Nielsen Holdings plc
Form 10-Q
April 20, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2016

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______ to _______

Commission file number 001-35042

Nielsen Holdings plc

(Exact name of registrant as specified in its charter)

England and Wales	98-1225347
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
85 Broad Street	A C Nielsen House
New York, New York 10004	London Road

(646) 654-5000	Oxford Oxfordshire, OX3 9RX United Kingdom +1 (646) 654-5000

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

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

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

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

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

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

There were 361,110,603 shares of the registrant's Common Stock outstanding as of March 31, 2016.

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PART I. FINANCIAL INFORMATION

Item 1.Condensed Consolidated Financial Statements

Nielsen Holdings plc

Condensed Consolidated Statements of Operations (Unaudited)

(IN MILLIONS, EXCEPT SHARE AND PER SHARE DATA)	Three Months Ended March 31, 2016	2015
Revenues	$1,487	$1,458
Cost of revenues, exclusive of depreciation and amortization shown separately below	641	622
Selling, general and administrative expenses, exclusive of depreciation and amortization shown separately below	465	481
Depreciation and amortization	147	142
Restructuring charges	10	14
Operating income	224	199
Interest income	1	1
Interest expense	(79)	(73)
Foreign currency exchange transaction losses, net	(1)	(26)
Income from continuing operations before income taxes	145	101
Provision for income taxes	(44)	(38)
Net income	101	63
Net income attributable to noncontrolling interests	1	—
Net income attributable to Nielsen stockholders	$100	$63
Net income per share of common stock, basic		
Income from continuing operations	$0.28	$0.17
Net income attributable to Nielsen stockholders	$0.28	$0.17
Net income per share of common stock, diluted		
Income from continuing operations	$0.27	$0.17
Net income attributable to Nielsen stockholders	$0.27	$0.17
Weighted-average shares of common stock outstanding, basic	361,580,670	371,169,651
Dilutive shares of common stock	3,620,469	4,192,306
Weighted-average shares of common stock outstanding, diluted	365,201,139	375,361,957
Dividends declared per common share	$0.28	$0.25

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

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Nielsen Holdings plc

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(IN MILLIONS)	Three Months Ended March 31, 2016		2015	
Net income	$	101	$	63
Other comprehensive income/(loss), net of tax				
Foreign currency translation adjustments		91		(172)
Available for sale securities (1)		—		3
Changes in the fair value of cash flow hedges (2)		(7)		(3)
Defined benefit pension plan adjustments (3)		7		6
Total other comprehensive income/(loss)		91		(166)
Total comprehensive income/(loss)		192		(103)
Less: comprehensive income/(loss) attributable to noncontrolling interests		2		(3)
Total comprehensive income/(loss) attributable to Nielsen stockholders	$	190	$	(100)

(1) Net of tax of zero and $(2) million for the three months ended March 31, 2016 and 2015, respectively
(2) Net of tax of $1 million and $2 million for the three months ended March 31, 2016 and 2015, respectively
(3) Net of tax of $1 million and $(1) million for the three months ended March 31, 2016 and 2015, respectively
The accompanying notes are an integral part of these condensed consolidated financial statements.

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Nielsen Holdings plc

Condensed Consolidated Balance Sheets

(IN MILLIONS, EXCEPT SHARE AND PER SHARE DATA)	March 31, 2016 (Unaudited)	December 31, 2015
Assets:		
Current assets		
Cash and cash equivalents	$ 432	$ 357
Trade and other receivables, net of allowances for doubtful accounts and sales returns of $27 and $26 as of March 31, 2016 and December 31, 2015, respectively	1,239	1,235
Prepaid expenses and other current assets	383	316
Total current assets	2,054	1,908
Non-current assets		
Property, plant and equipment, net	482	490
Goodwill	7,887	7,783
Other intangible assets, net	4,799	4,772
Deferred tax assets	93	78
Other non-current assets	273	272
Total assets	$ 15,588	$ 15,303
Liabilities and equity:		
Current liabilities		
Accounts payable and other current liabilities	$ 915	$ 1,013
Deferred revenues	316	322
Income tax liabilities	84	42
Current portion of long-term debt, capital lease obligations and short-term borrowings	189	310
Total current liabilities	1,504	1,687
Non-current liabilities		
Long-term debt and capital lease obligations	7,471	7,028
Deferred tax liabilities	1,024	1,074
Other non-current liabilities	877	887
Total liabilities	10,876	10,676
Commitments and contingencies (Note 11)		
Equity:		
Nielsen stockholders’ equity		
Common stock, €0.07 par value, 1,185,800,000 and 1,185,800,000 shares authorized; 361,738,715 and 362,338,369 shares issued and 361,110,603 and 362,338,369 shares outstanding at March 31, 2016 and December 31, 2015, respectively	32	32
Additional paid-in capital	5,066	5,119
Retained earnings	387	341
Accumulated other comprehensive loss, net of income taxes	(969)	(1,059)
Total Nielsen stockholders’ equity	4,516	4,433
Noncontrolling interests	196	194
Total equity	4,712	4,627
Total liabilities and equity	$ 15,588	$ 15,303

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

Nielsen Holdings plc

Condensed Consolidated Statements of Cash Flows (Unaudited)

(IN MILLIONS)	Three Months Ended March 31, 2016	2015
Operating Activities		
Net income	$101	$63
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation expense	13	14
Currency exchange rate differences on financial transactions and other losses	1	26
Depreciation and amortization	147	142
Changes in operating assets and liabilities, net of effect of businesses acquired and divested:		
Trade and other receivables, net	3	47
Prepaid expenses and other current assets	(45)	(56)
Accounts payable and other current liabilities and deferred revenues	(191)	(200)
Other non-current liabilities	(7)	(1)
Interest payable	50	57
Income taxes	15	9
Net cash provided by operating activities	87	101
Investing Activities		
Acquisition of subsidiaries and affiliates, net of cash acquired	(47)	(191)
Additions to property, plant and equipment and other assets	(28)	(33)
Additions to intangible assets	(81)	(69)
Other investing activities	—	2
Net cash used in investing activities	(156)	(291)
Financing Activities		
Net payments under revolving credit facility	(164)	(205)
Proceeds from issuances of debt, net of issuance costs	496	746
Repayment of debt	(25)	(25)
Cash dividends paid to stockholders	(101)	(90)
Repurchase of common stock	(83)	(141)
Proceeds from exercise of stock options	18	6
Other financing activities	(11)	(3)
Net cash provided by financing activities	130	288
Effect of exchange-rate changes on cash and cash equivalents	14	(28)
Net increase in cash and cash equivalents	75	70
Cash and cash equivalents at beginning of period	357	273
Cash and cash equivalents at end of period	$432	$343
Supplemental Cash Flow Information		
Cash paid for income taxes	$(29)	$(29)
Cash paid for interest, net of amounts capitalized	$(29)	$(16)

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

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Nielsen Holdings plc

Notes to Condensed Consolidated Financial Statements

1. Background and Basis of Presentation

Background

Nielsen Holdings plc ("Nielsen" or the "Company"), together with its subsidiaries, is a leading global information and measurement company that provides clients with a comprehensive understanding of consumers and consumer behavior. Nielsen is aligned into two reporting segments: what consumers buy ("Buy") and what consumers watch and listen to ("Watch"). Nielsen has a presence in more than 100 countries, with its registered office located in Oxford, the United Kingdom and headquarters located in New York, USA.

Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited but, in the opinion of management, contain all the adjustments (consisting of those of a normal recurring nature) considered necessary to present fairly the Company's financial position and the results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the U.S. ("U.S. GAAP") applicable to interim periods. For a more complete discussion of significant accounting policies, commitments and contingencies and certain other information, refer to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. All amounts are presented in U.S. Dollars ("$"), except for share data or where expressly stated as being in other currencies, e.g., Euros ("€"). The condensed consolidated financial statements include the accounts of Nielsen and all subsidiaries and other controlled entities. The Company has evaluated events occurring subsequent to March 31, 2016 for potential recognition or disclosure in the condensed consolidated financial statements and concluded there were no subsequent events that required recognition or disclosure other than those provided.

Earnings per Share

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

The effect of 1,609,503 and 2,418,103 shares of common stock equivalents under stock compensation plans were excluded from the calculation of diluted earnings per share for the three months ended March 31, 2016 and 2015, respectively, as such shares would have been anti-dilutive.

Devaluation of Venezuelan Currency

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

The Company currently expects 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 March 31, 2016, the DICOM exchange rate was 270.5 bolivars to the U.S. dollar.

The Company 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 March 31, 2016 DICOM rate were $2 million.

2. 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. Nielsen is currently assessing the impact of the adoption of this ASU will have on the Company’s 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. Nielsen is currently assessing the impact of the adoption of this ASU will have on the Company’s 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. Nielsen is currently assessing the impact of the adoption of this ASU will have on the Company’s 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. Nielsen 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, the Company 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 $26 million increase to operating cash flow and a $26 million decrease to cash flows from financing activities for the period ended March 31, 2015.

3. Business Acquisitions

For the three months ended March 31, 2016, Nielsen paid cash consideration of $47 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 Nielsen’s consolidated results of operations would not have been material.

For the three months ended March 31, 2015, Nielsen paid cash consideration of $191 million associated with both current period and previously executed acquisitions, net of cash acquired. Had these acquisitions occurred as of January 1, 2015, the impact on Nielsen’s consolidated results of operations would not have been material.

4. Goodwill and Other Intangible Assets

Goodwill

The table below summarizes the changes in the carrying amount of goodwill by reportable segment for the three months ended March 31, 2016.

(IN MILLIONS)	Buy	Watch	Total
Balance, December 31, 2015	$2,789	$4,994	$7,783
Acquisitions, divestitures and other adjustments	2	32	34
Effect of foreign currency translation	63	7	70
Balance, March 31, 2016	$2,854	$5,033	$7,887

At March 31, 2016, $58 million of the goodwill is expected to be deductible for income tax purposes.

During 2016 we updated our reporting structure in a manner that changed the composition of our reporting units. As a result of this change in reporting units, we performed an interim goodwill impairment analysis during 2016 immediately prior to the change and determined the estimated fair values of the impacted reporting units exceeded their carrying value (including goodwill). As such, there was no impairment as a result of this change.

Other Intangible Assets

	Gross Amounts		Accumulated Amortization	
(IN MILLIONS)	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Indefinite-lived intangibles:				
Trade names and trademarks	$1,921	$ 1,921	$—	$ —
Amortized intangibles:				
Trade names and trademarks	167	167	(88)	(84)
Customer-related intangibles	3,028	3,013	(1,230)	(1,193)
Covenants-not-to-compete	38	37	(36)	(35)
Computer software	2,025	1,919	(1,108)	(1,055)
Patents and other	172	168	(90)	(86)
Total	$5,430	$ 5,304	$(2,552)	$ (2,453)

Amortization expense associated with the above intangible assets was $101 million and $100 million for the three months ended March 31, 2016 and 2015, respectively. These amounts included amortization expense associated with computer software of $53 million and $54 million for the three months ended March 31, 2016 and 2015, respectively.

5. Changes in and Reclassification out of Accumulated Other Comprehensive Loss by Component

The table below summarizes the changes in accumulated other comprehensive loss, net of tax, by component for the three months ended March 31, 2016 and 2015.

(IN MILLIONS)	Currency Translation Adjustments	Cash Flow Hedges	Post Employment Benefits	Total
Balance December 31, 2015	$ (767)	$ (3)	$ (289)	$(1,059)
Other comprehensive income/(loss) before reclassifications	91	(8)	4	87
Amounts reclassified from accumulated other comprehensive income/(loss)	—	1	3	4
Net current period other comprehensive income/(loss)	91	(7)	7	91
Net current period other comprehensive income attributable to noncontrolling interest	1	—	—	1
Net current period other comprehensive income/(loss) attributable to Nielsen stockholders	90	(7)	7	90
Balance March 31, 2016	$ (677)	$ (10)	$ (282)	$(969)

(IN MILLIONS)	Currency Translation Adjustments	Available-for-Sale Securities	Cash Flow Hedges	Post Employment Benefits	Total
Balance December 31, 2014	$ (418)	$ 19	$ (2)	$ (376)	$ (777)
Other comprehensive (loss)/income before reclassifications	(172)	3	(5)	1	(173)
Amounts reclassified from accumulated other comprehensive (loss)/income	—	—	2	5	7
Net current period other comprehensive (loss)/income	(172)	3	(3)	6	(166)
Net current period other comprehensive loss attributable to noncontrolling interest	(3)	—	—	—	(3)
Net current period other comprehensive (loss)/income attributable to Nielsen stockholders	(169)	3	(3)	6	(163)
Balance March 31, 2015	$ (587)	$ 22	$ (5)	$ (370)	$ (940)

The table below summarizes the reclassification of accumulated other comprehensive loss by component for the three months ended March 31, 2016 and 2015, respectively.

(IN MILLIONS) Details about Accumulated Other Comprehensive Income components	Amount Reclassified from Accumulated Other Comprehensive Loss: Three Months Ended March 31, 2016	Three Months Ended March 31, 2015	Affected Line Item in the Condensed Consolidated Statement of Operations
Cash flow hedges			
Interest rate contracts	$ 1	$ 3	Interest expense
	—	1	Benefit for income taxes
	$ 1	$ 2	Total, net of tax
Amortization of Post-Employment Benefits			
Actuarial loss	$ 5	$ 6	(a)
	2	1	Benefit for income taxes
	$ 3	$ 5	Total, net of tax
Total reclassification for the period	$ 4	$ 7	Net of tax

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

6. Restructuring Activities

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

(IN MILLIONS)	Total Initiatives
Balance at December 31, 2015	$ 38
Charges	10
Payments	(15)
Balance at March 31, 2016	$ 33

Nielsen recorded $10 million and $14 million in restructuring charges for the three months ended March 31, 2016 and 2015, respectively, primarily relating to severance costs.

Of the $33 million in remaining liabilities for restructuring actions at March 31, 2016, $25 million is expected to be paid within one year and is classified as a current liability within the condensed consolidated balance sheet as of March 31, 2016.

7. Fair Value Measurements

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

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

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

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

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

Financial Assets and Liabilities Measured on a Recurring Basis

The Company's financial assets and liabilities are measured and recorded at fair value, except for equity method investments, cost method investments, and long-term debt. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The Company's assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

The following table summarizes the valuation of the Company's material financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2016 and December 31, 2015:

(IN MILLIONS)	March 31, 2016	Level 1	Level 2	Level 3
Assets:				
Plan assets for deferred compensation (1)	30	30	—	—
Investment in mutual funds (2)	2	2	—	—
Total	$ 32	$ 32	$ —	—
Liabilities:				
Interest rate swap arrangements (3)	$ 14	—	$ 14	—
Deferred compensation liabilities (4)	30	30	—	—
Total	$ 44	$ 30	$ 14	—

	December 31, 2015	Level 1	Level 2	Level 3
Assets:				
Plan assets for deferred compensation (1)	30	30	—	—
Investment in mutual funds (2)	2	2	—	—
Total	$ 32	$ 32	—	—
Liabilities:				

Interest rate swap arrangements [3]	$ 6	—	$ 6	—
Deferred compensation liabilities [4]	30	30	—	—
Total	$ 36	$ 30	$ 6	—

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

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

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

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

Derivative Financial Instruments

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

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

Nielsen manages exposure to possible defaults on derivative financial instruments by monitoring the concentration of risk that Nielsen has with any individual bank and through the use of minimum credit quality standards for all counterparties. Nielsen does not require collateral or other security in relation to derivative financial instruments. A derivative contract entered into between Nielsen or certain of its subsidiaries and a counterparty that was also a lender under Nielsen's senior secured credit facilities at the time the derivative contract was entered into is guaranteed under the senior secured credit facilities by Nielsen and certain of its subsidiaries (see Note 8 - Long-term Debt and Other Financing Arrangements for more information). Since it is Nielsen's policy to only enter into derivative contracts with banks of internationally acknowledged standing, Nielsen considers the counterparty risk to be remote.

It is Nielsen's policy to have an International Swaps and Derivatives Association ("ISDA") Master Agreement established with every bank with which it has entered into any derivative contract. Under each of these ISDA Master Agreements, Nielsen agrees to settle only the net amount of the combined market values of all derivative contracts outstanding with any one counterparty should that counterparty default. Certain of the ISDA Master Agreements contain cross-default provisions where if the Company either defaults in payment obligations under its credit facility or if such obligations are accelerated by the lenders, then the Company could also be declared in default on its derivative obligations. At March 31, 2016, Nielsen had no material exposure to potential economic losses due to counterparty credit default risk or cross-default risk on its derivative financial instruments.

Foreign Currency Exchange Risk

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. Nielsen manages translation risk exposure by creating "natural hedges" in its financing or by using derivative financial instruments aimed at offsetting certain exposures in the statement of earnings or the balance sheet. Nielsen does not trade derivative financial instruments for speculative purposes. During the quarters ended March 31, 2016 and 2015, Nielsen recorded a net gain of zero and $2 million, respectively, associated with foreign currency derivative financial instruments within foreign currency exchange transactions losses, net in our condensed consolidated statements of operations. As of March 31, 2016 and December 31, 2015 the notional amount of the outstanding foreign currency derivative financial instruments were $132 million and $37 million, respectively.

Interest Rate Risk

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

As of March 31, 2016 the Company had the following outstanding interest rate swaps utilized in the management of its interest rate risk:

	Notional Amount	Maturity Date	Currency
Interest rate swaps designated as hedging instruments			
US Dollar term loan floating-to-fixed rate swaps	$1,575,000,000	May 2016	US Dollar
US Dollar term loan floating-to-fixed rate swaps	$500,000,000	November 2016	US Dollar
US Dollar term loan floating-to-fixed rate swaps	$250,000,000	September 2017	