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Live Nation Entertainment, Inc.
Form 10-Q
April 30, 2015

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

Form 10-Q

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

For the quarterly period ended March 31, 2015

or

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

For the transition period from _____ to _____
Commission File Number 001-32601

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

Delaware
(State of Incorporation)
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)

20-3247759
(I.R.S. Employer Identification No.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

On April 24, 2015, there were 201,594,143 outstanding shares of the registrant's common stock, \$0.01 par value per share, including 1,073,891 shares of unvested restricted stock awards and excluding 408,024 shares held in treasury.

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LIVE NATION ENTERTAINMENT, INC.
GLOSSARY OF KEY TERMS

AOCI	Accumulated other comprehensive income (loss)
AOI	Adjusted operating income (loss)
Company	Live Nation Entertainment, Inc. and subsidiaries
FASB	Financial Accounting Standards Board
GAAP	United States Generally Accepted Accounting Principles
Liberty Media	Liberty Media Corporation
Live Nation	Live Nation Entertainment, Inc. and subsidiaries
SEC	United States Securities and Exchange Commission
	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
Ticketmaster	

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

LIVE NATION ENTERTAINMENT, INC.

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	March 31, 2015	December 31, 2014 (as adjusted)
	(in thousands)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,606,658	\$ 1,382,029
Accounts receivable, less allowance of \$20,141 and \$17,489, respectively	434,543	419,301
Prepaid expenses	573,843	440,272
Other current assets	38,069	26,089
Total current assets	2,653,113	2,267,691
Property, plant and equipment		
Land, buildings and improvements	795,031	808,116
Computer equipment and capitalized software	457,301	454,925
Furniture and other equipment	207,831	209,624
Construction in progress	86,096	78,111
	1,546,259	1,550,776
Less accumulated depreciation	870,467	855,439
	675,792	695,337
Intangible assets		
Definite-lived intangible assets, net	664,998	682,713
Indefinite-lived intangible assets	369,324	369,480
Goodwill	1,421,618	1,479,037
Other long-term assets	553,556	474,103
Total assets	\$ 6,338,401	\$ 5,968,361
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable, client accounts	\$ 734,540	\$ 658,108
Accounts payable	59,762	74,151
Accrued expenses	544,471	675,880
Deferred revenue	1,081,883	543,122
Current portion of long-term debt, net	64,104	47,443
Other current liabilities	22,221	12,035
Total current liabilities	2,506,981	2,010,739
Long-term debt, net	1,968,771	1,995,957
Long-term deferred income taxes	195,387	196,759
Other long-term liabilities	111,894	112,204
Commitments and contingent liabilities		
Redeemable noncontrolling interests	166,816	168,855
Stockholders' equity		
Common stock	2,009	2,004
Additional paid-in capital	2,416,164	2,414,428
Accumulated deficit	(1,100,882)	(1,042,603)
Cost of shares held in treasury	(6,865)	(6,865)

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Accumulated other comprehensive loss	(114,478) (70,010)
Total Live Nation stockholders' equity	1,195,948	1,296,954	
Noncontrolling interests	192,604	186,893	
Total equity	1,388,552	1,483,847	
Total liabilities and equity	\$6,338,401	\$5,968,361	

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended		
	March 31,		
	2015	2014	
	(in thousands except share and per share data)		
Revenue	\$ 1,120,312	\$ 1,127,316	
Operating expenses:			
Direct operating expenses	721,289	731,151	
Selling, general and administrative expenses	314,545	302,405	
Depreciation and amortization	84,541	82,588	
Loss on disposal of operating assets	39	506	
Corporate expenses	24,360	21,174	
Acquisition transaction expenses	(527)	) 1,800	
Operating loss	(23,935)	) (12,308))
Interest expense	25,363	24,492	
Interest income	(1,565)	) (666))
Equity in earnings of nonconsolidated affiliates	(2,980)	) (2,806))
Other expense (income), net	21,028	(1,176))
Loss before income taxes	(65,781)	) (32,152))
Income tax expense (benefit)	745	(2,055))
Net loss	(66,526)	) (30,097))
Net income (loss) attributable to noncontrolling interests	(8,247)	) 2,351	
Net loss attributable to common stockholders of Live Nation	\$ (58,279)	) \$ (32,448))
Basic and diluted net loss per common share attributable to common stockholders of Live Nation	\$ (0.31)	) \$ (0.17))
Weighted average common shares outstanding:			
Basic and diluted	200,155,435	197,857,662	

See Notes to Consolidated Financial Statements

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

	Three Months Ended March 31,	
	2015	2014
	(in thousands)	
Net loss	\$ (66,526)	\$ (30,097)
Other comprehensive income (loss), net of tax:		
Unrealized gain (loss) on cash flow hedges	182	(3)
Realized loss on cash flow hedges	13	17
Change in funded status of defined benefit pension plan	5	30
Foreign currency translation adjustments	(44,668)	9,819
Comprehensive loss	(110,994)	(20,234)
Comprehensive income (loss) attributable to noncontrolling interests	(8,247)	2,351
Comprehensive loss attributable to common stockholders of Live Nation	\$ (102,747)	\$ (22,585)

See Notes to Consolidated Financial Statements

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

	Three Months Ended March 31,	
	2015	2014
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$(66,526	) \$(30,097
Reconciling items:		
Depreciation	32,134	30,619
Amortization	52,407	51,969
Deferred income tax expense (benefit)	4,371	(8,729
Amortization of debt issuance costs, discounts and premium, net	2,644	4,737
Non-cash compensation expense	9,497	10,018
Loss on disposal of operating assets	39	506
Equity in earnings of nonconsolidated affiliates, net of distributions	(71	) (1,895
Other, net	(3,542	) (3,173
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Increase in accounts receivable	(47,700	) (77,980
Increase in prepaid expenses	(166,759	) (162,276
Increase in other assets	(43,629	) (16,496
Increase in accounts payable, accrued expenses and other liabilities	6,421	38,067
Increase in deferred revenue	563,260	531,338
Net cash provided by operating activities	342,546	366,608
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments made in nonconsolidated affiliates	(3,913	) (823
Purchases of property, plant and equipment	(29,365	) (24,523
Cash paid for acquisitions, net of cash acquired	(15,879	) (11,634
Other, net	(1,426	) (554
Net cash used in investing activities	(50,583	) (37,534
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt, net of debt issuance costs	101	43
Payments on long-term debt	(8,682	) (6,547
Contributions from noncontrolling interests	—	81
Distributions to noncontrolling interests	(3,858	) (4,195
Purchases and sales of noncontrolling interests, net	(8,302	) (102
Proceeds from exercise of stock options	3,541	7,919
Payments for deferred and contingent consideration	(2,000	) (1,951
Net cash used in financing activities	(19,200	) (4,752
Effect of exchange rate changes on cash and cash equivalents	(48,134	) 5,636
Net increase in cash and cash equivalents	224,629	329,958
Cash and cash equivalents at beginning of period	1,382,029	1,299,184
Cash and cash equivalents at end of period	\$1,606,658	\$1,629,142

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 AND OTHER INFORMATION

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 issued by 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 should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2014 Annual Report on Form 10-K filed with the SEC on February 26, 2015.

Seasonality

Due to the seasonal nature of shows at outdoor amphitheaters and festivals, which primarily occur from May through September, the Concerts and Sponsorship & Advertising segments experience higher revenue 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 experiences higher revenue 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 revenue is 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 March 31, 2015 and December 31, 2014 cash and cash equivalents balance is \$608.3 million and \$533.8 million, respectively, of cash received that includes the face value of tickets sold on behalf of ticketing clients and the clients' share of service charges.

Acquisitions

During the first three months of 2015, the Company completed several small acquisitions. These acquisitions were accounted for as business combinations under the acquisition method of accounting and were not significant either on an individual basis or in the aggregate.

Reclassifications

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the 2015 presentation. The Company has reclassified \$20.0 million of debt issuance costs originally included in other long-term assets in the December 31, 2014 balance sheet and now reflects it as a reduction of current portion of long-term debt and long-term debt in connection with the retrospective application of new accounting guidance for debt issuance costs as discussed below.

Recent Accounting Pronouncements

Recently Adopted Pronouncements

In April 2014, the FASB issued guidance that raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. The Company adopted this guidance on January 1, 2015. To date, there has been no impact from the adoption of this guidance.

In April 2015, the FASB issued guidance that simplifies the presentation of debt issuance costs. The guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a deduction from the carrying amount of that debt liability, consistent with debt discounts. The guidance is effective for financial statements issued for fiscal years beginning after December 15, 2015 and interim periods within that year. The guidance should be applied on a retrospective basis to all periods presented in the financial statements. Early adoption is permitted and the Company adopted this guidance on January 1, 2015. See "—Reclassifications" above for discussion of the impact of

implementation.

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Recently Issued Pronouncements

In May 2014, the FASB issued a comprehensive new revenue recognition standard that will supersede nearly all existing revenue recognition guidance under GAAP. The new standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle of the guidance is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is effective for annual and interim periods beginning after December 15, 2016, and early adoption of the standard is not permitted. The guidance should be applied retrospectively, either to each prior period presented in the financial statements, or only to the most current reporting period presented in the financial statements with a cumulative-effect adjustment as of the date of adoption. The Company will adopt this standard on January 1, 2017, and is currently assessing which implementation method it will apply and the impact its adoption will have on its financial position and results of operations.

In February 2015, the FASB issued amendments to the consolidation guidance that make changes to the analysis a reporting entity must perform to determine whether it should consolidate certain types of legal entities. This guidance is effective for annual and interim periods beginning after December 15, 2015, and early adoption is permitted. The guidance should be applied either using a modified retrospective approach or retrospectively. The Company will adopt this standard on January 1, 2016, and is currently assessing which implementation method it will apply and the impact its adoption will have on its financial position and results of operations.

NOTE 2—LONG-LIVED ASSETS

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.

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The following table presents the changes in the gross carrying amount and accumulated amortization of definite-lived intangible assets for the three months ended March 31, 2015:

	Revenue- generating contracts	Client / vendor relationships	Non-competemanagerment agreements	Venue and leaseholds	Technology	Trademarks and naming rights	Other	Total
(in thousands)								
Balance as of December 31, 2014:								
Gross carrying amount	\$ 635,127	\$ 355,992	\$ 123,552	\$ 83,322	\$ 15,330	\$ 24,266	\$ 3,581	\$ 1,241,170
Accumulated amortization	(272,071)	(123,195)	(98,512)	(50,490)	(4,246)	(8,701)	(1,242)	(558,457)
Net	363,056	232,797	25,040	32,832	11,084	15,565	2,339	682,713
Gross carrying amount:								
Acquisitions— current year	10,486	15,000	—	—	—	—	—	25,486
Acquisitions— prior year	6,424	(1,817)	—	—	10	—	—	4,617
Foreign exchange	(15,499)	(6,069)	—	(1,865)	(281)	(593)	—	(24,307)
Other ⁽¹⁾	(5,100)	—	—	—	—	628	—	(4,472)
Net change	(3,689)	7,114	—	(1,865)	(271)	35	—	1,324
Accumulated amortization:								
Amortization	(13,757)	(12,334)	(2,952)	(2,034)	(824)	(598)	(100)	(32,599)
Foreign exchange	6,607	1,165	—	1,047	7	331	—	9,157
Other ⁽¹⁾	5,024	—	—	—	—	(621)	—	4,403
Net change	(2,126)	(11,169)	(2,952)	(987)	(817)	(888)	(100)	(19,039)
Balance as of March 31, 2015:								
Gross carrying amount	631,438	363,106	123,552	81,457	15,059	24,301	3,581	1,242,494
Accumulated amortization	(274,197)	(134,364)	(101,464)	(51,477)	(5,063)	(9,589)	(1,342)	(577,496)
Net	\$ 357,241	\$ 228,742	\$ 22,088	\$ 29,980	\$ 9,996	\$ 14,712	\$ 2,239	\$ 664,998

⁽¹⁾ Other includes net downs of fully amortized or impaired assets.

Included in the current year acquisitions amount above of \$25.5 million are client/vendor relationship intangibles primarily associated with the acquisition of a controlling interest in an artist management business located in the United States and revenue-generating contracts primarily associated with the acquisitions of controlling interests in a festival promoter located in Sweden and a concert promoter located in Thailand.

The 2015 additions to definite-lived intangible assets from acquisitions have weighted-average lives as follows:

	Weighted- Average Life (years)
Revenue-generating contracts	5
Client/vendor relationships	8
All categories	7

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Amortization of definite-lived intangible assets for the three months ended March 31, 2015 and 2014 was \$32.6 million and \$34.3 million, respectively. Amortization related to nonrecoupable ticketing contract advances for the three months ended March 31, 2015 and 2014 was \$19.6 million and \$17.4 million, respectively.

As acquisitions and dispositions occur in the future and the valuations of intangible assets for recent acquisitions are

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completed, amortization may vary. Therefore, the expense to date is not necessarily indicative of the expense expected for the full year.

Goodwill

The following table presents the changes in the carrying amount of goodwill in each of the Company's reportable segments for the three months ended March 31, 2015:

	Concerts	Ticketing	Artist Nation	Sponsorship & Advertising	Total
	(in thousands)				
Balance as of December 31, 2014:					
Goodwill	\$ 577,891	\$ 657,631	\$ 345,513	\$ 302,865	\$ 1,883,900
Accumulated impairment losses	(386,915)	—	(17,948)	—	(404,863)
Net	190,976	657,631	327,565	302,865	1,479,037
Acquisitions—current year	5,465	—	4,800	2,642	12,907
Acquisitions—prior year	(42,759)	7,055	4,225	(6,856)	(38,335)
Foreign exchange	(8,590)	(8,345)	(1,253)	(13,803)	(31,991)
Balance as of March 31, 2015:					
Goodwill	532,007	656,341	353,285	284,848	1,826,481
Accumulated impairment losses	(386,915)	—	(17,948)	—	(404,863)
Net	\$ 145,092	\$ 656,341	\$ 335,337	\$ 284,848	\$ 1,421,618

Included in the current year acquisitions amount above of \$12.9 million is goodwill primarily associated with the acquisitions of controlling interests in an artist management business located in the United States and a festival promoter located in Sweden.

Included in the prior year acquisitions amount above is a decrease of \$38.3 million of goodwill primarily associated with the acquisition of a controlling interest in a festival and concert promoter located in the United States.

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.

NOTE 3—FAIR VALUE MEASUREMENTS

The Company's outstanding debt held by third-party financial institutions is carried at cost, adjusted for any premium, discounts or debt issuance costs. The Company's debt is not publicly traded and the carrying amounts typically approximate fair value for debt that accrues interest at a variable rate, which are considered to be Level 2 inputs as defined in the FASB guidance. The estimated fair values of the 7% senior notes, the 5.375% senior notes and the 2.5% convertible senior notes were \$456.3 million, \$256.9 million and \$288.1 million, respectively, at March 31, 2015. The estimated fair values of the 7% senior notes, the 5.375% senior notes and the 2.5% convertible senior notes were \$451.3 million, \$250.3 million and \$296.3 million, respectively, at December 31, 2014. 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 had fixed-rate debt held by noncontrolling interest partners with a face value of \$28.7 million and \$30.0 million at March 31, 2015 and December 31, 2014, respectively. The Company is unable to determine the fair value of this debt.

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NOTE 4—COMMITMENTS AND CONTINGENT LIABILITIES

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 (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 later that same month, 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 preliminarily approved, but in September 2012 the Court declined to grant final approval. In June 2013, the parties reached a revised settlement, which was preliminarily approved by the Court in April 2014. In February 2015, the Court granted the parties' motion for final approval of the settlement. Ticketmaster and its parent, Live Nation, have not acknowledged any violations of law or liability in connection with the matter.

As of March 31, 2015, the Company had accrued \$34.9 million, its best estimate of the probable costs associated with the settlement referred to above. The calculation of this liability is based in part upon 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.

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 purported violations of antitrust laws, 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.

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NOTE 5—CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

Transactions Involving Principal Owners, Directors and Executives

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

	Three Months Ended March 31,	
	2015	2014
	(in thousands)	
Principal owner, director and executive related-party revenue	\$ 1,521	\$ 459
Principal owner, director and executive related-party expense	\$ 428	\$ 128
Principal owner, director and executive capital expenditures	\$ 91	\$ —

Agreements and Transactions with Liberty Media

Two current members of our board of directors were originally nominated by Liberty Media pursuant to a stockholder agreement. These directors receive directors' fees and stock-based awards on the same basis as other non-employee members of the Company's board of directors. The Company provides ticketing services to a sports franchise owned by Liberty Media and pays royalty fees and non-recoupable ticketing contract advances to the sports franchise. The Company also receives transaction fees from the sports franchise for tickets the sports franchise sells using the Company's ticketing software. From time to time, the Company purchases advertising from a satellite radio company that is a subsidiary of Liberty Media.

Transactions with Microsoft

The Company has a non-employee director who became an executive officer of Microsoft Corporation in September 2014. This director receives directors' fees and stock-based awards on the same basis as other non-employee members of the Company's board of directors. From time to time, the Company purchases software licenses, advertising and other products from, provides sponsorship and advertising opportunities to and produces corporate events for Microsoft Corporation and its subsidiaries.

Transactions with Legends

The Company's Chief Executive Officer became a member of the board of directors of Legends Hospitality Holding Company, LLC ("Legends") in February 2015. Legends provides concession services to certain of the Company's owned or operated amphitheaters. The Company receives fees based on concession sales at each of the amphitheaters.

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 generally include venue rentals, concession services, equipment rentals, ticketing, marketing and other services. 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 companies owned by principal owners, directors or executive officers of the Company.

	Three Months Ended March 31,	
	2015	2014
	(in thousands)	
Other related-party revenue	\$ 1,026	\$ 1,247
Other related-party expenses	\$ 3,390	\$ 4,509

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NOTE 6—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 (or 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 29% for 2015, 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. The Company also includes the tax effects of significant, unusual or extraordinary items in income tax expense (benefit) in the interim period in which they occur.

As almost all earnings from the Company's continuing foreign operations are permanently reinvested and not distributed, the Company's income tax provision does not include additional United States taxes on those foreign operations. The Company currently believes that the majority of its 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 2005 through 2014 remain open to examination by the major tax jurisdictions to which the Company is subject.

NOTE 7—EQUITY

The following table shows the reconciliation of the carrying amount of stockholders' equity attributable to Live Nation, equity attributable to noncontrolling interests, total equity and also redeemable noncontrolling interests for the three months ended March 31, 2015:

	Live Nation Stockholders' Equity (in thousands)	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests (in thousands)
Balance at December 31, 2014	\$ 1,296,954	\$ 186,893	\$ 1,483,847	\$ 168,855
Non-cash and stock-based compensation	9,497	—	9,497	—
Common stock issued under stock plans, net of shares withheld for employee taxes	(5,115)	) —	(5,115)) —
Exercise of stock options	3,541	—	3,541	—
Acquisitions	—	16,032	16,032	—
Purchases of noncontrolling interests	(4,449)	) (3,423)	) (7,872)) —
Sales of noncontrolling interests	2,156	352	2,508	100
Redeemable noncontrolling interests fair value adjustments	(3,889)	) —	(3,889)	) 3,889
Cash distributions	—	(3,858)	) (3,858)) —
Other	—	(1,173)	) (1,173)) —
Comprehensive loss:				
Net loss	(58,279)	) (2,219)	) (60,498)	) (6,028)
Unrealized gain on cash flow hedges	182	—	182	—
Realized loss on cash flow hedges	13	—	13	—
Change in funded status of defined benefit pension plan	5	—	5	—
Foreign currency translation adjustments	(44,668)) —	(44,668)) —
Balance at March 31, 2015	\$ 1,195,948	\$ 192,604	\$ 1,388,552	\$ 166,816

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Accumulated Other Comprehensive Income (Loss)

The following table presents changes in the components of AOCI, net of taxes, for the three months ended March 31, 2015:

	Gains and Losses On Cash Flow Hedges (in thousands)	Defined Benefit Pension Items	Foreign Currency Items	Total
Balance at December 31, 2014	\$ (25)	\$ (581)	\$ (69,404)	\$ (70,010)
Other comprehensive income (loss) before reclassifications	182	5	(44,668)	(44,481)
Amount reclassified from AOCI	13	—	—	13
Net other comprehensive income (loss)	195	5	(44,668)	(44,468)
Balance at March 31, 2015	\$ 170	\$ (576)	\$ (114,072)	\$ (114,478)

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 loss per common share:

	Three Months Ended March 31,	
	2015	2014
	(in thousands except share and per share data)	
Net loss attributable to common stockholders of Live Nation	\$ (58,279)	\$ (32,448)
Accretion of redeemable noncontrolling interests	(3,889)	(2,044)
Net loss available to common stockholders of Live Nation—basic and diluted	\$ (62,168)	\$ (34,492)
Weighted average common shares—basic and diluted	200,155,435	197,857,662
Basic and diluted net loss per common share attributable to common stockholders of Live Nation	\$ (0.31)	\$ (0.17)

Basic net income (loss) per common share is computed by dividing the net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. The calculation of diluted net income (loss) 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 the assumed conversion of the convertible senior notes where dilutive. For the three months ended March 31, 2015 and 2014, there were no reconciling items to the weighted average common shares outstanding in the calculation of diluted net income (loss) per common share. The following table shows securities excluded from the calculation of diluted net income (loss) per common share because such securities are anti-dilutive:

	Three Months Ended March 31,	
	2015	2014
	(in thousands)	
Options to purchase shares of common stock	18,400	18,060
Restricted stock awards—unvested	984	1,868
Conversion shares related to the convertible senior notes	7,930	8,105
Number of anti-dilutive potentially issuable shares excluded from diluted common shares outstanding	27,314	28,033

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NOTE 8—STOCK-BASED COMPENSATION

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

	Three Months Ended	
	March 31,	
	2015	2014
	(in thousands)	
Selling, general and administrative expenses	\$4,742	\$4,920
Corporate expenses	4,755	5,098
Total	\$9,497	\$10,018

As of March 31, 2015, there was \$65.2 million of total unrecognized compensation cost related to stock-based compensation arrangements for stock options, restricted stock awards and other equity awards. This cost is expected to be recognized over a weighted-average period of 2.5 years.

NOTE 9—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 or operated venues and in rented third-party venues, the production of music festivals and the operation and management of music venues. The Ticketing segment involves the management of the Company's global ticketing operations including providing ticketing software and services to clients, ticket resale services 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 Artist Nation segment provides management services to artists and other services including merchandise sales. 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, rich media offerings, including live streaming and music-related original content, and banner ads across the Company's distribution network of venues, events and websites. Revenue and expenses earned and charged between segments are eliminated in consolidation. Corporate expenses and all line items below operating income (loss) are managed on a total company basis. The Company's capital expenditures include accruals and expenditures funded by outside parties such as landlords or replacements funded by insurance companies.

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.

For the three months ended March 31, 2014, the previously reported capital expenditures in the Concerts segment has been increased by \$1.2 million to include insurance recoveries and landlord reimbursements. The expenditures had previously been reported net of these recoveries.

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The following table presents the results of operations for the Company's reportable segments for the three months ended March 31, 2015 and 2014:

	Concerts	Ticketing	Artist Nation	Sponsorship & Advertising (in thousands)	Other	Corporate	Eliminations	Consolidated
Three Months Ended March 31, 2015								
Revenue	\$623,234	\$375,630	\$77,945	\$52,097	\$793	\$—	\$ (9,387)	\$1,120,312
Direct operating expenses	485,972	185,692	46,830	10,628	1,068	—	(8,901)	721,289
Selling, general and administrative expenses	150,990	112,413	37,214	13,094	834	—	—	314,545
Depreciation and amortization	29,181	43,296	10,035	1,988	11	516	(486)	84,541
Loss (gain) on disposal of operating assets	226	(149)	—	—	—	(38)	—	39
Corporate expenses	—	—	—	—	—	24,360	—	24,360
Acquisition transaction expenses	(566)	147	6	—	—	(114)	—	(527)
Operating income (loss)	\$(42,569)	\$34,231	\$(16,140)	\$26,387	\$(1,120)	\$(24,724)	\$—	\$(23,935)
Intersegment revenue	\$8,739	\$—	\$648	\$—	\$—	\$—	\$ (9,387)	\$—
Capital expenditures	\$4,947	\$19,874	\$762	\$(15)	\$—	\$229	\$—	\$25,797
Three Months Ended March 31, 2014								
Revenue	\$662,490	\$354,461	\$72,556	\$45,388	\$746	\$—	\$ (8,325)	\$1,127,316
Direct operating expenses	517,155	172,591	42,076	8,064	(909)	—	(7,826)	731,151
Selling, general and administrative expenses	149,916	114,020	25,793	11,921	755	—	—	302,405
Depreciation and amortization	28,520	45,983	7,771	204	10	599	(499)	82,588
Loss (gain) on disposal of operating assets	510	(74)	33	—	—	37	—	506
Corporate expenses	—	—	—	—	—	21,174	—	21,174
Acquisition transaction expenses	327	5	453	—	—	1,015	—	1,800

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Operating income (loss)	\$(33,938)	\$21,936	\$(3,570)	\$25,199	\$890	\$(22,825)	\$—	\$(12,308)
Intersegment revenue	\$7,430	\$273	\$622	\$—	\$—	\$—	\$(8,325)	\$—
Capital expenditures	\$5,936	\$13,878	\$601	\$(45)	\$—	\$1,444	\$—	\$21,814

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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 its 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 2014 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 first quarter of 2015, our overall revenue decreased by 1% on a reported basis, but increased by 4% without the impact of changes in foreign exchange rates. We had revenue growth in our Ticketing, Artist Nation and Sponsorship & Advertising segments as a result of increased ticket sales, higher management commissions and increased sponsorship and online activity. Operating loss and net loss for the quarter were higher than in the first quarter of 2014, due to lower arena activity in our Concerts segment and higher costs in our Artist Nation segment along with increased foreign exchange rate losses primarily from revaluation of certain foreign currency denominated net assets held internationally.

Our Concerts segment revenue decreased 6% on a reported basis, or 1% without the impact of changes in foreign exchange rates, largely due to the timing of touring activity. The number of fans attending our concert events decreased by 5% in the quarter largely due to lower arena activity. The reduced number of fans drove the reduction in revenue as well as our overall Concerts operating loss, which was higher in the first quarter of 2015 than the same period of 2014. Although the number of fans attending events in the first quarter of 2015 declined, the overall number of events increased due to the mix of shows. We had more club shows in the quarter which drove higher event activity but since the average number of fans for these events is lower, the decline in arena activity reduced the total fans. Ticket sales for events occurring during 2015 continue to track ahead of where we were at the same time last year driving growth in deferred revenue. We will continue to look for expansion opportunities in Concerts, both domestically and internationally, as well as ways to market our events more effectively in order to continue to expand our fan base and geographic reach and to sell more tickets.

Our Ticketing segment revenue increased 6% on a reported basis, or 11% without the impact of changes in foreign exchange rates, due to higher primary ticketing sales and increased revenue from our resale businesses. We continue

to invest in our primary ticketing platform to improve the ticket buying experience for our fans and provide better tools and information resources for our venue clients. Overall, the total number of tickets sold increased 3% largely due to strong concert ticket sales in North America. In our resale business, the gross transaction value of resale tickets sold increased for the quarter due to the success of our TM+ product, which drove significant growth in concert and sports ticket sales. For the quarter, 21% of our total tickets were sold via mobile and tablet devices, up from 16% in the first quarter of 2014, as we continued to implement new features that are driving further expansion of mobile ticket transactions. Operating income for the quarter also improved from the higher primary and resale activity along with continued reductions in our cost structure.

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Our Artist Nation segment revenue increased 7% on a reported basis, or 10% without the impact of changes in foreign exchange rates, primarily due to increased management commissions from acquisitions and timing of client activity. The operating loss for the quarter increased due to higher expenses from acquisitions and additional investment in headcount and talent-related costs which we currently expect will help grow revenue in future periods. Our Artist Nation segment is focused on serving its existing clients as well as developing new relationships with top artists and athletes and extending the various services it provides.

Our Sponsorship & Advertising segment revenue increased by 15% on a reported basis, or 22% without the impact of changes in foreign exchange rates, driven by growth in online sales in North America as well as new sponsorship activity. Overall, operating income is up due to this higher revenue. Our extensive on-site and online reach, global venue distribution network, artist relationships and ticketing operations are the key to securing long-term sponsorship and advertising agreements with major brands and we plan to expand these assets while extending our sales reach further into new international markets.

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 concerts platform, drive conversion of ticket sales through development of innovative products, grow sponsorship and advertising, sell more tickets and drive reductions in the cost to sell a ticket, grow secondary ticket volume and drive artist management through our other core businesses.

Our History

We were incorporated in Delaware on August 2, 2005 in preparation for the contribution and transfer by Clear Channel Communications, Inc. of substantially all of its entertainment assets and liabilities to us. 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 and it became a wholly-owned subsidiary of Live Nation. Effective with the merger, 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 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 from May through September. Revenue and related costs for events are generally deferred and recognized when the event occurs. All advertising costs incurred during the year for shows in future years are expensed at the end of the year.

To judge the health of our Concerts segment, we primarily monitor the number of confirmed events in our network of owned or operated and third-party venues, talent fees, average paid attendance and advance ticket sales. In addition, at our owned or operated venues, we monitor 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 without the impact of changes in foreign exchange rates.

Ticketing

The Ticketing segment is primarily an agency business that sells tickets for events on behalf of our clients and retains a service charge for these services. We sell tickets through websites, mobile apps, ticket outlets and telephone call centers. 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. We also offer ticket resale services, sometimes referred to as secondary ticketing, primarily through our integrated inventory platform, referred to as TM+. Our Ticketing segment also manages our online activities including enhancements to our websites and bundled product offerings. Through our websites, we sell tickets to our own events as well as tickets for our clients and provide event information.

Revenue related to ticketing service charges is recognized when the ticket is sold except for our own events where we control ticketing and then the revenue is deferred and recognized as the event occurs.

To judge the health of our Ticketing segment, we primarily review the gross transaction value and the number of tickets sold through our primary ticketing operations, average service charge, 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 gross transaction value and fees related to secondary ticket sales. For business that is conducted in foreign markets, we also compare the operating results from our foreign operations to prior periods without the impact of changes in foreign exchange rates.

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Artist Nation

The Artist Nation segment primarily provides management services to music artists and other clients in exchange for a commission on the earnings of these artists. Our Artist Nation segment also creates and sells merchandise for music artists at live performances, to retailers and directly to consumers via the internet. 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 client represented. For business that is conducted in foreign markets, we also compare the operating results from our foreign operations to prior periods without the impact of changes in foreign exchange rates.

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 concerts, venue, artist relationship and ticketing assets, including advertising on our websites. We drive increased advertising scale to further monetize our concerts platform through rich media offerings including live streaming and music-related original content. We work with our corporate clients to help create marketing programs that drive their business goals and connect their brands directly with fans and artists. We also develop, book and produce custom events or programs for our clients' specific brands which are typically experienced exclusively by the clients' consumers. These custom events can involve live music events with talent and media, using both online and traditional outlets. We typically experience higher revenue in the second and third quarters, as a large portion of sponsorships are typically associated with shows at our outdoor amphitheaters and festivals which primarily occur from May through September.

To judge the health of our Sponsorship & Advertising segment, we primarily review the revenue generated through sponsorship arrangements, the percentage of expected revenue under contract and online advertising revenue through our websites. For business that is conducted in foreign markets, we also compare the operating results from our foreign operations to prior periods without the impact of changes in foreign exchange rates.

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Consolidated Results of Operations

	Three Months Ended		%
	March 31,	2014	Change
	2015		
	(in thousands)		
Revenue	\$ 1,120,312	\$ 1,127,316	(1)%
Operating expenses:			
Direct operating expenses	721,289	731,151	(1)%
Selling, general and administrative expenses	314,545	302,405	4%
Depreciation and amortization	84,541	82,588	2%
Loss on disposal of operating assets	39	506	*
Corporate expenses	24,360	21,174	15%
Acquisition transaction expenses	(527)	1,800	*
Operating loss	(23,935)	(12,308)	(94)%
Operating margin	(2.1)%	(1.1)%	
Interest expense	25,363	24,492	
Interest income	(1,565)	(666)	
Equity in earnings of nonconsolidated affiliates	(2,980)	(2,806)	
Other expense (income), net	21,028	(1,176)	
Loss before income taxes	(65,781)	(32,152)	
Income tax expense (benefit)	745	(2,055)	
Net loss	(66,526)	(30,097)	
Net income (loss) attributable to noncontrolling interests	(8,247)	2,351	
Net loss attributable to common stockholders of Live Nation	\$ (58,279)	\$ (32,448)	

* Percentages are not meaningful.

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Key Operating Metrics

	Three Months Ended	
	March 31,	
	2015	2014
Concerts ⁽¹⁾		
Estimated events:		
North America	3,405	3,247
International	1,630	1,559
Total estimated events	5,035	4,806
Estimated fans (rounded):		
North America	5,439,000	5,700,000
International	3,143,000	3,297,000
Total estimated fans	8,582,000	8,997,000
Ticketing ⁽²⁾		
Number of tickets sold (in thousands)	37,920	36,652

(1) Events generally represent a single performance by an artist. Fans generally represent the number of people who attend an event. Festivals are counted as one event in the quarter in which the festival begins, but the number of fans is based on the days the fans were present at the festival and thus can be reported across multiple quarters.

Events and fan attendance metrics are estimated each quarter.

(2) The number of tickets sold includes primary tickets only. This metric includes tickets sold during the period regardless of event timing except for our promoted events in our owned or operated venues and in certain European territories where these tickets are reported as the events occur. The total number of tickets sold reported for the three months ended March 31, 2015 and 2014 excludes approximately 72 million and 73 million, respectively, of tickets sold using our Ticketmaster systems, through season seat packages and our venue clients' box offices, for which we do not receive a fee.

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Revenue

Our revenue decreased \$7.0 million, or 1%, during the three months ended March 31, 2015 as compared to the same period of the prior year. The overall decrease in revenue was primarily due to a decrease in our Concerts segment of \$39.3 million partially offset by an increase in our Ticketing segment of \$21.2 million. Excluding the decrease of approximately \$56.1 million related to the impact of changes in foreign exchange rates, revenue increased \$49.1 million, or 4%.

More detailed explanations of these changes along with the impact of changes in foreign exchange rates, if significant, are included in the applicable segment discussions below.

Direct operating expenses

Our direct operating expenses decreased \$9.9 million, or 1%, during the three months ended March 31, 2015 as compared to the same period of the prior year. The overall decrease in direct operating expenses was primarily due to a decrease in our Concerts segment of \$31.2 million partially offset by an increase in our Ticketing segment of \$13.1 million. Excluding the decrease of approximately \$37.7 million related to the impact of changes in foreign exchange rates, direct operating expenses increased \$27.8 million, or 4%.

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 along with the impact of changes in foreign exchange rates, if significant, are included in the applicable segment discussions below.

Selling, general and administrative expenses

Our selling, general and administrative expenses increased \$12.1 million, or 4%, during the three months ended March 31, 2015 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 Artist Nation segment of \$11.4 million. Excluding the decrease of approximately \$14.1 million related to the impact of changes in foreign exchange rates, selling, general and administrative expenses increased \$26.2 million, or 9%.

More detailed explanations of these changes along with the impact of changes in foreign exchange rates, if significant, are included in the applicable segment discussions below.

Corporate expenses

Corporate expenses increased \$3.2 million, or 15%, during the three months ended March 31, 2015 as compared to the same period of the prior year primarily due to higher compensation expense.

Other expense (income), net

Other expense (income), net was an expense of \$21.0 million for the three months ended March 31, 2015 and includes the impact of net foreign exchange rate losses primarily from revaluation of certain foreign currency denominated net assets held internationally of \$20.8 million. Other expense (income), net was income of \$1.2 million for the three months ended March 31, 2014 and included \$4.8 million of income from the dissolution of an artist management business partially offset by \$2.8 million in net foreign exchange rate losses.

Net income (loss) attributable to noncontrolling interests

Net income (loss) attributable to noncontrolling interests decreased to a loss of \$8.2 million for the three months ended March 31, 2015 from income of \$2.4 million for the three months ended March 31, 2014 primarily due to lower operating results from certain artist management and North America festival businesses.

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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		%
	March 31,	2014	Change
	2015		
	(in thousands)		
Revenue	\$623,234	\$	