

Edgar Filing: Apollo Global Management LLC - Form 10-Q

Apollo Global Management LLC
Form 10-Q
August 07, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 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: 001-35107

APOLLO GLOBAL MANAGEMENT, LLC
(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or
organization)

9 West 57th Street, 43rd Floor

New York, New York 10019

(Address of principal executive offices) (Zip Code)

(212) 515-3200

(Registrant's telephone number, including area code)

20-8880053

(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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a 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 ☒

As of August 6, 2015 there were 174,565,193 Class A shares and 1 Class B share outstanding.

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Forward-Looking Statements

This quarterly report may contain forward-looking statements that are within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These statements include, but are not limited to, discussions related to Apollo’s expectations regarding the performance of its business, liquidity and capital resources and the other non-historical statements in the discussion and analysis. These forward-looking statements are based on management’s beliefs, as well as assumptions made by, and information currently available to, management. When used in this quarterly report, the words “believe,” “anticipate,” “estimate,” “expect,” “intend” and similar expressions are intended to identify forward-looking statements. Although management believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. These statements are subject to certain risks, uncertainties and assumptions, including risks relating to our dependence on certain key personnel, our ability to raise new private equity, credit or real estate funds, market conditions generally, our ability to manage our growth, fund performance, changes in our regulatory environment and tax status, the variability of our revenues, net income and cash flow, our use of leverage to finance our businesses and investments by our funds and litigation risks, among others. We believe these factors include but are not limited to those described under the section entitled “Risk Factors” in the Company’s Annual Report on Form 10-K filed with the United States Securities and Exchange Commission (the “SEC”) on February 27, 2015 (the “2014 Annual Report”); as such factors may be updated from time to time in our periodic filings with the SEC, which are accessible on the SEC’s website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this quarterly report and in our other filings. We undertake no obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by applicable law.

Terms Used in This Report

In this quarterly report, references to “Apollo,” “we,” “us,” “our” and the “Company” refer collectively to Apollo Global Management, LLC, a Delaware limited liability company, and its subsidiaries, including the Apollo Operating Group and all of its subsidiaries, or as the context may otherwise require;

“AMH” refers to Apollo Management Holdings, L.P., a Delaware limited partnership, that is an indirect subsidiary of Apollo Global Management, LLC;

“Apollo funds”, “our funds” and references to the “funds” we manage, refer to the funds (including the parallel funds and alternative investment vehicles of such funds), partnerships, accounts, including strategic investment accounts or “SIAs,” alternative asset companies and other entities for which subsidiaries of the Apollo Operating Group provide investment management services;

“Apollo Operating Group” refers to (i) the limited partnerships through which our Managing Partners currently operate our businesses and (ii) one or more limited partnerships formed for the purpose of, among other activities, holding certain of our gains or losses on our principal investments in the funds, which we refer to as our “principal investments”; “Assets Under Management”, or “AUM”, refers to the assets we manage for the funds, partnerships and accounts to which we provide investment management services, including, without limitation, capital that such funds, partnerships and accounts have the right to call from investors pursuant to capital commitments. Our AUM equals the sum of:

- (i) the fair value of the investments of the private equity funds, partnerships and accounts we manage plus the capital that such funds, partnerships and accounts are entitled to call from investors pursuant to capital commitments; the net asset value, or “NAV,” of the credit funds, partnerships and accounts for which we provide investment management services, other than certain collateralized loan obligations (“CLOs”) and collateralized debt obligations (“CDOs”), which have a fee-generating basis other than the mark-to-market value of the underlying assets, plus used or available leverage and/or capital commitments;
- (iii) the gross asset value or net asset value of the real estate funds, partnerships and accounts we manage, and the structured portfolio company investments of the funds, partnerships and accounts we manage, which includes the leverage used by such structured portfolio company investments;
- (iv) the incremental value associated with the reinsurance investments of the portfolio company assets we manage; and
- (v)

the fair value of any other assets that we manage for the funds, partnerships and accounts to which we provide investment management services, plus unused credit facilities,

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including capital commitments to such funds, partnerships and accounts for investments that may require pre-qualification before investment plus any other capital commitments to such funds, partnerships and accounts available for investment that are not otherwise included in the clauses above.

Our AUM measure includes Assets Under Management for which we charge either no or nominal fees. Our definition of AUM is not based on any definition of Assets Under Management contained in our operating agreement or in any of our Apollo fund management agreements. We consider multiple factors for determining what should be included in our definition of AUM. Such factors include but are not limited to (1) our ability to influence the investment decisions for existing and available assets; (2) our ability to generate income from the underlying assets in our funds; and (3) the AUM measures that we use internally or believe are used by other investment managers. Given the differences in the investment strategies and structures among other alternative investment managers, our calculation of AUM may differ from the calculations employed by other investment managers and, as a result, this measure may not be directly comparable to similar measures presented by other investment managers;

“Fee-Generating AUM” consists of assets we manage for the funds, partnerships and accounts to which we provide investment management services and on which we earn management fees, monitoring fees pursuant to management or other fee agreements on a basis that varies among the Apollo funds, partnerships and accounts we manage.

Management fees are normally based on “net asset value,” “gross assets,” “adjusted par asset value,” “adjusted cost of all unrealized portfolio investments,” “capital commitments,” “adjusted assets,” “stockholders’ equity,” “invested capital” or “capital contributions,” each as defined in the applicable management agreement. Monitoring fees, also referred to as advisory fees, with respect to the structured portfolio company investments of the funds, partnerships and accounts we manage, are generally based on the total value of such structured portfolio company investments, which normally includes leverage, less any portion of such total value that is already considered in Fee-Generating AUM.

“Non-Fee-Generating AUM” consists of assets that do not produce management fees or monitoring fees. These assets generally consist of the following:

- (i) fair value above invested capital for those funds that earn management fees based on invested capital;
- (ii) net asset values related to general partner and co-investment ownership;
- (iii) unused credit facilities;
- (iv) available commitments on those funds that generate management fees on invested capital;
- (v) structured portfolio company investments that do not generate monitoring fees; and
- (vi) the difference between gross asset and net asset value for those funds that earn management fees based on net asset value.

“Carry-Eligible AUM” refers to the AUM that may eventually produce carried interest income. All funds for which we are entitled to receive a carried interest income allocation are included in Carry-Eligible AUM, which consists of the following:

- (i) “Carry-Generating AUM” refers to funds’ invested capital that is currently above its hurdle rate or preferred return, and the funds’ profit is allocated to the general partner in accordance with the applicable limited partnership agreements or other governing agreements.

- (ii) “AUM Not Currently Generating Carry” refers to funds’ invested capital that is currently below its hurdle rate or preferred return.

- (iii) “Uninvested Carry-Eligible AUM” refers to available capital for investment or reinvestment subject to the provisions of applicable limited partnership agreements or other governing agreements that are not currently part of the NAV or fair value of investments that may eventually produce carried interest income, which would be allocated to the general partner.

“AUM with Future Management Fee Potential” refers to the committed uninvested capital portion of total AUM not currently earning management fees. The amount depends on the specific terms and conditions of each fund.

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We use Non-Fee-Generating AUM combined with Fee-Generating AUM as a performance measurement of our funds' investment activities, as well as to monitor fund size in relation to professional resource and infrastructure needs.

Non-Fee-Generating AUM includes assets on which we could earn carried interest income;

“capital deployed” or “deployment” is the aggregate amount of capital that has been invested during a given period (which may, in certain cases, include leverage) by (i) our drawdown funds, (ii) SIAs that have a defined maturity date and (iii) funds and SIAs in our real estate debt strategy;

“drawdown” refers to commitment-based funds and certain SIAs in which investors make a commitment to provide capital at the formation of such funds and SIAs and deliver capital when called as investment opportunities become available. It includes assets of Athene Holding Ltd. (“Athene Holding”) and its subsidiaries (collectively “Athene”) managed by Athene Asset Management, L.P. (“Athene Asset Management”) that are invested in commitment-based funds;

“inflows” represents (i) at the individual segment level, subscriptions, commitments, and other increases in available capital, such as acquisitions or leverage, net of inter-segment transfers, and (ii) on an aggregate basis, the sum of inflows across the private equity, credit and real estate segments;

“liquid/performing” includes CLOs and other performing credit vehicles, hedge fund style credit funds, structured credit funds and SIAs. It also includes sub-advised managed accounts owned by or related to Athene. Certain commitment-based SIAs are included as the underlying assets are liquid;

“Realized Value” refers to all cash investment proceeds received by the relevant Apollo fund, including interest and dividends, but does not give effect to management fees, expenses, incentive compensation or carried interest to be paid by such Apollo fund;

“Total Invested Capital” refers to the aggregate cash invested by the relevant Apollo fund and includes capitalized costs relating to investment activities, if any, but does not give effect to cash pending investment or available for reserves;

“Total Value” represents the sum of the total Realized Value and Unrealized Value of investments;

“Unrealized Value” refers to the fair value consistent with valuations determined in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”), for investments not yet realized and may include pay in kind, accrued interest and dividends receivable, if any. In addition, amounts include committed and funded amounts for certain investments;

“carried interest”, “carried interest income” and “incentive income” refer to interests granted to Apollo by an Apollo fund that entitle Apollo to receive allocations, distributions or fees which are based on the performance of such fund or its underlying investments;

“Contributing Partners” refer to those of our partners and their related parties (other than our Managing Partners) who indirectly beneficially own (through Holdings) Apollo Operating Group units;

“gross IRR” of a private equity fund represents the cumulative investment-related cash flows in the fund itself (and not any one investor in the fund) on the basis of the actual timing of investment inflows and outflows (for unrealized investments assuming disposition on June 30, 2015 or other date specified) aggregated on a gross basis quarterly, and the return is annualized and compounded before management fees, carried interest and certain other fund expenses (including interest incurred by the fund itself) and measures the returns on the fund's investments as a whole without regard to whether all of the returns would, if distributed, be payable to the fund's investors;

“gross IRR” of a credit fund represents the annualized return of a fund based on the actual timing of all cumulative fund cash flows before management fees, carried interest income allocated to the general partner and certain other fund expenses. Calculations may include certain investors that do not pay fees. The terminal value is the net asset value as of the reporting date. Non-U.S. dollar denominated (“USD”) fund cash flows and residual values are converted to USD using the spot rate as of the reporting date;

“gross IRR” of a real estate fund represents the cumulative investment-related cash flows in the fund itself (and not any one investor in the fund), on the basis of the actual timing of cash inflows and outflows (for unrealized investments assuming disposition on June 30, 2015 or other date specified) starting on the date that each investment closes, and the return is annualized and compounded before management fees, carried interest, and certain other fund expenses (including interest incurred by the fund itself) and measures the returns on the fund's investments as a whole without regard to whether all of the returns would, if distributed, be payable to the fund's investors. Non-USD fund cash flows

and residual values are converted to USD using the spot rate as of the reporting date;

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“gross return” of a credit or real estate fund is the monthly or quarterly time-weighted return that is equal to the percentage change in the value of a fund’s portfolio, adjusted for all contributions and withdrawals (cash flows) before the effects of management fees, incentive fees allocated to the general partner, or other fees and expenses. Returns of Athene sub-advised portfolios and CLOs represent the gross returns on invested assets, which exclude cash. Returns over multiple periods are calculated by geometrically linking each period’s return over time;

“Holdings” means AP Professional Holdings, L.P., a Cayman Islands exempted limited partnership through which our Managing Partners and Contributing Partners indirectly beneficially own their interests in the Apollo Operating Group units;

“Managing Partners” refer to Messrs. Leon Black, Joshua Harris and Marc Rowan collectively and, when used in reference to holdings of interests in Apollo or Holdings, includes certain related parties of such individuals;

“net IRR” of a private equity fund means the gross IRR, including returns for related parties which may not pay fees or carried interest, net of management fees, certain fund expenses (including interest incurred by the fund itself) and realized carried interest all offset to the extent of interest income, and measures returns on amounts that, if distributed, would be paid to investors of the fund. To the extent that an Apollo private equity fund exceeds all requirements detailed within the applicable fund agreement, the estimated unrealized value is adjusted such that a percentage of up to 20.0% of the unrealized gain is allocated to the general partner of the fund, thereby reducing the balance attributable to fund investors. Net IRR does not represent the return to any fund investor;

“net IRR” of a credit fund represents the annualized return of a fund after management fees, carried interest income allocated to the general partner and certain other fund expenses, calculated on investors that pay such fees. The terminal value is the net asset value as of the reporting date. Non-USD fund cash flows and residual values are converted to USD using the spot rate as of the reporting date;

“net IRR” of a real estate fund represents the cumulative cash flows in the fund (and not any one investor in the fund), on the basis of the actual timing of cash inflows received from and outflows paid to investors of the fund (assuming the ending net asset value as of June 30, 2015 or other date specified is paid to investors), excluding certain non-fee and non-carry bearing parties, and the return is annualized and compounded after management fees, carried interest, and certain other expenses (including interest incurred by the fund itself) and measures the returns to investors of the fund as a whole. Non-USD fund cash flows and residual values are converted to USD using the spot rate as of the reporting date;

“net return” of a credit or real estate fund represents the gross return after management fees, incentive fees allocated to the general partner, or other fees and expenses. Returns of Athene sub-advised portfolios and CLOs represent the gross or net returns on invested assets, which exclude cash. Returns over multiple periods are calculated by geometrically linking each period’s return over time;

“our manager” means AGM Management, LLC, a Delaware limited liability company that is controlled by our Managing Partners;

“Permanent Capital Vehicles” refers to (a) assets that are managed by Athene Asset Management, (b) assets that are owned by or related to MidCap FinCo Limited (“MidCap”) and managed by Apollo Capital Management, L.P., and (c) assets of publicly traded vehicles managed by Apollo such as AP Alternative Assets, L.P. (“AAA”), Apollo Investment Corporation (“AINV”), Apollo Commercial Real Estate Finance, Inc. (“ARI”), Apollo Residential Mortgage, Inc. (“AMTG”), Apollo Tactical Income Fund Inc. (“AIF”), and Apollo Senior Floating Rate Fund Inc. (“AFT”), in each case that do not have redemption provisions or a requirement to return capital to investors upon exiting the investments made with such capital, except as required by applicable law. The investment management arrangements of AINV, AIF and AFT have one year terms, are reviewed annually and remain in effect only if approved by the boards of directors of such companies or by the affirmative vote of the holders of a majority of the outstanding voting shares of such companies, including in either case, approval by a majority of the directors who are not “interested persons” as defined in the Investment Company Act of 1940. In addition, the investment management arrangements of AINV, AIF and AFT may be terminated in certain circumstances upon 60 days’ written notice. The investment management arrangements of ARI and AMTG have one year terms and are reviewed annually by each company’s board of directors and may be terminated under certain circumstances by an affirmative vote of at least two-thirds of such company’s independent directors. The investment management arrangements between MidCap and Apollo Capital Management,

L.P. and Athene and Athene Asset Management may also be terminated under certain circumstances; “private equity investments” refer to (i) direct or indirect investments in existing and future private equity funds managed or sponsored by Apollo, (ii) direct or indirect co-investments with existing and future private equity funds managed or sponsored by Apollo, (iii) direct or indirect investments in securities which are not immediately capable of resale in a public market that Apollo identifies but does not pursue through its private equity funds, and (iv) investments of the type described in (i) through (iii) above made by Apollo funds;

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“Strategic Investors” refer to the California Public Employees’ Retirement System, or “CalPERS,” and an affiliate of the Abu Dhabi Investment Authority, or “ADIA”; and

“traditional private equity fund appreciation (depreciation)” refers to gain (loss) and income for the traditional private equity funds (i.e., Funds I-VIII, each as defined in the notes to the condensed consolidated financial statements) for the periods presented on a total return basis before giving effect to fees and expenses. The performance percentage is determined by dividing (a) the change in the fair value of investments over the period presented, minus the change in invested capital over the period presented, plus the realized income for the period presented, by (b) the beginning unrealized value for the period presented plus the change in invested capital for the period presented.

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APOLLO GLOBAL MANAGEMENT, LLC
 CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)
 JUNE 30, 2015 AND DECEMBER 31, 2014
 (dollars in thousands, except share data)

	June 30, 2015	December 31, 2014
Assets:		
Cash and cash equivalents	\$837,999	\$1,204,052
Cash and cash equivalents held at consolidated funds	2,126	1,611
Restricted cash	6,397	6,353
Investments	973,835	2,880,006
Assets of consolidated variable interest entities:		
Cash and cash equivalents	81,516	1,088,952
Investments, at fair value	954,290	15,658,653
Other assets	52,190	323,240
Carried interest receivable	856,613	911,666
Due from affiliates	260,755	268,015
Fixed assets, net	34,813	35,906
Deferred tax assets	610,429	606,717
Other assets	97,096	84,384
Goodwill	88,852	49,243
Intangible assets, net	44,789	60,039
Total Assets	\$4,901,700	\$23,178,837
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and accrued expenses	\$50,811	\$44,246
Accrued compensation and benefits	95,437	59,278
Deferred revenue	175,358	199,614
Due to affiliates	525,989	565,153
Profit sharing payable	432,173	434,852
Debt	1,031,288	1,034,014
Liabilities of consolidated variable interest entities:		
Debt, at fair value	831,472	14,123,100
Other liabilities	111,393	728,718
Other liabilities	48,819	46,401
Total Liabilities	3,302,740	17,235,376
Commitments and Contingencies (see note 13)		
Shareholders' Equity:		
Apollo Global Management, LLC shareholders' equity:		
Class A shares, no par value, unlimited shares authorized, 172,188,169 and 163,046,554 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	—	—
Class B shares, no par value, unlimited shares authorized, 1 share issued and outstanding at June 30, 2015 and December 31, 2014	—	—
Additional paid in capital	2,084,942	2,254,283
Accumulated deficit	(1,342,133)	(1,400,661)
Appropriated partners' capital	2,555	933,166
Accumulated other comprehensive loss	(5,609)	(306)
Total Apollo Global Management, LLC shareholders' equity	739,755	1,786,482

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Non-Controlling Interests in consolidated entities	87,264	3,222,195
Non-Controlling Interests in Apollo Operating Group	771,941	934,784
Total Shareholders' Equity	1,598,960	5,943,461
Total Liabilities and Shareholders' Equity	\$4,901,700	\$23,178,837
See accompanying notes to condensed consolidated financial statements.		

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APOLLO GLOBAL MANAGEMENT, LLC
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
 THREE AND SIX MONTHS ENDED JUNE 30, 2015 AND 2014
 (dollars in thousands, except share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues:				
Advisory and transaction fees from affiliates, net	\$ 15,450	\$ 60,786	\$ 24,993	\$ 176,851
Management fees from affiliates	230,584	226,420	455,473	436,211
Carried interest income from affiliates	105,693	284,946	174,285	450,490
Total Revenues	351,727	572,152	654,751	1,063,552
Expenses:				
Compensation and benefits:				
Salary, bonus and benefits	88,870	89,832	176,503	170,362
Equity-based compensation	22,279	28,711	42,382	87,689
Profit sharing expense	61,635	160,778	110,264	264,737
Total Compensation and Benefits	172,784	279,321	329,149	522,788
Interest expense	7,485	4,524	14,925	7,638
General, administrative and other	21,556	25,291	44,327	49,969
Professional fees	19,725	20,211	34,689	39,663
Occupancy	10,131	10,418	20,089	20,321
Placement fees	1,665	3,489	3,185	5,275
Depreciation and amortization	11,193	11,115	22,171	22,834
Total Expenses	244,539	354,369	468,535	668,488
Other Income:				
Net gains (losses) from investment activities	24,424	(9,534)	) 26,542	213,874
Net gains from investment activities of consolidated variable interest entities	5,800	43,425	7,128	91,160
Income from equity method investments	17,119	30,701	16,058	53,611
Interest income	860	2,726	1,585	6,054
Other income, net	1,775	2,238	6,649	19,769
Total Other Income	49,978	69,556	57,962	384,468
Income before income tax provision	157,166	287,339	244,178	779,532
Income tax provision	(9,092)	) (35,037)	) (14,606)	) (67,586)
Net Income	148,074	252,302	229,572	711,946
Net income attributable to Non-controlling Interests	(91,646)	) (180,634)	) (142,217)	) (568,109)
Net Income Attributable to Apollo Global Management, LLC	\$ 56,428	\$ 71,668	\$ 87,355	\$ 143,837
Distributions Declared per Class A Share	\$ 0.33	\$ 0.84	\$ 1.19	\$ 1.92
Net Income Per Class A Share:				
Net Income Available to Class A Share – Basic	\$ 0.30	\$ 0.33	\$ 0.40	\$ 0.64
Net Income Available to Class A Share – Diluted	\$ 0.30	\$ 0.33	\$ 0.40	\$ 0.64
Weighted Average Number of Class A Shares Outstanding – Basic	170,431,430	152,852,427	168,190,114	150,328,495
Weighted Average Number of Class A Shares Outstanding – Diluted	170,431,430	152,852,427	168,190,114	150,328,495

See accompanying notes to condensed consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC
 CONDENSED CONSOLIDATED STATEMENTS OF
 COMPREHENSIVE INCOME (UNAUDITED)
 THREE AND SIX MONTHS ENDED JUNE 30, 2015 AND 2014
 (dollars in thousands, except share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net Income	\$148,074	\$252,302	\$229,572	\$711,946
Other Comprehensive Loss, net of tax:				
Allocation of currency translation adjustment of consolidated CLOs and fund entities (net of taxes of (\$0.2) million and \$0.6 million for Apollo Global Management, LLC for the three and six months ended June 30, 2015, respectively	(684	) —	(10,891) —
Net gain (loss) from change in fair value of cash flow hedge instruments	26	(1,043	) 52	(1,043
Net loss on available-for-sale securities (from equity method investment)	(68	) —	(214	) (4
Total Other Comprehensive Loss, net of tax	(726	) (1,043	) (11,053	) (1,047
Comprehensive Income	147,348	251,259	218,519	710,899
Comprehensive Income attributable to Non-Controlling Interests	(88,518	) (146,166	) (133,912	) (508,818
Comprehensive Income Attributable to Apollo Global Management, LLC	\$58,830	\$105,093	\$84,607	\$202,081
See accompanying notes to condensed consolidated financial statements.				

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APOLLO GLOBAL MANAGEMENT, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES
IN SHAREHOLDERS' EQUITY (UNAUDITED)
SIX MONTHS ENDED JUNE 30, 2015 AND 2014
(dollars in thousands, except share data)

Apollo Global Management, LLC Shareholders

	Class A Shares	Class B, Additional Shares Paid in Capital	Accumulated Deficit	Appropriated Partners' Capital	Accumulated Other Comprehensive Loss	Total Apollo Global Management, LLC Shareholders' Equity	Non- Controlling Interests in Consolidated Entities	Non- Controlling Interests in Apollo Operating Group	
Balance at January 1, 2014	146,280,784	1	\$2,624,582	\$(1,568,487)	\$1,581,079	\$95	\$2,637,269	\$2,669,730	\$1,381,723
Dilution impact of issuance of Class A shares	—	—3,184	—	—	—	3,184	—	—	—
Capital increase related to equity-based compensation	—	—72,590	—	—	—	72,590	—	—	—
Capital contributions	—	—	—	135,356	—	135,356	432,804	—	—
Distributions	—	—(337,282	) —	(370,662	) —	(707,944	) (172,895	) (513,741) —
Distributions related to deliveries of Class A shares for RSUs	3,797,843	—7,108	(594	) —	—	6,514	—	—	—
Purchase of AAA shares	—	—	—	—	—	—	(312) —	—
Net transfers of AAA ownership interest to (from)	—	—	—	—	—	—	—	—	—
Non-Controlling Interests in consolidated entities	—	—(3,423	) —	—	—	(3,423	) 3,423	—	—
Satisfaction of liability related to AAA RDUs	—	—1,183	—	—	—	1,183	—	—	—
Exchange of AOG Units for Class A shares	6,218,121	—45,173	—	—	—	45,173	—	(34,355) —
Net income	—	—	143,837	59,291	—	203,128	201,723	307,095	—
Change in cash flow hedge instruments	—	—	—	—	(1,043) (1,043) —	—	—

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Net loss on available-for-sale securities (from equity method investment)	—	—	—	—	(4) (4) —	—	
Balance at June 30, 2014	156,296,748	1	\$2,413,115	\$(1,425,244)	\$1,405,064	\$(952	) \$2,391,983	\$3,134,473	\$1,140,722
Balance at January 1, 2015	163,046,554	1	\$2,254,283	\$(1,400,661)	\$933,166	\$(306	) \$1,786,482	\$3,222,195	\$934,784
Cumulative effect adjustment from adoption of accounting principles	—	—	1,771	(3,350	) (933,166	) —	(934,745	) (3,134,518) —
Dilution impact of issuance of Class A shares	—	—	1,839	—	—	—	1,839	—	—
Capital increase related to equity-based compensation	—	—	33,593	—	—	—	33,593	—	—
Capital contributions	—	—	—	—	—	—	—	5,338	—
Distributions	—	—	(221,443	) —	—	—	(221,443	) (8,474	) (286,489
Distributions related to deliveries of Class A shares for RSUs and restricted shares	7,099,114	—	4,856	(25,477	) —	—	(20,621) —	—
Exchange of AOG Units for Class A shares	2,042,501	—	10,043	—	—	—	10,043	—	(7,543
Net income	—	—	—	87,355	2,555	—	89,910	8,502	131,160
Allocation of currency translation adjustment of consolidated CLOs and fund entities	—	—	—	—	—	(5,112	) (5,112	) (5,779) —
Change in cash flow hedge instruments	—	—	—	—	—	23	23	—	29
Net loss on available-for-sale securities (from equity method investment)	—	—	—	—	—	(214	) (214) —	—
Balance at June 30, 2015	172,188,169	1	\$2,084,942	\$(1,342,133)	\$2,555	\$(5,609)	\$739,755	\$87,264	\$771,941

See accompanying notes to condensed consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
 SIX MONTHS ENDED JUNE 30, 2015 AND 2014
 (dollars in thousands, except share data)

	2015	2014
Cash Flows from Operating Activities:		
Net income	\$229,572	\$711,946
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity-based compensation	42,382	87,689
Depreciation and amortization	22,171	22,834
Unrealized gains from investment activities	(27,008)	(8,833)
Cash distributions of earnings from equity method investments	15,647	29,878
Income from equity method investments	(16,058)	(53,611)
Excess tax benefits from share-based payment arrangements	—	(7,108)
Deferred taxes, net	12,563	19,687
Other non-cash amounts included in net income, net	(20,322)	(23,466)
Changes in assets and liabilities:		
Carried interest receivable	90,591	299,002
Due from affiliates	(18,242)	(119,833)
Other assets	(2,237)	(14,697)
Accounts payable and accrued expenses	6,968	30,308
Accrued compensation and benefits	32,279	43,763
Deferred revenue	(24,256)	(6,752)
Due to affiliates	(25,023)	(70,636)
Profit sharing payable	479	(8,028)
Other liabilities	(337)	4,134
Apollo Funds related:		
Net realized gains from investment activities	(4,174)	(16,876)
Net unrealized gains from investment activities	(6,396)	(214,042)
Net realized gains on debt	—	(357)
Net unrealized losses on debt	6,929	6,528
Change in cash held at consolidated variable interest entities	232,160	(94,208)
Purchases of investments	(324,845)	(4,348,386)
Proceeds from sale of investments and liquidating distributions	185,683	4,796,355
Change in other assets	(12,176)	(164,987)
Change in other liabilities	(85,822)	37,008
Net Cash Provided by Operating Activities	\$310,528	\$937,312
Cash Flows from Investing Activities:		
Purchases of fixed assets	\$(4,230)	\$(2,710)
Proceeds from disposals of fixed assets	—	13
Cash contributions to equity method investments	(93,927)	(71,563)
Cash distributions from equity method investments	23,933	27,560
Change in restricted cash	(44)	1,553
Issuance of employee loans	(25,000)	—
Other investing activities	679	—
Net Cash Used in Investing Activities	\$(98,589)	\$(45,147)
Cash Flows from Financing Activities:		
Principal repayments of debt	\$—	\$(250,000)
Issuance of debt	—	499,008

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Issuance costs	—	(5,478)
Net loss related to cash flow hedge instruments	—	(1,052)
Satisfaction of tax receivable agreement	(48,420	) (32,032)
Satisfaction of contingent obligations	(9,719	) (25,083)
Purchases of equity securities	(3,028) —	
Distributions related to deliveries of Class A shares for RSUs	(25,477	) (594)
Distributions paid to Non-Controlling Interests in consolidated entities	(5,609	) (8,023)
Contributions from Non-Controlling Interests in consolidated entities	58	2,040	
Distributions paid	(201,208	) (303,591)
Distributions paid to Non-Controlling Interests in Apollo Operating Group	(286,489	) (513,741)
Excess tax benefits from share-based payment arrangements	—	7,108	
Apollo Funds related:			
Issuance of debt	—	1,168,967	
Principal repayment of debt	—	(1,418,961)
Purchase of AAA units	—	(312)
Distributions paid	—	(360,905)
Distributions paid to Non-Controlling Interests in consolidated variable interest entities	(2,865	) (19,414)
Contributions from Non-Controlling Interests in consolidated variable interest entities	5,280	386,007	
Net Cash Used in Financing Activities	\$(577,477	) \$(876,056)
Net Increase (Decrease) in Cash and Cash Equivalents	(365,538	) 16,109	
Cash and Cash Equivalents, Beginning of Period	1,205,663	1,079,537	
Cash and Cash Equivalents, End of Period	\$840,125	\$1,095,646	
Supplemental Disclosure of Cash Flow Information:			
Interest paid	\$15,928	\$6,865	
Interest paid by consolidated variable interest entities	5,723	76,856	
Income taxes paid	4,594	23,266	
Supplemental Disclosure of Non-Cash Investing Activities:			
Non-cash contributions to equity method investments	\$32,810	\$—	
Non-cash distributions from equity method investments	(4,229	) (2,966)
Supplemental Disclosure of Non-Cash Financing Activities:			
Declared and unpaid distributions	\$(20,235	) \$(33,691)
Non-cash distributions from Non-Controlling Interests in consolidated entities from Appropriated Partners' Capital	—	(135,357)
Non-cash contributions from Non-Controlling Interests in consolidated entities from Appropriated Partners' Capital	—	9,757	
Capital increases related to equity-based compensation	33,593	72,590	
Other non-cash financing activities	1,801	4,363	
Adjustments related to exchange of Apollo Operating Group units:			
Deferred tax assets	\$13,978	\$58,696	
Due to affiliates	(11,479	) (47,878)
Additional paid in capital	(2,500	) (10,818)
Non-Controlling Interest in Apollo Operating Group	7,543	34,355	
Net Assets Deconsolidated from Consolidated Variable Interest Entities and Funds:			
Cash and cash equivalents	\$760,491	\$—	
Investments, at fair value	16,930,227	—	
Other Assets	280,428	—	
Debt, at fair value	(13,229,570) —	
Other liabilities	(529,080) —	
Non-Controlling Interests in consolidated entities	(3,134,518) —	
Appropriated partners' capital	(929,708) —	

See accompanying notes to condensed consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands, except share data, except where noted)

1. ORGANIZATION AND BASIS OF PRESENTATION

Apollo Global Management, LLC (together with its consolidated subsidiaries, the “Company” or “Apollo”) is a global alternative investment manager whose predecessor was founded in 1990. Its primary business is to raise, invest and manage private equity, credit and real estate funds as well as strategic investment accounts (“SIAs”), on behalf of pension, endowment and sovereign wealth funds, as well as other institutional and individual investors. For these investment management services, Apollo receives management fees generally related to the amount of assets managed, transaction and advisory fees and carried interest income related to the performance of the respective funds that it manages. Apollo has three primary business segments:

• Private equity—primarily invests in control equity and related debt instruments, convertible securities and distressed debt investments;

• Credit—primarily invests in non-control corporate and structured debt instruments; and

• Real estate—primarily invests in real estate equity for the acquisition and recapitalization of real estate assets, portfolios, platforms and operating companies, and real estate debt including first mortgage and mezzanine loans, preferred equity and commercial mortgage backed securities.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements are prepared in accordance with U.S. GAAP for interim financial information and instructions to the Quarterly Report on Form 10-Q. The condensed consolidated financial statements and these notes are unaudited and exclude some of the disclosures required in annual financial statements. Management believes it has made all necessary adjustments (consisting only of normal recurring items) so that the condensed consolidated financial statements are presented fairly and that estimates made in preparing its condensed consolidated financial statements are reasonable and prudent. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. The condensed consolidated financial statements include the accounts of the Company, its wholly-owned or majority-owned subsidiaries, the consolidated entities which are considered to be variable interest entities (“VIEs”) and for which the Company is considered the primary beneficiary, and certain entities which are not considered VIEs but which the Company controls through a majority voting interest. Intercompany accounts and transactions have been eliminated upon consolidation. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2014 included in the 2014 Annual Report.

Certain reclassifications, when applicable, have been made to the prior period’s condensed consolidated financial statements and notes to conform to the current period’s presentation and are disclosed accordingly.

Organization of the Company

The Company was formed as a Delaware limited liability company on July 3, 2007 and completed a reorganization of its predecessor businesses on July 13, 2007 (the “2007 Reorganization”). The Company is managed and operated by its manager, AGM Management, LLC, which in turn is indirectly wholly-owned and controlled by Leon Black, Joshua Harris and Marc Rowan (the “Managing Partners”).

As of June 30, 2015, the Company owned, through four intermediate holding companies that include APO Corp., a Delaware corporation that is a domestic corporation for U.S. federal income tax purposes, APO Asset Co., LLC, a Delaware limited liability company that is a disregarded entity for U.S. federal income tax purposes, APO (FC), LLC, an Anguilla limited liability company that is treated as a corporation for U.S. federal income tax purposes and APO (FC II), LLC, an Anguilla limited liability company that is treated as a corporation for U.S. federal income tax purposes (collectively, the “Intermediate Holding Companies”), 43.8% of the economic interests of, and operated and controlled all of the businesses and affairs of, the Apollo Operating Group through its wholly-owned subsidiaries.

AP Professional Holdings, L.P., a Cayman Islands exempted limited partnership (“Holdings”), is the entity through which the Managing Partners and certain of the Company’s other partners (the “Contributing Partners”) indirectly beneficially own interests in each of the partnerships that comprise the Apollo Operating Group (“AOG Units”). As of June 30, 2015, Holdings owned the remaining 56.2% of the economic interests in the Apollo Operating Group. The Company consolidates the financial results of the Apollo Operating Group and its consolidated subsidiaries. Holdings’ ownership interest in the Apollo Operating Group is reflected as a Non-Controlling Interest in the accompanying condensed consolidated financial statements.

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(dollars in thousands, except share data, except where noted)

Pursuant to an exchange agreement between Apollo, Holdings and the other parties thereto (as amended, the “Exchange Agreement”), the holders of the AOG Units (and certain permitted transferees thereof) may, upon notice and subject to the applicable vesting and minimum retained ownership requirements, transfer restrictions and other terms of the Exchange Agreement, exchange their AOG Units for the Company’s Class A shares on a one-for-one basis a limited number of times each year, subject to customary conversion rate adjustments for splits, distributions and reclassifications. Pursuant to the Exchange Agreement, a holder of AOG Units must simultaneously exchange one partnership unit in each of the Apollo Operating Group partnerships to effectuate an exchange for one Class A share. As a holder exchanges its AOG Units, the Company’s indirect interest in the Apollo Operating Group is correspondingly increased.

Venator Acquisition

On May 5, 2015, the Company acquired 100% of the assets and liabilities of Venator Real Estate Capital Partners (Hong Kong) Limited and its wholly-owned subsidiary, Venator Investment Management Consulting (Shanghai) Limited (together referred to as “Venator”), in exchange for restricted shares of Apollo Global Management, LLC. The acquisition provides the Company’s real estate segment with additional real estate investment management and related service capabilities in Asia. The transaction was accounted for as a business combination. Identifiable assets with a combined fair value of \$3.0 million were acquired and liabilities with a combined fair value of \$2.1 million were assumed, resulting in a bargain purchase gain of \$0.9 million as of the acquisition date, which was recorded in other income, net in the condensed consolidated statement of operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation—The types of entities with which Apollo is involved generally include subsidiaries (e.g., general partners and management companies related to the funds the Company manages), entities that have all the attributes of an investment company (e.g., funds) and securitization vehicles (e.g., collateralized loan obligations). Each of these entities is assessed for consolidation on a case by case basis depending on the specific facts and circumstances surrounding that entity.

In February 2015, the Financial Accounting Standards Board (“FASB”) issued new consolidation guidance which changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period, and adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company has elected to adopt this new guidance using the modified retrospective method, which results in an effective date of adoption of January 1, 2015. Restatement of prior period results is not required. Amounts presented for the three and six months ended June 30, 2015 in the condensed consolidated statements of operations have reflected the adoption of this accounting guidance as of January 1, 2015.

Pursuant to the new consolidation guidance, the Company first evaluates whether it holds a variable interest in an entity. Fees that are customary and commensurate with the level of services provided, and where the Company doesn’t hold other economic interests in the entity that would absorb more than an insignificant amount of the expected losses or returns of the entity, would not be considered a variable interest. Apollo factors in all economic interests including proportionate interests through related parties, to determine if fees are considered a variable interest. As Apollo’s interests in many of these entities are solely through carried interests, performance fees, and/or insignificant indirect interests through related parties, Apollo is not considered to have a variable interest in many of these entities under the new guidance and no further consolidation analysis is performed. Prior to adoption of the new consolidation guidance, fees received by the Company for investment management services (e.g. carried interests and performance fees) were considered variable interests. For the remaining entities where the Company has determined that it does hold a variable interest, the Company performs an assessment to determine whether each of those entities qualify as a

variable interest entity (“VIE”).

An entity is considered a VIE if any one of the following conditions exist: (a) the total equity investment at risk is not sufficient to permit the legal entity to finance its activities without additional subordinated financial support, (b) the holders of equity investment at risk (as a group) lack either the direct or indirect ability through voting rights or similar rights to make decisions about a legal entity’s activities that have a significant effect on the success of the legal entity or the obligation to absorb the expected losses or right to receive the expected residual returns, or (c) the voting rights of some investors are disproportionate to their obligation to absorb the expected losses of the legal entity, their rights to receive the expected residual returns of the legal entity, or both and substantially all of the legal entity’s activities either involve or are conducted on behalf of an investor with disproportionately few voting rights. Under the new guidance, for limited partnerships and other similar entities, unaffiliated investors must be granted rights to either dissolve the fund or remove the general partner (“kick-out rights”) in order to not qualify as a VIE under condition (b) above. Entities that do not qualify as VIEs are generally assessed for consolidation as voting interest entities (“VOEs”) under the voting interest model.

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Under the voting interest model, Apollo consolidates those entities it controls through a majority voting interest. Apollo does not consolidate those VOEs in which substantive kick-out rights have been granted to the unaffiliated investors to either dissolve the fund or remove the general partner.

As previously indicated, the consolidation assessment, including the determination as to whether an entity qualifies as a VIE depends on the facts and circumstances surrounding each entity and therefore certain of Apollo's funds may qualify as VIEs whereas others may qualify as VOEs. The granting of substantive kick-out rights is a key consideration in determining whether a limited partnership or similar entity is a VIE and whether or not that entity should be consolidated. For example, when the unaffiliated holders of equity investment at risk of a fund (assumed to be limited partnerships or similar entities) with sufficient equity to permit the fund to finance its activities without additional subordinated financial support are not granted substantive kick-out rights the fund is determined to be a VIE. Alternatively, when the unaffiliated holders of equity investment at risk are granted substantive kick-out rights, the fund is generally determined to be a VOE. Prior to adoption of the new guidance, in certain cases where the Company held a substantive equity investment at risk in the fund, the fund may be determined to be a VOE even though substantive kick-out rights were not granted to the unaffiliated holders of equity investment at risk. Under the new guidance for limited partnerships or similar entities, unaffiliated investors must have kick-out rights to be considered a VOE.

If the entity is determined to be a VIE under the conditions above, the Company assesses whether the entity should be consolidated by determining if Apollo is the primary beneficiary of the entity. Prior to adoption of the new consolidation guidance, this analysis differed depending on the type of VIE being assessed and which consolidation model was applied. For VIEs that qualified for the deferral of the then amended consolidation rules (i.e. investment company entities), it was determined that Apollo was determined to be the primary beneficiary when its interests, through holding interests directly or indirectly in the VIE or contractually through other variable interests (e.g., carried interest and performance fees), would be expected to absorb a majority of the VIE's expected losses, receive a majority of the VIE's expected residual returns, or both. In cases where two or more Apollo related parties held a variable interest in a VIE, and the aggregate variable interest held by those parties would, if held by a single party, identify that party as the primary beneficiary, then the Company was determined to be the primary beneficiary to the extent it was the party within the related party group that was most closely associated with the VIE.

For VIEs that did not qualify for the deferral, such as Apollo's CLOs which applied the then amended consolidation rules, the Company was determined to be the primary beneficiary if it held a controlling financial interest defined as possessing both (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. Under the new guidance, for all VIEs including investment company entities that previously met the deferral requirements, the Company is only determined to be the Primary Beneficiary when it has a controlling financial interest as defined above. Prior to adoption of the new guidance, when Apollo alone was not considered to have a controlling financial interest but Apollo and its related parties on an aggregate basis did have a controlling financial interest, an analysis regarding which party was most closely associated with the VIE was performed. Under the new guidance, determining which party is more closely associated with an entity is only performed when the related party group that has a controlling financial interest, shares power or is under common control. When the related party group holding a controlling financial interest is not under common control, then Apollo would only be deemed to be the primary beneficiary if substantially all the activities of the entity are performed on behalf of Apollo.

Apollo continues to determine whether it is the primary beneficiary of a VIE at the time it becomes initially involved with the VIE and reconsiders that conclusion continuously. Investments and redemptions (either by Apollo, affiliates of Apollo or third parties) or amendments to the governing documents of the respective entity may affect an entity's status as a VIE or the determination of the primary beneficiary.

The assessment of whether an entity is a VIE and the determination of whether Apollo should consolidate such VIE requires judgments. Under both the previous and the new guidance, those judgments include, but are not limited to: (i) determining whether the total equity investment at risk is sufficient to permit the entity to finance its activities without additional subordinated financial support, (ii) evaluating whether the holders of equity investment at risk, as a group, can make decisions that have a significant effect on the success of the entity, (iii) determining whether the equity investors have proportionate voting rights to their obligations to absorb losses or rights to receive the expected residual returns from an entity, and (iv) evaluating the nature of the relationship and activities of the parties involved in determining which party within a related-party group (only for those related parties with shared power or under common control under the new guidance) is most closely associated with the VIE. Judgments are also made in determining whether a member in the equity group has a controlling financial interest including power to direct activities that most significantly impact the VIEs' economic performance and rights to receive benefits or obligations to absorb losses that could be potentially significant to the VIE. This analysis includes interests through related parties. Prior to adoption,

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(dollars in thousands, except share data, except where noted)

where the VIEs had qualified for the deferral, judgments were made in estimating cash flows to evaluate which member within the equity group absorbed a majority of the expected losses or residual returns of the VIE.

Assets and liabilities of the consolidated VIEs are shown in separate sections within the condensed consolidated statements of financial condition as of June 30, 2015 and December 31, 2014.

For additional disclosures regarding VIEs, see note 4. Intercompany transactions and balances, if any, have been eliminated in consolidation.

Equity Method Investments—For investments in entities over which the Company exercises significant influence but which do not meet the requirements for consolidation, the Company uses the equity method of accounting, whereby the Company records its share of the underlying income or loss of such entities. The carrying amounts of equity method investments are reflected in investments in the condensed consolidated statements of financial condition. As the underlying entities that the Company manages and invests in are, for U.S. GAAP purposes, primarily investment companies which reflect their investments at estimated fair value, the carrying value of the Company's equity method investments in such entities approximates fair value.

Non-Controlling Interests—For entities that are consolidated, but not 100% owned, a portion of the income or loss and corresponding equity is allocated to owners other than Apollo. The aggregate of the income or loss and corresponding equity that is not owned by the Company is included in Non-Controlling Interests in the condensed consolidated financial statements. As of June 30, 2015, the Non-Controlling Interests relating to Apollo Global Management, LLC primarily include the ownership interest in the Apollo Operating Group held by the Managing Partners and Contributing Partners through their limited partner interests in Holdings and other ownership interests in consolidated entities. Non-Controlling Interests also include limited partner interests of Apollo managed funds in certain consolidated VIEs.

Non-Controlling Interests are presented as a separate component of shareholders' equity on the Company's condensed consolidated statements of financial condition. The primary components of Non-Controlling Interests are separately presented in the Company's condensed consolidated statements of changes in shareholders' equity to clearly distinguish the interest in the Apollo Operating Group and other ownership interests in the consolidated entities. Net income (loss) includes the net income (loss) attributable to the holders of Non-Controlling Interests on the Company's condensed consolidated statements of operations. Profits and losses are allocated to Non-Controlling Interests in proportion to their relative ownership interests regardless of their basis.

Revenues—Revenues are reported in three separate categories that include (i) advisory and transaction fees from affiliates, net, which relate to the investments of the funds and may include individual monitoring agreements the Company has with the portfolio companies and debt investment vehicles of the private equity funds and credit funds; (ii) management fees from affiliates, which are based on committed capital, invested capital, net asset value, gross assets or as otherwise defined in the respective agreements; and (iii) carried interest income (loss) from affiliates, which is normally based on the performance of the funds subject to preferred return.

Advisory and Transaction Fees from Affiliates, Net—Advisory and transaction fees, including directors' fees, are recognized when the underlying services rendered are substantially completed in accordance with the terms of the transaction and advisory agreements. Additionally, during the normal course of business, the Company incurs certain costs related to certain transactions that are not consummated ("broken deal costs"). These costs (e.g., research costs, due diligence costs, professional fees, legal fees and other related items) are determined to be broken deal costs upon management's decision to no longer pursue the transaction. In accordance with the related fund agreement, in the event the deal is deemed broken, all of the costs are reimbursed by the funds and then included as a component of the calculation of the Management Fee Offset described below. If a deal is successfully completed, Apollo is reimbursed by the fund or fund's portfolio company for all costs incurred and no offset is generated. As the Company acts as an agent for the funds it manages, any transaction costs incurred and paid by the Company on behalf of the respective funds relating to successful or broken deals are presented net on the Company's condensed consolidated statements of

operations, and any receivable from the respective funds is presented in due from affiliates on the condensed consolidated statements of financial condition.

Advisory and transaction fees from affiliates, net, also includes underwriting fees. Underwriting fees include gains, losses and fees, net of syndicate expenses, arising from securities offerings in which one of the Company's subsidiaries participates in the underwriter syndicate. Underwriting fees are recognized at the time the underwriting is completed and the income is reasonably assured and are included in the condensed consolidated statements of operations.

Underwriting fees recognized but not received are included in other assets on the condensed consolidated statements of financial condition.

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APOLLO GLOBAL MANAGEMENT, LLC
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(dollars in thousands, except share data, except where noted)

As a result of providing advisory services to certain private equity and credit portfolio companies, Apollo is generally entitled to receive fees for transactions related to the acquisition, in certain cases, and disposition of portfolio companies as well as ongoing monitoring of portfolio company operations and directors' fees. The amounts due from portfolio companies are included in due from affiliates, which is discussed further in note 12. Under the terms of the limited partnership agreements for certain funds, the management fee payable by the funds may be subject to a reduction based on a certain percentage of such advisory and transaction fees, net of applicable broken deal costs ("Management Fee Offset"). Advisory and transaction fees from affiliates are presented net of the Management Fee Offset in the condensed consolidated statements of operations.

Management Fees from Affiliates—Management fees for private equity, credit, and real estate funds are recognized in the period during which the related services are performed in accordance with the contractual terms of the related agreement, and are generally based upon (1) a percentage of the capital committed during the commitment period, and thereafter based on the remaining invested capital of unrealized investments, or (2) net asset value, gross assets or as otherwise defined in the respective agreements.

Carried Interest Income from Affiliates—Apollo is entitled to an incentive return that can normally amount to as much as 20% of the total returns on a fund's capital, depending upon performance. Performance-based fees are assessed as a percentage of the investment performance of the funds. The carried interest income from affiliates for any period is based upon an assumed liquidation of the fund's net assets on the reporting date, and distribution of the net proceeds in accordance with the fund's income allocation provisions. Carried interest receivable is presented separately in the condensed consolidated statements of financial condition. The carried interest income from affiliates may be subject to reversal to the extent that the carried interest income recorded exceeds the amount due to the general partner based on a fund's cumulative investment returns. When applicable, the accrual for potential repayment of previously received carried interest income, which is a component of due to affiliates, represents all amounts previously distributed to the general partner that would need to be repaid to the Apollo funds if these funds were to be liquidated based on the current fair value of the underlying funds' investments as of the reporting date. The actual general partner obligation, however, would not become payable or realized until the end of a fund's life.

Deferred Revenue—Apollo earns management fees subject to the Management Fee Offset. When advisory and transaction fees are earned by the management company, the Management Fee Offset reduces the management fee obligation of the fund. When the management company receives cash for advisory and transaction fees, a certain percentage of such advisory and/or transaction fees, as applicable, is allocated as a credit to reduce future management fees, otherwise payable by such fund. Such credit is classified as deferred revenue in the condensed consolidated statements of financial condition. A portion of any excess advisory and transaction fees may be required to be returned to the limited partners of certain funds upon such fund's liquidation. As the management fees earned by the management company are presented on a gross basis, any Management Fee Offsets calculated are presented as a reduction to Advisory and Transaction Fees from Affiliates in the condensed consolidated statements of operations. Additionally, Apollo earns advisory fees pursuant to the terms of the advisory agreements with certain of the portfolio companies that are owned by the funds. When Apollo receives a payment from a portfolio company that exceeds the advisory fees earned at that point in time, the excess payment is classified as deferred revenue in the condensed consolidated statements of financial condition. The advisory agreements with the portfolio companies vary in duration and the associated fees are received monthly, quarterly or annually. Deferred revenue is reversed and recognized as revenue over the period that the agreed upon services are performed.

Under the terms of the funds' partnership agreements, Apollo is normally required to bear organizational expenses over a set dollar amount and placement fees or costs in connection with the offering and sale of interests in the funds to investors. The placement fees are payable to placement agents, who are independent third parties that assist in identifying potential investors, securing commitments to invest from such potential investors, preparing or revising offering and marketing materials, developing strategies for attempting to secure investments by potential investors

and/or providing feedback and insight regarding issues and concerns of potential investors, when a limited partner either commits or funds a commitment to a fund. In certain instances the placement fees are paid over a period of time. Based on the management agreements with the funds, Apollo considers placement fees and organizational costs paid in determining if cash has been received in excess of the management fees earned. Placement fees and organizational costs are normally the obligation of Apollo but can be paid for by the funds. When these costs are paid by the fund, the resulting obligations are included within deferred revenue. The deferred revenue balance will also be reduced during future periods when management fees are earned but not paid.

Investments, at Fair Value—The Company follows U.S. GAAP attributable to fair value measurements which, among other things, requires enhanced disclosures about investments that are measured and reported at fair value.

Investments, at fair

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value, represent investments of the consolidated funds, investments of the consolidated VIEs and certain financial instruments for which the fair value option was elected. The unrealized gains and losses resulting from changes in the fair value are reflected as net gains (losses) from investment activities and net gains (losses) from investment activities of the consolidated VIEs, respectively, in the condensed consolidated statements of operations. In accordance with U.S. GAAP, investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I—Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include listed equities and listed derivatives. As required by U.S. GAAP, the Company does not adjust the quoted price for these investments, even in situations where the Company holds a large position and the sale of such position would likely deviate from the quoted price.

Level II—Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Investments that are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives where the fair value is based on observable inputs. These investments exhibit higher levels of liquid market observability as compared to Level III investments. The Company subjects broker quotes to various criteria in making the determination as to whether a particular investment would qualify for treatment as a Level II investment. These criteria include, but are not limited to, the number and quality of broker quotes, the standard deviation of obtained broker quotes, and the percentage deviation from independent pricing services.

Level III—Pricing inputs are unobservable for the investment and includes situations where there is little observable market activity for the investment. The inputs into the determination of fair value may require significant management judgment or estimation. Investments that are included in this category generally include general and limited partner interests in corporate private equity and real estate funds, opportunistic credit funds, distressed debt and non-investment grade residual interests in securitizations and CDOs and CLOs where the fair value is based on observable inputs as well as unobservable inputs. When a security is valued based on broker quotes, the Company subjects those quotes to various criteria in making the determination as to whether a particular investment would qualify for treatment as a Level II or Level III investment. These criteria include, but are not limited to, the number and quality of the broker quotes, the standard deviations of the observed broker quotes, and the percentage deviation from independent pricing services.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment when the fair value is based on unobservable inputs.

In cases where an investment or financial instrument that is measured and reported at fair value is transferred between levels of the fair value hierarchy, the Company accounts for the transfer as of the end of the reporting period.

On a quarterly basis, Apollo utilizes valuation committees consisting of members from senior management, to review and approve the valuation results related to the investments of the funds it manages. For certain publicly traded vehicles, a review is performed by an independent board of directors. The Company also retains independent valuation firms to provide third-party valuation consulting services to Apollo, which consist of certain limited procedures that management identifies and requests them to perform. The limited procedures provided by the independent valuation firms assist management with validating their valuation results or determining fair value. The Company performs various back-testing procedures to validate their valuation approaches, including comparisons between expected and observed outcomes, forecast evaluations and variance analyses. However, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been

used had a ready market for the investments existed, and the differences could be material.

Private Equity Investments

The value of liquid investments, where the primary market is an exchange (whether foreign or domestic) is determined using period end market prices. Such prices are generally based on the close price on the date of determination.

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Valuation approaches used to estimate the fair value of investments that are less liquid include the market approach and the income approach. The market approach provides an indication of fair value based on a comparison of the subject company to comparable publicly traded companies and transactions in the industry. The market approach is driven more by current market conditions, including actual trading levels of similar companies and, to the extent available, actual transaction data of similar companies. Judgment is required by management when assessing which companies are similar to the subject company being valued. Consideration may also be given to such factors as the Company's historical and projected financial data, valuations given to comparable companies, the size and scope of the Company's operations, the Company's strengths, weaknesses, expectations relating to the market's receptivity to an offering of the Company's securities, applicable restrictions on transfer, industry and market information and assumptions, general economic and market conditions and other factors deemed relevant. The income approach provides an indication of fair value based on the present value of cash flows that a business or security is expected to generate in the future. The most widely used methodology in the income approach is a discounted cash flow method. Inherent in the discounted cash flow method are assumptions of expected results and a calculated discount rate.

Credit Investments

The majority of the investments in Apollo's credit funds are valued based on quoted market prices and valuation models. Debt and equity securities that are not publicly traded or whose market prices are not readily available are valued at fair value utilizing recognized pricing services, market participants or other sources. When market quotations are not available, a model based approach is used to determine fair value. The credit funds also enter into foreign currency exchange contracts, total return swap contracts, credit default swap contracts, and other derivative contracts, which may include options, caps, collars and floors. Foreign currency exchange contracts are marked-to-market by recognizing the difference between the contract exchange rate and the current market rate as unrealized appreciation or depreciation. If securities are held at the end of this period, the changes in value are recorded in income as unrealized. Realized gains or losses are recognized when contracts are settled. Total return swap contracts and credit default swap contracts are recorded at fair value as an asset or liability with changes in fair value recorded as unrealized appreciation or depreciation. Realized gains or losses are recognized at the termination of the contract based on the difference between the close-out price of the total return or credit default swap contract and the original contract price.

Forward contracts are valued based on market rates obtained from counterparties or prices obtained from recognized financial data service providers. When determining fair value pricing when no market value exists, the value attributed to an investment is based on the enterprise value at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation approaches used to estimate the fair value of illiquid credit investments also may use the income approach or market approach. The valuation approaches used consider, as applicable, market risks, credit risks, counterparty risks and foreign currency risks.

Real Estate Investments

The estimated fair value of commercial mortgage-backed securities ("CMBS") in Apollo's funds is determined by reference to market prices provided by certain dealers who make a market in these financial instruments. Broker quotes are only indicative of fair value and may not necessarily represent what the funds would receive in an actual trade for the applicable instrument. Additionally, the loans held-for-investment are stated at the principal amount outstanding, net of deferred loan fees and costs for certain investments. The Company evaluates its loans for possible impairment on a quarterly basis. For Apollo's opportunistic and value added real estate funds, valuations of non-marketable underlying investments are determined using methods that include, but are not limited to (i) discounted cash flow estimates or comparable analysis prepared internally, (ii) third party appraisals or valuations by qualified real estate appraisers, and (iii) contractual sales value of investments/properties subject to bona fide

purchase contracts. Methods (i) and (ii) also incorporate consideration of the use of the income, cost, or sales comparison approaches of estimating property values.

Fair Value of Financial Instruments

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Except for the Company's debt obligations (as described in note 9), Apollo's financial instruments are recorded at fair value or at amounts whose carrying values approximate fair value. See "Investments, at Fair Value" above. While Apollo's valuations of portfolio investments are based on assumptions that Apollo believes are reasonable under the circumstances, the actual realized gains or losses will depend on, among other factors, future operating results, the value of the assets and market conditions at the

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time of disposition, any related transaction costs and the timing and manner of sale, all of which may ultimately differ significantly from the assumptions on which the valuations were based. Financial instruments' carrying values generally approximate fair value because of the short-term nature of those instruments or variable interest rates related to the borrowings.

Fair Value Option—Apollo has elected the fair value option for the Company's investment in Athene Holding Ltd. ("Athene Holding" and together with its subsidiaries, "Athene") and for the assets and liabilities of the consolidated VIEs. Such election is irrevocable and is applied to financial instruments on an individual basis at initial recognition. Apollo has applied the fair value option for certain corporate loans, other investments and debt obligations held by the consolidated VIEs that otherwise would not have been carried at fair value. See notes 3, 4, and 5 for further disclosure on the investments in Athene Holding and financial instruments of the consolidated VIEs for which the fair value option has been elected.

Financial Instruments held by Consolidated VIEs

The Company has adopted the measurement alternative included in the new collateralized financing entity ("CFE") guidance, and has applied the amendments using a modified retrospective approach by recording a cumulative-effect adjustment to shareholders' equity as of January 1, 2015. Amounts presented for the three and six months ended June 30, 2015 in the condensed consolidated statements of operations have reflected the adoption of this accounting guidance as of January 1, 2015. Refer to the condensed consolidated statements of changes in shareholders' equity. Pursuant to the new CFE guidance, the Company measures both the financial assets and financial liabilities of the consolidated collateralized loan obligations ("CLOs") in its condensed consolidated financial statements using the more observable of the fair value of the financial assets and the fair value of the financial liabilities. The Company believes the fair value of the financial assets of the consolidated CLOs are more observable than the fair value of the financial liabilities of the consolidated CLOs. As a result, the financial assets of the consolidated CLOs are measured at fair value and the financial liabilities are measured in consolidation as: (1) the sum of the fair value of the financial assets and the carrying value of any non-financial assets that are incidental to the operations of the CLOs less (2) the sum of the fair value of any beneficial interests retained by the reporting entity (other than those that represent compensation for services) and the Company's carrying value of any beneficial interests that represent compensation for services. The resulting amount is allocated to the individual financial liabilities (other than the beneficial interest retained by the Company) using a reasonable and consistent methodology. Under the measurement alternative, the Company's condensed consolidated net income reflects the Company's own economic interests in the consolidated CLOs including (i) changes in the fair value of the beneficial interests retained by the Company and (ii) beneficial interests that represent compensation for collateral management services.

Prior to the adoption of the new CFE guidance, the Company elected the fair value option for the assets and liabilities of the consolidated CLOs. The Company accounted for the difference between the fair value of the assets and the fair value of the liabilities of the consolidated CLOs in net gains from investment activities of consolidated variable interest entities in the condensed consolidated statements of operations. This amount was attributed to the Company and other beneficial interest holders based on each beneficial holder's residual interest in the consolidated CLOs. The amount attributed to other beneficial interest holders was reflected in the condensed consolidated statements of operations in net income attributable to non-controlling interests and in the condensed consolidated statements of financial condition in appropriated partners' capital within shareholders' equity. The amount was recorded as appropriated partners' capital since the other holders of the CLOs' beneficial interests, not the Company, received the benefits or absorbed the losses associated with their proportionate share of the CLOs' assets and liabilities.

The consolidated VIEs hold investments that could be traded over-the-counter. Investments in securities that are traded on a securities exchange or comparable over-the-counter quotation systems are valued based on the last reported sale price at that date. If no sales of such investments are reported on such date, and in the case of over-the-counter securities or other investments for which the last sale date is not available, valuations are based on

independent market quotations obtained from market participants, recognized pricing services or other sources deemed relevant, and the prices are based on the average of the “bid” and “ask” prices, or at ascertainable prices at the close of business on such day. Market quotations are generally based on valuation pricing models or market transactions of similar securities adjusted for security-specific factors such as relative capital structure priority and interest and yield risks, among other factors. When market quotations are not available, a model based approach is used to determine fair value.

The consolidated VIEs also have debt obligations that are recorded at fair value. As previously noted, effective January 1, 2015 with the adoption of the new CFE guidance, the Company measures CLO debt obligations on the basis of the fair value of financial assets of the CLO. Prior to the adoption of the new CFE guidance, the primary valuation methodology used to determine fair value for debt obligations was market quotation. Prices were based on the average of the “bid” and “ask” prices. In the event

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that market quotations were not available, a model based approach was used. The model based approach used to estimate the fair values of debt obligations for which market quotations were not available was the discounted cash flow method, which includes consideration of the cash flows of the debt obligation based on projected quarterly interest payments and quarterly amortization. Debt obligations were discounted based on the appropriate yield curve given the loan's respective maturity and credit rating. Management used its discretion and judgment in considering and appraising relevant factors for determining the valuations of the consolidated VIEs' debt obligations.

The adoption of the new accounting guidance resulted in a cumulative effect adjustment to appropriated partners' capital of \$3.5 million as of January 1, 2015, and an adjustment to previously reported net income of \$4.0 million for the three months ended March 31, 2015, all of which was attributable to Non-controlling Interests. The adoption resulted in no impact to net income attributable to Apollo Global Management, LLC.

Goodwill and Intangible Assets

Goodwill and indefinite-life intangible assets must be reviewed annually for impairment or more frequently if circumstances indicate impairment may have occurred. Identifiable finite-life intangible assets, by contrast, are amortized over their estimated useful lives, which are periodically re-evaluated for impairment or when circumstances indicate an impairment may have occurred. Apollo amortizes its identifiable finite-life intangible assets using a method of amortization reflecting the pattern in which the economic benefits of the finite-life intangible asset are consumed or otherwise used up. If that pattern cannot be reliably determined, Apollo uses the straight-line method of amortization. At June 30, 2015 the Company performed its annual impairment testing, and, as the fair value of each of the Company's reporting units was in excess of its carrying value, there was no impairment of goodwill. Additionally, there was no impairment of indefinite-life intangible assets as of June 30, 2015.

Compensation and Benefits

Equity-Based Compensation—Equity-based awards granted to employees as compensation are measured based on the grant date fair value of the award. Equity-based awards that do not require future service (i.e., vested awards) are expensed immediately. Equity-based employee awards that require future service are expensed over the relevant service period. The Company estimates forfeitures for equity-based awards that are not expected to vest. Equity-based awards granted to non-employees for services provided to affiliates are remeasured to fair value at the end of each reporting period and expensed over the relevant service period.

Salaries, Bonus and Benefits—Salaries, bonus and benefits include base salaries, discretionary and non-discretionary bonuses, severance and employee benefits. Bonuses are generally accrued over the related service period.

The Company sponsors a 401(k) savings plan whereby U.S.-based employees are entitled to participate in the plan based upon satisfying certain eligibility requirements. The Company may provide discretionary contributions from time to time. No contributions relating to this plan were made by the Company for the three and six months ended June 30, 2015 and 2014.

Profit Sharing Expense—Profit sharing expense primarily consists of a portion of carried interest recognized in one or more funds allocated to employees and former employees. Profit sharing expense is recognized on an accrued basis as the related carried interest income is earned. Profit sharing expense can be reversed during periods when there is a decline in carried interest income that was previously recognized. Additionally, profit sharing amounts previously distributed may be subject to clawback from employees, former employees and Contributing Partners.

Changes in the fair value of the contingent consideration obligations that were recognized in connection with certain Apollo acquisitions are reflected in the Company's condensed consolidated statements of operations as profit sharing expense.

The Company has a performance based incentive arrangement for certain Apollo partners and employees designed to more closely align compensation on an annual basis with the overall realized performance of the Company. This arrangement enables certain partners and employees to earn discretionary compensation based on carried interest realizations earned by the Company in a given year, which amounts are reflected in profit sharing expense in the

accompanying condensed consolidated financial statements.

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Other Income (Loss)

Net Gains (Losses) from Investment Activities—Net gains (losses) from investment activities include both realized gains and losses and the change in unrealized gains and losses in the Company's investment portfolio between the opening reporting date and the closing reporting date. The condensed consolidated financial statements include the net realized and unrealized gains (losses) of investments, at fair value. For the year ending December 31, 2014, for the Company's investments held by AAA (see note 3), a portion of the net gains (losses) from investment activities are attributable to Non-Controlling Interests in the condensed consolidated statements of operations.

Net Gains (Losses) from Investment Activities of Consolidated Variable Interest Entities—Changes in the fair value of the consolidated VIEs' assets and liabilities and related interest, dividend and other income and expenses subsequent to consolidation are presented within net gains (losses) from investment activities of consolidated variable interest entities and are attributable to Non-Controlling Interests in the condensed consolidated statements of operations.

Other Income (Loss), Net—Other income (loss), net includes the recognition of gains (losses) arising from the remeasurement of foreign currency denominated assets and liabilities of foreign subsidiaries, reversal of a portion of the tax receivable agreement liability (see note 12), gains (losses) arising from the remeasurement of derivative instruments associated with fees from certain of the Company's affiliates, gains arising from extinguishment of contingent consideration obligations and other miscellaneous non-operating income and expenses.

Net Income (Loss) Per Class A Share—U.S. GAAP requires use of the two-class method of computing earnings per share for all periods presented for each class of common stock and participating security as if all earnings for the period had been distributed. Under the two-class method, during periods of net income, the net income is first reduced for distributions declared on all classes of securities to arrive at undistributed earnings. During periods of net losses, the net loss is reduced for distributions declared on participating securities only if the security has the right to participate in the earnings of the entity and an objectively determinable contractual obligation to share in net losses of the entity.

The remaining earnings are allocated to Class A shares and participating securities to the extent that each security shares in earnings as if all of the earnings for the period had been distributed. Earnings or losses allocated to each class of security are then divided by the applicable number of shares to arrive at basic earnings per share. For the diluted earnings, the denominator includes all outstanding Class A shares and includes the number of additional Class A shares that would have been outstanding if the dilutive potential Class A shares had been issued. The numerator is adjusted for any changes in income or loss that would result from the issuance of these potential Class A shares.

Use of Estimates—The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated financial statements, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Apollo's most significant estimates include goodwill, intangible assets, income taxes, carried interest income from affiliates, contingent consideration obligations related to acquisitions, non-cash compensation, and fair value of investments and debt. Actual results could differ materially from those estimates.

Recent Accounting Pronouncements

In April 2014, the FASB issued guidance to improve the definition of discontinued operations and to enhance convergence between the FASB's and International Accounting Standard Board's (IASB) reporting requirements for discontinued operations. The new definition of discontinued operations limits discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity's operations and financial results. The new guidance affects entities that have either of the following: (1) a component of an entity that either is disposed of or meets the criteria under current guidance to be classified as held for sale or (2) a business or nonprofit activity that, on acquisition, meets the criteria under current guidance to be classified as held for sale. The guidance is effective for all disposals (or classifications as held for sale) of components of an entity and

all businesses or nonprofit activities that, on acquisition, are classified as held for sale that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. The adoption of this guidance did not have a material impact on the Company's condensed consolidated financial statements.

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In May 2014, the FASB issued guidance to establish a comprehensive and converged standard on revenue recognition to enable financial statement users to better understand and consistently analyze an entity's revenue across industries, transactions, and geographies. The core principle of the new guidance is that an entity 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. To achieve that core principle, an entity should apply the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The new guidance also specifies the accounting for certain costs to obtain or fulfill a contract with a customer. The new guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. Qualitative and quantitative information is required to be disclosed about: (1) contracts with customers, (2) significant judgments and changes in judgments, and (3) assets recognized from costs to obtain or fulfill a contract. The new guidance will apply to all entities. In July 2015, the FASB voted to approve a one-year deferral of the effective date of the new revenue guidance. The FASB expects to issue its final standard formally amending the effective date by the end of the third quarter 2015. The amended guidance would permit public business entities to apply the new revenue guidance to interim reporting periods within annual reporting periods beginning after December 15, 2017 (i.e., beginning in the first interim period within the year of adoption). Public business entities would be permitted to apply the new revenue guidance early, but not before the original public business entity effective date (i.e., annual periods beginning after December 15, 2016). Public business entities choosing this option will apply the new revenue guidance to all interim reporting periods within the year of adoption. The Company is in the process of evaluating the impact that this guidance will have on its condensed consolidated financial statements, including the timing of the recognition of carried interest income.

In June 2014, the FASB issued guidance to resolve diversity in practice in the accounting for share-based payments where the terms of an award provide that a performance target could be achieved after the requisite service period. The new guidance requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. Accordingly, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. The new guidance applies to all reporting entities that grant their employees share-based payments in which the terms of the award provide that a performance target that affects vesting could be achieved after the requisite service period. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2015. Early application is permitted. The Company is in the process of evaluating the impact that this guidance will have on its condensed consolidated financial statements.

In August 2014, the FASB issued guidance to eliminate diversity in practice in the accounting for measurement differences in both the initial consolidation and subsequent measurement of the financial assets and the financial liabilities of a collateralized financing entity. A reporting entity that consolidates a collateralized financing entity within the scope of the new guidance may elect to measure the financial assets and the financial liabilities of that collateralized financing entity using either the measurement alternative included in the new guidance or the existing

guidance on fair value measurement. When the measurement alternative is not elected for a consolidated collateralized financing entity within the scope of the new guidance, the new guidance clarifies that (1) the fair value of the financial assets and the fair value of the financial liabilities of the consolidated collateralized financing entity should be measured using the requirements of the existing guidance on fair value measurement and (2) any differences in the fair value of the financial assets and the fair value of the financial liabilities of that consolidated collateralized financing entity should be reflected in earnings and attributed to the reporting entity in the consolidated statement of income (loss). When a reporting entity elects the measurement alternative included in the new guidance for a collateralized financing entity, the reporting entity should measure both the financial assets and the financial liabilities of that collateralized financing entity in its consolidated financial statements using the more observable of the fair value of the financial assets and the fair value of the financial liabilities. The guidance applies to a reporting entity that is required to consolidate a collateralized financing entity under the existing variable interest entity guidance when (1) the reporting entity measures all of the financial assets and the financial liabilities of that consolidated collateralized financing entity at fair value in the consolidated financial statements based on other guidance and (2) the changes in the fair values of those financial assets and financial liabilities are reflected in earnings. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2015.

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Early adoption is permitted. As noted earlier, the Company adopted this guidance on a modified retrospective basis by recording a cumulative-effect adjustment to shareholders' equity as of January 1, 2015.

In August 2014, the FASB issued guidance regarding management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The new guidance requires that management evaluate each annual and interim reporting period whether conditions exist that give rise to substantial doubt about the entity's ability to continue as a going concern within one year from the financial statement issuance date, and if so, provide related disclosures. Disclosures are only required if conditions give rise to substantial doubt, whether or not the substantial doubt is alleviated by management's plans. No disclosures are required specific to going concern uncertainties if an assessment of the conditions does not give rise to substantial doubt. Substantial doubt exists when conditions and events, considered in the aggregate, indicate that it is probable that a company will be unable to meet its obligations as they become due within one year after the financial statement issuance date. If substantial doubt is alleviated as a result of the consideration of management's plans, a company should disclose information that enables users of financial statements to understand all of the following (or refer to similar information disclosed elsewhere in the footnotes): (1) principal conditions that initially give rise to substantial doubt, (2) management's evaluation of the significance of those conditions in relation to the company's ability to meet its obligations, and (3) management's plans that alleviated substantial doubt. If substantial doubt is not alleviated after considering management's plans, disclosures should enable investors to understand the underlying conditions, and include the following: (1) a statement indicating that there is substantial doubt about the company's ability to continue as a going concern within one year after the issuance date, (2) the principal conditions that give rise to substantial doubt, (3) management's evaluation of the significance of those conditions in relation to the company's ability to meet its obligations, and (4) management plans that are intended to mitigate the adverse conditions. The new guidance applies to all companies. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2016. Early adoption is permitted. This guidance is not expected to have an impact on the condensed consolidated financial statements of the Company.

In November 2014, the FASB issued guidance to clarify how current U.S. GAAP should be interpreted in evaluating the economic characteristics and risks of a host contract in a hybrid financial instrument that is issued in the form of a share. Specifically, the new guidance clarifies that an entity should consider all relevant terms and features-including the embedded derivative feature being evaluated for bifurcation when evaluating the nature of the host contract. Further, the new guidance clarifies that no single term or feature would necessarily determine the economic characteristics and risks of the host contract. Rather, the nature of the host contract depends upon the economic characteristics and risks of the entire hybrid financial instrument. The new guidance applies to all entities that are issuers of, or investors in, hybrid financial instruments that are issued in the form of a share. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2015. Early adoption is permitted. The Company is in the process of evaluating the impact that this guidance will have on its condensed consolidated financial statements.

In January 2015, the FASB issued guidance to simplify income statement presentation by eliminating the concept of extraordinary items. Existing guidance requires that an entity separately classify, present, and disclose extraordinary events and transactions. If an event or transaction meets the criteria for extraordinary classification, an entity is required to segregate the extraordinary item from the results of ordinary operations and show the item separately in the income statement, net of tax, after income from continuing operations. The entity is also required to disclose applicable income taxes and either present or disclose earnings-per-share data applicable to the extraordinary item. The new guidance eliminates the requirement for reporting entities to consider whether an underlying event or

transaction is extraordinary. However, the presentation and disclosure requirements under existing guidance for items that are unusual in nature or occur infrequently will be retained and will be expanded to include items that are both unusual in nature and infrequently occurring. Under the new guidance, items that are both unusual in nature and infrequently occurring should be presented within income from continuing operations or disclosed in the notes to the financial statements. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2015. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. This guidance is not expected to have an impact on the condensed consolidated financial statements of the Company.

In February 2015, the FASB issued new consolidation guidance which changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. Existing guidance includes different requirements for performing a consolidation analysis if, among other factors, the entity under evaluation is any one of the following: (1) a legal entity that qualifies for the indefinite deferral under the amended consolidation rules, (2) a legal entity that is within the scope of the amended consolidation rules, or (3) a limited partnership or similar entity that is considered a voting interest entity. Under the new guidance, all reporting entities are within the scope of the new standard, including limited partnerships and similar

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legal entities, unless a scope exception applies. The presumption that a general partner controls a limited partnership has been eliminated. In addition, fees paid to decision makers that meet certain conditions (e.g., are both customary and commensurate with the level of effort required for the services provided) no longer cause decision makers to consolidate VIEs in certain instances. The new guidance places more emphasis in the consolidation evaluation on variable interests other than the fee arrangements such as principal investment risk (for example, debt or equity interests), guarantees of the value of the assets or liabilities of the VIE, written put options on the assets of the VIE, or similar obligations, including some liquidity commitments or agreements (explicit or implicit). Additionally, the new guidance reduces the extent to which related party arrangements cause an entity to be considered a primary beneficiary. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period, and adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. A reporting entity may apply the new guidance using either a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption or by applying the amendments retrospectively. As noted in the “Summary of Significant Accounting Policies” above the Company has adopted this guidance on a modified retrospective basis. This guidance has resulted in the deconsolidation of certain investment vehicles the Company manages, as further described in note 4.

In April 2015, the FASB issued guidance to simplify 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 direct deduction from the carrying amount of that debt liability (i.e., versus being capitalized as an asset and amortized as required under existing guidance), consistent with debt discounts. The recognition and measurement guidance for debt issuance costs is not affected by the new guidance (i.e., debt issuance costs will continue to be amortized as an increase to interest expense). The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. An entity should apply the new guidance on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. The Company is in the process of evaluating the impact that this guidance will have on its condensed consolidated financial statements.

In May 2015, the FASB issued guidance to eliminate diversity in practice related to how certain investments measured at net asset value are categorized within the fair value hierarchy. The guidance removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. A reporting entity should continue to disclose information on investments for which fair value is measured at net asset value (or its equivalent) as a practical expedient to help users understand the nature and risks of the investments and whether the investments, if sold, are probable of being sold at amounts different from net asset value. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2015. Pursuant to the guidance, a reporting entity should apply the amendments retrospectively to all periods presented. The retrospective approach requires that an investment for which fair value is measured using the net asset value per share practical expedient be removed from the fair value hierarchy in all periods presented in an entity’s financial statements. Earlier application is permitted. The Company is in the process of evaluating the impact that this guidance will have on its condensed consolidated financial statements.

3. INVESTMENTS

The following table represents Apollo’s investments:

As of	As of
June 30, 2015	December 31, 2014

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Investments, at fair value	\$444,830	\$2,499,128
Equity method investments	529,005	380,878
Total Investments	\$973,835	\$2,880,006

Investments, at Fair Value

Investments, at fair value, consist of financial instruments held by AAA, the Company's investment in Athene Holding, investments held by the Apollo Credit Senior Loan Fund, L.P. ("Apollo Senior Loan Fund"), and other investments held by the Company at fair value. The following table presents the Company's investments, at fair value as of June 30, 2015 and December 31, 2014:

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	As of June 30, 2015				As of December 31, 2014			
	Fair Value	Private Equity	Credit	Total	Fair Value	Private Equity	Credit	Total
Investments, at Fair Value				Cost				Cost
AAA ⁽¹⁾⁽²⁾	\$—	\$—	\$—	\$—	\$2,144,118	\$—	\$2,144,118	\$1,494,358
Athene Holding	30,148	384,578	414,726	387,526	25,104	299,410	324,514	324,293
Apollo Senior Loan Fund	—	29,475	29,475	29,335	—	29,896	29,896	30,100
Other Investments	482	147	629	621	486	114	600	3,318
Total	\$30,630	\$414,200	\$444,830	\$417,482	\$2,169,708	\$329,420	\$2,499,128	\$1,852,069

(1) AAA has been deconsolidated effective January 1, 2015 as a result of the Company's adoption of new guidance, as described in note 2.

(2) As of December 31, 2014, the financial instruments held by AAA represented 98.6% of net assets of consolidated funds (excluding VIEs).

Athene Holding

As further described in note 12, during 2014, Athene Holding raised \$1.2 billion of net equity commitments (the "Athene Private Placement"), which was priced at \$26 per common share of Athene Holding. In connection with the Athene Private Placement, both the Athene Services Derivative and the AAA Services Derivative (as defined in note 12) were settled on April 29, 2014 by delivery to Apollo of common shares of Athene Holding, and as a result, such derivatives were terminated. Following settlement of these derivatives, future monitoring fees and management fees paid to Apollo pursuant to the Amended Athene Services Agreement and the Amended AAA Services Agreement, respectively, will be paid on a quarterly basis in arrears by delivery to Apollo of common shares of Athene Holding (unless such payment in shares would violate Section 16(b) of the Exchange Act).

The Company elected the fair value option for its investment in Athene Holding at the time of settlement of the Athene Services Derivative and AAA Services Derivative. The Company has classified this investment as a Level III asset in the fair value hierarchy, as the pricing inputs into the determination of fair value require significant judgment and estimation. The investment is valued based on the price of a common share of Athene Holding, which at June 30, 2015 and December 31, 2014 was determined using the embedded value method based on the present value of the future expected regulatory distributable income generated by the net assets of Athene plus the excess capital (i.e., the capital in excess of what is required to be held against Athene's liabilities). The net assets of Athene consist of the current and projected assets less the current and projected liabilities related to in force insurance contracts. For purposes of the excess capital calculation the assets are valued at fair value using our valuation methodology disclosed in note 2. The approach of using actuarially projected asset and liability income to value an insurance company is widely used by market participants in the insurance industry, particularly in private company acquisitions. The embedded value of the in force insurance contracts incorporates actuarial projections of expected income utilizing most recently available policyholder contract and experience data, industry information and assumptions, general economic and market conditions, and other factors deemed relevant, including the cost of capital. In addition, consideration is also given to comparable company multiples in the determination of fair value. See note 5 for further discussion regarding fair value leveling and note 12 for further information regarding Athene.

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Apollo Senior Loan Fund

On December 31, 2011, the Company became the sole investor in the Apollo Senior Loan Fund and therefore consolidated the assets and liabilities of the fund. The fund invests in U.S. denominated senior secured loans, senior secured bonds and other income generating fixed-income investments. The Company has classified the instruments associated with the Apollo Senior Loan Fund investment within the respective level in the fair value hierarchy. See note 5 for further discussion regarding fair value leveling.

Net Gains (Losses) from Investment Activities

Net gains (losses) from investment activities in the condensed consolidated statements of operations include net realized gains (losses) from sales of investments, and the change in net unrealized gains (losses) resulting from changes in fair value or reversal of realization of gains/losses of the consolidated funds' investments and realization of previously unrealized gains/losses. Additionally, net gains from investment activities include changes in the fair value of investments held at fair value. The following tables present Apollo's net gains (losses) from investment activities for the three and six months ended June 30, 2015 and 2014:

	For the Three Months Ended June 30, 2015		
	Private Equity	Credit	Total
Realized gains on sales of investments	\$—	\$137	\$137
Change in net unrealized gains due to changes in fair values	998	23,289	24,287
Net Gains from Investment Activities	\$998	\$23,426	\$24,424
	For the Three Months Ended June 30, 2014		
	Private Equity	Credit	Total
Realized gains on sales of investments	\$—	\$41	\$41
Change in net unrealized gains due to changes in fair values	(436)	(9,139)	(9,575)
Net Gains from Investment Activities	\$(436)	\$(9,098)	\$(9,534)
	For the Six Months Ended June 30, 2015		
	Private Equity	Credit	Total
Realized gains on sales of investments	\$—	\$153	\$153
Change in net unrealized gains due to changes in fair values	998	25,391	26,389
Net Gains from Investment Activities	\$998	\$25,544	\$26,542
	For the Six Months Ended June 30, 2014		
	Private Equity	Credit	Total
Realized gains on sales of investments	\$—	\$153	\$153
Change in net unrealized gains due to changes in fair values	204,927	8,794	213,721
Net Gains from Investment Activities	\$204,927	\$8,947	\$213,874

Equity Method Investments

Apollo's equity method investments include its investments in Apollo private equity, credit and real estate funds, which are not consolidated, but in which the Company exerts significant influence. Apollo's share of operating income generated by these investments is recorded within income from equity method investments in the condensed consolidated statements of operations.

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Equity method investments as of June 30, 2015 and December 31, 2014 consisted of the following:

	Equity Held as of			December	% of
	June 30,	% of		31, 2014	Ownership
	2015	Ownership			
Private Equity Funds:					
AP Alternative Assets, L.P. ("AAA") ⁽⁶⁾	\$54,153	2.370	%	\$—	—
AAA Investments, L.P. ("AAA Investments")	1,377	0.057		1,293	0.057
Apollo Investment Fund IV, L.P. ("Fund IV")	8	0.036		8	0.022
Apollo Investment Fund V, L.P. ("Fund V")	60	0.041		68	0.031
Apollo Investment Fund VI, L.P. ("Fund VI")	2,812	0.118		6,173	0.114
Apollo Investment Fund VII, L.P. ("Fund VII")	73,038	1.231		78,286	1.223
Apollo Investment Fund VIII, L.P. ("Fund VIII")	84,741	2.235		33,099	2.241
Apollo Natural Resources Partners, L.P. ("ANRP")	7,120	0.822		5,608	0.807
AION Capital Partners Limited ("AION")	17,301	5.961		14,707	6.113
Apollo Asia Private Credit Fund, L.P. ("APC")	53	0.044		47	0.044
VC Holdings, L.P. Series A ("Vantium A/B")	15	6.450		12	6.450
VC Holdings, L.P. Series C ("Vantium C")	63	2.071		48	2.071
VC Holdings, L.P. Series D ("Vantium D")	170	6.345		180	6.345
Total Private Equity Funds ⁽⁵⁾	240,911			139,529	
Credit Funds:					
Apollo Special Opportunities Managed Account, L.P. ("SOMA")	6,707	0.816		6,997	0.841
Apollo Value Strategic Fund, L.P. ("VIF")	140	0.088		146	0.067
Apollo Strategic Value Fund, L.P. ("SVF")	9	0.035		10	0.033
Apollo Credit Liquidity Fund, L.P. ("ACLF")	2,478	2.936		4,128	2.771
Apollo Credit Opportunity Fund I, L.P. ("COF I")	2,165	1.879		2,298	1.870
Apollo Credit Opportunity Fund II, L.P. ("COF II")	2,018	1.489		2,249	1.497
Apollo Credit Opportunity Fund III, L.P. ("COF III")	14,599	1.040		13,102	1.061
Apollo European Principal Finance Fund, L.P. ("EPF I")	5,428	1.371		7,647	1.449
Apollo European Principal Finance Fund II, L.P. ("EPF II")	38,677	1.760		44,523	1.760
Apollo Investment Europe II, L.P. ("AIE II")	2,286	4.058		3,203	1.937
Apollo Europe Co-Investors III (D), LLC ("AIE III")	2,366	2.922		1,540	2.914
Apollo Palmetto Strategic Partnership, L.P. ("Palmetto")	14,543	1.186		14,049	1.186
Apollo Senior Floating Rate Fund Inc. ("AFT")	92	0.034		86	0.031
Apollo Residential Mortgage, Inc. ("AMTG") ⁽³⁾	4,311	(1) 0.592	(1)	4,263	(2) 0.593
Apollo European Credit, L.P. ("AEC")	2,431	1.081		2,443	1.081
Apollo European Strategic Investments, L.P. ("AESI") ⁽³⁾	3,025	0.990		3,834	0.990
Apollo European Strategic Investments II, L.P. ("AESI II")	571	0.990		123	0.990
Apollo Centre Street Partnership, L.P. ("ACSP")	10,504	2.484		11,474	2.439
Apollo Investment Corporation ("AINV") ⁽⁴⁾	63,397	(1) 3.212	(1)	64,382	(2) 3.057
Apollo SK Strategic Investments, L.P. ("SK")	1,707	0.990		1,693	0.990

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Apollo SPN Investments I, L.P.	5,393	0.574	5,500	0.720
CION Investment Corporation ("CION")	1,000	0.142	1,000	0.206
Apollo Tactical Income Fund Inc. ("AIF")	83	0.031	84	0.032
Apollo Franklin Partnership, L.P. ("Franklin Fund")	9,255	9.091	9,647	9.091
Apollo Zeus Strategic Investments, L.P. ("Zeus")	7,589	3.398	6,404	3.392
Apollo Lincoln Fixed Income Fund, L.P.	1,863	1.089	1,398	0.993
Apollo Lincoln Private Credit Fund, L.P.	252	0.990	194	0.990
Apollo Structured Credit Recovery Master Fund III, L.P.	1,225	0.278	315	0.126
Apollo Total Return Fund L.P.	165	0.039	163	0.046
Apollo Credit Short Opportunities Fund L.P.	18	0.016	19	0.027
MidCap FinCo Limited ("MidCap")	50,228	5.408	—	—
Apollo Energy Opportunity Fund, L.P. ("AEOF")	2,766	2.439	—	—
Apollo A-N Credit Fund, L.P.	1,537	1.970	—	—
Total Credit Funds ⁽⁵⁾	258,828		212,914	
Real Estate:				
ARI ⁽³⁾	14,075	(1) 1.200	(1) 13,989	(2) 1.495 (2)
AGRE U.S. Real Estate Fund, L.P.	10,878	2.660	10,519	1.845
CPI Capital Partners North America, L.P.	122	0.410	137	0.408
CPI Capital Partners Europe, L.P.	5	0.001	5	0.001

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CPI Capital Partners Asia Pacific, L.P.	92	0.039	96	0.039
Apollo GSS Holding (Cayman), L.P.	3,552	4.750	3,564	4.750
BEA/AGRE China Real Estate Fund, L.P.	90	1.031	87	1.031
Other	452	NM	38	NM
Total Real Estate Funds ⁽⁵⁾	29,266		28,435	
Total	\$529,005		\$380,878	

(1) Amounts are as of March 31, 2015.

(2) Amounts are as of September 30, 2014.

Investment value includes the fair value of RSUs granted to the Company as of the grant date. These amounts are

(3) not considered in the percentage of ownership until the RSUs are vested and issued to the Company, at which point the RSUs are converted to common stock and delivered to the Company.

(4) The value of the Company's investment in AINV was \$53,842 and \$53,693 based on the quoted market price as of June 30, 2015 and December 31, 2014, respectively.

(5) Certain funds invest across multiple segments. The presentation in the table above is based on the classification of the majority of such funds' investments.

AAA has been deconsolidated effective January 1, 2015 as a result of the Company's adoption of new accounting

(6) guidance, as described in note 2. As a result, the Company's investment in AAA no longer eliminates in consolidation.

As of June 30, 2015 and December 31, 2014 and for the three and six months ended June 30, 2015 and 2014, no equity method investment held by Apollo met the significance criteria as defined by the SEC. As such, Apollo is not required to present summarized income statement information for any of its equity method investments.

4. VARIABLE INTEREST ENTITIES

As described in note 2, the Company consolidates entities that are VIEs for which the Company has been designated as the primary beneficiary. The purpose of such VIEs is to provide strategy-specific investment opportunities for investors in exchange for management and performance based fees. The investment strategies of the entities that the Company manages may vary by entity; however, the fundamental risks of such entities have similar characteristics, including loss of invested capital and the return of carried interest income previously distributed to the Company by certain private equity, credit, and real estate entities. The nature of the Company's involvement with VIEs includes direct and indirect investments and fee arrangements. The Company does not provide performance guarantees and has no other financial obligations to provide funding to VIEs other than its own capital commitments. There is no recourse to the Company for the consolidated VIEs' liabilities.

Consolidated Variable Interest Entities

Apollo has consolidated VIEs in accordance with the policy described in note 2. Through its role as investment manager of these VIEs, the Company determined that Apollo has the power to direct the activities that most significantly impact the economic performance of these VIEs. Additionally, Apollo determined that its interests, both directly and indirectly from these VIEs, represent rights to returns that could potentially be significant to such VIEs. As a result, Apollo determined that it is the primary beneficiary and therefore should consolidate the VIEs.

Deconsolidation of CLOs

CLOs are generally determined to be VIEs if they are formed solely to issue collateralized notes in the legal form of debt and therefore do not have sufficient total equity investment at risk to permit the entity to finance its activities without additional subordinated financial support. Prior to adoption of the new consolidation guidance, Apollo was considered to possess a controlling financial interest in, and therefore consolidated, such CLOs as Apollo's role as

collateral manager provided the Company with the power to direct the activities that most significantly impacted the CLO's economic performance and the Company had the right to receive certain benefits from the CLO through incentive fees that could potentially be significant to the CLO. Under the new guidance, the majority of these CLOs have been deconsolidated as the incentive fees received by Apollo from the deconsolidated CLOs are not considered variable interests. Accordingly, the Company deconsolidated approximately \$14.6 billion in assets and \$13.7 billion in liabilities related to these entities reflected as of January 1, 2015. The net impact of the deconsolidation is reflected in the condensed consolidated statement of changes in shareholders' equity for the six months ended June 30, 2015. As a result of the adoption, certain deconsolidation adjustments have been recorded to various line items on the condensed consolidated financial statements have been adjusted to remove the impact of intercompany eliminations. These adjustments impacted multiple line items within total revenues and other income, as well as net income attributable to Non-

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controlling Interests on the condensed consolidated statements of operations, as well as multiple line items within the condensed consolidated statements of financial condition, including goodwill.

Consolidated CLOs

Certain CLOs remain consolidated by Apollo as the Company continues to be considered to hold a controlling financial interest through direct and indirect interests in these CLOs exclusive of management and performance based fees received. Through its role as collateral manager of these VIEs, the Company determined that Apollo had the power to direct the activities that most significantly impact the economic performance of these VIEs. These CLOs were formed for the sole purpose of issuing collateralized notes to investors. The assets of these VIEs are primarily comprised of senior secured loans and the liabilities are primarily comprised of debt.

The assets of these consolidated CLOs are not available to creditors of the Company. In addition, the investors in these consolidated VIEs have no recourse against the assets of the Company. The Company has elected the fair value option for financial instruments held by its consolidated CLOs, which includes investments in loans and corporate bonds, as well as debt obligations and contingent obligations held by such consolidated CLOs. Other assets include amounts due from brokers and interest receivables. Other liabilities include payables for securities purchased, which represent open trades within the consolidated VIEs and primarily relate to corporate loans that are expected to settle within the next 60 days. From time to time, Apollo makes investments into certain consolidated CLOs denominated in foreign currencies. As of June 30, 2015, the Company had invested \$44.1 million in consolidated foreign currency denominated CLOs, which eliminates in consolidation.

Pursuant to the terms of certain bank loan agreements, the consolidated VIEs have unfunded contingent liabilities of \$7.7 million as of June 30, 2015.

Investment in Champ L.P.

On September 30, 2014, the Company, through a wholly-owned subsidiary, acquired a 25.6% ownership interest in Champ L.P. following which a wholly-owned subsidiary of Champ L.P. then acquired a 35% ownership interest in KBC Bank Deutschland AG (“KBC Bank”), the German subsidiary of Belgian KBC Group NV (the “KBC Transaction”). Following the closing of the transaction, KBC Bank was renamed Bremer Kreditbank AG and the bank will operate under the name BKB Bank. As of June 30, 2015, the Company had invested \$16.6 million in Champ L.P. The Company, together with other affiliated investors, in aggregate, own 100% of Champ L.P.