

Apollo Global Management LLC
Form 10-Q
August 09, 2013
Table of Contents

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, 2013 OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number: 001-35107

APOLLO GLOBAL MANAGEMENT, LLC

(Exact name of Registrant as specified in its charter)

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

Delaware
(State or other jurisdiction of
incorporation or organization)

20-8880053
(I.R.S. Employer
Identification No.)

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)

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

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

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 9, 2013 there were 141,811,799 Class A shares and 1 Class B share outstanding.

Table of Contents

TABLE OF CONTENTS

| | Page |
|---|-------------|
| PART I FINANCIAL INFORMATION | |
| Item 1. FINANCIAL STATEMENTS | |
| Unaudited Condensed Consolidated Financial Statements | |
| <u>Condensed Consolidated Statements of Financial Condition (Unaudited) as of June 30, 2013 and December 31, 2012</u> | 6 |
| <u>Condensed Consolidated Statements of Operations (Unaudited) for the Three and Six Months Ended June 30, 2013 and 2012</u> | 7 |
| <u>Condensed Consolidated Statements of Comprehensive Income (Unaudited) for the Three and Six Months Ended June 30, 2013 and 2012</u> | 8 |
| <u>Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited) for the Six Months Ended June 30, 2013 and 2012</u> | 9 |
| <u>Condensed Consolidated Statements of Cash Flows (Unaudited) for the Six Months Ended June 30, 2013 and 2012</u> | 10 |
| <u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u> | 13 |
| ITEM 2. <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u> | 79 |
| ITEM 3. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u> | 158 |
| ITEM 4. <u>CONTROLS AND PROCEDURES</u> | 160 |
| PART II OTHER INFORMATION | |
| ITEM 1. <u>LEGAL PROCEEDINGS</u> | 160 |
| ITEM 1A. <u>RISK FACTORS</u> | 162 |
| ITEM 2. <u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u> | 162 |
| ITEM 3. <u>DEFAULTS UPON SENIOR SECURITIES</u> | 162 |
| ITEM 4. <u>MINE SAFETY DISCLOSURES</u> | 162 |
| ITEM 5. <u>OTHER INFORMATION</u> | 162 |
| ITEM 6. <u>EXHIBITS</u> | 163 |
| <u>SIGNATURES</u> | 168 |

Table of Contents

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, its 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 (SEC) on March 1, 2013, 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 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;

AMH refers to Apollo Management Holdings, L.P., a Delaware limited partnership owned by APO Corp. and Holdings;

Apollo funds and our funds refer to the funds, alternative asset companies and other entities that are managed by the Apollo Operating Group;

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 investments we manage or with respect to which we have control, including capital we have the right to call from our investors pursuant to their capital commitments to various funds. Our AUM equals the sum of:

- (i) the fair value of our private equity investments plus the capital that we are entitled to call from our investors pursuant to the terms of their capital commitments to the extent a fund is within the commitment period in which management fees are calculated based on total commitments to the fund;
- (ii) the net asset value, or NAV, of our credit funds, other than certain collateralized loan obligations (CLOs), which we measure by using the mark-to-market value of the aggregate principal amount of the underlying CLO and collateralized debt obligation (CDO) credit funds that have a fee generating basis other than mark-to-market assets or liabilities, plus used or available leverage and/or capital commitments;
- (iii) the gross asset value or net asset value of our real estate entities and the structured portfolio company investments included within the funds we manage, which includes the leverage used by such structured portfolio companies;
- (iv) the incremental value associated with the reinsurance investments of the portfolio company assets that we manage; and

- (v) the fair value of any other investments that we manage plus unused credit facilities, including capital commitments for investments that may require pre-qualification before investment plus any other capital commitments available for investment that are not otherwise included in the clauses above.

Table of Contents

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 that we manage and on which we earn management fees or monitoring fees pursuant to management agreements on a basis that varies among the Apollo funds. 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 contributions, each as defined in the applicable management agreement. Monitoring fees, also referred to as advisory fees, generally are based on the total value of certain 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.

We use non-fee generating AUM combined with fee-generating AUM as a performance measurement of our 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;

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 own (through Holdings) Apollo Operating Group units;

feeder funds refer to funds that operate by placing substantially all of their assets in, and conducting substantially all of their investment and trading activities through, a master fund, which is designed to facilitate collective investment by the participating feeder funds. With respect to certain of our funds that are organized in a master-feeder structure, the feeder funds are permitted to make investments outside the master fund when deemed appropriate by the fund's investment manager;

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

gross IRR of a private equity fund represents the cumulative investment-related cash flows for all of the investors in the fund on the basis of the actual timing of investment inflows and outflows (for unrealized investments assuming disposition on June 30, 2013 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;

Holdings means AP Professional Holdings, L.P., a Cayman Islands exempted limited partnership through which our Managing Partners and Contributing Partners hold 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;

Table of Contents

net IRR of a private equity fund means the gross IRR applicable to all investors, including related parties which may not pay fees, net of management fees, organizational expenses, transaction costs, and certain other fund expenses (including interest incurred by the fund itself). The realized and the estimated unrealized value is adjusted such that up to 20.0% of the unrealized gain is allocated to the general partner, thereby reducing the balance attributable to fund investors carried interest all offset to the extent of interest income, and measures returns based on amounts that, if distributed, would be paid to investors of the fund, to the extent that an private equity fund exceeds all requirements detailed within the applicable fund agreement;

net return represents the calculated return that is based on month-to-month changes in net assets and is calculated using the returns that have been geometrically linked based on capital contributions, distributions and dividend reinvestments, as applicable;

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

permanent capital means capital of publicly traded vehicles 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, such as AP Alternative Assets, L.P. (AAA), Apollo Investment Corporation, Apollo Commercial Real Estate Finance, Inc., Apollo Residential Mortgage, Inc., Apollo Tactical Income Fund Inc., and Apollo Senior Floating Rate Fund Inc.; such publicly traded vehicles may be required, or elect, to return all or a portion of capital gains and investment income;

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; and

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

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
CONDENSED CONSOLIDATED STATEMENTS
OF FINANCIAL CONDITION (UNAUDITED)
(dollars in thousands, except share data)

| | June 30, 2013 | December 31, 2012 |
|--|----------------------|----------------------|
| Assets: | | |
| Cash and cash equivalents | \$ 1,203,090 | \$ 946,225 |
| Cash and cash equivalents held at Consolidated Funds | 410 | 1,226 |
| Restricted cash | 8,356 | 8,359 |
| Investments | 2,134,061 | 2,138,096 |
| Assets of consolidated variable interest entities: | | |
| Cash and cash equivalents | 1,517,488 | 1,682,696 |
| Investments, at fair value | 12,221,322 | 12,689,535 |
| Other assets | 411,661 | 299,978 |
| Carried interest receivable | 2,014,745 | 1,878,256 |
| Due from affiliates | 209,280 | 173,312 |
| Fixed assets, net | 50,945 | 53,452 |
| Deferred tax assets | 631,579 | 542,208 |
| Other assets | 53,384 | 36,765 |
| Goodwill | 48,894 | 48,894 |
| Intangible assets, net | 114,809 | 137,856 |
| Total Assets | \$ 20,620,024 | \$ 20,636,858 |
| Liabilities and Shareholders Equity | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 43,381 | \$ 38,337 |
| Accrued compensation and benefits | 77,152 | 56,125 |
| Deferred revenue | 296,455 | 252,157 |
| Due to affiliates | 546,970 | 477,451 |
| Profit sharing payable | 908,193 | 857,724 |
| Debt | 728,273 | 737,818 |
| Liabilities of consolidated variable interest entities: | | |
| Debt, at fair value | 10,835,271 | 11,834,955 |
| Other liabilities | 888,577 | 634,053 |
| Other liabilities | 58,700 | 44,855 |
| Total Liabilities | 14,382,972 | 14,933,475 |
| Commitments and Contingencies (see note 12) | | |
| Shareholders Equity: | | |
| Apollo Global Management, LLC shareholders equity: | | |
| Class A shares, no par value, unlimited shares authorized, 141,722,471 shares and 130,053,993 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively | | |
| Class B shares, no par value, unlimited shares authorized, 1 share issued and outstanding at June 30, 2013 and December 31, 2012 | | |
| Additional paid in capital | 2,931,769 | 3,043,334 |
| Accumulated deficit | (1,876,068) | (2,142,020) |
| Appropriated partners capital | 1,667,453 | 1,765,360 |

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

| | | |
|--|----------------------|----------------------|
| Accumulated other comprehensive income | 139 | 144 |
| Total Apollo Global Management, LLC shareholders' equity | 2,723,293 | 2,666,818 |
| Non-Controlling Interests in consolidated entities | 2,229,350 | 1,893,212 |
| Non-Controlling Interests in Apollo Operating Group | 1,284,409 | 1,143,353 |
| Total Shareholders' Equity | 6,237,052 | 5,703,383 |
| Total Liabilities and Shareholders' Equity | \$ 20,620,024 | \$ 20,636,858 |

See accompanying notes to condensed consolidated financial statements.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
CONDENSED CONSOLIDATED STATEMENTS

OF OPERATIONS (UNAUDITED)

(dollars in thousands, except share data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|------------------|------------------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Revenues: | | | | |
| Advisory and transaction fees from affiliates | \$ 65,085 | \$ 69,777 | \$ 112,504 | \$ 97,013 |
| Management fees from affiliates | 155,070 | 143,326 | 305,517 | 270,504 |
| Carried interest income (loss) from affiliates | 277,106 | (1,475) | 1,388,313 | 620,854 |
| Total Revenues | 497,261 | 211,628 | 1,806,334 | 988,371 |
| Expenses: | | | | |
| Compensation and benefits: | | | | |
| Equity-based compensation | 43,501 | 142,114 | 88,787 | 290,980 |
| Salary, bonus and benefits | 69,282 | 74,948 | 142,678 | 140,019 |
| Profit sharing expense | 124,229 | 19,851 | 547,849 | 268,875 |
| Incentive fee compensation | 3,015 | (27) | 3,015 | 8 |
| Total Compensation and Benefits | 240,027 | 236,886 | 782,329 | 699,882 |
| Interest expense | 7,594 | 10,567 | 15,112 | 21,947 |
| Professional fees | 21,665 | 16,832 | 37,725 | 28,359 |
| General, administrative and other | 26,037 | 23,575 | 48,978 | 42,782 |
| Placement fees | 3,120 | 8,131 | 12,478 | 9,052 |
| Occupancy | 10,149 | 8,990 | 19,954 | 17,716 |
| Depreciation and amortization | 14,195 | 11,981 | 28,813 | 20,454 |
| Total Expenses | 322,787 | 316,962 | 945,389 | 840,192 |
| Other (Loss) Income: | | | | |
| Net gains (losses) from investment activities | 1,116 | (28,214) | 53,249 | 129,494 |
| Net (losses) gains from investment activities of consolidated variable interest entities | (35,198) | 31,763 | 12,663 | 15,562 |
| Income (loss) from equity method investments | 20,090 | (839) | 47,880 | 42,412 |
| Interest income | 3,049 | 2,202 | 6,140 | 3,816 |
| Other income, net | 2,778 | 1,945,549 | 4,076 | 1,951,365 |
| Total Other (Loss) Income | (8,165) | 1,950,461 | 124,008 | 2,142,649 |
| Income before income tax provision | 166,309 | 1,845,127 | 984,953 | 2,290,828 |
| Income tax provision | (18,139) | (10,650) | (36,718) | (25,210) |
| Net Income | 148,170 | 1,834,477 | 948,235 | 2,265,618 |
| Net income attributable to Non-Controlling Interests | (89,433) | (1,875,863) | (640,520) | (2,208,961) |
| | \$ 58,737 | \$ (41,386) | \$ 307,715 | \$ 56,657 |

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

Net Income (Loss) Attributable to Apollo Global Management, LLC

| | | | | | | | | | |
|--|--|----|------|----|------|----|------|----|------|
| Distributions Declared per Class A Share | | \$ | 0.57 | \$ | 0.25 | \$ | 1.62 | \$ | 0.71 |
|--|--|----|------|----|------|----|------|----|------|

Net Income Per Class A Share:

| | | | | | | | | | |
|-------------------------------------|-------|----|------|----|--------|----|------|----|------|
| Net Income (Loss) Per Class A Share | Basic | \$ | 0.32 | \$ | (0.38) | \$ | 1.94 | \$ | 0.32 |
|-------------------------------------|-------|----|------|----|--------|----|------|----|------|

| | | | | | | | | | |
|-------------------------------------|---------|----|------|----|--------|----|------|----|------|
| Net Income (Loss) Per Class A Share | Diluted | \$ | 0.32 | \$ | (0.38) | \$ | 1.93 | \$ | 0.32 |
|-------------------------------------|---------|----|------|----|--------|----|------|----|------|

| | | | | | | | | | |
|---|-------|--|-------------|--|-------------|--|-------------|--|-------------|
| Weighted Average Number of Class A Shares | Basic | | 137,289,147 | | 126,457,443 | | 134,285,776 | | 125,863,348 |
|---|-------|--|-------------|--|-------------|--|-------------|--|-------------|

| | | | | | | | | | |
|---|---------|--|-------------|--|-------------|--|-------------|--|-------------|
| Weighted Average Number of Class A Shares | Diluted | | 137,289,147 | | 126,457,443 | | 138,104,463 | | 126,260,767 |
|---|---------|--|-------------|--|-------------|--|-------------|--|-------------|

See accompanying notes to condensed consolidated financial statements.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
CONDENSED CONSOLIDATED STATEMENTS
OF COMPREHENSIVE INCOME (UNAUDITED)

(dollars in thousands, except share data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|---------------------|------------------------------|---------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Net Income | \$ 148,170 | \$ 1,834,477 | \$ 948,235 | \$ 2,265,618 |
| Other Comprehensive Income, net of tax: | | | | |
| Net unrealized gain on interest rate swaps (net of taxes of \$0 and \$237 for Apollo Global Management, LLC for the three months ended June 30, 2013 and 2012, respectively, and \$0 and \$237 for Apollo Global Management, LLC for the six months ended June 30, 2013 and 2012, respectively, and \$0 for Non-Controlling Interests in Apollo Operating Group for both the three and six months ended June 30, 2013 and 2012) | | 1,223 | | 2,825 |
| Net loss on available-for-sale securities (from equity method investment) | (3) | (5) | (5) | (3) |
| Total Other Comprehensive (Loss) Income, net of tax | (3) | 1,218 | (5) | 2,822 |
| Comprehensive Income | 148,167 | 1,835,695 | 948,230 | 2,268,440 |
| Comprehensive (Income) Loss attributable to Non-Controlling Interests | (129,676) | 86,283 | (642,521) | (278,318) |
| Comprehensive Income Attributable to Apollo Global Management, LLC | \$ 18,491 | \$ 1,921,978 | \$ 305,709 | \$ 1,990,122 |

See accompanying notes to condensed consolidated financial statements.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES
IN SHAREHOLDERS' EQUITY (UNAUDITED)
SIX MONTHS ENDED JUNE 30, 2013 AND 2012
(dollars in thousands, except share data)

| | Apollo Global Management, LLC Shareholders | | | | | | | Total Apollo Global | Non-Controlling Interests in | | Total |
|---|--|-------------------|----------------------------------|------------------------|-------------------------------------|---|-------------------------------------|-------------------------------------|--|------------------------------|------------------------|
| | Class A Shares | Class B Shares | Additional Paid in Capital | Accumulated Deficit | Appropriated Partners Capital | Accumulated Other Comprehensive (Loss) Income | LLC Total Shareholders Equity | LLC Total Shareholders Equity | Interests in Consolidated Entities | Apollo Operating Group | Shareholders Equity |
| Balance at January 1, 2012 | 123,923,042 | 1 | \$ 2,939,492 | \$ (2,426,197) | \$ 213,594 | \$ (488) | \$ 726,401 | \$ 1,444,767 | \$ 477,153 | \$ 2,648,321 | |
| Capital increase related to equity-based compensation | | | 137,305 | | | | 137,305 | | 152,412 | 289,717 | |
| Capital contributions | | | | | | | | 63,560 | | 63,560 | |
| Cash distributions | | | | | | | | (206,751) | | (206,751) | |
| Distributions | | | (106,131) | | (49,598) | | (155,729) | | (181,423) | (337,152) | |
| Distributions related to deliveries of Class A shares for RSUs | 2,537,698 | | 45 | (16,915) | | | (16,870) | | | (16,870) | |
| Purchase of AAA shares | | | | | | | | (100,046) | | (100,046) | |
| Non-cash distributions | | | | (801) | | | (801) | (9,499) | | (10,300) | |
| Non-cash contribution to Non-Controlling Interests | | | | | | | | 1,247 | 280 | 1,527 | |
| Capital increase related to business acquisition | | | 14,001 | | | | 14,001 | | | 14,001 | |
| Non-Controlling Interests in consolidated entities at acquisition date | | | | | | | | 306,351 | | 306,351 | |
| Net transfers of AAA ownership interest to (from) Non-Controlling Interests in consolidated entities | | | 88 | | | | 88 | (88) | | | |
| Satisfaction of liability related to AAA RDUs | | | (455) | | | | (455) | | | (455) | |
| Net income | | | | 56,657 | 1,932,653 | | 1,989,310 | 127,749 | 148,559 | 2,265,618 | |
| Net loss on available-for-sale securities (from equity method investment) | | | | | | (3) | (3) | | | (3) | |
| Net unrealized gain on interest rate swaps (net of taxes of \$237 and \$0 for Apollo Global Management, LLC and Non-Controlling | | | | | | 815 | 815 | | 2,010 | 2,825 | |

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

Interests in Apollo
Operating Group,
respectively)

| | | | | | | | | | | |
|--|--------------------|----------|---------------------|-----------------------|---------------------|---------------|---------------------|---------------------|---------------------|---------------------|
| Balance at June 30, 2012 | 126,460,740 | 1 | \$ 2,984,345 | \$ (2,387,256) | \$ 2,096,649 | \$ 324 | \$ 2,694,062 | \$ 1,627,290 | \$ 598,991 | \$ 4,920,343 |
| Balance at January 1, 2013 | 130,053,993 | 1 | \$ 3,043,334 | \$ (2,142,020) | \$ 1,765,360 | \$ 144 | \$ 2,666,818 | \$ 1,893,212 | \$ 1,143,353 | \$ 5,703,383 |
| Dilution impact of issuance of Class A shares | | | 4,545 | | | | 4,545 | | | 4,545 |
| Capital increase related to equity-based compensation | | | 68,058 | | | | 68,058 | | 19,163 | 87,221 |
| Capital contributions | | | | | | | | 444,678 | | 444,678 |
| Distributions | | | (258,816) | | (95,906) | | (354,722) | (78,927) | (439,017) | (872,666) |
| Distributions related to deliveries of Class A shares for RSUs | 2,899,114 | | 10,911 | (41,763) | | | (30,852) | | | (30,852) |
| Purchase of AAA shares | | | | | | | | (62,326) | | (62,326) |
| Net transfers of AAA ownership interest to (from) Non-Controlling Interests in consolidated entities | | | (1,921) | | | | (1,921) | 1,921 | | |
| Satisfaction of liability related to AAA RDUs | | | 1,027 | | | | 1,027 | | | 1,027 |
| Exchange of AOG Units for Class A Shares | 8,769,364 | | 64,631 | | | | 64,631 | | (50,819) | 13,812 |
| Net income (loss) | | | | 307,715 | (2,001) | | 305,714 | 30,792 | 611,729 | 948,235 |
| Net loss on available-for-sale securities (from equity method investment) | | | | | | (5) | (5) | | | (5) |
| Balance at June 30, 2013 | 141,722,471 | 1 | \$ 2,931,769 | \$ (1,876,068) | \$ 1,667,453 | \$ 139 | \$ 2,723,293 | \$ 2,229,350 | \$ 1,284,409 | \$ 6,237,052 |

See accompanying notes to condensed consolidated financial statements.

Table of Contents**APOLLO GLOBAL MANAGEMENT, LLC****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)****SIX MONTHS ENDED JUNE 30, 2013 AND 2012****(dollars in thousands, except share data)**

| | 2013 | 2012 |
|---|------------------|-----------------|
| Cash Flows from Operating Activities: | | |
| Net income | \$ 948,235 | \$ 2,265,618 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Equity-based compensation | 88,787 | 290,980 |
| Depreciation and amortization | 5,766 | 4,793 |
| Amortization of intangible assets | 23,047 | 15,661 |
| Amortization of debt issuance costs | 320 | 255 |
| Unrealized losses from investment in HFA and other investments | 2,092 | 10,024 |
| Non-cash interest income | (1,656) | (1,562) |
| Income from equity awards received for directors' fees | (516) | (2,563) |
| Income from equity method investment | (47,880) | (42,412) |
| Unrealized gain on market value on derivatives | (284) | |
| Waived management fees | | (13,581) |
| Non-cash compensation expense related to waived management fees | | 13,581 |
| Change in fair value of contingent obligations | 9,919 | |
| Deferred taxes, net | 31,509 | 18,230 |
| Loss on disposal of assets | 29 | 911 |
| Gain on business acquisitions | | (1,951,169) |
| Changes in assets and liabilities: | | |
| Carried interest receivable | (136,488) | (398,151) |
| Due from affiliates | (34,517) | (69,059) |
| Other assets | (16,938) | 4,614 |
| Accounts payable and accrued expenses | 5,044 | 10,728 |
| Accrued compensation and benefits | 19,778 | 19,915 |
| Deferred revenue | 44,298 | 43,512 |
| Due to affiliates | (37,598) | 51,640 |
| Profit sharing payable | 40,550 | 195,318 |
| Other liabilities | 501 | (3,541) |
| Apollo Funds related: | | |
| Net realized gains from investment activities | (84,326) | (14,770) |
| Net unrealized losses (gains) from investment activities | 58,505 | (191,058) |
| Net realized gains on debt | (83,397) | |
| Net unrealized losses on debt | 156,249 | 102,825 |
| Distributions from investment activities | 62,189 | 99,675 |
| Change in cash held at consolidated variable interest entities | 165,208 | (30,215) |
| Purchases of investments | (4,512,398) | (2,913,760) |
| Proceeds from sale of investments and liquidating distributions | 4,967,429 | 2,406,277 |
| Change in other assets | (111,683) | 119,755 |
| Change in other liabilities | 254,558 | (101,947) |
| Net Cash Provided by (Used in) Operating Activities | 1,816,332 | (59,476) |

Table of Contents**Cash Flows from Investing Activities:**

| | | |
|---|----------|-----------|
| Purchases of fixed assets | (4,669) | (4,286) |
| Acquisition of Stone Tower (net of cash assumed) | | (99,190) |
| Proceeds from disposals of fixed assets | 1,381 | |
| Purchase of investments in HFA and other | | (1,889) |
| Cash contributions to equity method investments | (52,040) | (103,382) |
| Cash distributions from equity method investments | 95,781 | 50,820 |
| Change in restricted cash | 3 | (81) |

Net Cash Provided by (Used In) Investing Activities \$ **40,456** \$ **(158,008)**

Cash Flows from Financing Activities:

| | | |
|--|-------------|-----------|
| Principal repayments on debt and repurchase of debt | \$ (9,545) | \$ (376) |
| Distributions related to deliveries of Class A shares for RSUs | (41,763) | (16,915) |
| Distributions to Non-Controlling Interests in consolidated entities | (6,448) | (4,368) |
| Contributions from Non-Controlling Interests in consolidated entities | 304 | 2,535 |
| Distributions paid | (230,008) | (94,801) |
| Distributions paid to Non-Controlling Interests in Apollo Operating Group | (439,017) | (181,423) |
| Apollo Funds related: | | |
| Issuance of debt | 332,250 | 929,532 |
| Principal repayment of debt | (1,420,175) | (246,134) |
| Purchase of AAA shares | (62,326) | (100,046) |
| Distributions paid | (95,906) | (49,598) |
| Distributions paid to Non-Controlling Interests in consolidated variable interest entities | (72,479) | (202,383) |
| Contributions from Non-Controlling Interests in consolidated variable interest entities | 444,374 | 61,025 |

Net Cash (Used in) Provided by Financing Activities **(1,600,739)** **97,048**

Net Increase (Decrease) in Cash and Cash Equivalents 256,049 (120,436)

Cash and Cash Equivalents, Beginning of Period 947,451 744,731

Cash and Cash Equivalents, End of Period \$ **1,203,500** \$ **624,295**

Supplemental Disclosure of Cash Flow Information:

| | | |
|--|-----------|-----------|
| Interest paid | \$ 23,746 | \$ 27,612 |
| Interest paid by consolidated variable interest entities | 63,219 | 62,356 |
| Income taxes paid | 2,513 | 658 |

Supplemental Disclosure of Non-Cash Investing Activities:

| | | |
|---|---------|----------|
| Non-cash contributions on equity method investments | \$ 904 | \$ 1,626 |
| Non-cash distributions from equity method investments | (1,364) | (468) |
| Change in accrual for purchase of fixed assets | | 285 |

Table of Contents**Supplemental Disclosure of Non-Cash Financing Activities:**

| | | |
|--|-------------|-------------|
| Declared and unpaid distributions | \$ (28,809) | \$ (12,131) |
| Non-cash distributions to Non-Controlling Interests in consolidated entities | | (9,499) |
| Non-cash contributions from Non-Controlling Interests in Apollo Operating Group | | 280 |
| Unrealized gain on interest rate swaps to Non-Controlling Interests in Apollo Operating Group, net of taxes | | 2,010 |
| Satisfaction of liability related to AAA RDUs | 1,027 | (455) |
| Net transfers of AAA ownership interest to Non-Controlling Interests in consolidated entities | 1,921 | (88) |
| Net transfer of AAA ownership interest from Apollo Global Management, LLC | (1,921) | 88 |
| Non-cash contributions to Non-Controlling Interests in Apollo Operating Group related to equity-based compensation | 19,163 | 152,412 |
| Unrealized gain on interest rate swaps | | 1,052 |
| Unrealized loss on available for sale securities (from equity method investment) | (5) | (3) |
| Capital increases related to equity-based compensation | 68,058 | 137,305 |
| Non-cash contribution from Non-Controlling Interests in consolidated entities | | 1,247 |
| Dilution impact of issuance of Class A shares | 4,545 | |
| Deferred tax asset related to interest rate swaps | | (237) |
| Tax benefits related to deliveries of Class A shares for RSUs | (10,911) | (45) |
| Non-Controlling Interests in consolidated entities related to acquisition | | 306,351 |
| Capital increase related to business acquisition | | 14,001 |
| Net Assets Transferred from Consolidated Variable Interest Entity: | | |
| Cash and cash equivalents | | 1,161,016 |
| Investments, at fair value | | 8,581,827 |
| Other assets | | 394,026 |
| Debt, at fair value | | (7,255,172) |
| Other liabilities | | (560,262) |
| Net Assets Transferred from Consolidated Fund: | | |
| Investments, at fair value | | 46,147 |
| Adjustments related to exchange of Apollo Operating Group units: | | |
| Deferred tax assets | \$ 92,080 | \$ |
| Due to affiliates | (78,268) | |
| Additional paid in capital | (13,812) | |
| Non-controlling Interest in Apollo Operating Group | 50,819 | |

See accompanying notes to condensed consolidated financial statements.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

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 for the investments made 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 legacy commercial mortgage-backed securities, commercial first mortgage loans, mezzanine investments and other commercial real estate-related debt investments. Additionally, the Company sponsors real estate funds that focus on opportunistic investments in distressed debt and equity recapitalization transactions.

During the third quarter of 2012, the Company changed the name of its capital markets business segment to the credit segment. The Company believes this new name provides a more accurate description of the types of assets which are managed within this segment. In addition, this segment name change is consistent with the Company's management reporting and organizational structure as well as the manner in which resource deployment and compensation decisions are made.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (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 variable interest entities 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, 2012 included in the Company's Annual Report on Form 10-K filed with the SEC.

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.

Reorganization of the Company

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

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 the Managing Partners.

As of June 30, 2013, the Company owned, through three 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, and APO (FC), LLC, an Anguilla limited liability company that is treated as a corporation for U.S. Federal income tax purposes (collectively, the Intermediate Holding Companies), 38.0% 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.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

Holdings, is the entity through the Contributing Partners indirectly beneficially own, interests in Apollo Operating Group represented by units in each of the partnerships that comprise the Apollo Operating Group (AOG Units) that represent 62.0% of the economic interests in the Apollo Operating Group as of June 30, 2013. 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.

Apollo also entered into an exchange agreement with Holdings (as amended, the Exchange Agreement) that allows the holders of the AOG Units (and certain permitted transferees thereof), subject to the applicable vesting and minimum retained ownership requirements and transfer restrictions to exchange, upon notice (subject to the terms of the Exchange Agreement), their AOG Units for the Company's Class A shares on a one-for-one basis up to four times each year, subject to customary conversion rate adjustments for splits, distributions and reclassifications. Under 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 partnerships will be correspondingly increased.

On May 15, 2013, the Company completed its public offering for resale of approximately 24.3 million Class A shares owned by its Strategic Investors and certain of its Managing Partners, Contributing Partners and employees (collectively, the Selling Shareholders) at a price to the public of \$25.00 per Class A share, which included approximately 3.2 million Class A shares sold by the Selling Shareholders upon the exercise in full of the underwriters' option to purchase additional shares (the Secondary Offering). In connection with the Secondary Offering, certain holders of AOG Units exchanged their AOG Units for Class A shares and approximately 8.8 million Class A shares were issued by the Company in the exchange. No proceeds were received by the Company from the sale of Class A shares by the Selling Shareholders in the Secondary Offering. All underwriting costs were borne by the Selling Shareholders. The Company incurred approximately \$3.0 million of fees, consisting of legal and professional fees and filing costs, as a result of the Secondary Offering.

As a result of the exchange of AOG Units into Class A shares, the Company's economic interests in the Apollo Operating Group increased from 35.6% to 38.0% and Holdings' economic interests in the Apollo Operating Group decreased from 64.4% to 62.0%. The dilution of Holdings' economic interests in Apollo Operating Group is reflected in the condensed consolidated statements of changes in shareholders' equity in the line titled Exchange of AOG Units for Class A Shares, where \$50.8 million was transferred to Apollo Global Management, LLC's shareholders equity from Non-Controlling Interests in the Apollo Operating Group. Additionally, as a result of the exchange of AOG Units into Class A shares, the Company recognized a step-up in tax basis of certain assets and liabilities. Similar to its 2007 Reorganization, the Company recognized an increase in its deferred tax asset, tax receivable agreement liability and additional paid in capital as a result of the exchange of AOG Units into Class A shares. Refer to note 7 and note 11 for a discussion of the increase in deferred taxes, tax receivable agreement liability and additional paid in capital as a result of the exchange of AOG Units into Class A shares.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation Apollo consolidates those entities it controls through a majority voting interest or through other means, including those funds in which the general partner is presumed to have control (e.g., AP Alternative Assets, L.P., (AAA) and the Apollo Credit Senior Loan Fund, L.P. (Apollo Senior Loan Fund)). Apollo also consolidates entities that are VIEs for which Apollo is the primary beneficiary. Under the amended consolidation rules, an enterprise is determined to be the primary beneficiary if it holds a controlling financial interest. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly impact the entity's business and (b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE.

Certain of the Company's subsidiaries hold equity interests in and/or receive fees qualifying as variable interests from the entities that the Company manages. The amended consolidation rules require an analysis to determine whether (a) an entity in which Apollo holds a variable interest is a VIE and (b) Apollo's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., carried interest and management fees), would give it a controlling financial interest. When the VIE has qualified for the deferral

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

of the amended consolidation rules in accordance with U.S. GAAP, the analysis is based on previous consolidation rules, which require an analysis to determine whether (a) an entity in which Apollo holds a variable interest is a VIE and (b) Apollo's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., carried interest and management fees), would be expected to absorb a majority of the variability of the entity.

-14-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

Under both the previous and amended consolidation rules, the determination of whether an entity in which Apollo holds a variable interest is a VIE requires judgments which include determining whether the equity investment at risk is sufficient to permit the entity to finance its activities without additional subordinated financial support, evaluating whether the equity holders, as a group, can make decisions that have a significant effect on the success of the entity, determining whether two or more parties' equity interests should be aggregated, and determining whether the equity investors have proportionate voting rights to their obligations to absorb losses or rights to receive returns from an entity. Under both the previous and amended consolidation rules, Apollo determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a VIE and reconsiders that conclusion continuously. The consolidation analysis can generally be performed qualitatively. However, if it is not readily apparent whether Apollo is the primary beneficiary, a quantitative expected losses and expected residual returns calculation will be performed. Investments and redemptions (either by Apollo, affiliates of Apollo or third parties) or amendments to the governing documents of the respective Apollo fund may affect an entity's status as a VIE or the determination of the primary beneficiary.

Apollo assesses whether it is the primary beneficiary and will consolidate or deconsolidate the entity accordingly. Performance of that assessment requires the exercise of judgment. Where the variable interests have qualified for the deferral, judgments are made in estimating cash flows in evaluating which member within the equity group absorbs a majority of the expected profits or losses of the VIE. Where the variable interests have not qualified for the deferral, judgments are 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 VIE's economic performance and rights to receive benefits or obligations to absorb losses that are potentially significant to the VIE. Under both guidelines, judgment is made in evaluating the nature of the relationships and activities of the parties involved in determining if there is a related-party group, and if so, which party within the related-party group is most closely associated with the VIE. The use of these judgments has a material impact to certain components of Apollo's condensed consolidated financial statements.

Certain of the consolidated VIEs were formed to issue collateralized notes in the legal form of debt backed by financial assets. The difference between the fair value of the assets and liabilities of these VIEs is presented within appropriated partners' capital in the condensed consolidated statements of financial condition as these VIEs are funded solely with debt. Changes in the fair value of the assets and liabilities of these VIEs and the related interest and other income is presented within net gains from investment activities of consolidated variable interest entities and net (income) loss attributable to Non-Controlling Interests in the condensed consolidated statements of operations. Such amounts are recorded within appropriated partners' capital as, in each case, the VIE's note holders, not Apollo, will ultimately receive the benefits or absorb the losses associated with the VIE's assets and liabilities.

Assets and liability amounts of the consolidated VIEs are shown in separate sections within the condensed consolidated statements of financial condition as of June 30, 2013 and December 31, 2012.

Refer to additional disclosures regarding VIEs in note 4. Intercompany transactions and balances, if any, have been eliminated in the 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. Income (loss) from equity method investments is recognized as part of other income (loss) in the condensed consolidated statements of operations. 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 are at 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, 2013, the Non-Controlling Interests

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

relating to Apollo Global Management, LLC primarily includes the 62.0% 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, which primarily consist of the approximately 97% ownership interest held by limited partners in AAA as of June 30, 2013. Non-Controlling Interests also include limited partner interests of Apollo managed funds in certain consolidated VIEs.

-15-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

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, 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 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 in 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 of all costs incurred and no offset is generated.

Advisory and transaction fees from affiliates also include 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.

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 11. 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). Such amounts are presented as a reduction to advisory and transaction fees from affiliates in the condensed consolidated statements of operations.

Management Fees from Affiliates Management fees for private equity, real estate and credit 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 funds' 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

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

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.

-16-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(dollars in thousands except share data)

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 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 variable interest entities, 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 partnership 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. Some of the factors we consider include the number of broker quotes we obtain, the quality of the broker quotes, the standard deviations of the observed broker quotes and the corroboration of the broker quotes to 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 into or out of Level III of the fair value hierarchy, the Company accounts for the transfer as of the end of the reporting period.

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.

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

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

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,

-17-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

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 used 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.

On a quarterly basis, Apollo utilizes a valuation committee, consisting of members from senior management, to review and approve the valuation results related to our private equity investments. 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.

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. 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 investments included in Apollo's credit funds 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.

On a quarterly basis, Apollo utilizes a valuation committee consisting of members from senior management, to review and approve the valuation results related to our credit investments. 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.

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

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

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. 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.

-18-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(dollars in thousands except share data)

On a quarterly basis, Apollo utilizes a valuation committee, consisting of members from senior management, to review and approve the valuation results related to our real estate investments. 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.

Fair Value of Financial Instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Except for the Company's debt obligation related to the AMH Credit Agreement (as defined in note 8), Apollo's financial instruments are recorded at fair value or at amounts whose carrying value approximates 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 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. Other 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. As disclosed in note 8, the Company's long term debt obligation related to the AMH Credit Agreement is believed to have an estimated fair value of approximately \$770.4 million based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities as of June 30, 2013. However, the carrying value that is recorded on the condensed consolidated statements of financial condition is the amount for which we expect to settle the long term debt obligation. The Company has determined that the long term debt obligation related to the AMH Credit Agreement would be categorized as a Level III liability in the fair-value hierarchy.

Fair Value Option Apollo has elected the fair value option for the convertible notes issued by HFA Holdings Limited (HFA) 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. For the convertible notes issued by HFA, Apollo has elected to separately present interest income from other changes in the fair value of the convertible notes in the condensed consolidated statements of operations. Refer to notes 3 and 4 for further disclosure on the investment in HFA and financial instruments of the consolidated VIEs for which the fair value option has been elected.

Financial Instruments held by Consolidated VIEs

The consolidated VIEs hold investments that are 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. The primary valuation methodology used to determine fair value for debt obligation is market quotation. Prices are based on the average of the bid and ask prices. In the event that market quotations are

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

not available, a model based approach is used. The valuation approach used to estimate the fair values of debt obligations for which market quotations are not available is 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 are discounted based on the appropriate yield curve given the loan's respective maturity and credit rating. Management uses its discretion and judgment in considering and appraising relevant factors for determining the valuations of its debt obligations.

-19-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

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, 2013, the Company performed its annual impairment testing. As the fair value of the Company's reporting units was well in excess of the carrying value as of June 30, 2013, there was no impairment of goodwill or indefinite life intangible assets at such time.

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.

From time to time, the Company may assign profits interests received in lieu of management fees to certain investment professionals. Such assignments of profits interests are treated as compensation and benefits when assigned.

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, 2013 and 2012.

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 expenses previously distributed may be subject to clawback from employees, former employees and Contributing Partners.

Changes in the fair value of the contingent 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.

Profit sharing expense is also the result of profits interests issued to certain employees whereby they are entitled to a share in earnings of and any appreciation of the value in a subsidiary of the Company during their term of employment. Profit sharing expense related to these profits interests is recognized ratably over the requisite service period and thereafter will be recognized at the time the distributions are determined.

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.

Incentive Fee Compensation Certain employees are entitled to receive a discretionary portion of incentive fee income from certain of our credit funds, based on performance for the year. Incentive fee compensation expense is recognized on an accrual basis as the related carried interest

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

income is earned. Incentive fee compensation expense may be subject to reversal until the carried interest income becomes crystallized.

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 balance sheet date and the closing balance sheet date. The condensed consolidated financial statements include the net realized and unrealized gains (losses) of investments, at fair value.

-20-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(dollars in thousands except share data)

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 bargain purchase gains as a result of Apollo acquisitions, gains (losses) arising from the remeasurement of foreign currency denominated assets and liabilities of foreign subsidiaries, gains (losses) arising from the remeasurement of derivative instruments associated with fees from certain of the Company's affiliates 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. Each total is then divided by the applicable number of shares to arrive at basic earnings per share. For the diluted earnings, the denominator includes all outstanding common shares and all potential common shares assumed issued if they are dilutive. The numerator is adjusted for any changes in income or loss that would result from a hypothetical conversion of these potential common 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 in the consolidated and unconsolidated funds and VIEs. Actual results could differ materially from those estimates.

Recent Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board (FASB) issued guidance to enhance disclosures about financial instruments and derivative instruments that are either (1) offset or (2) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset. Under the guidance, an entity is required to disclose quantitative information relating to recognized assets and liabilities that are offset or subject to an enforceable master netting arrangement or similar agreement, including the gross amounts of those recognized assets and liabilities, the amounts offset to determine the net amount presented in the statement of financial position, and the net amount presented in the statement of financial position. With respect to amounts subject to an enforceable master netting arrangement or similar agreement which are not offset, disclosure is required of the amounts related to recognized financial instruments and other derivative instruments, the amount related to financial collateral (including cash collateral), and the overall net amount after considering amounts that have not been offset. The guidance is effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods and retrospective application is required. As the amendments are limited to disclosure only, the adoption of this guidance did not have a material impact on the Company's condensed consolidated financial statements.

In January 2013, the FASB issued guidance to clarify the scope of disclosures about offsetting assets and liabilities. The amendments clarify that the scope of guidance issued in December 2011 to enhance disclosures around financial instruments and derivative instruments that are either (1) offset, or (2) subject to a master netting arrangement or similar agreement, irrespective of whether they are offset, applies to derivatives,

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

including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset or subject to an enforceable master netting arrangement or similar agreement. The amendments are effective for interim and annual periods beginning on or after January 1, 2013. As the amendments are limited to disclosure only, the adoption of this guidance did not have a material impact on the Company's condensed consolidated financial statements.

-21-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

In July 2012, the Financial Accounting Standards Board (FASB) issued amended guidance related to testing indefinite-lived intangible assets, other than goodwill, for impairment. Under the revised guidance, entities have the option to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. If an entity determines, on the basis of qualitative factors, that the fair value of the indefinite-lived intangible asset is more likely than not to be less than the carrying amount, then the entity must perform the quantitative impairment test; otherwise, further testing would not be required. The amendments are effective for all entities for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. In conjunction with the annual goodwill impairment test as of June 30, 2013, utilizing the two step method described above, the Company concluded these amendments did not have an impact on the Company's condensed consolidated financial statements.

In February 2013, the FASB issued guidance on the reporting of amounts reclassified out of accumulated other comprehensive income. The guidance does not change the requirement for reporting net income or other comprehensive income in financial statements. However, the amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes to the financial statements, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. The guidance is effective prospectively for periods beginning after December 15, 2012. As the amendments are limited to presentation and disclosure only, the adoption of this guidance did not have a material impact on the Company's condensed consolidated financial statements.

In April 2013, the FASB issued guidance that requires an entity to prepare its financial statements using the liquidation basis of accounting when liquidation is imminent. The financial statements prepared using the liquidation basis of accounting should present relevant information about the expected resources in liquidation by measuring and presenting assets at the amount of the expected cash proceeds from liquidation. The entity should include in its presentation of assets any items it had not previously recognized under U.S. GAAP but that it expects to either sell in liquidation or use in settling liabilities. Liabilities should be recognized and measured in accordance with U.S. GAAP that otherwise applies to those liabilities. The guidance requires an entity to accrue and separately present the costs that it expects to incur and the income that it expects to earn during the expected duration of the liquidation, including any costs associated with the sale or settlement of those assets and liabilities. Additionally, the amended guidance requires disclosures about an entity's plan for liquidation, the methods and significant assumptions used to measure assets and liabilities, the type and amount of costs and income accrued, and the expected duration of the liquidation process. The guidance is effective for entities that determine liquidation is imminent during annual reporting periods beginning after December 15, 2013, and interim reporting periods therein. Entities should apply the requirements prospectively from the day that liquidation becomes imminent and early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Company's condensed consolidated financial statements.

In June 2013, the FASB issued guidance to change the assessment of whether an entity is an investment company by developing a new two-tiered approach that requires an entity to possess certain fundamental characteristics while allowing judgment in assessing certain typical characteristics. The fundamental characteristics that an investment company must have include the following: (1) it obtains funds from one or more investors and provides the investor(s) with investment management services; (2) it commits to its investor(s) that its business purpose and only substantive activities are investing the funds solely for returns from capital appreciation, investment income or both; and (3) it does not obtain returns or benefits from an investee or its affiliates that are not normally attributable to ownership interests. The typical characteristics of an investment company that an entity should consider before concluding whether it is an investment company include the following: (1) it has more than one investment; (2) it has more than one investor; (3) it has investors that are not related parties of the parent or the investment manager; (4) it has ownership interests in the form of equity or partnership interests; and (5) it manages substantially all of its investments on a fair value basis. The new approach requires an entity to assess all of the characteristics of an investment company and consider its purpose and design to determine whether it is an investment company. The guidance includes disclosure requirements about an entity's status as an investment company and financial support provided or contractually required to be provided by an investment company to its investees. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2013. Earlier application is

prohibited. The Company is in the process of evaluating the impact that this guidance will have on its consolidated financial statements.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

In July 2013, the FASB issued guidance to eliminate the diversity in practice on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. Under the new guidance, an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carry forward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statement as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date (e.g. an entity should not evaluate whether the deferred tax asset expires before the statute of limitations on the tax position or whether the deferred tax asset may be used prior to the unrecognized tax benefit being settled). The guidance does not require new recurring disclosures. The guidance applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, similar tax loss, or a tax credit carryforward exists at the reporting date. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The guidance should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective 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:

| | June 30, 2013 | December 31, 2012 |
|----------------------------|--------------------------|------------------------------|
| Investments, at fair value | \$ 1,736,703 | \$ 1,744,412 |
| Other investments | 397,358 | 393,684 |
| Total Investments | \$ 2,134,061 | \$ 2,138,096 |

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

Investments, at Fair Value

Investments, at fair value, consist of financial instruments held by AAA, investments held by the Apollo Senior Loan Fund, the Company's investment in HFA and other investments held by the Company at fair value. As of June 30, 2013 and December 31, 2012, the net assets of the consolidated funds (excluding VIEs) were \$1,683.4 million and \$1,691.3 million, respectively. The following investments, except the investment in HFA and Other Investments, are presented as a percentage of net assets of the consolidated funds:

| Investments, at Fair Value | June 30, 2013 | | | | | December 31, 2012 | | | | |
|----------------------------|----------------|------------|--------------|--------------|---------------------------------------|-------------------|------------|--------------|--------------|---------------------------------------|
| | Private Equity | Fair Value | | Cost | % of Net Assets of Consolidated Funds | Private Equity | Fair Value | | Cost | % of Net Assets of Consolidated Funds |
| Affiliates | | Credit | Total | | | | Credit | Total | | |
| Investments held by: | | | | | | | | | | |
| AAA | \$ 1,659,093 | \$ | \$ 1,659,093 | \$ 1,498,965 | 98.6% | \$ 1,666,448 | \$ | \$ 1,666,448 | \$ 1,561,154 | 98.5% |
| Apollo Senior Loan Fund | | 27,218 | 27,218 | 27,131 | 1.6 | | 27,653 | 27,653 | 27,296 | 1.5 |
| HFA | | 48,658 | 48,658 | 59,472 | N/A | | 48,723 | 48,723 | 57,815 | N/A |
| Other Investments | 1,734 | | 1,734 | 3,272 | N/A | 1,588 | | 1,588 | 3,563 | N/A |
| Total | \$ 1,660,827 | \$ 75,876 | \$ 1,736,703 | \$ 1,588,840 | 100.2% | \$ 1,668,036 | \$ 76,376 | \$ 1,744,412 | \$ 1,649,828 | 100.0% |

Securities

At June 30, 2013 and December 31, 2012, the sole investment held by AAA was its investment in AAA Investments, L.P. (AAA Investments), which is measured based on AAA's share of net asset value of AAA investments. The following tables represent each investment of AAA Investments constituting more than five percent of the net assets of the funds that the Company consolidates (excluding VIEs) as of the aforementioned dates:

| Instrument Type | June 30, 2013 | | | December 31, 2012 | | |
|------------------------------------|---------------|--------------|---------------------------------------|-------------------|--------------|---------------------------------------|
| | Fair Value | Cost | % of Net Assets of Consolidated Funds | Fair Value | Cost | % of Net Assets of Consolidated Funds |
| Athene Holding Ltd. ⁽¹⁾ | \$ 1,617,445 | \$ 1,276,366 | 96.1% | \$ 1,578,954 | \$ 1,276,366 | 93.4% |

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

- (1) Two subsidiaries of AAA Investments, AAA Guarantor-Athene, L.P. and Apollo Life Re Ltd., own the majority of the equity of Athene Holding Ltd.

AAA Investments owns through its subsidiaries the majority of the equity of Athene Holding Ltd. (together with its subsidiaries, Athene), the direct or indirect parent of the following principal operating subsidiaries: Athene Life Re Ltd., a Bermuda-based reinsurance company focused on the fixed annuity reinsurance sector, Athene Annuity & Life Assurance Company (formerly Liberty Life Insurance Company), a Delaware-domiciled (formerly South Carolina-domiciled) stock life insurance company focused on retail sales and reinsurance in the retirement services market, Athene Life Insurance Company, a Delaware-domiciled (formerly Indiana-domiciled) stock life insurance company focused on the institutional funding agreement backed note and funding agreement markets, and Presidential Life Insurance Company, a New-York-domiciled stock life insurance company focused on retail sales of fixed annuity products principally in New York.

During the fourth quarter of 2012, AAA and AAA Investments consummated a transaction whereby a wholly-owned subsidiary of AAA Investments contributed substantially all of its investments to Athene Holding Ltd. in exchange for common shares of Athene Holding Ltd., cash and a short term promissory note (the AAA Transaction). After the AAA Transaction, Athene Holding Ltd. was AAA s only material investment and as of June 30, 2013 and December 31, 2012, AAA through its investment in AAA Investments was the largest shareholder of Athene Holding Ltd. with an approximate 72% and 77%, respectively, ownership stake (without giving to effect to restricted common shares issued under Athene s management equity plan).

Apollo Senior Loan Fund

On December 31, 2011, the Company invested \$26.0 million in the Apollo Senior Loan Fund. As a result, the Company became the sole investor in the fund and therefore consolidated the assets and liabilities of the fund. The fund invests

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

in U.S. denominated senior secured loans, senior secured bonds and other income generating fixed-income investments. At least 90% of the Apollo Senior Loan Fund's portfolio of investments must consist of senior secured, floating rate loans or cash or cash equivalents. Up to 10% of the Apollo Senior Loan Fund's portfolio may consist of non-first lien fixed income investments and other income generating fixed income investments, including but not limited to senior secured bonds. The Apollo Senior Loan Fund may not purchase assets rated (tranche rating) at B3 or lower by Moody's, or equivalent rating by another nationally recognized rating agency.

The Company has classified the instruments associated with the Apollo Senior Loan Fund investment as Level II and Level III investments. All Level II and Level III investments of the Apollo Senior Loan Fund were valued using broker quotes.

HFA

On March 7, 2011, the Company invested \$52.1 million (including expenses related to the purchase) in a convertible note with an aggregate principal amount of \$50.0 million and received 20,833,333 stock options issued by HFA, an Australian based specialist global funds management company.

The terms of the convertible note allow the Company to convert the note, in whole or in part, into common shares of HFA at an exchange rate equal to the principal plus accrued payment-in-kind interest (or PIK interest) divided by US\$0.98 at any time, and convey participation rights, on an as-converted basis, in any dividends declared in excess of \$6.0 million per annum, as well as seniority rights over HFA common equity holders. Unless previously converted, repurchased or canceled, the note will be converted on the eighth anniversary of its issuance on March 11, 2019. Additionally, the note has a percentage coupon interest of 6% per annum, paid via principal capitalization (PIK interest) for the first four years, and thereafter either in cash or via principal capitalization at HFA's discretion. The PIK interest provides for the Company to receive additional common shares of HFA if the note is converted. The Company has elected the fair value option for the convertible note. The convertible note is valued using an if-converted basis, which is based on a hypothetical exit through conversion to common equity (for which quoted price exists) as of the valuation date. The Company separately presents interest income in the condensed consolidated statements of operations from other changes in the fair value of the convertible note. For the three and six months ended June 30, 2013, the Company recorded \$0.8 million and \$1.7 million, respectively, in PIK interest income included in interest income in the condensed consolidated statements of operations. For the three and six months ended June 30, 2012, the Company recorded \$0.8 million and \$1.6 million, respectively, in PIK interest income included in interest income in the condensed consolidated statements of operations. The terms of the stock options allow for the Company to acquire 20,833,333 fully paid ordinary shares of HFA at an exercise price in Australian Dollars (A\$) of A\$8.00 (exchange rate of A\$1.00 to \$0.91 as of June 30, 2013) per stock option. The stock options became exercisable upon issuance and expire on the eighth anniversary of the issuance date. The stock options are accounted for as a derivative and are valued at their fair value under U.S. GAAP at each balance sheet date. As a result, for the six months ended June 30, 2013 and 2012, the Company recorded an unrealized loss of approximately \$1.7 million and \$9.7 million, respectively, related to the convertible note and stock options within net gains from investment activities in the condensed consolidated statements of operations. For the three months ended June 30, 2013 and 2012, the Company recorded an unrealized loss of \$5.8 million and \$13.1 million, respectively, related to the convertible note and stock options within net gains (losses) from investment activities in the condensed consolidated statements of operations.

The Company has classified the instruments associated with the HFA investment as Level III investments.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

Net Gains (Losses) from Investment Activities

Net gains (losses) from investment activities in the condensed consolidated statements of operations include net realized gains from sales of investments, and the change in net unrealized gains (losses) resulting from changes in fair value of the consolidated funds' investments and realization of previously unrealized gains (losses). Additionally net gains (losses) from investment activities include changes in the fair value of the investment in HFA and other 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, 2013 and 2012:

| | For the Three Months Ended June 30, 2013 | | |
|---|---|--------|------------|
| | Private Equity | Credit | Total |
| Realized gains on sales of investments | \$ | \$ 167 | \$ 167 |
| Change in net unrealized gains (losses) due to changes in fair values | | 7,064 | (6,115) |
| Net Gains (Losses) from Investment Activities | \$ | 7,064 | \$ (5,948) |
| | | | \$ 1,116 |

| | For the Three Months Ended June 30, 2012 | | |
|---|---|----------|-------------|
| | Private Equity | Credit | Total |
| Realized gains on sales of investments | \$ | \$ 45 | \$ 45 |
| Change in net unrealized losses due to changes in fair values | | (15,149) | (13,110) |
| Net Losses from Investment Activities | \$ | (15,149) | \$ (13,065) |
| | | | \$ (28,214) |

| | For the Six Months Ended June 30, 2013 | | |
|---|---|--------|------------|
| | Private Equity | Credit | Total |
| Realized gains on sales of investments | \$ | \$ 408 | \$ 408 |
| Change in net unrealized gains (losses) due to changes in fair values | | 54,833 | (1,992) |
| Net Gains (losses) from Investment Activities | \$ | 54,833 | \$ (1,584) |
| | | | \$ 53,249 |

| | For the Six Months Ended June 30, 2012 | | |
|---|---|---------|---------|
| | Private Equity | Credit | Total |
| Realized gains on sales of investments | \$ | \$ 136 | \$ 136 |
| Change in net unrealized gains (losses) due to changes in fair values | | 138,543 | (9,185) |
| | | | 129,358 |

| | | | | |
|---|----|---------|------------|------------|
| Net Gains (Losses) from Investment Activities | \$ | 138,543 | \$ (9,049) | \$ 129,494 |
|---|----|---------|------------|------------|

Other Investments

Other Investments primarily consist of equity method investments. Apollo's share of operating income (loss) generated by these investments is recorded within income from equity method investments in the condensed consolidated statements of operations.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

The following table presents income (loss) from equity method investments for the three and six months ended June 30, 2013 and 2012:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|--|--------------------|--------------------------------------|--------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Investments: | | | | |
| Private Equity Funds: | | | | |
| AAA Investments | \$ 6 | \$ (1) | \$ 33 | \$ 83 |
| Apollo Investment Fund IV, L.P. (Fund IV) | | (2) | | (2) |
| Apollo Investment Fund V, L.P. (Fund V) | (1) | 24 | 6 | 29 |
| Apollo Investment Fund VI, L.P. (Fund VI) | (5) | (64) | 1,073 | 2,548 |
| Apollo Investment Fund VII, L.P. (Fund VII) | 11,064 | (858) | 31,477 | 23,223 |
| Apollo Natural Resources Partners, L.P. (ANRP) | 152 | 137 | 163 | 174 |
| AION Capital Partners Limited (AION) | 369 | | 553 | |
| Apollo Asia Private Credit Fund, L.P. (APC) | 2 | | 3 | |
| Credit Funds: | | | | |
| Apollo Special Opportunities Managed Account, L.P. (SOMA) | 30 | (30) | 414 | 666 |
| Apollo Value Investment Fund, L.P. (VIF) | (1) | (4) | 6 | 15 |
| Apollo Strategic Value Fund, L.P. (SVF) | (2) | (3) | 1 | 12 |
| Apollo Credit Liquidity Fund, L.P. (ACLF) | (36) | 78 | 668 | 1,966 |
| Apollo/Artus Investors 2007-I, L.P. (Artus) | (2) | (104) | (2) | 291 |
| Apollo Credit Opportunity Fund I, L.P. (COF I) | 563 | (1,851) | 4,137 | 7,168 |
| Apollo Credit Opportunity Fund II, L.P. (COF II) | (304) | 522 | 584 | 2,955 |
| Apollo Credit Opportunity Fund III, L.P. (COF III) | (11) | | (11) | |
| Apollo European Principal Finance Fund, L.P. (EPF I) | 3,079 | 150 | 2,748 | 794 |
| Apollo Investment Europe II, L.P. (AIE II) | 349 | (400) | 406 | 503 |
| Apollo Palmetto Strategic Partnership, L.P. (Palmetto) | 259 | 38 | 842 | 549 |
| Apollo Senior Floating Rate Fund Inc. (AFT) | (3) | 1 | 5 | 11 |
| Apollo Residential Mortgage, Inc. (AMTG) | 22 ⁽¹⁾ | 403 ⁽²⁾ | 508 ⁽¹⁾ | 555 ⁽²⁾ |
| Apollo European Credit, L.P. (AEC) | 71 | (8) | 147 | 27 |
| Apollo European Strategic Investments, L.P. (AESI) | 106 | (31) | 258 | 162 |
| Apollo Centre Street Partnership, L.P. (ACSP) | 108 | (67) | 289 | (67) |
| Apollo Investment Corporation (AINV) | 2,037 ⁽¹⁾ | | 1,410 | |
| Apollo European Principal Finance Fund II, L.P. (EPF II) | 23 | 316 | 86 | 316 |
| Apollo SK Strategic Investments, L.P. (SK) | 23 | | 49 | |
| Apollo SPN Investments I, L.P. | 501 | | 88 | |
| Apollo Tactical Income Fund Inc. (AIF) | (10) | | (5) | |
| Apollo Franklin Partnership, L.P. | (7) | | (7) | |
| Real Estate: | | | | |
| Apollo Commercial Real Estate Finance, Inc. (ARI) | 93 ⁽¹⁾ | 268 ⁽²⁾ | 316 ⁽¹⁾ | 516 ⁽²⁾ |
| AGRE U.S. Real Estate Fund, L.P. | 227 | (33) | 241 | (86) |
| CPI Capital Partners North America LP | 16 | (10) | 74 | (31) |
| CPI Capital Partners Asia Pacific, L.P. | (6) | 32 | (4) | 37 |
| Apollo GSS Holding (Cayman), L.P. | (1) | | (5) | |
| BEA/AGRE China Real Estate Fund, L.P. | (8) | | (8) | |

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

| Other Equity Method Investments: | | | | |
|--|---------------|--------------|---------------|---------------|
| VC Holdings, L.P. Series A (Vantium A/B) | | (1) | 13 | (306) |
| VC Holdings, L.P. Series C (Vantium C) | 1,333 | 17 | 1,325 | (133) |
| VC Holdings, L.P. Series D (Vantium D) | 46 | 190 | (1) | 432 |
| Other | 8 | 452 | | 5 |
| Total Income (Loss) from Equity Method Investments | \$ 20,090 | \$ (839) | \$ 47,880 | \$ 42,412 |

(1) Amounts are as of March 31, 2013.

(2) Amounts are as of March 31, 2012.

-27-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(dollars in thousands except share data)

Other investments as of June 30, 2013 and December 31, 2012 consisted of the following:

| | June 30, 2013 | % of Ownership | Equity Held as of December 31, 2012 | % of Ownership |
|------------------------------------|-----------------------|----------------------|---|----------------------|
| Investments: | | | | |
| Private Equity Funds: | | | | |
| AAA Investments | \$ 997 | 0.058% | \$ 998 | 0.057% |
| Fund IV | 9 | 0.015 | 9 | 0.015 |
| Fund V | 113 | 0.017 | 173 | 0.014 |
| Fund VI | 8,746 | 0.094 | 9,814 | 0.094 |
| Fund VII | 158,104 | 1.280 | 164,773 | 1.316 |
| ANRP | 2,782 | 0.832 | 2,355 | 0.903 |
| AION | 1,178 | 10.000 | 625 | 10.000 |
| APC | 19 | 0.059 | 17 | 0.058 |
| Credit Funds: | | | | |
| SOMA | 6,298 | 0.826 | 5,887 | 0.643 |
| VIF | 148 | 0.105 | 141 | 0.093 |
| SVF | 23 | 0.078 | 137 | 0.076 |
| ACLF | 9,723 | 2.573 | 9,281 | 2.579 |
| Artus | 665 | 6.156 | 667 | 6.156 |
| COF I | 30,210 | 1.918 | 39,416 | 1.924 |
| COF II | 10,362 | 1.404 | 19,654 | 1.429 |
| COF III | 526 | 2.439 | | |
| EPF I | 21,520 | 1.363 | 18,329 | 1.363 |
| AIE II | 6,734 | 2.269 | 7,207 | 2.205 |
| Palmetto | 14,491 | 1.186 | 13,614 | 1.186 |
| AFT | 103 | 0.034 | 98 | 0.034 |
| AMTG ⁽³⁾ | 4,527 ⁽¹⁾ | 0.623 ⁽¹⁾ | 4,380 ⁽²⁾ | 0.811 ⁽²⁾ |
| AEC | 2,070 | 1.061 | 1,604 | 1.079 |
| AESI | 3,368 | 1.006 | 3,076 | 0.991 |
| ACSP | 7,484 | 2.456 | 5,327 | 2.457 |
| AINV ⁽⁴⁾ | 53,172 ⁽¹⁾ | 3.095 | 51,761 | 2.955 |
| EPF II | 11,764 | 2.268 | 5,337 | 1.316 |
| SK | 1,449 | 0.992 | 1,002 | 0.988 |
| Apollo SPN Investments I, L.P. | 2,611 | 0.845 | 90 | 0.083 |
| CION Investment Corporation | 1,000 | 2.900 | 1,000 | 22.207 |
| AIF | 95 | 0.036 | | |
| Apollo Franklin Partnership, L.P. | 4,993 | 9.099 | | |
| Real Estate: | | | | |
| ARI ⁽³⁾ | 11,737 ⁽¹⁾ | 1.500 ⁽¹⁾ | 11,469 ⁽²⁾ | 2.729 ⁽²⁾ |
| AGRE U.S. Real Estate Fund, L.P. | 10,873 | 1.845 | 5,210 | 1.845 |
| CPI Capital Partners North America | 334 | 0.414 | 455 | 0.413 |
| CPI Capital Partners Europe | 5 | 0.001 | 5 | 0.001 |
| CPI Capital Partners Asia Pacific | 171 | 0.039 | 186 | 0.039 |

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

| | | | | |
|---|-------------------|-------|-------------------|-------|
| Apollo GSS Holding (Cayman), L.P. | 3,013 | 4,946 | 2,428 | 4,621 |
| BEA/AGRE China Real Estate Fund, L.P. | 72 | 1,031 | | |
| Other Equity Method Investments: | | | | |
| Vantium A/B | 67 | 6,450 | 54 | 6,450 |
| Vantium C | 3,870 | 2,071 | 5,172 | 2,071 |
| Vantium D | 1,932 | 6,345 | 1,933 | 6,345 |
| Total Other Investments | \$ 397,358 | | \$ 393,684 | |

- (1) Amounts are as of March 31, 2013.
- (2) Amounts are as of September 30, 2012.
- (3) Investment value includes the fair value of RSUs granted to the Company as of the grant date. These amounts are not considered in the percentage of ownership until the RSUs are vested, 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 \$49,767 and \$51,351 based on the quoted market price as of June 30, 2013 and December 31, 2012, respectively.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

As of June 30, 2013 and December 31, 2012 and for the six months ended June 30, 2013 and 2012, no single equity method investee held by Apollo exceeded 20% of its total consolidated assets or income. As such, Apollo is not required to present summarized income statement information for any of its equity method investees.

Fair Value Measurements

The following table summarizes the valuation of Apollo's investments in fair value hierarchy levels as of June 30, 2013 and December 31, 2012:

| | Level I | | Level II | | Level III | | Totals | |
|---|---------------|-------------------|------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| | June 30, 2013 | December 31, 2012 | June 30, 2013 | December 31, 2012 | June 30, 2013 | December 31, 2012 | June 30, 2013 | December 31, 2012 |
| Assets, at fair value: | | | | | | | | |
| Investment in AAA Investments | \$ | \$ | \$ | \$ | \$ 1,659,093 | \$ 1,666,448 | \$ 1,659,093 | \$ 1,666,448 |
| Investments held by Apollo Senior Loan Fund | | | 26,781 | 27,063 | 437 | 590 | 27,218 | 27,653 |
| Investments in HFA and Other | | | | | 50,392 | 50,311 | 50,392 | 50,311 |
| Total | \$ | \$ | \$ 26,781 | \$ 27,063 | \$ 1,709,922 | \$ 1,717,349 | \$ 1,736,703 | \$ 1,744,412 |

There were transfers of investments from Level II into Level III and from Level III into Level II relating to investments held by the Apollo Senior Loan Fund during the three months ended June 30, 2013 and 2012, respectively. There were transfers of investments from Level III into Level II and from Level II into Level III relating to investments held by the Apollo Senior Loan Fund during the six months ended June 30, 2013 and 2012. These transfers were a result of subjecting the broker quotes on these investments to various criteria which include the number and quality of broker quotes, the standard deviation of obtained broker quotes, and the percentage deviation from independent pricing services. For the three and six months ended June 30, 2013 and 2012, there were no transfers between Level I and Level II investments.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(dollars in thousands except share data)

The following table summarizes the changes in AAA Investments, which are measured at fair value and characterized as Level III investments:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|--|--|--------------|--------------------------------------|--------------|
| | 2013 | 2012 | 2013 | 2012 |
| Balance, Beginning of Period | \$ 1,652,029 | \$ 1,581,773 | \$ 1,666,448 | \$ 1,480,152 |
| Distributions | | (49,724) | (62,188) | (101,795) |
| Change in unrealized gains (losses), net | 7,064 | (15,150) | 54,833 | 138,542 |
| Balance, End of Period | \$ 1,659,093 | \$ 1,516,899 | \$ 1,659,093 | \$ 1,516,899 |

The following table summarizes the changes in the investments in HFA and Other Investments, which are measured at fair value and characterized as Level III investments:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|----------------------------------|--|-----------|--------------------------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| Balance, Beginning of Period | \$ 55,407 | \$ 52,571 | \$ 50,311 | \$ 47,757 |
| Acquisition of consolidated fund | | 46,147 | | 46,147 |
| Purchases | 833 | 2,809 | 2,268 | 3,959 |
| Sale of Investments | | | (902) | |
| Change in unrealized losses, net | (5,848) | (13,688) | (1,285) | (10,024) |
| Balance, End of Period | \$ 50,392 | \$ 87,839 | \$ 50,392 | \$ 87,839 |

The change in unrealized gains (losses), net has been recorded within the caption Net gains (losses) from investment activities in the condensed consolidated statements of operations.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(dollars in thousands except share data)

The following table summarizes the changes in the investments in the Apollo Senior Loan Fund, which are measured at fair value and characterized as Level III investments for the three and six months ended June 30, 2013 and 2012:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|--|--|--------|--------------------------------------|--------|
| | 2013 | 2012 | 2013 | 2012 |
| Balance, Beginning of Period | \$ | \$ 484 | \$ 590 | \$ 456 |
| Purchases of investments | | | 22 | |
| Sale of investments | | (2) | | (461) |
| Realized gains | | | | 9 |
| Change in unrealized gains (losses), net | | (1) | 9 | (6) |
| Transfers into Level III | 437 | | 437 | 483 |
| Transfers out of Level III | | (481) | (621) | (481) |
| Balance, End of Period | \$ 437 | \$ | \$ 437 | \$ |

The following table summarizes a look-through of the Company's Level III investments by valuation methodology of the underlying securities held by AAA Investments:

| | Private Equity | | | |
|---|----------------|-------------------|------------------------------|------------------------------|
| | June 30, 2013 | December 31, 2012 | % of Investment of AAA | % of Investment of AAA |
| Approximate values based on net asset value of the underlying funds, which are based on the funds underlying investments that are valued using the following: | | | | |
| Discounted cash flow models | \$ 1,617,445 | \$ 1,581,975 | 97.1% | 98.6% |
| Listed quotes | 48,579 | 22,029 | 2.9 | 1.4 |
| Total Investments | 1,666,024 | 1,604,004 | 100% | 100% |
| Other net (liabilities) assets ⁽¹⁾ | (6,931) | 62,444 | | |
| Total Net Assets | \$ 1,659,093 | \$ 1,666,448 | | |

- (1) Balances include other assets, liabilities and general partner interests of AAA Investments. Balance at June 30, 2013 and December 31, 2012 is primarily comprised of \$51.3 million and \$113.3 million in notes receivable from an affiliate, respectively, less the obligation to the general partner. Carrying values approximate fair value for other assets and liabilities and, accordingly, extended valuation procedures

are not required.

4. VARIABLE INTEREST ENTITIES

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 and credit 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.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

The assets and liabilities of the consolidated VIEs are comprised primarily of investments and debt, at fair value, and are included within assets and liabilities of consolidated variable interest entities, respectively, in the condensed consolidated statements of financial condition.

Consolidated Variable Interest Entities

Apollo has consolidated VIEs in accordance with the methodology described in note 2. The majority of the consolidated VIEs 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. Through its role as collateral manager of these VIEs, it was determined that Apollo had the power to direct the activities that most significantly impact the economic performance of these VIEs. Additionally, Apollo determined that the potential fees that it could receive 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.

The assets of these consolidated VIEs 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 VIEs, which includes investments in loans and corporate bonds, as well as debt obligations held by such consolidated VIEs. 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 sixty days.

Fair Value Measurements

The following table summarizes the valuation of Apollo's consolidated VIEs in fair value hierarchy levels as of June 30, 2013 and December 31, 2012:

| | Level I | | Level II | | Level III | | Totals | |
|----------------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|
| | June 30, 2013 | December 31, 2012 | June 30, 2013 | December 31, 2012 | June 30, 2013 | December 31, 2012 | June 30, 2013 | December 31, 2012 |
| Investments, at fair value | \$ 60 | \$ 168 | \$ 10,463,405 | \$ 11,045,902 | \$ 1,757,857 | \$ 1,643,465 | \$ 12,221,322 | \$ 12,689,535 |
| | | | | | | | | |
| | Level I | | Level II | | Level III | | Totals | |
| | June 30, 2013 | December 31, 2012 | June 30, 2013 | December 31, 2012 | June 30, 2013 | December 31, 2012 | June 30, 2013 | December 31, 2012 |
| Liabilities, at fair value | \$ | \$ | \$ | \$ | \$ 10,835,271 | \$ 11,834,955 | \$ 10,835,271 | \$ 11,834,955 |

Level III investments include corporate loan and corporate bond investments held by the consolidated VIEs. Level III liabilities consist of notes and loans, the valuations of which are discussed further in note 2. All Level II investments were valued using broker quotes. Transfers of investments out of Level III and into Level II or Level I, if any, are accounted for as of the end of the reporting period in which the transfer occurred. For the three and six months ended June 30, 2013, there were no transfers between Level I and Level II investments. For the three and six months ended June 30, 2012, transfers from Level II into Level I totaled \$164. Transfers into Level I represent those financial instruments for which an unadjusted quoted price in an active market became available for the identical asset.

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 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.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

The following table summarizes the quantitative inputs and assumptions used for investments, at fair value, categorized as Level III in the fair value hierarchy as of June 30, 2013. The disclosure below excludes Level III investments, at fair value, as of June 30, 2013, for which the determination of fair value is based on broker quotes:

| | Fair Value at June 30, 2013 | Valuation Techniques | Unobservable Inputs | Ranges | Weighted Average |
|--------------------------|--------------------------------|---|-------------------------|-------------|---------------------|
| Financial Assets: | | | | | |
| Bank Debt Term Loans | \$ 56,566 | Discounted Cash Flow Comparable Yields | Discount Rates | 10.7% 30.4% | 15.7% |
| Stocks | 603 | Market Comparable Companies | Comparable Multiples | 6.6x | 6.6x |
| Total | \$ 57,169 | | | | |

The significant unobservable inputs used in the fair value measurement of the bank debt term loans and stocks include the discount rate applied and the multiples applied in the valuation models. These unobservable inputs in isolation can cause significant increases (decreases) in fair value. Specifically, when a discounted cash flow model is used to determine fair value, the significant input used in the valuation model is the discount rate applied to present value the projected cash flows. Increases in the discount rate can significantly lower the fair value of an investment; conversely, decreases in the discount rate can significantly increase the fair value of an investment. The discount rate is determined based on the market rates an investor would expect for a similar investment with similar risks. When a comparable multiple model is used to determine fair value, the comparable multiples are generally multiplied by the underlying companies' earnings before interest, taxes, depreciation and amortization (EBITDA) to establish the total enterprise value of the company. The comparable multiple is determined based on the implied trading multiple of public industry peers.

The following table summarizes the changes in investments of consolidated VIEs, which are measured at fair value and characterized as Level III investments:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|--|--|------------|--------------------------------------|------------|
| | 2013 | 2012 | 2013 | 2012 |
| Balance, Beginning of Period | \$ 1,765,988 | \$ 215,246 | \$ 1,643,465 | \$ 246,609 |
| Acquisition of VIEs | | 1,482,057 | | 1,482,057 |
| Elimination of investments attributable to consolidation of VIEs | 19,302 | (59,764) | 15,400 | (59,764) |
| Purchases | 538,507 | 210,721 | 922,668 | 437,666 |
| Sale of investments | (319,231) | (935,739) | (506,092) | (975,013) |
| Net realized (losses) gains | (2,566) | 5,850 | (7,008) | 1,192 |
| Changes in net unrealized gains (losses) | 6,304 | (9,377) | 4,951 | 2,215 |
| Transfers out of Level III | (444,462) | (55,913) | (782,135) | (346,430) |
| Transfers into Level III | 194,015 | 144,885 | 466,608 | 209,434 |

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

| | | | | |
|---|--------------|------------|--------------|------------|
| Balance, End of Period | \$ 1,757,857 | \$ 997,966 | \$ 1,757,857 | \$ 997,966 |
| Changes in net unrealized gains (losses) included in Net (Losses) Gains from Investment Activities of consolidated VIEs related to investments still held at reporting date | \$ 3,850 | \$ (2,063) | \$ (6,916) | \$ 5,437 |

Investments were transferred out of Level III into Level II and into Level III out of Level II, respectively, as a result of subjecting the broker quotes on these investments to various criteria which include the number and quality of broker quotes, the standard deviation of obtained broker quotes, and the percentage deviation from independent pricing services.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

The following table summarizes the changes in liabilities of consolidated VIEs, which are measured at fair value and characterized as Level III liabilities:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|--|---------------|--------------------------------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| Balance, Beginning of Period | \$ 11,347,332 | \$ 3,700,536 | \$ 11,834,955 | \$ 3,189,837 |
| Acquisition of VIEs | | 7,317,144 | | 7,317,144 |
| Borrowings | | 503,848 | 332,250 | 929,532 |
| Repayments | (508,400) | (243,343) | (1,420,175) | (246,134) |
| Net realized gains on debt | (91,000) | | (83,397) | |
| Changes in net unrealized losses from debt | 68,013 | 14,247 | 156,249 | 102,825 |
| Elimination of debt attributable to consolidated VIEs | 19,326 | (59,772) | 15,389 | (60,544) |
| Balance, End of Period | \$ 10,835,271 | \$ 11,232,660 | \$ 10,835,271 | \$ 11,232,660 |
| Changes in net unrealized (gains) losses included in Net (Losses) Gains from Investment Activities of consolidated VIEs related to liabilities still held at reporting date | \$ (17,662) | \$ 8,456 | \$ 75,214 | \$ 93,021 |

Net (Losses) Gains from Investment Activities of Consolidated Variable Interest Entities

The following table presents net (losses) gains from investment activities of the consolidated VIEs for the three and six months ended June 30, 2013 and 2012, respectively:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|--|--|-------------|--------------------------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| Net unrealized (losses) gains from investment activities | \$ (138,181) | \$ (18,021) | \$ (113,061) | \$ 51,998 |
| Net realized gains from investment activities | 32,988 | 12,349 | 83,918 | 14,634 |
| Net (losses) gains from investment activities | (105,193) | (5,672) | (29,143) | 66,632 |
| Net unrealized losses from debt | (68,013) | (14,247) | (156,249) | (102,825) |
| Net realized gains from debt | 91,000 | | 83,397 | |
| Net gains (losses) from debt | 22,987 | (14,247) | (72,852) | (102,825) |
| Interest and other income | 152,501 | 171,229 | 329,626 | 216,860 |

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

| | | | | |
|--|-------------|-----------|-----------|-----------|
| Other expenses | (105,493) | (119,547) | (214,968) | (165,105) |
| Net (Losses) Gains from Investment Activities of Consolidated VIEs | \$ (35,198) | \$ 31,763 | \$ 12,663 | \$ 15,562 |

-34-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

Senior Secured Notes and Subordinated Notes Included within debt are amounts due to third-party institutions of the consolidated VIEs. The following table summarizes the principal provisions of the debt of the consolidated VIEs as of June 30, 2013 and December 31, 2012:

| | June 30, 2013 | | | December 31, 2012 | | |
|--|-----------------------|--------------------------------|--|-----------------------|--------------------------------|--|
| | Principal Outstanding | Weighted Average Interest Rate | Weighted Average Remaining Maturity in Years | Principal Outstanding | Weighted Average Interest Rate | Weighted Average Remaining Maturity in Years |
| Senior Secured Notes ⁽²⁾⁽³⁾ | \$ 10,379,364 | 1.04% | 7.0 | \$ 11,409,825 | 1.30% | 7.3 |
| Subordinated Notes ⁽²⁾⁽³⁾ | 929,278 | N/A ⁽¹⁾ | 7.6 | 1,074,904 | N/A ⁽¹⁾ | 7.7 |
| Total | \$ 11,308,642 | | | \$ 12,484,729 | | |

- (1) The subordinated notes do not have contractual interest rates but instead receive distributions from the excess cash flows of the VIEs.
- (2) The fair value of Senior Secured and Subordinated Notes as of June 30, 2013 and December 31, 2012 was \$10,835 million and \$11,835 million, respectively.
- (3) The debt at fair value of the consolidated VIEs is collateralized by assets of the consolidated VIEs and assets of one vehicle may not be used to satisfy the liabilities of another. As of June 30, 2013 and December 31, 2012, the fair value of the consolidated VIE assets was \$14,150 million and \$14,672 million, respectively. This collateral consisted of cash and cash equivalents, investments, at fair value, and other assets.

The following table provides a summary of the quantitative inputs and assumptions used for liabilities, at fair value, categorized as Level III in the fair value hierarchy as of June 30, 2013. The disclosure below excludes Level III liabilities, at fair value, as of June 30, 2013 for which the determination of fair value is based on broker quotes:

| | Fair Value | Valuation Technique | As of June 30, 2013 | | Weighted Average |
|-----------------------------|--------------|----------------------|---------------------|-------------|------------------|
| | | | Unobservable Input | Ranges | |
| Subordinated Notes | \$ 766,611 | Discounted Cash Flow | Discount Rate | 10.0%-12.0% | 10.3% |
| | | | Default Rate | 1.0%-1.5% | 1.2% |
| | | | Recovery Rate | 75.0% | 75.0% |
| Senior Secured Notes | \$ 2,071,470 | Discounted Cash Flow | Discount Rate | 1.9% 2.1% | 2.0% |
| | | | Default Rate | 2.0% | 2.0% |
| | | | Recovery Rate | 30.0% 65.0% | 59.9% |

The significant unobservable inputs used in the fair value measurement of the subordinated and senior secured notes include the discount rate applied in the valuation models, default and recovery rates applied in the valuation models. These inputs in isolation can cause significant increases (decreases) in fair value. Specifically, when a discounted cash flow model is used to determine fair value, the significant input used in the valuation model is the discount rate applied to present value the projected cash flows. Increases in the discount rate can significantly lower

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

the fair value of subordinated and senior secured notes; conversely, decreases in the discount rate can significantly increase the fair value of subordinated and senior secured notes. The discount rate is determined based on the market rates an investor would expect for similar subordinated and senior secured notes with similar risks.

The consolidated VIEs have elected the fair value option to value the notes payable. The general partner uses its discretion and judgment in considering and appraising relevant factors in determining valuation of these loans. As of June 30, 2013, the debt, at fair value, is classified as Level III liabilities. Because of the inherent uncertainty in the valuation of the notes payable, which are not publicly traded, estimated values may differ significantly from the values that would have been reported had a ready market for such investments existed.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

The consolidated VIEs' debt obligations contain various customary loan covenants as described above. As of June 30, 2013, the Company is not aware of any instances of noncompliance with any of these covenants.

Variable Interest Entities Which are Not Consolidated

The Company holds variable interests in certain VIEs which are not consolidated, as it has been determined that Apollo is not the primary beneficiary.

The following tables present the carrying amounts of the assets and liabilities of the VIEs for which Apollo has concluded that it holds a significant variable interest, but that it is not the primary beneficiary as of June 30, 2013 and December 31, 2012. In addition, the tables present the maximum exposure to loss relating to those VIEs.

| | Total Assets | June 30, 2013 Total Liabilities | Apollo Exposure |
|----------------|------------------------------|--|--------------------------|
| Private Equity | \$ 10,490,123 | \$ (49,067) | \$ 5,802 |
| Credit | 2,926,982 | (255,900) | 15,967 |
| Real Estate | 1,562,431 | (1,143,349) | |
| Total | \$ 14,979,536 ⁽¹⁾ | \$ (1,448,316) ⁽²⁾ | \$ 21,769 ⁽³⁾ |

(1) Consists of \$435,924 in cash, \$14,022,771 in investments and \$520,841 in receivables.

(2) Represents \$1,402,393 in debt and other payables, \$45,824 in securities sold, not purchased, and \$99 in capital withdrawals payable.

(3) Apollo's exposure is limited to its direct and indirect investments in those entities in which Apollo holds a significant variable interest.

| | Total Assets | December 31, 2012 Total Liabilities | Apollo Exposure |
|----------------|------------------------------|--|--------------------------|
| Private Equity | \$ 13,498,100 | \$ (34,438) | \$ 7,105 |
| Credit | 3,276,198 | (545,547) | 12,605 |
| Real Estate | 1,685,793 | (1,237,462) | |
| Total | \$ 18,460,091 ⁽¹⁾ | \$ (1,817,447) ⁽²⁾ | \$ 19,710 ⁽³⁾ |

(1) Consists of \$452,116 in cash, \$17,092,814 in investments and \$915,161 in receivables.

(2) Represents \$1,752,294 in debt and other payables, \$32,702 in securities sold, not purchased, and \$32,451 in capital withdrawals payable.

(3) Apollo's exposure is limited to its direct and indirect investments in those entities in which Apollo holds a significant variable interest.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(dollars in thousands except share data)

5. CARRIED INTEREST RECEIVABLE

Carried interest receivable from private equity, credit and real estate funds consists of the following:

| | June 30, 2013 | December 31, 2012 |
|---------------------------------------|--------------------------|------------------------------|
| Private equity | \$ 1,601,253 | \$ 1,413,306 |
| Credit | 408,882 | 454,155 |
| Real Estate | 4,610 | 10,795 |
| Total Carried Interest Receivable | \$ 2,014,745 | \$ 1,878,256 |

The table below provides a roll-forward of the carried interest receivable balance for the six months ended June 30, 2013:

| | Private Equity | Credit | Real Estate | Total |
|--|-----------------------|----------------|--------------------|------------------|
| Carried interest receivable, January 1, 2013 | \$ 1,413,306 | \$ 454,155 | \$ 10,795 | \$ 1,878,256 |
| Change in fair value of funds ⁽¹⁾ | 1,219,583 | 154,741 | (5,329) | 1,368,995 |
| Fund cash distributions to the Company | (1,031,636) | (200,014) | (856) | (1,232,506) |
| Carried Interest Receivable, June 30, 2013 | \$ 1,601,253 | \$ 408,882 | \$ 4,610 | \$ 2,014,745 |

- (1) Included in change in fair value of funds for the six months ended June 30, 2013 was a reversal of \$19.3 million of the entire general partner obligation to return previously distributed carried interest income with respect to SOMA. The general partner obligation is recognized based upon a hypothetical liquidation of the fund's net assets as of the balance sheet date. The actual determination and any required payment of any such general partner obligation would not take place until the final disposition of a fund's investments based on the contractual termination of the fund.

6. OTHER LIABILITIES

Other liabilities consist of the following:

| | June 30, 2013 | December 31, 2012 |
|---|--------------------------|------------------------------|
| Deferred taxes | \$ 27,061 | \$ 13,717 |
| Deferred rent | 14,754 | 14,829 |
| Unsettled trades and redemption payable | 6,605 | 3,986 |
| Other | 10,280 | 12,323 |

| | | |
|-------------------------|-----------|-----------|
| Total Other Liabilities | \$ 58,700 | \$ 44,855 |
|-------------------------|-----------|-----------|

7. INCOME TAXES

The Company is treated as a partnership for income tax purposes and is therefore not subject to U.S. Federal and State income taxes; however, APO Corp., a wholly-owned subsidiary of the Company, is subject to U.S. Federal, State and Local corporate income taxes. In addition, certain subsidiaries of the Company are subject to New York City Unincorporated Business Tax (NYC UBT) attributable to the Company's operations apportioned to New York City. Certain non-U.S. subsidiaries of the Company are subject to income taxes in their local jurisdictions. APO Corp. is required to file a standalone Federal corporate income tax return, as well as file standalone corporate state and local income tax returns in California, New York State and New York City. The Company's provision for income taxes is accounted for in accordance with U.S. GAAP.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

The Company's provision for income taxes totaled \$18.1 million and \$10.7 million for the three months ended June 30, 2013 and 2012, respectively, and \$36.7 million and \$25.2 million for the six months ended June 30, 2013 and 2012, respectively. The Company's effective tax rate was approximately 10.90% and 0.58% for the three months ended June 30, 2013 and 2012, respectively, and 3.73% and 1.10% for the six months ended June 30, 2013 and 2012, respectively.

Under U.S. GAAP, a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Based upon the Company's review of its federal, state, local and foreign income tax returns and tax filing positions, the Company determined that no unrecognized tax benefits for uncertain tax positions were required to be recorded. In addition, the Company does not believe that it has any tax positions for which it is reasonably possible that it will be required to record significant amounts of unrecognized tax benefits within the next twelve months.

The Company files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal and certain state, local and foreign tax authorities. With a few exceptions, as of June 30, 2013, Apollo and its predecessor entities' U.S. Federal, state, local and foreign income tax returns for the years 2008 through 2012 are open under the general statute of limitations provisions and therefore subject to examination. In addition, the State of New York is examining APO Corp.'s tax returns for tax years 2008 to 2010 and the Internal Revenue Service is examining APO Corp.'s tax returns for tax years 2010 and 2011 in connection with the NOL carryback claim from tax year 2011 to tax year 2010.

The Company has recorded a deferred tax asset for the future amortization of tax basis intangibles as a result of the 2007 Reorganization. In connection with the Secondary Offering, as disclosed in note 1, the Company recognized an additional step-up in tax basis of intangibles as a result of the exchange of AOG units for Class A shares in May 2013, resulting in an increase of \$92.1 million in the deferred tax asset established from the 2007 Reorganization which was recorded in deferred tax assets in the condensed consolidated statements of financial condition for the expected tax benefit associated with this increase. A related tax receivable liability of \$78.3 million was recorded in due to affiliates in the condensed consolidated statements of financial condition for the expected payments under the tax receivable agreement entered into by and among APO Corp., the Managing Partners, the Contributing Partners, and other parties thereto (as amended, the tax receivable agreement) (see note 11). The increase in the deferred tax asset less the related liability resulted in the increase to additional paid-in capital of \$13.8 million which was recorded in the condensed consolidated statements of changes in shareholders' equity for the six months ended June 30, 2013. The amortization period for these tax basis intangibles is 15 years. Accordingly, the related deferred tax assets will reverse over the same period.

8. DEBT

Debt consists of the following:

| | As of June 30, 2013 | | As of December 31, 2012 | |
|-----------------------------|------------------------|--|----------------------------|--|
| | Outstanding Balance | Annualized Weighted Average Interest Rate | Outstanding Balance | Annualized Weighted Average Interest Rate |
| AMH Credit Agreement | \$ 728,273 | 4.02% | \$ 728,273 | 4.95% ⁽¹⁾ |
| CIT secured loan agreements | | | 9,545 | 3.47 |

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

| | | | | |
|------------|------------|-------|------------|-------|
| Total Debt | \$ 728,273 | 4.02% | \$ 737,818 | 4.93% |
|------------|------------|-------|------------|-------|

(1) Includes the effect of interest rate swaps.

AMH Credit Agreement On April 20, 2007, Apollo Management Holdings, L.P. (AMH), a subsidiary of the Company which is a Delaware limited partnership owned by APO Corp. and Holdings, entered into a \$1.0 billion seven year credit agreement (the AMH Credit Agreement). Interest payable under the AMH Credit Agreement may from time to time be based on Eurodollar London Interbank Offered Rate (LIBOR) or Alternate Base Rate (ABR) as determined by the

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

borrower. Through the use of interest rate swaps, AMH irrevocably elected three-month LIBOR for \$167 million of the debt for five years from the closing date of the AMH Credit Agreement, which expired in May 2012. The interest rate of the Eurodollar loan, which was amended as discussed below, is the daily Eurodollar rate plus the applicable margin rate (3.75% for \$995 million of the loan, as discussed below, and 1.00% for \$5 million of the loan as of June 30, 2013 and 3.75% for \$995 million of the loan and 1.00% for \$5 million of the loan as of December 31, 2012). The interest rate on the ABR term loan, which was amended as discussed below, for any day, will be the greatest of (a) the prime rate in effect on such day, (b) the Federal Funds Rate in effect on such day plus 0.5% and (c) the one-month Eurodollar Rate plus 1.00%, in each case plus the applicable margin. The AMH Credit Agreement originally had a maturity date of April 2014.

On December 20, 2010, Apollo amended the AMH Credit Agreement to extend the maturity date of \$995.0 million (including the \$90.9 million of fair value debt repurchased by the Company) of the term loan from April 20, 2014 to January 3, 2017 and modified certain other terms of the AMH Credit Agreement. Pursuant to this amendment, AMH or an affiliate was required to purchase from each lender that elected to extend the maturity date of its term loan a portion of such extended term loan equal to 20% thereof. In addition, AMH or an affiliate is required to repurchase at least \$50.0 million aggregate principal amount of the term loan by December 31, 2014 and at least \$100.0 million aggregate principal amount of the term loan (inclusive of the previously purchased \$50.0 million) by December 31, 2015 at a price equal to par plus accrued interest. The sweep leverage ratio was also extended to end at the new loan term maturity date. The interest rate for the highest applicable margin for the loan portion extended changed to LIBOR plus 4.25% and ABR plus 3.25%. On December 20, 2010, an affiliate of AMH that is a guarantor under the AMH Credit Agreement repurchased approximately \$180.8 million of the term loan in connection with the extension of the maturity date of such loan and thus the AMH Credit Agreement (excluding the portions held by AMH affiliates) had a remaining balance of \$728.3 million. The Company determined that the amendments to the AMH Credit Agreement resulted in a debt extinguishment which did not result in any gain or loss.

The interest rate on the \$723.3 million, net (\$995.0 million portion less amount repurchased by the Company) of the loan at June 30, 2013 was 3.99% and the interest rate on the remaining \$5.0 million portion of the loan at June 30, 2013 was 1.24%. The estimated fair value of the Company's long-term debt obligation related to the AMH Credit Agreement is believed to be approximately \$770.4 million based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities. The \$728.3 million carrying value of debt that is recorded on the condensed consolidated statements of financial condition at June 30, 2013 is the amount for which the Company expects to settle the AMH Credit Agreement.

As of June 30, 2013 and December 31, 2012, the AMH Credit Agreement was guaranteed by, and collateralized by, substantially all of the assets of Apollo Principal Holdings II, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings V, L.P., Apollo Principal Holdings IX, L.P. and AMH, as well as cash proceeds from the sale of assets or similar recovery events and any cash deposited pursuant to the excess cash flow covenant, which will be deposited as cash collateral to the extent necessary as set forth in the AMH Credit Agreement. As of June 30, 2013, the consolidated net assets (deficit) of Apollo Principal Holdings II, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings V, L.P., Apollo Principal Holdings IX, L.P. and AMH and its consolidated subsidiaries were \$156.6 million, \$111.4 million, \$48.1 million, \$195.6 million and \$(736.9) million, respectively. As of December 31, 2012, the consolidated net assets (deficit) of Apollo Principal Holdings II, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings V, L.P., Apollo Principal Holdings IX, L.P. and AMH and its consolidated subsidiaries were \$94.9 million, \$91.1 million, \$62.3 million, \$217.5 million and \$(858.9) million, respectively.

In accordance with the AMH Credit Agreement as of June 30, 2013, Apollo Principal Holdings II, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings V, L.P., Apollo Principal Holdings IX, L.P. and AMH and their respective subsidiaries were subject to certain negative and affirmative covenants. Among other things, the AMH Credit Agreement includes an excess cash flow covenant and an asset sales covenant. The AMH Credit Agreement does not contain any financial maintenance covenants.

If AMH's debt to EBITDA ratio (the Leverage Ratio) as of the end of any fiscal year exceeds the level set forth in the next sentence (the Excess Sweep Leverage Ratio), AMH must deposit in the cash collateral account the lesser of (a) 100% of its Excess Cash Flow (as defined in the AMH Credit Agreement) and (b) the amount necessary to reduce the Leverage Ratio on a pro forma basis as of the end of such fiscal year to 0.25 to

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

1.00 below the Excess Sweep Leverage Ratio. The Excess Sweep Leverage Ratio is: for 2013, 4.00 to 1.00; for 2014, 3.75 to 1.00; for 2015, 3.50 to 1.00; and thereafter, 3.50 to 1.00.

In addition, AMH must deposit the lesser of (a) 50% of any remaining Excess Cash Flow and (b) the amount required to reduce the Leverage Ratio on a pro forma basis at the end of each fiscal year to a level 0.25 to 1.00 below the Sweep Leverage Ratio (as defined in the next paragraph) for such fiscal year.

-39-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(dollars in thousands except share data)

If AMH receives net cash proceeds from certain non-ordinary course asset sales, then such net cash proceeds shall be deposited in the cash collateral account as necessary to reduce its Leverage Ratio on a pro forma basis as of the last day of the most recently completed fiscal quarter (after giving effect to such non-ordinary course asset sale and such deposit) to (the following specified levels for the specified years, the Sweep Leverage Ratio) (i) for 2013, a Leverage Ratio of 3.50 to 1.00, (ii) for 2014, a Leverage Ratio of 3.25 to 1.00 and (iii) for 2015 and for all years thereafter, a Leverage Ratio of 3.00 to 1.00.

The AMH Credit Agreement contains customary events of default, including events of default arising from non-payment, material misrepresentations, breaches of covenants, cross default to material indebtedness, bankruptcy and changes in control of AMH. As of June 30, 2013, the Company was not aware of any instances of non-compliance with the AMH Credit Agreement.

CIT Secured Loan Agreements During the second quarter of 2008, the Company entered into four secured loan agreements with CIT Group/Equipment Financing Inc. (CIT) to finance the purchase of certain fixed assets. In April 2013, the CIT loan balance of \$9,438 was repaid. During the six months ended June 30, 2013 and 2012, the Company incurred \$0.1 million and \$0.2 million of interest expense related to the CIT loan, respectively.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(dollars in thousands except share data)

9. 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. Each total is then divided by the applicable number of shares to arrive at basic earnings per share. For the diluted earnings, the denominator includes all outstanding common shares and all potential common shares assumed issued if they are dilutive. The numerator is adjusted for any changes in income or loss that would result from the assumed conversion of these potential common shares.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

The table below presents basic and diluted net income (loss) per Class A share using the two-class method for the three and six months ended June 30, 2013 and 2012:

| | Basic and Diluted | | | | |
|--|----------------------------|-------------------------|--------------------------|-------------------------|------|
| | For the Three Months Ended | | For the Six Months Ended | | |
| | June 30, | | June 30, | | |
| | 2013 | 2012 | 2013 | 2012 | 2012 |
| Numerator: | | | | | |
| Net income (loss) attributable to Apollo Global Management, LLC | \$ 58,737 | \$ (41,386) | \$ 307,715 | \$ 56,657 | |
| Distributions declared on Class A shares | (80,782) ⁽¹⁾ | (31,615) ⁽²⁾ | (219,529) ⁽¹⁾ | (89,695) ⁽²⁾ | |
| Distributions on participating securities | (14,300) | (6,192) | (39,292) | (16,498) | |
| Earnings allocable to participating securities | | (3) | (7,723) | (3) | |
| Undistributed (loss) income attributable to class A shareholders: Basic | (36,345) | (79,193) | 41,171 | (49,536) | |
| Dilution effect on undistributed income attributable to Class A shareholders | | | 6,216 | 161 | |
| Dilution effect on distributable income attributable to participating securities | | | (778) | | |
| Undistributed (Loss) income attributable to Class A shareholders: Diluted | \$ (36,345) | \$ (79,193) | \$ 46,609 | \$ (49,375) | |
| Denominator: | | | | | |
| Weighted average number of Class A shares outstanding: Basic | 137,289,147 | 126,457,443 | 134,285,776 | 125,863,348 | |
| Dilution effect of share options and unvested RSUs | | | 3,818,687 | 397,419 | |
| Weighted average number of Class A shares outstanding: Diluted | 137,289,147 | 126,457,443 | 138,104,463 | 126,260,767 | |
| Net income (loss) per Class A share: Basic | | | | | |
| Distributed Income | \$ 0.59 | \$ 0.25 | \$ 1.63 | \$ 0.71 | |
| Undistributed (Loss) Income | (0.27) | (0.63) | 0.31 | (0.39) | |
| Net Income (Loss) per Class A Share: Basic | \$ 0.32 | \$ (0.38) | \$ 1.94 | \$ 0.32 | |
| Net Income (Loss) per Class A Share: Diluted⁽⁴⁾ | | | | | |
| Distributed income | \$ 0.59 | \$ 0.25 | \$ 1.59 | \$ 0.71 | |
| Undistributed (loss) income | (0.27) | (0.63) | 0.34 | (0.39) | |
| Net Income (Loss) per Class A Share: Diluted | \$ 0.32 | \$ (0.38) | \$ 1.93 | \$ 0.32 | |

- (1) The Company declared a \$1.05 distribution on Class A shares on February 8, 2013 and \$0.57 on May 6, 2013.
- (2) The Company declared a \$0.46 distribution on Class A shares on February 10, 2012 and \$0.25 on May 8, 2012
- (3) No allocation of losses was made to the participating securities as the holders do not have a contractual obligation to share in the losses of the Company with Class A Shareholders.
- (4) For the six months ended June 30, 2013, share options and unvested RSUs were determined to be dilutive, and were accordingly included in the diluted earnings per share calculation. The AOG Units and participating securities were determined to be anti-dilutive, and were accordingly excluded in the diluted earnings per share calculation for the six months ended June 30, 2013. For the three months ended June 30, 2013, share options, unvested RSUs, AOG Units and participating securities were determined to be anti-dilutive, and were accordingly excluded in the diluted earnings per share calculation. For the three months ended June 30, 2012, share options, unvested RSUs, AOG Units and participatory securities were determined to be anti-dilutive, and were accordingly excluded in the diluted earnings per share calculation. For the six months ended June 30, 2012, share options were determined to be dilutive, and were accordingly included in the diluted earnings per share calculation. The unvested RSUs, AOG Units and participating securities were determined to be anti-dilutive, and were accordingly excluded in the diluted earnings per share calculation for the six months ended June 30, 2012.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

On October 24, 2007, the Company commenced the granting of restricted share units that provide the right to receive, subject to vesting, Class A shares of Apollo Global Management, LLC, pursuant to the Company's 2007 Omnibus Equity Incentive Plan (RSUs). Certain RSU grants to employees provide the right to receive distribution equivalents on vested RSUs on an equal basis any time a distribution is declared. The Company refers to these RSU grants as Plan Grants. For certain Plan Grants, distribution equivalents are paid in January of the calendar year next following the calendar year in which a distribution on Class A shares was declared. In addition, certain RSU grants to employees provide that both vested and unvested RSUs participate in distribution equivalents on an equal basis with the Class A shareholders any time a distribution is declared. The Company refers to these as Bonus Grants. As of June 30, 2013, approximately 22.5 million vested RSUs and 4.2 million unvested RSUs were eligible for participation in distribution equivalents.

Any distribution equivalent paid to an employee will not be returned to the Company upon forfeiture of the award by the employee. Vested and unvested RSUs that are entitled to non-forfeitable distribution equivalents qualify as participating securities and are included in the Company's basic and diluted earnings per share computations using the two-class method. The holder of an RSU participating security would have a contractual obligation to share in the losses of the entity if the holder is obligated to fund the losses of the issuing entity or if the contractual principal or mandatory redemption amount of the participating security is reduced as a result of losses incurred by the issuing entity. Because the RSU participating securities do not have a mandatory redemption amount and the holders of the participating securities are not obligated to fund losses, neither the vested RSUs nor the unvested RSUs are subject to any contractual obligation to share in losses of the Company.

Holders of AOG Units are subject to the vesting requirements and transfer restrictions set forth in the agreements with the respective holders, and may up to four times each year, upon notice (subject to the terms of the Exchange Agreement), exchange their AOG Units for Class A shares on a one-for-one basis. A limited partner must exchange one partnership unit in each of the Apollo Operating Group partnerships to effectuate an exchange for one Class A share. As disclosed in Note 1, in connection with the Secondary Offering, certain holders of AOG units exchanged their AOG units for Class A shares and approximately 8.8 million Class A shares were issued by the Company in the exchange. If all of the outstanding AOG Units were exchanged for Class A shares as of June 30, 2013, the result would be an additional 231,230,636 Class A shares added to the diluted earnings per share calculation.

Apollo has one Class B share outstanding, which is held by BRH Holdings GP, Ltd. The voting power of the Class B share is reduced on a one vote per one AOG Unit basis in the event of an exchange of AOG Units for Class A shares, as discussed above. The Class B share has no net income (loss) per share as it does not participate in Apollo's earnings (losses) or distributions. The Class B share has no distribution or liquidation rights. The Class B share has voting rights on a pari passu basis with the Class A shares. The Class B share currently has a super voting power of 231,230,636 votes.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(dollars in thousands except share data)

The table below presents transactions in Class A shares during the six months ended June 30, 2013 and the year ended December 31, 2012, and the resulting impact on the Company's and Holdings' ownership interests in the Apollo Operating Group:

| Date | Type of AGM Class A Shares Transaction | Number of Shares Issued in AGM Class A Shares Transaction (in thousands) | AGM | AGM | Holdings | Holdings |
|-------------------|---|--|--|---|--|---|
| | | | ownership% in AOG before AGM Class A Shares Transaction | ownership% in AOG after AGM Class A Shares Transaction | ownership% in AOG before AGM Class A Shares Transaction | ownership% in AOG after AGM Class A Shares Transaction |
| January 18, 2012 | Issuance | 394 | 34.1% | 34.1% | 65.9% | 65.9% |
| February 13, 2012 | Issuance | 1,994 | 34.1% | 34.5% | 65.9% | 65.5% |
| March 5, 2012 | Issuance | 50 | N/A ⁽¹⁾ | N/A ⁽¹⁾ | N/A ⁽¹⁾ | N/A ⁽¹⁾ |
| April 3, 2012 | Issuance | 150 | N/A ⁽¹⁾ | N/A ⁽¹⁾ | N/A ⁽¹⁾ | N/A ⁽¹⁾ |
| July 9, 2012 | Issuance | 1,452 | 34.5% | 34.7% | 65.5% | 65.3% |
| August 6, 2012 | Issuance | 1,962 | 34.7% | 35.1% | 65.3% | 64.9% |
| October 9, 2012 | Issuance | 150 | N/A ⁽¹⁾ | N/A ⁽¹⁾ | N/A ⁽¹⁾ | N/A ⁽¹⁾ |
| November 12, 2012 | Issuance | 25 | N/A ⁽¹⁾ | N/A ⁽¹⁾ | N/A ⁽¹⁾ | N/A ⁽¹⁾ |
| November 19, 2012 | Issuance | 5 | N/A ⁽¹⁾ | N/A ⁽¹⁾ | N/A ⁽¹⁾ | N/A ⁽¹⁾ |
| January 9, 2013 | Issuance | 150 | 35.1% | 35.2% | 64.9% | 64.8% |
| January 25, 2013 | Issuance | 23 | N/A ⁽¹⁾ | N/A ⁽¹⁾ | N/A ⁽¹⁾ | N/A ⁽¹⁾ |
| February 11, 2013 | Issuance | 1,913 | 35.2% | 35.5% | 64.8% | 64.5% |
| March 19, 2013 | Issuance | 5 | N/A ⁽¹⁾ | N/A ⁽¹⁾ | N/A ⁽¹⁾ | N/A ⁽¹⁾ |
| April 9, 2013 | Issuance | 150 | N/A ⁽¹⁾ | N/A ⁽¹⁾ | N/A ⁽¹⁾ | N/A ⁽¹⁾ |
| May 9, 2013 | Issuance | 627 | 35.5% | 35.6% | 64.5% | 64.4% |
| May 14, 2013 | Issuance/Offering ⁽²⁾ | 8,800 | 35.6% | 38.0% | 64.4% | 62.0% |

(1) Transaction did not have a material impact on ownership.

(2) Certain holders of AOG Units exchanged their AOG Units for Class A shares. Approximately 8.8 million Class A shares were issued by the Company in the exchange, which settled on May 14, 2013. Refer to note 1 for details regarding the Secondary Offering.

10. EQUITY-BASED COMPENSATION**AOG Units**

The fair value of the AOG Units of approximately \$5.6 billion is charged to compensation expense on a straight-line basis over the five or six year service period, as applicable. For the three and six months ended June 30, 2013, \$15.0 million and \$30.0 million of compensation expense was recognized, respectively. For the three and six months ended June 30, 2012, \$116.2 million and \$232.3 million of compensation expense was recognized, respectively. The estimated forfeiture rate was 0% for Contributing Partners and 0% for Managing Partners based on actual forfeitures as well as the Company's future forfeiture expectations. As of June 30, 2013, there was no unrecognized compensation cost related to unvested AOG Units.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(dollars in thousands except share data)

The following table summarizes the activity of the AOG Units for the six months ended June 30, 2013:

| | AOG Units | Weighted Average Grant Date Fair Value |
|----------------------------|-------------|--|
| Balance at January 1, 2013 | 1,500,366 | \$ 20.00 |
| Vested at June 30, 2013 | (1,500,366) | 20.00 |
| Balance at June 30, 2013 | | \$ |

RSUs

On October 24, 2007, the Company commenced the granting of RSUs under the Company's 2007 Omnibus Equity Incentive Plan. These grants are accounted for as a grant of equity awards in accordance with U.S. GAAP. All grants after March 29, 2011 consider the public share price of the Company. For Plan Grants, the fair value is based on grant date fair value, and is discounted for transfer restrictions and lack of distributions until vested. For Bonus Grants, the valuation methods consider transfer restrictions and timing of distributions. The total fair value is charged to compensation expense on a straight-line basis over the vesting period, which is generally up to 24 quarters (for Plan Grants) or annual vesting over three years (for Bonus Grants). During the three months ended June 30, 2013, 239,062 RSUs were granted with a weighted average grant date fair value of \$20.71 per RSU. The actual forfeiture rate was 2.9% and 3.8% for the three and six months ended June 30, 2013, respectively. For the six months ended June 30, 2013 and 2012, \$54.2 million and \$55.0 million of compensation expense were recognized, respectively. For the three months ended June 30, 2013 and 2012, \$26.7 million and \$24.0 million of compensation expense were recognized, respectively.

The following table summarizes RSU activity for the six months ended June 30, 2013:

| | Unvested | Weighted Average Grant Date Fair Value | Vested | Total Number of RSUs Outstanding |
|----------------------------|-------------|---|-------------|---|
| Balance at January 1, 2013 | 14,724,474 | \$ 11.62 | 22,512,930 | 37,237,404 |
| Granted | 443,632 | 20.35 | | 443,632 |
| Forfeited | (569,664) | 13.71 | | (569,664) |
| Delivered | | 13.00 | (3,356,149) | (3,356,149) |
| Vested | (3,361,655) | 11.65 | 3,361,655 | |
| Balance at June 30, 2013 | 11,236,787 | \$ 11.85 | 22,518,436 | 33,755,223 ⁽¹⁾ |

(1) Amount excludes RSUs which have vested and have been issued in the form of Class A shares.

Units Expected to Vest As of June 30, 2013, approximately 10,600,000 RSUs were expected to vest over the next 2.8 years.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(dollars in thousands except share data)

Share Options

Under the Company's 2007 Omnibus Equity Incentive Plan, the following options were granted. Below is a summary of their respective vesting terms:

| Date of Grant | Options Granted | Vesting Terms |
|-------------------|-----------------|--|
| December 2, 2010 | 5,000,000 | Vested and became exercisable with respect to 4/24 of the option shares on December 31, 2011 and the remainder vest in equal installments over each of the remaining 20 quarters with full vesting on December 31, 2016. |
| January 22, 2011 | 555,556 | Half of such options that vested and became exercisable on December 31, 2011 were exercised on March 5, 2012 and the other half that were due to become exercisable on December 31, 2012 were forfeited during the quarter ended March 31, 2012. |
| April 9, 2011 | 25,000 | Vested and became exercisable with respect to half of the option shares on December 31, 2011 and the other half vested in four equal quarterly installments starting on March 31, 2012 and ending on December 31, 2012 and are fully vested as of the date of this report. |
| July 9, 2012 | 50,000 | Will vest and become exercisable with respect to 4/24 of the option shares on June 30, 2013 and the remainder will vest in equal installments over each of the remaining 20 quarters with full vesting on June 30, 2018. |
| December 28, 2012 | 200,000 | |

For the three and six months ended June 30, 2013, \$1.2 million and \$2.5 million of compensation expense were recognized as a result of option grants, respectively. For the three and six months ended June 30, 2012, \$1.2 million and \$2.4 million of compensation expense were recognized as a result of these grants, respectively.

There were no share options granted during the six months ended June 30, 2013. Apollo measures the fair value of each option award on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for options awarded during 2012:

| Assumptions: | 2012 ⁽²⁾ |
|---|---------------------|
| Risk-free interest rate | 1.11% |
| Weighted average expected dividend yield | 8.13% |
| Expected volatility factor ⁽¹⁾ | 45.00% |
| Expected life in years | 6.66 |
| Fair value of options per share | \$ 3.01 |

(1) The Company determined its expected volatility based on comparable companies using daily stock prices and the Company's volatility.

(2) Represents weighted average of 2012 grants.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

The following table summarizes the share option activity for the six months ended June 30, 2013:

| | Options Outstanding | Weighted Average Exercise Price | Aggregate Fair Value | Weighted Average Remaining Contractual Term |
|------------------------------|------------------------|--|----------------------------|---|
| Balance at January 1, 2013 | 5,275,000 | \$ 8.44 | \$ 29,020 | 8.01 |
| Granted | | | | |
| Exercised | (1,875,000) | 8.00 | (10,538) | |
| Forfeited | | | | |
| Balance at June 30, 2013 | 3,400,000 | 8.68 | \$ 18,482 | 7.56 |
| Exercisable at June 30, 2013 | 274,997 | \$ 10.16 | \$ 1,464 | 7.75 |

Options Expected to Vest As of June 30, 2013, approximately 2,938,000 options were expected to vest.

The expected life of the options granted represents the period of time that options are expected to be outstanding and is based on the contractual term of the option. Unamortized compensation cost related to unvested share options at June 30, 2013 was \$16.0 million and is expected to be recognized over a weighted average period of 3.5 years. There were 1.9 million options exercised during the three and six months ended June 30, 2013.

Delivery of Class A Shares RSUs and Share Options

During 2013 and 2012, the Company delivered Class A shares for vested RSUs and exercised share options. The Company generally allows holders of RSUs and exercised share options to elect to settle their tax liabilities with a reduction of Class A shares delivered to such holders in connection with the settlement of vested RSUs and/or exercised share options. The withholding of such shares results in a tax liability and a corresponding accumulated deficit adjustment. The adjustment for the six months ended June 30, 2013 and 2012 was \$41.8 million and \$16.9 million, respectively. The adjustment is disclosed in the condensed consolidated statements of changes in shareholders' equity.

The delivery of Class A shares in settlement of vested RSUs and exercised share options does not cause a transfer of amounts in the condensed consolidated statements of changes in shareholders' equity to the Class A Shareholders. The delivery of Class A shares and exercised share options for vested RSUs and exercised share options causes the income or loss allocated to the Non-Controlling Interests to shift to the Class A shareholders. During the six months ended June 30, 2013, the Company delivered 2,899,114 Class A shares in settlement of vested RSUs and exercised share options, which caused the Company's ownership interest in the Apollo Operating Group to increase to 35.6% from 35.1%.

AAA RDUs

Incentive units that provide the right to receive AAA restricted depository units (RDUs) following vesting are granted periodically to employees of Apollo. These grants are accounted for as equity awards in accordance with U.S. GAAP. The incentive units granted to employees generally vest over three years. In contrast, the Company's Managing Partners and Contributing Partners have received distributions of fully-vested AAA RDUs. The fair value at the date of the grants is recognized on a straight-line basis over the vesting period (or upon grant in the case of fully

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

vested AAA RDUs). The grant date fair value is based on the public share price of AAA. Vested AAA RDUs can be converted into ordinary common units of AAA subject to applicable securities law restrictions. During the three and six months ended June 30, 2013 and 2012, the actual forfeiture rate was 0%. For the six months ended June 30, 2013 and 2012, \$0.5 million and \$0.4 million of compensation expense was recognized, respectively. For the three months ended June 30, 2013 and 2012, \$0.3 million and \$0.3 million of compensation expense was recognized, respectively.

-47-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

During the six months ended June 30, 2013 and 2012, the Company delivered 114,896 and 60,702 RDUs, respectively. During the three months ended June 30, 2013 and 2012, there were no RDUs deliveries. The deliveries during the six months ended June 30, 2013 and 2012 resulted in a satisfaction of liability of \$1.0 million and \$0.5 million, respectively, and the recognition of a net increase of additional paid in capital in 2013 of \$1.4 million and a net decrease in 2012 of \$1.3 million, respectively. These amounts are presented in the condensed consolidated statements of changes in shareholders' equity. There was \$0.5 million and \$1.0 million of liability for undelivered RDUs included in accrued compensation and benefits in the condensed consolidated statements of financial condition as of June 30, 2013 and December 31, 2012, respectively. The following table summarizes RDU activity for the six months ended June 30, 2013:

| | Unvested | Weighted Average Grant Date Fair Value | Vested | Total Number of RDUs Outstanding |
|----------------------------|----------|--|-----------|--|
| Balance at January 1, 2013 | 338,430 | \$ 8.85 | 114,896 | 453,326 |
| Granted | | | | |
| Forfeited | | | | |
| Delivered | | 9.02 | (114,896) | (114,896) |
| Vested | | | | |
| Balance at June 30, 2013 | 338,430 | \$ 8.85 | | 338,430 |

Units Expected to Vest As of June 30, 2013, approximately 318,000 RDUs were expected to vest over the next three years.

The following table summarizes the activity of RDUs available for future grants:

| | RDUs Available For Future Grants |
|----------------------------|--|
| Balance at January 1, 2013 | 1,685,345 |
| Purchases | 6,236 |
| Granted | |
| Forfeited | |
| Balance at June 30, 2013 | 1,691,581 |

Restricted Stock and Restricted Stock Unit Awards Apollo Commercial Real Estate Finance, Inc.

ARI restricted stock awards and ARI restricted stock unit (ARI RSUs) awards granted to the Company and certain of the Company's employees generally vest over three years, either quarterly or annually. The awards granted to the Company are accounted for as investments and deferred revenue in the condensed consolidated statements of financial condition. As these awards vest, the deferred revenue is recognized as

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

management fees. The investment is accounted for using the equity method of accounting for awards granted to the Company and as a deferred compensation asset for the awards granted to employees. Compensation expense will be recognized on a straight line-basis over the vesting period for the awards granted to the employees. The Company recorded an asset and a liability upon receiving the awards on behalf of the Company's employees. The fair value of the awards to employees is based on the grant date fair value, which utilizes the public share price of ARI, less discounts for transfer restrictions. The awards granted to the Company's employees are remeasured each period to reflect the fair value of the asset and other liabilities and any changes in these values are recorded in the condensed consolidated statements of operations. For the six months ended June 30, 2013 and 2012, \$1.8 million and \$1.2 million of management fees and \$1.3 million and \$0.8 million of compensation expense were recognized in the condensed consolidated statements of operations, respectively. For the three months ended June 30, 2013 and 2012, \$0.4 million and \$0.7 million of management fees and \$0.3 million and \$0.4 million of compensation expense were recognized in the condensed consolidated statements of operations, respectively. The actual forfeiture rate for unvested ARI restricted stock awards and ARI RSUs was 1.6% and 2.1% for the three and six months ended June 30, 2013, respectively.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

The following table summarizes activity for the ARI restricted stock awards and ARI RSUs that were granted to both the Company and certain of its employees for the six months ended June 30, 2013:

| | ARI Restricted Stock Unvested | ARI RSUs Unvested | Weighted Average Grant Date Fair Value | ARI RSUs Vested | Total Number of ARI RSUs Outstanding |
|---|--|------------------------------|---|----------------------------|---|
| Balance at January 1, 2013 | | 237,542 | \$ 14.62 | 225,232 | 462,774 |
| Granted to employees of the Company | | 195,000 | 16.66 | | 195,000 |
| Granted to the Company | | 40,000 | 17.59 | | 40,000 |
| Forfeited by employees of the Company | | (5,000) | 16.66 | | (5,000) |
| Vested awards of the employees of the Company | | (49,249) | 14.93 | 49,249 | |
| Vested awards of the Company | | (52,000) | 14.85 | 52,000 | |
| Balance at June 30, 2013 | | 366,293 | \$ 15.93 | 326,481 | 692,774 |

Units Expected to Vest As of June 30, 2013, approximately 355,000 ARI RSUs were expected to vest over the next three years.

Restricted Stock Unit Awards Apollo Residential Mortgage, Inc.

AMTG restricted stock units (AMTG RSUs) granted to the Company and certain of the Company's employees generally vest over three years, either quarterly or annually. The awards granted to the Company are accounted for as investments and deferred revenue in the condensed consolidated statements of financial condition. As these awards vest, the deferred revenue is recognized as management fees. The investment is accounted for using the equity method of accounting for awards granted to the Company and as a deferred compensation asset for the awards granted to employees. Compensation expense will be recognized on a straight line-basis over the vesting period for the awards granted to the employees. The Company recorded an asset and a liability upon receiving the awards on behalf of the Company's employees. The awards granted to the Company's employees are remeasured each period to reflect the fair value of the asset and other liabilities and any changes in these values are recorded in the condensed consolidated statements of operations.

The fair value of the awards to employees is based on the grant date fair value, which utilizes the public share price of AMTG less discounts for transfer restrictions and timing of distributions. For the three and six months ended June 30, 2013, \$0.2 million and \$0.5 million of management fees and \$0.2 million and \$0.5 million of compensation expense were recognized in the condensed consolidated statements of operations, respectively. For the three and six months ended June 30, 2012, \$0.0 million of management fees and \$0.0 million of compensation expense were recognized in the condensed consolidated statements of operations, respectively. The actual forfeiture rate for AMTG RSUs was 0% for the three and six months ended June 30, 2013.

The following table summarizes activity for the AMTG RSUs that were granted to both the Company and certain of its employees for the six months ended June 30, 2013:

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

| | AMTG RSUs Unvested | Weighted Average Grant Date Fair Value | AMTG RSUs Vested | Total Number of AMTG RSUs Outstanding |
|---|-----------------------|---|------------------------|---|
| Balance at January 1, 2013 | 161,257 | \$ 20.28 | 12,862 | 174,119 |
| Granted to employees of the Company | 6,250 | 18.09 | | 6,250 |
| Vested awards of the employees of the Company | (3,688) | 17.64 | 3,688 | |
| Vested awards of the Company | (3,125) | 18.20 | 3,125 | |
| Balance at June 30, 2013 | 160,694 | \$ 20.30 | 19,675 | 180,369 |

Units Expected to Vest As of June 30, 2013, approximately 152,000 AMTG RSUs were expected to vest over the next three years.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

Equity-Based Compensation Allocation

Equity-based compensation is allocated based on ownership interests. Therefore, the amortization of the AOG Units is allocated to shareholders equity attributable to Apollo Global Management, LLC and the Non-Controlling Interests, which results in a difference in the amounts charged to equity-based compensation expense and the amounts credited to shareholders equity attributable to Apollo Global Management, LLC in the Company's condensed consolidated financial statements.

Below is a reconciliation of the equity-based compensation allocated to Apollo Global Management, LLC for the three months ended June 30, 2013:

| | Total Amount | Non- Controlling Interest % in Apollo Operating Group | Allocated to Non- Controlling Interest in Apollo Operating Group ⁽¹⁾ | Allocated to Apollo Global Management, LLC |
|--|------------------|--|--|--|
| AOG Units | \$ 15,004 | 62.0% | \$ 9,461 | \$ 5,543 |
| RSUs and Share Options | 27,776 | | | 27,776 |
| ARI Restricted Stock Awards, ARI RSUs and AMTG | | | | |
| RSUs | 462 | 62.0 | 291 | 171 |
| AAA RDUs | 259 | 62.0 | 163 | 96 |
| Total Equity-Based Compensation | \$ 43,501 | | 9,915 | 33,586 |
| Less ARI Restricted Stock Awards, ARI RSUs and AMTG | | | | |
| RSUs | | | (454) | 181 |
| Capital Increase Related to Equity-Based Compensation | | | \$ 9,461 | \$ 33,767 |

(1) Calculated based on average ownership percentage for the period considering Class A share issuances during the period. Below is a reconciliation of the equity-based compensation allocated to Apollo Global Management, LLC for the six months ended June 30, 2013:

| Total Amount | Non- Controlling | Allocated to | Allocated to Apollo |
|-----------------|---------------------|-----------------|------------------------|
|-----------------|---------------------|-----------------|------------------------|

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

| | | Interest % in Apollo Operating Group | Non- Controlling Interest in Apollo Operating Group ⁽¹⁾ | Global Management, LLC |
|--|------------------|---|---|------------------------------|
| AOG Units | \$ 30,008 | 62.0% | \$ 19,163 | \$ 10,845 |
| RSUs and Share Options | 56,505 | | | 56,505 |
| ARI Restricted Stock Awards, ARI RSUs and AMTG | | | | |
| RSUs | 1,757 | 62.0 | 1,089 | 668 |
| AAA RDUs | 517 | 62.0 | 321 | 196 |
| Total Equity-Based Compensation | \$ 88,787 | | 20,573 | 68,214 |
| Less ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs | | | (1,410) | (156) |
| Capital Increase Related to Equity-Based Compensation | | | \$ 19,163 | \$ 68,058 |

(1) Calculated based on average ownership percentage for the period considering Class A share issuances during the period.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

(dollars in thousands except share data)

Below is a reconciliation of the equity-based compensation allocated to Apollo Global Management, LLC for the three months ended June 30, 2012:

| | Total Amount | Non- Controlling Interest % in Apollo Operating Group | Allocated to Non- Controlling Interest in Apollo Operating Group⁽¹⁾ | Allocated to Apollo Global Management, LLC |
|--|-------------------------|--|---|---|
| AOG Units | \$ 116,171 | 65.5% | \$ 76,082 | \$ 40,089 |
| RSUs and Share Options | 25,213 | | | 25,213 |
| ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs | 431 | 65.5 | 282 | 149 |
| AAA RDUs | 299 | 65.5 | 196 | 103 |
| Total Equity-Based Compensation | \$ 142,114 | | 76,560 | 65,554 |
| Less ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs | | | (478) | (252) |
| Capital Increase Related to Equity-Based Compensation | | | \$ 76,082 | \$ 65,302 |

(1) Calculated based on average ownership percentage for the period considering Class A share issuance during the period.
Below is a reconciliation of the equity-based compensation allocated to Apollo Global Management, LLC for the six months ended June 30, 2012:

| | Total Amount | Non- Controlling Interest % in Apollo Operating Group | Allocated to Non- Controlling Interest in Apollo Operating Group⁽¹⁾ | Allocated to Apollo Global Management, LLC |
|--|-------------------------|--|---|---|
|--|-------------------------|--|---|---|

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

| | | | | |
|--|-------------------|-------|-------------------|-------------------|
| AOG Units | \$ 232,342 | 65.5% | \$ 152,412 | \$ 79,930 |
| RSUs and Share Options | 57,375 | | | 57,375 |
| ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs | 826 | | 541 | 285 |
| AAA RDUs | 437 | | 286 | 151 |
| Total Equity-Based Compensation | \$ 290,980 | | 153,239 | 137,741 |
| Less ARI Restricted Stock Awards, ARI RSUs and AMTG RSUs | | | (827) | (436) |
| Capital Increase Related to Equity-Based Compensation | | | \$ 152,412 | \$ 137,305 |

(1) Calculated based on average ownership percentage for the period considering Class A share issuance during the period.

11. RELATED PARTY TRANSACTIONS AND INTERESTS IN CONSOLIDATED ENTITIES

The Company typically facilitates the initial payment of certain operating costs incurred by the funds that it manages as well as their affiliates. These costs are normally reimbursed by such funds and are included in due from affiliates.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

Due from affiliates and due to affiliates are comprised of the following:

| | As of June 30, 2013 | As of December 31, 2012 |
|--|------------------------|----------------------------|
| Due from Affiliates: | | |
| Due from private equity funds | \$ 32,183 | \$ 28,201 |
| Due from portfolio companies | 17,092 | 46,048 |
| Due from credit funds | 122,745 | 68,278 ⁽¹⁾ |
| Due from Contributing Partners, employees and former employees | 16,801 | 9,536 |
| Due from real estate funds | 19,367 | 17,950 |
| Other | 1,092 | 3,299 |
| Total Due from Affiliates | \$ 209,280 | \$ 173,312 |
| Due to Affiliates: | | |
| Due to Managing Partners and Contributing Partners in connection with the tax receivable agreement | \$ 489,862 | \$ 441,997 |
| Due to private equity funds | 27,738 | 12,761 |
| Due to credit funds | 561 | 19,926 |
| Due to real estate funds | | 1,200 |
| Distributions payable to employees | 28,809 | 1,567 |
| Total Due to Affiliates | \$ 546,970 | \$ 477,451 |

(1) Reclassified to conform to current period presentation.

Tax Receivable Agreement and Other

Subject to certain restrictions, each of the Managing Partners and Contributing Partners has the right to exchange their vested AOG Units for the Company's Class A shares. Certain Apollo Operating Group entities have made an election under Section 754 of the U.S. Internal Revenue Code of 1986, as amended (the Internal Revenue Code), which will result in an adjustment to the tax basis of the assets owned by Apollo Operating Group at the time of the exchange. These exchanges will result in increases in tax deductions that will reduce the amount of tax that APO Corp. will otherwise be required to pay in the future. Additionally, the further acquisition of AOG Units from the Managing Partners and Contributing Partners also may result in increases in tax deductions and tax basis of assets that will further reduce the amount of tax that APO Corp. will otherwise be required to pay in the future.

The tax receivable agreement provides for the payment to the Managing Partners and Contributing Partners of 85% of the amount of cash savings, if any, in U.S. Federal, state, local and foreign income taxes that APO Corp. would realize as a result of the increases in tax basis of assets that resulted from the 2007 Reorganization and the Secondary Offering. If the Company does not make the required annual payment on a timely basis as outlined in the tax receivable agreement, interest is accrued on the balance until the payment date. These payments are expected to occur approximately over the next 20 years. In connection with the amendment of the AMH partnership agreement in April of 2010, the tax

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

receivable agreement was revised to reflect the Managing Partners' agreement to defer 25% or \$12.1 million of the required payments pursuant to the tax receivable agreement that is attributable to the 2010 fiscal year for a period of four years until April 5, 2014.

In April 2013, Apollo made a \$30.4 million cash payment pursuant to the tax receivable agreement resulting from the realized tax benefit for the 2012 tax year. Included in the payment was approximately \$7.6 million and approximately \$0.3 million of interest paid to the Managing Partners and Contributing Partners, respectively. Because distributions from the Apollo Operating Group are made pari passu to all unit holders, the payment pursuant to the tax receivable agreement noted above resulted in an additional \$55.2 million distribution to Holdings.

As disclosed in note 1, on May 14, 2013, the Intermediate Holding Companies acquired approximately 8.8 million Class A shares of AGM, which were used to acquire an equal number of AOG Units from certain Managing Partners and

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(dollars in thousands except share data)

Contributing Partners in connection with the Secondary Offering. This exchange was taxable for U.S. federal income tax purposes, and resulted in APO Corp. recording a U.S. federal income tax basis adjustment of approximately \$145.7 million in the intangible assets of certain Apollo Operating Group entities.

Pursuant to the tax receivable agreement, the Managing Partners and Contributing Partners who exchanged AOG Units for Class A Shares in the Secondary Offering will receive payment from APO Corp. of 85% of the amount of the actual cash tax savings, if any, in U.S. Federal, state, local and foreign income tax that APO Corp. realizes as a result of these increases in tax deductions and tax basis, and certain other tax benefits, including imputed interest expense. APO Corp. retains the benefit from the remaining 15% of actual cash tax savings. A \$78.3 million liability was recorded to estimate the amount of these future expected payments to be made by APO Corp. to the Managing Partners and Contributing Partners pursuant to the tax receivable agreement.

Due from Contributing Partners, Employees and Former Employees

As of June 30, 2013 and December 31, 2012 balances include various amounts due to the Company including directors fees receivables. The Company has also accrued \$6.8 million and \$6.5 million, respectively, from the Contributing Partners and certain employees associated with a credit agreement with Fund VI as described below in Due to Private Equity Funds.

Management Fee Waiver and Notional Investment Program

In 2012, Apollo had forgone a portion of management fee revenue that it would have been entitled to receive in cash and instead received profits interests and assigned these profits interests to employees and partners. The amount of management fees waived and related compensation expense amounted to \$6.8 million and \$13.6 million for the three and six months ended June 30, 2012. The investment period for Fund VII and ANRP for the management fee waiver plan was terminated as of December 31, 2012 and as a result there was no related compensation expense for the six months ended June 30, 2013.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

Distributions

In addition to other distributions, such as payments pursuant to the tax receivable agreement, the table below presents information regarding the quarterly distributions which were made at the sole discretion of the manager of the Company during 2012 and 2013 (in millions, except per share amounts):

| Distributions | Distributions per Class A Share Amount | Distributions Payment Date | Distributions to AGM Class A Shareholders | Distributions | | |
|-------------------|---|-------------------------------|--|--|---|--|
| | | | | to Non-Controlling Interest Holders in the Apollo Operating Group | Total Distributions from Apollo Operating Group | Distribution Equivalents on Participating Securities |
| February 10, 2012 | \$ 0.46 | February 29, 2012 | \$ 58.1 | \$ 110.4 | \$ 168.5 | \$ 10.3 |
| May 8, 2012 | \$ 0.25 | May 30, 2012 | \$ 31.6 | \$ 60.0 | \$ 91.6 | \$ 6.2 |
| August 2, 2012 | \$ 0.24 | August 31, 2012 | \$ 31.2 | \$ 57.6 | \$ 88.8 | \$ 5.3 |
| November 9, 2012 | \$ 0.40 | November 30, 2012 | \$ 52.0 | \$ 96.0 | \$ 148.0 | \$ 9.4 |
| February 8, 2013 | \$ 1.05 | February 28, 2013 | \$ 138.7 | \$ 252.0 | \$ 390.7 | \$ 25.0 |
| May 6, 2013 | \$ 0.57 | May 30, 2013 | \$ 80.8 | \$ 131.8 | \$ 212.6 | \$ 14.3 |

Indemnity

Carried interest income from certain funds that the Company manages can be distributed to us on a current basis, but is subject to repayment by the subsidiary of the Apollo Operating Group that acts as general partner of the fund in the event that certain specified return thresholds are not ultimately achieved. The Managing Partners, Contributing Partners and certain other investment professionals have personally guaranteed, subject to certain limitations, the obligation of these subsidiaries in respect of this general partner obligation. Such guarantees are several and not joint and are limited to a particular Managing Partner's or Contributing Partner's distributions. An existing shareholders agreement includes clauses that indemnify each of the Company's Managing Partners and certain Contributing Partners against all amounts that they pay pursuant to any of these personal guarantees in favor of certain funds that the Company manages (including costs and expenses related to investigating the basis for or objecting to any claims made in respect of the guarantees) for all interests that the Company's Managing Partners and Contributing Partners have contributed or sold to the Apollo Operating Group.

Accordingly, in the event that the Company's Managing Partners, Contributing Partners and certain investment professionals are required to pay amounts in connection with a general partner obligation for the return of previously made distributions, we will be obligated to reimburse the Company's Managing Partners and certain Contributing Partners for the indemnifiable percentage of amounts that they are required to pay even though we did not receive the certain distribution to which that general partner obligation related. There was no indemnification liability recorded as of June 30, 2013 and December 31, 2012.

Athene

Under an amended services contract with Athene and Athene Life Re Ltd., effective February 6, 2013, the Company earns a quarterly monitoring fee based on Athene's capital and surplus, excluding the shares of Athene Holding Ltd. that were newly acquired by AAA Investments in the AAA Transaction (Excluded Athene Shares), at the end of each quarter through December 31, 2014, the termination date. As a result of the amendment, the total monitoring fee receivable is based on the value of Athene share equivalents determined at each reporting

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

period. At Athene's option, the monitoring fee can be settled in either cash or, under certain circumstances, Athene shares. Settlement occurs on the earlier of a change of control of Athene or October 31, 2017. For the three and six months ended June 30, 2013, the Company earned \$21.2 million and \$40.7 million, respectively, related to this monitoring fee, which is recorded in advisory and transaction fees from affiliates in the condensed consolidated statements of operations. For the three and six months ended June 30, 2012, the Company earned \$3.6 million and \$6.3 million, respectively, related to this monitoring fee, which is recorded in advisory and transaction fees from affiliates in the condensed consolidated statements of operations. As of June 30, 2013, the Company had a \$40.9 million receivable, which is accounted for as a derivative (as described below), recorded in due from affiliates on the condensed consolidated statements of financial condition.

Under an amended services contract with AAA and other AAA affiliated service recipients including AAA Guarantor-Athene L.P. and AAA Investments, effective October 31, 2012, the Company earns a quarterly management fee

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

based on AAA Investments' adjusted assets through December 31, 2020, the termination date. As a result of the amendment, the total fee receivable is based on the value of Athene share equivalents determined at each reporting period. At the option of AAA Guarantor Athene L.P. and AAA Investments, L.P., the management fee can be settled in either cash or, under certain circumstances, Athene shares. Settlement occurs on the earlier of a change of control of Athene or October 31, 2017. Related to this amended service contract, as of June 30, 2013 and December 31, 2012, the Company had a receivable of \$7.1 million and \$2.1 million, respectively, which is recorded in due from affiliates on the condensed consolidated statements of financial condition. The total management fee earned by the Company for the three and six months ended June 30, 2013 was \$2.5 million (of which \$0.6 million related to the derivative component, as described below) and \$5.6 million (of which \$1.2 million related to the derivative component, as described below), respectively, which is recorded in management fees from affiliates in the condensed consolidated statements of operations. The total management fee earned by the Company for the three and six months ended June 30, 2012 was \$4.4 million and \$8.9 million, respectively, which is recorded in management fees from affiliates in the condensed consolidated statements of operations.

These amended contracts together with related derivative contracts issued pursuant to these amended contracts meet the definition of a derivative under U.S. GAAP. The Company has classified these derivatives as Level III assets in the fair value hierarchy, as the pricing inputs into the determination of fair value require significant judgment and estimation. The value of these derivatives is determined by multiplying the Athene share equivalents by the estimated price per share of Athene.

The change in unrealized market value of these derivatives is reflected in other income, net in the condensed consolidated statements of operations. For the three and six months ended June 30, 2013, there was \$0.3 million of changes in market value recognized related to these derivatives.

The following table summarizes the fair value of these derivatives, which are measured at fair value and characterized as Level III liabilities:

| | For the Three Months Ended June 30, 2013 | For the Six Months Ended June 30, 2013 |
|-----------------------------------|---|---|
| Balance, Beginning of Period | \$ 24,127 | \$ 2,126 |
| Change in Unrealized Market Value | 284 | 284 |
| Fees Received | 23,705 | 45,706 |
| Balance, End of Period | \$ 48,116 | \$ 48,116 |

The following table summarizes the quantitative inputs and assumptions used for these derivatives, at fair value, categorized as Level III in the fair value hierarchy as of June 30, 2013:

| | Fair Value at June 30, 2013 | Valuation Techniques | Unobservable Inputs | Multiple | Weighted Average |
|--------------------------|-----------------------------------|----------------------|--------------------------|----------|---------------------|
| Financial Assets: | | | | | |
| Athene/AAA Derivative | \$ 48,116 | | Weighted Average Cost of | 1.22x | 15.0% |

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

Discounted Cash
Flow/Market Multiples

Capital /Comparable
Multiples

The significant unobservable inputs used in the fair value measurement of the Level III derivatives are the comparable multiples and weighted average cost of capital rates applied in the valuation models. These inputs in isolation can cause significant increases or decreases in fair value. Specifically, the comparable multiples are generally multiplied by the underlying company's embedded value to establish the total enterprise value of these derivatives which is comparable to multiples of embedded value and is determined based on the implied trading multiple of industry peers. Similarly, when a discounted cash flow model is used to determine fair value, the significant input used in the valuation model is the discount rate applied to present value the projected cash flows. An increase in the discount rate can significantly lower the fair value of the derivative; conversely a decrease in the discount rate can significantly increase the fair value of the derivative. The discount rate is determined based on the weighted average cost of capital calculation that weights the cost of equity and the cost of debt based on comparable debt to equity ratios.

-55-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

Due to Private Equity Funds

On June 30, 2008, the Company entered into a credit agreement with Fund VI, pursuant to which Fund VI advanced \$18.9 million of carried interest income to the limited partners of Apollo Advisors VI, L.P., who are also employees of the Company. The loan obligation accrues interest at an annual fixed rate of 3.45% and terminates on the earlier of June 30, 2017 or the termination of Fund VI. In March 2011, a right of offset for the indemnified portion of the loan obligation was established between the Company and Fund VI, therefore the loan was reduced in the amount of \$10.9 million, which is offset in carried interest receivable on the condensed consolidated statements of financial condition. During the three and six months ended June 30, 2013, there was no interest paid and \$0.1 million accrued interest on the outstanding loan obligation. As of June 30, 2013, the total outstanding loan aggregated \$9.4 million, including accrued interest of \$1.4 million which approximated fair value, of which approximately \$6.8 million was not subject to the indemnity discussed above and is a receivable from the Contributing Partners and certain employees.

Due to Credit Funds

In connection with the acquisition of Gulf Stream Asset Management, LLC (Gulf Stream) during October 2011, the Company agreed to make payments to the former owners of Gulf Stream under a contingent consideration obligation which required the Company to transfer cash to the former owners of Gulf Stream based on a specified percentage of incentive fee revenue. Additionally the Company deferred a payment obligation to the former owners. This obligation was \$3.9 million at the date of acquisition and was paid in December 2012. The contingent consideration liability had a fair value of \$13.1 million and \$14.1 million as of June 30, 2013 and December 31, 2012, respectively. As of June 30, 2013 and December 31, 2012, the former owner was no longer an employee of Apollo and therefore the contingent consideration was reported within profit sharing payable in the condensed consolidated statements of financial condition.

Similar to the private equity funds, certain credit funds allocate carried interest income to the Company. Assuming SOMA liquidated on December 31, 2012, the Company had accrued a liability to SOMA of \$19.3 million in connection with the potential general partner obligation to return previously distributed carried interest income from SOMA. This amount reversed during the six months ended June 30, 2013; as such there was no general partner obligation accrued as of June 30, 2013. The Company has recorded a general partner obligation to return previously distributed carried interest income of \$0.3 million relating to APC as of June 30, 2013 and December 31, 2012.

Due to Real Estate Funds

In connection with the acquisition of Citi Property Investors (CPI) on November 12, 2010, Apollo had a contingent liability to Citigroup Inc. based on a specified percentage of future earnings from the CPI business. From the date of acquisition through December 31, 2012, the estimated fair value of the contingent liability was \$1.2 million, which was determined based on discounted cash flows from the date of acquisition through December 31, 2012 using a discount rate of 7%. On March 28, 2013, Apollo satisfied the contingent liability in cash in the amount of approximately \$0.5 million, which equaled a percentage of net realized after tax profits from the closing date through December 31, 2012. The satisfaction of the liability resulted in the Company recognizing \$0.7 million of other income, net in the Company's condensed consolidated statements of operations for the six months ended June 30, 2013. No remaining obligation existed at June 30, 2013.

Regulated Entities

During 2011, the Company formed Apollo Global Securities, LLC (AGS), which is a registered broker dealer with the SEC and is a member of the Financial Industry Regulatory Authority, subject to the minimum net capital requirements of the SEC. AGS is in compliance with these requirements at June 30, 2013. From time to time, this entity is involved in transactions with affiliates of Apollo, including portfolio companies of the funds we manage, whereby AGS earns underwriting and transaction fees for its services. The Company also has an entity based in London which is subject to the capital requirements of the U.K. Financial Conduct Authority. This entity has continuously operated in excess of these regulatory capital requirements.

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

All of the investment advisors of the Apollo funds are affiliates of certain subsidiaries of the Company that are registered as investment advisors with the SEC. Registered investment advisors are subject to the requirements and regulations of the Investment Advisers Act of 1940, as amended.

-56-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(dollars in thousands except share data)

Interests in Consolidated Entities

The table below presents equity interests in Apollo's consolidated, but not wholly-owned, subsidiaries and funds.

Net income attributable to Non-Controlling Interests consisted of the following:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|-----------------------|---|-----------------------|
| | 2013 | 2012 | 2013 | 2012 |
| | (in thousands) | | | |
| AAA ⁽¹⁾ | \$ (6,531) | \$ 17,721 | \$ (52,213) | \$ (132,441) |
| Interest in management companies and a co-investment vehicle ⁽²⁾ | (4,309) | (2,366) | (8,145) | (2,200) |
| Other consolidated entities | 7,647 | 6,892 | 29,566 | 6,892 |
| Net (income) loss attributable to Non-Controlling Interests in consolidated entities | (3,193) | 22,247 | (30,792) | (127,749) |
| Net loss (income) attributable to Appropriated Partners' Capital ⁽³⁾ | 40,243 | (1,962,947) | 2,001 | (1,932,653) |
| Net (income) loss attributable to Non-Controlling Interests in the Apollo Operating Group | (126,483) | 64,837 | (611,729) | (148,559) |
| Net (income) loss attributable to Non-Controlling Interests | \$ (89,433) | \$ (1,875,863) | \$ (640,520) | \$ (2,208,961) |
| Net (loss) income attributable to Appropriated Partners' Capital ⁽⁴⁾ | (40,243) | 1,962,947 | (2,001) | 1,932,653 |
| Other Comprehensive Income attributable to Non-Controlling Interests | | (801) | | (2,010) |
| Comprehensive (Income) Loss Attributable to Non-Controlling Interests | \$ (129,676) | \$ 86,283 | \$ (642,521) | \$ (278,318) |

- (1) Reflects the Non-Controlling Interests in the net (income) loss of AAA and is calculated based on the Non-Controlling Interests ownership percentage in AAA, which was approximately 97% during the three and six months ended June 30, 2013, respectively, and 97% and 98% during the three and six months ended June 30, 2012, respectively.
- (2) Reflects the remaining interest held by certain individuals who receive an allocation of income from certain of our credit management companies.
- (3) Reflects net (income) loss of the consolidated CLOs classified as VIEs.
- (4) Appropriated Partners' Capital is included in total Apollo Global Management, LLC shareholders' equity and is therefore not a component of comprehensive income attributable to non-controlling interest on the condensed consolidated statements of comprehensive income.

12. COMMITMENTS AND CONTINGENCIES

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

Financial Guarantees Apollo has provided financial guarantees on behalf of certain employees for the benefit of unrelated third-party lenders in connection with their capital commitment to certain funds managed by the Company. As of June 30, 2013, the maximum exposure relating to these financial guarantees approximated \$3.2 million. Apollo has historically not incurred any liabilities as a result of these agreements and does not expect to in the future. Accordingly, no liability has been recorded in the accompanying condensed consolidated financial statements.

Investment Commitments As a limited partner, general partner and manager of the Apollo private equity funds, credit and real estate funds, Apollo has unfunded capital commitments as of June 30, 2013, and December 31, 2012 of \$446.3 million and \$258.3 million, respectively.

Apollo has an ongoing obligation to acquire additional common units of AAA in an amount equal to 25% of the aggregate after-tax cash distributions, if any, that are made to its affiliates pursuant to the carried interest distribution rights that are applicable to investments made through AAA Investments.

On December 21, 2012, the Company agreed to provide up to \$100 million of capital support to Athene to the extent such support is necessary in connection with Athene's pending acquisition of Aviva plc's annuity and life insurance operations in the United States. As of June 30, 2013, no capital support had been provided by the Company to Athene in connection with this commitment.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

Debt Covenants Apollo's debt obligations contain various customary loan covenants. As of June 30, 2013, the Company was not aware of any instances of noncompliance with any of these covenants.

Litigation and Contingencies Apollo is, from time to time, party to various legal actions arising in the ordinary course of business including claims and litigations, reviews, investigations or proceedings by governmental and self regulatory agencies regarding its business.

On July 16, 2008, Apollo was joined as a defendant in a pre-existing purported class action pending in Massachusetts federal court against, among other defendants, numerous private equity firms. The suit alleges that beginning in mid-2003, Apollo and the other private equity firm defendants violated the U.S. antitrust laws by forming bidding clubs or consortia that, among other things, rigged the bidding for control of various public corporations, restricted the supply of private equity financing, fixed the prices for target companies at artificially low levels, and allocated amongst themselves an alleged market for private equity services in leveraged buyouts. The suit seeks class action certification, declaratory and injunctive relief, unspecified damages, and attorneys' fees. On August 27, 2008, Apollo and its co-defendants moved to dismiss plaintiffs' complaint and on November 20, 2008, the Court granted the company's motion. The Court also dismissed two other defendants, Permira and Merrill Lynch. On September 17, 2010, the plaintiffs filed a motion to amend the complaint by adding an additional eight transactions and adding Apollo as a defendant. On October 6, 2010, the Court granted plaintiffs' motion to file that amended complaint. Plaintiffs fourth amended complaint, filed on October 7, 2010, adds Apollo as a defendant. Apollo joined in the other defendants' October 21, 2010 motion to dismiss the third claim for relief and all claims by the PanAmSat Damages Sub-class in the Fourth Amended Complaint, which motion was granted on January 13, 2011. On November 4, 2010, Apollo moved to dismiss, arguing that the claims against Apollo are time-barred and that the allegations against Apollo are insufficient to state an antitrust conspiracy claim. On February 17, 2011, the Court denied Apollo's motion to dismiss, ruling that Apollo should raise the statute of limitations issues on summary judgment after discovery is completed. Apollo filed its answer to the Fourth Amended Complaint on March 21, 2011. On July 11, 2011, the plaintiffs filed a motion for leave to file a Fifth Amended Complaint, adding ten additional transactions and expanding the scope of the class seeking relief. On September 7, 2011, the Court gave the plaintiffs permission to take limited discovery on the ten additional transactions. By Court order, the parties concluded discovery on May 21, 2012. The plaintiffs then filed a Fifth Amended Complaint under seal on June 14, 2012. One week later, the defendants moved to dismiss portions of the Fifth Amended Complaint. On July 18, 2012, the Court granted the defendants' motion in part and denied it in part. On July 21, 2012, all defendants filed motions for summary judgment. While those motions were pending, the New York Times moved to intervene and unseal the Fifth Amended Complaint. Following briefing on the motion to intervene, the Court publicly filed a version of the Fifth Amended Complaint containing four redactions. The Court heard oral argument on the defendants' motions for summary judgment in December 2012 and issued a ruling on March 13, 2013. In its ruling, the Court found that the plaintiffs failed to raise a genuine dispute regarding the overarching conspiracy as defined in the Fifth Amended Complaint. The Court did determine, however, that the record contained some evidence from which a narrower conspiracy could be inferred. The Court therefore denied the defendants' motions for summary judgment without prejudice, granting them permission to file renewed motions for summary judgment on the narrower, Court-defined conspiracy. Apollo filed its renewed summary judgment motion on April 16, 2013, arguing that there is no evidence that Apollo agreed to or participated in the narrower, Court-defined conspiracy. The plaintiffs filed their opposition on May 16, 2013, and Apollo filed its reply on June 5, 2013, arguing that the plaintiffs failed to identify any evidence supporting their claim against Apollo in their opposition to Apollo's renewed motion. On July 18, 2013, the Court granted Apollo's renewed motion for summary judgment, dismissing Apollo from the action. The Court found evidence supporting an inference of conspiracy as to eight of the ten defendants, but ruled that the evidence did not support an inference that Apollo participated in any conspiracy.

In March 2012, plaintiffs filed two putative class actions, captioned Kelm v. Chase Bank (No. 12-cv-332) and Miller v. 1-800-Flowers.com, Inc. (No. 12-cv-396), in the District of Connecticut on behalf of a class of consumers alleging online fraud. The defendants included, among others, Trilegiant Corporation, Inc. (Trilegiant), its parent company, Affinion Group, LLC (Affinion), and Apollo Global Management, LLC (AGM), which is affiliated with funds that are the beneficial owners of 69% of Affinion's common stock. In both cases, plaintiffs allege that Trilegiant, aided by its business partners, who include e-merchants and credit card companies, developed a set of business practices intended to create consumer confusion and ultimately defraud consumers into unknowingly paying fees to clubs for unwanted services. Plaintiffs allege that AGM is a proper defendant because of its indirect stock ownership and ability to appoint the majority of Affinion's board. The complaints assert claims under the Racketeer Influenced Corrupt Organizations Act; the Electronic Communications Privacy Act; the Connecticut Unfair Trade Practices Act; and the California Business and Professional Code, and seek, among other things,

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

restitution or disgorgement, injunctive relief, compensatory, treble and punitive damages, and attorneys' fees. The allegations in Kelm and Miller are substantially similar to those in Schnabel v. Trilegiant Corp. (No. 3:10-cv-957), a putative class action filed in the District of Connecticut in 2010 that names only Trilegiant and Affinion as defendants. The court has consolidated the Kelm, Miller, and Schnabel cases under the caption In re: Trilegiant Corporation, Inc. and ordered that they proceed on the same schedule. On June 18, 2012, the court appointed lead plaintiffs counsel, and on September 7, 2012, plaintiffs filed their consolidated amended complaint (CAC), which alleges the same causes of action against AGM as did the complaints in the Kelm and Miller cases. Defendants filed motions to dismiss on December 7, 2012, plaintiffs filed opposition papers on February 7, 2013, and defendants filed replies on April 5, 2013. On December 5, 2012, plaintiffs filed another putative class action, captioned Frank v. Trilegiant Corp. (No. 12-cv-1721), in the District of Connecticut, naming the same defendants and containing allegations substantially similar to those in the CAC. On January 23, 2013, plaintiffs moved to transfer and consolidate Frank into In re: Trilegiant. On June 13, 2013, the Court extended all defendants' deadlines to respond to the Frank complaint until 21 days after a ruling on the motion to transfer and consolidate. AGM believes that plaintiffs' claims against it in these cases are without merit. For this reason, and because the claims against AGM are in their early stages, no reasonable estimate of possible loss, if any, can be made at this time.

Various state attorneys general and federal and state agencies have initiated industry-wide investigations into the use of placement agents in connection with the solicitation of investments, particularly with respect to investments by public pension funds. Certain affiliates of Apollo have received subpoenas and other requests for information from various government regulatory agencies and investors in Apollo's funds, seeking information regarding the use of placement agents. CalPERS, one of our Strategic Investors, announced on October 14, 2009, that it had initiated a special review of placement agents and related issues. The Report of the CalPERS Special Review was issued on March 14, 2011. That report does not allege any wrongdoing on the part of Apollo or its affiliates. Apollo is continuing to cooperate with all such investigations and other reviews. In addition, on May 6, 2010, the California Attorney General filed a civil complaint against Alfred Villalobos and his company, Arvco Capital Research, LLC (Arvco) (a placement agent that Apollo has used) and Federico Buenrostro Jr., the former CEO of CalPERS, alleging conduct in violation of certain California laws in connection with CalPERS's purchase of securities in various funds managed by Apollo and another asset manager. Apollo is not a party to the civil lawsuit and the lawsuit does not allege any misconduct on the part of Apollo. Likewise, on April 23, 2012, the United States Securities and Exchange Commission filed a lawsuit alleging securities fraud on the part of Arvco, as well as Messrs. Buenrostro and Villalobos, in connection with their activities concerning certain CalPERS investments in funds managed by Apollo. This lawsuit also does not allege wrongdoing on the part of Apollo, and in fact alleges that Apollo was defrauded by Arvco, Villalobos, and Buenrostro. Apollo believes that it has handled its use of placement agents in an appropriate manner. Finally, on December 29, 2011, the United States Bankruptcy Court for the District of Nevada (the Nevada Bankruptcy Court) approved an application made by Mr. Villalobos, Arvco and related entities (the Arvco Debtors) in their consolidated bankruptcy proceedings to hire special litigation counsel to pursue certain claims on behalf of the bankruptcy estates of the Arvco Debtors, including potential claims against Apollo (a) for fees that Apollo purportedly owes the Arvco Debtors for placement agent services, and (b) for indemnification of legal fees and expenses arising out of the Arvco Debtors' defense of the California Attorney General action described above. On April 15, 2013, the Arvco Debtors initiated an adversary proceeding against Apollo (and several associated entities) in the Nevada Bankruptcy Court. In their complaint, the Arvco Debtors allege that Arvco served as a placement agent for Apollo in connection with several funds associated with Apollo, and seek to recover purported fees they claim Apollo has not paid them for a portion of Arvco's placement agent services. In addition, the Arvco Debtors allege that Apollo has interfered with the Arvco Debtors' commercial relationships with third parties, purportedly causing the Arvco Debtors to lose business and to incur fees and expenses in the defense of various investigations and litigations. The Arvco Debtors also seek compensation from Apollo for these alleged lost profits and fees and expenses. The Arvco Debtors' complaint asserts various theories of recovery under the Bankruptcy Code and the common law. Apollo denies the merit of all of the Arvco Debtors' claims and will vigorously contest them. For these reasons, no estimate of possible loss, if any, can be made at this time.

On July 9, 2012, Apollo was served with a subpoena by the New York Attorney General's Office regarding Apollo's fee waiver program. The subpoena is part of what we understand to be an industry-wide investigation by the New York Attorney General into the tax implications of the fee waiver program implemented by numerous private equity and hedge funds. Under the fee waiver program, individual fund managers for Apollo-managed funds may elect to prospectively waive their management fees. Program participants receive an interest in the future profits, if any, earned on the invested amounts that represent waived fees. They receive such profits from time to time in the ordinary course when distributions are made generally, as provided for in the applicable fund governing documents and waiver agreements. Four Apollo funds have

implemented the program. Apollo believes its fee waiver program complies with all applicable laws, and is cooperating with the investigation.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

On May 19, 2013, Apollo was served with a subpoena by the New York State Department of Financial Services (the "DFS") regarding its investments in any annuity or life businesses, or annuity contracts or life policies. The subpoena is part of what we understand to be an industry-wide investigation by the DFS into investments by financial institutions in annuity and life insurance companies. Apollo is cooperating with the investigation.

Although the ultimate outcome of these matters cannot be ascertained at this time, we are of the opinion, after consultation with counsel, that the resolution of any such matters to which we are a party at this time will not have a material effect on our financial statements. Legal actions material to us could, however, arise in the future.

Commitments Apollo leases office space and certain office equipment under various lease and sublease arrangements, which expire on various dates through 2022. As these leases expire, it can be expected that in the normal course of business, they will be renewed or replaced. Certain lease agreements contain renewal options, rent escalation provisions based on certain costs incurred by the landlord or other inducements provided by the landlord. Rent expense is accrued to recognize lease escalation provisions and inducements provided by the landlord, if any, on a straight-line basis over the lease term and renewal periods where applicable. Apollo has entered into various operating lease service agreements in respect of certain assets.

As of June 30, 2013, the approximate aggregate minimum future payments required for operating leases were as follows:

| | Remaining | | | | | | |
|-----------------------------------|-----------|-----------|-----------|-----------|-----------|------------|------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | Thereafter | Total |
| Aggregate minimum future payments | \$ 18,359 | \$ 37,226 | \$ 36,388 | \$ 35,349 | \$ 32,812 | \$ 74,388 | \$ 234,522 |

Expenses related to non-cancellable contractual obligations for premises, equipment, auto and other assets were \$10.7 million and \$10.1 million for the three months ended June 30, 2013 and 2012, respectively, and \$21.3 million and \$19.5 million for the six months ended June 30, 2013 and 2012, respectively.

Other Long-term Obligations These obligations relate to payments on management service agreements related to certain assets and payments with respect to certain consulting agreements entered into by Apollo Investment Consulting LLC, a subsidiary of Apollo. A significant portion of these costs are reimbursable by funds or portfolio companies. As of June 30, 2013, fixed and determinable payments due in connection with these obligations are as follows:

| | Remaining | | | | | | |
|-----------------------------|-----------|----------|----------|----------|----------|------------|-----------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | Thereafter | Total |
| Other long-term obligations | \$ 5,405 | \$ 3,768 | \$ 1,826 | \$ 1,276 | \$ 1,080 | \$ | \$ 13,355 |

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

Contingent Obligations Carried interest income in both private equity funds and certain credit and real estate funds is subject to reversal in the event of future losses to the extent of the cumulative carried interest recognized in income to date. If all of the existing investments became worthless, the amount of cumulative revenues that has been recognized by Apollo through June 30, 2013 and that would be reversed approximates \$4.0 billion. Management views the possibility of all of the investments becoming worthless as remote. Carried interest income is affected by changes in the fair values of the underlying investments in the funds that Apollo manages. Valuations, on an unrealized basis, can be significantly affected by a variety of external factors including, but not limited to, bond yields and industry trading multiples. Movements in these items can affect valuations quarter to quarter even if the underlying business fundamentals remain stable. The table below indicates the potential future reversal of carried interest income:

| | As of June 30, 2013 |
|-----------------------------------|------------------------|
| Private Equity Funds: | |
| Fund VII | \$ 1,792,954 |
| Fund VI | 1,107,522 |
| Fund V | 114,215 |
| Fund IV | 11,547 |
| AAA/Other | 108,162 |
| Total Private Equity Funds | 3,134,400 |
| Credit Funds: | |
| U.S. Performing Credit | 659,604 |
| Structured Credit | 36,382 |
| European Credit Funds | 52,393 |
| Non-Performing Loans | 94,276 |
| Opportunistic Credit | 57,169 |
| Total Credit Funds | 899,824 |
| Real Estate Funds: | |
| CPI Funds | 4,563 |
| Total Real Estate Funds | 4,563 |
| Total | \$ 4,038,787 |

Additionally, at the end of the life of certain funds that the Company manages, there could be a payment due to a fund by the Company if the Company as general partner has received more carried interest income than was ultimately earned. The general partner obligation amount, if any, will depend on final realized values of investments at the end of the life of each fund. As discussed in note 11 to our condensed consolidated financial statements, the Company has recorded a general partner obligation to return previously distributed carried interest income of \$0.3 million relating to APC as of June 30, 2013.

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

Certain funds may not generate carried interest income as a result of unrealized and realized losses that are recognized in the current and prior reporting period. In certain cases, carried interest income will not be generated until additional unrealized and realized gains occur. Any appreciation would first cover the deductions for invested capital, unreturned organizational expenses, operating expenses, management fees and priority returns based on the terms of the respective fund agreements.

One of the Company's subsidiaries, AGS, provides underwriting commitments in connection with security offerings to the portfolio companies of the funds we manage. As of June 30, 2013, there were no underwriting commitments outstanding related to such offerings.

Contingent Consideration

In connection with the acquisition of Stone Tower Capital LLC (Stone Tower) in April 2012, the Company agreed to pay the former owners of Stone Tower a specified percentage of any future carried interest income earned from certain of the

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

Stone Tower funds, CLOs, and strategic investment accounts. This contingent consideration liability had an acquisition date fair value of \$117.7 million, which was determined based on the present value of estimated future carried interest payments, and is recorded in profit sharing payable in the condensed consolidated statements of financial condition. The fair value of the contingent obligation was \$94.2 million and \$126.9 million as of June 30, 2013 and December 31, 2012, respectively.

In connection with the Gulf Stream acquisition, the Company agreed to make payments to the former owners of Gulf Stream under a contingent consideration obligation which required the Company to transfer cash to the former owners of Gulf Stream based on a specified percentage of carried interest income. The contingent liability had a fair value of \$13.1 million and \$14.1 million as of June 30, 2013 and December 31, 2012, respectively, which was recorded in profit sharing payable in the condensed consolidated statements of financial condition.

In connection with the acquisition of CPI on November 12, 2010, Apollo had a contingent liability to Citigroup Inc. based on a specified percentage of future earnings. From the date of acquisition through December 31, 2012, the estimated fair value of the contingent liability was \$1.2 million, which was determined based on discounted cash flows from the date of acquisition through December 31, 2012 using a discount rate of 7%. On March 28, 2013, Apollo satisfied the contingent liability in cash in the amount of approximately \$0.5 million, which equaled 25% of the net realized after tax profit from the closing date through December 31, 2012. The satisfaction of the liability resulted in the Company recognizing \$0.7 million of other income, net in the Company's condensed consolidated statements of operations, for the six months ended June 30, 2013. No remaining contingency existed at June 30, 2013.

The contingent consideration obligations will be remeasured to fair value at each reporting period until the obligations are satisfied. The changes in the fair value of the contingent consideration obligations will be reflected in profit sharing expense in the condensed consolidated statements of operations.

During the one year measurement period, any changes resulting from facts and circumstances that existed as of the acquisition date will be reflected as a retrospective adjustment to the bargain purchase gain and the respective asset acquired or liability assumed.

The Company has determined that the contingent consideration obligations are categorized as a Level III liability in the fair value hierarchy as the pricing inputs into the determination of fair value requires significant management judgment and estimation.

The following table summarizes the quantitative inputs and assumptions used for the contingent consideration obligations categorized in Level III of the fair value hierarchy as of June 30, 2013:

| | Fair Value at June 30, 2013 | Valuation Techniques | Unobservable Inputs | Ranges | Weighted Average |
|---|--------------------------------|-------------------------|------------------------|------------|---------------------|
| Financial Liabilities: | | | | | |
| Contingent consideration obligations | \$ 107,342 | Discounted cash flow | Discount rate | 9.2%-11.1% | 9.4% |
| The significant unobservable input used in the fair value measurement of the contingent obligations is the discount rate applied in the valuation models. This input in isolation can cause significant increases (decreases) in fair value. Specifically, when a discounted cash flow model is used to determine fair value, the significant input used in the valuation model is the discount rate applied to present value the projected cash flows. Increases in the discount rate can significantly lower the fair value of the contingent consideration obligations; conversely, decreases in the discount rate can significantly increase the fair value of the contingent consideration obligations. In order to determine the discount rate, the Company considered the following: the weighted average cost of capital for the Company, the implied internal rate of return for the transaction, and weighted average return on assets. | | | | | |

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(dollars in thousands except share data)

The following table summarizes the changes in contingent consideration obligations, which are measured at fair value and characterized as Level III liabilities:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|------------------------------|---|------------|---|------------|
| | 2013 | 2012 | 2013 | 2012 |
| Balance, Beginning of Period | \$ 131,231 | \$ 5,900 | \$ 142,219 | \$ 5,900 |
| Acquisition of Stone Tower | | 117,700 | | 117,700 |
| Payments | (20,377) | | (44,796) | |
| Change in fair value | (3,512) | (2,985) | 9,919 | (2,985) |
| Balance, End of Period | \$ 107,342 | \$ 120,615 | \$ 107,342 | \$ 120,615 |

13. MARKET AND CREDIT RISK

In the normal course of business, Apollo encounters market and credit risk concentrations. Market risk reflects changes in the value of investments due to changes in interest rates, credit spreads or other market factors. Credit risk includes the risk of default on Apollo's investments, where the counterparty is unable or unwilling to make required or expected payments.

The Company is subject to a concentration risk related to the investors in its funds. As of June 30, 2013, there were more than 1,000 limited partner investors in Apollo's active private equity, credit and real estate funds, and no individual investor accounted for more than 10% of the total committed capital to Apollo's active funds.

Apollo's derivative financial instruments contain credit risk to the extent that its counterparties may be unable to meet the terms of the agreements. Apollo seeks to minimize this risk by limiting its counterparties to highly rated major financial institutions with good credit ratings. Management does not expect any material losses as a result of default by other parties.

Substantially all amounts on deposit with major financial institutions that exceed insured limits are invested in interest-bearing accounts with U.S. money center banks.

Apollo is exposed to economic risk concentrations insofar as Apollo is dependent on the ability of the funds that it manages to compensate it for the services the management companies provide to these funds. Further, the incentive income component of this compensation is based on the ability of such funds to generate returns above certain specified thresholds.

Additionally, Apollo is exposed to interest rate risk. Apollo has debt obligations that have variable rates. Interest rate changes may therefore affect the amount of interest payments, future earnings and cash flows. At June 30, 2013 and December 31, 2012, \$728.3 million and \$737.8 million of Apollo's debt balance (excluding debt of the consolidated VIEs) had a variable interest rate, respectively.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(dollars in thousands except share data)

14. SEGMENT REPORTING

Apollo conducts its management and incentive businesses primarily in the United States and substantially all of its revenues are generated domestically. These businesses are conducted through the following three reportable 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 legacy commercial mortgage-backed securities, commercial first mortgage loans, mezzanine investments and other commercial real estate-related debt investments. Additionally, the Company sponsors real estate funds that focus on opportunistic investments in distressed debt and equity recapitalization transactions.

These business segments are differentiated based on the varying investment strategies. The performance is measured by management on an unconsolidated basis because management makes operating decisions and assesses the performance of each of Apollo's business segments based on financial and operating metrics and data that exclude the effects of consolidation of any of the affiliated funds.

The Company's financial results vary since carried interest, which generally constitutes a large portion of the income from the funds that Apollo manages, as well as the transaction and advisory fees that the Company receives, can vary significantly from quarter to quarter and year to year. As a result, the Company emphasizes long-term financial growth and profitability to manage its business.

The tables below present the financial data for Apollo's reportable segments further separated between the management and incentive business as of June 30, 2013 and for the three and six months ended June 30, 2013 and 2012, respectively, which management believes is useful to the reader. The Company's management business has fairly stable revenues and expenses except for transaction fees, while its incentive business is more volatile and can have significant fluctuations as it is affected by changes in the fair value of investments due to market performance of the Company's business. The financial results of the management entities, as reflected in the management business section of the segment tables that follow, generally include management fee revenues, advisory and transaction fees and expenses exclusive of profit sharing expense. The financial results of the advisory entities, as reflected in the incentive business sections of the segment tables that follow, generally include carried interest income, investment income, profit sharing expense and incentive fee based compensation.

During the third quarter of 2012, the Company changed the name of its capital markets business segment to the credit segment. The Company believes this new name provides a more accurate description of the types of assets which are managed within this segment. In addition, this segment name change aligns with the Company's management reporting and organizational structure and is consistent with the manner in which resource deployment and compensation decisions are made.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

During the second quarter of 2013, monitoring fees based on Athene's capital and surplus and the change in the market value of the derivative contracts related to Athene's capital and surplus recorded in advisory and transaction fees from affiliates, as disclosed in note 11 to the condensed consolidated financial statements, were reclassified from the private equity segment to the credit segment to better evaluate the performance of Apollo's private equity and credit segments in making key operating decisions. Reclassifications have been made to the prior period financial data for Apollo's reportable segments to conform to the current presentation. The impact of this reclassification on the Company's Economic Net Income (ENI) for the private equity and credit segment is reflected in the table below for the three months and six months ended June 30, 2012:

| | Impact of Reclassification on Economic Net Income (Loss) | |
|--|---|---------------------------|
| | Private Equity Segment | Credit Segment |
| For the three months ended June 30, 2012 | \$ (3,623) | \$ 3,623 |
| For the six months ended June 30, 2012 | (6,322) | 6,322 |

Economic Net Income (Loss)

ENI is a key performance measure used by management in evaluating the performance of Apollo's private equity, credit and real estate segments. Management also believes the components of ENI such as the amount of management fees, advisory and transaction fees and carried interest income are indicative of the Company's performance. Management also uses ENI in making key operating decisions such as the following:

Decisions related to the allocation of resources such as staffing decisions including hiring and locations for deployment of the new hires;

Decisions related to capital deployment such as providing capital to facilitate growth for the business and/or to facilitate expansion into new businesses; and

Decisions relating to expenses, such as determining annual discretionary bonuses and equity-based compensation awards to its employees. With respect to compensation, management seeks to align the interests of certain professionals and selected other individuals with those of the investors in such funds and those of the Company's shareholders by providing such individuals a profit sharing interest in the carried interest income earned in relation to the funds. To achieve that objective, a certain amount of compensation is based on the Company's performance and growth for the year.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

ENI is a measure of profitability and has certain limitations in that it does not take into account certain items included under U.S. GAAP. ENI represents segment income (loss) attributable to Apollo Global Management, LLC, which excludes the impact of (i) non-cash charges related to RSUs granted in connection with the 2007 private placement and amortization of AOG Units, (ii) income tax expense, (iii) amortization of intangibles associated with the 2007 Reorganization as well as acquisitions and (iv) Non-Controlling Interests excluding the remaining interest held by certain individuals who receive an allocation of income from certain of our credit management companies. In addition, segment data excludes the assets, liabilities and operating results of the funds and VIEs that are included in the condensed consolidated financial statements. The following table presents the financial data for Apollo's reportable segments as of and for the three months ended June 30, 2013:

| | As of and for the Three Months Ended June 30, 2013 | | | |
|--|---|---------------------|---------------------------|---------------------------------|
| | Private Equity Segment | Credit Segment | Real Estate Segment | Total Reportable Segments |
| Revenues: | | | | |
| Advisory and transaction fees from affiliates | \$ 41,663 | \$ 22,148 | \$ 1,273 | \$ 65,084 |
| Management fees from affiliates | 65,684 | 90,387 | 13,206 | 169,277 |
| Carried interest income (loss) from affiliates | 228,590 | 53,314 | (6,281) | 275,623 |
| Total Revenues | 335,937 | 165,849 | 8,198 | 509,984 |
| Expenses | 172,196 | 101,023 | 11,115 | 284,334 |
| Other Income | 13,042 | 4,885 | 1,074 | 19,001 |
| Non-Controlling Interests | | (3,254) | | (3,254) |
| Economic Net Income (Loss) | \$ 176,783 | \$ 66,457 | \$ (1,843) | \$ 241,397 |
| Total Assets | \$ 2,796,517 | \$ 2,007,122 | \$ 150,850 | \$ 4,954,489 |

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

The following table reconciles the total segments to Apollo Global Management, LLC's condensed consolidated financial statements as of and for the three months ended June 30, 2013:

| | As of and for the Three Months Ended June 30, 2013 | | |
|----------------------------|---|---|---------------|
| | Total Reportable Segments | Consolidation Adjustments and Other | Consolidated |
| Revenues | \$ 509,984 | \$ (12,723) ⁽¹⁾ | \$ 497,261 |
| Expenses | 284,334 | 38,453 ⁽²⁾ | 322,787 |
| Other income (loss) | 19,001 | (27,166) ⁽³⁾ | (8,165) |
| Non-Controlling Interests | (3,254) | (86,179) | (89,433) |
| Economic Net Income | \$ 241,397⁽⁵⁾ | N/A | N/A |
| Total Assets | \$ 4,954,489 | \$ 15,665,535 ⁽⁶⁾ | \$ 20,620,024 |

- (1) Represents advisory, management fees and carried interest income earned from consolidated VIEs which are eliminated in consolidation.
(2) Represents the addition of expenses of consolidated funds and the consolidated VIEs and expenses related to RSUs granted in connection with the 2007 private placement and equity-based compensation expense comprising amortization of AOG Units and amortization of intangible assets.
(3) Results from the following:

| | For the Three Months Ended June 30, 2013 | |
|--|---|-----------------|
| Net gains from investment activities | \$ | 6,868 |
| Net losses from investment activities of consolidated variable interest entities | | (35,198) |
| Gain from equity method investments ⁽⁴⁾ | | 742 |
| Interest | | 422 |
| Total Consolidation Adjustments | \$ | (27,166) |

- (4) Included is \$(1,055) reflecting remaining interest of certain individuals who received an allocation of income from a private equity co-investment vehicle.
(5) The reconciliation of Economic Net Income to Net Income Attributable to Apollo Global Management, LLC reported in the condensed consolidated statements of operations consists of the following:

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

| | For the Three Months Ended June 30, 2013 | |
|--|---|------------|
| Economic Net Income | \$ | 241,397 |
| Income tax provision | | (18,139) |
| Net income attributable to Non-Controlling Interests in Apollo Operating Group | | (126,483) |
| Non-cash charges related to equity-based compensation ⁽⁷⁾ | | (26,736) |
| Amortization of intangible assets | | (11,302) |
| Net Income Attributable to Apollo Global Management, LLC | \$ | 58,737 |

(6) Represents the addition of assets of consolidated funds and the consolidated VIEs.

(7) Includes impact of non-cash charges related to amortization of AOG Units and RSU Plan Grants made in connection with the 2007 private placement as discussed in note 10 to our condensed consolidated financial statements.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(dollars in thousands except share data)

The following tables present additional financial data for Apollo's reportable segments for the three months ended June 30, 2013:

| | For the Three Months Ended June 30, 2013 | | | | | |
|---|---|-----------------------------|-------------------|------------------|---------------------|------------------|
| | Management | Private Equity Incentive | Total | Management | Credit Incentive | Total |
| Revenues: | | | | | | |
| Advisory and transaction fees from affiliates | \$ 41,663 | \$ | \$ 41,663 | \$ 22,148 | \$ | \$ 22,148 |
| Management fees from affiliates | 65,684 | | 65,684 | 90,387 | | 90,387 |
| Carried interest income from affiliates: | | | | | | |
| Unrealized losses | | (509,667) | (509,667) | | (58,843) | (58,843) |
| Realized gains | | 738,257 | 738,257 | 10,029 | 102,128 | 112,157 |
| Total Revenues | 107,347 | 228,590 | 335,937 | 122,564 | 43,285 | 165,849 |
| Compensation and benefits ⁽¹⁾ | 38,077 | 107,346 | 145,423 | 38,992 | 23,778 | 62,770 |
| Other expenses ⁽¹⁾ | 26,773 | | 26,773 | 38,253 | | 38,253 |
| Total Expenses | 64,850 | 107,346 | 172,196 | 77,245 | 23,778 | 101,023 |
| Other Income | 872 | 12,170 | 13,042 | 4,072 | 813 | 4,885 |
| Non-Controlling Interests | | | | (3,254) | | (3,254) |
| Economic Net Income | \$ 43,369 | \$ 133,414 | \$ 176,783 | \$ 46,137 | \$ 20,320 | \$ 66,457 |

- (1) Compensation and benefits include equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses exclude amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

| | For the Three Months Ended June 30, 2013 | | |
|---|---|--------------------------|-------------------|
| | Management | Real Estate Incentive | Total |
| Revenues: | | | |
| Advisory and transaction fees from affiliates | \$ 1,273 | \$ | \$ 1,273 |
| Management fees from affiliates | 13,206 | | 13,206 |
| Carried interest income (loss) from affiliates: | | | |
| Unrealized losses | | (6,439) | (6,439) |
| Realized gains | | 158 | 158 |
| Total Revenues | 14,479 | (6,281) | 8,198 |
| Compensation and benefits ⁽¹⁾ | 8,965 | (3,880) | 5,085 |
| Other expenses ⁽¹⁾ | 6,030 | | 6,030 |
| Total Expenses | 14,995 | (3,880) | 11,115 |
| Other Income | 255 | 819 | 1,074 |
| Economic Net Loss | \$ (261) | \$ (1,582) | \$ (1,843) |

- (1) Compensation and benefits include equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses exclude amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

The following table presents the financial data for Apollo's reportable segments as of and for the three months ended June 30, 2012:

| | As of and for the Three Months Ended June 30, 2012 | | | |
|---|---|----------------------------------|---------------------------|---------------------------------|
| | Private Equity Segment ⁽¹⁾ | Credit Segment ⁽¹⁾ | Real Estate Segment | Total Reportable Segments |
| Revenues: | | | | |
| Advisory and transaction fees from affiliates | \$ 61,491 | \$ 7,943 | \$ 592 | \$ 70,026 |
| Management fees from affiliates | 69,158 | 74,351 | 12,888 | 156,397 |
| Carried interest income from affiliates | 5,685 | 2,482 | 4,249 | 12,416 |
| Total Revenues | 136,334 | 84,776 | 17,729 | 238,839 |
| Expenses | 82,931 | 78,560 | 16,705 | 178,196 |
| Other Loss | (1,357) | (14,537) | (276) | (16,170) |
| Non-Controlling Interests | | (2,438) | | (2,438) |
| Economic Net Income (Loss) | \$ 52,046 | \$ (10,759) | \$ 748 | \$ 42,035 |

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

| | | | | |
|--------------|--------------|--------------|-----------|--------------|
| Total Assets | \$ 1,945,399 | \$ 1,583,101 | \$ 93,926 | \$ 3,622,426 |
|--------------|--------------|--------------|-----------|--------------|

(1) Reclassified to conform to current presentation.

-69-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(dollars in thousands except share data)

The following table reconciles the total reportable segments to Apollo Global Management, LLC's financial statements as of and for the three months ended June 30, 2012:

| | As of and for the Three Months Ended June 30, 2012 | | |
|----------------------------|---|---|---------------|
| | Total Reportable Segments | Consolidation Adjustments and Other | Consolidated |
| Revenues | \$ 238,839 | \$ (27,211) ⁽¹⁾ | \$ 211,628 |
| Expenses | 178,196 | 138,766 ⁽²⁾ | 316,962 |
| Other (loss) income | (16,170) | 1,966,631 ⁽³⁾ | 1,950,461 |
| Non-Controlling Interests | (2,438) | (1,873,425) | (1,875,863) |
| Economic Net Income | \$ 42,035⁽⁵⁾ | N/A | N/A |
| Total Assets | \$ 3,622,426 | \$ 15,609,731 ⁽⁶⁾ | \$ 19,232,157 |

- (1) Represents advisory, management fees and carried interest income earned from consolidated VIEs which are eliminated in consolidation.
(2) Represents the addition of expenses of consolidated funds and the consolidated VIEs and expenses related to RSUs granted in connection with the 2007 private placement and equity-based compensation expense comprising amortization of AOG Units and amortization of intangible assets.
(3) Results from the following:

| | For the Three Months Ended June 30, 2012 |
|--|--|
| Net losses from investment activities | \$ (15,106) |
| Net income from investment activities of consolidated variable interest entities | 31,763 |
| Loss from equity method investments ⁽⁴⁾ | (2,158) |
| Interest and other income | 963 |
| Gain on acquisition | 1,951,169 |
| Total Consolidation Adjustments | \$ 1,966,631 |

- (4) Includes \$0.1 million, which reflects the remaining interest of certain individuals who received an allocation of income from a private equity co-investment vehicle.

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

- (5) The reconciliation of Economic Net Income to Net Income Attributable to Apollo Global Management, LLC reported in the condensed consolidated statements of operations consists of the following:

| | For the Three Months Ended June 30, 2012 |
|---|---|
| Economic Net Income | \$ 42,035 |
| Income tax provision | (10,650) |
| Net income attributable to Non-Controlling Interests in Apollo Operating Group | 64,837 |
| Non-cash charges related to equity-based compensation ⁽⁷⁾ | (128,002) |
| Amortization of intangible assets | (9,606) |
| Net Loss Attributable to Apollo Global Management, LLC | \$ (41,386) |

- (6) Represents the addition of assets of consolidated funds and the consolidated VIEs.
 (7) Includes impact of non-cash charges related to amortization of AOG Units and RSU Plan Grants made in connection with the 2007 private placement as discussed in note 10 to our condensed consolidated financial statements.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(dollars in thousands except share data)

The following tables present additional financial data for Apollo's reportable segments for the three months ended June 30, 2012:

| | For the Three Months Ended June 30, 2012 | | | | | |
|---|---|--|------------------|------------------|------------------------------------|--------------------|
| | Management | Private Equity ⁽¹⁾ Incentive | Total | Management | Credit ⁽¹⁾ Incentive | Total |
| Revenues: | | | | | | |
| Advisory and transaction fees from affiliates | \$ 61,491 | \$ | \$ 61,491 | \$ 7,943 | \$ | \$ 7,943 |
| Management fees from affiliates | 69,158 | | 69,158 | 74,351 | | 74,351 |
| Carried interest income (loss) from affiliates: | | | | | | |
| Unrealized losses ⁽²⁾ | | (37,693) | (37,693) | | (16,677) | (16,677) |
| Realized gains | | 43,378 | 43,378 | 9,200 | 9,959 | 19,159 |
| Total Revenues | 130,649 | 5,685 | 136,334 | 91,494 | (6,718) | 84,776 |
| Compensation and benefits ⁽³⁾ | 45,197 | 13,858 | 59,055 | 35,488 | 3,827 | 39,315 |
| Other expenses ⁽³⁾ | 23,876 | | 23,876 | 39,245 | | 39,245 |
| Total Expenses | 69,073 | 13,858 | 82,931 | 74,733 | 3,827 | 78,560 |
| Other (Loss) Income | (3,202) | 1,845 | (1,357) | (663) | (13,874) | (14,537) |
| Non-Controlling Interests | | | | (2,438) | | (2,438) |
| Economic Net Income (Loss) | \$ 58,374 | \$ (6,328) | \$ 52,046 | \$ 13,660 | \$ (24,419) | \$ (10,759) |

- (1) Reclassified to conform to current presentation.
- (2) Included in unrealized carried interest income (loss) from affiliates is reversal of previously recognized realized carried interest income due to the general partner obligation to return previously distributed carried interest income of \$102.6 and \$18.3 million with respect to Fund VI and SOMA, respectively, for the three months ended June 30, 2012. The general partner obligation is recognized based upon a hypothetical liquidation of a fund's net assets as of June 30, 2012. The actual determination and any required payment of a general partner obligation would not take place until the final disposition of a fund's investments based on the contractual termination of the fund.
- (3) Compensation and benefits include equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses exclude amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

| | For the Three Months Ended June 30, 2012 | | |
|---|---|--------------------------|---------------|
| | Management | Real Estate Incentive | Total |
| Revenues: | | | |
| Advisory and transaction fees from affiliates | \$ 592 | \$ | \$ 592 |
| Management fees from affiliates | 12,888 | | 12,888 |
| Carried interest income from affiliates: | | | |
| Unrealized gains | | 1,647 | 1,647 |
| Realized gains | | 2,602 | 2,602 |
| Total Revenues | 13,480 | 4,249 | 17,729 |
| Compensation and benefits ⁽¹⁾ | 8,376 | 2,139 | 10,515 |
| Other expenses ⁽¹⁾ | 6,190 | | 6,190 |
| Total Expenses | 14,566 | 2,139 | 16,705 |
| Other (Loss) Income | (516) | 240 | (276) |
| Economic Net (Loss) Income | \$ (1,602) | \$ 2,350 | \$ 748 |

- (1) Compensation and benefits include equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses exclude amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

The following table presents the financial data for Apollo's reportable segments as of and for the six months ended June 30, 2013:

| | For the Six Months Ended June 30, 2013 | | | Total Reportable Segments |
|--|---|-------------------|---------------------------|---------------------------------|
| | Private Equity Segment | Credit Segment | Real Estate Segment | |
| Revenues: | | | | |
| Advisory and transaction fees from affiliates | \$ 66,280 | \$ 43,825 | \$ 2,398 | \$ 112,503 |
| Management fees from affiliates | 131,956 | 174,751 | 26,797 | 333,504 |
| Carried interest income (loss) from affiliates | 1,219,583 | 187,089 | (5,329) | 1,401,343 |
| Total Revenues | 1,417,819 | 405,665 | 23,866 | 1,847,350 |
| Expenses | 619,204 | 218,747 | 28,421 | 866,372 |
| Other Income | 37,225 | 20,302 | 2,088 | 59,615 |
| Non-Controlling Interests | | (6,718) | | (6,718) |
| Economic Net Income (Loss) | \$ 835,840 | \$ 200,502 | \$ (2,467) | \$ 1,033,875 |

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

| | | | | |
|--------------|--------------|--------------|------------|--------------|
| Total Assets | \$ 2,796,517 | \$ 2,007,122 | \$ 150,850 | \$ 4,954,489 |
|--------------|--------------|--------------|------------|--------------|

-72-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

The following table reconciles the total segments to Apollo Global Management, LLC's condensed consolidated financial statements as of and for the six months ended June 30, 2013:

| | As of and for Six Months Ended June 30, 2013 | | |
|----------------------------|---|---|---------------|
| | Total Reportable Segments | Consolidation Adjustments and Other | Consolidated |
| Revenues | \$ 1,847,350 | \$ (41,016) ⁽¹⁾ | \$ 1,806,334 |
| Expenses | 866,372 | 79,017 ⁽²⁾ | 945,389 |
| Other income | 59,615 | 64,393 ⁽³⁾ | 124,008 |
| Non-Controlling Interests | (6,718) | (633,802) | (640,520) |
| Economic Net Income | \$ 1,033,875⁽⁵⁾ | N/A | N/A |
| Total Assets | \$ 4,954,489 | \$ 15,665,535 ⁽⁶⁾ | \$ 20,620,024 |

- (1) Represents advisory, management fees and carried interest income earned from consolidated VIEs which are eliminated in consolidation.
(2) Represents the addition of expenses of consolidated funds and the consolidated VIEs and expenses related to RSUs granted in connection with the 2007 private placement and equity-based compensation expense comprising amortization of AOG Units and amortization of intangible assets.
(3) Results from the following:

| | For the Six Months Ended June 30, 2013 |
|---|--|
| Net gains from investment activities | \$ 54,971 |
| Net gains from investment activities of consolidated variable interest entities | 12,663 |
| Loss from equity method investments ⁽⁴⁾ | (827) |
| Interest | 860 |
| Other | (3,274) |
| Total Consolidation Adjustments | \$ 64,393 |

- (4) Included is \$(1,427) reflecting remaining interest of certain individuals who receive an allocation of income from a private equity co-investment vehicle.

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

- (5) The reconciliation of Economic Net Income to Net Income Attributable to Apollo Global Management, LLC reported in the condensed consolidated statements of operations consists of the following:

| | For the Six Months Ended June 30, 2013 |
|--|---|
| Economic Net Income | \$ 1,033,875 |
| Income tax provision | (36,718) |
| Net income attributable to Non-Controlling Interests in Apollo Operating Group | (611,729) |
| Non-cash charges related to equity-based compensation ⁽⁷⁾ | (54,666) |
| Amortization of intangible assets | (23,047) |
| Net Income Attributable to Apollo Global Management, LLC | \$ 307,715 |

- (6) Represents the addition of assets of consolidated funds and the consolidated VIEs.
 (7) Includes impact of non-cash charges related to amortization of AOG Units and RSU Plan Grants made in connection with the 2007 private placement as discussed in note 10 to our condensed consolidated financial statements.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(dollars in thousands except share data)

The following tables present additional financial data for Apollo's reportable segments for the six months ended June 30, 2013:

| | For the Six Months Ended June 30, 2013 | | | | | |
|---|---|-----------------------------|-------------------|------------------|---------------------|-------------------|
| | Management | Private Equity Incentive | Total | Management | Credit Incentive | Total |
| Revenues: | | | | | | |
| Advisory and transaction fees from affiliates | \$ 66,280 | \$ | \$ 66,280 | \$ 43,825 | \$ | \$ 43,825 |
| Management fees from affiliates | 131,956 | | 131,956 | 174,751 | | 174,751 |
| Carried interest income from affiliates: | | | | | | |
| Unrealized gains ⁽¹⁾ | | 187,947 | 187,947 | | 14,404 | 14,404 |
| Realized gains | | 1,031,636 | 1,031,636 | 19,080 | 153,605 | 172,685 |
| Total Revenues | 198,236 | 1,219,583 | 1,417,819 | 237,656 | 168,009 | 405,665 |
| Compensation and benefits ⁽²⁾ | 78,861 | 491,603 | 570,464 | 79,830 | 62,341 | 142,171 |
| Other expenses ⁽²⁾ | 48,740 | | 48,740 | 76,576 | | 76,576 |
| Total Expenses | 127,601 | 491,603 | 619,204 | 156,406 | 62,341 | 218,747 |
| Other Income | 2,504 | 34,721 | 37,225 | 8,527 | 11,775 | 20,302 |
| Non-Controlling Interests | | | | (6,718) | | (6,718) |
| Economic Net Income | \$ 73,139 | \$ 762,701 | \$ 835,840 | \$ 83,059 | \$ 117,443 | \$ 200,502 |

- (1) Included in unrealized carried interest income from affiliates for the six months ended June 30, 2013 was reversal of \$19.3 million of the entire general partner obligation to return previously distributed carried interest income or fees with respect to SOMA. The general partner obligation is recognized based upon a hypothetical liquidation of the fund's net assets as of the balance sheet date. The actual determination and any required payment of a general partner obligation would not take place until the final disposition of a fund's investments based on the contractual termination of the fund.
- (2) Compensation and benefits include equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses exclude amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

| | For the Six Months Ended June 30, 2013 | | |
|---|---|--------------------------|-------------------|
| | Management | Real Estate Incentive | Total |
| Revenues: | | | |
| Advisory and transaction fees from affiliates | \$ 2,398 | \$ | \$ 2,398 |
| Management fees from affiliates | 26,797 | | 26,797 |
| Carried interest income (loss) from affiliates: | | | |
| Unrealized losses | | (5,841) | (5,841) |
| Realized gains | | 512 | 512 |
| Total Revenues | 29,195 | (5,329) | 23,866 |
| Compensation and benefits ⁽¹⁾ | 18,095 | (3,080) | 15,015 |
| Other expenses ⁽¹⁾ | 13,406 | | 13,406 |
| Total Expenses | 31,501 | (3,080) | 28,421 |
| Other Income | 1,393 | 695 | 2,088 |
| Economic Net Loss | \$ (913) | \$ (1,554) | \$ (2,467) |

- (1) Compensation and benefits include equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses exclude amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

The following table presents the financial data for Apollo's reportable segments as of and for the six months ended June 30, 2012:

| | As of and for the Six Months Ended June 30, 2012 | | | |
|---|---|----------------------------------|---------------------------|---------------------------------|
| | Private Equity Segment ⁽¹⁾ | Credit Segment ⁽¹⁾ | Real Estate Segment | Total Reportable Segments |
| Revenues: | | | | |
| Advisory and transaction fees from affiliates | \$ 84,672 | \$ 11,998 | \$ 592 | \$ 97,262 |
| Management fees from affiliates | 136,155 | 127,022 | 23,253 | 286,430 |
| Carried interest income from affiliates | 453,727 | 186,344 | 5,926 | 645,997 |
| Total Revenues | 674,554 | 325,364 | 29,771 | 1,029,689 |
| Expenses | 346,565 | 183,548 | 34,599 | 564,712 |
| Other Income | 32,520 | 9,592 | 780 | 42,892 |
| Non-Controlling Interests | | (3,847) | | (3,847) |
| Economic Net Income (Loss) | \$ 360,509 | \$ 147,561 | \$ (4,048) | \$ 504,022 |

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

| | | | | |
|--------------|--------------|--------------|-----------|--------------|
| Total Assets | \$ 1,945,399 | \$ 1,583,101 | \$ 93,926 | \$ 3,622,426 |
|--------------|--------------|--------------|-----------|--------------|

(1) Reclassified to conform to current presentation.

-75-

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(dollars in thousands except share data)

The following table reconciles the total reportable segments to Apollo Global Management, LLC's financial statements as of and for the six months ended June 30, 2012:

| | As of and for the Six Months Ended June 30, 2012 | | |
|----------------------------|---|---|---------------|
| | Total Reportable Segments | Consolidation Adjustments and Other | Consolidated |
| Revenues | \$ 1,029,689 | \$ (41,318) ⁽¹⁾ | \$ 988,371 |
| Expenses | 564,712 | 275,480 ⁽²⁾ | 840,192 |
| Other income | 42,892 | 2,099,757 ⁽³⁾ | 2,142,649 |
| Non-Controlling Interests | (3,847) | (2,205,114) | (2,208,961) |
| Economic Net Income | \$ 504,022⁽⁵⁾ | N/A | N/A |
| Total Assets | \$ 3,622,426 | \$ 15,609,731 ⁽⁶⁾ | \$ 19,232,157 |

- (1) Represents advisory, management fees and carried interest income earned from consolidated VIEs which are eliminated in consolidation.
(2) Represents the addition of expenses of consolidated funds and the consolidated VIEs and expenses related to RSUs granted in connection with the 2007 private placement and equity-based compensation expense comprising amortization of AOG Units and amortization of intangible assets.
(3) Results from the following:

| | For the Six Months Ended June 30, 2012 |
|--|--|
| Net gains from investment activities | \$ 139,184 |
| Net losses from investment activities of consolidated variable interest entities | 15,562 |
| Loss from equity method investments ⁽⁴⁾ | (7,458) |
| Other income and interest income | 1,300 |
| Gain on acquisition | 1,951,169 |
| Total Consolidation Adjustments | \$ 2,099,757 |

- (4) Includes \$1.6 million, which reflects the remaining interest of certain individuals who receive an allocation of income from a private equity co-investment vehicle.

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

- (5) The reconciliation of Economic Net Income to Net Income Attributable to Apollo Global Management, LLC reported in the condensed consolidated statements of operations consists of the following:

| | For the Six Months Ended June 30, 2012 |
|---|---|
| Economic Net Income | \$ 504,022 |
| Income tax provision | (25,210) |
| Net loss attributable to Non-Controlling Interests in Apollo Operating Group | (148,559) |
| Non-cash charges related to equity-based compensation ⁽⁷⁾ | (257,935) |
| Amortization of intangible assets | (15,661) |
| Net Income Attributable to Apollo Global Management, LLC | \$ 56,657 |

- (6) Represents the addition of assets of consolidated funds and the consolidated VIEs.
 (7) Includes impact of non-cash charges related to amortization of AOG Units and RSU Plan Grants made in connection with the 2007 private placement as discussed in note 10 to our condensed consolidated financial statements.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(dollars in thousands except share data)

The following tables present additional financial data for Apollo's reportable segments for the six months ended June 30, 2012:

| | For the Six Months Ended June 30, 2012 | | | | | |
|---|---|--|-------------------|------------------|------------------------------------|-------------------|
| | Management | Private Equity ⁽¹⁾ Incentive | Total | Management | Credit ⁽¹⁾ Incentive | Total |
| Revenues: | | | | | | |
| Advisory and transaction fees from affiliates | \$ 84,672 | \$ | \$ 84,672 | \$ 11,998 | \$ | \$ 11,998 |
| Management fees from affiliates | 136,155 | | 136,155 | 127,022 | | 127,022 |
| Carried interest income from affiliates: | | | | | | |
| Unrealized gains ⁽²⁾ | | 288,279 | 288,279 | | 131,577 | 131,577 |
| Realized gains | | 165,448 | 165,448 | 18,800 | 35,967 | 54,767 |
| Total Revenues | 220,827 | 453,727 | 674,554 | 157,820 | 167,544 | 325,364 |
| Compensation and benefits ⁽³⁾ | 83,757 | 218,141 | 301,898 | 71,241 | 47,145 | 118,386 |
| Other expenses ⁽³⁾ | 44,667 | | 44,667 | 65,162 | | 65,162 |
| Total Expenses | 128,424 | 218,141 | 346,565 | 136,403 | 47,145 | 183,548 |
| Other Income | 69 | 32,451 | 32,520 | 2,282 | 7,310 | 9,592 |
| Non-Controlling Interests | | | | (3,847) | | (3,847) |
| Economic Net Income | \$ 92,472 | \$ 268,037 | \$ 360,509 | \$ 19,852 | \$ 127,709 | \$ 147,561 |

(1) Reclassified to conform to current presentation.

(2) Included in unrealized carried interest income from affiliates is reversal of previously recognized realized carried interest income due to the general partner obligation to return previously distributed carried interest income of \$68.5 million and \$0.2 million with respect to Fund VI and SOMA, respectively, for the six months ended June 30, 2012. The general partner obligation is recognized based upon a hypothetical liquidation of the funds' net assets as of June 30, 2012. The actual determination and any required payment of a general partner obligation would not take place until the final disposition of a fund's investments based on the contractual termination of the fund.

(3) Compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

Table of Contents

APOLLO GLOBAL MANAGEMENT, LLC
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

(dollars in thousands except share data)

| | For the Six Months Ended June 30, 2012 | | |
|---|---|--------------------------|-------------------|
| | Management | Real Estate Incentive | Total |
| Revenues: | | | |
| Advisory and transaction fees from affiliates | \$ 592 | \$ | \$ 592 |
| Management fees from affiliates | 23,253 | | 23,253 |
| Carried interest income from affiliates: | | | |
| Unrealized gains | | 1,647 | 1,647 |
| Realized gains | | 4,279 | 4,279 |
| Total Revenues | 23,845 | 5,926 | 29,771 |
| Compensation and benefits ⁽¹⁾ | 18,067 | 3,597 | 21,664 |
| Other expenses ⁽¹⁾ | 12,935 | | 12,935 |
| Total Expenses | 31,002 | 3,597 | 34,599 |
| Other Income | 361 | 419 | 780 |
| Economic Net (Loss) Income | \$ (6,796) | \$ 2,748 | \$ (4,048) |

- (1) Compensation and benefits includes equity-based compensation expense related to the management business for RSUs (excluding RSUs granted in connection with the 2007 private placement) and share options. In addition, other expenses excludes amortization of intangibles associated with the 2007 Reorganization as well as acquisitions.

15. SUBSEQUENT EVENTS

On July 9, 2013, the Company issued 89,328 Class A shares in settlement of vested RSUs. This issuance did not cause a material change to the Company's ownership interest in the Apollo Operating Group.

On August 8, 2013, the Company declared a cash distribution of \$1.32 per Class A share, which will be paid on August 30, 2013 to holders of record on August 26, 2013.

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
The following discussion should be read in conjunction with Apollo Global Management, LLC's condensed consolidated financial statements and the related notes included within this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements that are subject to known and unknown risks and uncertainties. Actual results and the timing of events may differ significantly from those expressed or implied in such forward-looking statements due to a number of factors, including those included in the section entitled "Risk Factors" in our Form 10-K for the year ended December 31, 2012 filed with the SEC on March 1, 2013. The highlights listed below have had significant effects on many items within our condensed consolidated financial statements and affect the comparison of the current period's activity with those of prior periods.

General

Our Businesses

Founded in 1990, Apollo is a leading global alternative investment manager. We are contrarian, value-oriented investors in private equity, credit and real estate with significant distressed expertise and a flexible mandate in the majority of our funds that enables our funds to invest opportunistically across a company's capital structure. We raise, invest and manage funds on behalf of some of the world's most prominent pension, endowment and sovereign wealth funds as well as other institutional and individual investors. Apollo is led by our Managing Partners, Leon Black, Joshua Harris and Marc Rowan, who have worked together for more than 20 years and lead a team of 660 employees, including 253 investment professionals, as of June 30, 2013.

Apollo conducts its management and incentive businesses primarily in the United States and substantially all of its revenues are generated domestically. These businesses are conducted through the following three reportable segments:

- (i) ***Private equity*** primarily invests in control equity and related debt instruments, convertible securities and distressed debt instruments;
- (ii) ***Credit*** primarily invests in non-control corporate and structured debt instruments; and
- (iii) ***Real estate*** primarily invests in legacy commercial mortgage-backed securities, commercial first mortgage loans, mezzanine investments and other commercial real estate-related debt investments. Additionally, the Company sponsors real estate funds that focus on opportunistic investments in distressed debt and equity recapitalization transactions.

During the third quarter of 2012, the Company changed the name of its capital markets business to the credit segment. The Company believes this new name provides a more accurate description of the types of assets which are managed within this segment. In addition, this segment name change is consistent with the Company's management reporting and organization structure, as well as the manner in which resource deployment and compensation decisions are made.

These business segments are differentiated based on the varying investment strategies. The performance is measured by management on an unconsolidated basis because management makes operating decisions and assesses the performance of each of Apollo's business segments based on financial and operating metrics and data that exclude the effects of consolidation of any of the affiliated funds.

Our financial results vary since carried interest, which generally constitutes a large portion of the income we receive from the funds that we manage, as well as the transaction and advisory fees that we receive, can vary significantly from quarter to quarter and year to year. As a result, we emphasize long-term financial growth and profitability to manage our business.

In addition, the growth in our fee-generating AUM during the last year has primarily been in our credit segment. The average management fee rate for these new credit products is at market rates for such products and in certain cases is below our historical rates. Also, due to the complexity of these new product offerings, the Company has incurred and will continue to incur additional costs associated with managing these products. To date, these additional costs have been offset by realized economies of scale and ongoing cost management.

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

As of June 30, 2013, approximately 93% of our total AUM was in funds with a contractual life at inception of seven years or more, and 11% of our total AUM was in permanent capital vehicles with unlimited duration.

As of June 30, 2013, we had total AUM of \$113.1 billion across all of our businesses. On June 28, 2013, Apollo held a first closing of more than \$6.6 billion for its newest flagship private equity fund, Apollo Investment Fund VIII, L.P. (Fund VIII), and as of August 8, 2013, Apollo has received commitments of approximately \$8.4 billion for Fund VIII. Additionally, Fund VII,

-79-

Table of Contents

held a final closing in December 2008, raising a total of \$14.7 billion, and as of June 30, 2013, Fund VII had \$3.7 billion of uncalled commitments, or dry powder, remaining. We have consistently produced attractive long-term investment returns in our private equity funds, generating a 39% gross IRR and a 26% net IRR on a compound annual basis from inception through June 30, 2013. For further detail related to fund performance metrics across all of our businesses, see The Historical Investment Performance of Our Funds.

Holding Company Structure

The diagram below depicts our current organizational structure:

Note: The organizational structure chart above depicts a simplified version of the Apollo structure. It does not include all legal entities in the structure. Ownership percentages are as of the date of the filing of this Quarterly Report on Form 10-Q.

- (1) The Strategic Investors hold 31.73% of the Class A shares outstanding. The Class A shares held by investors other than the Strategic Investors represent 29.51% of the total voting power of our shares entitled to vote and 21.69% of the economic interests in the Apollo Operating Group. Class A shares held by the Strategic Investors do not have voting rights. However, such Class A shares will become entitled to vote upon transfers by a Strategic Investor in accordance with the agreements entered into in connection with the investments made by the Strategic Investors.
- (2) Our Managing Partners own BRH, which in turn holds our only outstanding Class B share. The Class B share represents 70.49% of the total voting power of our shares entitled to vote but no economic interest in Apollo Global Management, LLC. Our Managing Partners economic interests are instead represented by their indirect beneficial ownership, through Holdings, of 54.72% of the limited partner interests in the Apollo Operating Group.
- (3) Through BRH Holdings, L.P., our Managing Partners indirectly beneficially own through estate planning vehicles limited partner interests in Holdings.
- (4) Holdings owns 61.99% of the limited partner interests in each Apollo Operating Group entity. The AOG Units held by Holdings are exchangeable for Class A shares. Our Managing Partners, through their interests in BRH and Holdings, beneficially own 54.72% of the AOG Units. Our Contributing Partners, through their ownership interests in Holdings, beneficially own 7.27% of the AOG Units.

Table of Contents

- (5) BRH is the sole member of AGM Management, LLC, our manager. The management of Apollo Global Management, LLC is vested in our manager as provided in our operating agreement.
- (6) Represents 38.01% of the limited partner interests in each Apollo Operating Group entity, held through intermediate holding companies. Apollo Global Management, LLC, also indirectly owns 100% of the general partner interests in each Apollo Operating Group entity. Each of the Apollo Operating Group partnerships holds interests in different businesses or entities organized in different jurisdictions.

Our structure is designed to accomplish a number of objectives, the most important of which are as follows:

We are a holding company that is qualified as a partnership for U.S. Federal income tax purposes. Our intermediate holding companies enable us to maintain our partnership status and to meet the qualifying income exception.

We have historically used multiple management companies to segregate operations for business, financial and other reasons. Going forward, we may increase or decrease the number of our management companies or partnerships within the Apollo Operating Group based on our views regarding the appropriate balance between (a) administrative convenience and (b) continued business, financial, tax and other optimization.

Business Environment

During the second quarter of 2013, global equity and credit markets were volatile due to investor concerns regarding the prospect of rising interest rates and potential changes in monetary policies in the United States and other countries around the world. Against this backdrop, Apollo continued to generate realizations for fund investors, capitalizing on the strengths of its flexible business model. Apollo returned \$7.2 billion of capital and realized gains to the limited partners of the funds it manages during the second quarter of 2013. Apollo's fundraising activities also continued at a strong pace, with \$6.9 billion of new capital raised during the second quarter as institutional investors continued to allocate capital towards alternative investment managers for more attractive risk-adjusted returns in a low rate environment.

Regardless of the market or economic environment at any given time, Apollo relies on its contrarian, value-oriented approach to consistently invest capital on behalf of its investors by focusing on opportunities that management believes are often overlooked by other investors. Apollo's expertise in credit and its focus on nine core industry sectors combined with more than 20 years of investment experience have allowed Apollo to respond quickly to changing environments. Apollo's core industry sectors cover chemicals, commodities, consumer and retail, distribution and transportation, financial and business services, manufacturing and industrial, media and cable and leisure, packaging and materials and the satellite and wireless industries. Apollo believes that these attributes have contributed to the success of its private equity funds investing in buyouts and credit opportunities during both expansionary and recessionary economic periods.

From the beginning of the third quarter of 2007 through June 30, 2013, we have deployed approximately \$39.3 billion of gross invested capital across our private equity and certain credit funds focused on control, distressed and buyout investments, leveraged loan portfolios and mezzanine, non-control distressed and non-performing loans. In addition, from the beginning of the fourth quarter of 2007 through June 30, 2013, the funds managed by Apollo have acquired approximately \$18.6 billion in face value of distressed debt at discounts to par value and purchased approximately \$54.2 billion in face value of leveraged senior loans at discounts to par value from financial institutions. Since we purchased many of these leveraged loan portfolios from highly motivated sellers, we were able to secure, in certain cases, attractive long-term, low cost financing.

Since the financial crisis in 2008, we have relied on our deep industry, credit and financial structuring experience, coupled with our strengths as a value-oriented, distressed investor, to deploy significant amounts of new capital within challenging economic environments. In addition, we actively work with the management of each of the portfolio companies of the funds we manage to maximize the underlying value of the business, including helping the companies to generate cost and working capital savings. We also rely on our deep credit structuring experience and work with management of the portfolio companies to help optimize the capital structure of such companies through proactive restructuring of the balance sheet to address near-term debt maturities or capturing discounts on publicly traded debt securities through exchange offers and potential debt buybacks. For example, as of June 30, 2013, Fund VI and its underlying portfolio companies purchased or retired approximately \$19.9 billion in face value of debt and captured approximately \$9.2 billion of discount to par value of debt in portfolio companies such as CEVA Logistics, Caesars Entertainment, Realogy and Momentive Performance Materials. Additionally, the portfolio companies of Fund VI have implemented approximately \$3.9 billion of cost savings programs on an aggregate basis from the date Fund VI invested in them through June 30, 2013, which we believe will positively impact their operating profitability.

Table of Contents

In certain situations, funds managed by Apollo are the largest owner of the total outstanding debt of the portfolio company. In addition to the attractive return profile associated with these portfolio company debt purchases, we believe that building positions as senior creditors within the existing portfolio companies is strategic to the existing equity ownership positions.

During the recovery and expansionary periods of 1994 through 2000 and late 2003 through the first half of 2007, our private equity funds invested or committed to invest approximately \$13.7 billion primarily in traditional and corporate partner buyouts. During the recessionary periods of 1990 through 1993, 2001 through late 2003 and the current recessionary and post recessionary periods (second half of 2007 through June 30, 2013), our private equity funds have invested \$28.6 billion, of which \$16.4 billion was in distressed buyouts and debt investments when the debt securities of quality companies traded at deep discounts to par value. Our average entry multiple for Fund VII, VI and V was 6.2x, 7.7x and 6.6x, respectively as of June 30, 2013. The average entry multiple for a private equity fund is the average of the total enterprise value over an applicable EBITDA which we believe captures the true economics for our purchases of portfolio companies.

Table of Contents**Managing Business Performance**

We believe that the presentation of Economic Net Income (Loss) supplements a reader's understanding of the economic operating performance of each of our segments.

Economic Net Income (Loss)

ENI is a measure of profitability and does not take into account certain items included under U.S. GAAP. ENI represents segment income (loss) attributable to Apollo Global Management, LLC, which excludes the impact of non-cash charges related to RSUs granted in connection with the 2007 private placement and amortization of AOG Units, income tax expense, amortization of intangibles associated with the 2007 Reorganization as well as acquisitions and Non-Controlling Interests excluding the remaining interest held by certain individuals who receive an allocation of income from certain of our credit management companies. In addition, segment data excludes the assets, liabilities and operating results of the funds and VIEs that are included in the condensed consolidated financial statements. Adjustments relating to income tax expense, intangible asset amortization and Non-Controlling Interests are common in the calculation of supplemental measures of performance in our industry. We believe the exclusion of the non-cash charges related to the 2007 Reorganization for equity-based compensation provides investors with a meaningful indication of our performance because these charges relate to the equity portion of our capital structure and not our core operating performance.

During the second quarter of 2013, monitoring fees based on Athene's capital and surplus and the change in the market value of the derivative contracts related to Athene's capital and surplus recorded in advisory and transaction fees from affiliates, as disclosed in Note 11 to the condensed consolidated financial statements, were reclassified from the private equity segment to the credit segment to better evaluate the performance of Apollo's private equity and credit segments in making key operating decisions. Reclassifications have been made to the prior period financial data for Apollo's reportable segments to conform to the current presentation. The impact of this reclassification on the ENI for the private equity and credit segment is reflected in the table below for the three months and six months ended June 30, 2012:

| | Impact of Reclassification on Economic Net Income (Loss) | |
|--|---|---------------------------|
| | Private Equity Segment | Credit Segment |
| For the three months ended June 30, 2012 | \$ (3,623) | \$ 3,623 |
| For the six months ended June 30, 2012 | (6,322) | 6,322 |

ENI is a key performance measure used for understanding the performance of our operations from period to period and although not every company in our industry defines these metrics in precisely the same way we do, we believe that this metric, as we use it, facilitates comparisons with other companies in our industry. We use ENI to evaluate the performance of our private equity, credit and real estate segments. Management also believes the components of ENI such as the amount of management fees, advisory and transaction fees and carried interest income are indicative of the Company's performance. Management also uses ENI in making key operating decisions such as the following:

Decisions related to the allocation of resources such as staffing decisions including hiring and locations for deployment of the new hires. As the amount of fees, investment income, and ENI is indicative of the performance of the management companies and advisors within each segment, management can assess the need for additional resources and the location for deployment of the new hires based on the results of this measure. For example, a positive ENI could indicate the need for additional staff to manage the respective segment whereas a negative ENI could indicate the need to reduce staff assigned to manage the respective segment.

Decisions related to capital deployment such as providing capital to facilitate growth for our business and/or to facilitate expansion into new businesses. As the amount of

Table of Contents

fees, investment income, and ENI is indicative of the performance of the management companies and advisors within each segment, management can assess the availability and need to provide capital to facilitate growth or expansion into new businesses based on the results of this measure. For example, a negative ENI may indicate the lack of performance of a segment and thus indicate a need for additional capital to be deployed into the respective segment.

Decisions related to expenses, such as determining annual discretionary bonuses and equity-based compensation awards to its employees. With respect to compensation, management seeks to align the interests of certain professionals and selected other individuals with those of the investors in such funds and those of the Company's shareholders by providing such individuals a profit sharing interest in the carried interest income earned in relation to the funds. To achieve that objective, a certain amount of compensation is based on the Company's performance and growth for the year.

ENI does not take into account certain items included when calculating net income under U.S. GAAP and as such, we do not rely solely on ENI as a performance measure and also consider our U.S. GAAP results. The following items, which are significant to our business, are excluded when calculating ENI:

- (i) non-cash charges related to RSUs granted in connection with the 2007 private placement and amortization of AOG Units (although the costs associated with the 2007 private placement are expected to be recurring components of our costs but at a diminishing rate, we may be able to incur lower cash compensation costs with the granting of equity-based compensation);
- (ii) income tax, which represents a necessary and recurring element of our operating costs and our ability to generate revenue because ongoing revenue generation is expected to result in future income tax expense;
- (iii) amortization of intangible assets associated with the 2007 Reorganization and acquisitions, which is a recurring item until all intangibles have been fully amortized; and
- (iv) Non-Controlling Interests excluding the remaining interest held by certain individuals who receive an allocation of income from certain of our credit management companies, which is expected to be a recurring item and represents the aggregate of the income or loss that is not owned by the Company.

We believe that ENI is helpful for an understanding of our business and that investors should review the same supplemental financial measure that management uses to analyze our segment performance. This measure supplements and should be considered in addition to and not in lieu of the results of operations discussed below in *Overview of Results of Operations* that have been prepared in accordance with U.S. GAAP.

The following summarizes the adjustments to ENI that reconcile ENI to the net income (loss) attributable to Apollo Global Management, LLC determined in accordance with U.S. GAAP:

Inclusion of the impact of RSUs granted in connection with the 2007 private placement and non-cash equity-based compensation expense comprising amortization of AOG Units. Management assesses our performance based on management fees, advisory and transaction fees, and carried interest income generated by the business and excludes the impact of non-cash charges related to RSUs granted in connection with the 2007 private placement and amortization of AOG Units because these non-cash charges are not viewed as part of our core operations.

Inclusion of the impact of income taxes as we do not take income taxes into consideration when evaluating the performance of our segments or when determining compensation for our employees.

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

Additionally, income taxes at the segment level (which exclude APO Corp. s corporate taxes) are not meaningful, as the majority of the entities included in our segments operate as partnerships and therefore are only subject to New York City unincorporated business taxes and foreign taxes when applicable.

-84-

Table of Contents

Inclusion of amortization of intangible assets associated with the 2007 Reorganization and subsequent acquisitions as these non-cash charges are not viewed as part of our core operations.

Carried interest income, management fees and other revenues from Apollo funds are reflected on an unconsolidated basis. As such, ENI excludes the Non-Controlling Interests in consolidated funds, which remain consolidated in our condensed consolidated financial statements. Management views the business as an alternative investment management firm and therefore assesses performance using the combined total of carried interest income and management fees from each of our funds. One exception is the non-controlling interest related to certain individuals who receive an allocation of income from certain of our credit management companies, which is deducted from ENI to better reflect the performance attributable to shareholders.

ENI may not be comparable to similarly titled measures used by other companies and is not a measure of performance calculated in accordance with U.S. GAAP. We use ENI as a measure of operating performance, not as a measure of liquidity. ENI should not be considered in isolation or as a substitute for operating income, net income, operating cash flows, investing and financing activities, or other income or cash flow statement data prepared in accordance with U.S. GAAP. The use of ENI without consideration of related U.S. GAAP measures is not adequate due to the adjustments described above. Management compensates for these limitations by using ENI as a supplemental measure to U.S. GAAP results, to provide a more complete understanding of our performance as management measures it. A reconciliation of ENI to our U.S. GAAP net income (loss) attributable to Apollo Global Management, LLC can be found in the notes to our condensed consolidated financial statements.

Operating Metrics

We monitor certain operating metrics that are common to the alternative investment management industry. These operating metrics include Assets Under Management, private equity dollars invested and uncalled private equity commitments.

Assets Under Management

Assets Under Management, or AUM, refers to the investments we manage or with respect to which we have control, including capital we have the right to call from our investors pursuant to their capital commitments to various funds. Our AUM equals the sum of:

- (i) the fair value of our private equity investments plus the capital that we are entitled to call from our investors pursuant to the terms of their capital commitments to the extent a fund is within the commitment period in which management fees are calculated based on total commitments to the fund;
- (ii) the NAV of our credit funds, other than certain CLOs, which we measure by using the mark-to-market value of the aggregate principal amount of the underlying CLO and CDO credit funds that have a fee generating basis other than mark-to-market assets or liabilities, plus used or available leverage and/or capital commitments;
- (iii) the gross asset value or net asset value of our real estate entities and the structured portfolio company investments included within the funds we manage, which includes the leverage used by such structured portfolio companies;
- (iv) the incremental value associated with the reinsurance investments of the funds we manage; and
- (v) the fair value of any other investments that we manage plus unused credit facilities, including capital commitments for investments that may require pre-qualification before investment plus any other capital commitments available for investment that are not otherwise included in the clauses above.

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

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

-85-

Table of Contents

we 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.

We use AUM as a performance measurement of our investment activities, as well as to monitor fund size in relation to professional resource and infrastructure needs.

Assets Under Management Fee-Generating/Non-Fee Generating

Fee-generating AUM consists of assets that we manage and on which we earn management fees or monitoring fees pursuant to management agreements on a basis that varies among the Apollo funds. 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 contributions, each as defined in the applicable management agreement. Monitoring fees, also referred to as advisory fees, generally are based on the total value of certain 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: (a) fair value above invested capital for those funds that earn management fees based on invested capital, (b) net asset values related to general partner interests and co-investments, (c) unused credit facilities, (d) available commitments on those funds that generate management fees on invested capital, (e) structured portfolio company investments that do not generate monitoring fees and (f) the difference between gross asset and net asset value for those funds that earn management fees based on net asset value.

We use non-fee generating AUM combined with fee-generating AUM as a performance measurement of our 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.

The table below displays fee-generating and non-fee generating AUM by segment as of June 30, 2013 and 2012 and December 31, 2012. Changes in market conditions, additional funds raised and acquisitions have had significant impacts to our AUM:

| | 2013 | As of June 30, 2012 (in millions) | As of December 31, 2012 |
|-------------------------------|---------------------------|--|-------------------------------|
| Total Assets Under Management | \$ 113,116 ⁽¹⁾ | \$ 104,893 ⁽¹⁾ | \$ 113,379 ⁽¹⁾ |
| Fee-generating | 79,290 | 77,449 | 81,934 |
| Non-fee generating | 33,826 ⁽¹⁾ | 27,444 ⁽¹⁾ | 31,445 ⁽¹⁾ |
| Private Equity | 40,213 | 38,228 | 37,832 |
| Fee-generating | 26,014 | 27,754 | 27,932 |
| Non-fee generating | 14,199 | 10,474 | 9,900 |
| Credit | 62,212 | 56,108 ⁽²⁾ | 64,406 ⁽³⁾ |
| Fee-generating | 47,507 | 45,509 ⁽²⁾ | 49,518 ⁽³⁾ |
| Non-fee generating | 14,705 | 10,599 ⁽²⁾ | 14,888 ⁽³⁾ |
| Real Estate | 9,473 | 7,861 ⁽²⁾ | 8,800 ⁽³⁾ |
| Fee-generating | 5,769 | 4,186 ⁽²⁾ | 4,484 ⁽³⁾ |
| Non-fee generating | 3,704 | 3,675 ⁽²⁾ | 4,316 ⁽³⁾ |

(1) As of June 30, 2013 and 2012 and December 31, 2012, includes \$1.2 billion, \$2.7 billion, and \$2.3 billion of commitments, respectively, that have yet to be deployed to an Apollo fund within our three segments.

(2) Includes fee-generating and non-fee generating AUM as of March 31, 2012 for certain publicly traded vehicles managed by Apollo.

(3) Includes fee-generating and non-fee generating AUM as of September 30, 2012 for certain publicly traded vehicles managed by Apollo. During the six months ended June 30, 2013, our total fee-generating AUM decreased primarily due to distributions and leverage offset by increases in subscriptions and income. The fee-generating AUM of our private equity funds decreased primarily due to distributions and leverage, partially offset by income. The fee-generating AUM of our credit funds decreased

Table of Contents

during the six months ended June 30, 2013 primarily due to leverage, distributions, redemptions, and segment transfers out offset by an increase in income and subscriptions. The fee-generating AUM of our real estate segment increased due to subscriptions and net segment transfers from other segments.

When the fair value of an investment exceeds invested capital, we are normally entitled to carried interest income on the difference between the fair value once realized and invested capital after also considering certain expenses and preferred return amounts, as specified in the respective partnership agreements; however, we generally do not earn management fees on such excess. As a result of the growth in both the size and number of funds that we manage, we have experienced an increase in our management fees and advisory and transaction fees. To support this growth, we have also experienced an increase in operating expenses, resulting from hiring additional personnel, opening new offices to expand our geographical reach and incurring additional professional fees.

With respect to our private equity funds and certain of our credit and real estate funds, we charge management fees on the amount of committed or invested capital and we generally are entitled to realized carried interest on the realized gains on the disposition of such funds' investments. Certain funds may have current fair values below invested capital; however, the management fee would still be computed on the invested capital for such funds. With respect to ARI and AMTG, we receive management fees on stockholders' equity as defined in the applicable management agreement. In addition, our fee-generating AUM reflects leverage vehicles that generate monitoring fees on value in excess of fund commitments. As of June 30, 2013, our total fee-generating AUM is comprised of approximately 94% of assets that earn management fees and the remaining balance of assets earn monitoring fees.

The Company's entire fee-generating AUM is subject to management or monitoring fees. The components of fee-generating AUM by segment as of June 30, 2013 and 2012 and December 31, 2012 are presented below:

| | As of June 30, 2013 | | | |
|---|--------------------------------|-----------------------|----------------------|------------------|
| | Private Equity | Credit | Real Estate | Total |
| | (in millions) | | | |
| Fee-generating AUM based on capital commitments | \$ 16,052 | \$ 5,053 | \$ 159 | \$ 21,264 |
| Fee-generating AUM based on invested capital | 6,491 | 2,499 | 3,554 | 12,544 |
| Fee-generating AUM based on gross/adjusted assets | 646 | 31,351 ⁽³⁾ | 1,789 ⁽³⁾ | 33,786 |
| Fee-generating AUM based on leverage ⁽¹⁾ | 2,825 | 2,128 | | 4,953 |
| Fee-generating AUM based on NAV | | 6,476 | 267 | 6,743 |
| Total Fee-Generating AUM | \$ 26,014⁽²⁾ | \$ 47,507 | \$ 5,769 | \$ 79,290 |

- (1) Monitoring fees are normally based on the total value of certain structured portfolio company investments, which includes leverage, less any portion of such total value that is already considered for fee-generating AUM. Monitoring fees are typically calculated using a 0.5% annual rate.
- (2) The weighted average remaining life of the private equity funds excluding permanent capital vehicles at June 30, 2013 was 69 months.
- (3) The fee-generating AUM for certain of our publicly traded vehicles is based on an adjusted equity amount as specified by the respective management agreements.

Table of Contents

| | As of June 30, 2012 | | | Total |
|---|--------------------------------|------------------|----------------------|------------------|
| | Private Equity | Credit | Real Estate | |
| | (in millions) | | | |
| Fee-generating AUM based on capital commitments | \$ 15,076 | \$ 3,628 | \$ 381 | \$ 19,085 |
| Fee-generating AUM based on invested capital | 8,425 | 3,370 | 1,799 | 13,594 |
| Fee-generating AUM based on gross/adjusted assets | 938 | 28,711 | 1,817 ⁽³⁾ | 31,466 |
| Fee-generating AUM based on leverage ⁽¹⁾ | 3,315 | 3,393 | | 6,708 |
| Fee-generating AUM based on NAV | | 6,407 | 189 | 6,596 |
| Total Fee-Generating AUM | \$ 27,754⁽²⁾ | \$ 45,509 | \$ 4,186 | \$ 77,449 |

- (1) Monitoring fees are normally based on the total value of certain structured portfolio company investments, which includes leverage, less any portion of such total value that is already considered for fee-generating AUM. Monitoring fees are typically calculated using a 0.5% annual rate.
- (2) The weighted average remaining life of the private equity funds excluding permanent capital vehicles at June 30, 2012 was 66 months.
- (3) The fee-generating AUM for our real estate funds is based on an adjusted equity amount as specified by the respective management agreements.

| | As of December 31, 2012 | | | Total |
|---|----------------------------|-----------------------|----------------------|-----------|
| | Private Equity | Credit | Real Estate | |
| | (in millions) | | | |
| Fee-generating AUM based on capital commitments | \$ 15,854 | \$ 5,156 | \$ 194 | \$ 21,204 |
| Fee-generating AUM based on invested capital | 7,613 | 3,124 | 1,866 | 12,603 |
| Fee-generating AUM based on gross/adjusted assets | 855 | 31,599 ⁽³⁾ | 2,134 ⁽³⁾ | 34,588 |
| Fee-generating AUM based on leverage ⁽¹⁾ | 3,610 | 3,101 | | 6,711 |
| Fee-generating AUM based on NAV | | | | |