain cash, external debt, intercompany loans and other receivables and payables. Fluctuations in the value of foreign currencies relative to the U.S. Dollar, particularly the Euro, have a significant effect on our operating results. The average U.S. Dollar to Euro exchange rate was \$1.11 to €1.00 and \$1.33 to €1.00 for the years ended December 31, 2015 and 2014, respectively.

We realized net losses of \$31 million for the year ended December 31, 2015, resulting primarily from the revaluation of our U.S. denominated debt and cash held in Euro functional currency entities of \$14 million, the devaluation of the Venezuelan bolivars of \$8 million as discussed in the "Foreign Currency" section of "Factors Affecting Nielsen's

Financial Results”, as well as the fluctuations in certain foreign currencies associated with intercompany transactions, partially offset by a gain of \$2 million associated with foreign currency derivative financial instruments.

We incurred \$71 million in net foreign currency exchange losses for the year ended December 31, 2014, resulting primarily from changes to the Venezuelan exchange rate mechanisms as discussed in the “Foreign Currency” section of “Factors Affecting Nielsen’s Financial Results” as well as the fluctuation in U.S. dollar to Euro exchange rate associated with our European revolving credit facility and the fluctuations in certain foreign currencies associated with intercompany transactions.

Other Income/(Expense), Net

Other income, net of \$206 million for the year ended December 31, 2015 is primarily related to the gains recorded from the step acquisition of NCS in the amount of \$158 million, sale of an equity investment in the amount of \$30 million and the disposition of NRG in the amount of \$18 million.

Other expense, net of \$100 million for the year ended December 31, 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 debt financing fees associated with the Class D and E term loans and certain costs incurred in connection with the refinancings.

Income from Continuing Operations Before Income Taxes and Equity in Net Income of Affiliates

Income was \$961 million for the year ended December 31, 2015 compared to \$621 million for the year ended December 31, 2014 due primarily to the consolidated results mentioned above.

Income Taxes

The effective tax rates for the years ended December 31, 2015 and 2014 were 40% and 38%, respectively.

The effective tax rate for the year ended December 31, 2015 was higher than the UK statutory rate as a result of the impact of tax rate differences in other jurisdictions where the Company files tax returns, the effect of global licensing activities, withholding and foreign taxes as well as state and local income taxes, offset by the favorable impact of certain financing activities and foreign distributions. The effective tax rate for the year ended December 31, 2014 was higher than the statutory expense rate as a result of the impact of tax rate differences in other jurisdictions where the Company files tax returns, the effect of global licensing activities and foreign distributions, withholding and foreign taxes as well as state and local income taxes offset by the favorable impact of certain financing activities.

At December 31, 2015 and 2014, we had gross uncertain tax positions of \$461 million and \$452 million, respectively. We also have accrued interest and penalties associated with these uncertain tax positions as of December 31, 2015 and 2014 of \$34 million and \$41 million, respectively.

Estimated interest and penalties related to the underpayment of income taxes is classified as a component of our provision or benefit for income taxes. It is reasonably possible that a reduction in a range of \$42 million to \$74 million of uncertain tax positions may occur within the next twelve months as a result of projected resolutions of worldwide tax disputes.

Our future effective tax rates could be adversely affected by earnings being lower than anticipated in countries where statutory rates are lower and earnings being higher than anticipated in countries where statutory rates are higher, by changes in the valuation of our deferred tax assets, or by changes in tax laws, regulations, accounting principles, or interpretations thereof.

Adjusted EBITDA

Adjusted EBITDA increased 1.1% to \$1,858 million for the year ended December 31, 2015 from \$1,837 million for the year ended December 31, 2014, or 7.2% on a constant currency basis, excluding a 6.1% unfavorable impact of changes in foreign currency exchange rates. Our Adjusted EBITDA margin increased to 30.10% for the year ended December 31, 2015 from 29.21% for the year ended December 31, 2014. See “Results of Operations – Years Ended December 31, 2015, 2014 and 2013” for the reconciliation of net income to Adjusted EBITDA.

Consolidated Results for the Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

Revenues

Revenues increased 10.3% to \$6,288 million for the year ended December 31, 2014 from \$5,703 million for the year ended December 31, 2013, or 12.4% on a constant currency basis, which excludes a 2.1% unfavorable impact of changes in foreign currency exchange rates. Excluding the impact of the Arbitron and Harris Interactive acquisitions, revenues increased 2.4% (4.5% on a constant currency basis). Revenues within our Buy segment increased 3.4% (6.3% on a constant currency basis). Excluding the impact from the Harris Interactive acquisition, Buy segment revenues increased 0.8% (3.6% on a constant currency basis). Revenues within our Watch segment increased 20.4% (21.3% on a constant currency basis). Excluding the impact from the Arbitron acquisition, revenues within our Watch segment increased 4.9% (5.8% on a constant currency basis).

Cost of Revenues, Exclusive of Depreciation and Amortization

Cost of revenues increased 9.3% to \$2,620 million for the year ended December 31, 2014 from \$2,398 million for the year ended December 31, 2013, or 10.8% on a constant currency basis, excluding a 1.5% favorable impact of changes in foreign currency exchange rates. Costs within our Buy segment increased 7.1% (9.3% on a constant currency basis) due primarily to the Harris Interactive acquisition in February 2014 and the continued global expansion of our services. Costs within our Watch segment increased 11.1% (11.7% on a constant currency basis) primarily due to the impact of the Arbitron acquisition on September 30, 2013 partially offset by the impact of productivity initiatives. Corporate costs increased by approximately \$17 million in 2014 as compared to 2013.

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

Selling, general and administrative expenses increased 5.6% to \$1,917 million for the year ended December 31, 2014 from \$1,815 million for the year ended December 31, 2013, or an increase of 7.8% on a constant currency basis, excluding a 2.2% favorable impact of changes in foreign currency exchange rates. Costs within our Buy segment increased 0.9% (3.5% on a constant currency basis) due primarily to the Harris Interactive acquisition in February 2014, as well as other investments associated with the expansion of our services. Costs within our Watch segment increased 21.7% (22.4% on a constant currency basis) primarily due to the impact of the Arbitron acquisition on September 30, 2013, as well as the impact of other investments in product development initiatives. Corporate costs decreased by \$10 million due to higher transaction-related costs in 2013.

Depreciation and Amortization

Depreciation and amortization expense from continuing operations was \$573 million for the year ended December 31, 2014 as compared to \$510 million for the year ended December 31, 2013. The increase was primarily driven by increases in depreciation and amortization expense associated with the assets acquired in business acquisitions. Depreciation and amortization expense associated with tangible and intangibles assets acquired in business combinations increased to \$204 million for the year ended December 31, 2014 from \$162 million for the year ended December 31, 2013.

Restructuring Charges

We recorded \$89 million in restructuring charges for the year ended December 31, 2014, primarily related to employee severance associated with productivity initiatives.

We recorded \$119 million in restructuring charges for the year ended December 31, 2013, primarily related to employee severance associated with productivity initiatives and contract termination costs.

Operating Income

Operating income for the year ended December 31, 2014 was \$1,089 million compared to operating income of \$861 million for the year ended December 31, 2013. Operating income within our Buy segment decreased to \$358 million for the year ended December 31, 2014 from \$399 million for the year ended December 31, 2013. Operating income within our Watch segment increased to \$836 million for the year ended December 31, 2014 from \$570 million for the year ended December 31, 2013. Corporate operating expenses decreased to \$105 million for the year ended December 31, 2014 from \$108 million for the year ended December 31, 2013.

Interest Expense

Interest expense was \$300 million for the year ended December 31, 2014 compared to \$309 million for the year ended December 31, 2013. The decline primarily related to the refinancing of Term Loan A and B in February 2013, the maturity of the mandatory convertible debt in February 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 partially offset by the increased debt balance in September 2013 related to Arbitron acquisition financing and the interest expense allocated to our discontinued operations in the year ended December 31, 2013 as discussed in the “Discontinued Operations” section in “Factors Affecting Nielsen’s Financial Results” above.

Foreign Currency Exchange Transaction Losses, Net

Foreign currency exchange transaction losses, net, represent the net loss on revaluation of certain cash, external debt, intercompany loans and other receivables and payables. Fluctuations in the value of foreign currencies relative to the U.S. Dollar, particularly the Euro, have a significant effect on our operating results. The average U.S. Dollar to Euro exchange rate was \$1.33 to €1.00 in each of the years ended December 31, 2014 and 2013.

We incurred \$71 million in net foreign currency exchange losses for the year ended December 31, 2014, resulting primarily from changes to the Venezuelan exchange rate mechanisms as discussed in the “Foreign Currency” section of “Factors Affecting Nielsen’s Financial Results” as well as the fluctuation in U.S. to Euro exchange rate associated with our European revolving credit facility and the fluctuations in certain foreign currencies associated with intercompany transactions.

We incurred \$25 million in net foreign currency exchange losses for the year ended December 31, 2013, resulting primarily from the devaluation of the Venezuelan bolivars 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 Income/(Expense), Net

Other expense, net of \$100 million for the year ended December 31, 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 debt financing fees associated with the Class D and E term loans and certain costs incurred in connection with the refinancings.

The \$9 million of other expense, net for the year ended December 31, 2013 consists primarily of the write-off of debt financing costs and other costs of \$12 million associated with the amendment to our Credit Agreement (as defined below), charges of \$12 million associated with the unused bridge loan terminated as part of the Arbitron acquisition and charges of approximately \$8 million related to the redemption of all of our 11.625% Senior Notes due 2014, partially offset by the gain of \$24 million from the step acquisition of Scarborough.

Income from Continuing Operations Before Income Taxes and Equity in Net Income of Affiliates

Income was \$621 million for the year ended December 31, 2014 compared to \$520 million for the year ended December 31, 2013 due primarily to the consolidated results mentioned above.

Income Taxes

The effective tax rates for the years ended December 31, 2014 and 2013 were 38% and 18%, respectively.

The effective tax rate for the year ended December 31, 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, the effect of global licensing activities and foreign distributions, withholding and foreign taxes as well as state and local income taxes offset by the favorable impact of certain financing activities. The effective tax rate for the year ended December 31, 2013 was lower than the statutory expense rate due to the favorable impact of certain financing activities, release of valuation allowances and favorable impacts of provision to return adjustments.

At December 31, 2014 and 2013, we had gross uncertain tax positions of \$452 million and \$475 million, respectively. We also have accrued interest and penalties associated with these uncertain tax positions as of December 31, 2014 and 2013 of \$41 million and \$52 million, respectively.

Estimated interest and penalties related to the underpayment of income taxes is classified as a component of our provision or benefit for income taxes. It is reasonably possible that a reduction in a range of \$23 million to \$45 million of uncertain tax positions may occur within the next twelve months as a result of projected resolutions of worldwide tax disputes.

Our future effective tax rates could be adversely affected by earnings being lower than anticipated in countries where statutory rates are lower and earnings being higher than anticipated in countries where statutory rates are higher, by changes in the valuation of our deferred tax assets, or by changes in tax laws, regulations, accounting principles, or interpretations thereof.

Adjusted EBITDA

Adjusted EBITDA increased 13.6% to \$1,837 million for the year ended December 31, 2014 from \$1,617 million for the year ended December 31, 2013, or 16.5% on a constant currency basis. Our Adjusted EBITDA margin increased to 29.21% for the year ended December 31, 2014 from 28.35% for the year ended December 31, 2013. See “Results of Operations – Years Ended December 31, 2015, 2014 and 2013)” for the reconciliation of net income to Adjusted EBITDA.

Business Segment Results for the Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

Revenues

The table below sets forth our segment revenue performance data for the year ended December 31, 2015 compared to the year ended December 31, 2014, both on an as-reported and constant currency basis.

	Year Ended December 31, 2015	Year Ended December 31, 2014	% Variance 2015 vs. 2014 Reported	Year Ended December 31, 2014 Constant Currency	% Variance 2015 vs. 2014 Constant Currency	
(IN MILLIONS)						
Developed Markets	\$ 2,301	\$ 2,390	(3.7)% \$ 2,224	3.5	%
Emerging Markets	1,044	1,133				