Sara Lee Corp
Form 4
January 12, 2007

# FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
CROWN JAMES S

(Last) (First) (Middle)

222 N LASALLE STREET, STE 2000

(Street)

CHICAGO, IL 60601

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Sara Lee Corp [SLE]

3. Date of Earliest Transaction (Month/Day/Year)
01/10/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1.Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Common Stock | 01/10/2007 | | A | | 470 (1) | A | $ 17.09 | 81,505 (2) (3) | D | |
| Common Stock | | | | | | | | 7,500 | I | See ftn. (4) |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**
**(*e.g.*, puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | | 8. Price of Derivative Security (Instr. 5) | 9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Date Exercisable | Expiration Date | Title | Amount or Number of Shares | | |
| | | | | Code | V | (A) | (D) | | | | | | |

# Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---|---|---|---|
| | Director | 10% Owner | Officer | Other |
| CROWN JAMES S<br>222 N LASALLE STREET<br>STE 2000<br>CHICAGO, IL 60601 | X | | | |

# Signatures

| | |
|---|---|
| /s/ David R. Brown | 01/10/2007 |
| **Signature of Reporting Person | Date |

# Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

**(1)** Consists of restricted stock units (RSUs) granted for serving on one or more Committees of the Board of Directors. The RSUs will vest on July 2, 2007 and will be converted into shares of Sara Lee common stock on a one-for-one basis on the date six months after the reporting person ceases to be a director of Sara Lee.

**(2)** Includes 20,641 RSUs that may be settled only for shares of common stock. RSUs vest one year after the grant date and, on the settlement date, are convertible into shares of common stock on a one-for-one basis. The settlement date is either three years after the date of grant, for RSUs granted before July 2005, or six months after the reporting person ceases to be a director of Sara Lee, for other RSUs.

**(3)** On September 5, 2006, the issuer distributed, as a pro rata stock dividend, all of the shares of its wholly-owned subsidiary, Hanesbrands Inc. ("Hanesbrands"), to holders of record of the issuer's common stock as of the close of business on August 18, 2006 (the "spin off"). Effective upon completion of the spin off, the Compensation and Employee Benefits Committee of the issuer's Board of Directors adjusted all outstanding Sara Lee restricted stock units to preserve the pre-spin off intrinsic value of such RSUs. As a result, on September 6, 2006, 17,366 RSUs held by the reporting person immediately prior to the spin off were adjusted to equal 20,171 RSUs.

**(4)** Held by the reporting person's spouse.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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—

—

985

952

—

1,937

Selling, general and administrative expenses, exclusive of depreciation and amortization shown seperately below

3

—

735

653

—

1,391

Depreciation and amortization

—

—

364

86

—

450

Restructuring charges

—

—

40

33

—

73

Operating (loss)/income

(3

)

—

544

261

—

802

Interest income

0

Explanation of Responses:

653

29

4

(683

)

3

Interest expense

(3

)

(230

)

(668

)

(29

)

683

(247

)

Foreign currency exchange transaction losses, net

—

—

(1

)

(2

)

—

(3

)

Other (expense)/income, net

—

(1

)

95

(94

)

—

—

(Loss)/income from continuing operations before income taxes and equity in net income/(loss) of subsidiaries and affiliates

(6

)

422

(1

)

140

—

555

(Provision)/benefit for income taxes

—

(148

)

7

(67

)

—

(208

)

Equity in net income of subsidiaries

349

9

344

—

(702

)

—

Equity in net (loss)/income of affiliates

—

—

(1

)

1

—

—

Net income

343

283

349

74

(702

)

347

Less net income attributable to noncontrolling interests

—

—

—

4

—

4

Net income attributable to controlling interest

343

283

349

70

(702

)

343

Total other comprehensive income

38

60

38

37

(137

)

36

Total other comprehensive loss attributable to noncontrolling interests

—

—

—

(2

)

—

(2

)

Total other comprehensive income attributable to controlling interests

38

60

38

39

(137

)

38

Total comprehensive income

381

343

387

111

(839

)

383

Comprehensive income attributable to noncontrolling interests

—

—

—

2

—

2

Total comprehensive income attributable to controlling interests

$

381

$

343

$

387

$

109

$

(839

)

$

381

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Nielsen Holdings plc

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the nine months ended September 30, 2015

| (IN MILLIONS) | Parent | Issuer | Guarantor | Non-Guarantor | Elimination | Consolidated |
|---|---|---|---|---|---|---|
| Revenues | $— | $— | $ 2,652 | $ 1,896 | $ — | $ 4,548 |
| Cost of revenues, exclusive of depreciation and amortization shown separately below | — | — | 960 | 925 | — | 1,885 |
| Selling, general and administrative expenses, exclusive of depreciation and amortization shown separately below | 6 | — | 743 | 656 | — | 1,405 |
| Depreciation and amortization | — | — | 352 | 80 | — | 432 |
| Restructuring charges | — | — | 27 | 16 | — | 43 |
| Operating (loss)/income | (6) | — | 570 | 219 | — | 783 |
| Interest income | — | 664 | 28 | 4 | (693) | 3 |
| Interest expense | — | (217) | (676) | (31) | 693 | (231) |
| Foreign currency exchange transaction losses, net | — | — | (7) | (20) | — | (27) |
| Other income/(expense), net | — | — | 135 | (135) | — | — |
| (Loss)/income from continuing operations before income taxes and equity in net income/(loss) of subsidiaries | (6) | 447 | 50 | 37 | — | 528 |
| (Provision)/benefit for income taxes | — | (156) | (24) | (26) | — | (206) |
| Equity in net income/(loss) of subsidiaries | 325 | 5 | 299 | (1) | (629) | (1) |
| Net income | 319 | 296 | 325 | 10 | (629) | 321 |
| Less net income attributable to noncontrolling interests | — | — | — | 2 | — | 2 |
| Net income attributable to controlling interest | 319 | 296 | 325 | 8 | (629) | 319 |
| Total other comprehensive loss | (269) | (265) | (269) | (262) | 789 | (276) |
| Total other comprehensive loss attributable to noncontrolling interests | — | — | — | (7) | — | (7) |
| Total other comprehensive loss attributable to controlling interests | (269) | (265) | (269) | (255) | 789 | (269) |
| Total comprehensive income/(loss) | 50 | 31 | 56 | (252) | 160 | 45 |
| Comprehensive loss attributable to noncontrolling interests | — | — | — | (5) | — | (5) |
| Total comprehensive income/(loss) attributable to controlling interests | $50 | $31 | $ 56 | $ (247) | $ 160 | $ 50 |

Nielsen Holdings plc

Condensed Consolidated Balance Sheet (Unaudited)

September 30, 2016

| (IN MILLIONS) | Parent | Issuers | Guarantor | Non-Guarantor | Elimination | Consolidated |
|---|---|---|---|---|---|---|
| Assets: | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | $(7) | $18 | $ 27 | $ 408 | $ — | $ 446 |
| Trade and other receivables, net | 1 | — | 541 | 698 | — | 1,240 |
| Prepaid expenses and other current assets | — | — | 224 | 141 | — | 365 |
| Intercompany receivables | — | 898 | 231 | 169 | (1,298) | — |
| Total current assets | (6) | 916 | 1,023 | 1,416 | (1,298) | 2,051 |
| Non-current assets | | | | | | |
| Property, plant and equipment, net | — | — | 310 | 175 | — | 485 |
| Goodwill | — | — | 5,824 | 2,139 | — | 7,963 |
| Other intangible assets, net | — | — | 4,372 | 462 | — | 4,834 |
| Deferred tax assets | 1 | — | 80 | 15 | — | 96 |
| Other non-current assets | — | — | 182 | 89 | — | 271 |
| Equity investment in subsidiaries | 4,272 | — | 4,187 | — | (8,459) | — |
| Intercompany loans | 25 | 11,276 | 3,373 | 158 | (14,832) | — |
| Total assets | $4,292 | $12,192 | $ 19,351 | $ 4,454 | $ (24,589) | $ 15,700 |
| Liabilities and equity: | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable and other current liabilities | $— | $97 | $ 354 | $ 474 | $ — | $ 925 |
| Deferred revenues | — | — | 183 | 118 | — | 301 |
| Income tax liabilities | — | — | 114 | 93 | — | 207 |
| Current portion of long-term debt, capital lease obligations and short-term borrowings | — | 184 | 391 | 3 | — | 578 |
| Intercompany payables | 44 | 25 | 1,003 | 226 | (1,298) | — |
| Total current liabilities | 44 | 306 | 2,045 | 914 | (1,298) | 2,011 |
| Non-current liabilities | | | | | | |
| Long-term debt and capital lease obligations | — | 7,253 | 105 | 21 | — | 7,379 |
| Deferred tax liabilities | — | 62 | 867 | 93 | — | 1,022 |
| Intercompany loans | — | 2,985 | 11,459 | 388 | (14,832) | — |
| Other non-current liabilities | 2 | 10 | 603 | 238 | — | 853 |
| Total liabilities | 46 | 10,616 | 15,079 | 1,654 | (16,130) | 11,265 |
| Total stockholders' equity | 4,246 | 1,576 | 4,272 | 2,611 | (8,459) | 4,246 |
| Noncontrolling interests | — | — | — | 189 | — | 189 |
| Total equity | 4,246 | 1,576 | 4,272 | 2,800 | (8,459) | 4,435 |
| Total liabilities and equity | $4,292 | $12,192 | $ 19,351 | $ 4,454 | $ (24,589) | $ 15,700 |

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Nielsen Holdings plc

Condensed Consolidated Balance Sheet

December 31, 2015

| (IN MILLIONS) | Parent | Issuers | Guarantor | Non-Guarantor | Elimination | Consolidated |
|---|---|---|---|---|---|---|
| Assets: | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | $1 | $— | $ 7 | $ 349 | $ — | $ 357 |
| Trade and other receivables, net | 3 | — | 550 | 682 | — | 1,235 |
| Prepaid expenses and other current assets | — | — | 195 | 121 | — | 316 |
| Intercompany receivables | — | 595 | 224 | 178 | (997 ) | — |
| Total current assets | 4 | 595 | 976 | 1,330 | (997 ) | 1,908 |
| Non-current assets | — | | | | | |
| Property, plant and equipment, net | — | — | 324 | 166 | — | 490 |
| Goodwill | — | — | 5,774 | 2,009 | — | 7,783 |
| Other intangible assets, net | — | — | 4,314 | 458 | — | 4,772 |
| Deferred tax assets | 1 | — | 51 | 26 | — | 78 |
| Other non-current assets | — | — | 175 | 97 | — | 272 |
| Equity investment in subsidiaries | 4,793 | 1,441 | 3,696 | — | (9,930 ) | — |
| Intercompany receivables | — | 10,763 | 3,692 | 158 | (14,613 ) | — |
| Total assets | $4,798 | $12,799 | $ 19,002 | $ 4,244 | $ (25,540 ) | $ 15,303 |
| Liabilities and equity: | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable and other current liabilities | $1 | $48 | $ 450 | $ 514 | $ — | $ 1,013 |
| Deferred revenues | — | — | 182 | 140 | — | 322 |
| Income tax liabilities | — | — | — | 42 | — | 42 |
| Current portion of long-term debt, capital lease obligations and short-term borrowings | — | 114 | 195 | 1 | — | 310 |
| Intercompany payables | 21 | 3 | 753 | 220 | (997 ) | — |
| Total current liabilities | 22 | 165 | 1,580 | 917 | (997 ) | 1,687 |
| Non-current liabilities | | | | | | |
| Long-term debt and capital lease obligations | — | 6,911 | 102 | 15 | — | 7,028 |
| Deferred tax liabilities | — | 74 | 977 | 23 | — | 1,074 |
| Intercompany loans | 341 | 2,985 | 10,921 | 366 | (14,613 ) | — |
| Other non-current liabilities | 2 | 6 | 629 | 250 | — | 887 |
| Total liabilities | 365 | 10,141 | 14,209 | 1,571 | (15,610 ) | 10,676 |
| Total stockholders' equity | 4,433 | 2,658 | 4,793 | 2,479 | (9,930 ) | 4,433 |
| Noncontrolling interests | — | — | — | 194 | — | 194 |
| Total equity | 4,433 | 2,658 | 4,793 | 2,673 | (9,930 ) | 4,627 |
| Total liabilities and equity | $4,798 | $12,799 | $ 19,002 | $ 4,244 | $ (25,540 ) | $ 15,303 |

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Nielsen Holdings plc

Condensed Consolidated Statement of Cash Flows (Unaudited)

For the nine months ended September 30, 2016

| (IN MILLIONS) | Parent | Issuers | Guarantor | Non-Guarantor | Consolidated |
|---|---|---|---|---|---|
| Net cash (used in)/provided by operating activities | $ (4 ) | $ 170 | $ 412 | $ 175 | $ 753 |
| Investing activities: | | | | | |
| Acquisition of subsidiaries and affiliates, net of cash acquired | — | — | (239 ) | (24 ) | (263 ) |
| Additions to property, plant and equipment and other assets | — | — | (41 ) | (42 ) | (83 ) |
| Additions to intangible assets | — | — | (205 ) | (36 ) | (241 ) |
| Other investing activities | — | — | (1 ) | (3 ) | (4 ) |
| Net cash used in investing activities | — | — | (486 ) | (105 ) | (591 ) |
| Financing activities: | | | | | |
| Net borrowings under revolving credit facility | — | — | 193 | — | 193 |
| Repayments of debt | — | (101 ) | — | — | (101 ) |
| Proceeds from the issuance of debt, net of issuance costs | — | 496 | — | — | 496 |
| Cash dividends paid to stockholders | (323 ) | — | — | — | (323 ) |
| Repurchase of common stock | (394 ) | — | — | — | (394 ) |
| Activity under stock plans | 91 | — | (19 ) | — | 72 |
| Settlement of intercompany and other financing activities | 622 | (547 ) | (82 ) | (26 ) | (33 ) |
| Net cash (used in)/provided by financing activities | (4 ) | (152 ) | 92 | (26 ) | (90 ) |
| Effect of exchange-rate changes on cash and cash equivalents | — | — | 2 | 15 | 17 |
| Net (decrease)/increase in cash and cash equivalents | (8 ) | 18 | 20 | 59 | 89 |
| Cash and cash equivalents at beginning of period | 1 | — | 7 | 349 | 357 |
| Cash and cash equivalents at end of period | $ (7 ) | $ 18 | $ 27 | $ 408 | $ 446 |

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Nielsen Holdings plc

Condensed Consolidated Statement of Cash Flows (Unaudited)

For the nine months ended September 30, 2015

| (IN MILLIONS) | Parent | Issuers | Guarantor | Non-Guarantor | Consolidated |
|---|---|---|---|---|---|
| Net cash provided by operating activities | $ (2 ) | $ 299 | $ 338 | $ 173 | $ 808 |
| Investing activities: | | | | | |
| Acquisition of subsidiaries and affiliates, net of cash acquired | — | — | (197 ) | (1 ) | (198 ) |
| Additions to property, plant and equipment and other assets | — | — | (66 ) | (34 ) | (100 ) |
| Additions to intangible assets | — | — | (183 ) | (23 ) | (206 ) |
| Net cash used in investing activities | — | — | (446 ) | (58 ) | (504 ) |
| Financing activities: | | | | | |
| Net borrowings under revolving credit facility | — | — | (70 ) | — | (70 ) |
| Repayments of debt | — | (74 ) | — | — | (74 ) |
| Proceeds from the issuance of debt, net of issuance costs | | 746 | | | 746 |
| Cash dividends paid to stockholders | (307 ) | — | — | — | (307 ) |
| Repurchase of common stock | (493 ) | — | — | — | (493 ) |
| Activity under stock plans | 46 | — | (6 ) | — | 40 |
| Settlement of intercompany and other financing activities | 708 | (973 ) | 250 | (1 ) | (16 ) |
| Net cash (used in)/provided by financing activities | (46 ) | (301 ) | 174 | (1 ) | (174 ) |
| Effect of exchange-rate changes on cash and cash equivalents | — | — | (2 ) | (43 ) | (45 ) |
| Net (decrease)/increase in cash and cash equivalents | (48 ) | (2 ) | 64 | 71 | 85 |
| Cash and cash equivalents at beginning of period | 49 | 1 | (51 ) | 274 | 273 |
| Cash and cash equivalents at end of period | $ 1 | $ (1 ) | $ 13 | $ 345 | $ 358 |

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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations
Introduction

The following discussion and analysis supplements management’s discussion and analysis of Nielsen Holdings plc (“the Company” or “Nielsen”) for the year ended December 31, 2015 as contained in the Annual Report on Form 10-K filed by the Company with the Securities and Exchange Commission on February 19, 2016, and presumes that readers have read or have access to such discussion and analysis. The following discussion and analysis should also be read together with the accompanying Condensed Consolidated Financial Statements and related notes thereto. Further, this report may contain material that includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect, when made, Nielsen’s current views with respect to current events and financial performance. Statements, other than those based on historical facts, which address activities, events or developments that we expect or anticipate may occur in the future are forward-looking statements. Such forward-looking statements are subject to many risks, uncertainties and factors relating to Nielsen’s operations and business environment that may cause actual results to be materially different from any future results, express or implied, by such forward-looking statements, including but not limited to, those set forth in this Item 2 and Part II, Item 1A, if any, and those noted in our 2015 Annual Report on Form 10-K under “Risk Factors.” Forward-looking statements speak only as of the date of this report or as of the date they were made. We disclaim any intention to update the current expectations or forward-looking statements contained in this report. Unless required by context, references to “we”, “us”, and “our” refer to Nielsen and each of its consolidated subsidiaries.

From time to time, Nielsen may use its website and social media outlets as channels of distribution of material company information. Financial and other material information regarding the company is routinely posted and accessible on our website at http://www.nielsen.com/investors and our Twitter account at http://twitter.com/nielsen.

Background and Executive Summary

We are a leading global performance management company. The company provides to clients a comprehensive understanding of what consumers buy and what they watch 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, including many emerging markets, and hold leading market positions in many of our services and geographies.

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, approximately 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 expansion of our measurement and analytics 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 approximately 100 countries requires disciplined global and local resource management of internal and third party providers to ensure success. In addition, our high level of indebtedness requires active management of our debt profile, with a focus on underlying maturities, interest rate risk, liquidity and operating cash flows.

## Business Segment Overview

We align our business into two reporting segments, 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. 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. 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 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. 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.

Certain corporate costs, including those related to selling, finance, legal, human resources, and information technology systems, are considered operating costs and are allocated to our segments based on either the actual amount of costs incurred or on a basis consistent with the operations of the underlying segment.

## Factors Affecting Our Financial Results

### Acquisitions and Investments in Affiliates

For the nine months ended September 30, 2016, we paid cash consideration of $263 million associated with both current period and previously executed acquisitions, net of cash acquired. Had these current period acquisitions occurred as of January 1, 2016, the impact on our consolidated results of operations would not have been material.

For the nine months ended September 30, 2015, we paid cash consideration of $198 million associated with both current period and previously executed acquisitions, net of cash acquired. Had these current period acquisitions occurred as of January 1, 2015, the impact on our consolidated results of operations would not have been material.

### Foreign Currency

Our financial results are reported in U.S. dollars and are therefore subject to the impact of movements in exchange rates on the translation of the financial information of individual businesses whose functional currencies are other than U.S. dollars. Our principal foreign exchange revenue exposure is spread across several currencies, primarily the Euro. The table below sets forth the profile of our revenue by principal currency.

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| U.S. Dollar | 60 | % | 60 | % |
| Euro | 10 | % | 9 | % |
| Other Currencies | 30 | % | 31 | % |
| Total | 100 | % | 100 | % |

As a result, fluctuations in the value of foreign currencies relative to the U.S. dollar impact our operating results. Impacts associated with fluctuations in foreign currency are discussed in more detail under "Item 3.—Quantitative and Qualitative Disclosures about Market Risk." In countries with currencies other than the U.S. dollar, assets and liabilities are translated into U.S. dollars using end-of-period exchange rates; revenues, expenses and cash flows are translated using average rates of exchange. The average U.S. dollar to Euro exchange rate was $1.12 to €1.00 for each of the nine months ended September 30, 2016 and 2015. Constant currency growth rates used in the following discussion of results of operations eliminate the impact of year-over-year foreign currency fluctuations.

We evaluate our results of operations on both an as reported and a constant currency basis. The constant currency presentation is a non-GAAP financial measure, which excludes the impact of fluctuations in foreign currency exchange rates. We believe providing constant currency information provides valuable supplemental information regarding our results of operations, thereby facilitating period-to-period comparisons of our business performance and is consistent with how we evaluate our performance. We calculate constant currency percentages by converting our prior-period local currency financial results using the current period foreign currency exchange rates and comparing these adjusted amounts to our current period reported results. This calculation may differ from similarly-titled measures used by others. In addition, the constant currency presentation is not meant to be a substitution for recorded amounts presented in conformity with GAAP nor should such amounts be considered in isolation.

Operations in Venezuela

We have operations in both the Buy and Watch segments in Venezuela and the functional currency for these operations was the Venezuelan Bolivares Fuertes. Venezuela's currency has been considered hyperinflationary since January 1, 2010 and, accordingly, the local currency transactions 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.

We currently expect to be able to access U.S. dollars through the DICOM market. DICOM has significantly higher foreign exchange rates than those available through the other foreign exchange mechanisms. At September 30, 2016, the DICOM exchange rate was 658.0 bolivars to the U.S. dollar.

We will continue to assess the appropriate conversion rate based on events in Venezuela and our specific facts and circumstances and whether to continue consolidation. Total net monetary assets in U.S. dollars at the September 30, 2016 DICOM rate were $1 million.

Accounts Receivable

During the nine months ended September 30, 2016, we sold $51 million of accounts receivables to a third party and recorded an immaterial loss on the sale to interest expense, net in the condensed 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 $51 million from the sale were reported as a component of the changes in trade and other receivables, net within operating activities in the condensed consolidated statement of cash flows.

Results of Operations – Three Months Ended September 30, 2016 Compared to the Three Months Ended September 30, 2015

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

| | Three Months Ended September 30, | |
|---|---|---|
| (IN MILLIONS) | 2016 | 2015 |
| Revenues | $ 1,570 | $ 1,531 |
| Cost of revenues, exclusive of depreciation and amortization shown separately below | 642 | 615 |
| Selling, general and administrative expenses, exclusive of depreciation and amortization shown separately below | 452 | 459 |
| Depreciation and amortization | 151 | 144 |
| Restructuring charges | 29 | 15 |
| Operating income | 296 | 298 |
| Interest income | 1 | 1 |
| Interest expense | (85 ) | (79 ) |
| Foreign currency exchange transaction gains, net | 2 | 5 |
| Income from continuing operations before income taxes and equity in net loss of affiliate | 214 | 225 |
| Provision for income taxes | (82 ) | (82 ) |
| Equity in net loss of affiliate | — | (1 ) |
| Net income | $ 132 | $ 142 |

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, stock-based compensation expense and other non-operating items from our consolidated statements of operations as well as certain other items considered outside the normal course of our continuing operations specifically described below.

Restructuring charges: We exclude restructuring expenses, which primarily include employee severance, office consolidation and contract termination charges, from our Adjusted EBITDA to allow more accurate comparisons of the financial results to historical operations and forward-looking guidance. By excluding these expenses from our non-GAAP measures, we are better able to evaluate our ability to utilize our existing assets and estimate the long-term value these assets will generate for us. Furthermore, we believe that the adjustments of these items more closely correlate with the sustainability of our operating performance.

Stock-based compensation expense: We exclude the impact of costs relating to stock-based compensation. Due to the subjective assumptions and a variety of award types, we believe that the exclusion of stock-based compensation expense, which is typically non-cash, allows for more meaningful comparisons of our operating results to peer companies. Stock-based compensation expense can vary significantly based on the timing, size and nature of awards granted.

Other non-operating income/(expense), net: We exclude foreign currency exchange transaction gains and losses primarily related to intercompany financing arrangements as well as other non-operating income and expense items, such as gains and losses recorded on business combinations or dispositions, sales of investments and early redemption payments made in connection with debt refinancing. We believe that the adjustments of these items more closely correlate with the sustainability of our operating performance.

Other items: To measure operating performance we exclude certain expenses that arise outside the ordinary course of our continuing operations. Such costs primarily include legal settlements, acquisition related expenses, business optimization costs and other transaction costs. We believe the exclusion of such amounts allows management and the users of the financial statements to better understand our financial results.

Adjusted EBITDA is not a presentation made in accordance with GAAP, and our use of the term Adjusted EBITDA may vary from the use of similarly-titled measures by others in our industry due to the potential inconsistencies in the method of calculation and differences due to items subject to interpretation.

We use Adjusted EBITDA to measure our performance from period to period both at the consolidated level as well as within our operating segments, to evaluate and fund incentive compensation programs and to compare our results to those of our competitors. In addition to Adjusted EBITDA being a significant measure of performance for management purposes, we also believe that this presentation provides useful information to investors regarding financial and business trends related to our results of operations and that when non-GAAP financial information is viewed with GAAP financial information, investors are provided with a more meaningful understanding of our ongoing operating performance.

Adjusted EBITDA should not be considered as an alternative to net income or loss, operating income, cash flows from operating activities or any other performance measures derived in accordance with GAAP as measures of operating performance or cash flows as measures of liquidity. Adjusted EBITDA has important limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP.

The below table presents a reconciliation from net income to Adjusted EBITDA for the three months ended September 30, 2016 and 2015:

| | Three Months Ended September 30, | |
|---|---|---|
| (IN MILLIONS) | 2016 | 2015 |
| Net income | $ 132 | $ 142 |
| Interest expense, net | 84 | 78 |
| Provision for income taxes | 82 | 82 |
| Depreciation and amortization | 151 | 144 |
| EBITDA | 449 | 446 |
| Equity in net loss of affiliate | — | 1 |
| Other non-operating income, net | (2 ) | (5 ) |
| Restructuring charges | 29 | 15 |
| Stock-based compensation expense | 11 | 12 |
| Other items(a) | 11 | 10 |
| Adjusted EBITDA | $ 498 | $ 479 |

(a) Other items primarily consist of business optimization costs for the three months ended September 30, 2016 and 2015.

Consolidated Results for the Three Months Ended September 30, 2016 Compared to the Three Months Ended September 30, 2015

Revenues

Revenues increased 2.5% to $1,570 million for the three months ended September 30, 2016 from $1,531 million for the three months ended September 30, 2015, or an increase of 3.6% on a constant currency basis, excluding a 1.1% unfavorable impact of changes in foreign currency exchange rates. Revenues within our Buy segment decreased 0.9%, or an increase of 0.9% on a constant currency basis. Revenues within our Watch segment increased 6.4%, or 6.7% on a constant currency basis. Refer to the “Business Segment Results for the Three Months Ended September 30, 2016 Compared to the Three Months Ended September 30, 2015” section for further discussion of our revenue performance.

Cost of Revenues, Exclusive of Depreciation and Amortization

Cost of revenues increased 4.4% to $642 million for the three months ended September 30, 2016 from $615 million for the three months ended September 30, 2015, or an increase of 5.8% on a constant currency basis, excluding a 1.4% favorable impact of changes in foreign currency exchange rates.

Costs within our Buy segment increased 2.0%, or 4.3% on a constant currency basis. Excluding a 2.3% 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 11.9%, or 12.4% on a constant currency basis. Excluding a 0.5% 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 1.5% to $452 million for the three months ended September 30, 2016 from $459 million for the three months ended September 30, 2015, or an increase of 0.2% on a constant currency basis, excluding a 1.7% favorable impact of changes in foreign currency exchange rates.

Costs within our Buy segment decreased 2.6%, or 0.3% on a constant currency basis. Excluding a 2.3% favorable impact of changes in foreign currency exchange rates, selling, general and administrative expenses decreased due to the impact of productivity initiatives.

Costs within our Watch segment decreased 7.7%, or 7.1% on a constant currency basis. Excluding a 0.6% favorable impact of changes in foreign currency exchange rates, selling, general and administrative expenses decreased due to the impact of productivity initiatives.

Depreciation and Amortization

Depreciation and amortization expense was $151 million for the three months ended September 30, 2016 as compared to $144 million for the three months ended September 30, 2015. This increase was primarily due to higher depreciation and amortization expense associated with assets acquired in business combinations and higher capital expenditures.

Depreciation and amortization expense associated with tangible and intangible assets acquired in business combinations increased to $53 million for the three months ended September 30, 2016 from $51 million for the three months ended September 30, 2015.

Restructuring Charges

We recorded $29 million and $15 million in restructuring charges relating to employee severance associated with productivity initiatives and contract termination costs for the three months ended September 30, 2016 and 2015, respectively.

Operating Income

Operating income for the three months ended September 30, 2016 was $296 million as compared to $298 million for the three months ended September 30, 2015. Operating income within our Buy segment was $79 million for the three months ended September 30, 2016 as compared to $91 million for the three months ended September 30, 2015. Operating income within our Watch segment was $259 million for the three months ended September 30, 2016 as compared to $234 million for the three months ended September 30, 2015. Corporate operating expenses were $42 million for the three months ended September 30, 2016 as compared to $27 million for the three months ended September 30, 2015. Refer to the “Business Segments Results for the Three Months Ended September 30, 2016 Compared to the Three Months Ended September 30, 2015” section for further discussion of our operating income.

Interest Expense

Interest expense was $85 million for the three months ended September 30, 2016 as compared to $79 million for the three months ended September 30, 2015. This increase is primarily due to the incurrence of an additional $500 million in senior secured term loans in March 2016 and an increase in the USD LIBOR senior secured term loan interest rates.

Foreign Currency Exchange Transaction Losses, Net

Foreign currency exchange transaction losses, net, primarily represent the net gain or loss on revaluation of external debt, intercompany loans and other receivables and payables denominated in currencies other than the respective entity’s functional currency. Fluctuations in the value of foreign currencies relative to the U.S. Dollar have a significant effect on our operating results, primarily the Euro. The average U.S. Dollar to Euro exchange rate was $1.12 to €1.00 for the three months ended September 30, 2016 as compared to $1.11 to €1.00 for the three months ended

September 30, 2015.

We realized net gains of $2 million for the three months ended September 30, 2016 resulting primarily from the fluctuations in certain foreign currencies associated with intercompany transactions and a gain of $2 million from the revaluation of our U.S. denominated debt held in Euro functional currency entities, partially offset by a loss of $4 million associated with foreign currency derivative financial instruments.

We realized net gains of $5 million for the three months ended September 30, 2015 resulting primarily from the fluctuations in certain foreign currencies associated with intercompany transactions.

Income Taxes

The effective tax rates for the three months ended September 30, 2016 and 2015 were 38% and 36%, respectively. The tax rate for the three months ended September 30, 2016 was higher than the statutory rate as a result of the impact of tax rate differences in other jurisdictions where we file tax returns, and the effect of global licensing activities and foreign distributions, offset by the favorable impact of certain financing activities, the impact of share-based compensation excess tax benefit, and the release of certain tax contingencies. The tax rate for the three months ended September 30, 2015 was higher than the statutory rate as a result of the impact of tax rate differences in other jurisdictions where we file tax returns, the effect of global licensing activities and foreign distributions, and audit settlements offset by the favorable impact of certain financing activities and release of certain tax contingencies.

The estimated liability for unrecognized tax benefits as of December 31, 2016 is $468 million and was $461 million as of December 31, 2015. If our tax positions are favorably sustained by the taxing authorities, the reversal of the underlying liabilities would reduce our effective tax rate in future periods.

Adjusted EBITDA

Adjusted EBITDA increased 4.0% to $498 million for the three months ended September 30, 2016 from $479 million for the three months ended September 30, 2015, or 4.0% on a constant currency basis. See "Results of Operations – Three Months Ended September 30, 2016 Compared to the Three Months Ended September 30, 2015" for the reconciliation of net income to Adjusted EBITDA.

Business Segment Results for the Three Months Ended September 30, 2016 Compared to the Three Months Ended September 30, 2015

Revenues

The table below sets forth our segment revenue performance data for the three months ended September 30, 2016 compared to the three months ended September 30, 2015, both on an as-reported and constant currency basis.

| (IN MILLIONS) | Three Months Ended September 30, 2016 | Three Months Ended September 30, 2015 | % Variance 2016 vs. 2015 Reported | | Three Months Ended September 30, 2015 Constant Currency | % Variance 2016 vs. 2015 Constant Currency | |
|---|---|---|---|---|---|---|---|
| Developed Markets | $ 542 | $ 563 | (3.7 | )% | $ 556 | (2.5 | )% |
| Emerging Markets | 267 | 253 | 5.5 | % | 246 | 8.5 | % |
| Buy Segment | $ 809 | $ 816 | (0.9 | )% | $ 802 | 0.9 | % |
| | | | | | | | |
| Audience Measurement (Video and Text) | $ 496 | $ 458 | 8.3 | % | $ 457 | 8.5 | % |
| Audio | 137 | 141 | (2.8 | )% | 141 | (2.8 | )% |
| Marketing Effectiveness | 87 | 68 | 27.9 | % | 66 | 31.8 | % |
| Other Watch | 41 | 48 | (14.6 | )% | 49 | (16.3 | )% |
| Watch Segment | 761 | 715 | 6.4 | % | 713 | 6.7 | % |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Total | $ 1,570 | $ 1,531 | 2.5 | % | $ 1,515 | 3.6 | % |

Buy Segment Revenues

Revenues decreased 0.9% to $809 million for the three months ended September 30, 2016 from $816 million for the three months ended September 30, 2015, or an increase of 0.9% on a constant currency basis, excluding a 1.8% unfavorable impact of changes in foreign currency exchange rates.

Revenues in our Buy segment from developed markets decreased 3.7% to $542 million, or a decrease of 2.5% on a constant currency basis, excluding a 1.2% unfavorable impact of changes in foreign currency exchange rates. Excluding the impact of foreign currency exchange rates, revenue decreased due to softness in our discretionary services, especially in the United States market, as well as portfolio pruning initiatives which target slow growth and non-core products.

Revenues in our Buy segment from emerging markets increased 5.5% to $267 million, or an increase of 8.5% on a constant currency basis, excluding a 3.0% unfavorable impact of changes in foreign currency exchange rates. Excluding the impact of foreign currency exchange rates, revenue growth was driven by our global footprint, coverage expansion and broad product offerings continue to position us well with both local and multinational clients, which drove double-digit growth in Eastern Europe and India, along with high single-digit growth in Latin America and South East Asia for the three months ended September 30, 2016.

Watch Segment Revenues

Revenues increased 6.4% to $761 million for the three months ended September 30, 2016 from $715 million for the three months ended September 30, 2015, or an increase of 6.7% on a constant currency basis, excluding a 0.3% unfavorable impact of changes in foreign currency exchange rates. Excluding the impact of foreign currency exchange rates, revenue growth was driven primarily by growth in Audience Measurement of Video and Text, which increased 8.3% (8.5% on a constant currency basis) due to our ongoing investments and continued client adoption of our Total Audience Measurement framework. Audio revenues decreased 2.8% on an as reported and constant currency basis, for the three months ended September 30, 2016 as compared to the three months ended September 30, 2015, due to timing of deliveries. Marketing Effectiveness revenues grew 27.9% (31.8% on a constant currency basis), due to our continued investments in our product portfolio and client’s growing demand for our Marketing ROI and precision targeting tools. Other Watch revenues decreased by 14.6% (16.3% on a constant currency basis) due to the sale of the National Research Group, Inc., which was completed in the fourth quarter of 2015. Excluding Other Watch, our Watch segment grew 7.9%, or 8.4% on a constant currency basis.

Business Segment Profitability

We do not allocate items below operating income/(loss) to our business segments and therefore the tables below set forth a reconciliation of operating income/(loss) at the business segment level for the three months ended September 30, 2016 and 2015, adjusting for certain items affecting operating income/(loss), such as restructuring charges, depreciation and amortization, stock-based compensation expense and certain other items described below resulting in a presentation of our non-GAAP business segment profitability. Non-GAAP business segment profitability provides useful supplemental information to management and investors regarding financial and business trends related to our results of operations. When this non-GAAP financial information is viewed with our GAAP financial information, investors are provided with a meaningful understanding of our ongoing operating performance. It is important to note that the non-GAAP business segment profitability corresponds in total to our consolidated Adjusted EBITDA described within our consolidated results of operations above, which our chief operating decision maker and other members of management use to measure our performance from period to period both at the consolidated level as well as within our operating segments, to evaluate and fund incentive compensation programs and to compare our results to those of our competitors. These non-GAAP measures should not be considered as an alternative to net income/(loss), operating income/(loss), cash flows from operating activities or any other performance measures derived in accordance with GAAP as measures of operating performance or cash flows as measures of liquidity. These non-GAAP measures have important limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP.

| THREE MONTHS ENDED SEPTEMBER 30, 2016 (IN MILLIONS) | Operating Income/(Loss) | Restructuring Charges | Depreciation and Amortization | Stock-Based Compensation Expense | Other Items[1] | Non-GAAP Business Segment Income/(Loss) |
|---|---|---|---|---|---|---|
| Buy | $ 79 | $ 15 | $ 53 | $ 3 | $ — | $ 150 |
| Watch | 259 | 2 | 97 | 2 | — | 360 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Corporate and Eliminations | (42 ) | 12 | 1 | 6 | 11 | (12 ) |
| Total Nielsen | $ 296 | $ 29 | $ 151 | $ 11 | $ 11 | $ 498 |

| THREE MONTHS ENDED SEPTEMBER 30, 2015 (IN MILLIONS) | Operating Income/(Loss) | Restructuring Charges | Depreciation and Amortization | Stock-Based Compensation Expense | Other Items (1) | Non-GAAP Business Segment Income/(Loss) |
|---|---|---|---|---|---|---|
| Buy | $ 91 | $ 11 | $ 51 | $ 4 | $ — | $ 157 |
| Watch | 234 | 4 | 92 | 1 | 3 | 334 |
| Corporate and Eliminations | (27 ) | — | 1 | 7 | 7 | (12 ) |
| Total Nielsen | $ 298 | $ 15 | $ 144 | $ 12 | $ 10 | $ 479 |

(1) Other items primarily consist of business optimization costs for the three months ended September 30, 2016 and 2015.

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| (IN MILLIONS) | Three Months Ended September 30, 2016 Reported | Three Months Ended September 30, 2015 Reported | % Variance 2016 vs. 2015 Reported | Three Months Ended September 30, 2015 Constant Currency | % Variance 2016 vs. 2015 Constant Currency |
|---|---|---|---|---|---|
| Non-GAAP Business Segment Income/(Loss) | | | | | |
| Buy | $ 150 | $ 157 | (4.5 )% | $ 156 | (3.8 )% |
| Watch | 360 | 334 | 7.8 % | 335 | 7.5 % |
| Corporate and Eliminations | (12 ) | (12 ) | NM | (12 ) | NM |
| Total Nielsen | $ 498 | $ 479 | 4.0 % | $ 479 | 4.0 % |

Buy Segment Profitability

Operating income was $79 million for the three months ended September 30, 2016 as compared to $91 million for the three months ended September 30, 2015. The decrease was driven primarily by the revenue performance mentioned above, higher depreciation and amortization expense and restructuring charges for the three months ended September 30, 2016. Non-GAAP business segment income decreased 3.8% on a constant currency basis.

Watch Segment Profitability

Operating income was $259 million for the three months ended September 30, 2016 as compared to $234 million for the three months ended September 30, 2015. The increase was driven primarily by the revenue performance discussed above, the impact of productivity initiatives, lower restructuring charges and business optimization costs for the three months ended September 30, 2016, partially offset by higher depreciation and amortization expense and stock-based compensation expense for the three months ended September 30, 2016. Non-GAAP business segment income increased 7.5% on a constant currency basis.

Corporate Expenses and Eliminations

Operating expenses were $42 million for the three months ended September 30, 2016 as compared to $27 million for the three months ended September 30, 2015, due primarily to higher restructuring charges and business optimization costs for the three months ended September 30, 2016 partially offset by lower stock-based compensation expense for the three months ended September 30, 2016.

Results of Operations – Nine Months Ended September 30, 2016 Compared to the Nine Months Ended September 30, 2015

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

Nine Months Ended
September 30,

| (IN MILLIONS) | 2016 | 2015 |
|---|---|---|
| Revenues | $ 4,653 | $ 4,548 |
| Cost of revenues, exclusive of depreciation and amortization shown separately below | 1,937 | 1,885 |
| Selling, general and administrative expenses, exclusive of depreciation and amortization shown separately below | 1,391 | 1,405 |
| Depreciation and amortization | 450 | 432 |
| Restructuring charges | 73 | 43 |
| Operating income | 802 | 783 |
| Interest income | 3 | 3 |
| Interest expense | (247 ) | (231 ) |
| Foreign currency exchange transaction losses, net | (3 ) | (27 ) |
| Income from continuing operations before income taxes and equity in net loss of affiliates | 555 | 528 |
| Provision for income taxes | (208 ) | (206 ) |
| Equity in net loss of affiliates | — | (1 ) |
| Net income | $ 347 | $ 321 |

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Net Income to Adjusted EBITDA Reconciliation

The below table presents a reconciliation from net income to Adjusted EBITDA for the nine months ended September 30, 2016 and 2015:

| | Nine Months Ended September 30, | |
|---|---|---|
| (IN MILLIONS) | 2016 | 2015 |
| Net income | $ 347 | $ 321 |
| Interest expense, net | 244 | 228 |
| Provision for income taxes | 208 | 206 |
| Depreciation and amortization | 450 | 432 |
| EBITDA | 1,249 | 1,187 |
| Equity in net loss of affiliates | — | 1 |
| Other non-operating expense, net | 3 | 27 |
| Restructuring charges | 73 | 43 |
| Stock-based compensation expense | 37 | 39 |
| Other items[(a)] | 28 | 30 |
| Adjusted EBITDA | $ 1,390 | $ 1,327 |

(a) Other items primarily consist of business optimization costs for the nine months ended September 30, 2016 and 2015.

Consolidated Results for the Nine Months Ended September 30, 2016 Compared to the Nine Months Ended September 30, 2015

Revenues

Revenues increased 2.3% to $4,653 million for the nine months ended September 30, 2016 from $4,548 million for the nine months ended September 30, 2015, or an increase of 4.4% on a constant currency basis, excluding a 2.1% unfavorable impact of changes in foreign currency exchange rates. Revenues within our Buy segment decreased 0.5% (an increase of 2.8% on a constant currency basis). Revenues within our Watch segment increased 5.6% (6.3% on a constant currency basis). Refer to the “Business Segment Results for the Nine Months Ended September 30, 2016 Compared to the Nine Months Ended September 30, 2015” section for further discussion of our revenue performance.

Cost of Revenues, Exclusive of Depreciation and Amortization

Cost of revenues increased 2.8% to $1,937 million for the nine months ended September 30, 2016 from $1,885 million for the nine months ended September 30, 2015, or an increase of 5.3% on a constant currency basis, excluding a 2.5% favorable impact of changes in foreign currency exchange rates.

Costs within our Buy segment decreased 0.3%, or an increase of 3.4% on a constant currency basis.  Excluding a 3.7% 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 8.9%, or 9.8% on a constant currency basis. Excluding a 0.9% 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 1.0% to $1,391 million for the nine months ended September 30, 2016 from $1,405 million for the nine months ended September 30, 2015, or an increase of 1.5% on a constant currency basis, excluding a 2.5% favorable impact of changes in foreign currency exchange rates.

Costs within our Buy segment decreased 1.1%, or an increase of 2.2% on a constant currency basis. Excluding a 3.3% 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 3.1%, or 2.2% on a constant currency basis. Excluding a 0.9% favorable impact of changes in foreign currency exchange rates, selling, general and administrative expenses decreased due to the impact of productivity initiatives.

Depreciation and Amortization

Depreciation and amortization expense was $450 million for the nine months ended September 30, 2016 as compared to $432 million for the nine months ended September 30, 2015. This increase was primarily due to higher depreciation and amortization expense associated with assets acquired in business combinations and higher capital expenditures.

Depreciation and amortization expense associated with tangible and intangible assets acquired in business combinations increased to $158 million for the nine months ended September 30, 2016 from $152 million for the nine months ended September 30, 2015.

Restructuring Charges

We recorded $73 million and $43 million in restructuring charges relating to employee severance associated with productivity initiatives and contract termination costs for the nine months ended September 30, 2016 and 2015, respectively.

Operating Income

Operating income for the nine months ended September 30, 2016 was $802 million as compared to $783 million for the nine months ended September 30, 2015. Operating income within our Buy segment was $216 million for the nine months ended September 30, 2016 as compared to $231 million for the nine months ended September 30, 2015. Operating income within our Watch segment was $684 million for the nine months ended September 30, 2016 as compared to $634 million for the nine months ended September 30, 2015. Corporate operating expenses were $98 million for the nine months ended September 30, 2016 as compared to $82 million for the nine months ended September 30, 2015. Refer to the “Business Segments Results for the Nine Months Ended September 30, 2016 Compared to the Nine Months Ended September 30, 2015” section for further discussion of our operating income.

Interest Expense

Interest expense was $247 million for the nine months ended September 30, 2016 as compared to $231 million for the nine months ended September 30, 2015. This increase is primarily due to the incurrence of an additional $500 million in senior secured term loan in March 2016, the issuance of $750 million 5.00% Senior Notes in February 2015 and an increase in the USD LIBOR senior secured term loan interest rates.

Foreign Currency Exchange Transaction Losses, Net

Foreign currency exchange transaction losses, net, primarily represent the net gain or loss on revaluation of external debt, intercompany loans and other receivables and payables denominated in currencies other than the respective entity’s functional currency. Fluctuations in the value of foreign currencies relative to the U.S. Dollar have a significant effect on our operating results, primarily the Euro. The average U.S. Dollar to Euro exchange rate was $1.12 to €1.00 for each of the nine months ended September 30, 2016 and 2015.

We realized net losses of $3 million for the nine months ended September 30, 2016, resulting primarily from the loss of $3 million associated with foreign currency derivative financial instruments.

We realized net losses of $27 million for the nine months ended September 30, 2015, resulting primarily from the revaluation of our U.S. denominated debt and cash held in Euro functional currency entities of $13 million, the devaluation of the Venezuela bolivars Fuertes of $9 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 $3 million associated with foreign currency derivative financial instruments.

Income Taxes

The effective tax rates for the nine months ended September 30, 2016 and 2015 were 37% and 39%, respectively. The tax rate for the nine months ended September 30, 2016 was higher than the statutory rate as a result of the impact of tax rate differences in other jurisdictions where we file tax returns, and the effect of global licensing activities and foreign distributions, offset by the favorable impact of certain financing activities, the impact of share-based compensation excess tax benefit, and the release of certain tax contingencies. The tax rate for the nine months ended September 30, 2015 was higher than the statutory rate as a result of the impact of tax rate differences in other jurisdictions where we file tax returns, the effect of global licensing activities and foreign distributions, and audit settlements offset by the favorable impact of certain financing activities and release of certain tax contingencies.

Adjusted EBITDA

Adjusted EBITDA increased 4.7% to $1,390 million for the nine months ended September 30, 2016 from $1,327 million for the nine months ended September 30, 2015, or 5.8% on a constant currency basis, excluding a 1.1% unfavorable impact of changes in foreign currency exchange rates. See “Results of Operations – Nine Months Ended September 30, 2016 Compared to the Nine Months Ended September 30, 2015” for the reconciliation of net income to Adjusted EBITDA.

Business Segment Results for the Nine Months Ended September 30, 2016 Compared to the Nine Months Ended September 30, 2015

Revenues

The table below sets forth our segment revenue performance data for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015, both on an as-reported and constant currency basis.

| (IN MILLIONS) | Nine Months Ended September 30, 2016 | Nine Months Ended September 30, 2015 | % Variance 2016 vs. 2015 Reported | Nine Months Ended September 30, 2015 Constant Currency | % Variance 2016 vs. 2015 Constant Currency |
|---|---|---|---|---|---|
| Developed Markets | $ 1,674 | $ 1,694 | (1.2)% | $ 1,672 | 0.1% |
| Emerging Markets | 780 | 772 | 1.0% | 715 | 9.1% |
| Buy Segment | $ 2,454 | $ 2,466 | (0.5)% | $ 2,387 | 2.8% |
| | | | | | |
| Audience Measurement (Video and Text) | $ 1,459 | $ 1,361 | 7.2% | $ 1,351 | 8.0% |
| Audio | 380 | 382 | (0.5)% | 381 | (0.3)% |
| Marketing Effectiveness | 238 | 194 | 22.7% | 191 | 24.6% |
| Other Watch | 122 | 145 | (15.9)% | 146 | (16.4)% |
| Watch Segment | 2,199 | 2,082 | 5.6% | 2,069 | 6.3% |
| Total | $ 4,653 | $ 4,548 | 2.3% | $ 4,456 | 4.4% |

Buy Segment Revenues

Revenues decreased 0.5% to $2,454 million for the nine months ended September 30, 2016 from $2,466 million for the nine months ended September 30, 2015, or an increase of 2.8% on a constant currency basis, excluding a 3.3% unfavorable impact of changes in foreign currency exchange rates.

Revenues in our Buy segment from developed markets decreased 1.2% to $1,674 million, or an increase of 0.1% on a constant currency basis, excluding a 1.3% unfavorable impact of changes in foreign currency exchange rates. Excluding the impact of foreign currency exchange rates, revenue grew as a result of modest strength in core measurement and new client wins in our subscription-based products, which were partially offset by softness in our discretionary services, especially in the United States market.

Revenues in our Buy segment from emerging markets increased 1.0% to $780 million, or 9.1% on a constant currency basis, excluding a 8.1% unfavorable impact of changes in foreign currency exchange rates. Excluding the impact of foreign currency exchange rates, revenue growth was driven by our continued commitment to invest in coverage and analytics capabilities, which resulted in broad based demand for our services within both our multinational and local client bases. For the nine months ended September 30, 2016, these investments drove double-digit growth in Latin America, Eastern Europe and South East Asia, along with high single-digit growth in China and mid single-digit growth in Africa and India.

Watch Segment Revenues

Revenues increased 5.6% to $2,199 million for the nine months ended September 30, 2016 from $2,082 million for the nine months ended September 30, 2015 or an increase of 6.3% on a constant currency basis, excluding a 0.7% unfavorable impact of changes in foreign currency exchange rates. Excluding the impact of foreign currency exchange rates, revenue growth was primarily driven by growth in Audience Measurement of Video and Text, which increased 7.2% (8.0% on a constant currency basis) due to continued client adoption of our Total Audience Measurement framework and continued investments. Audio decreased 0.5% or 0.3% on a constant currency basis, for the nine months ended September 30, 2016 as compared to the nine months ended September 30, 2015. Our Marketing Effectiveness offerings grew 22.7% (24.6% on a constant currency basis), due to our investments in our product portfolio and client's growing demand for our Marketing ROI and precision targeting tools. Other Watch revenues decreased by 15.9% (16.4% on a constant currency basis) due to the sale of the National Research Group, Inc., which was completed in the fourth quarter of 2015. Excluding Other Watch, our Watch segment grew 7.2%, or 8.0% on a constant currency basis.

Business Segment Profitability

| NINE MONTHS ENDED SEPTEMBER 30, 2016 (IN MILLIONS) | Operating Income/(Loss) | Restructuring Charges | Depreciation and Amortization | Stock-Based Compensation Expense | Other Items[1] | Non-GAAP Business Segment Income/(Loss) |
|---|---|---|---|---|---|---|
| Buy | $ 216 | $ 42 | $ 158 | $ 12 | $ 2 | $ 430 |
| Watch | 684 | 7 | 289 | 7 | 2 | 989 |
| Corporate and Eliminations | (98) | 24 | 3 | 18 | 24 | (29) |
| Total Nielsen | $ 802 | $ 73 | $ 450 | $ 37 | $ 28 | $ 1,390 |

| NINE MONTHS ENDED SEPTEMBER 30, 2015 (IN MILLIONS) | Operating Income/(Loss) | Restructuring Charges | Depreciation and Amortization | Stock-Based Compensation Expense | Other Items[1] | Non-GAAP Business Segment Income/(Loss) |
|---|---|---|---|---|---|---|
| Buy | $ 231 | $ 28 | $ 157 | $ 13 | $ — | $ 429 |
| Watch | 634 | 12 | 272 | 5 | 3 | 926 |
| Corporate and Eliminations | (82) | 3 | 3 | 21 | 27 | (28) |
| Total Nielsen | $ 783 | $ 43 | $ 432 | $ 39 | $ 30 | $ 1,327 |

(1) Other items primarily consist of business optimization costs for the nine months ended September 30, 2016 and 2015.

| (IN MILLIONS) | Nine Months Ended September 30, 2016 Reported | Nine Months Ended September 30, 2015 Reported | % Variance 2016 vs. 2015 Reported | Nine Months Ended September 30, 2015 Constant Currency | % Variance 2016 vs. 2015 Constant Currency |
|---|---|---|---|---|---|
| Non-GAAP Business Segment Income/(Loss) | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Buy | $ 430 | $ 429 | 0.2 % | $ 418 | 2.9 % |
| Watch | 989 | 926 | 6.8 % | 924 | 7.0 % |
| Corporate and Eliminations | (29 ) | (28 ) | NM | (28 ) | NM |
| Total Nielsen | $ 1,390 | $ 1,327 | 4.7 % | $ 1,314 | 5.8 % |

Buy Segment Profitability

Operating income was $216 million for the nine months ended September 30, 2016 as compared to $231 million for the nine months ended September 30, 2015 primarily due to the revenue performance mentioned above as well as higher restructuring charges. Non-GAAP business segment income increased 2.9% on a constant currency basis.

Watch Segment Profitability

Operating income was $684 million for the nine months ended September 30, 2016 as compared to $634 million for the nine months ended September 30, 2015. The increase was driven primarily by the revenue performance discussed above as well as the impact of productivity initiatives and lower restructuring charges, partially offset by higher depreciation and amortization expense. Non-GAAP business segment income increased 7.0% on a constant currency basis.

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Corporate Expenses and Eliminations

Operating expenses were $98 million for the nine months ended September 30, 2016 as compared to $82 million for the nine months ended September 30, 2015 primarily due to higher restructuring charges.

Liquidity and Capital Resources

Overview

Cash flows from operations provided a source of funds of $753 million during the nine months ended September 30, 2016 as compared to $808 million for the nine months ended September 30, 2015, a decrease of $55 million. This decrease was driven by our $36 million cash contribution to the Nielsen Foundation during the nine months ended September 30, 2016, higher interest payments during the nine months ended September 30, 2016 based on a higher debt balance and the timing of vendor and client payments, offset in part by the increase in Adjusted EBITDA discussed above. We provide for additional liquidity through several sources including maintaining an adequate cash balance, access to global funding sources and a committed revolving credit facility. The following table provides a summary of the major sources of liquidity as of and for the nine months ended September 30, 2016 and 2015:

| (IN MILLIONS) | Nine Months Ended September 30, 2016 | Nine Months Ended September 30, 2015 |
|---|---|---|
| Net cash from operating activities | $ 753 | $ 808 |
| Cash and cash equivalents | $ 446 | $ 358 |
| Availability under revolving credit facility | $ 212 | $ 360 |

Of the $446 million in cash and cash equivalents, approximately $402 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.

The below table illustrates our weighted average interest rate and cash paid for interest over the nine months ended September 30, 2016 and 2015.

| | Nine Months Ended September 30, 2016 | Nine Months Ended September 30, 2015 |
|---|---|---|
| Weighted average interest rate | 4.02 % | 3.98 % |
| Cash paid for interest, net of amounts capitalized (in millions) | $ 191 | $ 170 |

On March 30, 2016, we entered into an amendment to our Fourth Amended and Restated Credit Agreement, dated as of April 22, 2014, which provides for additional Class A Term Loans in an aggregate principal amount of $500 million, maturing in full in April 2019 (the “Additional Class A Term Loans”). The Additional Class A Term Loans are required to be repaid in quarterly installments ranging from 1.369% to 4.11% of the original principal amount (as may be reduced as a result of voluntary prepayments), with the balance payable on the maturity date. The Additional Class A Term Loans bear interest equal to, at our election, a base rate or eurocurrency rate, in each case plus an applicable margin which ranges from 0.50% to 1.25% (in the case of base rate loans) or 1.50% to 2.25% (in the case of eurocurrency rate loans). The specific applicable margin is determined by our total leverage ratio (as defined in the Fourth Amended and Restated Credit Agreement).

Subsequent Event

On October 4, 2016, we entered into an amendment (the “Amendment Agreement”) to our Fourth Amended and Restated Credit Agreement (as amended prior to October 4, 2016, the “Existing Credit Agreement”); the Existing Credit Agreement, as amended by the Amendment Agreement, the “Amended Credit Agreement”), which provides for (i) an incremental facility of Class B-2 Euro Term Loans in an aggregate principal amount of €380 million, the proceeds of which were used to replace or refinance the existing Class B-2 Euro Term Loans and to repay certain other indebtedness, and (ii) a new class of term loans, Class B-3 Term Loans in an aggregate principal amount of $1,900 million, the proceeds of which were used to replace or refinance in full a like amount of our applicable existing Class B-1 Term Loans maturing in May, 2017 and Class B-2 Dollar Term Loans maturing in April, 2021 and to repay certain other indebtedness.

The incremental Class B-2 Euro Term Loans will mature in full in April, 2021 and are required to be repaid in equal quarterly installments in an aggregate annual amount equal to 1.00% of the original principal amount of incremental Class B-2 Euro Term Loans, with the balance payable in April, 2021. The Class B-3 Term Loans will mature in full in October, 2023 and are required to be repaid in equal quarterly installments in an aggregate annual amount equal to 1.00% of the original principal amount of Class B-3 Term Loans, with the balance payable in October, 2023.

Class B-2 Euro Term Loans will bear interest equal to the eurocurrency rate plus an applicable margin, which is equal to 2.50%. Class B-3 Term Loans bear interest equal to, at our election, a base rate or eurocurrency rate plus an applicable margin, which is equal to 2.50% (in the case of eurocurrency loans) or 1.50% (in the case of base rate loans).

The Amendment Agreement contains the same affirmative and negative covenants as those of the Existing Credit Agreement.

As a result to the Amendment Agreement, we reclassified $486 million of the Class B-1 Term Loans maturing 2017 from the current portion of long term debt to long term debt on our condensed consolidated balance sheet as of September 30, 2016.

Our contractual obligations, commitments and debt service requirements over the next several years are significant. We believe we will have available resources to meet both our short-term and long-term liquidity requirements, including our senior secured debt service. We expect the cash flow from our operations, combined with existing cash and amounts available under the revolving credit facility, will provide sufficient liquidity to fund our current obligations, projected working capital requirements, restructuring obligations, dividend payments and capital spending over the next year. In addition, we may, from time to time, purchase, repay, redeem or retire any of our outstanding debt securities (including any publicly issued debt securities) in privately negotiated or open market transactions, by tender offer or otherwise.

Financial Debt Covenants Attributable to TNC B.V.

The Amended Credit Agreement contains a financial covenant consisting of a maximum leverage ratio applicable to our indirect wholly-owned subsidiary, Nielsen Holding and Finance B.V. and its restricted subsidiaries. The leverage ratio requires that we not permit the ratio of total net debt (as defined in the Amended Credit Agreement) at the end of any calendar quarter to Covenant EBITDA (as defined in the Amended Credit Agreement) for the four quarters then ended to exceed a specified threshold. The maximum permitted ratio is 5.50 to 1.00.

Failure to comply with this financial covenant would result in an event of default under our Amended Credit Agreement unless waived by our senior credit lenders. An event of default under our Amended Credit Agreement can result in the acceleration of our indebtedness under the facilities, which in turn would result in an event of default and possible acceleration of indebtedness under the agreements governing our debt securities as well. As our failure to comply with the financial covenant described above can cause us to go into default under the agreements governing our indebtedness, management believes that our Amended Credit Agreement and this covenant are material to us. As of September 30, 2016, we were in full compliance with the financial covenant described above.

Revolving Credit Facility

The Amended Credit Agreement contains a senior secured revolving credit facility with aggregate revolving credit commitments of $575 million and a final maturity of April 2019 under which Nielsen Finance LLC, TNC (US) Holdings, Inc., and Nielsen Holding and Finance B.V. can borrow revolving loans. The revolving credit facility can also be used for letters of credit, guarantees and swingline loans.

The senior secured revolving credit facility is provided under the Amended Credit Agreement and so contains covenants and restrictions as noted above with respect to the Amended Credit Agreement. Obligations under the revolving credit facility are guaranteed by the same entities that guarantee obligations under the Amended Credit Agreement.

As of September 30, 2016 and 2015, we had $357 million and $210 million borrowings outstanding and had outstanding letters of credit of $6 million and $5 million, respectively. As of September 30, 2016, we had $212 million available for borrowing under the revolving credit facility.

Dividends and Share Repurchase Program

On January 31, 2013, our Board of Directors adopted a cash dividend policy 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 of directors and will be subject to the board's continuing determination that the dividend policy and the declaration of dividends thereunder are in the best interests of our shareholders, and are in compliance with all laws and agreements to which we are subject. The below table summarizes the dividends declared on our common stock during 2015 and the nine months ended September 30, 2016.

| Declaration Date | Record Date | Payment Date | Dividend Per Share |
|---|---|---|---|
| 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 |
| October 29, 2015 | November 24, 2015 | December 8, 2015 | $ 0.28 |
| February 18, 2016 | March 3, 2016 | March 17, 2016 | $ 0.28 |
| April 19, 2016 | June 2, 2016 | June 16, 2016 | $ 0.31 |
| July 21, 2016 | August 25, 2016 | September 8, 2016 | $ 0.31 |

On October 20, 2016, our Board declared a cash dividend of $0.31 per share of our common stock. The dividend is payable on December 6, 2016 to stockholders of record at the close of business on November 22, 2016.

Our Board of Directors 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.

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

Repurchases under these plans are 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 Meeting of Shareholders held in 2014, 2015 and 2016.

As of September 30, 2016, there have been 33,370,910 shares of our common stock purchased at an average price of $46.14 per share (total consideration of approximately $1,540 million) under this program.

The activity for the nine months ended September 30, 2016 consisted of open market share repurchases and is summarized in the following table:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Dollar Value of Shares that may yet be Purchased under the Plans or Programs |
|---|---|---|---|---|
| As of December 31, 2015 | 25,762,411 | $ 44.43 | 25,762,411 | $ 855,495,985 |
| 2016 Activity | | | | |
| January 1- 31 | 628,054 | $ 45.62 | 628,054 | $ 826,841,315 |
| February 1- 29 | 687,473 | $ 47.41 | 687,473 | $ 794,246,197 |
| March 1- 31 | 429,617 | $ 51.48 | 429,617 | $ 772,128,086 |
| April 1-30 | 1,368,352 | $ 52.91 | 1,368,352 | $ 699,730,694 |
| May 1-31 | 1,320,614 | $ 52.23 | 1,320,614 | $ 630,761,673 |
| June 1-30 | 1,478,685 | $ 53.84 | 1,478,685 | $ 551,145,264 |
| July 1-31 | 1,286,936 | $ 53.66 | 1,286,936 | $ 482,094,450 |
| August 1-31 | 224,800 | $ 53.61 | 224,800 | $ 470,042,455 |
| September 1-30 | 183,968 | $ 53.01 | 183,968 | $ 460,290,434 |
| Total | 33,370,910 | $ 46.14 | 33,370,910 | |

Cash Flows

Operating activities. Net cash provided by operating activities was $753 million for the nine months ended September 30, 2016, as compared to $808 million for the nine months ended September 30, 2015. This decrease was driven by our $36 million cash contribution to the Nielsen Foundation during the nine months ended September 30, 2016, higher interest payments during the nine months ended September 30, 2016 based on a higher debt balance and the timing of vendor and client payments, offset in part by the Adjusted EBITDA performance discussed above. Our key collections performance measure, days billing outstanding (DBO), increased by 1 day as compared to the same period last year.

Investing activities. Net cash used in investing activities was $591 million for the nine months ended September 30, 2016, as compared to $504 million for the nine months ended September 30, 2015. The primary driver for the increase was higher acquisition payments and capital expenditures during the nine months ended September 30, 2016 as compared to the same period for 2015.

Financing activities. Net cash used in financing activities was $90 million for the nine months ended September 30, 2016 as compared to $174 million for the nine months ended September 30, 2015. This decrease is primarily due to lower share repurchasing partially offset by higher dividend payments, as described in the “Dividends and Share Repurchase Program” section above, during the nine months ended September 30, 2016 as compared to the same period of 2015.

Capital Expenditures

Investments in property, plant, equipment, software and other assets totaled $324 million for the nine months ended September 30, 2016 as compared to $306 million for the nine months ended September 30, 2015.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that currently have or are reasonably likely to have a material effect on our consolidated financial condition, changes in financial condition, results of operations, liquidity, capital expenditures or capital resources.

Summary of Recent Accounting Pronouncements

Classification and Measurement of Financial Instruments

In January 2016, the FASB issued an Accounting Standards Update (“ASU”), “Recognition and Measurement of Financial Assets and Financial Liabilities”. The new standard was issued to amend the guidance on the classification and measurement of financial instruments. The new standard significantly revises an entity's accounting related to the classification and measurement of investments in equity securities and the presentation of certain fair value changes for financial liabilities measured at fair value. The new standard also amends certain disclosure requirements associated with the fair value of financial instruments. The new standard is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2017. Early adoption for most of the provisions is not allowed.  We are currently assessing the impact the adoption of this ASU will have on our condensed consolidated financial statements.

Leases

In February 2016, the FASB issued an ASU, “Leases”. The new standard amends the recognition of lease assets and lease liabilities by lessees for those leases currently classified as operating leases and amends disclosure requirements associated with leasing arrangements. The new standard is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2018. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. We are currently assessing the impact the adoption of this ASU will have on our condensed consolidated financial statements.

Investments- Equity Method and Joint Ventures

In March 2016, the FASB issued an ASU, “Investments- Equity Method and Joint Ventures: Simplifying the Transition to the Equity Method of Accounting”. This new standard eliminates the requirement to apply the equity method of accounting retrospectively when a reporting entity obtains significant influence over a previously held investment. This guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2016. Under the provisions of this ASU, when circumstances dictate that an investment accounted for under the cost method should no longer be a cost method investee but be accounted for under the equity method, there will no longer be a required retrospective restatement. We are currently assessing the impact the adoption this ASU will have on our condensed consolidated financial statements.

Compensation- Stock Compensation

In March 2016, the FASB issued an ASU, “Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting”. The new standard simplifies several aspects related to the accounting for share-based payment transactions, including the accounting for income taxes, statutory tax withholding requirements, forfeitures and classification on the statement of cash flows. This guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2016; however, early adoption is permitted. We elected to early adopt this ASU and as a result recorded a $47 million cumulative-effect adjustment to retained earnings as of January 1, 2016 related to previously unrecognized excess tax benefits. Further, we elected to apply the retrospective transition method to the amendments related to the presentation of excess tax benefits on the statement of cash flows. This change resulted in a $30 million increase to operating cash flow and a $30 million decrease to cash flows from financing activities for the nine months ended September 30, 2015.

Financial Instruments – Credit Losses

In June 2016, the FASB issued an ASU, “Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments”. The standard significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard will replace today’s “incurred loss” approach with an “expected loss” model for instruments measured at amortized cost. For available-for-sale debt securities, entities will be required to record allowances rather than reduce the carrying amount, as they do today under the other-than-temporary impairment model. It also simplifies the accounting model for purchased credit-impaired debt securities and loans. The new standard is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2019. Early adoption is permitted for fiscal years and interim periods within those fiscal years beginning after December 15, 2018. We are currently assessing the impact of the adoption of this ASU will have on our condensed consolidated financial statements.

Statement of Cash Flows- Classification of Certain Cash Receipts and Cash Payments.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows- Classification of Certain Cash Receipts and Cash Payments". The standard addresses how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash flow, and other Topics. ASU 2016-15 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2017. We do not expect the adoption of this guidance to have a material impact on our condensed consolidated financial statements.

Commitments and Contingencies

Legal Proceedings and Contingencies

We are subject to litigation and other claims in the ordinary course of business, some of which include claims for substantial sums. Accruals have been recorded when the outcome is probable and can be reasonably estimated. While the ultimate results of claims and litigation cannot be determined, we expect that the ultimate disposition of these matters will not have a material adverse effect on its operations or financial condition. However, depending on the amount and the timing, an unfavorable resolution of some or all of these matters could materially affect our future results of operations or cash flows in a particular period.

Other Contractual Obligations

Our other contractual obligations include capital lease obligations (including interest portion), facility leases, leases of certain computer and other equipment, agreements to purchase data and telecommunication services, the payment of principal and interest on debt and pension fund obligations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential loss arising from adverse changes in market rates and market prices such as interest rates, foreign currency exchange rates, and changes in the market value of equity instruments. We are exposed to market risk, primarily related to foreign exchange and interest rates. We actively monitor these exposures. Historically, in order to manage the volatility relating to these exposures, we entered into a variety of derivative financial instruments, mainly interest rate swaps, cross-currency swaps and forward rate agreements. Currently we only employ basic contracts, that is, without options, embedded or otherwise. Our objective is to reduce, where it is deemed appropriate to do so, fluctuations in earnings, cash flows and the value of our net investments in subsidiaries resulting from changes in interest rates and foreign currency rates. It is our policy not to trade in financial instruments for speculative purposes.

Foreign Currency Exchange Risk

We operate globally and predominantly generate revenue and expenses in local currencies. Approximately 40% of our revenues and 43% of our operating costs were generated in currencies other than the U.S. Dollar for the nine months ended September 30, 2016. Because of fluctuations (including possible devaluations) in currency exchange rates or the imposition of limitations on conversion of foreign currencies into our reporting currency, we are subject to currency translation exposure on the profits of our operations, in addition to transaction exposure. Typically, a one cent change in the U.S. Dollar/Euro exchange rate, holding all other currencies constant, will impact revenues by approximately $5 million annually, with an immaterial impact on our profitability.

Foreign currency translation risk is the risk that exchange rate gains or losses arise from translating foreign entities' statements of earnings and balance sheets from functional currency to our reporting currency (the U.S. Dollar) for consolidation purposes. Translation risk exposure is managed by creating "natural hedges" in our financing. It is our policy not to trade derivative financial instruments for speculative purposes. During the nine months ended September 30, 2016 and 2015, we recorded a net loss of $3 million and a net gain of $3 million, respectively, associated with foreign currency derivative financial instruments within foreign currency exchange transactions gains/(losses), net in our condensed consolidated statements of operations. As of September 30, 2016 and December 31, 2015, the notional amount of outstanding foreign currency derivative financial instruments were $316 million and $37 million, respectively.

The table below details the percentage of revenues and expenses by currency for the nine months ended September 30, 2016:

| | U.S. Dollar | | Euro | | Other Currencies | |
|---|---|---|---|---|---|---|
| Revenues | 60 | % | 10 | % | 30 | % |
| Operating costs | 57 | % | 10 | % | 33 | % |

We have operations in both the Buy and Watch segments in Venezuela and the functional currency for these operations was the Venezuelan Bolivares Fuertes. Venezuela's currency has been considered hyperinflationary since January 1, 2010 and, accordingly, the local currency transactions 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.

We currently expect to be able to access U.S. dollars through the DICOM market. DICOM has significantly higher foreign exchange rates than those available through the other foreign exchange mechanisms. At September 30, 2016, the DICOM exchange rate was 658.0 bolivars to the U.S. dollar.

We will continue to assess the appropriate conversion rate based on events in Venezuela and our specific facts and circumstances and whether to continue consolidation. Total net monetary assets in U.S. dollars at the September 30, 2016 DICOM rate totaled $1 million.

Interest Rate Risk

We continually review our fixed and variable rate debt along with related hedging opportunities in order to ensure our portfolio is appropriately balanced as part of our overall interest rate risk management strategy. At September 30, 2016, we had $4,098 million in carrying value of floating-rate debt under our senior secured credit facilities of which $1,550 million was subject to effective floating-fixed interest rate swaps. A one percent increase in interest rates applied to our floating rate indebtedness would therefore increase annual interest expense by approximately $25 million ($41 million without giving effect to any of our interest rate swaps).

Derivative instruments involve, to varying degrees, elements of non-performance, or credit risk. We do not believe that we currently face a significant risk of loss in the event of non-performance by the counterparties associated with these instruments, as these transactions were executed with a diversified group of major financial institutions with a minimum investment-grade or better credit rating. Our credit risk exposure is managed through the continuous monitoring of our exposures to such counterparties.

Equity Price Risk

We are not exposed to material equity risk.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to ensure that information required to be disclosed in the reports that the Company files or submits to the SEC under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

The Company’s Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company’s disclosure controls and procedures as of September 30, 2016 (the “Evaluation Date”). Based on such evaluation and subject to foregoing, such officers have concluded that, as of the Evaluation Date, the Company’s disclosure controls and procedures are effective at the reasonable assurance level.

(b) Changes in Internal Control over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

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Explanation of Responses:

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

We are subject to litigation and other claims in the ordinary course of business, some of which include claims for substantial sums. Accruals have been recorded when the outcome is probable and can be reasonably estimated. While the ultimate results of claims and litigation cannot be determined, we do expect that the ultimate disposition of these matters will not have a material adverse effect on our operations or financial condition. However, depending on the amount and the timing, an unfavorable resolution of some or all of these matters could materially affect our future results of operations or cash flows in a particular period.

### Item 1A. Risk Factors

There have been no material changes to our Risk Factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015.

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

There were no unregistered sales of our common stock for the nine months ended September 30, 2016.

Nielsen’s Board 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.

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

Repurchases under these plans are 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 Meeting of Shareholders held in 2014, 2015 and 2016.

As of September 30, 2016, there have been 33,370,910 shares of our common stock purchased at an average price of $46.14 per share (total consideration of approximately $1,540 million) under this program.

The activity during the three months ended September 30, 2016 consisted of open market share repurchases and is summarized in the following table:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Dollar Value of Shares that may yet be Purchased under the Plans or Programs |
|---|---|---|---|---|
| July 1-31 | 1,286,936 | $ 53.66 | 1,286,936 | $482,094,450 |
| August 1-31 | 224,800 | $ 53.61 | 224,800 | $470,042,455 |
| September 1-30 | 183,968 | $ 53.01 | 183,968 | $460,290,434 |
| Total | 1,695,704 | $ 53.58 | 1,695,704 | |

Item 3. Defaults Upon Senior Securities
Not applicable.

Item 4. Mine Safety Disclosures
Not applicable.

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Item 5. Other Information

None.

Item 6. Exhibits

The exhibit index attached hereto is incorporated herein by reference.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

| | |
|---|---|
| | Nielsen Holdings plc |
| | (Registrant) |
| Date: October 25, 2016 | /s/ Jeffrey R. Charlton<br>Jeffrey R. Charlton |
| | Senior Vice President and Corporate Controller |
| | Duly Authorized Officer and Principal Accounting Officer |

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EXHIBIT INDEX

The agreements and other documents filed as exhibits to this quarterly report on Form 10-Q are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by the registrant in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

| Exhibit Number | Description of Exhibits |
| --- | --- |
| 31.1* | CEO 302 Certification Pursuant to Rule 13a-15(e)/15d-15(e) |
| 31.2* | CFO 302 Certification Pursuant to Rule 13a-15(e)/15d-15(e) |
| 32.1* | Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) |
| 101* | The following financial information from Nielsen Holdings plc's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, formatted in XBRL includes: (i) Condensed Consolidated Statements of Operations (Unaudited) for the three and nine months ended September 30, 2016 and 2015, (ii) Condensed Consolidated Statements of Comprehensive Income (Unaudited) for the three and nine months ended September 30, 2016 and 2015, (iii) Condensed Consolidated Balance Sheets at September 30, 2016 (Unaudited) and December 31, 2015, (iv) Condensed Consolidated Statements of Cash Flows (Unaudited) for the nine months ended September 30, 2016 and 2015, and (v) the Notes to Condensed Consolidated Financial Statements. |

*Filed or furnished herewith