Nielsen Holdings N.V.
Form 10-Q
April 25, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended March 31, 2013

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 N.V.

(Exact name of registrant as specified in its charter)

The Netherlands	**98-0662038**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
85 Broad Street	**Diemerhof 2**
New York, New York 10004	**1112 XL Diemen**
(646) 654-5000	**The Netherlands**
	+31 (0) 20 398 87 77

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

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

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

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

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

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

There were 374,947,526 shares of the registrant s Common Stock outstanding as of March 31, 2013.

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements
Nielsen Holdings N.V.

Condensed Consolidated Statements of Operations (Unaudited)

(IN MILLIONS EXCEPT SHARE AND PER SHARE DATA)	**Three Months Ended March 31, 2013**		**2012**	
Revenues	$	1,376	$	1,334
Cost of revenues, exclusive of depreciation and amortization shown separately below		593		564
Selling, general and administrative expenses, exclusive of depreciation and amortization shown separately below		451		447
Depreciation and amortization		126		129
Restructuring charges		35		37
Operating income		171		157
Interest income		1		1
Interest expense		(83)		(106)
Foreign currency exchange transaction losses, net		(12)		(9)
Other expense, net		(12)		(6)
Income from continuing operations before income taxes and equity in net loss of affiliates		65		37
Provision for income taxes		27		8
Equity in net loss of affiliates		1		2
Income from continuing operations		37		27
Loss from discontinued operations, net of tax		3		2
Net income		34		25
Net loss attributable to noncontrolling interests		1		
Net income attributable to Nielsen stockholders	$	35	$	25
Net income per share of common stock, basic and diluted				
Income from continuing operations	$	0.10	$	0.07
Loss from discontinued operations, net of tax	$	(0.01)	$	(0.00)
Net income attributable to Nielsen stockholders	$	0.09	$	0.07
Weighted-average shares of common stock outstanding, basic		370,583,217		360,881,693
Dilutive shares of common stock		4,973,804		4,839,365
Weighted-average shares of common stock outstanding, diluted		375,557,021		365,721,058
Dividends declared per common share	$	0.16	$	

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

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Nielsen Holdings N.V.

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(IN MILLIONS)	Three Months Ended March 31, 2013	2012
Net income	$ 34	$ 25
Other comprehensive (loss)/income, net of tax		
Foreign currency translation adjustments, net of tax of $ 11 and $ 1	(27)	87
Available for sale securities, net of tax	3	
Changes in the fair value of cash flow hedges, net of tax of $ (2) and $ 1	2	(1)
Defined benefit pension plan adjustments, net of tax of $ (10) and $ (1)	4	2
Total other comprehensive (loss)/income	(18)	88
Total comprehensive income	16	113
Less: comprehensive income attributable to noncontrolling interests	1	
Total comprehensive income attributable to Nielsen stockholders	$ 15	$ 113

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

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Nielsen Holdings N.V.

Condensed Consolidated Balance Sheets

(IN MILLIONS, EXCEPT SHARE AND PER SHARE DATA)	March 31, 2013 (Unaudited)	December 31, 2012
Assets:		
Current assets		
Cash and cash equivalents	$ 233	$ 288
Trade and other receivables, net of allowances for doubtful accounts and sales returns of $43 and $38 as of March 31, 2013 and December 31, 2012, respectively	1,076	1,110
Prepaid expenses and other current assets	300	278
Total current assets	1,609	1,676
Non-current assets		
Property, plant and equipment, net	537	560
Goodwill	7,322	7,352
Other intangible assets, net	4,519	4,555
Deferred tax assets	170	170
Other non-current assets	259	272
Total assets	$ 14,416	$ 14,585
Liabilities and equity:		
Current liabilities		
Accounts payable and other current liabilities	$ 848	$ 967
Deferred revenues	345	373
Income tax liabilities	74	56
Current portion of long-term debt, capital lease obligations and short-term borrowings	372	355
Total current liabilities	1,639	1,751
Non-current liabilities		
Long-term debt and capital lease obligations	5,948	6,229
Deferred tax liabilities	996	1,006
Other non-current liabilities	585	621
Total liabilities	9,168	9,607
Commitments and contingencies (Note 12)		
Equity:		
Nielsen stockholders equity		
Common stock, 0.07 par value, 1,185,800,000 and 1,185,800,000 shares authorized; 375,160,653 and 362,733,010 shares issued and 374,947,526 and 362,519,883 shares outstanding at March 31, 2013 and December 31, 2012, respectively	31	30
Additional paid-in capital	6,738	6,485
Accumulated deficit	(1,217)	(1,252)
Accumulated other comprehensive loss, net of income taxes	(353)	(333)
Total Nielsen stockholders equity	5,199	4,930
Noncontrolling interests	49	48
Total equity	5,248	4,978

Total liabilities and equity	$ 14,416	$ 14,585

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

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Nielsen Holdings N.V.

Condensed Consolidated Statements of Cash Flows (Unaudited)

(IN MILLIONS)	Three Months Ended March 31, 2013	2012
Operating Activities		
Net income	$ 34	$ 25
Adjustments to reconcile net income to net cash used in operating activities:		
Stock-based compensation expense	10	8
Gain on discontinued operations	(1)	
Currency exchange rate differences on financial transactions and other losses	30	15
Equity in net loss of affiliates, net of dividends received	2	5
Depreciation and amortization	128	131
Changes in operating assets and liabilities, net of effect of businesses acquired and divested:		
Trade and other receivables, net	27	51
Prepaid expenses and other current assets	(31)	(25)
Accounts payable and other current liabilities and deferred revenues	(165)	(227)
Other non-current liabilities	(3)	(1)
Interest payable	27	31
Income taxes payable	(4)	(16)
Net cash provided by/(used in) operating activities	54	(3)
Investing Activities		
Acquisition of subsidiaries and affiliates, net of cash acquired	(11)	(16)
Additions to property, plant and equipment and other assets	(9)	(42)
Additions to intangible assets	(61)	(40)
Other investing activities	(1)	
Net cash used in investing activities	(82)	(98)
Financing Activities		
Net borrowings under revolving credit facility	55	120
Proceeds from issuances of debt, net of issuance costs	1,866	1,209
Repayment of debt	(1,889)	(1,271)
Increase in other short-term borrowings	1	6
Dividends paid	(56)	
Activity under stock plans	16	10
Settlement of derivatives and other financing activities	(5)	(4)
Net cash (used in)/provided by financing activities	(12)	70
Effect of exchange-rate changes on cash and cash equivalents	(15)	7
Net decrease in cash and cash equivalents	(55)	(24)
Cash and cash equivalents at beginning of period	288	319
Cash and cash equivalents at end of period	$ 233	$ 295
Supplemental Cash Flow Information		
Cash paid for income taxes	$ (29)	$ (23)
Cash paid for interest, net of amounts capitalized	$ (56)	$ (75)

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

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Nielsen Holdings N.V.

Notes to Condensed Consolidated Financial Statements

1. Background and Basis of Presentation

Background

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

The Company was formed by several private equity groups through Valcon Acquisition Holding (Luxembourg) S.à r.l. (Luxco). As of December 31, 2012, Luxco owned 236,266,399 shares (or approximately 65%) of the Company s common stock. In February 2013, Luxco and certain Nielsen employees completed a public offering of 40,814,883 shares of the Company s common stock at a price of $32.55 per share. Subsequent to this offering and as of March 31, 2013, Luxco owned 195,463,201 shares (or approximately 52%) of the Company s common stock.

Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited but, in the opinion of management, contain all the adjustments (consisting of those of a normal recurring nature) considered necessary to present fairly the Company s financial position and the results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the U.S. (U.S. GAAP) applicable to interim periods. For a more complete discussion of significant accounting policies, commitments and contingencies and certain other information, refer to the consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2012. All amounts are presented in U.S. Dollars ($), except for share data or where expressly stated as being in other currencies, e.g., Euros ( ). The condensed consolidated financial statements include the accounts of Nielsen and all subsidiaries and other controlled entities. The Company has evaluated events occurring subsequent to March 31, 2013 for potential recognition or disclosure in the condensed consolidated financial statements and concluded there were no subsequent events that required recognition or disclosure.

Earnings per Share

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

The effect of 49,662 and 5,978,758 shares of common stock equivalents under stock compensation plans were excluded from the calculation of diluted earnings per share for the three months ended March 31, 2013 and 2012, respectively, as such shares would have been anti-dilutive.

Devaluation of Venezuelan Currency

Nielsen has operations in both the Buy and Watch segments in Venezuela and the functional currency for these operations was the Venezuelan bolivares fuertes. Venezuela s currency was considered hyperinflationary as of January 1, 2010 and further, in January 2010, Venezuela s currency was devalued and a new currency exchange rate system was announced. In 2010, Nielsen evaluated the new exchange rate system and concluded that the local currency transactions will be denominated in U.S. dollars effective as of January 1, 2010 and until Venezuela s currency is deemed to be non-hyperinflationary.

In February 2013, the Venezuelan government devalued its currency by 32%. The official exchange rate moved from 4.30 to 6.30 and the regulated System of Transactions with Securities in Foreign Currency market was suspended. As a result of this change Nielsen recorded a charge of $12 million during the first quarter of 2013 in the foreign currency exchange transaction losses, net line in the condensed consolidated statement of operations primarily reflecting the write-down of monetary assets and liabilities.

2. Summary of Recent Accounting Pronouncements

Reclassification from accumulated other comprehensive income

In February 2013, the FASB issued an accounting update Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income , to improve the transparency of reporting reclassifications out of accumulated other comprehensive income. The Company has presented the significant amounts reclassified from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification in Note 6 to these condensed consolidated financial statements. This amended guidance does not have any other impact on the Company s condensed consolidated financial statements.

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Foreign Currency Matters

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

3. Business Acquisitions

For the three months ended March 31, 2013, Nielsen paid cash consideration of $11 million associated with both current period and previously executed acquisitions, net of cash acquired. Had the current period acquisitions occurred as of January 1, 2013, the impact on Nielsen s consolidated results of operations would not have been material.

For the three months ended March 31, 2012, Nielsen paid cash consideration of $16 million associated with both current period and previously executed acquisitions, net of cash acquired. Had the current period acquisitions occurred as of January 1, 2012, the impact on Nielsen s consolidated results of operations would not have been material.

4. Discontinued Operations

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

5. Goodwill and Other Intangible Assets

Goodwill

The table below summarizes the changes in the carrying amount of goodwill by reportable segment for the three months ended March 31, 2013.

(IN MILLIONS)	Buy	Watch	Expositions	Total
Balance, December 31, 2012	$ 3,126	$ 3,661	$ 565	$ 7,352
Acquisitions, divestitures and other adjustments	4	1		5
Effect of foreign currency translation	(34)	(1)		(35)
Balance, March 31, 2013	$ 3,096	$ 3,661	$ 565	$ 7,322

At March 31, 2013, $113 million of the goodwill is expected to be deductible for income tax purposes.

Other Intangible Assets

(IN MILLIONS)	Gross Amounts		Accumulated Amortization	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Indefinite-lived intangibles:				
Trade names and trademarks	$ 1,921	$ 1,921	$	$

Amortized intangibles:				
Trade names and trademarks	$ 126	$ 128	$ (48)	$ (46)
Customer-related intangibles	2,882	2,882	(922)	(886)
Covenants-not-to-compete	36	36	(26)	(25)
Computer software	1,360	1,316	(843)	(804)
Patents and other	93	90	(60)	(57)
Total	$ 4,497	$ 4,452	$ (1,899)	$ (1,818)

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Amortization expense associated with the above intangible assets was $81 million for the three months ended March 31, 2013 and $79 million for the three months ended March 31, 2012. These amounts included amortization expense associated with computer software of $39 million for the three months ended March 31, 2013 and 2012.

6. Changes in and Reclassification out of Accumulated Other Comprehensive Income by Component

The table below summarizes the changes in accumulated other comprehensive income, net of tax by component for the three months ended March 31, 2013.

(IN MILLIONS)	Currency Translation Adjustments	Unrealized gains on Available-for-Sale Securities	Gains/(losses) on Cash Flow Hedges	Post Employment Benefits	Total
Balance December 31, 2012	$ (23)	$	$ (13)	$ (297)	$ (333)
Other comprehensive (loss)/income before reclassifications	(27)	3		1	(23)
Amounts reclassified from accumulated other comprehensive (loss)/income			2	3	5
Net current period other comprehensive (loss)/income	(27)	3	2	4	(18)
Net current period other comprehensive income attributable to noncontrolling interest	2				2
Net current period other comprehensive (loss)/income attributable to Nielsen stockholders	(29)	3	2	4	(20)
Balance March 31, 2013	$ (52)	$ 3	$ (11)	$ (293)	$ (353)

The table below summarizes the reclassification of accumulated other comprehensive income by component for the three months ended March 31, 2013.

(IN MILLIONS) Details about Accumulated Other Comprehensive Income components	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Condensed Consolidated Statement of Operations
Gains/(losses) on cash flow hedges		
Interest rate contracts	$ 4	Interest expense
	2	Tax expense
	$ 2	Total, net of tax
Amortization of Post Employment Benefits		
Actuarial loss	4	(a)
	1	Tax expense
	$ 3	Total, net of tax

Total reclassification for the period	$	5	Net of tax

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

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7. Restructuring Activities

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

(IN MILLIONS)	Total Initiatives
Balance at December 31, 2012	$ 64
Charges	35
Payments	(21)
Non-cash charges and other adjustments	(3)
Effect of foreign currency translation	(1)
Balance at March 31, 2013	$ 74

Nielsen recorded $35 million and $37 million in restructuring charges, primarily relating to severance and contract termination costs, for the three months ended March 31, 2013 and 2012, respectively.

Of the $74 million in remaining liabilities for restructuring actions, $59 million is expected to be paid within one year and is classified as a current liability within the condensed consolidated balance sheet as of March 31, 2013.

8. Fair Value Measurements

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, the Company considers the principal or most advantageous market in which the Company would transact, and also considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of non-performance.

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

Level 1: Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.

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

Level 3: Pricing inputs that are generally unobservable and may not be corroborated by market data.

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Financial Assets and Liabilities Measured on a Recurring Basis

The Company s financial assets and liabilities are measured and recorded at fair value, except for equity method investments, cost method investments, and long-term debt. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The Company s assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy. The following table summarizes the valuation of the Company s material financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2013 and December 31, 2012:

(IN MILLIONS)	March 31, 2013	Level 1	Level 2	Level 3
Assets:				
Investments in equity securities[1]	$ 16	$ 16	$	$
Plan assets for deferred compensation[2]	22	22		
Investment in mutual funds[3]	2	2		
Total	$ 40	$ 40	$	$
Liabilities:				
Interest rate swap arrangements[4]	$ 18	$	$ 18	$
Deferred compensation liabilities[5]	22	22		
Total	$ 40	$ 22	$ 18	$

(IN MILLIONS)	December 31, 2012	Level 1	Level 2	Level 3
Assets:				
Investments in equity securities[1]	$ 13	$ 13	$	$
Plan assets for deferred compensation[2]	22	22		
Investment in mutual funds[3]	2	2		
Total	$ 37	$ 37	$	$
Liabilities:				
Interest rate swap arrangements[4]	$ 22	$	$ 22	$
Deferred compensation liabilities[5]	22	22		
Total	$ 44	$ 22	$ 22	$

(1) Investments in equity securities are carried at fair value, which is based on the quoted market price at period end in an active market. These investments are classified as available-for-sale with any unrealized gains or losses resulting from changes in fair value recorded, net of tax, as a component of accumulated other comprehensive income/(loss) until realized. Nielsen assesses declines in the value of individual investments to determine whether such decline is other than temporary and thus the investment is impaired by considering available evidence. For the three months ended March 31, 2013, Nielsen noted no such impairments.

(2) Plan assets are comprised of investments in mutual funds, which are intended to fund liabilities arising from deferred compensation plans. These investments are carried at fair value, which is based on quoted market prices at period end in active markets. These investments are classified as trading securities with any gains or losses resulting from changes in fair value recorded in other expense, net in the condensed consolidated statements of operations.

(3) Investments in mutual funds are money-market accounts held with the intention of funding certain specific retirement plans.

(4) Derivative financial instruments include interest rate swap arrangements recorded at fair value based on externally-developed valuation models that use readily observable market parameters and the consideration of counterparty risk.

(5) The Company offers certain employees the opportunity to participate in a deferred compensation plan. A participant s deferrals are invested in a variety of participant directed stock and bond mutual funds and are classified as trading securities. Changes in the fair value of these securities are measured using quoted prices in active markets based on the market price per unit multiplied by the number of units held exclusive of any transaction costs. A corresponding adjustment for changes in fair value of the trading securities is also reflected in the changes in fair value of the deferred compensation obligation.

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Derivative Financial Instruments

Nielsen uses interest rate swap derivative instruments principally to manage the risk that changes in interest rates will affect the cash flows of its underlying debt obligations.

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

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

It is Nielsen s policy to have an International Swaps and Derivatives Association (ISDA) Master Agreement established with every bank with which it has entered into any derivative contract. Under each of these ISDA Master Agreements, Nielsen agrees to settle only the net amount of the combined market values of all derivative contracts outstanding with any one counterparty should that counterparty default. Certain of the ISDA Master Agreements contain cross-default provisions where if the Company either defaults in payment obligations under its credit facility or if such obligations are accelerated by the lenders, then the Company could also be declared in default on its derivative obligations. At March 31, 2013, Nielsen had no material exposure to potential economic losses due to counterparty credit default risk or cross-default risk on its derivative financial instruments.

Interest Rate Risk

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

As of March 31, 2013, the Company had the following outstanding interest rate swaps utilized in the management of its interest rate risk:

	Notional Amount	Maturity Date	Currency
Interest rate swaps designated as hedging instruments			
US Dollar term loan floating-to-fixed rate swaps	$ 1,000,000,000	November 2013	US Dollar
US Dollar term loan floating-to-fixed rate swaps	$ 250,000,000	November 2014	US Dollar
US Dollar term loan floating-to-fixed rate swaps	$ 250,000,000	September 2015	US Dollar
US Dollar term loan floating-to-fixed rate swaps	$ 125,000,000	November 2015	US Dollar
Euro term loan floating-to-fixed rate swaps	125,000,000	November 2015	Euro
US Dollar term loan floating-to-fixed rate swaps	$ 500,000,000	November 2016	US Dollar

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

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Fair Values of Derivative Instruments in the Condensed Consolidated Balance Sheets

The fair values of the Company s derivative instruments as of March 31, 2013 and December 31, 2012 were as follows:

Derivatives Designated as Hedging Instruments (IN MILLIONS)	March 31, 2013 Accounts Payable and Other Current Liabilities	March 31, 2013 Other Non-Current Liabilities	December 31, 2012 Accounts Payable and Other Current Liabilities	December 31, 2012 Other Non-Current Liabilities
Interest rate swaps	$ 3	$ 15	$ 6	$ 16

Derivatives in Cash Flow Hedging Relationships

The pre-tax effect of derivative instruments in cash flow hedging relationships for the three months ended March 31, 2013 and 2012 was as follows:

Derivatives in Cash Flow Hedging Relationships	Amount of Loss Recognized in OCI (Effective Portion) Three Months Ended March 31,		Location of Loss Reclassified from OCI into Income (Effective	Amount of Loss Reclassified from OCI into Income (Effective Portion) Three Months Ended March 31,	
(IN MILLIONS)	2013	2012	Portion)	2013	2012
Interest rate swaps	$	$ 8	Interest expense	$ 4	$ 6

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The Company is required, on a nonrecurring basis, to adjust the carrying value or provide valuation allowances for certain assets using fair value measurements. The Company s equity method investments, cost method investments, and non-financial assets, such as goodwill, intangible assets, and property, plant and equipment, are measured at fair value when there is an indicator of impairment and recorded at fair value only when an impairment charge is recognized.

The Company did not measure any material non-financial assets or liabilities at fair value during the three months ended March 31, 2013.

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9. Long-term Debt and Other Financing Arrangements

Unless otherwise stated, interest rates are as of March 31, 2013.

(IN MILLIONS)	March 31, 2013 Weighted Interest Rate	March 31, 2013 Carrying Amount	March 31, 2013 Fair Value	December 31, 2012 Weighted Interest Rate	December 31, 2012 Carrying Amount	December 31, 2012 Fair Value
$1,610 million Senior secured term loan due 2013		$	$		$ 218	$ 218
$2,386 million Senior secured term loan due 2016					2,315	2,324
$2,532 million Senior secured term loan (LIBOR based variable rate of 2.95%) due 2016		2,526	2,549			
$1,222 million Senior secured term loan (LIBOR based variable rate of 2.20%) due 2017		1,161	1,167		1,176	1,173
227 million Senior secured term loan due 2013					34	34
273 million Senior secured term loan due 2016					347	347
289 million Senior secured term loan (Euro LIBOR based variable rate of 3.06%) due 2016		371	373			
$635 million senior secured revolving credit facility (Euro LIBOR or LIBOR based variable rate) due 2016		55	55			
Total senior secured credit facilities (with weighted-average contractual interest rate)	**2.90%**	**4,113**	**4,144**	**3.46%**	**4,090**	**4,096**
$215 million 11.625% senior debenture loan due 2014		210	227		209	232
$1,080 million 7.75% senior debenture loan due 2018		1,084	1,203		1,084	1,211
$800 million 4.50% senior debenture loan due 2020		800	799		800	794
$288 million 6.25% mandatory convertible subordinated bonds due 2013					288	325
Total debenture loans (with weighted-average contractual interest rate)	**7.60%**	**2,094**	**2,229**	**7.70%**	**2,381**	**2,562**
Other loans		1	1		1	1
Total long-term debt	**4.49%**	**6,208**	**6,374**	**5.02%**	**6,472**	**6,659**
Capital lease and other financing obligations		106			107	
Bank overdrafts		6			5	
Total debt and other financing arrangements		**6,320**			**6,584**	
Less: Current portion of long-term debt, capital lease and other financing obligations and other short-term borrowings		372			355	
Non-current portion of long-term debt and capital lease and other financing obligations		**$ 5,948**			**$ 6,229**	

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

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Annual maturities of Nielsen s long-term debt are as follows:

(IN MILLIONS)	
For April 1, 2013 to December 31, 2013	$ 124
2014	348
2015	151
2016	2,969
2017	733
2018	1,083
Thereafter	800
	$ 6,208

In December 2012, the Company signed a definitive agreement to acquire Arbitron Inc. (NYSE: ARB), an international media and marketing research firm, for $48 per share in cash (the Transaction). In addition, the Company entered into a commitment for an unsecured note or unsecured loan of up to $1,300 million (the Commitment Letter) to fund the closing of the Transaction. As of March 31, 2013, there were no borrowings outstanding under the Commitment Letter.

In April 2013, Arbitron s shareholders voted to approve the Transaction, which remains subject to customary closing conditions, including regulatory review.

In February 2013, the $288 million mandatory convertible subordinated bonds were converted into 10,416,700 shares of our common stock at a conversion rate of 1.8116 shares per $50.00 principal amount of the bonds.

Amendment to Senior Secured Credit Facility

In February 2013, the Second Amended and Restated Senior Secured Credit Agreement was amended and restated to provide for a new class of term loans (the Class E Term Loans) in an aggregate principal amount of $2,532 million and 289 million, the proceeds of which were used to repay or replace in full a like amount of our existing Class A Term Loans maturing August 9, 2013, Class B Term Loans maturing May 1, 2016 and Class C Term Loans maturing May 1, 2016. As a result of this transaction, the Company recorded a charge of $12 million primarily related to the write-off of previously capitalized deferred financing fees associated with the Class A, B and C term loans to other expense, net in the condensed consolidated statement of operations.

The Class E Term Loans will mature in full on May 1, 2016 and are required to be repaid in equal quarterly installments in aggregate annual amounts equal to 1.00% of the original principal amount of Class E Term Loans, with the balance payable on May 1, 2016. Class E Term Loans denominated in dollars bear interest equal to, at our election, a base rate or eurocurrency rate, in each case plus an applicable margin, which is equal to 1.75% (in the case of base rate loans) or 2.75% (in the case of eurocurrency rate loans). Class E Term Loan denominated in Euros bear interest equal to the eurocurrency rate plus an applicable margin of 3.00%. The newly Amended and Restated Senior Secured Credit Agreement contains substantially the same affirmative and negative covenants as those of the Existing Credit Agreement, other than certain amendments to the limitation on the ability of Nielsen and certain of its subsidiaries and affiliates to incur indebtedness and make investments.

10. Stockholders Equity

Common stock activity is as follows:

	Three Months Ended March 31, 2013
Actual number of shares of common stock outstanding	
Beginning of period	362,519,883
	10,416,700

Shares of common stock converted from Mandatory Convertible Subordinated Bonds due February 2013	
Shares of common stock issued through compensation plans	2,010,943
End of period	374,947,526

Cumulative shares of treasury stock were 213,127 with a corresponding cost of $4 million as of March 31, 2013 and December 31, 2012.

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On January 31, 2013, the Company s board of directors adopted a cash dividend policy to pay quarterly cash dividends on its outstanding common stock. The board also declared the first quarterly cash dividend of $0.16 per share, that was paid on March 20, 2013 to holders of record of the Company s common stock on March 6, 2013. The dividend policy and the payment of future cash dividends are subject to the discretion of the Company s board of directors.

11. Income Taxes

The effective tax rates for the three months ended March 31, 2013 and 2012 were 42% and 22% respectively. The tax rate for the three months ended March 31, 2013 was higher than statutory rate as a result of the tax impact of the Venezuela currency revaluation and accrual for future audit settlements offset by the favorable impact of certain financing activities and release of tax contingencies. The tax rate for the three months ended March 31, 2012 was lower than the statutory rate primarily due to the favorable impact of certain financing activities.

Liabilities for unrecognized tax benefits totaled $99 million and $100 million as of March 31, 2013 and December 31, 2012. If the Company s tax positions are favorably sustained by the taxing authorities, the reversal of the underlying liabilities would reduce the Company s effective tax rate in future periods.

The Company files numerous consolidated and separate income tax returns in the U.S. and in many state and foreign jurisdictions. With few exceptions the Company is no longer subject to U.S. Federal income tax examination for 2006 and prior periods. In addition, the Company has subsidiaries in various states, provinces and countries that are currently under audit for years ranging from 2001 through 2011.

The Company is under Canadian audit for the years 2007 and 2008. It is anticipated that these examinations will be completed within the next twelve months. To date, the Company is not aware of any material adjustments not already accrued related to any of the current Federal, state or foreign audits under examination.

12. Commitments and Contingencies

Legal Proceedings and Contingencies

Sunbeam Television Corp. (Sunbeam) filed a lawsuit in Federal District Court in Miami, Florida in April 2009. The lawsuit alleged that we violated Federal and Florida state antitrust laws and Florida s unfair trade practices laws by attempting to maintain a monopoly and abuse our position in the market, and breached our contract with Sunbeam by producing defective ratings data through our sampling methodology. The complaint did not specify the amount of damages sought and also sought declaratory and equitable relief. In January 2011, the U.S. District Court in the Southern District of Florida dismissed all federal and state antitrust claims brought against us by Sunbeam stating that Sunbeam failed to show that any competitor was willing and able to enter the local television ratings market in Miami and was excluded from that market by us. The Court also determined that Sunbeam could not prove that the current ratings for Sunbeam s local station WSVN are less accurate than they would be under a prospective competitor s methodology. The Court deferred ruling on the remaining ancillary claims, including breach of contract and violation of Florida s Deceptive and Unfair Trade Practices Act. Subsequent to the court s decision, Sunbeam voluntarily dismissed with prejudice the remaining claims in the case so that all claims have been dismissed. Sunbeam appealed the court s dismissal of the antitrust claims. On March 4, 2013, the U.S. Court of Appeals for the Eleventh Judicial Circuit affirmed the lower court s decision to dismiss the claims. On March 22, 2013, Sunbeam filed a petition for rehearing the case. The petition remains pending.

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.

Other Contractual Arrangements

In February 2013, the Company amended its Amended and Restated Master Services Agreement (the MSA), dated as of October 1, 2007 with Tata America International Corporation and Tata Consultancy Services Limited (jointly, TCS). The term of the MSA has been extended for an additional three years, so as to expire on December 31, 2020, with a one-year renewal option granted to Nielsen. In addition, the Company has increased its commitment to purchase services from TCS (the Minimum Commitment) from $1.0 billion to $2.5 billion over the life of the contract (from October 1, 2007), including a commitment to purchase at least $100 million in services per year (the Annual Commitment). TCS charges under the separate Global Infrastructure Services Agreement between the parties will be credited against the Minimum Commitment and the Annual Commitment. TCS will continue to globally provide the Company with professional services relating to information technology (including application development and maintenance), business process outsourcing, client service knowledge process outsourcing, management sciences, analytics, and financial planning and analytics. As Nielsen orders specific services under the Agreement, the parties will execute

Statements of Work (SOWs) describing the specific scope of the services to be performed by TCS. The amount of the Minimum Commitment and the Annual Commitment may be reduced on the occurrence of certain events, some of which also provide the Company with the right to terminate the Agreement or SOWs, as applicable.

Cyprus Agreement

On March 25, 2013, Cyprus and certain members of the European Union reached an agreement on measures intended to restore the viability of the financial sector of Cyprus. As part of these measures Cyprus has agreed to downsize its local financial sector including:

(1) The immediate dissolution of Cyprus Popular Bank under which equity shareholders, bondholders and uninsured depositors (defined as those with deposits in excess of 100 thousand) will contribute to make up the losses of the bank; and

(2) The recapitalization of the Bank of Cyprus (BoC) through a deposit/equity conversion of uninsured deposits, with full contribution of equity shareholders and bondholders. Currently 37.5% of uninsured deposits of BoC have been converted into Class A shares with voting and dividend rights. An additional 22.5% have been frozen and may also be partially or fully used to issue new Class A shares, as necessary.

As a result of this agreement, the Company recorded a charge of $4 million during the first quarter of 2013 in Selling, General and Administrative expenses in the statement of operations representing the uninsured deposits either contributed to make up losses of Cyprus Popular Bank or converted into Class A shares of BoC, as described above. The Company does not expect this agreement to significantly impact future operating results.

13. Segments

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

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

Business Segment Information

(IN MILLIONS)	Buy	Watch	Expositions	Corporate	Total
Three Months Ended March 31, 2013					
Revenues	$ 825	$ 494	$ 57	$	$ 1,376
Depreciation and amortization	$ 51	$ 68	$ 6	$ 1	$ 126
Restructuring charges	$ 12	$ 7	$	$ 16	$ 35
Stock-based compensation expense	$ 3	$ 2	$	$ 5	$ 10
Other items[(1)]	$ 5	$	$	$ 2	$ 7
Operating income/(loss)	$ 53	$ 122	$ 26	$ (30)	$ 171
Business segment income/(loss)[(2)]					