Live Nation Entertainment, Inc.
Form 10-Q
August 06, 2013

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

Form 10-Q

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

For the quarterly period ended June 30, 2013,

or

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

For the transition period from to

Commission File Number 001-32601

LIVE NATION ENTERTAINMENT, INC.
(Exact name of registrant as specified in its charter)

Delaware	20-3247759
(State of Incorporation)	(I.R.S. Employer Identification No.)

9348 Civic Center Drive
Beverly Hills, CA 90210
(Address of principal executive offices, including zip code)
(310) 867-7000
(Registrant's telephone number, 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. x Yes ¨ No

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

On July 31, 2013, there were 198,464,533 outstanding shares of the registrant's common stock, $0.01 par value per share, including 2,444,803 shares of unvested restricted stock awards.

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LIVE NATION ENTERTAINMENT, INC.
GLOSSARY OF KEY TERMS

AOCI	Accumulated other comprehensive income (loss)
AOI	Adjusted operating income (loss)
Azoff Trust	The Azoff Family Trust of 1997, of which Irving Azoff is co-Trustee
Clear Channel	Clear Channel Communications, Inc.
Company	Live Nation Entertainment, Inc. and subsidiaries
Coppel	Michael Coppel Ventures Pty Ltd
CTS	CTS Eventim AG
FASB	Financial Accounting Standards Board
GAAP	United States Generally Accepted Accounting Principles
Live Nation	Live Nation Entertainment, Inc., formerly known as Live Nation, Inc., and subsidiaries
Merger	Merger between Live Nation, Inc. and Ticketmaster Entertainment, Inc. announced in February 2009 and consummated in January 2010
MSG	The Madison Square Garden Company
SEC	United States Securities and Exchange Commission
Separation	The contribution and transfer by Clear Channel of substantially all of its entertainment assets and liabilities to Live Nation
Ticketmaster	For periods prior to May 6, 2010, Ticketmaster means Ticketmaster Entertainment LLC and its predecessor companies (including without limitation Ticketmaster Entertainment, Inc.); for periods on and after May 6, 2010, Ticketmaster means the Ticketmaster ticketing business of the Company
TicketsNow	TNow Entertainment Group, Inc.

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PART I—FINANCIAL INFORMATION
Item 1. Financial Statements
LIVE NATION ENTERTAINMENT, INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 2013	December 31, 2012
	(in thousands)	
ASSETS		
Current assets		
Cash and cash equivalents	$1,385,260	$1,001,055
Accounts receivable, less allowance of $20,175 and $19,794, respectively	634,509	415,790
Prepaid expenses	607,376	359,936
Other current assets	60,212	36,031
Total current assets	2,687,357	1,812,812
Property, plant and equipment		
Land, buildings and improvements	794,902	852,175
Computer equipment and capitalized software	372,704	338,919
Furniture and other equipment	199,478	200,743
Construction in progress	55,625	56,822
	1,422,709	1,448,659
Less accumulated depreciation	730,014	726,873
	692,695	721,786
Intangible assets		
Definite-lived intangible assets, net	668,367	724,463
Indefinite-lived intangible assets	375,991	377,463
Goodwill	1,369,062	1,357,827
Investments in nonconsolidated affiliates	52,438	46,160
Other long-term assets	236,901	250,295
Total assets	$6,082,811	$5,290,806
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable, client accounts	$622,448	$557,953
Accounts payable	167,818	102,718
Accrued expenses	631,216	626,723
Deferred revenue	1,018,135	402,002
Current portion of long-term debt	61,658	62,050
Other current liabilities	15,274	16,726
Total current liabilities	2,516,549	1,768,172
Long-term debt, net	1,662,035	1,677,955
Long-term deferred income taxes	192,821	199,596
Other long-term liabilities	87,409	94,409
Commitments and contingent liabilities		
Redeemable noncontrolling interests	78,759	42,100
Stockholders’ equity		
Common stock	1,959	1,877
Additional paid-in capital	2,355,798	2,272,882
Accumulated deficit	(913,527)	(908,418)
Accumulated other comprehensive loss	(51,959)	(10,923)

Total Live Nation Entertainment, Inc. stockholders' equity	1,392,271	1,355,418
Noncontrolling interests	152,967	153,156
Total equity	1,545,238	1,508,574
Total liabilities and equity	$6,082,811	$5,290,806

See Notes to Consolidated Financial Statements

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LIVE NATION ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(in thousands except share and per share data)			
Revenue	$1,679,513	$1,550,677	$2,603,211	$2,418,674
Operating expenses:				
Direct operating expenses	1,209,918	1,106,869	1,786,852	1,645,583
Selling, general and administrative expenses	295,719	280,943	575,241	549,078
Depreciation and amortization	82,688	94,259	164,853	173,972
Loss (gain) on disposal of operating assets	(30,199)	93	(33,796)	(195)
Corporate expenses	21,812	27,415	42,467	50,632
Acquisition transaction expenses	1,769	(1,870)	2,977	(561)
Operating income	97,806	42,968	64,617	165
Interest expense	30,041	29,488	58,192	59,198
Interest income	(890)	(931)	(2,658)	(1,831)
Equity in earnings of nonconsolidated affiliates	(2,629)	(1,801)	(5,211)	(5,682)
Other expense, net	3,868	5,424	7,506	3,642
Income (loss) before income taxes	67,416	10,788	6,788	(55,162)
Income tax expense	8,401	5,228	11,960	9,506
Net income (loss)	59,015	5,560	(5,172)	(64,668)
Net income (loss) attributable to noncontrolling interests	885	(2,132)	(63)	(3,210)
Net income (loss) attributable to common stockholders of Live Nation Entertainment, Inc.	$58,130	$7,692	$(5,109)	$(61,458)
Basic and diluted net income (loss) per common share attributable to common stockholders of Live Nation Entertainment, Inc.	$0.30	$0.04	$(0.03)	$(0.33)
Weighted average common shares outstanding:				
Basic	193,069,783	186,893,774	190,960,206	186,707,769
Diluted	196,770,405	189,325,338	190,960,206	186,707,769

See Notes to Consolidated Financial Statements
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LIVE NATION ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(in thousands)			
Net income (loss)	$59,015	$5,560	$(5,172)	$(64,668)
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on cash flow hedges	(45)	(83)	25	(88)
Realized loss on cash flow hedges	449	—	457	—
Foreign currency translation adjustments	(7,261)	(34,188)	(41,518)	(8,865)
Comprehensive income (loss)	52,158	(28,711)	(46,208)	(73,621)
Comprehensive income (loss) attributable to noncontrolling interests	885	(2,132)	(63)	(3,210)
Comprehensive income (loss) attributable to common stockholders of Live Nation Entertainment, Inc.	$51,273	$(26,579)	$(46,145)	$(70,411)

See Notes to Consolidated Financial Statements

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LIVE NATION ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended June 30,	
	2013	2012
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$(5,172)	$(64,668)
Reconciling items:		
Depreciation	59,410	59,691
Amortization	105,443	114,281
Deferred income tax benefit	(6,305)	(6,946)
Amortization of debt issuance costs and discount/premium, net	10,421	6,881
Non-cash compensation expense	14,119	17,919
Gain on disposal of operating assets	(33,796)	(195)
Equity in earnings of nonconsolidated affiliates	(5,211)	(5,682)
Other, net	1,468	(1,773)
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Increase in accounts receivable	(205,361)	(103,344)
Increase in prepaid expenses	(230,247)	(305,090)
Increase in other assets	(65,252)	(62,284)
Increase in accounts payable, accrued expenses and other liabilities	152,384	94,717
Increase in deferred revenue	588,446	566,621
Net cash provided by operating activities	380,347	310,128
CASH FLOWS FROM INVESTING ACTIVITIES		
Distributions from nonconsolidated affiliates	2,740	703
Investments made in nonconsolidated affiliates	(3,032)	(2,858)
Purchases of property, plant and equipment	(76,685)	(62,785)
Proceeds from disposal of operating assets, net of cash divested	81,070	5,648
Cash paid for acquisitions, net of cash acquired	(23,766)	(68,093)
Purchases of intangible assets	(17)	(11,469)
(Increase) decrease other, net	(1,052)	297
Net cash used in investing activities	(20,742)	(138,557)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt, net of debt issuance costs	89,369	58,270
Payments on long-term debt	(106,388)	(44,222)
Contributions from noncontrolling interests	267	130
Distributions to noncontrolling interests	(1,936)	(8,189)
Proceeds from exercise of stock options	73,449	859
Payments for deferred and contingent consideration	(750)	(10,585)
Net cash provided by (used in) financing activities	54,011	(3,737)
Effect of exchange rate changes on cash and cash equivalents	(29,411)	(7,048)
Net increase in cash and cash equivalents	384,205	160,786
Cash and cash equivalents at beginning of period	1,001,055	844,253
Cash and cash equivalents at end of period	$1,385,260	$1,005,039

See Notes to Consolidated Financial Statements
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LIVE NATION ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1—BASIS OF PRESENTATION

Preparation of Interim Financial Statements

The accompanying unaudited consolidated financial statements have been prepared in accordance with GAAP for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X of the SEC. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, they include all normal and recurring accruals and adjustments necessary to present fairly the results of the interim periods shown.

The financial statements contained herein should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2012 Annual Report on Form 10-K filed with the SEC on February 26, 2013.

Seasonality

Due to the seasonal nature of shows at outdoor amphitheaters and festivals, which primarily occur May through September, the Company experiences higher revenue for the Concerts and Sponsorship & Advertising segments during the second and third quarters. The Artist Nation segment's revenue is impacted, to a large degree, by the touring schedules of artists it represents and generally, the Company experiences higher revenue in this segment during the second and third quarters as the period from May through September tends to be a popular time for touring events. The Ticketing segment's sales are impacted by fluctuations in the availability of events for sale to the public, which vary depending upon scheduling by its clients. The Company's seasonality also results in higher balances in cash and cash equivalents, accounts receivable, prepaid expenses, accrued expenses and deferred revenue at different times in the year. Therefore, the results to date are not necessarily indicative of the results expected for the full year.

Cash and Cash Equivalents

Included in the June 30, 2013 and December 31, 2012 cash and cash equivalents balance is $479.1 million and $441.6 million, respectively, representing the face value of tickets sold on behalf of clients and the clients' share of convenience and order processing charges.

Acquisitions

During the first half of 2013, the Company completed its acquisition of a controlling interest in a company that promotes festivals and other smaller acquisitions. These acquisitions were accounted for as business combinations under the acquisition method of accounting and were not significant on an individual basis or in the aggregate.

Recently Adopted Pronouncements

In February 2013, the FASB issued guidance which requires companies to disclose additional information about reclassifications out of AOCI, including changes in AOCI balances by component and significant items reclassified out of AOCI. The new disclosure requirements are to be applied prospectively and are effective for interim and annual periods beginning after December 15, 2012. The Company adopted this guidance on January 1, 2013.

Recently Issued Pronouncements

In July 2013, the FASB issued guidance that requires a liability related to an unrecognized tax benefit to be offset against a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward if certain criteria are met. The guidance is effective for interim and annual periods beginning after December 15, 2013 and should be applied prospectively to unrecognized tax benefits that exist at the effective date. Early adoption and retrospective application of the new guidance is permitted. The Company is currently evaluating the new guidance and does not expect the adoption of this standard to have a material effect on its financial position.

NOTE 2—LONG-LIVED ASSETS

Property, Plant and Equipment

In the fourth quarter of 2012, an amphitheater located in New York that is operated by the Company sustained substantial damage during Hurricane Sandy. During 2013, the Company received an insurance recovery and recorded a gain of $9.4 million and $12.6 million for the three and six months ended June 30, 2013, respectively, as a component of loss (gain) on disposal of operating assets in the Concerts segment representing the proceeds received in excess of the carrying value of the assets.

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Definite-lived Intangible Assets

The Company has definite-lived intangible assets which are amortized over the shorter of either the lives of the respective agreements or the period of time the assets are expected to contribute to the Company's future cash flows. The amortization is recognized on either a straight-line or expected cash flows basis.

The following table presents the changes in the gross carrying amount and accumulated amortization of definite-lived intangible assets for the six months ended June 30, 2013:

	Revenue-generating contracts	Client / vendor relationships	Non-compete agreements	Venue management and leaseholds	Technology	Trademarks and naming rights	Other	Total
	(in thousands)							
Balance as of December 31, 2012:								
Gross carrying amount	$515,071	$261,655	$168,418	$118,259	$101,424	$18,423	$6,452	$1,189,702
Accumulated amortization	(197,549)	(39,807)	(111,369)	(51,891)	(53,295)	(6,678)	(4,650)	(465,239)
Net	317,522	221,848	57,049	66,368	48,129	11,745	1,802	724,463
Gross carrying amount:								
Acquisitions—current year	10,892	4,540	—	—	—	22,947	—	38,379
Acquisitions—prior year	(1,028)	—	—	—	—	—	—	(1,028)
Dispositions	—	(1,354)	—	—	—	—	—	(1,354)
Foreign exchange	(7,537)	(7,359)	(104)	(2,163)	(339)	(481)	(56)	(18,039)
Other (1)	(14,769)	—	(14,257)	—	—	405	(3,031)	(31,652)
	(12,442)	(4,173)	(14,361)	(2,163)	(339)	22,871	(3,087)	(13,694)
Accumulated amortization:								
Amortization	(23,251)	(22,781)	(10,896)	(10,803)	(11,438)	(2,131)	(244)	(81,544)
Dispositions	—	61	—	—	—	—	—	61
Foreign exchange	3,593	968	91	754	202	114	51	5,773
Other (1)	14,745	—	14,757	—	—	775	3,031	33,308
	(4,913)	(21,752)	3,952	(10,049)	(11,236)	(1,242)	2,838	(42,402)
Balance as of June 30, 2013:								
Gross carrying amount	502,629	257,482	154,057	116,096	101,085	41,294	3,365	1,176,008
Accumulated amortization	(202,462)	(61,559)	(107,417)	(61,940)	(64,531)	(7,920)	(1,812)	(507,641)
Net	$300,167	$195,923	$46,640	$54,156	$36,554	$33,374	$1,553	$668,367

(1) Other includes a reclassification from indefinite-lived intangible assets due to a change in the asset's estimated useful life and netdowns of fully amortized assets.

Included in the current year acquisitions amount above of $38.4 million are trademarks and naming rights and revenue-generating contracts primarily associated with the May 2013 acquisition of a controlling interest in a company that promotes festivals.

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The 2013 additions to definite-lived intangible assets from acquisitions have weighted-average lives as follows:

	Weighted-Average Life (years)
Revenue-generating contracts	7
Client/vendor relationships	7
Trademarks and naming rights	10
All categories	9

The Company tests for possible impairment of definite-lived intangible assets whenever events or circumstances change, such as a significant reduction in operating cash flow or a change in the manner in which the asset is intended to be used which may indicate that the carrying amount of the asset may not be recoverable. During the six months ended June 30, 2012, the Company reviewed the carrying value of certain definite-lived intangible assets that management determined had an indicator that future operating cash flows may not support their carrying value, and it was determined that those assets were impaired since the estimated undiscounted operating cash flows associated with those assets were less than their carrying value. During the second quarter of 2012, the Company recorded an impairment charge related to definite-lived intangible assets of $13.9 million as a component of depreciation and amortization. The impairment charge primarily related to intangible assets for revenue-generating contracts and client/vendor relationships in the Concerts segment. See Note 4—Fair Value Measurements for further discussion of the inputs used to determine the fair value. There were no impairment charges recorded during the six months ended June 30, 2013.

Amortization from definite-lived intangible assets for the three months ended June 30, 2013 and 2012 was $43.3 million and $55.7 million, respectively, and for the six months ended June 30, 2013 and 2012 was $81.5 million and $95.6 million, respectively. The decrease in amortization for the three and six months ended June 30, 2013 is primarily driven by the impairment charge recorded during the second quarter of 2012 discussed above. During the second quarter of 2013, the Company recorded $4.9 million for acceleration of amortization primarily related to a change in estimate of certain venue management and leasehold intangible assets in the Concerts segment due to the reduction in the lease term of a music theater.

Amortization related to nonrecoupable ticketing contract advances for the three months ended June 30, 2013 and 2012 was $10.3 million and $7.9 million, respectively, and for the six months ended June 30, 2013 and 2012 was $23.9 million and $18.7 million, respectively.

As acquisitions and dispositions occur in the future and the valuations of intangible assets for recent acquisitions are completed, amortization may vary. Therefore, the expense to date is not necessarily indicative of the expense expected for the full year.

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Goodwill

The following table presents the changes in the carrying amount of goodwill in each of the Company's reportable segments for the six months ended June 30, 2013:

	Concerts	Ticketing	Artist Nation	Sponsorship & Advertising	Other	Total
	(in thousands)					
Balance as of December 31, 2012:						
Goodwill	$468,891	$637,642	$266,820	$254,376	$13,037	$1,640,766
Accumulated impairment losses	(269,902)	—	—	—	(13,037)	(282,939)
	198,989	637,642	266,820	254,376	—	1,357,827
Acquisitions—current year	47,189	—	—	866	—	48,055
Acquisitions—prior year	(9,999)	—	6,849	—	—	(3,150)
Dispositions	(3,691)	—	(251)	—	—	(3,942)
Foreign exchange	(16,763)	(1,076)	(275)	(11,614)	—	(29,728)
Balance as of June 30, 2013:						
Goodwill	485,627	636,566	273,143	243,628	13,037	1,652,001
Accumulated impairment losses	(269,902)	—	—	—	(13,037)	(282,939)
	$215,725	$636,566	$273,143	$243,628	$—	$1,369,062

Included in the current year acquisitions amount above of $48.1 million is goodwill primarily associated with the May 2013 acquisition of a controlling interest in a company that promotes festivals.

The Company is in the process of finalizing its acquisition accounting for recent acquisitions which could result in a change to the associated purchase price allocations, including goodwill.

Investments in nonconsolidated affiliates

The Company has investments in various affiliates which are not consolidated and are accounted for under the equity method of accounting. The Company records its investments in these entities in the balance sheet as investments in nonconsolidated affiliates. The Company's interests in these operations are recorded in the statement of operations as equity in earnings of nonconsolidated affiliates. For the six months ended June 30, 2013, two of the Company's investments, which include a 33% owned ticketing distribution services company and a 50% owned artist management company, are considered significant.

Summarized unaudited income statement information for the Company's significant nonconsolidated affiliates is as follows (at 100%):

	Six Months Ended June 30,	
	2013	2012
	(in thousands)	
Revenue	$28,203	$28,929
Operating income	$14,956	$15,399
Net income	$11,693	$12,720

Long-lived Asset Disposals

In May 2013, the Company completed the sale of a theatrical theater in New York. In January 2012, the Company completed the sale of an amphitheater in Ohio.

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The table below summarizes the asset and liability values at the time of sale for significant disposals and the resulting gain or loss recorded.

Divested Asset	Segment	Loss (Gain) on Disposal of Operating Assets	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities
	(in thousands)					
2013 Divestiture						
New York theatrical theater	Concerts	$(21,887)	$—	$35,785	$—	$3,636
2012 Divestiture						
Ohio amphitheater	Concerts	$(444)	$—	$5,400	$444	$—

Certain agreements relating to disposals of businesses provide for future contingent consideration to be paid to the Company based on the financial performance of the businesses sold. The Company will record additional amounts related to such contingent consideration, with a corresponding adjustment to loss (gain) on disposal of operating assets, if and when it is determinable that the applicable financial performance targets will be met. The aggregate of these contingent considerations, if all existing performance targets are met, would not significantly impact the results of operations of the Company. The last contingency period for which the Company has outstanding contingent consideration is for the period ending December 2013.

NOTE 3—DERIVATIVE INSTRUMENTS

The Company primarily uses forward currency contracts and options to reduce its exposure to foreign currency risk associated with short-term artist fee commitments. The Company may also enter into forward currency contracts to minimize the risks and/or costs associated with changes in foreign currency rates on forecasted operating income and short-term intercompany loans. At June 30, 2013 and December 31, 2012, the Company had forward currency contracts and options outstanding with notional amounts of $123.2 million and $100.0 million, respectively. These instruments have not been designated as hedging instruments and any change in fair value is reported in earnings during the period of the change. The Company’s foreign currency derivative activity, including the related fair values, are not material to any period presented.

Additionally, the Company has entered into certain interest rate swaps and cap agreements to limit its exposure to variable interest rates, related to portions of the Company’s outstanding debt, some of which have been designated as cash flow hedges. At June 30, 2013, the Company had interest rate swaps outstanding with notional amounts of $47.8 million. At December 31, 2012, the Company had interest rate swaps and cap agreements outstanding with notional amounts of $133.8 million. The Company’s interest rate swaps and cap activity, including the related fair values, are not material to any period presented. As of June 30, 2013 and December 31, 2012, there was no ineffective portion or amount excluded from effectiveness testing for derivatives designated as cash flow hedging instruments.

The Company’s 2.875% convertible senior notes include certain provisions which are bifurcated from the notes and accounted for as derivative instruments. As of June 30, 2013 and December 31, 2012, the fair value of these provisions were considered to be de minimis.

The Company does not enter into derivative instruments for speculation or trading purposes and does not anticipate any significant recognition of derivative activity through the income statement in the future related to the instruments currently held. See Note 4—Fair Value Measurements for further discussion and disclosure of the fair values for the Company’s derivative instruments.

NOTE 4—FAIR VALUE MEASUREMENTS

The Company currently has various financial instruments carried at fair value, such as marketable securities, derivatives and contingent consideration, but does not currently have nonfinancial assets and nonfinancial liabilities that are required to be measured at fair value on a recurring basis. The Company’s financial assets and liabilities are measured using inputs from all levels of the fair value hierarchy as defined in the FASB guidance for fair values. For this categorization, only inputs that are significant to the fair value are considered. The three levels are defined as

follows:

Level 1—Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2—Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.) and inputs that are derived principally from or corroborated by observable market data by correlation or other means (i.e., market corroborated inputs).

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Level 3—Unobservable inputs that reflect assumptions about what market participants would use in pricing the asset or liability. These inputs would be based on the best information available, including the Company's own data.

In accordance with the fair value hierarchy described above, the following table shows the fair value of the Company's financial assets and liabilities that are required to be measured at fair value on a recurring basis, which are classified on the balance sheets as cash and cash equivalents, other current assets, other long-term assets, other current liabilities and other long-term liabilities:

	Fair Value Measurements at June 30, 2013				Fair Value Measurements at December 31, 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
		(in thousands)				(in thousands)		
Assets:								
Cash equivalents	$227,138	$—	$—	$227,138	$61,996	$—	$—	$61,996
Forward currency contracts	—	3,509	—	3,509	—	81	—	81
Stock options	—	—	17	17	—	—	204	204
Total	$227,138	$3,509	$17	$230,664	$61,996	$81	$204	$62,281
Liabilities:								
Interest rate swaps	$—	$1,980	$—	$1,980	$—	$2,811	$—	$2,811
Forward currency contracts	—	228	—	228	—	625	—	625
Contingent consideration	—	—	5,806	5,806	—	—	6,718	6,718
Total	$—	$2,208	$5,806	$8,014	$—	$3,436	$6,718	$10,154

Cash equivalents consist of money market funds. Fair values for cash equivalents are based on quoted prices in an active market. Fair values for forward currency contracts are based on observable market transactions of spot and forward rates. Fair values for the interest rate swaps and the interest rate cap are based on inputs corroborated by observable market data with similar tenors. The fair value of the interest rate cap, which expired on June 30, 2013, was de minimis at December 31, 2012.

The Company has certain contingent consideration obligations related to acquisitions which are measured at fair value using Level 3 inputs. The amounts due to the sellers are based on the achievement of agreed-upon financial performance metrics by the acquired companies where the contingent obligation is either earned or not earned. The Company records the liability at the time of the acquisition based on management's best estimates of the future results of the acquired companies compared to the agreed-upon metrics. Subsequent to the date of acquisition, the Company updates the original valuation to reflect current projections of future results of the acquired companies and the passage of time. Accretion of, and changes in the valuations of, contingent consideration are reported in acquisition transaction expenses. See Note 5—Commitments and Contingent Liabilities for additional information related to the contingent payments.

The Company has stock options in a company that became publicly-traded in the third quarter of 2011 which are measured at fair value using Level 3 inputs. The stock options were received as consideration in connection with a licensing agreement entered into by a subsidiary of the Company and became fully-vested in the second quarter of 2011. The Company has recorded an asset for these options which is valued using the Black-Scholes option pricing model. The Company recorded revenue based on the valuation of the options as of the measurement date, which was the vesting date. The changes in the valuation after the measurement date are recorded in other expense (income), net.

During the second quarter of 2012, the Company recorded impairments related to definite-lived intangible assets of $13.9 million, as a component of depreciation and amortization. The impairment charges primarily related to intangible assets for revenue-generating contracts and client/vendor relationships in the Concerts segment. It was determined that these assets were impaired since the estimated undiscounted cash flows associated with these assets were less than their carrying value. These cash flows were calculated using operating cash flows which were discounted to approximate fair value. The operating cash flows for these non-recurring fair value measurements are

considered Level 3 inputs. There were no impairments related to definite-lived intangible assets recorded for the six months ended June 30, 2013.

Due to their short maturity, the carrying amounts of accounts receivable, accounts payable and accrued expenses approximated their fair values at June 30, 2013 and December 31, 2012.

The Company’s outstanding debt held by third-party financial institutions is carried at cost, adjusted for discounts. The Company’s debt is not publicly-traded and the carrying amounts typically approximate fair value for the Company’s debt that

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accrues interest at a variable rate, which are considered to be Level 2 inputs. The estimated fair values of the 7% senior notes, the 8.125% senior notes and the 2.875% convertible senior notes were $238.4 million, $266.4 million and $222.5 million at June 30, 2013, respectively. The estimated fair values of the 7% senior notes, the 8.125% senior notes and the 2.875% convertible senior notes were $236.3 million, $273.4 million and $219.4 million at December 31, 2012, respectively. The estimated fair value of the Company's third-party fixed-rate debt is based on quoted market prices in active markets for the same or similar debt, which are considered to be Level 2 inputs. The Company has fixed rate debt held by noncontrolling interest partners with a face value of $23.4 million and $24.5 million at June 30, 2013 and December 31, 2012, respectively. The Company is unable to determine the fair value of this debt.

NOTE 5—COMMITMENTS AND CONTINGENT LIABILITIES

Certain agreements relating to acquisitions that occurred prior to the adoption in January 2009 of the new FASB guidance for business combinations provide for purchase price adjustments and other future contingent payments based on the financial performance of the acquired companies. The Company will accrue additional amounts related to such contingent payments, which were part of the business combinations, with a corresponding adjustment to goodwill, if and when it is determinable that the applicable financial performance targets will be met. The aggregate of these contingent payments, if all performance targets are met, would not significantly impact the financial position of the Company. The last contingency period for which the Company has an outstanding contingent payment is for the period ending December 2017.

The Company also has certain contingent obligations related to acquisitions made after the adoption in January 2009 of the FASB guidance for business combinations. In accordance with the current guidance, contingent consideration associated with business combinations must be recorded at its fair value at the time of the acquisition and reflected at current fair value for each subsequent reporting period thereafter until settled. The Company records these fair value changes in its statements of operations as acquisition transaction expenses. The contingent consideration is generally subject to payout following the achievement of future performance targets and a portion is expected to be payable in 2013. As of June 30, 2013, the Company has accrued $2.3 million in other current liabilities and $3.5 million in other long-term liabilities and, as of December 31, 2012, the Company had accrued $2.5 million in other current liabilities and $4.2 million in other long-term liabilities, representing the fair value of these estimated payments. The last contingency period for which the Company has an outstanding contingent payment is for the period ending December 2017. See Note 4—Fair Value Measurements for further discussion related to the valuation of these contingent payments.

CTS Arbitration

Live Nation Worldwide, Inc. ("Live Nation Worldwide") and CTS were parties to an agreement (the "CTS Agreement"), pursuant to which CTS was to develop and Live Nation Worldwide licensed or agreed to use ticketing software or ticketing platforms. Under the agreement, CTS was to develop software to be licensed to Live Nation Worldwide to provide ticketing services in the United States and Canada. The CTS Agreement also generally required Live Nation Worldwide to use CTS's ticketing platforms in certain European countries so long as CTS's existing platforms were appropriately modified to meet local market conditions. In June 2010, Live Nation Worldwide terminated the CTS Agreement because CTS materially breached the agreement by failing to deliver a North American ticketing system that met the contractual requirements of being a "world class ticketing system . . . that fits the needs of the North American market," and by failing to deliver a ticketing system for the United Kingdom and other European countries that fit the needs of those markets as required by the CTS Agreement.

In April 2010, CTS filed a request for arbitration with the International Court of Arbitration of the International Chamber of Commerce ("ICC") pursuant to the CTS Agreement, alleging that Live Nation Worldwide improperly terminated the CTS Agreement and seeking specific performance and damages, including damages for royalties that would have been paid over the full 10-year term of the CTS Agreement. In June 2013, the arbitrator for the ICC ruled that Live Nation Worldwide validly terminated the CTS Agreement and therefore has no liability to CTS, thus concluding the matter in Live Nation Worldwide's favor.

Ticketing Fees Consumer Class Action Litigation

In October 2003, a putative representative action was filed in the Superior Court of California challenging Ticketmaster's charges to online customers for shipping fees and alleging that its failure to disclose on its website that the charges contain a profit component is unlawful. The complaint asserted a claim for violation of California's Unfair Competition Law ("UCL") and sought restitution or disgorgement of the difference between (i) the total shipping fees charged by Ticketmaster in connection with online ticket sales during the applicable period, and (ii) the amount that Ticketmaster actually paid to the shipper for delivery of those tickets. In August 2005, the plaintiffs filed a first amended complaint, then pleading the case as a putative class action and adding the claim that Ticketmaster's website disclosures in respect of its ticket order processing fees constitute false advertising in violation of California's False Advertising Law. On this new claim, the amended complaint seeks restitution or disgorgement of the entire amount of order processing fees charged by Ticketmaster during the applicable period. In April 2009, the Court granted the plaintiffs' motion for leave to file a second amended complaint adding new claims that

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(a) Ticketmaster's order processing fees are unconscionable under the UCL, and (b) Ticketmaster's alleged business practices further violate the California Consumer Legal Remedies Act. Plaintiffs later filed a third amended complaint, to which Ticketmaster filed a demurrer in July 2009. The Court overruled Ticketmaster's demurrer in October 2009. The plaintiffs filed a class certification motion in August 2009, which Ticketmaster opposed. In February 2010, the Court granted certification of a class on the first and second causes of action, which allege that Ticketmaster misrepresents/omits the fact of a profit component in Ticketmaster's shipping and order processing fees. The class would consist of California consumers who purchased tickets through Ticketmaster's website from 1999 to present. The Court denied certification of a class on the third and fourth causes of action, which allege that Ticketmaster's shipping and order processing fees are unconscionably high. In March 2010, Ticketmaster filed a Petition for Writ of Mandate with the California Court of Appeal, and plaintiffs also filed a motion for reconsideration of the Superior Court's class certification order. In April 2010, the Superior Court denied plaintiffs' Motion for Reconsideration of the Court's class certification order, and the Court of Appeal denied Ticketmaster's Petition for Writ of Mandate. In June 2010, the Court of Appeal granted the plaintiffs' Petition for Writ of Mandate and ordered the Superior Court to vacate its February 2010 order denying plaintiffs' motion to certify a national class and enter a new order granting plaintiffs' motion to certify a nationwide class on the first and second claims. In September 2010, Ticketmaster filed its Motion for Summary Judgment on all causes of action in the Superior Court, and that same month plaintiffs filed their Motion for Summary Adjudication of various affirmative defenses asserted by Ticketmaster. In November 2010, Ticketmaster filed its Motion to Decertify Class.

In December 2010, the parties entered into a binding agreement providing for the settlement of the litigation and the resolution of all claims therein. In September 2011, the Court declined to approve the settlement in its then-current form. Litigation continued, and in September 2011, the Court granted in part and denied in part Ticketmaster's Motion for Summary Judgment. The parties reached a new settlement in September 2011, which was approved preliminarily, but in September 2012 the Court declined to grant final approval. The parties have agreed in principal on the terms of a revised settlement and intend to present those terms to the court for preliminary approval upon execution of a long-form settlement agreement. Ticketmaster and its parent, Live Nation, have not acknowledged any violations of law or liability in connection with the matter.

As of June 30, 2013, the Company has accrued $35.4 million, its best estimate of the probable costs associated with the settlement referred to above. This liability includes an estimated redemption rate. Any difference between the Company's estimated redemption rate and the actual redemption rate it experiences will impact the final settlement amount; however, the Company does not expect this difference to be material.

Canadian Consumer Class Action Litigation Relating to TicketsNow

In February 2009, four putative consumer class action complaints were filed in various provinces of Canada against TicketsNow, Ticketmaster, Ticketmaster Canada Ltd. and Premium Inventory, Inc. All of the cases allege essentially the same set of facts and causes of action. Each plaintiff purports to represent a class consisting of all persons who purchased a ticket from Ticketmaster, Ticketmaster Canada Ltd. or TicketsNow from February 2007 to present and alleges that Ticketmaster conspired to divert a large number of tickets for resale through the TicketsNow website at prices higher than face value. The plaintiffs characterize these actions as being in violation of Ontario's Ticket Speculation Act, the Amusement Act of Manitoba, the Amusement Act of Alberta or the Quebec Consumer Protection Act. The Ontario case contains the additional allegation that Ticketmaster's and TicketsNow's service fees violate anti-scalping laws. Each lawsuit seeks compensatory and punitive damages on behalf of the class.

In February 2012, the parties entered into a settlement agreement that will resolve all of the resale market claims. The court approval process for the settlement has been completed, with final approvals given in all provinces. The settlement was paid in January 2013, the full amount of which was funded by an escrow established in connection with Ticketmaster's 2008 acquisition of TicketsNow.

While it is reasonably possible that a loss related to the primary market claims of this matter could be incurred by the Company in a future period, the Company does not believe that a loss is probable of occurring at this time. Considerable uncertainty remains regarding the validity of the claims and damages asserted against the Company. As a result, the Company is currently unable to estimate the possible loss or range of loss for the primary market claims of this matter. The Company intends to continue to vigorously defend all claims in all of the actions.

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Other Litigation

From time to time, the Company is involved in other legal proceedings arising in the ordinary course of its business, including proceedings and claims based upon violations of antitrust laws and intellectual property rights, and tortious interference, which could cause the Company to incur significant expenses. The Company has also been the subject of personal injury and wrongful death claims relating to accidents at its venues in connection with its operations. As required, the Company has accrued its estimate of the probable settlement or other losses for the resolution of any outstanding claims. These estimates have been developed in consultation with counsel and are based upon an analysis of potential results, including, in some cases, estimated redemption rates for the settlement offered, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular period could be materially affected by changes in the Company's assumptions or the effectiveness of its strategies related to these proceedings. In addition, under the Company's agreements with Clear Channel, it has assumed and will indemnify Clear Channel for liabilities associated with matters prior to its Separation that are related to its business for which they are a party in the defense.

NOTE 6—CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

Transactions Involving Directors

The following table sets forth revenue earned and expenses incurred from the transactions noted below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(in thousands)			
Director related-party revenue	$—	$3,423	$2,475	$8,169
Director related-party expenses	$1,473	$6,360	$3,527	$9,604

Relationship with Clear Channel

For purposes of governing certain of the ongoing relationships between Clear Channel and Live Nation at and after the Separation, Clear Channel and Live Nation entered into a tax matters agreement, among other agreements. The Company has a non-employee director as of June 30, 2013 who was also a director and executive officer of Clear Channel. This director receives directors' fees, stock options and restricted stock awards on the same basis as other non-employee members of the Company's board of directors. From time to time, the Company purchases advertising from Clear Channel and its subsidiaries in the ordinary course of business on an arms-length basis. The Company also has various lease and licensing agreements with Clear Channel for office space.

Transactions with MSG

The Company had a non-employee director until February 2013 who is also a director and executive officer of MSG and Cablevision Systems Corporation. This director received directors' fees, stock options and restricted stock awards on the same basis as other non-employee members of the Company's board of directors. From time to time, the Company promotes events at venues owned and/or operated by MSG and pays rental fees and co-promote fees to MSG and its subsidiaries. In addition, the Company provides ticketing services for venues and sports franchises owned and/or operated by MSG and pays royalty fees to MSG and its subsidiaries. The Company also receives transaction fees from MSG and its subsidiaries for tickets MSG sells using the Company's ticketing software. Finally, the Company purchases advertising from Cablevision Systems Corporation and its subsidiaries from time to time. All of these transactions are entered into in the ordinary course of business on an arms-length basis, and are included in the table above through February 2013.

Transactions Involving Executives

Irving Azoff was the Company's Executive Chairman and Chairman of its board of directors until his resignation as an officer, director and employee of the Company on December 31, 2012. ATC Aviation, Inc. ("ATC"), which is owned by Irving Azoff, owns an aircraft. An aircraft management and charter company, unrelated to either the Company or ATC, manages and operates the aircraft on ATC's behalf. The Company was charged market rates for the use of the aircraft when used by Mr. Azoff or other executives on Company business, a portion of which was paid to ATC. These arrangements are no longer in effect following Mr. Azoff's departure from the Company. For the three and six months ended June 30, 2012, the Company made payments totaling $0.4 million and $1.0 million, respectively.

Irving Azoff has a minority ownership interest in an entity that subleases office space from the Company. Rent charged by the Company totaled $0.2 million and $0.4 million, respectively, for the three and six months ended June 30, 2012.

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Other Related Parties

The Company conducts certain transactions in the ordinary course of business with companies that are owned, in part or in total, by various members of management of the Company's subsidiaries or companies over which it has significant influence. These transactions primarily relate to venue rentals, concession services, equipment rentals, ticketing, marketing and other services. As of June 30, 2013 and December 31, 2012, the Company has a receivable balance of $11.5 million and $12.2 million, respectively, from certain of these companies. The following table sets forth expenses incurred and revenue earned from these companies for services rendered or provided in relation to these business ventures. None of these transactions were with directors or executive officers of the Company.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(in thousands)			
Other related-parties revenue	$1,627	$861	$2,954	$2,315
Other related-parties expenses	$2,677	$2,158	$7,827	$4,034

NOTE 7—INCOME TAXES

The Company calculates interim effective tax rates in accordance with the FASB guidance for income taxes and applies the estimated annual effective tax rate to year-to-date pretax income (loss) at the end of each interim period to compute a year-to-date tax expense (or benefit). This guidance requires departure from effective tax rate computations when losses incurred within tax jurisdictions cannot be carried back and future profits associated with operations in those tax jurisdictions cannot be assured beyond any reasonable doubt. Accordingly, the Company has calculated and applied an expected annual effective tax rate of approximately 19% for 2013 (as compared to 19% in the prior year), excluding significant, unusual or extraordinary items, for ordinary income associated with operations for which the Company currently expects to have annual taxable income, which are principally outside of the United States. The Company has not recorded tax benefits associated with losses from operations for which future taxable income cannot be reasonably assured. As required by this guidance, the Company also includes tax effects of significant, unusual or extraordinary items in income tax expense in the interim period in which they occur.

Net income tax expense is $12.0 million for the six months ended June 30, 2013. The components of tax expense that contributed to the net income tax expense for the six months ended June 30, 2013 primarily consist of income tax expense of $8.7 million based on the expected annual rate pertaining to ordinary income for the six month period, a $1.1 million federal tax adjustment to prior year tax filings and state and local taxes of $2.0 million.

Historically, the Company has reinvested all foreign earnings in its continuing foreign operations. The Company currently believes all undistributed foreign earnings that are not currently subject to United States federal income tax will be indefinitely reinvested in its foreign operations.

The tax years 2001 through 2012 remain open to examination by the major tax jurisdictions to which the Company is subject.

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NOTE 8—EQUITY

The following table shows the reconciliation of the carrying amount of stockholders' equity attributable to Live Nation Entertainment, Inc., equity attributable to noncontrolling interests, total equity and also redeemable noncontrolling interests:

	Live Nation Entertainment, Inc. Stockholders' Equity	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
	(in thousands)			(in thousands)
Balances at December 31, 2012	$1,355,418	$153,156	$1,508,574	$42,100
Non-cash and stock-based compensation	14,119	—	14,119	—
Common stock issued under stock plans, net of shares withheld for employee taxes	(4,000)	—	(4,000)	—
Exercise of stock options	73,449	—	73,449	—
Acquisitions	—	146	146	38,561
Acquisitions of noncontrolling interests	(410)	410	—	—
Sales of noncontrolling interests	—	(399)	(399)	
Redeemable noncontrolling interests fair value adjustments	(160)	—	(160)	160
Noncontrolling interests contributions	—	267	267	—
Cash distributions	—	(1,936)	(1,936)	—
Other	—	(612)	(612)	(64)
Comprehensive income (loss):				
Net income (loss)	(5,109)	1,935	(3,174)	(1,998)
Unrealized gain on cash flow hedges	25	—	25	—
Realized loss on cash flow hedges	457	—	457	—
Foreign currency translation adjustments	(41,518)	—	(41,518)	—
Balances at June 30, 2013	$1,392,271	$152,967	$1,545,238	$78,759

Common Stock

During the first half of 2013, the Company issued 8.2 million shares of common stock primarily in connection with stock option exercises.

Noncontrolling Interests

Common securities held by the noncontrolling interests that do not include put arrangements exercisable outside of the control of the Company are recorded in equity, separate from the Company's stockholders' equity.

The purchase or sale of additional ownership in an already controlled subsidiary is recorded as an equity transaction with no gain or loss recognized in consolidated net income or comprehensive income. There were no significant acquisitions or sales of noncontrolling interests during the first six months of 2013 or 2012.

Redeemable Noncontrolling Interests

The Company is subject to put arrangements arising from business combinations where the holders of the noncontrolling interests can require the Company to repurchase their shares at specified dates in the future or within specified periods in the future. Certain of these puts can be exercised earlier upon the occurrence of triggering events as specified in the agreements. The exercise dates for these puts range from December 2013 to December 2018. The redemption amounts for these puts are either at a fixed amount, at fair value at the time of exercise or a variable amount based on a formula linked to earnings. In accordance with the FASB guidance for business combinations, the redeemable noncontrolling interests are recorded at their fair value at acquisition date. As these put arrangements are not currently redeemable, for increases in the estimated redemption value, or reductions in the estimated redemption value to the extent increases had been recognized previously, the Company accretes changes in the redemption value over the period from the date of issuance to the earliest redemption date of the individual puts, with the offset recorded to additional paid-in capital. Accounting guidance prohibits the recognition of reductions in value below issuance date

value. Changes in estimated redemption values that are based on a formula linked to future earnings are computed using projected cash flows each reporting period which take into account the current expectations

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regarding profitability and the timing of revenue-generating events. For redemption amounts that are fixed dollar amounts, if the initial fair value is the redemption amount, there are no changes recorded until the puts are exercised or expire. The redemption amounts for these put arrangements are reflected in the Company's balance sheets as redeemable noncontrolling interests outside of permanent equity and, at June 30, 2013 and December 31, 2012, were $78.8 million and $42.1 million, respectively. The increase during the current year is principally related to puts associated with the 2013 acquisitions.

Accumulated Other Comprehensive Income (Loss)

The following table presents changes in the components of AOCI, net of taxes, for the six months ended June 30, 2013:

	Gains and Losses On Cash Flow Hedges	Defined Benefit Pension Items	Foreign Currency Items	Total
	(in thousands)			
Balance at December 31, 2012	$(595)	$(611)	$(9,717)	$(10,923)
Other comprehensive income (loss) before reclassifications	25	—	(41,518)	(41,493)
Amount reclassified from AOCI	457	—	—	457
Net other comprehensive income (loss)	482	—	(41,518)	(41,036)
Balance at June 30, 2013	$(113)	$(611)	$(51,235)	$(51,959)

The realized loss on cash flow hedges reclassified from AOCI consists of one interest rate swap agreement.

Earnings per Share

The following table sets forth the computation of basic and diluted net income (loss) per common share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(in thousands, except for per share data)			
Net income (loss) attributable to common stockholders of Live Nation Entertainment, Inc.—basic and diluted	$58,130	$7,692	$(5,109)	$(61,458)
Weighted average common shares—basic	193,070	186,894	190,960	186,708
Effect of dilutive securities:				
Stock options, restricted stock and warrants	3,700	2,431	—	—
2.875% convertible senior notes	—	—	—	—
Weighted average common shares—diluted	196,770	189,325	190,960	186,708
Basic and diluted net income (loss) per common share	$0.30	$0.04	$(0.03)	$(0.33)

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The calculation of diluted net income per common share includes the effects of the assumed exercise of any outstanding stock options and warrants, the assumed vesting of shares of restricted stock awards and units and the assumed conversion of the 2.875% convertible senior notes where dilutive. The following table shows securities excluded from the calculation of diluted net income per common share because such securities are anti-dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(in thousands)			
Options to purchase shares of common stock	6,734	15,981	17,695	21,340
Restricted stock awards and units—unvested	917	3,179	2,594	3,935
Warrants	500	500	500	500
Conversion shares related to 2.875% convertible senior notes	8,105	8,105	8,105	8,105
Number of anti-dilutive potentially issuable shares excluded from diluted common shares outstanding	16,256	27,765	28,894	33,880

NOTE 9—STOCK-BASED COMPENSATION

The following is a summary of stock-based compensation expense recorded by the Company during the respective periods:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(in thousands)			
Selling, general and administrative expenses	$3,601	$3,353	$6,251	$6,644
Corporate expenses	4,213	5,587	7,868	11,275
Total	$7,814	$8,940	$14,119	$17,919

As of June 30, 2013, there was $50.1 million of total unrecognized compensation cost related to stock-based compensation arrangements for stock options and restricted stock awards. This cost is expected to be recognized over a weighted-average period of 2.7 years.

Azoff Trust Note

As part of the Merger, a note was issued to the Azoff Trust in exchange for shares of Ticketmaster's series A convertible redeemable preferred stock held by the Azoff Trust. The note was paid in full in December 2012 in connection with Mr. Azoff's resignation. For the three and six months ended June 30, 2012, the Company recorded $1.6 million and $3.2 million, respectively, of expense related to this note as a component of corporate expenses.

NOTE 10—SEGMENT DATA

The Company's reportable segments are Concerts, Ticketing, Artist Nation and Sponsorship & Advertising. The Concerts segment involves the promotion of live music events globally in the Company's owned and/or operated venues and in rented third-party venues, the production of music festivals and the operation and management of music venues and is the aggregation of the Company's North American Concerts and International Concerts operating segments. The Ticketing segment involves the management of the Company's global ticketing operations including providing ticketing software and services to clients and online access for customers relating to ticket and event information and is responsible for the Company's primary websites, www.livenation.com and www.ticketmaster.com. The Ticketing segment is the aggregation of the Company's North American Ticketing and International Ticketing operating segments. The Artist Nation segment provides management services to artists and other services including merchandise and is the aggregation of the Company's Artist Management and Artist Services operating segments. The Sponsorship & Advertising segment manages the development of strategic sponsorship programs in addition to the sale of international, national and local sponsorships and placement of advertising including signage, promotional programs and banner ads in the Company's owned and/or operated venues and on its primary websites.

Revenue and expenses earned and charged between segments are eliminated in consolidation. Corporate expenses and all line items below operating income are managed on a total company basis.

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The Company manages its working capital on a consolidated basis. Accordingly, segment assets are not reported to, or used by, the Company's management to allocate resources to or assess performance of the segments, and therefore, total segment assets have not been presented.

The following table presents the results of operations for the Company's reportable segments for the three and six months ending June 30, 2013 and 2012:

	Concerts	Ticketing	Artist Nation	Sponsorship & Advertising	Other	Corporate	Eliminations	Consolidated
				(in thousands)				
Three Months Ended June 30, 2013								
Revenue	$1,193,006	$337,827	$99,739	$71,240	$791	$—	$(23,090)	$1,679,513
Direct operating expenses	992,476	160,021	68,920	13,311	(2,206)	—	(22,604)	1,209,918
Selling, general and administrative expenses	159,517	101,919	22,476	10,959	848	—	—	295,719
Depreciation and amortization	35,068	36,685	10,136	596	11	678	(486)	82,688
Loss (gain) on disposal of operating assets	(31,332)	42	1,091	—	—	—	—	(30,199)
Corporate expenses	—	—	—	—	—	21,812	—	21,812
Acquisition transaction expenses	313	—	17	—	—	1,439	—	1,769
Operating income (loss)	$36,964	$39,160	$(2,901)	$46,374	$2,138	$(23,929)	$—	$97,806
Intersegment revenue	$21,254	$714	$1,122	$—	$—	$—	$(23,090)	$—
Three Months Ended June 30, 2012								
Revenue	$1,076,024	$328,939	$109,241	$61,278	$422	$—	$(25,227)	$1,550,677
Direct operating expenses	896,083	154,367	73,371	9,337	(1,908)	—	(24,381)	1,106,869
Selling, general and administrative expenses	145,067	104,673	21,306	9,192	705	—	—	280,943
Depreciation and amortization	44,134	38,803	11,456	(18)	11	719	(846)	94,259
Loss (gain) on disposal of operating assets	1	(65)	—	—	157	—	—	93

Corporate expenses	—	—	—	—	—	27,415	—	27,415
Acquisition transaction expenses	(2,219)	(315)	351	—	—	313	—	(1,870)
Operating income (loss)	$(7,042)	$31,476	$2,757	$42,767	$1,457	$(28,447)	$—	$42,968
Intersegment revenue	$20,989	$2,382	$1,856	$—	$—	$—	$(25,227)	$—
Six Months Ended June 30, 2013								
Revenue	$1,706,541	$662,962	$150,010	$111,387	$1,584	$—	$(29,273)	$2,603,211
Direct operating expenses	1,382,728	315,083	100,332	20,175	(3,171)	—	(28,295)	1,786,852

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Selling, general and administrative expenses	296,835	213,859	42,514	20,647	1,386	—	—	575,241
Depreciation and amortization	63,770	79,498	20,170	738	185	1,470	(978)	164,853
Loss (gain) on disposal of operating assets	(34,462)	(20)	679	—	7	—	—	(33,796)
Corporate expenses	—	—	—	—	—	42,467	—	42,467
Acquisition transaction expenses	547	24	145	—	—	2,261	—	2,977
Operating income (loss)	$(2,877)	$54,518	$(13,830)	$69,827	$3,177	$(46,198)	$—	$64,617
Intersegment revenue	$26,967	$981	$1,325	$—	$—	$—	$(29,273)	$—
Capital expenditures	$11,891	$42,993	$282	$300	$—	$(171)	$—	$55,295
Six Months Ended June 30, 2012								
Revenue	$1,524,723	$655,483	$170,646	$97,406	$1,198	$—	$(30,782)	$2,418,674
Direct operating expenses	1,239,436	306,242	114,009	16,058	(423)	—	(29,739)	1,645,583
Selling, general and administrative expenses	276,685	208,001	45,394	17,981	1,017	—	—	549,078
Depreciation and amortization	72,496	77,969	23,068	21	23	1,438	(1,043)	173,972
Loss (gain) on disposal of operating assets	(469)	(155)	—	—	429	—	—	(195)
Corporate expenses	—	—	—	—	—	50,632	—	50,632
Acquisition transaction expenses	(1,405)	(335)	401	—	—	778	—	(561)
Operating income (loss)	$(62,020)	$63,761	$(12,226)	$63,346	$152	$(52,848)	$—	$165
Intersegment revenue	$25,038	$2,696	$3,048	$—	$—	$—	$(30,782)	$—
Capital expenditures	$11,458	$42,422	$414	$3,433	$4	$983	$—	$58,714

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

"Live Nation" (which may be referred to as the "Company," "we," "us" or "our") means Live Nation Entertainment, Inc. and it subsidiaries, or one of our segments or subsidiaries, as the context requires. You should read the following discussion of our financial condition and results of operations together with the unaudited consolidated financial statements and notes to the financial statements included elsewhere in this quarterly report.

Special Note About Forward-Looking Statements

Certain statements contained in this quarterly report (or otherwise made by us or on our behalf from time to time in other reports, filings with the SEC, news releases, conferences, internet postings or otherwise) that are not statements of historical fact constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended, notwithstanding that such statements are not specifically identified. Forward-looking statements include, but are not limited to, statements about our financial position, business strategy, competitive position, potential growth opportunities, potential operating performance improvements, the effects of competition, the effects of future legislation or regulations and plans and objectives of our management for future operations. We have based our forward-looking statements on our beliefs and assumptions based on information available to us at the time the statements are made. Use of the words "may," "should," "continue," "plan," "potential," "anticipate," "believe," "estimate," "expect," "intend," "outlook," "could," "target," "project," variations of such words and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from those in such statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to, those set forth below under Part II Item 1A.—Risk Factors, in Part I Item IA—Risk Factors of our 2012 Annual Report on Form 10-K, as well as other factors described herein or in our annual, quarterly and other reports we file with the SEC (collectively, "cautionary statements"). Based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described in any forward-looking statements. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the applicable cautionary statements. We do not intend to update these forward-looking statements, except as required by applicable law.

Executive Overview

In the second quarter of 2013, our revenue increased 8% compared to last year driven by an increase in our Concerts segment from higher event activity as well as the impact of the acquisition of a controlling interest in a company that is a leading promoter of festivals completed during the quarter. We had an increase in stadium events throughout Europe and more shows in Australia which was partially offset by fewer arena events in North America. Our Ticketing segment revenue was also up for the second quarter, despite the loss of the 2012 Olympics activity, driven by strong sales in Australia and the United Kingdom as well as our North American resale business. Our strategy remains focused on leveraging our leadership position in the live entertainment industry to reach fans through the live concert experience in order to sell more tickets and grow our sponsorship and advertising revenue, while continuing to optimize our cost structure. We believe that as the leading, global live event and ticketing company we are well-positioned to serve artists, teams, fans and venues.

Our Concerts segment delivered an 11% increase in revenue for the second quarter as compared to last year through increased event activity and attendance and higher results due to acquisitions. Our Concert attendance was up 8% globally driven by additional stadium activity in Europe, more events in newer markets like Australia, as well as growth in our festival business. Our overall Concerts operating results increased for the quarter due to improved profitability in our European business, our North American theaters and clubs business and in global touring, as well as expansion in our international markets.

Our Ticketing segment revenue for the second quarter increased by 3% compared to last year due to an increase in ticket sales for concert events in Australia and the United Kingdom as well as an increase in our resale business. Overall, the number of tickets sold during the second quarter increased by 2% due largely to higher sales in our international ticketing group. Tickets sold through our mobile applications in the second quarter nearly doubled as

compared to last year and we are implementing new features this year that we expect to further expand mobile ticket transactions. In the second quarter, over 9% of our North American tickets were sold via mobile devices. Ticketing operating results in the second quarter were driven by strong international concert ticket sales, increased activity in our resale business, and cost savings partially driven by a legal settlement. As in the first quarter, we have incurred higher costs year-over-year from investments in our technology platforms. We will continue to invest in a variety of initiatives aimed at improving the ticket buying process and overall fan and venue client experience.

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Our Artist Nation segment revenue decreased by 9% for the second quarter due to the restructuring of our artist management business in late 2012 and lower sales in our merchandise business. The reductions in management and merchandise revenue led to a year-over-year reduction in operating results for the segment. Our Artist Nation segment is focused on serving our existing artists as well as developing new relationships with top artists and extending the various services we provide.

Our Sponsorship & Advertising segment's second quarter revenue increased by 16% driven primarily by higher online advertising revenue as well as sponsorship revenue generated from tours and custom events. Overall operating income improved 8% in the second quarter driven by the higher activity. An increase in custom events in North America, which have higher direct costs, as well as the timing of fixed costs and our international festivals led to the reduction in operating margins. Our extensive on-site and online reach, global venue distribution network, artist relationships and ticketing operations are the key to securing long-term sponsorship agreements with major brands and we continue to expand these assets while extending further into new markets internationally.

Our second quarter 2013 operating results were impacted positively by $30.2 million in gains recognized on the disposal of operating assets. These gains include a $21.9 million gain recognized on the sale of a theatrical theater in New York and a $9.4 million gain recognized in connection with an insurance recovery for storm damage sustained to an amphitheater in New York during Hurricane Sandy.

We continue to be optimistic about the long-term potential of our Company and are focused on the key elements of our business model - expand our concert platform to sell more tickets, drive conversion of ticket sales through social and mobile channels, grow our sponsorship and online revenue and sell more tickets for our Ticketmaster clients while driving reductions in the ticketing cost structure.

Our History

We were incorporated in Delaware on August 2, 2005 in preparation for the contribution and transfer by Clear Channel of substantially all of its entertainment assets and liabilities. We completed the Separation on December 21, 2005, and became a publicly traded company on the New York Stock Exchange trading under the symbol “LYV”. On January 25, 2010, we merged with Ticketmaster. Effective on the date of the Merger, Ticketmaster became a wholly-owned subsidiary of Live Nation and Live Nation, Inc. changed its name to Live Nation Entertainment, Inc.

Segment Overview

Our reportable segments are Concerts, Ticketing, Artist Nation and Sponsorship & Advertising.

Concerts

Our Concerts segment principally involves the global promotion of live music events in our owned and/or operated venues and in rented third-party venues, the operation and management of music venues and the production of music festivals across the world. While our Concerts segment operates year-round, we experience higher revenue during the second and third quarters due to the seasonal nature of shows at our outdoor amphitheaters and festivals, which primarily occur May through September. Revenue and related costs for events are generally deferred and recognized when the event occurs. All advertising costs for shows are expensed at the end of the year for any future events.

To judge the health of our Concerts segment, we primarily monitor the number of confirmed events in our network of owned and/or operated and third-party venues, talent fees, average paid attendance and advance ticket sales. In addition, at our owned and/or operated venues, we monitor attendance, ancillary revenue per fan and premium ticket sales. For business that is conducted in foreign markets, we also compare the operating results from our foreign operations to prior periods on a constant currency basis.

Ticketing

The Ticketing segment is primarily an agency business that sells tickets for events on behalf of our clients and retains a convenience charge and order processing fee for our services. We sell tickets through websites, telephone, mobile apps and ticket outlets. Our ticketing sales are impacted by fluctuations in the availability of events for sale to the public, which may vary depending upon scheduling by our clients. Our Ticketing segment also manages our online activities including enhancements to our websites and bundling product offerings. Through our websites, we sell tickets to our own events as well as tickets for our ticketing clients and provide event information. Revenue related to ticketing service charges for our events where we control ticketing is deferred and recognized as the event occurs.

To judge the health of our Ticketing segment, we primarily review the number of tickets sold through our ticketing operations, average convenience charges and order processing fees, the number of clients renewed or added and the average royalty rate paid to clients who use our ticketing services. In addition, we review the number of visits to our websites, the overall number of customers in our database, the number of tickets sold via mobile apps and the revenue related to the sale of

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other products on our websites. For business that is conducted in foreign markets, we also compare the operating results from our foreign operations to prior periods on a constant currency basis.

Artist Nation

The Artist Nation segment primarily provides management services to music artists in exchange for a commission on the earnings of these artists. Our Artist Nation segment also sells merchandise associated with music artists at live performances, to retailers and directly to consumers via the internet and provides other services to artists. Revenue earned from our Artist Nation segment is impacted to a large degree by the touring schedules of the artists we represent and generally, we experience higher revenue during the second and third quarters as the period from May through September tends to be a popular time for touring events.

To judge the health of our Artist Nation segment, we primarily review the annual commissions earned for each artist represented and the percentage of top artists on tour or with planned album releases as these activities tend to drive higher revenue. For business that is conducted in foreign markets, we also compare the operating results from our foreign operations to prior periods on a constant currency basis.

Sponsorship & Advertising

Our Sponsorship & Advertising segment employs a sales force that creates and maintains relationships with sponsors, through a combination of strategic, international, national and local opportunities that allow businesses to reach customers through our concert, venue, artist relationship and ticketing assets, including advertising on our websites. We work with our corporate clients to help create marketing programs that drive their business goals and connects their brands directly with fans and artists. We typically experience higher revenue in the second and third quarters as a large portion of sponsorships are typically associated with our outdoor venues and international festivals which are primarily used in or occur during May through September.

To judge the health of our Sponsorship & Advertising segment, we primarily review the average revenue per sponsor, the total revenue generated through sponsorship arrangements, the percentage of expected revenue under contract and the online revenue received from sponsors advertising on our websites. For business that is conducted in foreign markets, we also compare the operating results from our foreign operations to prior periods on a constant currency basis.

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Consolidated Results of Operations

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
	2013	2012		2013	2012	
	(in thousands)			(in thousands)		
Revenue	$1,679,513	$1,550,677	8 %	$2,603,211	$2,418,674	8 %
Operating expenses:						
Direct operating expenses	1,209,918	1,106,869	9 %	1,786,852	1,645,583	9 %
Selling, general and administrative expenses	295,719	280,943	5 %	575,241	549,078	5 %
Depreciation and amortization	82,688	94,259	(12)%	164,853	173,972	(5)%
Loss (gain) on disposal of operating assets	(30,199)	93	*	(33,796)	(195)	*
Corporate expenses	21,812	27,415	(20)%	42,467	50,632	(16)%
Acquisition transaction expenses	1,769	(1,870)	*	2,977	(561)	*
Operating income	97,806	42,968	*	64,617	165	*
Operating margin	5.8 %	2.8 %		2.5 %	—	
Interest expense	30,041	29,488		58,192	59,198	
Interest income	(890)	(931)		(2,658)	(1,831)	
Equity in earnings of nonconsolidated affiliates	(2,629)	(1,801)		(5,211)	(5,682)	
Other expense, net	3,868	5,424		7,506	3,642	
Income (loss) before income taxes	67,416	10,788		6,788	(55,162)	
Income tax expense	8,401	5,228		11,960	9,506	
Net income (loss)	59,015	5,560		(5,172)	(64,668)	
Net income (loss) attributable to noncontrolling interests	885	(2,132)		(63)	(3,210)	
Net income (loss) attributable to common stockholders of Live Nation Entertainment, Inc.	$58,130	$7,692		$(5,109)	$(61,458)	

* Percentages are not meaningful.

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Key Operating Metrics

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Concerts (1)				
Total estimated events:				
North America	4,076	3,983	7,339	7,188
International	1,842	1,709	3,464	3,309
Total estimated events	5,918	5,692	10,803	10,497
Total estimated attendance (rounded):				
North America	9,321,000	9,282,000	14,376,000	13,642,000
International	6,021,000	4,877,000	9,071,000	7,728,000
Total estimated attendance	15,342,000	14,159,000	23,447,000	21,370,000
Ancillary net revenue per attendee (2):				
North America amphitheaters			$18.59	$18.87
International festivals			$16.81	$17.83
Ticketing (3)				
Number of tickets sold (in thousands):				
Concerts	19,526	18,604	36,197	35,412
Sports	8,099	7,734	16,620	16,540
Arts and theater	3,962	4,371	8,226	9,190
Family	3,264	3,073	7,834	7,601
Other (4)	1,417	1,699	3,138	3,449
	36,268	35,481	72,015	72,192
Gross value of tickets sold (in thousands)	$2,326,378	$2,191,152	$4,508,229	$4,411,351
Number of customers in database (2) (rounded)			124,265,000	115,071,000
Sponsorship & Advertising				
Sponsorship revenue (in thousands)	$54,322	$48,223	$82,575	$73,940
Online advertising revenue (in thousands)	$16,918	$13,055	$28,812	$23,466

(1) Events generally represent a single performance by an artist. Attendance generally represents the number of fans who were present at an event. Festivals are counted as one event in the quarter in which the festival begins but attendance is based on the days the fan was present at the festival and thus can be reported in multiple quarters. Events and attendance metrics are estimated each quarter.

(2) Amounts are reported as of the latest period shown.

(3) The number and gross value of tickets sold includes primary tickets only and excludes tickets sold for the 2012 Olympics. These metrics include tickets sold during the period regardless of event timing except for our promoted events in our owned and/or operated venues and in certain European territories where these tickets are reported as the events occur. The total number of tickets sold excludes approximately 25 million and 27 million tickets sold for the three months ended June 30, 2013 and 2012, respectively, and excludes approximately 53 million and 58 million tickets sold for the six months ended June 30, 2013 and 2012, respectively, through our venue clients' box offices for which we do not receive a fee.

(4) Other category includes tickets for comedy shows, facility tours, donations, lectures, seminars and cinemas.

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Revenue

Our revenue increased $128.8 million, or 8%, during the three months ended June 30, 2013 as compared to the same period of the prior year. The overall increase in revenue was primarily due to an increase in our Concerts segment of $117.0 million. Excluding the increase of approximately $4.7 million related to the impact of changes in foreign exchange rates, revenue increased $124.1 million, or 8%.

Our revenue increased $184.5 million, or 8%, during the six months ended June 30, 2013 as compared to the same period of the prior year. The overall increase in revenue was primarily due to an increase in our Concerts segment of $181.8 million. Excluding the increase of approximately $2.4 million related to the impact of changes in foreign exchange rates, revenue increased $182.1 million, or 8%.

More detailed explanations of these changes are included in the applicable segment discussions below.

Direct operating expenses

Our direct operating expenses increased $103.0 million, or 9%, during the three months ended June 30, 2013 as compared to the same period of the prior year. The overall increase in direct operating expenses was primarily due to an increase in our Concerts segment of $96.4 million. Excluding the increase of approximately $4.8 million related to the impact of changes in foreign exchange rates, direct operating expenses increased $98.2 million, or 9%.

Our direct operating expenses increased $141.3 million, or 9%, during the six months ended June 30, 2013 as compared to the same period of the prior year. The overall increase in direct operating expenses was primarily due to an increase in our Concerts segment of $143.3 million. Excluding the increase of approximately $2.9 million related to the impact of changes in foreign exchange rates, direct operating expenses increased $138.4 million, or 8%.

Direct operating expenses include artist fees, event production costs, ticketing client royalties, show-related marketing and advertising expenses along with other costs.

More detailed explanations of these changes are included in the applicable segment discussions below.

Selling, general and administrative expenses

Our selling, general and administrative expenses increased $14.8 million, or 5%, during the three months ended June 30, 2013 as compared to the same period of the prior year. The overall increase in selling, general and administrative expenses was primarily due to an increase in our Concerts segment of $14.5 million. Excluding the decrease of approximately $0.7 million related to the impact of changes in foreign exchange rates, selling, general and administrative expenses increased $15.5 million, or 6%.

Our selling, general and administrative expenses increased $26.2 million, or 5%, during the six months ended June 30, 2013 as compared to the same period of the prior year. The overall increase in selling, general and administrative expenses was primarily due to increases in our Concerts and Ticketing segments of $20.2 million and $5.9 million, respectively. Excluding the decrease of approximately $0.8 million related to the impact of changes in foreign exchange rates, selling, general and administrative expenses increased $27.0 million, or 5%.

More detailed explanations of these changes are included in the applicable segment discussions below.

Depreciation and amortization

Depreciation and amortization decreased $11.6 million, or 12%, during the three months ended June 30, 2013 as compared to the same period of the prior year. The overall decrease in depreciation and amortization was primarily due to a decrease in our Concerts segment of $9.1 million. Excluding the decrease of approximately $0.1 million related to the impact of changes in foreign exchange rates, depreciation and amortization decreased $11.5 million, or 12%.

Depreciation and amortization decreased $9.1 million, or 5%, during the six months ended June 30, 2013 as compared to the same period of the prior year. The overall decrease in depreciation and amortization was primarily due to a decrease in our Concerts segment of $8.7 million. Excluding the decrease of approximately $0.2 million related to the impact of changes in foreign exchange rates, depreciation and amortization decreased $8.9 million, or 5%.

More detailed explanations of these changes are included in the applicable segment discussions below.

Loss (gain) on disposal of operating assets

Gain on disposal of operating assets for the three and six months ended June 30, 2013 was $30.2 million and $33.8 million, respectively, consisting primarily of a $21.9 million gain recognized from the May 2013 sale of a theatrical

theater in New York in our Concerts segment. In addition, we recognized a gain of $9.4 million and $12.6 million for the three and six

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months ended June 30, 2013, respectively, in connection with an insurance recovery for storm damage sustained to an amphitheater located in New York in our Concerts segment.

Corporate expenses

Corporate expenses decreased $5.6 million, or 20%, during the three months ended June 30, 2013 as compared to the same period of the prior year primarily due to a reduction in compensation, stock-based compensation and Azoff Trust note expense resulting from the resignation of Irving Azoff on December 31, 2012, formerly our Executive Chairman and Chairman of the board of directors.

Corporate expenses decreased $8.2 million, or 16%, during the six months ended June 30, 2013 as compared to the same period of the prior year primarily due to a reduction in compensation, stock-based compensation and Azoff Trust note expense resulting from the resignation of Irving Azoff and legal expenses incurred during 2012 in connection with a matter that was subsequently settled.

Acquisition transaction expenses

Acquisition transaction expenses for the three and six months ended June 30, 2013 were $1.8 million and $3.0 million, respectively, consisting primarily of costs associated with current year acquisitions and ongoing litigation relating to the Merger.

Acquisition transaction expenses for the three and six months ended June 30, 2012 were $(1.9) million and $(0.6) million, respectively, consisting primarily of reductions in the fair value of acquisition-related contingent consideration partially offset by costs associated with acquisitions and ongoing litigation relating to the Merger.

Interest expense

Interest expense decreased $1.0 million, or 2%, during the six months ended June 30, 2013 as compared to the same period of the prior year primarily due to the net interest cost reduction realized from the August 2012 redemption of the 10.75% senior notes and issuance of the 7% senior notes, partially offset by additional term loan B borrowings in June 2012.

Our debt balances and weighted-average cost of debt, excluding unamortized debt discounts of $27.3 million, were $1.75 billion and 5.3%, respectively, at June 30, 2013.

Other expense, net

Other expense, net was $3.9 million and $7.5 million for the three and six months ended June 30, 2013, respectively, and includes the impact of changes in foreign exchange rates of $4.4 million and $7.8 million, respectively.

Other expense, net was $5.4 million and $3.6 million for the three and six months ended June 30, 2012, respectively, and includes the impact of changes in foreign exchange rates of $4.2 million and $3.0 million, respectively.

Income taxes

Net income tax expense for the six months ended June 30, 2013 and 2012 was $12.0 million and $9.5 million, respectively, and consists primarily of income tax attributable to taxable income of our foreign locations. The increase in income taxes is driven by an increase in the taxable earnings of our taxable foreign locations.

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Concerts Results of Operations

Our Concerts segment operating results were, and discussions of significant variances are, as follows:

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
	2013	2012		2013	2012	
	(in thousands)			(in thousands)		
Revenue	$1,193,006	$1,076,024	11 %	$1,706,541	$1,524,723	12 %
Direct operating expenses	992,476	896,083	11 %	1,382,728	1,239,436	12 %
Selling, general and administrative expenses	159,517	145,067	10 %	296,835	276,685	7 %
Depreciation and amortization	35,068	44,134	(21)%	63,770	72,496	(12)%
Loss (gain) on disposal of operating assets	(31,332)	1	*	(34,462)	(469)	*
Acquisition transaction expenses	313	(2,219)	*	547	(1,405)	*
Operating income (loss)	$36,964	$(7,042)	*	$(2,877)	$(62,020)	95 %
Operating margin	3.1 %	(0.7)%		(0.2)%	(4.1)%	
Adjusted operating income **	$42,588	$36,209	18 %	$29,446	$11,258	*

* Percentages are not meaningful.

** AOI is defined and reconciled to operating income (loss) below.

Three Months

Concerts revenue increased $117.0 million, or 11%, during the three months ended June 30, 2013 as compared to the same period of the prior year. Excluding the increase of $5.7 million related to the impact of changes in foreign exchange rates, revenue increased $111.3 million, or 10%, partially due to incremental revenue of $67.9 million resulting primarily from the May 2013 acquisition of a controlling interest in a company that promotes festivals. In addition, revenue increased from higher show counts in European stadiums and theaters, growth from our expansion in global markets such as Australia and more events and higher attendance for our North American theaters and clubs. These increases were partially offset by fewer arena shows in North America and a reduction of festival activity resulting primarily from the timing of the events.

Concerts direct operating expenses increased $96.4 million, or 11%, during the three months ended June 30, 2013 as compared to the same period of the prior year. Excluding the increase of $5.3 million related to the impact of changes in foreign exchange rates, direct operating expenses increased $91.1 million, or 10%, partially due to incremental direct operating expenses of $70.6 million resulting from the acquisitions noted above. In addition, we incurred higher expenses associated with the increased number of shows in Europe and our expansion in global markets. These increases were partially offset by lower costs associated with reduced global touring and festival activity and a reduction in North America arena shows.

Concerts selling, general and administrative expenses increased $14.5 million, or 10%, during the three months ended June 30, 2013 as compared to the same period of the prior year. Excluding the decrease of $0.2 million related to the impact of changes in foreign exchange rates, selling, general and administrative expenses increased $14.7 million, or 10%, partially due to incremental expenses of $2.3 million associated with the acquisitions noted above, increases in compensation-related costs and additional expenses following the June 2012 opening of the Ziggo Dome in The Netherlands.

Concerts depreciation and amortization decreased $9.1 million, or 21%, during the three months ended June 30, 2013 as compared to the same period of the prior year. Excluding the decrease of $0.1 million related to the impact of changes in foreign exchange rates, depreciation and amortization decreased $9.0 million, or 20%, primarily due to the $13.9 million of impairment charges recorded in the second quarter of 2012 related to revenue-generating and

client/vendor relationship intangibles offset partially by $4.0 million of accelerated amortization recorded in the second quarter of 2013 resulting from a change in the estimated life of certain venue management and leasehold intangibles. There were no significant impairment charges recorded during the second quarter of 2013.
Concerts gain on disposal of operating assets of $31.3 million for the three months ended June 30, 2013 is primarily due to a gain on the sale of a theatrical theater in New York of $21.9 million and additional proceeds received in connection with an insurance recovery for storm damage during Hurricane Sandy to an amphitheater located in New York in October 2012.

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Concerts acquisition transaction expenses increased $2.5 million during the three months ended June 30, 2013 as compared to the same period of the prior year primarily due to the reduction in the fair value of certain acquisition-related contingent consideration during the second quarter of 2012.

The improved operating income for Concerts for the three months ended June 30, 2013 was primarily driven by improved results from theaters and clubs, global touring and domestic festival activity, increased show activity in Europe and the gain on disposal of operating assets. These increases were partially offset by the timing of international festivals.

Six Months

Concerts revenue increased $181.8 million, or 12%, during the six months ended June 30, 2013 as compared to the same period of the prior year. Excluding the increase of $3.5 million related to the impact of changes in foreign exchange rates, revenue increased $178.3 million, or 12%, partially due to incremental revenue from acquisitions of $81.7 million primarily from the May 2013 acquisition of a company that promotes festivals and the April 2012 acquisition of Coppel. We also had more shows in Europe, increased global touring activity, more events and higher attendance in our theaters and clubs and our expansion to new global markets. These increases were partially offset by fewer arena shows in North America and a reduction in global festival activity primarily driven by the timing of events.

Concerts direct operating expenses increased $143.3 million, or 12%, during the six months ended June 30, 2013 as compared to the same period of the prior year. Excluding the increase of $3.6 million related to the impact of changes in foreign exchange rates, direct operating expenses increased $139.7 million, or 11%, partially due to incremental direct operating expenses of $82.2 million from the acquisitions noted above and higher expenses associated with the increased show activity in Europe and global touring and our expansion to new global markets discussed above. These increases were partially offset by lower costs associated with reduced North America arena shows and global festival activity.

Concerts selling, general and administrative expenses increased $20.2 million, or 7%, during the six months ended June 30, 2013 as compared to the same period of the prior year. Excluding the decrease of $0.2 million related to the impact of changes in foreign exchange rates, selling, general and administrative expenses increased $20.4 million, or 7%, primarily due to higher compensation-related expenses driven by inflationary adjustments and our expansion in global markets, additional costs following the June 2012 opening of the Ziggo Dome in The Netherlands and increased property costs such as rent and insurance. In addition, incremental selling, general and administrative expenses of $3.5 million from the acquisitions noted above contributed to the increase.

Concerts depreciation and amortization decreased $8.7 million, or 12%, during the six months ended June 30, 2013 as compared to the same period of the prior year. Excluding the decrease of $0.2 million related to the impact of changes in foreign exchange rates, depreciation and amortization decreased $8.5 million, or 12%, primarily due to the $13.9 million of impairment charges recorded in the second quarter of 2012 primarily related to revenue-generating and client/vendor relationship intangibles offset partially by $4.0 million of accelerated amortization recorded in the second quarter of 2013 resulting from a change in the estimated life of certain venue management and leasehold intangible assets. There were no significant impairments recorded in the first half of 2013.

Concerts gain on disposal of operating assets of $34.5 million for the six months ended June 30, 2013 is primarily due to a $21.9 million gain on sale of a theatrical theater in New York and a $12.6 million insurance recovery for storm damage during Hurricane Sandy to an amphitheater located in New York in October 2012.

The decreased operating loss for Concerts for the six months ended June 30, 2013 was primarily driven by increased shows in Europe, improved results for our global touring activity and theaters and clubs, our expansion to new global markets and the gain on disposal of operating assets. These increases were partially offset by the reduction in global festival activity.

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Ticketing Results of Operations

Our Ticketing segment operating results were, and discussions of significant variances are, as follows:

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
	2013	2012		2013	2012	
	(in thousands)			(in thousands)		
Revenue	$337,827	$328,939	3 %	$662,962	$655,483	1 %
Direct operating expenses	160,021	154,367	4 %	315,083	306,242	3 %
Selling, general and administrative expenses	101,919	104,673	(3)%	213,859	208,001	3 %
Depreciation and amortization	36,685	38,803	(5)%	79,498	77,969	2 %
Loss (gain) on disposal of operating assets	42	(65)	*	(20)	(155)	*
Acquisition transaction expenses	—	(315)	*	24	(335)	*
Operating income	$39,160	$31,476	24 %	$54,518	$63,761	(14)%
Operating margin	11.6 %	9.6 %		8.2 %	9.7 %	
Adjusted operating income **	$77,569	$71,375	9 %	$137,158	$143,936	(5)%

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* Percentages are not meaningful.

** AOI is defined and reconciled to operating income (loss) below.

Three Months

Ticketing revenue increased $8.9 million, or 3%, during the three months ended June 30, 2013 as compared to the same period of the prior year. Excluding the decrease of $0.8 million related to the impact of changes in foreign exchange rates, revenue increased $9.7 million, or 3%, primarily due to higher international primary ticket sales and increased domestic resale volume. These increases were partially offset by a reduction in fees associated with the 2012 Olympics and lower domestic primary ticket fees resulting from a reduction in ticket sales in the arts and theater category.

Ticketing direct operating expenses increased $5.7 million, or 4%, during the three months ended June 30, 2013 as compared to the same period of the prior year. Excluding the decrease of $0.3 million related to the impact of changes in foreign exchange rates, directing operating expenses increased $6.0 million, or 4%, primarily due to higher costs associated with the increased international primary ticket sales and domestic resale volume discussed above and higher royalty rates.

The increase in Ticketing operating income for the three months ended June 30, 2013 was primarily due to the higher international ticket sales and increased domestic resale ticket volumes.

Six Months

Ticketing revenue increased $7.5 million, or 1%, during the six months ended June 30, 2013 as compared to the same period of the prior year. Excluding the decrease of $0.9 million related to the impact of changes in foreign exchange rates, revenue increased $8.4 million, or 1%, partially due to strong international primary ticket sales during the second quarter of 2013 and increased domestic resale ticket volume. These increases were partially offset by a reduction in fees associated with the 2012 Olympics and lower domestic primary ticket fees resulting from a reduction in ticket sales in the arts and theater category.

Ticketing direct operating expenses increased $8.8 million, or 3%, during the six months ended June 30, 2013 as compared to the same period of the prior year. Excluding the decrease of $0.4 million related to the impact of changes in foreign exchange rates, directing operating expenses increased $9.2 million, or 3%, primarily due to costs related to the higher international primary ticket sales and increased domestic resale volume discussed above. These increases were partially offset by lower royalties on domestic primary ticket sales resulting from the reduction in ticket sales discussed above.

Ticketing selling, general and administrative expenses increased $5.9 million, or 3%, during the six months ended June 30, 2013 as compared to the same period of the prior year. Excluding the decrease of $0.5 million related to the

impact of changes in foreign exchange rates, selling, general and administrative expenses increased $6.4 million, or 3%, primarily due to increased costs associated with higher resale activity, increased compensation costs driven by annual salary increases and

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higher headcount and increased rent due to office relocations. These increases were partially offset by costs incurred for the summer Olympics in 2012 that were not incurred in 2013.

The decrease in Ticketing operating income for the six months ended June 30, 2013 was primarily due to costs related to resale activity, higher compensation-related costs and reduction associated with the 2012 Olympics partially offset by higher international primary ticket sales.

Artist Nation Results of Operations

Our Artist Nation segment operating results were, and discussions of significant variances are, as follows:

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
	2013	2012		2013	2012	
	(in thousands)			(in thousands)		
Revenue	$99,739	$109,241	(9)%	$150,010	$170,646	(12)%
Direct operating expenses	68,920	73,371	(6)%	100,332	114,009	(12)%
Selling, general and administrative expenses	22,476	21,306	5 %	42,514	45,394	(6)%
Depreciation and amortization	10,136	11,456	(12)%	20,170	23,068	(13)%
Loss on disposal of operating assets	1,091	—	*	679	—	*
Acquisition transaction expenses	17	351	*	145	401	*
Operating income (loss)	$(2,901)	$2,757	*	$(13,830)	$(12,226)	(13)%
Operating margin	(2.9)%	2.5 %		(9.2)%	(7.2)%	
Adjusted operating income **	$8,498	$14,930	(43)%	$7,455	$11,923	(37)%

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* Percentages are not meaningful.

** AOI is defined and reconciled to operating income (loss) below.

Three Months

Artist Nation revenue decreased $9.5 million, or 9%, during the three months ended June 30, 2013 as compared to the same period of the prior year. Excluding the decrease of $0.4 million related to the impact of changes in foreign exchange rates, revenue decreased $9.1 million, or 8%, primarily due to a reduction in management revenue associated with the departure of certain artist managers in December 2012 and lower tour merchandise and VIP package sales driven by the timing of artists tours. These decreases were partially offset by incremental revenue of $2.0 million resulting primarily from the July 2012 acquisition of a production services company.

Artist Nation direct operating expenses decreased $4.5 million, or 6%, during the three months ended June 30, 2013 as compared to the same period of the prior year. Excluding the decrease of $0.3 million related to the impact of changes in foreign exchange rates, direct operating expenses decreased $4.2 million, or 6%, primarily due to reduced costs from the lower tour merchandise and VIP package sales discussed above. These decreases were partially offset by incremental direct operating expenses of $0.8 million resulting primarily from the acquisition noted above.

Artist Nation depreciation and amortization decreased $1.3 million, or 12%, during the three months ended June 30, 2013 as compared to the same period of the prior year primarily due to decreased amortization related to client/vendor relationship intangibles in the management business that were impaired in the fourth quarter of 2012.

Artist Nation loss on disposal of operating assets of $1.1 million for the three months ended June 30, 2013 is primarily due to the disposal of an artist management company in April 2013.

The increased operating loss for Artist Nation for the three months ended June 30, 2013 was primarily driven by the lower tour merchandise sales and the departure of certain artist managers in December 2012.

Six Months

Artist Nation revenue decreased $20.6 million, or 12%, during the six months ended June 30, 2013 as compared to the same period of the prior year. Excluding the decrease of $0.6 million related to the impact of changes in foreign

exchange rates,

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revenue decreased $20.0 million, or 12%, primarily due to lower tour and retail merchandise sales and the departure of certain artist managers. These decreases were partially offset by incremental revenue of $2.5 million resulting primarily from the acquisition noted above.

Artist Nation direct operating expenses decreased $13.7 million, or 12%, during the six months ended June 30, 2013 as compared to the same period of the prior year. Excluding the decrease of $0.5 million related to the impact of changes in foreign exchange rates, direct operating expenses decreased $13.2 million, or 12%, primarily due to the reduced costs from the lower merchandise sales noted above.

Artist Nation selling, general and administrative expenses decreased $2.9 million, or 6%, during the six months ended June 30, 2013 as compared to the same period of the prior year primarily due to the departure of certain artist managers and reduced compensation-related expenses in the merchandise business resulting primarily from lower headcount. These decreases were partially offset by incremental expenses of $2.0 million resulting primarily from the acquisition noted above.

Artist Nation depreciation and amortization decreased $2.9 million, or 13%, during the six months ended June 30, 2013 as compared to the same period of the prior year primarily due to decreased amortization related to client/vendor relationship intangibles in the management business that were impaired in the fourth quarter of 2012.

The increased operating loss for Artist Nation for the six months ended June 30, 2013 was primarily driven by the departure of certain artist managers and lower retail and tour merchandise sales partially offset by lower amortization.

Sponsorship & Advertising Results of Operations

Our Sponsorship & Advertising segment operating results were, and discussions of significant variances are, as follows:

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
	2013	2012		2013	2012	
	(in thousands)			(in thousands)		
Revenue	$71,240	$61,278	16 %	$111,387	$97,406	14 %
Direct operating expenses	13,311	9,337	43 %	20,175	16,058	26 %
Selling, general and administrative expenses	10,959	9,192	19 %	20,647	17,981	15 %
Depreciation and amortization	596	(18)	*	738	21	*
Operating income	$46,374	$42,767	8 %	$69,827	$63,346	10 %
Operating margin	65.1 %	69.8 %		62.7 %	65.0 %	
Adjusted operating income **	$47,159	$42,911	10 %	$70,919	$63,636	11 %

* Percentages are not meaningful.

** AOI is defined and reconciled to operating income (loss) below.

Three Months

Sponsorship & Advertising revenue increased $10.0 million, or 16%, during the three months ended June 30, 2013 as compared to the same period of the prior year. Excluding the increase of $0.2 million related to the impact of changes in foreign exchange rates, revenue increased $9.8 million, or 16%, primarily due to online advertising growth, new sponsorship agreements globally including the Ziggo Dome in The Netherlands and expansion of existing sponsorship arrangements.

Sponsorship & Advertising direct operating expenses increased $4.0 million, or 43%, during the three months ended June 30, 2013 as compared to the same period of the prior year. Excluding the increase of $0.1 million related to the impact of changes in foreign exchange rates, direct operating expenses increased $3.9 million, or 41%, primarily driven by the increased revenue and, in certain cases, increased fulfillment costs on some programs.

Sponsorship & Advertising selling, general and administrative expenses increased $1.8 million, or 19%, during the three months ended June 30, 2013 as compared to the same period of the prior year primarily due to increased headcount and compensation-related costs.

The increased operating income for the three months ended June 30, 2013 was primarily due to higher online advertising and new sponsorship agreements globally.

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Six Months

Sponsorship & Advertising revenue increased $14.0 million, or 14%, during the six months ended June 30, 2013 as compared to the same period of the prior year. Excluding the increase of $0.4 million related to the impact of changes in foreign exchange rates, revenue increased $13.6 million, or 14%, primarily due to online advertising growth, new sponsorship agreements globally including the Ziggo Dome and expansion of existing sponsorship arrangements.

Sponsorship & Advertising direct operating expenses increased $4.1 million, or 26%, during the six months ended June 30, 2013 as compared to the same period of the prior year. Excluding the increase of $0.2 million million related to the impact of changes in foreign exchange rates, direct operating expenses increased $3.9 million, or 24%, primarily driven by the increased revenue and, in certain cases, increased fulfillment costs on some programs.

Sponsorship & Advertising selling, general and administrative expenses increased $2.7 million, or 15%, during the six months ended June 30, 2013 as compared to the same period of the prior year primarily due to increased headcount and compensation-related costs.

The increased operating income for the six months ended June 30, 2013 was primarily due to higher online advertising and new sponsorship agreements globally.

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Reconciliation of Segment Adjusted Operating Income (Loss)

AOI is a non-GAAP financial measure that we define as operating income (loss) before acquisition expenses (including transaction costs, changes in the fair value of accrued acquisition-related contingent consideration arrangements, payments under the Azoff Trust note and acquisition-related severance), depreciation and amortization (including goodwill impairment), loss (gain) on disposal of operating assets and non-cash and certain stock-based compensation expense (including expense associated with grants of certain stock-based awards which were classified as liabilities). We use AOI to evaluate the performance of our operating segments. We believe that information about AOI assists investors by allowing them to evaluate changes in the operating results of our portfolio of businesses separate from non-operational factors that affect net income, thus providing insights into both operations and the other factors that affect reported results. AOI is not calculated or presented in accordance with GAAP. A limitation of the use of AOI as a performance measure is that it does not reflect the periodic costs of certain amortizing assets used in generating revenue in our business. Accordingly, AOI should be considered in addition to, and not as a substitute for, operating income (loss), net income (loss), and other measures of financial performance reported in accordance with GAAP. Furthermore, this measure may vary among other companies; thus, AOI as presented herein may not be comparable to similarly titled measures of other companies.

The following table sets forth the reconciliation of adjusted operating income (loss) to operating income (loss):

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	Adjusted operating income (loss)	Non-cash and stock-based compensation expense	Loss (gain) on disposal of operating assets	Depreciation and amortization	Acquisition expenses	Operating income (loss)
			(in thousands)			
Three Months Ended June 30, 2013						
Concerts	$42,588	$1,575	$(31,332)	$35,068	$313	$36,964
Ticketing	77,569	1,682	42	36,685	—	39,160
Artist Nation	8,498	155	1,091	10,136	17	(2,901)
Sponsorship & Advertising	47,159	189	—	596	—	46,374
Other and Eliminations	1,663	—	—	(475)	—	2,138
Corporate	(17,599)	4,213	—	678	1,439	(23,929)
Total	$159,878	$7,814	$(30,199)	$82,688	$1,769	$97,806
Three Months Ended June 30, 2012						
Concerts	$36,209	$1,335	$1	$44,134	$(2,219)	$(7,042)
Ticketing	71,375	1,491	(65)	38,803	(330)	31,476
Artist Nation	14,930	366	—	11,456	351	2,757
Sponsorship & Advertising	42,911	161	—	(18)	1	42,767
Other and Eliminations	779	—	157	(835)	—	1,457
Corporate	(20,226)	5,587	—	719	1,915	(28,447)
Total	$145,978	$8,940	$93	$94,259	$(282)	$42,968
Six Months Ended June 30, 2013						
Concerts	$29,446	$2,468	$(34,462)	$63,770	$547	$(2,877)
Ticketing	137,158	3,138	(20)	79,498	24	54,518
Artist Nation	7,455	291	679	20,170	145	(13,830)
Sponsorship & Advertising	70,919	354	—	738	—	69,827
Other and Eliminations	2,391	—	7	(793)	—	3,177
Corporate	(34,599)	7,868	—	1,470	2,261	(46,198)
Total	$212,770	$14,119	$(33,796)	$164,853	$2,977	$64,617
Six Months Ended June 30, 2012						
Concerts	$11,258	$2,656	$(469)	$72,496	$(1,405)	$(62,020)
Ticketing	143,936	3,039	(155)	77,969	(678)	63,761
Artist Nation	11,923	680	—	23,068	401	(12,226)
Sponsorship & Advertising	63,636	269	—	21	—	63,346
Other and Eliminations	(439)	—	429	(1,020)	—	152
Corporate	(36,153)	11,275	—	1,438	3,982	(52,848)
Total	$194,161	$17,919	$(195)	$173,972	$2,300	$165

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Liquidity and Capital Resources

Our working capital requirements and capital for our general corporate purposes, including acquisitions and capital expenditures, are funded from operations or from borrowings under our senior secured credit facility described below. Our cash is centrally managed on a worldwide basis. Our primary short-term liquidity needs are to fund general working capital requirements, capital expenditures and debt service requirements while our long-term liquidity needs are primarily related to acquisitions and debt repayment. Our primary sources of funds for our short-term liquidity needs will be cash flows from operations and borrowings under our senior secured credit facility, while our long-term sources of funds will be from cash flows from operations, long-term bank borrowings and other debt or equity financings. We plan to strategically pursue refinancing opportunities to extend maturities and/or improve terms of our indebtedness when we believe market conditions are favorable. We may also from time to time engage in open market purchases of our outstanding debt securities or redeem or otherwise repay such debt.

Our balance sheet reflects cash and cash equivalents of $1.4 billion at June 30, 2013 and $1.0 billion at December 31, 2012. Included in the June 30, 2013 and December 31, 2012 cash and cash equivalents balance is $479.1 million and $441.6 million, respectively, of funds representing the face value of tickets sold on behalf of clients and the clients' share of convenience and order processing charges, or client funds. We do not utilize client funds for our own financing or investing activities as the amounts are payable to clients. Our foreign subsidiaries held approximately $527.5 million in cash and cash equivalents, excluding client cash, at June 30, 2013. We do not intend to repatriate these funds, but would need to accrue and pay United States federal and state income taxes on any future repatriations, net of applicable foreign tax credits. We may from time to time enter into borrowings under our revolving credit facility. If the original maturity of these borrowings is ninety days or less, we present the borrowings and subsequent repayments on a net basis in the statement of cash flows to better represent our financing activities. Our balance sheet reflects current and long-term debt of $1.7 billion at both June 30, 2013 and December 31, 2012. Our weighted-average cost of debt, excluding the debt discounts on our term loans and notes, was 5.3% at June 30, 2013.

Our cash and cash equivalents are held in accounts managed by third-party financial institutions and consist of cash in our operating accounts and invested cash. Cash held in interest-bearing operating accounts in many cases exceeds the Federal Deposit Insurance Corporation insurance limits. The invested cash is in interest-bearing funds consisting primarily of bank deposits and money market funds. While we monitor cash and cash equivalent balances in our operating accounts on a regular basis and adjust the balances as appropriate, these balances could be impacted if the underlying financial institutions fail. To date, we have experienced no loss or lack of access to our cash and cash equivalents; however, we can provide no assurances that access to our cash and cash equivalents will not be impacted by adverse conditions in the financial markets.

For our Concerts segment, we generally receive cash related to ticket revenue at our owned and/or operated venues in advance of the event, which is recorded in deferred revenue until the event occurs. With the exception of some upfront costs and artist deposits, which are recorded in prepaid expenses until the event occurs, we pay the majority of event-related expenses at or after the event.

We view our available cash as cash and cash equivalents, less ticketing-related client funds, less event-related deferred revenue, less accrued expenses due to artists and cash collected on behalf of others for ticket sales, plus event-related prepaids. This is essentially our cash available to, among other things, repay debt balances, make acquisitions and finance capital expenditures.

Our intra-year cash fluctuations are impacted by the seasonality of our various businesses. Examples of seasonal effects include our Concerts and Artist Nation segments, which report the majority of their revenue in the second and third quarters. Cash inflows and outflows depend on the timing of event-related payments but the majority of the inflows generally occur prior to the event. See "—Seasonality" below. We believe that we have sufficient financial flexibility to fund these fluctuations and to access the global capital markets on satisfactory terms and in adequate amounts, although there can be no assurance that this will be the case, and capital could be less accessible and/or more costly given current economic conditions. We expect cash flows from operations and borrowings under our senior secured credit facility, along with other financing alternatives, to satisfy working capital requirements, capital expenditures and debt service requirements for at least the succeeding year.

We may need to incur additional debt or issue equity to make other strategic acquisitions or investments. There can be no assurance that such financing will be available to us on acceptable terms or at all. We may make significant acquisitions in the near term, subject to limitations imposed by our financing documents and market conditions.

The lenders under our revolving loans and counterparties to our interest rate hedge agreements consist of banks and other third-party financial institutions. While we currently have no indications or expectations that such lenders and counterparties will be unable to fund their commitments as required, we can provide no assurances that future funding availability will not be impacted by adverse conditions in the financial markets. Should an individual lender default on its obligations, the remaining lenders would not be required to fund the shortfall, resulting in a reduction in the total amount available to us for future

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borrowings, but would remain obligated to fund their own commitments. Should any counterparty to our interest rate hedge agreements default on its obligations, we could experience higher interest rate volatility during the period of any such default.

Sources of Cash

May 2010 Senior Secured Credit Facility

At June 30, 2013, our senior secured credit facility consists of (i) a $100 million term loan A, (ii) a $900 million term loan B and (iii) a $300 million revolving credit facility maturing in May 2015. In addition, subject to certain conditions, we have the right to increase such term loan facilities by up to $200 million in the aggregate. The five-year revolving credit facility provides for borrowings up to the amount of the facility with sublimits of up to (i) $150 million to be available for the issuance of letters of credit, (ii) $50 million to be available for swingline loans and (iii) $100 million to be available for borrowings in foreign currencies. The senior secured credit facility is secured by a first priority lien on substantially all of our domestic wholly-owned subsidiaries and on 65% of the capital stock of our wholly-owned foreign subsidiaries.

The interest rates per annum applicable to loans under the senior secured credit facility are, at our option, equal to either LIBOR plus 3.25% or a base rate plus 2.25%, subject to stepdowns based on our leverage ratio. The interest rate for the term loan B is subject to a LIBOR floor of 1.5% and a base rate floor of 2.5%. We are required to pay a commitment fee of 0.5% per year on the undrawn portion available under the revolving credit facility and variable fees on outstanding letters of credit.

For the term loan A, we are required to make quarterly payments ranging from $1.3 million to $10.0 million with the balance due at maturity in November 2015. For the term loan B, we are required to make quarterly payments of $2.3 million with the balance due at maturity in November 2016. We are also required to make mandatory prepayments of the loans under the credit agreement, subject to specified exceptions, from excess cash flow, and with the proceeds of asset sales, debt issuances and specified other events.

During the six months ended June 30, 2013, we made principal payments totaling $10.8 million on these term loans. At June 30, 2013, the outstanding balances on the term loans, net of discounts, were $931.2 million. There were no borrowings under the revolving credit facility as of June 30, 2013. Based on our letters of credit of $55.9 million, $244.1 million was available for future borrowings.

Debt Covenants

Our senior secured credit facility contains a number of covenants and restrictions that, among other things, requires us to satisfy certain financial covenants and restricts our and our subsidiaries' ability to incur additional debt, make certain investments and acquisitions, repurchase our stock and prepay certain indebtedness, create liens, enter into agreements with affiliates, modify the nature of our business, enter into sale-leaseback transactions, transfer and sell material assets, merge or consolidate, and pay dividends and make distributions (with the exception of subsidiary dividends or distributions to the parent company or other subsidiaries on at least a pro-rata basis with any noncontrolling interest partners). Non-compliance with one or more of the covenants and restrictions could result in the full or partial principal balance of the credit facility becoming immediately due and payable. The senior secured credit facility agreement has two covenants measured quarterly that relate to total leverage and interest coverage. The consolidated total leverage covenant requires us to maintain a ratio of consolidated total debt to consolidated EBITDA (both as defined in the credit agreement or amendment thereto) of 4.5x over the trailing four consecutive quarters through December 31, 2013. The total leverage ratio will reduce to 4.25x on March 31, 2014, 4.0x on March 31, 2015 and 3.75x on March 31, 2016. The consolidated interest coverage covenant requires us to maintain a minimum ratio of consolidated EBITDA to consolidated interest expense (both as defined in the credit agreement or amendment thereto) of 3.0x over the trailing four consecutive quarters.

The indentures governing our 7% senior notes and our 8.125% senior notes contain covenants that limit, among other things, our ability and the ability of our restricted subsidiaries to incur certain additional indebtedness and issue preferred stock; make certain distributions, investments and other restricted payments; sell certain assets; agree to any restrictions on the ability of restricted subsidiaries to make payments to us; merge, consolidate or sell all of our assets; create certain liens; and engage in transactions with affiliates on terms that are not arm's length. Certain covenants, including those pertaining to incurrence of indebtedness, restricted payments, asset sales, mergers and transactions

with affiliates will be suspended during any period in which the notes are rated investment grade by both rating agencies and no default or event of default under the indentures has occurred and is continuing. The 7% senior notes and the 8.125% senior notes each contain two incurrence-based financial covenants, as defined, requiring a minimum fixed charge coverage ratio of 2.0x and a maximum secured indebtedness leverage ratio of 3.25x for the 7% senior notes and 2.75x for the 8.125% senior notes.

Some of our other subsidiary indebtedness includes restrictions on entering into various transactions, such as acquisitions and disposals, and prohibits payment of ordinary dividends. They also have financial covenants including minimum consolidated EBITDA to consolidated net interest payable, minimum consolidated cash flow to consolidated debt service and maximum consolidated debt to consolidated EBITDA, all as defined in the applicable debt agreements.

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As of June 30, 2013, we believe we were in compliance with all of our debt covenants. We expect to remain in compliance with all of our debt covenants throughout 2013.

Disposals of assets

During the six months ended June 30, 2013, we received $81.1 million of proceeds primarily related to the sale of a theatrical theater in New York and an insurance recovery for storm damage sustained to an amphitheater located in New York. During the six months ended June 30, 2012, we received $5.6 million of proceeds primarily related to the sale of an amphitheater in Ohio. These proceeds are presented net of any cash included in the businesses sold.

Stock Option Exercises

During the six months ended June 30, 2013, we received $73.4 million of proceeds from the exercise of stock options. There were no significant stock option exercises for the six months ended June 30, 2012.

Uses of Cash

Acquisitions

When we make acquisitions, the acquired entity may have cash on its balance sheet at the time of acquisition. All amounts discussed in this section are presented net of any cash acquired. During the six months ended June 30, 2013, we used $23.8 million of cash primarily for the acquisition in our Concerts segment of a controlling interest in a company that promotes festivals in May 2013. During the six months ended June 30, 2012, we used $68.1 million of cash primarily for acquisitions in our Concerts segment of Coppel in April 2012, Cream Holdings Limited in May 2012 and HARD Events LLC in June 2012.

Intangibles

During the six months ended June 30, 2012, we used $11.5 million of cash primarily related to the acquisition of the rights to a festival in Europe. There were no significant purchases during the six months ended June 30, 2013.

Deferred and Contingent Consideration

During the six months ended June 30, 2012, we used $10.6 million of cash to settle deferred and contingent consideration liabilities for certain past acquisitions. There were no significant payments during the six months ended June 30, 2013.

Capital Expenditures

Venue and ticketing operations are capital intensive businesses, requiring continual investment in our existing venues and ticketing systems in order to address fan and artist expectations, technological industry advances and various federal, state and/or local regulations.

We categorize capital outlays between maintenance capital expenditures and revenue generating capital expenditures. Maintenance capital expenditures are associated with the renewal and improvement of existing venues and technology systems, web development and administrative offices. Revenue generating capital expenditures generally relate to the construction of new venues, major renovations to existing buildings or buildings that are being added to our venue network, the development of new online or ticketing tools and technology enhancements. Revenue generating capital expenditures can also include smaller projects whose purpose is to add revenue and/or improve operating income. Capital expenditures typically increase during periods when venues are not in operation since that is the time that such improvements can be completed.

Our capital expenditures, including accruals but excluding expenditures funded by outside parties such as landlords or replacements funded by insurance companies, consisted of the following:

	Six Months Ended June 30,	
	2013	2012
	(in thousands)	
Maintenance capital expenditures	$26,845	$26,657
Revenue generating capital expenditures	28,450	32,057
Total capital expenditures	$55,295	$58,714

Revenue generating capital expenditures during the first six months of 2013 decreased from the same period of the prior year primarily due to the timing of expenditures related to the re-platforming of our ticketing system, the launch of our resale ticketing product and purchases of technology and venue-related equipment. Excluded from revenue

generating capital expenditures is the use of $17.0 million of insurance proceeds to restore an amphitheater in New York that sustained storm damage.

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We currently expect capital expenditures to be approximately $120 million for the full year 2013.

Cash Flows

	Six Months Ended June 30,	
	2013	2012
	(in thousands)	
Cash provided by (used in):		
Operating activities	$380,347	$310,128
Investing activities	$(20,742)	$(138,557)
Financing activities	$54,011	$(3,737)

Operating Activities

Cash provided by operations was $380.3 million for the six months ended June 30, 2013, compared to $310.1 million for the six months ended June 30, 2012. The $70.2 million increase in cash provided by operating activities resulted primarily from an increase in the cash-related portion of net income and net changes in the event-related operating accounts which are dependent on the timing of ticket sales along with the size and number of events for upcoming periods. During the first six months of 2013, we received more cash for future events which increased deferred revenue, had lower payments of prepaid event-related expenses and accrued event-related expenses, partially offset by a larger increase in accounts receivable as compared to the same period in the prior year.

Investing Activities

Cash used in investing activities was $20.7 million for the six months ended June 30, 2013, compared to $138.6 million for the six months ended June 30, 2012. The $117.8 million decrease in cash used in investing activities is primarily due to higher proceeds received from the disposal of operating assets and lower payments for acquisitions and purchases of intangible assets as compared to the same period in the prior year. See “—Sources of Cash” and “—Uses of Cash ” above for further discussion.

Financing Activities

Cash provided by financing activities was $54.0 million for the six months ended June 30, 2013, compared to cash used in financing activities of $3.7 million for the six months ended June 30, 2012. The $57.7 million increase in cash provided by financing activities is primarily a result of higher proceeds from the exercise of stock options and lower payments of deferred and contingent consideration partially offset by proceeds received in 2012 related to additional financing to fund Australian operations as compared to the same period in the prior year.

Seasonality

Our Concerts, Artist Nation and Sponsorship & Advertising segments typically experience higher operating income in the second and third quarters as our outdoor venues and international festivals are primarily used in or occur during May through September, and our artist touring activity is higher. In addition, the timing of the on-sale of tickets and the tours of top-grossing acts can impact comparability of quarterly results year over year, although annual results may not be impacted. Our Ticketing segment sales are impacted by fluctuations in the availability of events for sale to the public, which vary depending upon scheduling by our clients.

Cash flows from our Concerts segment typically have a slightly different seasonality as payments are often made for artist performance fees and production costs in advance of the date the related event tickets go on sale. These artist fees and production costs are expensed when the event occurs. Once tickets for an event go on sale, we generally begin to receive payments from ticket sales in advance of when the event occurs for events at our owned and/or operated venues. We record these ticket sales as revenue when the event occurs.

Market Risk

We are exposed to market risks arising from changes in market rates and prices, including movements in foreign currency exchange rates and interest rates.

Foreign Currency Risk

We have operations in countries throughout the world. The financial results of our foreign operations are measured in their local currencies. As a result, our financial results could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which we have operations. Currently, we do not

operate

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in any hyper-inflationary countries. Our foreign operations reported operating income of $49.4 million for the six months ended June 30, 2013. We estimate that a 10% change in the value of the United States dollar relative to foreign currencies would change our operating income for the six months ended June 30, 2013 by $4.9 million. As of June 30, 2013, our primary foreign exchange exposure included the Euro, British Pound, Australian Dollar and Canadian Dollar. This analysis does not consider the implication such currency fluctuations could have on the overall economic conditions of the United States or other foreign countries in which we operate or on the results of operations of our foreign entities.

We primarily use forward currency contracts in addition to options to reduce our exposure to foreign currency risk associated with short-term artist fee commitments. We also may enter into forward currency contracts to minimize the risks and/or costs associated with changes in foreign currency rates on forecasted operating income and short-term intercompany loans. At June 30, 2013, we had forward currency contracts and options outstanding with a notional amount of $123.2 million.

Interest Rate Risk

Our market risk is also affected by changes in interest rates. We had $1.7 billion of total debt, net of unamortized discounts, outstanding as of June 30, 2013. Of the total amount, taking into consideration existing interest rate hedges, we had $774.0 million of fixed-rate debt and $949.7 million of floating-rate debt.

Based on the amount of our floating-rate debt as of June 30, 2013, each 25 basis point increase or decrease in interest rates would increase or decrease our annual interest expense and cash outlay by approximately $2.4 million when the floor rate is not applicable. This potential increase or decrease is based on the simplified assumption that the level of floating-rate debt remains constant with an immediate across-the-board increase or decrease as of June 30, 2013 with no subsequent change in rates for the remainder of the period.

At June 30, 2013, we have an interest rate swap agreement that is designated as a cash flow hedge for accounting purposes. The interest rate swap had a notional amount of $12.2 million at June 30, 2013, to effectively convert a portion of our floating-rate debt to a fixed-rate basis and expires in May 2015. The fair value of this agreement at June 30, 2013 was a liability of $0.1 million. This agreement was put into place to reduce the variability of the cash flows from the interest payments related to certain financing.

Through a subsidiary of Academy Music Holdings Limited Group, we have two interest rate swap agreements with a $28.8 million aggregate notional amount at June 30, 2013, that effectively convert a portion of our floating-rate debt to a fixed-rate basis. Both agreements expire in December 2015. Also, in connection with the financing of the redevelopment of the O_2 Dublin, we have an interest rate swap agreement with a notional amount of $6.8 million at June 30, 2013, that expires in December 2013, effectively converting a portion of our floating-rate debt to a fixed-rate basis. These interest rate swap agreements have not been designated as hedging instruments. Therefore, any change in fair value is recorded in earnings during the period of the change.

We currently have 2.875% convertible senior notes due 2027 with a principal amount of $220 million. Beginning with the period commencing on July 20, 2014 and ending on January 14, 2015, and for each of the interest periods commencing thereafter, we will pay contingent interest on the notes if the average trading price of the notes during the five consecutive trading days ending on the second trading day immediately preceding the first day of the applicable interest period equals or exceeds 120% of the principal amount of the notes. The contingent interest payable per note will equal 0.25% per year of the average trading price of such note during the applicable five trading-day reference period, payable in arrears.

Ratio of Earnings to Fixed Charges

The ratio of earnings to fixed charges is as follows:

Six Months Ended June 30,		Year Ended December 31,			
2013	2012	2012	2011	2010	2009
1.02	*	*	*	*	*

* For the six months ended June 30, 2012, fixed charges exceeded earnings before income taxes and fixed charges by $60.8 million. For the years ended December 31, 2012, 2011, 2010 and 2009, fixed charges exceeded earnings from continuing operations before income taxes and fixed charges by $142.1 million, $104.4 million, $193.6 million and

$116.5 million, respectively.

The ratio of earnings to fixed charges was computed on a total company basis. Earnings represent income from continuing operations before income taxes less equity in undistributed net income (loss) of nonconsolidated affiliates plus fixed charges. Fixed charges represent interest, amortization of debt discount, premium and expense and the estimated interest portion of rental charges. Rental charges exclude variable rent expense for events in third-party venues.

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Recent Accounting Pronouncements

Recently Adopted Pronouncements

In February 2013, the FASB issued guidance which requires companies to disclose additional information about reclassifications out of AOCI, including changes in AOCI balances by component and significant items reclassified out of AOCI. The new disclosure requirements are to be applied prospectively and are effective for interim and annual periods beginning after December 15, 2012. We adopted this guidance on January 1, 2013.

Recently Issued Pronouncements

In July 2013, the FASB issued guidance that requires a liability related to an unrecognized tax benefit to be offset against a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward if certain criteria are met. The guidance is effective for interim and annual periods beginning after December 15, 2013 and should be applied prospectively to unrecognized tax benefits that exist at the effective date. Early adoption and retrospective application of the new guidance is permitted. We are currently evaluating the new guidance and do not expect the adoption of this standard to have a material effect on our financial position.

Critical Accounting Policies and Estimates

The preparation of our financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. On an ongoing basis, we evaluate our estimates that are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The result of these evaluations forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of revenue and expenses that are not readily apparent from other sources. Because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such difference could be material.

Management believes that the accounting estimates involved in business combinations, impairment of long-lived assets and goodwill, revenue recognition, litigation accruals, stock-based compensation and income taxes are the most critical to aid in fully understanding and evaluating our reported financial results, and they require management's most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. These critical accounting estimates, the judgments and assumptions and the effect if actual results differ from these assumptions are described in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on Form 10-K filed with the SEC on February 26, 2013.

There have been no changes to our critical accounting policies during the six months ended June 30, 2013.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Required information is within Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Market Risk.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures to ensure that material information relating to our company, including our consolidated subsidiaries, is made known to the officers who certify our financial reports and to other members of senior management and our board of directors.

Based on their evaluation as of June 30, 2013, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) are effective to ensure that (1) the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (2) the information we are required to disclose in such reports is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or internal controls will prevent all possible errors and fraud. Our disclosure controls and procedures are, however, designed to provide reasonable assurance of achieving their objectives, and our Chief Executive Officer and

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Chief Financial Officer have concluded that our financial controls and procedures are effective at that reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II—OTHER INFORMATION

Item 1. Legal Proceedings

Information regarding our legal proceedings can be found in Part I Financial Information—Item 1. Financial Statements—Note 5—Commitments and Contingent Liabilities

Item 1A. Risk Factors

While we attempt to identify, manage and mitigate risks and uncertainties associated with our business to the extent practical under the circumstances, some level of risk and uncertainty will always be present. Part 1, Item 1A of our 2012 Annual Report on Form 10-K filed with the SEC on February 26, 2013, describes some of the risks and uncertainties associated with our business which have the potential to materially affect our business, financial condition or results of operations. We do not believe that there have been any material changes to the risk factors previously disclosed in our 2012 Annual Report on Form 10-K.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 5. Other Information

None.

Item 6. Exhibits

The information in the Exhibit Index of this Quarterly Report on Form 10-Q is incorporated into this Item 6 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, on August 6, 2013.

LIVE NATION ENTERTAINMENT, INC.

By: /s/ Brian Capo
Brian Capo
Chief Accounting Officer

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EXHIBIT INDEX

Exhibit No.	Exhibit Description	Incorporated by Reference					Filed Here with
		Form	File No.	Exhibit No.	Filing Date	Filed By	
2.1	Agreement and Plan of Merger, dated February 10, 2009, between Ticketmaster Entertainment, Inc. and Live Nation, Inc.	8-K	001-32601	2.1	2/13/2009	Live Nation Entertainment, Inc.	
3.1	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Live Nation Entertainment, Inc.	8-K	001-32601	3.1	6/7/2013	Live Nation Entertainment, Inc.	
3.2	Fifth Amended and Restated Bylaws of Live Nation Entertainment, Inc.	8-K	001-32601	3.2	6/7/2013	Live Nation Entertainment, Inc.	
31.1	Certification of Chief Executive Officer.						X
31.2	Certification of Chief Financial Officer.						X
32.1	Section 1350 Certification of Chief Executive Officer.						X
32.2	Section 1350 Certification of Chief Financial Officer.						X
101.INS	XBRL Instance Document						X
101.SCH	XBRL Taxonomy Schema Document						X
101.CAL	XBRL Taxonomy Calculation Linkbase Document						X
101.DEF	XBRL Taxonomy Definition Linkbase Document						X
101.LAB	XBRL Taxonomy Label Linkbase Document						X
101.PRE	XBRL Taxonomy Presentation Linkbase Document						X